



**Separate Annual Report  
of Echo Investment S.A.**

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- change in inventories PLN (+) 29.5 million,	78
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- incomes from financial assets PLN (+) 105.4 million,	78

- on financial activities, the Company recorded cash flows in the amount of PLN (-) 2.1 million as at the end of December 2008, which was most significantly affected by:	78
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On August 5, 2008, the Issuer's Supervisory Board, acting pursuant to paragraph 13 clause 1 letter b of the Company Articles, and paragraph 2 clause 1) chapter IV of the Regulations of the Supervisory Board of the Company, in accordance with valid laws and professional standards, selected a company certified to audit financial statements.	122
The company authorized to audit the Company's financial statements is PricewaterhouseCoopers Sp. z o.o. of Warsaw, ul. Armii Ludowej 14, registered on the list of certified auditors of financial statements maintained by the National Board of Chartered Accountants with registration number 144 (Chartered Accountant), who has signed a contract for audit and review of the financial statements of Echo Investment in 2008.	122
Echo Investment S.A. had not previously hired the Chartered Accountant to audit or review its financial statements. PricewaterhouseCoopers Sp. z o.o. had been providing consulting services for the Issuer.	122
The financial statements of the Company and of Echo Capital Group for 2007 were audited by BDO Numerica Sp. z o.o. audit firm of Warsaw, ul. Postępu 12, National Board of Chartered Accountants' registry number 523 (former name BDO Polska Sp. z o.o.).	122

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## Letter to Shareholders, Partners and Clients

Dear Sirs,

Echo Investment closed the year 2008 with a net profit of approximately 40 million PLN and the company's separate income amounted to 408 million PLN.

Although the earnings are lower than in the preceding year (2007: 324 million PLN of profit, 373 million PLN of income), the Management Board of the Company still considers them fully satisfactory, a clear and transparent sign of success of the entire organization.

The difference between the level of earnings in 2008 and 2007 is justified by the projects' investment cycle. 2007 was the first year to account for appraisal of Pasaż Grunwaldzki, which is the largest of all the Company's projects to date.

Other factors contributing to exceptional accumulation of gains in 2007 included sales of two office projects in Łódź and a shopping center in Kielce. The year 2008 did not abound in any spectacular openings while still being a year of intensive work in terms of preparing new investments, which will show in the Company's future earnings after completion.

According to the assumed growth strategy, in 2008 the Company focused on its primary objective, i.e. on ensuring stable and long-term growth of corporate value through implementation of developer projects for sale (apartments) and regular expansion of the portfolio of investment projects (offices and shopping centers) for lease. Implementation of previously commenced projects in Poland were continued, along with those in Romania and Hungary, which were pursued consistently with the principle of geographical differentiation of the portfolio.

The end of 2008 brought significant changes in the world economy, whose results will be perceivable during the upcoming years. Changing market situation, depreciation of the Polish zloty, difficulties encountered by banks as a result of the global crunch, followed by restricted accessibility of funds necessary for financing investments, resulted in necessary adjustments of current plans and implementation of certain organizational changes.

The Management Board considers the situation very serious, keeps watching it and implementing regular corrections in project execution schedules. The Company cuts its costs and reduces employment according to changing implementation schedules of certain investments.

As it was the case in the preceding years, all the Company's activities are focused on our global but still very simple goal - namely, achievement of the best results possible to guarantee growth of Echo Investment's assets value as expected by our Shareholders and Partners.

Today, facing the global crisis - by which the developer industry has been most severely affected - our endeavors are focused on surviving the recession period in best possible condition and safeguarding appropriate starting position for the Company when the crisis is over.

On behalf of the Management Board, I would like to thank all those who have contributed to achievement of positive in 2008. I truly believe that his success will make us stronger on our way to continuous development, allow us to survive the difficult period for the entire economy, and motivate us to take more challenges in the future.

Yours sincerely,

Piotr Gromniak  
 President of the Management Board

## Balance Sheet [in thousands PLN]

	Note	31.12.2008	31.12.2007
<b>Assets</b>			
<b>1. Fixed assets</b>			
1.1. Intangible assets	1	1 001	524
1.2. Tangible fixed assets	2	11 636	13 982
1.3. Investment property	3	12 959	3 961
1.4. Investments in fully and partially owned subsidiaries	3	463 779	384 630
1.5. Investments in associated companies	3	62	10 650
1.6. Loans granted	3	12 909	131 015
1.7. Other financial assets	3	50	-
1.8. Deferred income tax assets	4,19	27 633	25 595
		<b>530 029</b>	<b>570 357</b>
<b>2. Current assets</b>			
2.1. Inventories	5	410 935	444 977
2.2. Current income tax receivables	6	1 890	8 034
2.3. Trade receivables and other receivables	6	142 599	42 511
2.4. Loans granted	7	192 772	92 457
2.5. Derivative instruments	7	295	6 720
2.6. Cash and cash equivalents	7	39 608	148 706
		<b>788 099</b>	<b>743 405</b>
<b>Assets total</b>		<b>1 318 128</b>	<b>1 313 762</b>
<b>Liabilities</b>			
<b>1. Equity</b>			
1.1. Initial capital	8	21 000	21 000
1.2. Supplementary capital	9	437 943	378 967
1.3. Profit (loss) brought forward		6 401	7 340
1.4. Net profit (loss)		39 916	58 037
		<b>505 260</b>	<b>465 344</b>
<b>2. Non-current liabilities</b>			
2.1. Borrowings	11	509 151	511 405
2.2. Provision for deferred income tax	10,19	30 552	29 194
		<b>539 703</b>	<b>540 599</b>
<b>3. Current liabilities</b>			
3.1. Borrowings	12	78 854	39 156
3.2. Derivative instruments		8 257	2 852
3.3. Current income tax liabilities		-	-
3.4. Trade liabilities and other liabilities		81 125	68 737
3.5. Advances received		85 508	174 440
3.6. Other liabilities		9 131	12 505
3.7. Provisions	12	10 290	10 129
		<b>273 165</b>	<b>307 819</b>
<b>Liabilities total</b>		<b>1 318 128</b>	<b>1 313 762</b>

**Income Statement [in thousands PLN]**

	note	2008	2007 restated
Incomes	14	408 167	254 343
Costs to sell	15	(286 814)	(201 952)
<b>Gross profit (loss) on sales</b>		<b>121 353</b>	<b>52 391</b>
Profit (loss) on sales of property		82	(47)
Revaluation of real property	16	4 543	21 461
Costs to sell		(22 203)	(21 848)
Overheads		(36 807)	(29 609)
Other operating incomes	16	26 623	31 822
Other operating expenses	16	(2 729)	(10 936)
<b>Earnings before tax and financial incomes/expenses</b>		<b>90 862</b>	<b>43 234</b>
Financial incomes	17	43 005	63 010
Financial expenses	18	(94 319)	(41 413)
<b>Gross profit</b>		<b>39 548</b>	<b>64 831</b>
Income tax	19	368	(6 794)
<b>Net profit</b>	20	<b>39 916</b>	<b>58 037</b>
Net profit (annualized)		39 916	58 037
Weighted average number of ordinary shares		420 000 000	420 000 000
Earnings per ordinary share (in PLN)		0,10	0,14
Weighted average diluted number of ordinary shares		420 000 000	420 000 000
Diluted earnings per ordinary share (in PLN)		0,10	0,14



## Cash Flow Statement [in thousands PLN]

	note	2008	2007 restated
<b>Cash flows on operating activities - indirect method</b>			
<b>I. Net profit (loss)</b>		<b>39 916</b>	<b>58 037</b>
<b>II. Adjustments</b>			
1. Amortization / Depreciation		4 384	4 967
2. Foreign exchange gains (losses)		-	8 970
3. Interest and shares in profits (dividends)		(11 778)	(28 968)
4. Current income tax in the income statement		313	9 557
5. Income tax paid		5 831	(19 624)
6. (Profit) loss on investment activity		17 982	(21 068)
7. Changes in provisions		2 318	(1 850)
8. Change in inventories		29 529	(215 638)
9. Change in receivables		(93 567)	143 473
10. Change in non-current liabilities, except for borrowings		(80 623)	49 736
12. Other adjustments	21	-	12 526
		<b>(125 611)</b>	<b>(57 919)</b>
<b>Net cash flows on operating activities</b>		<b>(85 695)</b>	<b>118</b>

## Cash flows on investing activities

## I. Incomes

1. Sales of intangible and tangible fixed assets	260	87
2. Sales of investments in property and in intangible assets	27	1 141
3. From financial assets, including:	105 440	90 432
a) in affiliated companies	105 382	90 250
- sales of financial assets	-	-
- dividends and shares in profits	41 663	54 093
- repayment of granted loans	54 307	34 656
- interest	9 411	1 501
- other incomes from financial assets	1	-
b) in other companies	58	182
- sales of financial assets	58	182
- dividends and shares in profits	-	-
- repayment of granted loans	-	-
- interest	-	-
- other incomes from financial assets	-	-
4 . Other incomes from investments	-	-
	<b>105 727</b>	<b>91 660</b>

## Cash Flow Statement [in thousands PLN] continued

	note	2008	2007 restated
<b>II. Expenditures</b>			
1. Acquisition of intangible and tangible fixed assets		(2 724)	(7 496)
2. Investments in property and in intangible assets		(20)	(805)
3. On financial assets, including:		(121 605)	(176 588)
a) in affiliated companies		(121 605)	(176 588)
- acquisition of financial assets		(91 131)	(289)
- granted loans		(30 474)	(176 299)
b) in other companies		-	-
- acquisition of financial assets		-	-
- granted loans		-	-
4. Other investment expenditures		(2 693)	-
		<b>(127 042)</b>	<b>(184 889)</b>
<b>Net cash flows from investing activities</b>		<b>(21 315)</b>	<b>(93 229)</b>
<b>Cash flows on financial activities</b>			
<b>I. Incomes</b>			
1. Net incomes from issue of stocks (issue of shares) and other equity instruments, additional payments to capital		-	-
2. Borrowings		39 132	3 978
3. Issue of debenture bonds		-	346 405
4. Other financial incomes		-	-
		<b>39 132</b>	<b>350 383</b>
<b>II. Expenditures</b>			
1. Acquisition of own shares (stocks)		-	-
2. Dividends and other payments to owners		-	-
3. Expenses on profit distribution, other than payments to owners		-	-
4. Repayments of loans and credits		(463)	(42 715)
5. Redemption of debenture bonds		-	(160 000)
6. On account of other financial liabilities		-	-
7. Payments of liabilities under financial lease contracts		-	-
8. Interest		(40 757)	(28 757)
9. Other financial expenses		-	-
		<b>(41 220)</b>	<b>(231 472)</b>
<b>Net cash flows from financing activities</b>		<b>(2 088)</b>	<b>118 911</b>
<b>Net cash flows total</b>		<b>(109 098)</b>	<b>25 800</b>
Balance change in cash, including:		<b>(109 098)</b>	<b>16 830</b>
- change in cash balance due to foreign exchange gains/losses		-	(8 970)
<b>Cash as at the beginning of period</b>		<b>148 706</b>	<b>131 909</b>
<b>Cash as at the end of period, including:</b>	22	<b>39 608</b>	<b>148 706</b>
- with limited disposability		<b>8 885</b>	<b>150</b>

### Statement of Changes in Equity [in thousands PLN]

	Initial capital	Supplementary capital	Profit (loss) carried forward	Profit (loss) of the current year	Total shareholders' equity
<b>Balance as at 1 January 2008, restated</b>	21 000	378 967	65 377	-	465 344
Changes during the period:					
Distribution of profit/loss carried forward	-	58 976	(58 976)	-	-
Net profit (loss) of the current period	-	-	-	39 916	39 916
Changes total	-	58 976	(58 976)	39 916	39 916
<b>Balance as at 31 December 2008</b>	<b>21 000</b>	<b>437 943</b>	<b>6 401</b>	<b>39 916</b>	<b>505 260</b>
<b>Balance as at 1 January 2007, restated</b>	21 000	298 213	88 094	-	407 307
Changes during the period:					
Distribution of profit/loss carried forward	-	80 754	(80 754)	-	-
Net profit (loss) of the current period	-	-	-	58 037	58 037
Changes total	-	80 754	(80 754)	58 037	58 037
<b>Balance as at 31 December 2007</b>	<b>21 000</b>	<b>378 967</b>	<b>7 340</b>	<b>58 037</b>	<b>465 344</b>

## Introduction

### *General information*

The main objects of activity of Echo Investment S.A. include erection and letting or sales of areas in commercial buildings, shopping & entertainment facilities, office buildings, hotels, residential buildings, and property trade.

Echo Investment S.A. (hereinafter referred to as "Echo" or "the Company"), having its registered seat in Kielce at al. Solidarności 36, formerly operating as "Echo Press" Sp. z o. o., was registered in Kielce on 23 July 1992. Echo is a Joint Stock Company registered at the National Court Register with number 0000007025 by the District Court in Kielce, 10th Economic Department of the National Court Register.

The Company's shares are quoted at the Warsaw Stock Exchange, industry according to regulated market classification: construction.

The duration of the Company is unlimited.

The following persons were members of the Management Board of Echo Investment S.A. as at 31 December 2007: Jarosław Grodzki, President of the Management Board; Piotr Gromniak, Member of the Management Board; and Artur Langner, Member of the Management Board. The following persons were members of the Management Board of Echo Investment S.A. as at 31 December 2008: Piotr Gromniak, President of the Management Board, and Artur Langner, Vice-President of the Management Board. The following persons were members of the Supervisory Board as at 31 December 2007 and as at 31 December 2008: Wojciech Ciesielski, Chairman; Andrzej Majcher, Deputy Chairman; and Members: Tomasz Kalwat, Robert Oskard, Mariusz Waniółka and Karol Żbikowski.

### *Information about the financial statements*

The statements of Echo Investment S.A. present financial data for the period of 12 months ended December 31, 2008, and comparable data for the period of 12 months ended December 31, 2007.

The reporting currency of the financial statements and the functional currency of Echo Investment S.A. is the Polish zloty („PLN”). Unless otherwise specified, all financial data in the company's financial statements are given in thousands PLN.

The statements are prepared in accordance with the International Accounting Standards and the International Financial Reporting Standards as approved by the European Commission. Methods of assets and liabilities valuation and determination of the financial result were assumed as at the balance date. The financial statements were prepared according to historical cost methodology, to the exception of investment properties and financial instruments, which are valued at fair value.

The statement has been drawn up under the assumption of continued business activity in foreseeable future, considering non-existence of any circumstances that might indicate any risk for the continuation of operations.

The Company's Management Board used its best knowledge concerning application of standards and interpretations, methods and principles of valuating specific items of the separate financial statements for 2008.

### *Information on the Accounting Standards and Interpretations issued by the IFRS Committee, entering into force as of 2008*

In preparing the present financial statements, Echo Investment S.A. has applied new interpretations issued by the IFRS Committee and applicable to the Company's reporting period starting as at 1 January 2008. The guidelines thus applied have not affected these financial statements to any significant extent.

The Company has implemented the following interpretations:

### *IFRIC 11 interpretation "Group and Treasury Share Transactions"*

IFRIC interpretation 11 was issued by the International Financial Reporting Interpretations Committee on 2 November 2006 and applies to annual periods beginning on or after 1 March 2007. This interpretation contains the following guidelines concerning

- application of IFRS 2 "Share-based Payment" for own share payment transactions involving two or more affiliated companies;
- accounting approaches in the following cases:
  - a) share-based payment involving an entity's own equity instruments in which the entity chooses or is required to buy its own entity instruments from a third party to settle the share-based payment obligation toward employees,
  - b) an entity or its owner grants rights to its equity instruments to employees and the owner of the entity is the supplier of these instruments.

### *Information on the Accounting Standards and Interpretations issued by the IFRS Committee, early applied by the Company*

#### *Revised IAS 23 Borrowing Costs*

The revised IAS 23 was published by the International Accounting Standards Board on March 29, 2007 and applies to annual periods beginning on or after January 01, 2009. Variation refers to the accounting approach to those costs of third party financing which may be directly attributed to acquisition, construction or production of an asset requiring significant time of preparation for intended use or sale. Under this amendment, it is no longer possible to immediately post these costs to the profit and loss account of the period when the costs were borne. According to the new Standard requirement, these costs should be capitalized.

The Company has applied the revised IAS 23 as from 1 January 2008. Application of the revised IAS from 1 January 2008 did not have any significant impact on the Company's financial result or comparable data because the Company used to apply an alternative approach under the previous standard, which is consistent with the changes implemented in IAS 23.

#### *IFRIC interpretation 12 Service Concession Arrangements*

IFRIC interpretation 12 was issued by the International Financial Reporting Interpretations Committee on 30 November 2006 and applies to annual periods beginning on or after 1 January 2008. This interpretation contains guidelines on application of existing standards by parties to service concession agreements between the public and the private sector. IFRIC 12 concerns those agreements in which the employer controls the type of service provided by the operator using the infrastructure, recipients of these services and prices.

The Company has applied IFRIC interpretation 12 as from 1 January 2008. Its application did not have any significant impact on the Company's financial result or comparable data.

#### *IFRIC 14 interpretation The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

IFRIC interpretation 14 was issued by the International Financial Reporting Interpretations Committee on 9 July 2007 and applies to annual periods beginning on or after 1 January 2008. This interpretation contains general guidelines concerning IAS 19-compliant assessment of the limit on a surplus of fair value of a defined benefit scheme beyond the current value of a defined benefit scheme, which can be recognized as an asset. In addition, IFRIC 14 explains how statutory or contractual requirements regarding minimum funding may impact the value of asset or liability under a defined benefit scheme.

The Company has applied IFRIC interpretation 12 as from 1 January 2008. Its application did not have any significant impact on the Company's financial result or comparable data.

***Information on the Accounting Standards and Interpretations issued by the IFRS Committee, pending implementation***

Until the effective date of the present financial statements, the International Accounting Standards Board and the International Financial Reporting Standards Interpretation Committee issued the following standards and interpretations that have not yet entered into force:

**Revised IAS 1 Presentation of Financial Statements**

The revised IAS 1 was published by the International Accounting Standards Board on September 06, 2007 and applies to annual periods beginning on or after January 01, 2009. The changes mainly refer to the issues of equity presentation and the objective was to facilitate data analysis and comparison by users of the financial statements.

As at the date of preparation of these financial statements, the above specified revision of IAS 1 has not yet been approved by the European Union.

The Company intends to apply the revised IAS 1 as from 1 January 2009. Application of these standards shall not affect the Company's financial result.

**Revised IAS 27 Consolidated and Separate Financial Statements**

The revised IAS 27 was published by the International Accounting Standards Board on January 10, 2008 and applies to annual periods beginning on or after July 01, 2009. The standard requires the outcomes of transactions with minority shareholders to be posted directly as equity, provided that the current holding company retains control over the entity. The standard further details the method of accounting in case of lost control over a subsidiary, requiring restatement of the remaining shares to fair value and posting the difference to the income statement.

As at the date of preparation of these financial statements, the above specified revision of IAS 27 has not yet been approved by the European Union.

The Company intends to apply the revised IAS 27 as from 1 January 2010. Application of these standards shall not have any significant impact on the Company's financial result.

**Revised IAS 32 Financial Instruments: Presentation, and IAS 1 Presentation of Financial Statements**

Revisions to IAS 32 and IAS 1 were published by the International Accounting Standards Board on February 14, 2008 and apply to annual periods beginning on or after January 01, 2009. The changes relate to accounting approach to some financial instruments bearing certain similarity to capital instruments but classified as financial liabilities. According to the new Standard requirement, such financial instruments as financial instruments with sell option and instruments obligating the company to disburse the share in net assets only if the company is wound up, upon fulfilling certain conditions, are presented as equity.

As at the date of preparation of these financial statements, the above specified revisions of IAS 32 and IAS 1 has not yet been approved by the European Union.

The Company intends to apply the revised IAS 32 and IAS 1 as from 1 January 2009. Application of these standards shall not affect the Company's financial results.

**Revised IAS 39 Financial Instruments: Recognition and Measurement – Hedged Item Classification Criteria**

Revisions to IAS 39 Hedged Item Classification Criteria were published by the International Accounting Standards Board on July 31, 2008 and apply to annual periods beginning on or after July 01, 2009. These revisions include explanations on the methods of applying the principles of assessing compliance of hedged risk or cash flow with the criteria for assessment as hedged items in specific circumstances. Inflation is no more allowed to be established as a potentially hedged component of a fixed interest rate instrument. Under these changes, it is not allowed to incorporate a time value to one-sided hedged risk when options are considered as a hedging instrument.

As at the date of preparation of these financial statements, the above specified changes to IAS 39 have not yet been approved by the European Union.

The Company intends to apply the revised IAS 39 as from 1 January 2010. Application of these standards shall not affect the Company's financial results.

**Revised IAS 40 Investment Property**



The revised IAS 40 shall apply to yearly periods beginning on or after 1 January 2009. The revisions involve a change concerning property being constructed or developed for future use as investment property. As a consequence of IAS 40 revision, such items will also be disclosed as investment property. If the company applies valuation of investment property to fair value, then such items shall also be valued to fair value according to the revised IAS. However, if fair value of investment property cannot be reliably estimated in a continuous manner, an investment property shall be valued according to historical cost model back to the earlier of the following two dates: construction or development process completion date, or the date on which it will be possible to reliably estimate the fair value.

The Company intends to apply the revised IAS 40 as from 1 January 2009. Application of the revised Standard shall not have any significant impact on the presentation of the Company's financial statements.

#### **IFRS corrections in 2008**

The International Accounting Standards Board has published the IFRS Corrections, amending 20 standards. These corrections involve changes in presentation, posting and valuation, as well as terminology and editorial changes. Most revisions shall apply for annual periods beginning on 1 January 2009.

As at the date of preparation of these financial statements, the above specified changes to the standards have not yet been approved by the European Union.

The Company intends to apply the revised IFRS 2 according to transition requirements. Application of these standards shall not affect the Company's financial results.

#### **Revised IFRS 1 First-time Adoption of International Financial Reporting Standards, and IAS 27 Consolidated and Separate Financial Statements**

Revisions to IFRS 1 and IAS 27 were published by the International Accounting Standards Board on May 22, 2008 and apply to annual periods beginning on or after January 01, 2009. These revisions allow the use of either the fair value or balance sheet value determined according to existing accounting principles as the 'assumed cost' for fully owned subsidiaries, associated companies and partially owned subsidiaries in a separate financial statement. In addition, the definition of *cost-based approach* has been eliminated and substituted by dividend-based revenue recognition in a separate financial statement.

The Company intends to apply the revised IAS 1 and IAS 27 as from 1 January 2009. Application of these standards shall not have any significant impact on the Company's financial result.

#### **Revised IFRS 2 – Share-based Payment**

The revised IFRS 2 was published by the International Accounting Standards Board on January 17, 2008 and applies to annual periods beginning on or after January 01, 2009. The revision of this Standard concerns the following two issues: explaining that the only requirements for effective vesting of rights is the service provision condition and the condition relating to the entity's operating results. Other qualities of share-based payment scheme are not acknowledged as vesting conditions. The standard clarifies that the accounting representation of scheme cancellation by the entity or other party to the transaction should be identical.

The Company intends to apply the revised IFRS 2 as from 1 January 2009. Application of these standards shall not affect the Company's financial results.

#### **Revised IFRS 3 Business Combinations**

The revised IAS 3 was published by the International Accounting Standards Board on January 10, 2008 and applies prospectively to business combinations with acquisition dates on or after July 01, 2009. The changes involve an option to recognize minority shares at fair value or according to proportion in fair value of identified net assets, conversion of shares previously held in the acquired entity to fair value and posting the difference to the income statement, and additional guidelines regarding application of acquisition methods, including recognition of transaction costs as the cost of a period in which it was incurred.

As at the date of preparation of these financial statements, the above specified revision of IFRS 3 has not yet been approved by the European Union.

The Company intends to apply the revised IFRS 3 as from 1 July 2009. Application of these standards shall not have any significant impact on the Company's financial result.

#### **Revised IFRS 7 Financial Instruments: Disclosures**

Revised IFRS 7 Financial Instruments: Disclosures" were published by the International Accounting Standards Board on 5 March 2009 and apply as from 1 January 2009. This revision introduces a three-step hierarchy for the purpose of disclosing valuation to fair value, and a requirement to publish additional disclosures regarding relative reliability of valuation to fair value. In addition, these revisions clarify and extend previously existing requirements as to disclosures concerning liquidity risk.

As at the date of preparation of these financial statements, the above specified changes to IFRS 7 have not yet been approved by the European Union.

The Company intends to apply the revised IFRS 7 as from 1 January 2009. Application of these standards shall not have any significant impact on the Company's financial result.

### **New IFRS 8 Operating Segments**

IFRS 8 was issued by the International Accounting Standards Board on November 30, 2006 and applies to annual periods beginning on or after January 01, 2009. The IFRS 8 substitutes the IAS 14 - "Segment Reporting". The new standard sets forth the new requirements regarding posting of business segment data, product and service information, geographical range of activity, and key clients. IFRS 8 requires a "management approach" to reporting financial results of segments of activity.

The Company intends to apply IFRS 8 as from 1 January 2009. Application of these standards shall not affect the Company's financial results.

### **Revised IFRIC 9 and IFRS 7 Embedded Derivatives**

Revisions to IFRIC 9 and IFRS 7 "Embedded Derivatives" were published by the International Accounting Standards Board on 12 March 2008 and apply to annual periods ending on or after 30 June 2009. These revisions specify the changes to IFRS 7 and IAS 39 issued in October 2008 regarding embedded derivatives. These revisions clarify that all derivatives must be assessed and separately presented in the financial statements as required in the course of reassessment of a financial asset classified to assets valued to fair value through the income statement.

As at the date of preparation of these financial statements, these revisions of IFRIC 9 and IFRS 7 have not yet been approved by the European Union.

The Company intends to apply the revised IFRIC 9 and IFRS 7 as from 1 January 2009. Application of these standards shall not have any significant impact on the Company's financial result.

### **IFRIC interpretation 13 Customer Loyalty Programmes**

IFRIC interpretation 13 was issued by the International Financial Reporting Interpretations Committee on 27 June 2007 and applies to annual periods beginning on or after 1 July 2008. This interpretation contains guidelines as to the accounting recognition of transactions under loyalty programmes implemented by an entity for its customers, such as loyalty cards or loyalty award credits. Specifically, IFRIC 13 indicates a correct method of recognition of liabilities arising when the entity has to deliver certain products or services free of charge or for reduced prices to customers in exchange of their credits.

As at the date of preparation of these financial statements, IFRIC interpretation 13 has not yet been approved by the European Union.

The Company intends to apply IFRIC interpretation 13 as from 1 January 2009. Application of these standards shall not affect the Company's financial results.

### **IFRIC interpretation 15 Agreements for the Construction of Real Estate**

IFRIC interpretation 15 was issued by the International Financial Reporting Interpretations Committee on 3 July 2008 and applies to annual periods beginning on or after 1 January 2009. This interpretation provides guidance on how to assess an agreement for construction of real estate in order to determine whether its results should be presented in a financial statement under IAS 11 Construction Contracts, or IAS 18 Revenue. In addition, IFRIC 15 indicates the point of recognition of income from construction service.

As at the date of preparation of these financial statements, IFRIC interpretation 15 has not yet been approved by the European Union.

The Company intends to apply IFRIC interpretation 15 as from 1 January 2009. Application of these standards shall not affect the Company's financial results.

### **IFRIC interpretation 16 Hedges of a Net Investment in a Foreign Operation**



IFRIC interpretation 16 was issued by the International Financial Reporting Interpretations Committee on 3 July 2008 and applies to annual periods beginning on or after 1 October 2008. This interpretation contains guidelines on determining whether risk arises from the foreign currency exposure to the functional currency of the foreign operation and the presentation currency of the parent entity's consolidated financial statements. In addition, IFRIC 16 clarifies which entity within a group can hold a hedging instrument in a hedge of a net investment in a foreign operation and in particular whether the parent entity holding the net investment in a foreign operation must also hold the hedging instrument. IFRIC 16 also clarifies how an entity should determine the amounts to be reclassified from equity to profit or loss for both the hedging instrument and the hedged item when the entity disposes of the investment.

As at the date of preparation of these financial statements, IFRIC interpretation 16 has not yet been approved by the European Union.

The Company intends to apply IFRIC interpretation 16 as from 1 January 2009. Application of these standards shall not affect the Company's financial results.

#### **IFRIC interpretation 17 Distribution of Non-cash Assets to Owners**

IFRIC interpretation 17 was issued by the International Financial Reporting Interpretations Committee on 27 November 2008 and applies to annual periods beginning on or after 1 July 2009. This interpretation contains guidelines as to the point of recognition of dividend, valuation of dividend, and posting of differences between the value of dividend and the balance sheet value of distributed assets.

As at the date of preparation of these financial statements, IFRIC interpretation 16 has not yet been approved by the European Union.

The Company intends to apply IFRIC interpretation 16 as from 1 January 2010. Application of these standards shall not affect the Company's financial results.

#### **IFRIC interpretation 18 Transfers of Assets from Customers**

IFRIC interpretation 18 was issued by the International Financial Reporting Interpretations Committee on 29 January 2009 and applies to annual periods beginning on or after 1 July 2009. This interpretation contains guidelines as to recognition of transfers of assets from customers, namely such situations in which the definition of assets is fulfilled, with identification of separately identifiable services (services provided in exchange for transferred assets), recognition of income and posting of cash obtained from customers.

As at the date of preparation of these financial statements, IFRIC interpretation 16 has not yet been approved by the European Union.

The Company intends to apply IFRIC interpretation 16 as from 1 January 2010. Application of these standards shall not affect the Company's financial results.

### **Key accounting principles**

#### *Intangible assets*

Intangible assets are recognized if there is a probability of yielding economic advantages in the future that may be directly related to such assets. Initially, intangible assets are recognized according to acquisition prices or production costs. After initial recognition, intangible assets are valued according to acquisition prices or production cost, less amortization and impairment losses.

Intangible assets are amortized equally during their estimated useful lives, which are subject to quarterly reviews. Estimated useful life of an asset is as follows:

- for concessions, patents, licences, etc. - 2 years
- for other assets - 2 years

Intangible assets are checked for impairment if any events or changes in circumstances indicate that their balance sheet value can be irrecoverable. Impairment losses are disclosed as excess of balance sheet value of an asset over its recoverable value.

#### *Tangible fixed assets*

Tangible assets include fixed assets owned by the Company and fixed assets under construction.

Fixed assets owned by the Company include:

- properties (not leased and not designated for trade) used by the Company,
- machinery and plant,
- means of transport

- other complete and usable objects with anticipated usable life exceeding one year.

Fixed assets are valued and disclosed in the statements according to acquisition prices or production cost, less depreciation and impairment losses. The costs pertaining to a fixed asset, which were borne after putting such asset in operation, are recognized in the income statement, except where it is possible to evidence that such expenses resulted in an increase of anticipated future economic benefits of owning the given fixed asset. In such case, the yielded costs increase the initial value of the fixed asset.

Land owned by the Company is not depreciated. Other fixed assets are depreciated equally during their estimated usable lives, which are subject to quarterly reviews. Estimated useful life of an asset is as follows:

- for buildings and other civil engineering structures: 22 to 67 years;
- for machinery and plant items: 2 to 5 years;
- for means of transport: 1.5 to 10 years;
- for other equipment: 5 years.

Future investments are included in the balance sheet value of the given fixed asset or recognized as a separate fixed asset (if appropriate) only if it is probable that economic benefits will be obtained by the Company in relation to this item, and the cost of the given item can be reliably measured and assessed. All other expenses on repairs and maintenance are posted to the income statement in the financial period when they were incurred.

Fixed assets under construction are valued by the Company according to acquisition price or production cost less impairment losses. Fixed assets under construction and land are not depreciated.

Production costs include costs that are directly related to an investment not yet completed. These include expenses incurred on acquisition of land property, expenditures on design and execution of buildings and other civil engineering structures (mainly foreign services), activated financial costs and other expenses incurred during development, which are directly related to the investment.

Tangible assets are checked for impairment if any events or changes in circumstances indicate that their balance sheet value can be unrealizable. Impairment losses are disclosed as excess of balance sheet value of an asset over its recoverable value, and they are recognized in the income statement. Recoverable value is the fair value of assets less costs of sales, or their usable value, whichever is higher.

Gains and losses on sale of fixed assets, constituting differences between sales incomes and balance sheet value of the sold fixed asset, are posted to the income statement under other operating incomes / expenses.

### *Investment property*

Investment property includes leased real estates, owned by the company, with land pertaining directly to such real estates, acquired and maintained for the purpose of achieving growth of value of land. Investment properties are initially disclosed according to acquisition prices / production costs.

After initial posting as on the first balance day, investment properties are presented according to their fair value. Fair value is revaluated at least quarterly. Profits or losses resulting from change in fair value of investment immovable property is disclosed in the profit and loss account in the period of their occurrence.

Future investments are accounted for in the balance sheet value of the given investment property or recognized as a separate investment property (where appropriate) only if it is probable that economic benefits will be obtained by the Company in relation to this item, and the cost of the given item can be reliably measured and assessed. All other expenses on repairs and maintenance are posted to the income statement in the financial period when they were incurred.

Fair value of land and buildings valued to fair value is updated to illustrate the market conditions present as at the end of the reporting period. Fair value of investment property is the price that could be quoted at an arm's length transaction. Fair value of properties yielding regular income is determined by the company individually, with the investment method, using simple capitalization method as a result of net operating income (NOI) of the project and yield rate, with due consideration of the terms and conditions of valid lease or hire contracts and other agreements. Yield rate is reviewed by independent property appraisers at least yearly, net operating income (NOI) is updated quarterly on the basis of valid lease contracts, values expressed in EUR and USD are converted quarterly according to valid rates of exchange published by the National Bank of Poland. Fair value of properties maintained for the purpose of value increase is determined by independent property appraisers.

Differences on investment property valuation are applied to income statement under the item of immovable property revaluation.

Result on sales of investment properties is disclosed under a separate item of the income statement.

If the designated use of the given property changes, such property is reclassified accordingly in the financial statements. Such property is transferred and disclosed under tangible fixed assets or inventories at the previously disclosed fair value.

### *Leases*

Leases qualify as financial lease if the terms of contract generally transfer all the potential benefits and risks involved in holding ownership title of an asset to the lessee. Leases where the lessor (financing party) bears a significant part of risks and benefits of possession are classified as operating leases.

Operating lease charges are disclosed as costs (when the Company is the lessee) or incomes (when the Company is the lessor) in the income statement according to straight-line method during the term of lease agreement.

Profits earned by the lessee, due as encouragement to enter into an operating lease agreement, are posted to the income statement according to straight-line method during the term given in the lease agreement.

Where the details of a specific contract indicate that lease fees will be charged progressively during the term of agreement, annual payment installments are linearized.

### *Shares and stocks in wholly or partially owned subsidiaries and in associated companies*

Shares and stocks in wholly and partially owned subsidiaries and associated companies are presented in acquisition prices less impairment losses written off at a later date. As at each consecutive balance day, the Company evaluates possible reasons justifying impairment of the Company's shares in other companies, with due consideration of affiliates' assets and liabilities at the time being, and reasonably anticipated cash flows generated by these companies.

### *Inventories*

The following are disclosed under inventories: semi-finished products and work in process, finished products, goods, and advances on deliveries. Due to unique quality of operations, purchased land, or rights of perpetual usufruct of land, or fees paid for perpetual lease) are classified as work in process if the land is designated for development, or as merchandise required for the purposes of housing activity if the land is designated for sale. Finished products mainly include housing and service premises sold through final contracts.

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.

Advances on deliveries are valued according to cash expenditure and according to received VAT invoices documenting granting an advance.

Inventories are valued not higher than obtainable net value. This value is obtained on the basis of information from the active market. Reversal of write-downs of inventory value takes place as a result of sale of inventory or increase in net sales price. The amounts of write-downs on the value of inventories, recognized as cost in a given period, and amounts of reversals of write-downs of values decreasing the value of inventories recognized as income during the period are disclosed in the income statement as other operating incomes / expenses (incomes / expenses on account of revaluation of non-financial assets).

### *Financial instruments*

The Company classifies its financial assets and liabilities to the following categories:

Financial assets or financial liabilities valued to fair value through the income statement - assets and liabilities acquired or transacted primarily for the purpose of sale or repurchase in a short-term perspective;

Investments held to maturity - financial assets other than derivatives, with predetermined or determinable payments and with predetermined maturity dates, which the Company strongly intends to maintain and is capable of maintaining until maturity;

Loans and receivables - financial assets other than derivatives, with predetermined or determinable payments, which are not quoted on an active market,

Financial assets available for sale - non-derivative financial assets not classified as financial assets disclosed in fair value through the income statement, borrowings and receivables, and assets held to maturity.

### *Financial assets recognized at fair value through the income statement*

Financial assets recognized at fair value through the income statement are:

- Financial assets for trade. A financial asset is classified to this category if it was acquired primarily for the purpose of short-term sale,

- Financial assets determined at the time of initial disclosure as recognized at fair value through the income statement.

Assets of this category are classified as current assets if they are designated for trade or their realization is envisaged within 12 months of the balance day. The Company classifies investments in securities to this category.

Assets are booked with the effective date of transaction and they are derecognized in the balance sheet at the time of expiry of contractual rights to cash flows from the given financial asset, or when the given financial asset is transferred together with all risks and benefits derived from possession of such asset.

Both as at the booking date and as at the balance date, financial assets valued at fair value through the income statement are valued at fair value.

#### *Loans granted*

Loans granted are non-derivative financial assets with determined or determinable due date, which are not quoted on an active market, other than those recognized as financial assets disclosed at fair value through the income statement or available for sale.

These assets are booked with the effective date of transaction and they are derecognized in the balance sheet at the time of expiry of contractual rights to cash flows from the given financial asset, or when the given financial asset is transferred together with all risks and benefits derived from possession of such asset.

Granted loans are disclosed as at the date of posting to the books, at fair value plus transaction costs, and afterwards as at the balance day according to depreciated acquisition price determined with the effective rate of interest method.

Allowances for granted loans are created as at the end of each quarter where there is objective evidence that the Company will not be able to obtain all amounts receivable according to the original terms of granted loans.

#### *Financial assets available for sale*

Financial assets available for sale are booked with the effective date of transaction and they are derecognized in the balance sheet at the time of expiry of contractual rights to cash flows from the given financial asset, or when the given financial asset is transferred together with all risks and benefits derived from possession of such asset.

As at the date of posting to the books, these assets are valued at fair value plus transaction costs. As at the balance day, these assets are valued at fair value accounting for impairment losses, posted to revaluation capital.

Gains or losses arising from change in fair value of an asset are posted directly to equity.

Allowances for financial assets are created as at the end of each quarter where there is objective evidence that the Company will not be able to obtain all amounts receivable according to the original terms of the assets.

Assets available for sale include shares and stocks in non-affiliated and non-associated companies, not quoted on an active market, classified as current or non-current assets.

Where fair value cannot be determined, these assets are valued at acquisition price less impairment losses, and the results of valuation are disclosed in the financial result.

