PROSPECTUS

CZK 2,000,000,000

ECM REAL ESTATE INVESTMENTS A.G.
Floating Rate Bonds Due 2012
ISIN CZ0000000211

Up to CZK 2,000,000,000 (two billion Czech crowns) floating rate bonds (hereinafter referred to as the "**Bonds**" or the "**Issue**") issued by ECM REAL ESTATE INVESTMENTS A.G., with its seat at 5 Boulevard de la Foire, L-1528 Luxembourg, Luxembourg, a Luxembourg public company limited by shares registered with the Register of Commerce and Companies in Luxembourg under Reg. No. B65.153 (hereinafter referred to as the "**Issuer**" or "**ECM**") shall be bearer bonds issued in certificated form (represented by the Global Bond, as such term is defined in the Terms and Conditions of the Bonds). If admitted to trading on the secondary market of the Prague Stock Exchange (hereinafter referred to also as "**PSE**"), the Bonds shall be listed securities. The Bonds shall be issued in denominations of CZK 1,000,000 (one million Czech crowns). The Bonds shall be issued under Czech law and the principal of and interest on the Bonds shall be payable exclusively in Czech crowns or any other lawful currency of the Czech Republic. The expected issue date shall be 30 March 2007.

The Bonds shall bear interest at a floating rate to be determined in accordance with Article 5 of the Terms and Conditions. The interest shall be payable semiannually in arrears, on 30 March and 30 September of each year. The first interest payment shall be due on 30 September 2007. Unless redeemed or repurchased early and cancelled by the Issuer in accordance with the Terms and Conditions, the Bonds shall be repaid at their nominal amount on 30 March 2012. More details are given under the heading "Terms and Conditions".

The Bondholders (as such term is defined in the Terms and Conditions of the Bonds) may, subject to certain conditions, request that the Bonds be redeemed early. The Issuer is not entitled to redeem the Bonds early at its option; the Issuer may, however, purchase the Bonds at any time in the market or in any other manner at any price. More details are given under the heading "Terms and Conditions".

Any payment under the Bonds shall, in any case, be made in compliance with the laws of the Czech Republic and Luxembourg in effect at the time of such payment. If so required by the laws of the Czech Republic or Luxembourg in effect at the time of repayment of the principal or the payment of interest, the applicable taxes and charges shall be withheld from the payments made to the Bondholders. The Issuer shall not be obliged to pay any additional amounts to the Bondholders to compensate for such taxes and charges withheld. Under certain conditions, the Issuer shall be the payer of the tax withheld from interest on the Bonds. More details are given under the heading "Taxation and Foreign Exchange Regulation in the Czech Republic and Luxembourg".

The investors should consider certain risk factors related to investment in the Bonds. Some of the risk factors are described under the heading "Risk Factors".

The prospectus of the Bonds (hereinafter referred to as the "**Prospectus**") has been prepared and published for the purposes of admission of the Bonds to trading on the regulated market of the PSE. This Prospectus does not constitute any public or other offer to sell nor solicitation of offers to purchase any of the Bonds. The distribution of this Prospectus, and the offering, sale or purchase of the Bonds in certain jurisdictions are restricted by law. The Bonds have not been listed, authorized, or approved by any administrative or other authority in any jurisdiction other than the Czech National Bank (hereinafter referred to also as "**CNB**").

The Prospectus and the Terms and Conditions of the Bonds have been approved by decision Ref. No. Sp/544/78/2007 2007/4290/540 of the Czech National Bank dated 12 March 2007, which became effective on 12 March 2007.

The Issuer has applied for admission of the Bonds to trading on the secondary market of the PSE and expects the trading with the Bonds to start on or around 30 March 2007.

ISIN of the Bonds is CZ0000000211.

This Prospectus was prepared as of 9 March 2007, and in the information herein contained is current as of such date only. If there is a material change to any fact set forth in this Prospectus before the Bonds are admitted to trading on the secondary market of the PSE, the Issuer shall publish an amendment to this Prospectus. The Issuer regularly discloses information on itself and on the results of its operations, in order to comply with the statutory information requirements, including, without limitation, the duty to make ongoing disclosures of the issuer of listed securities. After the date of this Prospectus, prospective purchasers of the Bonds must base their investment decisions not only on this Prospectus, but also on any additional information that may be disclosed by the Issuer after the date of this Prospectus, or on other publicly available information.

The Prospectus and all Annual and Semi-annual Reports of the Issuer published after the date of this Prospectus are available in the form of a brochure for inspection without charge during regular office hours at the Issuer's registered seat at 5 Boulevard de la Foire, L-1528, Luxembourg. The Prospectus is also available in electronic form on the web pages of the Issuer www.ecm.cz and of the Lead Manager www.csas.cz.

Lead Manager and Bookrunner
Česká spořitelna, a.s.

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1. IMPORTANT NOTICES

This Prospectus is a prospectus only within the meaning of the Capital Markets Act. No governmental authority other than the Czech National Bank or any other person has approved this Prospectus, and any representation to the contrary is untrue.

The Issuer has not authorized any representation or information regarding the Issuer or the Bonds other than as contained in this Prospectus. Any such representation or information should not be relied upon as having been authorized by the Issuer. Unless otherwise indicated, all information in this Prospectus is given as of the date of this Prospectus. The delivery of this Prospectus at any time does not imply that the information contained in it is correct as at any time subsequent to the date of this Prospectus.

The obligations of the Issuer in respect of the Bonds are not in any way guaranteed by, or otherwise backed by the credit of, the Czech Republic, or any agency, ministry, or political subdivision (administrative and self-governing authority) thereof.

The distribution of this Prospectus, and the offering, sale, or purchase of the Bonds in certain jurisdictions are restricted by law. The Bonds will not be listed, registered, authorized, or approved in any jurisdiction by any administrative or other authority other than the Czech National Bank. In particular, the Bonds will not be registered under the U.S. Securities Act of 1933, and may not be offered, sold, or delivered within the United States or to any U.S. persons other than in reliance on the exemption from the registration requirement of such Act or in a transaction that is not subject to such registration requirement. Persons into whose possession this Prospectus comes are responsible for compliance with any restrictions applicable in such jurisdictions to the offering, purchase, or sale of the Bonds, or the possession and distribution of any materials relating to the Bonds.

Information under the heading "Taxation and Foreign Exchange Regulation in the Czech Republic and Luxembourg", and "Enforcement of Civil Liabilities Against the Issuer" is given solely as general information and has been obtained from public sources that have not been processed or independently verified by the Issuer. The Issuer does not take any responsibility for the accuracy, truthfulness, or completeness of such information. In addition, as a consequence of major political, economic, and other structural changes in the Czech Republic in recent years, the information given under such headings may not be deemed to be indicative of further developments. Prospective purchasers of the Bonds should rely solely on their own analysis of the factors described under these headings and on their own legal, tax, and other professional advisers.

Purchasers of the Bonds, especially those from foreign countries, are advised to consult their own legal and other advisers as to the provisions of applicable laws, including, but not limited to, the foreign exchange and tax regulations of the Czech Republic and/or Luxembourg, the countries of which they are residents, and any other relevant jurisdictions, as well as any international treaties and the impact thereof on the particular investment decision.

The Bondholders, including all prospective foreign investors, are required to keep themselves informed of all laws and regulations governing the holding of the Bonds, the sale of the Bonds abroad, the purchase of the Bonds from abroad, and any other transactions in the Bonds, and to comply with these laws and regulations.

To the extent required by general binding laws and regulations and the regulations of each official securities market on which the Bonds are admitted to trading (if applicable), the Issuer will publish reports on the results of its operations and its financial position, and comply with the information requirements.

The Prospectus, the Annual and Semi-annual Reports and copies of relevant financial statements and audit reports are available for inspection without charge during regular office hours from 9:00 a.m. to 4:00 p.m. at the Issuer's registered office at 5 Boulevard de la Foire, L-1528, Luxembourg, Luxembourg and at Issuer's office in Prague at Na Strži 65/1702, 140 62 Prague 4, Czech Republic. The documents are also available on the Issuer's website www.ecm.cz.

The Prospectus is also available for inspection at no charge in the Lead Manager's registered office at Olbrachtova 1929/62, 140 00 Prague 4 and in the Lead Manager's office at Na Perštýně 1, 110 00 Prague 1, in both cases during regular office hours from 9:00 a.m. to 4:00 p.m.

As long as any of the Bonds are outstanding, a counterpart of the Fiscal and Paying Agency Agreement will be available for inspection without charge at the Paying Agent's Specified Office during regular business hours from 9:00 a.m. to 4:00 p.m. For more details see the heading "Terms and Conditions".

Any assumptions and projections concerning the future development of the Issuer, its financial situation, line of business, or its position in the market may not be construed as representations or promises of the Issuer regarding future events or performance, as such future events and performance are subject, in whole or in part, to effects and events beyond the direct or full control of the Issuer. Prospective purchasers of the Bonds should make their own *analysis of any developmental trends and projections contained in this Prospectus, or if required, conduct their own independent investigation, and base their investment decisions on the results of such independent analysis and investigation.*

Unless otherwise indicated, all financial information of the Issuer is based on the International Financial Reporting Standards (hereinafter referred to also as "IFRS"). Certain figures included in this Prospectus have been subject to rounding adjustments. Accordingly, figures shown for the same item of information presented at different places may vary slightly, and figures shown as sums of certain values may not be an arithmetic aggregate of the figures preceding such totals.

The definitions of certain terms used herein are set forth under the heading "List of Definitions, Terms, and Abbreviations."

If this Prospectus is translated to another language, the English language version of this Prospectus will prevail in the event of any interpretation inconsistencies between the Czech language version and any other language version of this Prospectus.

By admitting the Bonds to trading on the Prague Stock Exchange, the Prague Stock Exchange does not assume any obligations in respect of the Bonds.

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2. SUMMARY

This summary should be read as an introduction to the Prospectus and is intended to provide investors with certain basic information about the Issuer and the Bonds, as explained in greater detail elsewhere in the Prospectus. This summary is not intended to be comprehensive and does not contain all the information that could be material for investors when deciding on their investment in the Bonds. Any decision to invest in the Bonds should be based on consideration of the Prospectus as a whole by the investors, i.e. all potential investors should properly review the entire Prospectus, including the financial statements and relevant comments thereon, prior to making any investment decision. Investors should particularly consider the risk factors discussed in the "Risk Factors" chapter.

Where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might have to bear the costs of translating the Prospectus before the legal proceedings are initiated if it is not stated otherwise by the legal provisions. Civil liability is attached to those persons who have tabled the summary, including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus.

BRIEF DESCRIPTION OF THE ISSUER

Information about the Issuer..	The Issuer is the holding company of a real estate development and investment group, which principal activity is the development of commercial and residential real estate focusing on markets in the Czech Republic and Russia. The group (including the Issuer and any of its subsidiaries controlled by the Issuer according to Section 66a of the Commercial Code, hereinafter referred to as the "**Group**") is also involved in real estate investment and is involved in facility management of commercial and residential real estate in the Czech Republic. The Group opened its office in Moscow and entered the market in Russia in 2005 and is considering expanding its activities into other countries in Central and Eastern Europe.
Business Overview...	The Group has invested across a diverse range of property segments, including the office segment, the retail segment, the hotel segment and the residential segment, and is considering investing in the warehousing/logistics segment and the light industrial production premises segment. The Group's portfolio and pipeline reflects its strategy of developing a portfolio with wide regional and segmental diversification. As at 30 June 2006, the Group owned a property development and investment portfolio valued (under IFRS methodology) at EUR 111.19 million made up of 14 properties with a total lettable area of 185,435 m^2. As at 31 December 2005, the Group's development and investment portfolio was valued (under IFRS methodology) at EUR 98.06 million and was made up of 15 properties with a total lettable area of 220,715 m^2. The Group has expanded its development and investment portfolio in the Czech Republic and Russia to 19 properties since 30 June 2006.
Equity Interests..	Subsidiaries

Subsidiaries

	Country of incorporation	30 September 2006
ECM Finance a.s.	Czech Republic	98.39%
ECM Real Estate Investments, k.s.	Czech Republic	100%
CITY PARKVIEW s.r.o/SPV Court, s.r.o.	Czech Republic	100%
CITY TOWER s.r.o./SPV TOWER, s.r.o.	Czech Republic	100%
LANCASTER a.s.	Czech Republic	100%
TABULA MAIOR, a.s.	Czech Republic	95%
TABULA MINOR, a.s.	Czech Republic	95%
2P, s.r.o.	Czech Republic	100%
ECM Byty s.r.o.	Czech Republic	100%
Residence Unhošť a.s.	Czech Republic	100%
ECM Real Estate Consulting (Beijing) Co.,Ltd.	Čhina	100%
ECM Hotel Operations EUROPORT s.r.o.	Czech Republic	100%
ECM Hotel Operations Plzeň s.r.o.	Czech Republic	100%
ECM OFFICES LIBEN s.r.o.	Czech Republic	100%
ADARKON a.s.	Czech Republic	100%
EPOQUE HOTEL a.s.	Czech Republic	100%
EPOQUE - LANCASTER a.s.	Czech Republic	100%
ECM CITY POINT a.s./HUANTA a.s.	Czech Republic	100%
DORMIDA a.s.	Czech Republic	100%
ECM Facility a.s.	Czech Republic	100%
ECM REGIONS CZ S. a r.l.	Luxembourg	100%
ECM Airport Center a.s. (2)	Czech Republic	49.5%
SPV POINT, a.s.	Czech Republic	100%
EKZ Tschechien 4 Immobiliengesellschaft s.r.o.	Czech Republic	50%
CITY ELEMENT s.r.o.	Czech Republic	100%
Ostrava Office Center, a.s.	Czech Republic	100%
MV CENTRUM a.s.	Czech Republic	100%
Czech Real Estate Regions S.a.r.l.	Luxembourg	50%
ECE City Empiria, s.r.o.	Czech Republic	100%
Ryazan Investors Company	Russia	100%
Ryazan Shopping Mall	Russia	100%
Ryazan Hold company	Russia	1%
GRASLON a.s.	Czech Republic	100%
STROMOVKA OBCHODNI CENTRUM, a.s.	Czech Republic	100%

Controlling Shareholder.................................... ECM Group N.V.

Interim Financial Information........................... The selected consolidated financial data provided below has been derived from the Issuer's unaudited Consolidated Financial Statements for the nine-month period ended 30 September 2006, and the Issuer's reviewed Interim Consolidated Financial Statements for the six-month period ended 30 June 2006 (which include the corresponding income statement figures for the period ended 30 June 2005), and the Issuer's Audited Consolidated Financial Statements for the year ended 31 December 2005, each included in this Prospectus, which were prepared in accordance with IFRS or IAS 34, and should be read in conjunction with such Interim Consolidated Financial Statements and the Audited Consolidated Financial Statements, as the case may be.

Balance sheet

	As at 30 September 2006	As of 30 June 2006	As of 31 December 2005
	(unaudited)	(unaudited)	(audited)
		(in EUR thousand)	
Investment property	183,206	75,801	65,000
Other non-current assets	27,406	24,505	22,726
Total current assets	53,958	50,019	44,730
Total equity	58,728	63,021	47,423
Total non-current liabilities	151,123	51,800	73,923
Total current liabilities	54,719	35,504	11,110
Balance sheet total	264,570	150,325	132,456

Income statement

	Nine-month period ended 30 September	Six-month period ended 30 June	
	2006 (unaudited)	2006 (unaudited)	2005 (unaudited)
	(in EUR thousand, except as otherwise indicated)		
Net rental and related income	2,497	872	509
Net valuation gains on investment property	10,992	10,596	17,403
Profit/(Loss) on the disposal of investment property	(421)	(421)	—
Profit/(Loss) on the disposal of trading property	260	260	—
Net financing income (expense)	12,872	13,057	(1,261)
Net profit	17,738	16,660	11,688

Year end financial information.......................... The selected financial data provided below has been derived from the Issuer's Audited Consolidated Financial Statements for the years ended 31 December 2005 and 31 December 2004 (which include the corresponding figures for the year ended 31 December 2003) included in this Prospectus, which were prepared in accordance with IFRS, and should be read in conjunction with such Audited Consolidated Financial Statements.

Balance sheet

	Year ended 31 December		
	2005 (audited)	**2004 (audited)**	**2003 (audited as corresponding figures)**
	(in EUR thousand)		
Investment property	65,000	60,134	32,666
Other non-current assets	22,726	19,715	21,707
Total current assets	44,730	11,927	63,778
Total equity	47,423	24,109	18,189
Total non-current liabilities	73,923	55,928	86,728
Total current liabilities	11,110	11,739	13,234
Balance sheet total	132,456	91,776	118,151

Income statement

	Year ended 31 December		
	2005 (audited)	**2004 (audited)**	**2003 (audited as corresponding figures)**
	(in EUR thousand, except as otherwise indicated)		
Net rental and related income	627	1,578	363
Net valuation gains on investment property	31,656	7,578	2,994
Profit/(Loss) on the disposal of trading property	1,064	686	(147)
Net financing	(2,451)	(1,960)	(2,152)
Net profit (loss)	20,710	3,548	(5,560)

Cash flow statement

	Year ended 31 December		
	2005 (audited)	**2004 (audited)**	**2003 (audited as corresponding figures)**
	(in EUR thousand)		
Cash flow from operating activities	(4,994)	18,859	(14,432)
Cash flow from investing activities	(5,577)	(7,459)	1,946
Cash flow from financing activities	12,269	(15,546)	17,023

Material Changes in Financial Condition............ Between the date of 3Q-year results and the date of this Prospectus, there have been no significant changes affecting the Issuer's operations and/or financial condition.

Litigation and Arbitration.................................. As of the date of this Prospectus, the Issuer believes that the litigation involving the Issuer will not have a significant impact on the financial condition, future results of operations, or cash flows of the Issuer or its financial group.

Strategic Objectives.. An IRR maximisation driven investment strategy.
Build on position in its core markets & further diversify portfolio: Czech Republic, Russia.
Focused on value creation & less competitive market places with lower risk.

Issuer's Auditor...	Deloitte Audit s.r.o., with its registered office at Karolinská 654/2 186 00, Prague 8 – Karlín, Czech Republic.
Risk Factors..	Risk related to the Group's business:

- The Group may not obtain at all or in a timely manner all required permits and consents for the completion of its property development projects.
- The Issuer may be unable to effectively manage its expansion and the consequences of its internal and external growth.
- Competition in the markets in which the Group operates may intensify in the future.
- The Group is exposed to oversupply in its key markets.
- Future development projects and acquisitions of property portfolios by the Issuer could prove unsuccessful.
- Unexpected problems and unrecognised risks could arise in the Issuer's existing and future development projects.
- The Issuer will continue to depend on its ability to identify profitable development projects.
- The Issuer may not have title to property or shares.
- The Issuer may be obliged to indemnify its subsidiaries for negative financial performance.
- Insurance may not cover all losses relating to the Group's properties and the Issuer may suffer material losses in excess of insurance proceeds.
- The Group may not be able to attract and retain sufficiently qualified personnel in the countries in which the Group operates.
- The Issuer is exposed to financing risk.
- The Issuer is exposed to interest rate risks.
- The Issuer is exposed to currency risks.
- The Issuer is exposed to tax risks.
- The Issuer may be exposed to changes in tax law.

Risks related to the real estate industry:

- The Issuer faces a number of general risks related to the real estate industry.
- The Group's properties may be subject to increases in operating and other expenses.
- Changing residential trends may adversely affect sales of developments.
- The Issuer is exposed to leasing risks.
- The Issuer is exposed to valuation risks.
- The Issuer is exposed to location risks.
- The Issuer is exposed to the risk of illiquidity of real estate investments.
- The Issuer is exposed to concentration risk.
- The Issuer is exposed to maintenance risks.
- The Issuer is exposed to risks of environmental claims.
- The Issuer is exposed to risks associated with its investments in development projects.

Risks related to the geographic markets in which the Issuer operates and Central and Eastern Europe:

- Economic or political developments in the Czech Republic and Russia could have a material adverse effect.
- The legal systems and procedural safeguards in the Czech Republic and Russia are not yet fully developed.

SECURITIES INFORMATION SUMMARY

Issuer	ECM REAL ESTATE INVESTMENTS A.G.
Bonds	CZK 2,000,000,000 floating rate due in 2012. The Bonds are bearer bonds issued in certificated form.
Face value of a Bond	CZK 1,000,000
Issue price	100% of the nominal value of the Bonds
Listing	The Issuer has applied for admission of the Bonds to trading on the secondary market of the PSE.
Issue Date	30 March 2007
Final Redemption Date	30 March 2012
ISIN	CZ0000000211
Redemption of the face value of the Bonds	One-off redemption as of the Final Redemption Date in the amount of 100% of the face value of the Bonds
Interest payment day	Semi-annually in arrears
Interest (Coupon)	Floating, 6M PRIBOR + Margin
Interest calculation convention	Act/360
Bonds offering and its limitation	The Issuer has offered, is offering, or will offer the Bonds to investors only in circumstances under which no obligation to prepare a prospectus of the Bonds arises. The Bonds shall be offered and allocated following a book-building process primarily in the Czech Republic to qualified investors (local or foreign) in compliance with relevant laws.
Status of the Bonds	The Bonds constitute a direct, general, unsecured, unconditional and unsubordinated liabilities of the Issuer, which are and will rank *pari passu* among themselves, and at least *pari passu* in respect of any present and future unsubordinated and unsecured liabilities of the Issuer, with the exception of such liabilities preferred by binding mandatory legal provisions.
Use of Proceeds	Proceeds to be used for the completion of existing projects including projects Březnická (Zlín, Czech Republic), Palace Center (Ostrava, Czech Republic), Ryazan Shopping Center (Ryazan, Russia) and for expansion in the Czech, Russian and other new markets.
Negative pledge	The Issuer undertakes that until the full payment of all of its payment liabilities resulting from issued and outstanding Bonds, it will neither secure nor allow any security to be created in respect of any Liabilities (as defined below) of the Issuer by way of any mortgages, pledges or any other similar third party rights attached to the Issuer's current or future property or income, unless the Issuer secures simultaneously with the creation of such mortgages, pledges or any other similar third party rights that the Issuer's liabilities under the Bonds are secured (i) equally with such secured Liabilities, or (ii) otherwise, as may be approved by a resolution of the Bondholder Meeting in accordance with Article 14 of these Terms and Conditions. The previous paragraph shall not apply to mortgages, pledges or any other similar third party rights attached to the Issuer's property that: (a) have been created in order to secure any Liabilities of the Issuer (with the exception of the liabilities set forth in (b), (c) and (d) below) that will not exceed in their aggregate 45% of the value of the consolidated assets of the Issuer. For the purposes of this sub-paragraph, the consolidated assets of the Issuer means the consolidated assets of the Issuer reported in the last

audited consolidated financial statements of the Issuer, prepared in accordance with the IFRS; or

(b) have been attached to the Issuer's property at the time of its acquisition by the Issuer; or

(c) have been attached to the Issuer's property for the purpose of securing liabilities arising exclusively in connection with the acquisition of such property or any portion thereof by the Issuer; or

(d) have been attached to the Issuer's property by operation of law in connection with the Issuer's usual conduct of business or in connection with the Issuer's usual banking operations.

"**Liabilities**" means with respect to any person any existing liabilities or future liabilities of such person in respect of the repayment of principal of borrowed money (including, without double counting, liabilities arising from guarantees provided to third persons in respect of the repayment of principal of borrowed money).

Early redemption at the option of the Issuer	The Issuer is not entitled to redeem the Bonds prior to the Final Redemption Date at its option with the exception of early redemption of any Bonds held by the Issuer in accordance with Article 6.4 of the Terms and Conditions.
Early redemption at the option of the Bondholders .	The Bondholders are not entitled to require early redemption of the Bonds prior to the Final Redemption Date with the exception of early redemption in accordance with Articles 9, 14.4.1 and 14.4.2 of the Terms and Conditions.
Clearing and Settlement..	The primary settlement of the Bonds will be made through UNIVYC, a.s. ("**Univyc**") by delivery-versus-payment method so that the initial purchasers are registered with Univyc as the holders of the interest in the Global Bond representing the relevant number of Bonds on or before the Issue Date. In order to achieve the primary settlement of the Bonds, the initial purchasers of the Bonds must proceed in accordance with the instructions of the Lead Manager or its agents. In particular, any initial purchaser of the Bonds who is not himself a member of Univyc must appoint a local securities broker who is a member of Univyc as its agent, and instruct such agent to take all actions required for the primary settlement of the Bonds. There can be no assurance that the Bonds will be duly delivered to the initial purchasers if such initial purchasers or the securities brokers acting as their agents fail to follow all the procedures and the relevant instructions for the primary settlement of the Bonds. After the admission of the Bonds for trading on PSE becomes effective, the Bonds will be traded on PSE and settled in Czech crowns. The trading in the Bonds will be settled through Univyc in the ordinary manner in accordance with the rules and operation procedures of the PSE and Univyc.
Governing law	Czech law. The provisions of Articles 86 to 94-8 of the Luxembourg law on commercial companies of 10 August 1915, as amended, are excluded.
Risk factors	Potential investors should become acquainted with the chapter "Risk Factors" to familiarize themselves with specific risks accompanying the investment into the Bonds.
Terms and Conditions	The terms and conditions governing the Issuer's rights and

liabilities resulting from the Bonds, and providing detailed information about the issue of the Bonds. The terms and conditions are contained in the chapter "Terms and Conditions".

3. SHRNUTÍ

The following text is the Czech translation of English "Summary" chapter and forms a separate document attached to the Prospectus by the Issuer. It does not form a part of the Prospectus and has not been approved by the Czech National Bank. Accordingly, the Czech National Bank did not review the consistency of this translation with the "Summary" chapter.

Následující text představuje český překlad kapitoly „Shrnutí" tohoto Prospektu a jde o samostatný dokument, který byl připojen k tomuto Prospektu Emitentem. Není součástí Prospektu a nebyl schválen Českou národní bankou. Česká národní banka také nepřezkoumala, zda tento překlad odpovídá kapitole „Shrnutí" Prospektu.

Toto shrnutí představuje úvod Prospektu a jsou v něm uvedeny základní informace o Emitentovi a Dluhopisech obsažené na jiných místech tohoto Prospektu. Toto shrnutí není vyčerpávající a neobsahuje všechny informace, které mohou být pro potenciální investory významné. Jakékoli rozhodnutí investovat do Dluhopisů by mělo být založeno na tom, že investor zváží tento Prospekt jako celek, tj. potenciální investoři by si před rozhodnutím o investici měli pozorně přečíst celý dokument, včetně finančních údajů a příslušných poznámek. Zejména by měli pečlivě zvážit faktory uvedené v kapitole „Rizikové faktory".

V případě, kdy je u soudu vznesena žaloba, týkající se údajů uvedených v Prospektu, může být žalující investor povinen nést náklady na překlad Prospektu, vynaložené před zahájením soudního řízení, nebude-li v souladu s právními předpisy stanoveno jinak. Osoba, která vyhotovila shrnutí Prospektu včetně jeho překladu, je odpovědná za správnost údajů ve shrnutí Prospektu pouze v případě, že je shrnutí zavádějící nebo nepřesné při společném výkladu s ostatními částmi Prospektu.

STRUČNÝ POPIS EMITENTA

Informace o Emitentovi	Emitent je holdingovou společností skupiny zabývající se developerstvím a investicemi, jejíž hlavní činností je development komerčních a rezidenčních nemovitostí se zaměřením na trhy v České republice a v Rusku. Tato skupina (včetně Emitenta a jeho dceřiných společností ovládaných Emitentem podle § 66a Obchodního zákoníku, dále jen "**Skupina**") se zabývá rovněž investicemi do nemovitostí a podílí se na správě komerčních a rezidenčních nemovitostí v České republice. Skupina v roce 2005 otevřela kancelář v Moskvě a vstoupila na ruský trh a v současné době zvažuje rozšíření svých aktivit na další trhy střední a východní Evropy.
Přehled podnikání	Skupina investovala do široké řady realitních sektorů včetně kanceláří, maloobchodních prostor, hotelů a rezidenčních projektů a zvažuje investice do skladů/logistických center a výrobních závodů lehkého průmyslu. Současné a připravované portfolio Skupiny odráží její strategii vývoje portfolia s širokou regionální a segmentovou diverzifikací. K 30. červnu 2006 měla Skupina developerské a investiční portfolio v hodnotě (dle metodiky IFRS) ve výši 111,19 milionů EUR, které sestávalo ze 14 nemovitostí s celkovou pronajímatelnou plochou 185 435 m^2. K 31. prosinci 2005 bylo developerské a investiční portfolio oceněno (podle metodiky IFRS) na hodnotu 98,06 milionů EUR a sestávalo z 15 nemovitostí s celkovou pronajímatelnou plochou 220 715 m^2. Od 30. června 2006 Skupina rozšířila své developerské a investiční portfolio v České republice a v Rusku na 19 nemovitostí.

Majetkové účasti ....

Dceřiné společnosti

	Země vzniku	30. září 2006
ECM Finance a.s.	Česká republika	98.39%
ECM Real Estate Investments, k.s.	Česká republika	100%
CITY PARKVIEW s.r.o/SPV Court, s.r.o.	Česká republika	100%
CITY TOWER s.r.o./SPV TOWER, s.r.o.	Česká republika	100%
LANCASTER a.s.	Česká republika	100%
TABULA MAIOR, a.s.	Česká republika	95%
TABULA MINOR, a.s.	Česká republika	95%
2P, s.r.o.	Česká republika	100%
ECM Byty s.r.o.	Česká republika	100%
Residence Unhošť a.s.	Česká republika	100%
ECM Real Estate Consulting (Beijing) Co.,Ltd.	Čína	100%
ECM Hotel Operations EUROPORT s.r.o.	Česká republika	100%
ECM Hotel Operations Plzeň s.r.o.	Česká republika	100%
ECM OFFICES LIBEN s.r.o.	Česká republika	100%
ADARKON a.s.	Česká republika	100%
EPOQUE HOTEL a.s.	Česká republika	100%
EPOQUE - LANCASTER a.s.	Česká republika	100%
ECM CITY POINT a.s./HUANTA a.s.	Česká republika	100%
DORMIDA a.s.	Česká republika	100%
ECM Facility a.s.	Česká republika	100%
ECM REGIONS CZ S. a r.l.	Lucembursko	100%
ECM Airport Center a.s. (2)	Česká republika	49.5%
SPV POINT, a.s.	Česká republika	100%
EKZ Tschechien 4 Immobiliengesellschaft s.r.o.	Česká republika	50%
CITY ELEMENT s.r.o.	Česká republika	100%
Ostrava Office Center, a.s.	Česká republika	100%
MV CENTRUM a.s.	Česká republika	100%
Czech Real Estate Regions S.a.r.l.	Lucembursko	50%
ECE City Empiria, s.r.o.	Česká republika	100%
Ryazan Investors Company	Rusko	100%
Ryazan Shopping Mall	Rusko	100%
Ryazan Hold company	Rusko	1%
GRASLON a.s.	Česká republika	100%
STROMOVKA OBCHODNI CENTRUM, a.s.	Česká republika	100%

Hlavní akcionář .... ECM Group N.V.

Předběžné finanční údaje .... Níže uvedené konsolidované finanční údaje jsou převzaty z Emitentovy neauditované Konsolidované účetní závěrky za období devíti měsíců do 30. září 2006, z Emitentovy Předběžné konsolidované účetní závěrky za období šesti měsíců do 30. června 2006 (která zahrnuje odpovídající údaje výsledovky za období do 30. června 2005) a Emitentovy Auditované konsolidované účetní závěrky za rok 2005, z nichž všechny jsou součástí tohoto Prospektu a byly sestaveny v souladu s IFRS nebo IAS 34, a měly by být posuzovány ve spojení s uvedenou Předběžnou konsolidovanou účetní závěrkou popřípadě Auditovanou konsolidovanou účetní závěrkou.

Rozvaha

	Ke dni 30. září 2006 (neauditované.)	Ke dni 30. června 2006 (neauditované)	Ke dni 31.12.2005 (audit)
		(v tis. EUR)	
Investiční majetek…………………	183 206	75 801	65 000
Ostatní stálá aktivia………………..	27 406	24 505	22 726
Oběžná aktiva celkem…………….	53 958	50 019	44 730
Vlastní kapital celkem…………….	58 728	63 021	47 423
Dlouhodobé závazky celkem……...	151 123	51 800	73 923
Krátkodobé závazky celkem………	54 719	35 504	11 110
Bilanční suma……………………..	264 570	150 325	132 456

Výsledovka

	Období devíti měsíců do 30. září 2006 (neauditované.)	Období šesti měsíců do 30. června	
		2006 (neauditované)	2005 (neauditované)
		(v tis. EUR, není-li uvedeno jinak)	
Čisté nájemné a související příjmy..	2 497	872	509
Čisté výnosy z přecenění investičního majetku………………	10 992	10 596	17 403
Zisk/(ztráta) ze zcizení investičního majetku……………………………	(421)	(421)	-
Zisk/(ztráta) ze zcizení obchodního majetku……………………………	260	260	-
Čisté výnosy (náklady) z financování………………………..	12 872	13 057	(1 261)
Výsledek hospodaření…………….	17 738	16 660	11 668

Finanční údaje podle stavu ke konci roku............

Níže uvedené vybrané finanční údaje jsou převzaty z Auditovaných konsolidovaných účetních závěrek Emitenta za roky končící 31. prosince 2005 a 31. prosincem 2004 (které zahrnují odpovídající údaje za rok končící 31. prosincem 2003) uvedených v tomto Prospektu, které byly sestaveny v souladu s IFRS, a měly být posuzovány ve spojení s uvedenými Auditovanými konsolidovanými účetními závěrkami.

Rozvaha

		Rok končící 31. prosince	
	2005 (audit.)	2004 (audit.)	2003 (auditováno jako odpovídají údaje.)
		(v tis EUR)	
Investiční majetek…………………	65 000	60 134	32 666
Ostatní stálá aktiva………………..	22 726	19 715	21 707
Oběžná aktiva celkem…………….	44 730	11 927	63 778
Vlastní kapital celkem…………….	47 423	24 109	18 189
Dlouhodobé závazky celkem……...	73 923	55 928	86 728
Krátkodobé závazky celkem………	11 110	11 739	13 234
Bilanční suma……………………..	132 456	91 776	118 151

Výsledovka

		Rok končící 31. prosince	
	2005 (audit.)	2004 (audit.)	2003 (auditováno jako odpovídající údaje)
		(v tis. EUR, není-li uvedeno jinak)	
Čisté nájemné a související příjmy..	627	1 578	363
Čisté výnosy z přecenění investičního majetku………………	31,656	7 578	2 994
Zisk/(ztráta) ze zcizení obchodního majetku……………………………	1 064	686	(147)
Čisté financování………………….	(2 451)	(1 960)	(2 152)
Výsledek hospodaření…………….	20 710	3 548	(5 560)

Přehled o peněžních tocích

	Rok končící 31. prosince 2005 (audit.)	2004 (audit.)	2003 (auditováno jako odpovídající údaje)
	(v tis. EUR)		
Peněžní tok z provozní činnosti…..	(4 994)	18 859	14 432
Provozní tok z investiční činnosti…	(5 577)	(7 459)	1 946
Provozní tok z finanční činnosti…..	12 269	(15 546)	17 023

Podstatné změny ve finanční situaci .... V období mezi datem výsledků za 3. čtvrtletí a datem tohoto Prospektu nedošlo k žádným podstatným změnám, které by ovlivnily hospodaření a/nebo finanční podmínky Emitenta.

Soudní spory a rozhodčí řízení .... K datu tohoto Prospektu se Emitent domnívá, že soudní spory s účastí Emitenta nebudou mít významný dopad na finanční situaci, budoucí výsledky hospodaření nebo peněžní toky Emitenta nebo jeho finanční skupiny.

Strategické cíle.. Investiční strategie zaměřená na maximalizaci vnitřní míry výnosnosti (IRR).
Využít svého postavení na svých hlavních trzích a dále diverzifikovat portfolio: ČR, Rusko.
Zaměření na vytváření hodnoty a méně konkureční trhy s nižším rizikem.

Auditor Emitenta .... Deloitte Audit s.r.o., se sídlem Karolinská 654/2 186 00, Praha 8 – Karlín, Česká republika.

Rizikové faktory .... Rizika spojená s podnikáním Skupiny:

- Může se stát, že Skupina neobdrží všechna potřebná povolení a souhlasy k realizaci svých developerských projektů, nebo že je neobdrží včas.
- Může se stát, že Emitent nebude schopen efektivně řídit svoji expanzi a důsledky svého interního a externího růstu.
- Konkurence na trzích, kde Skupina působí, se v budoucnu může vystupňovat.
- Skupina je vystavena riziku nadměrné nabídky na jejích klíčových trzích.
- Budoucí developerské projekty a akvizice realitních portfolií Emitentem se mohou ukázat jako neúspěšné.
- Ve stávajících a budoucích developerských projektech Emitenta mohou vzniknout nepředpokládané problémy a neznámá rizika.
- Emitent bude nadále odkázán na svou schopnost identifikovat výnosné developerské projekty.
- Emitent nemusí mít vlastnické právo k nemovitostem nebo akciím.
- Může se stát, že Emitent bude povinen odškodnit své dceřiné společnosti za záporné finanční výsledky.
- Pojištění nemusí pokrýt všechny ztráty spojené s nemovitostmi Skupiny a Emitent může utrpět podstatné ztráty přesahující pojistné plnění.
- Může se stát, že v zemích, kde působí, nebude Skupina schopna získat a udržet si dostatečně kvalitní personál.
- Emitent je vystaven riziku spojenému s financováním.
- Emitent je vystaven úrokovému riziku.
- Emitent je vystaven měnovému riziku.
- Emitent je vystaven daňovým rizikům.
- Emitent je vystaven riziku změn v daňových předpisech.

Rizika spojená s realitním odvětvím:

- Emitent čelí řadě obecných rizik spojených s realitním odvětvím.
- U nemovitostí Skupiny může dojít k nárůstu provozních a dalších nákladů.
- Měnící se trendy v bydlení mohou mít negativní dopad na prodej developerských projektů.
- Emitent je vystaven rizikům spojeným s pronájmem.
- Emitent je vystaven rizikům spojeným s oceňováním.
- Emitent je vystaven rizikům spojeným s umístěním projektů.
- Emitent je vystaven riziku ilikvidity spojené s investicemi do nemovitostí.
- Emitent je vystaven riziku koncentrace.
- Emitent je vystaven riziku spojenému s údržbou.
- Emitent je vystaven rizikům vzniku nároků na ochranu životního prostředí.
- Emitent je vystaven rizikům spojeným s jeho investicemi do developerských projektů.

Rizika spojená s geografickým trhy, na nichž Emitent působí ve střední a východní Evropě:

- Ekonomický a politický vývoj v České republice a v Rusku by mohl mít podstatný negativní dopad.
- Právní systémy a procesní opatření v České republice a v Rusku nejsou dosud plně vyvinuty.

SHRNUTÍ INFORMACÍ O CENNÉM PAPÍRU

Emitent	ECM REAL ESTATE INVESTMENTS A.G.
Dluhopisy	Dluhopisy v objemu 2 000 000 000 Kč s pohyblivou úrokovou sazbou, splatné v roce 2012. Dluhopisy znějí na doručitele a jsou vydávány v listinné podobě.
Jmenovitá hodnota Dluhopisů	1 000 000 Kč
Emisní kurs	100% jmenovité hodnoty Dluhopisů
Kotace	Emitent požádal o přijetí Dluhopisů k obchodování na vedlejším trhu Burzy cenných papírů Praha.
Datum emise	30. března 2007
Den konečné splatnosti	30. března 2012
ISIN	CZ0000000211
Splacení jmenovité hodnoty Dluhopisů	Jednorázově ke Dni konečné splatnosti ve výši 100% jmenovité hodnoty Dluhopisů
Den výplaty úrokového výnosu	Pololetně zpětně
Úrok (Kupon)	Pohyblivá sazba, 6M PRIBOR + Marže
Konvence pro výpočet úroku	Act/360
Nabídka Dluhopisů a její omezení	Nabídka Dluhopisů bude činěna prostřednictvím Vedoucího manažera výlučně způsobem a za okolností, kdy nevzniká povinnost vyhotovit Prospekt Dluhopisů. Dluhopisy budou nabízeny a přiděleny jednotlivým investorům na základě tzv. book-building procesu primárně v České republice kvalifikovaným investorům (tuzemským i zahraničním) v souladu s příslušnými právními předpisy.
Postavení Dluhopisů	Dluhopisy představují přímé, obecné, nezajištěné, nepodmíněné a nepodřízené závazky Emitenta, které jsou a budou rovnocenné mezi sebou navzájem (pari passu) a budou postaveny přinejmenším na roveň všem současným a budoucím nepodřízeným a nezajištěným závazkům Emitenta, s výjimkou závazků, u nichž závazné kogentní právní předpisy stanoví jinak.
Použití výnosu	Výnosy budou použity k dokončení současných projektů včetně projektů Březnická (Zlín, Česká republika), Palace Center (Ostrava, Česká republika), Ryazan Shopping Center (Ryazan, Rusko) a pro další expanzi na českém a ruském trhu a pro expanzi na ostatních nových trzích.
Závazek nezřídit zástavní právo	Emitent se zavazuje, že až do úplného splacení všech svých platebních závazků z vydaných a nesplacených Dluhopisů nezřídí ani neumožní zřízení zajištění jakýchkoli Závazků (jak je tento pojem definován níže) Emitenta zástavním ani jiným obdobným právem třetí osoby k současnému nebo budoucímu majetku nebo příjmům Emitenta, ledaže by Emitent současně se zřízením takového zástavního práva nebo jiného obdobného práva třetí osoby zajistil, aby závazky Emitenta z Dluhopisů byly zajištěny (i) rovnocenně se zajištěnými Závazky nebo (ii) jiným způsobem schváleným usnesením Schůze vlastníků dluhopisů v souladu s čl. 14 Emisních podmínek. Předchozí odstavec se nevztahuje na zástavní práva nebo jiná obdobná práva třetích osob k majetku Emitenta, která (e) byla zřízena k zajištění Závazků Emitenta (s výjimkou závazků uvedených níže pod body (b), (c) a (d)), které v úhrnu nepřesahují 45 % hodnoty konsolidovaných aktiv Emitenta. Pro účely tohoto bodu se konsolidovanými aktivy Emitenta rozumí konsolidovaná aktiva Emitenta vykázaná v poslední auditované konsolidované účetní závěrce Emitenta

sestavené v souladu s IFRS; nebo

(f) vázla na majetku Emitenta v době jeho pořízení Emitentem; nebo

(g) byla zřízena na majetku Emitenta pro účely zajištění závazků vzniklých výlučně v souvislosti s pořízením tohoto majetku nebo jeho části Emitentem; nebo

(h) byla zřízena na majetku Emitenta na základě zákona v souvislosti s obvyklou podnikatelskou činností Emitenta nebo v souvislosti s obvyklými bankovními operacemi Emitenta.

“**Závazky**” se ve vztahu k jakékoli osobě rozumí existující nebo budoucí závazky této osoby splatit jistinu půjček a úvěrů (včetně, bez dvojího započtení, závazků vzniklých ze záruk poskytnutých třetím osobám za splacení jistiny půjček a úvěrů).

Předčasné splacení z rozhodnutí Emitenta..............	Emitent není oprávněn splatit Dluhopisy přede Dnem konečné splatnosti na základě svého rozhodnutí, s výjimkou předčasného splacení Dluhopisů držených Emitentem v souladu s čl. 6.4 Emisních podmínek.
Předčasné splacení z rozhodnutí Vlastníků Dluhopisů..	Vlastníci dluhopisů nejsou oprávněni požadovat předčasné splacení Dluhopisů přede Dnem konečného splacení, s výjimkou předčasného splacení v souladu s čl. 9, 14.4.1 a 14.4.2 Emisních podmínek.
Zúčtování a vypořádání	Primární vypořádání Dluhopisů proběhne metodou delivery-versus-payment prostřednictvím společnosti UNIVYC, a.s. (dále jen „Univyc“) tak, aby nejpozději k Datu emise byli jejich prvonabyvatelé zapsáni v registraci vedené Univycem jako vlastníci podílu na Sběrném dluhopisu představujícího příslušný počet Dluhopisů. Za účelem úspěšného primárního vypořádání Dluhopisů musí upisovatelé Dluhopisů postupovat v souladu s pokyny Vedoucího manažera nebo jeho zástupců. Zejména, pokud není upisovatel Dluhopisů sám členem Univycu, musí si stanovit jako svého zástupce místního obchodníka s cennými papíry, který bude členem Univycu, a musí mu dát pokyny k realizaci všech opatření nezbytných pro primární vypořádání Dluhopisů. Nelze zaručit, že Dluhopisy budou prvonabyvateli řádně dodány, pokud prvonabyvatel či jeho obchodník s cennými papíry, který ho zastupuje, nevyhoví všem postupům a nesplní všechny příslušné pokyny za účelem primárního vypořádání Dluhopisů. Po přijetí Dluhopisů k obchodování na BCPP, budou Dluhopisy obchodovány na BCCP a vypořádány v korunách českých. Obchody s Dluhopisy budou vypořádávány prostřednictvím Univycu obvyklým způsobem v souladu s řádem a provozními postupy BCPP a Univycu.
Rozhodné právo	České právo. Je vyloučeno uplatnění ustanovení čl. 86 až 94-8 lucemburského zákona o obchodních společnostech ze dne 10. srpna 1915, ve znění pozdějších předpisů.
Rizikové faktory	Potenciální investoři by se v kapitole “Rizikové faktory” měli seznámit se specifickými riziky spojenými s investicí do Dluhopisů.
Emisní podmínky..	Podmínky upravující práva a povinnosti Emitenta z Dluhopisů, v nichž jsou uvedeny podrobné údaje o emisi

Dluhopisů. Tyto podmínky jsou uvedeny v kapitole "Emisní podmínky".

4. RISK FACTORS

Prospective purchasers of the Bonds should familiarize themselves with this Prospectus as a whole. Prior to any investment decision, each prospective purchaser of the Bonds should carefully consider the issues presented by the Issuer under this heading for contemplation by the prospective purchasers of the Bonds, as well as any additional information contained in this Prospectus. The occurrence of one or more of these risks alone or in combination with other circumstances may have a material adverse effect on the Issuer's business, financial condition, results of operations or prospects.

The purchase and holding of the Bonds involve a number of risks, some of which are described below. The summary of the risks is not exhaustive, does not replace a technical analysis or any provision of the Terms and Conditions of the Bonds or the information contained in this Prospectus, does not restrict any rights or obligations under the Terms and Conditions of the Bonds, and in no case does it constitute any investment recommendation. The order in which the risks are presented below does not reflect the likelihood of their occurrence or the magnitude or significance of the individual risks. Any decision of the parties interested in underwriting and/or purchasing the Bonds should be based on the information contained in this Prospectus, on the conditions of the offer of the Bonds, and above all, on such parties' own analysis of the benefits and risks of their investment in the Bonds.

4.1. Risks related to the Group's business

(a) The Group may not obtain at all or in a timely manner all required permits and consents for the completion of its property development projects.

As a result of bureaucratic difficulties, newly passed environmental and heritage protection laws, and time constraints with the administrative authorities in the relevant jurisdictions, the Group may encounter difficulties in obtaining relevant permits for the development of its projects or, more likely, may acquire those permits later than expected. Any such inability to obtain, or delay in obtaining, permits or consents could have a material adverse effect on the Issuer's business, financial condition, results of operations or prospects.

(b) The Issuer may be unable to effectively manage its expansion and the consequences of its internal and external growth.

The Issuer plans to invest the proceeds from the Bonds offering, amongst other things, in the expansion of its portfolio across the Czech Republic, which is its core market, as well as expanding its portfolio in Russia and potentially undertaking projects in other Central and Eastern European countries. See "Business Overview ". Although the Issuer has a policy not to overstretch its management or human resources, there can be no assurance that the Issuer's internal systems and monitoring measures will be adequate to support the expansion of its business. Any inability of the Issuer to manage effectively its internal and external growth, or to obtain the necessary resources required to administer and support such growth, could have a material adverse effect on its business, financial condition, results of operations or prospects.

(c) Competition in the markets in which the Group operates may intensify in the future.

As property markets in Central and Eastern Europe mature, the Group expects increased competition from both international and local real estate investors including developers, investment funds, various types of financial institutions, family groups and wealthy individuals, some or all of which may have capital and resources in excess of those of the Group. In particular, the Issuer has experienced, as a result of the accession of the Czech Republic to the European Union, increased competitive pressures from international property developers and other investors. Although the Issuer believes it has managed to continue to grow its business successfully to date, no assurance can be given that the Issuer will be able to compete successfully in the future. If the Issuer fails to compete effectively or, if increased competition leads to lower revenues and lower profit margins for the Issuer, the Issuer's business, financial condition, results of operations or prospects may be adversely affected.

