CONSOLIDATED ANNUAL REPORT OF THE ECHO INVESTMENT CAPITAL GROUP FOR 2013

ECHO investment

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I. LETTER TO SHAREHOLDERS, PARTNERS AND CUSTOMERS

Dear Sirs and Madams

We are past another very good year in the history of our company. Year 2013 was, in many ways, very successful, which allowed us to strengthen our position in the rapidly changing market.

In 2013, Echo Investment achieved fully satisfactory financial results. The consolidated net profit amounted to PLN 331 million and equity amounted to PLN 2,765 million which, compared to the balance as at the end of December 2012, indicated and increase by 13.7%.

Worth noting is the low level of debt of the Company and a substantial amount of cash. Net debt ratio due to loans and borrowings at the consolidated level amounted to 36%. Cash at the end of the last year exceeded the amount of PLN 420 million.

The past year will especially go down in history of our company due to two reasons — first of all, in 2013, together with the implementation of Galeria Amber in Kalisz, the total useable area of our projects exceeded the symbolic figure of 1,000,000 square meters. The second reason is the commencement of implementation, among 11 investment projects, the 155-meter high office building in Warsaw — Q22. The largest and most modern of our projects.

We were very active in the office sector — we have commenced the implementation of office buildings: West Gate in Wrocław, Tryton Business House in Gdańsk and the second stage of A4 Business Park in Katowice. We sold the buildings of Aquarius Business House in Wrocław. We have commissioned the Novotel Hotel in Łódź.

In the apartment sector we have recorded a record number of apartments sold (nearly 400), completed the first stage of Osiedle Jarzębinowe in Łódź and Kasztanowa Aleja in Poznań. We have commenced the implementation of the residential areas: Nowy Mokotów in Warsaw, Jaśminowe in Poznań and Hortus Apartments in Kraków.

In the sector of shopping centres we opened Galeria Veneda in Łomża and continued with the implementation of galleries in Kalisz and Jelenia Góra. The past year was a period of growing retail index which was clearly visible in our shopping centres in the form of significant increase in attendance and turnover of tenants.

We are also glad to see strong interest from investors who are closely watching commercial projects in Poland. Hence the highest since 2006 level of sales of commercial property, exceeding EUR 3.2 billion.

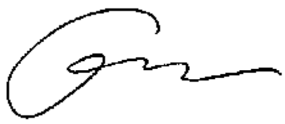
In 2013 we received a number of important industry awards — including the Retail Developer of the Year title and Galeria Echo in Kielce was considered the best shopping centre in Poland in the ranking of tennants.

We have planned over a dozen of new project in 2014 which — in accordance with our development strategy — is to ensure stable and long-term increase in the company's value.

2014 will also certainly bring new challenges for which we are prepared as a stable company with a leading market position and recognisable brand. Our 18 years of experience is a solid guarantee of success in the implementation of our objectives.

Yours sincerely

Piotr Gromniak



President of the Management Board

II. CONSOLIDATED FINANCIAL STATEMENTS OF THE ECHO INVESTMENT CAPITAL GROUP FOR 2012 AND 2013

CONSOLIDATED STATEMENT OF FINANCIAL POSITION [PLN '000]

	NOTE	31.12.2013	31.12.2012
ASSETS			
1. Non-current assets			
1.1. Intangible assets	2	815	1,186
1.2. Property, plant and equipment	3	75,406	55,875
1.3. Investment property	4	3,070,276	2,882,760
1.4. Investment property under construction	5	1,354,802	1,177,050
1.5. Long-term financial assets	6	57,996	57,929
1.6. Derivative financial instruments	11	5,962	626
1.7. Deferred tax assets	7	30,888	11,243
		4,596,145	**4,186,669**
2. Current assets			
2.1. Inventory	9	499,499	463,120
2.2. Income tax receivables		4,483	1,519
2.3. Other tax receivables		507,276	47,852
2.4. Trade and other receivables	10	57,181	63,623
2.5. Short-term financial assets	6	42,072	62,999
2.6. Derivative financial instruments	11	1,954	1,508
2.7. Restricted cash	12	64,570	40,181
2.8. Cash and cash equivalents	12	357,079	335,643
		1,534,114	**1,016,445**
3. Non-current assets held for sale	8	94,152	250,059
Total		**1,628,266**	**1,266,504**
TOTAL ASSETS		**6,224,411**	**5,453,173**

	NOTE	31.12.2013	31.12.2012
EQUITY AND LIABILITIES			
1. Equity			
1.1. Equity attributable to shareholders of the parent		2,765,438	2,431,620
1.1.1. Share capital	13	20,635	21,000
1.1.2. Supplementary capital	13	2,411,154	2,065,321
1.1.3. Equity shares purchased		-	(28,647)
1.1.4. Accumulated profit (loss)		331,103	374,115
1.1.5. Foreign exchange differences on translation of foreign operations		2,546	(169)
1.2. Equity of non-controlling shareholders		17	23
		2,765,455	**2,431,643**
2. Provisions			
2.1. Long-term provisions	14	-	1,501
2.2. Short-term provisions	14	2,000	6,263
2.3. Deferred income tax long-term provision	7	32,044	24,444
		34,044	**32,208**
3. Long-term liabilities			
3.1. Loans and borrowings	15	2,072,341	2,146,281
3.2. Derivative financial instruments	11	-	13,043
3.3. Security deposits and advances received		45,095	49,732
3.4. Lease liabilities (perpetual usufruct of land)	16	76,366	76,672
		2,193,802	**2,285,728**
4. Short-term liabilities			
4.1. Loans and borrowings	15	561,956	550,114
4.2. Derivative financial instruments	11	3,936	66
4.3. Income tax liabilities		29	2,292
4.4. Other tax liabilities		483,615	5,711
4.5. Trade liabilities	17	115,750	103,421
4.6. Other liabilities	17	19,707	16,189
4.7. Security deposits and advances received		46,117	25,801
		1,231,110	**703,594**
TOTAL EQUITY AND LIABILITIES		**6,224,411**	**5,453,173**

CONSOLIDATED PROFIT AND LOSS ACCOUNT [PLN '000]

	NOTE	01.01.2013-31.12.2013	01.01.2012-31.12.2012
Revenue	18	527,870	582,765
Prime cost of sale	19	(235,625)	(277,297)
Gross profit (loss) on sales		**292,245**	**305,468**
Profit (loss) on investment property	20	272,602	(60,836)
Selling costs		(27,459)	(28,733)
General administrative expenses		(54,625)	(54,755)
Other operating revenue	21	34,374	40,558
Other operating expenses	22	(20,450)	(12,251)
Operating profit		**496,687**	**189,451**
Financial revenues	23	9,624	273
Financial expenses	24	(164,054)	(146,993)
Profit (loss) on FX derivatives	25	3,154	18,065
Foreign exchange profit (loss)	26	(26,110)	123,102
Share in profit of affiliates		(9)	-
Gross profit (loss)		**319,292**	**183,898**
Income tax	27	11,866	190,227
- current portion		(179)	(3,330)
- deferred portion		12,045	193,557
Net profit (loss), including:		**331,158**	**374,125**
Profit (loss) attributable to shareholders of the parent company		331,103	374,115
Minority profits (losses)		55	10
Earnings (loss) per ordinary share (in PLN)	28	0.80	0.91
Diluted earnings (loss) per ordinary share (in PLN)	28	0.80	0.91

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME [PLN '000]

	NOTE	01.01.2013-31.12.2013	01.01.2012-31.12.2012
Net profit		331,158	374,125
Other comprehensive income subject to subsequent reclassification into the financial result:			
- foreign exchange gains/losses on translation of foreign operations		2,715	(9,425)
Other net comprehensive income		**2,715**	**(9,425)**
Comprehensive income for 12 months, including:		**333,873**	**364,700**
Comprehensive income attributable to shareholders of the parent company		333,818	364,690
Minority comprehensive income		55	10

STATEMENT OF CHANGES IN CONSOLIDATED EQUITY [PLN '000]

FOR THE PERIOD FROM 1 JANUARY 2013 TO 31 DECEMBER 2013	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	21,000	2,065,321	(28,647)	374,115	(169)	**2,431,620**	23	**2,431,643**
Allocation of result from previous years	-	374,115	-	(374,115)	-	**-**	-	**-**
Decrease in share capital*	(365)	(28,282)	28,647	-	-	**-**	-	**-**
Dividend paid to minority shareholders	-	-	-	-	-	**-**	(61)	**(61)**
Other comprehensive income	-	-	-	-	2,715	**2,715**	-	**2,715**
Net profit (loss) for the period	-	-	-	331,103	-	**331,103**	55	**331,158**
Total comprehensive income	-	-	-	331,103	2,715	**333,818**	55	**333,873**
Balance at the end of the period	**20,635**	**2,411,154**	**-**	**331,103**	**2,546**	**2,765,438**	**17**	**2,765,455**
FOR THE PERIOD FROM 1 JANUARY 2012 TO 31 DECEMBER 2012								
Balance at the beginning of the period	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**

* In 2013 KRS registered a decrease in the share capital of Echo Investment S.A. by PLN 365 thousand as a result of redemption of 7,309,418 shares.

** As part of the purchase of equity shares, in 2012 the Group purchased, following a call, 7,309,418 shares for the amount of PLN 28,647 thousand, with total nominal value of PLN 365 thousand.

CONSOLIDATED CASH FLOW STATEMENT [PLN '000]

	01.01.2013-31.12.2013	01.01.2012-31.12.2012
A. Operating cash flow – indirect method		
I. Gross profit (loss)	**319,292**	**183,898**
II. Total adjustments		
1. Share in net profits (losses) of associates	9	-
2. Depreciation of PP&E	5,129	5,661
3. Foreign exchange (gains) losses	26,110	(123,102)
4. Interest and profit sharing (dividends)	105,603	124,924
5. (Profit) loss on revaluation of assets and liabilities	(229,882)	28,704
6. (Profit) loss on settlement of financial instruments	(966)	4,673
	(93,997)	**40,860**
III. Movements in working capital:		
1. Movement in provisions	(5,764)	(5,623)
2. Movement in inventory	(32,376)	42,064
3. Movement in receivables	(452,632)	31,562
4. Movement in short-term liabilities, except for loans and borrowings	499,175	(75,948)
	8,403	**(7,945)**
IV. Net operating cash (I+II+III)	**233,698**	**216,813**
1. Income tax paid	(5,406)	(4,694)
V. Net operating cash flows	**228,292**	**212,119**
B. Cash flow from investing activities		
I. Proceeds		
1. Sale of intangible assets and PP&E	551	331
2. Sale of real property investments	451,396	-
3. On financial assets	79,565	27,095
4. Other investment proceeds	-	-
	531,512	**27,426**
II. Expenditures		
1. Purchase of intangible assets and PP&E	(26,830)	(5,759)
2. Real property investments	(398,733)	(488,916)
3. On financial assets	(41,165)	(429)
4. Other capital expenditures	(62)	
	(466,790)	**(495,104)**
III. Net cash flow from investing activities (I-II)	**64,722**	**(467,678)**

CONSOLIDATED CASH FLOW STATEMENT [PLN '000), CONTINUED

	NOTE	01.01.2013-31.12.2013	01.01.2012-31.12.2012
C. Cash flow from financing activities			
I. Proceeds			
1. Net proceeds from issue of shares (interests) and other equity instruments and capital contributions		-	-
2. Loans and borrowings		1,219,562	395,202
3. Issue of debt securities		315,000	395,000
4. Other financial proceeds		966	-
		1,535,528	**790,202**
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		(1,325,944)	(126,676)
5. Redemption of debt securities		(320,000)	(395,000)
6. Due to FX derivatives		-	(4,673)
7. Payment of liabilities under finance lease agreements		(306)	(15)
8. Interest		(139,182)	(155,769)
9. Other financial expenditures		-	-
		(1,785,432)	**(710,780)**
III. Net cash flow from financing activities (I-II)		**(249,904)**	**79,422**
D. Total net cash flow (A.III+/-B.III+/-C.III)		43,110	(176,137)
E. Balance sheet movement in cash, including:		45,825	(185,561)
- movement in cash due to foreign exchange gains/losses		2,715	(9,424)
F. Cash at the beginning of the period		375,824	561,385
G. Cash at the end of the period (F+/- D), including:		**421,649**	**375,824**
- restricted cash		64,570	40,181

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 2013 and comparative data for the 12-month period ended on 31 December 2012. Unless indicated otherwise, all financial data in the Group's consolidated financial statements has been presented in thousands of PLN.

The statements have been prepared in accordance with the International Financial Reporting Standards approved by the European Commission ("IFRS"). 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 2013

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 2013, i.e. IFRS 13 and amendments to IAS 1. The introduced amendments have not had any material effect on the presentation of data and measurement in the financial statements.

IFRS 13 "Fair Value Measurement"

The new standard aims to enhance consistency and attenuate complexity by articulating a precise definition of fair value and concentrating in a single standard the requirements concerning fair value measurement and the disclosure of relevant information. The Group presented additional disclosures required by that standard. The application of the new standard will not significantly affect the disclosures in the consolidated financial statements.

Amendments to IAS 1 – Presentation of items of Other Comprehensive Income

Amendments to IAS 1 require that entities split the line items presented in other comprehensive income into two groups on the basis of whether they may be captured in the financial result in the future. The Group adjusted the presentation of other comprehensive income to the requirements of the amended standard.

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 28 "Investments in associates and 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 1 January 2014. The description of the impact of this amendment is provided in the discussion on the impact of IFRS 11.

Amendments to IAS 32 "Financial Instruments: Presentation" — Offsetting financial assets and financial liabilities

The amendments to IAS 32 "Financial Instruments: Presentation" pertaining to the offsetting of financial assets and financial liabilities introduce additional explanations pertaining to IAS 32 in order to clarify certain inconsistencies found in the application of certain offsetting criteria. They include, among others, an explanation what the phrase "*has a legally enforceable right to set off the amounts*" means and that some mechanisms for settlement on a gross basis may be treated as settlement on a net basis 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.

Amendments to IAS 36 "Impairment of non-financial assets"

The amendments to IAS 36 "Impairment of non-financial assets" remove the requirement to disclose the recoverable value when the cash-generating unit includes goodwill or other intangible assets with indefinite useful life and no impairment was identified.

The Group plans to apply the amendments to IAS 36 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 refers to the classification and measurement of financial assets. In October 2010 IFRS 9 was modified to include the problem of classifying and measuring financial liabilities. In November 2013, another amendments were introduced and a part referring to hedge accounting was issued. Pursuant to the latest amendments, the date of the obligatory application of the standard was removed, therefore its application is voluntary. This standard implements a single model contemplating only two categories for the classification of financial assets: fair value measurement and amortized cost measurement. The approach in IFRS 9 is based on the business model applied by an entity to manage assets and contractual characteristics of financial assets. IFRS 9 also requires the application of a single method for estimating the impairment of assets. Most of the IAS 39 requirements relating to classification and measurement of financial liabilities were transferred to IFRS 9 without any modification. The crucial change is the requirement imposed on entities of presenting the effects of changes in their own credit risk in other comprehensive income on account of financial liabilities subject to fair value measurement through the financial result.

By the day of preparing of these financial statements, IFRS 9 had not been approved by the EU.

The Group plans to apply IFRS 9 after it has been approved by the EU.

IFRS 10 "Consolidated financial statements"

IFRS 10 supersedes the guidelines on control and consolidation in IAS 27 "Consolidated and Separate Financial Statements" and SIC-12 interpretation "Consolidation– Special-Purpose Entities". IFRS 10 alters the definition of control in such a manner that the same criteria for determining control will apply to all entities. The adjusted definition is accompanied by extensive guidelines concerning application.

The Group is in the course of analyzing the impact this new standard and plans to apply IFRS 10 as of 1 January 2014.

IFRS 11 "Joint arrangements"

IFRS 11 supersedes IAS 31 "Interests in Joint Ventures" and SIC-13 interpretation "Jointly Controlled Entities - Non-Monetary Contributions by Venturers". The changes in the definitions curtailed the number of types of joint ventures to two: joint operations and joint ventures. At the same time, the current possibility of selecting pro rata consolidation in reference to entities under joint control 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 result in the change in classification of a jointly controlled entity and change in the method of its measurement (currently it is measured using the proportional consolidation method which will forbidden by IFRS 11). In the opinion of the Management Board, the entity under joint control will constitute a joint venture and will be recognised using the equity method.

IFRS 12 “Disclosure of interests in other entities”

IFRS 12 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 and IAS 27. 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 2014. The application of the new standard will affect the scope of disclosures in the financial statements.

Changes to transition guidance for IFRS 10, IFRS 11 and IFRS 12

The changes define in detail the transition guidance for IFRS 10 “Consolidated financial statements”. The entities adopting IFRS 10 should assess whether or not they have control on the first day of the annual period, for which IFRS 10 was applied for the first time and if conclusions from that assessment are different from the conclusions in IAS 27 and SIC 12 then comparative data should be restated, unless impracticable. The changes also introduce additional transition guidance providing relief from the full application of IFRS 10, IFRS 11 and IFRS 12 by limiting the obligation to present adjusted comparative information to a single reporting period directly preceding the current one. Moreover, the changes abolish the requirement to present comparatives for disclosures relating to unconsolidated entities managed under a management contract for periods preceding the first time adoption of IFRS 12.

The Group plans to apply the above changes as of 1 January 2014. The application of these regulations will not significantly affect the Group’s financial statements.

IFRIC 21 “Taxes and fees”

The IFRIC 21 interpretation clarifies the accounting recognition of obligations to pay fees and taxes that are not income taxes. An event defined in the legislation giving effect to pay taxes or fees is an obligating event. The fact itself that the entity will continue to operate in the next period, and will draw up a report in accordance with principle of continuing operation, does not create the need to understand the commitment. The same principles apply to liability recognition of annual and interim reports. Application of the interpretation of the obligations arising from emission rights is optional.

By the day of preparing of these financial statements, IFRIC 21 had not been approved by the EU.

The Group plans to apply the above changes as of 1 January 2014. The application of these regulations will not significantly affect the Group’s financial statements.

MAIN ACCOUNTING PRINCIPLES

Measurement of items in foreign currencies

The reporting currency for the Group’s financial statements is Polish zloty (“PLN”), which is the reporting and functional currency of the parent company.

Foreign currency transactions are converted into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of assets and liabilities denominated in foreign currencies are recognised in the financial result.

The Group comprises entities which use a different functional currency than PLN. The reporting 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 (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case revenue and expenses are converted at the rate on the dates of the transactions) FX differences resulting from the conversion have been recognised in other comprehensive income, and the accumulated amounts are under a separate equity item.

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 or cash-generating unit 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 available for 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 which would be received for the sale of an asset or paid for the transfer of liability in a transaction between market participants, carried out on regular terms, as at the measurement date. 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), 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 of property which comply with the definition of investment property is recognised in accordance with principles specified in item "Investment property", in particular, perpetual usufruct of land is recognised and measured as finance lease.

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. executed by external companies). 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.

Expenditure of inventory is recognised by detailed identification of purchase prices and manufacture costs. With respect to finished goods, the detailed description is provided in note "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 – these include:
  - financial assets held for trading. 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;
- 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.

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.

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

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

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, and the result of the measurement is reflected in the financial result.

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, respectively, cash flow from investing or financing activities.

Bods acquired, borrowings granted, trade and other receivables

Bods acquired, borrowings granted, trade and other receivables constituting financial assets are classified as “Borrowings and receivables”.

Bods acquired, borrowings granted, trade and other receivables are initially recognised in the balance sheet at the fair value (increased by transaction costs, if applicable) 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, discounted using the original effective interest rate. The amount of loss is recognised in the profit and loss account in “other operating expenses”. 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 assets available for sale

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. In an impairment is identified, amounts recognised initially in other comprehensive income are reclassified into financial result.

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 increase by accrued income.

The same definition of cash applies to the cash flow statement.

Financial liabilities (including trade liabilities)

Financial liabilities include loans, borrowings, debt securities, trade liabilities and other financial liabilities. Financial liabilities (including trade liabilities) are initially measured at the fair value less transaction costs. Following initial recognition, 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.

Financial guarantee agreements

Financial guarantee agreements are recognised 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 there is a probability of payment and creation of a provision.

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 on temporary differences between the carrying values of assets and liabilities and the corresponding tax values used to calculate the tax base.

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.

For the calculation of deferred income tax, a tax rate is used which will apply in the reporting periods in which assets will be settled or liabilities will be released.

Deferred 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 recognised 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.

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 which require longer preparation for their intended use or sales, recognised as inventories and commenced investments. Capitalisation includes financial costs determined using the effective interest rate 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. In the case of general financing, the financial expenses subject to capitalisation are determined using a capitalisation rate in relation to expenditure incurred for a given asset.

Consolidation of subsidiaries and recognition of shares in jointly controlled entities

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, even if it holds less than half of voting rights. 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.

Jointly controlled entities are consolidated with the proportionate method.

As at 31 December 2013, the Echo Investment Capital Group comprises 113 fully consolidated subsidiaries and one jointly controlled entity consolidated with the proportionate method, while as at 31 December 2012 the Group comprised comprised 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

Investment property include shopping centres and office buildings rented out by the Group companies, grouped according to risk and valuation method in a single class of investment property. The fair value of investment property is classified at level 3 in the hierarchy of fair value.

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

Since most rent agreements concluded by the Group are denominated in EUR, the valuations of investment properties have been prepared in EUR and converted to PLN according to the average exchange rate of the NBP as at the balance sheet day. According to the Group's measurements, the total value of investment properties, as at 31 December 2013, was PLN 3,039,654 thousand (PLN 2,851,847 thousand as at 31 December 2012). The yields used to estimate fair value as at 31 December 2013 ranged from 6.9% to 9.0%. (and from 7.24% to 9.95%, as at 31 December 2012). 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.

Based on the conducted simulations, it was ascertained that the influence of 1% change in EUR/PLN exchange rate on the net profit would be a corresponding maximum increase or decrease in investment propery by PLN 24,621 thousand (in 2012 — PLN 23,100 thousand).

The measurement of the fair value of investment property depends on a number of assumptions made by the entity performing the valuation. In Q1 2014, the Group received the measurement of, among others, investment property as at 31 January 2014, prepared by an independent property advisor — Knight Frank Sp. z .o.o. with its registered office in Warsaw. According to these measurements, the total value of investment properties, as at 31 January 2014, was PLN 3,719,640 thousand (according to average EUR/PLN exchange rate as at 31 December 2013). The measurements were also prepared using the income method but under other assumptions than those made by the Management Board and presented herein (the measurement by the independent consulting company was prepared using estimated income from vacancies and stands, as well without taking into account estimated repair expenditures and using yields that were lower, on average, by 10% than yields used by the Management Board.

As at 31 December 2013, the projects under construction Galeria Amber in Kalisz, A4 Business Park – Stage I in Katowice and Park Rozwoju – Stage I in Warsaw, were measured at the fair value using the income method. These projects are expected to be completed in 2 to 3 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 356,530 thousand (as at 31 December 2012: PLN 194,233), and the value of other properties was PLN 952,527 thousand (as at 31 December 2012: PLN 937,058 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 (income method). 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, option contracts and IRS instruments 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 in the financial statements for 2012.

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 (intended purpose) of land for the Company's current and prospective business estimated by the Management Board.

Non-current assets held for sale

The Group classifies non-current assets as held for sale if their carrying value is recovered by way of a sale transaction rather than further use. Assets may only be included in this group if the entity's management board is actively looking for a buyer and there is a high probability that the assets will be disposed of within one year from the date of their inclusion in the group as well as the availability of these assets for sale. These assets are measured at the lower of the following two amounts: the carrying value and the fair value less costs of sale.

