

# Echo Investment S.A. Capital Group

Mid-year condensed consolidated financial statement  
as on and for a period of nine months expiring on 30.09.2006



Kielce, 13.11.2006

**1. Condensed consolidated balance sheet, in thousands PLN**

|   | balance as on<br>2006.09.30<br>end of quarter | balance as on<br>2005.12.31 end of<br>previous year | balance as on<br>2005.09.30<br>end of quarter |
|---|---|---|---|
| <b>Assets</b>   |   |   |   |
| <b>1. Fixed assets</b>  |   |   |   |
| 1.1. Intangible assets  | 124   | 85  | 63  |
| 1.2. Goodwill of subsidiaries   | 33 213  | -   | -   |
| 1.3. Tangible assets  | 378 118                                       | 245 081   | 288 201                                       |
| 1.4. Long-term receivables  | -   | -   | -   |
| 1.5. Investment immovable property  | 1 660 358                                     | 1 400 398   | 1 276 615                                     |
| 1.6. Long-term financial assets   | 23 833  | 17 747  | 20 355  |
| 1.7. Assets on account of deferred income tax                             | 17 524  | 15 613  | 19 010  |
|   | <b>2 113 170</b>                              | <b>1 678 924</b>                                    | <b>1 604 244</b>                              |
| <b>2. Current assets</b>  |   |   |   |
| 2.1. Inventory  | 164 036                                       | 170 595   | 153 977                                       |
| 2.2. Receivables on account of taxes                                      | 31 586  | 35 184  | 10 405  |
| 2.3. Receivables on account of deliveries and services, other receivables | 23 980  | 13 794  | 5 437   |
| 2.4. Short-term financial investments                                     | 561   | 7 889   | 1 522   |
| 2.5. Accruals   | 2 588   | 831   | 5 193   |
| 2.6. Cash and cash equivalents  | 279 685                                       | 242 483   | 238 514                                       |
|   | <b>502 436</b>                                | <b>470 776</b>                                      | <b>415 048</b>                                |
| <b>Assets total</b>   | <b>2 615 606</b>                              | <b>2 149 700</b>                                    | <b>2 019 292</b>                              |
| <b>Liabilities</b>  |   |   |   |
| <b>1. Equity</b>  |   |   |   |
| 1.1. Equity capital allocated to shareholders of the dominant company     | 1 156 657                                     | 917 103   | 900 290                                       |
| 1.1.1. Initial capital  | 21 000  | 21 000  | 21 000  |
| 1.1.2. Supplementary capital  | 534 636                                       | 353 771   | 353 771                                       |
| 1.1.3. Profit (loss) carried forward                                      | 361 473                                       | 347 918   | 347 918                                       |
| 1.1.4. Profit (loss) of the accounting year                               | 239 548                                       | 194 414   | 177 601                                       |
| 1.2. Minority capitals  | 14 809  | 18 145  | 1 550   |
|   | <b>1 171 466</b>                              | <b>935 248</b>                                      | <b>901 840</b>                                |
| <b>2. Reserves</b>  |   |   |   |
| 2.1. Reserve for deferred income tax                                      | 169 375                                       | 125 972   | 123 918                                       |
| 2.2. Other reserves   | 32 500  | 30 797  | 23 935  |
|   | <b>201 875</b>                                | <b>156 769</b>                                      | <b>147 853</b>                                |
| <b>3. Long-term liabilities</b>   |   |   |   |
| 3.1. Financial liabilities  | 952 691                                       | 685 010   | 666 322                                       |
| 3.2. Other liabilities  | 34 301  | 29 255  | 38 748  |
|   | <b>986 992</b>                                | <b>714 265</b>                                      | <b>705 070</b>                                |
| <b>4. Short-term liabilities</b>  |   |   |   |
| 4.1. Financial liabilities  | 99 284  | 152 992   | 133 034                                       |
| 4.2. Tax liabilities  | 10 615  | 57 499  | 5 351   |
| 4.3. Liabilities on account of deliveries and services                    | 49 333  | 27 878  | 47 198  |
| 4.4. Other liabilities  | 96 041  | 105 049   | 78 946  |
|   | <b>255 273</b>                                | <b>343 418</b>                                      | <b>264 529</b>                                |
| <b>Liabilities total</b>  | <b>2 615 606</b>                              | <b>2 149 700</b>                                    | <b>2 019 292</b>                              |

|   |            |            |            |
|---|------------|------------|------------|
| Book value                                | 1 156 657  | 917 103    | 900 290    |
| Number of shares                          | 42 000 000 | 42 000 000 | 42 000 000 |
| Book value per one share (in PLN)         | 27,54      | 21,84      | 21,44      |
| Diluted number of shares                  | 42 000 000 | 42 000 000 | 42 000 000 |
| Diluted book value per one share (in PLN) | 27,54      | 21,84      | 21,44      |

| OFF-BALANCE ITEMS<br>in thousands PLN | balance as on<br>2006.09.30<br>end of quarter | balance as on<br>2005.12.31<br>end of previous<br>year | balance as on<br>2005.09.30<br>end of quarter |
|---------------------------------------|---|--|---|
| 1. Off-balance receivables            | -   | -  | -   |
| 2. Off-balance liabilities            | 79 521  | 24 809   | 40 352  |

## 2. Condensed consolidated profit and loss account, in thousands PLN

|  | 3 <sup>rd</sup> quarter<br>the period from<br>2006.07.01 to 2006.09.30 | 3 quarters<br>the period from<br>2006.01.01<br>to 2006.09.30 | 3 <sup>rd</sup> quarter<br>the period from<br>2005.07.01 to 2005.09.30 | 3 quarters<br>the period from<br>2005.01.01 to 2005.09.30 |
|--|--|--|--|---|
| Operating income   | 76 135   | 260 497  | 86 794   | 199 021   |
| Operating costs  | (33 149)   | (116 405)  | (40 911)   | (79 106)  |
| <b>Gross profit (loss) on sales</b>                                | <b>42 986</b>  | <b>144 092</b>   | <b>45 883</b>  | <b>119 915</b>  |
| Profit (loss) on sales of real property                            | 1 678  | 11 609   | -  | 65 907  |
| Revaluation of real property                                       | 134 647  | 232 843  | 73 972   | 90 960  |
| Costs of sales   | (2 201)  | (6 634)  | (2 332)  | (6 405)   |
| Overheads  | (8 648)  | (33 952)   | (4 617)  | (19 020)  |
| Other operating income and costs                                   | 7 506  | (2 851)  | (2 216)  | 10 684  |
| <b>Profit before tax and financial<br/>income/costs</b>            | <b>175 968</b>   | <b>345 107</b>   | <b>110 690</b>   | <b>262 041</b>  |
| Financial income   | 275  | 14 164   | 6 339  | 9 975   |
| Financial costs  | (15 694)   | (53 679)   | (25 212)   | (48 378)  |
| Foreign exchange gains/losses                                      | 11 331   | (6 575)  | 12 205   | 5 215   |
| Revaluation of goodwill of subsidiaries                            | (5)  | (9)  | (3 300)  | (6 373)   |
| Shares in profits of associated<br>companies                       | -  | (7)  | -  | (7)   |
| <b>Gross profit (loss)</b>   | <b>171 875</b>   | <b>299 001</b>   | <b>100 722</b>   | <b>222 473</b>  |
| Income tax   | (31 852)   | (56 789)   | (19 637)   | (44 850)  |
| <b>Net profit (loss)</b>   | <b>140 023</b>   | <b>242 212</b>   | <b>81 085</b>  | <b>177 623</b>  |
| Profit (loss) allocated to minority<br>shareholders                | 2 659  | 2 664  | -  | 22  |
| Profit (loss) allocated to shareholders of the<br>dominant company | 137 364  | 239 548  | 81 085   | 177 601   |
| Net profit (loss) (annualized)                                     |  | 256 361  |  | 168 721   |
| Weighted average number of ordinary shares                         |  | 42 000 000   |  | 42 000 000  |
| Profit (loss) per one ordinary share (in PLN)                      |  | 6,10   |  | 4,02  |
| Weighted average diluted number of ordinary shares                 |  | 42 000 000   |  | 42 000 000  |
| Diluted profit (loss) per one ordinary share (in PLN)              |  | 6,10   |  | 4,02  |

**3. Condensed statement of changes in consolidated equity capital in thousands PLN**

|  | Initial capital | Reserve capital | Profit (loss) carried forward | Profit (loss) of the current accounting year | Equity capital allocated to shareholders of the dominant company | Minority capitals | Equity capital total |
|--|-----------------|-----------------|-------------------------------|--|--|-------------------|----------------------|
| <b>For 3 quarters (current year), period from 2006.01.01 to 2006.09.30</b>             |                 |                 |                               |  |  |                   |                      |
| Balance at the beginning of the period   | 21 000          | 353 771         | 542 332                       |  | 917 103  | 18 145            | 935 248              |
| Corrections of basic errors  |                 |                 | 6                             |  | 6  |                   | 6                    |
| <b>Balance at the beginning of the period, after reconciliation to comparable data</b> | <b>21 000</b>   | <b>353 771</b>  | <b>542 338</b>                | -  | <b>917 109</b>   | <b>18 145</b>     | <b>935 254</b>       |
| Distribution of profit/loss carried forward  | -               | 180 865         | (180 865)                     | -  | -  | (6 000)           | (6 000)              |
| Net profit (loss) of the current period  | -               | -               | -                             | 239 548                                      | 239 548  | 2 664             | 242 212              |
| <b>Balance at the end of the period</b>  | <b>21 000</b>   | <b>534 636</b>  | <b>361 473</b>                | <b>239 548</b>                               | <b>1 156 657</b>   | <b>14 809</b>     | <b>1 171 466</b>     |
| <b>For the previous year, period from 2005.01.01 to 2005.12.31</b>                     |                 |                 |                               |  |  |                   |                      |
| Balance at the beginning of the period   | 21 000          | 319 084         | 382 035                       | -  | 722 119  | 1 531             | 723 650              |
| Changes in applied accounting principles (policy)                                      | -               | -               | 570                           | -  | 570  | -                 | 570                  |
| Corrections of basic errors  | -               | -               | -                             | -  | -  | -                 | -                    |
| <b>Balance at the beginning of the period, after reconciliation to comparable data</b> | <b>21 000</b>   | <b>319 084</b>  | <b>382 605</b>                | -  | <b>722 689</b>   | <b>1 531</b>      | <b>724 220</b>       |
| Distribution of profit/loss carried forward  | -               | 34 687          | (34 687)                      | -  | -  | -                 | -                    |
| Changes in minority shares   | -               | -               | -                             | -  | -  | (4)               | (4)                  |
| Net profit (loss) of the current period  | -               | -               | -                             | 194 414                                      | 194 414  | 16 618            | 211 032              |
| <b>Balance at the end of the period</b>  | <b>21 000</b>   | <b>353 771</b>  | <b>347 918</b>                | <b>194 414</b>                               | <b>917 103</b>   | <b>18 145</b>     | <b>935 248</b>       |
| <b>For 3 quarters (previous year), period from 2005.01.01 to 2005.09.30</b>            |                 |                 |                               |  |  |                   |                      |
| Balance at the beginning of the period   | 21 000          | 319 084         | 382 035                       | -  | 722 119  | 1 531             | 723 650              |
| Changes in applied accounting principles (policy)                                      | -               | -               | 570                           | -  | 570  | -                 | 570                  |
| Corrections of basic errors  | -               | -               | -                             | -  | -  | -                 | -                    |
| <b>Balance at the beginning of the period, after reconciliation to comparable data</b> | <b>21 000</b>   | <b>319 084</b>  | <b>382 605</b>                | -  | <b>722 689</b>   | <b>1 531</b>      | <b>724 220</b>       |
| Distribution of profit/loss carried forward  | -               | 34 687          | (34 687)                      | -  | -  | -                 | -                    |
| Changes in minority shares   | -               | -               | -                             | -  | -  | (3)               | (3)                  |
| Net profit (loss) of the current period  | -               | -               | -                             | 177 601                                      | 177 601  | 22                | 177 623              |
| <b>Balance at the end of the period</b>  | <b>21 000</b>   | <b>353 771</b>  | <b>347 918</b>                | <b>177 601</b>                               | <b>900 290</b>   | <b>1 550</b>      | <b>901 840</b>       |