(d) The Group may be exposed to oversupply in its key markets.

The real estate markets in the Czech Republic and Russia have experienced significant growth in recent years. Although the Issuer believes that its focus on prime sites and Class A developments means that there is and will continue to be demand for its developments, no assurance can be given that the supply of new office, retail and residential projects will not exceed demand in the relevant jurisdiction. Any such excess may have an effect on the value of the Issuer's portfolio and its ability to sell or lease its completed projects at forecasted levels or at all and, therefore, may adversely affect the Issuer's business, financial condition, results of operations or prospects.

(e) Future development projects and acquisitions of property portfolios by the Issuer could prove unsuccessful.

The Issuer has identified a number of development projects and investment opportunities which it believes are compatible with its strategy and which it intends to pursue over the next 12 to 18 months. See "Business Overview — Future projects".

Even if the Issuer is able to develop projects and acquire property portfolios compatible with its strategy, such developments and acquisitions could prove unsuccessful. The assumptions the Issuer makes when developing and acquiring its property portfolio may prove partly or entirely inaccurate. Inaccurate assumptions could adversely affect the Issuer's business, financial condition, results of operations or prospects.

(f) Unexpected problems and unrecognised risks could arise in the Issuer's existing and future development projects.

Unexpected problems or unrecognised risks could arise in connection with the Issuer's existing and future development projects. Moreover, the agreements that the Issuer enters into when developing or acquiring property portfolios may not adequately address such problems or risks. Unrecognised risks and the occurrence of unexpected problems, which may occur without warning, could adversely affect the Issuer's results of operations, lead to a decline in the value of development projects or acquired assets, and materially adversely affect the Issuer's business, financial condition, results of operations or prospects.

(g) The Issuer will continue to depend on its ability to identify profitable development projects.

The Issuer's business model depends on its continuing ability to develop and/or acquire commercial and residential properties in the Czech Republic, Russia and other Central and Eastern European countries into which it may expand with the potential for capital growth competition for such properties is intense at present, and the Issuer expects competition to further intensify in the markets in which it operates. As a result, the Issuer may not be able to find suitable properties, which could have a material adverse effect on the Issuer's business, financial condition, results of operations or prospects.

(h) The Issuer may not have title to property or shares.

As a result of various issues related to, among other things, the process of registration of title at the Czech and Russian real estate and corporate registries, the purchase of property from public authorities, restitution laws and untested law-enforcement procedures, the Issuer's subsidiaries may not in all cases have title to land on which properties are located or title to the shares of companies which own the land and properties of the Group. Whilst the Issuer has not to date experienced the situation where any such title to the properties themselves or to the shares in companies which own the relevant land and/or building has been the subject of legal proceedings leading to such loss of title, the Issuer is subject to the risk that the Group may not acquire or be granted title to such land or shares, and/or that the relevant company within the Group could be determined to be in violation of applicable law. Any such outcome could have a material adverse effect on the Issuer's business, financial condition, results of operations or prospects.

(i) The Issuer may be obliged to indemnify its subsidiaries for negative financial performance.

In order to control the management of the operations of its subsidiaries, the Issuer intends entering into controlling agreements with most of its subsidiaries. Upon concluding the controlling agreement, the Issuer would become obliged to indemnify its subsidiaries for any and all loss that cannot be covered from the funds of the controlled entity. If a controlling agreement is in existence, the obligation to indemnify the controlled entity for the negative results of its performance applies regardless of the origin of such loss. Consequently, the distribution of risks achieved by splitting various projects into various special purpose vehicles may be reduced by instituting the controlling agreements within the Group and thus exposing the Issuer to operational risks of the individual project special purpose vehicles. In the event of a claim by a creditor of a subsidiary against the Issuer due to the existence of a controlling agreement, the business, financial condition, results of operations and prospects of the Issuer may be materially adversely affected.

(j) Insurance may not cover all losses relating to the Group's properties and the Issuer may suffer material losses in excess of insurance proceeds.

Properties may suffer physical damage by fire or other causes, or the Issuer may suffer public liability claims, resulting in losses (including loss of rent) which may not be fully compensated by insurance proceeds. In addition, certain types of risk (such as war risk, acts of terrorism and losses caused by the outbreak of contagious diseases, contamination or other environmental breaches) may be uninsurable or the cost of insurance may be prohibitive when compared to the related risk. Should an uninsured loss or a loss in excess of insured limits occur, the Issuer could be required to pay compensation and/or lose capital invested in the affected property. The Issuer would also remain liable for any debt or other financial obligation related to that property.

No assurance can be given that material losses in excess of insurance proceeds will not occur in the future. Any such uninsured loss or a loss in excess of insured limits, may have a material adverse effect on the Issuer's business, financial condition, results of operations and prospects.

(k) The Group may not be able to attract and retain sufficiently qualified personnel in the countries in which the Group operates.

Increasing competition for labour in the Czech Republic, Russia and other Central and Eastern European countries from other local or international real estate companies may make it more difficult for the Issuer or its subsidiaries to attract and retain qualified employees or sub- contractors and may lead to rising labour costs in the future. If the Issuer is unable to attract employees with the required training, experience and motivation in key strategic markets or if competition for qualified employees increases its labour costs, it may materially adversely affect the Issuer's business, financial condition, results of operations or prospects.

(l) The Issuer is exposed to financing risk.

The Issuer finances the majority of its development through borrowings in the Czech and European banking markets. The Issuer enjoys good relationships with several banks and has not experienced difficulties with obtaining debt funding. However, the real estate development market has experienced significant growth in the recent past in the Czech Republic and Russia and no assurance can be given that banks in the Czech and European banking markets or their regulators will not introduce policies to limit exposure to the real estate sector such as quotas, increased provisioning or higher interest rates. Any such measures may result in the Issuer's having to obtain funding at increased rates which may adversely affect the Issuer's business, financial condition, results of operations and prospects.

(m) The Issuer is exposed to interest rate risks.

The Issuer utilises variable and fixed rate debt financing to finance the purchase, development, construction and maintenance of its properties. When variable rate financing is used, the Issuer's costs increase if prevailing interest rate levels rise. A significant increase in interest expense would have an unfavourable effect on the Issuer's financial results and may have a material adverse effect on the Issuer's business, financial condition, results of operations and prospects.

(n) The Issuer is exposed to currency risks.

Currency risk is applicable generally to those business activities and development projects where different currencies are utilised for repayment of liabilities under the relevant financing to that of the revenues generated by the relevant property or project. Currency risk is managed where possible by utilising the same currency for financing as that in which revenue will be generated. In the event different currencies are utilised, Group companies limit the risk, where appropriate, by utilisation of hedging instruments and other mechanisms. Any loss accruing to the Issuer due to currency fluctuations may have a material adverse effect on the Issuer's business, financial condition, results of operations and prospects.

(o) The Issuer is exposed to tax risks.

The Issuer and its subsidiaries carrying out the property development and investment are exposed to risks associated with possible changes in tax laws, or the interpretation of tax laws, in the various countries in which they operate. Furthermore, in Luxembourg, the Issuer has recently changed its tax status from a tax-exempt holding company under the law of 30 July 1929 into a fully taxable company (known as a Société de Participations Financières, or "Soparfi"). Although the Issuer believes its tax status and planning to have been in compliance with all current laws and regulations, any changes in tax laws or interpretation thereof or any investigation into the tax status of the Issuer by the relevant authorities may result in findings against the Issuer which may adversely affect the Issuer's financial condition and prospects.

(p) The Issuer may be exposed to changes in Czech VAT law.

In the Czech Republic, value added tax is generally charged at 19 per cent. but a preferential rate of 5 per cent. applies to residential dwellings. A change in tax law is due to come into effect on 1 January 2008 which will remove the preferential rate of 5 per cent. and, accordingly, the residential apartments of the Group will be subject to value added tax of 19 per cent. The Issuer believes that the effect of this change of law will not be significant due to the Issuer focusing on the high-value end of the residential market where there are few alternative developments to the Issuer's residential developments and where the purchasers of the Issuer's apartments are relatively wealthy individuals or companies who generally plan and manage their tax exposure and will plan and structure their arrangements to mitigate this negative effect. However, no assurance can be given that the levying of value added tax on residential dwellings will not have an adverse effect on the Issuer's ability to sell its residential apartments and, therefore, have an adverse effect on its business, financial condition, results of operations and prospects.

4.2. Industry Related Risks

Risks related to the real estate industry

(a) The Issuer faces a number of general risks related to the real estate industry.

The Issuer is exposed to all of the risks inherent in the business of acquiring, developing, owning, managing and using real estate. These risks include, in particular, the following:

- cyclical fluctuations in the property market generally and in the national and local markets where properties are located;
- financing risks;
- letting risks;
- sales risks;
- property abuse risks (including terrorism);
- political risk (including adverse changes in legislation);
- risks related to obtaining permits and consents;
- ownership title risk;
- currency risks;
- construction delays and construction budget overruns;
- opposition from civic and environmental groups;
- contaminated sites and soil pollution; and
- natural disasters.

The Issuer takes precautionary measures to protect its business activities from the negative impact of the above risks and other risks related to the real estate industry in general, especially those to which the Issuer's developments are more susceptible, through contractual provisions and, as far as possible, through insurance coverage. However, it is not possible to completely overcome all of these risks. If, despite all of the precautions taken, any of these risks materialise, the result could have a material adverse effect on the Issuer's business, financial condition, results of operations and prospects.

(b) The Group's properties may be subject to increases in operating and other expenses.

The Issuer's business, results of operations, financial condition and prospects could be materially adversely affected if operating and other expenses increase without a corresponding increase in revenues.

Factors which could increase operating and other costs include, among others:

- increases in property taxes and other statutory charges;
- changes in statutory laws, regulations or government policies which increase the cost of compliance with such laws, regulations or policies;
- increases in sub-contracted service costs;
- increases in the rate of inflation;
- increases in insurance premiums; and
- defects affecting the properties which need to be rectified, leading to unforeseen capital expenditure.

(c) Changing residential trends may adversely affect sales of developments.

The Group is involved in residential development projects in addition to its traditional focus on the office and commercial segments. As at 30 June 2006, the residential segment accounted for approximately 23 per cent. by area of the Group's portfolio. Changing residential trends are likely to emerge within the markets in which the

Group operates as they become more sophisticated and, in some regions, relaxed planning policies may give rise to over-development, thereby affecting the sales potential of the Group's residential developments. These factors will be considered within the investment strategy implemented by the Group but may not always be able to be anticipated and may have a material adverse effect on the Issuer's business, financial condition, results of operations and prospects.

(d) The Issuer is exposed to leasing risks.

The value of a rental property depends to a large extent on the remaining term of the related rental agreements as well as the creditworthiness of the tenants. The Group leases in the Czech Republic generally have initial terms of five years and in Russia tend to have initial terms of three years. If the Issuer is unable to renew expiring leases on favourable terms and find and retain suitable creditworthy tenants willing to enter into long-term rental agreements, the market value of the relevant property will be adversely affected. The creditworthiness of a tenant can decline over the short or medium term, leading to a risk that the tenant will become insolvent or be otherwise unable to meet its obligations under the lease. If the Issuer's judgement about a significant tenant or about the location, use or desirability of a property proves to be incorrect, its income from the property may be significantly below its estimates while its operating costs remain largely fixed. All of these factors could have a material adverse effect on the Issuer's business, assets, financial condition, results of operations or prospects.

(e) The Issuer is exposed to valuation risks.

The valuation of a property depends to a large extent on national and regional economic conditions. An economic downturn normally leads to decreased demand and to an excessive supply of properties, which can result in increased competition for desirable tenants, falling rents and higher vacancy levels, all of which could have a significant negative impact on a property's income stream and valuation.

In addition to a property's expected rental stream, its condition and its location, many additional qualitative factors play a role in the valuation of a property. A negative change in one of the assumptions used or factors considered in making a property's valuation could considerably decrease or increase the value of the property.

The Central and Eastern European property markets have undergone a period of strong growth and significant increases in property valuations generally. This may in some cases have led to inflated valuations in certain markets and a higher likelihood of falling valuations than may be the case in more developed markets.

Any economic downturn, increases of inflated valuations and other negative feature that may affect the valuation of properties in the Issuer's portfolio may have a material adverse effect on the Issuer's business, financial condition, results of operations and prospects.

(f) The Issuer is exposed to location risks.

The value of a property depends to a large extent on its location and the purpose for which it is intended. If the Issuer misjudges the desirability of a property's location or its intended use, it may be difficult to sell the property at the budgeted price or to rent fully or at all at the budgeted rental levels. If the Issuer is required to reduce the sale price to attract purchasers or the rental level of a property to attract tenants, or if the property is empty for a long period, the market value of the property may be significantly reduced and the Issuer's revenues adversely affected. If budgeted sale or rental revenue should fail to materialise as planned, this may have long-term effects on the performance of the property concerned. Any such misjudgement or miscalculation may have a material adverse effect on the Issuer's business, financial condition, results of operations and prospects.

(g) The Issuer is exposed to the risk of illiquidity of real estate investments.

Investments in real estate are relatively illiquid and are generally more difficult to realise than other investments. Disposals of assets could take longer than may be commercially desirable which may have an effect on the timing of a disposal or on the funds received for a disposed property. Any delay in the disposal of a property or reduction in the sale price therefor could have a material adverse effect on the Issuer's business, financial condition, results of operations and prospects.

(h) The Issuer is exposed to concentration risk.

A significant proportion of the Issuer's assets and projects, the CITY Project, are in one location in the Pankrac area of Prague. In this area, the Issuer is developing several properties and owns two investment properties with an aggregate approximate lettable area, as at the date of this Prospectus, of 168,000 m^2, comprising approximately 55 per cent. by area of the Issuer's development portfolio. Any decline in property values in Prague or in the Pankrác area of Prague or any event or occurrence in the area which has an effect on the other properties in the vicinity may have a material adverse effect on the business, financial condition, results of operations and prospects of the Issuer.

(i) The Issuer is exposed to maintenance risks.

The desirability of a rental property depends not only on its location but also on its condition. To remain desirable and to generate a revenue stream over the longer term, a property's condition must be maintained or, in some cases, improved to meet the changing needs of the market. Most of the Issuer's properties are new, and are expected to require only standard maintenance in the near term. As these properties age, or as market requirements change, maintaining or upgrading these properties in accordance with market standards may entail significant costs, which are typically borne primarily by the property owner, not the tenants. The Issuer tries to mitigate these risks by using its own facility management business, ECM Facility a.s., which can monitor quality and cost and through the terms of its leases, the Issuer looks to pass maintenance costs on to its tenants. If the actual costs of maintaining or upgrading a property exceed the Issuer's estimates, or if hidden defects are discovered during maintenance or upgrading, which are not covered by insurance or contractual warranties, or if the Issuer is not permitted to raise its rents due to legal constraints under applicable local landlord-tenant laws, the Issuer will have to bear the additional costs. Furthermore, any failure by the Issuer to undertake relevant repair work in response to the factors described above could adversely affect the sales and rental income earned from affected residential properties. All of these factors could have a material adverse effect on the Issuer's business, financial condition, results of operations and prospects.

(j) The Issuer is exposed to risks of environmental claims.

Despite the due diligence it undertakes when acquiring new land and properties, the Issuer may own land which contains environmental pollutants (e.g. waste, oil or toxic chemicals) or buildings whose structures incorporate hazardous materials (e.g. asbestos and formaldehyde) which are harmful to the environment or to the health of workmen on development sites or residents and occupants of residential or office sites. The removal and disposal of such hazardous substances, along with the associated maintenance and repair work, could entail significant costs. Furthermore, it may be impossible for the Issuer to obtain recourse against the party responsible for the pollution or against prior owners.

These environmental risks are particularly acute with respect to properties located in countries where reliable documentation for past contamination does not exist or where the laws governing environmental matters are in development or unclear, as is more often the case in the countries of Central and Eastern Europe than in Western Europe. These risks associated with environmental claims are not always predictable or under the Issuer's control.

The incurrence of environmental claims or unforeseen costs to remove or dispose of these substances and hazardous materials or to repair resultant damage caused by them could adversely affect the Issuer's business, financial condition, results of operations and prospects.

(j) The Issuer is exposed to risks associated with its investments in development projects.

The Issuer expands its business mainly through development projects and acquisitions of existing real estate. During the initial phases of development projects, the Issuer normally carries the costs of the project, both through injection of equity and by incurring debt, and begins to receive revenues only at a later point in time. Development projects sometimes face cost overruns and delays in completion, many of which are caused by factors that are not directly within the control of the developer. These types of risks especially in relation to the quality and timeliness of performance by contractors are inherent in property development. If any of these risks occur, the economic success of a project could be significantly impaired and the Issuer's business, results of operations, financial condition and prospects could be materially adversely affected.

4.3. Risks related to the geographic markets in which the Issuer operates in Central and Eastern Europe

(a) Economic or political developments in the Czech Republic, Russia and other countries in Central and Eastern Europe could have a material adverse effect.

The Issuer's operations in the Czech Republic and Russia and in other Central and Eastern European countries where the Group may undertake projects are exposed to risks common to all regions that have recently undergone, in the case of the Czech Republic, or are undergoing, in the case of Russia and other countries in which the Issuer may operate in the future, political, economic and social change, including currency fluctuations, exchange control restrictions, an evolving regulatory environment, inflation, economic recession, local market disruption, labour unrest, changes in disposable income or gross national product, variations in interest rates and taxation policies, levels of economic growth, expected declines in the birth rate and other similar factors. Political or economic instability resulting from the occurrence of any of these risks may adversely affect the real property market in the affected country or countries. The level of risk that the Issuer faces differs significantly between the Czech Republic, which is generally believed to be of lower risk as it is a member of the European Union, and Russia, which is believed to be higher. However, the Issuer is affected by these issues in each of the markets in which it operates. Many of these factors are entirely beyond the Issuer's control. Adverse economic or political developments in the markets where the Issuer operates may have a material adverse effect on the Issuer's business, results of operations, financial condition or prospects.

(b) The legal systems and procedural safeguards in the Czech Republic, Russia and Central and Eastern Europe are not yet fully developed.

Many of the agreements concluded with local partners and service providers in the Czech Republic and Russia for the ownership, development and management of the land and/or properties in which the Issuer has invested are subject to the laws of the jurisdiction where the property is located. The legal systems of the Czech Republic and Russia have undergone dramatic changes in recent years. In many cases, the interpretation and procedural safeguards of the new legal and regulatory systems are still being developed, which may result in inconsistent application of existing laws and regulations and uncertainty as to the application and effect of new laws and regulations. This is especially true for Russia.

Additionally, in some circumstances, it may not be possible to obtain the legal remedies provided for under relevant laws and regulations in a reasonably timely manner or at all. Although institutions and legal and regulatory systems characteristic of parliamentary democracies have been developed in the Czech Republic and Russia, they lack an institutional history, and there may be no generally observed procedural guidelines. As a result, shifts in government policies and regulations tend to be more frequent and less predictable than in the countries of Western Europe. Moreover, a lack of legal certainty or the inability to obtain effective legal remedies in a reasonably timely manner may have a material adverse effect on the Issuer's business, financial condition, results of operations or prospects.

4.4. Bonds Specific Risks

The risks associated with the Bonds include, without limitation, the following risk factors:

(a) General Risks Related to the Bonds

Any prospective investor investing in the Bonds is required to assess itself the suitability of its investment according to its own circumstances. In particular, each investor should:

a) have sufficient knowledge and experience to make a reasonable assessment of the Bonds and of the benefits and risk of an investment in the Bonds, and to evaluate the information contained herein or in any amendment or supplement hereto, whether directly or by reference;

b) have knowledge of appropriate analytical instruments for valuation and of access thereto, in each case in the context of its particular financial condition, investment in the Bonds and its impact on its investments and/or its investment portfolio as a whole;

c) have sufficient funds and liquidity to be ready to bear all the risks associated with its investment in the Bonds;

d) fully understand the terms and conditions (including, without limitation, the Terms and Conditions of the Bonds and this Prospectus), and be aware of the performance of or changes in any ratio or the financial market;

(e) be able to assess (either alone or with the assistance of a financial adviser) possible scenarios of the further development of the economy, interest rates or any other factors that may have an effect on the investment and the investor's ability to bear potential risks.

(b) The Bonds are Unsecured Obligations

The Bonds are direct, general, unsecured, unconditional and unsubordinated obligations of the Issuer ranking *pari passu* among themselves and at least *pari passu* with any present and future direct, general, unsecured, unconditional and unsubordinated obligations of the Issuer and are currently in priority to payments to holders of all classes of ordinary share capital and preference share capital of the Issuer in their capacity as such holders. Consequently, prospective Bondholders could suffer direct and materially adverse consequences, including suspension of interest payments and principal payments, or lose a substantial part of their investment if the Issuer were to become bankrupt (whether voluntarily or involuntarily).

Except for funds obtained through the issue of the Bonds, the Issuer obtains funds for its business activities through other means of financing. If the Issuer is not able to secure sufficient cash flow in order to be able to repay its obligations, the Issuer may be requested to refinance its current debt or any of its part, or to try to obtain additional funds. It is not certain if such refinancing or obtaining of additional funds will be possible for the Issuer. If the Issuer finds itself unable to fulfill its payment obligations and becomes bankrupt (whether voluntarily or involuntarily), the Bondholders will be satisfied only after the claims of secured creditors and of creditors preffered as provided for by law will have been satisfied.

(c) *Interest Rate Risk*

The Bonds bearing a floating interest rate may be considered to be a volatile investment because a holder of the Bonds is exposed to an interest rate risk and faces uncertainty as to the amount of the interest income. An investor that fails to arrange for additional hedging in connection with the Bonds bearing a floating interest rate will find it difficult to assess in advance the overall return on its investment into the Bonds.

(d) *Taxation*

Any person buying or selling the Bonds should be aware that it may be obliged to pay taxes as well as other payments or fees pursuant to the applicable law or customs of the country in which the Bonds are being transferred as well as any other relevant country. In certain countries, there may not exist any official standpoints or guidelines of the relevant tax authorities or court decisions concerning investment instruments such as the Bonds. In this regard, potential investors should, in addition to the risks described in this chapter, consider the information contained in Chapter 9 “Taxation and Foreign Exchange Regulation in the Czech Republic and Luxembourg” of this Prospectus as well as other information concerning taxation contained in the Terms and Conditions. No potential investor should rely on the information contained in this non-exhaustive general summary and should consult with its legal and tax advisors the tax rules applicable in its individual case. Potential investors should be aware that any changes of the applicable tax laws or regulations may result in the resulting revenue from the Bonds being lower than they expected and/or that, as at the maturity date of the Bonds or the date on which the Bonds will be sold by such investor, the investor may receive a lower amount than the amount originally expected by such investor.

(d) *Change of Law*

The Terms and Conditions of the Bonds are governed by Czech law as in effect as of the date of this Prospectus. There is no assurance as to the effect of any court decision or change in Czech or Luxembourg law or official practice after the date of this Prospectus on the Issuer’s financial condition, and hence on the Issuer’s ability to redeem the Bonds in a proper and timely manner.

(e) *No Prior Public Market - Liquidity Risk*

The Bonds constitute a new issue of securities. Prior to this offering, there has been no public market for the Bonds. Although application has been made to list the Bonds on the secondary market of the Prague Stock Exchange, there can be no assurance that an active public market for the Bonds will develop and, if such a market were to develop, the Lead Manager is under no obligation to maintain such a market. The fact that the Bonds may be listed on the secondary market need not lead to a greater liquidity of the listed Bonds compared to that of unlisted Bonds. Unlisted Bonds may, on the other hand, be difficult to value, which may have an adverse effect on their liquidity. The liquidity and the market prices for the Bonds can be expected to vary with changes in market and economic conditions, the financial condition and prospects of the Issuer and other factors that generally influence the market prices of securities. Liquidity may also be affected by legal restrictions on offers for sale in certain jurisdictions. The investor may not be able to sell the Bonds on an illiquid market at an adequate market price. The Issuer may affect the liquidity of the Bonds by purchasing and holding the Bonds for its own accounting during trading in the secondary market. Any such Bonds may be resold at any time into the market.

5. RESPONSIBLE PERSONS

5.1. Persons Responsible for Information Given in the Prospectus

The person responsible for the accuracy and completeness of information given in the Prospectus, as well as for the accurate execution thereof, is the Issuer, ECM REAL ESTATE INVESTMENTS A.G., 5 Boulevard de la Foire, L-1528, Luxembourg, a Luxembourg public company limited by shares registered with the Register of Commerce and Companies in Luxembourg under Reg. No. B65.153.

5.2. Issuer's Declaration

The Issuer hereby declares that, to the best of its knowledge, the information contained in the Prospectus is in accordance with the facts and the Prospectus makes no omission likely to affect its import.

Further, the Issuer represents the financial statements for the last three fiscal periods, *i.e.*, the years ended December 31, 2005, December 31, 2004 and December 31, 2003 have been audited and that the auditor's opinion set forth in this Prospectus corresponds with the opinion set forth in the respective auditor's report.

As of the date of Prospectus, in March 9, 2007

ECM REAL ESTATE INVESTMENTS A.G.

Name: Jana Žejdlíková	Name: Tomáš Laštovka
Title: Vice President for Finance	Title: Vice President for Development

6. STATUTORY AUDITORS

The Issuer's annual consolidated financial statements as of 31 December 2005 and 31 December 2004 were audited in accordance with IFRS by Deloitte Audit s.r.o., with its registered office at Praha 1, Týn 641/4, ZIP Code 110 00, Czech Republic, Identification Number 49620592, registered in the Commercial Register maintained by the Municipal Court in Prague, Section C, File No. 24349, who examined these statements and in each case issued an unqualified audit opinion. Deloitte Audit s.r.o. is a holder of the certificate of the Chamber of Auditors of the Czech Republic, Certificate No. 079.

The Issuer's annual statutory financial statements as of 31 December 2005 were audited in accordance with Luxembourg GAAP by BDO Compagnie Fiduciaire S.A., with its registered office at 5 Boulevard de la Foire, L-1528, Luxembourg, who examined these statements and issued an unqualified audit opinion. BDO Compagnie Fiduciaire S.A. is a member of the Institut des Réviseurs d'Entreprises.

The Issuer's annual statutory financial statements as of 31 December 2004 and 31 December 2003 were audited in accordance with Luxembourg GAAP by Audiex S.A. with its registered office at 57, Avenue de la Faiencerie, L-1510, Luxembourg, who examined these statements and in each case issued an unqualified audit opinion. Audiex S.A. is a member of the Institut des Réviseurs d'Entreprises.

The last available financial statements are for period ended 30 September 2006.

7. SUBSCRIPTION AND SALE

7.1. General Information on the Offering

The Issuer and Česká spořitelna, a.s., with its registered seat at Olbrachtova 1929/62, Prague 4, ZIP Code 140 00, Identification Number 45244782, registered in the Commercial Register maintained by the Municipal Court in Prague, Section B, File No. 1171, entered into the Agreement on Procurement of the Bond Issue, as amended, whereby the Issuer authorized Česká spořitelna, a.s., as the Lead Manager and Bookrunner of the Bonds issue, with all activities in connection with the issue and placement of the Bonds, including the activities of the Listing Agent and Paying and Fiscal Agent.

The Issuer has decided to issue the Bonds in the aggregate principal amount of up to CZK 2,000,000,000. The Bonds have been and will be offered and sold by the Issuer (through the Lead Manager) in the Czech Republic and/or abroad solely in a manner that is not subject to the requirement to publish a prospectus of the Issuer under the Capital Markets Act and/or the relevant foreign regulation. For the purposes of such offer and sale in the Czech Republic or elsewhere, the Issuer, or the Lead Manager respectively, may use a document that is identical in content with this Prospectus, but is not a prospectus within the meaning of the Capital Markets Act or the relevant foreign regulation. The Issuer has published this Prospectus for the purposes of admission of the Bonds to trading on the secondary market of the PSE.

Any potential offering of any Bonds by the Issuer, or the Lead Manager respectively, in the Czech Republic (including the distribution of a document identical in content with this Prospectus) is made on the basis of Section 35(2)(a) of the Capital Markets Act or an equivalent exemption available abroad. Accordingly, the Bonds will be offered exclusively to qualified investors.

7.2. Allocation and Subscription of the Bonds

The Bonds shall be offered and allocated following a book-building process, through which the Lead Manager will secure the interest of potential investors in the Bonds. The Bonds will be offered by the Lead Manager for subscription and sale primarily in the Czech Republic to qualified investors (local or foreign) in compliance with relevant laws.

Once the interest of potential investors in the Bonds is ascertained, the Issuer (having consulted the Lead Manager) shall fix the Margin and Issue Price of the Bonds (as such terms are defined in Chapter 8 of this Prospectus), and the subscribed Bonds will be allocated to individual investors.

Detailed terms of the offer, commissions, subscription conditions, and the methods and terms of repayment and delivery of the Bonds will be set in a Subscription Agreement with respect to the Bonds entered into by and among the Issuer and the underwriter(s) without undue delay upon the completion of the book-building process and fixing of the final terms of the offer. Without undue delay, the Issuer is required to notify the subscribers of the Bonds through the authorized Lead Manager by sending confirmation of the final terms of the issue.

7.3. Note on Restrictions of Prospectus Distribution and Selling Restrictions

The distribution of this Prospectus, and the offering, sale, or purchase of the Bonds in certain jurisdictions are restricted by law. The persons who come into possession of this Prospectus are required to inform themselves of, and to comply with, all such restriction as may be applicable to them. This Prospectus alone is not an offer to sell the Bonds and is not soliciting offers to purchase the Bonds in any jurisdiction.

The Issuer points out to the prospective purchasers of the Bonds that the Bonds are not and will not be registered under the U.S. Securities Act of 1933, as amended (hereinafter the "**U.S. Securities Act**"), or by any securities commission or any other regulatory agency of any other regulatory agency of any state of the United States of America, and accordingly, the Bonds may not be offered, sold, or delivered within the United States or to U.S. persons (as such terms are defined in Regulation S under the U.S. Securities Act) other than by virtue of an exemption from the registration requirement under the U.S. Securities Act, or in a transaction that is not subject to the registration requirement under the U.S. Securities Act.

The Issuer urges the purchasers of the Bonds to comply with the provisions of all applicable laws and regulations in effect in any jurisdiction (including the Czech Republic) where they will purchase, offer, sell, or deliver the Bonds, or where they will distribute, make available, or otherwise circulate the Prospectus or any other offering or promotion material or information related to the Bonds, in all cases at their own cost and irrespective of whether the Prospectus or such other offering or promotion material or information related to the Bonds is in printed form or in an electronic or other intangible form only.

Each person who acquires a Bond shall be deemed to have represented and agreed that (i) such person is familiar with all the relevant restrictions on the offer and sale of the Bonds related to such person and the relevant method of offer or sale, (ii) such person shall not offer for resale or resell the Bonds without complying with the relevant restrictions applicable to such person and to the relevant method of offer and sale, (iii) before offering for resale or reselling the

Bonds, such person shall inform the prospective purchasers that the offer for resale or the resale of the Bonds may in various jurisdictions be subject to statutory restrictions that must be observed.

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (the "**Prospectus Directive**") (each, a "**Relevant Member State**"), each dealer of the Bonds will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Instruments to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of Instruments to the public in that Relevant Member State:

1. in the period beginning on the date of publication of a Prospectus in relation to those Instruments which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive and ending on the date which is 12 months after the date of such publication;

2. at any time to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;

3. at any time to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; or

4. at any time in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of Instruments to the public" in relation to any Instruments in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Instruments to be offered so as to enable an investor to decide to purchase or subscribe the Instruments, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression Prospectus Directive means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

7.4. Listing

The Issuer filed an application for admission of the Bonds to listing and trading on the secondary market of the Prague Stock Exchange (Burza cenných papírů Praha, a.s.) in accordance with the PSE regulations setting forth the requirements for admission of a security to exchange trading and assumes initial commencing of trading on or about 30 March 2007.

7.5. Certain Provisions Relating to the Primary Settlement of the Bonds

The Bonds will be represented by the Global Bond, which will be deposited with Univyc on or before the Issue Date. The primary settlement of the Bonds will be made through Univyc against the payment of the purchase price of the issued Bonds so that the initial purchasers are registered in the register kept by Univyc as holders participating in the total principal amount of the Global Bond by holding the relevant number of Bonds on or before the Issue Date. Univyc is a wholly owned subsidiary of the Prague Stock Exchange, and is licensed by the Czech National Bank to carry out the settlement of trades effected at the Prague Stock Exchange. Any settlement of securities at Univyc can only be made through a member of Univyc. The majority of prominent securities brokers in the Czech Republic are members of Univyc.

In order to achieve the primary settlement of the Bonds, the initial purchasers of the Bonds must proceed in accordance with the instructions of the Lead Manager or its agents. In particular, any initial purchaser of the Bonds who is not himself a member of Univyc must appoint a local securities broker who is a member of Univyc as its agent, and instruct such agent to take all actions required for the primary settlement of the Bonds. There can be no assurance that the Bonds will be duly delivered to the initial purchasers if such initial purchasers or the securities brokers acting as their agents fail to follow all the procedures and the relevant instructions for the primary settlement of the Bonds.

7.6. Stabilization

The Lead Manager may perform stabilization of the Bonds and may, in its discretion, take certain steps as it deems necessary and reasonable with the aim of the stabilization or maintaining such price level of the Bonds which would not have to necessarily prevail otherwise. The Lead Manager may terminate such stabilization at any time. Such activity shall be performed by the Lead Manager only in the extent permitted by the applicable laws and regulations.

8. TERMS AND CONDITIONS

These terms and conditions (the "**Terms and Conditions**") govern the rights and obligations of the Issuer (as such term is defined below) and the Bondholders (as such term is defined below), and provide more detailed information about the issuance of unsecured unsubordinated bonds (the "**Bonds**") due in 2012, in the anticipated aggregate principal amount of up to CZK 2,000,000,000 (two billion Czech crowns), bearing interest at a floating rate as determined pursuant to Article 5 of these Terms and Conditions, to be issued by ECM REAL ESTATE INVESTMENTS A.G., with its seat at 5 Boulevard de la Foire, L-1528, Luxembourg, a Luxembourg public company limited by shares registered with the Register of Commerce and Companies in Luxembourg under Reg. No. B65.153 (the "**Issuer**"). The issue of the Bonds was approved by a decision of the board of directors of the Issuer dated 7 March 2007.

If no such change as described in Article 11.1.2 of these Terms and Conditions takes place, the services of the fiscal and paying agent related to the payment of interest on the Bonds and to the repayment of the principal of the Bonds will be provided to the Issuer by Česká spořitelna, a.s., with its registered seat at Olbrachtova 1929/62, Prague 4, Zip Code 140 00, Identification No. 45244782, registered in the Commercial Register maintained by the Municipal Court in Prague, Section B, File No. 1171 ("**Česká spořitelna**") based on the terms and conditions of the fiscal and paying agency agreement (the "**Fiscal and Paying Agency Agreement**"). The Issuer may authorize additional or another person having a license for the conduct of such activities to perform the services of the fiscal and paying agent related to the payment of interest on the Bonds and the repayment of the principal of the Bonds (Česká spořitelna or such other person is hereinafter referred to as the "**Fiscal and Paying Agent**") under a Fiscal and Paying Agency Agreement. A counterpart of the Fiscal and Paying Agency Agreement will be available for inspection by the Bondholders during regular office hours at the specified office of the Fiscal and Paying Agent (the "**Specified Office**"), as set forth in Article 11 of these Terms and Conditions. The Bondholders are advised to make themselves familiar with the Fiscal and Paying Agency Agreement as this is important, inter alia, for the actual making of payments to the Bondholders.

If no such change as described in Article 11.2.2 of these Terms and Conditions takes place, the services of the listing agent related to the listing of the Bonds in the relevant public market will be provided to the Issuer by Česká spořitelna. The Issuer may authorize any other person having a license for the conduct of such activities to perform the services of the listing agent related to the listing of the Bonds in the relevant public market (Česká spořitelna or such other person is hereinafter referred to as the "**Listing Agent**"). Through the Listing Agent, the Issuer has applied for admission of the Bonds for trading on the secondary market of the Prague Stock Exchange (the "**PSE**"). If the PSE Listing Committee admits the Bonds to trading on the secondary market of the PSE, the Bonds will have the status of a listed security as of the Issue Date (as defined below). As of the Issue Date, the Issuer's costs related to the admission of the Bonds to (i) trading on the secondary market of the PSE amount to CZK 50,000 (fifty thousand Czech crowns) and (ii) trading and settlement on the secondary market of the PSE to 0.05% (annually), max. CZK 85,000 (eighty five thousand Czech crowns) of the aggregate principal amount of the Bonds.

If no such change as described in Article 11.3.2 of these Terms and Conditions takes place, the services of the calculation agent in connection with calculations with respect to the Bonds will be provided to the Issuer by Česká spořitelna. The Issuer may authorize additional or another person having a license for the conduct of such activities to perform the services of the calculation agent in connection with calculations with respect to the Bonds provided that the Fiscal and Paying Agent and the Calculation Agent will be the same person (Česká spořitelna or such other person is hereinafter referred to as the "**Calculation Agent**").

These Terms and Conditions have been drafted in accordance with Czech Act No. 190/2004 Coll., as amended (the "**Bonds Act**") as a part of the prospectus of the Bonds pursuant to Article 7(3) of the Bonds Act, and approved by decision Ref. No. Sp/544/78/2007 2007/4290/540 of the Czech National Bank dated 12 March 2007, which became final and effective on 12 March 2007. The prospectus of the Bonds has been prepared in accordance with Czech Act No. 256/2004 Coll., as amended (the "**Capital Markets Act**"), and Commission Regulation (EC) No 809/2004 of 29 April 2004, implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements (the "**Regulation**"), and approved by decision Ref. No. Sp/544/78/2007 2007/4290/540 of the Czech National Bank dated 12 March 2007, which became final and effective on 12 March 2007. The ISIN of the Bonds is CZ0000000211. The title of the Bonds is "Bonds of ECM REAL INVESTMENTS A.G. FRN/2012".

1. General Characteristics of the Bonds

1.1 Form, Type, Denomination, Class

The Bonds are certificated securities, in bearer form (represented by the Global Bond, as such term is defined below), are issued in the quantity of up to 2,000 (two thousand) bonds in a denomination of CZK 1,000,000 (one million Czech crowns) each, and will be listed securities if admitted to trading on the secondary market organized by the PSE. No pre-emptive or conversion rights shall attach to the Bonds.

1.2 Bondholders; Transfer of the Bonds

1.2.1 Transferability of the Bonds

There is no restriction on the transfer of the Bonds, but unless it is contrary to applicable law, the transfers of the Bonds may be suspended commencing on the day immediately following the Record Date for Principal Repayment (as such term is defined below) in accordance with Article 7.3.2 of these Terms and Conditions.

1.2.2 Bondholders

(a) The Bonds issued and subscribed for as of the Issue Date will be represented by a global certificate carrying no coupons (the "**Global Bond**"). The Global Bond shall be deposited for custody and management with UNIVYC, a.s., with its registered office at Rybná 14, Prague 1, Zip Code 110 05, Czech Republic, Identification No. 25081489, registered in the Commercial Register maintained by the Municipal Court in Prague, Section B, File No. 4308 ("**Univyc**"), on or before the Issue Date. The Bondholders shall participate in the total principal amount of the Global Bond by holding a certain number of Bonds, without any serial numbers being assigned to such Bonds. The Global Bond shall be jointly owned by the holders of interests in the Global Bond. If a number of the Bonds through which the Bondholders participate in the total principal amount of the Global Bond are redeemed early or if additional Bonds are issued within the Issue Period or Additional Issue Period, the total principal amount of the Global Bond shall be reduced or increased accordingly. The holder of an interest in the Global Bond shall hold such number of Bonds as corresponds to its interest in the Global Bond, and shall have all the rights pertaining to a Bondholder (including the right to interest on the Bond). Specific Bonds will not be issued and the Bondholders are not entitled to request specific Bonds.

(b) The rights attached to the Bonds may be exercised with the respect to the Issuer by any person (hereinafter also referred to as a "**Bondholder**") recorded in the register kept by Univyc as a person participating in the Global Bond by holding a specific number of Bonds. If Univyc ceases to keep the register of persons participating in the Global Bond (e.g. due to the expiry or termination of its license), such register will be maintained by the Fiscal and Paying Agent and all other activities performed by Univyc with respect to the Global Bond and the holders of interest in the Global Bond in accordance with these Terms and Conditions will be performed by the Fiscal and Paying Agent.

(c) The interests of a Bondholder in the Global Bond shall be transferred upon registration of such transfer in the register kept by Univyc. Until the Issuer is notified, in a convincing manner, of the facts proving that a Bondholder is not the holder of the securities concerned, the Issuer and the Fiscal and Paying Agent shall deem the Bondholder to be the holder in due course in all respects and make payments to such Bondholder in accordance with these Terms and Conditions.

1.3 Separation of the Right to Interest

There will be no separation of the right to receive interest payable on the Bonds.

1.4 Certain Obligations of the Issuer

The Issuer undertakes to pay interest on and repay the principal of the Bonds in accordance with these Terms and Conditions.

The Issuer undertakes to use its reasonable efforts to ensure that the Bonds are listed securities within the meaning of the Capital Markets Act during the entire term of their existence.

2. Issue Date and Underwriting of the Bonds; Issue Price

2.1 Issue Date, Issue Price

The expect issue date of the Bonds is scheduled on 30 March 2007 (the "**Issue Date**"). The issue price of the Bonds issued on the Issue Date shall amount to 100% of their principal amount.

The issue price of any Bonds issued after the Issue Date during the Issue Period or the Additional Issue Period (as such terms are defined below) will be set by the Issuer in order to reflect prevailing market conditions. The relevant accrued interest will be added to the issue price of any Bonds issued after the Issue Date during the Issue Period or Additional Issue Period.

2.2 Method and Place of Underwriting the Bonds

The Bonds shall be offered for underwriting and purchase primarily in the Czech Republic exclusivelyto qualified investors (Czech and foreign) in accordance with the applicable laws of the Czech Republic through the Lead Manager of the issue of the Bonds.

The Lead Manager of the issue of the Bonds (the "**Lead Manager**") shall be Česká spořitelna.

The primary settlement of the Bonds shall be effected through Univyc by delivery-versus-payment method so that the initial purchasers are registered with Univyc as the holders of the interest in the Global Bond representing the relevant number of Bonds on or before the Issue Date against payment of the purchase price of the issued Bonds set as the total nominal value multiplied by the Issue Price.

2.3 Anticipated Aggregate Principal Amount of the Bonds; Issue Period and Additional Issue Period

The anticipated principal amount of the issue of the Bonds is equal to CZK 2,000,000,000 (two billion Czech crowns). The issue period for underwriting the Bonds shall commence running on 20 March 2007 and shall terminate 24 months after the Issue Date (the "**Issue Period**").

The Issuer shall be entitled to issue the Bonds up to the anticipated aggregate principal amount, during the Issue Period and after its expiry, at any time during an additional issue period, if any, set and published by the Issuer in accordance with applicable legal regulations (the "**Additional Issue Period**").

The Issuer shall be entitled to issue the Bonds in an aggregate principal amount smaller than the anticipated aggregate principal amount.

The Issuer shall be entitled to issue the Bonds in an aggregate principal amount higher than the anticipated aggregate principal amount, during the Issue Period and, after its expiry, within the Additional Issue Period. If the Issuer decides to issue the Bonds in an aggregate principal amount higher than the anticipated aggregate principal amount, the volume of such increase will not exceed 75% (seventy five per cent) of the anticipated aggregate principal amount of the Bonds of the anticipated aggregate principal amount.

The Issuer shall be entitled to issue the Bonds in tranches, both during the Issue Period and Additional Issue Period.

The Issuer shall be entitled to set the Additional Issue Period repeatedly.

Without undue delay after the expiration of the Issue Period and/or the Additional Issue Period, the Issuer shall give notice to the Bondholders, in such manner as provided by applicable law, of the aggregate principal amount of all the issued Bonds, but only if such aggregate principal amount of all the issued Bonds is smaller or higher than the anticipated aggregate principal amount of the issue of the Bonds.

3. Status of the Obligations Under the Bonds

The Bonds (and all payment obligations of the Issuer from the Bonds towards the Bondholders) constitute direct, general, unsecured, unconditional and unsubordinated liabilities of the Issuer, which are and will rank *pari passu* among themselves and at least *pari passu* with any present and future unsubordinated and unsecured liabilities of the Issuer, with the exception of such liabilities preferred by binding mandatory legal provisions. The Issuer undertakes to treat all Bondholders equally under the same circumstances.

4. Negative Pledge

The Issuer undertakes that until the full payment of all of its payment liabilities resulting from issued and outstanding Bonds, it will neither secure nor allow any security to be created in respect of any Liabilities (as defined below) of the Issuer by way of any mortgages, pledges or any other similar third party rights attached to the Issuer's current or future property or income, unless the Issuer secures simultaneously with the creation of such mortgages, pledges or any other similar third party rights that the Issuer's liabilities under the Bonds are secured (i) equally with such secured Liabilities, or (ii) otherwise, as may be approved by a resolution of the Bondholder Meeting in accordance with Article 14 of these Terms and Conditions.

The previous paragraph shall not apply to mortgages, pledges or any other similar third party rights attached to the Issuer's property that:

(i) have been created in order to secure any Liabilities of the Issuer (with the exception of the liabilities set forth in (b), (c) and (d) below) that will not exceed in their aggregate 45% of the value of the consolidated assets of the Issuer. For the purposes of this sub-paragraph, the consolidated assets of the Issuer means the consolidated assets of the Issuer reported in the last audited consolidated financial statements of the Issuer, prepared in accordance with the IFRS; or

(j) have been attached to the Issuer's property at the time of its acquisition by the Issuer; or

(k) have been attached to the Issuer's property for the purpose of securing liabilities arising exclusively in connection with the acquisition of such property or any portion thereof by the Issuer; or

(l) have been attached to the Issuer's property by operation of law in connection with the Issuer's usual conduct of business or in connection with the Issuer's usual banking operations.

"**Liabilities**" means, for the purposes of these Terms and Conditions, with respect to any person any existing liabilities or future liabilities of such person in respect of the repayment of principal of borrowed money (including, without double counting, liabilities arising from guarantees provided to third persons in respect of the repayment of principal of borrowed money).

5. Interest

5.1 Method of Interest Calculation

The Bonds shall bear interest at a floating rate to be fixed by the Calculation Agent for each Interest Period (as such term is defined below in this Article 5.1) as the sum of (i) the Reference Rate (as such term is defined below in this Article 5.1) fixed by the Calculation Agent on the Reference Rate Fixing Date (as such term is defined below in this Article 5.1) at such hour at which it is commonly determined, and (ii) a margin fixed on the basis of the bookbuilding process and published by the Issuer prior to the Issue date in the same way as the Prospectus (the "**Margin**").

For the purposes of these Terms and Conditions, "**Reference Rate**" means 6M PRIBOR, with "6M PRIBOR" meaning the percentage interest rate per annum appearing on page PRBO of the "Reuter Screen Service" (or any successor page or in any other official source quoting such rate) as the value of interest rate fixing for the sale on the Prague market of Czech crown interbank deposits for a six-month period, as determined by the Czech National Bank as the rate in effect at 11.00 a.m. (Prague time) on the relevant Reference Rate Fixing Date. If no 6M PRIBOR can be fixed on any relevant date by the method described above, then 6M PRIBOR shall be determined by the Calculation Agent on the basis of PRIBOR for the nearest longer period for which PRIBOR is quoted on page PRBO (or in any other official source) and PRIBOR for the nearest shorter period for which PRIBOR is quoted on page PRBO (or in any other official source). If no 6M PRIBOR can be fixed by either of these methods, then 6M PRIBOR on such date shall be determined by the Calculation Agent as the arithmetic mean of interest rate quotations for the sale of Czech crown interbank deposits for a six-month period on such date after 11:00 a.m. (Prague time) as notified by at least 3 (three) banks operating on the Prague interbank market selected by the Calculation Agent. If 6M PRIBOR cannot be determined even by this method, then 6M PRIBOR shall be equal to 6M PRIBOR established in accordance with the procedure described above in this paragraph as of the nearest preceding date on which 6M PRIBOR could be so established. For the avoidance of doubt, if 6M PRIBOR ceases to exist as a result of the membership of the Czech Republic in the European Union, or if 6M PRIBOR generally ceases to be used on the interbank deposit market, then 6M PRIBOR shall be replaced by the rate commonly used on the interbank deposit market in the Czech Republic.