#### *Trade receivables*

Trade receivables and other receivables are posted to the balance sheet at fair value and afterwards at adjusted acquisition price, using the effective rate of interest method, less impairment losses. The value of receivables is updated accounting for probability of their repayment through an allowance.

Allowances for trade receivables and other receivables are created as at the end of each quarter where there is objective evidence that the Company will not be able to obtain all amounts receivable according to the original terms of the receivables. The following factors are indicators of receivables impairment: serious financial difficulties of the debtor, or delayed repayments. The amount of impairment loss is the difference between the balance sheet value of the given receivable and the current value of estimated future cash flows generated thereby. *The value of loss is posted to the income statement as "other operating expenses"*. Allowances for irrecoverable receivables are made on the account of provisions for receivables. Future repayments of receivables previously written down are posted to "other operating incomes" in the income statement.

Non-current trade receivables are by principle valued at adjusted acquisition price using the effective rate of interest method. However, if the difference between value given as adjusted acquisition price and value given as amount due and payable has no significant impact on the Company's financial results, then such receivables are recognized in the balance sheet as amounts due and payable.

#### *Cash and cash equivalents*

Cash on bank accounts and on hand, short-term investments maintained up to their due dates and other financial assets (interest from granted loans if they fall due within 3 months from the statement date) are valued in nominal values.

Cash in foreign currencies is valued at least on each reporting date according to the buy rate of the bank employed by the Company. Foreign exchange gains / losses pertaining to cash in foreign currencies and operations of sale of foreign currencies are classified as financial expenses or financial incomes, respectively. The same definition of cash applies to the cash flow statement.

### *Derivatives*

Derivatives are recognized in the books at the time when the Companies become parties to a binding contract.

The Company uses derivatives to limit foreign exchange or interest rate risk.

The Company does not use hedge accounting.

As at the balance day, derivatives are valued to fair value. Derivatives with fair value above zero are classified as financial instruments while derivatives with negative fair value are financial liabilities.

Gains or losses on derivatives are posted to financial incomes or costs, accordingly, and as cash flows from operating activities in the cash flow statement.

### *Financial guarantee agreements*

Financial guarantee agreements are disclosed as off-balance liabilities and receivables. The Company assesses as at each consecutive balance day whether it is probable that a payment will have to be effected in respect of a financial guarantee agreement and whether a provision should therefore be established. If the amount of provision exceeds the current value of guarantee agreement, then the value of provision is adjusted accordingly and the resulting difference is shown in the income statement. Such guarantees are recognized as financial instruments. Such agreements are initially posted at fair value (equivalent to the amount of premium received or estimated using appropriate valuation techniques), then at one of the following values, whichever is higher:

- the amount of provision determined on the basis of estimated value of probable expenditure required for paying off the debt arising from the guarantee agreement, or
- the initial value less amortization/depreciation write-downs.

### *Income tax*

Income tax on profit or loss for the financial year includes current and deferred income tax. Income tax is posted to the income statement, except for amounts concerning items recognized directly as equity, where income tax is posted under equity.

The current part of income tax is the envisaged amount of income tax charged on taxable base for the given year, calculated on the basis of tax rates agreed as at the balance day, including any tax adjustments carried forward.

Deferred tax is calculated with the balance sheet method as tax payable or reimbursable in the future on differences between balance sheet values of assets and liabilities and corresponding tax values used for calculating the taxable base. The tax rate to be applicable in the reporting periods in which the given assets will be realized or liabilities will be released shall apply to calculation of relevant deferred tax.

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.

Deferred income tax is estimated as at each consecutive balance date and the difference is carried to the income statement.

### *Equity*

Share capital and reserve capital is valued in its nominal value. The differences between fair value of received payment and nominal value of shares are disclosed in supplementary capital from sale of shares above their nominal value.

The costs of shares issue, which are borne at the point of establishment of a joint stock company or increase in initial capital reduce the company's supplementary capital to the amount of surplus of issue value over nominal value of shares.

### *Provisions*

Provisions are established if the Company is under an existing liability derived from past events, it is probable that fulfillment of this liability will require expending of funds that form economic benefits and it is possible to reliably estimate the value of such liability.

Provisions are valued at fair value of costs estimated to the best knowledge of the Company's management if these costs must necessarily be incurred in order to settle the current liability existing as at the balance date.

According to the adopted principle, provisions for severance payments are not established. Such potential provisions would have no significant impact on the presented financial statements. At the point of occurrence they would be booked on a cash basis.

### *Financial liabilities and trade liabilities*

Financial liabilities include in particular loans, credit facilities, debt bonds, not matured interest on bank credit facilities which are booked according to the accruals method, as well as discount on debt securities to be settled in the following accounting period. Foreign currency loans are valued according to the selling rate of the bank employed by the Company.



Financial liabilities are valued at amortized cost, in accordance with IAS 39. Valuation accounts for the risk and possibility of early repayment of non-current liabilities.

Liabilities are initially carried at fair value. Afterwards, non-current liabilities are valued at adjusted acquisition price using the effective interest rate method. When the difference between value given as adjusted acquisition price and value given as amount due and payable has no significant impact on the Company's financial results, then such liabilities are disclosed in the balance sheet as amounts due and payable. The item of advances for deliveries covers both invoiced advances (including advances on apartments) and ones that have not been invoiced.

#### *Methods of determining the financial result*

Financial result (profit/loss) is determined using the multiple-step method.

#### *Operating incomes*

Incomes from sales of goods and products are carried at fair value of payment received or receivable, less discounts, rebates and taxes associated with sales. These are recognized as at the time of delivery of such goods and services, with assignment on the buyer of risks and benefits arising from ownership of such goods, provided that the amount of such incomes can be fairly valued.

Specifically, incomes earned on sales by the Company of apartments and commercial space are recognized according to IAS 18 at the time of transferring freehold of these premises through a sale agreement upon completion of facility development and obtaining use rights to these premises.

Incomes from lease of residential and commercial space are accounted for equally during the terms of respective contracts.

Revenues from construction on the basis of long-term contracts are posted according to IAS 11 according to advancement of works. Percentage of service performance advancement is determined as the proportion of works completed as at the given day with reference to the entire scope of works.

The remaining incomes from sales of services are carried to the period in which the given services were provided.

#### *Operating expenses*

The costs of production of goods, products and services sold include expenses made with regard to the revenues of a given accounting year, and costs recognized in the accounting books which were not yet borne.

The cost of goods and products sold is valued at production cost on the basis of exact identification of actual costs of assets sold, or percentages of such items as sold area of land, sold shares, etc. In particular, own cost of sold premises and land is established in proportion to the percentage of such premises or land in the entire land resource constituting the given project.

#### *Financial expenses*

Financial expenses concerning the current period are recognized in the income statement, to the exception of costs activated according to the solution presented in IAS 23 'Borrowing Costs'. The company activates such part of financial expenses that are directly related to acquisition and production of assets disclosed as inventories and investments in process. The following amount of costs is activated: interest, discount and commissions, less revenues earned on temporary deposition of cash (i.e. amounts of interest on bank deposits, except for deposits resulting from holds of accounts, L/C contracts).

#### *Cash flow statement*

Cash flow statement is prepared according to indirect method. Arranged overdraft obligations are presented as debt on account of credits and not as a cash equivalent.

#### *Estimations of the Management Board of the Company*

Preparation of financial statements 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. Management Boards' estimations have essential impact on the financial statements in the following key areas:

*Investment property*

Fair value of investment property generating regular incomes is determined by the company with the investment method, using simple capitalization method as a result of net operating income (NOI) of the project and yield rate. Yield rate is reviewed by independent property appraisers at least yearly, net operating income (NOI) is updated quarterly on the basis of valid lease contracts, values expressed in EUR and USD are converted quarterly according to valid rates of exchange published by the National Bank of Poland.

The following factors are taken into consideration when estimating fair value of investment property:

- current prices and information obtained from the open market for properties comparable to those owned by the Company, with consideration of the type of property, its size, location and other aspects
- or, if the above data is not available, the Company would estimate the value of property on the basis of additional information including current prices for other types of property,
- projections of future cash flows, based on fair estimations accounting for the current status of agreements signed and envisaged with lessees, credible level of market prices which can be achieved in comparison to similar investment properties according to discount rates that correspond to appropriate risk level for the estimated cash flows according to the Management Board's assessment.

*Financial instruments for trade*

Fair value of financial instruments not traded on an active market is determined using appropriate valuation techniques. The Company is guided by its independent judgment in selecting valuation methods and its assumptions are based on the market conditions existing as at each consecutive balance day. As at the balance day, the Company did not have any such financial instruments.

*Deferred income tax*

The Company's Management Board must evaluate probability of realization of a deferred income tax asset. In the process of preparing the financial statement, the Company estimates the value of the deferred income tax asset on the basis of factors including the value of future income tax burdens. The process includes analysis of the existing levels of current income tax burdens and the values of transition differences arising from different treatment of a given transaction from the tax and accounting perspectives, resulting in creation of an asset and provision for deferred income tax.

The above mentioned evaluation process is based on a number of assumptions concerning determination of the value of deferred income tax asset. The above estimations account for tax forecasts, historical values of tax burdens, currently available strategies for planning the Company's operating activities, and due dates for realization of specific timing differences. Because the aforementioned estimations may vary depending on external factors, the Company may periodically adjust its deferred income tax assets, which in turn may affect the Company's financial situation and results.

*Investments in wholly or partially owned subsidiaries and in associated companies*

In the process of evaluating impairment of investments in wholly or partially owned subsidiaries and associated companies, the Company takes into consideration the given company's financial standing and its short- and long-term perspectives, along with such factors as: overall situation of the sector, value of companies' net assets, cash flows forecast for the companies from operating and financing activities, assets held by the company, and the Management Board's plans regarding the particular companies

*Impact of the financial crisis on the Company's activities*

Noticeable lack of stability on financial markets leads to high variability and uncertainty on global equity markets. The current global liquidity crisis, which began in mid-2008, has led to such circumstances as, among others, decreasing percentages of financing via equity markets, lower level of liquidity in the financial sector, rising interest rates on inter-bank market, and extreme fluctuations on stock markets. In the United States, Western Europe, Russia and other countries, uncertainty on the global financial markets has led to banks' collapse and implementation of emergency



rescue programs for banks. It is not possible to foresee all consequences of the global financial crisis or to secure an enterprise against these consequences today.

Availability of credit facilities has become significantly limited since the 4th quarter of 2008, financial sector institutions are now much more restrictive in regard of granting credit facilities, and the costs of obtaining and handling external financing have increased largely. These circumstances may affect the Company's capacity of obtaining new credits or refinancing of the existing facilities on terms similar to those applicable to earlier transactions. Low liquidity can be observed on the real estate market. As a result of reduced volume of transactions and limited transparency as to pricing levels and market controls, there is less certainty as to property appraisals. These appraisals may vary rapidly as a result of changes in current market circumstances. According to the Management Board, fair value of investment property owned by the Company has been correctly estimated, taking due account of all available information and considering the existing situation on the market.

The Company anticipates that despite a major impact of the financial crisis on the market of housing properties and decreasing prices on the markets, the Company is still capable of developing and completing its commenced housing projects due to guaranteed financing and advantageous structure of envisaged sales contracts for specific projects.

At the same time, the Management Board believes that the value of inventories relating to the Company's housing projects is presented at recoverable value as at the balance day, and the expected sale prices for the particular housing projects correspond at least to their respective balance sheet values.

### *Financial risk management*

#### *Pricing risk*

Pricing risk is insignificant. The Company does not participate in securities trade on any active market.

#### *Risk of changes in cash flows and fair values in relation to interest rates*

The Company's exposure to interest rate risk is concerned with financial assets and liabilities, particularly with loans granted, bank credit facilities obtained, and bonds issued. Variable interest rate loans, credits and bonds expose the Company to the risk of interest rate fluctuations while fixed-rate loans and credits expose the Company to fluctuations in fair value of financial instruments. Moreover, the Company is exposed to the risk of interest rate fluctuations in case of taking out a new credit, or refinancing the existing debt to long-term financing.

Sensitivity to change of interest rates – on loans received and debt securities - is presented in Notes 23 B and 23 C.

#### *Currency risk*

Foreign exchange risk refers to investment credit facilities taken in foreign currencies (most commonly in Euro) within the Group. This risk occurs with the following two types of financial events:

- conversion of credit facilities (credit installments) obtained, from EUR into PLN  
In order to limit the risk involved in currency conversion of credit facilities, the Company enters into forward transactions on the forward currency market in values for envisaged cash flows of this type.
- repayment of credit installments  
In this case, the Company uses natural hedging: contracts with lessees are expressed in the currency of the loan taken out for financing the given investment. Thus obtained payments from lessees are assigned to repayment of the above mentioned loans. Such combination of financing with sources of income minimizes or eliminates foreign exchange risk.

Sensitivity to change of EUR exchange rate on credit facilities received is presented in Note 23A.

#### *Credit risk*

Credit risk occurs in the case of cash, derivatives and deposits in banks and financial institutions, as well as in respect of the Company's clients and lessees in the form of unpaid receivables. The Company has applied certain procedures for assessing the client's creditworthiness, and other security measures in the form of deposits and guarantees are also used with respect to lessees. No major concentration of risk exists in respect of any of the Company's clients. As regards cash and deposits at financial institutions and banks, the Company transacts business with well recognized institutions.

### *Liquidity risk*

Liquidity risk is the risk of the Company being unable to repay its financial liabilities in due time. The Company manages liquidity risk through maintaining appropriate reserve capital, taking advantage of the available choice of banking services and reserve overdraft facilities, and monitoring continuous forecasts and actual cash flows. Due to dynamic character of the Company's operations, it is capable of maintaining appropriate flexibility of financing through cash availability and diversification of financing sources.

The Company has sufficient funds to repay all debts in due time. Liquidity risk is minimized in the longer time perspective through availability of bank credit facilities. The Company can use sufficient financing at any time through activating funds from overdraft facilities allowed to it by banks.

Analyses of the Company's financial liabilities and derivatives carried as net amounts, which will be settled in appropriate aging periods based on the time remaining to contractual maturity date as at the balance day, are presented in the following notes, accordingly: credit facilities, loans, debt securities, trade receivables and trade liabilities.

### *Equity risk management*

The Company's objective in equity risk management is to protect the Company's capability of continuous operation so that to properly realize the return for shareholders, advantages for other parties involved, as well as to maintain optimized structure of equity in order to reduce its cost.

In managing this risk, the Company takes decisions concerning financial leverage, dividend policy, issue of new stocks, or repurchase followed by redemption or resale of previously issued stocks, along with possible sales of assets in order to reduce debt level.

The Company monitors its equity according to debt ratios. Debt ratio is calculated as net debt to total equity value. Net debt is calculated as a total of credit facilities and loans (including current and long-term credit facilities and loans disclosed in the balance sheet) less cash and cash equivalent. Total value of equity is calculated as equity shown in the balance sheet with net debt.

#### **Debt ratios (in thousands PLN)**

	Note	31.12.2008	31.12.2007
Credit facilities total	11A,12C	588 006	550 561
Cash and cash equivalents	7E	-39 608	-148 706
Net debt		548 398	401 855
Total shareholders' equity		505 260	465 344
Total equity		1 053 658	867 199
Debt ratio		52,05%	46,34%

### *Additional explanations:*

#### *Affiliated companies*

As a result of the strategy applied by "Echo Investment" S.A. Group, involving development of each shopping center and office buildings by a separate subsidiary, and as a result of contribution by "Echo Investment" S.A. to target companies of real property on which the shopping centers are erected, a significant part of Echo Investment's transactions are executed with affiliated companies. The largest transactions during the year 2008 with affiliated companies were executed on the basis of the following contracts:

- General Contracting of Investment and Project Management Agreement executed on July 30, 2008 with Projekt Echo – 65 Sp. z o. o. [Project Echo - 65' Limited Liability Company] as the investor. Under the said agreement, Echo Investment S.A. (the Contractor) has agreed to carry out full-ranged development of an office building situated on immovable property in Szczecin, Malczewskiego Street.
- General Contracting of Investment and Project Management Agreement executed on April 16, 2008 with "Projekt Echo – 66" Sp. z o. o. [Project Echo - 66' Limited Liability Company] with its registered seat in Kielce as the investor. Under the said agreement, Echo Investment S.A. (the Contractor) has agreed to carry out full-ranged development of a group of office buildings on a property located in Warsaw, 21 Postępu Street, until the time of delivery of the office complex to the Investor and to individual users.
- Investment Project Management Agreement executed on February 1, 2008 with Malta Office Park Sp. z o.o. [Limited Liability Company] as the investor. Under the said agreement, Echo Investment S.A. has agreed to execute advisory tasks, managing tasks, legal activities, engineering works, and other tasks and activities necessary for investment management, as well as to provide consulting services on all matters involved in development of the office buildings complex.
- General Contracting of Investment and Project Management Agreement executed on August 29, 2008 with Echo-Galeria Kielce Sp. z o. o. [Echo - Kielce Gallery Limited Liability Company] as the investor. Under the said agreement, Echo -Galeria Kielce Sp. z o. o. hired Echo Investment S.A. to carry out extension works on the existing shopping center in Kielce, al. Solidarności.
- General Contracting of Investment and Project Management Agreement executed on October 8, 2008 with "Projekt Echo – 63" as the investor. Under the said agreement, Echo Investment S.A. (the Contractor) has agreed to carry out full-ranged development of an office building situated on immovable property in Krakow, 210 Lea Street.

#### *Significant events after the balance date:*

- On January 06, 2009, Annex 1 (the Annex) of January 06, 2009 was executed to the agreement for project management and general contracting of investment (the General Contracting Agreement) of October 8, 2008 between the subsidiary „Projekt Echo – 63” Spółka z ograniczoną odpowiedzialnością [Project Echo – 63' Limited Liability Company] with its registered seat in Kielce (the Investor) and Echo Investment S.A. with its registered seat in Kielce (the Project Manager and the General Contractor of Investment). According to the terms of the Annex, the Project Manager and the General Contractor of Investment shall receive a fee based on investment budget, whereof the estimated net value is approx. 78.4 million PLN.

Under the General Contracting and Project Management Agreement, the Contractor agrees to carry out comprehensive development of an office building with an underground car park and necessary utilities on the land property situated in Krakow, Lea Street (the Office Building, the Investment) until effective completion, meaning handing over of the Office Building to the Investor and users of premises in the Office Building and obtaining all permits from competent authorities as required for opening the Office Building.

- On February 16, 2009 Echo Investment S.A. with its registered seat in Kielce (the Investor) and Modzelewski & Rodek Sp. z o.o. with its registered seat in Warsaw (the Contractor) signed Annex 2 dated February 13, 2009 to the core and shell construction contract for an establishment, dated September 08, 2008 (the Contract).

Under the aforementioned Contract, the Contractor agreed to carry out the works consisting in core and shell construction of an office and commercial establishment (the Facility) located on a real property in

Łódź, Piłsudskiego Street (Object of Contract). The Contractor also agrees to obtain the necessary amendments to the building permit decision in case any variations by the Contractor render it necessary to obtain such decision. Completion of development of the Object of Contract was expected until July 24, 2009.

Under the said Annex, the Parties to the Contract agreed to terminate the Contract by mutual agreement as at the effective date of Annex. The reason for Contract termination is the suspension of development of the Object of Contract, which has to be redesigned to optimize the investment process. The envisaged modifications will enable more flexible adaptation to the current situation on the property market and will enable development and sales of this project in stages.

As a result of Contract termination, the Contractor's fee for execution of the object of Contract was agreed as PLN 10,839,703.00 net. This amount includes the fee for advancement of Contract development until the termination date and the cost of securing the completed works, as well as other activities necessary for closing the works and Contractor's evacuation from site. The Parties to the Annex further agreed that the above fee fully covered their mutual claims as to settlement of basic works and works, tasks and activities carried out with regard to the need to end performance and terminate the Contract.

- On March 4, 2009, through a transaction at the Warsaw Stock Exchange, ING Otworthy Fundusz Emerytalny (ING Open Pension Fund, hereafter the ING OFE) has become the holder of 44,078,210 shares of Echo Investment S.A., corresponding to 10.49% of the share capital. These shares carry 44,078,210 votes, constituting 10.49% of the total number of votes at the general meeting of shareholders of Echo Investment S.A.

Before the aforementioned increase of share percentage, ING OFE had been the holder of 41,995,656 shares of Echo Investment S.A., corresponding to 9.99% of the share capital. These shares carried 41,995,656 votes, constituting 9.99% of the total number of votes at the general meeting of shareholders of Echo Investment S.A.

#### *Information concerning Management Board's salaries*

Managers of Echo Investment S.A. received the following remuneration at Echo Investment S.A. and for exercising their functions in the bodies of wholly and partially owned subsidiaries and associated companies in 2008, respectively:

- During his term of office at the Management Board of Echo Investment S.A., Mr. Jarosław Grodzki received compensation from Echo Investment S.A. in the total amount of PLN 707 thousand. He did not receive compensation for his functions held in the bodies of wholly and partially owned subsidiaries or associated companies;
- Mr. Piotr Gromniak received compensation from Echo Investment S.A. in the total amount of PLN 639 thousand. He did not receive compensation for his functions held in the bodies of wholly and partially owned subsidiaries and associated companies;
- Mr. Artur Langner received compensation from Echo Investment S.A. in the total amount of PLN 611 thousand. He did not receive compensation for his functions held in the bodies of wholly and partially owned subsidiaries and associated companies;

*Below is a description of consequences of changes in applied accounting principles*

Key changes in comparable data are presented in the tables below (in thousands PLN)

Balance sheet items	2007		
	after adjustment	before adjustment	difference
<b>Assets</b>			
Tangible fixed assets	13 982	49 693	-35 711
Investment property	3 961	442	3 519
Inventories	444 977	408 394	36 583
Non-current liabilities - credits and loans	511 405	514 874	-3 469
<b>Liabilities</b>			
Profit brought forward	7 340	4 083	3 257
Net profit (loss)	58 037	54 893	3 144
Provision for deferred income tax	29 194	28 395	799

Income statement	2007		
	after adjustment	after adjustment	after adjustment
Operating expenses	-201 952	-202 500	548
Operating incomes	31 822	28 488	3 334
Income tax	-6 794	-6 057	-737

The following changes have been introduced to comparable data:

- real property for lease has been reclassified from tangible fixed assets to investment property and valued at fair value (PLN 3,519 thousand as at 2007-12-31)
- real property for lease has been reclassified from tangible fixed assets to inventories and valued at acquisition price (PLN 36,583 thousand as at 2007-12-31)
- adjustment of borrowings valuation as a result of change of SCN valuation model (PLN 3,334 thousand as at 2007-12-31)

## Additional explanatory notes

### Note 1A

Intangible assets [in thousands PLN]	31.12.2008	31.12.2007
a) costs of finished development works	-	-
b) goodwill	-	-
c) acquired concessions, patents, licences and similar assets, including:	993	516
- computer software	811	424
d) other intangible assets	8	8
e) advances for intangible assets	-	-
<b>Intangible assets total</b>	<b>1 001</b>	<b>524</b>

The Company did not make any adjustments for impairment losses in intangible fixed assets during the periods covered by the financial statements.

## Note 1B

## Changes in the value of intangible assets (according to type groups)

	a) acquired concessions, patents, licences and similar assets, including:	- computer software	b) other intangible assets	Intangible assets total
a) gross value of intangible assets at the beginning of period	2 698	2 544	8	2 706
b) increases (on account of)	916	761	-	916
- purchase	916	761	-	916
c) decreases (on account of)	-	-	-	-
- sale	-	-	-	-
- liquidation	-	-	-	-
d) gross value of intangible assets as at the end of period	3 615	3 304	8	3 623
e) accumulated amortization as at the beginning of period	2 182	2 120	-	2 182
f) depreciation for the period (on account of)				
- scheduled	440	374	-	440
- liquidation	-	-	-	-
	440	374	-	440
g) accumulated depreciation (amortization) as at the end of the period	2 622	2 494	-	2 622
h) impairment losses as at the beginning of period	-	-	-	-
i) impairment losses as at the end of period	-	-	-	-
j) net value of intangible assets as at the end of period	993	811	8	1 001

All intangible assets held by the company have been acquired.

Applied methods of amortization and assumed periods of utilization or applied amortization rates for:

- acquired concessions, patents, licences and similar value - amortized equally, 50%, amortization booked under overheads

- other intangible assets - not put into use, not amortized as at December 31, 2008

**Note 2A**

Tangible fixed assets [in thousands PLN]	31.12.2008	31.12.2007
a) fixed assets, including:	11 636	13 957
- land (including perpetual usufruct of land)	32	33
- buildings, premises and civil engineering structures	2 348	2 384
- plant and machinery	694	1 149
- means of transport	7 686	9 198
- other fixed assets	876	1 193
b) fixed assets under construction	-	25
<b>Tangible fixed assets total</b>	<b>11 636</b>	<b>13 982</b>

The Company did not make any adjustments for impairment losses in tangible fixed assets during the periods covered by the financial statements.



## Note 2B

## Changes in fixed assets (according to type groups)

	- own land and right of perpetual usufruct of land	- buildings and structures	- plant and machinery	- means of transport	- other fixed assets	fixed assets total
<b>a) gross value of fixed assets as at the beginning of period</b>	<b>34</b>	<b>2 598</b>	<b>4 651</b>	<b>14 735</b>	<b>3 035</b>	<b>25 053</b>
<b>b) increases (on account of)</b>						
- purchase	-	84	694	911	191	1 880
- transfer from investing activities	-	-	-	-	-	-
	-	84	694	911	191	1 880
<b>c) decreases (on account of)</b>						
- sale	-	-	(278)	(965)	(190)	(1 433)
- liquidation	-	-	(184)	-	(8)	(192)
	-	-	(462)	(965)	(198)	(1 625)
<b>d) gross value of fixed assets as at the end of period</b>	<b>34</b>	<b>2 682</b>	<b>4 883</b>	<b>14 681</b>	<b>3 028</b>	<b>25 308</b>
<b>e) accumulated depreciation (amortization) as at the beginning of period</b>	<b>(1)</b>	<b>(190)</b>	<b>(3 502)</b>	<b>(5 536)</b>	<b>(1 842)</b>	<b>(11 071)</b>
<b>f) depreciation for the period (on account of)</b>						
- scheduled depreciation	(1)	(144)	(1 062)	(2 413)	(370)	(3 990)
- sale	-	-	(278)	(954)	(52)	(1 284)
- liquidation	-	-	(97)	-	(8)	(105)
	(1)	(144)	(687)	(1 459)	(310)	(2 601)
<b>g) accumulated depreciation (amortization) as at the end of the period</b>	<b>(2)</b>	<b>(334)</b>	<b>(4 189)</b>	<b>(6 995)</b>	<b>(2 152)</b>	<b>(13 672)</b>
<b>h) impairment losses as at the beginning of period</b>	-	-	-	-	-	-
<b>i) impairment losses as at the end of period</b>	-	-	-	-	-	-
<b>j) net value of fixed assets at the end of</b>	<b>32</b>	<b>2 348</b>	<b>694</b>	<b>7 686</b>	<b>876</b>	<b>11 636</b>

**period**

Applied methods of depreciation and assumed periods of utilization or applied depreciation rates for:

- own land - perpetual leasehold of land is depreciated equally, freehold of land is not depreciated;
- buildings and structures - equally, depreciation rate: residential 1.5%, service 2.5%, used 10%, structures 4.5%, investments in foreign facilities 10%
- machinery and plant - equally, rates from 10% to 20%, computers - accelerated method, rate 30% or 60%;
- means of transport - equally, rate 20%, or 14% for airplane;
- other fixed assets - equally, rates from 10% to 20%

The amount of contractual obligations incurred in relation to acquisition of tangible assets is: PLN 154 thousand.

**Note 3A**

Change in immovable properties (according to type groups) [in thousands PLN]	31.12.2008	31.12.2007
<b>A) gross value of investments in real estate as at the beginning of period</b>	<b>10 105</b>	<b>64 134</b>
<b>a) increases (on account of)</b>		
- expenditures during the year	24	947
- transfer from fixed assets	-	-
- transfer from inventories	4 513	-
- transfer from fixed assets under construction	-	-
	<b>4 537</b>	<b>947</b>
<b>b) decreases (on account of)</b>		
- sale	(90)	(2 406)
- non-cash contribution	-	(52 570)
	<b>(90)</b>	<b>(54 976)</b>
<b>B) gross value of investments in real estate as at the end of period</b>	<b>14 552</b>	<b>10 105</b>
<b>C) valuation to fair value</b>	<b>(1 593)</b>	<b>(6 144)</b>
<b>Net value of investments in real estate as at the end of period</b>	<b>12 959</b>	<b>3 961</b>

The Company values real property at fair value as at the end of each consecutive calendar quarter.

Gains/losses from valuation are presented under "Revaluation of immovable property" in the Income Statement.

**Note 3B**

Amounts recognized in the income statement [in thousands PLN]	31.12.2008	31.12.2007
a) lease rent incomes pertaining to investment property	593	1 133
b) direct operating expenses (including costs of repairs and maintenance) pertaining to the investment property that generated lease rent incomes during the given period	67	377
b) direct operating expenses (including costs of repairs and maintenance) pertaining to the investment property that did not generate lease rent incomes during the given period	-	-

## Note 3C

Shares or stocks [in thousands PLN]	31.12.2008	31.12.2007
- in subsidiaries	461 983	384 281
- in partially owned subsidiaries	1 796	349
- in associated companies	62	10 650
- other non-current financial assets (according to type)	50	-
- advances for shares	50	-
<b>Shares or stocks, total</b>	<b>463 891</b>	<b>395 280</b>

The Company is a holder of shares in the financial result of associated companies equivalent to the total number of votes at the general meeting of shareholders - Note 3H.

## Note 3D

Change in the balance of shares and stocks [in thousands PLN]	31.12.2008	31.12.2007
<b>a) balance as at the beginning of period, including:</b>	<b>395 280</b>	<b>247 251</b>
- shares and stocks	395 280	234 785
- advances for acquisition of shares	-	12 466
- other non-current financial assets		
<b>b) increases (on account of)</b>		
- purchase of shares	91 082	160 869
- advances for acquisition of shares	50	1 445
- reversing of assets revaluation allowance	-	-
	<b>91 132</b>	<b>162 314</b>
<b>c) decreases (on account of)</b>		
- sale of shares	-	(375)
- assets revaluation allowance	(22 521)	(394)
- settlement of advances for acquisition of shares	-	(13 516)
	<b>(22 521)</b>	<b>(14 285)</b>
<b>d) balance as at the end of period, including:</b>	<b>463 891</b>	<b>395 280</b>
- shares and stocks	463 891	395 280

## Note 3E

Granted long-term loans [in thousands PLN]	31.12.2008	31.12.2007
- in subsidiaries	12 909	130 975
- in other companies	-	40
<b>Granted long-term loans total</b>	<b>12 909</b>	<b>131 015</b>

Basic data concerning the largest long-term loans is presented in the following table:

Name of the other party	Amount	Interest rate	Due date	Other
Echo - Centrum Biznesu Łódź Sp. z o.o. [Echo - Business Center Łódź Limited Liability Company]	7 378	collateral loan rate + margin	June 28, 2012	subordinate to the Credit Agreement made on December 21, 2001 between the Borrower and RHEINHYP-BRE Bank Hipoteczny S.A. in Warsaw
Centrum Bankowości i Finansów Łódź Sp. z o.o. [Banking and Finance Center Łódź Limited Liability Company]	3 873	collateral loan rate + margin	December 31, 2011	
Echo Investment Hungary KFT	1 658	WIBOR 3M rate + margin	December 31, 2011	
<b>Total:</b>	<b>12 909</b>			

### Note 3F

Registered pledge was established on the shares of "Echo - Centrum Przemysł" Sp. z o.o. [Echo - Przemysł Center Limited Liability Company], amounting to PLN 1,279 thousand, as a collateral of credit granted to the "Echo - Centrum Przemysł" Sp. z o.o. subsidiary by Bank Śląski S.A. in the amount of 2,850 thousand EUR.

Registered pledges were established on the shares in the following subsidiaries:

Echo Investment - Centrum Handlowe Piotrków Trybunalski Sp. z o.o. with a value of PLN 28,764 thousand

in favor of Bank Przemysłowo-Handlowy PBK S.A. with its registered seat in Krakow. Registered pledges constitute collaterals of the credit agreement signed by the above mentioned subsidiaries with BPB PBK S.A. The pledges were established up to the amount of 72,600 thousand EUR.

Registered pledge was established on the shares of 'Athina Park' Sp. z o.o. [Athina Park Co., Ltd.], amounting to PLN 6,009 thousand, as a collateral of credit granted to the 'Athina Park' Sp. z o.o. subsidiary by Eurohypo Aktiengesellschaft Europäische Hypothekenbank der Deutschen Bank in the amount of 30,600 thousand EUR.

Registered pledge was established on the shares of "Wan - 11" Sp. z o.o. [Wan-11 Limited Liability Company], amounting to PLN 1,500 thousand, as a collateral of a credit facility granted to the "Wan - 11" Sp. z o.o. subsidiary by Eurohypo Aktiengesellschaft Europäische Hypothekenbank der Deutschen Bank in the amount of 48,000 thousand EUR.

Registered pledge was established on the shares of "Echo - Pasaż Grunwaldzki" Sp. z o.o. [Echo - Grunwaldzki Arcade Limited Liability Company], amounting to PLN 51 thousand, as a collateral of credit facility granted to the "Projekt Echo - 62" Sp. z o.o. [Project Echo - 62 Limited Liability Company] subsidiary by Eurohypo AG to the maximum amount of 150 million EUR.

Registered pledge was established on the shares of "Echo - Pasaż Grunwaldzki Spółka z ograniczoną odpowiedzialnością" Sp.K. [Echo - Grunwaldzki Arcade Limited Liability Company Limited Partnership], amounting to PLN 11 thousand, as a collateral of credit facility granted to the "Projekt Echo - 62" Sp. z o.o. [Project Echo - 62 Limited Liability Company] subsidiary by Eurohypo AG to the maximum amount of 150 million EUR.

Registered pledge was established on the contributions of "Projekt Echo - 62" Sp. z o.o. [Project Echo - 62 Limited Liability Company], amounting to PLN 11 thousand, as a collateral of credit facility granted to the "Projekt Echo - 62" Sp. z o.o. subsidiary by Eurohypo AG to the maximum amount of 150 million EUR.

Registered pledge was established on current and future shares of "Projekt Echo - 61" Sp. z o.o. [Project Echo - 61 Limited Liability Company], amounting to PLN 50 thousand, as a collateral of credit facility granted to the "Projekt Echo - 61" Sp. z o.o. subsidiary by Eurohypo Aktiengesellschaft Europäische Hypothekenbank Der Deutschen Bank in the amount of 8,873 thousand EUR.

Registered pledge was established on current and future shares of "Echo - Galaxy Szczecin" Sp. z o.o. [Echo - Galaxy Szczecin' Limited Liability Company], amounting to PLN 50 thousand, as a collateral of credit facility granted to the "Echo - Galaxy Szczecin" Sp. z o.o. subsidiary by Eurohypo Aktiengesellschaft Europäische Hypothekenbank Der Deutschen Bank in the amount of 150,000 thousand EUR.

**Note 3G**

Granted long-term loans (currency structure) [in thousands PLN]	31.12.2008	31.12.2007
a) in the Polish currency	12 909	131 015
b) in foreign currencies (by currency, after conversion to zlotys)	-	-
<b>Granted long-term loans total</b>	<b>12 909</b>	<b>131 015</b>

The maximum value of credit risk involved with these loans equals their balance sheet value. Estimated fair value of granted loans is the value of future anticipated discounted cash flows, equivalent to the balance sheet value of granted loans.

The granted loans are not secured.

The loans granted are not overdue and no loss of value (impairment) occurred.