**4. Condensed consolidated cash flow account, in thousands PLN**

| <b>Cash flow statement</b>   | <b>3 quarters<br/>the period from 2006.01.01<br/>to 2006.09.30</b> | <b>3 quarters<br/>the period from 2005.01.01 to<br/>2005.09.30</b> |
|--|--|--|
| <b>A. Cash flows on operating activity – indirect method</b>   |  |  |
| <b>I. Net profit (loss)</b>  | <b>242 212</b>   | <b>177 623</b>   |
| <b>II. Adjustments total</b>   |  |  |
| 1. Share of associated companies in net (profit) loss  | 7  | 7  |
| 2. Depreciation of fixed assets  | 3 756  | 4 631  |
| 3. Revaluation of goodwill   | 9  | 6 373  |
| 4. Foreign exchange gains/losses   | 16 757   | (3 576)  |
| 5. Interest and shares in profits (dividends)  | 34 319   | 26 016   |
| 6. (Profit) loss on investment activity  | (220 241)  | (134 822)  |
| 7. Change in reserves  | 49 777   | 3 246  |
| 8. Change in inventories   | (39 198)   | (40 109)   |
| 9. Change in receivables   | (32 842)   | 25 154   |
| 10. Change in short-term liabilities, except for loans and credits   | 4 105  | 29 351   |
| 11. Change in accruals   | (13 203)   | (3 901)  |
| 12. Other adjustments  | 55   | (4)  |
|  | <b>(196 699)</b>   | <b>(87 634)</b>  |
| <b>III. Net cash flows from operating activity (I+/-II)</b>  | <b>45 513</b>  | <b>89 989</b>  |
| <b>B. Cash flows on investment activity</b>  |  |  |
| <b>I. Income</b>   |  |  |
| 1. Sales of intangible assets and fixed assets   | 182  | 35   |
| 2. Sales of investments in real property and in intangible assets  | 27 883   | 251 896  |
| 3. From financial assets   | 41 588   | 13 076   |
| 4 . Other income from investments  | -  | -  |
|  | <b>69 653</b>  | <b>265 007</b>   |
| <b>II. Expenses</b>  |  |  |
| 1. Acquisition of intangible assets and fixed assets   | (19 302)   | (5 190)  |
| 2. Investments in real property and in intangible assets   | (137 940)  | (75 512)   |
| 3. On financial assets   | (48 827)   | -  |
| 4. Dividends and other shares in profits paid to minority  | -  | -  |
| 5. Other investment expenditure  | (44)   | (230)  |
|  | <b>(206 113)</b>   | <b>(80 932)</b>  |
| <b>III. Net cash flows on investment activity (I-II)</b>   | <b>(136 460)</b>   | <b>184 075</b>   |
| <b>C. Cash flows on financial activity</b>   |  |  |
| <b>I. Income</b>   |  |  |
| 1. Net income from issue of stocks (issue of shares) and other capital instruments, additional payments to capital | -  | -  |
| 2. Loans and credits   | 228 446  | 172 184  |
| 3. Issue of debenture bonds  | 229 465  | 58 676   |
| 4. Other financial income  | -  | -  |
|  | <b>457 911</b>   | <b>230 860</b>   |

**4. Condensed consolidated cash flow account, in thousands PLN ctd.**

| <b>Cash flow statement ctd.</b>  | <b>3 quarters<br/>the period from 2006.01.01<br/>to 2006.09.30</b> | <b>3 quarters<br/>the period from 2005.01.01 to<br/>2005.09.30</b> |
|--|--|--|
| <b>II. Expenditure</b>   |  |  |
| 1. Acquisition of own shares (stocks)  | -  | -  |
| 2. Dividends and other payments to owners                                    | (6 000)  | -  |
| 3. Expenses on account of profit distribution, other than payments to owners | -  | -  |
| 4. Payments of loans and credits   | (47 777)   | (232 383)  |
| 5. Redemption of debenture bonds   | (220 800)  | (60 000)   |
| 6. On account of other financial liabilities                                 | -  | -  |
| 7. Payments of liabilities on account of financial lease contracts           | (365)  | (365)  |
| 8. Interest  | (51 463)   | (41 224)   |
| 9. Other financial expenses  | -  | (3)  |
|  | <b>(326 405)</b>   | <b>(333 975)</b>   |
| <b>III. Net cash flows on financial activity (I-II)</b>                      | <b>131 506</b>   | <b>(103 115)</b>   |
| <b>D. Net cash flows total (A.III+/-B.III+/-C.III)</b>                       | <b>40 559</b>  | <b>170 949</b>   |
| <b>E. Difference in cash balances, including:</b>                            | <b>37 202</b>  | <b>164 904</b>   |
| - change in cash balance on account of exchange rate gain/loss               | (3 357)  | (6 045)  |
| <b>F. Cash at the beginning of period</b>                                    | <b>247 188</b>   | <b>73 610</b>  |
| <b>G. Cash at the end of period (F+/-D), including:</b>                      | <b>287 747</b>   | <b>244 559</b>   |
| - with limited disposability   | 61 326   | -  |

**5. Additional information to condensed consolidated report****5.1 Basic information**

Echo Investment S.A. (hereinafter 'the Company'), previously operating under the name of 'Echo Press' Sp. z o.o. , was registered in Kielce on July 23, 1992. The registered office of the Company is located in Kielce at 27 Zagnańska Street.

Echo Investment Capital Group's (hereinafter 'the Capital Group') operations can be divided into two major segments:

- (a) erection and lease of areas shopping centers and commercial and entertainment centers
- (b) erection and sales of residential apartments
- (c) erection and lease of areas in office buildings
- (d) erection, sales and lease of hotels.

As on September 30, 2006 and September 30, 2005, the Capital Group employed 278 and 256 persons, respectively.

The Capital Group performs its operations in Poland and is launching its business in Hungary.

The presented statement refers to the nine months' period expiring on 30.09.2006, with comparative data referring to the nine months' period expiring on 30.09.2005. The statement is expressed in thousands Polish zlotys.

Shares of Echo Investment S.A., which is the dominant company, have been quoted on the Warsaw Stock Exchange since 1996.

**5.2 Principles applied during preparation of the quarterly report**

The consolidated statement of Echo Investment S.A. for the third quarter of the year 2006 has been prepared in accordance with the International Financial Reporting Standards, approved by the European Commission. Guidelines included in the IFRS no. 1 and IAS no. 34 have been applied in preparation of the statement. The rules of valuating assets and liabilities and determining the financial result were applied as on the balance day.

The management of the dominant company used its best knowledge in applying standards, interpretation, methods and principles of valuating the particular items of the condensed consolidated financial statement for the third quarter of the year 2006. Preparation of financial statements in accordance with the IFRS required making

certain estimations and assumptions by the Management Board of the Company, which are reflected in these statements. Actual results may differ from these estimations. The presented financial data has not been verified by an auditor.

#### Key principles of assets and liabilities valuation and determination of financial result:

- Intangible assets are valued according to acquisition prices and their balance values are reduced by depreciation and write-offs due to permanent loss in value.
- Goodwill of subsidiaries results from the presence of a difference between company acquisition cost and fair value of identifiable items of assets and liabilities of wholly and partially owned subsidiaries and associated companies. This difference is calculated as on the date of acquisition of a given company. Goodwill is analyzed for loss of value at least once a year.
- Fixed assets are valued and disclosed in the statement according to acquisition prices or production cost, reduced by depreciation and write-offs due to permanent loss in value. The costs pertaining to a fixed asset, which were borne after putting such asset in operation, refer to the profit and loss account, except for a situation where it is possible to prove that such costs resulted in an increase in expected future economic advantages on account of possessing the given fixed asset. In such case, the yielded costs increase the initial value of the fixed asset. Fixed assets are depreciated according to declining balance method and equally through tax rates. Fixed assets with acquisition prices lower than PLN 3.5 k are depreciated once in their full value under the date of purchase. For fixed assets that have permanently lost their economic usability, extraordinary depreciation write-offs are made.
- Fixed assets under construction are valued according to acquisition prices and production costs. This item includes costs that are directly related to an investment not yet completed. These include expenses incurred on acquisition of land property, expenditure on execution of buildings (mainly foreign services) and relevant financial costs.
- Investments in real property refer to such investments that are considered a source of income from lease rent and ones maintained with regard to an expected increase in their value. Real property is valued in fair value. The difference resulting from change in fair value is reflected in the profit and loss account for a given period.
- Shares in capital companies and other investments classified among fixed assets are valued according to acquisition prices reduced by write-offs on account of permanent loss in value.
- Loans granted are disclosed according to depreciated acquisition price, determined using effective interest rate method.
- The following are disclosed under inventories: semi-finished products and work in process, finished products and advances on deliveries. Inventories of non-current assets are valued according to values equivalent to the acquisition price of land property and costs of production of development activity products increased by activated financial costs but not higher than expected net sales price. Inventories related to long-term construction contracts are valued according to the guidelines of IAS No. 11 'Construction Contracts'.
- Receivables are disclosed in the balance sheet as amounts due, with due caution. Revaluation write-offs for receivables are made according to the following criteria:
  - for receivables aged over one year – for full value of receivables,
  - for receivables overdue over six months but not longer than one year – 50% of the value of receivables.

In certain justified cases, individual principles of calculating revaluation write-offs can be applied.