For the purposes of these Terms and Conditions, "**Reference Rate Fixing Date**" means the second Business Day prior to the first day of the relevant Interest Period. For the purposes of the first Interest Period, the Reference Rate shall be fixed around 11 a.m. (Prague time) 2 (two) Business Days prior to the Issue Date.

Interest shall accrue from the first day of each Interest Period to the last day included in such Interest Period at the interest rate applicable to such Interest Period. Interest for each Interest Period shall be paid semiannually in arrears, as of 30 March and 30 September of each year (the "**Interest Payment Date**") in accordance with Article 7 of these Terms and Conditions and the Fiscal and Paying Agency Agreement. The first payment of interest shall be made on 30 September 2007.

For the purposes of these Terms and Conditions, "**Interest Period**" means the period from and including the Issue Date to and excluding the first Interest Payment Date, and each subsequent period from and including the Interest Payment Date to and excluding the next Interest Payment Date until the Maturity Date (as such term is defined below in Article 5.4 of these Terms and Conditions). For the purposes of the running of any Interest Period, the Interest Payment Date shall not be shifted in accordance with the Business Day Convention (as such term is defined below in Article 7.2 of these Terms and Conditions).

5.2 Day Count Convention for Interest Calculation

For the purposes of calculating interest payable on the Bonds for a period of less than 1 (one) year, the "Act/360" day count convention shall be used for interest calculation (this means that for the purposes of calculating interest for a period of less than one year, a year shall be deemed to consist of 360 (three hundred sixty) days, but the calculation shall be based on the actual number of days elapsed in the given Interest Period), i.e., on the basis of the same day count convention as used for 6M PRIBOR. If the day count convention used for 6M PRIBOR is changed, the relevant interest rate on the Bonds shall be recalculated from such day count convention to the "Act/360" day count convention.

5.3 Interest Determination

The amount of interest payable on one Bond for each period of 1 (one) current year shall be determined as the product of the principal of such Bonds and the relevant interest rate (expressed as a decimal number). The amount of interest payable on one Bond for any period of less than 1 (one) current year shall be determined as the product of the principal of such Bond, the relevant interest rate (expressed as a decimal number), and the relevant day fraction calculated according to the day count convention referred to in Article 5.2 of these Terms and Conditions. The amount of interest thus calculated shall by rounded upwards to the nearest ten hellers by the Calculation Agent and communicated to the Bondholders without undue delay in accordance with Article 13. of these Terms and Conditions.

5.4 End of Interest Accrual

The Bonds shall cease bearing interest as of the Maturity Date (the "**Maturity Date**" means both the Final Redemption Date and the Early Redemption Date), unless upon fulfillment of all requirements, the payment of the outstanding amount is unlawfully retained or withheld by the Issuer. In such event, interest shall continue to accrue at the above rate until the earlier of (a) the date on which all amounts due and payable as of that date in accordance with these Terms and Conditions have been paid to the Bondholders or their agents, and (b) the date on which the Fiscal and Paying Agent notifies the Bondholders that it has received all amounts payable in connection with the Bonds, unless additional retention or withholding of payments occurs after such notice.

6 Redemption and Purchase of the Bonds

6.1 Final Redemption

Unless previously redeemed or purchased by the Issuer and canceled as specified below, the entire principal amount of the Bonds shall be redeemed in a single payment on 30 March 2012 (the "**Final Redemption Date**") in accordance with Article 7 of these Terms and Conditions and the Fiscal and Paying Agent Agreement.

6.2 Early Redemption at the Option of the Issuer

The Issuer is not entitled to redeem the Bonds prior to the Final Redemption Date at its option with the exception of early redemption of any Bonds held by the Issuer in accordance with Article 6.4 of these Terms and Conditions.

6.3 Purchase of the Bonds

Under the terms and conditions set forth below, the Issuer shall be entitled to purchase any of the Bonds at any time on the regulated market or otherwise at any price.

6.4 Cancellation of the Bonds Purchased by the Issuer

Unless provided otherwise by the Luxembourg law, the Bonds purchased by the Issuer shall not be canceled, and the Issuer shall have discretion in deciding whether to hold and, if appropriate, resell the Bonds or whether to accelerate them before maturity, on the conditions set forth below, by notice to the Fiscal and Paying Agent as of the date of delivery of such notice to the Fiscal and Paying Agent, unless a later date is stipulated in the Issuer's notice. In such event, the rights and obligations under the Bonds shall automatically terminate by virtue of a merger of the rights and obligations in a single person (for the avoidance of doubt, the provision of Article 7.3 of these Terms and Conditions shall not apply).

6.5 Deemed Payment

If the Issuer pays to the Fiscal and Paying Agent the full amount of the principal of the Bonds together with accrued interest (if relevant) payable in connection with the redemption of the Bonds in accordance with Articles 5., 6., 9., 14.4.1 and 14.4.2 of these Terms and Conditions, all liabilities of the Issuer under the Bonds, for the purposes of Article 4 of these Terms and Conditions, shall be deemed fully discharged as of the date on which the relevant amount is credited to the account of the Fiscal and Paying Agent.

6.6 Disposal of Funds in an Account maintained by the Fiscal and Paying Agent

The Issuer shall not be entitled to dispose of the funds paid by the Issuer into an account with the Fiscal and Paying Agent for the purpose of the payment of interest on or repayment of the principal of the Bonds (with the exception of interest accrued on such funds), and the Fiscal and Paying Agent shall use such funds for payments to the Bondholders in accordance with these Terms and Conditions.

6.7 Issuer's Covenant to Pay the Amount Due

The Issuer undertakes to pay the principal of and interest on the Bonds (or, if applicable, a pro rata share of interest in the case of early redemption) in such manner and at such place as specified in these Terms and Conditions.

7. Payments

7.1 Currency of Payments

The Issuer undertakes to pay the interest and principal in respect of the Bonds exclusively in Czech crowns, or in any other lawful currency of the Czech Republic as might replace the Czech crown. The interest and principal in respect of the Bonds shall be paid to the Bondholders subject to and in accordance with these Terms and Conditions, and the tax, foreign exchange, and other applicable laws and regulations of the Czech Republic and/or Luxembourg as in effect at the time of the relevant payment.

In the event that (a) the Czech crown or any other lawful currency of the Czech Republic that might replace the Czech crown ceases to exist and is superseded by the euro, and (b) unless it is contrary to a mandatory provision of law, (i) the denomination of the Bonds shall be changed to euro in accordance with applicable law, and (ii) all the sums payable under the Bonds shall automatically and without any further notice to the Bondholders be payable in euro, with the official rate (i.e., the fixed conversion ratio) in accordance with applicable law being used as the exchange rate between the currency concerned or the national currency unit and the euro. Such replacement of the applicable currency or the national currency unit (i) shall not, in any respect, affect the existence or enforceability of the Issuer's obligations under the Bonds, and (ii) for the avoidance of doubt, shall not be deemed to constitute any change to these Terms and Conditions or an Event of Default under these Terms and Conditions.

7.2 Payment Date

The payment of interest on and the repayment of the principal of the Bonds shall be made through the Fiscal and Paying Agent on such dates as specified in these Terms and Conditions (each such date being hereinafter referred to, according to its meaning, as the "**Interest Payment Date**" or "**Final Redemption Date**" or "**Early Redemption Date**" or also as the "**Payment Date**"). If any Payment Date falls on a date that is not a Business Day, the Issuer shall be obliged to pay the due and payable sums on the next following Business Day, and no additional interest or other charges shall accrue and be payable by reason of such delay in payment ("**Business Day Convention**").

For the purposes hereof, "**Business Day**" shall be any calendar day (other than a Saturday or Sunday) on which banks in the Czech Republic and Univyc are open for business, and on which interbank payments in Czech crowns or in any other lawful currency of the Czech Republic that might replace the Czech crown are settled.

7.3 Determination of the Right to Receive Payments Related to the Bonds

7.3.1 Interest

Unless otherwise provided in these Terms and Conditions, the interest shall be paid to persons entered as persons participating in the Global Bond by holding a certain number of Bonds in the register kept by Univyc at the close of the calendar day (the "**Record Date for Interest Payment**") that is 1 (one) month prior to the Interest Payment Date (each such person, a "**Payee**"). The "**Ex-Coupon Date**" shall be the date immediately following the Record Date. For the purposes of determining the recipient of interest, neither the Issuer nor the Fiscal and Paying Agent shall take account of the transfer of any Bonds representing an interest in the Global Bond effected on or after the calendar day on which the Ex-Coupon Date in respect of such payment falls.

7.3.2 Principal

Unless otherwise provided in these Terms and Conditions, the principal shall be paid to persons entered as persons participating in the Global Bond by holding a certain number of Bonds in the register kept by Univyc at the close of the calendar day (the "**Record Date for Principal Repayment**") that is one month prior to the redemption date of the Bonds (each such person, a "**Payee**"). The "**Ex-Principal Date**" shall be the date immediately following the Record Date for Principal Repayment. For the purposes of determining the recipient of the principal of the Bonds, neither the Issuer nor the Fiscal and Paying Agent shall take account of the transfer of any Bonds effected from the day immediately following the Record Date until the relevant Payment Date. Unless it is contrary to applicable law, transfers of all Bonds may be suspended from the Ex-Principal Date until the relevant Payment Date, and at the request of the Fiscal and Paying Agent, the Bondholder shall be obliged to provide any assistance necessary to suspend such transfers.

7.4 Payment Terms

The Fiscal and Paying Agent shall make payments to each Payee by wire transfer to such Payee's account with a bank in the Czech Republic according to an instruction that shall be communicated by the Payee to the Fiscal and Paying Agent at the address of the Specified Office in a verifiable manner no less than 5 (five) Business Days prior to the Payment Date. Such instruction shall be in the form of a written statement (with a notarized signature or signatures), and contain sufficient details of such account to allow the Fiscal and Paying Agent to make the payment, and in the case of a legal entity, such instruction shall be accompanied by an original or an officially certified copy of an excerpt from the Commercial Register in respect of the recipient of the payment as of the Payment Date not older than 3 (three) months (such instruction, together with the excerpt from the Commercial Register (if applicable), and the other required appendices, if any, is hereinafter also referred to as the "**Instruction**"). The Instruction must be reasonably satisfactory in form and substance to the Fiscal and Paying Agent, and the Fiscal and Paying Agent shall be entitled to require that reasonably satisfactory evidence be given of the authority of the signatory of such Instruction to sign such Instruction on behalf of the Payee. Such evidence may also be delivered to the Fiscal and Paying Agent no less than 5 (five) Business Days prior to the Payment Date. In this respect, the Fiscal and Paying Agent shall be authorized to require that (i) a power of attorney be delivered in the event that the Payee is acting through an agent and that (ii) the instruction from the Payee be subsequently confirmed. Any Payee who claims a tax relief in accordance with any applicable double taxation treaty (to which the Czech Republic is a party) shall deliver to the Fiscal and Paying Agent a certificate of such Payee's tax domicile and such other documents as the Fiscal and Paying Agent and the applicable tax authorities may request, together with the Instruction and as an integral part thereof. Notwithstanding such rights, neither the Fiscal and Paying Agent nor the Issuer shall verify the authenticity or completeness of such Instructions, or be liable for any damage incurred in connection with any delay in the delivery of such Instruction by any Payee, or with the delivery of an incorrect or otherwise defective Instruction. Any originals of foreign official instruments or any instrument notarized abroad must be super-authenticated or certificated by the Hague Convention apostille (whichever is relevant). All documents written in a foreign language must be accompanied by an official Czech translation. An Instruction shall be deemed proper if it contains all the items required by this Article 7.4, is communicated to the Fiscal and Paying Agent in accordance with this Article 7.4, and meets the requirement of this Article 7.4 in all other respects.

The obligation to pay interest on or repay the principal of a Bond shall be deemed discharged in a proper and timely manner if the relevant amount has been remitted to the Payee in accordance with a proper Instruction under this Article 7.4, and if such amount is credited to the account of the Payee's bank with the clearing center of the Czech National Bank, if the payment is made in Czech crowns or in a currency that replaces the Czech crown (provided that settlement in such currency is made through the clearing center of the Czech National Bank) on or before the maturity date for such amount. In the event that the settlement of payments in the currency replacing the Czech crown is not made through the clearing center of the Czech National Bank, the obligation to pay interest on or repay the principal of a Bond shall be deemed discharged in a proper and timely manner if the relevant amount has been remitted to the Payee in accordance with a proper Instruction under this Article 7.4, and if such amount is entered to the debit of the Fiscal and Paying Agent's account on or before the maturity date for the amount. If any Payee has failed to deliver a proper Instruction to the Fiscal and Paying Agent in accordance with this Article 7.4, then the obligation to pay interest on or repay the principal of the Bond shall be deemed discharged in a proper and timely manner with respect to the Payee if the relevant amount has been remitted to the Payee in accordance with a proper Instruction pursuant to this Article 7.4 and credited to the account of such Payee's bank with the clearing center of the Czech National Bank, or as the case may be, entered to the debit of the Fiscal and Paying Agent's account if the payment is made in a currency other than the Czech crown, no later than 14 (fourteen) Business Days following the day on which the Fiscal and Paying Agent received the proper Instruction, in which case such Payee shall have no right to receive any interest or additional payment on account of the delay.

Neither the Issuer nor the Fiscal and Paying Agent shall be liable for any delay in the payment of any amount owing caused by (i) the failure of the Payee to deliver in time the proper Instruction or any other documents or information required to be delivered by it under this Article 7.4, (ii) such Instruction, document, or information being incomplete, inaccurate or untrue, or (iii) circumstances beyond control of the Issuer or the Fiscal and Paying Agent; and no Payee shall be entitled in any such event to receive any additional payment, interest, or other yield for any such delay in the relevant payment.

7.5 Change in the Method and Place of Payment

The Issuer together with the Fiscal and Paying Agent shall be entitled to elect to change the method and place of payment unless such change results in prejudice to the Bondholders. Notice of such election shall be given to the Bondholders in accordance with Article 13. of these Terms and Conditions.

8. Taxation

The repayment of the principal of, and the payment of interest on, the Bonds shall be made without the withholding of any taxes or charges of any kind, except as such withholding is required by applicable laws of the Czech Republic or Luxembourg in effect from time to time. In the event that such withholding of taxes or charges is required by the applicable laws of the Czech Republic or Luxembourg at the time of payment, the Issuer shall not be obliged to pay to the Bondholders any additional amounts as compensation for such withholding taxes or charges.

9. Early Redemption of the Bonds upon the Occurrence of Events of Default

9.1 Events of Default

If any of the following events occurs and is continuing (each an "**Event of Default**"):

(a) *Non-Payment of Interest*

any amount of interest in respect of the Bonds is not paid more than 10 (ten) business days after the due date for the payment thereof; or

(b) *Breach of Other Obligations*

the Issuer defaults in the performance or observance of any of its material obligations (other than the obligation referred to in Article 9.1 (a) hereof) set forth in these Terms and Conditions (including the obligation set forth in Article 4. of these Terms and Conditions), and such default remains unremedied for more than 30 (thirty) days after written notice thereof given to the Issuer by the holder of any Bond (not repaid or purchased or canceled as of such date) by a letter delivered to the Issuer or the Fiscal and Paying Agent to the Specified Office; or

(c) *Cross-Default*

(i) any debt or debts of the Issuer other than those referred to above under (a) of this Section 9.1 in an aggregate amount greater than CZK 75,000,000 (seventy five million Czech crowns) (or an equivalent thereof in any other currency) are not paid by the Issuer within 30 (thirty) calendar days following the due date for the payment thereof, and remain unpaid on the date on which any grace period originally granted has expired, or (ii) any such debt is declared to be due and payable prior to the original due date for the payment thereof other than by the election of the Issuer or (to the extent that no event of default, however described, has occurred) the creditor, except where the Issuer is contesting, in good faith and by appropriate procedure, its liability to perform as to its amount or ground, and the Issuer makes such payment within the time limit imposed by the final decision of the competent court or other authority in respect of such liability; or

(d) *Insolvency, Liquidation, etc.*

(i) the Issuer becomes insolvent, generally suspends payments under its obligations, or is unable for a longer period of time to pay its debts as they fall due, (ii) a bankruptcy trustee or liquidator of the Issuer or of the whole or almost the whole of the undertaking, assets and revenues of the Issuer is appointed, (iii) the Issuer files a petition in bankruptcy or applies for composition or files a motion for a moratorium, (iv) the Issuer is declared bankrupt by any court, or (v) a petition in bankruptcy in relation to the Issuer is rejected by any court on the grounds of insufficiency of assets to pay for the costs of the bankruptcy proceeding, or (vi) the respective court renders a final and non-appealable decision or adopts a valid resolution on dissolution of the Issuer with liquidation; or

(e) *Analogous Event*

any event occurs which under the Luxembourg laws has an effect analogous to any of the events referred to in indent (d) above; or

(f) *Cancellation of Listing*

The Bonds cease to be listed securities; or

(h) *Sale of Assets*

the Issuer will directly or indirectly sell, lease or transfer, in one transaction or a series of transactions, all or substantially all the assets of the Issuer, unless a Meeting grants prior approval to such sale, lease or transfer (for the purposes of this indent, “substantially all assets” shall be deemed to mean the minimum of 65% of the value of all of the Issuer’s assets as reported in the last audited financial statements of the Issuer, compiled in accordance with applicable legal regulations); or

(i) *Excessive Indebtedness*

the Issuer will incur, assume, guarantee or otherwise become liable for any Liabilities in excess of 65% of the value of the consolidated assets of the Issuer, and such event remains unremedied for more than twenty (20) days after the date on which the Issuer, acting with due care, should and could have first detected such excessive indebtedness, unless a Meeting (as such term is defined below) approves such a Liability prior to the Issuer issuing, assuming, guaranteeing, incurring or otherwise becoming liable for such a Liability; or

(j) *Merger, etc.*

the Issuer consolidates with, merges with or into, or de-merges into any legal entity that will not expressly assume (in a legally valid and enforceable manner) all obligations of the Issuer under the Bonds, unless (i) such assumption of all obligations of the Issuer under the Bonds occurs by operation of law, or unless (ii) a Meeting approves in advance such a consolidation, merger or de-merger; or

(k) *Payment of Dividend*

the Issuer will (i) make, directly or indirectly, payment of any dividends or any other distribution of any sort in respect to the Issuer's shares or (ii) purchase, repurchase or make other acquisition of any of the Issuer's shares provided that the aggregate amount of such payments as set forth in (i) and (ii) would exceed 20% of the consolidated net income of the Issuer for the most recent fiscal half-year for which consolidated financial statements of the Issuer prepared in accordance with the International Financial Reporting Standards are publicly available, unless a Meeting approves in advance such a payment, distribution, purchase, repurchase or acquisition.

then:

any Bondholder may at its discretion request by written notice to the Issuer, delivered to the Specified Office of the Fiscal and Paying Agent (the "**Early Redemption Notice**"), request an early redemption of the principal value of all the Bonds held by such Bondholder, plus any accrued and undistributed interest thereon pursuant to Article 5. of these Terms and Conditions, as at the Early Redemption Date, unless the Bonds become due and payable at an earlier date pursuant to mandatory provisions of the law (in such case, the respective mandatory provisions of the law shall apply).

9.2 Maturity of Accelerated Bonds

All amounts payable by the Issuer to any Bondholder pursuant to the last paragraph of Article 9.1 of these Terms and Conditions shall become due and payable as of the last Business Day of the month following the month in which the Bondholder delivered to the Specified Office of the Fiscal and Paying Agent the relevant Early Redemption Notice (such date, in addition to any other dates so named in these Terms and Conditions, is referred to as the "**Early Redemption Date**").

9.3 Withdrawal of an Early Redemption Notice

Any Early Redemption Notice may be withdrawn by the Bondholder, but only with respect to the Bonds held by such Bondholder, and provided that such withdrawal was addressed to the Issuer and delivered to the Fiscal and Paying Agent's Specified Office before the relevant amount became due and payable pursuant to the preceding Article 9.2 of these Terms and Conditions. However, any such withdrawal of an Early Redemption Notice shall have no effect on Early Redemption Notices given by the other Bondholders.

9.4 Other Conditions for Early Redemption of the Bonds

The provisions of Article 7. of these Terms and Conditions shall be applied, as appropriate, to the early redemption of the Bonds pursuant to this Article 9.

10. Statute of Limitations

Any claim arising under the Bonds shall be statute-barred and become unenforceable unless made within 10 (ten) years from the date on which such claim first becomes due.

11. Fiscal and Paying Agent, Listing Agent and Calculation Agent

11.1 Fiscal and Paying Agent

11.1.1 Fiscal and Paying Agent and the Specified Office

Unless there is a change pursuant to Article 11.1.2 of these Terms and Conditions, Česká spořitelna shall be the Fiscal and Paying Agent, and the Fiscal and Paying Agent's specified office and place of payment (the "**Specified Office**") shall be at the following address:

Česká spořitelna, a.s.
Národní 27
110 00 Praha 1

11.1.2 Additional or Other Fiscal and Paying Agent and Specified Office

The Issuer reserves the right to appoint an additional or other Fiscal and Paying Agent at any time, and to designate an additional or other Specified Office of the Fiscal and Paying Agent. The Issuer shall give notice of any such change to the Bondholders in the manner described in Article 13. of these Terms and Conditions, and any such change shall become effective within 15 (fifteen) calendar days following such notice unless a later date is specified in such notice. In any event, any such change that would otherwise become effective less than 30 (thirty) calendar days before or after the Payment Date for any amount payable under the Bonds shall become effective on the 30th (thirtieth) day following such Payment Date.

Any change anticipated by this Article 11.1.2 shall be without prejudice to the Bondholders.

11.1.3 Relationship between the Fiscal and Paying Agent and the Bondholders

The Fiscal and Paying Agent shall act as an agent of the Issuer when performing the duties under the Fiscal and Paying Agency Agreement, and shall be in no legal relationship to the Bondholders.

11.2 Listing Agent

11.2.1 Listing Agent

Unless there is a change pursuant to Article 11.2.2 of these Terms and Conditions, Česká spořitelna shall be the Listing Agent.

11.2.2 Additional and Other Listing Agent

The Issuer reserves the right to appoint another Listing Agent at any time. However, any change shall be without prejudice to the Bondholders.

11.2.3 Relationship between the Listing Agent and the Bondholders

The Listing Agent shall act as an agent of the Issuer when performing its duties of the Listing Agent, and shall be in no legal relationship to the Bondholders.

11.3 Calculation Agent

11.3.1 Calculation Agent

Unless there is a change pursuant to Article 11.3.2 of these Terms and Conditions, Česká spořitelna shall be the Calculation Agent.

11.3.2 Additional and Other Calculation Agent

The Issuer reserves the right to appoint an additional or another Calculation Agent at any time provided that the Fiscal and Paying Agent and the Calculation Agent shall be one and the same person. However, any such change shall be without prejudice to the Bondholders.

11.3.3 Relationship between the Calculation Agent and the Bondholders

The Calculation Agent shall act as an agent of the Issuer when performing its duties of the Calculation Agent, and shall be in no legal relationship to the Bondholders.

12. Amendments and Waivers

The Issuer and the Fiscal and Paying Agent may agree, without the consent of the Bondholders, upon (i) any amendment to any of the provisions of the Fiscal and Paying Agency Agreement if such amendment is exclusively of a formal, secondary or technical nature, or is made to correct a manifest error, or is required by applicable law, and (ii) any other amendment or waiver of any breach of any of the terms of the Fiscal and Paying Agency Agreement which, in the reasonable opinion of the Issuer and the Fiscal and Paying Agent, shall be without prejudice to the Bondholders.

13. Notices

Any notice to the Bondholders pursuant to these Terms and Conditions shall be valid if published in Czech in at least one daily newspaper of nationwide distribution (such as *Hospodářské Noviny*) and on the web pages of the Issuer www.ecm.cz. If the mandatory provisions of law determine any other method for publishing any of the notices given under these Terms and Conditions, such notice shall be deemed to be validly published upon its publication in accordance with such provisions of law. If any notice is published in several manners, such notice shall be deemed to have been given on the date of its first publication.

Any notice to the Issuer pursuant to these Terms and Conditions shall be deemed duly given if delivered to:

ECM Real Estate Investments A.G.
Na Strži 65/1702
140 62 Praha 4

or to such other address as may be notified to Bondholders in the manner set out in the preceding paragraph of this Article 13.

14. Bondholder Meetings

14.1 Authority and Convocation of the Meeting

14.1.1 Right to Convene a Meeting

The Issuer or any Bondholder or the Bondholders may convene a meeting of the holders of the Bonds (a "**Meeting**") in accordance with these Terms and Conditions if so required to decide on common interests of the Bondholders. The cost of organizing and convening a Meeting shall be borne by the person convening the Meeting, unless the relevant laws stipulate otherwise. The person convening a Meeting, if such person is any Bondholder or the Bondholders, shall, no later than the day on which notice of the Meeting is published (see Article 14.1.3 of these Terms and Conditions), (i) deliver to the Fiscal and Paying Agent (or further to the Issuer, if the Meeting is convened by a Bondholder or the Bondholders) a request for procuring evidence of the number of all Bonds entitling the holder(s) to attend the Meeting convened by the Issuer or a Bondholder or the Bondholders, i.e., an extract from the relevant register of the Bond issue, and (ii) where relevant, pay to the Fiscal and Paying Agent an advance for the costs associated with its services in relation to the Meeting. The due and timely delivery of the request pursuant to item (i) above and the payment of the advance for the costs pursuant to item (ii) above are the prerequisites to the valid convening of a Meeting. If a Meeting is convened by any Bondholder or the Bondholders, the Issuer shall be obliged to provide the Bondholder(s) such assistance as may be required.

14.1.2 Meeting Convened by the Issuer

The Issuer shall be obliged to convene a Meeting in the cases set out in this Article 14.1.2 and in such other cases as determined by the applicable mandatorily binding laws and regulations (the "**Material Changes**"):

(a) a proposed change or changes to these Terms and Conditions, except where the applicable laws and regulations stipulate that no consent of the Bondholders to such a change is required;

(b) a proposal for a transformation of the Issuer (pursuant to the applicable provisions of the relevant Luxembourg law);

(c) a proposal for entering into a controlling agreement or a profit transfer agreement (pursuant to the applicable provisions of the relevant Luxembourg law) irrespective of which party the Issuer is;

(d) a proposal for entering into an agreement on the sale of all or any part of a business or an agreement of the lease of all of any part of business (pursuant to the applicable provisions of the relevant Luxembourg law), irrespective of which party the Issuer, if the due and timely repayment of the obligations under the Bonds may be jeopardized;

(e) the Issuer's default in the satisfaction of the rights attached to the Bonds for more than 7 (seven) days following the day on which the right could be exercised;

(f) a proposal for the filing of an application for withdrawal of the Bonds from trading on the official market; or

(g) any other changes that might significantly impair the Issuer's ability to discharge its obligations under the Bonds.

14.1.3 Notice of Bondholder Meeting

The person convening a Meeting shall be obliged to give notice of the Meeting pursuant to Article 13 of these Terms and Conditions no later than 15 (fifteen) calendar days prior to the holding of the Meeting. If a Meeting is convened by any Bondholder or the Bondholders, such Bondholder(s) shall deliver a notice of the Meeting within the same time limit also to the Issuer at the address of the Specified Office. The notice of the Meeting must contain at least (i) the business name, Identification No. and the registered office of the Issuer, (ii) the designation of the Bonds, to the extent of the title of the Bonds as a minimum, the Issue Date, and the ISIN, (iii) the venue, date, and hour of the Meeting, with the venue being solely a place in Prague, the date being a day other than a Business Day, and the hour being not earlier than 11:00 a.m., (iv) the agenda of the Meeting, including full proposals for resolution relating to individual items of the agenda, and (v) the day that is the Record Date for the Attendance at the Meeting. The Meeting shall only be authorized to decide on proposed resolutions contained in the notice of the Meeting.

14.2 Persons Entitled to Attend and Vote at a Meeting

14.2.1 Certificated Bonds

To be entitled to attend and vote at a Meeting, a person shall be a Bondholder recorded as a Bondholder in the register kept by Univyc at the close of the day that is 3 (three) Business Days prior to the date of the relevant Meeting (the "**Record Date for the Attendance at the Meeting**") or any person who produces a certificate of the person in whose account the relevant number of Bonds was recorded in the register of Univyc as of the Record Date for the Attendance at the Meeting certifying that such person is a Bondholder and that the Bonds held by such person are registered in the account of the first person on account of their administration by such person. The certificate pursuant to the preceding sentence must be satisfactory in form and substance to the Fiscal and Paying Agent. No account shall be taken of any transfer of the Bonds representing an interest in the Global Bond made after the Record Date for the Attendance at the Meeting.

14.2.2 Voting Rights

Each Bondholder entitled to attend a Meeting shall have such number of votes of the total number of votes as corresponds to the ratio of the principal of the Bonds held by such Bondholder to the aggregate principal of the issued and outstanding Bonds. No voting right shall be attached to any Bonds held the Issuer that were not early redeemed by the Issuer within the meaning of Article 6.5 of these Terms and Conditions, and no such Bonds shall be counted in determining the presence of a quorum at the Meeting. When the Meeting decides on recalling a Common Proxy (as such term is defined below), the Common Proxy (if entitled to attend and vote at the Meeting) shall not vote.

14.2.3 Attendance of the Meeting by Other Parties

The Issuer shall be obliged to attend the Meeting, either in person or by proxy. Other persons entitled to attend a Meeting are proxies of the Fiscal and Paying Agent, the Common Proxy (unless otherwise entitled to attend the Meeting), and any guests invited by the Issuer and/or the Fiscal and Paying Agent.

14.3 Proceedings of a Meeting; Action by the Meeting

14.3.1 Quorum

A Meeting shall constitute a quorum if attended by a Bondholder or Bondholders entitled to vote at the Meeting and holding Bonds, the principal amount of which represents more than 30% (thirty percent) of the aggregate principal amount of the issued and outstanding Bonds. Before the opening of the Meeting, the Issuer, either alone or through the Fiscal and Paying Agent, shall provide information on the number of Bonds whose holders are entitled to attend and vote at the Meeting in accordance with these Terms and Conditions.

14.3.2 Chairman of the Meeting

The Meeting convened by the Issuer shall be chaired by the chairman appointed by the Issuer. The Meeting convened by a Bondholder or the Bondholders shall be chaired by the chairman elected by a majority of the attending holders of Bonds entitled to vote at the Meeting. Until the chairman is elected, the Meeting shall be chaired by the person appointed by the person who convened the Meeting. The election of the chairman must be the first item on the agenda of any Meeting not convened by the Issuer.

14.3.3 Common Proxy

The Meeting may elect, by resolution, an individual or legal entity to be a common proxy and entrust the common proxy with the performance of the functions pursuant to Section 24 (1) of the Bonds Act (hereinafter the "**Common Proxy**"). The Meeting may recall the Common Proxy in the same way in which the Common Proxy was elected.

14.3.4 Action by the Meeting

The Meeting shall decide on the matters submitted in the form of a resolution. Any resolution that (i) approves a proposal pursuant to Article 14.1.2 (a) of these Terms and Conditions, or (ii) appoints or recalls a Common Proxy shall require the affirmative vote of at least ¾ (three-quarters) of the votes of the Bondholders present. Any other resolutions shall be adopted upon receiving the affirmative vote of a majority of the Bondholders in attendance who hold Bonds carrying the right to vote pursuant to Article 14.2 of these Terms and Conditions.

14.3.5 Adjournment of a Meeting

If within one hour from the time appointed for the Meeting a quorum is not present, then (i) if the Meeting was convened at the request of a Bondholder or the Bondholders, such Meeting shall be automatically dissolved, and (ii) if the Meeting was convened by the Issuer, it shall be adjourned for such time and to such place as determined by the chairman of the Meeting. The provision applicable to the holding of a regular Meeting shall apply, mutatis mutandis, to the holding of an adjourned Meeting.

14.4 Certain Additional Rights of the Bondholders

14.4.1 Consequences of Voting Against Certain Resolutions of a Meeting

If a Meeting consented to a Material change, the Bondholder who was authorized to attend and vote at the Meeting pursuant to Article 14.2 of these Terms and Conditions, and according to the minutes of the Meeting, voted against a resolution adopted by the Meeting or failed to attend the Meeting (also referred to as the "**Applicant**") may, within 30 (thirty) days of the publication of the resolution of the Meeting, request the repayment of the principal of the Bonds held by the Bondholder as of the Record Date for the Attendance at the Meeting, as well as the pro-rata interest accrued on such Bonds in accordance with these Terms and Conditions. Such right must be exercised by the Bondholder within 30 (thirty) days of the publication of the resolution of the Meeting in accordance with Article 14.5 of these Terms and Conditions by written notice (also referred to herein as the "**Application**") intended for the Issuer and delivered to the Specified Office of the Fiscal and Paying Agent, failing which the right shall terminate. The amounts referred to above shall become due and payable within 30 (thirty) days following the delivery of the Application to the Fiscal and Paying Agent (such date, in addition to any other dates so named in these Terms and Conditions, is referred to as the "**Early Redemption Date**").

If any Material Change is discussed at a Meeting, a notarial deed must be made of the attendance at and the decisions taken by the Meeting. If the Meeting consented to such a Material change, the notarial deed shall also contain the names of the Bondholders who consented to such a Material change and the number of Bonds held by each of such Bondholders as of the Record Date for the Attendance at the Meeting pursuant to Article 14.2 of these Terms and Conditions.

14.4.2 Resolution on Early Redemption of the Bonds

If the Meeting does not consent to a Material change stipulated in Article 14.1.2 (b) through (g) of these Terms and Conditions, the Meeting is entitled to decide that if the Issuer proceeds in violation of the resolution passed by the Meeting regarding such a Material change, the Issuer will be obliged to repay the principal of the Bonds and any pro-rata interest accrued on to Bonds in accordance with these Terms and Conditions as of the Early Redemption Date to any Bondholder who requests such early repayment and only with respect to the Bonds owned by such a Bondholder (also referred to as the "**Applicant**"). The Issuer is obliged to pay to the Applicant the amounts due to the Applicant pursuant to the above in the manner and at the place stipulated by these Terms and Conditions for repayment of the Bonds and within 30 (thirty) days following the delivery of a written notice (also referred to herein as the "**Application**") to the Fiscal and Paying Agent (such date, in addition to any other dates so named in these Terms and Conditions, is referred to as the "**Early Redemption Date**").

14.4.3 Requirements as to the Application

The Application shall specify the number of Bonds covered by such Application. The Application must be in writing and signed by the persons authorized to act on behalf of the Applicant, the authenticity of such signatures to be officially verified. Within the same time limit, the Applicant must deliver to the Specified Office of the Fiscal and Paying Agent all the documents required for the payment pursuant to Article 7. of these Terms and Conditions.

14.5 Minutes of Bondholder Meeting

Minutes of the business transacted at a Meeting shall be taken by the person who convened the Meeting or by a person authorized by such person within 30 (thirty) days of the holding of the Meeting. The minutes shall contain the conclusions of the Meeting, including, without limitation, any resolution adopted by such Meeting. If the Meeting was convened by a Bondholder or the Bondholders, the minutes of the Meeting must also be delivered to the Specified Office of the Issuer within 30 (thirty) days of the holding of the Meeting. The Issuer shall, within 30 (thirty) days of the holding of the Meeting, publish all decisions taken by the Meeting in the same manner in which the Issuer published these Terms and Conditions. The Issuer shall keep the minutes of the Meeting until the rights under the Bonds have become void. The minutes of any Meeting shall be available for inspection by the Bondholders at the Specified Office during regular office hours. The provision of Article 14.4.1 of these Terms and Conditions regarding the execution of notarial deeds shall not be affected thereby.

15. Governing Law, Language, Disputes

The Bonds are issued under the applicable and effective laws of the Czech Republic, including, without limitation, the Capital Markets Act and the Bonds Act. Any rights and obligations under the Bonds shall be governed by, and interpreted and construed in accordance with, the laws of the Czech Republic. The provisions of Articles 86 to 94-8 of the Luxembourg law on commercial companies of 10 August 1915, as amended, are excluded. These Terms and Conditions may be translated into Czech and/or other languages. In the event of any inconsistencies between the various language versions, the English language version shall prevail. Any dispute between the Issuer and the Bondholders arising out of or in connection with the Bonds or these Terms and Conditions shall be resolved by the Municipal Court in Prague.

9. SELECTED FINANCIAL INFORMATION

9.1. Year end financial information

The selected financial data provided below has been derived from the Issuer's Audited Consolidated Financial Statements for the years ended 31 December 2005 and 31 December 2004 (which include the corresponding figures for the year ended 31 December 2003) included in this Prospectus, which were prepared in accordance with IFRS, and should be read in conjunction with such Audited Consolidated Financial Statements.

Balance sheet

	Year ended 31 December		
	2005 (audited)	**2004 (audited)**	**2003 (audited as corresponding figures)**
		(in EUR thousand)	
Investment property	65,000	60,134	32,666
Other non-current assets	22,726	19,715	21,707
Total current assets	44,730	11,927	63,778
Total equity	47,423	24,109	18,189
Total non-current liabilities	73,923	55,928	86,728
Total current liabilities	11,110	11,739	13,234
Balance sheet total	132,456	91,776	118,151

Income statement

	Year ended 31 December		
	2005 (audited)	**2004 (audited)**	**2003 (audited as corresponding figures)**
	(in EUR thousand, except as otherwise indicated)		
Net rental and related income	627	1,578	363
Net valuation gains on investment property	31,656	7,578	2,994
Profit/(Loss) on the disposal of trading property	1,064	686	(147)
Net financing	(2,451)	(1,960)	(2,152)
Net profit (loss)	20,710	3,548	(5,560)

Cash flow statement

	Year ended 31 December		
	2005 (audited)	2004 (audited)	2003 (audited as corresponding figures)
		(in EUR thousand)	
Cash flow from operating activities	(4,994)	18,859	(14,432)
Cash flow from investing activities..........................	(5,577)	(7,459)	1,946
Cash flow from financing activities	12,269	(15,546)	17,023

9.2. Interim financial information

The selected financial data provided below has been derived from the Issuer's Consolidated Financial Statements for the nine-month period ended 30 September 2006, reviewed Issuer's Interim Consolidated Financial Statements for the six-month period ended 30 June 2006 (which include the corresponding income statement figures for the period ended 30 June 2005), and the Issuer's Audited Consolidated Financial Statements year ended 31 December 2005, each included in this Prospectus, which were prepared in accordance with IFRS and IAS 34, and should be read in conjunction with such Interim Consolidated Financial Statements and the Audited Consolidated Financial Statements, as the case may be.

Balance sheet

	As at 30 September 2006	As of 30 June 2006	As of 31 December 2005
	(unaudited)	(unaudited)	(audited)
		(in EUR thousand)	
Investment property	183,206	75,801	65,000
Other non-current assets...........................	27,406	24,505	22,726
Total current assets..................................	53,958	50,019	44,730
Total equity	58,728	63,021	47,423
Total non-current liabilities......................	151,123	51,800	73,923
Total current liabilities	54,719	35,504	11,110
Balance sheet total	264,570	150,325	132,456

Income statement

	Nine-month period ended 30 September	Six-month period ended 30 June	
	2006 (unaudited)	2006 (unaudited)	2005 (unaudited)
	(in EUR thousand, except as otherwise indicated)		
Net rental and related income..................	2,497	872	509
Net valuation gains on investment property...	10,992	10,596	17,403
Profit/(Loss) on the disposal of investment property.................................	(421)	(421)	—
Profit/(Loss) on the disposal of trading property...	260	260	—
Net financing income (expense)..............	12,872	13,057	(1,261)
Net profit...	17,738	16,660	11,688

10. SIGNIFICANT ACCOUNTING POLICIES

The Issuer's Audited Consolidated Financial Statements for the years ended 31 December 2005 and 31 December 2004 (which include the corresponding figures for the year ended 31 December 2003) and the Issuer's Interim Consolidated Financial Statements for the six months ended 30 June 2006 and 30 June 2005 and the Issuer's Interim Consolidated Financial Statements for the nine months ended 30 September 2006, included elsewhere in this Prospectus, have been prepared in accordance with IFRS and the interpretations adopted by the International Accounting Standards Board ("IASB").

The Issuer will continue to report its results in accordance with IFRS. The Issuer's principal accounting policies are presented in the notes to its consolidated financial information that are included elsewhere in this Prospectus.

The Issuer's accounting policies (the "Accounting Policies") have been applied consistently to all periods presented in the Consolidated Financial Statements and in preparing the opening IFRS balance sheet at 1 January 2003 for the purposes of the transition to IFRS. The Accounting Policies have been applied consistently by the Group entities.

The Issuer's financial statements are prepared on an historical cost basis, with the exception of investment property which is stated at fair value. The Accounting Policies have been consistently applied to the results, other gains and losses, assets and liabilities and cash flows of the entities included in the Consolidated Financial Statements and are consistent with those used in the previous year.

The preparation of financial statements in compliance with IFRS requires the Issuer's management to make judgements, estimates and assumptions (the "Assumptions") that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. The Assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. The actual results may differ from the Assumptions.

The Assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both the current and future periods. The Issuer believes that the accounting policies chosen are appropriate under the circumstances and that the Assumptions involved in its financial reporting are reasonable.

Significant accounting policies comprise:

Basis of consolidation

The Consolidated Financial Statements incorporate the financial statements of the Issuer and its subsidiaries are made up as at and for the period to 31 December each year.

On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any deficiency of the cost of acquisition below the fair value of the identifiable net assets acquired (i.e. discount on acquisition) is credited to profit and loss in the period of acquisition. The interest of minority shareholders is stated as the minority's proportion of the fair value of the recognised assets and liabilities. Subsequently, any losses applicable to the minority interest in excess of the minority interest are allocated against the interests of the parent.

(i) Subsidiaries

Subsidiaries are entities controlled by the Issuer. Control exists when the Issuer has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing level of control, potential voting rights that are currently exercisable or convertible are taken into consideration. The financial statements of subsidiaries are included in the consolidated statements from the date that control commences until the date that control ceases.

(ii) Associates

Associates are those entities in which the Issuer has a significant influence, but not control. The consolidated financial statements include the Issuer's share of the total recognised gains and losses of associates on an equity accounting basis, from the date the influence commences until the date it ceases. When the Issuer's share exceeds its interest in an associate, its carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Issuer has incurred legal or constructive obligations or made payments on behalf of an associate.

(iii) Joint ventures

Joint ventures are those entities over whose activities the Group has joint control through an established contractual agreement. The consolidated financial statements include the Group's share of recognised gains and losses on an equity accounting basis from the date that the joint control commences to the date that it ceases.

Joint ventures acquired in 2006 were accounted for using the "Proportionate Consolidation Method". The Proportionate Consolidation Method was adopted to reflect the significance of the newly acquired companies.

(iv) Transactions eliminated on consolidation

Intra-group balances and any gains and losses or income and expenses arising from intra-group transactions are not accounted for in the consolidated financial statements. Unrealised gains arising from transactions with associates and jointly controlled entities are similarly not accounted for, but only to the extent that there is no evidence of impairment.

Investment property

Investment properties are those properties which are held either for the purpose of earning rental income or capital appreciation or both. The investment property of the Issuer is made up primarily of land held for as yet undetermined future use. Investment properties are stated at fair value. An external, independent valuation company, having appropriate recognised professional qualifications and recent experience in the location and category of properties being valued, valued the portfolio at the year end 31 December 2005. The valuations were included in the final management estimates of the fair value. The estimates took into account the results of the current and previous external valuations, information from similar transactions and current market conditions. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

In situations where the Issuer develops an existing investment property for a future sale, the property is reclassified as trading property inventory. The fair value of such properties is deemed to be the property's cost for subsequent accounting under lAS 2. The development is deemed by the Issuer to commence at either the moment the permission for construction is obtained from the state authorities, or when the agreement on the sale of the shares of the entity that owns the property is signed.

A property interest held under an operating lease is classified and accounted for as an investment property on a case-by-case basis. The initial cost of a property held under an operating lease and classified as an investment property is recognised as prescribed for a property held under a finance lease. The asset is recognised at the lower of the fair value of the property and the present value of the minimum lease payments. An equivalent amount is recognised as a liability. Subsequently, a property interest held under an operating lease and classified as an investment property is carried at fair value.

Impairment

The carrying amounts of the Issuer's assets, other than investment property, trading properties - inventories and deferred tax assets are reviewed at each balance sheet date to determine whether there is any indication of impairment; if any such indication exists, the assets recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the other assets in each unit by group of units on a pro rata basis.

Impairment losses of receivables are determined by an analysis of the credit status of customers and the period for which the receivable has been overdue.

Trading property – inventory

Trading property - inventory is shown at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Revenue from the sale of trading property - inventory is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer.

Income tax

Income tax on the expense or income for the year comprises current and deferred tax income and/or expense. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, which provides for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Business combinations involving entities under common control

A business combination involving entities or businesses under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory.

In the absence of more specific guidance, the Group consistently applies the book value method of valuation to all common control transactions.

Foreign currency

Apart from the Issuer, all companies in the Group operate in the Czech Republic which is their primary economic area. Consequently, the CZK is the functional currency of these entities. The Issuer operates in Luxembourg and its functional currency is the euro (“EUR”).

The Group’s presentation currency is the EUR. The Group has selected a different presentation currency because the users of its financial statements base their economic decisions on information expressed in EUR.

The assets and liabilities are translated into EUR at foreign exchange rates ruling at the balance sheet date. The revenues and expenses are translated into EUR at exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised directly in a separate component of equity. Cash flows are translated into EUR at exchange rates approximating the foreign exchange rates ruling at the dates of the transactions.

The following exchange rates of CZK to EUR were used during translation:

Date	**Closing exchange rate CZK/EUR**	**Average exchange rate CZK/EUR for year-to-date period**
30 September 2006	28.330	28.441
30 June 2006	28.495	28.495
31 December 2005	29.005	29.780
30 June 2005	30.030	30.071
31 December 2004	30.465	31.908

11. INDUSTRY OVERVIEW

The following section provides selected information on the real estate markets in the Czech Republic and Russia, the Issuer's main markets. The summary is provided for information purposes only and neither purports to cover all relevant issues nor to be a comprehensive description of all the topics discussed below. The Issuer has taken certain information in this summary from publicly available information and identifies the sources of such information below. The Issuer has not independently verified any such independent information and, accordingly, only takes responsibility for its accurate reproduction.

11.1. Czech Republic

Economic environment in the Czech Republic

According to the Czech National Bank, year-on-year real GDP growth was 6.1 per cent. for 2005. The inflation rate reduced from 2.8 per cent. in 2004 to 2.2 per cent. in 2005. Real GDP growth for 2006 is expected to be 6.2 per cent. (Source: Czech National Bank)

Real estate market in the Czech Republic

The accession of the Czech Republic to the European Union in 2004 and the associated economic catching-up process have caused real estate price levels, legal certainty and the quality of property facilities to move closer to Western European standards.

The office market in the Czech Republic is primarily concentrated in Prague. Prague is one of the smaller office markets in Europe. Although the Prague market is the most mature in terms of its size and composition, tenants are showing a growing interest in larger regional cities such as Brno, Ostrava and Plzen. Only a limited amount of modern office stock currently exists in such cities.

Prague modern office stock stood at 1,897,355 m^2 at 30 June 2006. New supply in the six months to 30 June 2006 reached 86,130 m^2, out of which only 2,700 m^2 was refurbished space. Take-up in the six months to 30 June 2006 reached 158,844 m^2, due to a strong three-month period to 30 June 2006 when 90,000 m^2 of premises were leased. Compared to the same period in 2005, take-up in the six months to 30 June 2006 increased by 76 per cent. Take-up in the three-month period to 30 June 2006 alone was around the same levels of take-up for the six months to 30 June 2005. (Source: CB Richard Ellis, Jones Lang LaSalle)

Vacancy rates were 11 per cent. for the six months ended 30 June 2006 and were higher in the city centre, which offers more refurbished properties than the sub-market out of town. Office rents in Prague are forecast to remain largely stable with only slight upward pressure in the city centre, despite the overall increase in supply. Prime monthly rents in the city centre ranged between EUR 18 and 19 per m^2 per month in the six months ended 30 June 2006. (Main Sources: RZB, Colliers International, Jones Lang LaSalle)

The Czech retail market is dominated by international retailers who are entering Prague's prime retail market, which the Issuer believes is expected to continue to grow despite capacity limitations.