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, bank deposits, 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 2013, 54.6% of liabilities due to loans and debt securities had fixed interest rates (swaps), and the remaining portion had variable rates. 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. As at 31 December 2013 and 31 December 2012, all borrowings granted and bonds held had had variable interest 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 362 thousand (in 2012: PLN 863 thousand)
- for cash and deposits: by PLN 3,728 thousand (in 2012: PLN 3,049 thousand)
- for loans received and bonds issued: by PLN 9,678 thousand (in 2012: PLN 9,870 thousand) In total: PLN 13,768 thousand (in 2012: PLN 13,782 thousand)

FX risk

Foreign exchange risk is related to investment loans in foreign currencies in the Group (as at 31 December 2013 — EUR 431,553 thousandand, as at 31 December 2012 — EUR 411,762 thousand) 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 2012–2013, 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, as at 31 December 2013, a portion of the Group's cash flow in 2014 (EUR 57.8 million — forward transactions), in 2015 (EUR 16.8 million and EUR 50 million

— options) and in 2016 (EUR 150 million — options) was hedged while as at 31 Decemebr 2012, a portion of the Group's cash flow in 2013 (EUR 21.1 million — forward transactions) and in 2014 (EUR 5.4 million — forward transactions) was 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 2013, 91% of the Group's cash was denominated in PLN, 8% were denominated in EUR and 1% was denominated in other currencies while in 2012, 94% of the Group's cash was denominated in PLN, 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 10% change of the EUR/PLN exchange rate on the net profit would be a corresponding maximum increase or decrease:

- for forwards: by PLN 25,060 thousand (in 2012: PLN 8,310 thousand);

- for loans received in EUR: by PLN 144,970 thousand (in 2012: PLN 134,100 thousand); In total: PLN 170,030 thousand (in 2012: PLN 142,410 thousand).

Credit Risk

The credit risk occurs in relation to cash in the form of deposits in banks and financial institutions, financial derivatives which are financial assets, the purchased bonds 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 (deposits and guarantees usually amount to 3-months rent). There is no significant concentration of risk in relation to any of the Group's customers. Note 10A presents the coverage of receivables as at the balance sheet date by deposits used to secure receivables. 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 2013, 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 265 million while 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 2013:

[PLN '000]	LOANS	BONDS	FORWARD	TRADE AND OTHER LIABILITIES	LEASE (PERPETUAL USUFRUCT OF LAND)
Up to 1 year	254,144	323,175	-	115,740	8,245
Between 1 and 3 years	490,091	285,574	-	10	16,490
Between 3 and 5 years	592,833	286,550	-	-	16,490
Between 5 and 10 years	584,647	-	-	-	41,225
Over 10 years	-	-	-	-	598,156
Total	**1,921,715**	**895,299**	**-**	**115,750**	**680,606**

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 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 2013 AND 31 DECEMBER 2012:

	31.12.2013	31.12.2012
Total loans (note 15)	2,634,297	2,696,395
Cash (note 12)	(421,649)	(375,824)
Net debt	2,212,648	2,320,571
Equity attributable to shareholders of the parent	2,765,438	2,431,620
Total capital (equity and loans/borrowings)	4,978,086	4,752,191
Debt ratio	44.45%	48.83%

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

INFORMATION ON MATERIAL POST-BALANCE SHEET EVENTS

Sale of assets of significant value – final contract of sale regarding 2nd stage of office project in Wrocław

On 31 January 2014, a subsidiary of the Issuer, Projekt Echo - 104 Spółka z ograniczoną odpowiedzialnością with its registered office in Kielce (25-323), Al. Solidarności 36, which is entered in the Register of Entrepreneurs kept by the District Court in Kielce under the number KRS 446924 (hereinafter referred to as the Seller) and Skua Spółka z ograniczoną odpowiedzialnością with its registered office in Warsaw (the address: ul. Mokotowska 49, 00-542 Warsaw), which is entered in the Register of Entrepreneurs kept by the District Court for the Capital City of Warsaw, 12th Commercial Department of the National Court Register, under the number KRS 422523 (hereinafter referred to as the Buyer) concluded the final sales contract concerning a plot of land at ul. Swobodna and ul. Borowska in Wrocław, including the ownership of an office building located on the land, which constitutes the second stage of the Aquarius Business House office project, as well as its auxiliary infrastructure (hereinafter referred to as the Office Project).

The total value of the Office Project sales contract amounts to EUR 22,703 thousand, which on the day of signing the contract equals PLN 96,188 thousand in accordance with the average exchange rate of the National Bank of Poland, plus the applicable VAT tax.

n the consolidated financial statement of the Echo Investment capital group at the end of Q3 2013 the book value of the assets sold, which were evaluated in accordance with IAS standards, was PLN 79,844 thousand.

A subsidiary of the Issuer, 'Echo Investment Property Management – Grupa Echo Sp. z o.o.' Spółka komandytowa will be the facility manager of the office building until December 2017. The office building is 100% leased.

Issue of bonds

On 19 February 2014 the Company issued coupon bonds with a total value of PLN 100 mln.

The nominal value and the issue price of one bond is PLN 10,000. The bonds were issued for the period ending on the 19 February 2019. The interest rate on the bonds was determined on the basis of variable WIBOR 6M rate plus investors' profit margin. Interest earnings will be disbursed in 6-month intervals. On the redemption date the bonds will be redeemed at the nominal value of the bonds. The issued bonds are not secured.

The value of the liabilities incurred by the Issuer amounts to PLN 928 mln on the last day of the quarter preceding the presentation of the acquisition proposal i.e. on 30 September 2013.

According to the Management Board of Echo Investment S.A., during the validity period of the bonds issued the general liabilities of Echo Investment S.A. will be kept at a safe level while the indicators of the company's ability to handle debt guarantee that it is capable of servicing liabilities resulting from the bonds issued.

The issued bonds constitute 16.33% of Echo Investment S.A.'s equity on 30 September 2013.

The bonds carry no title to nonmonetary benefits from the Issuer.

The funds acquired from the issue of the above-mentioned bonds will be used to roll the bonds with the redemption date in June 2014.

Resolution of the Board on the Bond Issue Programme

The Management Board of Echo Investment S.A. (the 'Issuer', the 'Company') hereby reports that that on 18 March 2014 the Board passed a resolution on the enactment of an ordinary bearer bond issue programme of up to 2,000,000 bonds with a nominal value of PLN 100 each and a total nominal value of up to PLN 200,000,000 (the 'Issue Programme', the 'Bonds').

The Bonds are to be issued on the following conditions:

1. The Bonds will be issued on the basis of Art. 9 section 1 of the Act on Bonds of 29 June 1995 (the 'Act on Bonds').
2. The Bonds will be offered in a public offering within the meaning of Art. 3 section 3 of the Act of 29 July 2005 (the 'Act on Public Offering'), on the basis of a prospectus drawn up the Company pursuant to Art. 21 section 2 of the Act on Public Offering and confirmed by the Financial Supervision Authority.
3. The Bonds will not have a form of document. The Bonds will be dematerialized and registered in a depository for securities under the management of the National Depository for Securities.
4. The Bond issue conditions within the meaning of Art. 5b of the Act on Bonds will consist of basic Bond issue conditions included in the prospectus and an issue supplement that will contain detailed Bond issue conditions referring to a given series, which are to be established individually for each series of Bonds before their issue.
5. The Bonds will be unsecured.
6. The interest on the Bonds will be variable or fixed. The method of interest calculation, the starting date of interest calculation, the amount of interest, the interest payment dates and places will be stipulated in the issue supplement of a given series of Bonds.
7. The bonds will be issued in one or more series within a period of maximum 12 months from the date when the basic prospectus concerning the Issue Programme is approved by the Financial Supervision Authority. All the series of Bonds will be identical in terms of the incorporated rights, which does not preclude the possibility of differentiation of other issue conditions regarding individual Bond series.
8. The Bond redemption period will not be longer than 10 years from the issue date of a given Bond series; the date and principles of redemption will be stipulated in the issue supplement of given Bond series, which can also provide for an early redemption of Bonds at the Company's or bond holder's request.
9. The benefits resulting from the Bonds will be exclusively monetary and will consist in the payment of their nominal value and the interest. A detailed description of the benefits resulting from the Bonds, in particular the amount of the benefits and the method of their calculation as well as the dates, methods and places of their payment will be included in the basic issue conditions and the issue supplement of a given series of Bonds.
10. The Bonds of each series will be included in an application to list and float them on the regulated market as part of the Catalyst platform which is operated by the Warsaw Stock Exchange.
11. The Bonds will be marked with a series number which will be indicated in the issue supplement of a given Bond series.
12. The issue conditions of a given Bond series will not provide for a minimal number of Bond subscriptions required for an issue to be effective.

Information on the portfolio valuation of Echo Investment Group

The Management Board of Echo Investment S.A. Company (the „Company") hereby informs that on 20 March 2014 the Company received the portfolio valuation of selected 26 properties of Echo Investment Group, as of 31 January 2014, prepared by an independent consulting company operating within the property industry - Knight Frank Sp. z .o.o., a limited liability company with its seat in Warszawa.

The valuation concerns the portfolio of commercial properties in use along with their subsequent construction phases and expansions as well as residential buildings being on sale along with their subsequent construction phases in the pipeline.

The following 4 methods of valuation have been used:

1. Market value of finished investment projects (MV) – an income value, the value assumes that a particular investment project is finished,
2. Market value of finished investment projects with expenditures to be incurred (MV-C) – an income-based method, the value assumes that a particular investment project is finished (commissioned), however there are still expenditures to be covered, the market value (MV) diminished by nominal expenditures to be covered constitutes the valuation result,
3. Residual value (RV) – an income-based method, a value including expenditures to be covered, it is discounted as on the valuation date,
4. Land value (CV) – a comparative method, the land value expressed based on market transactions involving sale of land on local or similar markets, this method has been used in the case of properties in the pipeline, whose construction has not commenced yet.

The valuation results are as follows:

[PLN '000]	VALUATION VARIANT CV	VALUATION VARIANT RV	BALANCE SHEET VALUE
Shopping centres	3,403,901	3,485,643	2,668,539
Offices	967,355	974,820	826.970
Residential buildings	299,010	291.200	255.268
Total	**4,670,267**	**4,751,663**	**3,750,777**

EUR rate used for conversion of the valuation results: 4,1472 (as at 31 December 2013).

The difference between the two variants results from adopting a different approach to investment projects in the pipeline:

Variant CV: the value of investment projects in the pipeline has been shown as the value of land estimated using the comparative method (CV),

Variant RV: the value of investment projects in the pipeline has been estimated using the method of residual value (RV).

Balance sheet value:

- In the context of commercial properties in use, under construction or in the pipeline, the balance sheet value is a book value adopted in the balance sheet as at 31 December 2013,
- In the context of residential buildings, the balance sheet value is inventory valuation as at 31 January 2014 – this is in accordance with the date and object of valuation.

The following table presents the list of investment projects along with the adopted valuation method:

INVESTMENT PROJECT	TYPE	PROPERTY CONDITION	VALUATION METHOD VARIANT CV	VALUATION METHOD VARIANT RV
Galeria Echo – Kielce	Shopping centre	In use	MV	MV
Pasaż Grunwaldzki – Wrocław	Shopping centre	In use	MV	MV
Galaxy - Szczecin	Shopping centre	In use, expansion in the pipeline	MV CV	MV RV
Olimpia – Bełchatów	Shopping centre	In use	MV	MV
Outlet Park – Szczecin	Shopping centre	In use, expansion in the pipeline	MV CV	MV RV
Veneda - Łomża	Shopping centre	In use	MV	MV
Galeria Echo – Przemyśl	Shopping centre	In use	MV	MV
Galeria Sudecka – Jelenia Góra	Shopping centre	In use (part of the project) and under expansion	RV	RV
Amber – Kalisz	Shopping centre	In use since March 2014	MV-C	MV-C
Malta Office Park – Poznań	Offices	In use	MV	MV

INVESTMENT PROJECT	TYPE	PROPERTY CONDITION	VALUATION METHOD VARIANT CV	VALUATION METHOD VARIANT RV
Oxygen - Szczecin	Offices	In use	MV	MV
Postępu 3 - Warszawa	Offices	In use	MV	MV
Babka Tower - Warszawa	Offices	In use	MV	MV
Astra Park - Kielce	Offices	In use	MV	MV
Park Rozwoju - Warszawa	Offices	Phase I in use since February 2014, Phase II under construction	MV-C RV	MV-C RV
A4 Biznes Park - Katowice	Offices	Phase I in use since February 2014, Phase II under construction, Phase III in the pipeline	MV-C RV CV	MV-C RV RV
Klimt - Warszawa	Residential building	Construction phase finished, on sale	MV	MV
Przy Słowiańskim Wzgórzu – Wrocław	Residential building	Construction phase finished, on sale	MV	MV
Osiedle Jarzębinowe – Łódź	Residential building	Phase I - construction phase finished, on sale, Other phases in the pipeline	MV CV	MV RV
Nowy Mokotów - Warszawa	Residential building	Phase I under construction, on sale, Other phases in the pipeline	RV CV	RV RV
Kasztanowa Aleja Phase II – Poznań	Residential building	Under construction, on sale	RV	RV
Osiedle Jaśminowe – Poznań	Residential building	Phase I under construction, on sale, Other phases in the pipeline	RV CV	RV RV
Hortus Apartments - Kraków	Residential building	Under construction, on sale	RV	RV
Bronowicka 42 - Kraków	Residential building	Under construction, on sale	RV	RV
Grota 111 - Wrocław	Residential building	Phase I under construction, on sale, Other phases in the pipeline	RV CV	RV RV
Osiedle Południowe – Dyminy near Kielce	Parcels of land	Phase I and II – construction finished, on sale, III phase under construction, on sale	MV RV	MV RV

Loan agreement of Issuer's subsidiary

On 31 March 2014, a subsidiary of the Issuer, A4 Business Park – 'IRIS CAPITAL' Spółka z ograniczoną odpowiedzialnością – Spółka komandytowo-akcyjna with its registered office in Kielce (address: al. Solidarności 36, 25-323 Kielce), the company files of which are kept at the District Court in Kielce, 10th Commercial Department of the National Court Register, entered in the Register of Entrepreneurs under the number KRS 0000445973 (hereinafter referred to as the 'Borrower') and BNP PARIBAS BANK POLSKA SPÓŁKA AKCYJNA, with its registered office in Warsaw (address: ul. Suwak 3, 02-676 Warsaw), the company files of which are kept at the District Court for the capital city of Warsaw in Warsaw, 13th Commercial Department of the National Court Register, entered in the Register of Entrepreneurs under the number KRS 0000006421 (hereinafter referred to as the 'Lender', the 'Bank'), singed a loan agreement (hereinafter referred to as the 'Agreement' or the 'Loan').

The funds acquired on the basis of the Loan will be used in connection with the construction of stages one and two of the office complex under the name of 'A4 Business Park Katowice' in Katowice (hereinafter referred to as the 'Project') by the subsidiary of the Issuer.

Subject to the provisions of the Agreement, the Bank provides the Borrower with:

- cash from the Construction Loan of EUR 24,821 thousand to be used to finance and refinance the construction costs of stages one and two of the Project;

- cash from the VAT Loan of PLN 5,000 thousand to be used to pay or refinance VAT due;

- cash from the Investment Loan of EUR 29,000 thousand to be used to refinance the debt resulting from money used in the Construction Loan.

The loans shall bear interest: for the Construction Loan and the Investment Loan it is based on the EURIBOR interest rate and for the VAT Loan it is based on the WIBOR interest rate, plus an appropriate bank's margin for all of them.

The ultimate repayment dates of the monetary resources resulting from the Agreement are as follows:

- with reference to Construction Loan – 14 and 24 months from the day of concluding the Agreement, however, no later than 6 months from the Required Completion Date for Buildings 1 and 2;

- with reference to the VAT Loan – 24 months from the day of concluding the Agreement but no later than 6 months from the Required Completion Date for Building 2;

- with reference to the Investment Loan – no later than within 60 months from the Date of Conversion i.e. the repayment date of the Construction Loan with the Investment Loan.

The main collaterals provided by the Borrower in order to guarantee the repayment of the Loan and any amounts due to the Bank are:

- the highest priority real estate mortgage on the Property of up to 150% of the total loan value in favour of the Lender;

- the highest priority registered pledge and financial pledge in favour of the Lender on all the shares in the General Partner's share capital, of up to 150% of the secured liability;

- the highest priority registered pledges and financial pledges in favour of the Lender on all the shares in the Borrower's share capital, of up to 150% of the secured liability;

- the highest priority registered pledge in favour of the Lender on all the chattel and rights constituting the Borrower's enterprise, of up to 150% of the secured liability;

- the highest priority registered pledges in favour of the Lender on all transferable rights which the General Partner is entitled to as a result of its share in the Borrower's company, of up to 150% of the secured liability;

- the highest priority registered pledges and financial pledges in favour of the Lender on the receivables from Accounts, of up to 150% of the secured liability;

- a power of attorney granted by the Borrower which entitles the Lender to manage its accounts;

- assignment of receivables and rights resulting from e.g. all the Lease Agreements, Insurance Agreements, Construction Work Agreements, guarantees of proper execution concerning Construction Work Agreements, Project Management Agreements and others, by the Borrower in favour of the Lender;

- a debt subordination agreement;

- a guarantee agreement regarding a capital injection for the Borrower in the case of exceeding project costs;
- Borrower's declaration on the submission to enforcement proceedings.

TRANSACTIONS WITH RELATED PARTIES

At the end of 2013, as a result of transactions with related parties, the Echo Investment S.A. Capital Group held trade receivables from jointly controlled entities in the amount of PLN 1,548 thousand and generated revenue on jointly controlled entities in the amount of PLN 15,486 thousand.

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 2013, Managers of Echo Investment S.A. received remuneration in Echo Investment S.A. Group:
- Piotr Gromniak received remuneration in Echo Investment S.A. in a total amount of PLN 803 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 760 thousand; he did not receive remuneration for exercising functions in the bodies of subsidiaries, jointly controlled entities and associates.
- Waldemar Lesiak received remuneration in Echo Investment S.A. in a total amount of PLN 512 thousand; he did not receive remuneration for exercising functions in the bodies of subsidiaries, jointly controlled entities and associates.

In 2013, supervisory staff of Echo Investment S.A. received the following remuneration in Echo Investment S.A. for holding supervisory functions in the Echo Investment S.A. Group:

- 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;

In 2012, Managers of Echo Investment S.A. received remuneration in Echo Investment S.A. Group:

- 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.

In 2012, supervisory staff of Echo Investment S.A. received the following remuneration in Echo Investment S.A. for holding supervisory functions in the Echo Investment S.A. Group:

- 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.

EXPLANATORY NOTES

EXPLANATORY NOTES TO THE BALANCE SHEETS

NOTE 1

OFF-BALANCE SHEET ITEMS [PLN '000]	31.12.2013	31.12.2012
1. Contingent liabilities		
1.1 Due to related parties:	-	-
1.2 Due to other entities:		
a) guarantees and sureties granted	53,609	10,058
b) court cases	406	-
	54,015	10,058
Total contingent liabilities	**54,015**	**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 2013, the Group held investment liabilities due to the concluded contracts for prospective implementation of commenced and planned construction projects as part of investment property in the amount of PLN 200,866 thousand (PLN 164,086 thousand as at 31 December 2012) and as part of inventory in the amount of PLN 65,062 thousand (PLN 36,872 thousand as at 31 December 2012). 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.

List of guarantees and securities:

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. The guarantee amount is PLN 9,856 thousand.

Security of liabilities due to Horta Sp .z o.o. in the case of improper performane of the final agreement for the sale of an office building, Aquarius Business House in Wrocław, Stage I. The guarantee was issued in euro. The guarantee amount is PLN 20,736 thousand.

Security for the liabilities due to Skua Sp. z o.o. in the event that the seller does not pay liquidated damages to the buyer upon the withdrawal from the Preliminary Property Sale Agreement of 17 October 2012. The guarantee was issued in euro. The guarantee amount is PLN 16,589 thousand.

Bank guarantee of Pekao S.A. to the Commune of Jelenia Góra as security for the payment of claims arising from a failure to perform in a timely manner the agreement concluded on 24 August 2012. The guarantee amount is PLN 3,600 thousand.

Bank performance issued by PKO BP S.A. for the benefit of ORBIS S.A. securing claims due to non-performance or inadequate performance of the agreement of 04 September 2008 with subsequent amendments. The guarantee amount is PLN 2,155 thousand.

Bank performance bond by PKO BP S.A. to Dalkia Warszawa S.A., securing punctual and complete performance of works, as per the agreement of 7 June 2013. The guarantee amount is PLN 350 thousand.

Bank performance bond issued by PKO BP S.A. to Dalkia Warszawa S.A., securing punctual and complete performance of works, as per the conditional agreement of 21 June 2013. The guarantee amount is PLN 170 thousand.

Bank performance bond issued by Bank PKO BP S.A. to Immopoland Sp. z o.o., securing proper performance of the lease agreement of 28.08.2009, as amended, concluded between Echo Investment S.A. and Immopoland Sp. z o.o. The guarantee amount is PLN 153 thousand.

NOTE 2

MOVEMENTS IN INTANGIBLE ASSETS (BY TYPES) (PLN '000) FOR THE PERIOD 01.01.2013 - 31.12.2013	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	**5,568**	**2**	**5,570**
b) movement (due to)			
- purchase	282		282
c) gross value of intangible assets at the end of the period	**5,850**	**2**	**5,852**
d) accumulated amortisation at the beginning of the period	4,382	2	4,384
e) amortisation for the period (due to)			
- amortisation	653	-	653
f) accumulated amortisation (depreciation) at the end of the period	**5,035**	**2**	**5,037**
g) net intangible assets at the end of the period	**815**	**-**	**815**

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)			
- liquidation	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**

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 01.01.2013 - 31.12.2013	OWN LAND	BUILDINGS AND STRUCTURES	PLANT AND MACHINERY	MEANS OF TRANSPORT	OTHER AND PP&E UNDER CONSTRUCTION	TOTAL PP&E
a) gross value of PP&E at the beginning of the period	14,139	35,994	8,151	21,470	5,126	84,880
b) increases due to:						
- purchase	-	563	1,067	1,528	22,642	25,800
- reclassification from other activity	218	908	-	-	-	1,126
c) decreases due to:						
- sale	-	-	(200)	(482)	(98)	(780)
- reclassification to other activity	(8,301)	-	-	-	-	(8,301)
- liquidation	-	-	-	-	(16)	(16)
d) gross value of PP&E at the end of the period	**6,056**	**37,465**	**9,018**	**22,516**	**27,654**	102,709
e) accumulated depreciation at the beginning of the period	109	2,473	5,874	10,741	3,519	22,716
f) depreciation for the period (due to)						
- depreciation	2	1,390	1,070	2,175	492	5,129
- liquidation	-	-	-	-	(16)	(16)
- sales adjustment	-	-	(196)	(330)	-	(526)
g) accumulated depreciation at the end of the period	**111**	**3,863**	**6,748**	**12,586**	**3,995**	**27,303**
h) impairment losses	**-**	**-**	**-**	**-**	**-**	**-**
i) net PP&E at the end of the period	**5,945**	**33,602**	**2,270**	**9,930**	**23,659**	**75,406**

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 AND PP&E UNDER CONSTRUCTION	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 4A

MOVEMENT IN INVESTMENT PROPERTY (BY TYPES) (PLN '000)	31.12.2013	31.12.2012
Balance at the beginning of the period	2,882,760	2,893,756
a) increases (due to)		
- capital expenditures incurred	31,885	13,078
- reclassification from investment property under construction (Note 5)	172,320	312,019
- revaluation of property (Note 20)	260,410	156,122
	464,615	**481,219**
b) decreases (due to)		
- sale	180,504	-
- revaluation of property (Note 20)	-	238,941
- reclassification to investment property under construction (Note 20)	-	1,229
- reclassification to inventory (Note 5)	1,387	1,985
- decrease of lease payments for perpetual usufruct	292	1
- reclassification to non-current assets held for sale (Note 8)	94,152	250,059
- donations	764	-
	277,099	**492,215**
Property at the end of the period	**3,070,276**	**2,882,760**
- including liability due to the perpetual usufruct of land	30,622	30,913
- including vale from the measurement of property to fair value resulting from the expert valuation	3,039,654	2,851,847

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

As at 31 December 2013, 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 2013, the value of properties according to the measurement was EUR 732,941 thousand (31 December 2012: EUR 697,580 thousand – 15 properties).