- Short-term investments are valued according to acquisition prices, accounting for write-offs due to permanent loss in value. Cash and cash equivalents include assets in the form of domestic monies, foreign currency and financial instruments, as well as other financial assets, particularly interest on loans granted if it falls due within 3 months from the report date. The same definition of cash applies to the cash flow statement.
- The following items are created on account of deferred tax: assets on account of deferred income tax and provision for income tax. These items are valued according to their justified estimated value. The provision is calculated with the tax rate to be valid in the following accounting period. Assets on account of deferred income tax on account of tax loss are established if settlement of such loss in the following years is certain of occurring.
- Share capital and reserve capital is valued in its nominal value.
- Reserves are established if the Company is under an existing obligation resulting from past events, it is probable that fulfillment of this obligation will result in the necessity of expensing funds that form economic benefits and it is possible to reliably estimate the value of such obligation. Reserves are particularly established for costs of executed investment projects, costs of bonuses, cash equivalents for unused holiday benefits and audit costs that have not been incurred but which fall on the current period, as well as for expected losses to be yielded in future periods.
- Long-term financial liabilities are valued with the 'depreciated cost of liabilities component' method, according to IAS 39. The risk and the possibility of early repayment of long-term liabilities is taken into consideration in the course of valuation. Particularly if the liability value calculated with the 'depreciated cost of liabilities component' method is lower than the value of liability in the case of early repayment, then a reserve is established to cover the difference. Other liabilities are disclosed in the balance sheet as payable amounts.
- The amount of the company social benefits fund is established on the basis of the Act on Company Social Benefits Fund (Journal of Laws of 1994, no. 43, item 163, as amended) and disclosed in the balance sheet in its nominal value, in the amount brought forward.
- Accrued income and costs are disclosed in their nominal value.
- Foreign currencies are valued as on the balance day, applying relevant exchange rates of Pekao SA bank applicable as on the balance day.
- Financial result is determined on the basis of the profit and loss account, applying the accruals concept, matching principle, yield and precautionary principle, upon reducing gross profit by input income tax, write-offs on account of provision for transitional difference on account of income tax and other charges on the financial result. Financial result is determined using the multiple-step method.
  - a) The costs of production of products sold include yielded costs pertaining to the revenues in a given accounting year and costs not yet borne, booked according to the principle of matching revenues and costs.



- b) With regard to long-term construction contracts, financial result is affected by estimated income, considering progress of investment execution as on the balance day, pursuant to the principles under IAS No. 11 'Construction Contracts'. Progress of investment execution is determined as the share of costs borne as on the balance day in total estimated investment costs. Revenues of the current period are established in the same proportion towards total estimated revenues. Own costs of sales of production consisting in execution of building contracts is disclosed according to the progress of investment execution.
  - c) Sales are valued on the basis of production costs, using one of the following two methods, depending on the types of projects:
    - return ratio according to the sales contract, or average (calculated) return ratio assumed by the company;
    - percentage of such items as, for instance, sold area of land, sold shares, etc. (according to average prices)  
Own cost of sold premises and land is settled in proportion to sold shares in land.  
In certain justified cases it is acceptable to use the method of precise identification of actual costs of sold assets.
  - d) The following factors also affect the financial result:
    - in the range of other sales of products and services – income invoiced and due to the company and the relevant costs,
    - yielded costs of sales and overheads and costs not yet borne, booked according to the principle of matching revenues and costs,
    - profits and losses on sale of securities,
    - all financial income receivable by the company,
    - yielded and booked financial costs pertaining to the current period, except for costs activated according to an alternative solution presented in IAS 23 'Borrowing Costs'. The company activates the part of financial costs that is directly related to acquisition and production of assets disclosed as inventories and investments in progress. The following amount of costs is activated: interest, discount and commission reduced by income yielded from temporary deposition of funds (i.e. amounts of interest on bank deposits, except for deposits resulting from holds of accounts, L/C contracts). The structure of expenditure in the company is calculated as overheads, advances, loans granted, expenses on fixed assets, financial investments, intangible assets and non-activated inventories and expenses reduced by revenues from advances on activated projects. The amount of activated financial costs corresponding to the latter item is calculated proportionally. It is divided among specific inventory projects according to structure of expenses reduced by advances.
    - realized extraordinary profits and yielded extraordinary losses, covering only items not occurring in the course of normal economic activity.
- Cash flow statement is prepared according to indirect method.

### 5.3 Results of change in applied accounting principles (conversion of financial statements for the preceding periods), with description

Echo Investment Capital Group did not change its accounting principles in 2006.

### 5.4 Composition of the Echo Investment S.A. Capital Group

Echo Investment S.A., which is the owner of Group companies, plays the major part in the structure of the Capital Group through supervising, partnering in execution and providing funds for execution of current developer projects. The group companies have been established or acquired for the purpose of performing certain investment tasks. They do not engage in any type of business activity other than one involved in the realization process of a specific project, followed by provisions of lease services of already completed property components or other services. The Echo Investment Capital Group consists of 58 subsidiaries that are fully consolidated and 4 companies valued according to ownership rights method.

Fully consolidated companies:

- "Athina Park" Spółka z o.o. ['Athina Park' Limited Liability Company], having its registered seat in Kielce
- "Bioelektrownia Hydropol - 4" Spółka z o.o. ['Hydropol - 4 Bioelectric Power Plant' Limited Liability Company], having its registered seat in Kielce
- "Centrum Handlowe PHS" Spółka Akcyjna ['PHS Shopping Center' Joint Stock Company], having its registered seat in Szczecin
- "Echo Bau" Spółka z o.o. ['Echo Bau' Limited Liability Company], having its registered seat in Kielce
- "Echo - Centrum Bankowości i Finansów Łódź" Spółka z o.o. ['Echo Łódź Banking and Finance Center' Limited Liability Company], having its registered seat in Kielce
- "Echo - Centrum Biznesu Łódź" Spółka z o.o. ['Echo Łódź Business Center' Limited Liability Company], having its registered seat in Kielce
- "Echo - Pasaż Grunwaldzki" Spółka z o.o. ['Echo - Grunwaldzki Arcade' Limited Liability Company], having its registered seat in Kielce
- "Echo - Pasaż Grunwaldzki Sp. z o.o." Spółka komandytowa ['Echo - Grunwaldzki Arcade Limited Liability Company' Limited Company], having its registered seat in Kielce
- "Echo ACC" Spółka z o.o. ['Echo ACC' Limited Liability Company], having its registered seat in Kielce
- "Echo Centrum Ślichowice" Spółka z o.o. ['Echo Ślichowice Center' Limited Liability Company], having its registered seat in Kielce
- "Echo Investment - Centrum Gdynia" Spółka z o.o. ['Echo Investment - Gdynia Center' Limited Liability Company], having its registered seat in Kielce
- "Echo Investment - Centrum Handlowe Bełchatów" Spółka z o.o. ['Echo Investment - Bełchatów Shopping Center' Limited Liability Company], having its registered seat in Kielce



- "Echo Investment - Centrum Handlowe Jelenia Góra" Spółka z o.o. ['Echo Investment - Jelenia Góra Shopping Center' Limited Liability Company], having its registered seat in Kielce
- "Echo Investment - Centrum Handlowe Łomża" Spółka z o.o. ['Echo Investment - Łomża Shopping Center' Limited Liability Company], having its registered seat in Kielce
- "Echo Investment - Centrum Handlowe Olkusz" Spółka z o.o. ['Echo Investment - Olkusz Shopping Center' Limited Liability Company], having its registered seat in Kielce
- "Echo Investment - Centrum Handlowe Pabianice" Spółka z o.o. ['Echo Investment - Pabianice Shopping Center' Limited Liability Company], having its registered seat in Kielce
- "Echo Investment - Centrum Handlowe Piła" Spółka z o.o. ['Echo Investment - Piła Shopping Center' Limited Liability Company], having its registered seat in Kielce
- "Echo Investment - Centrum Handlowe Piotrków Trybunalski" Spółka z o.o. ['Echo Investment - Piotrków Trybunalski Shopping Center' Limited Liability Company], having its registered seat in Kielce
- "Echo Investment - Centrum Handlowe Przemyśl" Spółka z o.o. ['Echo Investment - Przemyśl Shopping Center' Limited Liability Company], having its registered seat in Kielce
- "Echo Investment - Centrum Handlowe Radom" Spółka z o.o. ['Echo Investment - Radom Shopping Center' Limited Liability Company], having its registered seat in Kielce
- "Echo Investment - Centrum Handlowe Rzeszów" Spółka z o.o. ['Echo Investment - Rzeszów Shopping Center' Limited Liability Company], having its registered seat in Kielce
- "Echo Investment - Centrum Handlowe Siemianowice Śląskie" Spółka z o.o. ['Echo Investment - Siemianowice Śląskie Shopping Center' Limited Liability Company], having its registered seat in Kielce
- "Echo Investment - Centrum Handlowe Świętochłowice" Spółka z o.o. ['Echo Investment - Świętochłowice Shopping Center' Limited Liability Company], having its registered seat in Kielce
- "Echo Investment - Centrum Handlowe Tarnów" Spółka z o.o. ['Echo Investment - Tarnów Shopping Center' Limited Liability Company], having its registered seat in Kielce
- "Echo Investment - Centrum Handlowe Tczew" Spółka z o.o. ['Echo Investment - Tczew Shopping Center' Limited Liability Company], having its registered seat in Kielce
- "Echo Investment - Centrum Handlowe Zamość" Spółka z o.o. ['Echo Investment - Zamość Shopping Center' Limited Liability Company], having its registered seat in Kielce
- "Echo Investment - Centrum Handlowo-Usługowo-Rozrywkowe Gliwice" Spółka z o.o. ['Echo Investment - Gliwice Shopping, Service and Entertainment Center' Limited Liability Company], having its registered seat in Kielce
- "Echo Investment - Centrum Handlowe Kielce" Spółka z o.o. ['Echo Investment - Kielce Shopping Center' Limited Liability Company], having its registered seat in Kielce
- "Echo Investment Hungary Ingatlanhasznosító Kft.", having its registered seat in Budapest
- "Echo Investment Projekt 1" S.R.L., having its registered seat in Bucharest
- "Est On Property Management" Spółka z o.o. ['Est On Property Management' Limited Liability Company], having its registered seat in Kielce
- "Hotel Investment" Spółka z o.o. ['Hotel Investment' Limited Liability Company], having its registered seat in Kielce
- "Hotel Investment Sp. z o.o." Spółka komandytowa ['Hotel Investment Limited Liability Company' Limited Company], having its registered seat in Kielce
- "Kieleckie Centrum Handlowo-Rozrywkowe Echo" Spółka z o.o. ['Echo Shopping and Entertainment Center of Kielce' Limited Liability Company], having its registered seat in Kielce
- "Malta Office Park" Spółka z o.o. ['Malta Office Park' Limited Liability Company], having its registered seat in Kielce
- "MDP" Spółka z o.o. ['MDP' Limited Liability Company], having its registered seat in Kielce
- "Piomot Auto" Spółka z o.o. ['Piomot Auto' Limited Liability Company], having its registered seat in Kielce
- "Polimeni International Poznań" Spółka z o.o. ['Polimeni International Poznań' Limited Liability Company], having its registered seat in Gdynia
- "Princess Boryszewska" Spółka z o.o. ['Princess Boryszewska' Limited Liability Company], having its registered seat in Kielce
- "Princess Investment" Spółka z o.o. ['Princess Investment' Limited Liability Company], having its registered seat in Kielce
- "Project 3" Spółka z o.o. ['Project 3' Limited Liability Company], having its registered seat in Warsaw
- "Projekt - Echo 17" Spółka z o.o. ['Project - Echo 17' Limited Liability Company], having its registered seat in Kielce
- "Projekt - Echo 30" Spółka z o.o. ['Project - Echo 30' Limited Liability Company], having its registered seat in Kielce
- "Projekt - Echo 32" Spółka z o.o. ['Project - Echo 32' Limited Liability Company], having its registered seat in Kielce
- "Projekt - Echo 34" Spółka z o.o. ['Project - Echo 34' Limited Liability Company], having its registered seat in Kielce
- "Projekt - Echo 37" Spółka z o.o. ['Project - Echo 37' Limited Liability Company], having its registered seat in Kielce
- "Projekt - Echo 39" Spółka z o.o. ['Project - Echo 39' Limited Liability Company], having its registered seat in Kielce
- "Projekt - Echo 41" Spółka z o.o. ['Project - Echo 41' Limited Liability Company], having its registered seat in Kielce
- "Projekt - Echo 42" Spółka z o.o. ['Project - Echo 42' Limited Liability Company], having its registered seat in Kielce
- "Projekt - Echo 43" Spółka z o.o. ['Project - Echo 43' Limited Liability Company], having its registered seat in Kielce
- "Projekt - Echo 44" Spółka z o.o. ['Project - Echo 44' Limited Liability Company], having its registered seat in Kielce
- "Projekt - Echo 45" Spółka z o.o. ['Project - Echo 45' Limited Liability Company], having its registered seat in Kielce
- "Projekt Naramowice" Spółka z o.o. ['Project Naramowice' Limited Liability Company], having its registered seat in Kielce
- "Projekt S" Spółka z o.o. ['Project S' Limited Liability Company], having its registered seat in Kielce
- "Szczecin - Projekt Echo 32 spółka z ograniczoną odpowiedzialnością" ['Szczecin - Project Echo 32 Limited Liability Company'] limited company, having its registered seat in Kielce, formerly "Echo Investment - Centrum Handlowo-Rozrywkowe Szczecin" sp. z o.o. ['Echo Investment - Szczecin Shopping and Entertainment Center' Limited Liability Company], having its registered seat in Kielce
- "WAN 11" Spółka z o.o. ['WAN 11' Limited Liability Company], having its registered seat in Warsaw