The total stock of shopping centre space was estimated to amount to 800,000 m^2 in the Czech Republic as at 30 June 2006, about 534,000 m^2 of which is located in and around Prague. Due to the strong interest from retailers and the limited space, high street retail rents are increasing with prime rents reaching EUR 195 per m^2 per month. (Main Source: Raiffeisen)

Outside Prague, shopping centres are anchored by food-retailing hypermarkets. Although the country may have reached a high degree of saturation in terms of hypermarkets, their locations attract a wide variety of non-food retailers, too. However, economic growth and increasing purchasing power as well as fairly new conceptual approaches, such as outlet centres and duty-free shops, which the Issuer believes should fuel further expansion and development in regional towns is expected to continue to grow.

In 2005, the construction of 40,381 dwellings was started, which is 3.4 per cent. more compared to the number in 2004, and 32,863 dwellings were completed, which is 1.8 per cent. more compared to the same period in the previous year. 155,202 dwellings remained under construction which is 5.7 per cent. more year-on-year. Further growth is expected in 2006.

The property market continues to grow supported by EU accession, high performance of the Czech economy resulting in higher salaries and disposable incomes and a favourable mortgage market. The market enjoys strong demand in the upper-mid and luxury residential segments. Importance of quality, contemporary design and favourable location continue to grow.

The warehousing stock of approximately 1 million m^2 in the Prague region serves Prague and other principal towns in the Czech Republic and Slovakia. Once used mostly for service sector distribution, the warehousing segment dedicated for manufacturers has increased. At the end of 2005 vacancy levels increased to 3.4 per cent. Rents for Class A space are currently between EUR 4.5 and EUR 5.25 per m^2 per month. Prime yields are now currently around 8.0 per cent. (Main Sources: Raiffeisen, Jones Lang LaSalle, Colliers International)

11.2. Russia

Economic environment in Russia

The growth rates seen in recent years are expected to be followed by lower, but still strong, growth figures. In 2005, real GDP growth was approximately 6.4 per cent., compared to 7.2 per cent. in 2004. Inflation remains high, due inter alia to the increase in government spending, and reached 10.9 per cent. in 2005. The economy nevertheless is expected to remain robust, driven by domestic demand and increased business confidence, with real GDP growth predicted to reach 6.6 per cent. in 2006. (Sources: The Central Bank of the Russian Federation; Ministry for Economic Development and Trade of the Russian Federation)

Real estate market in Russia

The Moscow office market is quickly maturing both in terms of size and overall quality. Virtually non-existent only a decade ago, it is now one of Europe’s most dynamic markets, showing high volumes of new office construction and strong take-up. The Moscow office market continued to grow in 2005. While the total stock of international-standard office space has doubled since 2000, the market still remains unsaturated, with demand far exceeding supply. In 2005, average office vacancy rates for Class A and B office space in the city were 4.1 per cent. (Sources: Jones Lang LaSalle, DTZ Research)

With steadily growing personal incomes both in Moscow and in the Russian regions, the retail sector remains one of the most dynamic and quickly evolving sectors of the country’s economy. Particularly in Moscow, modern, international-standard shopping centres are appearing throughout the city, but large regional cities are also seeing more development activity. Total shopping centre stock in Moscow is estimated to be approximately 2 million m^2. (Sources: DTZ Research, Jones Lang LaSalle)

The quality warehouse market remains underdeveloped, which is partly due to the relatively complicated and bureaucratised land-acquisition process. As a result, the existing stock is insufficient, in terms of both quality and number, and vacancies are virtually non-existent. The market continues to be characterised by high rents. The total stock of Class A and Class B warehousing in the Moscow region is estimated at approximately 1.5 million m^2. (Sources: DTZ Research, Jones Lang LaSalle)

12. BUSINESS OVERVIEW

12.1. Overview

ECM REAL ESTATE INVESTMENTS A.G. (the "Issuer") is the holding company of a real estate development Group. The principal activity of the Group is the development of commercial and residential real estate focusing on markets in the Czech Republic and Russia. The Group is also involved in real estate investment and in facility management of commercial and residential real estate in the Czech Republic. The Group opened its office in Moscow, and entered the market in Russia, in 2005 and is considering expanding its activities into other countries in Central and Eastern Europe.

The Group has invested across a diverse range of property segments, including the office segment, the retail segment, the hotel segment and the residential segment, and is considering investing in the warehousing/logistics segment and the light industrial production premises segment. The Group's portfolio and pipeline reflects its strategy of developing a portfolio with wide regional and segmental diversification.

As at 30 June 2006, the Group owned a property development and investment portfolio valued (under IFRS methodology) at EUR 111.19 million made up of 14 properties with a total lettable area of 185,435 m^2. As at 31 December 2005, the Group's development and investment portfolio was valued (under IFRS methodology) at EUR 98.06 million and was made up of 15 properties with a total lettable area of 220,715 m^2. The Group has expanded its development and investment portfolio in the Czech Republic and Russia to 20 properties since 30 June 2006 (see "—Recent Developments").

12.2. History

The key highlights of the Group's history are as follows:

- 1991 — the Group's business was founded by three private investors: Mr. Milan Janků, Mr. Karl Heinz Hauptmann and Mr. Peter Fellegi
- 1991-1994 — the real estate business commenced with four real estate projects in the Czech Republic
- 1998 — the Issuer was founded by the creation of a company incorporated in Luxembourg taking control of the Group's activities
- 1999 — acquisition of the first CITY property in Prague 4 by a Group company
- 2000-to date — development of the CITY project
- 2004 — Mr. Karl Heinz Hauptmann sold his shareholding to Mr. Milan Janků
- 2005 — expansion into the Russian market and opening of Moscow office
- 2005 — Czech and Russian regional expansion
- 2006 — integration of facility management activities carried out by ECM Facility a.s. and project development carried out by ECM Real Estate Investments, k.s.
- 2006 — issue of bonds with warrants in two tranches, both listed on the Exchange Regulated Market of the Luxembourg Stock Exchange
- 2006 — change of corporate and tax status of the Issuer to a "Société de Participations Financières" (a so-called "Soparfi")
- 2006 — Glandor Foundation sold its shareholding in the Issuer to the Issuer, making Mr. Janků the sole shareholder of the Issuer after cancellation of the shares purchased from the Glandor Foundation
- 2006 — Mr. Milan Janků transferred his shareholding in the Issuer by means of contribution in kind to his 100 per cent. owned company, ECM Group N.V.
- 2006 — The Issuer's Initial Public Offering resulted in listing of Issuer shares of the main market of, and the listing of 1,728,180 warrants on the official free market of the Prague Stock Exchange ("PSE").

12.3. Competitive strengths

Market knowledge in its core market

The Issuer has many years of experience in the property market in the Czech Republic. This has enabled the Issuer to build a thorough understanding of that market, know-how and a network of industry contacts. The Issuer invests considerable resources into establishing a presence and collecting local know-how, which is knowledge relating to the business environment, real estate market, financing, taxation, legislation, political environment and any other matters specific to the local market, before it starts any projects in that market. This knowledge is combined with the Issuer's experience and know-how of the property market in the Czech Republic to identify and develop new investment opportunities. The Issuer believes that its knowledge and experience is a competitive advantage in its respective local markets.

Extensive development expertise

The Group has focused on establishing a large and experienced team at its head office in Prague, its other offices within the Czech Republic and its Moscow office. The team has developed the processes, knowledge and experience to source, develop, make recommendations in relation to, and assess the viability of, new real estate development opportunities.

Experienced management team with longstanding industry experience

The members of the Issuer's management team have varied international backgrounds and longstanding property experience in the Issuer's core markets. The Issuer encourages its management team to be flexible in its business solutions. In pursuit of attractive transaction returns, the Issuer's management team adopts a constructive and systematic approach that leads to efficient negotiations and completion of deals. The Issuer's experienced management team is able to make quick decisions using creative solutions to resolve difficult issues.

Access to debt enhances the rate of return on equity

The Issuer's track record of successful real estate development in the Czech market means it has a strong relationship with several Czech and international banks that ensure sufficient and competitively priced debt funding.

The Issuer's ability to leverage its investments generally allows it to increase its rate of return on the equity that it invests. The Issuer does not invest in developments that require a large amount of equity to be tied-up for a long period of time. The Issuer mainly invests in developments that can be highly leveraged from early stages. In certain circumstances, the Issuer may also use forward, sale and refinancing transactions to improve the internal rate of return on its equity.

Track record of entering new market segments

The Issuer has a track record of continuing growth in the Czech Republic. It has expanded into the regional markets within the Czech Republic, building portfolios and operations in each of those markets. The Issuer believes that it has the credibility and market standing necessary to expand its portfolio into new segments in the market in the Czech Republic, and to expand its existing investment portfolio in Russia. It believes that it will also be able to penetrate new geographic markets in Central and Eastern Europe.

Investment in landmark real estate

Although the Issuer considers all real estate developments or acquisitions which it believes will provide a high rate of return, it predominantly invests in Class A real estate developments or acquisitions in prime locations which the Issuer considers will become landmark buildings. For example, the Issuer currently owns the two tallest buildings in the Czech Republic, which are located in Prague, with unparalleled views across the city. Such real estate investments have significant marketing potential, liquidity and intangible value which is reflected in the price that tenants and purchasers are prepared to pay to lease or acquire such properties.

Balanced segmental and geographic portfolio

The Issuer's geographical and segmental focus has allowed it to develop a diversified property portfolio, helping to reduce the risks associated with investing only in a single geographic market or segment of the real estate sector. The Issuer believes that this broad diversification, together with the quality of its properties' locations and tenants, provides it with a balanced portfolio.

12.4. Strategy

The Issuer believes that its position as one of the leading participants in the Czech real estate market provides it with a strong platform for further growth. The Issuer's objective is to take advantage of its experience, knowledge and market position and expand its operations in the Czech Republic, Russia and other countries in Central and Eastern Europe. To achieve this goal, the Issuer has implemented the following strategies:

High internal rate of return ("IRR") focus

The Issuer focuses on investing in projects that offer the potential to generate a high IRR. This strategy enables the Issuer to add value to its portfolio in a relatively short period of time without employing significant amounts of its own capital. The Issuer assesses its investment position frequently in order to realise significant returns in a short timeframe. It will sell projects which have generated sufficient revenue and reinvest the proceeds of such sales in new projects which potentially offer a higher IRR. In order to implement this strategy effectively, the Issuer has developed various financing structures.

Full service provider

In 2006 the Issuer integrated the key property-related functions required for the development, investment in and operation of commercial and residential properties. Development services are provided by ECM Real Estate Investments, k.s., a subsidiary of the Issuer. ECM Facility a.s. works with ECM Real Estate Investments, k.s. to manage the transition of a project from construction to operation and offers integrated facility management services to the property owner and its tenants. ECM Real Estate Investments, k.s. also offers the internal asset management services associated with the administration of investment properties. By integrating these services the Issuer has reduced its reliance upon third-party sub-contractors.

Build on the Issuer's position in its core market to further diversify its portfolio

The Issuer plans to build on its position and network throughout its core market in the Czech Republic and Russia to further build up its development and investment portfolio. To this end, the Issuer plans to build on its market intelligence and its existing relationships with local and international partners in its core market to identify attractive development and investment targets (see "— Description of the Group's business — Partnerships and joint ventures").

In 2005, the Issuer adopted a regional diversification strategy to focus on developing its retail and residential real estate portfolio in the regions of the Czech Republic and in what the Issuer categorises as second-tier cities (see "Industry Overview") in Russia. The Issuer believes that this strategic focus will enable it to achieve market advantage in selecting favourable sites and attracting quality tenants, thus securing yields in an environment where property values and rental levels are likely to rise.

The Issuer's experience in negotiating and completing property developments and acquisitions enables it to execute its projects efficiently. The Issuer expects to be able to utilise this know-how in the new markets it is entering. For a description of the Issuer's current investment plans in the various segments of its core market and in the emerging property markets into which it is expanding, see "— Property Portfolio".

Establish a domestic market presence

The Issuer intends to establish a domestic presence in each country that it enters into and operates in future because the Issuer believes that it is best able to deliver value in each country if it has a presence in that country. The Issuer believes that establishing a presence also provides the Group with the resources to manage its developments and properties more effectively, better understand the local markets in which it operates and become better known and connected to local market participants to attract better investments and higher-quality tenants. A strong market presence also potentially provides the Group with opportunities to enter into co-operative arrangements with certain local partners which can lead to the identification of further opportunities for the expansion of the Group's business.

Multi-purpose focus – expansion in key segments

The Issuer is actively involved in developing its portfolio in the four core investment and development segments (the office segment, the hotel segment, the retail segment and the residential segment). In addition, the Issuer's plan is to increase its pipeline and the proportion of its portfolio in the retail and the residential segments, and to begin investing in the warehousing/ logistics segment and light industrial segment, in order to further diversify its portfolio.

In the office segment, the Issuer focuses on the development and acquisition of Class A office buildings in high-profile locations in larger regional cities and towns. These buildings are usually landmark properties with the potential to attract both local and international tenants. The Issuer has a presence in regional cities and the capital of the Czech Republic and is in the process of finding locations for new-build office developments in secondary cities within Russia.

In the hotel segment, the Issuer focuses on the development of 3 star, 4 star and 5 star business and convention hotels in the business districts of carefully selected cities under the management of major international hotel operators. Such projects are usually part of multi-purpose developments which incorporate other services, including for example airports or offices.

In the retail segment, the Issuer focuses on developing shopping centres in selected cities, in co- operation with local developers and international retailers. In addition, the Issuer plans to invest in selected up-market inner-city shopping centres. It also plans to invest in retail centres in secondary Russian and Czech cities. These projects are generally smaller than existing suburban retail operations but benefit from central locations and prime tenants.

In the residential segment, the Issuer focuses on the development of quality, modern apartments in prime locations. Because of current market conditions the Issuer develops residential projects which are designed for sale to individuals upon completion.

The Issuer's residential projects tend to be medium sized (60 to 200 apartments) and marketable. Its residential properties distinguish themselves by their location, design, accessibility, efficiency and ease of use. A good location is one of the keys to the development of successful high-end residential schemes. The Issuer will consider such developments in any country within Central and Eastern Europe where client analysis supports such strategies. Due to its process of project selection the Issuer maintains a manageable number of projects in order to supervise each development process.

In the warehousing/logistics segment, the Issuer intends to focus on properties that are conveniently located to service retail operations and major transportation links.

In the Issuer's experience, synergies can be exploited to its advantage in larger development schemes with multi-purpose functions. On occasion the Issuer will consider the possibility of providing extra services to end users, by, for example, developing a business hotel with adjacent offices.

Adjusting the Issuer's segmental portfolio mix on a regional basis to diversify its risk/return profile

The Issuer plans to continue to steadily diversify its portfolio mix to achieve a balanced distribution of properties by usage types. In each of its markets, it seeks to optimise the balance of properties in varying stages of completion (pre-let properties and projects under construction or nearing completion) to create long-term stable values and reduce its exposure to market risks.

12.5. Corporate organisation and structure

The Issuer is the holding company of the Group. The main function of the Issuer is the determination of the objectives and strategies of the Group, central co-ordination of the activities of the Group, central allocation of resources and monitoring the Group's activities. The Issuer's subsidiaries comprise real estate holding and management companies in relation to its projects in the Czech Republic, in Luxembourg in relation to its joint venture in the Czech regions (see "— Description of the Group's business — Partnerships and joint ventures"), in holding companies in Cyprus and operating companies in Russia for its Russian operations. The Issuer itself does not directly hold properties.

Each development or investment project has a specific special purpose vehicle ("SPV") to own the land and/or building and if appropriate may have other SPVs to, for example, hold the head lease, all of which is done in order to achieve tax efficiency, transparency and to isolate projects within the corporate group (see "General Information about the Issuer — The controlling agreements within the Group"). The purpose of the management companies is to provide personnel to the Group and certain facilities for the property management activities of the Group. Such management activities include the operation, letting, administration, sale and purchase of properties.

12.6. Description of the Group's business

General

The Group's activities are focused on the Czech Republic and Russia, where it intends to concentrate its principal investment and development activities for the foreseeable future. It also intends to enter selected markets in Central and Eastern Europe, which it considers to be attractive target markets.

The Group's business can be divided into three broad categories:

- Real Estate Development: development of projects (which may take different forms including forward purchase agreements and participations in joint venture arrangements), including identifying the location for a potential property development, development services related to the site/property, property management, asset management and the sale or letting of the completed property;
- Real Estate Investment: investment properties comprising completed office and conference centre developments; and
- Integrated Facility Management: real estate facility management including energy performance contracting and management.

To achieve desirable synergies, the Group develops projects that involve multifunctional buildings (such as a building where one wing is used as office premises and the other wing as a hotel) and projects where several buildings of different functions (such as a retail centre in combination with office buildings and a hotel) can be developed simultaneously as part of one development scheme.

Partnerships and joint ventures

One of the main drivers of the Group's expansion has been its policy of entering into partnerships and joint ventures with local and international partners. The Group pursues this policy both when entering new markets and when expanding its presence in the markets where it is already active. Entering new markets or segments through joint ventures or partnerships allows the Group to significantly reduce its risk profile, and allows the Group to invest in larger projects, where it could not, or chooses not to, invest on a stand-alone basis. The joint venture structures usually provide the Group with access to additional know-how and investment opportunities.

All the retail development projects in Russia that the Group is currently involved in have been carried out through joint venture agreements with ECE Projekt Management International GmbH ("ECE Hamburg"), a property development company of the Otto family of Germany. These joint ventures are structured on equal equity investments and shared development roles. The first joint-venture project with ECE Hamburg was initiated in August 2006 when the Group concluded a term sheet for development of the Ryazan Shopping Center in Ryazan, Russia. The Group established a relationship with ECE Hamburg by working with them on projects in the Czech Republic.

In 2005, the Issuer entered into a memorandum of understanding, and, in January 2006, a joint venture agreement was signed between a Group company and an indirect subsidiary of Citigroup Inc. ("CPI") in relation to all new development projects in the Czech Republic outside of the city of Prague. The agreement is for an initial period of three years. Under the terms of the agreement, if the Group intends to become involved in any development project in the Czech Republic (outside of Prague) then the Group must first offer the project as a joint project to CPI. If CPI decides not to be involved in the project then the Group may develop that project independently or in co-operation with a third party provided that third party is offered terms no more favourable to it than those offered to CPI. If CPI decides to get involved in the relevant project then a project joint venture company is set up and a project related joint venture agreement will be entered into. Such joint venture agreement would set out the terms of the joint venture in relation to the project including levels of profit sharing. As at 31 December 2006, three projects (Diplomat Center, Varenská Center and Unhosť Residence) were being operated under this joint venture structure. Under the framework agreement concluded between the Group and CPI under which the parties will share a proportionate amount of the profits, the Group takes responsibility for managing the project and as a result enjoys a disproportional share of the profit for returns in excess of an internal rate of return of 25 per cent. which are distributed to the benefit of the Group.

The Issuer began a long term relationship with Marriott Hotels International B.V. and its subsidiaries in relation to hospitality management in 1999 when the Issuer signed its first hotel management contract for the Marriott Executive Residences at the Longin Center. The Issuer outsources its hotel management activities to Marriott, through Marriott brand licensing agreements. Design and general planning activities for Group-owned hotels are performed on the basis of technical services agreements with Marriott Hotels Inc. and its subsidiaries. In addition to the joint operation of the Marriott Executive Residences hotel in 1999, the Issuer has signed two hotel management agreements for the "Courtyard by Marriott" brand of business hotels. As part of its expansion strategy the Issuer intends to develop new "Courtyard by Marriott" hotels in new markets including Russia and other Central and Eastern European countries.

12.7. Property Portfolio

(1) DEVELOPMENT PROJECTS AND INVESTMENT PORTFOLIO	As at 30 June	As at 31 December		
	2006	2005	2004	2003
Number of properties[1]	14	15	10	11
Overall size of the existing portfolio in m[(1)(2)]	185 435	220 715	168,199	161,955
of which offices	96 260	105 974	86,546	120,193
of which hotels	32 718	42 218	31,218	16,000
of which retail	13 279	29 344	24,900	–
of which residential	43 179	43 179	25,535	25,762
Number of parking spaces[(1) (2)]	2 743	3 222	2,880	2,472

Notes:

(1) Based on Issuer figures. They are not included as part of the audit of the Consolidated Financial Statements.

(2) Minority interests are taken into account proportionally.

As of the date of this Prospectus the Issuer's development and investment portfolio consists of 20 properties/projects in various segments and regions (see "Development Projects" and "Investment Portfolio").

The Group's properties are located in its core markets of the Czech Republic and Russia. In each of its markets, the Group looks to develop an interest in attractive properties, primarily in the office, hotels, retail, residential and, to a small extent, in warehouse/logistics segments. Despite the Group's aim to achieve regional and segment diversification, it predominantly selects projects and properties based on their potential internal rate of return, rather than selecting its investments by industry segment or geographies.

In the short and mid-terms, the Issuer intends to concentrate its development and investment activities in Prague in the office and high-end luxury residential segments where it sees continuing opportunities.

The Issuer's portfolio in the regional Czech cities is concentrated in the office, hotels and retail segment. However, the Group will selectively consider opportunities to invest and/or develop top-end residential properties.

In order to expand its business, diversify its risk profile and seize investment opportunities, the Issuer decided to enter the market in Russia, as it identified that Russia had a demand for real estate developments in all the key market segments in which the Issuer operates. The Issuer made a long-term commitment to the Russian market by opening a fully operational office in Moscow in 2005. The Issuer's presence in Russia is based on working with partners with an established presence in or history of completed projects, such as ECE Hamburg (see "—

Description of the Group's business — Partnerships and joint ventures"), building a team of local professionals who work with the Czech top management, and understanding the local business requirement. The Issuer believes that its Moscow office is, together with the technical and know- how support provided by the Issuer's headquarters in Prague, able to further expand the Issuer's development activities in Russia.

The Issuer's primary focus in Russia is to build retail centres in large regional cities, high-quality office buildings and hotels in cities with population of more than 300,000, and luxury residential buildings in Moscow and St Petersburg. To achieve this strategy, the Issuer will continue to work with ECE Hamburg in all stages of the development of retail projects, and the Issuer intends to work with Marriott Hotel Corporation in relation to the hotel segment. The Moscow office's residential and office development expertise will be reinforced by the provision of know-how from the Issuer's headquarters in Prague.

12.8. Completed Projects

The table below sets out a selection the Group's completed developments:

Name[1]	Size (m^2)[2]	Function	Location	Date of Commencement of Development	Date of Sale of Project
Czech Republic:					
Gothardská 11	2,000	Residential	Prague, Czech Republic	1997	2000
Na Florenci 5	2,300	Office	Prague, Czech Republic	1997	2001
Thákurova	1,600	Office	Prague, Czech Republic	1994	2001
Longin Business Center (Office Marriott Executive Apartments)	7,300 + 4,000 hotel	Office and Hotel	Prague, Czech Republic	1998	1999
Opera Business Park	14,000	Office	Prague, Czech Republic	1998	2000-1
Biskupský Dvůr	2,000	Office	Prague, Czech Republic	1998	2003
Nová Liboc	N/A	Residential Land Development	Prague, Czech Republic	2000	2002
International:					
Opera Plaza	20,000	Office	Bucharest, Romania	1997	2000

Notes:

(1) CITY POINT and CITY EMPIRIA were both sold in 2004 but do not feature in the above table as they were reacquired in 2006. For more information on these projects see ("Investment Portfolio").

(2) Figures for lettable area have been rounded.

GOTHARDSKÁ 11

Gothardská 11, is a fully refurbished 2,000 m^2 residential house located in the diplomatic quarter of Prague 6. The project was sold in 2000 to individual private owners for approximately CZK 26.6 million. Total development costs were approximately CZK 12.7 million. The project was financed by approximately 20 per cent. equity and 80 per cent. debt.

NA FLORENCI 5

Na Florenci 5 was the first office development of the Group. The project, consisting of a 2,300 m^2 office refurbishment, located in the centre of Prague was sold in 2001 to QPR (an Israeli group) for approximately EUR 3.9 million. Total development costs were approximately EUR 2.76 million. The project was financed by approximately 40 per cent. equity and 60 per cent. debt.

THÁKUROVA 4

Thákurova 4 located in Prague 6, is a 1,600 m^2 office building refurbishment that was sold as a fully leased building in a portfolio transaction to QPR for approximately EUR 1.8 million in late 2001. Total development costs were approximately EUR 1.3 million. The project was financed by approximately 40 per cent. equity and 60 per cent. debt.

LONGIN BUSINESS CENTER

The Longin Business Center, located in Prague 2, is a mixed-use new-build project consisting of 7,300 m^2 offices and a five-star hotel with 53 executive suites. The project was sold in 1999. A hotel management agreement was signed with Marriott Hotels International B.V. to operate the hotel facilities under its Marriott Executive Residencies brand. Leases of the office part were signed with premium tenants. The project was sold shortly after completion in 1999 to an investment fund of HVB, Czech Real Estate Property Partners, for approximately CZK 827 million. Total development costs were approximately CZK 638 million. The project was financed by approximately 35 per cent. equity and 65 per cent. debt.

OPERA BUSINESS PARK

The Opera Business Park is an office development scheme located in Prague 5, arising from the complete refurbishment and conversion of an old brewery into a modern office building together with the development of four new office buildings in the vicinity. The project was sold between 2000 and 2001 to two purchasers. In 2000 the Czech state bought the two largest buildings of this scheme to serve as the headquarters of the Czech National Security Council. The rest of the development was sold to QPR in late 2001. The total sales price for both transactions represent approximately CZK 700 million and the development costs were approximately CZK 409 million. The project was financed by approximately 20 per cent. equity and 80 per cent. debt.

BISKUPSKÝ DVŮR

Biskupský Dvůr is a smaller new-build office development of approximately 2,000 m^2 in central Prague. The project was sold to four private investors, the end occupiers, in 2003 for approximately EUR 3.25 million. Development costs were approximately EUR 3.00 million. The project was financed by approximately 35 per cent. equity and 65 per cent. debt.

OPERA PLAZA

Opera Plaza is a project developed by way of a joint venture with Portland Trust s.r.o., a regional real estate developer who is in partnership with the U.S.-based Apollo Real Estate Investment fund. The project, consisting of approximately 20,000 m^2 of lettable area and leased to tenants including PricewaterhouseCoopers, Nationale Nederlanden and GlaxoSmithKline was completed in 2000 and sold to the Austrian-based institutional investor CA Immo A.G. for approximately EUR 33 million, which resulted in a profit of approximately EUR 9 million. The project was financed by approximately 30 per cent. equity and 70 per cent. debt.

NOVÁ LIBOC

In 2002 the Issuer sold land designated for development of residential houses in a neighbourhood of Prague 6, along with the relevant permits and design documentation, to ING Real Estate for total consideration of approximately CZK 74 million.

12.9. Development Projects

As of the date of this Prospectus, the Issuer has a committed pipeline of 15 development projects in various segments and regions and as set out below:

Name	Size (m^2)	Function	Location	Status
Prague				
CITY Project (PRAGUE)				
CITY Tower	44,951	Office	Prague, Czech Republic	Building permit
CITY Court	18,703	Office	Prague, Czech Republic	Zoning permit
CITY Deco	16,284	Office	Prague, Czech Republic	Zoning permit
CITY Element	7,011	Office	Prague, Czech Republic	Zoning permit
CITY Epoque Hotel	15,218	Hotel	Prague, Czech Republic	Underlying statements for zoning permit
CITY EPOQUE residence	24,900	Residential	Prague, Czech Republic	Underlying statements for zoning permit
Letňany residential	4,485	Residential	Prague, Czech Republic	Underlying statements for zoning
EUROPORT	19,844	Hotel and Retail	Ruzyne International Airport, Prague	Building permit
Palisády	3,400	Residential	Prague, Czech Republic	Design Phase
Czech Regions				
Varenská Office Center	12,488	Office	Ostrava, Czech Republic	Building permit
Unhošt residence	13,821	Residential	Prague, Czech Republic	Zoning permit
Diplomat Center	14,317	Hotel and Office	Pilsen, Czech Republic	Building permit
Bržnická Retail Center	30,675	Retail	Zlin, Czech Republic	Underlying statements for zoning permit
Palace Centre	15,408	Hotel and Retail	Ostrava, Czech Republic	Zoning permit
Russia				
Ryazan Shopping Center	56,972	Retail	Ryazan, Russia	Underlying statements for zoning permit

CITY TOWER

The CITY Tower is currently the tallest building in the Czech Republic. Tenants of the CITY Project will benefit from the new shopping, leisure and transportation infrastructure being developed in the vicinity of the project. The site was purchased by a Group SPV in 1999. In the first quarter of 2006 CITY Tower obtained a building permit and subsequently the Group instructed the general contractor to start construction. Upon completion the building will have up to 49,000 m^2 of lettable area and 787 parking spaces. Together with construction the Issuer is actively marketing with the aim of securing high-quality tenants for the project. The project is being financed through a combination of 15 per cent. equity and 85 per cent. debt. Completion is scheduled for October 2007. The work involved in the construction of this building has taken several years due to the extent of the planning and permit process, relating to the entire Pankrác district of Prague.

CITY COURT

CITY Court is a new-build office building within the CITY development scheme, designed by Richard Meier & Partners Architects. This eight-storey building with 18,700 m^2 of lettable area and 232 parking spaces was designed to be leased/sold to one user/buyer or various tenants. CITY PARKVIEW s.r.o. (a Group SPV) is considering an alternative residential development of this plot (CITY Parkview) in the event that it manages to acquire the adjacent land from a private individual. The relevant zoning permit for development of the project have been obtained. Financing will be sought by CITY PARKVIEW s.r.o. through a combination of 25 per cent. equity and 75 per cent. debt. Completion is scheduled for the second quarter of 2009.

CITY DECO

CITY Deco is being developed by Tabula Maior, a.s. (a Group SPV) as a multifunctional building consisting of offices, leisure facilities by Meridian Spa, retail space, lettable storage space (altogether approximately 16,500 m^2 of lettable area) and 209 parking spaces. When completed CITY Deco will offer a direct under cover connection with CITY Forum which contains canteen and conference facilities. The relevant zoning permit has been obtained and preparatory construction work has commenced. The building may become an expansion space for some of the existing office tenants of CITY Empiria. CITY Deco together with CITY Element attracted the interest of a large Generali insurance company. which is considering purchasing the building. A twenty year lease agreement for 5,865 m^2 of the property with Meridian Spa is already in place. The project is being financed through a combination of 30 per cent. equity and 70 per cent. debt. Completion is scheduled for the last quarter of 2008.

CITY ELEMENT

The CITY Element project is an office building of 7,011 m^2 of lettable area and 185 parking spaces that has been designed as the Czech Republic headquarters of Generali, which signed a forward purchase contract for acquisition of the completed property. Subject to this client's interest in the acquisition of CITY Deco (for office expansion and investment reasons), there may be a covered, interconnecting bridge built between CITY Deco and CITY Element. The relevant zoning permit has been obtained by Tabula Maior a.s. (a Group SPV) and the relocation of utility services is presently underway. The project is being financed through a combination of 20 per cent. equity and 80 per cent. debt. Completion is scheduled for the second quarter of 2009.

CITY EPOQUE HOTEL

This project is a new 4 star business hotel development and part of the CITY Project in Prague 4, Pankrác. It comprises approximately 330 rooms, convention facilities for approximately 700 people, and 290 parking spaces. Lancaster a.s. (a Group SPV) has signed a letter of intent with Starwood Hotel Corporation to operate the hotel under the brand name "Four Points by Sheraton". The project is under development. Lancaster a.s. obtained most of the underlying consents for issuance of the relevant permit and has applied for its issuance. Once the relevant permit has been obtained, Lancaster a.s. will seek to secure financing through a combination of 25 per cent. equity and 75 per cent. debt. Completion is scheduled for the first quarter of 2009.

CITY EPOQUE RESIDENCE

This high-rise luxury residential building is a development project in the CITY area and expected to be the tallest residential building in the Czech Republic when completed. The project comprises approximately 153 luxury apartments, including penthouses, and 280 parking spaces. The majority of the apartments enjoy views of Prague and its historic city centre. The residents will benefit from the modern infrastructure and amenities of the CITY Project. The project is under development by Lancaster a.s. (a Group SPV). Approximately 60 per cent. of the apartments are subject to reservation contracts whereby future buyers have committed to purchase apartments at an average price of approximately EUR 3,468 per m^2. The project is being financed through a combination of 15 per cent. equity and 85 per cent. debt. Completion is scheduled for the first quarter of 2009.

LETNANY RESIDENCE

This is a mid-market residential development project located in Prague 8, close to a metro connection with links to the centre of Prague. The project comprises 62 apartments located on approximately 25,000 m^2 of land which ECM Byty s.r.o. (a Group SPV) acquired in 2005. The project is currently under development. The project is not yet in the marketing phase and so purchasers for the apartments have yet to be obtained. Once the relevant permits have been granted, ECM Byty s.r.o. will seek to obtain financing for the project by way of a loan. Completion is scheduled for the second quarter of 2009.

EUROPORT

The Issuer holds 49.5 per cent. of this hotel, retail and parking development project at the Ruzyně International Airport in Prague through its SPV ECM Hotel Operations EUROPORT s.r.o. The project is currently under construction and scheduled for completion in December 2006. Once complete, the 235-room hotel will be operated by Marriott Hotel Corporation under the 4 star hotel brand name "Courtyard by Marriott" (the only branded hotel at this location). A retail gallery of 4,125 m^2 linked to the airport terminal and a conference centre for up to 250 people and 500 parking spaces operated by Vinci will provide services and shopping opportunities which are currently limited at the airport. This project was pre-sold in 2005 to CA Immo AG under a forward sale agreement which will come into effect after completion. The project is being financed through a combination of 7 per cent. equity and 93 per cent. debt. Completion is scheduled for the first quarter of 2007.

VARENSKÁ OFFICE CENTER

The Varenská Office Center consists of two office buildings of approximately 14,500 m^2 in a central location in Ostrava, the third largest city in the Czech Republic. One of the two adjacent buildings is a high-rise property which is expected to become a landmark building in Ostrava once refurbishment is completed. An international information technology company has signed a letter of intent to lease the larger building for five years. The smaller building has been leased for 20 years by the North Moravian Water and Sewer Utility Issuer. Ostrava Office Center a.s. (a Group SPV) acquired this property and the adjacent land in 2006 and following due diligence and an investment review by CPI, 50 per cent. of the equity stake was sold to this joint venture partner under the respective provisions of the joint venture agreement concluded between CPI and the Issuer. The relevant permit has been obtained and the project is currently under development. The project is being financed through a combination of approximately 25 per cent. equity and 75 per cent. debt. Completion is scheduled for the first quarter of 2007.

UNHOŠŤ RESIDENCE

This residential development project is located in the Unhošť suburb of Prague, which is approximately 30 km from the centre of Prague, and near the conservation area of "Křivoklátsko" which the Issuer believes is a prime location for residential development near Prague and is in close proximity to the Prague International Airport. The development will provide 104 modern family houses. The project is under construction and completion is scheduled for 2008. REZIDENCE UNHOŠŤ a.s. (a Group SPV) has obtained the relevant zoning permit and marketing of houses for sale is expected to commence in the spring of 2007. The acquisition of this project was completed immediately after the zoning permit was obtained in September 2006 and was equity-financed. CPI has agreed to invest in this project and will become a 50 per cent. participant in this project. Completion is scheduled for the third quarter of 2008.

DIPLOMAT CENTER

This hotel and office development was purchased by 2P s.r.o. (a Group SPV) in 2004 and is scheduled for completion in May 2007. It is a multifunctional building which will consist of a hotel taking up two wings of the building with up to 195 rooms and will be managed by Marriott Hotel Corporation (under the 4 star brand "Courtyard by Marriott"), an office taking up one 1,798 m^2 wing of the building, a conference hall with the capacity for up to 350 people, restaurants and 120 parking spaces. This project has been pre-sold to CA Immo AG. This project is financed through equity and a loan in the amount of EUR 13.5 million by Raiffeisenbank. This project is part of the joint venture with CPI which has a 50 per cent. stake in the project. Completion is scheduled for the second quarter of 2007.

BŘEZNICKÁ RETAIL CENTER

Following the Group's successful presentation of a bid to the city of Zlín to acquire 18,100 m^2 of land to develop a modern shopping and entertainment centre in Zlín city centre, relevant acquisition and operating contracts were agreed in October 2006 under which GRASLON a.s. (a Group SPV) will develop the project. The development of approximately 31,000 m^2 of lettable retail space and commensurate parking spaces is expected to be completed in 2008. As this project is at an early stage of development, no permits have been obtained. GRASLON a.s. will seek loan financing once the relevant permits have been granted. This acquisition was completed in October 2006 and consequently is not reflected in the 30 June 2006 interim financial statements (see "— Recent Developments"). This project will be offered to CPI in accordance with the provisions of the joint venture with CPI. Completion is scheduled for the second quarter of 2009.

PALACE CENTER

NATIONAL BUSINESS CENTER OSTRAVA a.s. (a Group SPV) started the development of this new-build hotel, retail and office project after acquiring an option to purchase a property designated for demolition in the centre of Ostrava. Once completed, the hotel facilities will provide approximately 183 rooms under the management of the Marriott Hotel Corporation (under the four star brand name "Courtyard by Marriott"). The retail area will provide up to 5,000 m^2 of lettable retail space, and the office area will provide approximately

1,468 m^2 of lettable office space. Upon obtaining the consent of the Ministry of Culture for demolition of the existing building issued in the end of 2006,the Group decided to exercise its acquisition option and execute the project in substantially modified scope, which fully exploits development potential of the site and delivers a project of about 11,500 sqm of office area, 174 room hotel, 3,500 sqm of retial area, approximately 4,000 sqm of top quality residential area and 252 garage parkign spaces. The project will be financed through approximately 75 per cent. equity and 25 per cent. debt. Completion is scheduled for the last quarter of 2009.

PALISÁDY

This top quality new built residential project will be developed on the site adjacent to the CCS Headquarters building acquired by the Group in late 2006. Once completed it will consist of two buildings of approximately 3,400 m^2 of flat area in total and about 50 garage parking spaces. The project is presently in design phase and will be financed by approximately 80% loan and 20% equity. The project is scheduled for completion in last quarter of 2009.

RYAZAN SHOPPING CENTER

In August 2006, a Group SPV acquired a 100 per cent. interest in the retail centre development project in the Russian regional city of Ryazan, with a population of approximately 600,000. The project consists of a shopping centre, with approximately 57,000 m^2 of lettable retail space. This development has been undertaken as a joint venture with ECE Hamburg who will become the 50 per cent. shareholder of the project once the shareholders agreement is executed. ECE Hamburg will be responsible for design, building and cost management. The Group will be responsible for obtaining permits, government relations, financing and development. Heads of terms have been signed with some anchor tenants. The building permit is expected to be granted in the 2007. Completion is scheduled for the first quarter of 2009.

Under development projects, the Issuer has to spend approximately the following costs for the completion:

Project Name	EUR (ths.)
CITY Tower	82,000
CITY Deco	29,000
CITY Element	12,500
Diplomat Center	8,000
Eurosport	3,000
Várenská Office Center	7,600

12.10. Future Projects

Future projects are those projects which are not contractually secured as of the date of this Prospectus, or are in an earlier stage of development, and are therefore not reflected in the 30 June 2006 and 31 September 2006 interim financial statements of the Issuer and not yet categorised as development projects.

Name	Size (m^2)	Function	Location	Status
Stromovka Obchodní Centrum	30,000	Retail	České Budějovice, Czech Republic	In acquisition phase
Liberty	27,300	Residential, Offices and Retail	Prague 4, Pankrác	Acquired in joint venture with Corinthia Group In planning phase
Park View	26,000	Residential	Prague 4, Pankrác	In acquisition phase
Moscow Retail Center	35,000	Retail	Moscow	In acquisition phase
Tyumen	10,000	Office	Tyumen, Russia	In acquistion phase

STROMOVKA RETAIL CENTER

The Issuer is participating in a public tender for the acquisition and subsequent development of a prominent corner site in the centre of the city of Ceské Budejovice, Czech Republic. Should the Issuer win the tender, it proposes to develop a modern shopping centre of approximately 30,000 m^2.

LIBERTY

In 2006 the Group concluded a set of contracts with various companies of the Corinthia Group ("Corinthia") amounting to a 50/50 joint venture to develop a large scale complex of high-rise residential towers with offices and retail areas. This building complex will be developed on the land jointly owned by the Group and Corinthia and adjacent to the CITY Element and CITY Deco locations. There is an architectural competition taking place to identify the best design proposals for this project. The joint-venture partners intend to create approximately 27,300 m^2 of prominent residential and commercial space by the end of 2012.

PARK VIEW

The Issuer is in the process of negotiating the acquisition of the last available piece of private land within the CITY project for further development as part of the Group's residential pipeline.

MOSCOW RETAIL CENTER

The Issuer is in the process of negotiating to acquire an approximately 35,000 m^2 high-end retail center to be developed in a central location in Moscow to be acquired in equal joint venture with ECE Hamburg and a reputable investment bank.

TYUMEN

The Issuer is looking at developing an office building of approximately 10,000 m^2 in a central location in the Russian oil city of Tyumen. The potential development is at an initial stage.

12.11. Investment Portfolio

The Issuer decided in 2006 to diversify from its developer profile and to hold properties for investment purposes. The Group currently owns four investment properties which at 30 September 2006 represented approximately 12 per cent. of the Group's portfolio by lettable area. CITY Empiria and CITY Point were acquired in September 2006..

The Group's investment strategy is opportunistic. It intends to buy, sell, hold and manage properties with a view to balancing long term income rental streams with capital gains. The Issuer's current intention is that its investment portfolio would comprise approximately 15 to 20 per cent. of its asset value.

The Issuer owns the following investment properties:

Name	Size (m^2)	Location	Status	Description
CITY EMPIRIA	23,863	Prague, Czech Republic	Completed, owned	Landmark office building in Prague
CITY POINT	8,939	Prague, Czech Republic	Completed, owned	First completed building of CITY project
CCS HQ Building	5,542	Prague, Czech Republic	Completed, owned(1)	Adjacent land for further development
CITY Forum	3,895	Prague, Czech Republic	Completed, owned	Conference facilities, retail, catering and storage.
CITY Empiria IV	–	Prague, Czech Republic	Completed, owned	Parking garage, land

CITY EMPIRIA

This landmark modern office building of approximately 24,200 m^2 of lettable area is expected to be, after CITY Tower, the second tallest building in the Czech Republic. It is a significant part of the development of the CITY Project. The building and surrounding land was originally acquired by the Issuer in 2001, then sold in 2004 and bought back in 2006 to be included in a newly developed investment portfolio of the Issuer. Tenants include the Financial Authority of Prague 4, Zentiva, DHL and PPF Banka. The project was financed by approximately 20 per cent. equity and 80 per cent. debt. Due to the closing of this transaction in late September 2006, this project is not reflected in the 30 June 2006 interim financial statements.

CITY POINT

This new-build office building of approximately 9,000 m^2 of lettable area, designed by Richard Meier was developed by the Issuer between 2002 and 2004 at which point the Issuer sold the project to European City Estates A.G. (an Austrian company). The building was subsequently repurchased and included in the Issuer's investment portfolio as part of the buy-back transaction that included the CITY Empiria building. Tenants include Telefonica which has leased approximately two thirds of the building for a period of 15 years, an IT integrator (ICZ a.s.) and two smaller retail tenants. The project was financed by approximately 20 per cent. equity and 80 per cent. debt.

CITY FORUM

This is a modern business conference centre in Prague completed in spring 2006. It offers 24-hour services, including a restaurant, and has capacity for up to 500 people. The project will benefit from the concentration of offices in the Prague 4 district and the requirements of adjacent CITY Empiria and CITY Deco tenants for conference and food service facilities. The main tenants are Eurest and the Financial Authority of Prague 4. There are already an established clientele of the conference center, sourced from local and Prague business entities. The project is being financed through a combination of approximately 25 per cent. equity and 75 per cent. debt.

CITY EMPIRIA IV

CITY Empiria IV is an existing building, which the Issuer proposes to develop. The development will be by ADARCON a.s., a Group SPV, in a 50/50 joint venture with Top Spirit a.s., a company within the Corinthia Group. The project relates to the use and subsequent joint-venture development of the Liberty project. The Group's share in the existing property is 50 per cent. of the land and 67 parking spaces.

CCS HQ BUILDING

The Issuer won a privately organised tender for the acquisition of the following project and expects to close the transaction by the end of 2006. This five-storey office building and the adjacent land of 2,011 m^2 (being the land dedicated to development of the Palisády Project), located in Prague 8, were purchased by the Group for EUR 9.18 million in November 2006 from the sole occupier: CCS Ceská spolecnost pro platební karty a.s. (a Czech credit card company) which developed the property as its headquarters in 1995. The Issuer as the sole owner of ECM OFFICES LIBEŇ s.r.o. has, in parallel with the acquisition of the property, executed a future ownership interest transfer agreement with ECM HOLDINGS Limited (an investment firm co-owned by one of the Issuer's former shareholders, but not itself a related party) to sell 95 per cent. of its ownership interest in ECM OFFICES LIBEN s.r.o. Upon execution of this transaction the Issuer will maintain a 5 per cent. profit participation on all proceeds from the CCS HQ Building as well as the benefit from a 50 per cent. stake in the ownership and development of the adjacent land. The transaction was so structured to enable ECM HOLDINGS Limited to buy the CCS HQ Building from the Issuer while the Issuer was able to maintain profit participation and develop the adjacent land without employing equity. In line with the Issuer's equity employment strategy, the project is financed by EUR 1.9 million of equity (invested solely by ECM HOLDINGS Limited), and EUR 7.35 million of senior debt.

As this transaction was completed after 30 June 2006 and after 31 October 2006, it is not reflected in the 30 June 2006 and 31 October 2006 interim financial statements of the Issuer.

12.12. Facility Management

The Group undertakes facility management through its subsidiary ECM Facility a.s. Historically this activity was performed by the property administration division within ECM Real Estate Investments, k.s. However, in 2002, ECM Facility a.s. was established and the facility management function was transferred to that company. ECM Facility a.s. is a member of the International Facility Management Association ("IFMA"). The gross income of ECM Facility a.s. was EUR 1.05 million, EUR 3.46 million, EUR 2.81 million and EUR 1.89 million for the years ended 31 December 2003, 31 December 2004, 31 December 2005 and the six months ended 30 June 2006, respectively. ECM Facility a.s. became a subsidiary of the Issuer in June 2006 and will be consolidated into the Group's financial statements for the first time for the year ended 31 December 2006. Through ECM Facility, a.s. the Group provides facility management services in seven properties that the Group owns and also in twelve properties owned by third parties. The Issuer intends to expand its facility management business in the future through controlled business development and acquisitions.

The Group, through ECM Facility a.s., provides comprehensive facilities management services, such as administrative management (which includes settlement of utilities bills), maintenance of buildings, equipment and plant (including checking and repairing equipment, and minor construction work), security, cleaning, waste disposal, reception services, catering, operating and maintaining energy systems and other services. Some of the services are provided on a 24-hour basis. The extent of the services provided is designed to match the individual customer's requirements. The target customers of the facilities management services are administrative centres, hospitals, sports halls, industrial premises and hotels.

ECM Facility a.s. adopted a Quality Management System ("QMS") and Environmental Management System ("EMS") in 2005. In August 2005, the company acquired certificates according to the standards ISO 9001:2000 and ISO 14001:1996, and a silver certificate for its integrated management system.

Activities

The management of ECM Facility a.s. seeks to balance internal resources to meet the facility management requirements of the Issuer and projects obtained on the open market from third parties. Its commercial activities are aimed at various market segments, which include office buildings, hotel complexes, multi-functional halls, hospitals, municipal development projects and industrial facilities.

At the end of 2003, ECM Facility a.s. won the tender for a facility management project to provide technical management of the newly constructed multi-functional Sazka Arena in Prague. In this arena (the largest in the Czech Republic with a total area of 35,000 m^2 and capacity of 18,000 visitors), ECM Facility, a.s. provides the majority of technical activities from the operation and service of the building's technical systems, adaptation of the arena for various events and ice production (including maintenance of the ice surface).

In late 2004, ECM Facility a.s. opened a branch for the Moravia region of the Czech Republic in Ostrava where it provides services for the Varenská Office Center, which was originally owned by Severomoravské vodovody a kanalizace Ostrava a.s. Although this building changed its owner in the course of 2005 and underwent a complete reconstruction, ECM Facility a.s. remained the provider of facility management services for the building. This contract is one of the examples where the company provides both technical activities and administrative and economic services. The growth of ECM Facility a.s. is demonstrated by its recently acquired contract for the Zlín Regional Authority 24,000 m^2 office building. Further projects in this region are in an advanced stage of negotiations.