## Note 3H Shares or stocks in subsidiaries

Item	Name (company name) of the company, specifying the legal status	Registered office address	Objects of the company	Type of relationship	Applied method of consolidation	Date of seizing control	Value of shares / stocks according to acquisition price	Revaluation adjustments - initial balance	Revaluation adjustments - change	Revaluation adjustments - end balance	Balance sheet value of shares / stocks	Percentage of initial / share capital held	Share in the total number of votes at the general meeting	Specification of other grounds for control
1	"Centrum Handlowe PHS" S.A. ['PHS Shopping Center' Joint Stock Company]	Szczecin	trade activity	subsidiary	full	1999-06-01	4 776				4 776	100,00%	100,00%	none
2	"Piomot Auto" Sp. z o.o. ['Piomot Auto' Limited Liability Company]	Kielce	automotive	subsidiary	full	1997-03-11	320	(255)	(27)	(282)	38	100,00%	100,00%	none
3	"M.D.P." Sp. z o.o. ['M.D.P.' Limited Liability Company]	Kielce	construction activity	subsidiary	full	1996-11-22	16 019	(16 019)	104	(15 915)	104	99,99%	99,99%	none
4	"Projekt Echo - 93" Sp. z o.o. ['Project Echo - 93' Limited Liability Company]	Kielce	developer activity	subsidiary	full	1997-04-25	51				51	99,00%	99,00%	none
5	"Echo Aurus" Sp. z o.o. ['Echo Aurus' Limited Liability Company]	Kielce	construction activity	subsidiary	full	1998-10-21	51		(51)	(51)	0	99,00%	99,00%	none
6	"Princess Investment" Sp. z o.o. ['Princess Investment' Limited Liability Company]	Kielce	developer activity	subsidiary	full	1999-10-26	2 663	(1 736)	(473)	(2 209)	454	100,00%	100,00%	none
7	"Echo - Centrum Tarnów" Sp. z o.o. ['Echo - Tarnów Center' Limited Liability Company]	Kielce	construction activity and property management	subsidiary	full	1998-11-09	13 329				13 329	99,99%	99,99%	none
8	"Echo - Centrum Jelenia Góra" Sp. z o.o. ['Echo - Jelenia Góra Center' Limited Liability Company]	Kielce	construction activity and property management	subsidiary	full	1998-10-30	5 401				5 401	100,00%	100,00%	none
9	"Echo - Centrum Bełchatów" Sp. z o.o. ['Echo - Bełchatów Center' Limited Liability Company]	Kielce	construction activity and property management	subsidiary	full	1998-10-30	2 083				2 083	99,99%	99,99%	none
10	"Echo Investment - Centrum Handlowe Piotrków Trybunalski" Sp. z o.o. ['Echo Investment - Piotrków	Kielce	construction activity and property management	subsidiary	full	1998-10-30	28 764			-	28 764	84,12%	84,12%	none

11	Trybunalski Shopping Center' Limited Liability Company] "Echo - Centrum Biznesu Łódź" Sp. z o.o. ['Echo - Business Center Łódź' Limited Liability Company]	Kielce	construction activity and property management	subsidiary	full	1998-10-30	2 511		2 511	99,98%	99,98%	none
12	"Echo - Centrum Przemysł" Sp. z o.o. ['Echo - Przemysł Center' Limited Liability Company]	Kielce	construction activity and property management	subsidiary	full	1998-11-06	1 279		1 279	100,00%	100,00%	none
13	"Echo - SPV 6" Sp. z o.o. ['Echo - SPV 6' Limited Liability Company]	Kielce	construction activity and property management	subsidiary	full	1999-02-23	18 370	-	18 370	99,99%	99,99%	none

## Note 3H Shares or stocks in subsidiaries, continued

Item	Name (company name) of the company, specifying the legal status	Registered office address	Objects of the company	Type of relationship	Applied method of consolidation	Date of seizing control	Value of shares / stocks according to acquisition price	Revaluation adjustments - initial balance	Revaluation adjustments - change	Revaluation adjustments - end balance	Balance sheet value of shares / stocks	Percentage of initial / share capital held	Share in the total number of votes at the general meeting	Specification of other grounds for control
14	"Echo - Centrum Bankowości i Finansów Łódź" Sp. z o.o. ['Echo - Łódź Banking and Finance Center' Limited Liability Company]	Kielce	construction activity and property management	subsidiary	full	1998-10-30	3 008				3 008	100,00%	100,00%	none
15	"Echo - Centrum Rzeszów" Sp. z o.o. ['Echo - Rzeszów Center' Limited Liability Company]	Kielce	construction activity and property management	subsidiary	full	1998-10-30	4 969	(4 304)	(74)	(4 378)	591	99,99%	99,99%	none
16	"Projekt Echo -17" Sp. z o.o. ['Project Echo -17' Limited Liability Company]	Kielce	construction activity and property management	subsidiary	full	1998-10-30	52				52	100,00%	100,00%	none
17	"Echo - Property Poznań 2" Sp. z o.o. ['Echo - Property Poznań 2' Limited Liability Company]	Kielce	construction activity and property management	subsidiary	full	1998-10-30	3 490	(77)	77	-	3 490	99,99%	99,99%	none
18	"Echo - Property Poznań 1" Sp. z o.o. ['Echo - Property Poznań 1' Limited Liability Company]	Kielce	construction activity and property management	subsidiary	full	1998-10-30	11 283	(7 626)	3 425	(4 201)	7 082	99,99%	99,99%	none
19	"Echo - Veneda" Sp. z o.o. ['Echo - Veneda' Limited Liability Company]	Kielce	construction activity and property management	subsidiary	full	1998-10-30	6 133				6 133	99,99%	99,99%	none
20	"Echo - Kielce 1" Sp. z o.o. ['Echo - Kielce 1' Limited Liability Company]	Kielce	construction activity and property management	subsidiary	full	1998-10-30	8 369				8 369	99,99%	99,99%	none
21	"Echo ACC" Sp. z o.o. ['Echo ACC' Limited Liability Company]	Kielce	accounting and bookkeeping activity	subsidiary	full	1998-10-30	51				51	99,99%	99,99%	none
22	"Athina Park" Sp. z o.o. ['Athina Park' Limited Liability Company]	Kielce	construction activity and	subsidiary	full	1998-10-30	6 009				6 009	99,99%	99,99%	none



	Company]		property management construction activity and property management										
23	"Projekt Echo - 28" Sp. z o.o. [Project Echo - 28' Limited Liability Company]	Kielce	property management construction activity and property management	subsidiary	full	1998-10-30	2 508		2 508	99,99%	99,99%	none	
24	"Malta Office Park" Sp. z o.o. [Malta Office Park' Limited Liability Company]	Kielce	property management construction activity and property management	subsidiary	full	1998-10-30	2 007		2 007	99,99%	99,99%	none	
25	"Projekt Echo -30" Sp. z o.o. [Project Echo -30' Limited Liability Company]	Kielce	construction activity and property management	subsidiary	full	1998-10-30	51		51	99,00%	99,00%	none	
26	"Echo - Arena" Sp. z o.o. [Echo - Arena' Limited Liability Company]	Kielce	property management construction activity and property management	subsidiary	full	1998-10-30	1 008		1 008	99,99%	99,99%	none	
27	"Echo - Galaxy" Sp. z o.o. [Echo - Galaxy' Limited Liability Company]	Kielce	property management construction activity and property management	subsidiary	full	1998-10-30	51		51	99,00%	99,00%	none	
28	"Echo - Pasaż Grunwaldzki" Sp. z o.o. [Echo - Grunwaldzki Arcade' Limited Liability Company]	Kielce	construction activity and property management	subsidiary	full	1998-10-30	51	(17)	(17)	34	99,99%	99,99%	none
29	"Projekt Echo -34" Sp. z o.o. [Project Echo -34' Limited Liability Company]	Kielce	property management construction activity and property management	subsidiary	full	1998-10-30	51		51	99,00%	99,00%	none	

**Note 3H Shares or stocks in subsidiaries, continued**

Item	Name (company name) of the company, specifying the legal status	Registered office address	Objects of the company	Type of relationship	Applied method of consolidation	Date of seizing control	Value of shares / stocks according to acquisition price	Revaluation adjustments - initial balance	Revaluation adjustments - change	Revaluation adjustments - end balance	Balance sheet value of shares / stocks	Percentage of initial / share capital held	Share in the total number of votes at the general meeting	Specification of other grounds for control
30	"Projekt Echo -37" Sp. z o.o. ['Project Echo -37' Limited Liability Company]	Kielce	construction activity and property management	subsidiary	full	1998-10-30	51				51	99,00%	99,00%	none
31	"Echo Bau" Sp. z o.o. ['Echo Bau' Limited Liability Company]	Kielce	construction activity and property management	subsidiary	full	1998-10-30	52				52	100,00%	100,00%	none
32	"Projekt Echo -39" Sp. z o.o. ['Project Echo -39' Limited Liability Company]	Kielce	construction activity and property management	subsidiary	full	1998-10-30	51				51	99,00%	99,00%	none
33	"Zakład Ogrodniczy Naramowice" Sp. z o.o. ['Naramowice Gardening Enterprise' Limited Liability Company]	Poznań	orcharding activity	subsidiary	full	2000-05-11	40 676	(5 702)	5 702	-	40 676	100,00%	100,00%	none
34	"EST-ON Property Management" Sp. z o.o. ['EST-ON Property Management' Limited Liability Company]	Kielce	property management	subsidiary	full	1998-10-27	50				50	99,00%	99,00%	none
35	"Projekt S" Sp. z o.o. ['Project S' Limited Liability Company]	Kielce	construction activity and property management	subsidiary	full	2004-03-23	20 419				20 419	63,00%	63,00%	none
36	"Echo - Pasaż Grunwaldzki Spółka z ograniczoną odpowiedzialnością" Sp.K. ["Echo - Grunwaldzki Arcade Limited Liability Company"]	Kielce	construction activity and property management	subsidiary	full	2005-08-30	11				11	99,00%	99,00%	none
37	"Echo - Arena Spółka z ograniczoną odpowiedzialnością" Sp.K.	Kielce	construction activity and property management	subsidiary	full	2005-09-27	12				12	99,00%	99,00%	none

[“Echo – Arena Limited Liability Company” Limited Partnership]		management												
38	“Wan 11” Sp. z o.o. [‘Wan 11’ Limited Liability Company]	Warsaw	construction activity and property management	partially owned subsidiary	prorate d	2004-03-08	1 500		(12)	(12)	1 488	50,00%	50,00%	none
39	Wan - Invest Sp. z o.o. [Wan - Invest Limited Liability Company]	Warsaw	construction activity and property management	partially owned subsidiary	owners hip rights		447	(97)	(42)	(139)	308	50,00%	50,00%	none
40	“Projekt Echo -41” Sp. z o.o. [‘Project Echo -41’ Limited Liability Company]	Kielce	construction activity and property management	subsidiary	full	2006-04-21	51				51	99,00%	99,00%	none
41	“Projekt Echo -42” Sp. z o.o. [‘Project Echo -42’ Limited Liability Company]	Kielce	construction activity and property management	subsidiary	full	2006-04-21	51				51	99,00%	99,00%	none
42	“Projekt Echo -43” Sp. z o.o. [‘Project Echo -43’ Limited Liability Company]	Kielce	construction activity and property management	subsidiary	full	2006-04-21	51				51	99,00%	99,00%	none
43	“Projekt Echo -44” Sp. z o.o. [‘Project Echo -44’ Limited Liability Company]	Kielce	construction activity and property management	subsidiary	full	2006-04-21	51				51	99,00%	99,00%	none

## Note 3H Shares or stocks in subsidiaries, continued

Item	Name (company name) of the company, specifying the legal status	Registered office address	Objects of the company	Type of relationship	Applied method of consolidation	Date of seizing control	Value of shares / stocks according to acquisition price	Revaluation adjustments - initial balance	Revaluation adjustments - change	Revaluation adjustments - end balance	Balance sheet value of shares / stocks	Percentage of initial / share capital held	Share in the total number of votes at the general meeting	Specification of other grounds for control
44	"Projekt Echo -45" Sp. z o.o. ['Project Echo -45' Limited Liability Company]	Kielce	construction activity and property management	subsidiary	full	2006-04-21	51				51	99,00%	99,00%	none
45	"Echo - Galaxy Sp. z o.o." Sp.K. ['Echo - Galaxy Limited Liability Company' Limited Partnership]	Kielce	construction activity and property management	subsidiary	full	2006-06-29	35 882				35 882	99,99%	99,99%	none
46	"Echo Investment Hungary KFT	Budapest	construction activity and property management	subsidiary	full	2006-04-24	22 580				22 580	100,00%	100,00%	none
47	"Projekt Echo -41" Sp. z o.o." Sp.K. ['Project Echo -41 Limited Liability Company' Limited Partnership]	Kielce	construction activity and property management	subsidiary	full	2006-09-27	11				11	99,00%	99,00%	none
48	"Projekt Echo -42 Sp. z o.o." Sp.K. ['Project Echo -42 Limited Liability Company' Limited Partnership]	Kielce	construction activity and property management	subsidiary	full	2006-09-27	11				11	99,00%	99,00%	none
49	"Projekt Echo -45 Sp. z o.o." Sp.K. ['Project Echo -45 Limited Liability Company' Limited Partnership]	Kielce	construction activity and property management	subsidiary	full	2006-09-27	11				11	99,00%	99,00%	none
50	Echo - Centrum Poznań Sp. z o.o. [Echo - Poznań Center Limited Liability Company]	Kielce	construction activity and property management	subsidiary	full	2006-08-31	40 418		(1 034)	(1 034)	39 384	100,00%	100,00%	none
51	Echo Projekt Management KFT	Budapest	construction activity and property management	subsidiary	full	2006-11-07	1 317		(1 317)	(1 317)	-	100,00%	100,00%	none
52	"Projekt Echo -46" Sp. z o.o. ['Project Echo -46' Limited	Kielce	construction activity and	subsidiary	full	2006-11-21	51		(51)	(51)	-	99,90%	99,90%	none

	Liability Company]		property management construction activity and property management										
53	“Projekt Echo -47” Sp. z o.o. [‘Project Echo -47’ Limited Liability Company]	Kielce	property management construction activity and property management	subsidiary	full	2006-11-21	51		51	99,90%	99,90%	none	
54	“Projekt Echo -48” Sp. z o.o. [‘Project Echo -48’ Limited Liability Company]	Kielce	property management construction activity and property management	subsidiary	full	2006-11-21	51		51	99,90%	99,90%	none	
55	"Echo Building KFT	Budapest	construction activity and property management	subsidiary	full	2007-05-23	844	(694)	(694)	150	100,00%	100,00%	none
56	"Echo Investment Project 1 S.R.L.	Bucharest	construction activity and property management	subsidiary	full	2006-02-27	23 997			23 997	100,00%	100,00%	none
57	“Projekt Echo -53” Sp. z o.o. [‘Project Echo -53’ Limited Liability Company]	Kielce	property management construction activity and property management	subsidiary	full	2006-12-19	50			50	0,05%	0,05%	none
58	“Projekt Echo -54” Sp. z o.o. [‘Project Echo -54’ Limited Liability Company]	Kielce	property management construction activity and property management	subsidiary	full	2006-12-20	110 147			110 147	99,90%	99,90%	none
59	“Projekt Echo -55” Sp. z o.o. [‘Project Echo -55’ Limited Liability Company]	Kielce	property management construction activity and property management	subsidiary	full	2006-12-20	50			50	99,90%	99,90%	none

## Note 3H Shares or stocks in subsidiaries, continued

Item	Name (company name) of the company, specifying the legal status	Registered office address	Objects of the company	Type of relationship	Applied method of consolidation	Date of seizing control	Value of shares / stocks according to acquisition price	Revaluation adjustments - initial balance	Revaluation adjustments - change	Revaluation adjustments - end balance	Balance sheet value of shares / stocks	Percentage of initial / share capital held	Share in the total number of votes at the general meeting	Specification of other grounds for control
60	"Projekt Echo -56" Sp. z o.o. ['Project Echo -56' Limited Liability Company]	Kielce	construction activity and property management	subsidiary	full	2006-12-20	50				50	99,90%	99,90%	none
61	"Projekt Echo -57" Sp. z o.o. ['Project Echo -57' Limited Liability Company]	Kielce	construction activity and property management	subsidiary	full	2006-12-20	50		(11)	(11)	39	99,90%	99,90%	none
62	"Projekt Echo -58" Sp. z o.o. ['Project Echo -58' Limited Liability Company]	Kielce	construction activity and property management	subsidiary	full	2006-12-20	50				50	99,90%	99,90%	none
63	"Projekt Echo -59" Sp. z o.o. ['Project Echo -59' Limited Liability Company]	Kielce	construction activity and property management	subsidiary	full	2006-12-20	50				50	99,90%	99,90%	none
64	"Echo - Galaxy Szczecin" Sp. z o.o. ['Echo - Galaxy Szczecin' Limited Liability Company]	Kielce	construction activity and property management	subsidiary	full	2006-12-20	50				50	99,90%	99,90%	none
65	"Projekt Echo -61" Sp. z o.o. ['Project Echo -61' Limited Liability Company]	Kielce	construction activity and property management	subsidiary	full	2006-12-20	50				50	99,90%	99,90%	none
66	"Projekt Echo -62" Sp. z o.o. ['Project Echo -62' Limited Liability Company]	Kielce	construction activity and property management	subsidiary	full	2006-12-20	50				50	99,90%	99,90%	none
67	"Projekt Echo -63" Sp. z o.o. ['Project Echo -63' Limited Liability Company]	Kielce	construction activity and property management	subsidiary	full	2006-12-21	12 794		(12 794)	(12 794)	-	99,90%	99,90%	none
68	"Projekt Naramowice Poznań" Sp. z o.o. ['Project Naramowice	Kielce	construction activity and	subsidiary	full	2006-12-21	53				53	99,90%	99,90%	none

	Poznań' Limited Liability Company]		property management										
69	"Projekt Echo -65" Sp. z o.o. ['Project Echo -65' Limited Liability Company]	Kielce	construction activity and property management	subsidiary	full	2006-12-21	4 368	(4 368)	(4 368)	0	99,90%	99,90%	none
70	"Echo - Park Postępu" Sp. z o.o. ['Echo - Park Postępu' Limited Liability Company]	Kielce	construction activity and property management	subsidiary	full	2006-12-21	19 821			19 821	99,90%	99,90%	none
71	"Projekt Echo -67" Sp. z o.o. ['Project Echo -67' Limited Liability Company]	Kielce	construction activity and property management	subsidiary	full	2006-12-21	50			50	99,90%	99,90%	none
72	"Projekt Echo -68" Sp. z o.o. ['Project Echo -68' Limited Liability Company]	Kielce	construction activity and property management	subsidiary	full	2006-12-21	50			50	99,90%	99,90%	none
73	"Projekt Echo -69" Sp. z o.o. ['Project Echo -69' Limited Liability Company]	Kielce	construction activity and property management	subsidiary	full	2006-12-21	50			50	99,90%	99,90%	none
74	"Projekt Echo -70" Sp. z o.o. ['Project Echo -70' Limited Liability Company]	Kielce	construction activity and property management	subsidiary	full	2006-12-21	50			50	99,90%	99,90%	none
75	"Projekt Echo -71" Sp. z o.o. ['Project Echo -71' Limited Liability Company]	Kielce	construction activity and property management	subsidiary	full	2006-12-21	50	(10)	(10)	40	99,90%	99,90%	none



**Note 3H Shares or stocks in subsidiaries, continued**

Item	Name (company name) of the company, specifying the legal status	Registered office address	Objects of the company	Type of relationship	Applied method of consolidation	Date of seizing control	Value of shares / stocks according to acquisition price	Revaluation adjustments - initial balance	Revaluation adjustments - change	Revaluation adjustments - end balance	Balance sheet value of shares / stocks	Percentage of initial / share capital held	Share in the total number of votes at the general meeting	Specification of other grounds for control
76	"Projekt Echo -72" Sp. z o.o. ['Project Echo -72' Limited Liability Company]	Kielce	construction activity and property management	subsidiary	full	2006-12-21	50		(10)	(10)	40	99,90%	99,90%	none
77	"Projekt Echo -73" Sp. z o.o. ['Project Echo -73' Limited Liability Company]	Kielce	construction activity and property management	subsidiary	full	2006-12-21	50		(10)	(10)	40	99,90%	99,90%	none
78	"Projekt Echo -74" Sp. z o.o. ['Project Echo -74' Limited Liability Company]	Kielce	construction activity and property management	subsidiary	full	2006-12-21	50		(11)	(11)	39	99,90%	99,90%	none
79	"Projekt Echo -75" Sp. z o.o. ['Project Echo -75' Limited Liability Company]	Kielce	construction activity and property management	subsidiary	full	2006-12-21	50		(11)	(11)	39	99,90%	99,90%	none
80	"Projekt Echo -76" Sp. z o.o. ['Project Echo -76' Limited Liability Company]	Kielce	construction activity and property management	subsidiary	full	2006-12-21	50		(10)	(10)	40	99,90%	99,90%	none
81	"Projekt Echo -77" Sp. z o.o. ['Project Echo -77' Limited Liability Company]	Kielce	construction activity and property management	subsidiary	full	2006-12-21	50				50	99,90%	99,90%	none
82	"Projekt Echo -80" Sp. z o.o. ['Project Echo -80' Limited Liability Company]	Kielce	construction activity and property management	subsidiary	full	2006-12-21	50				50	99,90%	99,90%	none
83	"Echo - Metropolis" Sp. z o.o. ['Echo - Metropolis' Limited Liability Company]	Kielce	construction activity and property management	subsidiary	full	2006-12-21	50				50	99,90%	99,90%	none
84	"Projekt Echo -83" Sp. z o.o. ['Project Echo -83' Limited Liability Company]	Kielce	construction activity and property management	subsidiary	full	2006-12-21	50				50	99,90%	99,90%	none

	Liability Company]		property management construction activity and property management											
85	"Projekt Echo -84" Sp. z o.o. ['Project Echo -84' Limited Liability Company]	Kielce	property management construction activity and property management	subsidiary	full	2006-12-21	50				50	99,90%	99,90%	none
86	"Projekt Echo -85" Sp. z o.o. ['Project Echo -85' Limited Liability Company]	Kielce	property management construction activity and property management	subsidiary	full	2006-12-21	50				50	99,90%	99,90%	none
87	"Projekt Echo -86" Sp. z o.o. ['Project Echo -86' Limited Liability Company]	Kielce	construction activity and property management	subsidiary	full	2006-12-21	50				50	99,90%	99,90%	none
88	"Projekt Echo -87" Sp. z o.o. ['Project Echo -87' Limited Liability Company]	Kielce	construction activity and property management	subsidiary	full	2006-12-21	50				50	99,90%	99,90%	none
89	"Projekt Echo -88" Sp. z o.o. ['Project Echo -88' Limited Liability Company]	Kielce	construction activity and property management	subsidiary	full	2006-12-21	50				50	99,90%	99,90%	none
90	"Projekt Echo -89" Sp. z o.o. ['Project Echo -89' Limited Liability Company]	Kielce	construction activity and property management	subsidiary	full	2006-12-21	50				50	99,90%	99,90%	none
91	"Projekt Echo -90" Sp. z o.o. ['Project Echo -90' Limited Liability Company]	Kielce	construction activity and property management	subsidiary	full	2006-12-21	50				50	99,90%	99,90%	none

**Note 3I Shares or stocks in subsidiaries, continued**

Item	Name (company name) of the company, specifying the legal status	Registered office address	Objects of the company	Type of relationship	Applied method of consolidation	Date of seizing control	Value of shares / stocks according to acquisition price	Revaluation adjustments - initial balance	Revaluation adjustments - change	Revaluation adjustments - end balance	Balance sheet value of shares / stocks	Percentage of initial / share capital held	Share in the total number of votes at the general meeting	Specification of other grounds for control
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92	"Projekt Echo -91" Sp. z o.o. ['Project Echo -91' Limited Liability Company]	Kielce	construction activity and property management	subsidiary	full	2006-12-21	50			50	99,90%	99,90%	none
93	"Projekt Echo -92" Sp. z o.o. ['Project Echo -92' Limited Liability Company]	Kielce	construction activity and property management	subsidiary	full	2006-12-21	50			50	99,90%	99,90%	none
94	Echo Investment Ukraina LLC	Kiev	construction activity and property management	subsidiary	full	2007-06-05	666	(67)	(67)	599	99,99%	99,99%	none
95	Ultra Marina	Kielce	construction activity and property management	subsidiary	full	2008-01-10	11 891			11 891	100,00%	100,00%	none
96	Echo Investment Projekt Management SRL	Bucharest	construction activity and property management	subsidiary	full	2008-01-14	147	(147)	(147)	-	99,99%	99,99%	none
97	Wlementor Holdings Limited	Cyprus	construction activity and property management	subsidiary	full	2008-06-27	16 577			16 577	99,95%	99,95%	none
98	SPV-1 Sp. z o.o. [SPV-1 Limited Liability Company]				full		6			6			
							511 527	(35 816)	(11 932)	(47 748)	463 778		

#### Shares/stocks in associated companies

1	"Projekt Echo -23" Sp. z o.o. ['Project Echo -23' Limited Liability Company]	Kielce	processing non-ferrous metals	associated company	owners hip rights	1998-10-30	11			11	37,50%	37,50%	none
2	W.A. Hotele Sp. z o.o. [W.A. Hotels Limited Liability Company]	Warsaw	construction activity and property management	associated company	owners hip rights	2002-04-18	10 639	(10 588)	(10 588)	51	43,45%	43,45%	none
3	"SPC" S.A. ['SPC' Joint Stock Company]	Warsaw	managing other companies	associated company	owners hip	1996-03-26	34	(34)	(34)	-	34,00%	34,00%	none

	rights				
	10 684	(34)	(10 588)	(10 622)	62
Shares or stocks in affiliates, total	522 211	(35 850)	(22 520)	(58 370)	463 841

**Note 4**

Change in the balance of deferred income tax assets [in thousands PLN]	31.12.2008	31.12.2007
<b>1. Balance of deferred income tax assets at the beginning of period, including:</b>	<b>25 595</b>	<b>16 882</b>
<b>a. Increases</b>		
a) carried to financial result of the period due to negative transition differences on balance sheet items:	4 574	8 866
Non-current investments	4 574	-
Inventories	-	1 102
Current investments	-	226
Short-term accruals	-	1 242
Non-current liabilities	-	446
Current liabilities	-	5 850
	<b>4 574</b>	<b>8 866</b>
<b>b. Decreases</b>		
a) carried to financial result of the period due to negative transition differences on balance sheet items:	(2 536)	(153)
Tangible fixed assets	(1 139)	-
Non-current investments	-	(153)
Inventories	(213)	-
Current investments	(266)	-
Short-term accruals	(632)	-
Non-current liabilities	(233)	-
Current liabilities	(53)	-
	<b>(2 536)</b>	<b>(153)</b>
<b>4. Balance of deferred income tax assets at the end of period total, including:</b>	<b>27 633</b>	<b>25 595</b>

**Note 5A**

Inventories [in thousands PLN]	31.12.2008	31.12.2007
a) materials	-	-
b) semi-finished products and work in process - apartments	291 513	388 348
c) finished products - apartments	101 490	42 066
d) goods - land	3 458	1 693
e) advances for deliveries	14 474	12 870
<b>Inventories total</b>	<b>410 935</b>	<b>444 977</b>

Inventories are valued not higher than obtainable net value. This value is obtained from information from the active market. Reversal of inventories value allowance is related to sale of the given inventory or increase of net sales price. The amounts of write-downs on the value of inventories, recognized as cost in a given period, and amounts of reversals of write-downs of values decreasing the value of inventories recognized as income during the period are disclosed in the income statement as other operating incomes / expenses (incomes / expenses on account of revaluation of non-financial assets).

The immovable property in Zabrze, disclosed under semi-finished products and work in progress, is encumbered with capped mortgage in the amount of PLN 3,700 thousand in favor of the Municipal Commune of Zabrze as a security of repayment of any possible claims that could occur due to payment of liquidated damages in case the Company fails to execute the investment project in due time.

#### Note 5B

Inventories - impact on the bottom line [in thousands PLN]	31.12.2008	31.12.2007
Value of inventories recognized as cost during the period	284 259	186 958
Amounts of inventories write-downs recognized as cost during the period	11 268	7 396
Amounts of reversal of inventories write-downs recognized as income during the period	12 388	1 594

Inventories write-downs and their reversals are concerned with housing projects where a time offset exists between sales of apartments and sales of garages associated with apartments. The purpose is to realistically present the sales margin realized during the period.

## Note 6A

Current receivables [in thousands PLN]	31.12.2008	31.12.2007
<b>a) from affiliated companies</b>	<b>133 932</b>	<b>19 475</b>
- trade receivables, payable within:	133 932	19 475
- up to 12 months	133 932	19 475
<b>b) revaluation adjustments of receivables from affiliated companies</b>	<b>(4 569)</b>	<b>(6 285)</b>
<b>c) receivables from other companies</b>	<b>10 557</b>	<b>31 070</b>
- trade receivables, payable within:	1 959	4 074
- up to 12 months	1 410	3 341
- over 12 months	549	733
- due to taxes, grants, customs, social security, health insurance and other performances	5 890	19 438
- other	2 708	7 558
<b>d) revaluation adjustments of receivables from other companies</b>	<b>(1 192)</b>	<b>(1 805)</b>
<b>Net current receivables total</b>	<b>144 489</b>	<b>50 545</b>
revaluation adjustments of receivables total	(5 761)	(8 090)
<b>Gross current receivables total</b>	<b>150 250</b>	<b>57 060</b>

Revaluation adjustment of receivables from affiliated companies is an allowance for overdue receivables in the amount of PLN 4,569 thousand. Receivables from affiliated companies are not secured. No receivables from affiliated companies were written down as at December 31, 2008.

Estimated fair value of trade receivables is the value of anticipated future discounted cash flows, equivalent to the balance sheet value of these receivables.

Trade receivables are generated from lease of office space and apartments. The Company regularly controls the financial condition and payment capacity of its lessees. Payments are secured with deposits.

## Note 6B

Change in the balance of revaluation adjustments of current receivables [in thousands PLN]	31.12.2008	31.12.2007
<b>Balance as at the beginning of period</b>	<b>8 090</b>	<b>19 505</b>
a) increases (on account of)	13	23
- creating an allowance	13	23
b) decreases (on account of)	(2 342)	(11 438)
- repayment	(1 716)	-
- release	(625)	(11 435)
- utilization	(1)	(3)
<b>Balance of revaluation adjustments of current receivables as at the end of period</b>	<b>5 761</b>	<b>8 090</b>

Receivables revaluation allowance was posted under "other operating expenses" in the Company's income statement.

The Company establishes a receivables revaluation allowance:

- for receivables overdue by more than one year – for full value of receivables
- for receivables overdue by more than six months but not longer than one year – 50% of the value of receivables



## Note 6C

Current receivables gross (currency structure) [in thousands PLN]	31.12.2008	31.12.2007
a) in the Polish currency	149 474	57 060
b) in foreign currencies (by currency, after conversion to zlotys)	776	-
- unit / currency EUR	147	-
- thousands PLN	611	-
- unit / currency USD	56	-
- thousands PLN	165	-
<b>Current receivables total</b>	<b>150 250</b>	<b>57 060</b>

## Note 6D

Trade receivables (gross) - days remaining to due date after the balance day [in thousands PLN]	31.12.2008	31.12.2007
a) up to 1 month	27 704	9 966
b) over 1 month up to 3 months	104 866	1 446
c) over 3 months up to 6 months	-	-
d) over 6 months up to 1 year	183	12 036
e) over 1 year	549	3 551
f) receivables overdue	8 238	4 527
<b>Trade receivables total (gross)</b>	<b>141 540</b>	<b>31 526</b>
g) revaluation adjustments of trade receivables	(5 649)	(7 977)
<b>Trade receivables total (net)</b>	<b>135 891</b>	<b>23 549</b>

## Note 6E

Trade receivables overdue (gross) - divided into amounts not paid during the period [in thousands PLN]	31.12.2008	31.12.2007
a) up to 1 month	2 193	2 257
b) over 1 month up to 3 months	262	476
c) over 3 months up to 6 months	48	23
d) over 6 months up to 1 year	172	156
e) over 1 year	5 563	1 615
<b>Trade receivables overdue total (gross)</b>	<b>8 238</b>	<b>4 527</b>
f) revaluation adjustments on trade receivables overdue	(5 649)	(1 693)
<b>Trade receivables overdue total (net)</b>	<b>2 589</b>	<b>2 834</b>

**Note 6F**

Trade receivables (gross) [in thousands PLN]	31.12.2008	31.12.2007
a) current receivables without impairment	133 302	26 999
b) overdue receivables without impairment	2 589	2 834
c) overdue receivables with impairment	5 649	1 693

**Note 6G**

Disputed and overdue receivables [in thousands PLN]	31.12.2008	31.12.2007
<b>Disputable receivables</b>	<b>12</b>	<b>12</b>
- on account of deliveries of works and services	12	12
- including ones not covered by a revaluation allowance	-	-
<b>Overdue receivables</b>	<b>8 250</b>	<b>4 539</b>
- on account of deliveries of works and services	8 250	4 539
- including ones not covered by a revaluation allowance	2 589	2 834

**Note 7A**

Granted short-term loans [in thousands PLN]	31.12.2008	31.12.2007
<b>a) in subsidiaries</b>		
- granted loans	179 809	79 163
- interest	12 326	6 001
	<b>192 135</b>	<b>85 164</b>
<b>b) in other companies</b>		
- granted loans	538	7 176
- interest	99	117
	<b>637</b>	<b>7 293</b>
<b>Granted short-term loans total</b>	<b>192 772</b>	<b>92 457</b>

**Note 7B**

Granted short-term loans (currency structure) [in thousands PLN]	31.12.2008	31.12.2007
a) in the Polish currency	192 772	91 725
b) in foreign currencies (by currency, after conversion to zlotys)	-	732
<b>Granted short-term loans total</b>	<b>192 772</b>	<b>92 457</b>

Note 7B comprises short-term loans with interest

The basic data concerning the largest short-term loans is presented in the following table:

Name of the other party	Amount [in thousands PLN]	Interest rate	Due date
Princess Investment Sp. z o.o.	603	collateral loan rate + margin	December 31, 2009
Echo Metropolis Sp. z o.o.	45 975	Wibor 3 + margin	December 31, 2009
Princess Boryszewska Sp. z o.o.	42 785	Wibor 3 + margin	December 31, 2009
Projekt Naramowice Poznań Sp. z o.o.	78 834	Wibor 3 + margin	December 31, 2009
Athina Park Sp. z o.o.	15 751	Wibor 3 + margin	December 31, 2009
Projekt S Sp. z o.o.	1 168	Wibor 3 + margin	December 31, 2009
Malta Office Park Sp. z o.o.	7 019	Wibor 3 + margin	December 31, 2009
others	637	Wibor 3 + margin	December 31, 2009
<b>Total:</b>	<b>192 772</b>		

The maximum value of credit risk involved with these loans equals their balance sheet value.

The granted loans are not secured.

The loans granted are not overdue and no loss of value (impairment) occurred.

#### Note 7C

Derivative instruments [in thousands PLN]	31.12.2008	31.12.2007
a) in the Polish currency - options	295	6 720
b) in foreign currencies (by currency, after conversion to zlotys)	-	-
<b>Derivatives total</b>	<b>295</b>	<b>6 720</b>

#### Note 7D

Derivative instruments (by transferability) [in thousands PLN]	31.12.2008	31.12.2007
<b>With unlimited transferability, not quoted on regulated market (balance sheet value)</b>	-	-
a) options	295	6 720
- fair value	295	6 720
- market value	295	6 720
- value according to acquisition prices	-	-
	<b>295</b>	<b>6 720</b>
<b>Derivatives total</b>	<b>295</b>	<b>6 720</b>

During the reporting period, the Company recognized profit/loss on valuation of derivatives in accordance with Notes 17C and 18B.

Forward transactions and options were executed for the purpose of securing part of the envisaged future cash flows at the Company against foreign exchange risk.

**Note 7E**

Cash and cash equivalents [in thousands PLN]	31.12.2008	31.12.2007
a) cash in hand and on bank accounts	39 608	148 706
b) other cash assets	-	-
<b>Cash and cash equivalents total</b>	<b>39 608</b>	<b>148 706</b>
Cash with limited disposability	8 885	150

As at 2008-12-31, the Company holds cash at recognized banks, mainly PKO SA and PKO BP.

**Note 7F**

Cash and cash equivalents (currency structure) [in thousands PLN]	31.12.2008	31.12.2007
a) in the Polish currency	39 154	91 957
b) in foreign currencies (by currency, after conversion to zlotys)	454	56 749
- unit / currency EUR	84	11 320
- thousands PLN	352	40 527
- unit / currency USD	31	6 674
- thousands PLN	92	16 217
- unit / currency HUF	608	360
- thousands PLN	10	5
<b>Cash and cash equivalents total</b>	<b>39 608</b>	<b>148 706</b>

**Note 8****Initial capital (structure)**

Series of shares	Class of shares	Class of shares privilege	Type of restriction of rights to shares	Number of shares	Value of series / issue according to nominal value (thousands PLN)	Method of equity coverage	Date of registration	Right to dividend as from
A	bearer shares	ordinary shares	none	1 600 000	80	non-cash contribution	1994-06-30	1995-01-01
B	bearer shares	ordinary shares	none	38 400 000	1 920	cash	1994-06-30	1995-01-01
C	bearer shares	ordinary shares	none	20 000 000	1 000	cash	1995-11-13	1995-01-01
D	bearer shares	ordinary shares	none	60 000 000	3 000	cash	1997-02-18	1996-01-01
E	bearer shares	ordinary shares	none	20 000 000	1 000	cash	1997-12-30	1997-01-01
F	bearer shares	ordinary shares	none	280 000 000	14 000	cash	2002-11-26	2002-01-01

**Number of shares total** 420 000 000

**Share capital total** 21 000

**Par value of one share = PLN 0.05**

\* On October 18, 2007 the General Meeting of Shareholders of the Company decided to change the existing number of the Company's shares through splitting their nominal value in the proportion of 1: 10 so that the current value of each share being PLN 2 is now determined as PLN 0.50 per share. On December 10, 2007 the District Court in Kielce recorded the split of shares in the National Court Register (KRS).

Shareholders	Number of votes / shares	Percentage of share capital	Percentage of votes at the General Meeting of Shareholders
Michał Solowow (directly and indirectly)	169 916 580	40,46%	40,46%
ING OFE	44 078 210	10,49%	10,49%
Commercial Union OFE*	37 812 146	9,00%	9,00%
PZU Złota Jesień OFE*	41 066 860	9,78%	9,78%
Pioneer Pekao Investment Management S.A.	21 035 115	5,01%	5,01%
Other Shareholders	106 091 089	25,26%	25,26%
<b>Total</b>	<b>420 000 000</b>	<b>100,00%</b>	<b>100,00%</b>

\*Balance according to the structure of portfolios of the OFEs (Open Pension Funds) as at December 31, 2008

#### Note 9

Supplementary capital [in thousands PLN]	31.12.2008	31.12.2007
a) from sale of shares above par value	100 943	100 943
b) established by force of law	80	80
c) established by force of articles / agreement above the value required by law (minimum)	336 898	277 922
d) other (by type)	22	22
<b>Supplementary capital total</b>	<b>437 943</b>	<b>378 967</b>

#### Note 10

Change in the balance of provision for deferred income tax [in thousands PLN]	31.12.2008	31.12.2007
<b>1. Balance of provision for deferred income tax as at the beginning of period</b>	<b>29 194</b>	<b>23 243</b>
<b>2. Increases</b>		
a) carried to financial result of the period due to positive transition differences on balance sheet items	-	-
Tangible fixed assets	-	49
Non-current investments	540	5 225
Inventories	667	-
Current investments	1 206	784
	<b>2 413</b>	<b>6 058</b>
<b>3. Decreases</b>		
a) carried to financial result of the period due to positive transition differences on balance sheet items		
Tangible fixed assets	(880)	
Inventories	-	(32)
Current receivables	(26)	-
Short-term accruals	(94)	(6)
Current liabilities	(55)	(69)
	<b>(1 055)</b>	<b>(107)</b>
<b>4. Balance of provision for deferred income tax as at the end of period total</b>	<b>30 552</b>	<b>29 194</b>

**Note 11A**

Non-current liabilities (exclusive of provision for income tax) [in thousands PLN]	31.12.2008	31.12.2007
<b>to other companies</b>		
- on account of issue of debt securities	509 151	511 405
<b>Non-current liabilities total</b>	<b>509 151</b>	<b>511 405</b>

**Note 11B**

Non-current liabilities (exclusive of provision for income tax), days remaining to due date after the balance day [in thousands PLN]	31.12.2008	31.12.2007
a) over 1 year up to 3 years	140 065	112 284
b) over 3 years up to 5 years	369 086	102 285
c) over 5 years	-	296 836
<b>Non-current liabilities total</b>	<b>509 151</b>	<b>511 405</b>

Interest rates applied to discounting anticipated cash flows are as follows:

7,66%                      7,54%

The Company has presented its non-current liabilities in nominal values in Note 11E

**Note 11C**

Non-current liabilities (exclusive of provision for income tax) (currency structure) [in thousands PLN]	31.12.2008	31.12.2007
a) in the Polish currency	509 151	511 405
b) in foreign currencies (by currency, after conversion to zlotys)	-	-
<b>Non-current liabilities total</b>	<b>509 151</b>	<b>511 405</b>

**Note 11D**
**Lines of credit**

Name (company name) of the organization, specifying the legal form	Registered office address	Credit / loan amount according to contract		Amount of loan / credit remaining due		Interest rate arrangements	Due date	Collateral
		in thousands PLN	currency	in thousands PLN	currency			
PeKaO S.A.	Warsaw	40 000	PLN	-	PLN	Wibor 1M + margin	2009-09-30	power of attorney to bank account, statement of voluntary submission to enforcement surety clause from current account in PKO
PKO BP S.A.	Warsaw	20 000	PLN	-	PLN	Wibor 1M + margin	2009-08-20	BP S.A., statement of voluntary submission to enforcement surety clause from current account in PKO
PKO BP S.A.	Warsaw	40 000	PLN	-	PLN	Wibor 1M + margin	2009-08-20	BP S.A., statement of voluntary submission to enforcement
Bank Handlowy w Warszawie S.A.	Warsaw	20 000	PLN	19 957	PLN	Wibor 1M + margin	2009-03-06	statement of voluntary submission to enforcement
PeKaO S.A.	Warsaw	90 000	PLN	-	PLN	Wibor 1M + margin	2010-06-30	power of attorney to a bank account blank promissory note, statement of submission to enforcement proceedings, power of attorney to bank account
Bank Zachodni WBK S.A.	Wrocław	20 000	PLN	18 425	PLN	Wibor 1M + margin	2009-05-31	
<b>Total</b>		<b>230 000</b>		<b>38 382</b>				

**Note 11 E**
**Liabilities due to debt instruments issued**

Debt instruments by type	Nominal value	Interest rate arrangements	Redemption date	Guarantees / collaterals	Additional privileges	Quotation market
bonds (BRE Bank S.A.)	150 000	Wibor 6M + margin	2011-05-25	none		none
bonds (BRE Bank S.A.)	100 000	Wibor 6M + margin	2013-05-25	none		none
bonds (BRE Bank S.A.)	300 000	Wibor 6M + margin	2014-06-30	none		none
<b>Total</b>	<b>550 000</b>					



Financial liabilities due to debt instruments issued are valued at amortized cost, in accordance with IAS 39.