- "Wyględów" Spółka z o.o. ['Wyględów' Limited Liability Company], having its registered seat in Kielce
- "Zakłady Ogrodnicze Naramowice" Spółka z o.o. ['Naramowice Gardening Enterprise' Limited Liability Company], having its registered seat in Kielce

Companies valued according to ownership rights method:

- "Projekt - Echo 23" Spółka z o.o. ['Project - Echo 23' Limited Liability Company], having its registered seat in Kielce
- "SPC" Spółka Akcyjna ['SPC' Joint Stock Company], having its registered seat in Warsaw,
- "W.A. Hotele" Spółka z o.o. ['W.A. Hotels' Limited Liability Company], having its registered seat in Warsaw
- "WAN Invest" Spółka z o.o. ['WAN Invest' Limited Liability Company], having its registered seat in Warsaw

All wholly and partially owned subsidiaries and affiliated companies are covered by the range of consolidation. The dominant company owns 100% of basic capital, directly or indirectly, in all fully consolidated subsidiaries. In partially owned subsidiaries, the dominant Company is the owner of the following respective shares:

- 'WAN 11' Sp. z o.o. [Co., Ltd.] - 50% of basic capital and 50% of voting rights at the general meeting.
- 'Projekt S' Sp. z o.o. [Co., Ltd.] - 63% of basic capital and 63% of voting rights at the general meeting.

Capital relationships within the Capital Group concern the following:

- "Piomot - Auto" Sp. z o.o., holding 15.88% of basic capital of "Echo - Centrum Piotrków Trybunalski" Sp. z o.o.;
- "Zakłady Ogrodnicze Naramowice" Sp. z o.o., holding 99,8% of basic capital of "Projekt Naramowice" Sp. z o.o.;
- "Echo Investment - Centrum Handlowo - Rozrywkowe Kielce" Sp. z o.o., holding:
  - 99,99% of basic capital of "Kieleckie Centrum Handlowo - Rozrywkowe Echo Sp. z o.o.",
  - 100% of basic capital of "Princess Boryszewska" Sp. z o.o.
- "Projekt - Echo 37" Sp. z o.o., holding 0,001% of basic capital of "Echo Investment - Centrum Handlowe Świętochłowice" Sp. z o.o.;
- "Echo - Pasaż Grunwaldzki" Sp. z o.o., holding 1% of share of "Echo - Pasaż Grunwaldzki" Sp. z o.o.;
- "Hotel Investment" Sp. z o.o., holding 1% of share of "Hotel Investment Sp. z o.o." Limited Company;
- "Projekt - Echo 32" Spółka z o.o., holding 1% of share of "Szczecin - Projekt Echo 32 Sp. z o.o." Limited Company
- "Projekt - Echo 17" Sp. z o.o., holding the following respective shares of basic capital of:
  - 1.00% of capital of "Wyględów" Sp. z o.o.,
  - 1.00% of capital of "Projekt - Echo 37" Sp. z o.o.,
  - 1.00% of capital of "Projekt - Echo 39" Sp. z o.o.,
  - 1.00% of capital of "Project 3" Sp. z o.o.,
  - 1.00% of capital of "Echo ACC" Sp. z o.o.,
  - 1.00% of capital of "Projekt - Echo 30" Sp. z o.o.,
  - 1.00% of capital of "Projekt - Echo 32" Sp. z o.o.,
  - 1.00% of capital of "Echo - Pasaż Grunwaldzki" Sp. z o.o.,
  - 1.00% of capital of "Projekt - Echo 34" Sp. z o.o.,
  - 1.00% of capital of "Est On Property Management" Sp. z o.o.,
  - 1.00% of capital of "Projekt - Echo 41" Sp. z o.o.,
  - 1.00% of capital of "Projekt - Echo 42" Sp. z o.o.,
  - 1.00% of capital of "Projekt - Echo 43" Sp. z o.o.,
  - 1.00% of capital of "Projekt - Echo 44" Sp. z o.o.,
  - 1.00% of capital of "Projekt - Echo 45" Sp. z o.o.,
  - 0,05% of capital of "Hotel Investment" Sp. z o.o.,
  - 0,03% of capital of "Malta Office Park" Sp. z o.o.,
  - 0,02% of capital of "Echo Centrum Ślichowice" Sp. z o.o.,
  - 0,02% of capital of "Echo - Centrum Biznesu Łódź" Sp. z o.o.,
  - 0,02% of capital of "Projekt Naramowice" Sp. z o.o.,
  - 0,01% of capital of "Echo Investment - Centrum Handlowe Tczew" Sp. z o.o.,
  - 0,01% of capital of "Echo Investment - Centrum Handlowe Piła" Sp. z o.o.,
  - 0,01% of capital of "Echo Investment - Centrum Handlowe Zamość" Sp. z o.o.,
  - 0,01% of capital of "Echo Investment - Centrum Handlowo-Rozrywkowe Gliwice" Sp. z o.o.,
  - 0,009% of capital of "Echo Investment - Centrum Handlowe Siemianowice Śląskie" Sp. z o.o.,
  - 0,008% of capital of "Athina Park" Sp. z o.o.,
  - 0,007% of capital of "Echo Investment - Centrum Handlowe Łomża" Sp. z o.o.,
  - 0,006% of capital of "Echo Investment - Centrum Handlowe Bełchatów" Sp. z o.o.,
  - 0,006% of capital of "Echo Investment - Centrum Handlowe Rzeszów" Sp. z o.o.,
  - 0,005% of capital of "Echo Investment - Centrum Handlowe Olkusz" Sp. z o.o.,
  - 0,005% of capital of "Echo Investment - Centrum Gdynia" Sp. z o.o.,
  - 0,004% of capital of "Echo Investment - Centrum Handlowe Pabianice" Sp. z o.o.,
  - 0,004% of capital of "Echo Investment - Centrum Handlowe Radom" Sp. z o.o.,
  - 0,004% of capital of "MDP" Sp. z o.o.,
  - 0,004% of capital of "Echo Investment - Centrum Handlowe Tarnów" Sp. z o.o.,
  - 0,002% of capital of "Echo Investment - Centrum Handlowo-Rozrywkowe Kielce" Sp. z o.o.,

Other shares in the above mentioned companies are held by 'Echo Investment' S.A.

On 04.08.2006 the District Court in Kielce registered the following companies:

1. "Projekt - Echo 41" Sp. z o.o. ['Project - Echo 41' Limited Liability Company], having its registered seat in Kielce.

2. „Projekt – Echo 42” Sp. z o.o. [‘Project – Echo 42’ Limited Liability Company], having its registered seat in Kielce.

3. „Projekt – Echo 45” Sp. z o.o. [‘Project – Echo 45’ Limited Liability Company], having its registered seat in Kielce.

On August 17, 2006 the District Court in Kielce registered the following companies:

1. „Projekt – Echo 43” Sp. z o.o. [‘Project – Echo 43’ Limited Liability Company], having its registered seat in Kielce.

2. „Projekt – Echo 44” Sp. z o.o. [‘Project – Echo 44’ Limited Liability Company], having its registered seat in Kielce.

The share capital of each of these five companies is PLN 50,000 and is divided into 100 (one hundred) shares for a nominal value of PLN 500 each. The total number of votes at the meeting of shareholders, according to shares, is 100.

On August 31, 2006 Echo Investment SA purchased 100% of the shares in share capital of Polimeni International Poznań Sp. z o.o., seated in Gdynia.

## 5.5 Explanations concerning seasonal or cyclical quality of the issuer’s activity during the presented period

The operations of Echo Investment Capital Group cover numerous segments of the real estate market. Therefore, seasonality or cyclicity of yielded income or results is highly diversified. Consolidated income on sales is primarily generated from lease of commercial surfaces (shopping centers, offices) and supplemented by other types of activity: sale of apartments, general contractor’s services, real estate management and turnover, other minor ranges of activity. The available portfolio of assets for lease, systematic execution and sale of residential project, along with other ranges of activity, to a significant extent ensure comparable incomes in each quarter. The Management Board cannot exclude other singular events that can affect the results yielded in a given period.

## 5.6 Information about issuance, redemption and repayment of debt and capital securities

Apart from own funds, loans and facilities, the current operations of the Capital Group are also financed through issuance of debt financial instruments.

The dominant company – Echo Investment S.A. – is currently implementing active programs of issuance of long-term and short-term financial instruments (bonds). Information about issuance, redemption and repayment of such instruments is contained in the enclosed cash flow statement.

## 5.7 Information about paid (or declared) dividend, total and per one share, divided into ordinary and preference shares

The dominant company – Echo Investment S.A. – did not pay any dividend in the previous years nor declare payment of such in the nearest future.

## 5.8 Specification of events occurring after the condensed quarterly financial statement date, not disclosed in the statement but capable of significantly affecting future financial results of the issuer

Such events did not occur.