In 2013, the Group commissioned to use the office building Aquarius Business House in Wrocław (stage II) and the shopping centre Veneda in Łomża.

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 3,016,900 thousand are encumbered with capped mortgages up to EUR 822,518 thousand and PLN 59,181 to the benefit of the banks funding individual projects (as at 31 December 2012, the mortgages were established in the amount of up to EUR 712,737 thousand and PLN 179,933 on investment property worth PLN 2,830,486 thousand).

NOTE 4B

INVESTMENT PROPERTY – EFFECT ON THE RESULT (PLN '000)	01.01.2013 - 31.12.2013	01.01.2012 - 31.12.2012
a) revenue from investment property rents	378,726	366,901
b) direct operating expenses (including repair and maintenance costs) on investment property generating rent revenue in the period	136,774	124,026
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)	31.12.2013	31.12.2012
Balance at the beginning of the period	1,177,050	1,047,624
a) increases (due to)		
- capital expenditures incurred	367,727	427,827
- measurement of investment property under construction (Note 20)	-	21,983
- exchange rate differences	-	7,105
- reclassification from investment property	-	1,229
	367,727	**458,144**
b) decreases (due to)		
- reclassification to investment property (Note 4A)	172,320	312,019
- measurement of investment property under construction (Note 20)	8,640	-
- reclassification to inventory	4,884	-
- donations	3,855	-
- decrease of lease payments for perpetual usufruct	15	14
- exchange rate differences	261	16,685
	189,975	**328,718**
Property at the end of the period	**1,354,802**	**1,177,050**
- including value of perpetual usufruct of land	45,745	45,759
- including property value without the perpetual usufruct of land	1,309,057	1,131,291

Investment properties under construction worth PLN 399,602 thousand are encumbered with capped mortgages up to EUR 135,000 thousand and PLN 76,600 (as at 31 December 2012, the mortgages were established in the amount of up to EUR 119,025 thousand and PLN 84,100 on investment property under construction worth PLN 271,845 thousand).

In 2012, capitalised borrowing costs amounted to PLN 8,670 thousand; in 2012: PLN 0.

In 2012, capitalisation rate amounted to 4.13%, in 2012 — 6.24%.

NOTE 6

FINANCIAL ASSETS (PLN '000)	31.12.2013	31.12.2012
a) bonds	44,741	106,649
b) bank deposits	3,443	-
c) long-term security deposits	13,210	13,557
d) long-term borrowings granted	41	13
e) short-term borrowings granted	38,630	544
f) interests and advances on interests	3	165
Balance at the end of the period, including:	**100,068**	**120,928**
- long-term	57,996	57,929
- short-term	42,072	62,999

Bonds classified according to IAS 39 as "borrowings and receivables" are measured at amortised cost. The carrying amount does not deviate significantly from the fair value. The fair value was measured using the income method (discounted cash flows using the current market interest rate). The fair value is classified at level 2 in the hierarchy of fair value.

Long-term bonds with nominal value of PLN 44.3 million, issued by one entity, mature in 2016 (this refers to 2012 and 2013). Moreover, as at 31 December 2012 the Group held short-term bonds issued by another entity, maturing in December 2013.

Borrowings were granted to legal and natural persons in PLN, the interest rate was determined at the level of WIBOR + margin. The largest borrowing amounts to PLN 37 million (granted to a non-related party). All borrowings are recoverable.

The maximum value of lending risk related to the borrowings is equivalent to their carrying value. he 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 fair value is classified at level 2 in the hierarchy of fair value.

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)	31.12.2013	31.12.2012
1. Deferred income tax at the beginning of the period:		
- measurement of financial instruments	(935)	(13,326)
- measurement of investment properties	(10,820)	(61,968)
- interests in subsidiaries, jointly controlled entities and associates*	-	(171,002)
- tax loss	793	6,716
- liabilities due to loans and borrowings (measurement, FX differences, etc.)	(4,505)	11,382
- other	2,266	21,440
	(13,201)	**(206,758)**
2. Movement in the period		
- measurement of financial instruments	490	12,391
- measurement of investment properties	5,125	51,148
- interests in subsidiaries, jointly controlled entities and associates*	(2,202)	171,002
- tax loss	(196)	(5,923)
- liabilities due to loans and borrowings (measurement, FX differences, etc.)	12,708	(15,887)
- other	(3,880)	(19,174)
	12,045	**193,557**
3. Total deferred income tax at the end of the period:		
- measurement of financial instruments	(445)	(935)
- measurement of investment properties	(5,695)	(10,820)
- interests in subsidiaries, jointly controlled entities and associates*	(2,202)	-
- tax loss	597	793
- liabilities due to loans and borrowings (measurement, FX differences, etc.)	8,203	(4,505)
- other	(1,614)	2,266
	(1,156)	**(13,201)**
- including:		
Deferred income tax assets	**30,888**	**11,243**
- movement in the course of the year	**19,645**	**(13,121)**
Deferred income tax provision	**32,044**	**24,444**
- movement in the course of the year	**7,600**	**(206,678)**

* 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: 2014: PLN 175 thousand; 2015: PLN 299 thousand; 2016: PLN 124 thousand.

By 2013, the Group did not recognise deferred income tax assets in the amount of PLN 4,595 thousand due to tax losses (by 2012: PLN 1,657 thousand) and did not recognise deferred income tax assets in the amount of PLN 64,896 thousand due to differences between tax values and carrying amounts of assets because it is uncertain whether these losses will be settled in the years to come.

The right to reduce the income tax expires in 2014 (PLN 3 thousand), 2016 (PLN 2,016 thousand), 2017 (PLN 1.288 thousand) and 2018 (PLN 1,288 thousand).

NOTE 7B

DEFERRED INCOME TAX ASSETS (+) AND PROVISIONS (-) (PLN '000)	31.12.2013	31.12.2012
a) assets to be settled within 12 months	13,374	1,392
b) provision to be settled within 12 months	(1,843)	(3,854)
c) assets to be settled after 12 months	17,514	9,851
d) provision to be settled after 12 months	(30,201)	(20,590)
	(1,156)	**(13,201)**

NOTE 8

NON-CURRENT ASSETS HELD FOR SALE

Assets held for sale as at 31 December 2013 comprise the investment property: Office building: Auqarius Bussines House - stage II in Wrocław, with a total value of PLN 94,152 thousand. Along with the ownership title to the property, the prospective buyer will become the beneficiary of security deposits received from tenants, which amount to PLN 75 thousand. This property was sold in Q1 2014.

Assets held for sale as at 31 December 2012 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 buyers will become the beneficiaries of security deposits received from tenants, which amount to PLN 466 thousand. These properties were sold in Q2 2013.

NOTE 9A

INVENTORY (PLN '000)	31.12.2013	31.12.2012
a) materials	204	187
b) semi-finished products and work-in-progress	365,313	347,716
c) finished products	72,069	112,164
d) goods	45,308	3,053
d) prepayments for deliveries	16,605	-
Total inventory	**499,499**	**463,120**

As at 31 December 2013, properties recognised as inventory were not encumbered with capped mortgages. The land property in Wrocław recognised in inventory was, as at 31 December 2012, encumbered with a capped mortgage in the total amount of up to PLN 75,000 thousand, securing a bank loan.

In 2013, capitalised borrowing costs amounted to PLN 3,238 thousand; in 2012: PLN 4.246 thousand. In 2012, capitalisation rate amounted to 4.13%, in 2012 — 6.24%.

“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)	01.01.2013 - 31.12.2013	01.01.2012 - 31.12.2012
a) value of inventory recognised as cost in the period	78,958	116,543
b) allowances for inventory recognised as cost in the period	3,301	29,770
c) reversed write-downs on inventory recognised as revenue in the period	8,627	9,946

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 2013 amounted to PLN -5,326 thousand (in 2012: PLN 19,824 thousand) and is included in the income statement under "Prime cost of sale".

NOTE 10A

SHORT-TERM RECEIVABLES (PLN '000)	31.12.2013	31.12.2012
a) trade receivables with a maturity of:		
- up to 12 months	38,531	36,242
- over 12 months	17	-
Total financial assets	38,548	36,242
c) other receivables	7,490	5,474
d) prepayments	11,143	21,907
Total non-financial assets	18,633	27,381
Total net short-term receivables	**57,181**	**63,623**
- revaluation allowances for receivables	9,461	6,505
Total gross short-term receivables	**66,642**	**70,128**

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 2013 and 2012, security deposits securing receivables amounted to PLN 55,731 thousand and PLN 52,613 thousand respectively.

The maximum value of exposure to lending risk related to trade receivables and receivables from borrowings is equivalent to the carrying value of every balance sheet group of receivables. The estimated fair value of trade receivables and receivables from borrowings is the amount of the expected future discounted cash flows and is equivalent to the carrying value of these receivables. The fair value is classified at level 2 in the hierarchy of fair value.

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 19,981 thousand (at the end of 2012: PLN 17,002 thousand).

NOTE 10B

MOVEMENT IN REVALUATION ALLOWANCES FOR SHORT-TERM RECEIVABLES (PLN '000)	31.12.2013	31.12.2012
Balance at the beginning of the period	**6,262**	5,715
a) increases (due to)		
- creation of an allowance	10,101	6,326
	10,101	**6,326**
b) decreases (due to)		
- release of a provision	6,810	5,021
- cancellation of enforcement proceedings	92	515
	6,902	**5,536**
Revaluation allowances for short-term receivables at the end of the period	**9,461**	**6,505**

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.

Allowances are created after the all securities under deposits have been exhausted, if there are no other possibilities to collect the receivables.

NOTE 10C

VERDUE (GROSS) TRADE RECEIVABLES – DIVISION INTO RECEIVABLES UNPAID IN THE PERIOD (PLN '000)	31.12.2013	31.12.2012
a) up to 1 month	12,460	9,989
b) between 1 and 3 months	4,778	5,128
c) between 3 and 6 months	3,378	1,852
d) between 6 months and 1 year	3,890	1,709
e) over 1 year	3,938	3,897
Total overdue (gross) trade receivables	**28,444**	**22,575**
f) revaluation allowances for overdue trade receivables	(9,461)	(6,505)
Total overdue (net) trade receivables	**18,983**	**16,070**

NOTE 11A

FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH THE PROFIT AND LOSS ACCOUNT (PLN '000)	31.12.2013	31.12.2012
a) FX options	1,061	-
b) FX forwards	6,855	2,134
Total investment in derivatives	**7,916**	**2,134**
with maturities:		
- up to 1 year	1,954	1,508
- 1 to 3 years	5,962	626

NOTE 11B

FINANCIAL LIABILITIES MEASURED AT FAIR VALUE THROUGH THE PROFIT AND LOSS ACCOUNT (PLN '000)	31.12.2013	31.12.2012
a) Interest Rate Swap	3,936	13,043
b) FX forwards	-	66
Total investment in derivatives	**3,936**	**13,109**
with maturities:		
- up to 1 year	3,936	66
- 1 to 3 years	-	-
- 3 to 5 years	-	13,043

As at 31 December 2013, the total nominal value of FX options amounted to EUR 200 million. These contracts include:

- EUR 150 million — purchased EUR put options,
- EUR 50 million — purchased conditional EUR put options.

These instruments are intended to hedge a portion of the Group's forecast cash flows against FX risk in 2015–2016.

The total amount of the nominal value of unsettled FX forwards as at 31 December 2013 amounted to EUR 74.6 million. These contracts involve the sale of EUR in between 2014 and 2015, and are intended to hedge a portion of the Group's forecast cash flows against FX risk.

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.

IRS instruments concern the conversion of variable interest rate into fixed interest rate for investment loans denominated in EUR. As at 31 December 2013, they applied in relation to loans with total nominal value of EUR 16,326 thousand by 31 December 2015 (the Agreement was terminated in January 2014). As at 31 December 2012, they applied in relation to loans with total nominal value of EUR 34,735 thousand by 31 December 2015 (for loans with total nominal value of EUR 18,000 thousand were terminated in 2013).

Forward contracts, option contracts and IRS instruments are measured based on measurements provided by the banks, which use data such as current and historic exchange rates, and interest rates on deposits (WIBOR, EURIBOR). The fair value of financial instruments is classified at level 2 in the hierarchy of fair value.

NOTE 12

CASH – FINANCIAL ASSETS (PLN '000)	31.12.2013	31.12.2012
a) cash in hand and cash in bank	421,649	375,824
Total cash and cash equivalents	**421,649**	**375,824**
Including restricted cash:		
- on escrow accounts	20,581	14,352
- securing the repayment of interest and principal instalments	39,362	20,044
- securing the payment of renovation costs pursuant to loan agreements	282	-
- securing the return of security deposits	2,882	307
- proceeds from residential customers released by the bank in the course of the progress of investment	1,463	5,478
	64,570	40,181

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

As at 31 December 2013, Echo Investment S.A issued 412,690,582 shares with a nominal value of PLN 0.05. All shares have been fully paid up. In 2013, KRS cancelled equity shares purchased by the Company.

As at 31 December 2012, 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, the Group held 7,309,418 shares (for redemption).

NOTE 13B

SUPPLEMENTARY CAPITAL (PLN '000)	31.12.2013	31.12.2012
a) share premium	100,943	100,943
b) created from generated profit	2,310,211	1,964,378
Total supplementary capital	**2,411,154**	**2,065,321**

Echo Investment S. A.'s net profit in 2012, amounting to PLN 41,113 thousand, was earmarked for a contribution to the supplementary capital, pursuant to the resolution of the Ordinary GSM of 6 June 2013. Moreover, in the companies covered by the consolidated financial statements, after consolidation eliminations, the amount of PLN 333,002 thousand was also earmarked for a contribution to the supplementary capital.

NOTE 13C

BOOK VALUE PER SHARE	31.12.2013	31.12.2012
Equity attributable to shareholders of the parent (PLN '000)	2,765,438	2,431,620
Number of shares (in thousands)	412,691	412,691
Book value per share (in PLN)	**6.70**	**5.89**

NOTE 13D

SHAREHOLDERS OF ECHO INVESTMENT S.A. HOLDING MORE THAN 5% OF THE SHARE CAPITAL AS AT 31 DECEMBER 2013			
SHAREHOLDERS	NUMBER OF VOTES / SHARES	% OF SHARE CAPITAL	% OF VOTES AT THE GSM
Michał Sołowow — indirectly through subsidiaries:	189,361,930	45.88%	45.88%
ING OFE	38,513,969	9.33%	9.33%
Aviva OFE	41,269,050	10.00%	10.00%
PZU Złota Jesień OFE	22,011,702	5.33%	5.33%
Other shareholders	128,843,349	29.46%	29.46%

NOTE 14

MOVEMENT IN PROVISIONS BY TYPE (PLN '000)	31.12.2013	31.12.2012
a) at the beginning 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**
b) use of provisions (due to)		
- provision for expected penalties and losses	1,500	2,849
- provision for expected costs of guarantee repairs, etc.	4,264	1,100
- provision for court cases	-	1,673
	5,764	**5,622**
c) at the end of the period		
- provision for expected penalties and losses	2,000	3,500
- provision for expected costs of guarantee repairs, etc.	-	4,264
- provision for court cases	-	-
	2,000	**7,764**

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)	31.12.2013	31.12.2012
a) loans	1,790,996	1,843,131
b) debt securities	843,301	853,264
Total loans, borrowings and bonds	**2,634,297**	**2,696,395**
- long-term portion	2,072,341	2,146,281
- short-term portion	561,956	550,114

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 in EUR is based on EURIBOR plus the bank's margin. The Group applies interest rate hedges in the form of IRS instruments. Most of IRS instrument are not stand-alone instruments but are included in loan agreements and measured together with loans.

Loan facilities in PLN 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.

As at 31 December 2013, 54.6% of liabilities due to loans and debt securities had fixed interest rates, and the remaining portion had variable rates. As at 31 December 2012, 54.8% of liabilities due to loans and debt securities had fixed interest rates, and the remaining portion had variable rates.

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 2013, the Group issued bonds with a nominal value of PLN 315 million (PLN 395 million in 2012) and redeemed bonds with a nominal value of PLN 320 million (PLN 395 million in 2012). The interest rate on the loans is based on WIBOR plus margin.

The fair value of liabilities due to loans and borrowings does not differ materially from the carrying value. The fair value was determined using the income method based on cash flows discounted using the current market interest rate. The measurement to fair value was classified at level 2 in the hierarchy of fair value.

NOTE 16

LEASE (PERPETUAL USUFRUCT OF LAND DISCLOSED ON INVESTMENT PROPERTIES AND INVESTMENT PROPERTIES UNDER CONSTRUCTION) WITH REMAINING TERM OF REPAYMENT FROM THE BALANCE SHEET DATE	31.12.2013	31.12.2012
a) up to 12 months	17	16
b) over 1 year to 3 years	37	36
c) 3 to 5 years	42	42
d) over 5 years	76,270	76,578
Total lease (perpetual usufruct of land)	**76,366**	**76,672**

NOTE 17

TRADE AND OTHER LIABILITIES (PLN '000)	31.12.2013	31.12.2012
a) trade liabilities, payable:		
- up to 12 months	115,740	103,390
- over 12 months	10	31
	115,750	**103,421**
b) other liabilities:		
- security deposits and deposits received	9,028	2,802
- liabilities due to remunerations	83	79
- enterprise social benefits funds	157	158
- accruals	3,527	6,546
- other liabilities	6,912	6,604
	19,707	**16,189**
Total trade and other liabilities	**135,457**	**119,610**

The fair value of trade and other liabilities does not differ materially from their carrying value. The fair value was determined using the income method based on cash flows discounted using the current market interest rate. The measurement to fair value was classified at level 2 in the hierarchy of fair value.

EXPLANATORY NOTES TO THE CONSOLIDATED PROFIT AND LOSS ACCOUNTS

NOTE 18A

NET SALES REVENUE, DUE TO:	01.01.2013 - 31.12.2013	01.01.2012 - 31.12.2012
a) lease of space in shopping centres, and in shopping and entertainment centres	302,103	300,662
b) sale of residential space	102,480	175,311
c) lease of residential space	1,637	1,942
d) construction and lease of space in office and hotel objects	103,947	93,956
e) sale of plots	9,509	-
f) other services	3,353	6,392
g) other sales	4,841	4,502
Total net sales revenue	**527,870**	**582,765**

The Group generated 99.95% of its revenue on domestic sales and 0.05% on foreign sales (in 2012: 99.95% of revenue on domestic sales and 0.05% on foreign sales).

NOTE 18B

PROSPECTIVE REVENUE FROM RENT IN THE PERIOD FOLLOWING THE BALANCE SHEET DATE (PLN '000)	01.01.2013 - 31.12.2013	01.01.2012 - 31.12.2012
a) up to 12 months	252,373	282,130
b) over 1 year to 5 years	827,285	842,630
c) 5 to 10 years	657,356	691,107
Total prospective revenue	**1,737,014**	**1,815,867**

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

Agreements are concluded for the periods of 10 years (shopping centres) or shorter (offices). The agreements can be extended.

NOTE 19

COSTS BY TYPE (PLN '000)	01.01.2013 - 31.12.2013	01.01.2012 - 31.12.2012
a) amortisation/depreciation	(5,129)	(5,661)
b) consumption of materials and energy	(102,900)	(52,241)
c) third party services	(233,499)	(217,878)
d) taxes and charges	(32,148)	(28,901)
e) remunerations	(35,264)	(33,892)
f) social security and other benefits	(5,792)	(5,390)
g) other costs by type	(21,126)	(16,347)
h) value of goods and materials sold	(182)	(447)
Total costs by type	**(436,040)**	**(360,757)**
Movements in inventories, products, and prepayments and accruals	(25,075)	37,494
Own work capitalised	(93,256)	(37,466)
Selling costs	(27,459)	(28,733)
General administrative expenses	(54,625)	(54,755)
Manufacturing cost of products sold	**(235,625)**	**(277,297)**

NOTE 20

NET PROFIT (LOSS) ON INVESTMENT PROPERTY (PLN '000)	01.01.2013 - 31.12.2013	01.01.2012 - 31.12.2012
Revenue from the sale of property	451,395	-
Property selling costs (Note 4A, Note 8)	(430,563)	-
Revaluation of property (Note 4A, Note 5)	251,770	(60,836)
Net profit (loss) on investment property	**272,602**	**(60,836)**

NOTE 21

OTHER OPERATING REVENUE (PLN '000)	01.01.2013 - 31.12.2013	01.01.2012 - 31.12.2012
- profit from sale of non-financial non-current assets	368	1,417
- revaluation of receivables	1,610	1,336
- release of provisions and allowances	5,954	5,623
- interest on operating activities (deposits, etc.)	19,402	26,857
- contractual penalties	2,045	1,612
- compensations	2,352	1,677
- other	2,643	2,036
Total other operating revenue	**34,374**	**40,558**

Revenue from interest is generated mainly from investing surplus cash in bank deposits.

NOTE 22

OTHER OPERATING EXPENSES (PLN '000)	01.01.2013 - 31.12.2013	01.01.2012 - 31.12.2012
- loss on sale of non-financial non-current assets	(278)	(1,354)
- revaluation of receivables	(4,386)	(2,710)
- donations	(2,079)	(130)
- extraordinary damage and losses	(2,758)	(456)
- transfer of assets	(7,769)	(4,836)
- other	(3,180)	(2,765)
Total other operating expenses	**(20,450)**	**(12,251)**

NOTE 23

FINANCIAL REVENUE (PLN '000)	01.01.2013 - 31.12.2013	01.01.2012 - 31.12.2012
- revenue from interest on investing activities (borrowings, etc.)	164	126
- profit on sale of investments	-	20
- revenue from revaluation of other financial instruments (IRS)	9,107	126
- revenue from revaluation of other financial instruments — interest rate options	350	-
- other financial revenue	3	1
Total financial revenue	**9,624**	**273**

NOTE 24

FINANCIAL COSTS (PLN '000)	01.01.2013 - 31.12.2013	01.01.2012 - 31.12.2012
- costs due to interest	(134,275)	(152,015)
- measurement of loans using the amortised cost	(25,842)	9,166
- financial commissions	(3,554)	(3,146)
- loss on sale of investments	(367)	(111)
- costs of revaluation of other financial instruments (interest rate option)	-	(350)
- other financial costs	(16)	(537)
Total financial costs	**(164,054)**	**(146,993)**

In 2013, capitalised borrowing costs amounted to PLN 11,908 thousand (of which for investment property — PLN 8,670 thousand and for inventory — PLN 3,238 thousand); in 2012: PLN 4,246 thousand (only for inventory). In 2012, capitalisation rate amounted to 4.13%, in 2012 — 6.24%.