**Note 12A**

Current liabilities (exclusive of provisions) [in thousands PLN]	31.12.2008	31.12.2007
<b>a) to subsidiaries</b>		
- trade liabilities, payable within:	61	2 950
- up to 12 months	61	2 950
- over 12 months	-	-
	61	2 950
<b>b) to other companies</b>		
- trade liabilities, payable within:	75 099	65 175
- up to 12 months	69 165	58 518
- over 12 months	5 934	6 657
- advances received for deliveries	85 508	174 440
- bill of exchange liabilities	-	-
- on account of taxes, customs duties, securities and other performances	5 965	612
- on account of salaries and wages	9	5
- other (according to titles)	9 122	12 500
- received hedging deposits	559	591
- insurance	-	35
- other	8 563	11 874
	<b>175 703</b>	<b>252 732</b>
<b>Current liabilities total</b>	<b>175 764</b>	<b>255 682</b>

Fair value of trade liabilities and other liabilities does not significantly differ from their balance sheet value.

**Note 12B**

Current trade liabilities (currency structure) [in thousands PLN]	31.12.2008	31.12.2007
a) in the Polish currency	175 717	255 682
b) in foreign currencies (by currency, after conversion to zlotys)	47	-
- unit / currency EUR	8	-
- thousands PLN	31	-
- unit / currency USD	5	-
- thousands PLN	16	-
<b>Current trade liabilities total</b>	<b>175 764</b>	<b>255 682</b>

**Note 12C**

Short-term borrowings [in thousands PLN]	31.12.2008	31.12.2007
<b>a) to subsidiaries</b>	-	463
- borrowings	-	<b>463</b>
<b>b) to other companies</b>	38 382	-
- borrowings,	40 415	38 614
- on account of issue of debt securities	57	79
- interest charged	<b>78 854</b>	<b>38 693</b>
<b>Borrowings total</b>	<b>78 854</b>	<b>39 156</b>

**Note 12D**

Short-term borrowings (currency structure) [in thousands PLN]	31.12.2008	31.12.2007
a) in the Polish currency	78 854	39 156
b) in foreign currencies (by currency, after conversion to zlotys)	-	-
<b>Borrowings total</b>	<b>78 854</b>	<b>39 156</b>

**Note 12E**

Derivative instruments [in thousands PLN]	31.12.2008	31.12.2007
a) options	5 213	2 852
b) forward	3 044	-
<b>Derivatives total</b>	<b>8 257</b>	<b>2 852</b>

**Note 12F**

Derivative instruments (currency structure) [in thousands PLN]	31.12.2008	31.12.2007
a) in the Polish currency	8 257	2 852
b) in foreign currencies (by currency, after conversion to zlotys)	-	-
<b>Derivatives total</b>	<b>8 257</b>	<b>2 852</b>

**Note 12G**

Change in the balance of short-term provisions (by title) [in thousands PLN]	31.12.2008	31.12.2007
<b>a) balance as at the beginning of period</b>		
- provisions for penalties	8 588	7 880
- guarantee repairs	1 100	-
- court proceedings	441	441
- sureties for liabilities		4 047
	<b>10 129</b>	<b>12 368</b>
<b>b) increases (on account of)</b>		
- provisions for penalties	961	708
- guarantee repairs	-	1 100
	<b>961</b>	<b>1 808</b>
<b>c) utilization (on account of)</b>		
- court proceedings	(441)	-
	<b>(441)</b>	<b>-</b>
<b>d) release (on account of)</b>		
- provisions for penalties	(359)	-
- sureties for liabilities	-	(4 047)
	<b>(359)</b>	<b>(4 047)</b>
<b>e) balance as at the end of period</b>		
- provisions for penalties	9 190	8 588
- guarantee repairs	1 100	1 100
- court proceedings	-	441
	<b>10 290</b>	<b>10 129</b>

The provision for penalties covers the value of potential penalties that can be imposed on the Company in respect of contracts signed, where the probability of imposing such penalties exceeds 50%.

The provision for court proceedings covers court actions against the company, where the probability of succeeding is lower than 50%.

The provision for envisaged costs of guarantee repairs covers the value of such repairs or compensation regarding premises and projects sold, where the probability of charging such costs exceeds 50%.

**Note 13A**

Contingent liabilities to affiliated companies (on account of) [in thousands PLN]	31.12.2008	31.12.2007
a) granted guarantees and sureties, including:	19 547	22 862
- to subsidiaries	19 547	22 862
<b>Contingent liabilities to affiliated companies total</b>	<b>19 547</b>	<b>22 862</b>

## Note 13B

Off-balance items [in thousands PLN]	31.12.2008	31.12.2007
<b>1. Contingent receivables</b>	-	-
<b>2. Contingent liabilities</b>		
2.1. To affiliates (on account of)	19 547	22 862
- granted guarantees and sureties	19 547	22 862
2.2. To other companies (on account of)	4 032	-
- granted guarantees and sureties	4 032	-
	<b>23 579</b>	<b>22 862</b>
<b>3. Other (on account of)</b>	31	379
- court proceedings against Echo Investment	<b>31</b>	<b>379</b>
<b>Borrowings total</b>	<b>23 610</b>	<b>23 241</b>

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

1. Surety of May 15, 2007 for the obligations of Projekt Echo – 39 Sp. z o.o. (Project Echo – 39 Limited Liability Company) to an individual running their own business under company name MTM Consulting Sp. for payment of additional price of sale of perpetual usufruct right to land property situated in Kalisz. The surety was granted up to the amount of PLN 18,807 thousand.

2. Surety as of November 15, 2000 for liabilities of 'Echo - Centrum Bełchatów' Sp. z o.o. under a credit contract as of June 28, 2000, made with PeKaO Spółka Akcyjna Bank, concerning a facility for financing an investment project involving purchase and execution of a shopping center in Bełchatów, in the amount of PLN 740 thousand.

3. Surety as of July 4, 2007 for the obligations of "Projekt – Echo 49" Sp. z o.o. ('Project – Echo 49' Limited Liability Company) concerning repair of damage up to the amount of PLN 4,032 thousand.

Nominal values of sureties equal their fair values.

## Explanatory notes to the income statement

### Note 14A

Operating incomes (material structure - types of activities) [in thousands PLN]	2008	2007 restated
<b>A. Sales of residential and commercial areas</b>	<b>165 636</b>	<b>28 072</b>
- including: from affiliated companies	-	-
<b>B. Investment execution services</b>	<b>194 116</b>	<b>180 836</b>
- including: from affiliated companies	194 116	108 960
from subsidiaries	194 116	108 960
from partially owned subsidiaries	-	-
<b>C. Property trade</b>	<b>6 711</b>	<b>870</b>
- including: from affiliated companies	-	-
<b>D. Lease services</b>	<b>6 338</b>	<b>12 323</b>
- including: from affiliated companies	1 237	315
from subsidiaries	1 237	312
from the dominant company	-	3
<b>E. Legal, accounting, consulting and IT services</b>	<b>31 286</b>	<b>28 002</b>
- including: from affiliated companies	27 986	24 406
from subsidiaries	27 986	24 406
from partially owned subsidiaries	-	-
<b>F. Other incomes</b>	<b>4 080</b>	<b>4 240</b>
- including: from affiliated companies	1 322	1 124
from subsidiaries	1 321	1 123
from key personnel	1	1
<b>Operating incomes total</b>	<b>408 167</b>	<b>254 343</b>
- including: from affiliated companies	224 661	134 805
from subsidiaries	224 660	134 801
from the dominant company	-	3
from key personnel	1	1

Minimum contracted lease revenues for 2009 equal PLN 7,700 thousand.

The Company did not enter into any transactions with affiliated companies on different terms than arm's length transactions.

**Note 14B**

Operating incomes (territorial structure) [in thousands PLN]	2008	2007 restated
a) Poland	408 167	254 343
- including: from affiliated companies	224 661	134 805
b) export	-	-
<b>Net income from sales of products total</b>	<b>408 167</b>	<b>254 343</b>
- including: from affiliated companies	224 661	134 805

**Note 15**

Operating expenses by type [in thousands PLN]	2008	2007 restated
<b>Costs by type, total</b>		
a) depreciation/amortization	4 384	4 967
b) consumption of materials and energy	7 856	173 258
c) foreign services	268 723	232 397
d) taxes and charges	3 362	3 279
e) salaries and wages	24 714	21 144
f) social security and other performances	3 952	3 985
g) other prime costs (on account of)	3 113	3 676
- business trips	1 080	1 141
- other	2 033	2 535
	<b>316 104</b>	<b>442 706</b>
Change in the balance of inventories, products and accruals	33 198	(188 752)
Cost of manufacture of products for the company's own purposes (negative value)	(3 478)	(545)
Cost to sell (negative value)	(22 203)	(21 848)
Overheads (negative value)	(36 807)	(29 609)
<b>Production cost of sold products</b>	<b>286 814</b>	<b>201 952</b>



**Note 16A**

Other operating incomes [in thousands PLN]	2008	2007 restated
a) released provisions (on account of)	4 828	11 435
- receivables	4 028	11 435
- other	800	-
b) other, including:	6 801	25 889
- contractual penalties	852	-
- revenues from investment appraisal	4 543	21 461
- valuation of inventories	1 120	-
- other	286	4 428
c) interest on granted loans	15 061	8 218
- from affiliated companies, including:	9 217	7 982
- from subsidiaries	9 217	7 982
- from other companies	5 844	236
d) valuation of granted loans	397	511
- from affiliated companies, including:	397	511
- from subsidiaries	397	511
- from other companies		
e) other interest	4 079	7 230
- from other companies	4 079	7 230
<b>Other operating incomes total</b>	<b>31 166</b>	<b>53 283</b>

**Note 16B**

Other operating expenses [in thousands PLN]	2008	2007 restated
a) established provisions (on account of)	973	3 947
- for anticipated costs	964	1 807
- receivables	9	2 140
b) other, including:	1 747	6 719
- donations	354	214
- contractual penalties	-	428
- valuation of inventories	-	5 441
- other	1 393	636
c) interest charged on loans	9	270
- from affiliated companies, including:	9	270
- from subsidiaries	9	270
- from other companies	-	
<b>Other operating expenses total</b>	<b>2 729</b>	<b>10 936</b>

**Note 17A**

Financial incomes from dividends and shares in profits [in thousands PLN]	2008	2007 restated
a) from affiliated companies, including:	41 663	54 093
- from subsidiaries	41 663	54 093
b) from other companies	-	-
<b>Financial incomes from dividends and shares in profits total</b>	<b>41 663</b>	<b>54 093</b>

**Note 17B**

Interest income [in thousands PLN]	2008	2007 restated
a) other interest		
- from other companies	117	307
<b>Interest income total</b>	<b>117</b>	<b>307</b>

**Note 17C**

Other financial incomes [in thousands PLN]	2008	2007 restated
a) foreign exchange gains	-	-
b) investment revaluation	1 225	3 661
c) valuation gains - foreign currency exchange rate options	-	4 523
d) other	-	426
<b>Other financial incomes total</b>	<b>1 225</b>	<b>8 610</b>

**Note 18A**

Interest charge [in thousands PLN]	2008	2007 restated
<b>a) on credit facilities</b>		
- to affiliated companies	-	-
- to other companies	37 114	29 307
	<b>37 114</b>	<b>29 307</b>
<b>b) other interest</b>		
- to other companies	2	5
	<b>2</b>	<b>5</b>
<b>Interest charge total</b>	<b>37 116</b>	<b>29 312</b>

As at December 31, 2008, the amount of activated borrowing costs was PLN 7,315 thousand.

The yield rate applied by the Company to determination of the amount of activated borrowing costs was 16,27%.

**Note 18B**

Other financial expenses [in thousands PLN]	2008	2007 restated
<b>a) foreign exchange losses, including</b>	<b>3 043</b>	<b>3 504</b>
- realized	3 001	(5 466)
- unrealized	42	8 970
<b>b) investment revaluation</b>	<b>22 520</b>	<b>6 092</b>
<b>c) closing losses - foreign exchange options</b>	<b>21 633</b>	<b>-</b>
<b>d) valuation loss</b>	<b>9 474</b>	<b>-</b>
- foreign exchange options	6 430	
- forward transactions	3 044	
<b>e) other, including:</b>	<b>631</b>	<b>2 613</b>
- commissions	627	2 613
- other	4	-
<b>f) activated financial charges</b>	<b>(98)</b>	<b>(109)</b>
<b>Other financial charges total</b>	<b>57 203</b>	<b>12 101</b>

**Note 19A**

Income tax - effective tax rate [in thousands PLN]	2008	2007 restated
<b>Gross profit (loss)</b>	39 548	64 831
Income tax 19%	(7 514)	(12 318)
Dividends received	7 916	3 704
Release of provision for liabilities	765	2 173
Other non-deductible costs	(799)	(353)
<b>Total income tax charge of financial result</b>	<b>368</b>	<b>(6 794)</b>

**Note 19B**

Deferred income tax, recoverability structure [in thousands PLN]	2008	2007 restated
<b>a) deferred income tax assets</b>		
- settlement due date within 12 months	(7 669)	(2 298)
- settlement due date after 12 months	(19 964)	(23 297)
	(27 633)	(25 595)
<b>b) deferred income tax liabilities</b>		
- settlement due date within 12 months	14 693	9 062
- settlement due date after 12 months	15 859	20 132
	30 552	29 194
<b>Total</b>	<b>2 919</b>	<b>3 599</b>

**Note 20****Distribution of profits**

The net profit earned by "Echo Investment" S.A. in 2007, amounting to PLN 54,893 thousand, was allocated to supplementary capital through a resolution of May 28, 2008. Net profit earned by the company during the previous years, arising from change of accounting policy by the company, i.e. introduction of the International Accounting Standards, in the amount of PLN 4,083 thousand, was allocated to the company's supplementary capital through a resolution of May 28, 2008.

The financial statements of "Echo Investment" S.A. for 2007 were approved through resolution of the Ordinary General Meeting of Shareholders of May 28, 2008.

The company proposes to allocate the profit earned by "Echo Investment" S.A. in 2008 to supplementary capital.

## Explanatory notes to the cash flow statement

### Note 21

Adjustments to changes in balances of balance sheet items, recognized under II.11 "Other adjustments" [in thousands PLN]	2008	2007 restated
Reclassification of investments in property as inventories	-	36 582
The adjustment is concerned with non-cash contribution in the form of inventories	-	(24 056)
<b>Adjustments total</b>	<b>-</b>	<b>12 526</b>

### Note 22

Cash presented in the cash flow statement [in thousands PLN]	2008	2007 restated
<b>Balance as at the beginning of period, including</b>	<b>148 706</b>	<b>131 909</b>
- cash in hand and on bank accounts	148 706	131 879
- other cash	-	-
- other cash equivalents	-	30
<b>Balance as at the end of period</b>	<b>39 608</b>	<b>148 706</b>
- cash in hand and on bank accounts	39 608	148 706
- other cash	-	-
- other cash equivalents	-	-

### Note 23A

#### Foreign currency risk – sensitivity to changes\*

Item by currency	Balance as at 2008-12-31 in currency (in thousands)	Balance sheet valuation as at 2008-12-31 (in thousands PLN)	Estimated currency exchange rate change(%)	Consequences of foreign exchange rates variations for individual items (in thousands PLN)
Cash				
EUR	84	352	+ / 5 %	18
USD	31	92	+ / 5 %	5
HUF	608	10	+ / 5 %	0
Global impact on gross result of the period				23
Income tax				4
Total impact on net result of the period				19

To analyze sensitivity to foreign exchange rate changes as on 2008-12-31, the range of foreign currency exchange rate fluctuations was assumed as - / + 5% (on the basis of historical data and available information). If the rate of exchange of the Company's major currencies as at 2008-12-31 (EUR, USD and HUF) was 5% higher or lower, then the Company's net bottom line would be PLN 18 thousand higher or lower, accordingly - as a consequence of foreign exchange losses or gains arising out of revaluation of cash on bank accounts.

**Note 23B****Interest rate risk – liabilities arising out of issuance of debt securities**

Title	Value calculated for study purposes
Balance of liabilities arising from issue of debt securities as at 2008-12-31	549 567
Interest charge on issuance of debt securities as at 2008-12-31	42 850
Estimated variation of interest rates	+/- 1 p.p.
Interest charge on issuance of debt securities as at 2008-12-31 accounting for interest rate increase	5 496
Global impact on gross result of the period	5 496
Income tax	1 044
Total impact on net result of the period	4 451

**Note 23C****Interest rate risk – loans granted**

Title	Value calculated for study purposes
Balance of loans granted as at 2008-12-31	205 681
Interest income on loans granted as at 2008-12-31	15 061
Estimated variation of interest rates	+/- 1 p.p.
Interest income on loans granted as at 2008-12-31, accounting for interest rate growth	2 057
Global impact on gross result of the period	2 057
Income tax	391
Total impact on net result of the period	1 666

The Company granted loans in PLN where the interest rate is variable according to WIBOR rate + margin. If the level of interest rates as at 2008-12-31 is 1 percentage point higher or lower than actually applicable, then the Company's net result would be PLN 1,666 thousand higher or lower on account of higher or lower interest on loans granted in PLN.

## Note 24

## Information about financial instruments

Item	Type of instrument	Note	Balance sheet value as at 2008-12-31	Balance sheet value as at 2007-12-31
			(in thousands PLN)	(in thousands PLN)
1.	<b>Derivatives, including:</b>			
	- financial assets		295	-
	- financial liabilities		8 257	2 852
2.	<b>Granted loans and amounts receivable:</b>			
	- long-term loans	3	12 909	131 015
	- short-term loans	7	192 772	92 457
	- trade receivables	6	135 891	23 549
3.	<b>Financial liabilities and other liabilities:</b>			
	- liabilities arising from issue of debt securities	11, 12	549 567	550 019
	- trade liabilities	12	75 160	68 125
	- short-term borrowings	12	38 382	463

The main financial instruments existing at the Company as at 2008-12-31 include:

- derivatives, namely forward transactions, currency options and other option structures composed of the aforementioned transactions. Derivatives are valued at fair value according to average rate of exchange of the National Bank of Poland, applicable as at the date of valuation.
- granted loans are valued at amortized acquisition price determined according to effective interest rate method.
- financial liabilities, namely liabilities arising from issuance of debt securities, bank credits, other liabilities (loans and trade liabilities), contingent debt. Financial liabilities are valued at amortized cost, in accordance with IAS 39.

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

Piotr Gromniak

Artur Langner

President of the Management Board  
Management Board

Vice-President of the

Signature of the person in charge of bookkeeping

Tomasz Sulek

Chief Accountant

Kielce, April 30, 2009

RAPORT  
ROZDZIAŁ I



**Management Report on the operations  
of Echo Investment S.A.  
in 2008**

ANNUAL  
REPORT



## Report on the operations of Echo Investment S.A. in 2008

Echo Investment S.A. has been operating in the real estate market since 1996. As the dominant company within the Capital Group, it organizes the entire investment process for a given project, starting from purchase of property, through obtaining administrative decisions, financing, supervision over execution, until handover of the completed facility. Echo Investment S.A. also provides general contracting and project management services for third party investors. Individual developer and investment projects are mainly implemented by affiliated companies, which largely facilitates organization of implemented processes and guarantees transparency of the Group structure. These companies are mainly involved in leasing commercial areas (shopping and entertainment centers, offices), development and sales of apartments, property management services, marketing services, and financing.

Echo Investment S.A. operates its business in Poland and Central/Eastern Europe.

Echo Investment S.A. is a public company quoted at the Warsaw Stock Exchange since March 1996.

The company authorized to audit the financial statements of Echo Investment S.A. is PricewaterhouseCoopers Sp. z o.o. of Warsaw, ul. Armii Ludowej 14, registered on the list of certified auditors of financial statements maintained by the National Board of Chartered Accountants with registration number 144 (Chartered Accountant).

### 1. Description of basic economic and financial parameters presented in the financial statements of Echo Investment S.A. for 2008

#### Balance sheet

The balance total as at the end of 2008 amounted to **PLN 1,318.13 million**, showing an increase in value by **0.33%** compared to the same period of 2007.

#### Assets

The structure of assets as at the end of December 2008 was the following:

- fixed assets constitute **40.2%** of all assets, with investments in wholly and partially owned subsidiaries as the dominant item - **87.5%** fixed assets, and deferred income tax assets constituting **5.2%** of total fixed assets,
- current assets constitute **59.8%** of all assets, where inventories make up **52.1%** of total current assets, granted loans constitute **24.5%** of total current assets, trade receivables and other receivables yield **18.1%** of current assets, and cash with cash equivalents correspond to **5.0%** of total current assets.

#### Liabilities

- share capital of Echo Investment S.A., as at December 31, 2008, amounted to **PLN 21.0 million** and was divided into 420,000,000 ordinary bearer shares series A, B, C, D, E and F, with nominal value of PLN **0.05** each,
- equity as at December 31, 2008 amounted to **PLN 505.3 million**, showing an increase by **8.6%** compared to the balance as at the end of June 2007.
- the structure of equity at the end of 2008 was the following:
  - initial capital: **4.2%**,
  - supplementary capital: **86.7%**,
  - net book value per share is PLN **1.20**,
  - liabilities constituted **61.7%** of the balance total and amounted to **PLN 812.8 million**.

### Income statement

- net sales incomes reached **PLN 408.2 million** as at the end of December 2008, showing an increase by **60.5%** compared to the same period of the previous year,
- the amount of earnings on operating activities as at the end of 2008 was **PLN 90.8 million**, i.e. **110.2%** higher than profit earned in the preceding financial year,
- gross profit amounted to **PLN 39.5 million**, i.e. **39.0%** less than the value for 2007.
- net profit amounted to **PLN 39.9 million**, which is a decrease by **31.2%** in comparison with the year 2007,
- net profit per one share was **PLN 0.10**.

### Cash flow statement

- the reporting period began with the cash balance of **PLN 148.7 million**,
- in operating activities of 2008, the Company recorded expenditure of cash in the amount of **PLN (-) 85.7 million**, where the major items included:
  - change in receivables **PLN (-) 93.6 million**,
  - change in the balance of current liabilities, except for borrowings: **PLN (-) 80.6 million**,
  - change in inventories **PLN (+) 29.5 million**,
- on investing activities, the Company recorded cash expenditure in the amount of **PLN (-) 21.3 million** in 2008, which was most significantly affected by:
  - incomes from financial assets **PLN (+) 105.4 million**,
  - expenses on financial assets **PLN (-) 121.6 million**,
- on financial activities, the Company recorded cash flows in the amount of **PLN (-) 2.1 million** as at the end of December 2008, which was most significantly affected by:
  - interest: **PLN (+) 40.7 million**,
- during the period from January 1 to December 31, 2008, the cash balance decreased by **PLN 109.1 million**;
- cash as at the end of December 2008 amounted to **PLN 39.6 million**.

## 2. Description of major risk factors and threats, specifying the extent to which Echo Investment S.A. is exposed to them

The following should be classified among major risk factors and threats for the operations of Echo Investment S.A.:

- competition risk – the real estate market in Poland has become very attractive for foreign investors in the recent years due to achievable rates of return. The advantages of foreign companies include their capital resources, which constitute competitive advantage over domestic developer companies. The advantage of Echo Investment S.A. is its extensive experience in execution of developer projects in various market segments and its recognized position in the real estate market in Poland. The Company's rapid growth in the recent years and its portfolio of assets indicate that Echo Investment S.A. is capable of efficient functioning on a competitive market.
- risk of operations on foreign markets – related to the economic and political situation in the country where the Company operates. The Company's policy relies on diversification of geographic locations (Central and Eastern Europe) and sector-based diversification of its portfolio.
- risk of adverse changes on the real estate market – relating to adverse variations of market factors influencing Echo's activities on the property market. Both Echo Investment S.A. and its subsidiaries are striving to minimize the risk of adverse changes on the real estate market

through execution of investment projects in stages and adapting the development rates to expectations, trends, demand, and prices on local markets.

- interest rate risk - the activities of Echo Investment S.A. are based on external financing. The risk related to interest rate fluctuations is limited through hedging instruments. Echo Investment S.A. as the dominant company focuses the operations in the financial market, whose range covers the finance of the entire capital group.
- liquidity risk -the Company manages its liquidity risk through constantly maintaining a sufficient amount of available funds in the form of cash on bank accounts and/or funds assigned through available lines of credit, as well as through monitoring continuously forecast and actual cash flows. Factors of special importance for Echo Investment S.A. to maintain its liquidity include a stable portfolio of long-term projects for lease (shopping centers, shopping/entertainment centers, and offices), which tend to generate higher profits year by year from lease of space.
- foreign exchange risk – this refers to loans expressed foreign currencies (most commonly in Euro) within the Company. Fluctuations in exchange rates of currencies used for settlements result in higher exposure of Echo on currency risk. Contracts with lessees are expressed in the currency of the credit taken for its refinancing. Thus obtained payments from lessees are assigned to repayment of the above mentioned loans. Such combination of financing with sources of income significantly minimizes foreign exchange risk (natural hedging). In addition, considering the significant impact of foreign exchange rates fluctuations on the value of future cash flows, Echo takes advantage of other available financial instruments for minimizing currency risk, including forward transactions or currency options. These instruments are used mainly for securing future cash flows involved in newly obtained credits in foreign currencies.
- risk related to external contractors – when acting as an investor in a given project, Echo Investment S.A. or its subsidiary contracts its execution from third party companies. Execution of these facilities, timely completion, quality would largely depend on these companies. This factor is eliminated to a significant extent through various types of protective measures included in construction contracts.
- fiscal and legal risk related to the unstable taxation and legal system, lack of certain ownership-related regulations. Instability of Polish legislation in such fields as the tax system, trading system, property location laws, including regulations on establishing commercial facilities, hinder the process of conducting long-term business policies, including planning and implementation of long-term investment projects. Accession to European structures and adoption of procedures applied by the EU should significantly foster reduction or elimination of this risk.
- risk of administrative procedures – as Echo Investment S.A. is involved in the process of executing individual projects from the beginning, its operations depend on administrative procedures. Time-consuming procedures of administrative authorities determine commencement of implementation of the Company's planned investments, which may result in delays in their completion. At the same time, extensive third party authority to interfere with the advancement of administrative procedures would frequently extend the duration of investment process, affecting its completion date and profitability.
- social and economic risks - risks related to activity of macroeconomic considerations beyond the Company's control, affecting achievement of Echo Investment S.A.'s strategic goals and financial results. Such factors include mainly: inflation, overall condition of the Polish economy, change of economic situation, GNP, variations of realistic incomes of the community, and tax policies. Changes of macroeconomic factors may contribute to a decrease of envisaged incomes or to an increase of operating costs. This is particularly important considering lower GNP growth, deepening State

budget deficit, and growing unemployment, which should ultimately lead to a decrease in actual incomes of the population.

Social and economic reality may have a major impact on the Company's revenues and financial result as operating the developed facilities, both in the housing sector and the office, shopping & entertainment sectors, depends on consumers and funds they are able to assign to expenditures.

### 3. Information about key products, with value and quantity specification, and shares of specific product groups at Echo Investment S.A., description of changes in this respect during the financial year.

#### 3.1. Segments of operation

In 2008, Echo Investment S.A. was realizing projects commenced in the preceding years and became involved in new investment projects in the segments described below:

#### **The Polish market**

##### **Segment of shopping centers and shopping/entertainment centers**

Shopping centers built by Echo Investment S.A. operate in more than ten larger cities in Poland. Stability of the market of shop floor areas is due to high market demand, adaptability to specific clients' requirements, and high diversification of sectors and industries.

##### **Shopping & entertainment center in Lublin**

The Company's investment plans include development of the so-called Echo Park in Górki Czechowskie, Lublin. The Company intends to build the following establishments on that property:

- a shopping, entertainment and service center (the Mall) with a total shopping area reaching 80,000 square meters, developed in combination with reconstruction of the traffic system around the contemplated building as a necessary Mall service component,
- a complex of service and office establishments complementing the functions offered by the Mall,
- a city-like recreation and landscape park

On August 20, 2008, the Company terminated the agreement made in November 2007 between Echo Investment S.A. and the Municipality of Lublin (the City) on reconstruction of the traffic system within the area of Al. Solidarności, Al. Sikorskiego, ul. Gen. Bolesława Ducha and ul. Poligonowa. The reason for termination of the above referenced agreement was the Parties' failure to agree on detailed conditions of traffic system reconstruction, and ultimately non-execution of a contract setting out these conditions. The Management Board of the Company shall attempt at reaching an agreement with the City on new details of the investment project scheduled by the Issuer.

The Management Board of the Company is attempting at an agreement with the Commune of Lublin on the details concerning the investment project scheduled by Echo Investment Group.

##### **Pasaż Świętokrzyski Shopping Center in Kielce**

The process of designing the 2nd stage of Pasaż Świętokrzyski in Kielce commenced in 2008. With consideration of the existing conditions on the market, development of the project for Catalyst Capital fund of London was suspended.

### **Other shopping centers**

On December 11, 2008, Echo Investment SA and Carrefour Polska Sp. z o.o. with its registered seat in Warsaw entered into an agreement whereunder the parties shall endeavor to sign an agreement enabling extension of the Jelenia Góra shopping center.

### **Segment of office areas**

In the office investments segment, Echo Investment S.A. has completed buildings for lease in Warsaw and Krakow. The Company is executing new investment projects and acquiring projects already functioning in the market. Its offer covers office buildings of various profiles.

### **The Warsaw market**

On December 31, 2008, in the course of fulfilling the obligation mentioned in Article 57 clause 3 with reference to Article 56 clause 1 sub-paragraph 1 of the Act on Quotations and Conditions of Introducing Financial Instruments to Organized Trade and on Public Companies, of July 29, 2005 (Journal of Laws no. 184 item 1539), the Management Board of Echo Investment S.A. (the Issuer) communicated to the general public such confidential information the communication whereof was delayed under the Regulation of the Minister of Finance of April 13, 2006 on types of information that may affect issuer's reasonable interest and manner of proceeding by an issuer with respect to delayed public disclosure of confidential information (Journal of Laws of 2006 No. 67 item 476).

1. On November 11, 2006, a memorandum of understanding (the Memorandum) was signed between Echo Investment SA with its registered seat in Kielce, WAN 11 Sp. z o.o. with its registered seat in Warsaw, WAN S.A. with its registered seat in Warsaw (the Seller), and Immoeast Corporate Finance Consulting GmbH with its registered seat in Vienna (the Buyer).

Under the said Memorandum, the Parties expressed their intention to sign:

- 1) a contract of sale of real estate situated in Warsaw, 3 Postępu Street (the Property), owned by WAN 11 Sp. z o.o. and comprising two five-storey buildings with a total gross leasable area estimated as 20,400 square meters, with an underground and above-ground car park (the Contract of Sale of Property), or
- 2) a contract of sale of 100% shares in the share capital of WAN 11 Sp. z o.o. (the Shares), whereof the following Companies hold 50% of shares, respectively: Echo Investment S.A., and WAN S.A. (Contract of Sale of Shares). The value of the share capital of WAN 11 Sp. z o.o. is 3 million PLN and it is divided into 60,000 shares.

The sales price of 100% of shares in WAN 11 Sp. z o.o. was initially determined on the basis of capitalization rate and current value of annual net operating income (NOI) as approx. 56 million EUR (which, as at the effective date of the Memorandum, according to the average rate of exchange of the National Bank of Poland of November 10, 2006, is an equivalent of ca. 215.22 million PLN). The ultimate sales price was envisaged to be agreed after Due Diligence review of NOI value.

The sales price of the Property was determined on the basis of capitalization rate and current value of annual net operating income (NOI) as approx. 57 million EUR (which, as at the effective date of the Memorandum, according to the average rate of exchange of the National Bank of Poland of November 10, 2006, is an equivalent of ca. 219.07 million PLN). The ultimate sales price was envisaged to be agreed after Due Diligence review of NOI value.

The Parties to the Memorandum also expressed their intention to enter into the Contract of Sale of Property or the Contract of Sale of Shares not later than March 30, 2007. Considering prolongation of the negotiation process, this deadline was extended to November 30, 2007.



2. On May 31, 2007, due to unsatisfactory outcome of negotiations, the Parties to the Memorandum entered into an agreement terminating the Memorandum of Understanding of November 11, 2006 and terminated further negotiations aiming at signing a Contract of Sale of Property or Contract of Sale of Shares.

3. In regard of termination of the aforementioned Memorandum of Understanding, the Management Board of the Company has decided to commence a negotiation procedure aiming at execution of a significant contract of sale of the Property or contract of sale of Shares with another organization representing specialized property funds. At the same time, due to the confidential nature of the process and circumstances of these negotiations, the Issuer assumed that public communication of information concerning the signing of the Memorandum of Understanding on November 11, 2006 and the Memorandum termination agreement of May 31, 2007 could unfavorably affect further advancement and outcome of negotiations, leading as a consequence to infringement of the Issuer's reasonable interest.

On December 31, 2008, with regard to the presently unfavorable conditions on the property market, the Management Board of the Company decided to cancel further negotiations aiming at signing a Contract of sale of property or a Contract of sale of shares. The Company further communicates its intention to closely monitor all developments on the property market and to take their investment decisions as appropriate.

Before the date of communicating the above information to the public, the Management Board of the Company had treated the same as confidential information within the meaning of Article 60 of the Act on Public Quotations and Conditions of Introducing Financial Instruments to Organized Trade and on Public Companies as of July 29, 2005, which was communicated to the public with delay under Article 2 clause 2 item 1 of the Regulation of the Minister of Finance of April 13, 2006 on types of information that may affect issuer's reasonable interest and manner of proceeding by an issuer with respect to delayed public disclosure of confidential information (Journal of Laws of 2006 No. 67 item 476) and with reference to Article 57 of the Act on Public Quotations and Conditions of Introducing Financial Instruments to Organized Trade and on Public Companies as of July 29, 2005 (Journal of Laws No. 184 item 1539, as amended).

#### The Gdańsk market

The Company intends to develop office space on the immovable property in Gdańsk, Jana z Kolna Street. The class A building designed by Arch - Deco design studio of Gdynia shall comprise over 20,000 sq. m of leasable area. Administrative procedures are currently advancing in regard of obtaining the required permits and design works. The anticipated construction commencement date falls in the 2nd half of 2010 and completion date in the 2nd half of 2011.

#### The Szczecin market

Development of a modern office building (High Technology Center) has commenced at a plot of land in Szczecin, Malczewskiego Street, owned by "Projekt Echo - 65" Sp. z o.o. ['Project Echo - 65' Limited Liability Company]. About 14,000 sq. m of that building area will be designed for rent by companies specializing in advanced IT and telecommunication technologies. Architectural design of the establishment was developed by Arch Deco, a design studio of Gdynia.

On July 30, 2008 an agreement for project management and general contracting of investment (the General Contracting Agreement) was executed between the Issuer's subsidiary „Projekt Echo - 65” Spółka z ograniczoną odpowiedzialnością ['Project Echo - 65' Limited Liability Company] with its registered seat in Kielce (the Investor) and Echo Investment S.A. with its registered seat in Kielce (the Project Manager and the General Contractor of Investment). Under the General Contracting Agreement, the Contractor agrees to carry out complete realization of an office building (the Office Complex) on a real estate in Szczecin, Malczewskiego Street, until handover of the Office Complex to the Investor and users of premises in the Office Complex and obtaining all permits from competent authorities as required for opening the Office Complex (the Investment Project). For performance of the said agreement, the Contractor shall receive a fee based on investment budget, to be determined within 3 months of the effective date of the agreement.

On October 20, 2008, Annex 1 (the Annex) of October 20, 2008 was executed to the agreement for project management and general contracting of investment (the General Contracting Agreement) of July 30, 2008 between the subsidiary „Projekt Echo – 65” Spółka z ograniczoną odpowiedzialnością [‘Project Echo – 65’ Limited Liability Company] with its registered seat in Kielce (the Investor) and Echo Investment S.A. with its registered seat in Kielce (the Project Manager and the General Contractor of Investment), whereunder the parties agreed on the fee for execution of the General Contracting Agreement. According to the terms of the Annex, the Project Manager and the General Contractor of Investment shall receive a fee based on investment budget, whereof the estimated net value is approx. 94.42 million PLN. Under the General Contracting Agreement, the Project Manager and General Contractor of Investment has agreed to carry out complete realization of an office building (the Office Complex) on a real estate in Szczecin, Malczewskiego Street, until handover of the Office Complex to the Investor and users of premises in the Office Complex and obtaining all permits from competent authorities as required for opening the office building (the Investment Project).

On September 22, 2008, a contract was made between Echo Investment SA and CALBUD Sp. z o.o. construction company with its registered seat in Szczecin for execution of core and shell of a project – office complex in Szczecin, Malczewskiego Street. The value of contract is PLN 24.6 million. The anticipated core and shell construction completion date is July 23, 2009.

Currently, works involved in construction of the underground level have been completed, and the building has reached the "0" condition. With regard to ongoing agreements of engineering details with potential lessees interested in areas of approx. 8000 square meters, the development programme shall be modified so that to enable introduction of possible adjustments in the building arrangement design, to the lessees' expectations. Such updating of schedule results in changing the start date and end dates of certain civil engineering works.

#### The Łódź market

Development of a modern class A office building complex was commenced in 2008 on a land plot in Łódź, Piłsudskiego Street. Area to let will be about 28,000 sq. m.

During the 3rd quarter of 2008, an agreement for project management and general contracting of investment (the General Contracting Agreement) was executed between the subsidiary „Wyględów” Spółka z ograniczoną odpowiedzialnością [‘Wyględów’ Limited Liability Company] with its registered seat in Kielce (presently “Echo – Aurus” Spółka z ograniczoną odpowiedzialnością with its registered seat in Kielce) (the Investor) and Echo Investment S.A. with its registered seat in Kielce (the Project Manager and the General Contractor of Investment). Under the General Contracting Agreement, the Contractor agrees to carry out complete realization of an office building (the Office Complex) on a real estate in Lodz, Piłsudskiego Street, until handover of the Office Complex to the Investor and users of premises in the Office Complex and obtaining all permits from competent authorities as required for opening the Office Complex (the Investment Project). The Contractor shall receive a fee for execution of the aforementioned agreement, based on the investment budget, in the approximate amount of 169.36 million PLN.