## 5.9 Specification of results of changes in the structure of the business entity, including ones resulting from mergers, takeover or sale of Capital Group companies, long-term investments, division, restructuring or discontinuation of operations.

The Capital Group has been expanded with 6 companies, including 5 newly established ones („Projekt – Echo 41” Spółka z o.o., having its registered seat in Kielce; „Projekt – Echo 42” Spółka z o.o., having its registered seat in Kielce; „Projekt – Echo 43” Spółka z o.o., having its registered seat in Kielce; „Projekt – Echo 44” Spółka z o.o., having its registered seat in Kielce; „Projekt – Echo 45” Spółka z o.o., having its registered seat in Kielce), and one company that was purchased („Polimeni International Poznań” Sp. z o.o., having its registered seat in Gdynia).

## 5.10 Information about changes in contingent liabilities or contingent assets that occurred after the end of the last financial year

Certain changes have occurred in contingent liabilities since the expiry of the last financial year, as follows:

1. Bank guarantee of good and timely performance of contract as of June 29, 2001 to BPH S.A., 1st Branch in Kielce, with reference to the Contract for Construction Works signed with ‘Dipservice’ and concerning a building in Warsaw, Wiśniowa Street, for an amount of PLN 534 k, has expired.

2. Bank guarantee of timely delivery of the subject of lease by ‘WAN 11’ Sp. z o.o. to Polkomtel S.A. for Bank Przemysłowo Handlowy PBK S.A. for an amount of EUR 2,000 k has expired.

3. Guarantee on account of failure to execute or improper execution of construction works as of May 31, 2004 to Qubus Hotel System Sp. z o.o., granted by T.U. Allianz Polska S.A., has expired. The value of guarantee was 194 k USD.

4. Echo Investment SA’s surety granted for the liabilities of Echo Pasaż Grunwaldzki Spółka z ograniczoną odpowiedzialnością Sp. k. to EUROHYPO AG Bank of Germany, as of March 10, 2006, has expired. Value of surety EUR 100 million.

5. EUROHYPO AG granted a bank guarantee to Strabag Sp z o.o. for securing payment of remuneration for construction works, for the amount of PLN 47.65 million. Expiry date: April 30, 2007.
6. Echo Investment SA's surety granted for the liabilities of Echo Pasaż Grunwaldzki Spółka z ograniczoną odpowiedzialnością Sp. k. to EUROHYPO AG Bank of Germany, as of March 10, 2006, has expired. Value of surety 538 k EUR.
7. In August 2006, Annex 1 to the Bank guarantee contract as of September 23, 2005, to BZ WBK S.A. Bank, forming a security of payment for execution of construction of an underground passage and other components of reconstruction of the road system of Grunwaldzki Square in Wrocław. The expiry date of the guarantee was moved from November 30, 2006 to January 15, 2007, and the value of guarantee was raised from PLN 15,860 k to PLN 17,894 k.

## 5.11 Description of the issuer's significant achievements or failures

During the 3<sup>rd</sup> quarter of the year 2006, Echo Investment S.A. and Capital Group companies realized projects initiated in the previous years and became involved in new investments in the segments described below:

### Polish market

#### Segment of shopping centers and commercial and entertainment centers

Shopping centers built by the Capital Group operate in more than ten largest cities in Poland. The stability of the market of shopping areas is due to high market demand, possibility of adapting to the requirements of specific clients and high diversification of industries.

Domestic and international shopping chains, as well as local companies are tenants of commercial areas in these buildings. Key tenants in shopping centers include: Carrefour, Tesco, Geant, Ahold, Champion, Nomi, Multikino, Silver Screen ITI Neovision, RTV Euro AGD, Empik, Douglas, Saturn Planet, Supermarkety Drogerijne Rossman and other chain brands.

Implementation of the Company's largest project, i.e. an advanced shopping, entertainment and service center called Pasaż Grunwaldzki [Grunwaldzki Arcade], located in Wrocław at Grunwaldzki Square, was continued during the 3<sup>rd</sup> quarter of 2006. Commercialization of project also progressed. Contracts have been made with further tenants. At the end of the 3<sup>rd</sup> quarter of 2006, the Company rented about 99% of the area of the center. The anticipated area for rent is about 48,700 square meters. The anticipated opening date of the center falls at the beginning of the year 2007.

The Company continued realization of a project of a shopping and entertainment center called Pasaż Świętokrzyski, located in Kielce, Ślichowice Estate (net area of 13,200 square meters). E.Leclerc hypermarket is going to be opened in the center under construction. In August 2006, Echo Investment S.A. signed a final lease contract with Pergranso Sp. z o.o. for lease of an area of 8,500 sq. m for a period of 30 years. Contracts have also been made with other tenants. At the end of the 3<sup>rd</sup> quarter of 2006, the Company has let 100% of the area of the center. Completion of the investment is anticipated in the 4<sup>th</sup> quarter of 2006.

On August 31, 2006 Echo Investment SA purchased 100% of the shares in share capital of Polimeni International Poznań Sp. z o.o., seated in Gdynia, owner of immovable properties situated in Poznań with an area of 47,419 sq. m. Echo Investment SA intends to build a modern shopping and entertainment center on this immovable property. Anticipated completion date falls at the turn of 2008/2009.

The sales price shall be about 45 million PLN and shall be adjusted by liabilities of Polimeni International Poznań Sp. z o.o. seated in Gdynia that existed as on the contract effective date, and by liabilities and receivables existing at the given time between the parties to the contract.

Echo Investment S.A. intends to build the largest shopping and entertainment center in Słupsk, named ARENA. The anticipated center is going to be built in an attractive location in Słupsk, Grottgera Street, plot area of 64,000 square meters. The facility shall offer about 84,000 sq. m total area. In August 2006, a contract was made with HS99 Herman i Śmierzewski, seated in Koszalin, for design works on the foregoing center. Anticipated project construction commencement date will be at the end of 2007 and completion will fall at the turn of 2008/2009.

Realization of erection of shopping centers in Łomża and Lublin supplements the portfolio of commercial areas with simultaneous improvement of quality and advancement of the Company's offer. Echo Investment SA has made long-term contracts of lease of commercial areas with key tenants. In the Shopping Center in Łomża, which is currently under preparation, the REAL superstore will be opened, with an approximate area of 8,500 square meters. The parties to the contract, i.e. Echo Investment SA and real- Sp. z o.o. and Spółka sp.k., are entitled to terminate the contract if Echo Investment SA does not, until June 30, 2008, obtain a final building permit. The Company is expecting completion of administrative procedures. At the same time, the Company is planning for extension of some of its present shopping centers.

Construction of shopping and entertainment centers is financed in cooperation with Bank BPH S.A., Bank PeKaO S.A., Eurohypo A.G., ING Bank Śląski S.A. and Kredyt Bank S.A.

Future operations of Capital Group companies will focus on execution of new projects, followed by an increase of the portfolio of commercial areas for lease.

#### Segment of office areas



In the office investments segment, Echo Investment Capital Group has completed facilities for lease in the largest cities in Poland: Warsaw, Łódź and Cracow. The Group is executing new investments and acquiring projects already functioning in the market. Its offer covers office buildings of various standards, including top class.

Although this market segment is highly competitive, the Capital Group's projects ensure stable income from long-term lease contracts due to proper location and appropriate standards.

Office areas are leased to such recognized companies as Nordea SA, BRE Bank SA, Bank PeKaO SA, Bank Zachodni WBK SA, Polkomtel SA, Deutsche Leasing, Impel SA, Colgate-Palmolive, Philips, Porr Polska, Modzelewski & Rodek, Roche Diagnostic Polska, and others.

During the third quarter of the year 2006, the Company was progressing with execution of an investment consisting in a complex of office buildings in Kielce at Al. Solidarności Street (net area of the buildings approx. 20,000 square meters). The project assumes realization of three six-storey buildings. The anticipated completion date of investment falls in the 3<sup>rd</sup> quarter of 2007.

During the same period, the process of designing and preparing realization of a set of office buildings with multi-storey underground parking lot was also carried out on a real property situated in Warsaw at 21 Postępu Street (area ca. 32,000 square meters). The anticipated commencement date of investment falls in the 1<sup>st</sup> quarter of 2007 and completion date in the 3<sup>rd</sup> quarter of 2008.

The process of preparing and realization of the 'Malta Office Park' office complex in Poznań was also carried out (rentable area of about 28,000 square meters). The Company is currently obtaining the building permit. Execution of the investment should commence during the 4<sup>th</sup> quarter of the year 2006. First stage of construction is expected to complete in the 1<sup>st</sup> quarter of the year 2008.

The Company is also applying for a decision on development conditions referring to erection of an office building in Cracow at Lea Street (rentable area will be about 8,000 square meters). The new office building is intended to replace the existing building, the latter being designed for demolition. The anticipated commencement date of investment falls in the 2<sup>nd</sup> half of 2007 and completion date in the 2<sup>nd</sup> half of 2008.

Office projects are financed in cooperation with Eurohypo A.G., Bank PeKaO S.A., and RheinHyp BRE Bank Hipoteczny SA.

The situation in the market of office property has improved since Poland's accession to the European Union, which was reflected in improved condition and dynamic development of many companies and, consequently, in increased demand for office space. This contributes to stabilization of lease rent rates level and increase of the leased-area ratio.

The good perspectives are noticeable in the Warsaw market and in regional markets, such as Łódź, Poznań, Cracow and Wrocław, Upper Silesia region, Tri-City (Gdańsk/Sopot/Gdynia) which is due to high interest of international corporations in moving certain parts of their operations to Poland.

### **Segment of hotels**

The Group's long experience and recognized partners provide good grounds for the company's operations on the market of hotels. During the preceding years, Echo Investment S.A. dealt with complex realization of hotels for key clients, acting as a general contractor of investments. The Capital Group's projects in the hospitality industry were executed in cooperation with international hotel chains: with the French chains of hotels Accor and Envergue, and with the Qubus group of Norway. Realized hotels operate in Warsaw, Cracow, Szczecin, Łódź, Poznań, Częstochowa, Zabrze, Gliwice.

During the 3<sup>rd</sup> quarter of 2006, the Company succeeded in realization of a four-star Qubus hotel in Cracow (195 rooms, 10,600 square meters of usable area) and of a three-star hotel for the same client commenced, in the very center of Kielce (90 rooms, 3,700 square meters of usable area). The hotels were opened in July (Cracow) and in October (Kielce), respectively. The company signed 25-year contracts of lease of both hotels with Qubus Hotel System.

In the future, the Company is going to build hotels in cooperation with international chains of hotels (three- and four-star hotels).

In the last few months, economic trends in the hospitality market have been improving. This tendency, considering Echo Investment S.A.'s experience gained during execution of hotels for international operators, provides good perspectives for growth in the segment of commercial property.

### **Housing segment**

In the residential sector, Echo Investment Capital Group realizes investments from luxury apartment complexes, through high- and medium-standard residential buildings, to single-family houses estates.