NOTE 25

PROFIT (LOSS) ON FX DERIVATIVES (PLN '000)	01.01.2013 - 31.12.2013	01.01.2012 - 31.12.2012
- profit/loss on settlement of forwards	966	(4,673)
- revenue/costs due to revaluation of forwards	4,787	22,738
- revenue/costs due to revaluation of FX options	(2,599)	-
Total profit (loss) on FX derivatives	**3,154**	**18,065**

NOTE 26

FOREIGN EXCHANGE GAIN (LOSS) (PLN '000)	01.01.2013 - 31.12.2013	01.01.2012 - 31.12.2012
- realised foreign exchange gains	-	856
- unrealised foreign exchange gains	46,925	122,246
- realised foreign exchange losses	(73,035)	-
- unrealised foreign exchange losses	-	-
Total foreign exchange gain (loss)	**(26,110)**	**123,102**

NOTE 27

CURRENT INCOME TAX (PLN '000)	01.01.2013 - 31.12.2013	01.01.2012 - 31.12.2012
1. Gross profit	319,292	183,898
2. Tax calculated according to national rates	60,619	34,941
3. Differences:		
Tax effect of non-taxable income	(8,350)	(51,258)
Tax effect of non-deductible costs	8,156	45,122
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 *	(220,348)	(20,359)
Use of tax losses not recognised earlier	(211)	(813)
Tax losses due to which deferred income tax was not recognised	5,195	2,483
Consolidation adjustments due to which deferred income tax was not recognised	-	2,365
Tax effect of negative temporary differences arising in the period from which deferred income tax was not recognised	64,896	-
Recognition of deferred income tax resulting from the change in legal and tax status **	78,177	-
Release of provision for deferred tax in connection with restatement of companies	-	(38,585)
	(72,485)	**(225,168)**
Charges on the financial result due to income tax	**(11,866)**	**(190,227)**

* In the structure of the Group, partners in partnerships (obliged to settle income tax on results achieved by the companies) are, among others, entities exempt from CIT.

** Due to changes in tax regulations, limited joint-stock partnerships became subject to corporate income tax as of 1 January 2014. Due to that change, as at 31 December 2013, deferred income tax on temporary differences was recognised in limited joint-stock partnerships included in the Group's structure.

NOTE 28

EARNINGS PER SHARE	01.01.2013 - 31.12.2013	01.01.2012 - 31.12.2012
Profit (loss) attributable to shareholders of the parent company (PLN '000)	331,103	374,115
Weighted average number of ordinary shares (in '000)	412,691	412,691
Basic earnings per ordinary share (in PLN)	**0.80**	**0.91**
Profit (loss) attributable to shareholders of the parent company (PLN '000)	331,103	374,115
Diluted weighted average number of ordinary shares (in '000)	412,691	412,691
Diluted earnings per ordinary share (in PLN)	**0.80**	**0.91**

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:

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

NOTE 29A

ASSIGNMENT OF ASSETS TO SEGMENTS (PLN '000)	31.12.2013	31.12.2012
- shopping centres	3,192,414	3,216,230
- office buildings and hotels	1,540,030	1,392,999
- residential space	521,387	443,486
- non-assigned assets	970,580	400,458
Total assets	**6,224,411**	**5,453,173**

The value of assets outside Poland is insignificant — less than 3% of value of Group's assets. NOTE 29B

ASSIGNMENT OF LIABILITIES TO SEGMENTS (PLN '000)	31.12.2013	31.12.2012
- shopping centres	1,138,378	1,438,543
- office buildings and hotels	440,759	504,048
- residential space	45,000	44,555
- non-assigned liabilities	1,834,819	1,034,384
Total liabilities	**3,458,956**	**3,021,530**

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 29C

ASSIGNMENT OF OPERATING REVENUE TO SEGMENTS (PLN '000)	01.01.2013 - 31.12.2013	01.01.2012 - 31.12.2012
- shopping centres	302,103	300,662
- office buildings and hotels	103,947	93,956
- residential space	104,117	177,253
- other	17,703	10,894
Total operating revenue	**527,870**	**582,765**

In 2013 and 2012, there were no transactions between segments.

In 2013, operating revenue from 10 major counterparties constituted 29.0% of all operating revenue (in 2012: 24.5%).

NOTE 29D

ASSIGNMENT OF OPERATING EXPENSES TO SEGMENTS	01.01.2013 - 31.12.2013	01.01.2012 - 31.12.2012
- shopping centres	(97,334)	(90,213)
- office buildings and hotels	(39,308)	(40,526)
- residential space	(80,853)	(139,894)
- other	(18,130)	(6,664)
Total operating expenses	**(235,625)**	**(277,297)**

NOTE 29E

ASSIGNMENT OF GROSS SALES RESULT TO SEGMENTS	01.01.2013 - 31.12.2013	01.01.2012 - 31.12.2012
- shopping centres	204,769	210,449
- office buildings and hotels	64,639	53,430
- residential space	23,264	37,359
- other	(427)	4,230
Total gross sales result	**292,245**	**305,468**

The share of foreign revenue and costs is not material. NOTE 30

BASIC DATA OF JOINTLY CONTROLLED ENTITIES (BY GROUP SHARE)	01.01.2013 - 31.12.2013	01.01.2012 - 31.12.2012
- non-current assets	71,275	92,819
- current assets	4,784	4,548
- liabilities	59,197	63,847
- revenue	10,597	14,743
- costs	26,479	10,751

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

Date: 24 April 2013

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

Signature of the individual entrusted with bookkeeping:

Tomasz Sułek

Chief Accountant

MANAGEMENT REPORT OF THE ECHO INVESTMENT CAPITAL GROUP FOR 2013

III. MANAGEMENT REPORT OF THE ECHO INVESTMENT CAPITAL GROUP FOR 2013

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 2013

CONSOLIDATED BALANCE SHEET

At the end of 2013, the Capital Group's balance sheet total amounted to **PLN 6,224,411 thousand,** which means a **14.1%** increase in value compared to the balance at the end of 2012.

Assets

At the end of 2013, the assets structure was as follows:

- Non-current assets make up 73.8% of total assets, of which the main item is investment property, 66.8% of non-current assets, investment property under construction makes up 29.5% of non-current assets;
- Non-current assets held for sale account for 1.5%;
- Current assets represent 24.7% of total assets, of which inventories account for 32.6% of total current assets, receivables make up 37.1% of current assets and cash accounts for 27.5% of total current assets.

Equity and liabilities

- As at 31 December 2013, Echo Investment S.A.'s (parent company) share capital amounted to PLN 21.0 million and was divided into 412,690,582 series A, B, C, D, E and F ordinary bearer shares with a nominal value of PLN 0.05 each,
- As at 31 December 2013, consolidated equity attributable to the shareholders of the parent company amounted to PLN 2,765,438 thousand, which means a 13.7% increase compared to the end of December 2012,
- Consolidated net book value per share is PLN 6.70,
- Liabilities accounted for 55.0% of the balance sheet total, and had a closing balance of PLN 3,424,912 thousand.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

- In 2013, consolidated net sales revenue amounted to PLN 527,870 thousand,
- Consolidated operating profit at the end of December 2013 amounted to PLN 496,687 thousand,
- Consolidated gross profit amounted to PLN 319,292 thousand which means a 73.6% increase compared to gross profit in 2012,
- Consolidated net profit attributable to the shareholders of the parent company amounted to PLN 331,103 thousand,
- Consolidated net profit per share for 12 months of 2013 was PLN 0.80.

CONSOLIDATED CASH FLOW STATEMENT

- At the beginning of the reporting period, cash amounted to PLN 375,824 thousand,
- In 2013, the Capital Group recorded a positive cash flow from operating activities, amounting to PLN 228,292 thousand,
- At the end of December 2011, the Capital Group recorded a positive cash flow from investing activities, amounting to PLN 64,722 thousand,
- The Group recorded a negative cash flow from financing activities, in the amount of PLN 249,904 thousand,
- Between 1 January and 31 December 2013, the balance of cash increased by PLN 45,825 thousand, while the increase in cash due to foreign exchange differences was PLN 2,715 thousand,
- At the end of December 2013, cash amounted to PLN 421,649 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. The advantage of main competitors of the Group, i.e. international entities, is expressed in greater capital resources, however 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. With regard to potentially new entities, the risk is limited by high barriers to entry (high capital-intensiveness).
- **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 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 the medium segment which is less sensitive to 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 2013, 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 2013, Capital Group's portfolio included 8 shopping centres and 6 office developments for lease.

REAL PROPERTY PORTFOLIO

CITY	LOCATION	NAME	GLA [SQ. M]	NOI [MEUR]
Kielce	ul. Świętokrzyska	Galeria Echo	70,400	13.6
Wrocław	Plac Grunwaldzki	Pasaż Grunwaldzki	48,500	14.0
Szczecin	Al. Wyzwolenia	Galaxy	41,200	12.2
Bełchatów	ul. Kolejowa	Galeria Olimpia	21,300	3.2
Szczecin	Al. Struga	Outlet Park	16,400	3.2
Łomża	ul. Zawadzka 38	Galeria Veneda	15,000	2.3
Jelenia Góra	Al. Jana Pawła II	Galeria Echo*	12,800	1.2
Przemyśl	ul. 29 Listopada	Galeria Echo	5,700	0.5
SHOPPING CENTRES	**TOTAL**		**231,300**	**50.2**
Poznań	ul. Baraniaka	Malta Office Park	29,000	5.3
Szczecin	ul. Malczewskiego	Oxygen	13,900	2.8
Kielce	Al. Solidarności	Astra Park**	11,200	1.6
Warsaw	ul. Postępu	Polkomtel office building***	10,200	1.9
Wrocław	ul. Swobodna	Aquarius (stage II)	9,400	1.7
Warsaw	Al. Jana Pawła II	Babka Tower	6,200	1.1
OFFICES	**TOTAL**		**79,900**	**14.4**
DEVELOPMENTS FOR LEASE	**TOTAL**		**311,200**	**64.6**

* Part of the centre that is currently in use

** The development does not include the area occupied by the Capital Group.

*** The Polkomtel Office Building (Warsaw, ul. Postępu) the area accounts for 50% of the project attributable to the Group.

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, , 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, Sephora.

Office space is leased to renowned companies and local businesses. The main tenants of office space include: Grand Thornton Frąckowiak, Roche Polska, Ikea Shared Services, McKinsey Emea Shared Services, Coloplast Shared Services, Nordea Bank Polska, Tieto Polska, Polkomtel, ING Usługi Finansowe S.A., Pramerica Życie TUiR, Raiffeisen Bank Polska, Sygnity, Medicover, Altkom Investments, Mentor Graphics Polska, Kennametal Polska, Tebodin SAP-Projekt, Samsung Electronics Polska, The Bank of New York Mellon, IBM Global Services Delivery Centre and Schneider Electric Polska.

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/PLOT AREA [SQ. M]	NOI [MEUR]	COMMENCEMENT	COMPLETION
Kalisz Galeria Amber,	33,600	5.1	H1, 2012	March 2014
Jelenia Góra Galeria Sudecka, (expansion)	18,600	3.0	H2, 2013	H1 2015
PROJECTS IN THE COURSE OF EXPANSION	**52,200**	**8.1**		
Szczecin Galaxy, (expansion)	15,700	3.0	H1 2015	H2, 2016
Katowice, ul. Kościuszki	30,500	5.3	H1 2015	H2, 2016
Szczecin Outlet Park,(stage II)	8,300	1.3	H2, 2015	H1, 2016
Poznań Metropolis,	33,300	6.2	H1, 2016	H1, 2018
PROJECTS IN PREPARATION	**87,800**	**15.8**		
Korona, Brasov (Romania)**	29,800	5.3		
Mundo, Budapest (Hungary)**	36,300	8.6		
FOREIGN PROJECTS IN PREPARATION	**66,100**	**13.9**		
TOTAL SHOPPING CENTRES [GLA]	**206100**	**37.8**		
Koszalin*	39,300			
Słupsk, ul. Grottgera*	65,700			
INVESTMENT LAND [PLOT AREA]	**105,000**			

* projects in the design phase

** the status of administrative proceedings does not allow for the commencement of implementation in 2014

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

PROJECT	GLA/PLOT AREA [SQ. M]	NOI [MEUR]	COMMENCEMENT	COMPLETION
Warszawa Park Rozwoju (stage I)	17,400	3.1	H2, 2012	February 2014
Warsaw Park Rozwoju (stage II)	15,600	2.8	H2, 2013	H1 2015
Warszawa Q22	52,500	14.9	H2, 2013	H2, 2016
Wrocław West Gate	16,200	2.9	H1, 2013	H2, 2014
Katowice A4 Business Park (stage I)	9,300	1.5	H2, 2012	February 2014
Katowice A4 Business Park (stage II)	9,300	1.6	H2, 2013	H2, 2014
Gdańsk Tryton	24,600	4.1	H2, 2013	H1 2015
PROJECTS IN THE COURSE OF EXPANSION	**144,900**	**30.9**		
Warsaw Beethovena (stage I)	18,100	3.5	H2, 2014	H1, 2016
Warsaw Beethovena (stages II - III)	36,700	6.8	H1, 2016	H1, 2019
Warsaw Taśmowa (stage I)	15,000	2.7	H1, 2014	H2, 2015
Warsaw Taśmowa (stages I - IV)	44,400	8.1	H2, 2015	H1, 2020
Kraków Opolska (stage I)	19,200	3.5	H1, 2014	H2, 2015
Kraków Opolska (stage II – III)	38,400	6.9	H2, 2015	H2, 2018
Wrocław Plac Grunwaldzki	16,900	3.0	H1, 2014	H2, 2015
Wrocław Sucha I - II	28,200	5.0	H1 2015	H1, 2017
Katowice A4 Business Park (stage III)	12,400	2.1	H1, 2014	H2, 2015
Poznań Hetmańska (stage I – III)	36,900	6.3	H1 2015	H2, 2020
Łódź Aurus (stage I)	9,600	1.6	H1, 2014	H2, 2015
Łódź Aurus (stage II)	9,600	1.6	H2, 2015	H2, 2016
PROJECTS IN PREPARATION	**285,400**	**51.1**		
Kiev Dehtiarivska (stage I-VI)**	107,600	23.1		
FOREIGN PROJECTS IN PREPARATION	**107,600**	**23.1**		
TOTAL OFFICE PROJECTS	**537,900**	**105.1**		
Kraków, Cracovia*	17,400			
INVESTMENT LAND [PLOT AREA]	**17,400**			

* projects in the design phase

** commencement of the implementation depends on the stabilisation of the political situation in Ukraine

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

PROJECT	USABLE AND RESIDENTIAL AREA/PLOT AREA [SQ. M]	REVENUE [MILLION]	COMMENCEMENT	COMPLETION
Warsaw, Nowy Mokotów (stage I)	11,600	94.0	H2, 2012	H2, 2014
Poznań, Kasztanowa Aleja (stage II)	8,600	57.8	H2, 2012	H2, 2014
Poznań, Naramowice, Pod Klonami II-III row houses	3,700	17.7	H2, 2013	H1, 2016
Poznań, Naramowice, Jaśminowy Zakątek (stage I)	6,000	32.2	H1, 2013	H1 2015
Kraków, Hortus Apartments	3,000	38.1	H2, 2012	H2, 2014
Kraków, Bronowicka	3,000	22.0	H2, 2013	H2, 2015
Wrocław, Grota Roweckiego (stage I)	5,900	32.5	H2, 2013	H2, 2015
PROJECTS ON SALE [USABLE AND RESIDENTIAL AREA]	**41,800**	**294.3**		
Warsaw, Nowy Mokotów (stage II-IV)	30,500	255.9	H1, 2014	H2, 2018
Warsaw, Princess, Puławska	4,700	71.8	H1 2015	H2, 2016
Poznań, Naramowice, Jaśminowy Zakątek (II - IV)	13,500	73.6	H1 2015	H1, 2019
Poznań, Jackowskiego	8,000	52.4	H1 2015	H2, 2016
Poznań, Sowińskiego (stage I–IV)	19,800	132.9	H1, 2014	H1, 2019
Kraków, Kościuszki	5,200	55.8	H1 2015	H2, 2016
Kraków, Czarodziejska / Tyniecka	5,700	84.6	H1, 2014	H1, 2016
Kraków, Rydla	8,700	63.8	H1 2015	H1, 2017
Wrocław, Grota Roweckiego (stage II – III)	12,500	67.7	H2, 2015	H2, 2019
Łódź, Osiedle Jarzębinowe (stage II–V)	39,900	201.8	H1, 2014	H2, 2021
Łódź, Wodna (stage I – II)	13,700	68.2	H1 2015	H2, 2018
Kielce, Zielone Tarasy	2,100	9.3	H1, 2014	H1 2015
PROJECTS IN PREPARATION [USABLE RESIDENTIAL AREA]	**164,300**	**1,137.8**		
Dyminy, Osiedle Południowe (stage III)	43,400	7.6	H2, 2013	H2, 2014
Poznań, Sołacz	13,700	11.0	H1 2015	H2, 2016
Warszawa, Rezydencje Leśne (on sale)	52,900	42.3	H2, 2010	H2, 2012
SALE OF PLOTS [PLOT AREA]	**110,000**	**60.9**		
Lublin, ul. Poligonowa*	1,060,000			
Poznań Naramowice*	350,000			
INVESTMENT LAND [PLOT AREA]	**1,410,000**			

* 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 2012 AND 2013:

ITEM	01.01.2013-31.12.2013	% SHARE	01.01.2012-31.12.2012	% SHARE
Shopping centres segment	302.1	57.2%	300.7	51.6%
Housing segment	104.1	19.7%	177.2	30.4%
Offices and hotels segment	103.9	19.7%	94.0	16.1%
Other revenue	17.7	3.4%	10.9	1.9%
TOTAL NET REVENUE FROM SALE OF PRODUCTS	**527.8**	**100%**	**582.8**	**100%**

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

DEVELOPING MARKETS

In 2013, 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 2013, 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 2013:

COUNTERPARTY	TURNOVER (IN MILLIONS OF PLN)	% SHARE OF NET SALES REVENUE
Eiffage Budownictwo MITEX S.A.	123.7	23.4%
Fabet – Konstrukcje Sp. z o.o.	40.1	7.6%

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 2013:

COUNTERPARTY	TURNOVER (IN MILLIONS OF PLN)	% SHARE OF NET SALES REVENUE
BRE Leasing Sp. z o.o. *	338.0	64.0%
Horta Sp. z o.o. *	217.9	41.3%
Real Spółka z ograniczoną odpowiedzialnością i Spółka Sp. kom.	32.2	6.1%

* sales of investment property

5. INFORMATION ON AGREEMENTS THAT ARE SIGNIFICANT FOR THE CAPITAL GROUP'S BUSINESS, INCLUDING AGREEMENTS BETWEEN SHAREHOLDERS AS WELL AS INSURANCE, PARTNERSHIP OR COOPERATION AGREEMENTS CONCLUDED IN 2013 AND KNOWN TO THE COMPANIES OF THE CAPITAL GROUP

5.1. Agreements significant for the Capital Group's business

Addendum to a material agreement

On 16 January 2013, the Issuer received an addendum (later referred to as the Addendum) dated 11 January 2013 to the loan agreement (which the Issuer announced in current report no. 18/2012 of 6 June 2012) signed by way of correspondence by Aquarius Business House – Grupa Echo Spółka z ograniczoną odpowiedzialnością 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 by ALIOR BANK SPÓŁKA AKCYJNA, with its registered office in Warsaw, in 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).

According to the terms of the Addendum, the amount of the loan granted by the Bank to the Borrower was increased from PLN 93,368 thousand to PLN 134,036 thousand, which is intended for financing and refinancing the costs of the project involving the execution of the first and the second stage of the office and services facility Aquarius Business House in Wrocław.

The addendum also amended the loan repayment date to be 30 June 2014.

Contingent preliminary agreements for the sale of property

On 19 March 2013, the Company published information whose announcement to the public was delayed pursuant to article 57 section 1 of the Act of 29 July 2005 on public offering and terms of introducing financial instruments to organised trading and on public companies, and pursuant to § 2 section 1 item 3 of the Ordinance of the Minister of Finance of 13 April 2006 regarding the types of information which may violate the legitimate interest of an issuer and an issuer's procedure in connection with delayed publication of confidential information.

The notification about the delayed fulfilment of the disclosure obligation was presented to the Polish Financial Supervision Authority on 21 December 2012.

The information whose publication was delayed is the following:

"The Management Board of Echo Investment S.A. (later referred to as the Issuer) announces that on 20 December 2012:

1. the Issuer's subsidiary Galeria Tarnów - Projekt ECHO- 43 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 of the National Court Register, maintained by the District Court in Kielce, 10th Economic Department of the National Court Register, under KRS no. 0000385055 (Seller)

   and CONNIE INVESTMENTS spółka z ograniczoną odpowiedzialnością spółka komandytowa, with its registered office in Warsaw (address: 00-803 Warsaw, Aleje Jerozolimskie 56C), entered into the register of entrepreneurs of the National Court Register maintained by the District Court for the Capital City of Warsaw in Warsaw, 12th Economic Department of the National Court register, under KRS no. 0000342707 (Buyer)

   concluded a preliminary agreement for the sale of the perpetual usufruct title to real property and ownership of buildings located on it along with properties comprising Centrum Handlowe ECHO in Tarnów in ul. Błonie 2.
2. the Issuer's subsidiary PPR-Projekt ECHO-77 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 of the National Court Register, maintained by the District Court in Kielce, 10th Economic Department of the National Court Register, under KRS no. 0000361525 (Seller)

   and SYNCERUS INVESTMENTS spółka z ograniczoną odpowiedzialnością spółka komandytowa, with its registered office in Warsaw (address: 00-078 Warsaw, Piłsudskiego 3), entered into the register of entrepreneurs of the National Court Register maintained by the District Court for the Capital City of Warsaw in Warsaw, 12th Economic Department of the National Court register, under KRS no. 0000342748 (Buyer)

   concluded a preliminary agreement for the sale of the ownership title to real property along with properties comprising Centrum Handlowe ECHO in Radom in ul. Żółkiewskiego 4.
3. the Issuer's subsidiary PPR-Projekt ECHO-77 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 of the National Court Register, maintained by the District Court in Kielce, 10th Economic Department of the National Court Register, under KRS no. 0000361525 (Seller)

   and XANTIRA INVESTMENTS spółka z ograniczoną odpowiedzialnością spółka komandytowa, with its registered office in Warsaw (address: 00-803 Warsaw, Aleje Jerozolimskie 56C), entered into the register of entrepreneurs of the National Court Register maintained by the District Court for the Capital City of Warsaw in Warsaw, 12th Economic Department of the National Court register, under KRS no. 0000340765 (Buyer)

   concluded a preliminary agreement for the sale of the ownership title and perpetual usufruct title to land and ownership title to a building along with properties comprising Centrum Handlowe ECHO in Piotrków Trybunalski in ul. Sikorskiego 13/17.

   The total value of the signed preliminary contingent sale agreements for three shopping centres is EUR 67,092.99 thousand plus the applicable VAT, which, as at the date of signing the agreement, according to the average exchange rate of the National Bank of Poland, is equivalent to PLN 272,686.04 thousand net:

- The value of the agreement with CONNIE INVESTMENTS spółka z ograniczoną odpowiedzialnością spółka komandytowa is EUR 22,961.24 thousand, which, as at the date of signing the agreement, according to the average exchange rate of the National Bank of Poland, is equivalent to PLN 93,321.38 thousand net;

- The value of the agreement with SYNCERUS INVESTMENTS spółka z ograniczoną odpowiedzialnością spółka komandytowa is EUR = 23,752.34 thousand, which, as at the date of signing the agreement, according to the average exchange rate of the National Bank of Poland, is equivalent to PLN 96,536.65 thousand net;

- The value of the agreement with XANTIRA INVESTMENTS spółka z ograniczoną odpowiedzialnością spółka komandytowa is EUR 20,379.41 thousand, which, as at the date of signing the agreement, according to the average exchange rate of the National Bank of Poland, is equivalent to PLN 82,828.02 thousand net;

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.