In late 2005 ECM Facility a.s. won the tender for facility management of buildings owned by Stavby silnic a zeleznic, a.s. (57 buildings in total – a mix of office buildings, construction sites, packaging plants, production halls etc.). Under this contract ECM Facility, a.s. provides completely integrated facility management.

12.13. Development Service

ECM Real Estate Investments, k.s. ("ECM REI k.s."), is a wholly owned subsidiary of the Issuer which provides all development, administrative and support services to the SPVs owning assets of the Issuer. ECM REI k.s. charges the SPVs a standard development fee which is part of a project's budget and covers the development cost and grants the ECM REI k.s. a corresponding profit. In December 2005 the Issuer acquired a 50 per cent. interest in ECM REI k.s. which became a wholly owned subsidiary of the Issuer in June 2006 and will be fully consolidated into the Group's financial statements for the first time for the year ended 31 December 2006. The gross income of ECM REI k.s. was EUR 2.77 million, EUR 2.62 million, EUR 5.96 million and EUR 4.04 million for the years ended 31 December 2003, 31 December 2004, 31 December 2005 and the six months ended 30 June 2006, respectively.

12.14. Marriott Executive Apartments

This project implemented by the Issuer's subsidiary LONGIN Business Center, a.s. opened in April 2000. The Marriott Executive Apartments building offers long-term quality housing in 53 suites, including 10 parking spaces in the underground garage. In 1999 ECM Finance a.s. concluded a rent agreement (Head Lease) with CZECH REAL PROPERTY PARTNERS k.s. (the owner of LONGIN Business Center buildings). ECM Finance a.s. concluded with Marriott Hotel International, B.V. (as Manager) a management agreement on 15 October

1998 to operate the apartments. The Manager provides know how, management staff, licences and trademarks. ECM Finance a.s. pays Marriott Hotel International, B.V. fees for these services and licences. This agreement is valid for 20 years with an option to renew for a further 10 years. The hotel's fixtures, fittings and equipment and financial resources from operations are the property of ECM Finance a.s.

Vila C Project

Vila C is a three-storey administrative building at Na Popelce, Prague 5, Czech Republic. The building is leased as representative headquarters of a Finnish corporation. The owner of the building is Raiffeisen — Leasing Real estate, s.r.o. At the end of 2002, Raiffeisen — Leasing Real Estate, s.r.o and ECM Finance a.s. concluded a sale-and-leaseback transaction for Vila C in the amount of EUR 500,000. The leasing period is 144 months. ECM Finance a.s. operates the premises and bears the risk of insufficient revenues covering the lease payment. The premises were subleased to Fuukki CZ s.r.o. based on a contract for lease of non-residential premises dated 5 March 2002.

12.15. Recent Developments

Since 30 June 2006 the Group has concluded various contracts that have resulted in substantial growth of the Issuer. The effect of these transactions (CITY Empiria, CITY Point, Březnická Retail Center, Ryazan Shopping Center and CCS HQ Building) can be demonstrated in the tables below. For a description of these properties see "— Development Projects" and "— Investment Portfolio".

DEVELOPMENT PROJECTS AND INVESTMENT PORTFOLIO	Date of this Prospectus	30 June 2006
Number of properties(1)	19	14
Overall size of the Existing Pipeline in m(1) (2)	306,486	185,435
of which offices	129,089	96,260
of which hotels	32,718	32,718
of which retail	101,501	13,279
of which residential	43,179	43,179
Number of parking spaces(1)(2)	7,118	2,743

Notes:

(1) Based on Issuer figures. They are not included as part of the audit of the Consolidated Financial Statements.

(2) Minority interests are taken into account proportionally.

The integration of ECM Real Estate Investments, k.s. and ECM Facility a.s. was completed in June 2006 and will have an impact (see "— Development Service" and "— Facility Management") on the financial statements of the Issuer for the year ended 31 December 2006.

Transfer of assets to be realised during 2007 from LANCASTER a.s. to EPOQUE-LANCASTER a.s. (CITY Epoque Residential SPV's)

The CITY Epoque Residential assets were owned by LANCASTER a.s., while the SPV dedicated to development of this project is EPOQUE-LANCASTER a.s. Accordingly, the relevant assets (lands and related project works) are to be transferred from LANCASTER a.s. to the new SPV. The transfer shall be undertaken in the form of sale of the assets. The assumed price for the assets is to be CZK 152,198,000. The price will be financed partly by equity and by an existing bank loan as EPOQUE-LANCASTER a.s. shall accede to the existing loan agreement.

Potential Sale of CITY Point project

The Issuer would consider selling the CITY Point project if offered an attractive price, due to the diminishing term of a significant lease within the building.

12.16. Development process

The development process of the Issuer has the following stages:

12.16.1 Market Research

The Issuer is of the opinion that successful development is not sustainable without long term, ongoing market research and know-how. For this reason the Issuer's sales department collects data from the leasing market, tenant market, residential sales market and the commercial investment market; the finance department monitors development of interest rates and FX rates; the project management department monitors competition, new real estate development legislation, construction market, political, development and technical standard market trends; and the HR department searches for qualified personnel at all levels to identify any and all opportunities for recruiting people who would help the Issuer to form and execute its strategic goals.

Before investing in new markets the Issuer invests considerable resources in getting to know the market. It hires local personnel or contracts with market insiders to make sure that information that is necessary for informed decision-making is readily available and that the Issuer can quickly react should the market situation change.

12.16.2 Project Research

The Issuer utilises amongst others, the following methods to learn of potential projects:

(a) the Issuer cooperates with individuals and entities who actively search markets for projects that are then offered to the Issuer on a commission basis;

(b) banks that finance the Issuer refer clients that wish to dispose of property;

(c) real estate agencies and consultants offer properties that become available on the market to the Issuer; and

(d) employees of the Issuer actively search properties in new markets by contacting private individuals, companies, and local governments.

Upon the identification of potential projects, the Issuer does its own property, market, project, product and concept design, and location analysis. Only when the results of such analysis are satisfactory will the project have a project manager assigned and proceed to the feasibility study phase.

12.16.3 Feasibility Study

At the Issuer, a project manager is responsible for the preparation and updating of feasibility studies of each individual project. The project manager coordinates with many people inside the Issuer together with third parties to compile the feasibility study for approval.

Feasibility studies contain (as a minimum) the following analysis: financing assumptions; capital structure assumptions; project parameters (areas, functions, etc.); development cost budget; income assumptions; letting/sales plan; schedule; cash flow assumptions; exit assumptions; fair market value calculation; profit calculation; internal rate of return calculation; financing ratios: loan to value; debt service coverage ratio; a ratio calculated by dividing a company's earnings before interest and tax by interest expenses for the same period.

Once approved by the Executive Management Council, feasibility studies become the benchmark of the project.

12.16.4 Project Acquisitions

Each new project is allocated to a person responsible for its acquisition, usually the Vice-President for Business Expansion or a project manager, who is responsible for the acquisition from beginning until the settlement of the transaction. Activities at this stage include, among others: deal structuring; purchase price negotiation and its payment schedule; definition of conditions precedent and subsequent; due diligence; exclusivity negotiation; solving of the non-competition issues; tax structuring; acquisition financing (equity, mezzanine, senior loan, where applicable); transaction schedule; negotiation of representations and warranties; termination reasons and options negotiation; identification of the legal framework; term sheet preparation and approval; contract negotiation and management; closing; project takeover; and acquisition settlement procedure.

Once the project is acquired, the Issuer's project management department becomes responsible for its successful completion, whereas the Business Development department is responsible for supporting the project securing required cooperation of the selling party and the local government.

12.16.5 Permits

If the project is acquired without the applicable statutory permits the project manager is responsible for obtaining such permits. This activity is commonly subcontracted to the engineering division of the project's general contractor, but the involvement of the Business Development department, project manager and a legal representative (specialising in statutory, environmental, and construction law) is usually necessary. This process involves dealing with the general public, governmental and statutory bodies, environmental and civic organisations and engineering network owners/operators.

12.16.6 Senior Loan, Mezzanine Loan and Equity Financing

Secure financing of development and investment projects is the ultimate responsibility of the Issuer's Finance department, which in cooperation with the project manager identify financing needs, timing and structures and prepare project investment memoranda or request for proposals identifying the basic terms of the financing.

This investment memorandum or requests for proposal are then distributed to pre-selected potential financing partners. The Finance department is responsible for identifying the winning bidder and closing the financing transaction including negotiation of the financing documentation, satisfying conditions precedent and subsequent draw downs and ongoing relationship management with the financing partner.

12.16.7 Joint Ventures

In those cases where a joint-venture is formed with a partner to develop specific projects, the establishment, negotiations, documentation, daily operation and performance of the joint-venture becomes the responsibility of a specialised person in the Issuer who is appointed the "JV Manager" on site. Such person reports directly to the Executive Management Council and is the representative of the Issuer in the joint venture. Other activities of the Issuer and the JV Manager are dependent on the form, purpose and goals of such joint venture.

12.16.8 Product Positioning

The Issuer pays special attention to the proper positioning of its products. The Issuer is aware of the fact that product positioning often determines whether a project is successful. The Issuer employs people who have a sense for standards in living, shopping, travelling, business operation and logistics. These senior managers are able to combine their technical, marketing, financial, legal and lifestyle know-how to develop a solid positioning concept of a real estate product. This concept is part of the clients' brief which is submitted to the project architects who are asked to develop the concept design of the project.

12.16.9 Concept Design

The Issuer organises private architectural design competitions for most of the projects it develops. These design competitions serve as a means of selecting the architect that best fulfils the requirements, and also as a means to optimise the price of architectural design work. All architects invited to submit their proposals are required to present a project concept design that is based on detailed specifications and positioning concept. Since selection of the project architect can significantly influence the success of the project, the Issuer's Project Management department and Executive Management Council are invited to critically comment on the design proposals submitted by the competing architects. Usually, independent written expert opinions on proposals submitted by competing architects are sought by the Issuer prior to awarding the design contract.

12.16.10 Value Engineering and Cost Optimisation

The Issuer continually exercises value engineering techniques during the design phase and construction phase. Value engineering processes are managed by the responsible project manager. Usually, sales representatives, product positioning professionals, professional consultants, architects, cost engineers, end users and facility managers participate in the value engineering sessions. The goal of such value engineering processes is to increase efficiency and profitability while maintaining the design, aesthetic, functional, maintenance and cost parameters contained in the feasibility study. There is also a cost optimisation process that takes place during all design and contractual phases.

12.16.11 Scheduling and Control

The project managers assigned by the Issuer to a respective project are ultimately responsible for any project delays and for non-performance of the parties involved in the project. Such project managers are expected to track project progress using scheduling methods and software and expect the same from the general architect (when referring to design activities), the engineering team (when referring to permit-obtaining activities) and the general contractor (when referring to construction). To provide an additional level of control, the Issuer contracts with an external project management company at various phases of the project to manage the design reviews, scheduling, performance control, quality control, cost estimation and site supervision. They report project progress directly to the Issuer's project manager in the form of weekly meetings and monthly written project progress reports.

12.16.12 Design Quality Management

Upon completion of each design phase the Issuer completes internal reviews of the design documentation and frequently asks third party professionals to review the design documents. Such design reviews are intended to check: compliance with the clients' brief; completeness of the documentation as per the contract; for mistakes; for effectiveness of the design solutions; for opportunities to reduce cost by providing alternative solutions; for clarity of documentation to avoid problems in obtaining permits and contracting; of material standards; to avoid problems in budgeting and contracting with the general contractor; for compliance with end-user requirements (if applicable); structural design and investigate alternative solutions; and the design of special trades (Heating, Ventilation and Air Conditioning, electrical, fire safety, etc).

Investment in these design reviews is useful for the avoidance of potential future problems. It is customary that such reviews are done at the Issuer's cost, however if the review reports significant design problems, the one who caused the problem is expected to bear the cost of the expert report commissioned by the Issuer.

12.16.13 Contracting

The Issuer has a database of standard agreements with various third parties. These agreements are designed to provide the Issuer with a significant degree of legal protection and allow the Issuer's managers to effectively control contractors and consultants. The Issuer supports the use of tested contracting structures that provide incentives to contractors if they deliver on time to the quality required, and significant sanctions in case of non-performance. The Issuer does not provide advances for work performed and usually requires that contracting parties provide the Issuer with several performance and quality related security documents and warranties.

12.16.14 Construction Project Management and Quality Control

As already mentioned in "Scheduling and Control" the Issuer uses a professional project management Issuer to manage daily construction project management and quality control, however the Issuer's project manager is responsible for supervising such activity. The Issuer's project manager is also responsible for solving all disputes that may arise between the project management company hired by the Issuer and the contractors of the Issuer. To avoid a split of responsibilities on the side of construction companies, the Issuer usually deals with a general contractor and retains only the right to approve the general contractor's subcontractors.

12.16.15 Product Marketing

The Group has an internal marketing team that markets all the Group's projects in line with the corporate branding manual, project positioning concept and in coordination with other marketing activities of the Group. The Issuer is committed to producing high quality presentation materials to enhance brand awareness of the Issuer and providing clients of the Issuer with accurate, easily comprehensible promotional material and marketing aids.

12.16.16 Leasing/Sale

Since letting and sales risks are one of the characteristic risks of any real estate development and investment company, the decision to maintain a relatively large in-house sales and leasing team which is responsible only for letting and selling of other real estate products. This team, led by senior Issuer managers, cooperates with other real estate agencies, lobby groups and intermediates on various incentive basis. This team is responsible for commercial real estate, long-term leases and residential premises sales.

The Issuer generally leases commercial real estate and sells residential real estate.

Leasing and sales are done on the basis of standardised lease and sale agreements which have proven to be an efficient tool for Issuer personnel in the prompt closing of transactions with the Group's clients.

12.16.17 Completion and Product Delivery

The Issuer project manager is responsible for ensuring completion of the project at the scheduled time. To avoid any handling risk, the Issuer prefers to take over the product from the contractor only at the moment when the end user (tenant, buyer) takes the product over from the Issuer. For that reason, extra co-ordination effort is expected from the Issuer's project manager during project completion and the delivery phase of the project. The Issuer requests the removal of all contractual imperfections as part of the takeover procedure.

The general contractors agreement and the agreements with end users are structured in such a way that sanctions imposed by the Issuer on a general contractor in case of any delivery delay outweigh penalties due by the Issuer to the end users.

12.16.18 Post-Completion Project Evaluation

Upon project completion, the Issuer's project manager is required to close the project books and prepare a detailed project evaluation consisting of: budget review; schedule review; sales/ leasing review; return calculations; and "lessons learned" review including recommendations for the future.

This project review is presented by the project manager to the Executive Management Council for approval.

12.16.19 Facility Management

Facility management services are usually provided from the day of project takeover (or partial takeover) from the general contractor. However, the Issuer's facility management is involved in the project during all phases of the development to ensure that building will be easily and effectively manageable.

The Issuer's facility management also monitors and supervises the design, construction and delivery of all building systems that the facility manager is later expected to maintain.

12.16.20 Exit Strategies

Due to changes in the investment markets, the Issuer adopts case-by-case project exit strategies. These strategies are subordinated to the main objective of the Issuer to maximise the internal rate of return on equity and provide for maximisation of project proceeds. The Issuer structures projects in such a way that any selected exit strategy can be effectively executed without undue structural changes and delays.

The Issuer constantly monitors investment markets and talks to potential buyers to remain informed about investment trends and retain liquidity in the products the Issuer develops.

12.17. Valuation of properties

All real estate projects in the Issuer's portfolio, unless specifically stated otherwise, are valued by a RICS chartered surveyor, in accordance with the RICS Appraisal and Valuation Standards (the so-called Red Book standards). The Issuer through its Valuation Committee typically performs an internal valuation of land or property that it is acquiring, sometimes together with independent valuers (who are RICS chartered surveyors). In connection with the preparation of its annual financial statements, the Issuer is required under IFRS to perform a valuation analysis for each property and the Issuer undertakes a review and analysis process to obtain each property's fair market value. The Issuer also uses third party independent valuers to value its corporate businesses. The property valuations used to prepare the six-month interim financial figures referred to in this Prospectus include a substantial number of property valuations performed by the Issuer's external valuation experts, TACOMA Consulting a.s. and King Sturge, which are supplemental to the management valuation process. When the year-end valuation of its properties is completed, the Issuer will be required to show the fair market value of all of its properties on its balance sheet. These valuations may differ from the valuations that the Issuer has used in compiling its six-month figures. Until a property is sold, its value and the Issuer's profit figures depend on the revaluation of the property.

13. GENERAL INFORMATION ABOUT THE ISSUER

13.1. The Issuer

The Issuer is responsible for the information contained in this Prospectus and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

The Issuer is a public company limited by shares which was incorporated on 1 July 1998 under the Luxembourg Law of 10 August 1915 on commercial companies, as amended and the Luxembourg Law of 31 July 1929 on holding companies (the "1929 Act"). As a holding company subject to the 1929 Act, the Issuer was exempt from all Luxembourg income taxes and subject to a 0.2 per cent. annual subscription tax. The Issuer has ceased to be subject to the 1929 Act following a decision by the Issuer 's shareholder to become a so-called "Soparfi" – Société de Participations Financières. A Soparfi is subject to full taxation and may take advantage of Luxembourg's double tax treaties. If a Soparfi has a shareholding of at least 10 per cent. in a company (or, if less, whose acquisition cost was at least EUR 1.2 million) and its holding period of the shareholding is at least 12 months, dividends from the Issuer received by the Soparfi are excluded from the Soparfi's taxable profit. If a Soparfi has a shareholding of at least 10 per cent. in a company (or, if less, whose acquisition cost was at least EUR 6 million) and its holding period of the shareholding is at least 12 months, capital gains are excluded from the Soparfi's taxable profit. Other income reduced by financing and other costs would be generally subject to taxation at the rate of 29.63 per cent. (in the City of Luxembourg). There is also wealth tax (minimum 0.5 per cent.) charged on the net asset value of a company as at 1 January of each year. The Issuer's place of incorporation and registered office are in Luxembourg.

The registered address of the Issuer is at 5 Boulevard de la Foire, L-1528 Luxembourg, Grand Duchy of Luxembourg. The telephone number of the Issuer is +352 2451 1231 and the fax number is +352 2451 2320. The legal name of the Issuer is "ECM REAL ESTATE INVESTMENTS A.G.". The commercial name frequently used by the Issuer is ECM. The Issuer is registered in the Luxembourg Register of Commerce and Companies, the Grand Duchy of Luxembourg, under Ref. No. B 65 153. The duration of the Issuer is indefinite.

13.1.1 Summary of the Articles of Association of the Issuer

Object of business

The Issuer's corporate object, as stated in article 3 of the Issuer's articles of association, reads as follows:

"The purposes for which the company is formed are all transactions pertaining directly or indirectly to the taking of participating interests in any enterprises in whatever form, as well as the administration, the management, the control and the development of such participating interests.

The company may particularly use funds for the setting-up, the management, the development and the disposal of a portfolio consisting of any securities and patents of whatever origin, participate in the creation, the development and the control of any enterprise, acquire by way of contribution, subscription, underwriting or by option to purchase and any other way whatever, any type of securities and patents, realise them by way of sale, transfer, exchange or otherwise, have developed these securities and patents.

The company may borrow in any form whatever. The company may grant to the companies of the its group or to its shareholders, any support, loans, advances or guarantees, within the limits of the law of 10 August 1915.

The company may take any measure to safeguard its rights and make any transactions whatsoever which are directly or indirectly connected with its purpose and which are liable to promote their development or extension."

Board of Directors

The Company shall be managed by a Board of Directors, composed of not less than three executive members and up to three non-executive members, who need not be shareholders themselves.

The members of the Board of Directors will be elected by the general meeting of shareholders, who will determine their capacity of "executive" or "non-executive" member, their number, for a period not exceeding four years. Half of the members of the Board of Directors will be renewed every two years, of which one at least must be an executive member and one at least must be a non-executive member. The duration of any mandates shall be such to allow for this rotation in the renewal of the directors' positions. The members of the Board of

Directors may be re-elected and they may be removed at any time, with or without cause, by a resolution adopted by the general meeting of shareholders.

Any member of the Board of Directors appointed in replacement of another member of the Board of Directors, whether co-opted or otherwise, shall be elected for a duration equal to the remaining period of the mandate for which the member of the Board of Directors, thus replaced, was initially appointed.

In the event of a vacancy on the Board of Directors, the remaining directors may elect by co- opting a director to fill such vacancy until the next general meeting of shareholders, which shall ratify such co-opting or elect a new member of the Board of Directors instead.

The Board of Directors is vested with the broadest powers to perform all acts necessary or useful for accomplishing the Issuer's object. All powers not expressly reserved by the Articles of Association or by law to the general meeting of shareholders or the statutory auditor(s) are in the competence of the Board of Directors.

The Board of Directors may delegate the daily management of the Company and the representation of the Company within such daily management to one or more persons or committees of its choice. The Board of Directors shall adopt corporate governance rules governing the board of directors, which will define in detail the governance and internal procedure rules of the Board of Directors, and of prospective bodies and committees to be established by it will be bound by these rules as from time to time by the Board of Directors. The Board of Directors as well as any of the bodies and committees established by it will be bound by these rules as from time to time in effect.

The Board of Directors may also delegate other special powers or proxies or entrust determined permanent or temporary functions to persons or committees of its choice.

The Company will be bound towards third parties by the sole signature of the Chairman or by the joint signature of two members of the Board of Directors, of which at least one must be an executive member.

The Company will further be bound towards third parties by the joint signatures or single signature of any persons to whom the daily management of the Company has been delegated, within such daily management, or by the joint signatures or single signature of any persons to whom special signatory power has been delegated by the Board of Directors, within the limits of such special power.

A quorum of the Board of Directors shall be the presence or the representation of a majority of the members of the Board of Directors holding office, those present members of the Board of Directors to number not less than three. Decisions will be taken by a simple majority of the votes of the members of the Board of Directors present or represented at such meeting. In the case of an equality of votes, the Chairman shall have the right to cast the deciding vote (the "Casting Vote"). The Casting Vote shall be personal to the Chairman and will not be transferred to any other director acting as a chairman of a meeting of the Board of Directors in the Chairman's absence including the Vice-Chairman.

Statutory/Independent Auditor

The business of the Issuer and its financial situation, including more in particular its books and accounts, shall be reviewed by one or more statutory and/or, where required pursuant to the laws, independent auditors (réviseurs d'entreprises), who need not be shareholders themselves.

The statutory and/or independent auditor(s) will be elected by the general meeting of shareholders, who will determine their number, for a period not exceeding six years, and they will hold office until their successors are elected. They are re-eligible and, to the extent permissible under applicable laws, they may be removed at any time, with or without cause, by a resolution adopted by the general meeting of shareholders.

Form of Shares – Shareholder Rights

The shares will be in the form of registered shares. The shares are freely transferable. With respect to the registered shares, a shareholders' register which may be examined by any shareholder will be kept at the registered office. The register will contain the precise designation of each shareholder and the indication of the number and class of shares held, the indication of the payments made on the shares as well as the transfers of shares and the dates thereof. Ownership of the registered shares will result from the recordings in the shareholders' register. Certificates reflecting the recordings in the shareholders' register will be delivered to the shareholders. The Issuer may issue multiple registered share certificates.

Any transfer of registered shares will be registered in the shareholders' register by a declaration of transfer entered into the shareholders' register, dated and signed by the transferor and the transferee or by their representative(s) as well as in accordance with the rules on the transfer of claims laid down in article 1690 of the Luxembourg Civil Code. Furthermore, the Issuer may accept and enter into the shareholders' register any transfer referred to in any correspondence or other document recording the consent of the transferor and the transferee.

The rights and obligations attached to the shares shall be identical except to the extent otherwise provided by the Articles of Association or by law.

Unless otherwise provided in the Articles of Association, the issued and/or authorised capital of the Issuer may be increased or reduced once or several times by a resolution of the general meeting of shareholders adopted in compliance with the quorum and majority rules set by these Articles of Association or, as the case may be, by law for any amendment of these Articles of Association.

Any new shares to be subscribed for by contribution in cash will be offered by preference to the existing shareholders in proportion to the part of the capital which those shareholders are holding. The Board of Directors shall determine the period within which the preferred subscription right shall be exercised. This period may not be less than 30 days.

Notwithstanding the above, the general meeting, voting in compliance with the quorum and majority rules set by these Articles of Association or, as the case may be, by law for any amendment of these Articles of Association may limit or withdraw the preferential subscription right or authorise the Board of Directors to do so.

Existing registered shares

Shares may be held directly or with a broker, bank, custodian, dealer or other qualified intermediary, which will hold them through a securities settlement system either directly as a participant of such system or indirectly through such a participant.

Ownership of a share carries implicit acceptance of the Articles of Association and the resolutions adopted by the general meeting of shareholders.

Persons holding their shares through a securities settlement system may attend and vote at a general meeting of shareholders by presenting at the place indicated by the Board of Directors at least five days prior to the date set for the meeting a certificate indicating, inter alia, the number of shares held and delivered by the broker, bank, custodian, dealer or other qualified intermediary, with which the shares are held.

Ownership of a share carries implicit acceptance of the Articles of Association and the resolutions adopted by the general meeting of shareholders.

Shareholders' rights

Voting rights

Each share entitles the owner thereof to the casting of one vote.

Dividend rights

Each year, at least 5 per cent. of any net profit has to be allocated to the legal reserve fund. Such contribution will cease to be compulsory when the reserve fund reaches 10 per cent. of the subscribed capital. The remaining balance of the profit is at the disposal of the general meeting for distribution.

Liquidation proceeds

The Issuer may be dissolved at any time by a resolution of the general meeting of shareholders adopted in compliance with the quorum and majority rules for any amendment of the Articles of Association.

Should the Issuer be dissolved, the liquidation will be carried out by the Board of Directors or such other person (who may be physical persons or legal entities) appointed by a general meeting of shareholders, who will determine their powers and their compensation.

Issuer Capital. Authorised Capital.

The Board of Directors is authorised and empowered within the limits of the authorised capital to (i) realise any increase of the corporate capital in one or several successive tranches, following, as the case may be, the exercise of the subscription and/or conversion rights granted by the Board of Directors within the limits of the authorised capital under the terms and conditions of warrants (which may be separate or attached to shares, bonds, notes or similar instruments), convertible bonds, notes or similar instruments issued from time to time by the Company, by the issuing of new shares, with or without share premium, against payment in cash or in kind, by conversion of claims on the Issuer or in any other manner; (ii) determine the place and date of the issue or the successive issues, the issue price, the terms and conditions of the subscription of and paying up on the new shares; and (iii) remove or limit the preferential subscription right of the then existing shareholders of the Issuer in case of issue under the authorised capital of either (a) any shares to be delivered by the Issuer pursuant to the one million seven hundred twenty eight thousand one hundred and eighty (1,728,180) warrants issued by the Issuer on 31 July 2006 and 10 August 2006; (b) up to one hundred eighteen thousand two hundred and sixty three (118,263) shares to be delivered by the Issuer as a result of the allocation of any options to the management of the Issuer and its Group under any management option programme as from time to time in effect, and (c) any shares against payment in cash provided the newly issued shares will represent at most 5 per cent. of the issued capital at the time of issue in one calendar year and no more than 7.5 per cent. of the issued capital over a period of three consecutive years. This authorisation is valid during a period ending on 9 November 2011 and it may be renewed by a resolution of the general meeting of shareholders adopted in compliance with the quorum and majority rules set by these Articles of Association or, as the case may be, by law for any amendment of these Articles of Association, and (d) subject to their issuance prior to or on 31 January 2007, in relation with the initial public offering of the Issuer's shares and their admission to listing on a regulated stock exchange, up to one million four hundred two thousand five hundred (1,402,500) new shares.

The Board of Directors may delegate to any duly authorised person the duties of accepting subscriptions and receiving payment for shares representing part or all of the issue of new shares under the authorised capital.

Following each increase of the issued capital within the limits of the authorised capital, realised and duly stated in the form provided for by law, the relevant article in the Articles of Association will be modified so as to reflect the actual increase. Such modification will be recorded in authentic form by the Board of Directors or by any person duly authorised and empowered by the Board of Directors for this purpose.

Change of shareholder rights

The conditions for the change of the rights of holders of the shares comply with the requirements of the law. Any amendment to the Articles of Association shall be made by resolutions adopted at a general meeting of shareholders where 50 per cent. of the shares in issue are represented (no quorum applies at a second, reconvened meeting if the quorum has not been reached in the first meeting) and any resolution must be adopted by a majority of two-thirds of the votes cast at the relevant meeting.

Shareholders' meetings

The general meeting of shareholders shall have such powers as are vested with the general meeting of shareholders pursuant to the Articles of Association and law. Any regularly constituted meeting of shareholders of the Issuer represents the entire body of shareholders.

The annual general meeting of shareholders will be held at the registered office of the Issuer or at such other place as may be specified in the notice convening the meeting, on the last Tuesday of April each year at 10.00 a.m. If such day is a public holiday, the meeting will be held on the next following business day.

The Board of Directors or the statutory auditor(s) may convene general meetings of shareholders (in addition to the annual general meeting of shareholders). Such meetings must be convened if shareholders representing at least 5 per cent. of the Issuer's capital so require.

Shareholders' meetings, including the annual general meeting of shareholders, may be held abroad if, in the judgement of the Board of Directors, which is final, circumstances of force majeure so require.

Shareholders will meet upon issuance (including, if appropriate, its publication) of a convening notice in compliance with these Articles of Association or the law. The convening notice sent to the shareholders will specify the time and place of the meeting as well as the agenda and the nature of the business to be transacted at the relevant general meeting of shareholders. The agenda for an extraordinary general meeting shall also, where appropriate, describe any proposed changes to the Articles of Association and, if applicable, set out the text of those changes affecting the object or form of the Company.

If all the shareholders are present or represented at a general meeting of shareholders and if they state that they have been sufficiently informed of the agenda of the meeting, the meeting may be held without prior notice.

All shareholders are entitled to attend and speak at any general meeting of shareholders.

A shareholder may act at any general meeting of shareholders by appointing in writing, to be transmitted by any means of communication allowing for the transmission of a written text, another person who need not be a shareholder himself. The Board of Directors may determine the form of proxy and may request that the proxies be deposited at the place indicated by the Board of Directors at least five days prior to the date set for the meeting. Any legal entity, being a shareholder, may execute a form of proxy under the hand of a duly authorised officer, or may authorise such person as it thinks fit to act as its representative at any general meeting of shareholders, subject to the production of such evidence of authority as the Board of Directors may require. The Board of Directors may determine any other conditions that must be fulfilled in order to take part in a general meeting of shareholders.

Persons holding their shares through a securities settlement system may attend and vote at a general meeting of shareholders by presenting at the place indicated by the Board of Directors at least five days prior to the date set for the meeting a certificate indicating, inter alia, the number of shares held and delivered by the broker, bank, custodian, dealer or other qualified intermediary, with which the shares are held. The shares which are the object of such a certificate, must be blocked until after the holding of the general meeting of shareholders and may be transferred only after the holding of such meeting; such blocking will result from the certificate. Subject to the internal rules of the relevant securities settlement system, shareholders may also give instructions as to how to exercise their vote at the general meeting of shareholders to the broker, bank, custodian, dealer or other qualified intermediary, with which their shares are held. In such case, the shares shall also be blocked until after, and may only be transferred after, the holding of such meeting.

The Board of Directors will adopt any other regulations and procedures concerning the provision of access cards and proxy forms so as to allow shareholders to exercise their voting rights.

Each share is indivisible as far as the Issuer is concerned. Co-owners of shares and the creditors and debtors of pledged shares must appoint one sole person to represent them at any general meeting of shareholders.

Shareholders participating in a shareholders' meeting by video conference or any other telecommunication methods allowing for their identification shall be deemed present for the purpose of quorum and majority computation. Such telecommunication methods shall satisfy all technical requirements to enable the effective participation in the meeting and the deliberations of the meeting shall be retransmitted on a continuous basis.

Any general meeting of shareholders shall be presided over by the chairman or by a person designated by the Board of Directors.

The chairman of the general meeting of shareholders shall appoint a secretary.

The general meeting of shareholders shall elect one scrutineer to be chosen from the shareholders present or represented.

The chairman, the secretary and the scrutineer thus appointed together form the board of the general meeting.

The Board of Directors may forthwith adjourn any general meeting of shareholders by four weeks. The Board of Directors must adjourn it if so required by shareholders representing at least one-fifth of the Issuer's issued capital. Such adjournment automatically cancels any resolution already adopted prior thereto. The adjourned general meeting of shareholders has the same agenda as the first one. Shares and proxies regularly deposited in view of the first meeting remain validly deposited for the second one.

An attendance list indicating the name of the shareholders and the number of shares for which they vote is signed by each one of them or by their proxy prior to the opening of the proceedings of the general meeting of shareholders.

The general meeting of shareholders may deliberate and vote only on the items comprised in the agenda.

Each share entitles its holder to one vote, subject to the limitations imposed by law.

Voting takes place by a show of hands or by a roll call, unless the general meeting of shareholders resolves to adopt another voting procedure.

At any general meeting of shareholders other than an extraordinary general meeting convened for the purpose of amending the Issuer's Articles of Association or voting on resolutions whose adoption is subject to the quorum and majority requirements of an amendment to the Articles of Association, resolutions shall be adopted, irrespective of the number of shares represented, by a simple majority of votes cast.

At any extraordinary general meeting of shareholders, convened in accordance with the Issuer's Articles of Association or law, for the purpose of amending the Issuer's Articles of Association or voting on resolutions whose adoption is subject to the quorum and majority requirements of an amendment to the Articles of

Association, the quorum shall be at least one-half of all the shares issued and outstanding. If the said quorum is not present, a second meeting may be convened at which there shall be no quorum requirement. In order for the proposed resolutions to be adopted, and save as otherwise provided by law, a two-thirds majority of the votes cast by the shareholders present or represented is required at any such general meeting.

The shareholders are authorised to cast their vote by ballot papers (formulaires) expressed in the English language.

Any ballot paper (formulaire) shall be delivered by hand with acknowledgment of receipt, by registered post, by special courier service using an internationally recognised courier company at the registered office of the Issuer or by fax at the fax number of the registered office of the Company.

Any ballot paper (formulaire) which does not bear any of the following mentions or indications is to be considered void and shall be disregarded for quorum purposes:

- name and registered office and/or residence of the relevant shareholder;
- total number of shares held by the relevant shareholder in the share capital of the Issuer and, if applicable, number of shares of each class held by the relevant shareholder in the share capital of the Company;
- agenda of the general meeting;
- indication by the relevant shareholder, with respect to each of the proposed resolutions, of the number of shares for which the relevant shareholder is abstaining, voting in favour of or against such proposed resolution; and
- name, title and signature of the duly authorised representative of the relevant shareholder.

Any ballot paper (formulaire) shall be received by the Issuer no later than 5 p.m., Luxembourg time on the Luxembourg Business Day immediately preceding the day of the general meeting of shareholders. Any ballot paper (formulaire) received by the Issuer after such deadline shall be disregarded for quorum purposes.

For purposes of this article, a "Luxembourg Business Day" shall mean any day on which banks are open for business in Luxembourg.

A ballot paper (formulaire) shall be deemed to have been received:

(a) if delivered by hand with acknowledgement of receipt, by registered post or by special courier service using an internationally recognised courier company, at the time of delivery; or

(b) if delivered by fax, at the time recorded together with the fax number of the receiving fax machine on the transmission receipt.

Persons holding their shares through a securities settlement system may vote by ballot paper (formulaire), subject to the internal rules of the relevant securities settlement system, by giving relevant instructions as to how to exercise their vote to the broker, bank, custodian, dealer or other qualified intermediary, with which their shares are held.

In such case, the shares shall be blocked until after, and may only be transferred after, the holding of such meeting.

Disclosure obligations

The law of 4 December 1992 (as amended), relating to the information to be published when a major holding in a listed company is acquired or disposed of, implements EC Directive 88/627 (OJ 1988 L 348/62). It provides that if a natural person or legal entity acquires or disposes of a holding in a listed company and if, as a consequence of this acquisition or disposal, the percentage of the voting rights held by that person reaches or exceeds 10 per cent., 20 per cent., 33.33 per cent., 50 per cent. or 66.66 per cent. of the total voting rights existing at the time the situation giving rise to the declaration occurs, or falls below the said thresholds, such person must notify the Commission de Surveillance du Secteur Financier ("CSSF") and the company whose shares or securities representing such shares are listed on stock exchanges situated or operating within one or more EU member states, of the proportion of such person's or legal entity's voting rights following that acquisition or disposal.

In Luxembourg, this declaration has to be notified in the French, German or English language to such listed company and to the CSSF within seven calendar days from the date the natural person or legal entity learned or, in view of the circumstances, should have learned of its acquisition or disposal of such a major holding.

The listed company which has received the above declaration must in turn disclose it to the public in each of the member states in which its shares are officially listed on a stock exchange no later than nine calendar days after the receipt of such declaration.

For the purposes of determining whether a natural person or legal entity shall be regarded as holding a certain percentage of voting rights, the voting rights held by third parties which are controlled by that person or entity or with which that person or entity has concluded a written agreement which obliges them to adopt by concerted exercise of the voting rights they hold a lasting common policy towards the management of the listed company are also taken into consideration. In case of a group of undertakings, the required disclosure may under certain circumstances be made by the parent undertaking on behalf of the group member actually acquiring or disposing of the shares.

The disclosure requirements do not apply to the acquisition or disposal of a major holding by a professional dealer in securities insofar as the acquisition or disposal is effected in his capacity as a professional dealer in securities and insofar as the acquisition is not used by the dealer to intervene in the management of the company concerned.

13.2. Board of Directors

The Issuer and the Group are strategically managed by the Board of Directors. The Board of Directors shall meet as often as deemed necessary or appropriate at the request of the Chairman. All directors, and in particular the non-executive directors, shall be guided by the interests of the Issuer and its business, such interests to include but not be limited to the interests of the Issuer’s shareholders and employees.

The members of the Board of Directors will be elected by the general meeting of shareholders, who will determine their capacity as “executive” and “non executive” members and their number, for a period not exceeding four years. Half of the members of the Board of Directors will be renewed every two years, of which at least one must be an executive member and at least one be a non- executive member. This duration of any mandates shall be such to allow for this rotation in the renewal of the directors’ positions. The members of the Board of Directors are re-eligible and they may be removed at any time, with or without cause, by a resolution adopted by the general meeting of shareholders.

The business address of all the members of the Board of Directors is: ECM REAL ESTATE INVESTMENTS A.G., 5 Boulevard de la Foire, L-1528 Luxembourg, Grand Duchy of Luxembourg.

At present, the Board of Directors is formed by Milan Janků, Tomáš Laštovka and Jana Zejdlíková. Milan Janků is the Chairman of the Board of Directors.

Milan Janků (38, Zlín, Czech Republic)

Mr. Janků founded the Group in November 1991. He holds the position of President and Chief Executive Officer, is a member of the Board of Directors and a member of the Executive Management Council. He was previously Country Manager for the Czech and Slovak Republic for Girozentrale der Oesterreichischen Sparkassen AG (today Erste Bank). He is a graduate of the Bundeshandelsakademie in Vienna, Austria (1982-1987, Business Administration) and the Fernuniversitaet in Bochum, Germany (1987-1991, Financial Markets). He speaks Czech, German and English.

Tomáš Laštovka, (34, Prague, Czech Republic)

Mr. Laštovka has been with the Issuer since October 1999. He is the Vice President for Development, a member of the Board of Directors and a member of the Executive Management Council. His previous employment includes Passerinvest Group and BB Centrum a.s. (as Project Manager) and Prague Investment a.s. (as Project Manager). He is a graduate of the Czech Technical University in Prague (1990-1996, Department of Economics and Management of Construction), the Iowa State University of Science and Technology (1992-1993) and the Executive Development Programme, Kellogg School of Management, Northwestern University, Evanston, Illinois, U.S.A. (2006). He speaks Czech and English.

Jana Žejdlíková (36, Benešov, Czech Republic)

Ms. Žejdlíková has been with the Group since February 1992. She is currently the Chief Financial Officer, a member of the Board of Directors and a member of the Executive Management Council. She is a graduate of the University of Economics, Prague, the Czech Republic (1988-1992, Finance). She speaks Czech, Russian and English.

The Issuer also intends to appoint up to three non-executive members to the Board of Directors to assist with the running and development of the Company. The Issuer expects to appoint the first non-executive member of the Board of Directors before the end of the first quarter of 2007 and the remaining two non-executive members on or around the end of the second quarter of 2007.

Executive Management Council

The Issuer intends to institute an Executive Management Council with effect from 1 December 2006. Executive Management Council members will be appointed by the Board of Directors. They will hold office for a maximum period of four years and shall thereafter be eligible for reappointment. The daily business of the Group will be managed by the Executive Management Council. The Executive Management Council will meet approximately monthly by request or upon five days' notice from any of its members as the case may be to:

1. decide on issues related to the daily business of the Issuer which generates or may generate liability of the Group in excess of EUR 500,000 up to EUR 3,000,000, provided such decision was not passed to any employees of the Group on the basis of a Power of Attorney issued by the Issuer or any of its subsidiaries, and approved by the Executive Management Council or the Board of Directors;
2. review Group performance;
3. define the mandate of the executives of the Issuer's subsidiaries;
4. issue specific orders to the executives of the subsidiaries and to employees of the Group;
5. solve potential disputes within the Group; and
6. report in writing to the Board of Directors.

The Executive Management Council may request performance from any employee or third party which owes such performance to any of the subsidiaries. The Executive Management Council makes decisions when at least three of its members is present and the decisions of the Council members present must be passed by a majority of those members present to become binding. Minutes of the Executive Management Council are made at the meeting by one of its members and are signed by all members present. Such minutes are distributed to all members of the Executive Management Council and the Board of Directors.

The Executive Management Council will have six members:

Milan Janků (President and Chief Executive Officer)

As Chief Executive Officer, Milan Janků is responsible for strategy definition and enforcement, group general management, performance measurement and enforcement, control, reporting, internal audit investor relations and government relations.

Jana Žejdlíková (Chief Financial Officer)

As Chief Financial Officer, Jana Žejdlíková is responsible for accounting, finance, capital markets, audit, management accounting and reporting, inventory, insurance and treasury.

Tomáš Laštovka (Vice-President for Development)

As Vice-President for Development, Tomáš Laštovka is responsible for development, consulting and review of all Group projects in all phases of development, project management and project execution. He manages the development of all projects from the acquisition of building permits through to completion, exit strategies of all commercial projects, the permit process for all commercial projects in Prague, property asset management and government relations.

The Executive Management Council will comprise the three above mentioned executive members of the Board of Directors and the following:

Tomáš Vlček (Vice-President for Sales and Marketing)

As Vice-President for Sales and Marketing, Tomáš Vlček is responsible for corporate marketing, project marketing and positioning and sales and marketing consulting. He reviews all Group projects in all phases of development and is responsible for public relations, sales of residential projects and leasing of commercial projects.

Mr. Vlček has been with the Issuer since February 2004. He is currently the Vice President for Sales and Marketing and is a member of the Executive Management Council. He was previously employed with: Gordon

International s.r.o. (Director); Eastwell a.s. (Chairman and Chief Executive Officer); Cardif Pro Vita, an insurance company in the BNP Paribas Group (Deputy Chairman and Commercial Director); and ZB Trade a.s. (Chairman). He is a graduate of the University of Economics, Prague, Czech Republic (1984-1986, Department of Foreign Trade). He speaks Czech, English and Russian.

Patrik Šimek (Vice-President for Business Expansion)

As Vice-President for Business Expansion, Patrik Šimek is responsible for the acquisition of new projects and obtaining of permits up to the building permit stage in all markets except for Russia. He is in charge of expansion strategy, is the Issuer's representative in the Citigroup joint venture and is responsible for government relations.

Mr. Šimek has been with the Issuer since May 1996. He is Vice President for Business Expansion and is a member of the Executive Management Council. He has previously worked as Head of the Legal Department. He graduated from the Charles University, Law School (Master of Law), Prague (1991-1997) and in 2002, after passing the Bar Exam, was listed as a certified lawyer by the Chamber of Lawyers of the Czech Republic. He speaks Czech and English.

Issuer Secretary

The position of Issuer Secretary remains to be filled. Until it is, the position will be fulfilled by a member of the Issuer's legal team under the supervision of the Chairman of the Board of Directors. The Issuer Secretary will be responsible for corporate issues, office management, legal investor relations, corporate administration and custodial services, corporate governance, internal audit and human resources and organisation of general meetings.

Positions outside the Group held by members of the Board of Directors and the Executive Management Council

Name	*Relevant functions outside the Issuer*
Milan Janků.......................	Managing director of ECM Real Estate Development Prague s.r.o. Member of the board of directors of ECM REAL ESTATE INVESTMENTS II A.G. Chairman of the board of directors of LONGIN Business Center, a.s. Managing Director of NONET s.r.o. Chairman of the board of directors of Nová Liboc, a.s. Member of the board of directors of NATIONAL BUSINESS CENTRE Ostrava a.s. Member of the board of directors of ECM CHINA Beijing Sarl Director of ECM Group N.V.
	Functions during the last five years, which no longer apply: Chairman of the board of directors of Triola a.s. (until 18 July 2002) Member of the board of directors of EUROPA CAPITAL MANAGEMENT (until 15 December 2005) Managing Director of ALBOTER s.r.o. (until 1 December 2003) Director of Wincroft Investment Management Ltd (until 30 May 2006) Managing Director of TRADITRADE s.r.o. (until 24 May 2006)
	Relevant functions outside the Issuer
Tomas Laštovka	Member of the board of directors of ECM REAL ESTATE INVESTMENTS II A.G.
	Functions during the last five years, which no longer apply: Chairman of the supervisory board of EUROPA CAPITAL MANAGEMENT (until 15 December 2005) Registered proxy of TRADITRADE s.r.o. (until 19 February 2004)
	Relevant functions outside the Issuer
Jana Žejdlíková	Member of the board of directors of ECM REAL ESTATE INVESTMENTS II A.G. Registered proxy of: LONGIN Business Center, a.s.; ECM Real Estate Investments k.s. and Nova Liboc, a.s.

Managing Director of Vetrisol s.r.o.

Functions during the last five years, which no longer apply:

Member of the board of directors of LONGIN Business Center, a.s. (until 30 November 2001)
Managing Director of ECM Real Estate Development Prague s.r.o. (until 31 December 2002)
Member of the board of directors of Triola a.s. (until 24 January 2003)
Member of the board of directors of Nová Liboc, a.s. (until 30 November 2001)
Managing director of ALBOTER s.r.o. (until 17 January 2005)
Registered proxy of EUROPA CAPITAL MANAGEMENT a.s. (until 19 January 2006)
Registered proxy of TRADITRADE s.r.o. (until 27 April 2006)

Relevant functions outside the Issuer:

Tomáš Vlček .... Managing Director of GORDON International spol. s r.o.

Functions during the last five years, which no longer apply:

Chairman of the board of directors of ZB Trade, a.s. (until 27 August 2003)
Deputy chairman of the board of directors of POJIŠŤOVNA CARDIF PRO VITA, a.s. (until 20 March 2002)

Relevant Functions outside the Issuer:

Patrik Šimek...................... Member of the supervisory board of Triola a.s.
Deputy chairman of the board of directors of SkyNet, a.s.
Member of the supervisory board of PROCESINVEST, a.s.
Chairman of the supervisory board of HMZ, a.s.
Managing director of PROGREDIOR, s.r.o.
Managing director of Enira, s.r.o.
Member of the board of directors of NATIONAL BUSINESS CENTRE Ostrava a.s.
Member of the supervisory board of Candy Plus, a.s.