During the 3<sup>rd</sup> quarter of 2006, works were continued on execution of housing investments in Warsaw. Erection of the 2<sup>nd</sup> stage of the Inflancka Housing Estate was continued. 139 apartments are expected to be delivered to users during the 1<sup>st</sup> quarter of the year 2007. 2<sup>nd</sup> stage of investment at Zwycięzców Street (239 apartments) was also realized. The anticipated completion date of investment falls in the 1<sup>st</sup> quarter of 2008.

Realization of the 3<sup>rd</sup> stage of Inflancka Housing Estate has also begun (area for sale is 7,000 square meters). The anticipated completion date of the latter housing estate falls in the 3<sup>rd</sup> quarter of 2008.

Construction works were also performed in Poznań. Stage III of the Naramowice Housing Estate (155 apartments) was realized. Anticipated completion date of the Poznań investment falls in the 1<sup>st</sup> half of the year 2008. Preparation of realization of the next stage of Naramowice Housing Estate in Poznań has also begun (net area of 14,000 square meters). The completion of these investments is anticipated in the 3<sup>rd</sup> quarter of 2008.

The Company is preparing realization of two luxury apartment towers in Cracow with total area of 4,700 square meters. A 4-storey building with an area of 1,300 thousand square meters (15 apartments) will be built at Kilińskiego Street. This building, which was designed by Oleksy&Polaczek office, will be put to use in the 2<sup>nd</sup> quarter of 2008. At the end of 2008, the Company is also going to complete realization of a housing investment in the Wola Justowska district. This building, designed by The Blok office, will have an area of about 3,400 square meters. (42 apartments).

Projects of residential buildings are currently under preparation: in Warsaw at Kazimierzowska Street (net area in excess of 5,000 square meters) and in Poznan at Wojskowa Street (area for sale is about 17,000 square meters). Anticipated completion date of these buildings falls at the end of 2008.

During the 3<sup>rd</sup> quarter of 2006, preparatory works were performed to erection of a housing and service building on the immovable property situated in Cracow at Krasickiego Street (area for sale is about 5,000 square meters). The completion of this investment is anticipated in the 2<sup>nd</sup> half of 2009.

The process of designing and preparing execution of an estate of city-like multi-family houses was launched on the immovable property situated in Poznań at Litewska Street and Grudzieniec Street (area of the immovable property exceeding 17,000 square meters). In the 3<sup>rd</sup> quarter of 2006, the company contracted performance of design works on the above mentioned housing project from Arpa Architects' Office of Poznań. Anticipated completion date falls in the 2<sup>nd</sup> quarter of the year 2008.

In July 2006, a lease contract was made with Alma Market, owner of a grocery supermarkets chain. The contract refers to lease in a housing and service building in Warsaw at Zwycięzców Street with an area of 1470 sq. m, for a period of 10 years. The value of contract shall be about PLN 9.7 million. Alma Market is going to operate a food and nonfood merchandise superstore.

During the 3<sup>rd</sup> quarter of 2006, the process of designing an estate of detached houses began on the immovable property situated in Bilcza near Kielce (Bilcza II). In July 2006, a contract was made with Konsorcjum Pisarczyk i Tracz Architekci, seated in Kielce, for design works on the foregoing estate. In the upcoming quarter of 2006, the process of designing another housing estate will begin on the immovable property situated in Dyminy near Kielce. Following completion of technical utilities, the Company intends to sell plots of land with designs of houses (area of about 300,000 square meters). The anticipated realization date of investment falls at the turn of 2007/2008.

A contract of sale was made between the subsidiary Centrum Handlowe PHS SA of Szczecin and Przedsiębiorstwo Produkcyjno-Budowlane ATANER Sp. z o.o. with its registered seat in Poznań. The object of contract is the right of perpetual usufruct of immovable property situated in Poznań at Serbska Street, area of 1.3 hectares. The contract value was PLN 3.9 million.

Demand for flats and apartments keeps increasing and investment perspectives in the housing market are very optimistic, particularly in large cities. At present, the Company's projects are realized in the following markets: Warsaw, Cracow and Poznań. Echo Investment S.A. has its stable offer of sale of apartments in various price ranges in each of these markets.

### **Foreign market**

As far as investments abroad are concerned, the Company's policy relies on diversification of geographic locations and sector-based diversification of its basic activity portfolio. Investments on foreign markets will focus on the basic sectors of Echo Investment Capital Group's operations, including primarily the segment of commercial projects in Central and Eastern Europe. Within the range of its foreign operations, the Company intends to collaborate with local partners.

### **Hungary**

During the 3<sup>rd</sup> quarter of the year 2006 Echo Investment SA acquired the right to immovable property situated in the 14<sup>th</sup> District of Budapest – Zuglo, with an area of 6.84 hectares. The value of the agreement was HUF 4.0 billion (equivalent of PLN 59.94 million). Echo Investment SA intends to realize a modern multifunctional project on the purchased land. The process of designing the above mentioned district center has already been launched. The cost of investment shall be about 150 million EUR. The Company intends to complete the project within 5 years following the date of entry into force of the real estate acquisition contract, i.e. before July 2011.

## **5.12 Factors and events, particularly ones that are extraordinary in nature, having a significant impact on the achieved financial results**

During the 3<sup>rd</sup> quarter of the year 2006, revaluation of real property owned by the Capital Group had a significant impact on the financial result. Another factor affecting the gained result was the income earned from sales of housing projects and rental of commercial space.

## **5.13 Structure of revenues**

Echo Investment Capital group yields revenues from lease of its commercial areas, sales of apartments, realization of buildings and provision of real property management services. The structure of yielded revenues is as follows:

### **- lease of areas shopping centers and commercial and entertainment centers**

Revenues from lease services are generated from lease of areas in shopping centers and shopping/entertainment centers. Consolidated revenues yielded on this account at the end of the 3<sup>rd</sup> quarter of 2006 constituted 42,5% of net income from sales.

**- sale and lease of residential and service space:**

The main source of income in this segment is the sale of apartments and, to a lesser extent, sale of commercial areas (shopping areas, offices and other premises situated within multifunctional housing projects). Revenues yielded on this account constituted approx. 36,3% of all consolidated income from sales of products.

**- realization and lease of areas in office and hotel facilities**

Revenues from lease services are generated from lease of areas in office and hotel buildings owned by individual subsidiaries. Consolidated revenues yielded on this account and on account of realization of investments at the end of the 3<sup>rd</sup> quarter of 2006 constituted approx. 16,4% of net income from sales in 2005.

**- other income:**

Other sources of income include income earned on legal, accounting and consulting services related to service provision for subsidiaries. Property management also forms a portion of incomes. As at the end of the 3<sup>rd</sup> quarter of the year, this income made up 4,8% of the total.

| Specification  | Balance at the end of the 3 <sup>rd</sup> quarter of 2006 | Balance as at the end of 2005 | Balance at the end of the 3 <sup>rd</sup> quarter of 2005 |
|--|---|-------------------------------|---|
| Lease of areas shopping centers and commercial and entertainment centers | 42,5%   | 59,2%                         | 59,3%   |
| Sale and lease of residential areas                                      | 36,3%   | 22,0%                         | 24,5%   |
| Realization and lease of areas in office and hotel facilities            | 16,4%   | 15,0%                         | 12,6%   |
| Other income   | 4,8%  | 3,8%                          | 3,6%  |
| <b>Operating income total</b>  | <b>100%</b>   | <b>100%</b>                   | <b>100%</b>   |

**5.14 Selected financial data**

|   | PLN k   |   | EUR k   |   |
|---|---|---|---|---|
|   | 3 quarters accrued the period from 01.01.2006 do 30.09.2006 | 3 quarters accrued the period from 2005.01.01 to 2005.09.30 | 3 quarters accrued the period from 01.01.2006 do 30.09.2006 | 3 quarters accrued the period from 2005.01.01 to 2005.09.30 |
| I. Operating income   | 260 497   | 199 021   | 66 503  | 49 040  |
| II. Profit before tax and financial income/costs                    | 345 107   | 262 041   | 88 103  | 64 569  |
| III. Gross profit (loss)  | 299 001   | 222 473   | 76 332  | 54 819  |
| IV. Net profit (loss)   | 239 548   | 177 601   | 61 154  | 43 762  |
| V. Net cash flows on operating activity                             | 45 513  | 89 989  | 11 619  | 22 174  |
| VI. Net cash flows on investment activity                           | (136 460)   | 184 075   | (34 837)  | 45 358  |
| VII. Net cash flows on financial activity                           | 131 506   | (103 115)   | 33 572  | (25 408)  |
| VIII. Net cash flows total  | 40 559  | 170 949   | 10 354  | 42 123  |
| IX Assets total   | 2 615 606   | 2 019 292   | 656 610   | 515 573   |
| X. Equity capital allocated to shareholders of the dominant company | 1 156 657   | 900 290   | 290 362   | 229 865   |
| XI. Long-term liabilities   | 986 992   | 705 070   | 247 770   | 180 021   |
| XII. Short-term liabilities   | 255 273   | 264 529   | 64 083  | 67 540  |
| XIII. Number of shares  | 42 000 000  | 42 000 000  | 42 000 000  | 42 000 000  |
| XIV. Profit (loss) per one ordinary share (in PLN/EUR)              | 6,10  | 4,02  | 1,56  | 0,99  |
| XV. Diluted profit (loss) per one ordinary share (in PLN/EUR)       | 6,10  | 4,02  | 1,56  | 0,99  |
| XVI. Book value per one share (in PLN/EUR)                          | 27,54   | 21,44   | 6,91  | 5,47  |
| XVII. Diluted book value per one share (in PLN/EUR)                 | 27,54   | 21,44   | 6,91  | 5,47  |



## 5.15 Ownership structure of significant packs of the issuer's shares

The following shareholders, directly or indirectly through subsidiaries, had at least 5% of the total number of votes at the general meeting of Echo Investment S.A. as on 13.11.2006:

| Shareholder                              | Number of shares (pcs.) | % of initial capital of Echo Investment S.A. | Number of votes at the General Meeting of Shareholders of Echo Investment S.A. | % of total number of votes at the General Meeting of Shareholders of Echo Investment S.A. |
|--|-------------------------|--|--|---|
| Michał Sołowow (directly and indirectly) | 17 236 536              | 41,04%                                       | 17 236 536   | 41,04%  |
| OFE ING Nationale – Nederlanden Polska*  | 4 160 000               | 9,90%  | 4 160 000  | 9,90%   |
| OFE PZU Złota Jesień*                    | 3 709 372               | 8,83%  | 3 709 372  | 8,83%   |
| Commercial Union OFE*                    | 3 226 016               | 7,68%  | 3 226 016  | 7,68%   |

\*Balance according to the structure of investment portfolios of the OFEs (Open Pension Funds) as on 30.12.2005

On August 18, 2006 Echo Investment SA was informed that, following an entry made on August 17, 2006 on the securities account pursuant to sale of Echo Investment SA's shares, Mr. Artur Kloczko holds 235,536 of the issuer's shares, equivalent to 0.56% of the share capital and offering 235,536 votes at the General Meeting of Shareholders, i.e. 0.56% of the total number of votes at the General Meeting of Shareholders of Echo Investment SA. Before August 17, 2006 Mr. Artur Kloczko owned 2,104,276 shares of Echo Investment S.A., constituting a 5.01% stake in the initial capital and giving him 2,104,276 votes at the General Meeting of Shareholders. The share in the total number of votes was 5.01%.