Terms and conditions of the agreements:

- Obtaining positive tax interpretations;

- All warranties made by the Sellers as at the date of this Agreement and as at the date of the Promised Agreement shall remain true and accurate, while all warranties made under the signed agreements are true and accurate;

- The land and mortgage registers maintained for the real property do not include any comments or warnings and do not specify any pre-emptive right;

- Achieving a renovation status provided for in the agreements;

- Real shall open its leased space to customers and shall operate its business in such space;

- There shall be parking places for customers on the properties in a number specified in the agreements;

- At least 50% of the shopping centre shall be leased out to tenants;

- Areas leased out to Nomi shall be opened for customers and Nomi shall operate its business in such space;

- Opening of the centres for customers;

- A guarantee of Echo Investment S.A. shall be issued and delivered to the Buyers;

- The Sellers shall repair any defects specified in annexes to the agreements or, if some of the defects are not repaired, the parties shall agree on the cost of repairing the defects which were not repaired;

- Save as provided for in the agreements, entries in the land and mortgage registers maintained for the properties shall not change as of the date of the signed agreements;

- The Sellers shall submit requests to competent governmental authorities as specified in the agreements;

- The perpetual usufruct title to a plot of land shall be extended;

- The Sellers shall conclude an addendum to the agreement for design works;

- Tenants who concluded new lease agreement have concluded agreements for the transfer of rights and obligations under the lease.

The agreements provide for the payment of standard contractual penalties for this type of agreements, while the maximum amount of the contractual penalties does not exceed 10% of the value of each agreement.

The payment of contractual penalties does not preclude either party's right to claim compensation in excess of such contractual penalties.

The agreements have been recognised as material agreements based on the criterion of the Issuer's equity."

The aforementioned entities described as "Buyers" are members of London & Cambridge Properties Ltd, with its registered office in London.

From among the aforementioned conditions, as at the date of submitting this current report, the following conditions were fulfilled:

- Real's opening of its leased space for customers;

- Leasing out of at least 50% of the shopping centre to tenants;

- Guarantee of Echo Investment S.A. issued and delivered to the Buyers;

- The extension of the right of perpetual usufruct of one of the plots;

- Opening of the centres for customers;

- Areas leased out to Nomi remain open for customers and Nomi operates its business in such areas.

On 22 March, the Issuer submitted a report stating that the Issuer's subsidiaries:

1. Galeria Tarnów - Projekt ECHO- 43 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 of the National Court Register, maintained by the District Court in Kielce, 10th Economic Department of the National Court Register, under KRS no. 0000385055 (Seller 1)

2. PPR-Projekt ECHO-77 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 of the National Court Register, maintained by the District Court in Kielce, 10th Economic Department of the National Court Register, under KRS no. 0000361525 (Seller 2)

started the negotiations of final property sale agreements including the following:

1. perpetual usufruct title to real property and ownership of buildings located on it along with properties comprising Centrum Handlowe ECHO in Tarnów in ul. Błonie 2 (Property 1);

2. ownership title to real property along with properties comprising Centrum Handlowe ECHO in Radom in ul. Żółkiewskiego 4 (Property 2);

3. ownership title and perpetual usufruct title to land and ownership title to a building along with properties comprising Centrum Handlowe ECHO in Piotrków Trybunalski in ul. Sikorskiego 13/17 (Property 3)

with the following buyers:

1. CONNIE INVESTMENTS spółka z ograniczoną odpowiedzialnością spółka komandytowa, with its registered office in Warsaw (address: 00- 803 Warsaw, Aleje Jerozolimskie 56C), entered into the register of entrepreneurs of the National Court Register maintained by the District Court for the Capital City of Warsaw in Warsaw, 12th Economic Department of the National Court register, under KRS no. 0000342707 (Buyer 1) – with regard to Property 1;

2. SYNCERUS INVESTMENTS spółka z ograniczoną odpowiedzialnością spółka komandytowa, with its registered office in Warsaw (address: 00-078 Warsaw, Plac Piłsudskiego 3), entered into the register of entrepreneurs of the National Court Register maintained by the District Court for the Capital City of Warsaw in Warsaw, 12th Economic Department of the National Court register, under KRS no. 0000342748 (Buyer 2) – with regard to Property 2;

3. XANTIRA INVESTMENTS spółka z ograniczoną odpowiedzialnością spółka komandytowa, with its registered office in Warsaw (address: 00- 803 Warsaw, Aleje Jerozolimskie 56C), entered into the register of entrepreneurs of the National Court Register maintained by the District Court for the Capital City of Warsaw in Warsaw, 12th Economic Department of the National Court register, under KRS no. 0000340765 (Buyer 3) – with regard to Property 3.

According to the provisions of the preliminary sale agreements announced in current report no. 10/2013 of 20 March 2013, 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 final sales prices for Properties 1-3 shall be verified by the Parties as at the day of concluding the final sale agreements according to the verification mechanisms included in the preliminary sale agreements.

On 24 April 2013, the Company published information whose announcement to the public was delayed pursuant to article 57 section 1 of the Act of 29 July 2005 on public offering and terms of introducing financial instruments to organised trading and on public companies, and pursuant to § 2 section 1 item 3 of the Ordinance of the Minister of Finance of 13 April 2006 regarding the types of information which may violate the legitimate interest of an issuer and an issuer’s procedure in connection with delayed publication of confidential information.

The notification about the delayed fulfilment of the disclosure obligation was presented to the Polish Financial Supervision Authority on 18 October 2012 and 3 January 2013.

The information of 18 October 2012 whose publication was delayed is the following:

"The Management Board of Echo Investment S.A. (later referred to as the Issuer) announces that, on 17 October 2012, the Issuer's subsidiary Aquarius Business House – Grupa Echo Spółka z ograniczoną odpowiedzialnością Spółka komandytowo-akcyjna, with its registered office in Kielce (25-323), Al. Solidarności 36, entered into the register of entrepreneurs maintained by the District Court in Kielce under KRS no. 378348 (later referred to as the Seller), and: Horta Spółka z ograniczoną odpowiedzialnością, with its registered office in Warsaw (address: ul. Emilii Plater 53, 00-133 Warsaw), entered into the register of entrepreneurs maintained by the District Court for the Capital City of Warsaw, 12th Economic Department of the National Court Register, under KRS no. 397696, and SKUA Spółka z ograniczoną odpowiedzialnością, with its registered office in Warsaw (address: ul. Emilii Plater 53, 00-133 Warsaw), entered into the register of entrepreneurs maintained by the District Court for the Capital City of Warsaw, 12th Economic Department of the National Court Register, under KRS no. 422523 (later referred to as the Buyers), concluded a preliminary contingent sale agreement for land property located in Wrocław in ul. Swobodna and Borowska, including ownership title to two office buildings Aquarius Business House erected on the property with a total area of nearly 32 thousand sq. m along with accompanying infrastructure (Office Development).

The total value of the signed preliminary contingent sale agreements for the Office Development is EUR 66,513.1 thousand plus the applicable VAT, which, as at the date of signing the agreement, according to the average exchange rate of the National Bank of Poland, is equivalent to PLN 272,304.6 thousand net: The value of the agreement with Horta Sp. z o.o. is EUR 41,554.5 thousand, which, as at the date of signing the agreement, according to the average exchange rate of the National Bank of Poland, is equivalent to PLN 170,124.3 thousand net, and the value of the agreement with SKUA Sp. z o.o. is EUR 24,958.6 thousand, which, as at the date of signing the agreement, according to the average exchange rate of the National Bank of Poland, is equivalent to PLN 102,180.3 thousand net.

The signing of the final agreements for the sale of the Office Development Aquarius Business House – in connection with, among other things, a two-stage implementation of the development – 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 May 2014.

Terms and conditions of the agreements:

- Land surveying of the Office Development with division into two separate properties;

- Completion of the construction of the office buildings and obtaining final usage permits;

- Leasing out of at least 80% of total area in each building;

- Buyers' final due diligence review with a satisfactory outcome for the Sellers and for the bank funding the purchase of the property;

- Conclusion of lease agreements between the Issuer and the Buyers for areas remaining unoccupied on the date of conclusion of final agreements;

- Signing of addenda to the lease agreements with tenants specified in the preliminary contingent sale agreements and signing of an addendum to the agreement for design works;

- Seller's statements and guarantees, submitted on the day of the final agreement, regarding the final legal, technical, tax, financial, commercial and environmental status of the property;

- Handover of premises to tenants;

- Buyers obtaining funding for the purchase of the Office Development.

The Buyers may withdraw from the conclusion of the final agreement, if:

- any representation of the Seller turns out to be inaccurate or false;

- any condition is not satisfied;

- prior the conclusion of the final agreement there is a significant adverse incident related to the property;

- the Seller refuses to conclude the final agreement even if all conditions are satisfied;

- the Seller becomes insolvent;

- no negotiated lease agreement is concluded with a potential tenant specified in the preliminary contingent sale agreement.

The Seller may withdraw from the conclusion of the final agreement, if the Buyers do not accept the wording of the lease agreement with a potential tenant specified in the preliminary contingent sale agreement.

The concluded preliminary agreements provide for the payment of contractual penalties for withdrawal from the preliminary agreement for reasons attributable to either party. The amount of the contractual penalty was set to be EUR 4 million, which, as at the date of signing the agreement, according to the average exchange rate of the National Bank of Poland, is equivalent to PLN 16.38 million.

The payment of contractual penalties does not preclude either party's right to claim compensation in excess of such contractual penalties.

The agreements have been recognised as material agreements based on the criterion of the Issuer's equity."

The information of 3 January 2013 whose publication was delayed is the following:

“The Management Board of Echo Investment S.A. (later referred to as the Issuer) announces that due to the failure to satisfy, by 31 December 2012, one of the conditions for the preliminary sale agreements of 17 October 2012 (the Issuer signing addenda to lease agreements with the tenants specified in the preliminary contingent sale agreements), the Buyer, i.e. Horta Spółka z ograniczoną odpowiedzialnością, with its registered office in Warsaw, may withdraw from the conclusion of the final sale agreement.”

The aforementioned entities described as the "Buyers" are members of Azora Europe.

Sale of assets of significant value – final contracts on the sale of shopping centres

On 24 April 2013:

1. the Issuer's subsidiary Galeria Tarnów - Projekt ECHO- 43 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 of the National Court Register, maintained by the District Court in Kielce, 10th Economic Department of the National Court Register, under KRS no. 0000385055 (Seller)

   and ‘BRE Leasing spółka z ograniczoną odpowiedzialnością’with its registered office in Warsaw (the address: 00-963 Warsaw, ul. Ks. I. Skorupki 5, REGON 012527809, NIP 5260212925), which is entered in the Register of Entrepreneurs kept by the District Court for the Capital City of Warsaw, 12th Commercial Department of the National Court Register, under the number KRS 0000090905 (the Buyer)

   concluded the final sales contract concerning the perpetual usufruct of a property and the ownership of the buildings which are located on the property, including the chattel, which constitute the ECHO shopping centre at ul. Błonie 2 in Tarnów (Contract No. 1);
2. the Issuer's subsidiary PPR-Projekt ECHO-77 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 of the National Court Register, maintained by the District Court in Kielce, 10th Economic Department of the National Court Register, under KRS no. 0000361525 (Seller)

   and ‘BRE Leasing spółka z ograniczoną odpowiedzialnością’with its registered office in Warsaw (the address: 00-963 Warsaw, ul. Ks. I. Skorupki 5, REGON 012527809, NIP 5260212925), which is entered in the Register of Entrepreneurs kept by the District Court for the Capital City of Warsaw, 12th Commercial Department of the National Court Register, under the number KRS 0000090905 (the Buyer)

   concluded the final sales contract concerning the ownership of a property, including the chattel, which constitutes the ECHO shopping centre at ul. Żółkiewskiego 4 in Radom (Contract No 2);
3. the Issuer's subsidiary PPR-Projekt ECHO-77 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 of the National Court Register, maintained by the District Court in Kielce, 10th Economic Department of the National Court Register, under KRS no. 0000361525 (Seller)

   and ‘BRE Leasing spółka z ograniczoną odpowiedzialnością’with its registered office in Warsaw (the address: 00-963 Warsaw, ul. Ks. I. Skorupki 5, REGON 012527809, NIP 5260212925), which is entered in the Register of Entrepreneurs kept by the District Court for the Capital City of Warsaw, 12th Commercial Department of the National Court Register, under the number KRS 0000090905 (the Buyer)

   concluded a preliminary sales contract concerning the ownership of a property, the perpetual usufruct of the land and the ownership of a building together the chattel, which constitute the ECHO shopping centre at ul. Sikorskiego 13/17 in Piotrków Trybunalski (Contract No 3).

   The total value of the preliminary conditional sales contracts concerning the sale of the three shopping centres amounts to EUR 66,467 thousand, plus the applicable VAT, which on the day of signing the contract equals a net amount of PLN 275,193 thousand, in accordance with the average exchange rate of the National Bank of Poland, of which:

- the value of Contract No 1 amounts to EUR 22,767 thousand, which equals a net amount of PLN 94,262 thousand,

- the value of Contract No 2 amounts to EUR 23,748 thousand, which equals a net amount of PLN 98,324 thousand,

- the value of Contract No 3 amounts to EUR 19,952 thousand, which equals a net amount of PLN 82,607 thousand.

The book value of the assets sold in the consolidated financial statement of Echo Investment Capital Group, in accordance with the IAS standards, amounts to PLN 250,058 thousand, of which:

- the book value of the assets that constitute the ECHO shopping centre in Tarnów amounts to PLN 83,440 thousand,

- the book value of the assets that constitute the ECHO shopping centre in Radom amounts to PLN 89,267 thousand,

- the book value of the assets that constitute the ECHO shopping centre in Piotrków Trybunalski amounts to PLN 77,351 thousand.

There are no ties present between the Issuer or the persons managing or supervising the Issuer and the Buyers or the persons managing them.

Moreover, in connection with the aforementioned sales transactions, a subsidiary of the Issuer, 'PPR-Projekt ECHO-77 spółka z ograniczoną odpowiedzialnością' spółka komandytowo-akcyjna with its registered office in Kielce repaid its investment loan to Bank Polska Kasa Opieki S.A. with its registered office in Warsaw at a total value of EUR 17,239 thousand, which equals PLN 71,573 thousand.

As at 25 April 2013, the Issuer's Capital Group did not have any debts related to the aforementioned shopping centres.

The funds acquired from the sale of the shopping centres will be used by the Issuer to secure funding for the projects which are being prepared for implementation and will be used to purchase some attractive land and/or development projects.

Sale of assets with a significant value – final agreement for the sale of stage I of an office project in Wrocław

On 2 July 2013, the Issuer's subsidiary Aquarius Business House – Grupa Echo Spółka z ograniczoną odpowiedzialnością Spółka komandytowo-akcyjna, with its registered office in Kielce (25-323), Al. Solidarności 36, entered into the register of entrepreneurs maintained by the District Court in Kielce under KRS no. 378348 (later referred to as the Seller), and:

Horta Spółka z ograniczoną odpowiedzialnością, with its registered office in Warsaw (address: ul. Mokotowska 49, 00-542 Warsaw), entered into the register of entrepreneurs maintained by the District Court for the Capital City of Warsaw, 12th Economic Department of the National Court Register, under KRS number 397696 (later referred to as the Buyer),

concluded a final agreement for the sale of the land property located in Wrocław in ul. Swobodna and ul. Borowska and the ownership title to the erection of an office building comprising stage I of the implemented Aquarius Business House office project along with accompanying infrastructure (Office Development).

The total value of the signed sale agreement for the Office Development is EUR 41,905 thousand, plus the applicable VAT, which, as at the date of signing the agreement, according to the average exchange rate of the National Bank of Poland, is equivalent to PLN 181,301 thousand net.

The fixed value of the sold assets in the consolidated financial statements of the Echo Investment Capital Group, measured in conformity with the IAS, amounts to PLN 148,437 thousand.

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

In addition, on 1 and 2 July 2013, in connection with the said sale transaction, the Issuer's subsidiary Aquarius Business House – Grupa Echo Spółka z ograniczoną odpowiedzialnością Spółka komandytowo-akcyjna, repaid the loan to ALIOR BANK S.A., with its registered office in Warsaw, in the total amount of PLN 69,924 thousand.

As at 3 July 2013, the Issuer's capital group did not have any debts related to the asset sold.

Echo Investment Property Management – Grupa Echo Sp. z o.o. Spółka komandytowa, the Issuer's subsidiary, will manage the office building for 5 years. 98 per cent of the office building are already rented.

Loan agreement of Issuer's subsidiary

On 28 August 2013 a subsidiary of the Issuer, Park Rozwoju – „Grupa Echo" Spółka z ograniczoną odpowiedzialnością S.K.A., with its registered office in Kielce at al. Solidarności 36, 25-323 Kielce, entered in the Register of Entrepreneurs kept by the District Court in Kielce, 10th Commercial Department of the National Court Register, under the number KRS 0000397368 (hereinafter referred to as the Borrower or the Company) and BANK ZACHODNI WBK S.A., with its registered office in Wrocław at Rynek 9/11, 50-950 Wrocław, entered in the Register of Entrepreneurs kept by the District Court Wrocław-Fabryczna in Wrocław, 6th Commercial Department of the National Court Register, under the number KRS 0000008723 (hereinafter referred to as the Lender or the Bank), singed a loan agreement (hereinafter referred to as the Agreement).

The Borrower will use the funds raised under the Agreement for the construction of the first phase of the office building comprising the office complex called "Park Rozwoju" (Development Park) situated in Warsaw at ul. Konstruktorska 10 (hereinafter: the Project).

Subject to the provisions of the Agreement, the Bank provides the Borrower with:

1/ funds constituting an investment loan in the maximum amount not exceeding EUR 22,403 thousand (twenty-two million, four hundred and three thousand euro), where "Tranche A" funds will be earmarked for financing or refinancing outlays incurred for the costs of the office project while "Tranche B" funds for refinancing debt within "Tranche A" through conversion.

2/ funds constituting a VAT loan in the maximum amount not exceeding PLN 5,000 thousand (five million zloty) earmarked for financing or refinancing VAT in connection with implementing the office project.

The loan amounts shall bear interest, for the investment loan at the EURIBOR variable interest rate for one-month deposits with respect to Tranche A or three-month deposits with respect to Tranche B, for the VAT loan – at the WIBOR variable interest rate for one-month deposits, augmented by the bank's margin.

The repayment date was set as follows:

1. with respect to Tranche A – not later than on the day falling 24 (twenty-four) months after the date of first Utilisation of Tranche A;
2. 2/ with respect to Tranche B – on the day falling 84 (eighty-four) months after the Conversion date, subject to the satisfaction of the term concerning lease agreements, however, in no case later than on 28 February 2023;
3. 3/ with respect to the VAT loan – shall mean the day falling 24 (twenty-four) months after the date of first Utilisation of the VAT loan.

The Borrower shall provide the following security for the repayment of the loan and amounts due to the Bank:

1. Mortgage with the highest ranking established by the Borrower in the form of a notarial deed on the Land Property for the Lender in the amount of EUR 37,500 thousand.
2. Declarations on submission to enforcement proceedings;
3. Power of Attorney to Borrower's Bank Accounts;
4. Agreement for the Assignment of Rights, i.e. an agreement concluded between the Borrower (as the assignor) and the Lender (as the assignee) for the assignment of (current and future) rights of the Borrower on account of relevant Project Agreements (with the exception of agreements with the Legal Advisor and the Technical Advisor), each Lease Agreement and Insurance Policies;
5. Guarantee Agreement, i.e. an agreement concluded between the Borrower, the Issuer and the Lender for a period ending with a complete repayment of Tranche A (including Conversion), comprising obligations of the Issuer to grant a guarantee to cover excess Project construction costs specified in the budget or a guarantee to support the Project and ensure timely completion of the Project;
6. Agreement for Registered and Financial Pledges on: shares, accounts, claims of the General Partner;
7. each power of attorney granted by the Entity liable to the Lender in connection with Financial Documents.

Shell development agreement

On 25 September 2013 the Issuer's subsidiary Projekt Echo – 70 Sp. z o.o. with its registered office in: 25-323 Kielce, al. Solidarności 36, entered into the Register of Entrepreneurs kept by the 10th Commercial Division of the National Court Register of the District Court in Kielce under KRS number 0000271630 (hereinafter: the Company) signed with the company Modzelewski & Rodek Sp. z o.o. with its registered office in: 02-822 Warsaw, ul. Poleczki 35, entered into the Register of Entrepreneurs kept by the 13th Commercial Division of the National Court Register of the District Court for the Capital City of Warsaw in Warsaw under KRS number 0000187510 (hereinafter: the Contractor) an agreement for the development of a shell of the following facility: Q22 Office, Service and Commercial Building in Warsaw, Al. Jana Pawła II, ul. Grzybowska, together with an underground garage, the surrounding area, external infrastructure, road infrastructure, underground infrastructure, car parks and land development.

The consideration of the Contractor for performing the Agreement is flat-rate and amounts to: PLN 98,500,000.00 (in words: ninety-eight million and five hundred thousand zloty) net. The consideration shall be augmented with the goods and services tax (VAT) due.

Performance of the Agreement shall begin on the date of signing the Agreement and the completion date thereof has been set in the Agreement for 30 September 2015.

The Agreement contains provisions enabling the Company to charge contractual penalties usual for such agreements the total amount of which may not exceed 10% of the consideration for performing the Agreement, and if the value of the damage exceeds the amount of the contractual penalty, the Company may claim supplementary compensation.

Loan agreement of Issuer’s subsidiary

On 19 December 2013, the Issuer's subsidiary operating under the business name Galeria Sudecka – Projekt Echo – 43 Spółka z ograniczoną odpowiedzialnością Spółka komandytowo-akcyjna, with its registered office in Jelenia Góra, ul. Jana Pawła II 51, 58-506 Jelenia Góra, entered into the register of entrepreneurs of the National Court Register maintained by the District Court for Wrocław – Fabryczna in Wrocław, 9th Economic Department of the National Court Register, under KRS no. 0000380072 (later referred to as the "Borrower"), and Bank Polska Kasa Opieki Spółka Akcyjna, with its registered office in Warsaw, ul. Grzybowska 53/57, 00-950 Warsaw, entered into the register of entrepreneurs of the National Court Register maintained by the District Court for the Capital City of Warsaw in Warsaw, 12th Economic Department of the National Court Register, under KRS no. 0000014843 (later referred to as the "Lender", the "Bank"), signed a loan agreement (later referred to as the "Agreement", the "Loan").

According to the terms of the Agreement, the Bank provides the Borrower with the following:

- cash in a refinancing tranche, amounting to EUR 14,126 thousand, for refinancing the principal amount of the loan granted to the Borrower on 20 April 2011 (see the Issuer's current report RB No. 20/2011);

- cash in a building tranche in the maximum amount of EUR 21,500 thousand;

- cash in a VAT tranche in the maximum amount of EUR 7 million;

- cash in an investment tranche for refinancing the debt under the refinancing and building tranches, up to the maximum amount of EUR 35,626 thousand.

The funds raised under the Loan will be used in connection with a shopping centre development in Jelenia Góra, referred to as Galeria Sudecka ("Building") after the expansion.

The loan amounts bear the following interest: for the refinancing building and investment tranche – according to 1-month or 3-month EURIBOR, for the VAT tranche – according to 1-month WIBOR, plus the Bank’s margin.

The repayment deadline of cash under the Agreement was set as follows:

- For the funds under the refinancing and building tranche: on the date when these tranches are converted into the investment tranche;

- The repayment deadline for the investment tranche was specified in the Agreement to be no later than 30 June 2022;

- For the VAT tranche, the earlier of the following: 30 June 2015 or 6 months after obtaining a usage permit for the Building or 18 months from the disbursement of the funds in this tranche.