Functions during the last five years, which no longer apply:

Member of the board of directors of LONGIN Business Center, a.s. (until 25 May 2001)
Member of the supervisory board of Eox, a.s., v likvidaci (until 4 November 2002)
Member of the supervisory board of FinDebt, a.s. (until 14 January 2003)
Member of the board of directors of WOODCOTE CZ, a.s. (until 14 June 2006)
Member of the board of directors of Wolseley Eastern Europe a.s. (until 31 October 2006)

13.3. Audit Committee

The Board of Directors intends to establish an Audit Committee, comprising a minimum of two members of the Board of Directors and one member external to the Group. The main role and responsibilities of the Audit Committee are to set out written terms of reference which include:

- monitoring the integrity of the financial statements of the Issuer and any formal announcements relating to the Issuer's financial performance and reviewing significant financial reporting judgements contained in them;
- previewing the Issuer's internal financial controls and risk management systems;
- monitoring and reviewing the effectiveness of the Issuer's internal audit systems;

- making recommendations to the Board of Directors to be put to the shareholders for their approval in general meeting, the appointment, remuneration and terms of engagement of the external auditor;
- reviewing and monitoring the external auditor's independence and objectivity and the effectiveness for the audit process;
- developing and implementing policies on the engagement of the external auditor to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non- audit services by the external audit firm; and
- reporting to the Board of Directors, identifying any matters in respect of which it considers that action or improvement is needed, and making recommendations as to the steps to be taken.

13.4. Remuneration Committee

The Board of Directors intends to establish a Remuneration Committee comprising two members of the Board of Directors and one independent member of the Remuneration Committee who shall have experience in the field of human resources. The Remuneration Committee has responsibility for setting remuneration for all directors and the chairman, including pension rights and any compensation payments (if any). The Remuneration Committee should also recommend and monitor the level and structure of remuneration for members of the Executive Management Council. The Remuneration Committee's opinion is not binding on the Board of Directors but shall be carefully considered by it. The Board of Directors itself or, if required by the Articles of Association, the shareholders should determine the remuneration of the non-executive directors within the limits set in the Articles of Association. Where permitted by the Articles, the Board of Directors may however delegate this responsibility to a committee, which may include the chief executive. Shareholders should be invited specifically to approve all new long-term incentive schemes and significant changes to existing schemes.

The Board of Directors grants the Remuneration Committee the following rights and obligations:

- to meet at least semi-annually to review remuneration policies of the Issuer and provide its input into the Issuer's interim report and Annual Report;
- to meet to provide opinions on the remuneration of new key personnel of the Company;
- to review the Management Option Scheme of the Issuer on an annual basis;
- to meet at the written request of one of the members sent to the other members one month in advance, or shorter period if all members agree;
- all members have equal voting rights;
- all members are equal (no chairman); and
- one member of the committee shall take minutes of the meeting and distribute them within 14 days of the meeting to the members and the Board of Directors of the Company.

13.5. Valuation Committee

There are three members of the Valuation Committee comprising two members of the Board of Directors and one independent member of the Valuation Committee who shall be a RICS qualified chartered surveyor who is not employed by King Sturge. The Board of Directors appoints a Valuation Committee vested with the following rights and obligations:

- to meet at least twice a year to review valuations for financial reporting purposes (interim and annual financial statements) provided by third parties and provide its opinion on the value of the assets subject to valuation;
- to meet to opine on the value of larger acquisitions and disposals;
- to meet at the written request of one of the members sent to the rest of the members one month in advance, or shorter period if all members agree;
- all members have equal voting rights;
- all members are equal (no chairman);

- one member of the committee shall take minutes of the meeting and distribute them within 14 days of the meeting to the members and to the Board of Directors of the Company; and
- the opinion of the Valuation Committee is not binding on the Board of Directors, but shall be carefully considered by it.

13.6. Conduct

Within the five years prior to the date of this Prospectus, no member of the Board of Directors or Executive Management Council:

- was convicted in relation to fraudulent offences;
- was associated with any bankruptcies, receiverships or liquidations of companies or partnerships of which he acted as a director or senior manager;
- was officially and publicly incriminated and/or sanctioned by statutory or regulatory authorities (including designated professional bodies); or
- has been disqualified by a court from acting as a member of the administrative, executive or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer.

13.7. Conflicts of interest

No member of the Board of Directors or the Executive Management Council holds a position in another company or institution that constitutes a conflict of interest with their position in the Issuer nor have they any interest, conflicting or otherwise, that is material to the Bonds offering.

13.8. Third-party influence on the election of the members of the Board of Directors and the Executive Management Council

No third party has any influence over the election of the members of the Board of Directors or the Executive Management Council.

13.9. Corporate governance

Good corporate governance enables effective management control, safeguards shareholder interests and serves as an important tool to build corporate culture. Therefore, the Board of Directors has taken measures to create an efficient corporate governance system and, in 2006, decided to apply the rules of the United Kingdom Combined Code of Corporate Governance insofar as they apply to the Company.

According to Article 17 of the Law of 9 May 2006 on Market Abuse, persons discharging managerial responsibilities within an issuer having its registered office in Luxembourg or by persons closely associated with them, have to notify to the CSSF and to the issuer all transactions related to shares admitted to trading on a regulated market, or to derivatives or other financial instruments linked to them, conducted on their own account. The disclosure is to be made to the CSSF within five business days following the conclusion of each individual operation. The information must be accessible to the public.

13.10. Shareholding

As at the date of this Prospectus, other than Mr. Milan Janků, who owns 100 per cent. of ECM Group N.V., which owns approximately 52.23 per cent. of the Company, no member of the Board of Directors or Executive Management Council owns any significant number of Shares (no more than 1%).

13.11. Dividend policy

The Issuer has not to date declared or paid any dividend to its shareholders. The Issuer intends to invest any profit into the development of its business and, therefore, does not intend to declare or pay any dividends for the foreseeable future.

13.12. Legal and arbitration proceedings

The Issuer is not involved as a plaintiff or defendant in any legal or arbitration proceedings which could be considered as material individually or in aggregate.

13.13. Environmental issues

Environmental issues which could affect the use of the Issuer's tangible fixed assets include undetected hazardous materials (such as asbestos) or pre-existing pollution and soil contamination on properties owned by the Company. See "Risk Factors — Risks related to the real estate industry — The Issuer is exposed to risks of environmental claims". The Issuer has not been, and, to the best of its knowledge, is not currently nor is likely to be, subject to any environmental fines or other sanctions in relation to any of its projects or developments.

13.14. Significant change in the Issuer's financial or trading position

Save as described in "Business Overview — Recent Developments", there has been no significant change in the Issuer's financial or trading position since 30 September 2006.

13.15. Share capital

13.15.1 General

The Issuer has an authorised capital of EUR 17,000,000 divided into 10,000,000 shares with a par value of one euro and seventy cents (EUR 1.70) each. The Issuer has issued so far 3,862,500 Shares having a nominal value of EUR 1.70 per Share. All Shares are fully paid-up. The Issuer has not issued Shares which do not represent capital. The Issuer does not hold shares in itself. No subsidiary of the Issuer holds shares in the Company.

13.15.2 History of the Issuer's share capital

The Issuer was founded on 1 July 1998 and registered in the Register of Trade and Companies of Luxembourg, the Grand Duchy of Luxembourg, under Ref. No. B 65153, on 14 July 1998.

The following table illustrates a summary of changes made to the share capital of the Issuer as well as in the number of shares into which it is divided:

Date	Type of operation	Share capital interest	Share nominal value	Number of shares issued	Total number of shares	Share capital after operation
1 July 1998	Cash contribution	–	USD 1,000	60	60	USD 60,000
3 February 2003	Conversion of shares with nominal value of USD 1,000 into shares with nominal value of USD 10	–	USD 10	–	6,000	USD 60,000
19 March 2003	Conversion of currency of capital from USD into EUR (1 EUR = USD 1.0778)	–	None	–	6,000	EUR 55,668.96
19 March 2003	Capital increase by incorporating undistributed profits into the corporate capital	EUR 1,444,331.04	EUR 250	–	6,000	EUR 1,500,000
3 June 2005	Capital increase by incorporating undistributed profits into the corporate capital	EUR 3,000,000	EUR 250	12,000	18,000	EUR 4,500,000
25 July 2006	Conversion of shares with nominal value of	–	EUR 1.50	–	3,000,000	EUR 4,500,000

	EUR 250 into share with nominal value of EUR 1.7					
	Capital increase by incorporation of capital reserves into the corporate capital	EUR 600,000	EUR 1.70	–	3,000,000	EUR 5,100,000
28 September 2006	Reduction of subscribed capital. Withdrawal and cancellation of 540,000 redeemed shares	EUR -918,000	EUR 1.70	-540,000	2,460,000	EUR 4,182,000
7 December 2006	Capital increase by the initial public offering	EUR 2,167,500	EUR 1.70	1,275,000	3,735,000	EUR 6,349,500
16 January 2007	Capital increase by the exercise of the over-allotment option	EUR 216,750	EUR 1.70	127,500	3,862,500	EUR 6,566,250

13.15.3 Redemption/conversion of shares

Shares may be acquired by the Issuer following a decision of an extraordinary general meeting of shareholders of the Issuer to reduce the capital. Such a capital decrease requires a shareholders' resolution with a quorum requirement of 50 per cent. at a first meeting (no quorum requirement at a second reconvened meeting) and a majority requirement of at least two-thirds of the votes cast at the relevant shareholders' meeting.

Pursuant to the Luxembourg Company Act, the Issuer may also acquire its own shares in the following limited circumstances:

- upon approval by the shareholders meeting for a period not exceeding 18 months and limited to a total of 10 per cent. of the share capital, the shareholders' resolution must determine a minimum and a maximum consideration;
- to prevent serious and imminent harm to the Company, or if the shares are intended to be offered to employees of the Issuer (but not to employees of affiliated companies); in this case, however, the Issuer may not acquire more than 10 per cent. of its own capital;
- by way of universal transfer of assets;
- acquisition of fully paid-up shares free of charge;
- acquisition of shares by reason of a legal obligation or court order for the protection of minority shareholders;
- acquisition of shares acquired from a shareholder in the event of failure by the latter to pay them up; and
- acquisition of fully paid-up shares pursuant to an allotment by court order for the payment of a debt owed to the Issuer by the owner of the shares.

The shares can be converted into a different class of shares (e.g. non-voting preferred shares) but only with the consent of the respective shareholder and subject to a shareholders' resolution adopted at a quorum requirement of 50 per cent. (no quorum applying at a second reconvened meeting) and a majority requirement of at least two-thirds of the votes cast at the relevant meeting.

Luxembourg law provides for the issue of redeemable shares, which are redeemable subject to the conditions stated in the articles of association of the issuer. The shares of the Issuer are not redeemable shares.

13.15.4 Redemption of own shares:

On 1 August 2006, the Issuer bought from Glandor Foundation 540,000 shares having a nominal value EUR 1.7 each, for the total purchase price of EUR 6,973,506. The intention to buy own shares was approved at the shareholders meeting of the Issuer on 25 July 2006. The total purchase price for the shares is payable in four tranches; so far, part of the purchase price in the amount of EUR 1,162,251 has been paid. The rest of the purchase price amounting to EUR 5,811,255 must be fully paid by 31 December 2008. At the general meeting held on 28 September 2006, it was decided to cancel the 540,000 shares, following which the issued capital of the Issuer decreased by EUR 918,000 as visible above in section History of the Issuer's share capital.

13.16. Initial Public Offering

On 11 December 2006 10,000,000 shares of the Issuer (representing its entire authorised share capital) were listed and admitted to trading on the main market of the Prague Stock Exchange and 1,728,180 warrants of the Issuer were listed and admitted to trading on the official free market of the Prague Stock Exchange.

The Issuer offered 1,275,000 new shares (subject to an over-allotment option to increase such amount by up to 127,500 new shares, which was exercised in full on 4 January´2007 and 315,030 existing shares offered by ECM Group N.V. (together, the ''**Offer Shares**'') in two offerings (the ''**Combined Offerings**'') consisting of (i) a public offering to retail investors in the Czech Republic (the ''**Retail Offering**'') and (ii) a private placement to selected institutional investors (including in the Czech Republic) outside of the United States in compliance with Regulation S of the Securities Act (the ''**Institutional Offering**'').

In connection with the Retail Offering and the application for listing of the shares of up to the authorised capital of the Company on the main market of, and for the listing of 1,728,180 warrants on the official free market of the Prague Stock Exchange, the Company prepared a prospectus dated 29 November 2006 which was approved as a prospectus for the purposes of the Prospectus Directive by the Luxembourg CSSFand provided by the CSSF to the CNB, in accordance with the European passport mechanism set out in the Prospectus Directive.

1,590,030 shares were offered under the Combined Offerings comprising 159,003 shares offered in the Retail Offering and 1,431,027 shares offered in the Institutional Offering. After the Combined Offerings, in aggregate, 3,735,000 shares were in issue, listed and admitted to trading and after the exercise in full of the over-allotment option referred to above, 3,862,500 shares were in issue, listed and admitted to trading.

13.17. Material contracts

The following is a description of selected material contracts which have been entered into by the Company, as at the date of this Prospectus, as part of the major projects that the Issuer is currently involved in:

13.17.1 Europort

The Issuer is party to the following material contracts related to the EUROPORT project:

- a share purchase agreement between the Issuer, the Group and CA Immobilien Anlagen AG, dated 18 May 2005, under which a two stage sale takes place from the Issuer to CA Immobilien Anlagen AG of 100 per cent. of the shares in ECM Airport Center a.s. for a total sum, calculated in accordance with a formula contained in the agreement of EUR 8.9 million. 50 per cent. of the shares in ECM Airport Center a.s. were transferred to CA Immobilien Anlagen AG in September 2005. The second tranche of the shares shall be transferred following fulfilment of certain conditions precedent;
- a facility agreement between WestLB AG and ECM Airport Center a.s., dated 25 July 2005, providing a project financing facility of up to EUR 25,000,000 (the "Airport Facility Agreement") to ECM Airport Center a.s. for the purpose of financing the development of the EUROPORT project with an interest rate of EURIBOR plus 1.4 per cent. – 1.8 per cent. per annum. The loan under the Airport Facility Agreement is secured by market standard security documentation, including but not limited to the mortgage over the real estate owned by the debtor, a pledge over the debtor's shares, and other security documentation; and
- contract for work between ECM Airport Center a.s. and Metrostav a.s. dated 14 October 2005 for the construction of the fully operational EUROPORT building for the sum of CZK 664,718,224 to be completed by Metrostav a.s. by 15 November 2006 (the "Airport Contract"); as of the date of this Prospectus, this building work had not been completed. The Airport Contract has a warranty period of five years for general construction works and 10 years for the framing, roof and external cladding.

13.17.2 NBC Ostrava

A share purchase agreement entered into between the Issuer and Raystorm Investments Limited dated 26 May 2005 ("Ostrava SPA") whereby 100 per cent. of the shares in NATIONAL BUSINESS CENTER Ostrava a.s. shall be, following fulfilment of certain conditions precedent, sold by Raystorm Investments Limited to the Issuer for a total price of approximately EUR 7,000,000. Various related custody, escrow and other documentation was entered into in relation to the Ostrava SPA.

13.17.3 Corinthia Parking

A framework agreement entered into between TABULA MAIOR a.s., TABULA MINOR a.s., ADARKON a.s., LANCASTER a.s., the Issuer and Top.Spirit a.s., Corinthia Palace Hotel Issuer Ltd., dated 21 March 2006, concerning transaction steps required in connection with certain property to be developed and used for parking spaces (the "Corinthia Agreement"). These steps include settlement of a dispute between Motokov, a.s. and RLRE Lambda Properties and the execution of various related future documents, including land purchase agreements. A custody agreement was entered into in relation to the Corinthia Agreement.

13.17.4 Joint venture with Citigroup

A joint venture agreement was entered into between the Issuer and Citigroup Property Investors (in particular between the Issuer, Fennec Fox S.a.r.l. ("Fennec") – (which company was later renamed Czech Real Estate Regions S.a.r.l.), Opal Corporation S.a.r.l. ("CPI Luxco") and Aquamarine S.a.r.l. ("ECM Luxco") – (which company was later renamed ECM Regions S.a.r.l.) on 21 January 2006 (the "Citigroup JV"), regulating the responsibilities of the parties and intended for the purpose of joint acquisitions and disposals of certain real estate investments in regional cities of the Czech Republic.

The Citigroup JV requires the Group to give CPI Luxco a right of first refusal in respect of any real estate investment in the Czech Republic (outside of Prague) contemplated within three years of the date of the Citigroup JV. This gives CPI Luxco a right to elect that Fennec or any of its subsidiaries may also pursue such real estate investment. The Citigroup JV also contains a change of control provision whereby the prior consent of CPI Luxco is required for any change of control of ECM Luxco, the Issuer or ECM Real Estates Investments k.s. ("Change of Control Companies"), such consent not to be unreasonably withheld or delayed. However, the Citigroup JV expressly states that if a change in the shareholding of one of the Change of Control Companies occurs because of a sale of shares to an institutional investor or by way of public offering, such as an IPO, withholding consent would be deemed unreasonable.

13.17.5 CITY Tower, CITY Empiria, CITY Point and CITY Element

As part of the CITY Tower, CITY Empiria, CITY Point and CITY Element projects, the Issuer is party to the following material contracts:

- the forward purchase arrangements on two development projects included in the ownership interest transfer agreement between ECM Finance, a.s. and ECE European City Estates AG dated 29 August 2005 regarding the sale of the 100 per cent. shareholding in CITY TOWER s.r.o. from ECM Finance, a.s. to ECE European City Estates AG and future share purchase agreement between the Issuer and ECE European City Estates AG dated 15 December 2003 regarding the sale of a 95 per cent. shareholding in TABULA MAIOR a.s. (these agreements jointly, the "Tower and Maior Sale"). The Tower and Maior Sale will be cancelled by the implementation of the related Reversal Transaction, described below. Further contractual documentation related to the Tower and Maior Sale was also entered into;
- various documents regarding (i) the resale of 100 per cent. of the shares in MV CENTRUM a.s., (ii) the resale of 95 per cent. of the shares in SPV POINT a.s., (iii) the resale of 100 per cent. of the ownership interest in ECE City Empiria s.r.o. to affiliated companies of the Issuer, and (iv) the cancellation of the forward purchase of CITY TOWER s.r.o. and TABULA MAIOR a.s. and other related agreements (the "Reversal Transaction"), all between various group companies of the Issuer and ECE European City Estates AG and dated 27 July 2006. After several amendments concluded to the above mentioned agreements, the final instalments of the purchase prices for the resale of shares in MV CENTRUM a.s. and SPV Point a.s., amounting in total to approximately EUR 4,500,000 shall be paid to ECE European City Estates A.G. at the latest by 31 December 2007. Despite the fact that the purchase prices for the shares in MV CENTRUM a.s. and SPV Point a.s. have not been paid in full so far, the group companies of the Issuer became owners of the mentioned shares by payment of the first instalment of the purchase price on 27 September 2006. The cancellation of the forward purchase of CITY TOWER s.r.o. and TABULA MAIOR a.s. is conditional to the payment of the final instalments of the purchase prices; and
- financing documentation dated 18 September 2006 and resulting in the conclusion of four loans from Aareal Bank AG, totalling EUR 82,000,000, being:
  - "MV Centrum Loan" – a senior loan whereby MV CENTRUM a.s. may borrow up to EUR 47,098,375 for refinancing existing loans from Bank Austria Creditanstalt AG, with interest regularly determined by the bank;

- "Dormida Loan" – a junior loan whereby DORMIDA, a.s., as the buyer may borrow up to EUR 15,001,625, divided into a senior tranche of EUR 1,001,625 and a junior tranche of EUR 14,000,000, for the purpose of partially financing the purchase price of the shares in MV CENTRUM a.s., with interest regularly determined by the bank;
- "SPV Point Loan" – a senior loan whereby SPV POINT, a.s. may borrow up to EUR 15,663,468 for the refinancing of existing loans from Erste Bank der oesterreichischen Sparkassen AG, with interest regularly determined by the bank); and
- "ECM CITY Point" – a junior loan whereby ECM CITY POINT a.s., as the buyer, borrows up to EUR 4,236,532, divided in a senior tranche of EUR 2,236,532 and a junior tranche of EUR 2,000,000, for the purpose of partially financing the purchase price of the shares in SPV POINT a.s., with interest regularly determined by the bank.

All loans granted by Aareal Bank AG are secured by market standard security documentation, including but not limited to a mortgage over real estate owned by MV CENTRUM a.s. and SPV POINT a.s., a pledge over the debtor's shares, and other security documentation.

As part of the CITY Tower project, the Issuer also has entered into the following material contracts:

- a syndicated long-term loan facility agreement and related documentation between Raiffeisenbank a.s. (acting as arranger, agent and security agent) and CITY TOWER, s.r.o. dated 16 December 2004, with EUROHYPO AG and Raiffeisen Zentralbank AG as syndicated member, whereby CITY TOWER, s.r.o. borrows EUR 71,500,000 (the "Tower Loan"), until 30 November 2023. The whole loan is divided into (i) a senior loan up to the amount of EUR 64,500,000 containing tranche A (EUR 3,500,000), tranche B (EUR 29,500,000) and tranche C (EUR 31,500,000), and (ii) a junior loan up to the amount of EUR 7,000,000. The interest rate is determined as the sum of the margin and EURIBOR for the relevant interest period. The Tower Loan is secured by market standard security documentation, including but not limited to a mortgage over the real estate owned by CITY TOWER, s.r.o., a pledge over debtor's shares, and other security documentation; and
- contract for work between CITY TOWER, s.r.o. and Metrostav a.s., PSJ Holding, a.s. for the reconstruction and finalisation of the CITY TOWER building for the sum of CZK 1,275,928,500 and EUR 9,172,414, to be carried out by Metrostav a.s. and completed within 450 days from the commencement of the construction works (the "Tower Contract"). This contract for work contains a warranty period of 60 months for the construction works, not less than 24 months for technologies, and 10 years for the roof and roof deck.

13.17.6 CITY Deco, CITY Element and CITY Forum

A Loan Agreement entered into between BAWAG Bank CZ a.s. and TABULA MAIOR, a.s. dated 1 July 2005 whereby BAWAG Bank CZ a.s. lends EUR 42,000,000 to TABULA MAIOR, a.s. (the "Tabula Loan"). The loan can be used for the partial financing of the project costs and for the long-term financing of the project after its completion. The loan contains a construction tranche up to the amount of EUR 32,700,000 which is divided into tranches A, B, C and D. The construction tranche will be following the fulfilment of various conditions converted into an investment tranche (divided into tranches E and F). The interest rate varies depending on the tranche used. The Tabula Loan must be repaid by 30 June 2023. The Tabula Loan is secured by market standard security documentation, including but not limited to a mortgage over the real estate owned by the debtor, a pledge over the debtor's shares and subordination and other security documentation.

13.17.7 Diplomat Center Plzeň

A syndicated long-term loan facility agreement entered into between Raiffeisenbank a.s. (acting as arranger, agent and security agent) and 2P, s.r.o., dated 28 June 2005, with Živnostenská banka, a.s. as syndicate member (the "2P Loan"), whereby 2P, s.r.o., borrows EUR13,500,000 to help finance various construction in Plzeň. The 2P Loan is divided into tranches; tranche A relates to financing construction costs (up to the amount of EUR 12,950,000) and tranche B relates to financing the fit out (up to the amount of EUR 550,000). The final repayment date is 30 September 2019. The interest rate is determined as the sum of the margin and EURIBOR for the relevant interest period. The 2P Loan is secured by market standard security documentation, including but not limited to a mortgage over the real estate owned by the debtor, a pledge over the debtor's shares and other security documentation.

13.17.8 Ryazan

As part of the Ryazan project, the Issuer has the following material contracts:

- a share purchase agreement entered into between Ryazan Investors Company Limited, currently wholly-owned by the Issuer, and Dartmouth Invest Limited dated 11 August 2006 (the "Ryazan SPA"), whereby Dartmouth Invest Limited transfers its shareholding in Ryazan Hold Company to Ryazan Investors Company Limited in four phases, for a total sum of EUR 4,467,000, eventually transferring the entire shareholding. The share purchase price is determined at the outset and is not dependent on the profitability of the project. Various related documentation was entered into in relation to the Ryazan SPA; and
- a land purchase agreement entered into between Ryazan Shopping Mall Limited and OOO Avangard by which Ryazan Shopping Mall Limited shall acquire the land required for the development of the Ryazan project.

13.17.9 Project Březnická (Zlín)

As part of the Březnická project in Zlín, the Issuer has the following material contracts: future purchase agreement, future contract allowing temporary use of land without payment, both entered into between Statutární město Zlín ("the City of Zlín") and GRASLON a.s., and a further future agreement entered into between Statutární město Zlín and ECM Facility a.s., all three agreements (the "Zlín Agreements") dated 9 October 2006 (GRASLON a.s. and ECM Facility a.s., which are ECM affiliates, together "ECM" for the purposes of this paragraph). The Zlín Agreements provide for the sale of certain plots of land from the City of Zlín to ECM, on which ECM plans to develop a shopping centre. The purchase price for the land amounts to CZK 98,000,000 in total. The City of Zlín agreed to the sale on the basis that ECM undertakes to operate a cultural centre in a building on an adjacent plot of land, to be built by the City of Zlín.

The SPV dedicated to this project (GRASLON a.s.) was acquired by the Group for EUR 595,260 from Telor by way of a share purchase agreement.

13.17.10 Stromovka Retail Center and Project Březnická (Zlín)

The SPV dedicated to this project (SAZERAC a.s.) was acquired by the Group for EUR 396,840 from Telor by way of a share purchase agreement. In the share purchase agreement, a call option ("Option 1") relating to the participation in this project was granted in favour of Telor. Option 1 entitles Telor to buy back under certain conditions up to 25 per cent. participation on the registered capital of SAZERAC a.s. for EUR 250,000. Option 1 may be exercised at any time within the period starting from the execution date of the share purchase agreement and ending 30 days after the effective building permit necessary for the project Stromovka Retail Center becomes effective. Should Telor exercise Option 1 and the Stromovka Retail Center requires the investment of any shareholders equity, Telor is only obliged to invest such equity in circumstances where its equity investment duty exceeds EUR 1,869,159 and only then in the amount by which this limit is exceeded. The share purchase agreement also contains a call option ("Option 2") granted in favour of Telor. Option 2 entitles Telor to purchase up to a 25 per cent. participation on the registered capital of GRASLON a.s. (a subsidiary of the Issuer) for EUR 285,000. Option 2 may be exercised at any time from the day of execution of share purchase agreement and ends the 30th day after the effective building permit necessary for the Březnická Retail Center becomes effective. Should Telor exercise its option and purchase the ownership participation in GRASLON a.s. and the Březnická Retail Center requires any shareholder's equity to be invested, Telor is obliged to invest such equity only in the case its equity investment duty exceeds EUR 2,130,841 and only in the amount by which this stipulated limit amount will be exceeded.

The contractual arrangements and legal agreements in relation to Option 1 and Option 2 were entered into as part of the negotiations with Telor in relation to the BOHL transaction (see "— BOHL transaction").

13.17.11 BOHL transaction

Group subsidiaries have in the past used BOHL MEZZANINE INVESTMENT S.A. ("BOHL") as a source for mezzanine financing. The main advantage of this has been the relatively low security required by BOHL. Some Group companies had loans payable to BOHL as at 31 December 2005. These were long-dated subordinated loans in which interest accrued but for which payment dates start in 2016 and end (full payment) in 2025. The Issuer took the decision to change its financing strategy to make the financing system more transparent to shareholders and lenders. To implement this change, the Issuer opened negotiations with BOHL with the aim of purchasing all receivables of BOHL towards the Group companies. BOHL agreed to sell these receivables on the condition that the assignment was implemented through Telor International Limited ("Telor"), which is a related party of BOHL. Based on this agreement EUR 28.06 million of BOHL's receivables from the Group companies were sold to Telor for their nominal value.

Based on the agreement between Telor and the Issuer dated 30 June 2006, Telor's receivables from the Group companies of EUR 28.06 million were sold to the Issuer. The receivables were sold for EUR 13.77 million (being the net present value of the loan receivables as part of the Issuer's reorganisation of its debt funding). As of 27 October 2006, EUR 6,447,648.21 has been paid.

As a result of this transaction, the Group realised a profit before tax of EUR 14.30 million in the six months ended 30 June 2006. This profit was presented in the Interim Consolidated Financial Statements under "Net financing income".

This section should be read in conjunction with the preceding section "Stromovka Retail Center and Project Březnická (Zlín)".

13.17.12 ECM Offices LIBEŇ

The SPV dedicated to this project (ECM OFFICES LIBEŇ s.r.o.) has executed a purchase contract to buy the ECM Offices Libeň building from CCS Česká společnost pro platební karty a.s. on 9 November 2006. As of 23 November 2006, SPV became the owner of the property for consideration of EUR 9,183,000 not including VAT.

The development land is located to the west of the building and extends to 2,011 m^2. The property was on the date of its acquisition leased to the company CCS Česká společnost pro platební karty a.s. The lease is for a definite term of seven years without any tenant break option. The rent for the property is EUR 660,000 per year plus VAT, payable in twelve equal monthly instalments.

13.17.13 Conditional transfer of ECM OFFICES LIBEŇ s.r.o. to ECM HOLDINGS LIMITED

The Issuer as the sole owner of the SPV ECM OFFICES LIBEŇ s.r.o. executed on 6 November 2006 a future ownership interest agreement with ECM HOLDINGS Limited ("the Holdings") to transfer 95 per cent. of its ownership interest in the ECM OFFICES LIBEŇ s.r.o.

ECM Holdings Limited is not a related party of the Company, but intends to cooperate with it on the ECM OFFICES LIBEŇ project as co-investor.

The agreement was executed on the following conditions:

- ECM HOLDINGS Limited is obliged to pay an advance in an amount of EUR 1,900,000 to ECM OFFICES LIBEŇ s.r.o. three days following the execution of the agreement.
- The transfer is conditional on the approval of the bank financing the ECM OFFICES LIBEŇ project. If such approval is not by granted before 28 February 2007 the advance payment will be treated as a loan which will become due on 31 December 2013. Interest from the loan will amount to 11.5 per cent. per annum.

If there is a transfer of the ECM OFFICES LIBEŇ building or if there is a transfer of the ownership interest in ECM OFFICES LIBEŇ s.r.o. to the third party until the repayment of the loan, then ECM HOLDINGS Limited shall receive an award in the amount of 95 per cent. of the difference between the selling price and the sum consisting of: a) the total net indebtedness of ECM OFFICES LIBEŇ s.r.o. and; b) the taxes due from ECM OFFICES LIBEŇ s.r.o. or the Issuer in connection with the the selling price. In this case, the repayment of the loan within the accrued interest will be included in the award.

13.17.14 Sale of 2P, s.r.o.

On 8 November 2006, a purchase agreement for the sale of a 100 per cent. interest in the company 2P was signed between Czech Real Estate Regions S.a.r.l. (the owner and a Group SPV) and CA Immo International A.G. (the purchaser). The sale will become effective upon closing on fulfilment of certain conditions relating to the completion of the DIPLOMAT CENTER, expected to take place in the second quarter of 2007. The purchase price will be determined by the effectiveness of the sale. The Group SPV responsible for the management and operation of the hotel that is part of the HOTEL DIPLOMAT project (ECM Hotel Operations Plzen s.r.o.) remains part of the Group.

13.17.15 CITY Element

On 21 December 2006, a Master Agreement was concluded between the Issuer and Generali Pojišťovna a.s. Under the Master Agreement and subject to fulfilment of certain conditions precedent, the parties undertook to conclude a purchase agreement for the sale and purchase of a 100 per cent. interest in the company CITY

Element s.r.o. which shall develop an Class A office building to become a headquarter of General Pojišťovna a.s. The purchase price will be determined by a reputable audit firm. The effectiveness of the sale is expected to take place in 2009.

13.17.16 CITY Deco

On 29 November 2006, a term sheet was concluded between the Issuer and Generali Pojišťovna a.s. on the contemplated sale of the CITY Deco project company.

13.17.17 Other

In general, the loan documentation entered into by the Group in relation to the financing of its developments and investments is standard for the Czech market, although such standard is less borrower-friendly (for example in terms of materiality and other thresholds in events of default) that are generally seen in international standard documentation.

13.18. The Controlling Agreements within the Group

The Issuer intends to enter into controlling agreements between it and most of its subsidiaries. Generally, the executive bodies (i.e. board of directors of a Czech joint stock company or the executive directors of a Czech limited liability company) are solely responsible for the day-to-day management of the company in which they hold their positions and may not accept instructions interfering with this duty from any other person, including the general meeting of its shareholders. Czech law permits one exception to this general rule, when a controlling agreement is concluded between a company and its subsidiary.

Under the controlling agreement, the controlling entity is legally entitled to give instructions to the executive body of the controlled entity. The executive body of the controlled entity is generally obliged to follow these instructions, even in the situation where such instructions are disadvantageous to the controlled entity. The aim of entering into controlling agreements is to allow the management of a group of companies to be concentrated in the holding (controlling) entity.

Therefore, in order to permit managing the operations of its subsidiaries, the Issuer intends to enter into controlling agreements with most of its subsidiaries. The existence of controlling agreements may, however, trigger an obligation of the controlling entity to indemnify the controlled entity and potentially its creditors for any and all losses, regardless of the reasons of such loss incurred by the controlled entity. At the date of this Prospectus subsidiaries are managed by statutory bodies consisting of three members of which at least two are representing the interest of the Issuer. This system as part of current corporate governance rules of the Issuer and its Group efficiently helps to monitor the activities of the subsidiaries for the time being even without the controlling agreements being concluded.

13.19. Intellectual Property Rights

The Group owns several registered trademarks and is in the process of applying for trademark protection for various other logos.

There are two ways to protect Czech trademarks abroad:

1) The most common way is to register the trademark with Czech National Intellectual Property Organisation and then apply through it to the World International Property Organisation (the "WIPO") in Geneva, Switzerland. Registration takes place at the WIPO in accordance with the Madrid Agreement Concerning the International Registration of Marks and the Madrid Protocol. The registration has effect in some or all of the other countries of the Madrid Union (Countries which signed the Madrid Agreement and/or the Madrid Protocol). At present, more than 60 countries are party to one or both of the agreements.

2) In the alternative it is possible to register the trademark directly with the Organisation for Harmonisation in the Internal Market ("OHIM") in Alicante, Spain. This registration is valid only in EU member states.

The Issuer logo design was filed for registration in the Czech Republic on 24 July 2006. Registration is valid for ten years with the possibility of extending protection for a further ten years upon written request. An older version of this design was registered on 28 February 2000. International registration with OHIM is in progress.

The ECM Russia logo was registered in the Czech Republic on 24 July 2006. Registration of this trademark in Russia was applied for on 16 February 2006 through the WIPO. The process of international registration may take up to 25 months.

On 16 June 2006 the Issuer applied for registration in the Czech Republic of the trademarks for Varenská Office Center, CITY Tower, Palace Center, Diplomat Center, Europort. Such registration is expected to take between three and six months.

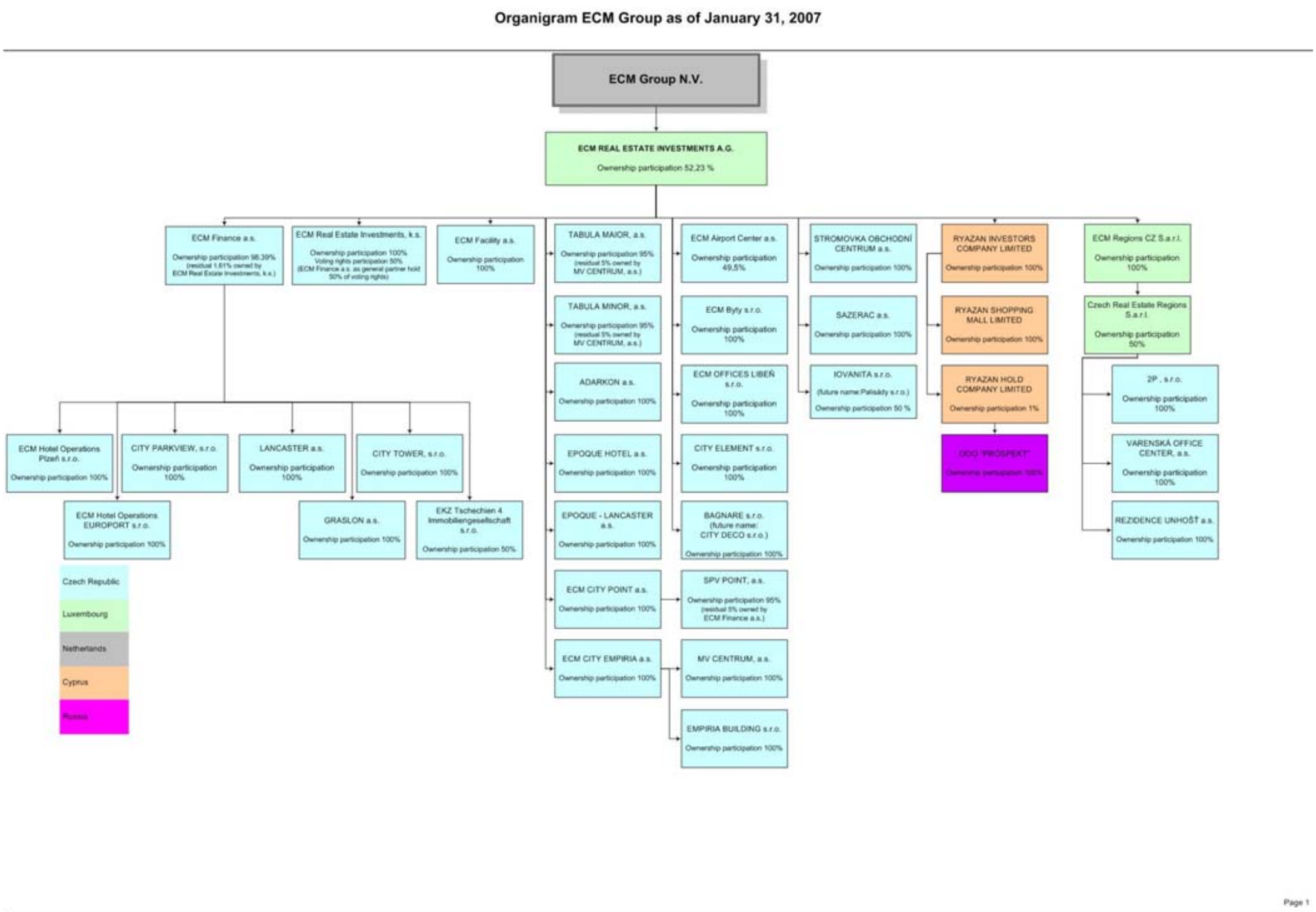
The CITY logo was registered by ECM Finance a.s. in the Czech Republic on 22 October 2001 and it was registered in Austria, Germany, Poland and Slovakia through the WIPO on 31 January 2002.

13.20. Documents on display

Copies of the following documents may be inspected at the registered office of the Issuer and are available on the Issuer's website www.ecm.cz:

- Articles of Association of the Issuer;
- the Issuer's Audited Consolidated Financial Statements for the years ended 31 December 2005 and 31 December 2004 (which include the corresponding figures for the year ended 31 December 2003); and
- Independent auditors review report for period ended 30 September 2006.

13.21. Organigram ECM Group as of 31 January 2007



14. TAXATION AND FOREIGN EXCHANGE REGULATION IN THE CZECH REPUBLIC AND LUXEMBOURG

This chapter merely summarizes certain tax aspects of Czech and Luxembourg laws regarding the acquisition, ownership and handling of Bonds and does not purport to be a comprehensive description of all tax-relevant aspects that may be of importance when deciding on investing in the Bonds. This summary does not describe any tax aspects resulting from the laws of any state other than the Czech Republic and Luxembourg. It is recommended that parties interested in acquiring the Bonds consult with their legal and tax advisors with regard to the tax, foreign currency and legal consequences of purchasing, selling or holding the Bonds and receiving interest payments under the tax and foreign currency legislation in effect in the Czech Republic, Luxembourg, and the countries where such parties reside, as well as countries in which proceeds from holding or selling the Bonds could be taxed.

14.1. EU Taxation

Under Directive 2003/48/EC (the “Savings Directive”), Member States are required to provide to the tax authorities of another Member State details of payments of interest (as defined in the EU Savings Directive) made by a paying agent (as defined in the Savings Directive) within its jurisdiction to an individual resident in that other Member State. During a transitional period, Austria, Belgium and Luxembourg are allowed to apply a withholding tax on interest payments instead of providing details of payments of interest to the tax authorities of other Member States. The rate of withholding tax is 15% during the first three years of the transitional period, 20% during the subsequent three years, and 35% until the end of the transitional period.

A number of third countries and dependent or associated territories (including Switzerland, The Netherlands Antilles, Aruba, Jersey, Guernsey, the Isle of Man, Montserrat and the British Virgin Islands) have adopted similar measures with effect from 1 July 2005.

14.2. Taxation and Foreign Exchange Regulation in the Czech Republic

The taxation of revenues from holding or selling Bonds in the Czech Republic described below is based on the assumptionthat the Issuer does not have a permanent establishment in the Czech Republic to which the Bonds, or as the case may be the relevant interest costs, would be connected .

(a) Interest income

Interest income from the Bonds received by an individual who is a Czech tax resident (or by a Czech permanent establishment of an individual who is not a Czech tax resident) is either part of the person’s tax base subject to the relevant progressive tax rate of up to 12%-32% or of the person’s separate tax base subject to a reduced tax rate of 15%, depending on the taxpayer’s choice. If the interest is accruing to a legal entity that is a Czech tax resident (or a Czech permanent establishment of a legal entity that is not a Czech tax resident), provided that the legal entity concerned is not an investment fund, a mutual fund or a pension fund, such interest income is part of the entity’s general tax base subject to the standard corporate income tax rate (24% in 2007). For an investment fund or a mutual fund, the interest revenue is subject to a decreased tax rate (5% in 2007). For a pension fund, the interest revenue is generally exempt from Czech tax.

A paying agent of the interest income located in the Czech Republic is obliged to file a report to the relevant tax authority on the income of interest nature for every individual with its residence in the territory of another member state of the European Union. For the purposes of that report, the payer shall require the recipient to produce his or her passport or another identity card, or as the case may be other documents, to ascertain and review the recipient’s name, surname, address and tax identification number, and where applicable the date and place of birth, if tax identification number has not been assigned to the recipient. See further details under EU Taxation above.

(b) Income from sale

Profits from the sale of Bonds generated by an individual that is a Czech tax resident or by a permanent establishment of a Czech tax non-resident are generally included in the person’s common income tax base subject a progressive tax rate of up to 32%. Losses on sale of Bonds are tax deductible only under certain circumstances. If the Bonds were not included in the person’s business property and if the time period between the acquisition and the sale of the Bonds has exceeded six months, the income on the sale of the Bonds would be exempted from taxation.

Profits from the sale of Bonds realised by a legal entity that is a Czech tax resident or by a permanent establishment of a Czech tax non-resident are included in the general tax base subject to taxation by the standard corporate income tax rate (24% in 2007). For an investment fund, mutual fund or pension fund, the profit from is subject to a decreased tax rate (5% in 2007). Losses on sale of Bonds are generally tax deductible.

Income from the sale of Bonds by a Czech tax non-resident from a Czech tax resident or a Czech permanent establishment of a Czech tax non-resident is in principle subject to Czech taxation at the standard income tax rate (24% in 2006 for legal entities, 5% for an investment funds, mutual funds or pension funds, and by the progressive tax rate of up to 32% for individuals), unless the relevant double taxation treaty entered into by the Czech Republic stipulates otherwise. Further, unless the relevant double taxation treaty stipulates otherwise or the seller is a tax resident of a member state of the European Union or the European Economic Area, the Czech purchaser of the Bonds is generally obliged to withhold "security advance" of 1% from the purchase price. The seller can credit the security advance withheld by the purchaser against his final Czech tax liability.

(c) Foreign Exchange Regulation in the Czech Republic

The Bonds are deemed to be foreign securities within the meaning of Czech Act. No. 219/1995 Coll., the Foreign Exchange Act, as amended (the "**Czech Foreign Exchange Act**"). Their issuance and acquisition are subject to foreign exchange regulations in the Czech Republic. Under the Czech Foreign Exchange Act, with the exception stated below, no foreign exchange license/permit is required for individual purchases or sales of foreign securities by exchange nationals or exchange foreigners nor for foreign securities trading as a business activity. However, transactions with foreign securities can be subject to a reporting obligation.

At a time of emergency in the foreign exchange economy, when the ability to make payments to foreign countries is immediately and seriously jeopardized, it is forbidden, unless a foreign exchange authority has granted a special permit, (a) to acquire foreign exchange values (including foreign securities) for Czech currency, (b) to make any payments and transfers from the Czech Republic to other countries (including transfers of money between banks and their branch offices), or (c) to deposit funds in accounts abroad. At a time of emergency in the foreign exchange economy, when the ability to make payments to foreign countries is immediately and seriously jeopardized, it is further (among other things) forbidden to transfer money to the Czech Republic from another country between banks and their branch offices, unless a foreign exchange authority has granted a special permit. The Czech government may declare a state of emergency in the foreign exchange economy when the balance of payments develops unfavorably and directly and seriously jeopardizes the ability to make payments to other countries or the internal monetary balance of the Czech Republic. The state of emergency in the foreign exchange economy shall terminate no later than three months from the date of its announcement in the media.

14.3. Taxation and Foreign Exchange Regulation in Luxembourg

(a) Luxembourg tax position of the Bondholders

A Bondholder will not become resident, or be deemed to be resident, in Luxembourg by reason only of the holding of the Bonds, or the execution, performance, delivery and/or enforcement of the Bonds.

(b) Withholding tax on interest

Under Luxembourg tax law currently in effect and with the possible exception of interest paid to individual Bondholders, there is no Luxembourg withholding tax on payments of interest (including accrued but unpaid interest). There is also no Luxembourg withholding tax, with the possible exception of payments made to individual Bondholders, upon repayment of principal in case of reimbursement, redemption, repurchase or exchange of the Bonds.

(c) Luxembourg non-resident individuals

Under the Luxembourg laws dated 21 June 2005 implementing the European Council Directive 2003/ 48/EC on the taxation of savings income (the "Savings Directive") and several agreements concluded between Luxembourg and certain dependent or associated territories of the European Union, a Luxembourg based paying agent (within the meaning of the Savings Directive) is required from 1 July 2005 to withhold tax on interest and other similar income paid by it to (or under certain circumstances, to the benefit of) an individual resident in another Member State or in certain EU dependent or associated territories, unless the beneficiary of the interest payments elects for the exchange of information or the tax certificate. The same treatment will apply to payments of interest and other similar income to certain so called "residual entities" established in a Member State or in certain EU dependent or associated territories.

The withholding tax rate is initially 15 per cent., increasing to 20 per cent. as from 1 July 2008 and to 35 per cent. as from 1 July 2011. The withholding tax system will only apply during a transitional period, the ending of which depends on the conclusion of certain agreements relating to information exchange with certain third countries.

(d) Luxembourg resident individuals

Interest payments made by Luxembourg paying agents (defined in the same way as in the Savings Directive) to Luxembourg individual residents are subject to a 10% withholding tax. This withholding tax represents the final tax liability for the Luxembourg individual resident taxpayers, receiving the payment in the course of their private wealth.

(e) Taxation of Luxembourg non-residents

Bondholders who are non-residents of Luxembourg and who have neither a permanent establishment nor a fixed base of business in Luxembourg with which the holding of the Bonds is connected are not liable to any Luxembourg income tax, whether they receive payments of principal, payments of interest (including accrued but unpaid interest), payments received upon the redemption of the Bonds, or realise capital gains on the sale or the exchange of any Bonds.

(f) Taxation of Luxembourg residents

Bondholders who are residents of Luxembourg, or non-resident Bondholders who have a permanent establishment or a fixed base of business in Luxembourg with which the holding of the Bonds is connected will not be liable to any Luxembourg income tax on repayment of principal.

(g) Luxembourg resident individuals

The 10 per cent. Luxembourg withholding tax (see the above section "Withholding tax on interest – Luxembourg resident individuals") represents the final tax liability for the Luxembourg individual resident taxpayers, receiving the payment in the course of their private wealth. Individual Luxembourg resident Bondholders receiving the interest as business income must include interest income in their taxable basis. The 10 per cent. Luxembourg withholding tax levied will then be credited against their final income tax liability.

Luxembourg resident individual Bondholders are not subject to taxation on capital gains upon the disposal of the Bonds, unless the disposal of the Bonds precedes the acquisition of the Bonds or the Bonds are disposed of within six months of the date of acquisition of these Bonds. Upon redemption or exchange of the Bonds, accrued but unpaid interest will be subject to the 10 per cent. withholding tax. Individual Luxembourg resident Bondholders receiving the interest as business income must also include the portion of the redemption price corresponding to this interest in their taxable income.

(h) Luxembourg resident companies

Luxembourg resident companies ("société de capitaux") Bondholders or foreign entities of the same type which have a permanent establishment in Luxembourg with which the holding of the Bonds is connected, must include in their taxable income any interest received or accrued as well as the difference between the sale or redemption price (including accrued but unpaid interest) and the lower of the costs or book value of the Bonds sold or redeemed.