## 5.16 Statement of changes in the ownership status of the issuer's shares or options by persons managing and supervising the issuer, according to information available to the issuer, during the period following presentation of the previous quarterly report

### Split of shares

Pursuant to Resolution no. 19, passed by the Ordinary General Meeting of Shareholders of Echo Investment SA on May 30, 2006 on split of shares, the District Court in Kielce, on July 11, 2006 10<sup>th</sup> Economic Department of the National Court Register modified an entry in the Company Articles concerning a split of 10,500,000 series A, B, C, D, E and F shares of the Company in the proportion of 1:4, without a change in the value of the Company's initial capital. The number of shares after the split was 42,000,000 ordinary bearer shares.

Because of variation of the nominal value of Echo Investment SA's shares, on August 2, 2006 the KDPW SA (National Deposit of Securities Joint Stock Company), under the resolution no. 373/06, replaced Echo Investment SA's shares in the deposit of securities. 10,460,000 shares with nominal value of PLN 2 each were divided into 41,840,000 shares with nominal value of PLN 0.50 each.

### Dematerialization and introduction to trade of series A shares

Pursuant to resolution no. 20, which was taken by the Ordinary General Meeting of Shareholders of Echo Investment SA on May 30, 2006, on introduction of series A shares to trade on regulated market and dematerialization, the Management Board of the KDPW SA (National Deposit of Securities Joint Stock Company) passed a resolution no. 382/06 on July 25, 2006 concerning acceptance of securities to deposit, i.e. 160,000 series A ordinary bearer shares of Echo Investment SA, with nominal value of PLN 0.50 each, provided that such shares are accepted for trade on regulated market.

Through the resolution no. 273/2006 as of August 2, 2003, the Management Board of the Warsaw Stock Exchange Joint Stock Company, pursuant to paragraph 19 clauses 1 and 2 of the Stock Exchange Regulations, accepted the said shares to trade on basic market.

On August 4, 2006 the KDPW (National Deposit of Securities Joint Stock Company) registered 160,000 series A ordinary bearer shares in the registry, with nominal value of PLN 160,000 each.

On August 7, 2006 the Management Board of the KDPW S.A. (National Deposit of Securities Joint Stock Company) adopted a resolution no. 416/06, pursuant to which on August 10, 2006 160,000 shares were assimilated with the 41,840,000 shares available for trade.

As on November 13, 2006, 42,000,000 shares issued by Echo Investment S.A. are presently available for stock trade.

According to information available to the issuer, changes in the ownership status of the issuer's shares or options by persons managing and supervising the issuer during the period following presentation of the previous quarterly report are presented in the table below:

| Managers  | balance as on<br>13.11.2006 | balance as on<br>09.08.2006 |
|---|-----------------------------|-----------------------------|
| Andrzej Majcher, President of the Management Board,         | 10,080 shares               | 10,080 shares               |
| Jarosław Grodzki, Vice-President of the Management Board    | did not hold any shares     | did not hold any shares     |
| Piotr Gromniak, Member of the Management Board              | did not hold any shares     | did not hold any shares     |
| Artur Langner, Member of the Management Board               | did not hold any shares     | did not hold any shares     |
| Supervisors   | balance as on<br>13.11.2006 | balance as on<br>09.08.2006 |
| Wojciech Ciesielski, Chairman of the Supervisory Board,     | 144,000 shares              | 144,000 shares              |
| Mariusz Waniółka, Deputy Chairman of the Supervisory Board, | did not hold any shares     | did not hold any shares     |
| Karol Żbikowski, Member of the Supervisory Board.           | did not hold any shares     | did not hold any shares     |
| Robert Oskard, Member of the Supervisory Board,             | did not hold any shares     | did not hold any shares     |
| Kamil Latos, Member of the Supervisory Board,               | did not hold any shares     | did not hold any shares     |
| Tomasz Kalwat, Member of the Supervisory Board              | did not hold any shares     | did not hold any shares     |

### 5.17 Information about court proceeding

During the period from 01.01.2006 to 30.06.2006, no proceedings were instigated before a court or a public administration authority concerning liabilities or receivables of Echo Investment S.A. or its subsidiaries, whose joint value constitutes at least 10% of equity capitals of Echo Investment S.A.

### 5.18 Opinion of the management board concerning the possibilities of realizing the previously published estimations of results for a given year in view of the results presented in the quarterly report compared to estimated results

The Management Board of Echo Investment S.A. did not publish any financial estimations referring to the dominant entity or to the Capital Group.

### 5.19 Information about transactions with affiliated companies

During the period from 01.01.2006 to 30.09.2006, neither Echo Investment S.A. nor its subsidiaries entered into any transaction with affiliated companies that would be considered extraordinary or differing from market conditions and whose value would exceed the PLN equivalent of EUR 500,000 during the period from the beginning of the financial year.

### 5.20 Information about granted guarantees

During the 3<sup>rd</sup> quarter of 2006, no sureties or guarantees were granted to a single company or its subsidiary where the joint value of existing sureties or guarantees of such company would be an equivalent of at least 10% of the issuer's ownership capital.

**5.21 Specification of factors that, according to the issuer, shall affect its results in the perspective of at least the nearest quarter of a year**

The following factors shall affect financial results achieved by Echo Investment S.A. Capital Group during the forthcoming periods: regular income from lease contracts, progress of execution, lease and sale of currently built commercial and housing investments, and improving quality of the present investment portfolio. Other important aspects shall include the situation in the financial market and general economic trends in Poland and in Hungary, where the Company is going to commence its operations.

**6. Mid-year individual financial statement, in thousands PLN, as on and for a period of nine months expiring on 30.09.2006**

|   | balance as on<br>30.09.2006 | balance as on 31.12.2005 | balance as on 30.09.2005 |
|---|-----------------------------|--------------------------|--------------------------|
| <b>Assets</b>   |                             |                          |                          |
| <b>1. Fixed assets</b>  |                             |                          |                          |
| 1.1. Intangible assets  | 101                         | 58                       | 60                       |
| 1.2. Tangible assets  | 52 243                      | 50 263                   | 49 838                   |
| 1.3. Long-term receivables                                      | -                           | -                        | -                        |
| 1.4. Long-term investments                                      | 296 862                     | 233 829                  | 242 248                  |
| 1.4.1. Investment immovable property                            | 48 258                      | 13 990                   | 13 239                   |
| 1.4.2. Long-term financial assets                               | 248 604                     | 219 839                  | 229 008                  |
| 1.5. Assets on account of deferred income tax                   | 18 011                      | 15 479                   | 11 598                   |
|   | <b>367 217</b>              | <b>299 629</b>           | <b>303 744</b>           |
| <b>2. Current assets</b>  |                             |                          |                          |
| 2.1. Inventory  | 301 258                     | 213 559                  | 250 037                  |
| 2.2. Short-term receivables                                     | 74 973                      | 246 339                  | 106 106                  |
| 2.2.1. Receivables on account of taxes                          | 21 841                      | 6 009                    | 1 953                    |
| 2.2.2. Receivables on account of deliveries and services, other | 53 132                      | 240 330                  | 104 153                  |
| 2.2.2.1. In affiliated companies                                | 33 447                      | 235 433                  | 102 156                  |
| 2.2.2.2. In other companies                                     | 7 827                       | 4 672                    | 1 341                    |
| 2.3. Short-term financial investments                           | 65 589                      | 46 489                   | 49 683                   |
| 2.3.1. In affiliated companies                                  | 65 241                      | 46 481                   | 49 671                   |
| 2.3.2. In other companies                                       | 348                         | 8                        | 12                       |
| 2.4. Cash and cash equivalents                                  | 173 199                     | 72 231                   | 72 807                   |
| 2.5. Accruals   | 109                         | 163                      | 218                      |
|   | <b>615 128</b>              | <b>578 781</b>           | <b>478 851</b>           |
| <b>Assets total</b>   | <b>982 345</b>              | <b>878 410</b>           | <b>782 595</b>           |
| <b>Liabilities</b>  |                             |                          |                          |
| <b>1. Equity</b>  |                             |                          |                          |
| 1.1. Initial capital  | 21 000                      | 21 000                   | 21 000                   |
| 1.2. Supplementary capital                                      | 298 213                     | 288 690                  | 288 690                  |
| 1.3. Profit (loss) brought forward                              | 4 083                       | 4 083                    | 5 121                    |
| 1.4. Profit (loss) of the accounting year                       | 52 631                      | 9 523                    | 7 925                    |
|   | <b>375 927</b>              | <b>323 296</b>           | <b>322 736</b>           |
| <b>2. Reserves</b>  |                             |                          |                          |
| 2.1. Reserve for deferred income tax                            | 12 937                      | 14 056                   | 13 937                   |
| 2.2. Other reserves   | 17 547                      | 15 421                   | 11 406                   |
|   | <b>30 484</b>               | <b>29 477</b>            | <b>25 343</b>            |
| <b>3. Long-term liabilities</b>                                 |                             |                          |                          |
| 3.1. Financial liabilities                                      | 370 044                     | 232 328                  | 224 092                  |
| 3.1.1. To affiliated companies                                  | 111 645                     | 82 390                   | 104 869                  |
| 3.1.2. To other companies                                       | 258 399                     | 149 938                  | 119 223                  |
| 3.2. Other liabilities  | -                           | -                        | -                        |
|   | <b>370 044</b>              | <b>232 328</b>           | <b>224 092</b>           |
| <b>4. Short-term liabilities</b>                                |                             |                          |                          |
| 4.1. Financial liabilities                                      | 65 717                      | 134 763                  | 102 334                  |
| 4.1.1. To affiliated companies                                  | 13 521                      | 4 584                    | 5 544                    |
| 4.1.2. To other companies                                       | 52 196                      | 130 179                  | 96 790                   |
| 4.2. Tax liabilities  | 3 993                       | 22 685                   | 211                      |
| 4.3. Liabilities on account of deliveries and services          | 49 265                      | 50 143                   | 37 305                   |
| 4.3.1. To affiliated companies                                  | 3 567                       | 288                      | 31                       |
| 4.3.2. To other companies                                       | 45 699                      | 49 855                   | 37 274                   |
| 4.4. Other liabilities  | 86 863                      | 85 713                   | 70 521                   |
| 4.5. Special funds  | 52                          | 5                        | 52                       |
|   | <b>205 890</b>              | <b>293 309</b>           | <b>210 424</b>           |
| <b>Liabilities total</b>  | <b>982 345</b>              | <b>878 410</b>           | <b>782 595</b>           |

|  |                   |                   |                   |
|--|-------------------|-------------------|-------------------|
| <i>Book value</i>                        | <i>375 927</i>    | <i>323 296</i>    | <i>322 736</i>    |
| <i>Number of shares</i>                  | <i>42 000 000</i> | <i>42 000 000</i> | <i>42 000 000</i> |
| <i>Book value per one share (in PLN)</i> | <i>8,95</i>       | <i>7,70</i>       | <i>7,68</i>       |