The loan and the amounts due to the Bank are mainly secured by the following:

- First ranking joint mortgage on the Property for the benefit of the Lender, up to 200% of the total loan amount;

- Financial and registered pledge agreements securing the repayment of all amounts due under the agreement;

- Pledge on the Borrower's bank accounts;

- Agreement for the transfer of rights to secure the amounts due under the Agreement;

- Borrower's statement on the submission to enforcement proceedings,

- Surety agreement between the Bank, the Borrower and the Issuer, as the guarantor (including the Issuer's statement saying that, as the guarantor, it submits to enforcement proceedings by the Bank in connection with the amounts due under the surety), involving the Issuer's surety to the Bank to guarantee the Borrower's obligations under the Agreement up to EUR 42,751 thousand and PLN 40,200 thousand until the full repayment of the amounts due to the Lender under the Agreement; the surety expires earlier if the circumstances specified in the loan agreement occur.

5.2. Agreements between shareholders

The Issuer was not aware of any agreements concluded in 2013 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.	2,379,753
property insurance policies – equipment	TU Compensa S.A.	14,422
civil liability policies	TU Compensa S.A., PZU SA.,STU Ergo Hestia S.A.	51,987
construction and assembly risk policies	TU Compensa S.A., Generali TU S.A., PTU S.A., TU Allianz SA, Ergo Hestia	1,353,306
loss of profit policies	TU Compensa S.A.	215,330
other policies	Ergo Hestia TU SA,	335
TOTAL		**4,015,133**

5.4. Partnership or cooperation agreements

In 2013, the Capital Group did not conclude any material partnership or cooperation agreements.

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

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

As at 31 December 2013, the Capital Group comprises 113 fully consolidated subsidiaries, one jointly controlled entity consolidated with the proportionate method and one associate consolidated with the equity method.

SUBSIDIARIES:

NO.	COMPANY NAME	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.	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.	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	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 – Nowy Mokotów Sp. z o.o.	Kielce	100%	Echo Investment S.A.
24	Echo - Nowy Mokotów Sp. z o.o. Sp. kom. (dawniej: Projekt Echo - 67 Sp. z o.o. Sp. kom.)	Kielce	100%	Echo Investment S.A.
25	Echo – Pod Klonami Sp. z o.o.	Kielce	100%	Projekt Naramowice – Grupa Echo Sp. z o.o. S.k.a.
26	Echo – Pod Klonami Sp. z o.o. Sp. kom.	Kielce	100%	Echo Investment S.A.
27	Echo - Project - Management Ingatlanhasznosito Kft.	Budapest	100%	Echo Investment S.A.
28	Echo - Property Poznań 1 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
29	Echo – Przy Słowiańskim Wzgórzu Sp. z o.o.	Kielce	100%	Echo Investment S.A.
30	Echo – Przy Słowiańskim Wzgórzu Sp. z o.o. Sp. kom.	Kielce	100%	Echo Investment S.A.
31	Echo - SPV 7 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
32	Echo Galeria Kielce – Magellan West Sp. z o.o. S.k.a.	Kielce	99.95%	XXIX FIZ Forum / XXXIV FIZ Forum
33	Echo Investment ACC - Grupa Echo Sp. z o.o. Sp. kom.	Kielce	100%	Echo Investment S.A.
34	Echo Investment Facility Management - Grupa Echo Sp. z o.o. Sp. kom.	Kielce	100%	Echo Investment S.A.
35	Echo Investment Hungary Ingatlanhasznosito Kft.	Budapest	100%	Echo Investment S.A.

NO.	COMPANY NAME	REGISTERED OFFICE	% SHARE OF THE CAPITAL	PARENT COMPANY
36	Echo Investment Project 1 S.R.L.	Brasov	100%	Echo - Aurus Sp. z o.o..
37	Echo Investment Project Management S.R.L.	Brasov	100%	Echo Investment S.A.
38	Echo Investment Property Management - Grupa Echo Sp. z o. o. Sp. kom.	Kielce	100%	Echo Investment S.A.
39	Echo Investment Ukraine LLC	Kiev	100%	Echo Investment S.A.
40	Echo Pasaż Grunwaldzki – Magellan West Sp. z o.o. S.k.a.	Kielce	99.95%	XXIX FIZ Forum
41	Echo - Park Rozwoju Sp. z o. o. (formerly: Nikson Capital Sp. z o. o.)	Kielce	100%	Echo Investment S.A.
42	Elmira Investments Sp. z o. o.	Kielce	100%	Echo Investment S.A.
43	Elmira Investments Sp. z o. o. S.k.a.	Kielce	100%	Echo Investment S.A.
44	EI Project Cypr - 1 Ltd	Nicosia	100%	Echo Investment S.A.
45	Farrina Investments Sp. z o. o.	Kielce	100%	Echo Investment S.A.
46	Galaxy - Projekt Echo - 106 Sp. z o. o. S.k.a. (formerly: Projekt 10 – Grupa Echo Sp. z o.o. S.k.a.)	Szczecin	100%	XXXIV FIZ Forum/XXXIV FIZ Forum
47	Galeria Nova – Grupa Echo Sp. z o.o. S.k.a.	Kielce	100%	XXXIV FIZ Forum
48	Galeria Olimpia – Projekt Echo – 98 Sp. z o.o. S.k.a.	Kielce	100%	XXXIV FIZ Forum
49	Galeria Sudecka - Projekt Echo – 43 Sp. z o.o. S.k.a.	Jelenia Góra	100%	XXIX FIZ Forum
50	Galeria Tarnów - Grupa Echo Sp. z o.o. S.k.a. (formerly: Galeria Tarnów - Projekt Echo - 43 Sp. z o.o. S.k.a.)	Kielce	100%	XXIX FIZ Forum
51	Grupa Echo Sp. z o.o.	Kielce	100%	Echo Investment S.A.
52	Intermedia Investment Sp. z o. o.	Kielce	100%	Echo Investment S.A.
53	Iris Capital Sp. z o. o.	Kielce	100%	Echo Investment S.A.
54	Malta Office Park - Projekt Echo - 96 Sp. z o.o. S.k.a.	Kielce	100%	XXXIV FIZ Forum
55	Mena Investments Sp. z o. o.	Kielce	100%	Echo Investment S.A.
56	Metropolis - Grupa Echo Sp. z o.o. S.k.a.	Kielce	100%	XXXIV FIZ Forum
57	Oxygen – Projekt Echo – 95 Sp. z o.o. S.k.a.	Kielce	100%	XXIX FIZ Forum
58	Pamiątkowo Sp. z o.o.	Pamiątkowo	100%	Echo Investment S.A.
59	Park Postępu - Projekt Echo - 93 Sp. z o.o. S.k.a.	Kielce	100%	XXIX FIZ Forum
60	Park Rozwoju – Grupa Echo Sp. z o.o. S.k.a.	Kielce	100%	XXIX FIZ Forum
61	PHS – Projekt CS Sp. z o.o. S.k.a.	Szczecin	100%	XXIX FIZ Forum
62	PPR - Projekt Echo - 77 Sp. z o.o. S.k.a.	Kielce	100%	XXIX FIZ Forum
63	Princess Investment Sp. z o.o.	Kielce	100%	Echo Investment S.A.
64	Projekt Babka Tower - Grupa Echo Sp. z o. o. S.k.a. (formerly: Projekt 6 – Grupa Echo Sp. z o.o. S.k.a.)	Kielce	100%	XXIX FIZ Forum
65	Projekt Beethovena – Grupa Echo Sp. z o.o. S.k.a.	Kielce	100%	XXXIV FIZ Forum
66	Projekt CS Sp. z o.o.	Szczecin	100%	Echo Investment S.A.
67	Projekt Echo - 33 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
68	Projekt Echo - 43 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
69	Projekt Echo - 69 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
70	Projekt Echo - 70 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
71	Projekt Echo - 77 Sp. z o.o.	Kielce	100%	Echo Investment S.A.

NO.	COMPANY NAME	REGISTERED OFFICE	% SHARE OF THE CAPITAL	PARENT COMPANY
72	Projekt Echo - 93 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
73	Projekt Echo - 95 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
74	Projekt Echo - 96 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
75	Projekt Echo - 97 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
76	Projekt Echo - 98 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
77	Projekt Echo - 99 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
78	Projekt Echo - 99 Sp. z o.o. Sp. kom	Kielce	100%	Echo Investment S.A.
79	Projekt Echo - 101 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
80	Projekt Echo - 102 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
81	Projekt Echo - 103 Sp. z o.o.	Szczecin	100%	Echo Investment S.A.
82	Projekt Echo - 104 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
83	Projekt Echo - 105 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
84	Projekt Echo - 106 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
85	Projekt Echo - 107 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
86	Projekt Echo - 108 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
87	Projekt Echo - 109 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
88	Projekt Echo - 110 Sp. z o.o.	Kielce	100%	Echo Investment S.A.
89	Projekt Echo Galeria Kielce - Magellan West Sp. z o.o. S.k.a. (formerly: Projekt 9 – Grupa Echo Sp. z o.o. S.k.a.)	Kielce	99.95%	XXIX FIZ Forum/XXXIV FIZ Forum
90	Projekt Echo Pasaż Grunwaldzki - Magellan West Sp. z o.o. S.k.a. (formerly: Projekt 8 – Grupa Echo Sp. z o.o. S.k.a.)	Kielce	99.95%	XXIX FIZ Forum / XXXIV FIZ Forum
91	Projekt Naramowice – Grupa Echo Sp. z o.o. S.k.a.	Kielce	100%	XXXIV FIZ Forum
92	Projekt - Pamiątkowo Sp. z o.o.	Pamiątkowo	100%	Echo Investment S.A.
93	Projekt Saska Sp. z o.o.	Kielce	95%	Echo Investment S.A.
94	Projekt 3 – Grupa Echo Sp. z o.o. S.k.a.	Kielce	100%	XXXIV FIZ Forum
95	Projekt 4 – Grupa Echo Sp. z o.o. S.k.a.	Kielce	100%	XXXIV FIZ Forum
96	Projekt 5 – Grupa Echo Sp. z o.o. S.k.a.	Kielce	100%	XXXIV FIZ Forum
97	Projekt 11 – Grupa Echo Sp. z o.o. S.k.a.	Kielce	100%	XXXIV FIZ Forum
98	Projekt 12 – Grupa Echo Sp. z o.o. S.k.a.	Kielce	100%	XXXIV FIZ Forum
99	Projekt 13 – Grupa Echo Sp. z o.o. S.k.a.	Kielce	100%	XXXIV FIZ Forum
100	Projekt 14 – Grupa Echo Sp. z o.o. S.k.a.	Kielce	100%	XXIX FIZ Forum
101	Projekt 15 – Grupa Echo Sp. z o.o. S.k.a.	Pamiątkowo	100%	Echo Investment S.A.
102	Projekt 16 – Grupa Echo Sp. z o.o. S.k.a.	Pamiątkowo	100%	Echo Investment S.A.
103	Projekt 17 – Grupa Echo Sp. z o.o. S.k.a.	Pamiątkowo	100%	Echo Investment S.A.
104	Projekt 18 – Grupa Echo Sp. z o.o. S.k.a.	Pamiątkowo	100%	Echo Investment S.A.
105	Projekt 19 – Grupa Echo Sp. z o.o. S.k.a.	Pamiątkowo	100%	Echo Investment S.A.
106	Projekt 20 – Grupa Echo Sp. z o.o. S.k.a.	Pamiątkowo	100%	Echo Investment S.A.
107	Projekt 21 – Grupa Echo Sp. z o.o. S.k.a.	Pamiątkowo	100%	Echo Investment S.A.

NO.	COMPANY NAME	REGISTERED OFFICE	% SHARE OF THE CAPITAL	PARENT COMPANY
108	Projekt 22 – Grupa Echo Sp. z o.o. S.k.a.	Pamiątkowo	100%	Echo Investment S.A.
109	SPV 1 – Grupa Echo Sp. z o.o. S.k.a.	Kielce	100%	XXIX FIZ Forum
110	Vasco Investment Sp. z o.o.	Kielce	100%	Echo Investment S.A.
111	Veneda – Projekt Echo -97 Sp. z o.o. S.k.a.	Kielce	100%	XXXIV FIZ Forum
112	Yevrobudgarant LLC	Kiev	100%	EI Project Cypr - 1 Ltd
113	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 20 companies

- On 9 January 2013, the District Court in Kielce registered a new company: Projekt Echo – 104 Sp. z o.o., with its registered office in Kielce. The company's share capital is PLN 50 thousand.
- On 30 January 2013, the District Court in Kielce registered a new company: Projekt Echo – -105 Sp. z o.o., with its registered office in Kielce. The company's share capital is PLN 50 thousand.
- On 18 February 2013, the District Court in Kielce registered a new company: Projekt Echo – 106 Sp. z o.o., with its registered office in Kielce. The company's share capital is PLN 50 thousand.
- On 18 March 2013, the District Court in Kielce registered a new company: Projekt Echo – 110 Sp. z o.o., with its registered office in Kielce. The company's share capital is PLN 50 thousand.
- On 25 March 2013, the District Court in Kielce registered a new company: Projekt Echo – 107 Sp. z o.o., with its registered office in Kielce. The company's share capital is PLN 50 thousand.
- On 26 March 2013, the District Court in Kielce registered a new company: Projekt Echo – 108 Sp. z o.o., with its registered office in Kielce. The company's share capital is PLN 50 thousand.
- On 26 March 2013, the District Court in Kielce registered a new company: Projekt Echo – 109 Sp. z o.o., with its registered office in Kielce. The company's share capital is PLN 50 thousand.
- On 9 October 2013, the District Court in Kielce registered a new company: Projekt – Pamiątkowo Sp. z o.o., with its registered office in Pamiątkowo. The company's share capital is PLN 50 thousand.
- On 18 October 2013, the District Court in Kielce registered a new company: Projekt 13 – 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 18 October 2013, the District Court in Kielce registered a new company: Projekt 14 – 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 25 October 2013, the District Court in Kielce registered a new company: Projekt 15 – Grupa Echo Sp. z o.o. S.k.a., with its registered office in Pamiątkowo. The company's share capital is PLN 50 thousand.
- On 25 October 2013, the District Court in Kielce registered a new company: Projekt 16 – Grupa Echo Sp. z o.o. S.k.a., with its registered office in Pamiątkowo. The company's share capital is PLN 50 thousand.
- On 25 October 2013, the District Court in Kielce registered a new company: Projekt 17 – Grupa Echo Sp. z o.o. S.k.a., with its registered office in Pamiątkowo. The company's share capital is PLN 50 thousand.
- On 25 October 2013, the District Court in Kielce registered a new company: Projekt 18 – Grupa Echo Sp. z o.o. S.k.a., with its registered office in Pamiątkowo. The company's share capital is PLN 50 thousand.
- On 25 October 2013, the District Court in Kielce registered a new company: Projekt 19 – Grupa Echo Sp. z o.o. S.k.a., with its registered office in Pamiątkowo. The company's share capital is PLN 50 thousand.
- On 25 October 2013, the District Court in Kielce registered a new company: Projekt 20 – Grupa Echo Sp. z o.o. S.k.a., with its registered office in Pamiątkowo. The company's share capital is PLN 50 thousand.
- On 25 October 2013, the District Court in Kielce registered a new company: Projekt 21 – Grupa Echo Sp. z o.o. S.k.a., with its registered office in Pamiątkowo. The company's share capital is PLN 50 thousand.
- On 25 October 2013, the District Court in Kielce registered a new company: Projekt 22 – Grupa Echo Sp. z o.o. S.k.a., with its registered office in Pamiątkowo. The company's share capital is PLN 50 thousand.

- On 19 November 2013, the District Court in Kielce registered a new company: Projekt 12 – 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 31 December 2013, the District Court in Kielce registered a new company: Projekt 11 – Grupa Echo Sp. z o.o. S.k.a., 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

- Change of the business name of Projekt 7 – Grupa Echo Sp. z o.o. S.k.a. to Park Rozwoju – 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: 28 February 2013).
- Change of the business name of Monolit Investment Sp. z o.o. to Echo - Property Poznań 1 Sp. z o.o. (date of registration in the National Court Register: 3 June 2013).
- Change of the business name of the company Projekt Echo – 67 Sp. z o.o. to Echo – Nowy Mokotów Sp. z o.o (date of registration in the National Court Register: 19 September 2013).
- Change of the business name of Projekt 6 – Grupa Echo Sp. z o.o. S.k.a. to Projekt Babka Tower – Grupa Echo Sp. z o.o. S.k.a. (date of registration in the National Court Register: 1 October 2013).
- Change of the business name of Projekt Echo – 67 Sp. z o.o. Sp. kom. to Projekt Echo – 67 Sp. z o.o. Sp. kom. and increase of the share capital by Echo Investment S.A. (resolution: 10 October 2013; date of registration in the National Court Register: 14 February 2014).
- Change of the business name of Projekt 10 – Grupa Echo Sp. z o.o. S.k.a. to Galaxy – Projekt Echo – 106 Sp. z o.o. S.k.a. (date of registration in the National Court Register: 11 October 2013).
- Change of the business name of Projekt 8 – Grupa Echo Sp. z o.o. S.k.a. to Projekt Echo Pasaż Grunwaldzki – Magellan West Sp. z o.o. S.k.a. (date of registration in the National Court Register: 14 October 2013).
- Change of the business name of Projekt 9 – Grupa Echo Sp. z o.o. S.k.a. to Projekt Echo Galeria Kielce – Magellan West Sp. z o.o. S.k.a. (date of registration in the National Court Register: 28 November 2013).
- Change of the business name of Galeria Tarnów – Projekt Echo – 43 Sp. z o.o. S.k.a. to Galeria Tarnów – Grupa Echo Sp. z o.o. S.k.a. (date of registration in the National Court Register: 19 December 2013).
- Change of the business name of Nikson Capital Sp. z o.o. to Echo – Park Rozwoju Sp. z o.o. (date of registration in the National Court Register: 31 December 2013).
- Increase of the share capital of Projekt 3 – Grupa Echo Sp. z o.o. S.k.a. by XXXIV FIZ Forum (date of registration in the National Court Register: 28 February 2013).
- Increase of the share capital of Echo – Galeria Amber Sp. z o.o. S.k.a. by XXXIV FIZ Forum (date of registration in the National Court Register: 28 February 2013).
- Change of company ownership: on 29 March 2013, Echo Investment S.A., as part of a share capital increase, transferred 100% of interests in Echo Investment Project 1 S.R.L. to Echo – Aurus Sp. z o.o. (date of registration of the increase in the National Court Register: 8 July 2013).
- Increase of the share capital in Farrina Investments Sp. z o.o. by Echo Investment S.A. (date of registration in the National Court Register: 17 June 2013).
- Increase of the share capital in Elmira Investments Sp. z o.o. by Echo Investment S.A. (date of registration in the National Court Register: 17 June 2013).
- Increase of the share capital of Echo Investment Project 1 S.R.L. by Echo – Aurus Sp. z o.o. (date of registration in the National Court Register: 28 October 2013).
- Increase of the share capital of Echo Investment Project Management S.R.L. by Echo Investment S.A. (date of registration in the National Court Register: 28 October 2013).
- Transformation of Ultra Marina Sp. z o.o. into Galeria Nova – Grupa Echo Spółka z ograniczoną odpowiedzialnością - S.K.A. (date of registration in the National Court Register: 22 April 2013).
- Change of the general partner: On 10 June 2013, Grupa Echo Sp. z o.o. transferred to Magellan West Sp. z o.o., with its registered office in Kielce, the rights and obligations of the general partner in Projekt 8 – Grupa Echo Sp. z o.o. S.k.a.
- on 01 July 2013 FORUM XXXIV Fundusz Inwestycyjny Zamknięty with its registered office in Kraków (Seller) and FORUM XXIX Fundusz Inwestycyjny Zamknięty (Buyer) with its registered office in Kraków concluded an agreement for the sales of 24,999 series B registered shares of the company Projekt Echo Pasaż Grunwaldzki - Magellan West Sp. z o.o. S.k.a with its registered office in Kielce.
- Change of the general partner: On 14 August 2013, Grupa Echo Sp. z o.o. transferred to Magellan West Sp. z o.o., with its registered office in Kielce, the rights and obligations of the general partner in Projekt Echo Galeria Kielce - Magellan West Sp. z o.o. S.k.a.
- Change of the general partner: On 30 September 2013, Projekt Echo – 43 Sp. z o.o. transferred to Grupa Echo Sp. z o.o., with its registered office in Kielce, the rights and obligations of the general partner in Galeria Tarnów – Grupa Echo Sp. z o.o. S.k.a.

- Change of the general partner: On 30 September 2013, Grupa Echo Sp. z o.o. transferred to Projekt Echo – 106 Sp. z o.o., with its registered office in Kielce, the rights and obligations of the general partner in Galaxy - Projekt Echo - 106 Sp. z o.o. S.k.a.
- On 21 October 2013, FORUM XXIX Fundusz Inwestycyjny Zamknięty, with its registered office in Krakow (Seller), and FORUM XXXIV Fundusz Inwestycyjny Zamknięty (Buyer), with its registered office in Krakow, concluded an agreement for the sale of 10,024,750 series B registered shares of Projekt Beethovena – Grupa Echo Sp. z o.o. S.k.a., with its registered office in Kielce.
- On 21 October 2013, FORUM XXIX Fundusz Inwestycyjny Zamknięty, with its registered office in Krakow (Seller), and FORUM XXXIV Fundusz Inwestycyjny Zamknięty (Buyer), with its registered office in Krakow, concluded an agreement for the sale of 1,749,000 series B registered shares of Galeria Nova – Grupa Echo Spółka z ograniczoną odpowiedzialnością – S.K.A., with its registered office in Kielce.
- On 6 December 2013, FORUM XXXIV Fundusz Inwestycyjny Zamknięty, with its registered office in Krakow (Seller), and FORUM XXIX Fundusz Inwestycyjny Zamknięty (Buyer), with its registered office in Krakow, concluded an agreement for the sale of 24,999 series B registered shares of Galaxy – Projekt Echo – 106 Sp. z o.o. S.k.a., with its registered office in Szczecin.

6.2. Main domestic and foreign investments

Real property

In 2013, Echo Investment purchased the following plots:

- Kraków, ul. Kościuszki - area of 0,5 ha – intended for residential developments,

- Kraków, ul. Rydla - area of 0,8 ha – intended for residential developments, In 2013, Echo Investment's subsidiaries purchased the following plots:

- Poznań, ul. Jackowskiego - area of 0,6 ha – intended for residential developments,

- Wrocław, ul. Sucha - area of 1,3 ha – intended for office developments.

Financial instruments

Information on the purchase of equity shares

On 25 April 2013 the Issuer bought 7,309,418 (seven million three hundred nine thousand four hundred eighteen) shares of Echo Investment S.A. at the price of PLN 4.61 per share from its subsidiary Park Postępu-Projekt Echo-93 Spółka z ograniczoną odpowiedzialnością spółka komandytowo-akcyjna with registered office in Kielce, in a block transaction on the regulated market of the Warsaw Stock Exchange.

The settlement of the transaction in the National Depository for Securities took place on 26 April 2013.

On 6 June 2013, the Ordinary General Meeting of Shareholders of Echo Investment S.A. adopted a resolution concerning the redemption of the aforementioned shares which were purchased as a result of a call for subscription for shares, which was carried out from 8 to 21 February 2012.