(i) Luxembourg resident companies benefiting from a special tax regime

Bondholders who are holding companies subject to the law of 31 July 1929 and incorporated before 21 July 2006 or undertakings for collective investment subject to the law of 30 March 1988 or the law of 20 December 2002 are tax exempt entities in Luxembourg, and are thus not subject to any Luxembourg tax (i.e., corporate income tax, municipal business tax and net wealth tax) other than the subscription tax calculated on their share capital or net asset value.

(j) Net Wealth Tax

Luxembourg net wealth tax will not be levied on a Bondholder, unless (i) such Bondholder is a Luxembourg fully taxable resident company or (ii) the Bonds are attributable to an enterprise or part thereof which is carried on by a non-resident company in Luxembourg through a permanent establishment.

(k) Other Taxes

There is no Luxembourg registration tax, stamp duty or any other similar tax or duty payable in Luxembourg by Bondholders as a consequence of the issue of the Bonds, nor will any of these taxes be payable as a consequence of a subsequent transfer, redemption or exchange of the Bonds.

There is no Luxembourg value added tax payable in respect of payments in consideration for the issue of the Bonds or in respect of the payment of interest or principal under the Bonds or the transfer of the Bonds.

No Luxembourg estate or inheritance taxes are levied on the transfer of the Bonds upon death of a Bondholder in cases where the deceased was not a resident of Luxembourg for inheritance tax purposes. No Luxembourg gift tax is levied on the transfer of the Bonds by gift, unless the gift is registered in Luxembourg.

15. ENFORCEMENT OF PRIVATE LAW OBLIGATIONS AGAINST THE ISSUER

The information set forth in this section is presented solely as general information characterizing the legal situation and was obtained from public documents. Neither the Issuer nor its advisers are making any representation with regard to the accuracy or completeness of the information set forth herein. Potential purchasers of the Bonds should not rely on the information presented herein and are advised to consult with their legal advisors any issues relating to the enforcement of private law obligations against the Issuer in each applicable country.

15.1. Czech Republic

The Issuer granted consent to the jurisdiction of the Municipal Court in Prague in connection with any court action initiated on the basis of a purchase or holding of the Bonds. As a result, an acquirer of the Bonds could find it impossible to file a motion abroad or initiate any proceedings against the Issuer or request from foreign courts a ruling against the Issuer or achieve compliance with rulings issued by such courts based on the provisions of foreign laws.

In cases where the Czech Republic concluded with a specific state an international treaty on the recognition and enforcement of court rulings, the enforcement of court rulings issued in such state is ensured in accordance with the provisions of the applicable international treaty. If no such treaty exists, then the rulings of foreign courts may be recognized and enforced in the Czech Republic under the conditions stipulated in Czech Act No. 97/1963 Coll. on International Private and Procedural Law, as amended. Under this Act, the rulings issued by foreign judiciary bodies in the matters described in Section 1 of the foregoing Act on International Private and Procedural Law and in foreign conciliations or notarial deeds (collectively "Foreign Rulings") cannot be recognized or enforced if (i) the decided matter falls exclusively within the powers of Czech authorities or if the proceedings could not have been conducted at any authority of a foreign state if the provisions on the jurisdiction of Czech courts had been used for evaluating the jurisdiction of the foreign authority; or if (ii) a final and enforceable ruling was issued on the same legal relationship by a Czech authority or if a final and enforceable ruling of a third country was recognized in the Czech Republic; or if (iii) the procedure followed by the foreign authority deprived the party to the proceedings against whom the decision is to be recognized of an opportunity to properly participate in the proceedings, particularly if such party had not been duly subpoenaed for the purposes of the initiation of the proceedings; or if (iv) recognition of the Foreign Ruling would contravene public order in the Czech Republic; or if (v) mutuality with regard to recognition and enforcement of rulings has not been guaranteed (such mutuality is not required if the Foreign Ruling is not directed against a Czech citizen or a legal entity having its seat in the Czech Republic). The Czech Ministry of Justice may, upon agreement with the Czech Ministry of Foreign Affairs and other applicable ministries, issue a declaration of mutuality with regard to the applicable foreign state. Such declaration is binding on Czech courts and other state authorities. If such declaration of mutuality has not been issued with regard to a certain country, it does not automatically mean, however, that mutuality does not exist. In such cases, a recognition of mutuality would depend on the actual situation in the given country with regard to the recognition of rulings of Czech authorities.

In connection with the Czech Republic's entry into the European Union, EC Regulation No. 44/2001 of December 22, 2000 on jurisdiction, recognition and enforcement of court judgments in civil and commercial matters ("EC Regulation No. 44/2001") has become directly applicable in the Czech Republic. Based on this regulation, court rulings issued by court authorities in the EU member countries, including Luxembourg, with regard to civil and commercial matters are now enforceable in the Czech Republic and, *vice versa*, court rulings issued by court authorities in the Czech Republic with regard to civil and commercial matters are now enforceable in EU member countries, including Luxembourg.

The Czech Republic's entry into the European Union also meant the adoption of an amendment to the foregoing Act on International Private and Procedural Law. Under such amendment, if a party requests pursuant to a legal regulation of the European Community or pursuant to an international treaty in respect of the ratification of which the Parliament of the Czech Republic has issued consent and which is binding on the Czech Republic (an "International Treaty") that the recognition of the Foreign Ruling other public document or court conciliation (a "Ruling") be decided on in special proceedings, the court shall decide on the recognition by means of a verdict. It is possible to submit together with the proposal for the declaration of enforceability a proposal ordering the enforcement of the Ruling or for ordering execution pursuant to a special law (the Civil Judicial Procedure Rules or the Execution Rules). The Ruling cannot enter into legal force and effect in the verdict ordering the enforcement of the Ruling or execution before it enters into force and effect in the verdict by which the Ruling is declared enforceable.

However, Czech courts would not address a motion filed in the Czech Republic on the basis of a breach by the Issuer of the public laws of a country other than the Czech Republic, especially any motion relating to a breach of any foreign law on securities.

15.2. Luxembourg

The Issuer is organized under the laws of the Grand-Duchy of Luxembourg ("Luxembourg") and is registered with the Register of Commerce and Companies in Luxembourg ("Registre de Commerce et des Sociétés de Luxembourg") under the registration number B65.153.

The Issuer has granted consent to the judicial jurisdiction of the Municipal Court in Prague (Czech Republic) in connection with any court action initiated on the basis of a purchase or holding of the Bonds. As a result, an acquirer of the Bonds could find it impossible to file a motion in Luxembourg or to initiate any proceedings against the Issuer or request from a Luxembourg courts a ruling against the Issuer.

EC Regulation No. 44/2001 is directly applicable also in Luxembourg, as an EU member state. As a result, judgment obtained from the competent judicial court in the Czech Republic or of any other Member State of the European Union with regard to a civil or commercial matter in relation to the Bonds would be enforced by the courts of Luxembourg without re-examination of the merits of the case, subject to the provisions and requirements set out in the EC Regulation No. 44/2001.

16. GENERAL INFORMATION

1. The Issuer, ECM REAL ESTATE INVESTMENTS A.G., with its seat at 5 Boulevard de la Foire, L-1528 Luxembourg, Luxembourg, a Luxembourg public company limited by shares registered with the Register of Commerce and Companies in Luxembourg under Reg. No. B65.153.

2. The issuance of the Bonds was approved by a resolution of the Issuer's Board of Directors on 7 March 2007.

3. The issuance of the Bonds is governed by the applicable legal regulations, particularly by Czech Act No. 190/2004 Coll., on Bonds, Czech Act No. 591/1992 Coll., on Securities, as amended, Czech Act No. 256/2004 Coll., on Conducting Business on the Capital Market, as amended, Commission Regulation (EC) No. 809/2004, implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements, and the regulations applicable to the individual regulated markets for securities on which the applicable Issue of the bonds is to be listed.

4. The Terms and Conditions of the Bonds contained herein, and this Prospectus itself, have been approved by the Decision Ref. No. Sp/544/78/2007 2007/4290/540 of the Czech National Bank dated 12 March 2007, which became legally effective on 12 March 2007.

5. The Issuer assumes that the Listing Committee of the PSE will approve a conditional admission of the Bonds for trading on the secondary market of the PSE subject to fulfillment of the specific conditions including the delivery of the Czech National Bank decision and publication of the Prospectus in accordance with binding legal regulations at the latest on 30 March 2007.

6. The auditing firm Deloitte Audit s.r.o., with its registered office at Karolinská 654/2 186 00, Prague 8 – Karlín, Czech Republic,has granted and has not revoked its written consent to the inclusion herein of references to its reports.

7. During the period from 30 September 2006 to the date of the Prospectus, no adverse change has occurred in the Issuer's financial position that would be material in connection with the issuance of the Bonds.

8. As of the date of the Prospectus and during the preceding 12 months, the Issuer was not a party to any litigation or arbitration that had or might have a significant effect on the financial condition or profitability of the Issuer.

   As of the date of this Prospectus, there is no pending commercial dispute that could compromise or adversely affect the result of the Issuer's operations. The Issuer is not aware of any such outstanding dispute.

9. This Prospectus was prepared as of 9 March 2007.

10. Facts which are important for exercising the rights of the Bondholders shall be publicized in the manner stipulated in the Terms and Conditions of the Bonds.

11. To the Issuer's knowledge, no individual or legal person involved in the Issue or the offering of the Bonds has any substantial interest in the Issue or such offering.

12. Proceeds to be used for the completion of existing projects including projects Březnická (Zlín, Czech Republic), Palace Center (Ostrava, Czech Republic), Ryazan Shopping Center (Ryazan, Russia) and for expansion in the Czech, Russian and other new markets.

13. Information regarding markets, market size, market share, market position, growth rates and other industry data pertaining to the Issuer's business contained in this Prospectus consists of estimates based on data reports compiled by professional organisations and analysts, on data from other external sources, and on the Issuer's knowledge of sales and markets. In certain cases, there is no readily available external information (whether from trade associations, government bodies or other organisations) to validate market-related analyses and estimates, requiring the Issuer to rely on internally developed estimates.

As used in this Prospectus, "leasable space" or "lettable space" is the portion of the total space of a property which can be let to tenants according to applicable statutory provisions or contractual arrangement; lettable space of a property typically does not equal the total space of property.

While the Issuer has compiled, extracted and reproduced market or other industry data from external sources, including third parties or industry or general publications, none of the Issuer or the Lead Manager have independently verified that data. Information in this Prospectus which is based on third-party sources has been accurately reproduced and, as far as the Issuer is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. Subject to the foregoing, none of the Issuer or the Lead Manager can assure investors of the accuracy and completeness of, and take no responsibility for, such data. The source of such third-party information is cited whenever such information is used in this Prospectus.

Further, while the Issuer believes its internal estimates to be reasonable, such estimates have not been verified by any independent sources and none of the Issuer or the Lead Managers can assure potential investors as to their accuracy and that a third party using different methods to assemble, analyse or compute market data would obtain the same result. The Issuer does not intend, and does not assume, any obligations to update industry or market data set forth in this Prospectus. Finally, behaviour, preferences and trends in the marketplace tend to change. As a result, investors should be aware that data in this Prospectus and estimates based on that data may not be reliable indicators of future results.

17. LIST OF DEFINITIONS, TERMS AND ABBREVIATIONS USED

17.1. Definitions

"**Bonds Act**" means Czech Act No. 190/2004 Coll., on Bonds, as amended;

"**Capital Markets Act**" means Czech Act No. 256/2004 Coll., on Doing Business on Capital Markets, as amended;

"**Commercial Code**" means Czech Act No. 513/1991 Coll., Commercial Code, as amended;

"**CNB**" or "**Czech National Bank**" means a legal entity established by Act No. 6/1993 Coll. on Czech National Bank, or as the case may be, any legal successor thereof in accordance with the laws of the Czech Republic;

"**CZK**" means Czech crowns, the lawful currency of the Czech Republic;

"**Foreign Exchange Act**" means Czech Act No. 219/1995 Coll., the Foreign Exchange Act, as amended;

"**Group**" means the Issuer and any of its subsidiaries which is controlled by the Issuer according to Section 66a of the Commercial Code;

"**Issuer**", or as the case may be, "**issuer**" (where it follows from the context of using this term in this document) or "**ECM**" means ECM REAL ESTATE INVESTMENTS A.G., with its seat at 5 Boulevard de la Foire, L-1528, Luxembourg, Luxembourg, a Luxembourg public company limited by shares registered with the Register of Commerce and Companies in Luxembourg under Reg. No. B65.153;

"**Lead Manager**" means Česká spořitelna, a.s., with its registered seat at Olbrachtova 1929/62, Prague 4, ZIP Code 140 00, Czech Republic, Identification Number 45244782, registered in the Commercial Register maintained by the Municipal Court in Prague, Section B, File No. 1171;

"**Prague Stock Exchange**" or "**PSE**" means Burza cenných papírů Praha, a.s., with its registered seat at Rybná 14/682, Prague 1, Zip Code 110 00, Czech Republic, Identification No. 47115629, registered in the Commercial Register maintained by the Municipal Court in Prague, Section B, File No. 1773;

"**Regulation**" means Commission Regulation (EC) No. 809/2004, implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements;

"**Securities Act**" means Czech Act No. 591/1992 Coll. on Securities, as amended; and

"**Univyc**" means UNIVYC, a.s., with its registered office at Rybná 14, Prague 1, Zip Code 110 05, Czech Republic, Identification No. 25081489, registered in the Commercial Register maintained by the Municipal Court in Prague, Section B, File No. 4308.

17.2. Real Estate Terminology

In this Prospectus, terminology common in the real estate industry is used and an explanation of certain of such terminology is set out below:

Class A and Class B	Class A Office Space describes the highest quality office space locally available, and usually requires a construction technique using steel framing. Office buildings are classified according to a combination of location and physical characteristics. Class B buildings are always defined by reference to the qualities of Class A buildings. There is no precise formula to classify buildings; judgement is always involved. Class A buildings typically have prime locations, access and tenants and are managed professionally. Building materials are of high quality and rents are competitive with other new buildings. Class B buildings are typically well-located with good management and tenants and reasonable standards of construction and maintenance. Tenants filter from Class B to Class A. In a normal market, Class A rents are higher than Class B.

Fair Market Value	RICS defines Fair Market Value as "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".
Internal Rate of Return	The internal rate of return ("IRR") is a capital budgeting method used by firms to decide whether they should make long-term investments. The IRR is defined as any discount rate that results in a net present value of zero, and is usually interpreted as the expected return generated by the investment. In general, if the IRR is greater than a project's cost of capital or hurdle rate, the project will add value for the company.
Lettable Space or Leasable Space	The portion of the total space of a property which can be let to tenants according to applicable statutory provisions or contractual arrangement. Lettable space does not typically equal the total space of a property.
Net Asset Value	The Fair Market Value of the assets of the Group less the Group's indebtedness.
Net Initial Yield	The net rent passing as a proportion of gross market value.
Open Market Value	As Fair Market Value.
Reversionary Yield	The anticipated yield, which the initial yield will rise to once the rent reaches the estimated rental value.
RICS	Royal Institute of Chartered Surveyors
Yield	The yield of a financial instrument or other investment is the rate of return the holder earns on that instrument.

18. FINANCIAL STATEMENTS

Unaudited Consolidated Financial Statements prepared in accordance with IAS 34 for the nine months ended 30 September 2006

Condensed consolidated interim income statement

For the 9 months ended 30 September 2006
In thousands of euro

	30.9.2006 9 months
Gross rental income	1 823
Service income	1 820
Service charge income	41
Service charge expenses	-55
Property operating expenses	-1 132
Net rental and related income	**2 497**
Proceeds from sale of investment property	15 300
Carrying value of investment property sold	-15 719
Loss on disposal of investment property	**-421**
Valuation gains on investment property	10 992
Valuation losses on investment property	
Net valuation gains on investment property	**10 992**
Proceeds from sale of trading properties	2 415
Carrying value of trading properties sold	-2 155
Profit on disposal of trading properties	**260**
Administrative expenses	-5 302
Other income	4 008
Other expenses	-860
Net other income	**3 148**
Net operating profit before net financing costs	**11 174**
Financial income	15 182
Financial expenses	-2 310
Net financing result	**12 872**
Share of the profit of associates and joint venture	-46
Profit before tax	**24 000**
Income tax expense - current	-24
Income tax expense - deferred	-6 238
Total income tax expense	*-6 262*
Profit for the period	**17 738**
Attributable to:	
Equity holders of the parent	17 738

Minority interest	0
Profit for the period	**17 738**

Condensed consolidated interim balance sheet

As at 30 September 2006
In thousands of euro

ASSETS	**30.9.2006**
Investment property	183 206
Property plant and equipment	17 979
Intangible fixed assets	947
Pre-paid operating lease payments	
Finance lease receivables	
Investments in associates and joint venture	2 480
Advance payments for shares	333
Provided loans	1 085
Assets held for sale	
Long term receivables	2
Deferred tax assets	4 580
Total non-current assets	**210 612**
Trading properties	37 539
Investments	
Income tax receivable	61
Trade and other receivables	13 409
Cash and cash equivalents	2 949
Total current assets	**53 958**
TOTAL ASSETS	***264 570***
EQUITY	
Issued capital	4 182
Share premium	
Reserves	160
Equity instrument	1 656
Retained earnings	48 642
Translation reserve	4 088
Total equity attributable to equity holders of the parent	**58 728**
Minority interest	
Total equity	**58 728**
LIABILITIES	
Interest-bearing loans and borrowings	91 203
Convertible bonds	23 173
Financial leases	12 196
Provisions	
Deferred tax liabilities	24 551
Total non-current liabilities	**151 123**

Bank overdraft	11
Interest-bearing loans and borrowings	23 808
Trade and other payables	29 809
Overdraft	
Provisions	1 091
Total current liabilities	**54 719**
Total liabilities	**205 842**
TOTAL EQUITY AND LIABILITIES	***264 570***

The above figures were preliminary agreed by the auditor as part of the interim audit procedures.

Condensed consolidated interim income statement

	For the six months ended 30 June		
	Note	**2006**	**2005**
		(In EUR thousand)	
Gross rental income		1,178	1,084
Service income		273	—
Service charge income		30	8
Service charge expenses		(27)	(34)
Property operating expenses		(582)	(549)
Net rental and related income		872	509
Valuation gains on investment property	4.2.1	10,596	17,865
Valuation losses on investment property	4.2.2	—	(462)
Net valuation gains on investment property		10,596	17,403
Proceeds from the sale of investment property	4.3	15,298	—
Carrying value of investment property sold	4.3	(15,718)	—
Loss on the disposal of investment property	4.3	(420)	—
Proceeds from the sale of trading property - inventory		2,411	—
Carrying value of trading property – inventory		(2,151)	—
Profit on the disposal of trading property	4.4	260	—
Administrative expenses		(2,827)	(792)
Other income	4.6	1,134	3
Other expenses		(250)	(70)
Net other income		884	(67)
Net operating profit before net financing costs		9,365	17,053
Financial income	4.7	14,646	46
Financial expenses		(1,589)	(1,307)
Net financing income/costs		13,057	(1,261)
Share of the profit of associates and joint venture		94	—
Profit before tax		22,516	15,792

	For the six months ended 30 June		
	Note	2006	2005
		(In EUR thousand)	
Current tax expense		(4)	—
Deferred tax expense		(5,852)	(4,104)
Income tax expense		(5,856)	(4,104)
Profit for the period		16,660	11,688
Attributable to:			
Equity holders of the parent		16,860	11,875
Minority interest		(200)	(187)
Profit for the period		16,660	11,688

Condensed consolidated interim balance sheet

	Note	As at 30 June 2006	As at 31 December 2005
		(In EUR thousand)	
Investment property	4.8	75,801	65,000
Property, plant and equipment	4.9	15,775	14,411
Intangible fixed assets	4.10	586	542
Investments in associates and joint venture	4.11	2,620	2,299
Advance payments for shares		333	333
Provided loans		587	562
Available-for-sale financial assets		51	50
Long term receivables		2	—
Deferred tax assets		4,551	4,529
Total non-current assets		100,306	87,726
Trading property - inventory	4.12	35,393	33,056
Income tax receivable		46	18
Trade and other receivables		11,811	8,729
Cash and cash equivalents		2,769	2,927
Total current assets		50,019	44,730
TOTAL ASSETS		150,325	132,456
EQUITY:			
Issued capital		4,500	4,500
Reserves		140	21
Retained earnings		54,248	38,585
Translation reserve		3,634	3,042
Total equity attributable to equity holders of the parent		62,522	46,148
Minority interest		499	1,275
Total equity		63,021	47,423
LIABILITIES:			
Interest-bearing loans and borrowings	4.14	26,142	53,167
Finance lease liabilities		11,997	12,024
Deferred tax liabilities		13,661	8,732
Total non-current liabilities		51,800	73,923
Trade and other payables		27,839	10,899

		As at	
	Note	30 June 2006	31 December 2005
		(In EUR thousand)	
Provisions		253	211
Interest-bearing loans and borrowings	4.14	7,124	—
Overdrafts		288	—
Total current liabilities		35,504	11,110
Total liabilities		87,304	85,033
TOTAL EQUITY AND LIABILITIES		150,325	132,456

Condensed consolidated interim statement of changes in equity

	For the six months ended 30 June 2006						
	Share capital	Translation reserve	Legal reserve fund	Retained earnings	Total attributable to equity holders of the parent	Minority interest	Total equity
	(In EUR thousand)						
Balance at 1 January 2005	**1,500**	**1,089**	**6**	**19,925**	**22,520**	**1,589**	**24,109**
Total recognised income and expense	—	1,953	—	20,598	22,551	112	22,663
Increased share capital	3,000	—	—	(3,000)	—	—	—
Addition to legal reserve fund	—	—	15	(15)	—	—	—
Newly acquired companies	—	—	—	(10)	(10)	—	(10)
Disposed companies	—	—	—	141	141	(49)	92
Other changes in equity	—	—	—	946	946	(377)	569
Balance at 31 December 2005	**4,500**	**3,042**	**21**	**38,585**	**46,148**	**1,275**	**47,423**
Balance at 1 January 2006	4,500	3,042	21	38,585	46,148	1,275	47,423
Total recognised income and expense	—	592	—	15,782	16,374	(200)	16,174
Addition to legal reserve fund	—	—	119	(119)	—	—	—
Newly acquired companies	—	—	—	—	—	(583)	(583)
Disposed companies	—	—	—	—	—	7	7
Balance at 30 June 2006	**4,500**	**3,634**	**140**	**54,248**	**62,522**	**499**	**63,021**

Consolidated statement of changes in equity for the six-month period ended 30 June 2005 is shown in the separate table below:

	For the six months ended 30 June 2005						
	Share capital	Translation reserve	Legal reserve fund	Retained earnings	Total attributable to equity holders of the parent	Minority interest	Total equity
	(In EUR thousand)						
Balance at 1 January 2005	**1,500**	**1,089**	**6**	**19,925**	**22,520**	**1,589**	**24,109**
Total recognised income and expense	—	587	—	11,875	12,462	(187)	12,275
Increased share capital	3,000	—	—	(3,000)	—	—	—

	For the six months ended 30 June 2005						
	Share capital	Translation reserve	Legal reserve fund	Retained earnings	Total attributable to equity holders of the parent	Minority interest	Total equity
	(In EUR thousand)						
Balance at 30 June 2005................	**4,500**	**1,676**	**6**	**28,800**	**34,982**	**1,402**	**36,384**

Condensed consolidated interim statement of cash flows

	For the six months ended 30 June	
	2006	**2005**
	(In EUR thousand)	
Cash flows from operating activities:		
Profit for the period before tax	22,516	15,792
Adjustments for:		
Depreciation	297	298
Amortisation	19	2
(Reversal) of impairment losses	—	—
Foreign exchange losses	(206)	(261)
Change in value of investment property	(10,596)	(17,403)
Investment income	—	—
Interest expense	1,355	1,084
Other financial income	(14,295)	—
Share of profit of associates	(94)	—
Gain on the sale of trading property - inventory	(260)	—
Loss on the sale of property, plant and equipment	420	—
Gain on sale of subsidiaries	(1,024)	—
Operating profit before changes in working capital and provisions	**(1,868)**	**(488)**
Increase/decrease in trade and other receivables	(1,459)	1,551
Increase/decrease in trading property - inventory	(3,856)	—
Increase/decrease in trade and other payables	2,109	(2,238)
Increase/decrease in provisions and employee benefits	42	39
Cash generated from the operations	**(5,032)**	**(1,136)**
Interest paid	(1,455)	(1,129)
Interest received	100	45
Income taxes paid	(29)	(6)
Gain on sale of discontinued operations, net of tax	—	—
Net cash from operating activities	**(6,416)**	**(2,226)**
Cash flows from investing activities:		
Proceeds from sale of plant and equipment	—	—
Proceeds from sale of investments/ trading property - inventory	—	—
Provided loans	(911)	(98)
Interest received	—	—

	For the six months ended 30 June	
	2006	**2005**
	(In EUR thousand)	
Dividends received	—	—
Disposal of subsidiary, net of cash disposed of	8,179	—
Acquisition of subsidiary, net of cash acquired	(1,943)	—
Acquisition of joint ventures, net of cash acquired	(271)	—
Acquisition of property, plant and equipment	(2,205)	(447)
Acquisition of intangible fixed assets	(37)	(473)
Acquisition of investment property	(6,022)	(2,894)
Development expenditure	—	—
Net cash from investing activities	**(3,210)**	**(3,912)**
Cash flows from financing activities:	—	—
Proceeds from the issue of share capital	—	—
Proceeds from the issue of convertible notes	—	—
Proceeds from the issue of redeemable preference shares	—	—
Repurchase of own shares	—	—
Drawing of borrowings	9,495	6,088
Payment of finance lease liabilities	(27)	(35)
Payment of transaction costs	—	—
Dividends paid	—	—
Net cash from financing activities	**9,468**	**6,053**
Net increase in cash and cash equivalents	(158)	(85)
Cash and cash equivalents at 1 January	2,927	1,229
Effect of exchange rate fluctuations on cash held	—	—
Cash and cash equivalents at 30 June	2,769	1,144

Notes to the condensed consolidated interim financial statements
For the period ended 30 June 2006

1 General information

Business firm:
ECM REAL ESTATE INVESTMENTS A.G. (further the "Company" or "ECM")

Registered office:
5 Boulevard de la Foire
L-1528 Luxembourg
Grand-Duchy of Luxembourg

www.ecm.cz

Registration number:
B.65.153

The Company was incorporated on 1 July 1998 for an unlimited period of time.

The condensed consolidated interim financial statements of the Company as at and for the six months ended 30 June 2006 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates and jointly controlled entities.

The consolidated financial statements of the Group as at and for the year ended 31 December 2005 are available at the Company's website: www.ecm.cz

2 Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") IAS 34 Interim Financial Reporting. They do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2005.

These condensed consolidated interim financial statements were authorised for issue by the directors on 4 September 2006.

Milan Janků, Chairman of the Board of Directors of the Company

3 Significant accounting policies

(a) Basis of preparation

Accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2005.

(b) Foreign exchange rates used in the condensed consolidated interim financial statements

The following Czech National Bank official exchange rates of CZK to EUR were used during translation:

Date	Closing exchange rate CZK/EUR	Average exchange rate CZK/EUR for six-month period
30 June 2006	28.495	28.495
31 December 2005	29.005	N/A
30 June 2005	30.030	30.071
31 December 2004	30.465	N/A

(c) Change in accounting policies – accounting for joint ventures

In 2005, joint ventures were accounted for using the equity method. The equity method was used because the effect of joint ventures was not material to the financial statements.

Joint ventures acquired in 2006 are accounted for using the proportionate method of consolidation. The proportionate method was used since newly acquired companies are significant.

4 Supporting notes to the financial statements

4.1 Group entities

4.1.1 Control of the Group

The Group's ultimate parent company is ECM REAL ESTATE INVESTMENTS A.G. which is controlled by the owners – Milan Janků (82 per cent.) and Glandor Foundation (18 per cent.).

4.1.2 Subsidiaries

	Country of incorporation	Ownership interest 30 June 2006	Ownership interest 31 December 2005	Ownership interest 30 June 2005
ECM Finance a.s.	Czech Republic	100%	100%	98.33%
ECM REAL ESTATE INVESTMENTS, k.s.	Czech Republic	100%	100%	—
CITY PARKVIEW, s.r.o. (originally SPV Court, s.r.o.)	Czech Republic	100%	100%	98.33%
CITY TOWER, s.r.o. (originally SPV TOWER, s.r.o.)	Czech Republic	100%	100%	98.33%
LANCASTER a.s.	Czech Republic	100%	100%	98.33%
TRADITRADE, s.r.o.	Czech Republic	—	100%	98.33%
TABULA MAIOR, a.s.	Czech Republic	95%	95%	95%
TABULA MINOR, a.s.	Czech Republic	95%	95%	95%
2P, s.r.o.(1)	Czech Republic	50%	67.5%	100%
ECM Byty s.r.o.	Czech Republic	100%	100%	100%
STROMOVKA OBCHODNÍ CENTRUM, a.s. (originally ECM Retail CB, a.s.)	Czech Republic	100%	100%	—

	Country of incorporation	Ownership interest 30 June 2006	31 December 2005	30 June 2005
Residence Unhošť, a.s. (originally ECM Residence Unhošť, a.s.)	Czech Republic	100%	100%	—
ECM Real Estate Consulting (Beijing) Co., Ltd.	China	100%	100%	—
ECM Hotel Operations EUROPORT s.r.o.	Czech Republic	100%	100%	100%
ECM Hotel Operations Plzeň s.r.o.	Czech Republic	100%	100%	—
ECM Real Estate Development Prague s.r.o.	Czech Republic	—	100%	—
ECM OFFICES LIBEN s.r.o.	Czech Republic	100%	—	—
ADARKON a.s.	Czech Republic	100%	—	—
EPOQUE HOTEL a.s.	Czech Republic	100%	—	—
EPOQUE - LANCASTER a.s.	Czech Republic	100%	—	—
HUANTA a.s.	Czech Republic	100%	—	—
DORMIDA a.s.	Czech Republic	100%	—	—
ECM Facility a.s.	Czech Republic	100%	—	—
ECM REGIONS CZ S.a.r.l.	Luxembourg	100%	—	—

Note:

(1) 2P, s.r.o. was consolidated using the full method of consolidation in 2005. In 2006, the proportionate method of consolidation was used due to the change in ownership interest (for more details refer to 4.11).

4.1.3 Acquisitions of subsidiaries

In the first six months of 2006, the following subsidiaries were acquired:

Company	Share	Purchased on
ECM REGIONS CZ S.a.r.l.	100%	13 January 2006
EPOQUE - LANCASTER a.s.	100%	23 January 2006
ADARKON a.s.	100%	7 February 2006
HUANTA a.s.	100%	1 June 2006
DORMIDA a.s.	100%	1 June 2006
ECM Facility a.s.	100%	7 June 2006
EPOQUE HOTEL a.s.	100%	15 June 2006
ECM OFFICES LIBEN s.r.o.	100%	28 June 2006

In 2005, the Group acquired the following companies:

Company	Share	Purchased on
ECM Hotel Operations EUROPORT s.r.o.	98.39%	1 April 2005
ECM Hotel Operations Plzeň s.r.o.	98.39%	26 October 2005
ECM Byty s.r.o.	100%	26 April 2005
ECM Retail CB, a.s.	100%	24 November 2005
ECM Residence Unhošť a.s...............................	100%	10 November 2005
ECM REAL ESTATE INVESTMENTS, k.s.........	100%	21 December 2005
ECM Real Estate Development Prague s.r.o.....	100%	21 December 2005

In 2005, the Group established the following companies:

Company	Share	Established on
ECM Real Estate Consulting (Beijing) Co., Ltd..	100%	22 December 2005

4.1.4 Effect of acquisitions

The acquisitions had the following effect on the Group's assets and liabilities:

The acquiree's net assets at the acquisition date (for companies acquired in 2006)

	HUANTA a.s.	ECM OFFICES LIBEN s.r.o.	ADARKON a.s.	EPOQUE HOTEL a.s.	DORMIDA a.s.	EPOQUE - LANCASTER a.s.
			(In EUR thousand)			
Intangible fixed assets.....	1	—	—	1	1	—
Cash and cash equivalents	71	7	70	71	71	70
Trade payables................	(1)	—	—	(1)	(1)	—
Net identifiable assets and liabilities....................	71	7	70	71	71	70
Consideration, paid in cash	(71)	(7)	(70)	(71)	(71)	(70)
Cash (acquired)...............	71	7	70	71	71	70
Net cash outflow............	—	—	—	—	—	—

The acquiree's net assets at the acquisition date (for companies acquired in 2006)

	ECM Facility a.s.	ECM REGIONS CZ S.a.r.l.
	(In EUR thousand)	
Property, plant and equipment..	129	—
Investment property	—	—
Intangible assets	14	—
Provided loans	52	—

	ECM Facility a.s.	ECM REGIONS CZ S.a.r.l.
	(In EUR thousand)	
Trade and other receivables	1,520	—
Cash and cash equivalents	54	12
Trade and other payables	(1,188)	—
Interest bearing loans	(238)	—
Net identifiable assets and liabilities	343	12
Consideration, paid in cash	(1,000)	(19)
Cash (acquired)	54	12
Net cash outflow	(946)	(7)

The acquiree's contribution to the consolidated net profit in 2006 (for companies acquired in 2006)

	HUANTA a.s.	ECM OFFICES LIBEN s.r.o.	ADARKON a.s.	EPOQUE HOTEL a.s.	DORMIDA a.s.
			(In EUR thousand)		
Net profit/(loss) contributed to consolidated profit in 2006 (six months)	(3)	—	(5)	(3)	(3)

	EPOQUE - LANCASTER a.s.	ECM Facility a.s.	ECM REGIONS CZ S.a.r.l.	Varenska Office Center, a.s.	Czech Real Estate Regions S. a r.l.
			(In EUR thousand)		
Net profit contributed to consolidated profit in 2006 (six months)	(24)	(319)	(11)	482	—

If the acquisitions had occurred on 1 January 2006, the Group revenue and net profit would not significantly differ from the values included in the consolidated financial statements. This is because the acquired companies did not show any significant activity prior to their acquisition by the Group.

The acquiree's net assets at the acquisition date (for companies acquired in 2005)

	ECM Hotel Operations EUROPORT, s.r.o.	ECM Hotel Operations Plzeň s.r.o.	ECM Byty s.r.o.	ECM Retail CB, a.s.	ECM Rezidence Unhošt a.s.
			(In EUR thousand)		
Trade and other receivables	—	2	—	5	5
Cash and cash equivalents	7	5	7	64	64
Net identifiable assets and liabilities	7	7	7	69	69
Consideration, paid in cash	(7)	(7)	(7)	(69)	(69)
Cash (acquired)	7	5	7	64	64
Net cash outflow	—	(2)	—	(5)	(5)

The acquiree's net assets at the acquisition date (for companies acquired in 2005)

	ECM REAL ESTATE INVESTMENTS, k.s.	ECM Real Estate Development Prague s.r.o.
	(In EUR thousand)	
Property, plant and equipment	269	—
Trading property - inventory	2,783	—
Investment property	2,521	—
Intangible assets	49	—
Other investments	1,677	909
Trade and other receivables	2,494	948
Cash and cash equivalents	100	3
Trade and other payables	(9,174)	(516)
Net identifiable assets and liabilities	719	1,344
Consideration, paid in cash	(719)	(1,344)
Cash (acquired)	100	3
Net cash outflow	(619)	(1,341)

The acquiree's contribution to the consolidated net profit in 2005 (for companies acquired in 2005)

	ECM Hotel Operations EURO-PORT, s.r.o.	ECM Hotel Operations Plzeň s.r.o.	ECM Byty s.r.o.	ECM Retail CB, a.s.	ECM Rezidence Unhošt	ECM REAL ESTATE INVESTMENTS, k.s.	ECM Real Estate Development Prague s.r.o.
	(In EUR thousand)						
Net profit contributed to consolidated profit in 2005 (12 months)	(2)	(2)	(13)	(4)	(4)	1	(13)

If the acquisitions had occurred on 1 January 2005, the Group revenue and net profit would not significantly differ from the values included in the consolidated financial statements. This is because the acquired companies did not show any significant activity prior to their acquisition by the Group.

4.2 Net valuation gains and losses on investment property

4.2.1 Valuation gains on investment property

	For the six months ended 30 June	
	2006	**2005**
	(In EUR thousand)	
Entity description – Project description		
CITY PROJECT	10,232	17,865
VARENSKÁ OFFICE CENTER...	364	—
Total..	10,596	17,865

4.2.2 Valuation losses on investment property

	For the six months ended 30 June	
	2006	**2005**
	(In EUR thousand)	
Entity description – Project description		
ECM AIRPORT CENTER - Europort	—	(462)
Total..	—	(462)
Net valuation gains and losses on investment property...	10,596	17,403

4.3 Net result on disposal of investment property

	For the six months ended 30 June	
	2006	2005
	(In EUR thousand)	
Proceeds from sale of investment property:		
Entity description – project description		
TRADITRADE, s.r.o. – City Arena	15,228	—
TABULA MINOR, a.s.	70	—
	15,298	—
Carrying value of sold investment property:		
Entity description – project description		
TRADITRADE, s.r.o. – City Arena	(14,960)	—
TABULA MINOR, a.s.	(758)	—
	(15,718)	—
Total	(420)	—

4.3.1 TRADITRADE, s.r.o. – City Arena

The ownership interest transfer agreement on the transfer of 100 per cent. ownership in TRADITRADE, s.r.o. to Pankrác Shopping Center k.s. was signed in May 2006. Total cash flow was EUR 5,728,000. The shares of the subsidiary TRADITRADE, s.r.o. were sold for EUR 2,610,000 in cash, and a post-tax gain of EUR 268,000 was realised. In addition, the new owner of TRADITRADE, s.r.o. paid EUR 3,118,000 of payables of TRADITRADE, s.r.o. to the companies of ECM Group.

Effect of the disposal on investment property and related accounts of the Group (TRADITRADE, s.r.o.)

	2006
	(In thousands of €)
Carrying value of investment property sold	7,668
Cash and cash equivalents	7,199
Trade and other receivables	93
	14,960
Trade payables and other liabilities	12,618
Sales price	2,610
	15,228
Net identifiable assets and liabilities	(14,960)
Net gain on disposal	268

4.3.2 TABULA MINOR, a.s.

The agreement on the sale of half of the land in TABULA MINOR, a.s. was signed in March 2006. The land was sold for EUR 70,000 in cash and a loss of EUR 688,000 was realised.

The land was sold with a loss in relation to the consolidation of ownership relations with the potential co-investor ensuring further development of the project. If the land was not sold, the further development of the project would be impossible.

Effect of the disposal on investment property of the Group (TABULA MINOR, a.s.)

	2006
	(In thousands of €)
Sales price	70
Carrying value of investment property sold	(758)
Net loss on disposal	(688)

4.4 Net result on disposal of trading property – inventory

Agreements for development of Pankrác Shopping Center and the sale of related property to Pankrác Shopping Center k.s. and ECE Projektmanagement Praha s.r.o. were signed in June 2001. The land was sold in 2003. In April 2006, the project was finished and sold for EUR 2,411,000 and a profit of EUR 260,000 was realised.

	For the six months ended 30 June	
	2006	**2005**
	(In EUR thousand)	
Proceeds from sale of trading property - inventory:		
ECM Finance a.s. – ECE Project	2,411	—
	2,411	—
Carrying value of sold trading property - inventory:		
ECM Finance a.s. – ECE Project	(2,151)	—
	(2,151)	—
Total	260	—

4.5 Income tax expense

Income tax expense is recognised based on the best estimate of the effective annual income tax rate expected for the financial year. In 2005, the effective tax rate was 25.99 per cent. For the six-month period ended 30 June 2006, an effective tax rate of 25.99 per cent. was used due to the fact that no change in the effective annual income tax rate is expected for 2006.

4.6 Other income

	Note	For the six months ended 30 June 2006	2005
		(In EUR thousand)	
Income on sale of 50 per cent. share in 2P	4.6.1	878	—
Income on sale of ECM Real Estate Development Prague, s.r.o.	4.6.2	146	—
Other		110	3
Total		**1,134**	**3**

4.6.1 2P, s.r.o.

In November 2005, the Group sold 32.5 per cent. of its shares in the subsidiary 2P, s.r.o. The shares of the subsidiary 2P, s.r.o. were sold for EUR 4,000 in cash, and a post-tax gain of EUR 10,000 was realised.

In January 2006, the Group re-acquired 32.5 per cent. of its shares in the subsidiary. In March 2006, an agreement on the transfer of the 100 per cent. ownership interest in 2P, s.r.o. to Czech Real Estate Regions S.a.r.l. was signed. Czech Real Estate Regions S.a.r.l. is 50 per cent. owned by the Group.

The remaining 50 per cent. share of the subsidiary 2P, s.r.o. was sold for EUR 865,000 in cash, and a post-tax gain of EUR 878,000 was realised.

4.6.2 ECM Real Estate Development Prague s.r.o.

On 30 June 2006, an agreement on the transfer of 100 per cent. ownership interest in ECM Real Estate Development Prague s.r.o. to ECM REAL ESTATE INVESTMENTS II A.G. was signed. The share in the subsidiary was sold for EUR 1,424,000 in cash, and a post-tax gain of EUR 146,000 was realised.

Effect of the disposal on accounts of the Group (ECM Real Estate Development Prague, s.r.o.)

	2006
	(In EUR thousand)
Provided loans	937
Cash and cash equivalents	1
Trade and other receivables	721
Trade payables and other liabilities...	(381)
	1,278
Sales price	1,424
	1,424
Net identifiable assets and liabilities	(1,278)
Net gain on disposal..	146

4.7 Net financing income

Some of the Group companies had loan payables to BOHL MEZZANINE INVESTMENT S.A. ("Bohl") as at 31 December 2005. Based on the agreement between Bohl and TELOR INTERNATIONAL LIMITED ("TELOR") of 15 June 2006, Bohl's receivables from the Group companies amounting to EUR 28,063,000 were sold to TELOR for their nominal value. Bohl and TELOR are related parties as regards one another.

Based on the agreement between TELOR and ECM REAL ESTATE INVESTMENTS A.G. of 30 June 2006, TELOR's receivables from the Group companies in the nominal value of EUR 28,063,000 were sold to ECM REAL ESTATE INVESTMENTS A.G. The receivables were sold for EUR 13,768,000.

As a result of this transaction, the Group realised a profit before tax of EUR 14,295,000 in the six-month period ended 30 June 2006. This profit is presented under net financial income.

The remaining EUR 351,000 in financial income consists of foreign exchange gains and interest income.

4.8 Investment property

	ECM AIRPORT CENTER Europort	CITY PROJECT	VARENSKÁ OFFICE CENTER	Total
		(In EUR thousand)		
Balance at 1 January 2005	10,504	49,630	—	60,134
Acquisitions	454	6,911	—	7,365
Acquisitions of companies	300	2,221	—	2,521
Fair value adjustment	(466)	31,523	—	31,057
Effect in movement in foreign exchange rate	517	3,329	—	3,846
Transfer to trading property – inventory	—	(28,614)	—	(28,614)
Disposals	(11,309)	—	—	(11,309)
Balance at 31 December 2005	—	65,000	—	65,000
Balance at 1 January 2006	—	65,000	—	65,000
Acquisitions	—	5,992	30	6,022
Acquisitions of companies	—	—	2,517	2,517
Fair value adjustment	—	10,232	364	10,596
Effect in movement in foreign exchange rate	—	99	(7)	92
Disposals	—	(8,426)	—	(8,426)
Balance at 30 June 2006	—	72,897	2,904	75,801

Fair value of investment property was increased by approximately 5 per cent. based on the assessment of the management.

A significant part of the acquisitions consists of the purchase of land.

Acquisitions of companies represent purchases of investment property as part of the acquisition of subsidiaries.

Disposals in 2005 included in the above table represent the disposal of investment property as a result of a change in the consolidation method applied to the Group's interest in ECM Airport Center a.s. in 2005. The Group sold 49.5 per cent. of its interest in ECM Airport Center a.s. The agreement was signed in May 2005 and 49.5 per cent. was effectively sold before 31 December 2005. The consolidation method used in respect of ECM Airport Center a.s. was changed from full consolidation to the equity method of accounting.

Disposals in 2006 included in the above table represent the disposals of investment property as a result of the sale of TRADITRADE, s.r.o. (for more details refer to 4.3.1) and sale of investment property from TABULA MINOR, a.s. (for more details refer to 4.3.2).

The changes in the investment property in the six-month period ended 30 June 2005 are summarised in the table below:

	ECM AIRPORT CENTER Europort	**CITY PROJECT**	**Total**
		(In EUR thousand)	
Balance at 1 January 2005	10,504	49,630	60,134
Acquisitions	591	2,303	2,894
Transfer from plant, property and equipment	—	15	15
Acquisitions of companies	—	—	—
Fair value adjustment	(462)	17,865	17,403
Effect in movement in foreign exchange rate	176	580	756
Transfer to trading property	(10,809)	—	(10,809)
Disposals	—	—	—
Balance at 30 June 2005	—	70,393	70,393

Project	**Description**	**Estimated total rentable/saleable space (m^2)**
CITY	Multi-purpose development scheme (see separate description below) in Prague 4/Pankrác district	231,468
VARENSKÁ OFFICE CENTER	Office building known as small and large building - includes office building, storage, circulation areas and lobby	13,398
EUROPORT	Marriot Courtyard at Prague airport, 240 room hotel plus retail and parking spaces	29,000

Detailed description of CITY Project		Estimated total rentable/saleable space (m^2)
CITY COURT	Office building with kitchen, canteen, storage and parking	18,674
CITY EPOQUE	Consists of 2 projects: EPOQUE RESIDENTIAL and EPOQUE HOTEL	55,000
EPOQUE RESIDENTIAL	170 apartments on 30 floors, 326 basement parking spaces, complementary services	33,000
EPOQUE HOTEL.......	320 hotel rooms on 22 floors, 4 basement floors with parking spaces, infrastructure, convention facilities	22,000
CITY ARENA	Multi-purpose retail, entertainment and lifestyle component of the City Project	12,000
CITY DECO	Multi-purpose project with offices, retail spaces, conference room, storage areas, dining facility, parking spaces	27,900
CITY FORUM............		
CITY ELEMENT.........		
EMPIRIA IV................	Residential building with parking spaces and retail units where the existing garage building is located, currently in the acquisition phase	10,000

4.9 Property, plant and equipment

	Land and buildings	Plant and equipment	Under construction	Advance payments	Other	Finance leases	Total
				(In EUR thousand)			
Cost							
Balance at 1 January 2005	1,126	1,188	559	427	108	12,368	15,776
Acquisitions through business combinations	139	611	3	—	11	—	764
Other acquisitions	721	258	981	635	3	—	2,598
Disposals.............	(54)	(236)	(11)	(3)	—	—	(304)
Effect of movements in foreign exchange..	49	46	25	(23)	6	—	103
Balance at 31 December 2005....	1,981	1,867	1,557	1,036	128	12,368	18,937
Balance as 1 January 2006	1,981	1,867	1,557	1,036	128	12,368	18,937
Acquisitions through business combinations	40	63	4	1	—	59	167
Other acquisitions	—	168	1,909	128	—	—	2,205
Disposals.............	—	(97)	(434)	(207)	—	(151)	(889)

	Land and buildings	Plant and equipment	Under construction	Advance payments	Other	Finance leases	Total
				(In EUR thousand)			
Effect of movements in foreign exchange..	39	9	24	14	2	42	130
Balance as 30 June 2006............	2,060	2,010	3,060	972	130	12,318	20,550
Depreciation and impairment losses							
Balance at 1 January 2005	(1,021)	(840)	—	—	—	(1,570)	(3,431)
Acquisitions through business combinations	—	(496)	—	—	—	—	(496)
Depreciation charge for the year	(47)	(341)	—	—	—	(332)	(720)
Disposals.............	—	243	—	—	—	—	243
Effect of movements in foreign exchange..	(51)	(71)	—	—	—	—	(122)
Balance at 31 December 2005....	(1,119)	(1,505)	—	—	—	(1,902)	(4,526)
Balance at 1 January 2006	(1,119)	(1,505)	—	—	—	(1,902)	(4,526)
Acquisitions through business combinations	(1)	(30)	—	—	—	—	(31)
Depreciation charge for the year	(1)	(107)	—	—	(1)	(188)	(297)
Disposals.............	—	97	—	—	—	—	97
Effect of movements in foreign exchange..	(24)	6	—	—	—	—	(18)
Balance at 30 June 2006............	(1,145)	(1,539)	—	—	(1)	(2,090)	(4,775)
Carrying amounts							
At 1 January 2005	105	348	559	427	108	10,798	12,345
At 31 December 2005	862	362	1,557	1,036	128	10,466	14,411
At 1 January 2006	862	362	1,557	1,036	128	10,466	14,411
At 30 June 2006...	915	471	3,060	972	129	10,228	15,775

Other acquisitions include especially construction of buildings. Disposals represent plant, property and equipment disposed of as a result of the sale of the 50 per cent. share in 2P, s.r.o.