| <b>OFF-BALANCE ITEMS<br/>in thousands PLN</b> | <b>balance as on 30.09.2006</b> | <b>balance as on 31.12.2005</b> | <b>balance as on 30.09.2005</b> |
|---|---------------------------------|---------------------------------|---------------------------------|
| 1. Off-balance receivables                    | -                               | -                               | -                               |
| 2. Off-balance liabilities                    | 132 046                         | 25 059                          | 41 342                          |
| <b>Off-balance items total</b>                | <b>132 046</b>                  | <b>25 059</b>                   | <b>41 342</b>                   |

| <b>Profit and loss account ((PLN k)</b>                  | <b>Three months' period<br/>expiring on 30.09.2006</b> | <b>Nine months' period<br/>expiring on 30.09.2006</b> | <b>Three months' period<br/>expiring on 30.09.2005</b> | <b>Nine months' period<br/>expiring on 30.09.2005</b> |
|--|--|---|--|---|
| Operating income   | 28 346   | 112 553   | 55 566   | 99 388  |
| Operating costs  | (16 363)   | (58 727)  | (35 095)   | (61 875)  |
| <b>Gross profit (loss) on sales</b>                      | <b>11 983</b>  | <b>53 826</b>   | <b>20 471</b>  | <b>37 513</b>   |
| Profit (loss) on sales of real property                  | 8  | 6 576   | 198  | 29 853  |
| Revaluation of real property                             | (3 143)  | (2 961)   | 13 093   | (1 770)   |
| Costs of sales   | (2 220)  | (6 686)   | (2 008)  | (5 592)   |
| Overheads  | (6 175)  | (24 042)  | (3 426)  | (8 692)   |
| Other operating income / costs                           | 15 366   | 3 541   | (15 555)   | (16 310)  |
| <b>Profit before tax and financial<br/>income/costs</b>  | <b>15 819</b>  | <b>30 254</b>   | <b>12 773</b>  | <b>35 002</b>   |
| Financial income   | (1 384)  | 47 163  | 2 903  | 22 568  |
| Financial costs  | (5 601)  | (23 725)  | (14 752)   | (46 551)  |
| including on account of foreign<br>exchange gains/losses | (3 492)  | 1 412   | (2 254)  | (3 595)   |
| <b>Gross profit (loss)</b>                               | <b>8 834</b>   | <b>53 692</b>   | <b>924</b>   | <b>11 019</b>   |
| Income tax   | (898)  | (1 061)   | (254)  | (3 094)   |
| <b>Net profit (loss)</b>                                 | <b>7 936</b>   | <b>52 631</b>   | <b>670</b>   | <b>7 925</b>  |
| Net profit (loss) (annualized)                           |  | 54 229  |  | 7 426   |
| Weighted average number of ordinary<br>shares            |  | 42 000 000  |  | 42 000 000  |
| Profit (loss) per one ordinary share (in PLN)            |  | 1,29  |  | 0,18  |
| Weighted average diluted number of<br>ordinary shares    |  | 42 000 000  |  | 42 000 000  |
| Diluted profit per one ordinary share (in<br>PLN)        |  | 1,29  |  | 0,18  |

| Statement of changes in equity (PLN k)   | Initial capital | Supplementary capital | Profit brought forward | Net Profit in the period | Capitals total |
|--|-----------------|-----------------------|------------------------|--------------------------|----------------|
| <b>For 3 quarters (current year), period from 2006.01.01 to 2006.09.30</b>             |                 |                       |                        |                          |                |
| <b>Balance at the beginning of the period</b>  | <b>21 000</b>   | <b>288 690</b>        | <b>13 606</b>          | <b>0</b>                 | <b>323 296</b> |
| Corrections of basic errors  |                 |                       |                        |                          |                |
| <b>Balance at the beginning of the period, after reconciliation to comparable data</b> | 21 000          | 288 690               | 13 606                 | 0                        | 323 296        |
| Distribution of profit/loss carried forward  |                 | 9 523                 | (9 523)                |                          | 0              |
| Net profit (loss) of the current period  |                 |                       |                        | 52 631                   | 52 631         |
| Changes total  | 0               | 9 523                 | (9 523)                | 52 631                   | 52 631         |
| <b>Balance at the end of the period</b>  | <b>21 000</b>   | <b>298 213</b>        | <b>4 083</b>           | <b>52 631</b>            | <b>375 927</b> |
| <b>For the previous year, period from 2005.01.01 to 2005.12.31</b>                     |                 |                       |                        |                          |                |
| <b>Balance at the beginning of the period</b>  | <b>21 000</b>   | <b>281 147</b>        | <b>7 543</b>           | -                        | <b>309 690</b> |
| Changes in applied accounting principles (policy)                                      | -               | -                     | 4 083                  | -                        | 4 083          |
| Corrections of basic errors  |                 |                       |                        |                          |                |
| <b>Balance at the beginning of the period, after reconciliation to comparable data</b> | 21 000          | 281 147               | 11 626                 | -                        | 313 773        |
| Distribution of profit/loss carried forward  |                 | 7 543                 | (7 543)                |                          | -              |
| Net profit (loss) of the current period  |                 |                       |                        | 9 523                    | 9 523          |
| Changes total  | -               | 7 543                 | (7 543)                | 9 523                    | 9 523          |
| <b>Balance at the end of the period</b>  | <b>21 000</b>   | <b>288 690</b>        | <b>4 083</b>           | <b>9 523</b>             | <b>323 296</b> |
| <b>For 3 quarters (previous year), period from 2005.01.01 to 2005.09.30</b>            |                 |                       |                        |                          |                |
| <b>Balance at the beginning of the period</b>  | <b>21 000</b>   | <b>281 147</b>        | <b>7 543</b>           | -                        | <b>309 690</b> |
| Changes in applied accounting principles (policy)                                      | -               | -                     | 5 121                  | -                        | 5 121          |
| Corrections of basic errors  |                 |                       |                        |                          |                |
| <b>Balance at the beginning of the period, after reconciliation to comparable data</b> | 21 000          | 281 147               | 12 664                 | -                        | 314 811        |
| Distribution of profit/loss carried forward  |                 | 7 543                 | (7 543)                |                          | -              |
| Net profit (loss) of the current period  |                 |                       |                        | 7 925                    | 7 925          |
| Changes total  | -               | 7 543                 | (7 543)                | 7 925                    | 7 925          |
| <b>Balance at the end of the period</b>  | <b>21 000</b>   | <b>288 690</b>        | <b>5 121</b>           | <b>7 925</b>             | <b>322 736</b> |

| Cash flow statement PLN)   | 3 quarters<br>from<br>2006.01.01<br>to 2006.09.30 | 3 quarters<br>from<br>2005.01.01<br>to 2005.09.30 |
|--|---|---|
| <b>Cash flows on operating activity – indirect method</b>  |   |   |
| <b>I. Net profit (loss)</b>  | <b>52 631</b>                                     | <b>7 925</b>                                      |
| <b>II. Adjustments:</b>  |   |   |
| 1. Share of associated companies in net (profit) loss  | -   | -   |
| 2. Depreciation  | 2 297   | 1 943   |
| 3. Foreign exchange gains/losses   | 3 357   | 3 613   |
| 4. Interest and shares in profits (dividends)  | (25 418)  | 1 001   |
| 5. Current income tax in the profit and loss account   | 4 713   | 10 608  |
| 6. Income tax paid   | (826)   | (9 695)   |
| 7. (Profit) loss on investment activity  | 4 952   | (7 489)   |
| 8. Change in reserves  | 1 006   | 2 089   |
| 9. Change in inventories   | (130 778)   | (36 180)  |
| 10. Change in receivables  | 170 824   | 15 844  |
| 11. Change in short-term liabilities, except for loans and credits   | (28 136)  | 22 524  |
| 12. Change in accruals   | (1 143)   | (4 833)   |
| 13. Other adjustments  | 55  | (4)   |
| <b>Net cash flows on operating activity</b>  | <b>53 534</b>                                     | <b>7 346</b>                                      |
| <b>Cash flows on investment activity</b>   |   |   |
| <b>I. Income</b>   |   |   |
| 1. Sales of intangible assets and fixed assets   | 182   | 22  |
| 2. Sales of investments in real property and in intangible assets  | 15 568  | 69 151  |
| 3. From financial assets   | 64 173  | 66 779  |
| 4. Other income from investments   | -   | -   |
|  | <b>79 923</b>                                     | <b>135 952</b>                                    |
| <b>II. Expenditure</b>   |   |   |
| 1. Acquisition of intangible assets and fixed assets   | (4 654)   | (5 190)   |
| 2. Investments in real property and in intangible assets   | (3 185)   | (339)   |
| 3. On financial assets   | (74 858)  | (5 662)   |
| 4. Other investment expenditure  | 3 052   | (230)   |
| <b>Net cash flows on investment activity</b>   | <b>(79 645)</b>                                   | <b>(11 421)</b>                                   |
| <b>Cash flows on financial activity</b>  |   |   |
| <b>I. Income</b>   |   |   |
| 1. Net income from issue of stocks (issue of shares) and other capital instruments, additional payments to capital | -   | -   |
| 2. Loans and credits   | 77 615  | 18 601  |
| 3. Issue of debenture bonds  | 268 665   | 58 676  |
| 4. Other financial income  | -   | -   |
|  | <b>346 280</b>                                    | <b>77 277</b>                                     |



| <b>Cash flow statement (PLN k) ctd.</b>                                      | <b>3 quarters<br/>from<br/>2006.01.01<br/>to 2006.09.30</b> | <b>3 quarters<br/>from<br/>2005.01.01<br/>to 2005.09.30</b> |
|--|---|---|
| <b>II. Expenditure</b>   |   |   |
| 1. Acquisition of own shares (stocks)  | -   | -   |
| 2. Dividends and other payments to owners                                    | -   | -   |
| 3. Expenses on account of profit distribution, other than payments to owners | -   | -   |
| 4. Payments of loans and credits   | (14 000)  | (67 528)  |
| 5. Redemption of debenture bonds   | (265 000)   | (60 000)  |
| 6. Interest  | (16 768)  | (18 510)  |
|  | <b>(295 768)</b>  | <b>(146 038)</b>  |
| <b>Net cash flows on financial activity</b>                                  | <b>50 512</b>   | <b>(68 761)</b>   |
| <b>Net cash flows total</b>  | <b>104 324</b>  | <b>63 116</b>   |
| Difference in cash balances, including:                                      | 100 967   | 59 503  |
| - change in cash balance on account of exchange rate gain/loss               | (3 357)   | (3 613)   |
| <b>Cash at the beginning of period</b>                                       | <b>72 231</b>   | <b>13 304</b>   |
| <b>Cash at the end of period, including:</b>                                 | <b>173 198</b>  | <b>72 807</b>   |
| - with limited disposability   | 59 401  | -   |

Kielce, dated: November 13, 2006

**Representatives of the Company:**

President of the Management Board      Vice-President of the Management Board

Andrzej Majcher

Jarosław Grodzki

**Person in charge of keeping books of accounts:**

Chief Accountant

Tomasz Sulek