The aforementioned purchase of the Issuer's shares was carried out on the basis of:

- the Resolution No. 3 of the Extraordinary General Meeting of Shareholders of Echo Investment S.A. of 19 December 2008, which authorized the Management Board of the Issuer to acquire own shares for redemption or further resale in the period between 20 December 2008 and 19 December 2013;

- the resolution on the adoption of the Echo Investment S.A. own shares buyback program on 18 January 2012 (CR No. 3/2012);

The nominal value of each of the Issuer's shares amounts to PLN 0.05 and the total nominal value of the purchased shares amounts to PLN 365,470.9. The purchased shares represent 1.74% of the Issuer's share capital and carry 7,309,418 votes, which constitute 1.74% of the total number of votes at the General Meeting of Shareholders of Echo Investment S.A.

The Issuer holds a total of 7,309,418 ordinary bearer shares of Echo Investment S.A., which represent 1.74% of the Issuer's share capital and carry 7,309,418 votes, which constitute 1.74% of the total number of votes at the General Meeting of Shareholders of Echo Investment S.A.

Registration of change in the amount of share capital

On 4 November 2013, the Issuer received a decision of the District Court in Kielce, 10th Economic Department of the National Court Register, on the registration on 31 October 2013 of the change in the Company's share capital and the amendment to the statute.

The Issuer's share capital was reduced from PLN 21,000,000 to PLN 20,634,529.10.

The reduction of the share capital was related to the redemption of 7,309,418 (in words: seven million, three hundred and nine thousand, four hundred and eighteen) of the Issuer's shares.

Following the registration of the change in the share capital, the total number of votes vested with all of the issued shares is 412,690,582 (in words: four hundred and twelve million, six hundred and ninety thousand, five hundred and eighty-two).

In connection with the registered reduction of the Company's share capital, the following amendment to §5 of the Company's Statute was registered:

"The Company's share capital amounts to PLN 20,634,529.10 (in words: twenty million, six hundred and thirty-four thousand, five hundred and twenty-nine zloty, and ten grosz) and is divided into 412,690,582 (in words: four hundred and twelve million, six hundred and ninety thousand, five hundred and eighty-two) series A, B, C, D, E and F ordinary bearer shares with a nominal value of 5 (five) grosz each."

Redemption of shares in the National Depository for Securities (KDPW)

Resolution of the Management Board of Krajowy Depozyt Papierów Wartościowych S.A. of 26 November 2013 on the redemption of the Issuer's shares:

"§1

Pursuant to § 87 section 1 and § 2 section 1 and 4 of the Regulations of the National Depository for Securities, after examining the request of ECHO INVESTMENT S.A., in connection with the redemption of 7.309.418 (seven million, three hundred and nine thousand, four hundred and eighteen) of the company's shares under article 360 §1 and §2 item 2 and article 362 §1 item 8 of the Commercial Companies Code, the Management Board of the National Depository for Securities ascertains that 412,690,582 (four hundred and twelve million, six hundred and ninety thousand, five hundred and eighty-two) shares of ECHO INVESTMENT S.A. are identified with the code PLECHPS00019.

§ 2

The Resolution becomes effective on the date of its adoption."

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 2013, the following projects were implemented:

- commercial projects: Galeria Veneda in Łomża, Galeria Amber in Kalisz, expansion of Galeria Sudecka in Jelenia Góra
- office projects: Q22 in Warsaw, Aquarius Business Park (stage II) in Wrocław, West Gate in Wrocław, A4 Business Park (stage I and II) in Katowice, Park Rozwoju (stage I and II) in Warsaw, Tryton in Gdańsk
- hotel projects: Novotel in Łódź,
- residential projects: in Kraków – Hortus and Bronowicka 42; in Poznań – Pod Klonami (stage II A and stage IIB), Kasztanowa Aleja (II), Jaśminowy Zakątek (I); in Wrocław – Grota 111 (I); in Warsaw –Nowy Mokotów (I), in Łódź – Osiedle Jarzębinowe (I); in Kielce – Osiedle Południowe (III).

In 2013, 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 2014.

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 2013, the Group focused on commercialising projects, which resulted in high lease ratios of the commercial developments in Łomża and Kalisz, and of office developments: Aquarius Business Park in Wrocław, A4 Business Park in Katowice and Park Rozwoju in Warsaw.

In 2014 and in the following years, the Company plans to launch further investments in response to the recovery on the housing market (2013 was a record year for the sales of apartments). 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 2013, the Company monitored the market to obtain more investment land, and it purchased a plot for an office development in Wrocław at ul. Sucha and plots in Kraków (Kościuszki and Rydla) and in Poznań (Jackowskiego) 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 2020, the Group plans to launch 26 office developments (GLA of 400 thousand sq. m), 6 shopping centres (GLA of 150 thousand sq. m) and 25 housing developments (2,700 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 2013, 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 2013

BANK	TYPE OF LIABILITY	LOAN CURRENCY	LOAN AMOUNT AS PER THE AGREEMENT (PLN '000)	LOAN USED AS AT 31.12.2013 (PLN '000)	TYPE OF INTEREST RATE	REPAYMENT DEADLINE
PKO BP S.A.	Overdraft facility	PLN	60,000	-	1M WIBOR + margin	19.08.2014
PKO BP S.A.	Working capital facility	PLN	40,000	-	1M WIBOR + margin	19.08.2015
Pekao S.A.	Overdraft facility	PLN	50,000	-	1M WIBOR + margin	30.06.2014
ALIOR BANK S.A.	Overdraft facility	PLN	30,000	-	1M WIBOR + margin	29.01.2014
BZ WBK S.A.	Overdraft facility	PLN	50,000	-	1M WIBOR + margin	30.07.2014
TOTAL			230,000	-		

9.2. Loan agreements of subsidiaries

The Capital Group's liabilities due to loans raised, as at 31 December 2013, are presented in the table below:

BORROWER	BANK	TYPE OF LIABILITY	LOAN CURRENCY	LOAN AMOUNT AS PER THE AGREEMENT (PLN '000)	LOAN USED* AS AT 31.12.2013 ('000)	TYPE OF INTEREST RATE	REPAYMENT DEADLINE
Projekt Babka Tower – Grupa Echo spółka z ograniczoną odpowiedzialnością -SKA	Hypothekenbank Frankfurt AG	Long-term loan	EUR	6,130	5,990	1M EURIBOR , IRS	2014-09-30
Farrina Investments Sp. z o.o.	Westdeutsche ImmobilienBank AG	Long-term loan	EUR	37,042	36,834	3M EURIBOR, IRS	2014-08-19
Wan 11 Sp. z o.o.	Hypothekenbank Frankfurt AG	Long-term loan	EUR	32,100**	23,352	1M EURIBOR, IRS	2016-01-29
Projekt Echo Galeria Kielce –Magellan West spółka z ograniczoną odpowiedzialnością -SKA	Hypothekenbank Frankfurt AG	Long-term loan	EUR	65,900	65,375	3M EURIBOR, IRS	2016-12-31
„Echo – Galaxy" Spółka z ograniczoną odpowiedzialnością SKA	Hypothekenbank Frankfurt AG	Long-term loan	EUR	100,000	81,830	1M/3M EURIBOR, IRS	2022-09-30
Projekt Echo-105 Sp. z o.o.	Nordea Bank Polska SA	Long-term loan	EUR	13,269	13,142	3M EURIBOR, IRS	2017-03-27
Projekt Echo Pasaż Grunwaldzki – Magellan West spółka z ograniczoną odpowiedzialnością - SKA	Hypothekenbank Frankfurt AG	Long-term loan	EUR	105,620	104,293	3M EURIBOR, IRS	2018-09-30
Galeria Olimpia - Projekt Echo - 98 Spółka z ograniczoną odpowiedzialnością SKA	Nordea Bank Polska SA	Long-term loan	EUR	24,200	15,238	3M EURIBOR, IRS	2018-06-30
Veneda - Projekt Echo - 97 Spółka z ograniczoną odpowiedzialnością SKA	Raiffeisen Bank Polska SA	Long-term loan	EUR	14,350	13,550	3M EURIBOR, IRS	2019-09-30
Projekt 5 - Grupa Echo spółka z ograniczoną odpowiedzialnością SKA	PKO BP SA	Long-term loan	EUR	21,601	21,419	3M EURIBOR	2028-09-14
Astra Park Spółka z ograniczoną odpowiedzialnością	Hypothekenbank Frankfurt AG	Long-term loan	EUR	24,000	17,834	1M EURIBOR, IRS	2020-12-31
Galeria Sudecka - Projekt Echo - 43 Spółka z ograniczoną odpowiedzialnością SKA	Pekao SA.	Long-term loan	EUR	35,626	14,126	1M/3M EURIBOR, IRS	2022-06-30
			PLN	7,000	0	1M WIBOR	2015-06-30
Echo - Galeria Amber Spółka z ograniczoną odpowiedzialnością – SKA	Pekao S.A.	Long-term loan	EUR	47,000	30,245	1M/3M EURIBOR, IRS	2019-12-31
			PLN	7,000	975	1M WIBOR	2014-12-31
Echo-Park Rozwoju - spółka z ograniczoną odpowiedzialnością - SKA (formerly: Park Rozwoju – Grupa Echo spółka z ograniczoną odpowiedzialnością - SKA)	BZ WBK SA	Long-term loan	EUR	22,403	0	1M/3M EURIBOR, IRS	2021-02-28
			PLN	5,000	0	1M WIBOR	2016-03-31
Galaxy - Projekt Echo-106 spółka z ograniczoną odpowiedzialnością - SKA	Hypothekenbank Frankfurt AG	Long-term loan	EUR	81,830	0	3M EURIBOR, IRS	2019-09-30
Projekt Echo – 103 Sp. z o.o.	PKO BP SA	Long-term loan	EUR	21,480	0	3M EURIBOR	2028-12-31

* Loan used according to nominal value

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

Changes regarding loan agreements in 2013:

On 25 April 2013, PPR – Projekt Echo – 77 Spółka z ograniczoną odpowiedzialnością SKA, 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 17 July 2013, Projekt Echo Pasaż Grunwaldzki - Magellan West spółka z ograniczoną odpowiedzialnością – SKA (formerly: Projekt 8 – Grupa Echo Spółka z ograniczoną odpowiedzialnością SKA), with its registered office in Kielce, the Issuer's subsidiary, signed a loan agreement with Hypothekenbank Frankfurt AG with its registered office in Eschborn (Germany).

On 19 July 2013, Echo Pasaż Grunwaldzki – Magellan West spółka z ograniczoną odpowiedzialnością SKA, with its registered office in Kielce, the Issuer's subsidiary, performed the final repayment of the investment loan to Hypothekenbank Frankfurt AG with its registered office in Eschborn (Germany), according to the provisions of the loan agreement.

On 31 July 2013, Echo - Przy Słowiańskim Wzgórzu 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 Raiffeisen Bank Polska SA, with its registered office in Warsaw, according to the provisions of the loan agreement.

On 28 August 2013, Echo-Park Rozwoju"- spółka z ograniczoną odpowiedzialnością - SKA (formerly: Park Rozwoju – Grupa Echo spółka z ograniczoną odpowiedzialnością - SKA), with its registered office in Kielce, the Issuer's subsidiary, signed a loan agreement with Bank Zachodni WBK SA with its registered office in Warsaw.

On 12 September 2013, Projekt Babka Tower - Grupa Echo spółka z ograniczoną odpowiedzialnością - SKA (formerly: Projekt 6 – Grupa Echo Spółka z ograniczoną odpowiedzialnością SKA), with its registered office in Kielce, the Issuer's subsidiary, signed a loan agreement with Hypothekenbank Frankfurt AG with its registered office in Eschborn (Germany).

On 02 October 2013, Babka Tower – Projekt Echo-93 Spółka z ograniczoną odpowiedzialnością SKA, with its registered office in Kielce, the Issuer's subsidiary, performed the final repayment of the investment loan to Hypothekenbank Frankfurt AG with its registered office in Eschborn (Germany), according to the provisions of the loan agreement.

On 11 October 2013, liabilities of Aquarius Business House – Grupa Echo spółka z ograniczoną odpowiedzialnością SKA with its registered office in Kielce, the Issuer's subsidiary, towards Alior Bank S.A. with its registered office in Warsaw expired in full. On 1 and 2 July 2013, the company repaid the loan and on 11 October 2013 it decided not to use the remaining available loan amount.

On 11 October 2013, Projekt Echo Galeria Kielce - Magellan West spółka z ograniczoną odpowiedzialnością - SKA (formerly: Projekt 9 – Grupa Echo Spółka z ograniczoną odpowiedzialnością - SKA), with its registered office in Kielce, the Issuer's subsidiary, signed a loan agreement with Hypothekenbank Frankfurt AG with its registered office in Eschborn (Germany).

On 23 October 2013, Echo Galeria Kielce – Magellan West spółka z ograniczoną odpowiedzialnością SKA, with its registered office in Kielce, the Issuer's subsidiary, performed the final repayment of the investment loan to Hypothekenbank Frankfurt AG with its registered office in Eschborn (Germany), according to the provisions of the loan agreement.

On 27 November 2013, Projekt Echo -105 Sp. z o.o., with its registered office in Kielce, the Issuer's subsidiary, signed a loan agreement with Nordea Bank Polska SKA with its registered office in Gdynia.

On 05 December 2013, Farrina Investments Sp. z o.o., with its registered office in Kielce, the Issuer's subsidiary, signed a loan agreement with Westdeutsche Immobilienbank AG with its registered office in Mainz (Germany).

On 16 December 2013, Malta Office Park – Projekt Echo-96 Spółka z ograniczoną odpowiedzialnością SKA, with its registered office in Kielce, the Issuer's subsidiary, performed the final repayment of the investment loan to Westdeutsche Immobilienbank AG with its registered office in Mainz (Germany), according to the provisions of the loan agreement.

On 17 December ber 2013, Galaxy – Projekt Echo – 106 Spółka z ograniczoną odpowiedzialnością – SKA, with its registered office in Szczecin, the Issuer's subsidiary, signed a loan agreement with Hypothekenbank Frankfurt AG with its registered office in Eschborn (Germany).

On 19 December ber 2013, aleria Sudecka – Projekt Echo-43 Spółka z ograniczoną odpowiedzialnością SKA, with its registered office in Jelenia Góra, the Issuer's subsidiary, signed a loan agreement with Bank Polska Kasa Opieki SA, with its registered office in Warsaw.

On 20 December 2013, Oxygen – Projekt Echo-95 spółka z ograniczoną odpowiedzialnością SKA, with its registered office in Kielce, the Issuer's subsidiary, performed the final repayment of the investment loan to Nordea Bank Polska SA with its registered office in Gdynia, according to the provisions of the loan agreement.

On 23 December 2013, Projekt Echo-103 Sp. z o.o. with its registered office in Szczecin, the Issuer's subsidiary, signed a loan agreement with Powszechna Kasa Oszczędności Bank Polski SA with its registered office in Warsaw.

9.3. Borrowing agreements

The Capital Group did not raise any borrowings in 2013.

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.

On 15 April 2004, Echo Investment S.A signed a dealership and brokerage agreement with BRE Bank SA (currently mBank S.A.) for the establishment of the programme of issue of short-, medium-, and long-term bonds denominated in PLN, with the total nominal value of the program up to PLN 1 billion. Under these agreements, BRE Bank SA (currently mBank S.A.) agreed to arrange and conduct the issue of the Company's bonds under the Bond Issue Programme. These agreements, together with subsequent annexes, were concluded for an indefinite period and provide for multiple private issues of shares by the Company. The total maximum nominal value of all bonds that can be issued is PLN 1 billion. Bonds issued under the Bond Issue Programme are issued as unsecured bearer securities. The interest rate on the bonds may be fixed or variable. The final terms of the issue are set before the issue during the Bond Issue Programme.

Funds obtained from the issue of bonds are complementary to credit limits and allow the Company to finance the planned investments and to develop the existing areas of activity in the property market.

As part of the aforementioned agreements with BRE Bank S.A. (currently mBank S.A.), 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 2013

BANK	INSTRUMENT TYPE	AMOUNT USED (PLN '000)	MATURITY	INTEREST RATE TERMS
mBank S.A.	Bonds	300,000	30.06.2014	WIBOR 6M + margin
mBank S.A.	Bonds	115,000	18.05.2015	WIBOR 6M + margin
mBank S.A.	Bonds	145,000	11.02.2016	WIBOR 6M + margin
mBank S.A.	Bonds	200,000	28.04.2017	WIBOR 6M + margin
mBank S.A.	Bonds	80,000	19.06.2018	WIBOR 6M + margin
TOTAL		840,000		

Pursuant to the Sale Guarantee Agreement and the Agreement to Establish the Guarantee Rate (binding until 31.08.2014), concluded as part of the Issue Programme with BRE Bank S.A. (currently: mBank 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 19 February 2014 the Company issued coupon bonds with a total value of PLN 100 mln. The nominal value and the issue price of one bond is PLN 10,000. The bonds were issued for the period ending on the 19 February 2019. The interest rate on the bonds was determined on the basis of variable WIBOR 6M rate plus investors' profit margin. Interest earnings will be disbursed in 6-month intervals. On the redemption date the bonds will be redeemed at the nominal value of the bonds. The issued bonds are not secured.

10. INFORMATION ON BORROWINGS GRANTED IN A GIVEN FINANCIAL YEAR

The Capital Group's receivables due to borrowings granted, as at 31 December 2013, are presented in the table below:

ENTITY	BORROWING AMOUNT TO BE REPAID (PLN '000)
Legal persons	38,620
Natural persons	51

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 2013:

SURETY TO	VALUE ('000)	VALIDITY PERIOD	DESCRIPTION
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
PROJEKT ECHO – 105 SP. Z O.O.	172,412	until a legally binding establishment of a mortgage on the Property	Surety for the liabilities of Oxygen – Projekt Echo – 95 Spółka z ograniczoną odpowiedzialnością SKA under the Property Sale Agreement concluded on 27.11.2013
WESTDEUTSCHE IMMOBILIENBANK AG	230,428	up to 6 months from a legally binding decision on the establishment of a mortgage on the Property	Surety in EUR to Westdeutsche Immobilienbank AG for the liabilities under the loan agreement concluded on 5 December 2013

II. Amendments to agreements of surety issued by Echo Investment S.A. in 2013:

On 14 March 2013, a surety amounting to PLN 6,000,000 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., expired.

The suretyship in the amount of PLN 342,000.00 granted by Echo-Galaxy spółka z ograniczoną odpowiedzialnością S.K.A (a subsidiary of the Issuer) for the payment of the liability arising from agreement no. 2357/Gd/Hd/2012 concluded on 28 December 2012 with Mercor S.A. expired on 31 August 2013.

On 5 December 2013, Echo Investment S.A. granted a surety in the amount of EUR 55,562,406.24 to Westdeutsche Immobilienbank AG for the liabilities of Farrina Investments Sp. z o.o. (the Issuer's subsidiary) under the loan agreement concluded on 5 December 2013. The surety is valid up to 6 months from a legally binding decision on the establishment of a mortgage on the Property.

On 16 December 2013, Echo Investment S.A. granted a surety in the amount of PLN 172,411,560.00 to Projekt Echo – 105 Sp. z o.o. (the Issuer's subsidiary) for the liabilities of Oxygen – Projekt Echo – 95 Spółka z ograniczoną odpowiedzialnością SKA (the Issuer's subsidiary) under the Property Sale Agreement concluded on 27 November 2013. The surety is valid until a legally binding establishment of a mortgage on the Property.

III. As at 31 December 2013, the value of valid sureties received by Echo Investment S.A. is as follows:

- due to the concluded lease agreements: PLN 2.68 million, EUR 2.44 million
- due to implementation of projects: PLN 117.60 thousand

11.2. Guarantee agreements

I. The following table presents guarantee agreements as at 31 December 2013:

GUARANTOR	VALUE ('000)	VALIDITY PERIOD	DESCRIPTION
PKO BP SA	153	until 31.10.2014	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 S.A.	9,856	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.	39,209	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.
Echo Investment S.A.	16,589	shall remain in force until the expiry of the preliminary contingent sale agreement but for a period not exceeding 31 July 2014	Security for the payment of outstanding amounts due to a potential termination of the preliminary contingent agreement for the sale of the office development Aquarius Business House in Wrocław, stage II. The guarantee was issued in euro.
PKO BP SA	2,155	until 17.05.2016	Security for the repair of defects and faults to Orbis S.A. under the General Contractor Agreement dated 4 September 2008
PKO BP SA	350	until 31.05.2014	Security for the non-performance of obligations towards Dalkia Warszawa SA under Agreement no. HPN-HK/M-10-0198-2/PN-O/066/13 of 7 June 2013
PKO BP SA	170	until 31.05.2014	Security for the non-performance of obligations due to Dalkia Warszawa SA under Agreement no. HPN-HK/M-10-0198/UK-O/077/13 of 21 June 2013
Echo Investment S.A.	20,736	until 02.07.2020	Security for the ill-performance of the final agreement for the sale of the office facility Aquarius Business House in Wrocław, stage I. The guarantee was issued in EUR.
Echo Investment S.A.	26,563	shall remain in force until the project's completion but for a period not exceeding 28 February 2016	Security for exceeded costs and debt service liabilities and construction management support during the implementation of the development Park Rozwoju in Warsaw, stage I, for Bank Zachodni WBK S.A.
Bank PeKaO S.A.	3,600	until 30.06.2016	Security for the payment of amounts due to the failure to observe the completion deadline for the subject of the understanding concluded on 24 August 2012 for Jelenia Góra Gmina. The guarantee was issued to replace the guarantee referred to in the item above.
PKO BP SA	30,000	until 30.11.2014	Security for the non-performance of obligations towards Tesco (Polska) Sp. z o.o. under the understanding and addendum 1 to the lease agreement of 29 November 2002, concluded on 21 October 2013.

II. Amendments to agreements of guarantee issued by Echo Investment S.A. in 2013:

On 28 February 2013, an addendum was signed to a bank guarantee granted by Bank PKO BP SA 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 amount of the guarantee was increased to PLN 760,168.63 and its validity was extended to 14 April 2013.

On 13 March 2013, an addendum was signed to a bank guarantee granted by Bank PKO BP S.A. to Orbis S.A. as security for non-performance or ill-performance by Echo Investment SA of obligations under the contingent General Contractor Agreement of 4 September 2008. Validity was extended to 30 April 2013.

In connection with the disclosure of confidential information in Current Report no. 14/2013, we announce that, on 17 October 2012, Echo Investment S.A. issued a guarantee to secure the payment of outstanding amounts due to a potential termination of preliminary contingent agreements for the sale of the office development Aquarius Business House in Wrocław, which were concluded between Aquarius Business House – Grupa Echo Spółka z ograniczoną odpowiedzialnością Spółka komandytowo-akcyjna (the Issuer's subsidiary), and SKUA Sp. z o.o. and HORTA SP. z o.o. The total amount of the guarantee is EUR 8,000,000.00. The guarantee shall be valid as long as the terms of preliminary contingent sale agreements are in force but not longer than until 31 July 2014.

On 14 April 2013, the bank guarantee in the amount of PLN 760,168.63, granted by PKO BP SA to Eurovia Polska SA as a security for the nonperformance of obligations under agreement no. 7114/01/2012 of 7 August 2012, expired.

On 30 April 2013, the bank guarantee in the amount of PLN 4,073,376.00, granted by PKO BP SA to Orbis SA as a security for the nonperformance or ill-performance of all obligations under the General Contractor Agreement of 4 September 2008, expired.

On 17 May 2013, PKO BP SA issued a guarantee to Orbis SA as a security for the repair of defects and faults under the agreement of 4 September 2008 concluded by Echo Investment SA. The guarantee amounts to PLN 2,154,946.45. The Guarantee is valid until 17 May 2016.