In July 2008, a contract was signed with Modzelewski & Rodek Sp. z o.o. of Warsaw for core & shell construction of the project. The Contractor also agrees to obtain the necessary amendments to the building permit decision in case any variations by the Contractor render it necessary to obtain such decision. Contract provisions enable extension of cooperation with General Contracting of the Investment, thus expanding the scope of the object of contract. The contractor shall receive a fee for performance of these works, in an approximate amount of PLN 32.94 million.

In November 2008 Echo Investment S.A. with its registered seat in Kielce (the Investor) and Modzelewski & Rodek Sp. z o.o. with its registered seat in Warsaw (the Contractor) signed Annex 1 dated November 20, 2008 to the core and shell construction contract for an establishment, dated September 08, 2008 (the

Contract). Under the said Annex, the due date for completion of works consisting in erection of core & shell construction of an office and service establishment located on a property in Łódź, Piłsudskiego Street (Object of Contract), was changed. The current due date for completion of the Object of Contract is July 24, 2009. The Contractor also agrees to obtain the necessary amendments to the building permit decision in case any variations by the Contractor render it necessary to obtain such decision. Contract provisions enable extension of cooperation with General Contracting of the Investment, thus expanding the scope of the object of contract.

On February 16, 2009 Echo Investment S.A. with its registered seat in Kielce (the Investor) and Modzelewski & Rodek Sp. z o.o. with its registered seat in Warsaw (the Contractor) signed Annex 2 dated February 13, 2009 to the core and shell construction contract for an establishment, dated September 08, 2008 (the Contract).

Under the aforementioned Contract, the Contractor agreed to carry out the works consisting in core and shell construction of an office and commercial establishment (the Facility) located on a real property in Łódź, Piłsudskiego Street (Object of Contract), was changed. The Contractor also agrees to obtain the necessary amendments to the building permit decision in case any variations by the Contractor render it necessary to obtain such decision. Completion of development of the Object of Contract was expected until July 24, 2009.

Under the said Annex, the Parties to the Contract agreed to terminate the Contract by mutual agreement as at the effective date of Annex. The reason for Contract termination is the suspension of development of the Object of Contract, which has to be redesigned to optimize the investment process. The envisaged modifications will enable more flexible adaptation to the current situation on the property market and will enable development and sales of this project in stages.

As a result of Contract termination, the Contractor's fee for Contract performance was agreed as PLN 10.84 million net. This amount includes the fee for advancement of Contract development until the termination date and the cost of securing the completed works, as well as other activities necessary for closing the works and Contractor's evacuation from site. The Parties to the Annex further agreed that the above fee fully covered their mutual claims as to settlement of basic works and works, tasks and activities carried out with regard to the need to end performance and terminate the Contract.

As a result of the above changes being implemented, the currently anticipated completion date of the 1st stage of development of the facility is the 2nd half of 2010.

### **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. handled complex realization of hotels for key clients, acting as a project manager and general contractor of investments. The Company's projects in the hospitality industry are executed in cooperation with international hotel chains: Accor and Envergue groups of France, and the Qubus group of Norway. Complete hotels operate in Warsaw, Kielce, Kraków, Szczecin, Łódź, Poznań, Częstochowa, Zabrze, Gliwice. In the future, the Company is going to build hotels in cooperation with international hotel operators.

On September 04, 2008 a conditional agreement for project management and general contracting of investment (the General Contracting Agreement) between Orbis S.A. with its registered seat in Warsaw (the Investor) and Echo Investment S.A. with its registered seat in Kielce (the General Contractor of Investment).

According to the provisions of the said General Contracting Agreement, the Project Manager & General Contractor agreed to build a Novotel-class hotel to ACCOR'S standards, with a net area of 7,127.4 square meters, and to deliver the turnkey project to the Investor (the Investment). The Investor shall take any and all necessary legal, administrative and financial activities for the purpose of development of the Investment, including obtaining of a building permit decision and an occupancy permit for the completed



hotel. Execution of the Investment Project will be completed not later than December 31, 2012. The net price for development of the Investment is PLN 44,800,000.

The Contract contains certain provisions that allow charging of liquidated damages in excess of a total PLN equivalent of EUR 200,000, which corresponds to the amount of PLN 676,000 as at the effective date of this agreement according to the average rate of exchange of the National Bank of Poland, but not exceeding 10% of the net value of fee for Contract performance. Payment of liquidated damages shall not exclude the right to claim indemnity in the amount exceeding the value of such liquidated damages. Non-fulfillment of the contract terms shall provide satisfactory grounds for charging the said liquidated damages.

The agreement was made under a condition precedent. All of the following prerequisites must be fulfilled for the General Contracting Agreement to take effect:

- the Investor (the Buyer) and the subsidiary "Echo - Kielce 1" Spółka z ograniczoną odpowiedzialnością [Limited Liability Company] with its registered seat in Kielce (the Seller) must enter into the promised contract of sale of perpetual usufruct right to the property (the Promised Contract), and
- the competent administrative authority must issue a decision acknowledging effective assignment of the zoning decision to the Investor.

In addition, the Investor is entitled to terminate the General Contracting Agreement if the Investment is not delivered within the above specified completion deadline, or if the Investment is not executed properly. The agreement has been considered significant on the basis of Issuer's equity criteria.

On September 04, 2008, a preliminary conditional contract of property sale (the Preliminary Conditional Contract of Sale) was executed between the subsidiary „Echo - Kielce 1” Spółka z ograniczoną odpowiedzialnością [Limited Liability Company] with its registered seat in Kielce (the Seller) and Orbis Spółka Akcyjna [Joint Stock Company] with its registered seat in Warsaw (the Buyer).

The object of the Preliminary Conditional Contract of Sale is the perpetual usufruct right to immovable property - land plots situated in Łódź at Piłsudskiego Street, with a total area of 1,450 square meters (the Property). The contract value is PLN 5 million net.

The parties to the contract have agreed to enter into the Promised Contract until March 31, 2009 upon effective fulfillment of the conditions precedent as on March 20, 2009, as specified in the Preliminary Conditional Contract of Sale. The conditions for signing the Promised Contract include:

- achievement of positive results of completed due diligence and technical audit,
- signing by the Seller or by the General Contractor of the Investment of relevant agreements with owners of neighboring properties that are required for executing the investment, and
- submission of a certificate confirming no tax arrears.

The Parties further agree that they shall, upon effective fulfillment of the condition precedent for the Promised Contract and within 30 days of signing the promised contract, sign a contract of assignment of the perpetual usufruct right to the Property. The Preliminary Conditional Contract of Sale contains certain provisions that allow charging of liquidated damages not exceeding a total PLN equivalent of EUR 200,000, which corresponds to the amount of PLN 676,000 as at the effective date of this agreement according to the average rate of exchange of the National Bank of Poland, and not exceeding 10% of the net value of fee for Contract performance. Payment of liquidated damages shall exclude the right to claim indemnity in the amount exceeding the value of such liquidated damages. Non-fulfillment of the terms of the Preliminary Conditional Contract of Sale shall provide satisfactory grounds for charging the said liquidated damages.

### **Housing segment**

In the housing segment, Echo Investment realizes investment projects ranging from luxury apartment complexes, through high- and medium-standard residential buildings, to estates of single-family houses. The Company does not preclude execution of scheduled investments in stages, suspension of execution of certain housing projects, or adaptation of investment execution schedules to actual market situation.

### **The Warsaw market**

During the 3rd quarter of 2008, realization of the 3rd stage of Inflancka Housing Estate, designed by Are Sp. z o.o. design office of Warsaw, was completed (area for sale is 7,000 square meters, incorporating 130 apartments).

2nd stage of the investment project at Zwycięzców Street (ca. 15,100 square meters for sale, 230 apartments, designed by Szaroszyk & Rycerski Architekci Sp z o.o. of Warsaw, was successfully completed. The process of delivering the apartments to customers and signing the final agreements commenced in the 3rd quarter of 2008.

In 2008, execution of a project in Warsaw, Kazimierzowska Street, was commenced (net area of ca. 5,300 sq. m). The general contractor and project manager of construction of this development is Vectra S.A. with its registered seat in Plock. Contractor's fee for execution of this housing complex will be 34.3 million PLN. Design of this residential building, developed by Mąka Sojka Architekci Sp. J. designing firm of Warsaw, comprises 60 apartments. Development of this project was suspended. Recommencement of facility development depends on the Company's assessment of the situation on the housing market.

A new development project of a housing estate in Warsaw, Bielany district (Młociński Forest) is under preparation. 32 houses will be built on the 6.3 hectares of land. The Company intends to sell plots of land with designs of houses. The anticipated area of land plots for sale is about 50,000 square meters. The anticipated commencement date for construction of this project designed by W.M. Musiał Architekci Sp. z o.o. design office of Warsaw and StoMM Architektura Maciej Stoczkiewicz of Kielce falls in the 1st half of 2010 and completion date in the 2nd half of 2011.

#### The Poznań market

A housing project called Kasztanowa Aleja (Chestnut Alley), located in Poznań, Wojskowa Street, is currently under preparation, but development works on this project have been suspended. Recommencement of project development depends on the Company's assessment of the situation on the housing market.

The process of preparing execution of an estate of city-like multi-family houses was in progress on the immovable property situated in Poznan at Litewska Street and Grudzieniec Street (area for sale is about 1,600 square meters) (1st stage). The estate was designed by Arpa Pracownia Autorska design studio of Poznań. Anticipated completion date of the 1st stage of this investment falls in the 1st half of 2013.

#### The Krakow market

A 2.5-storey building with an area of 535 square meters will be built in Cracow, Kilińskiego Street, (8 apartments). The building was designed by Oleksy&Polaczek design studio. The launch of this investment is anticipated in the 1st half of 2010.

In the first half of 2010, the Company is going to commence a housing investment at Korzeniowskiego Street, Krakow, Wola Justowska district. This building, designed by The Blok office, will have an area of about 2,000 sq. m. (10 apartments).

In the 4<sup>th</sup> quarter of 2008, the Company continued preparation for development of a housing and commercial establishment to be erected in Krakow, Krasickiego Street (area for sale exceeds 5,600 square meters). The building designed by Studio S - Biuro Architektoniczne Szymanowski design office of Krakow will contain 84 apartments. The anticipated commencement date of investment falls in the 1st half of 2010 and completion date in the 2nd half of 2011.

The Company intends to develop residential buildings on its land situated in Krakow, Tyniecka Street. Area for sale will be about 5,300 sq. m. (54 apartments). The launch of this investment project is anticipated in the 2nd half of 2010 and completion in the 1st half of 2012.

The Company intends to develop a residential building on its land situated in Krakow, Bronowicka Street, for an approximate area of 3,400 sq. m. The establishment designed by Studio S Michał Szymanowski designing firm of Krakow will contain about 45 apartments. The launch of this investment project is anticipated in the 2nd half of 2010 and completion in the 2nd half of 2011.

#### The Kielce market

Preparatory works were also continued in 2008 on development of another housing estate on the immovable property situated in Dyminy near Kielce. The housing estate designed by StoMM Architektura Maciej Stoczkiewicz design office of Kielce will cover about 200,000 square meters total area of land plots for sale. The Company intends to sell plots of land with designs of houses. The anticipated completion date of investment falls in the 2<sup>nd</sup> half of 2010.

Land plots are still being sold within an estate of single-family houses (Bilcza II) designed by Konsorcjum Pisarczyk & Tracz Architekci design studio of Kielce and located in Bilcza near Kielce. The offering concerns sales of land plots with utility connections and finished designs of houses. Total area of land plots for sale is about 130,000 sq. m.

#### The Łódź market

The process of preparing construction of residential buildings to be developed on real estate in Łódź, Okopowa and Górnicza Streets, was progressing in 2008. The estimated area for sale will be about 45,000 sq. m. (700 apartments). The anticipated project commencement date will be in the 1<sup>st</sup> half of 2010, and completion date – in the 2<sup>nd</sup> half of 2015.

The Company is also going to develop residential buildings with 310 apartments on its real estate in Lodz, Wodna Street (approx. 20,000 square meters of area for sale). The launch of this investment project is anticipated in the 1<sup>st</sup> half of 2011 and completion in the 2<sup>nd</sup> half of 2015.

#### The Wrocław market

The Company intends to execute a housing project in Wrocław, on a property 7.4 thousand square meters in size, located at Jednosci Narodowej Street. A zoning decision has been issued for the real estate that allows erection of a multi-family residential building. Echo Investment intends to carry out a project comprising ca. 200 apartments with a total area of about 14,000 sq. m. Design works were commenced. Commencement of execution is scheduled for 2010.

A housing project will be developed on the Company's property in Wrocław, Grota Roweckiego Street, about 3 hectares in size, with usable area of approximately 20 thousand square meters, including almost 19 thousand square meters to be allocated to apartments (over 300 apartments) and about 1 thousand square meters for service outlets. The anticipated realization commencement date will be the 2<sup>nd</sup> half of 2010, and completion date will fall in the 2<sup>nd</sup> half of 2015.

## Foreign markets

The Company intends to limit the risk related to its activity, thus aiming at geographical diversification of its territories of operations and launching its new investments abroad. Investments on foreign markets will primarily focus on 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 through subsidiaries.

### 3.2. Structure of revenues

Echo Investment S.A. generates revenues from sales of apartments, development of buildings, and provision of real property management services. Earnings structure is as follows:

*- sales of residential and commercial areas*

The primary source of revenues in this segment is the sale of apartments and, to a lesser extent, sales of commercial areas (shopping areas, offices and other premises situated within multifunctional housing projects). Revenues yielded on this account constituted approx. **40,6%** of all revenues from sales of products.

*- investment contracting services:*

Echo Investment S.A. acts as the General Contractor of Investments and Project Manager for potential investors. For this reason, in 2008 contractor's and project manager's services stood for **47,56%**.

*- lease services:*

Revenues from lease services are generated on letting of areas in shopping centers and office buildings owned by Echo Investment SA. Incomes earned in this area corresponded to **1,6%** of net sales revenues as at the end of December 2008.

*- legal, accounting and consulting services:*

This range of operations is related to providing legal, accounting and consulting services to subsidiaries. The income generated in this area constituted about **7,7%** of total net income from sales.

*Structure of net sales revenues (in millions PLN) earned by Echo Investment S.A. during the years 2008-2007:*

Specification	01.01.2008 - 31.12.2008	01.01.2007 - 31.12.2007
Sales of residential and commercial areas	165,6	28,1
Investment contractor and project manager services	194,1	180,8
Property trade	6,7	0,9
Lease services	6,3	12,3
Legal, accounting and consulting services	31,3	28,0
Other incomes	4,1	4,2
<b>Net income from sales of products total</b>	<b>408,1</b>	<b>254,3</b>

4. 4. Information about changes in the sales markets, divided into domestic and foreign, and changes in sources of supply of materials for production, specifying dependency on one or several clients or suppliers, and if the share of a single client or supplier reaches at least 10% of income from sales total - specifying the name of such supplier or client, his share in sales or purchases and his formal relationships with Echo Investment S.A.

#### Sales markets

All projects executed by Echo Investment S.A. in 2008 were located in the Polish market only. The Company realized its investments in the markets of the following cities: Warsaw, Kielce, Kraków, Poznań, Szczecin, Łódź, and Wrocław.

#### Changes in sources of supply

With regard to purchase of services provided by Echo Investment S.A., the dominant share measured as the proportion between purchases and income from sales total is held by companies partnering Echo Investment S.A. in the range of execution of specific developer projects. In 2008, turnovers with one partner exceeded the 10% threshold of the value of the Company's revenues. No relationships exist between Modzelewski & Rodek Sp. z o.o. and Echo Investment S.A.

*Largest suppliers of Echo Investment S.A. in 2008:*

Contract party	Value of turnover (in millions PLN)	% of net sales revenues
Modzelewski & Rodek Sp. z o.o.	128,4	31,5%
Projekt Echo - 62 Sp. z o.o.	10,3	5,9%

#### Changes among buyers

The clients of Echo Investment S.A. include buyers of investment development services.

In 2008, turnovers with one party exceeded the 10% threshold of the value of sales revenues. This party is a subsidiary named "Echo - Park Postępu" Sp. z o.o. in which the Company holds a 99,99% share in the share capital.

*Largest clients of Echo Investment S.A. in 2008:*

Contract party	Value of turnover (in millions PLN)	% of net sales revenues
Echo - Park Postępu Sp. z o.o.	112,9	27,7%
Projekt Echo - 62 Sp. z o.o.	23,4	5,7%
Echo - Galeria Kielce Sp. z o.o.	23,3	5,7%



## 5. Significant contracts for Echo Investment S.A.'s business operations, including contracts made between shareholders, known to Echo Investment S.A., and insurance contracts, partnering agreements or cooperation agreements made during the year 2008.

### 5.1. Significant contracts for the economic activities of Echo Investment S.A.

The unique quality of the operations of Echo Investment S.A. assumes execution of investments through subsidiaries. Echo Investment S.A. individually executes housing projects and provides general contractor services to subsidiaries and external investors.

#### Credit agreements

On March 7, 2008, an agreement for overdraft in current account up to the amount of PLN 20 million for the purposes of financing current activities of Echo Investment S.A. was executed between Echo Investment S.A. with its registered seat in Kielce (the Borrower) and Bank Handlowy S.A. with its registered seat in Warsaw (the Lender). Interest shall be charged on this credit facility based on 1M WIBOR plus margin. Due date for repayment of this facility is March 6, 2009.

On July 07, 2008, the Company received an annex (Annex) to the revolving credit facility agreement of March 25, 2003 (Agreement) executed by correspondence on June 27, 2008 between Echo Investment SA with its registered seat in Kielce (the Borrower) and Bank Polska Kasa Opieki S.A. with its registered seat in Warsaw (the Lender), acting as a successor of Bank BPH SA of Krakow.

Under the executed annex, the amount of credit has been changed to PLN 40 million. The amounts utilized and not repaid under the operating advance in current account agreement of July 15, 1999, as amended, between Echo Investment S.A. as the Borrower and Bank Polska Kasa Opieki S.A. as the Lender, will be applied to the aforementioned credit, which the Company communicated in the current report no. 41/99 on July 15, 1999. As on the effective date of the said Annex, the operating advance in current account agreement of July 15, 1999, as amended, was terminated.

The Borrower may use the aforementioned credit amount as an overdraft facility or in the form of bank guarantees. The ultimate debt repayment date for the credit facility with interest, and the deadline for issuance of guarantees is September 30, 2009. All other provisions of the Agreement shall remain unchanged.

The value of agreements and annexes executed during the last 12 months between the Company or the Issuer's subsidiaries and Bank Polska Kasa Opieki SA or the Bank's subsidiaries was PLN 54.92 million (including EUR 3.38 million, equivalent to PLN 11.40 million according to average rate of exchange of the National Bank of Poland as on the effective date of the said Annex).

On September 09, 2008, the Company received Annex 6, dated September 02, 2008, to the revolving credit facility agreement of March 07, 2002 (Agreement) executed by correspondence on September 02, 2008 between Echo Investment SA with its registered seat in Kielce (the Borrower) and Bank Polska Kasa Opieki S.A. with its registered seat in Warsaw (the Lender).

Under the aforementioned Annex, the duration of credit debt repayment was extended from June 30, 2009 to September 30, 2010. In addition, both parties agreed that the Borrower shall voluntarily submit to execution title incorporating claims under the above Agreement, up to the amount of PLN 135 million. Other provisions of the Agreement have remained unchanged. The value of the Borrower's obligations incurred with the loan may not exceed PLN 90 million. The agreement has been considered significant on the basis of issuer's equity criteria.

## Property trade

During the 1st half of 2008, the Company sold the right of perpetual usufruct of the immovable property situated in Kielce, with a total area of 19,500 square meters, for a net price of PLN 4.5 million.

On November 25, 2008 Echo Investment S.A. (the Buyer) and TBS Nasz Dom Sp. z o.o. signed a conditional contract of purchase of freehold right to undeveloped property situated in Poznań, Katowicka Street. The value of contract is PLN 3,162,900. The effective date of the final agreement is January 09, 2009.

## Shopping centers and shopping/entertainment centers

On January 11, 2008 Echo Investment S.A. published a current report that contained confidential information within the meaning of Article 60 of the Act on Public Quotations and Conditions of Introducing Financial Instruments to Organized Trade and on Public Companies as of July 29, 2005, which was communicated to the public with delay under Article 57 of the Quotations Act, i.e.:

1. On April 5, 2007 a preliminary agreement of sale of shares was made between Echo Investment SA (the Buyer) and Mr. Wiesław Prusiecki (the Seller) under a condition precedent (the Preliminary Agreement). The object of contract is acquisition by the Buyer of 1,250 shares in the initial capital of Ultra Marina Sp. z o.o. with its registered seat in Poznań (the Company), which constitute 100% of all shares in the said Company.

The value of the Company's share capital is PLN 1,250,000 and is divided into 1,250 shares with a par value of PLN 1,000 each. Shares shall carry one vote at the general meeting of shareholders each. Under the provisions of the preliminary agreement, the parties agreed to enter into the promised contract not later than on August 31, 2008. Acquisition price of the shares shall be not more than PLN 14.2 million. The agreement was made under a condition precedent. The Buyer shall acquire the shares in Ultra Marina Sp. z o.o. provided that the Company formerly obtains the right of perpetual usufruct of developed land properties located in Koszalin with an area of 3.314 hectares and the Company is registered as the perpetual lessee of these properties in relevant land and mortgage registers.

2. On October 10, 2007 an annex was made to the preliminary agreement of sale of shares as of April 5, 2007 between Echo Investment SA (the Buyer) and Mr. Wiesław Prusiecki (the Seller) (the Annex). Under the provisions of the said Annex, the acquisition price of the shares is amended and shall be not more than PLN 11,787,820.

3. On January 10, 2008 the Buyer was notified by the Seller that Ultra Marina Sp. z o.o. obtained ownership title to the aforementioned real estate and was recorded in land and mortgage registers as the perpetual lessee of real estates located in Koszalin with an area of 3.314 hectares. Therefore, the condition precedent for effective acquisition of shares in the Company as specified in the preliminary agreement of sale of shares as of April 5, 2007 was fulfilled.

4. With reference to fulfillment of the Buyer's acquisition of shares in Ultra Marina Sp. z o.o., on January 10, 2008 Echo Investment SA (the Buyer) signed a contract of sale of shares in the initial capital of Ultra Marina Sp. z o.o. with its registered seat in Poznań (the Company) with Mr. Wiesław Prusiecki as the Seller.

Under the aforementioned contract, the Buyer acquires 100% of shares in the Company's initial capital. Nominal value of the Company's share capital is PLN 1,250,000 and is divided into 1,250 shares with a par value of PLN 1,000 each. One share carries one vote at the Company's general meeting of shareholders.

Acquisition price of the shares was PLN 11,770,455. The acquired shares were financed with the Buyer's own funds. The Buyer intends to consider the acquired assets as long-term capital investment. The acquired assets have been considered significant assets on the basis of the criteria of significant value for financial assets.

Ultra Marina Sp. z o.o. is going to carry out development activity in Koszalin. Echo Investment Capital Group intends to develop a shopping and entertainment center on its immovable property located in

Koszalin, exceeding 3 hectares in size. Rentable area of the contemplated mall will be about 35 thousand square meters. The anticipated completion date for the establishment is 2011.

Before the date of signing the Contract of sales of shares, the information concerning:

- preliminary agreement of sales of shares under a condition precedent, and
- executed annex to the preliminary contract of sale of shares,

as confidential information within the meaning of the provision of Article 60 of the Act on Public Quotations and Conditions of Introducing Financial Instruments to Organized Trade and on Public Companies as of July 29, 2005, which were communicated to the public with delay under Article 57 of the Act on Quotations.

On February 7, 2008, Echo Investment S.A. signed a contract for design works on extension of Galeria Echo in Kielce with Detan Sp. z o.o. of Kielce. The fee shall be a lump sum fee of PLN 3.88 million.

On April 17, 2008 a contract was signed between Echo Investment S.A. and Broadway Malyan Polska Architekci i Projektanci Sp. z o.o. architectural design studio for performance of design works involved in the architectural concept of a shopping and entertainment center in Koszalin. The value of contract is EUR 59,000.

On July 22, 2008, an investment preparation contract was executed between Echo Investment SA and the subsidiary "Ultra Marina" Sp. z o.o., including consulting, managing, legal, designing, engineering and other services necessary for obtaining a building permit for a shopping and entertainment center facility in Koszalin. The fee according to contract may not exceed 10 million PLN net.

On July 22, 2008, an investment preparation contract was executed between Echo Investment SA and the subsidiary "Echo - Veneda" Sp. z o.o., including consulting, managing, legal, designing, engineering and other services necessary for obtaining a building permit for a shopping and entertainment center facility in Łomża. The fee according to contract may not exceed 5 million PLN net.

On August 19, 2008, an agreement was made between Echo Investment SA and the authorities of the Kielce University of Technology (the University) concerning lease of the University's land located between Galeria Echo and the University's student hostels in Kielce. According to the agreement, Echo Investment SA shall built a sports hall for the Kielce University of Technology for 30-year leasehold of site whereon a multi-level car park will be built. The Company is also going to reserve one hundred parking spaces for the University on the new car park. Construction of the car park for nearly 2300 vehicles and of a new traffic system has commenced in September as the first stage of extension of Galeria Echo. The sports hall will have an area of nearly 3,500 square meters. Its construction is scheduled to begin in spring 2009 and completion is envisaged at the end of 2009. Estimated value of the facility is ca. PLN 16 million.

On September 02, 2008 an agreement for project management and general contracting of investment (the General Contracting Agreement) was executed between the subsidiary „Echo - Galeria Kielce” Spółka z ograniczoną odpowiedzialnością [‘Echo - Galeria Kielce’ Limited Liability Company] with its registered seat in Kielce (the Investor) and Echo Investment S.A. with its registered seat in Kielce (the Project Manager and the General Contractor of Investment), effective as at August 29, 2008.

Under the said General Contracting Agreement, Echo Investment S.A. as the Contractor agreed to carry out comprehensive development of extension of the "Galeria Echo" shopping and entertainment center with a car park on a property located between Al. Solidarności and ul. Świętokrzyska in Kielce, until the extended mall is delivered to the Investor and its individual tenants. At the same time, the Contractor agrees and covenants to obtain all permits from competent authorities as required for commencement of operation of the extended Center.

Execution of this investment will be completed not later than August 31, 2010.

The Project Management and General Contractor shall receive a fee for execution of the aforementioned agreement, based on the investment budget. The estimated net value of the agreement is PLN 418.53 million. The contract does not contain any provisions regarding contractual penalties.



On September 04, 2008 Echo Investment SA and Eiffage Budownictwo MITEX S.A. with its registered seat in Warsaw signed a contract for general development of a multiple-storey car park in Kielce, Świętokrzyska Street. The value of contract is PLN 32.36 million net. The development completion date is May 15, 2009.

On September 30, 2008, a contract was executed between Echo Investment SA and Mąka Sojka Architekci design studio for drafting an architectural and structural concept for a scheduled shopping center establishment in Łomża. The value of contract is 630 thousand PLN.

On October 21, 2008 an agreement for project management and general contracting of investment (the General Contracting Agreement) was executed between the subsidiary „Echo - Arena Spółka z ograniczoną odpowiedzialnością” Spółka komandytowa [‘Echo - Arena Limited Liability Company’ Limited Partnership] with its registered seat in Kielce (the Investor) and Echo Investment S.A. with its registered seat in Kielce (the Project Manager and the General Contractor of Investment).

Under the General Contracting Agreement, the Project Manager and General Contractor of Investment agrees to execute the development of “Arena” shopping and entertainment center on an immovable property situated in Słupsk, between Grottgera, Szczecińska and Bolesława Krzywoustego Streets (the Investment, the Center), until effective delivery of the Center to the Investor and to individual users. At the same time, the Project Manager and General Contractor agrees and covenants to obtain all permits from competent authorities as required for commencement of operation of the Center. Development of the Investment will be completed not later than May 31, 2011.

The Project Management and General Contractor shall receive a fee for execution of the aforementioned agreement, based on the investment budget. The estimated net value of the agreement is about PLN 274.96 million. The contract does not contain any provisions regarding contractual penalties.

On November 18, 2008 an agreement for managing the process of letting the areas in Galeria Echo shopping and entertainment center in Kielce, which is in the process of extension, was signed between the subsidiary “Echo - Galeria Kielce” Sp. z o.o. (the Subsidiary) and Echo Investment SA. The parties to the said contract agreed that Echo Investment SA should organize the process of letting areas in the facility for the Subsidiary, wherefore Echo Investment SA shall receive a fee equivalent to 10% of yearly incomes derived from lease contracts executed in the course of commercialization.

On November 18, 2008 a financial agency agreement was signed between the subsidiary “Echo - Galeria Kielce” Sp. z o.o. (the Subsidiary) and Echo Investment SA. The parties to the agreement have agreed that Echo Investment SA shall act as agent and provider of consulting services in the process of obtaining funds for financing development of the Galeria Echo shopping & entertainment center building in Kielce.

The subsidiary agreed to pay a commission fee to Echo Investment SA, based on a specified percentage of the total of financing installments disbursed by the financing organization under and during the term of the Financing Contract. The contract was made for a period of 12 months.

On November 28, 2008, an agreement was made between Echo Investment SA and the subsidiary Echo-Project-Management Kft with its registered seat in Budapest whereunder the subsidiary shall provide consulting and legal services and carry out engineering works regarding the scheduled MUNDO shopping & entertainment center project in Budapest. The fee amounts to about 28.5 million HUF which, as at the effective date of the agreement, according to the average rate of exchange of the National Bank of Poland, is an equivalent of ca. PLN 413 thousand.

On December 11, 2008, Echo Investment SA and Carrefour Polska Sp. z o.o. with its registered seat in Warsaw entered into an agreement whereunder the parties shall endeavor to sign an agreement enabling extension of the Jelenia Góra shopping center. The desired agreement should be signed during the 1<sup>st</sup> half of 2009.

## Offices and Hotels

On January 03, 2008 the Company received a contract for core & shell construction of a development, dated December 20, 2007 (the Contract), signed by correspondence by and between Echo Investment SA with its registered seat in Kielce (the Company) and Modzelewski & Rodek Sp. z o.o. with its registered seat in Warsaw (the Contractor). Under the aforementioned Contract, the Contractor agrees and covenants to carry out the works consisting in core & shell construction of the Park Postępu office building complex to be developed in Warsaw at 21 Postępu Street (Object of Contract). The complex shall consist of four seven-storey office buildings with above-ground garage and two-level underground garage. Anticipated usable area shall exceed 33 thousand square meters. Development of the facility shall be completed until January 15, 2009. Contract provisions enable extension of cooperation with General Contracting of the Investment, thus expanding the scope of the object of Contract. The parties to the Contract are going to sign relevant Annexes to the Contract with this respect before January 31, 2008. The Contractor's fee for the performance of the object of Contract shall be a lump sum fee of PLN 64.2 million. The Contract contains certain provisions that allow charging of liquidated damages in excess of a total PLN equivalent of EUR 200,000 but not exceeding 10% of the net value of fee for Contract performance. Liquidated damages shall be charged for such events as delay in timely completion of the object of Contract or termination of Contract by the Company or Contractor by one party's default. Payment of liquidated damages shall not exclude the right to claim indemnity in the amount exceeding the value of such liquidated damages.

On April 4, 2008, a contract was made between Echo Investment S.A. and Savant Polska Sp. z o.o. with its registered seat in Warsaw for managing the investment project of the PARK POSTĘPU office complex in Warsaw at 21 Postępu Street, involving development of the office complex with car park, surroundings, external utilities and road infrastructure. The value of fee for execution works is PLN 1,864,000.

On April 16, 2008 an agreement for general contracting of investment was executed between the Issuer's subsidiary „Projekt Echo – 66” Sp. z o.o. [‘Project Echo – 66’ Limited Liability Company] with its registered seat in Kielce (the Investor) and Echo Investment S.A. with its registered seat in Kielce (the General Contractor of Investment). Under the said agreement, Echo Investment S.A. (the Contractor) agrees to carry out full-ranged development of a complex of office buildings on immovable property situated in Warsaw, 21 Postępu Street, until the time of delivery of the office complex to the Investor and to individual users. At the same time, the Contractor agrees and covenants to obtain all permits from competent authorities as required for commencement of operation of that office complex. Execution of this investment will be completed not later than December 31, 2009. The Contractor shall receive a fee for execution of the aforementioned agreement, based on the investment budget. The estimated net value of the agreement is PLN 218.7 million.

On April 29, 2008 the Company received the annex signed by correspondence between Echo Investment S.A. with its registered seat in Kielce (the Company) and Modzelewski&Rodek Sp. z o.o. with its registered seat

in Warsaw (the Contractor), dated April 23, 2008 (the Annex), amending the contract for core & shell construction of a development, which the Issuer communicated in current report no. 5/2008 of January 4, 2008 (the Contract).

Under the said Annex, the scope of Contract was extended by general contracting of the Park Postępu office complex in Warsaw (the Development). The said scope includes:

- general contracting of the development consisting of four seven-storey office buildings with above-ground garage and two-level underground garage,
- obtaining necessary acceptances by competent authorities,
- obtaining a valid occupancy permit for the Development on behalf of the Company,
- as-is inventory taking of the premises within the Development, according to valid laws.

Considering the aforementioned extension of the range of cooperation, the Contractor's fee is raised by PLN 128,596,469, to reach PLN 192,796,469.

The anticipated Development completion date is July 20, 2009. Other provisions of the contract shall remain unchanged.

On July 30, 2008 an agreement for project management and general contracting of investment (the General Contracting Agreement) was executed between the subsidiary „Projekt Echo – 65” Spółka z ograniczoną odpowiedzialnością [‘Project Echo – 65’ Limited Liability Company] with its registered seat in Kielce (the Investor) and Echo Investment S.A. with its registered seat in Kielce (the Project Manager and the General Contractor of Investment).

Under the General Contracting Agreement, the Contractor agrees to carry out complete realization of an office building (the Office Complex) on a real estate in Szczecin, Malczewskiego Street, until handover of the Office Complex to the Investor and users of premises in the Office Complex and obtaining all permits from competent authorities as required for opening the Office Complex (the Investment Project).

Execution of the Investment Project will be completed not later than December 31, 2010.

The Contractor shall receive a fee for execution of the aforementioned agreement, based on the investment budget. On October 20, 2008, on the basis of Annex 1 to the General Contracting Agreement, the Parties agreed that the Project Manager and the General Contractor of Investment shall receive a fee based on investment budget, whereof the estimated net value is approx. 94.42 million PLN.

On July 22, 2008, an investment preparation contract was executed between Echo Investment SA and the subsidiary “Projekt Echo - 30” Sp. z o.o., including consulting, managing, legal, designing, engineering and other services necessary for obtaining a building permit for an office complex in Katowice, Francuska Street. The fee according to contract may not exceed 16 million PLN net.

On July 30, 2008 an agreement for project management and general contracting of investment (the General Contracting Agreement) was executed between the subsidiary „Wyględów” Spółka z ograniczoną odpowiedzialnością [‘Wyględów’ Limited Liability Company] with its registered seat in Kielce (presently “Echo – Aurus” Sp. z o.o. with its registered seat in Kielce) (the Investor) and Echo Investment S.A. with its registered seat in Kielce (the Project Manager and the General Contractor of Investment).

Under the General Contracting Agreement, the Contractor agrees to carry out complete realization of an office building (the Office Complex) on a real estate in Lodz, Piłsudskiego Street, until handover of the Office Complex to the Investor and users of premises in the Office Complex and obtaining all permits from competent authorities as required for opening the Office Complex (the Investment Project).

Execution of the Investment Project will be completed not later than December 31, 2011. The Contractor shall receive a fee for execution of the aforementioned agreement, based on the investment budget.

On September 01, 2008, Annex 1 (the Annex) of October 20, 2008 was executed to the agreement for project management and general contracting of investment (the General Contracting Agreement) between the subsidiary „Wyględów” Sp. z o.o. [‘Wyględów’ Limited Liability Company] with its registered seat in Kielce (the Investor) and Echo Investment S.A. with its registered seat in Kielce (the Project Manager and the General Contractor of Investment, or the Contractor), whereunder the parties have agreed on the fee for execution of the General Contracting Agreement.

According to the terms of the Annex, the Contractor shall receive a fee based on investment budget, whereof the estimated net value is approx. 169.36 million PLN.

On September 01, 2008, a contract for design services on an envisaged group of office buildings in Krakow, Opolska Street, was executed between Echo Investment S.A. and DDJM Biuro Architektoniczne Spółka z ograniczoną odpowiedzialnością i Wspólnicy Sp. k. with its registered seat in Krakow. The value of contract is 8.33 million PLN net.

On September 08, 2008 Echo Investment S.A. with its registered seat in Kielce (the Company) and Modzelewski & Rodek Sp. z o.o. with its registered seat in Warsaw (the Contractor) signed a core and shell construction contract (the Contract). Under the aforementioned Contract, the Contractor agrees and covenants to carry out the works consisting in core and shell construction of an office and commercial establishment located on a real property in Łódź, Piłsudskiego Street (Object of Contract), was changed. The Contractor also agrees to obtain the necessary amendments to the building permit decision in case any variations by the Contractor render it necessary to obtain such decision.

The envisaged usable area of the project shall exceed 28,000 square meters. Development of the Object of Contract should be completed until May 30, 2009.

Contract provisions enable extension of cooperation with Project Management and General Contracting of the Investment, thus expanding the scope of the object of Contract. The Contractor's fee for Contract performance shall be a lump sum fee of PLN 32,938,000 net. The Contract contains certain provisions that allow charging of liquidated damages in excess of a total PLN equivalent of EUR 200,000 but not exceeding 10% of the net value of fee for Contract performance. Liquidated damages shall be charged for such events as delay in timely completion of the object of Contract or termination of Contract by the Company or Contractor by one party's default. Payment of liquidated damages shall not exclude the right to claim indemnity in the amount exceeding the value of such liquidated damages. The agreement has been considered significant on the basis of Issuer's equity criteria.

The aggregate value of contracts made by the Issuer and his subsidiaries with Modzelewski & Rodek Sp. z o.o. during the last 12 months was PLN 225.70 million.

On September 22, 2008, a contract was made between Echo Investment SA and CALBUD Sp. z o.o. construction company with its registered seat in Szczecin for execution of core and shell of a project – office complex in Szczecin, Malczewskiego Street. The value of contract is PLN 24.6 million. The anticipated core and shell construction completion date is July 23, 2009.

On November 21, 2008, the Issuer indicated in its current report no. 44/2008 that, as a result of a spelling mistake in the published current report no. 44/2008 dated September 05, 2008 concerning the signing of a conditional Project Management and General Contracting Agreement and a preliminary conditional contract of sale of property with Orbis S.A., the report gives incorrect effective date of the Promised Contract, i.e. "The parties to the contract have agreed to enter into the Promised Contract until December 04, 2008 upon effective fulfillment of the conditions precedent, as specified in the Preliminary Conditional Contract of Sale.

The correct wording is: "The parties to the contract have agreed to enter into the Promised Contract until December 31, 2008 upon effective fulfillment of the conditions precedent, as specified in the Preliminary Conditional Contract of Sale.

On October 08, 2008 an agreement for project management and general contracting of investment (the General Contracting Agreement) was executed between the subsidiary „Projekt Echo – 63” Spółka z ograniczoną odpowiedzialnością [‘Project Echo – 63’ Limited Liability Company] with its registered seat in Kielce (the Investor) and Echo Investment S.A. with its registered seat in Kielce (the Project Manager and the General Contractor of Investment).

Under the General Contracting and Project Management Agreement, the Contractor agrees to carry out comprehensive development of an office building with an underground car park and necessary utilities on the land property situated in Krakow, Lea Street (the Office Building, the Investment) until effective completion, meaning handing over of the Office Building to the Investor and users of premises in the Office Building and obtaining all permits from competent authorities as required for opening the Office Building.

Development of the Investment Project will be completed not later than May 31, 2010.



The Contractor shall receive a fee for execution of the aforementioned agreement in the approximate net amount of 78.4 million PLN.

On October 20, 2008, Annex 1 (the Annex) of October 20, 2008 was executed to the agreement for project management and general contracting of investment (the General Contracting Agreement) of July 30, 2008 between the subsidiary „Projekt Echo - 65” Spółka z ograniczoną odpowiedzialnością [‘Project Echo - 65’ Limited Liability Company] with its registered seat in Kielce (the Investor) and Echo Investment S.A. with its registered seat in Kielce (the Project Manager and the General Contractor of Investment), whereunder the parties agreed on the fee for execution of the General Contracting Agreement.

According to the terms of the Annex, the Project Manager and the General Contractor of Investment shall receive a fee in an estimated net amount of ca. 94.42 million PLN.

Under the General Contracting Agreement, the Project Manager and General Contractor of Investment has agreed to carry out complete realization of an office building (the Office Complex) on a real estate in Szczecin, Malczewskiego Street, until handover of the Office Complex to the Investor and users of premises in the Office Complex and obtaining all permits from competent authorities as required for opening the office building (the Investment Project).

On November 26, 2008 Echo the Company received Annex 1 dated November 20, 2008 (the Annex) to the core and shell construction contract of September 8, 2008 (the Contract), signed by correspondence between EInvestment S.A. with its registered seat in Kielce (the Investor) and Modzelewski & Rodek Sp. z o.o. with its registered seat in Warsaw (the Contractor).

Under the said Annex, the due date for completion of works consisting in erection of core & shell construction of an office and service establishment located on a property in Łódź, Piłsudskiego Street (Object of Contract), was changed. The current due date for completion of the Object of Contract is July 24, 2009.

On December 18, 2008 Echo Investment S.A. with its registered seat in Kielce (the Company) and Modzelewski & Rodek Sp. z o.o. with its registered seat in Warsaw (the Contractor) signed a zero state construction contract (the Contract).

Under the aforementioned Contract, the Contractor agrees and covenants to carry out the works consisting in raw state construction of an office establishment located on a real property in Krakow, Lea Street (Object of Contract), including performance of earth works, raw state construction with necessary systems. The Contractor also agrees to obtain the necessary amendments to the building permit decision in case any variations by the Contractor render it necessary to obtain such decision. Development of the Object of Contract should be completed until April 30, 2009. The Contractor’s fee for Contract performance shall be a lump sum fee of PLN 7.55 million net.

The Contract contains certain provisions that allow charging of liquidated damages in excess of a total PLN equivalent of EUR 200,000 but not exceeding 10% of the net value of fee for Contract performance. Liquidated damages shall be charged for such events as delay in timely completion of the Object of Contract or termination of Contract by the Company or Contractor by one party’s default. Payment of liquidated damages shall not exclude the right to claim indemnity in the amount exceeding the value of such liquidated damages.

## Apartments

On March 12, 2008, a contract was executed between Echo Investment S.A. and MFA Biuro Architektoniczne Włodzimierz Tracz with its registered seat in Kielce for execution of design works for the residential & commercial development in Łódź, Górnicza and Okopowa Streets. The fee shall be a lump sum fee of PLN 4.2 million.

On April 29, 2008, a contract was executed between Echo Investment S.A. and StoMM Architektura Maciej Stoczkiewicz with its registered seat in Warsaw for execution of design works for an estate of detached houses at Wóycickiego and Dankowicka Streets - "Osiedle Młociny" in Warsaw. The value of contract is PLN 530,000.

On May 5, 2008 Echo Investment S.A. and Vectra S.A. with its registered seat in Płock signed a general contracting agreement for a housing complex in Warsaw, Kazimierzowska Street. The value of contract was PLN 34.3 million. The development completion date is January 05, 2010.

On July 14, 2008, a contract was executed between Echo Investment S.A. and Autorska Pracownia Architektury - Kuryłowicz & Associates - Wrocław Sp. z o.o. with its registered seat in Wrocław for execution of design works on a housing & commercial development complex with an underground car park in Wrocław, Jedności Narodowej Street. The contract value is PLN 1.98 million net.

## Other contracts

On January 14, 2008 as a consequence of signing agreements of transfer of shares between Echo Investment S.A. with its registered seat in Kielce (the Buyer) and Mr. M. Bieniek and D. Kościkiewicz (the Sellers), Echo Investment S.A. acquired the shares of the Issuer's subsidiary "Projekt S" Sp. z o.o. with its registered seat in Kielce (the Subsidiary). The object of contract are 32 shares in the Subsidiary's initial capital, constituting 32% of the initial capital of Projekt S Sp. z o.o., with a total nominal value of PLN 16,000 (the Shares). The sales price of the shares was a PLN equivalent of USD 5.6 million, which equaled PLN 13,470,900 as on the shares acquisition day (according to average rate of exchange published by the National Bank of Poland). Upon acquisition of the aforementioned assets, Echo Investment S.A. now holds 95% share in the Company's initial capital, carrying 95 votes at the general meeting of shareholders.

On March 25, 2008 the District Court, 7th Department of the National Court Register, registered a pledge in the Pledge Registry on 999 shares of the Issuer's subsidiary "Projekt Echo - 60" Sp. z o.o. with its registered seat in Kielce, owned by Echo Investment S.A., corresponding to 0,01% share in the share capital of "Projekt Echo - 60" Sp. z o.o., with a total par value of PLN 49,950. The said pledge is a collateral of the credit facility granted to "Projekt Echo - 60" Sp. z o.o. by EUROHYPO AG Bank of Eschborn, Germany. The value of receivables secured by the said registered pledge is EUR 100 million.

On October 02, 2008 the District Court in Krakow, 7th Department of Pledge Registry, registered a pledge in the Pledge Registry on 999 shares in the share capital of the subsidiary "Projekt Echo - 61" Sp. z o.o., owned by Echo Investment S.A., and on 1 share owned by the Issuer's subsidiary "Projekt - Echo 17" Sp. z o.o. Par value of one share is PLN 50. The shares on which pledge was established constitute 0.06% of share capital of "Projekt Echo - 61" Sp. z o.o. The pledges on shares serve as a collateral of debts owed by "Projekt Echo - 61" Sp. z o.o. to EUROHYPO AG Bank with its registered seat in Eschborn (Germany) under a credit facility granted thereto in the amount of EUR 11 million (equivalent of PLN 37,427,500 as at the effective date of establishing the registered pledge according to the average rate of exchange of the National Bank of Poland). The maximum value of collateral is 8,873,596 (according to the average exchange rate of the National Bank of Poland as at the date of making the registered pledge, the said amount is an equivalent of PLN 30,192,410.39).

See also: sub-clause 3.1. Segments of activity.

## 5.2. Contracts made between shareholders

Echo Investment S.A. does not know about any contracts made between shareholders during the year 2008.

## 5.3. Insurance contracts

Object of coverage	Underwriter	Insurance amount [in thousands PLN]
property insurance – buildings	TU Compensa S.A., STU Ergo Hestia S.A.	74 458
property insurance - equipment	STU Ergo Hestia S.A., TU Compensa S.A., PTU SA	6 207
third party liability insurance	PTU S.A., STU Ergo Hestia S.A.	20 245
construction and assembly risk insurance policies	TU Compensa S.A., Generali S.A.	86 800
property insurance – other	PTU S.A.	650
<b>TOTAL</b>		<b>187 709</b>

## 5.4. Partnering or cooperation agreements

Echo Investment S.A. did not conclude any significant partnering or cooperation agreements during 2008.

**6. Information about changes in organizational or equity relationships of Echo Investment S.A. with other companies, indicating its key domestic and foreign investments (securities, financial instruments and real estate), including capital investments made outside its capital group, and a description of methods of their financing**

### 6.1. Changes in organizational or capital relationships of Echo Investment S.A.

I. The Capital Group was expanded with 3 new subsidiaries:

On January 10, 2008 Echo Investment SA (the Buyer), as a consequence of signing a contract with Mr. Wiesław Prusiecki (the Seller), acquired shares in the initial capital of Ultra Marina Sp. z o.o. with its registered seat in Poznań (the Subsidiary).

The object of contract consists in 100% of shares in the Subsidiary's share capital. Nominal value of the Subsidiary's share capital is PLN 1,250,000 and is divided into 1,250 shares with a par value of PLN 1,000 each. One share carries one vote at the Company's general meeting of shareholders. Acquisition price of the shares was PLN 11,770,455.

On February 18, 2008 the District Court for Poznań – Nowe Miasto and Wilda in Poznań, 8th Economic Department of the National Court Register, registered ownership changes in the initial capital of Ultra Marina Sp. z o.o. with its registered seat in Poznań (the Subsidiary). Echo Investment SA as a holder of 1,250 shares was registered in the National Court Register as the owner of 100% of the initial capital of the Subsidiary,

On February 11, 2008 the Registration Court in Bucharest registered a subsidiary named 'Echo Investment Project Management' SRL, with its registered seat in Bucharest (the Subsidiary). The value of the new Subsidiary's initial capital is RON 150,000 (an equivalent of PLN 148,605 according to the average exchange rate of the National Bank of Poland as on the date of registration), divided into 15,000 shares with nominal value of RON 10 each.

As on the registration day:

- Echo Investment SA took up 14,999 shares in the newly established Subsidiary, carrying 99.993% of votes at the meeting of shareholders. The acquisition price is RON 149,990 per 14,999 shares (according to the average exchange rate of the National Bank of Poland as on the registration date, the said amount is an equivalent of PLN 148,595.09).

- the Issuer's subsidiary Echo Investment Project 1 SRL with its registered seat in Bucharest took up 1 share in the newly established subsidiary, carrying 0.007% of votes at the meeting of shareholders. The purchase price is RON 10 per share (according to the average exchange rate of the National Bank of Poland as on the registration date, the said amount is an equivalent of PLN 9.91).

Echo Investment SA and Echo Investment Project 1 SRL intend to consider the shares thus taken up as a long-term capital deposit. Acquisition of shares was financed with own funds of the Company and of Echo Investment Project 1 SRL with its registered seat in Bucharest.

On June 27, 2008, Echo Investment SA with its registered seat in Kielce and the Issuer's subsidiary "Projekt Echo - 17" Sp. z o.o. with its registered seat in Kielce (the Buyer) acquired shares in the initial capital of Wlementor Holdings Limited of Nicosia (the Subsidiary) from CCY Services Limited of Nicosia (the Seller).

The object of contract consists in 2,000 shares in the Subsidiary's initial capital, forming 100% of the initial capital, with nominal value of USD 2,000 (an equivalent of PLN 4,273.20 according to the average rate of exchange of the National Bank of Poland as on the effective date of acquisition of financial assets). The purchase price of the shares is EUR 3,600 (according to the average exchange rate of the National Bank of Poland as on the effective date of acquisition, the said amount is an equivalent of PLN 12,129.84). Acquisition of assets was financed with own funds of the Company and of "Projekt - Echo 17" Sp. z o.o.

With acquisition of the aforementioned assets, the Subsidiary's ownership structure is as follows:

- Echo Investment S.A. holds 99.95% shares in the Subsidiary's share capital, carrying 1,999 votes at the general meeting of shareholders,

- the Issuer's subsidiary "Projekt Echo - 17" Sp. z o.o. holds 0.05% share in the Subsidiary's share capital, carrying 1 vote at the general meeting of shareholders. The Company and the "Projekt Echo - 17" Sp. z o.o. subsidiary intend to consider the acquired shares as long-term equity investment.

## II. The structure of initial capital of the following subsidiaries was changed:

On January 14, 2008 as a consequence of signing agreements of transfer of shares between Echo Investment S.A. with its registered seat in Kielce (the Buyer) and Mr. M. Bieniek and D. Kościukiewicz (the Sellers), Echo Investment S.A. acquired the shares of the subsidiary "Projekt S" Sp. z o.o. with its registered seat in Kielce (the Subsidiary). The object of contract are 32 shares in the Subsidiary's initial capital, constituting 32% of the initial capital of "Projekt S" Sp. z o.o., with a total nominal value of PLN 16,000 (the Shares). The sales price of the shares was a PLN equivalent of USD 5.6 million, which equaled PLN 13,470,800 as on the shares acquisition day (according to average rate of exchange published by the National Bank of Poland).

Upon acquisition of the aforementioned assets, Echo Investment S.A. now holds 95% share in the Company's initial capital, carrying 95 votes at the general meeting of shareholders.

The acquired financial assets were financed with the Buyer's own funds. The Company intends to use the acquired assets as long-term capital investment. On February 26, 2008 the District Court in Kielce, 10<sup>th</sup> Economic Department of the National Court Register, registered ownership changes in the initial capital of Projekt S Sp. z o.o. [Project S Limited Liability Company].



On March 25, 2008 as a consequence of signing agreements of sales of shares between Echo Investment S.A. with its registered seat in Kielce (the Buyer) and WAN S.A. with its registered seat in Warsaw (the Seller), Echo Investment S.A. acquired shares in "Projekt Echo - 64" Sp. z o.o. with its registered seat in Kielce (the Subsidiary). The object of contract are 500 shares in the Subsidiary's initial capital, constituting 50% of the initial capital, with a total nominal value of PLN 25,000 (the Shares). The acquisition price is PLN 28,000. Before the signing of the aforementioned agreement, Echo Investment SA was holding 50% of the Subsidiary's initial capital, carrying 500 votes at the general meeting of shareholders, The acquired financial assets were financed with the Company's own funds. The Company intends to use the acquired assets as long-term capital investment.

On July 11, 2008 the Company received a confirmation whereunder on July 02, 2008, the Regional State Registration in Kiev registered changes in the amount and structure of initial capital of the Issuer's subsidiary "Echo Investment Ukraine" Limited Liability Company with its registered seat in Kiev (the Subsidiary). The Subsidiary's initial capital was raised to UAH 1,480,156 (an equivalent of PLN 680,131.68 according to the average rate of exchange of the National Bank of Poland as on the effective date of these changes in initial capital). The increased initial capital carries 91.2% votes at the company's general meeting of shareholders.

As on the registration date, the Subsidiary's ownership structure has changed and is now as follows:

- Echo Investment S.A. with its registered seat in Kielce has taken up the increased capital and now holds 99.9997% share in the Subsidiary's initial capital, with a total value of UAH 1,480,151.80 (equivalent of PLN 680,129.75 as on the effective date of altering the initial capital, according to the average rate of exchange of the National Bank of Poland); - Mr. Andriy Smetana holds 0.0003 % share in the Subsidiary's initial capital, with a total value of UAH 4.20 (an equivalent of PLN 1.93 according to the average rate of exchange of the National Bank of Poland as on the day of registration of the changes in initial capital).

On August 04, 2008 the Company received a confirmation whereunder on August 01, 2008 the Registration Court in Bucharest, Romania, registered changes in the value and structure of share capital of the Issuer's subsidiary "Echo Investment Project 1" S.R.L. with its registered seat in Bucharest (the Subsidiary). The Subsidiary's initial capital was increased to RON 26,004,000 (an equivalent of PLN 23,783,258.40 as on the effective date of changes to the initial capital according to the average rate of exchange of the National Bank of Poland) and is divided into 2,600,400 shares with par value of RON 10 each (equivalent of PLN 9.15 as on the effective date of changes to the initial capital according to the average rate of exchange of the NBP).

As on the registration date, Echo Investment SA took up the entire increased initial capital of the Subsidiary, constituting 99.9% of the current value of initial capital. As a consequence, Echo Investment SA now holds 100% of the initial capital, carrying the same proportion of votes at the general meeting of shareholders of the Subsidiary.

On September 18, 2008, the Company received a decision whereunder on September 16, 2008 the Registration Court in Budapest recorded change in the value of initial capital of the subsidiary „Echo Investment Hungary Ingatlanhasznosito” Kft. with its registered seat in Budapest (the Subsidiary). The Subsidiary's initial capital was increased by HUF 1,587,000,000 (an equivalent of PLN 22,086,279.00 as on the effective date of registration of change to the share capital according to the average rate of exchange of the National Bank of Poland) and it currently equals HUF 1,590,000,000 (equivalent of PLN 22,128,030.00 as on the effective date of registration of changes to the share capital according to the average rate of exchange of the NBP).

As on the registration date, Echo Investment SA took up the entire increased initial capital of the Subsidiary, constituting 99.8% of the current value of initial capital. As a consequence, Echo Investment SA now holds 100% of the initial capital, carrying the same proportion of votes at the general meeting of shareholders of the Subsidiary. Change in the Subsidiary's share capital was registered as a consequence of non-cash contributions made by Echo Investment S.A. with its registered seat in Kielce in the form of conversion of previously granted loans. Registration value of assets provided as non-cash contributions and their actual value to the Subsidiary as at the contribution date, i.e. as at August 07, 2008, is PLN 22,533,011.50.

On October 28, 2008, the Company received a decision whereunder on October 07, 2008 the Registration Court in Budapest recorded change in the value of initial capital of the subsidiary „Echo-Project-Management-Ingatlanhasznosito” Kft. with its registered seat in Budapest (the Subsidiary).

The Subsidiary's initial capital was increased by HUF 35,400,000 (an equivalent of PLN 489,228 as on the effective date of registration of change to the share capital according to the average rate of exchange of the National Bank of Poland) and it currently equals HUF 88,400,000 (equivalent of PLN 1,221,688 as on the effective date of registration of changes to the share capital according to the average rate of exchange of the NBP).

As on the registration date, Echo Investment SA took up the entire increased initial capital of the Subsidiary, constituting 40,04% of the current value of initial capital. As a consequence, Echo Investment SA now holds 100% of the initial capital and the same proportion of votes at the general meeting of shareholders of the Subsidiary. The shares thus taken up shall be financed with Echo Investment SA's own funds.

The increased share capital of the Subsidiary has been considered significant on the basis of major financial assets criteria.

On December 10, 2008, the Company received a decision whereunder on November 12, 2008 the Registration Court in Budapest recorded change in the value of initial capital of the Issuer's subsidiary „Echo-Building Ingatlanhasznosito” Kft. with its registered seat in Budapest (the Subsidiary).

The Subsidiary's initial capital was increased by HUF 57,000,000 (an equivalent of PLN 793,440 as on the effective date of registration of change to the share capital according to the average rate of exchange of the National Bank of Poland) and it currently equals HUF 60,000,000 (equivalent of PLN 835,200 as on the effective date of registration of changes to the share capital according to the average rate of exchange of the NBP).

As on the registration date, Echo Investment SA took up the entire increased initial capital of the Subsidiary, constituting 95.00% of the current value of initial capital. As a consequence, Echo Investment SA now holds 100% of the initial capital and the same proportion of votes at the general meeting of shareholders of the Subsidiary. The shares thus taken up shall be financed with Echo Investment SA's own funds.

The increased share capital of the Subsidiary has been considered significant on the basis of major financial assets criteria.

See also: clause 22 of this Report.

### III. Opening of liquidation procedure of the Issuer's subsidiaries

On September 04, 2008 a motion was lodged with the District Court in Kielce, 10th Economic Department of the National Court Register, for opening of a winding-up procedure of the subsidiary „Projekt Echo - 23” Sp. z o.o. with its registered seat in Kielce (the Company). Resolution on dissolving the Company upon effective liquidation was passed by the Extraordinary General Meeting of Shareholders, with the function of Company liquidator delegated to Mr. Robert Oskard.

Steps were taken for the purpose of dissolving the Company as a consequence of that Company not being involved in developer or investment activities and no plans exist as to using this Company in the future for project development. Its continued existence is not economically reasonable, and its liquidation will not affect the financial results of Echo Investment S.A.

On September 25, 2008, motions were lodged with the District Court in Kielce, 10th Economic Department of the National Court Register, for opening of liquidation procedures of the following subsidiaries:

- Projekt Echo - 83 Sp. z o.o. [Project Echo - 83 Limited Liability Company], having its registered seat in Kielce,

- Projekt Echo - 84 Sp. z o.o. [Project Echo - 84 Limited Liability Company], having its registered seat in Kielce,

- Projekt Echo - 85 Sp. z o.o. [Project Echo – 85 Limited Liability Company], having its registered seat in Kielce,

- Projekt Echo - 86 Sp. z o.o. [Project Echo – 86 Limited Liability Company], having its registered seat in Kielce,

- Projekt Echo - 87 Sp. z o.o. [Project Echo – 87 Limited Liability Company], having its registered seat in Kielce,

- Projekt Echo - 88 Sp. z o.o. [Project Echo – 88 Limited Liability Company], having its registered seat in Kielce,

- Projekt Echo - 89 Sp. z o.o. [Project Echo – 89 Limited Liability Company], having its registered seat in Kielce,

- Projekt Echo - 90 Sp. z o.o. [Project Echo – 90 Limited Liability Company], having its registered seat in Kielce,

- Projekt Echo - 91 Sp. z o.o. [Project Echo – 91 Limited Liability Company], having its registered seat in Kielce,

- Projekt Echo – 92 Sp. z o.o. [Project Echo – 92 Limited Liability Company] with its registered seat in Kielce.

Resolutions on dissolving the subsidiaries enumerated above upon effective liquidation were passed by the Extraordinary General Meetings of Shareholders of the above subsidiaries, with the functions of liquidators delegated to representatives of their respective Management Boards, namely to Mr. Piotr Gromniak and to Mr. Artur Langner.

Steps were taken for the purpose of dissolving the companies as a consequence of those companies not being involved in developer or investment activities and no plans exist as to using these companies in the future for project development. Their continued existence is not economically reasonable, and their liquidation will not affect the financial results of Echo Investment S.A.

On December 03, 2008, motions were lodged with the District Court in Kielce, 10th Economic Department of the National Court Register, for opening of liquidation procedures of the following subsidiaries:

- Projekt Echo - 71 Sp. z o.o. [Project Echo – 71 Limited Liability Company], having its registered seat in Kielce,

- Projekt Echo - 72 Sp. z o.o. [Project Echo – 72 Limited Liability Company], having its registered seat in Kielce,

- Projekt Echo - 73 Sp. z o.o. [Project Echo – 73 Limited Liability Company], having its registered seat in Kielce,

- Projekt Echo - 74 Sp. z o.o. [Project Echo – 74 Limited Liability Company], having its registered seat in Kielce,

- Projekt Echo - 75 Sp. z o.o. [Project Echo – 75 Limited Liability Company], having its registered seat in Kielce,

- Projekt Echo – 76 Sp. z o.o. [Project Echo – 76 Limited Liability Company] with its registered seat in Kielce.

Resolutions on dissolving the subsidiaries enumerated above upon effective liquidation were passed by the Extraordinary General Meetings of Shareholders of the above subsidiaries, with the functions of liquidators delegated to representatives of their respective Management Boards, namely to Mr. Piotr Gromniak and to Mr. Artur Langner.

Steps were taken for the purpose of dissolving the companies as a consequence of those companies not being involved in developer or investment activities and no plans exist as to using these companies in the

future for project development. Their continued existence is not economically reasonable, and their liquidation will not affect the financial results of Echo Investment S.A.

#### IV. Names of the following subsidiaries were changed:

- the name of "Projekt Echo - 60" Sp. z o.o. ['Project Echo - 60' Limited Liability Company], having its registered seat in Kielce, changed into "Echo - Galaxy Szczecin" Sp. z o.o. ['Echo - Galaxy Szczecin' Limited Liability Company'], having its registered seat in Szczecin,
- the name of "Echo Centrum - Ślichowice" Sp. z o.o. ['Echo Center - Ślichowice' Limited Liability Company], having its registered seat in Kielce, changed into "Projekt Echo - 28" Sp. z o.o. ['Project Echo - 28' Limited Liability Company'], having its registered seat in Kielce,
- the name of "Galeria Echo - Kielce" Sp. z o.o. ['Echo Gallery - Kielce' Limited Liability Company], having its registered seat in Kielce, changed into "Projekt Echo - 93" Sp. z o.o. ['Project Echo - 93' Limited Liability Company'], having its registered seat in Kielce,
- the name of "Wyględów" Sp. z o.o. ['Wyględów' Limited Liability Company], having its registered seat in Kielce, changed into "Echo Aurus" Sp. z o.o. ['Echo Aurus' Limited Liability Company'], having its registered seat in Kielce,
- the name of "Projekt Echo - 81" Spółka z o.o. ['Project Echo - 81' Limited Liability Company], having its registered seat in Kielce, changed into "Echo - Metropolis" Spółka z o.o. ['Echo - Metropolis' Limited Liability Company'], having its registered seat in Kielce,
- the name of "Projekt Echo - 64" Spółka z o.o. ['Project Echo - 64' Limited Liability Company], having its registered seat in Kielce, changed into "Projekt Naramowice Poznań" Spółka z ograniczoną odpowiedzialnością ['Project Naramowice Poznań' Limited Liability Company'], having its registered seat in Kielce,
- the name of "Projekt Echo - 66" Spółka z o.o. ['Project Echo - 66' Limited Liability Company], having its registered seat in Kielce, changed into "Echo Park Postępu" Spółka z o.o. ['Echo Park Postępu' Limited Liability Company'], having its registered seat in Kielce,
- the name of „Wlementor Holdings” Limited, having its registered seat in Nicosia, changed into „EI Project Cyp - 1” Limited, with its registered seat in Nicosia;
- the name of "Echo Investment - Centrum Handlowo-Usługowo - Rozrywkowe Gliwice" Spółka z ograniczoną odpowiedzialnością ['Echo Investment - Gliwice Shopping , Service & Entertainment Center' Limited Liability Company] with its registered seat in Kielce changed into „Echo - Property Poznań 2" Spółka z ograniczoną odpowiedzialnością ['Echo - Property Poznań 2' Limited Liability Company] with its registered seat in Kielce.

#### V. The District Court, 10th Department of the National Court Register, deleted the following subsidiaries from the National Court Register (KRS):

- „Echo Investment Spółka Akcyjna - Oddział Kraków” ('Echo Investment Joint Stock Company - Krakow Branch'),
- „Echo Investment Spółka Akcyjna - Oddział Warszawa” ('Echo Investment Joint Stock Company - Warsaw Branch'),
- „Echo Investment Spółka Akcyjna - Oddział Szczecin” ('Echo Investment Joint Stock Company - Szczecin Branch'),

## 6.2. Investments in shares of public companies

On account of securities, Echo Investment S.A. did not have and did not make any investments in shares of public companies during the year 2008.

## 6.3. Equity investments made outside the Issuer's Capital Group

See sub-clause 6.1. of this Report.

## 7. Significant transactions executed by the issuer or his subsidiary with affiliated companies on different terms than arm's length transactions, specifying the amounts and character of such transactions.

### 7.1. Transactions with companies from Echo Investment Capital Group

The Company did not enter into any transactions with affiliated companies on different terms than arm's length transactions in 2008.

### 7.2. Transactions with managers or supervisors of Echo Investment S.A.

No transactions occurred in 2008 between Echo Investment S.A. and its managing or supervising persons, other than arm's length transactions.

## 8. Information about credits taken and contracts of loan, specifying their due dates, and surety / guarantee contracts

### 8.1. Credit agreements

Echo Investment S.A.'s liabilities on account of credits taken as at the end of 2008 are presented in the table below:

Bank name	Type of obligation	Credit currency	Credit amount according to contract [in thousands PLN]	Credit used amount as on 2008-12-31 [in thousands PLN]	Interest rate type and value	Final repayment date
Bank Handlowy w Warszawie S.A.	Advance on current account	PLN	20.000	19.957	1M WIBOR + margin	06.03.2009
BZ WBK SA	Advance on current account	PLN	20.000	18.425	1M WIBOR + margin	31.05.2009
PeKaO SA	Working capital facility	PLN	90.000	0	1M WIBOR + margin	30.06.2010
PKO BP SA	Advance on current account	PLN	20.000	0	1M WIBOR + margin	20.08.2009
PKO BP SA	Working capital facility	PLN	40.000	0	1M WIBOR + margin	20.08.2009
PeKaO S.A.	Advance on current account	PLN	40.000	0	1M WIBOR + margin	30.09.2009
TOTAL			230.000	38 382		

The following credit agreements have expired:

1. Agreement concerning credit advance in current account, executed between Echo Investment S.A. and ING Bank Śląski S.A., in the amount of PLN 30 million. The final repayment date was September 5, 2008.
2. Agreement concerning credit advance in current account, executed between Echo Investment S.A. and Fortis Bank S.A., in the amount of PLN 20 million. Due date for repayment of this facility was November 29, 2008.

## 8.2. Loan agreements

### 8.2.1. Loans taken – short-term

As at December 31, 2008 Echo Investment S.A. has not taken out any short-term loans.

### 8.2.2. Loans taken – long-term

As at December 31, 2008 Echo Investment S.A. has not taken out any long-term loans.



### 8.2.3. Granted loans – short-term

Person/Organization	Outstanding loan amount [in thousands PLN] as at 2008-12-31	Interest rate	Final repayment date
Projekt Naramowice Poznań Sp. z o.o.	78 834	Wibor 3M+margin	December 31, 2009
Echo Metropolis Sp. z o.o.	45 975	Wibor 3M+margin	December 31, 2009
Princess Boryszewska Sp. z o.o.	42 785	Wibor 3M+margin	December 31, 2009
Athina Park Sp. z o.o.	15 751	Wibor 3M+margin	December 31, 2009
Malta Office Park Sp. z o.o.	7 019	Wibor 3M+margin	December 31, 2009
Projekt S Sp. z o.o.	1 168	Wibor 3M+margin	December 31, 2009
Princess Investment Sp. z o.o.	603	Collateral loan rate + margin	December 31, 2009
Others	637	Wibor 3M+margin	December 31, 2009
<b>Total</b>	<b>192 772</b>		

### 8.2.4. Granted loans – long-term

Person/Organization	Outstanding loan amount [in thousands PLN] as at 2008-12-31	Interest rate	Final repayment date
Echo - Centrum Biznesu Łódź Sp. z o.o.	7 378	collateral loan rate + margin	June 28, 2012
Centrum Bankowości i Finansów Łódź Sp. z o.o.	3 873	collateral loan rate + margin	December 31, 2011
Echo Investment Hungary KFT	7 291	WIBOR 3M rate + margin	December 31, 2011
<b>Total</b>	<b>12 909</b>		

### 8.3. Debt instruments contracts

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).

Pursuant to contracts made in respect of the Bonds Issuance Program with BRE Bank in 2004 and BPH S.A. Bank in 2003 (currently Pekao SA Bank as BPH SA Bank's legal successor), Echo Investment S.A. has certain liabilities under issued debenture bonds. The maximum total nominal value of all bonds thus issued by Echo Investment SA shall not exceed:

- 600 million PLN under the agreement signed with BRE Bank SA,
- 250 million PLN under the agreement signed with BPH SA Bank (currently Pekao SA Bank as BPH SA Bank's legal successor).

The balance of these liabilities as at the end of 2008 is presented in the table below:

Bank name	Type of instrument	Amount utilized [in thousands PLN]	Bonds redemption date
-----------	--------------------	------------------------------------	-----------------------

BRE Bank S.A.	Bonds	150.000	25.05.2011
BRE Bank S.A.	Bonds	100.000	25.05.2013
BRE Bank S.A.	Bonds	300.000	30.06.2014

#### 8.4. Suretyship agreements

I. No changes have occurred in contingent liabilities concerning sureties granted since the end of the last financial year.

Sureties granted as at December 31, 2008 are presented in the table below:

Surety in favor of	Value (in thousand s)	Expiry date	On account of
Bank PeKaO SA	PLN 740	until signing a contract of transfer under the rights of bank performance guarantee in favor of PeKaO SA Bank	Surety for the liabilities of Echo Investment – Centrum Bełchatów Sp. z o.o. [Echo Investment – Bełchatów Center Limited Liability Company] as a collateral of a loan granted by PeKaO SA Bank
Natural person	PLN 18,807	until December 31, 2010	Surety for liabilities of subsidiary
Projekt – Echo 49 Sp. z o.o.	PLN 4,032	until July 04, 2010	Surety for liabilities concerning remediation of damage regarding Projekt – Echo 49 Sp. z o.o. [Project – Echo 49 Limited Liability Company]

II. The value of suretyship agreements in force as obtained by Echo Investment S.A. as at December 31, 2008 under lease contracts in force is PLN 0.

#### 8.5. Guarantee agreements

I. As at December 31, 2008 Echo Investment SA did not have any valid guarantee agreements in force.

On January 17, 2008 PKO BP SA Bank granted a bank guarantee to PKP SA with its registered seat in Warsaw as a security of payment of consulting costs, up to the amount of PLN 1.5 million. The guarantee shall expire on October 18, 2008.

On October 18, 2008 a bank guarantee granted by PKO BP SA Bank in favor of PKP SA with its registered seat in Warsaw on January 17, 2008 as a collateral for repayment of consulting costs, up to the amount of PLN 1.5 million, expired.

II. Value of guarantee agreements obtained by Echo Investment S.A., valid as at December 31, 2008:

- on account of lease agreement: EUR 140.0,
- on account of execution agreements: PLN 63.3 million.

#### 9. In case of issue of securities during the reporting period – description of the use of revenues from the issue by Echo Investment S.A.



Echo Investment S.A. did not issue any securities (shares) in 2008.

#### 10. Clarification of differences between financial results disclosed in the annual report and previously published forecasts for 2008

Echo Investment S.A. did not publish any prognoses of financial results for the year 2008.

#### 11. Evaluation of financial resources management at Echo Investment S.A., with special consideration of debt repayment capacity

Management of financial resources at Echo Investment S.A. in 2008, in relation to the investment process in progress of erection of commercial facilities and apartments, was mainly focused on obtaining sources of financing for realized projects, bridge financing (until the point of obtaining financing by subsidiaries) and maintaining safe liquidity ratios and assumed financing structure.

The Company's operations in 2008 generated a positive result on all levels of the profit and loss account. During the recent years, Echo Investment S.A. has been increasingly emphasizing the increase of portfolio of commercial surfaces, which according to the Management Board should ensure stable revenues and cash flows and Echo Investment S.A.'s independency on cyclical phases in the economy and construction industry.

According to the Management Board, Echo Investment S.A.'s property and financial condition as at the end of December 2008 indicates the Company's stable financial standing.

Profitability indicators of the Company's operating earnings and net profits from its activities in 2008 are lower than in the previous year. Net profit as at the end of December 2007 was lower than that of the equivalent period of 2007. The value of assets changed slightly and the value of equity increased.

*Profitability ratios during the years 2008-2007 are presented in the table below:*

<b>Yield ratios</b>	<b>2008</b>	<b>2007</b>
Operating profit margin ratio <i>operating profit / net sales income</i>	22,3%	17,0%
Net balance profit margin ratio <i>net profit / net sales income</i>	9,8%	22,8%
Return on assets (ROA) <i>net profit / assets total</i>	3,0%	4,4%
Return on equity (ROE) <i>net profit / equity</i>	7,9%	12,5%

Turnover of key assets and liabilities of Echo Investment S.A. is due to the unique qualities of performed operations. They are related to the relatively long cycle of execution of the specific investment projects and the value and volume increase of the 'portfolio' of executed investments. The value of inventories in 2008, including: acquired ownership rights and perpetual usufruct of land, together with all building expenses and costs pertaining to executed developer projects designated for sale, decreased in comparison to 2007. All cycles have shortened.

Movements of key assets and liabilities during the years 2008-2007 are presented in the table below:

Activity indicators	2008	2007
Inventories cycle in days (average balance of inventories * 365 / net sales revenues)	367	639
Current receivables cycle, days (balance of short-term receivables * 365 / net sales revenues)	2	12
Current trade liabilities cycle, days (balance of current trade liabilities * 365 / net sales income)	73	99

Liquidity ratios are maintained on safe levels. Quick and cash ratios are lower, and current liquidity ratio is similar to that of the equivalent period of 2007. This is primarily a result of effective repayment of a part of liabilities. Echo Investment S.A.'s credibility in the financial market keeps increasing, which is confirmed by the diversified structure of banks financing the operations of the Company.

Liquidity ratios of Echo Investment S.A. during the years 2008-2007 are presented in the table below:

Liquidity ratios	2008	2007
Current ratio current assets / current liabilities	2,89	2,42
Quick ratio (current assets – inventories) / current liabilities	1,38	0,97
Cash ratio cash / current liabilities	0,14	0,48

Debt ratios are maintained on similar levels to those of the comparable period of 2007. The values of presented factors are safe for the operations and confirm Echo Investment S.A.'s credibility on the financial market.

Assets and debt coverage ratios of Echo Investment S.A. during the years 2008-2007 are presented in the table below:

Debt ratios	2008	2007
Equity to assets ratio equity / assets total	38,3%	35,4%
Equity to fixed assets ratio equity / fixed assets	95,3%	81,6%
Overall debt ratio liabilities total / assets total	197,2%	176,4%
Debt to equity ratio liabilities total / equity	61,7%	64,6%

## 12. Evaluation of the possibility of realization of investment plans, including capital investments, as compared to the volume of available resources, accounting for possible changes in the structure of financing of these operations

Echo Investment S.A. is fully capable of financing the currently executed investment projects. While executing projects in all areas of activity, Echo Investment S.A. intends to finance these projects using funds from equity capitals, bank loans, issue of debt securities. The Company focuses its efforts on achieving a situation when programs of issue of debt securities are guaranteed and their aging period is longer than one year.

At the same time, the Company intends to execute a number of projects through subsidiaries. This refers in particular to projects designed for lease, i.e. shopping and commercial / entertainment centers and offices, obtaining financing (special purpose facilities) directly for these companies.

### 13. Assessment of factors and events affecting the financial results earned in 2008

The following factor had a major impact on the bottom line of 2008:

- posting of incomes earned under final agreements of sale of the following housing projects:
  - in Warsaw, Inflancka Street (stage II and stage III), and Zwycięzców Street (stage II),
  - land plots with designs of houses, consisted in the Bilcza II housing estate near Kielce;
- handing over to user and revaluation of fair value of the Alma store at the Zwycięzców housing project, stage II, in Warsaw,
- appraisal of credit obligations and cash in foreign currencies,
- valuation of hedge instruments for foreign currencies.