On 21 June 2013, Bank PKO BP SA granted a bank guarantee to Dalkia Warszawa SA as a security for the non-fulfilment of obligations under Agreement no. HPN-HK/M-10-0198-2/PN-O/066/13 concluded on 7 June 2013 by Projekt Echo-67 Spółka z ograniczoną odpowiedzialnością Spółka komandytowa (the Issuer's subsidiary). The guarantee amounts to PLN 350,000.00. The Guarantee is valid until 31 May 2014.

On 28 June 2013, Bank PKO BP SA granted a bank guarantee to Dalkia Warszawa SA as a security for the non-fulfilment of obligations under Agreement no. HPN-HK/M-10-0198/UK-O/077/13 concluded on 21 June 2013 by Echo Investment SA. The guarantee amounts to PLN 170,000.00. The Guarantee is valid until 31 May 2014.

A part of the guarantee in the amount of EUR 4,000,000.00 issued by Echo Investment S.A. as security for the payment of claims arising from potential termination of the preliminary conditional agreement for the sales of the Aquarius Business House office building in Wrocław, stage I, concluded between Aquarius Business House House– Grupa Echo Spółka z ograniczoną odpowiedzialnością Spółka komandytowo-akcyjna (a subsidiary of the Issuer) and Horta Sp. z o.o. expired on 2 July 2013.

On 2 July 2013 Echo Investment granted a guarantee as security for performance of the final agreement for the sales of the Aquarius Business House office building in Wrocław, stage I, concluded between Aquarius Business House – Grupa Echo Spółka z ograniczoną odpowiedzialnością' Spółka komandytowo-akcyjna (a subsidiary of the Issuer) and Horta Sp. z o.o. The total guarantee amount is EUR 5,000,000.00. The guarantee is valid until 2 July 2020.

On 24 July 2013 Bank PKO BP SA granted a bank guarantee to the Commune of Jelenia Góra as security for the payment of claims arising from a failure to perform in a timely manner the agreement concluded on 24 August 2012 by Galeria Sudecka – Projekt Echo-43 Spółka z ograniczoną odpowiedzialnością S.K.A. (a subsidiary of the Issuer). The guarantee amounts to PLN 3,600,000.00. The guarantee expired on 16 October 2013.

On 28 August 2013 Echo Investment S.A. granted a guarantee for Bank Zachodni WBK S.A. as security in the event of exceeding costs, liabilities from debt servicing and support in the organisation of the construction process during the implementation of the Development Park project, stage I, in Warsaw by the Borrower, i.e. Development Park - Grupa Echo spółka z ograniczoną odpowiedzialnością - spółka komandytowo - akcyjna (a subsidiary of the Issuer). The guarantee amounts to EUR 6,405,000.00. The guarantee is valid until the end of the project implementation period, however, not later than until 28 February 2016.

On 18 September 2013 Bank Pekao SA granted a bank guarantee to the Commune of Jelenia Góra as security for the payment of claims arising from a failure to perform in a timely manner the agreement concluded on 24 August 2012 by Galeria Sudecka – Projekt Echo-43 Spółka z ograniczoną odpowiedzialnością S.K.A. (a subsidiary of the Issuer). The guarantee amounts to PLN 3,600,000.00. The guarantee is valid until 30 June 2016.

On 30 October 2013, an addendum was concluded to the guarantee issued by Bank PKO BP S.A. to ImmoPoland Sp. z o.o., extending the validity of the guarantee from 31 October 2013 to 31 October 2014 and amending the amount, as of 31 October 2014, from EUR 52,627.00 to EUR 36,995.00.

On 31 October 2013, the guarantee in the amount of PLN 18,410,850.00, issued by Echo Investment SA to Nordea Bank Polska S.A. as a security to cover for the deficit of funds or exceeded construction costs of Olimpia Shopping Centre in Bełchatów, expired.

On 15 November 2013, Bank PKO BP SA granted a bank guarantee to Tesco (Polska) Sp. z o.o. as a security for the non-fulfilment of obligations under the understanding and addendum 1 to the lease agreement of 29 November 2002, concluded on 21 October 2013, by Projekt Echo Galeria Kielce – Magellan West spółka z ograniczoną odpowiedzialnością – S.K.A. (the Issuer's subsidiary). The guarantee amounts to PLN 30,000,000.00. The guarantee is valid until the mortgages established for the benefit of Eurohypo AG hipotek up to the amounts of EUR 150 million, EUR 25 million and EUR 24 million are removed from the land and mortgage registers no. KI1L/00047566/3 and KI1L/00042310/9, and until Tesco (Polska) Sp. z o.o. is delivered a court decision to enter a contractual mortgage up to the amount of PLN 30 million, together with the note that the said mortgage was entered with priority before any other mortgage.

III. As at 31 December 2013, the value of guarantees received is as follows:

- under lease agreements concluded: PLN 6.98 million, EUR 14.56 million
- under project execution agreements: PLN 63.37 million, USD 10.02 thousand and EUR 141.83 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

Issue of bonds

On 31 January 2013 the Company issued coupon bonds with a total value of PLN 200 mln.

The nominal value and the issue price of one bond is PLN 10,000. The bonds were issued for the period ending on the 28 April 2017. The interest rate on the bonds was determined on the basis of variable WIBOR 6M rate plus investors' profit margin. Interest earnings will be disbursed in 6-month intervals. On the redemption date the bonds will be redeemed at the nominal value of the bonds. The issued bonds are not secured.

The value of the liabilities incurred amounts to PLN 956 mln on the last day of the quarter preceding the presentation of the acquisition proposal i.e. on 30 September 2012.

According to the Management Board of Echo Investment S.A., during the validity period of the bonds issued the general liabilities of Echo Investment S.A. will be kept at a safe level while the indicators of the company's ability to handle debt guarantee that it is capable of servicing liabilities resulting from the bonds issued.

The issued bonds constitute 32.73% of Echo Investment S.A.'s equity on 30 September 2012.

The bonds carry no title to nonmonetary benefits from the Issuer.

The cash obtained from the issue of the said bonds fully secure the Company's borrowing requirements related to the service of previously issued bonds which mature in the current financial year.

As part of the Bond Issue Programme entered into with BRE Bank S.A., with its registered office in Warsaw, the Company issued coupon bonds in the total amount of PLN 80 million on 19 June 2013.

The nominal value and the issue price of one bond is PLN 10,000. The bonds were issued for the period ending on the 19 June 2018. The interest rate on the bonds was determined on the basis of variable WIBOR 6M rate plus investors' profit margin. Interest earnings will be disbursed in 6-month intervals. On the redemption date the bonds will be redeemed at the nominal value of the bonds. The issued bonds are not secured.

The value of the liabilities incurred amounts to PLN 975 mln on the last day of the quarter preceding the presentation of the acquisition proposal i.e. on 31 March 2013.

According to the Management Board of Echo Investment S.A., during the validity period of the bonds issued the general liabilities of Echo Investment S.A. will be kept at a safe level while the indicators of the company's ability to handle debt guarantee that it is capable of servicing liabilities resulting from the bonds issued.

The issued bonds constitute 12.55% of Echo Investment S.A.'s equity on 31 March 2013.

The bonds carry no title to nonmonetary benefits from the Issuer.

The funds from the current issue will be used for a partial rollover of the bonds whose redemption date is in the next year and for expenditures related to investment processes on the real property market as part of the Echo Investment Capital Group's development strategy.

Issue of bonds by the Issuer's subsidiaries

On 27 August the Issuer's subsidiaries, i.e. the companies Projekt 4 - Grupa Echo Spółka z ograniczoną odpowiedzialnością S.k.a with its registered office in Kielce and A4 Business Park – Grupa Echo Spółka z ograniczoną odpowiedzialnością S.k.a. with its registered office in Kielce issued 10-year bonds with the total nominal value of PLN 109 million, of which:

1. Projekt 4 - Grupa Echo Sp ółka z ograniczoną odpowiedzialnością S.k.a. with its registered office in Kielce issued bonds with the total nominal value of PLN 64 million;
2. A4 Business Park – Grupa Echo Spółka z ograniczoną odpowiedzialnością S.k.a. with the total nominal value of PLN 45 million.

The interest on the bonds was determined on the basis of the WIBOR 6M variable plus margin. The interest will be paid semi-annually. The bonds will be redeemed at the nominal value. The bonds issued are not hedged. The issued bonds are not secured.

Additionally, since 13 August 2013 three other subsidiaries of the Issuer have issued 10-year non-hedged bonds with the total nominal value of PLN 55.5 million.

All the bonds issued by the Issuer's subsidiaries have been acquired by the following funds: Forum XXIX Fundusz Inwestycyjny Zamknięty and Forum XXXIV Fundusz Inwestycyjny Zamknięty, both with their registered offices in Cracow. The Issuer directly and indirectly owns all the investment certificates issued by the aforementioned funds.

The above bond issues have a neutral influence on the economic situation of the Capital Group of the Issuer and they are connected with the process of managing cash of the Capital Group Echo Investment S.A.

Issue of bonds by the Issuer's subsidiaries

On 10 September 2013 the Issuer's subsidiary Projekt Echo – 70" Spółka z ograniczoną odpowiedzialnością with its registered office in Kielce, Al. Solidarności 36, issued 10-year bonds with the total nominal value of PLN 145 million.

On 24 September 2013 the Issuer's subsidiaries "Echo – SPV 7" Spółka z ograniczoną odpowiedzialnością with its registered office in Kielce and Mena Investments Spółka z ograniczoną odpowiedzialnością with its registered office in Kielce issued 10-year bonds with the total nominal value of PLN 75 million, of which:

1. "Echo – SPV 7" Spółka z ograniczoną odpowiedzialnością with its registered office in Kielce issued bonds with the total nominal value of PLN 55 million;
2. Mena Investments Spółka z ograniczoną odpowiedzialnością with its registered office in Kielce issued bonds with the total nominal value of PLN 20 million;

The interest on the bonds was determined on the basis of the WIBOR 6M variable plus margin. The interest will be paid semi-annually. The bonds will be redeemed at the nominal value. The bonds issued are not hedged as defined in the provisions of the Act on Bonds.

All the bonds issued by the aforementioned subsidiaries of the Issuer have been acquired by the fund Forum XXIX Fundusz Inwestycyjny Zamknięty with its registered office in Cracow. The Issuer directly and indirectly owns all the investment certificates issued by the aforementioned fund.

The above bond issues have a neutral influence on the economic situation of the Capital Group of the Issuer and they are connected with the process of managing cash of the Capital Group Echo Investment S.A.

Issue of bonds by the Issuer's subsidiaries

On 23 September 2013 the Issuer's subsidiaries issued 10-year bonds with the total nominal value of PLN 108,5 million, of which:

1. Galeria Nova – Grupa Echo spółka z ograniczona odpowiedzialnością SKA with its registered office in Kielce issued bonds with the total nominal value of PLN 39 million;

2. Park Rozwoju - Grupa Echo spółka z ograniczoną odpowiedzialnością S.k.a. with its registered office in Kielce issued bonds with the total nominal value of PLN 43,5 million;

3. Projekt Echo – 70 spółka z ograniczoną odpowiedzialnością with its registered office in Kielce issued bonds with the total nominal value of PLN 26 million;

On 5 November 2013 the Issuer's subsidiaries issued 10-year bonds with the total nominal value of PLN 85 million, of which:

1. Echo - Aurus spółka z ograniczoną odpowiedzialnością with its registered office in Kielce issued bonds with the total nominal value of PLN 50 million;

2. Projekt Beethovena - Grupa Echo spółka z ograniczona odpowiedzialnością SKA with its registered office in Kielce issued bonds with the total nominal value of PLN 35 million.

The interest on the bonds was determined on the basis of the WIBOR 6M variable plus margin. The interest will be paid semi-annually. The bonds will be redeemed at the nominal value. The bonds issued are not hedged as defined in the provisions of the Act on Bonds.

All the bonds issued by the Issuer's subsidiaries have been acquired by the following funds: Forum XXIX Fundusz Inwestycyjny Zamknięty and Forum XXXIV Fundusz Inwestycyjny Zamknięty, both with their registered offices in Cracow. The Issuer directly and indirectly owns all the investment certificates issued by the aforementioned funds.

The above bond issues have a neutral influence on the economic situation of the Capital Group of the Issuer and they are connected with the process of managing cash of the Capital Group Echo Investment S.A.

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 2013.

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 2013, 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 2013 testifies to a strong financial standing, which is confirmed by the following ratios.

PROFITABILITY RATIOS

1. **Operating profit margin** (operating profit/revenue): The increase of the margin compared to the same period a year earlier is caused by a higher operating profit and a lower sales revenue. Higher operating profit results mainly from the measurement of investment properties (measurement of projects under construction and commissioning of projects) and the sale of an office building in Wrocław.

2. **Net balance sheet profit margin** (net profit/revenue): The decrease of this margin is due lower net result and sales revenue. The decrease in revenue results from a lower number of final agreements signed in 2012 affecting the net result, which was also influenced by the release of provisions in 2012, which did not occur in 2013.

3. **Return on assets – ROA** (net profit/total assets): This ratio decreased because net result decreased while the value of assets increased.

4. **Return on equity – ROE** (net profit/equity): This ratio decreased because net result decreased while the value of equity increased.

PROFITABILITY RATIOS OF THE CAPITAL GROUP

PROFITABILITY RATIOS	31.12.2013	31.12.2012
Operating profit margin	94.09%	32.51%
Operating profit margin	62.73%	64.20%
Return on assets (ROA)	5.32%	6.86%
Return on equity (ROE)	11.97%	15.39%

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 increased compared to the previous year due to a decrease in sales revenue accompanied by an decrease in the value of inventory. An increase of this ratio indicates the commencement of implementation of some of the housing developments. Preliminary sales are not reflected in revenue, while implementation expenditure are starting to occur. This expenditure will be cancelled from inventory no sooner than upon the signing of final agreements and posting of revenue with will naturally shorten this ratio. The ratio will increase along with the commencement of new developments. This effect is due to the industry's specific nature.

2. **Short-term debtor days** (short-term receivables*360/revenue): The ratio in creased due to an increase in receivables (increase in VAT receivables — this corresponds to an increase in VAT liabilities and will disappear in Q1 2014 — VAT will be paid and the tax office will repay VAT) and a decrease in net sales revenue. In VAT receivables were excluded from this ratio, it would be lower.

3. **Short-term trade creditor days** (short-term trade liabilities*360/revenue): The ratio increased due to an inecrease in short-term liabilities accompanied by a decrease in sales revenue compared to the same period a year earlier.

THE TABLE BELOW SHOWS THE LEVELS OF INDIVIDUAL RATIOS

TURNOVER RATIOS	31.12.2013	31.12.2012
Inventory days	341	286
Short-term debtor days	388	78
Short-term trade creditor days	92	65

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 increase of this ratio results from the increase 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 faster increase in liabilities accompanied by a slower increase in cash. Due to the fact that financial liabilities include VAT liabilities that will be settled with VAT receivables and not cash, the level of this ratio is slightly distorted. If these liabilities were eliminated, the ratio would be at the level similar to 2012.

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	31.12.2013	31.12.2012
Current ratio	1.25	1.46
Quick ratio	0.84	0.80
Cash ratio	0.34	0.53

DEBT RATIOS:

1. **Equity to assets ratio** (equity/total assets): this ratio is at a stable level because total assets increase in line with equity.
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): This ratio remain unchanged which results from a similar rate of increase in total assets and liabilities. Stable and ideal level of this ratio testify to the good financial standing of the Group.
4. **Debt to equity ratio** (total liabilities/equity): slight increase in this ratio (1 p.p.) results from an increase in equity with slightly faster increase in liabilities.

DEBT RATIOS OF THE CAPITAL GROUP

DEBT RATIOS	31.12.2013	31.12.2012
Equity to assets ratio	44.43%	44.59%
Equity to non-current assets ratio	60.17%	58.26%
Overall indebtedness ratio	55.02%	54.82%
Debt to equity ratio	123.85%	122.93%

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 2013, 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 2013 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 2013:

- posting of revenues from the concluded final agreements for the sale of residential properties:
  - in Krakow (Dom Pod Słowikiem at ul. Krasickiego)
  - in Łódź (Osiedle Jarzębinowe stage I at ul. Okopowa)
  - in Poznań (Pod Klonami at ul. Rubież, Kasztanowa Aleja at ul. Wojskowa, Naramowice Rynek)
  - in Warsaw (Klimt House at ul. Kazimierzowska, os. Zeusa 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:
  - w Bilcza near Kielce (Osiedle Bilcza II)
  - in Dyminy near Kielce (Osiedle Południowe stage I and II)
- posting of revenues from the concluded final agreements for the sale of plots:
  - in Masłów near Kielce
- final sale of property in:
  - CH in Piotrków,
  - CH in Radom,
  - CH in Tarnów,
  - Aquarius Office Building I stage

  Sale of investment property:
  - in Kraków at ul. Kilińskiego
  - in Kraków at ul. Radzikowskiego
  - in Łódź at ul. Wodna (part of the plot)
- 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 (Aquarius I i II in Wrocław, Galeria Amber in Kalisz, Galeria Sudecka in Jelenia Góra, Park Rozwoju stage I in Warsaw, A4 Business Park stage I in Katowice)
  - provision for the value of plot in Romania
- 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 2013:

- did not occur.

3. 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 4.3064 EUR/PLN. MATURITIES OF OPEN HEDGING POSITIONS AS AT 31 DECEMBER 2013:

		VALUE OF HEDGING INSTRUMENTS		Maturity by nominal value [MEUR]						
		BALANCE SHEET [PLN MILLION]	NOMINAL VALUE [MEUR]	Q1 2014	Q2 2014	Q3 2014	Q4 2014	H1 2015	H2 2015	H2 2016
Options	EUR/PLN	2.9	150.0						50.0	100.0
Forward	EUR/PLN	6.9	74.6	26.0	11.7	4.3	15.9	15.9	0.9	

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,
- 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,
- increase in the dynamics of retail sales,
- 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,
- protests by local retail organisations, reducing the possibility to invest in the construction of shopping centres,
- variation of foreign exchange rates (EUR and USD),
- variation of interest rates,
- uncertainty as to the key assumptions of fiscal and monetary policy in Poland (draft amendments to tax laws),
- uncertain political situation in Ukraine.

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 2014, taking account of elements of the marketing strategy

The Group's activity on the real property market in 2013 is presented in the tables below:

PROJECTS COMMISSIONED TO USE IN 2013

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

PROJECTS COMMENCED IN 2013

SEGMENT	CITY	STREET	PROJECT NAME
offices	Gdańsk	Jana z Kolna	Tryton
offices	Katowice	Francuska	A4 (stage II)
offices	Warsaw	konstruktorska	Park Rozwoju (stage II)
offices	Warsaw	Grzybowska	Q22
offices	Wrocław	Lotnicza	West Gate
shopping centres	Jelenia Góra	Jana Pawła II	Galeria Sudecka
apartments	Kielce	Dyminy	Osiedle Południowe (stage III)
apartments	Kraków	Bronowicka	Bronowicka 42
apartments	Poznań	Karpia/Sielawy	Osiedle Jaśminowe (stage 1)
apartments	Poznań	Naramowice	Pod Klonami (stage II, sub-stage B)
apartments	Wrocław	Grota-Roweckiego	Grota 111

In 2014, the Company plans to launch and commission further projects presented in the table below. The Company will start the construction of 85.8 thousand sq. m of leasable area and 541 apartments. Thus, in 2014 the Group intends to commission 4 office projects, 1 shopping centre and 4 residential projects. In total, the leasable area to be commissioned to use in 2014 is 31.5 thousand sq. m, 387 apartments and 42 construction plots.

PROJECTS TO BE IMPLEMENTED IN 2014

SEGMENT	CITY	STREET	PROJECT NAME
offices	Katowice	Francuska	A4 (stage III)
offices	Kraków	Opolska	stage I of the project
offices	Łódź	Piłsudskiego	Aurus (stage I)
offices	Warsaw	Beethovena	stage I of the project
offices	Warsaw	Taśmowa	stage I of the project
offices	Wrocław	Plac Grunwaldzki	Plac Grunwaldzki
apartments	Kielce	Solidarności	Zielone Tarasy
apartments	Kraków	Czarodziejska	
apartments	Łódź	Okopowa	Osiedle Jarzębinowe (stage II)
apartments	Poznań	Sowińskiego	stage I and II of the project
apartments	Warsaw	Konstruktorska	Nowy Mokotów (stage II)

PROJECTS TO BE COMMISSIONED IN 2014

SEGMENT	CITY	STREET	PROJECT NAME
offices	Katowice	Francuska	A4 (stage I and II)
offices	Warsaw	Konstruktorka	Park Rozwoju (stage I)
offices	Wrocław	Lotnicza	West Gate
shopping centres	Kalisz	Górnośląska	Galeria Amber
apartments	Kielce	Dyminy near Kielce	Osiedle Południowe (stage III)
apartments	Kraków	Korzeniowskiego	Hortus
apartments	Poznań	Wojskowa	Kasztanowa Aleja (stage II)
apartments	Warsaw	Konstruktorska	Nowy Mokotów (stage I)

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

In 2013, 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 2013 and as at 31 December 2013, 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 2013, 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 803 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 760 thousand; he did not receive remuneration for exercising functions in the bodies of subsidiaries, jointly controlled entities and associates.
- Waldemar Lesiak received remuneration in Echo Investment S.A. in a total amount of PLN 512 thousand; he did not receive remuneration for exercising functions in the bodies of subsidiaries, jointly controlled entities and associates.

20.2. Remuneration of supervisory staff

In 2013, 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;

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 2013 is presented in the table below:

SUPERVISORY STAFF	AS AT 31.12.2013 (NUMBER)	NOMINAL VALUE PER SHARE	TOTAL NOMINAL VALUE	% OF SHARE CAPITAL
Wojciech Ciesielski - Chairman of the Supervisory Board	1,000,000	PLN 0.05	PLN 50,000	0.24%
Andrzej Majcher - Vice-Chairman of the Supervisory Board	no shares	-	-	-
Mariusz Waniołka - Vice-Chairman of the Supervisory Board	no shares	-	-	-
Robert Oskard – Member of the Supervisory Board	no shares	-	-	-
Karol Żbikowski – Member of the Supervisory Board	no shares	-	-	-

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

The shareholding structure of Echo Investment S.A. by managerialstaff as at 31 December 2013 is presented in the table below:

SUPERVISORY STAFF	AS AT 31.12.2013 (NUMBER)	NOMINAL VALUE PER SHARE	TOTAL NOMINAL VALUE	% OF SHARE CAPITAL
Piotr Gromniak – President of the Management Board	no shares	-	-	-
Artur Langner – Vice-President of the Management Board	no shares	-	-	-
Waldemar Lesiak – Vice-President of the Management Board	no shares	-	-	-

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

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

23. INFORMATION ON THE MONITORING SYSTEM FOR EMPLOYEE SHARE SCHEMES

The Company does not operate an employee share scheme.

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

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

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

- for the audit of separate and consolidated annual statements for 2013: PLN 100,000; the remuneration paid for the audit of similar statements for 2012 amounts to PLN 100,000.
- due to other auditing services, including remuneration due to the review of the separate and consolidated financial statements for 2013: PLN 125,000 thousand, and remuneration paid for the review of the separate and consolidated financial statements for 2012: PLN 125,000.
- due to tax consulting services, including remuneration paid in 2013: PLN 0, in 2012: PLN 0 , net.
- due to other services, including remuneration paid or due for 2013: PLN 140,000, and in 2012: 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 Analyses Team.

Measurements recognised in the statements are prepared and submitted to the Reporting Division by the employees of the Budget and Analyses 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 Project Managers supported by the Budgeting and Analyses Team, 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 Analyses Team. This 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 (Budgeting and Analysis 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 Analyses 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, 24 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 2013 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 2013, 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 Echo Investment S.A. Management Board

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

Kielce, 24 April 2013

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