As a security against foreign exchange risks on the currency futures market, Echo opened a position in derivatives hedging the EUR/PLN exchange rate in 2008. With the open positions on the currency market, Echo Investment is duly hedged for the part of cash flows allocated to 2009 (46.5 million EUR, including 42.3 million in the 1st half of 2009). The transactions executed on the basis of contracts signed with banks were not speculative in nature and were effected within the scope of the applicable hedging policy to secure future levels of cash flows on operating activity. On the basis of data received from banks, balance sheet valuation of open items on derivatives as at December 31, 2008 is as follows: forwards – PLN 3.0 million, currency options – PLN 4.9 million. These transactions were executed at the average forward/strike rate of 4.0400.

Valuation of hedging instruments is posted to accounts receivable / accounts payable of the balance sheet, and revaluation of hedging instruments is recognized as financial incomes / costs in the income statement. Information and valuation of main financial instruments existing at the Company as at the end of 2008 are presented in Notes 17 and 18 to the financial statements.

Maturity dates of open hedging items:

Financial instrument	Currency	Type	Balance sheet value as at 2008-12-31 (million PLN)	Nominal (million EUR)	1st half of 2009 nominal (million EUR)	2nd half of 2009 nominal (million EUR)	1st half of 2010 nominal (million EUR)	2nd half of 2010 nominal (million EUR)
Forward	EUR/PLN		- 3,0	39,5	39,5	0,0	0,0	0,0
Options	EUR/PLN	call	- 5,2	7,0	2,8	4,2	0,0	0,0
	EUR/PLN	put	0,3	10,0	4,0	6,0	0,0	0,0

## 14. Description of external and internal factors significant for the development of Echo Investment S.A. Description of development perspectives of the Company's economic activity.

### 14.1. Description of external and internal factors significant for the development of Echo Investment S.A.

Key **external** factors affecting the Company's development include:

#### Positive factors:

- maintained investment activity of Polish and foreign business entities and resulting demand for services provided by the Company,
- shortage of residential areas,
- lower proportion of office and shop floor per 1000 inhabitants in Poland than in Western Europe,
- continuing preference for domestic persons/organizations in acquisition of property in Poland,

#### Negative factors:

- unclear legal status of numerous real properties, which is due to such issues as reprivatization or lack of precise spatial development plans in many towns and communes,
- time-consuming court and administrative proceedings related to legal status regulation and acquisition of rights to real property,
- market entry of large international investment & developer companies,
- legislation causing major difficulties in construction of large-size establishments; protests by local merchants' organizations, limiting the potential for investing in construction of malls,
- decreasing rate of economic growth, deteriorated economic situation in Poland and in other countries where the Company operates,
- variability of foreign exchange rates (EUR and USD),
- variability of interest rates,
- uncertainty about key assumptions of the fiscal and monetary policies in Poland.

Key **internal** factors significant for the development of Echo Investment S.A. include:

#### Positive factors:

- clear and precise development strategy,
- stable structure of shareholders of the dominant company – Echo Investment S.A., with clear and consistent owners' policy towards the company,
- well-defined product group,
- recognized position of the Company in the developer market and high reliability, acknowledged by Echo Investment S.A.'s presence in the Stock Exchange and obtained Developer's Certificate,
- active partnership cooperation with largest banks in terms of financing current activities and specific projects,
- good cooperation with stable and recognized partners,
- organizational structure accounting for the existence of profit centers, which are responsible for the specific segments of activity of Echo Investment S.A.,
- regulated legal status (no court actions threatening the Company).

#### Negative factors:

- unique quality of the operations, involving high level of dependency on complicated and time-consuming legal procedures,
- high demand for current assets, particularly related to the high number of executed projects.

#### 14.2. Perspectives for the development of economic activity of Echo Investment S.A.

With regard to noticeable signs of global economic crisis, the Management Board of Echo Investment SA has reviewed its investment plans in order to adjust them to economic forecasts for the upcoming year.

Echo Investment's activities are going to focus on optimizing developer processes within specific investment projects. The Company is carefully monitoring the developments on the real estate market, and decisions concerning implementation of specific projects are taken on a case-by-case basis, according to current analyses. In order to minimize the risk of adverse market variations, the Company adapts its project implementation schedules to actual market situation and does not preclude staging of envisaged investments.

The Management Board of the Company has undertaken certain restructuring activities and cost optimizations, including overall corporate costs, through taking such steps as adapting employment to envisaged involvement in project implementation and activities on the property market.

During the next year, the Company's activity will focus on preparation, development and commercialization of office and shopping projects for lease, as well as on preparing new projects.

Execution of envisaged housing projects shall depend on supply & demand considerations, including the purchasing power, credit availability, levels of salaries, market prices of apartments, etc.

Realization of hotels strongly depends on the situation in the tourist industry and on hotel chains' willingness to undertake new investments. The current activities of Echo Investment S.A. in this sector focus on the Polish market where the Company collaborates with international hotel chain operators.

The Management Board of the Company intends to develop its business operations on foreign markets, in Central and Eastern Europe. At present, a comprehensive shopping, service and office center in Budapest, Hungary, and a shopping & entertainment center in Brasov, Romania, are being developed. Echo Investment S.A. is also monitoring the situation on the Ukrainian market.

#### 15. Changes in basic management principles of Echo Investment S.A. and in the level of management supporting computerization in Echo Investment S.A.

No significant changes in the basic rules of management took place during the year 2008. Development of the organization enforces improvement of management procedures applied at Echo Investment S.A.

## **16. Changes in the composition of managing and supervisory bodies of Echo Investment S.A. during 2008. Rules of appointing and dismissing managing and supervising persons. Authorizations of managing persons, specifically including the right to take decisions on issue or redemption of shares.**

### **16.1. The Management Board**

The composition of the Management Board changed in 2008.

With reference to approval by the Ordinary General Meeting of Shareholders of the Company of the financial statements for the final year of the Management Board's term of office and expiry of its members' terms, on May 28, 2008 the Supervisory Board of the Company, acting in pursuance of Article 368 paragraph 4 of the Code of Commercial Partnerships and Companies, and paragraph 13 clause 1 sub-clause a) of the Company Articles, appointed Mr. Piotr Gromniak and Mr. Artur Langner as Members of the Management Board for the 3rd joint 3-year term of office.

In addition, on June 27, 2008 the Supervisory Board, acting pursuant to paragraph 14 article 1 of the Company Articles, appointed Mr. Piotr Gromniak President of the Board and Mr. Artur Langner Vice-President of the Board.

The composition of the Management Board of Echo Investment SA is the following:

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

### **16.2. The Supervisory Board**

Composition of the Supervisory Board of Echo Investment SA did not change in 2008.

The present members of the Supervisory Board are as follows:

Wojciech Ciesielski, Chairman of the Supervisory Board,  
Andrzej Majcher, Vice-President of the Supervisory Board,  
Mariusz Waniółka, Member of the Supervisory Board,  
Robert Oskard, Member of the Supervisory Board,  
Karol Żbikowski, Member of the Supervisory Board,  
Tomasz Kalwat, Member of the Supervisory Board.

## **16.3. Rules of appointing and dismissing managing and supervising persons. Authorizations of managing persons, specifically including the right to take decisions on issue or redemption of shares.**

### **16.3.1. Rules of appointing and dismissing members of managing bodies**

These rules, as applied by the company, are regulated by the Polish Code of Commercial Partnerships and Companies, and Company Articles of Echo Investment S.A.

The Management Board as a whole and the individual members thereof shall be appointed and suspended by the Supervisory Board, who shall elect the President of the Management Board and the Vice-President of the Management Board.



The term of office of the first Management Board shall last two years and the terms of office of the subsequent Management Boards shall last three years, where management board members shall be appointed for a common term of office, which shall not preclude the right to early dismissal of each of the Management Board members. The terms of office of the Management Board members shall elapse on the day of a General Meeting of Shareholders that is held for the purpose of approving of a financial statement for the final year of the term of the Management Board. The Supervisory Board may dismiss the Management Board or its individual members before expiry of their terms of office, including specifically upon written request of shareholders representing at least 1/3 of the share capital or if the Ordinary General Meeting of Shareholders passes a resolution on refusal to grant a vote of acceptance to the Management Board on account of performance of its duties during the completed financial year.

### 16.3.2. Authorizations of members of managing bodies

The ranges of authority of the managing persons are stipulated in the Company Articles of Echo Investment S.A. Management Board members represent the Company in front of authorities, offices and third parties, in court proceedings, in proceedings before public authorities and offices. Statements shall be made in the name of the Company by two members of the Management Board acting jointly, or by one Management Board member acting jointly with the Procurator. Incurring liabilities by persons authorized to make statements in the name of the Company for amounts exceeding 20% of the Company's ownership capitals shall require prior written consent of the Supervisory Board. The Management Board shall handle all current issues of the Company in the range not reserved by the provisions of the Code of Commercial Partnerships and Companies or of the Company Articles for the General Meeting of Shareholders or the Supervisory Board.

Decisions regarding issue and redemption of shares are regulated by the provisions of the Polish Code of Commercial Partnerships and Companies.

### 17. Value of all outstanding loans granted by the issuer to members of managing and supervisory bodies and their relatives (separately), and of guarantees and sureties granted to these persons (separately).

As at December 31, 2008 there are no outstanding loans, guarantees or sureties granted by the issuer to managing or supervisory bodies members or to relatives of these persons.

### 18. Agreements made between the issuer and members of managing bodies, stipulating compensation in case of their resignation or dismissal from their positions without an important reason, or if their removal or dismissal results from the issuer's merger through takeover

As at December 31, 2008, no agreements exist between the issuer and members of managing bodies that would stipulate compensation.

### 19. Value of remuneration, rewards and benefits, including ones resulting from programs based on bonds with preemptive rights, convertible bonds, subscription warrants, paid, due or potentially due, separately for each member of the issuer's managing and supervisory bodies, as well as values of remuneration and rewards received for performance of functions in the bodies of subsidiaries.

### 19.1 Remuneration paid to members of managing bodies



Managers of Echo Investment S.A. received the following remuneration at Echo Investment S.A. and for exercising their functions in the bodies of wholly and partially owned subsidiaries and associated companies in 2008, respectively:

- Jarosław Grodzki received compensation from Echo Investment S.A. in the total amount of PLN 707 thousand. He did not receive compensation for his functions held in the bodies of wholly and partially owned subsidiaries and affiliated companies;
- Mr. Piotr Gromniak received compensation from Echo Investment S.A. in the total amount of PLN 639 thousand. He did not receive compensation for his functions held in the bodies of wholly and partially owned subsidiaries and associated companies;
- Mr. Artur Langner received compensation from Echo Investment S.A. in the total amount of PLN 611 thousand. He did not receive compensation for his functions held in the bodies of wholly and partially owned subsidiaries and associated companies;

Other persons involved in management of wholly and partially owned subsidiaries and affiliated companies of Echo Investment S.A. (apart from the persons enumerated above) received a total compensation of PLN 297 thousand for performance of their functions in the bodies of the wholly and partially owned subsidiaries and affiliated companies.

## 19.2 Remuneration paid to members of supervisory bodies

Supervisors of Echo Investment SA received the following compensation from Echo Investment S.A. on account of their supervisory functions for the Company during 2008:

- Wojciech Ciesielski received compensation from Echo Investment S.A. in the total amount of PLN 84 thousand. He did not receive compensation for his functions held in the bodies of wholly and partially owned subsidiaries and affiliated companies;
- Andrzej Majcher received compensation from Echo Investment S.A. in the total amount of PLN 60 thousand. He did not receive compensation for his functions held in the bodies of wholly and partially owned subsidiaries and affiliated companies;
- Mariusz Waniolka received compensation from Echo Investment S.A. in the total amount of PLN 36 thousand. He did not receive compensation for his functions held in the bodies of wholly and partially owned subsidiaries and affiliated companies,
- Robert Oskard received compensation from Echo Investment S.A. in the total amount of PLN 36 thousand. He did not receive compensation for his functions held in the bodies of wholly and partially owned subsidiaries and affiliated companies,
- Karol Żbikowski received compensation from Echo Investment S.A. in the total amount of PLN 36 thousand. He did not receive compensation for his functions held in the bodies of wholly and partially owned subsidiaries and affiliated companies,
- Tomasz Kalwat received compensation from Echo Investment S.A. in the total amount of PLN 36 thousand. He did not receive compensation for his functions held in the bodies of wholly and partially owned subsidiaries and affiliated companies,

Other persons involved in supervision over the wholly and partially owned subsidiaries and affiliated companies of Echo Investment S.A. (apart from the persons enumerated above) did not receive compensation for performance of their functions in the bodies of the wholly and partially owned subsidiaries and affiliated companies.

## 20. Total number and nominal value of all shares of the issuer and shares in the issuer's Capital Group companies held by managing and supervising persons

Shares of Echo Investment S.A. have been quoted on the Warsaw Stock Exchange since March 1996. As at December 31, 2008, 420,000,000 shares of the Company are available for stock trade. Nominal value of one share is PLN 0.05. All shares carry the same privileges. Each share carries one vote at the General Meeting of Shareholders of the Company.

Information about issues of Echo Investment's shares:

Series	Number of shares	Par value total	Class of shares	Date of shares registration by court	Date of listing on the Warsaw Stock Exchange
A	1.600.000	80.000	Ordinary bearer shares	30.06.1994	10.08.2006
B	38.400.000	1.920.000	Ordinary bearer shares	30.06.1994	21.02.1996
C	20.000.000	1.000.000	Ordinary bearer shares	13.11.1995	21.02.1996
D	60.000.000	3.000.000	Ordinary bearer shares	18.02.1997	27.03.1997
E	20.000.000	1.000.000	Ordinary bearer shares	30.12.1997	02.03.1998
F	280.000.000	14.000.000	Ordinary bearer shares	26.11.2002	20.12.2002
Total:	420.000.000	21.000.000			

On December 19, 2008, the Extraordinary General Meeting of Shareholders of Echo Investment SA passed a Resolution no. 3 on authorizing the Management Board of Echo Investment S.A. to buy the Company's own shares for the purpose of redemption and/or as stipulated in Article 362 paragraph 1 clause 8 of the Code of Commercial Partnerships and Companies. Under the said resolution, the Management Board of the Company has been authorized to:

1. Acquire the Company's own shares listed on the primary market of the Warsaw Stock Exchange, i.e. official public market, for the purpose of their redemption. The Company shall acquire fully paid up shares for the purpose of redemption according to the following terms:

- (a) the overall number of shares acquired for the purpose of redemption shall not exceed 210,000,000 (two hundred and ten million) shares with face value of 5 (five) grosz each;
- (b) the total minimum value of payment for the shares thus acquired shall be not less than 100 (one hundred) zlotys, and the total maximum value of payment for the shares thus acquired shall be not more than 420,500,000 (four hundred twenty million five hundred thousand) zlotys;
- (c) at the Management Board's discretion, shares may be acquired via third parties acting on the Company's behalf, brokerage houses, subsidiaries, or persons acting for the benefit of subsidiaries in public trade at the Warsaw Stock Exchange and on OTC markets;
- (d) authorization for the Management Board to acquire own shares for the purpose of redemption shall cover the period from December 20, 2008 to December 19, 2013, however not longer than until the funds designated for such acquisition are exhausted;
- (e) shares may be acquired in block transactions;
- (f) shares may be acquired through public call for the Company's shares;
- (g) upon the Management Board's decision, acquisition of own shares may be financed with the amount that, according to Article 348 paragraph 1 of the Code of Commercial Partnerships and Companies, can be designated for allocation, whereby the Management Board of the Company is entitled to decide on using other sources of financing own shares acquisition for the purpose of redemption.

II. Acquisition of shares under Article 362 § 1 item 8 of the Code of Commercial Partnerships and Companies on the following terms:

- (a) the total face value of shares thus acquired shall not exceed 20% of the value of the Company's share capital, i.e. 84,000,000 (eighty-four million) shares with face value of 5 (five) grosz each, inclusive of face value of the remaining own shares that will not have been sold by the Company;

- (b) the total minimum value of payment for the shares thus acquired shall be not less than 100 (one hundred) zlotys, and the total maximum value of payment for the shares thus acquired shall be not more than 420,500,000 (four hundred twenty million five hundred thousand) zlotys, including share purchase costs;
- (c) at the Management Board's discretion, shares may be acquired via third parties acting on the Company's behalf, brokerage houses, subsidiaries, or persons acting for the benefit of subsidiaries in public trade at the Warsaw Stock Exchange and on OTC markets;
- (d) the Management Board's authority to acquire own shares under Article 362 § 1 item 8 of the Code of Commercial Partnerships and Companies shall cover the period from December 20, 2008 to December 19, 2013, however not longer than until the funds designated for such acquisition are exhausted;
- (e) shares may be acquired in block transactions;
- (f) shares may be acquired through public call for the Company's shares;
- (g) the purpose of such acquisition of own shares shall be determined through a resolution of the Management Board, and specifically own shares thus acquired by the Company may be designated for further resale.

Echo Investment Spółka Akcyjna with its registered seat in Kielce, acting pursuant to Article 348 § 1, with reference to Article 396 paragraph 4 and paragraph 5 of the Code of Commercial Partnerships and Companies, and paragraph 19 of the Company Articles, hereby decides as follows:

- (a) to establish a reserve capital in the amount of 420,500,000 (four hundred twenty million five hundred thousand) zlotys, designated for implementing the purposes mentioned in this resolution;
- (b) the reserve capital shall be established through transferring the amount of PLN 420,500,000 (four hundred twenty million five hundred thousand) from the Company's supplementary capital in compliance with the requirements of Article 348 §1 of the Code of Commercial Partnerships and Companies, whereby the Company's supplementary capital shall be decreased from PLN 437,943,000 (four hundred thirty-seven million nine hundred forty-three thousand) to PLN 17,443,000 (seventeen million four hundred forty-three thousand).

The Management Board may, while acting for the benefit of the Company and upon consulting the Supervisory Board, terminate such acquisition of shares before December 19, 2013 or before exhausting all funds designated for their acquisition, or give up their acquisition in whole or in part.

The terms and conditions of own shares acquisition will be in accordance with the Commission Regulation (EC) no. 2273/2003 of December 22, 2003.

## 20.1. Shares of Echo Investment S.A. held by supervising persons

Shares of Echo Investment S.A. held by supervising persons as at December, 2008 are illustrated in the table below:

Supervising person	Balance as at 2008-12-31 [pcs.]	Par value of one share	Par value total	Percentage of share capital
<b>Wojciech Ciesielski</b> , Chairman of the Supervisory Board,	1.440.000	PLN 0.05	PLN 72,000	0,34%
<b>Andrzej Majcher</b> , Deputy Chairman of the Supervisory Board	100.800	PLN 0.05	PLN 5,040	0,02%
<b>Mariusz Waniolka</b> , Member of the Supervisory Board	did not hold any shares	PLN 0.05	–	–
<b>Robert Oskard</b> , Member of the Supervisory Board,	did not hold any shares	PLN 0.05	–	–
<b>Karol Żbikowski</b> , Member of the Supervisory Board	did not hold any shares	PLN 0.05	–	–

Tomasz Kalwat, Member of the Supervisory Board	14.860	PLN 0.05	PLN 743	0,004%
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## 20.2. Shares of Echo Investment S.A held by managing persons

Shares of Echo Investment S.A. held by managing persons as at December, 2008 are illustrated in the table below:

Managing person	Balance as at 2008-12-31 [pcs.]	Par value of one share	Par value total	Percentage of share capital
<b>Jarosław Grodzki</b> , President of the Management Board*	did not hold any shares*	PLN 0.05	-	-
<b>Piotr Gromniak</b> , President of the Management Board**	did not hold any shares	PLN 0.05	-	-
<b>Artur Langner</b> , Vice-President of the Management Board**	did not hold any shares	PLN 0.05	-	-

\* Mr. Jarosław Grodzki was holding the position of Board President at the Company until May 28, 2008. As at that date, he did not hold any shares of Echo Investment SA.

\*\* With reference to approval by the Ordinary General Meeting of Shareholders of the Company of the financial statements for the final year of the Management Board's term of office and expiry of its members' terms, on May 28, 2008 the Supervisory Board of the Company, acting in pursuance of Article 368 paragraph 4 of the Code of Commercial Partnerships and Companies, and paragraph 13 clause 1 sub-clause a) of the Company Articles, appointed Mr. Piotr Gromniak and Mr. Artur Langner as Members of the Management Board for the 3rd joint 3-year term of office.

In addition, on June 27, 2008 the Supervisory Board, acting pursuant to paragraph 14 article 1 of the Company Articles, appointed Mr. Piotr Gromniak President of the Board and Mr. Artur Langner Vice-President of the Board.

## 21. Shareholders of Echo Investment S.A. holding at least 5% of the total number of votes at the general meeting of shareholders, directly or indirectly through subsidiaries, as at December 31, 2008.

The following shareholders, directly or indirectly through subsidiaries, held at least 5% of the total number of votes at the general meeting of Echo Investment S.A. as at December 31, 2008:

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 the total number of votes at the General Meeting of Shareholders of Echo Investment S.A.
Michał Sołowow (directly and indirectly)	169 916 580	40,46%	169 916 580	40,46%
OFE ING*	41 070 350	9,78%	41 070 350	9,78%
OFE PZU Złota Jesień*	41 066 860	9,78%	41 066 860	9,78%
Commercial Union OFE*	37.812.146	9,00%	37.812.146	9,00%
Pioneer Pekao Investment Management S.A.	21 035 115	5,01%	21 035 115	5,01%

\* Balance according to annual structure of investment portfolios of the OFEs (Open Pension Funds) as at December 31, 2008

On December 12, 2008 the Company received a notice wherein Pioneer Pekao Investment Management S.A. with its registered seat in Warsaw (PPIM), acting in compliance with Article 87 clause 1 clause 3 letter b of the Act of July 29, 2005 on Public Quotations and Conditions of Introducing Financial Instruments to Organized Trade and on Public Companies (Journal of Laws No. 184 item 1539) communicated an increase



of total engagement to 5.01% of the total number of votes at the general meeting of shareholders of Echo Investment SA in respect of financial instruments in the portfolios that PPIM manages through performing contracted brokers' financial instrument portfolio management services.

Before the aforementioned increase of share, Pioneer Pekao Investment management S.A.'s clients held 20,812,889 shares of Echo Investment S.A. on their accounts covered by the management agreement, forming 4.96% of the Issuer's share capital. These shares carried 20,812,889 votes, constituting 4.96% of the total number of votes at the Issuer's general meeting of shareholders.

On December 10, 2008 there were 21,035,115 shares of Echo Investment SA on all Pioneer Pekao Investment Management SA customers' securities accounts, forming 5.01% of the Issuer's share capital. These shares carried 21,035,115 votes, constituting 5.01% of the total number of votes at the Issuer's general meeting of shareholders.

Pioneer Pekao Investment Management S.A. further informs that all clients of Pioneer Pekao Investment Management S.A. with respect to portfolios managed by PPIM have become the shareholders holding the aforementioned number of votes exceeding 5% of the total number of votes at the Issuer's general meeting of shareholders.

On December 24, 2008 the Company received a notice dated December 24, 2008, whereunder Magellan Pro-Equity Fund I S.A., acting pursuant to Article 69 clause 2 clause 1) of the Act of July 29, 2005 on Public Quotation and Conditions of Introduction of Financial Instruments to Organized Trade, and on Public Companies, hereby informs that on December 23, 2008 Magellan Pro-Equity Fund I S.A. received a decision of the District Court in Kielce, 10th Economic Department of the National Court Register, on registration as on December 23, 2008 of a merger of Magellan Pro-Equity Fund I S.A. and Columbus Pro-Equity Fund II Sp. z o.o., as a consequence whereof Magellan Pro-Equity Fund I S.A. took over the assets of Columbus Pro-Equity Fund II Sp. z o.o. Both the aforementioned companies are subsidiaries wholly owned by Mr. Michał Solowow. The above mentioned incident has led to an increase in the voting rights held by Magellan Pro-Equity Fund I S.A. in the total number of votes at the General Meeting of Shareholders of Echo Investment S.A.

As at the effective date of this report, Magellan Pro-Equity Fund I S.A. holds 141,409,680 shares of Echo Investment S.A., corresponding to 33.67% of the share capital and carrying 141,409,680 votes at the General Meeting of Shareholders, i.e. 33.67% of the total number of votes at the General Meeting of Shareholders of Echo Investment SA.

Before December 23, 2008, Magellan Pro-Equity Fund I S.A. held 104,329,680 shares of Echo Investment S.A., corresponding to 24.84% of the share capital and carrying 104,329,680 votes at the General Meeting of Shareholders, i.e. 24.84% of the total number of votes at the General Meeting of Shareholders of Echo Investment SA.

On December 30, 2008 the Company received a notice dated December 30, 2008, whereunder Mr. Michał Solowow, acting pursuant to Article 69 clause 2 clause 2) of the Act of July 29, 2005 on Public Quotation and Conditions of Introduction of Financial Instruments to Organized Trade, and on Public Companies, hereby informs that his balance of voting rights at the General Meeting of Shareholders of Echo Investment SA has been increased by at least 1% of the total number of votes after the entry made on December 29, 2008 in the securities account as a result of acquisition of shares of Echo Investment SA.

As at the effective date of this report, Mr. Michał Solowow holds:

- directly: 16,591,450 shares of Echo Investment SA, corresponding to 3.95% of the share capital and carrying 16,591,450 votes at the General Meeting of Shareholders, i.e. 3.95% of the total number of votes at the General Meeting of Shareholders of Echo Investment SA,
- indirectly 153,325,130 shares of Echo Investment SA, corresponding to 36.51% of the share capital and carrying 153,325,130 votes at the General Meeting of Shareholders, i.e. 36.51% of the total number of votes at the General Meeting of Shareholders of Echo Investment SA.

Directly and indirectly, Mr. Michał Solowow holds a total of 169,916,580 shares of Echo Investment SA, corresponding to 40.46% of the share capital and carrying 169,916,580 votes at the General Meeting of Shareholders, i.e. 40.46% of the total number of votes at the General Meeting of Shareholders of Echo Investment SA.

According to the last report dated February 15, 2007, Mr. Michał Sołowow held a total of 164,809,630 shares of Echo Investment SA, corresponding to 39.24% of the share capital and carrying 164,809,630 votes at the General Meeting of Shareholders, i.e. 39.24% of the total number of votes at the General Meeting of Shareholders of Echo Investment SA.

As at February 15, 2007, Mr. Michał Sołowow was holding:

- directly: 11,855,680 shares of Echo Investment SA, corresponding to 2.82% of the share capital and carrying 11,855,680 votes at the General Meeting of Shareholders, i.e. 2.82% of the total number of votes at the General Meeting of Shareholders of Echo Investment SA,
- indirectly 152,953,950 shares of Echo Investment SA, corresponding to 36.42% of the share capital and carrying 152,953,950 votes at the General Meeting of Shareholders, i.e. 36.42% of the total number of votes at the General Meeting of Shareholders of Echo Investment SA.

## 22. Information about a system of control of matching shares programs

No matching share program is functioning in the Company.

## 23. Contract with certified auditor of financial statements for audit or review of the financial statements or consolidated financial statements

On August 5, 2008, the Issuer's Supervisory Board, acting pursuant to paragraph 13 clause 1 letter b of the Company Articles, and paragraph 2 clause 1) chapter IV of the Regulations of the Supervisory Board of the Company, in accordance with valid laws and professional standards, selected a company certified to audit financial statements.

The company authorized to audit the Company's financial statements is PricewaterhouseCoopers Sp. z o.o. of Warsaw, ul. Armii Ludowej 14, registered on the list of certified auditors of financial statements maintained by the National Board of Chartered Accountants with registration number 144 (Chartered Accountant), who has signed a contract for audit and review of the financial statements of Echo Investment in 2008.

Echo Investment S.A. had not previously hired the Chartered Accountant to audit or review its financial statements. PricewaterhouseCoopers Sp. z o.o. had been providing consulting services for the Issuer.

The financial statements of the Company and of Echo Capital Group for 2007 were audited by BDO Numerica Sp. z o.o. audit firm of Warsaw, ul. Postępu 12, National Board of Chartered Accountants' registry number 523 (former name BDO Polska Sp. z o.o.).

The fee paid or payable to the certified auditor of financial statements of the Issuer and Echo Investment S.A. Capital Group for the financial year is:

1. payable for audit of separate and consolidated annual statements for 2008: PLN 160,000; fee paid for audit of the same statements for 2007: PLN 120,250.
2. for other certification services, including the fee payable for review of separate and consolidated financial statements for 2008: PLN 95,000, and fee paid for review of separate and consolidated financial statements for 2007: PLN 99,850.
3. for tax consulting services, including PLN 0 paid in 2008, and PLN 0 in 2007.
4. for other services, including PLN 25,000 paid or payable for 2008, and PLN 13,304.25 in 2007.

Kielce, April 30, 2009

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

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Piotr Gromniak  
President of the Management Board

Artur Langner

Vice-President of the Management Board

## STATEMENT OF THE MANAGEMENT BOARD

The Management Board of Echo Investment S.A. hereby declares that, to the best of its knowledge, the annual consolidated financial statements and comparative information have been prepared in accordance with valid accounting principles and they fairly, transparently and accurately present the Company's asset and financial condition and its financial result, and the annual management report contains a true presentation of the development, achievement and standing of the issuer's Capital Group, including a description of basic risks and threats.

The Management Board of Echo Investment SA further represents that PricewaterhouseCoopers Sp. z o.o. of Warsaw, which audited the annual consolidated financial statements, was selected in accordance with valid laws, and that both the firm and the chartered accountants carrying out the audit fulfilled the criteria for issuing an impartial and independent audit report, according to valid provisions of national legislation.

*Kielce, April 30, 2009*

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

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Piotr Gromniak  
President of the Management Board

Artur Langner

Vice-President of the Management Board

**STATEMENT**

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

**ON APPLICATION**

**OF CORPORATE GOVERNANCE PRINCIPLES**

April 30, 2009

## 1. Collection of corporate governance principles applicable to the issuer, location where the collection can be accessed by the general public.

Echo Investment S.A. (the Issuer) is under the obligation stipulated in paragraph 29 clause 5 of the Regulations of the Warsaw Stock Exchange, enacted under Resolution no. 13/1170/2007 of the Supervisory Board of the Warsaw Stock Exchange of July 4, 2007 and amended by way of subsequent Resolution no. 18/1176/2007 of October 23, 2007 and no. 20/1178/2007 of October 26, 2007, to the extent of application of corporate governance principles contained in "Good Practices of Public Companies Quoted at the Warsaw Stock Exchange".

A collection of the aforementioned principles is available at the Warsaw Stock Exchange website at <http://corp-gov.gpw.pl/> and on the Issuer's website, investor relations section: [http://www.echo.com.pl/rok\\_2008.php](http://www.echo.com.pl/rok_2008.php).

## 2. Scope of the issuer's deviation from the provisions of corporate governance principles collection, indication of the provisions not followed, and explanation of reasons for deviation.

### GOOD PRACTICES FOLLOWED BY MANAGEMENT BOARDS OF PUBLIC COMPANIES

#### Principle 1.

"The company should maintain a corporate website and publish the following data:

4) notice of the time and venue of a general meeting, agenda, draft resolutions with justifications, other available materials relating to the company's general meetings of shareholders, at least 14 days before the specified date of meeting".

This principle was not followed in 2008 in the part concerning 14-day term for publication of materials related to general meetings of shareholders on the corporate website. The company publishes notice of time and venue of each general meeting, the agenda, draft resolutions with justifications, and other available materials related to general meetings of shareholders on its corporate website within such times as stipulated in the regulations of the Minister of Finance of October 19, 2005 on Current and Periodical Reports Submitted by Issuers of Securities as applicable in 2008 (presently: Regulation of the Minister of Finance of February 19, 2009 on current and periodical information published by issuers of securities and principles of recognizing as equivalent information required by non-Member State legislations). The deadlines set out in the aforementioned Regulations are satisfactory for anyone willing to acquaint themselves with the respective materials.

#### Principle 1.

"The company should maintain a corporate website and publish the following data:

6) Annual reports on the activity of the supervisory board, accounting for the works of its committees, including evaluation of supervisory board's work, internal controlling system and significant company risk management system as submitted by the supervisory board".

This principle was not applied in 2008 in the part regarding reports on the committees' works and evaluation of the internal controlling system and significant company risk management system. No committees have been established within the Supervisory Board's operations. As there is no internal controlling system or a significant corporate risk management system in the Supervisory Board's range of competence, the Supervisory Board has not presented an assessment of such systems in the annual report of the supervisory board.

**Principle 1.**

**"The company should maintain a corporate website and publish the following data:**

**7) Shareholders' inquiries concerning issues put on the agenda, raised before and during the general meeting, with responses given".**

This principle was not followed in 2008. The Company did not maintain a detailed record of General Meetings of Shareholders that would include all statements and inquiries. The chairperson of the given General Meeting of Shareholders decides about including particular issues in minutes, acting in pursuance of the law, according to importance of the given issue and on the basis of shareholders' reasonable demands. Participants of the General Meeting of Shareholders, in compliance with the Code of Commercial Partnerships and Companies and the Regulations of the General Meeting of Shareholders, may lodge written statements further attached to minutes of meetings. The Company concedes that such rules ensure sufficient transparency of general meetings.

**Principle 1.**

**"The company should maintain a corporate website and publish the following data:**

**11) Information obtained by the management board on the basis of a supervisory board member's statement on a supervisory board member's affiliation to the shareholder holding a stake of not less than 5% of the total number of votes at the general meeting of the company".**

The above principle was not followed by the Management Board of Echo Investment SA in 2008 because the Management Board of the Company did not receive any such representations from members of the Supervisory Board.

**Principle 3.**

**"Before the company executes a significant contract with an affiliated entity, the management board shall request the supervisory board's approval of such transaction/contract. The above obligation shall not apply to typical transactions executed at arm's length in the range of the company's operating activities with a subsidiary where the company holds a majority capital share. For purposes of this collection of principles, definition of an affiliated company shall apply within the meaning of the Regulation of the Minister of Finance as of October 19, 2005, on current and periodical information published by issuers of securities."**

This principle was not followed in 2008. In the opinion of the Management Board of the Company, the regulations contained in valid provisions of the law, in combination with the Articles and Regulations of the Supervisory Board of the Company concerning transactions/contracts made with affiliated organizations, are sufficient. Moreover, the Supervisory Board's range of competence includes continuous monitoring of the Company's operations, including decisions concerning all significant contracts of the Company, in application of such contracts' value criteria as specified in the Company Articles.

**Principle 5.**

**"Draft resolutions of the general meeting should be justified, except for technical and formal resolutions and typical resolutions enacted in the course of proceeding by the general meeting. In consideration of the foregoing, the Management Board should present the justification or request such justification from the party requesting that the given issue be put on the agenda of the general meeting."**

The above principle was not followed in 2008. The obligation of justifying resolutions of the General Meeting of Shareholders introduced by way of the above principle arises potential claims of the justification being inappropriate, too short or otherwise unsatisfactory to a shareholder. In order to minimize the risks related to non-application of the above principle, the Management Board of the Company is going to present justifications of draft resolutions before and during the General Meeting of Shareholders to all the shareholders of the Company that are interested.

## GOOD PRACTICES FOLLOWED BY SUPERVISORY BOARD MEMBERS

### Principle 1.

**"Apart from activities stipulated by valid laws, the supervisory board should:**

**1) prepare and present to the ordinary general meeting of shareholders a yearly concise evaluation report on the condition of the company, including assessment of the internal controlling system and the important company risk management system."**

This principle was not applied in 2008 in the part concerning evaluation of systems. As there is no internal controlling system or a significant corporate risk management system, the Supervisory Board is not going to present an assessment of such systems to the ordinary general meeting of shareholders.

### Principle 2.

**"Each supervisory board member should communicate to the management board of the company the scope of their affiliation to a shareholder holding a stake of not less than 5% of the total number of votes at the general meeting. The above obligation refers to economic, family and other relationships that might affect the supervisory board member's opinion on the issue being resolved by the board."**

The above principle was not applied by the Supervisory Board of Echo Investment SA in 2008. The above principle is redundant in the context of exclusion of a Supervisory Board member from participation in the Board's decisions in case conflicting interests occur. The only criterion appropriate and sufficient in view of valid laws is the criterion of purpose and intended and actual consequence of the actions of a Supervisory Board member. Such criterion is the acting for the benefit of the Company and the shareholders and responsibility for any possible actions to the detriment of the Company or the shareholders.

### Principle 6.

**"At least two members of the supervisory board should fulfill the criteria of independence on the company and entities in significant affiliation to the company. Regarding the supervisory board members' independence criteria, Appendix I to the Commission Recommendation of 15 February 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board should apply. Notwithstanding the provisions of sub-clause b) of the aforementioned Appendix, a person employed by the company, its subsidiary or associated company cannot be considered compliant with the independence criteria mentioned in the Appendix. Another type of affiliation to shareholder precluding the supervisory board member's independence attribute within the meaning of this principle is a true and significant relationship with a shareholder entitled to execute 5% or more of the total number of votes at the general meeting of shareholders."**

The above principle was not applied by the Supervisory Board of Echo Investment SA in 2008. In accordance with valid laws, Supervisory Board members are appointed at the sovereign discretion by the General Meeting of Shareholders of the Company. In view of the foregoing, no grounds exist for restricting the Meeting's freedom in electing members of the Supervisory Board of the Company. In addition, the "independence" criterion does not properly determine the positions and criteria that should be followed by a Supervisory Board member in taking their decisions in the course of performing their functions. For the very reason of the Board member being appointed and possibly recalled by shareholders and the essence of their function of representing the shareholders, this criterion is unrealistic and unclear. In the opinion of the Company, "independence" of members of the Company's bodies should mean their opportunity and necessity to act within the limits of valid laws and for the Company's interests, such independence being fully respected by the Company.

**Principle 7.**

**"At least one audit committee should operate within the supervisory board. At least one member of such committee should be independent on the company or entities remaining significantly affiliated to the company, competent in accounting and finance. In those companies where the supervisory board comprises the minimum number of members required by law, duties of this committee may be executed by the supervisory board."**

The above principle was not followed in 2008 because no committees are present within the Supervisory Board structures. The Company is of the opinion that appointment of committees within the Supervisory Board would be unjustified. Regarding all issues in such committees' ranges of competence, the Supervisory Board of the Company acts and takes decisions jointly. The Supervisory Board is composed of members having relevant knowledge and competence in this respect.

**Principle 8.**

**"Regarding the tasks and functioning of committees operating within the supervisory board, Appendix I to the Commission Recommendation of 15 February 2005 on the role of non-executive or supervisory directors (...) should apply."**

The above principle was not followed in 2008 by the Supervisory Board of Echo Investment SA because principle no. 7 of Part III "Good practices applied by supervisory board members" does not apply. No committees exist within the Supervisory Board.

**Principle 9.**

**"Effecting by the company of a contract/transaction with an affiliated company complying with the conditions mentioned in Section II clause 3 shall require the supervisory board's approval."**

The above principle was not followed in 2008. The regulations contained in valid provisions of the law, in combination with the Articles and Regulations of the Supervisory Board of the Company concerning transactions/contracts made with affiliated organizations, are sufficient. The Supervisory Board's range of competence includes continuous monitoring of the Company's operations, including decisions concerning all significant contracts of the Company, in application of such contracts' value criteria as specified in the Company Articles.

The Corporate Governance Principles contained in the document entitled "Good Practices in Public Companies Quoted at the Warsaw Stock Exchange", which have been accepted by the Company and which the Company was ready to follow, were duly complied with by the Company in 2008.

### **3. Description of the main features of internal controlling and risk management systems applied at the issuer's enterprise with respect to the process of preparing financial statements and consolidated financial statements.**

The Management Board of the Company is responsible for the internal controlling system at the Company and for efficient operation of that system in the process of preparing periodical financial statements and reports, which are developed and published in accordance with the Regulation of the Minister of Finance as of October 19, 2005, on current and periodical information published by issuers of securities (Journal of Laws of 2005 no. 209 item 1744).



The following are classified as important aspects of the internal controlling and risk management systems applied by the Company, which guarantee proper efficiency of the financial reporting process:

- determined structures, ranges of competence and assignment of tasks during preparation of financial statements,
- determined ranges of competence and scope of financial reporting,
- regular evaluation of the Company's activity on the basis of financial reports,
- verification of the Company's financial statements by an independent chartered accountant,
- making estimations of key importance for the financial statements,
- analysis, process controlling and risk management process.

The persons responsible for preparing financial statements, periodical financial reports and daily management reports of the Company belong to a highly qualified team of the Financial Division, headed by the Financial Director, the Managing Director, and the Management Board of the Company.

The Company's financial statements are prepared by a team of Financial Division employees, supported by persons in charge of reporting and reports control issues. The entire process is supervised by medium level management of the Financial Division. The complete financial statements are reviewed by the Company's Financial Director before submission to an independent auditor.

According to valid laws, the Company has its financial statements reviewed or audited accordingly by an independent chartered accountant with recognized high qualifications.

The Company's financial and accounting system provides a source of data for the financial statements and periodical reports, as well as monthly management and operating reports used in the Company. When all the predetermined book closing processes are completed at the end of each consecutive month, detailed financial and operating management reports are developed. These are analyzed in detail by middle and senior management of individual units of organization of the Accounting Department and afterwards by the Budgeting and Forecasting Department. In respect of completed reporting periods, the Company's financial results are studied in detail in comparison to budgetary assumptions and forecasts developed during the month preceding the reporting period under consideration. Because of certain trade specific qualities of the industry, not only particular cost groups are analyzed, but also individual investment projects, separately and against the background of the entire segment.

Any deviations found are properly clarified and any possible errors are corrected on a regular basis in the Company's ledgers, in accordance with the applied accounting policy.

The key activity for the Company, reducing its exposure to market risk, is the proper assessment of potential investments along with control over running investments on the basis of investment models and decision-making procedures developed by the Company, the compliance wherewith is under special scrutiny of the Project Analysis and Controlling Department and the Financial Director of the Company.

The Company updates its mid-term plan every year. A detailed operating budget and financial budget is also created every year, including in particular:

- a budget for construction projects,
- a budget for operation & maintenance projects,
- a budget related to overheads,
- financial statements forecast.

This process, based on formal principles existing within the Company and led by the Management Board, involves middle and senior management of the Company. The annual budget prepared for the consecutive year is approved by the Management Board of the Company.

The above mentioned budgets and forecasts are regularly controlled and any deviations from plan are duly monitored.

During the year, the Management Board of the Company analyzes the current financial results and compares them with the budget using management reporting system applied by the Company, which is based on the Company's accounting policy (the International Financial Reporting Standards), accounting for the format and detail of financial data presented in the Company's and the Group's periodical financial statements.



The Company applies consistent accounting principles in presenting the financial data in financial reports, periodical financial reports and management reports.

Risk management takes place in the Company through identification and assessment of risk areas for all sectors of the Company's and the Group's activity, involving defining of activities necessary for reducing or eliminating that risk.

**4. Indication of shareholders holding significant stakes of Echo Investment S.A.'s shares, whether directly or indirectly, including the number of shares held by these shareholders, their percentages in the share capital, number of votes carried by such shares, and percentages of these votes in overall number of votes at the general meeting of shareholders.**

The following shareholders, directly or indirectly through subsidiaries, held at least 5% of the total number of votes at the general meeting of Echo Investment S.A. as at December 31, 2008:

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 the total number of votes at the General Meeting of Shareholders of Echo Investment S.A.
Michał Sołowow (directly and indirectly)	169 916 580	40,46%	169 916 580	40,46%
OFE ING*	41 070 350	9,78%	41 070 350	9,78%
OFE PZU Złota Jesień*	41 066 860	9,78%	41 066 860	9,78%
Commercial Union OFE*	37.812.146	9,00%	37.812.146	9,00%
Pioneer Pekao Investment Management S.A.	21 035 115	5,01%	21 035 115	5,01%

\* Balance according to annual structure of investment portfolios of the OFEs (Open Pension Funds) as at December 31, 2008

**5. Holders of any securities carrying special controlling privileges, including a description of such privileges.**

Securities issued by Echo Investment S.A. do not carry any special controlling privileges for the holders.

**6. Specification of any restrictions as to exercise of voting rights, such as limitation on exercising voting rights by holders of a specific percentage or number of votes, time limitations applicable to exercising the voting rights, or regulations whereunder equity rights involved in securities are distinguished from holding securities, with the company's cooperation.**

Echo Investment S.A. does not know of any limitations as to exercising of voting rights by holders of the Issuer's securities.

## **7. Specification of any restrictions concerning assignment of ownership rights to the issuer's securities.**

Echo Investment S.A. does not know of any limitations as to transferring of ownership rights to the Issuer's securities.

## **8. Rules of appointing and dismissing managing and supervising persons. Ranges of authority, specifically including the right to take decisions on issue or redemption of shares.**

### **8.1. Rules of appointing and dismissing members of managing bodies**

These principles are regulated by the Polish Code of Commercial Partnerships and Companies, and by Company Articles of Echo Investment S.A. The Management Board as a whole and the individual members thereof shall be appointed and suspended by the Supervisory Board, who shall elect the President of the Management Board and the Vice-President of the Management Board.

The term of office of the first Management Board shall last two years and the terms of office of the subsequent Management Boards shall last three years, where management board members shall be appointed for a common term of office, which shall not preclude the right to early dismissal of each of the Management Board members. The terms of office of the Management Board members shall elapse on the day of a General Meeting of Shareholders that is held for the purpose of approving of a financial statement for the final year of the term of the Management Board. The Management Board or its individual members can be

dismissed by the Supervisory Board before expiry of their terms of office, including specifically upon written request of shareholders representing at least 1/3 of the share capital or if the Ordinary General Meeting of Shareholders passes a resolution on refusal to grant a vote of acceptance to the Management Board on account of performance of its duties during the completed financial year.

### **8.2. Authorizations of members of managing bodies**

Authorizations of managing bodies members are regulated by the Company Articles of Echo Investment SA. The Management Board members shall represent the Company in front of authorities, offices and third parties, during proceedings in court, state authorities and offices. Statements shall be made in the name of the Company by two members of the Management Board acting jointly, or by one Management Board member acting jointly with the Procurator. Incurring liabilities by persons authorized to make statements in the name of the Company for amounts exceeding 20% of the Company's ownership capitals shall require prior written consent of the Supervisory Board. The Management Board shall handle all current issues of the Company in the range not reserved by the provisions of the Code of Commercial Partnerships and Companies or of the Company Articles for the General Meeting of Shareholders or the Supervisory Board.

Decisions regarding issue and redemption of shares are regulated by the provisions of the Polish Code of Commercial Partnerships and Companies.

## **9. Rules of amending the Company Articles or the Company Deed of the Issuer.**

The rules of amending the Company Articles or Company are regulated by the provisions of the Polish Code of Commercial Partnerships and Companies.

An amendment to the company articles shall require a resolution of a general meeting of shareholders of Echo Investment S.A. and registration at the National Court Register (KRS). The Management Board of the Company shall notify such change to the registration court within not more than three months of enacting the relevant resolution by the general meeting of shareholders, with due consideration of Article 431 paragraph 4 and Article 455 paragraph 5.

Together with entry of amendment of Company Articles, any change of Company data notified to the registration court shall also be recorded at the National Court Register.

The general meeting of shareholders shall authorize the Supervisory Board to put together the uniform text of amended company articles or to make such other editorial changes as may be defined in the resolution of a general meeting.

**10. Functioning of the general meeting of shareholders, substantial range of authority of the general meeting, description of shareholders' rights and methods of exercising these rights, with special considerations of rules arising from the regulations of the general meeting.**

The General Meeting of Shareholder (the General Meeting) is the ultimate body of the Company, competent in adopting most important resolutions on the form and operation of the Company, acting pursuant to the Act of September 15, 2000 – Code of Commercial Partnerships and Companies (Journal of Laws 2000 No. 94 item 1037, as amended), the Company Articles, and Regulations of General Meetings of Shareholders of Echo Investment SA, which were enacted by the Ordinary General Meeting of Shareholders of the Company on May 30, 2006.

The General Meeting may be ordinary or extraordinary. The General Meeting of Shareholders operates in a manner and according to principles set out in the Code of Commercial Partnerships and Companies and in the provisions of the Company Articles and Regulations of the General Meeting of Shareholders of Echo Investment SA.

An Ordinary Meeting of Shareholders shall be convened by the Management Board of the Company, not later than 6 (six) months after the end of each financial year. An Extraordinary General Meeting is convened by the Management Board at its own initiative or upon written request of the Supervisory Board, or upon written request of shareholders representing at least 10% (ten percent) of the share capital. A Meeting should be convened by the Management Board within two weeks following the date of submission of a motion by the Supervisory Board or by shareholders, for a date set out in the motion, or if meeting such deadline encounters major obstacles, at the closest possible date enabling settlement of issues on the agenda by the General Meeting.

An Extraordinary General Meeting can be convened by the Supervisory Board in the following cases:

- the Management Board failed to convene an Ordinary Meeting of Shareholders within six months after the end of each financial year,
- the Management Board failed to convene an Extraordinary General Meeting of Shareholders within two weeks of the date of a motion being lodged by the Supervisory Board or by the shareholders, on such date as specified in the motion.

The demand to convene a General Meeting and to put certain issues on the agenda, filed by authorized entities mentioned above, should be justified. Such demand should also include draft resolutions proposed for passing by the General Meeting.

General Meetings of Shareholders of Echo Investment SA are held at the registered seat of the Company or in any other place in the territory of the Republic of Poland, as indicated in the announcement of a General Meeting. General Meeting shall be held at such time as specified in the announcement published in Monitor Sądowy, in compliance with valid legislation. A General Meeting shall be called by means of an announcement made no later than three weeks before the date of the General Meeting. The announcement shall state the date, time and venue of the General Meeting and a detailed agenda.

Draft resolutions proposed for passing by the General Meeting, as well as other important materials are presented to the shareholders (if this is required by the Company Articles or commonly applied laws, with justification and opinion of the Supervisory Board) before the General Meeting, at a time and place convenient for becoming familiar with and evaluation of such materials. Draft resolutions should be formulated briefly and clearly.

The agenda of the General Meeting is determined by the body convening the Meeting. If the General Meeting is convened by the Management Board, the Board shall determine the agenda in collaboration with the Supervisory Board. The Supervisory Board and the shareholders representing at least 10% (ten percent) of the initial capital may demand that certain issues be put on the next Meeting of Shareholders' agenda. A request to this effect shall be submitted in writing to the Management Board no later than one month before the proposed date of general meeting. The Meeting of Shareholders may only adopt legally effective resolutions on matters included in the agenda, unless the entire share capital is represented at the general meeting and none of those present have objected to adopting the resolution. The following may still be passed: a motion on calling an extraordinary general meeting and motions on the order of proceedings may be adopted even if not included in the agenda.

A General Meeting can be attended by any shareholder conforming to the requirements stipulated in Article 406 paragraph 3 of the Code of Commercial Partnerships and Companies. A General Meeting is composed of shareholders who arrived to the meeting and participate therein. A shareholder may participate in the General Meeting and exercise his or her voting right personally or by statutory representatives or proxies. Power of attorney should be granted in writing under pain of invalidity by authorized persons according to a copy of a relevant register (not older than 3 months following the Meeting date, the original copy whereof is enclosed to the power of attorney) or, in case of natural persons, in accordance with the provisions of the Civil Code, and enclosed to the Minutes of the meeting. It is implied that a written document confirming the power to represent a shareholder at a General Meeting conforms to the valid laws and does not require any further permits, unless its authenticity or validity arises justified doubts of the Management Board of the company (when entering into the attendance list) or of the chairperson of the General Meeting.

Shareholders of the company shall participate in the General Meeting if, at least one week before the General Meeting, they put down with the company registered certificates of deposit issued by a subject operating the securities account pursuant to provisions of the Act on Trade of Financial Instruments.

A list of shareholders entitled to participate in the General Meeting, signed by the Management Board, stating the forenames and surnames or names (business names) of the entitled persons, their place of residence (seat), number of shares and the number of votes carried by those shall be laid out in the head office of the Company for at least three working days prior to the General Meeting. Natural persons may state their address for service of process in lieu of the place of residence. Each shareholder or his proxy may study the list of authorized persons and demand issue of a copy of such list and copies of motions on issues covered by the agenda, against return of costs of preparing such documents.

The Management Board shall present the persons invited to the General Meeting. The Management Board shall invite chartered accountants to the General Meeting if the meeting is dedicated to financial issues of the Company. Members of the Supervisory Board, Management Board members and the company's chartered accountant should, within their respective ranges of competence and in a field required for settlement of issues discussed by the General Meeting, provide the participants of the meeting with explanations and information concerning the Company, in consideration of the fact that the Company executes its communication obligations in accordance with valid acts of law and information may not be dissolved otherwise than according to such provisions.

A General Meeting shall be opened by the Chairperson or Deputy Chairperson of the Supervisory Board, a Management Board Member, or another person indicated by the Chairperson of the Supervisory Board, or, if the foregoing persons are absent, the shareholder present at the General Meeting representing the largest part of the Company's share capital. A Management Board Member's or Supervisory Board Member's absence at the General Meeting needs to be justified if not resulting from the necessity to handle the

Company's business. The person authorized to open the General Meeting shall first hold an election of a Chairperson of the Meeting among persons with a right to vote, refraining from any other substantial or formal decisions. He or she may take decisions on the order of proceedings or announce a ballot for this purpose.

The Chairperson of the General Meeting shall ensure efficient proceeding with the meeting and respect to the rights and interests of all shareholders. The chairman should counteract, in particular, the abuse of rights by the participants of the assembly and should guarantee that the rights of minority shareholders are respected. Without good reasons, the Chairperson should not quit his post and may not delay signing the minutes of the General Meeting without justification.

A General Meeting convened by shareholders pursuant to a court ruling shall be opened by a person appointed by the court as Chairperson of the Meeting. This person shall chair the Meeting.

The Chairperson shall be elected in secret ballot. Only one natural person can be elected chairperson of the Meeting, such person being a shareholder or a shareholder's statutory representative or proxy. Should this prove necessary and justified by the needs of the Meeting, a Deputy Chairperson or Deputy Chairpersons can be appointed.

The Chairperson of the General Meeting chairs the meeting in a manner ensuring efficient and lawful proceeding and passing resolutions on the agenda. In particular, the Chairperson takes the following actions:

- signs the attendance list immediately after taking up the chair and orders laying out the list for public review,
- states that the General Meeting has been properly convened;
- submits the announced agenda to voting,
- gives the floor to participants of the meeting, members of the Company's bodies and invited guests,
- participates in editing the contents of motions subjected to voting if necessary,
- summons voting, notifies the shareholders of the voting principles and manner of taking resolutions,
- announces voting results,
- makes it possible for persons objecting to the resolutions to present their arguments and brief justification of their objections;
- supervises the work of the secretary's office keeping the attendance list, as well as the work of appointed committees of the Meeting and auxiliary personnel,
- takes decisions on the order of proceedings.
- includes a written statement of any participant of the General Meeting, upon such participant's request
- closes the General Meeting after completion of the agenda.

In certain justified cases, the Chairperson may announce short breaks in the meeting, not forming a delay of the meeting. Such breaks may not be aimed at preventing shareholders from executing their rights.

Immediately after the attendance list has been signed, the Chairperson shall order its exhibition for review by shareholders. The attendance list shall contain a list of participants of the General Meeting, i.e. shareholders, statutory representatives and proxies of shareholders, specifying the number of shares and corresponding votes.

At the request of shareholders holding one-tenth of the initial capital represented at the General Meeting, the list of attendance shall be verified by a commission elected for this purpose, composed of no less than three members. The persons making the request are entitled to elect one commission member. An interested shareholder may appeal against the decision of such committee to the General Meeting. Each person authorized to attend the General Meeting should sign the attendance list, while statutory representatives and proxies of authorized shareholders should submit original written copies of their powers of attorney. The attendance list is available for review throughout the entire Meeting.

A shareholder omitted in the list of shareholders should be added to the list if such shareholder has come to the General Meeting and can document his or her right to participate in the meeting. The list should be supplemented accordingly if next shareholders authorized to participate in the Meeting arrive after signing of the list by the Chairperson. If an attendant of the Meeting quits the meeting, or if a shareholder entered in the list is refused his right to participate in the Meeting for reason of implied missing authorization, the list should be corrected accordingly through deleting such a person from the list.



A General Meeting may be held as a valid meeting and take legally effective resolutions regardless of the number of shareholders present or shares represented at the Meeting, save when the Code of Commercial Partnership and Companies or other commonly applied laws state otherwise.

Voting at the General Meeting shall be open. Secret voting shall be ordered on elections and on motions for recalling members of the Company's bodies and liquidators, for proceeding against them, as well as on personal matters. Furthermore, secret voting shall be ordered should at least one shareholder present or represented at the General Meeting so require.

Resolutions at the General Meeting shall be taken by an absolute majority of votes present, unless the provisions of the Code of Commercial Partnerships and Companies or of the Company Articles require a different majority for efficient passing of specific resolutions. Resolutions should be formed so that each authorized participant who does not agree with the clue of the decision forming the subject-matter of a resolution could appeal against such resolution.

Qualified majority, i.e. 3 (three fourth) of all votes, is required for passing resolutions on the following issues:

- 1) change of the Company Articles, including issue of new shares;
- 2) issue of convertible bonds and bonds with pre-emptive right to take up shares;
- 3) redemption of shares;
- 4) reduction of initial capital;
- 5) transfer of the Company's enterprise or an organized part thereof;
- 6) merger with another company;
- 7) dissolution of the Company;
- 8) continuation of the Company despite occurrence of circumstances justifying its dissolution and liquidation; and possibly also on other issues stipulated in absolutely valid rules of law.

A majority of 2/3 (two thirds) of votes is required for resolutions on major changes in the scope of the Company's operations. The said resolution must be taken in the presence of shareholders representing no less than half of the share capital.

Voting at the General Meeting can be held using an electronic vote counting device.

The following issues are included in particular in the exclusive range of competence of the Ordinary General Meeting:

- review and approval of the Company's financial statements for the preceding financial year;
  - review and approval of the Management Board's report on the Company's operations during the preceding financial year;
  - passing a resolution on distribution of profit or coverage of loss for the preceding financial year;
- granting vote of acceptance to the bodies of the Company, confirming the discharge of their duties during the last financial year

The powers of the General Meeting shall also include all other matters thus reserved by the Company Articles, namely the appointment, dismissal and suspension of members of the Supervisory Board and passing resolutions on determining the right and receipt of a dividend, the manner of receiving whereof shall be determined by the Management Board. The General Meeting of Shareholders may decide through a resolution on exclusion of annual profits of the Company from distribution between shareholders and leaving the said profits in the Company for purposes of its current operations. The Ordinary General Meeting of Shareholders shall set out the dividend day through a resolution. The dividend day may not be established later than within three months following the date of passing a resolution by the General Meeting of Shareholders on allocation of profit to distribution between shareholders.

The General Meeting shall be entitled to adopt a resolution on a change of the Company's scope of operation, without necessarily redeeming the shares of such shareholders that do not consent to such change. The said resolution must be taken by a majority of two-thirds of votes in the presence of shareholders representing no less than half of the share capital.

Apart from the foregoing issues, the range of competence of the General Meeting primarily includes all issues reserved thereto by the Code of Commercial Partnerships and Companies, and other valid legal regulations.

A General Meeting, whereof the agenda contains specific issues upon authorizes entities' request or which was convened upon such request may only be cancelled upon the requesting parties' consent. A General Meeting can be canceled without the requesting parties' consent if it encounters extraordinary obstacles, such as force majeure circumstances, or if it is obviously pointless. In all other cases, a General Meeting can be canceled by the same body that has previously convened it. The manner of cancellation of a General Meeting is the same as the manner of convening such meeting, minimizing negative impact on the Company and the shareholders, no later than three weeks before the originally anticipated date. Change of the date of a General Meeting takes place in the same manner as cancellation thereof, even if the proposed agenda is not altered.

Resolutions of the General Meeting shall be recorded in minutes. Minutes of the General Meeting are drawn up by a notary public in the form of a notarial deed. Failure to fulfill this obligation will absolutely all resolutions.

Minutes of the General Meeting should contain:

- 1) statement of the General Meeting having been properly convened;
- 2) statement of the Meeting's capacity to adopt resolutions;
- 3) contents of resolutions passed by the General Meeting;
- 4) number of votes for each individual resolution;
- 5) recording any presented objections;
- 6) comments on whether the voting was held as an open or secret ballot, or in groups;
- 7) written statements of the participants of the General Meeting, provided that a relevant claim was submitted by a participant of the meeting and refers to significant issues subject to discussion of the General Meeting.

The Company shall bear the expenses for drawing up a notarial protocol. The following documents should be attached to the notarial protocol: documents of convening the General Meeting and proposed agenda, an attendance list signed by participants of the Meeting and by the chairperson, powers of attorney and other documents submitted by the shareholders' representatives. Regardless of the notarial deed, the Chairperson of the General Meeting may order preparation of a full protocol of the General Meeting, recording the progress of the Meeting and comments. The minutes shall be drawn by a minutes secretary appointed by the General Meeting.

Minutes of all General Meetings are included in the record of minutes kept by the Management Board. Each Shareholder, even if not attending the General Meeting, may view the Record of Minutes and demand issue all or part of the minutes against payment.

**11. Composition and changes in the composition during the last financial year, description of functioning of the managing bodies, supervisory bodies or administration bodies of the issuer, including any committees operating therewithin.**

**MANAGEMENT BOARD OF THE COMPANY – MEMBERS IN 2008**

As at December 31, 2008 and as on the publication date of the present report, the Management Board of Echo Investment SA was composed of the following Members:

1. Piotr Gromniak, President of the Management Board
2. Artur Langner, Vice-President of the Management Board

The composition of the Management Board changed in 2008. On May 29, 2008, the Supervisory Board of Echo Investment SA, acting pursuant to Article 368 paragraph 4 of the Code of Commercial Partnerships



and Companies, and paragraph 13 clause 1 letter a) of the Company Articles, with respect to approval by the Ordinary General Meeting of Shareholders of the Company of the financial statements for the last year of the Management Board's term of office and expiry of the Management Board members' term of office, appointed on May 28, 2008 Mr. Piotr Gromniak and Mr. Artur Langner as new members of the Management Board for the 3<sup>rd</sup> joint 3-year term of office.

On June 27, 2008 the Supervisory Board, acting pursuant to paragraph 14 article 1 of the Company Articles, passed a resolution on appointment of President and Vice-President of the Management Board of Echo Investment S.A. Mr. Piotr Gromniak was elected President of the Board and Mr. Artur Langner was elected Vice-President of the Board.

## MANAGEMENT BOARD OF THE COMPANY - RULES OF OPERATION IN 2008

The Management Board of Echo Investment SA acts pursuant to the provisions of the Act – Code of Commercial Partnerships and Companies (Journal of Laws No. 94, item 1037, as amended), the Company Articles, the Regulations of the Management Board of Echo Investment SA as approved by way of Resolution of the Supervisory Board of the Company of May 14, 2005, and on the basis of generally applicable "Good Practices in Public Companies 2005".

The Management Board of the Company may consist of one or more members. The Management Board as a whole and the individual members thereof shall be appointed and suspended by the Supervisory Board, who shall elect the President of the Management Board and the Vice-President of the Management Board. The term of office of the first Management Board shall last two years and the terms of office of the subsequent Management Boards shall last three years, where Management Board members shall be appointed for a common term of office, which shall not preclude the right to early dismissal of each of the Management Board members. The terms of office of the Management Board members shall elapse on the day of a General Meeting of Shareholders that is held for the purpose of approving of a financial statement for the final year of the term of the Management Board. Members of the Management Board can be reelected to the Management Board for consecutive terms of office. The Supervisory Board may dismiss the Management Board or its individual members before expiry of their terms of office, including specifically upon written request of shareholders representing at least 1/3 of the share capital or if the Ordinary General Meeting of Shareholders passes a resolution on refusal to grant a vote of acceptance to the Management Board on account of performance of its duties during the completed financial year. Persons that are not shareholders of the Company can be appointed as members of the Management Board of the company.

The Management Board shall represent the Company in front of authorities, offices and third parties, during proceedings in court, state authorities and offices. A Procurator can also be appointed on behalf of the Company in the said range. Statements shall be made in the name of the Company by two members of the Management Board acting jointly, or by one Management Board member acting jointly with the procurator. Members of the Management Board shall perform their functions only in person.

The detailed methods of functioning of the Management Board shall be set out in the Regulations for the Work of the Management Board, adopted by the Management Board and approved by the Supervisory Board.

Should an equal number of votes be cast when passing resolutions of the Management Board, the President of the Management Board shall have the casting vote.

The Management Board shall manage all current issues of the Company, subject to restrictions under the provisions of the Polish Code of Commercial Partnerships and Companies and under these Articles. The powers of the Management Board shall include acquisition or sale of a real property or a share in a real property, or a share in perpetual usufruct, subject to the provisions of Clause 13 section 1 letters d) and e) of the Articles. When executing the rights of the Meeting of Shareholders in subsidiaries, the Management Board shall be obliged to obtain prior consent of the Supervisory Board of the Company, also in case the

incurred liability or disposal of right by the subsidiary is supposed to exceed the limits set out in paragraph 13 clause 1 letter d) or letter e) of the Articles whereunder contracting debt by the Company in the amount exceeding 20% of the Company's equity shall require consent of the Supervisory Board.

In making decisions regarding matters of the Company, the Management Board must specifically act within the limits of justified economic risk, upon proper analysis and due consideration of all available information, studies and opinions, which, in the opinion of the Management Board, should be taken into account in view of the Company's interest.

In addition, the Management Board shall submit to the Supervisory Board of the Company motions regarding issues to be discussed by the General Meeting of Shareholders so that the Supervisory Board issues relevant opinions thereon. The Company shall publish information concerning such opinions immediately after receiving the same from the Supervisory Board of the Company.

In communications with the mass media, members of the Management Board may only give such information about the Company that is in the public domain. All announcement for the mass media regarding financial forecasts and strategies of the Company or the Management Board are reserved for the sole competence of the President of the Management Board or the Vice-President of the Management Board. Regarding all other business, all Members of the Management Board or other duly authorized persons may communicate with the media.

Sessions of the Management Board shall be held not less than once every month. These are chaired by the President of the Management Board. If the President is absent, then the meeting shall be chaired by the Vice-President of the Management Board and if both the President and the Vice-President is absent, then the meeting shall be chaired by that Member of the Management Board whose term of office in the Management Board of Echo Investment S.A. is the longest of all Members present. Meetings of the Management Board shall be held at the Company's registered office unless all members of the Management Board consent to the meeting being held at some other location. A meeting of the Management Board can be held as long as all Management Board Members have been notified thereof, and at least two members of the Management Board are present.

Meetings of the Management Board shall be convened by the President of the Management Board or any other member of the Management Board who considers it necessary.

Each Management Board member should be duly notified of the date and venue of meeting and of the agenda, at least 2 days before the envisaged session. The aforementioned notice may be delivered by phone, through the Office of the Management Board of the Company, or by e-mail, by facsimile, or in writing.

Management Board sessions may be held even if not formally convened when all members of the Management Board are present and none of those present have objected to holding the meeting or putting certain matters on the agenda.

It shall be permissible for the Management Board to adopt resolutions under the in-writing procedure or by using means of direct communication over distance, save that the work of the Management Board shall then be headed by the Management Board Member requesting enactment of the given resolution. This method shall not be acceptable if at least one Management Board Member objects thereto.

The Management Board takes decision by way of resolutions. The Management Board shall adopt resolutions by an absolute majority of votes. Should an equal number of votes be cast when passing resolutions of the Management Board, the President of the Management Board shall have the casting vote. If the President of the Management Board is absent, then the Vice-President of the Management Board shall have the casting vote. If both the President and the Vice-President of the Management Board are absent, then the Management Board member with the longest experience in the Management Board of the Company shall have the casting vote.

Management Board meetings shall be recorded in its minutes if and as required. Resolutions of the Management Board are recorded in the minutes as attachments, or contained in the wording of the minutes. Minutes should further include: the agenda, date and venue of the Management Board's meeting, full names of Management Board members present, number of votes cast for individual resolutions. The minutes must be signed by all Management Board members present at the meeting. Any possible different opinions of present members should be attached to minutes. Minutes shall be stored at the Office of the Management Board of the Company.

In 2008, when determining the strategic objectives and daily goals, the Management Board of the Company considered the Company's best interest in compliance with valid laws, also accounting for the interests of other stakeholders, namely the shareholders, partners, clients, employees and creditors of the Company.

While striving to ensure transparency and efficiency of the management system, the Management Board complied with the rules of professional conduct within the limits of justified economic risk, accounting for extensive ranges of available information, studies and opinions.

Salaries of Members of the Management Board were determined by the Supervisory Board on the basis of the responsibility and competence ranges of individual Management Board Members, accounting for the financial results earned by the Company while remaining in reasonable proportion to salaries paid to Management Boards of similar companies operating on the real estate market in Poland.

### **SUPERVISORY BOARD OF THE COMPANY - MEMBERS IN 2008**

As at December 31, 2008 and as on the publication date of the present report, the Supervisory Board of Echo Investment SA was composed of the following Members:

1. Wojciech Ciesielski, Chairman of the Supervisory Board
2. Andrzej Majcher, Deputy Chairman of the Supervisory Board
3. Mariusz Waniółka, Member of the Supervisory Board
4. Robert Oskard, Member of the Supervisory Board,
5. Karol Żbikowski, Member of the Supervisory Board
6. Tomasz Kalwat, Member of the Supervisory Board

The composition of the Supervisory Board of the Company did not change in 2008.

### **SUPERVISORY BOARD OF THE COMPANY - RULES OF OPERATION IN 2008**

The Supervisory Board of Echo Investment SA acts pursuant to the provisions of the Act – Code of Commercial Partnerships and Companies (Journal of Laws No. 94, item 1037, as amended), the Company Articles, the Regulations of the Supervisory Board of Echo Investment SA of June 26, 2003, and in compliance with generally applicable "Good Practices in Public Companies 2005".

The Supervisory Board shall be composed of no less than 5 (five) members appointed and recalled by the General Meeting for a period of three years, whereas the members of the Supervisory Board are appointed for a joint term, which shall not exclude the right to early dismissal of each member of the Supervisory Board. Members of the Supervisory Board can be reelected to the Supervisory Board for consecutive terms of office. The members of the Supervisory Board, the number and the names thereof, shall be individually determined through a resolution of the General Meeting. Unless the General Meeting of Shareholders determines the function of the given Board member at the time of appointment, the Supervisory Board shall elect the Chairperson and Deputy Chairperson of the Supervisory Board from among its members, through secret ballot. Members of the Supervisory Board shall perform their functions only in person.

Members of the Supervisory Board delegated to permanent individual supervision may not, without consent of the Company, involve themselves in a competitive business or participate in a competitive partnership or company, whether as partner in such partnership or as member of a body of such company, nor shall he be involved with another competitive legal person by sitting on its body. This prohibition shall apply equally to having interests in a competitive company, in the event that the Supervisory Board member should hold 10 per cent or more shares in it or have the right of appointing at least one member of the management board.

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

A Supervisory Board member may resign from his post before expiry of his or her term of office through filing a relevant statement to the Chairperson of the Supervisory Board. Should the Chairperson of the Supervisory Board wish to resign, he or she must file the relevant statement to his or her Deputy. A Board member should not resign from his or her function during a term of office if this could render the functioning of the board impossible, and, in particular, if it could hinder the timely adoption of an important resolution.

The term of office of a Supervisory Board member shall expire no later than on the day on which the General Meeting was convened to approve financial statements of the Company for the last full financial year in which the member served on the Supervisory Board (last year of the Board member's term of office). The term of office shall also expire if the Board member is deceased or dismissed, at the time of such event taking place. If, for reason of expiry of the terms of office of Supervisory Board members, the Board is composed of less than 3 persons, then the Supervisory Board may not pass any legally binding resolutions and the Chairperson of the Board or, if the Chairperson is absent, the Deputy Chairperson shall apply to the Management Board of the Company for immediately convening an Extraordinary General Meeting of Shareholders and including election of Board members in the agenda of the General Meeting.

A Supervisory Board member should most of all bear in mind the interests of the Company.

In communications with the mass media, members of the Supervisory Board may only give such information about the Company that is in the public domain. All official announcements for the mass media in relation to the Company or to the Board are reserved for the Chairperson of the Board or, if the Chairperson is absent, to the Deputy Chairperson of the Board.

The powers of the Supervisory Board shall include continuous supervision over the operations of the Company and other activities under the provisions of the Code of Commercial Partnerships and Companies and other acts of law. The Supervisory Board shall pass resolutions and issue opinions in matters reserved for its exclusive competence, pursuant to the provisions of the Company Articles and as stipulated by the Articles or other applicable legislation.

The Supervisory Board shall be specifically entitled to:

- assessment of the Company's financial statement for the last financial year,
- assessment of the Company's Management Report and Management Board's suggestions with respect to allocation of profit or coverage of loss,
- submission of written reports on the outcomes of the foregoing activities to the General Meeting of Shareholders,
- issuing opinions on the Management Board's motions to the General Meeting of Shareholders and expressing opinions and resolutions on any other business presented by the Management Board of the Company,
- appointment, dismissal or suspension of the Management Board of the Company as a whole, or individual members thereof,
- election of chartered accountant to audit financial statements of the Company, with whom the Management Board shall sign an appropriate agreement;
- consent to the Management Board entering into an agreement with sub-issuer, as mentioned in Article 433 paragraph 3 of the Code of Commercial Partnerships and Companies,
- giving a consent to incurring liabilities and disposal of rights in the field of issues incorporated in the range of current operations of the Company if the value of such liabilities exceeds 20 % of the Company's equity. In case of doubt on whether a given issue is incorporated in the range of current operations of the Company, the Supervisory Board shall be entitled to provide an interpretation thereof upon the Management Board's request. Such interpretation shall be binding upon the Management Board. The issues related to property trade shall be incorporated in the range of current operations of the Company,
- giving a consent to incurring liabilities and disposal of rights in the field of issues in excess of the range of current operations of the Company if the value of such liabilities exceeds 10% of the Company's equity capitals.

The Supervisory Board shall meet as required and at least three times in a single financial year. Meetings of the Supervisory Board shall be summoned by the Chairperson or his Deputy and shall take place at the



registered office of the Company or in another location stipulated by the Chairperson or his Deputy. Meetings of the Supervisory Board shall be convened upon the Chairperson's initiative or upon written request of the Management Board or a member of the Supervisory Board.

Meetings of the Supervisory Board summoned upon request of the Management Board or member of the Supervisory Board must be held within two weeks from the date of request.

Meetings are chaired by the Chairperson or, if absent, the Deputy Chairperson of the Board. If neither the Chairperson of the Board nor his deputy is present at a meeting, then a member of the Board elected by those present shall preside over the meeting. The Chairperson of the Board or his Deputy shall notify the other members of meetings of the Supervisory Board and invite them to the meeting by phone, by facsimile or in writing so that the invitation reaches each member no later than 7 (seven) days before the scheduled date of meeting. In urgent cases, the above deadline may be shortened.

The Supervisory Board can meet without being formally convened if all members of the Board are present and none of the persons present objects to holding a meeting and including specific issues in the agenda. Meetings of the Supervisory Board can be attended by third parties invited by the Chairperson of the Supervisory Board, including Management Board Members, but such invited persons shall not have voting rights.

Board Members take decisions related to exercise of supervisory and controlling rights through resolutions of the Supervisory Board. For Supervisory Board's resolutions to be valid, all members of the Board must be invited to meeting and at least 50% of members must be present at the meeting. The Supervisory Board may adopt resolutions in writing or using direct remote communication means, save that resolutions thus adopted may not relate to election of the Chairperson and Deputy Chairperson of the Supervisory Board, appointment of a Management Board Member, or dismissing and suspending these persons. In such case, members of the Board must be previously notified of the wording of such draft resolutions in order for these resolutions to take effect.

The Supervisory Board shall adopt resolutions by an absolute majority of votes. In the event of an equal number of votes cast when passing resolutions by the Supervisory Board, the Chairperson of the Supervisory Board shall have the casting vote.

Each supervisory board meeting shall be recorded in its minutes. Resolutions of the Management Board are recorded in the minutes as attachments, or contained in the wording of the minutes. Minutes should further include: the agenda, date and venue of the Board's meeting, full names of Board members present, number of votes cast for individual resolutions. The minutes must be signed by all Board members present at the meeting. Any possible different opinions of present members should be attached to minutes. Minutes shall be stored at the Office of the Management Board of the Company.

For purposes of exercising its functions, the Supervisory Board shall be entitled to control the entire range of the Company's operations, particularly:

- demand presentation of documents and other materials related to the Company's operations from the Management Board,
- verify the Company's files and documentation,
- demand reports and explanations from the Management Board and employees,
- revise the balance of the Company's assets.

The Supervisory Board may apply to the General Meeting of Shareholders with motions in respect of all issues constituting the Board's functions and powers. The Supervisory Board shall discharge its duties collectively, but it may assign its members to carry out certain supervisory activities by themselves. The Supervisory Board may appoint committees for managing individual issues.

Secretarial services for the Supervisory Board shall be provided by the secretary's office of the Management Board of the Company. The range of secretarial services comprises, among other tasks: preparation of invitations to meetings of the Board, sending the invitations to individual Board members in compliance with this statute, providing premises for the meeting of the Supervisory Board, taking minutes of meetings, handling of meetings, archiving Supervisory Board's documentation.

No committees exist within the Supervisory Board of Echo Investment SA. Regarding all issues in such committees' ranges of competence, the Supervisory Board of the Company acts and takes decisions jointly. The Supervisory Board is composed of members having relevant knowledge and competence in this respect.

Kielce, April 30, 2009

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

\_\_\_\_\_  
Piotr Gromniak

President of the Management Board

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Artur Langner

Vice-President of the Management Board



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