The changes in plant, property and equipment in the six-month period ended as at 30 June 2005 are shown in the following table:

	Land and buildings	Plant and equipment	Under construction	Advance payments	Other	Finance leases	Total
				(In EUR thousand)			
Cost							
Balance as 1 January 2005	1,126	1,188	559	427	108	12,368	15,776
Acquisitions through business combinations	—	—	—	—	—	—	—
Other acquisitions	4	170	272	1	—	—	447
Transfer to investment property	(15)	—	—	—	—	—	(15)
Effect of movements in foreign exchange..	16	15	5	(27)	2	9	20
Balance as 30 June 2005............	1,131	1,373	836	401	110	12,377	16,228
Depreciation and impairment losses							
Balance at 1 January 2005	(1,021)	(840)	—	—	—	(1,570)	(3,431)
Acquisitions through business combinations	—	—	—	—	—	—	—
Depreciation charge for the year	(39)	(92)	—	—	(1)	(166)	(298)
Disposals..............	—	—	—	—	—	—	—
Effect of movements in foreign exchange..	(14)	(9)	—	—	—	—	(23)
Balance at 30 June 2005............	(1,074)	(941)	—	—	(1)	(1,736)	(3,752)
Carrying amounts							
At 1 January 2005	105	348	559	427	108	10,798	12,345
At 30 June 2005...	57	432	836	401	109	10,641	12,476

4.10 Intangible assets

	Software	Other intangible assets	Total
		(In EUR thousand)	
Cost			
Balance at 1 January 2005	62	8	70
Acquisitions through business combinations	649	40	689
Other acquisitions	76	481	557
Effect of movements in foreign exchange rate....	1	9	10

	Software	Other intangible assets	Total
		(In EUR thousand)	
Balance at 31 December 2005	788	538	1,326
Balance at 1 January 2006	788	538	1,326
Acquisitions through business combinations	—	22	22
Other acquisitions	—	37	37
Disposal	(230)	—	(230)
Effect of movements in foreign exchange rate	9	10	19
Balance at 30 June 2006	567	607	1,174
Amortisation and impairment losses			
Balance at 1 January 2005	(59)	(6)	(65)
Amortisation for the year	(43)	(20)	(63)
Acquisitions through business combinations	(631)	(9)	(640)
Effect of movements in foreign exchange rate	(4)	(12)	(16)
Balance at 31 December 2005	(737)	(47)	(784)
Balance at 1 January 2006	(737)	(47)	(784)
Amortisation for the year	(8)	(11)	(19)
Acquisitions through business combinations	—	(5)	(5)
Disposal	230	—	230
Effect of movements in foreign exchange rate	(9)	(1)	(10)
Balance at 30 June 2006	(524)	(64)	(588)
Carrying amounts			
At 1 January 2005	3	2	5
At 31 December 2005	51	491	542
At 1 January 2006	51	491	542
At 30 June 2006	43	543	586

Other intangible assets primarily include the user's right in the amount of EUR 502,000 as at 30 June 2006 (31 December 2005 - EUR 502,000).

In the period ended as at 30 June 2005 there was neither addition nor disposal of software. The amortisation of software for the period was EUR (1,000). The Group acquired other intangible assets of EUR 473,000, the effect on movement in the foreign exchange rate was EUR 4,000 and the amortisation of other intangible assets was EUR (1,000).

4.11 Investments in associates and joint ventures

4.11.1 Investments in associates and joint ventures accounted for using the equity method

The Group has the following investments in associates and joint ventures which were accounted for using the equity method:

		Ownership		
	Country	30 June 2006	31 December 2005	30 June 2005
EKZ Tschechien 4 Immobiliengesellschaft s.r.o.	Czech Republic	50%	50%	50%
ECM Airport Center a.s......	Czech Republic	49.5%	49.5%	99%
Czech Real Estate Regions S.a.r.l. (originally FENNEC Fox S.a.r.l.)	Luxembourg	50%	-	-

ECM Airport Center a.s. was consolidated using the full method of consolidation as at 30 June 2005. As at 31 December 2005 and 30 June 2006, investment in ECM Airport Center a.s. was accounted for using the equity method due to the change in ownership interest.

As at 30 June 2006, the amount of the investment in ECM Airport Center a.s. totalled EUR 2,574,000 (31 December 2005 – EUR 2,297,000) and the amount of the investment in EKZ Tschechien 4 Immobiliengesellschaft totalled EUR 46,000 (31 December 2005 – EUR 2,000).

The Group's share of the post-acquisition retained earnings of the above associates and joint ventures recognised as at 30 June 2006 is EUR 1,606,000 (31 December 2005 - EUR 1,514,000).

The financial information relating to associates and joint ventures (100 per cent.) is summarised below:

30 June 2006	Assets	Liabilities	Equity	Profit/(Loss) for the period (six months)
EKZ Tschechien 4 Immobiliengesellschaft s.r.o.	583	(501)	(82)	89
ECM Airport Center, a.s.....	27,747	(22,143)	(5,604)	101

31 December 2005	Assets	Liabilities	Equity	Profit/(Loss) for the period (12 months)
EKZ Tschechien 4 Immobiliengesellschaft s.r.o.	122	(129)	7	—
ECM Airport Center, a.s.....	19,622	(14,671)	(4,951)	(96)

The ownership interest transfer agreement on the transfer of a 99 per cent. stake held by the Group in ECM Airport Center a.s. was signed on 18 May 2005. The ownership transfer is to be completed in two stages, each stage involving a 49.5 per cent. stake. None of the stages was completed as at 30 June 2005. Only the first stage of the transaction (Closing I) was completed as of 31 December 2005. Therefore, ECM Airport Center, a.s. was consolidated using the full consolidation method as at 30 June 2005.

The second stage is to be completed following the finalisation of development work, the approval of the property for use, and possession of the premises by tenants. The final purchase price can be adjusted subject to certain conditions not being met.

4.11.2 Investments in joint ventures accounted for using the method of proportionate consolidation

The following joint ventures were acquired in 2006 and have been accounted for using the method of proportionate consolidation:

Company	Purchased on	Share	Country
Czech Real Estate Regions S.a.r.l.	20 January 2006	50%	Luxembourg
Varenska Office Center, a.s. (originally Ostrava Office Center, a.s.)	25 January 2006	50%	Czech Republic

The acquiree's net assets at the acquisition date (for companies acquired in 2006)

	Czech Real Estate Regions S.a r.l (50%)	Varenska Office Center, a.s. (50%)
	(In EUR thousand)	
Property, plant and equipment	—	7
Investment property	—	2,517
Trade and other receivables	—	38
Cash and cash equivalents	6	213
Trade and other payables	—	(2,283)
Interest bearing loans..	—	(239)
Net identifiable assets and liabilities......................................	6	253
Consideration, paid in cash	(10)	(253)
Cash (acquired)	6	213
Net cash outflow	(4)	(40)

2P, s.r.o. is also consolidated using the proportionate method of consolidation. The company was consolidated using the full method of consolidation as at 31 December 2005.

The financial information relating to joint ventures consolidated using the method of proportionate consolidation (100 per cent.) is summarised below:

30 June 2006	Assets	Liabilities	Equity	Profit/(loss) for six months
		(In EUR thousand)		
2P, s.r.o.	5,145	(5,006)	(139)	(96)
Czech Real Estate Regions S.a r.l.	5,711	(5,699)	(12)	—
Varenska Office Center, a.s. (originally Ostrava Office Center, a.s.)	4,800	(4,531)	(269)	(259)

4.12 Trading property — inventory

	CITY TOWER	Other	Total
Balance at 1 January 2005	—	2,093	2,093
Transfer from investment property	28,614	—	28,614
Acquisition	—	2,349	2,349
Effect of movement in foreign exchange rate	—	—	—
Balance at 31 December 2005	28,614	4,442	33,056
Balance at 1 January 2006	28,614	4,442	33,056
Own work capitalised	230	1,775	2,005
Acquisition	1,851	—	1,851
Sold trading property – inventory	—	(2,151)	(2,151)
Effect of movement in foreign exchange rate	515	117	632
Balance at 30 June 2006	31,210	4,183	35,393

The ownership interest transfer agreement on the transfer of a 95 per cent. stake in SPV Tower, s.r.o. was signed on 23 August 2005. The sale is expected to take place following completion of construction work on the property and achievement of a specified contracted rental income target. The construction is to be completed by December 2009. A future transfer agreement on the transfer of the remaining ownership interest will become effective after 31 December 2009.

Other trading property – inventory primarily represents unbilled services provided by ECM Finance a.s. and ECM REAL ESTATE INVESTMENTS, k.s. to other companies outside the Group.

The trading property as at 30 June 2005 consisted of transferred investment property of ECM Airport Center, a.s. amounting to EUR 10,809,000.

Description of trading property – inventory

Project	Description	Estimated total rentable/saleable space (m²)
CITY TOWER	Office building with retail, storage, parking, and restaurant facilities	47,374

4.13 Changes in equity

The consolidated statement of changes in equity is presented on the face of the financial statements.

4.13.1 Share capital

	Ordinary shares	
	30 June 2006	31 December 2005
	(In EUR thousand)	
Issued at 1 January..	4,500	1,500
Transfer to share capital from retained earnings	—	3,000
Issued at the period end – fully paid	4,500	4,500

4.13.2 Capital structure

The subscribed capital of the Company was EUR 4,500,000, comprising 18 000 shares, each with a nominal value of EUR 250. All shares are of the same type (ordinary registered shares) and are fully paid-up.

The authorised capital of the Company is determined to be EUR 6,000,000 – to be divided into 24,000 shares each with a nominal value of EUR 250.

The authorised and subscribed capital of the Company may be increased or reduced by decision of the general meeting of shareholders, quorum for which shall be the same as for the amendment of the articles of incorporation.

4.13.3 Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements from the functional to the presentation currency.

4.13.4 Other changes in equity

Other changes in equity in the statement of changes in equity presented on the face of the financial statements primarily include minority interests reclassified to retained earnings as a result of the acquisition of ECM REAL ESTATE INVESTMENTS, k.s. in December 2005. ECM REAL ESTATE INVESTMENTS, k.s. is a minority owner of other subsidiaries within the Group.

Newly acquired companies in the statement of changes in equity presented on the face of the financial statements include minority interest related to the acquisition of the remaining

50 per cent. share in ECM REAL ESTATE INVESTMENTS k.s. in 2006. ECM REAL ESTATE INVESTMENTS k.s. is wholly owned by the Group as at 30 June 2006.

4.14 Interest-bearing loans and borrowings

There were no significant movements of the effective interest rates as reported in the latest annual financial statements.

The contractual terms of the Group's interest-bearing loans and borrowings are summarised below.

Non-current liabilities	**30 June 2006**	**31 December 2005**
	(In EUR thousand)	
Loans from third parties	(7,407)	(8,007)
Loans from third parties – BOHL MEZZANINE INVESTMENT S.A.	—	(27,248)
Bank loans	(20,256)	(13,837)
Loans from related parties	(5,603)	(4,075)
Total	(33,266)	(53,167)

The decrease of the loans due to Bohl Mezzanine Investments S.A. is caused by the purchase of the loans by ECM Group. For more details related to the purchase refer to note 4.7.

Interest-bearing loans and borrowings are payable as follows:

	Amount as at 30 June 2006	**Due within 1 year**	**Due in following years**
		(In EUR thousand)	
Loans from third parties	(7,407)	—	(7,407)
Bank loans	(20,256)	(7,124)	(13,132)
Loans from related parties	(5,603)	—	(5,603)
Total	(33,266)	(7,124)	(26,142)

Maturity of loans depends on the development of individual projects. Therefore, any further details related to the maturity of the above stated loans would be inaccurate.

Loans from third parties comprise the following balances:

Debtor	Creditor	30 June 2006 (In thousands of €)
ECM REAL ESTATE INVESTMENTS S.A.	ECE	(2,664)
SPV TOWER, s.r.o.	ECE	(3,817)
ECM Finance a.s.	Karl-Hainz-Hauptmann	(926)
Total		(7,407)

Loans from related parties comprise the following balances:

Debtor	Creditor	30 June 2006 (In thousands of €)
ECM Facility a.s.	MV Centrum a.s.	(2)
ECM Finance a.s.	ECM Real Estate Development Prague, s.r.o., Milan Janků	(364)
ECM REAL ESTATE INVESTMENTS, k.s.	MV Centrum a.s., ECM Real Estate Development Prague s.r.o.	(338)
ECM REAL ESTATE INVESTMENTS S.A.	MV Centrum a.s., Milan Janků	(3,445)
TABULA MAIOR, a.s.	Langin Business Center a.s.	(1,454)
Total		(5,603)

Bank loans comprise the following balances:

Debtor	Creditor	30 June 2006
		(In thousands of €)
2P, s.r.o.	Raiffeisenbank	(935))
ECM Finance a.s.	Bawag Bank	(1,001)
LANCASTER a.s.	Raiffeisenbank	(7,305)
Varenska Office Center, a.s.	Zivnostenska banka	(1,404)
SPV TOWER, s.r.o.	Raiffeisenbank	(3,499)
TABULA MAIOR, a.s.	Bawag Bank	(6,112)
Total		(20,256)

The bank loans are secured as follows:

Entity	Assets pledged by the entity	Carrying amount of pledged assets	
		30 June 2006	**31 December 2005**
		(In EUR thousand)	
LANCASTER a.s.	Land, trade receivables, shares	48,375	33,100
SPV TOWER, s.r.o.	Land, trade receivables, receivables from insurance contracts, shares	30,985	28,622
TABULA MAIOR, a.s.	Land, trade receivables, current account receivables, shares	17,071	16,111
SPV Court, s.r.o.	Land	6,898	6,316
2 P, s.r.o.	Current account receivables	—	9
TRADITRADE, s.r.o.	Land, current account receivables	—	6,983
ECM Byty s.r.o.	Land	668	—
Varenska Office Center, a.s.	Land	2,904	—
ECM Finance a.s.	Trade receivables	295	575
Total		107,196	91,716

4.14.1 Pledge of the group's stakes for bank loans

In addition, ECM REAL ESTATE INVESTMENTS A.G. has pledged its stake in TABULA MAIOR, a.s., ECM Finance a.s., LANCASTER a.s., SPV TOWER, s.r.o. for bank loans granted to these Group companies. ECM Finance a.s. has pledged its stakes in TRADITRADE, s.r.o.

ECM REAL ESTATE INVESTMENTS S.A. and Czech Real Estate Regions S.a.r.l. have provided a guarantee for the loan of 2P s.r.o. to Raiffeisenbank a.s. by pledging their ownership interests in 2P s.r.o.

4.14.2 Guarantees provided on behalf of Group companies for bank loans

ECM Finance a.s. has provided guarantees to banks on behalf of TABULA MAIOR, a.s. and TRADITRADE, s.r.o. that it will reimburse the banks for all over-the-budget construction costs in case the Group companies lack sufficient funds for additional loan repayments.

ECM REAL ESTATE INVESTMENTS A.G., ECM Finance a.s., and SPV Court, s.r.o. have provided a guarantee for the credit repayments to banks on behalf of LANCASTER a.s.

ECM REAL ESTATE INVESTMENTS S.A. has provided a guarantee for the loan of ECM Finance a.s. to BAWAG Bank CZ a.s. The amount of security is EUR 3,200,000.

Varenska Office Center, a.s. issued a promissory note to secure the loan from Živnostenská banka a.s. The total amount of security is approximately EUR 7,020,000.

Czech Real Estate Regions S.a r.l. has provided a guarantee for the loan of varenska Office Center a.s. to Živnostenská banka a.s. by pledging securities.

ECM REAL ESTATE INVESTMENTS S.A. has provided a guarantee for the loan of ECM Airport Center a.s. to Živnostenská banka a.s. by pledging securities.

4.14.3 Pledge of real estate on behalf of other group companies

SPV Court, s.r.o. has also pledged all of its trade receivables and real estate for the bank loan granted to LANCASTER a.s.

4.14.4 Subordination agreements

Group companies TABULA MAIOR a.s., TRADITRADE s.r.o., and LANCASTER a.s. have signed subordination agreements with the banks which subordinate all other liabilities to these bank loans.

4.14.5 Additional securities obtained for bank loans

Mr Milan Janků, Chief Executive Officer and majority shareholder, has provided a personal guarantee for bank loans granted to ECM Finance a.s.

4.15 Trade and other payables

The decrease of the loans due to Bohl Mezzanine Investments S.A. is caused by the purchase of the loans by ECM Group (see note 4.7.) The purchase price in the amount of EUR 13,768,000 is disclosed as trade and other payables and is the main reason for their increase.

4.16 Contingencies

The Group identified the following contingencies as at 30 June 2006:

- ECM REAL ESTATE INVESTMENTS, k.s. issued two blank promissory notes to ČSOB Leasing totalling EUR 79,000;
- A lawsuit was filled by European Property Development against ECM Finance a.s. The amount of the suit is EUR 463,000;
- SPV Court, s.r.o. issued a guarantee to a bank for a third party amounting to EUR 8,098,000;

- SPV TOWER, s.r.o. pledged part of its land and buildings as a guarantee for a third party. The guarantee totals EUR 7,000,000;
- ECM Finance a.s. issued a guarantee for third party liabilities amounting to EUR 2,313,000, of which EUR 1,812,000 was to a related party;
- ECM REAL ESTATE INVESTMENTS A.G. has provided a guarantee to a third party on behalf of one of the related parties in an unspecified amount for receivables arising under a cooperation contract;
- ECM Finance a.s. has provided a guarantee on behalf of one of the Group companies for receivables from rental contracts;
- ECM Finance a.s. has pledged its bank account receivables to banks for securing bank receivables from treasury operations with the Group up to the amount of EUR 3,800,000;
- ECM Finance a.s. has provided a guarantee of EUR 350,000 on behalf of third parties to secure bank receivables from treasury operations;
- ECM REAL ESTATE INVESTMENTS S.A. issued a blank promissory note to Top Spirit a.s. in the amount of EUR 700,000.

4.17 Related parties

4.17.1 Identity of related parties

The Group has a related party relationship with its subsidiaries, associates, joint ventures and with its directors and executive officers.

Key management persons are Chairman of the Board of Directors, Finance Director and Chief Project Manager. The accrued remuneration of the key management personnel is as follows:

	30 June 2006	31 December 2005	30 June 2005
		(In EUR thousand)	
Remuneration and benefits paid to key management	320	410	105
Total..	320	410	105

4.17.2 Transactions with related parties

The Group identified the following transactions with related parties in 2006 and 2005:

		For the six months ended 30 June	
		2006	2005
		(In EUR thousand)	
ECM REAL ESTATE INVESTMENTS, k.s.	Services provided to the Group	—	84
ECM REAL ESTATE	Services purchased from	—	88

		For the six months ended 30 June	
		2006	2005
		(In EUR thousand)	
INVESTMENTS, k.s.	the Group		
ECM Real Estate Development Prague s.r.o.	Services provided to the Group	—	30
ECM Facility, a.s.	Services purchased from the Group	—	20
ECM Facility, a.s.	Services provided to the Group	—	102

		30 June 2006	31 December 2005
		In EUR thousand	
Milan Janků	Loans provided to the Group	3,400	3,667
	Payables to the Group	48	—
	Loans granted by the Group	—	451
	Advances provided by the Group	—	365
Europa Capital Management, a.s.	Advances provided by the Group	—	194
	Payables to the Group	267	—
	Receivables from the Group	262	—
LONGIN Business Center, a.s.	Loans provided to the Group	1,454	—
	Payables to the Group	45	—
Nová Liboc, a.s.	Loans provided by the Group	48	—
NONET s.r.o.	Receivables from the Group	20	—
Wincroft Investment Management Ltd.	Payables to the Group	—	1,600
	Receivables from the Group	—	647
Kanebo Investments S.A.	Loans provided to the Group	—	364

		30 June 2006	31 December 2005
		In EUR thousand	
ECM REAL ESTATE INVESTMENTS II AG	Loans provided to the Group	2,000	—
Other related parties	Loans provided to the Group	—	89

4.18 Subsequent events

The Group entered into Share Purchase Agreements on purchase of 100 per cent. of shares in MV CENTRUM, a.s. and 95 per cent. of shares in SPV POINT, a.s. on 8 August 2006. The Group entered into these transactions because of the change in its business strategy regarding these projects. These agreements will come into force upon the purchase price payment which did not occur till 14 August 2006. In addition, the options provided by the Group on the future sale of projects CITY TOWER and CITY FORUM will be cancelled.

The general meeting of the Company was held on 25 July 2006. The following was decided in the general meeting:

(1) The general meeting decided that the nominal value of shares would be decreased from EUR 250 per share to EUR 1.5 per share. At the same time, the existing 18,000 shares were divided into 3,000,000 shares.

(2) The Company increased its issued capital by EUR 600,000 with a transfer from retained earnings. Therefore, the nominal value of the existing shares was increased to EUR 1.7.

(3) The Company decided to increase its authorised capital to EUR 10,000,000 divided into 5,882,353 shares. The Board of Directors is authorised and empowered to effect any increase of corporate capital within the limits of the authorised capital. The authorisation is valid for a period of five years.

(4) The general meeting of the Company decided to repurchase and subsequently cancel 540,000 of its own shares from Glandor Foundation. Subsequently, the Share Purchase Agreement was signed and the first repayment of the purchase price was made.

Consolidated Financial Statements prepared in accordance with IFRS for the years ended 31 December 2005 and 31 December 2004 and Independent Auditor's Report

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Independent Auditor's Report to the Shareholders of ECM REAL ESTATE INVESTMENTS A.G.

We have audited the accompanying consolidated financial statements of ECM REAL ESTATE INVESTMENTS A.G. for the years ended 31 December 2005 and 31 December 2004. These consolidated financial statements are the responsibility of the Company's Board of Directors. Our responsibility is to express an opinion on the financial statements, taken as a whole, based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that the auditor plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view, in all material respects, of the assets, liabilities and equity and financial position of ECM REAL ESTATE INVESTMENTS A.G. as of 31 December 2005 and 31 December 2004 and of the expenses, income and results of its operations for the years then ended in accordance with International Financial Reporting Standards.

In Prague on 22 May 2006

Audit firm:
Deloitte s.r.o.
Represented by:

Frederic Maziere, with power of attorney

Audit . Tax . Consulting . Financial Advisory.

Member of
Deloitte Touche Tohmatsu

Consolidated income statement

	Note	2005	2004	2003
		As at 31 December		
		(In EUR thousand)		
Gross rental income	3.2	2,136	4,958	4,390
Interest income from finance lease		—	—	—
Service charge income	3.3.1	30	174	311
Service charge expenses	3.3.1	(76)	(259)	(244)
Property operating expenses	3.3.1	(1,463)	(3,295)	(4,094)
Net rental and related income		627	1,578	363
Valuation gains on investment property	3.4	32,305	8,101	2,994
Valuation losses on investment property	3.4	(649)	(523)	—
Net valuation gains on investment property		31,656	7,578	2,994
Proceeds from the sale of trading property – inventory and related accounts	3.5	7,140	85,454	8,319
Carrying value of trading property – inventory and related accounts sold	3.5	(6,076)	(84,768)	(8,466)
Profit on the disposal of trading property – inventory	3.5	1,064	686	(147)
Administrative expenses	3.6	(3,092)	(2,954)	(2,076)
Other income	3.7.1	829	1,281	13
Other expenses	3.7.2	(690)	(495)	(1,655)
Net other income		139	786	(1,642)
Net operating profit before net financing costs		30,394	7,674	(508)
Financial income	3.8	665	2,425	626
Financial expenses	3.8	(3,116)	(4,385)	(2,778)
Net financing costs	3.8	(2,451)	(1,960)	(2,152)
Share of the profit of associates and joint venture		41	—	—
Profit before tax		27,984	5,714	(2,660)
Current tax expense	3.9.1	(6)	(1)	(1)

	Note	As at 31 December 2005	2004	2003
		(In EUR thousand)		
Deferred tax expense	3.9.1	(7,268	(2,165)	(2,899)
Income tax expense	3.9.1	(7,274)	(2,166)	(2,900)
Profit for the period..................................		20,710	3,548	(5,560)
Attributable to:				
Equity holders of the parent.................		20,598	3,572	(5,527)
Minority interest..................................		112	(24)	(33)
Profit for the period..................................		20,710	3,548	(5,560)

Consolidated balance sheet

	Note	2005	2004	2003
		As at 31 December		
		(In EUR thousand)		
ASSETS:				
Investment property	3.10	65,000	60,134	32,666
Property plant and equipment	3.11	14,411	12,345	12,187
Intangible fixed assets	3.12	542	5	27
Investments in associates and joint venture	3.13	2,299	2	2
Advance payments for shares		333	—	—
Provided loans	3.14	562	2,007	4,674
Available-for-sale financial assets		50	683	—
Long term receivables	3.15	—	54	—
Deferred tax assets	3.9.4	4,529	4,619	4,817
Total non-current assets		87,726	79,849	54,373
Trading property – inventory	3.16	33,056	2,093	54,125
Income tax receivables	3.9.3	18	4	3
Trade and other receivables	3.17	8,729	8,601	4,275
Cash and cash equivalents	3.18	2,927	1,229	5,375
Total current assets		44,730	11,927	63,778
TOTAL ASSETS		132,456	91,776	118,151
EQUITY:				
Issued capital		4,500	1,500	1,500
Reserves		21	6	6
Retained earnings		38,585	19,925	16,356
Translation reserve		3,042	1,089	(827)
Total equity attributable to equity holders of the parent		46,148	22,520	17,035
Minority interest		1,275	1,589	1,154
Total equity		47,423	24,109	18,189
LIABILITIES:				
Interest-bearing loans and borrowings	3.20	53,167	39,501	73,875
Finance lease liabilities	3.23	12,024	13,423	11,809
Deferred tax liabilities	3.9.4	8,732	3,004	1,044
Total non-current liabilities		73,923	55,928	86,728
Trade and other payables	3.22	10,899	11,552	12,721

	Note	2005	2004	2003
		As at 31 December		
		(In EUR thousand)		
Provisions	3.23.1	211	187	513
Total current liabilities...............................		11,110	11,739	13,234
Total liabilities...		85,033	67,667	99,962
TOTAL EQUITY AND LIABILITIES		132,456	91,776	118,151

Consolidated statement of changes in equity

	As at 31 December 2005						
	Share capital	**Translation reserve**	**Legal reserve fund**	**Retained earnings**	**Total attributable to equity holders of the parent**	**Minority interest**	**Total equity**
	(In EUR thousand)						
Balance at 1 January 2003	56	—	6	23,327	23,389	624	24,013
Total recognised income and expense	—	(827)	—	(5,527)	(6,354)	(33)	(6,387)
Newly acquired companies	—	—	—	—	—	563	563
Increased share capital	1,444	—	—	(1,444)	—	—	—
Balance at 31 December 2003	1,500	(827)	6	16,356	17,035	1,154	18,189
Balance at 1 January 2004	1,500	(827)	6	16,356	17,035	1,154	18,189
Total recognised income and expense	—	1,916	—	3,572	5,488	(24)	5,464
Newly acquired companies	—	—	—	(3)	(3)	414	411
Disposed companies	—	—	—	—	—	45	45
Balance at 31 December 2004	1,500	1,089	6	19,925	22,520	1,589	24,109
Balance at 1 January 2005	1,500	1,089	6	19,925	22,520	1,589	24,109
Total recognised income and expense	—	1,953	—	20,598	22,551	112	22,663
Increased share capital	3,000	—	—	(3,000)	—	—	—
Addition to the legal reserve fund	—	—	15	(15)	—	—	—
Newly acquired companies	—	—	—	(10)	(10)	—	(10)
Disposed companies	—	—	—	141	141	(49)	92
Other changes in equity	—	—	—	946	946	(377)	569
Balance at 31 December 2005	4,500	3,042	21	38,585	46,148	1,275	47,423

Consolidated cash flow statement

	As at 31 December		
	2005	2004	2003
		(In EUR thousand)	
CASH FLOW FROM OPERATING ACTIVITIES			
Profit for the period before tax	27,984	5,714	(2,660)
Adjustments for:			
Depreciation	720	755	799
Amortisation	63	19	20
(Reversal of) impairment losses	—	(994)	3
Foreign exchange losses	(3,339)	(3,535)	1,047
Change in value of investment property	(31,057)	(7,578)	(2,994)
Investment income	—	—	—
Interest expense	3,606	3,043	2,443
Share of profit of associates	—	—	—
Gain on the sale of trading property – inventory	(1,064)	(686)	147
Gain on the sale of property, plant and equipment	156	(61)	56
Other	561	(146)	—
Operating profit before changes in working capital and provisions	(2,370)	(3,469)	(1,139)
Increase in trade and other receivables	(407)	(26,508)	(1,437)
Increase in trading property – inventory	(2,349)	(12,549)	(16,704)
Decrease in trade and other payables	3,728	64,688	7,120
Increase in provisions and employee benefits	24	(259)	174
Cash generated from the operations	(1,374)	21,903	(11,986)
Interest paid	(3,670	(3,262)	(2,701)
Interest received	64	219	258
Income taxes paid	(14)	(1)	(3)
Gain on the sale of discontinued operations, net of tax.	—	—	—
Net cash from operating activities	(4,994)	18,859	(14,432)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of plant and equipment	—	321	—
Proceeds from sale of investments/ trading property – inventory	3,500	9,054	5,591
Interest received	—	—	—
Dividends received	—	—	—

	As at 31 December		
	2005	2004	2003
	(In EUR thousand)		
Disposal of subsidiary, net of cash disposed of............	—	(2,667)	24
Acquisition of subsidiary, net of cash acquired.............	—	(7,459)	498
Acquisition of property, plant and equipment	(3,790)	(790)	(425)
Acquisition of investment property................................	(7,365)	(7,319)	(3,803)
Acquisition of other investments...................................	2,078	1,401	61
Development expenditure...	—	—	—
Net cash from investing activities	(5,577)	(7,459)	1,946
Proceeds from the issue of share capital	—	—	—
Proceeds from the issue of convertible notes................	—	—	—
Proceeds from the issue of redeemable preference shares...	—	—	—
Repurchase of own shares...	—	—	—
Repayment of borrowings...	13,668	(15,392)	16,695
Payment of finance lease liabilities...............................	(1,399)	(154)	328
Payment of transaction costs	—	—	—
Dividends paid	—	—	—
Net cash from financing activities	12,269	(15,546)	17,023
Net increase in cash and cash equivalents	1,698	(4,146)	4,537
Cash and cash equivalents at 1 January.......................	1,229	5,375	838
Effect of exchange rate fluctuations on cash held.........	—	—	—
Cash and cash equivalents at 31 December.................	2,927	1,229	5,375

Notes to the consolidated financial statements

1 General information

Business firm:
ECM REAL ESTATE INVESTMENTS A.G. (hereafter referred to as the "Company" or "ECM")

Registered office:
5 Boulevard de la Foire
L-1528 Luxembourg
Grand-Duchy of Luxembourg

Registration number:
B 65.153

The Company was incorporated on 1 July 1998 for an unlimited period of time.

The consolidated financial statements of the Company as at and for the year ended 31 December 2005 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates and jointly controlled entities.

1.1 Principal activities

The Group's basic objective is to conduct successful business through specific development projects. The shareholders and employees of the Group are aware of their responsibility to the public and make every reasonable effort to adopt measures that respect the environment and to apply the principles of sustainable development. The Group focuses on both residential and administrative premises as well as technology parks. This begins with a thorough consideration of the plan through to the final provision of the furnishings for the property to meet the requirements of the tenant or buyer. The Group exercises prudence throughout the project to ensure optimum use of the invested funds. Respect for local communities' interests and an assessment of the impact of every project on the surrounding area and environment are among the Group's priorities. Communication with public administration authorities and the general public throughout the implementation of the life-cycle of the project is also carefully considered.

When selecting building contractors, the Group prefers to work with companies that possess the ISO 9001 and ISO 14001 certificates, which guarantee high quality, environmental protection and compliance with the principles of sustainable development.

The Group's principal activities include:

- Real estate investment
- Real estate development

Real estate investment focuses on:

- Office spaces
- Retail real estate
- Hotels

Real estate development focuses on:

- Office spaces
- Residential portfolio

- Retail real estate
- Hotels

1.2 Major shareholders

The Company currently has two shareholders, with Mr Milan Janků owning the controlling share. There are no controlling agreements or any other arrangements in place which would enable other persons to control the Company by acting in agreement or otherwise.

The owners of the Company are as follows:

	Year 2005		
Shareholder	**Number of shares**	**Share in registered capital**	**Share in voting rights**
Milan Janků Nad Strakovkou 6 CZ – 160 00 Prague 6	14,760	82%	82%
Glandor Foundation Meierhofstrasse 5 P.O. Box 1617 FL – 9490 Vaduz	3,240	18%	18%
Total	18,000	100%	100%

	Year 2004		
Shareholder	**Number of shares**	**Share in registered capital**	**Share in voting rights**
Milan Janků Nad Strakovkou 6 CZ – 160 00 Prague 6	4,920	82%	82%
Glandor Foundation Meierhofstrasse 5 P.O. Box 1617 FL – 9490 Vaduz	1,080	18%	18%
Total	6,000	100%	100%

There was a change in the shareholder structure in 2004. Mr Karl Heinz Hauptmann was a shareholder owning a 30.2 per cent. interest in the Company in 2003. He sold his shares in 2004. Until the day of the sale, Mr Hauptmann was in no part involved in managing the operations of the Group.

Shareholder	Year 2003 Number of shares	Share in registered capital	Share in voting rights
Milan Janků Nad Strakovkou 6 CZ – 160 00 Prague 6	3,108	52%	52%
Glandor Foundation Meierhofstrasse 5 P.O. Box 1617 FL – 9490 Vaduz	1,080	18%	18%
Karl Heinz Hauptmann Sudentenstrasse 14 D – 63571 Gelnhausen	1,812	30%	30%
Total	6,000	100%	100%

Description of ownership structure

The Company controls, directly or indirectly, a number of other companies in the Czech Republic and China.

List of directors

Milan Janků, Chairman of the Board of Directors of the Company
Tomas Lastovka, Member of the Board of Directors of the Company
Peter Fellegi, Member of the Board of Directors of the Company

Employee review

	2005	2004	2003
Czech Republic	63	60	65

All of the above-mentioned employees were engaged in the core business activities of the Group – real estate trading, leasing and administration, or were in charge of related activities for the Group, or its subsidiaries – keeping accounts, sales, support activities and services. All of the employment contracts are signed with ECM REAL ESTATE INVESTMENTS, k.s. and ECM Finance a.s.

1.3 Trend information

The Group's strategy is to continue its expansion in Central and Eastern European countries and in Russia. Its Russian regional office in Moscow is intensively screening investment opportunities in Moscow and other cities in Russia. In January 2005, the Group agreed to acquire a special purpose company which had received a preliminary investment contract to build a mixed use project in the City of Tyumen.

1.4 Business risk

The Group does not enter into speculative transactions of any kind. The Group selects target market segments with the aim of utilising market opportunities under prudent management supervision and focusing on delivering quality products in response to the needs of the market. As at today's date, the activities of the Group are focused mainly on one geographical market, i.e. the Czech Republic. They consist of several business sectors (offices, retail, residential buildings, hotels) and are located in various regions of the country with a different level of saturation compared to that of the Group's original market in Prague. The different business sectors and the different locations, carefully selected for development activities, are subject to different cycles and growth potential which create a natural offsetting of portfolio risk.

The relations between the Group and its suppliers (purchased external services, architects, control authorities, constructors) are regulated by standard contracts. Formal selection procedures/tenders are always carried out. On principle, the Group companies do not provide their suppliers with exclusivity. The development team organises activities systematically and in accordance with given rules and implicit corporate culture. This further eliminates the natural market risk created by the existing competition among the leading developers.

2 Significant accounting policies

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the interpretations adopted by the International Accounting Standards Board (IASB). These are the Group's first consolidated financial statements and IFRS 1 was applied.

The Company has not prepared any consolidated financial statements for previous periods. As a result, the Company is not presenting reconciliation of its equity reported under previous GAAP with its equity under IFRS.

(b) Basis of preparation

The financial statements are presented in euro, rounded to the nearest thousand. They are prepared on an historical cost basis, with the exception of investment property which is stated at fair value.

The accounting policies have been consistently applied to the results, other gains and losses, assets and liabilities and cash flows of the entities included in the consolidated financial statements and are consistent with those used in the previous year.

The preparation of financial statements in compliance with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making the judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. The actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both the current and future periods.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and in preparing the opening IFRS balance sheet at 1 January 2003 for the purposes of the transition to IFRS.

The accounting policies have been applied consistently by the Group entities.

All figures are in thousands of Euros (EUR), unless stated otherwise.

(c) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to profit and loss in the period of acquisition. The interest of minority shareholders is stated as the minority shareholders' proportion of the fair values of the assets and liabilities recognised. Subsequently, any losses applicable to the minority interest in excess of the minority interest are allocated against the interests of the parent.

(i) Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(ii) Associates

Associates are those entities in which the Group has significant influence, but not control over the financial and operating policies. The consolidated financial statements include the Group's share of the total recognised gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an associate, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an associate.

(iii) Joint ventures

Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement. The consolidated financial statements include the Group's share of the total recognised gains and losses on an equity accounted basis from the date that joint control commences until the date that joint control ceases.

(iv) Transactions eliminated on consolidation

Intra-group balances and any gains and losses or income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with associates and jointly controlled entities are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(d) Property, plant and equipment

(i) Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses (see accounting policy (i)). The cost of self-constructed assets includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing building items and restoring the building site at which they are located, and an appropriate proportion of production overheads.

Property that is being constructed or developed for future use as investment property is classified as property, plant and equipment and stated at cost until construction or development is complete, at which time it is reclassified as investment property.

Where components of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

(ii) Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Owner-occupied property acquired by way of a finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation (see below) and impairment losses (see accounting policy (i)). Lease payments are accounted for as described in accounting policy (m).

Property held under operating leases that meets the definition of investment property is classified as investment property on a property-by-property basis.

(iii) Subsequent costs

The Group recognises in the carrying amount the cost of replacing part of an item of property, plant and equipment at the time that cost is incurred, if it is probable that the future economic benefits embodied within the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in the income statement as expenses at the time they are incurred.

(iv) Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Tangible fixed assets costing less than EUR 1,000 are charged to the income statement in the year that they are acquired. Land is not depreciated.

The costs of improving fixed assets increase their acquisition cost. Repairs and maintenance costs are charged directly to the income statement.

The estimated useful lives are as follows:

Assets	**2005**	**2004**	**2003**
Temporary structures – construction site	2 years	2 years	2 years
Machinery and equipment	4-6 years	4-6 years	4-6 years
Motor vehicles	4 years	4 years	4 years
Buildings	30 years	30 years	30 years

The residual value, if not insignificant, is reassessed annually.

(e) Intangible assets

(i) Goodwill

All business combinations are accounted for by applying the purchase method. Goodwill represents amounts arising upon the acquisition of subsidiaries, associates and joint ventures. In respect of business acquisitions that have occurred since 1 January 2003, goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired.

In respect of acquisitions prior to 1 January 2003, goodwill is included on the basis of the comparison of the cost of initial investment with the net assets (or net liabilities) under IFRS of the investee at the date of transition. The classification and accounting treatment of business combinations that occurred prior to 1 January 2003 has not been reconsidered in preparing the Group's opening IFRS balance sheet at 1 January 2003.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units (assets) and is no longer amortised but is tested annually for impairment (see accounting policy (i)). In respect of associates, the carrying amount of goodwill is included in the carrying amount of the investment in the associate.

Negative goodwill arising on acquisition is recognised directly in profit or loss.

(ii) Other intangible assets

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (see below) and impairment losses (see accounting policy (i)). Amortisation is recognised in the income statement line 'Administrative expenses'.

(iii) Subsequent expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

(iv) Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of the intangible assets unless such lives are indefinite. Intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

Assets	**2005**	**2004**	**2003**
Other intangible fixed assets....................	30 years	30 years	30 years
Software	4 years	4 years	4 years

(f) Investment property

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. The investment property of the Group includes primarily land held for undetermined future use. Investment properties are stated at fair value. An external, independent valuation company, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the portfolio at year end.

The results of independent valuations were further analysed by the Group and included in the final management estimates of the fair value. Those estimates considered the results of current and prior external valuations, information from similar selling and purchase transactions and current market conditions. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

When the Group begins to develop an existing investment property for future sale, the property is reclassified to trading property – inventory. The fair value of such property is deemed to be the property's cost for subsequent accounting under IAS 2. The development is deemed by the Group to commence at the moment the permission for construction is obtained from the state authorities, or when the agreement on the sale of the shares of the company that owns the property is signed.

A property interest held under an operating lease is classified and accounted for as an investment property on a property-by-property basis when the Group holds it to earn rental income or for capital appreciation or both. The initial cost of a property held under an operating lease and classified as an investment property is recognised as prescribed for a property held under a finance lease, i.e. the asset is recognised at the lower of the fair value of the property and the present value of the minimum lease payments. An equivalent amount is recognised as a liability. Subsequently, a property interest held under an operating lease and classified as an investment property is carried at fair value. Lease payments are accounted for as described in accounting policy (m).

(g) Financial instruments

(i) Provided loans

Interest-bearing provided loans are recorded at the proceeds provided, net of direct issue costs. Finance charges, including premiums receivable on settlement or redemption and direct issue costs, are accounted for on an accrual basis to the income statement using effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

The recoverable amount of the Group's provided loans is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

(ii) Trade and other receivables

Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

(iii) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the cash-flow statement.

(iv) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

The Company classifies as a current portion any part of long-term loans that is due within one year from the balance sheet date.

As at the date of the preparation of the financial statements, the nominal value of loans is increased by unpaid interest.

Interest and other financial expenses relating to the acquisition of fixed assets incurred until the asset is put is use are capitalised. Subsequently, they are recorded as financial expenses.

(v) **Trade and other payables**

Trade and other payables are stated at their nominal value.

(vi) **Derivative financial instruments**

A derivative is a financial instrument or other contract which fulfils the following conditions:

(a) its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract;

(b) it requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors; and

(c) it is settled at a future date.

Hedging derivatives are defined as derivatives that comply with a company’s risk management strategy. The hedging relationship is formally documented and the hedge is effective at inception and throughout the period; changes in the fair value or cash flows of the hedged and hedging items are almost fully offset and the results are within a range of 80 per cent. to 125 per cent.

Derivative financial instruments that are not designated as hedging instruments are classified as held-for-trading and carried at fair value, with changes in fair value included in net profit or loss of the period in which they arise.

Fair values are obtained from quoted market prices or discounted cash-flow models, as appropriate. All non-hedge derivatives are carried as current assets when their fair value is positive and as current liabilities when their fair value is negative.

(vii) **Available-for-sale financial assets**

Available-for-sale financial assets are recognised and derecognised on a trade date where a purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at cost, including transaction costs.

Gains and losses arising from changes in fair value of available-for-sale financial assets are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the net profit or loss for the period.

Available-for-sale financial assets which are investments in an equity instrument that does not have a quoted market price in an active market and for which other methods of reasonably estimating fair value are clearly inappropriate or unworkable are carried at cost.

(h) Trading property – inventory

Trading property – inventory is shown at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(i) Impairment

The carrying amounts of the Group's assets, other than investment property (see accounting policy (f)), trading properties – inventories (see accounting policy (h)) and deferred tax assets (see accounting policy (n)), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

In respect of goodwill, the recoverable amount is estimated at each balance sheet date.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units (groups of units) and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

Impairment losses of receivables are determined based on an analysis of the credit status of customers and the period for which the receivable has been overdue.

(j) Share capital

Ordinary shares are classified as equity. External costs directly attributable to the issue of new shares, other than upon a business combination, are shown as a deduction from the proceeds, net of tax, in equity. Share issue costs incurred directly in connection with a business combination are included in the cost of acquisition.

(k) Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(l) Revenue

(i) **Services rendered**

Revenue from services rendered is recognised in the income statement when the transaction under the service agreement has been completed. This usually involves completion of the development work.

(ii) **Rental income**

Rental income from investment property leased out under an operating lease is recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income.

(iii) **Sale of trading property – inventory**

Revenue from the sale of trading property – inventory is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer.

(m) Expenses

(i) **Service costs and property operating expenses**

Service costs for service contracts entered into and property operating expenses are expensed as incurred.

(ii) **Operating lease payments**

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

Where the property interest held under an operating lease is classified as an investment property, the property interest is accounted for as if it were a finance lease and the fair value model is used for the asset recognised.

(iii) **Finance lease payments**

Minimum lease payments are apportioned between the finance charge and the reduction of liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining capital balance. Contingent rents are charged as expenses in the periods in which they are incurred.

(iv) **Net financing costs**

Net financing costs comprise interest payable on borrowings calculated using the effective interest rate method net of interest capitalised, interest receivable on funds invested, foreign exchange gains and losses, and gains and losses on hedging instruments that are recognised in the income statement.

The interest expense component of finance lease payments is recognised in the income statement using the effective interest rate method.

(n) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(o) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment) or in providing products or services within a particular economic area (geographic segment) and which is subject to risks and rewards that are different from those of other segments. The business activity of the Group is considered to be one segment.

(p) Business combinations involving entities under common control

A business combination involving entities or businesses under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory.

In the absence of more specific guidance, the Group consistently applied the book value method of valuation to all common control transactions.

(q) Foreign currency

Apart from ECM REAL ESTATE INVESTMENTS A.G. and ECM Real Estate Consulting (Beijing) Co., Ltd., all companies in the Group operate in the Czech Republic which is their primary economic area. Consequently, the Czech crown (CZK) is the functional currency of these entities. ECM REAL ESTATE INVESTMENTS A.G. operates in Luxembourg and its functional currency is EUR. ECM Real Estate Consulting (Beijing) Co., Ltd. operates in China and its functional currency is also EUR.

The Group presentation currency is the euro (EUR). The Group has selected a different presentation currency because the users of its financial statements base their economic decisions on information expressed in EUR.

The assets and liabilities are translated into EUR at foreign exchange rates ruling at the balance sheet date. The revenues and expenses are translated into EUR at exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised directly in a separate component of equity. Cash flows are translated into EUR at exchange rates approximating the foreign exchange rates ruling at the dates of the transactions.

The following exchange rates of CZK to EUR were used during translation:

Date	**Closing exchange rate CZK/EUR**	**Average exchange rate CZK/EUR for 12-month period**
31 December 2005	29.005	29.780
31 December 2004	30.465	31.908
31 December 2003	32.405	31.844

Date	Closing exchange rate CZK/EUR	Average exchange rate CZK/EUR for 12-month period
1 January 2003	31.600	N/A

3 Supporting notes to the financial statements

3.1 Group entities

Control of the Group

The Group's ultimate parent company is ECM REAL ESTATE INVESTMENTS A.G. which is controlled by the owners – Milan Janků (82 per cent.) and Glandor Foundation (18 per cent.). There was a change in ownership in 2004 when Karl Heinz Hauptmann sold his share (30 per cent.) to Milan Janků.

Subsidiaries

	Country of incorporation	Ownership interest		
		2005	2004	2003
ECM Finance a.s.	Czech Republic	100%	98.33%	98.33%
ECM REAL ESTATE INVESTMENTS, k.s.	Czech Republic	100%	—	—
SPV Court, s.r.o.	Czech Republic	100%	98.33%	98.33%
SPV TOWER, s.r.o.	Czech Republic	100%	98.33%	98.33%
LANCASTER a.s.	Czech Republic	100%	98.33%	98.33%
TRADITRADE, s.r.o.	Czech Republic	100%	98.33%	98.33%
TABULA MAIOR, a.s.	Czech Republic	95%	95%	—
TABULA MINOR, a.s.	Czech Republic	95%	95%	—
2P, s.r.o.	Czech Republic	67.5%	100%	—
ECM Byty s.r.o.	Czech Republic	100%	—	—
ECM Retail CB, a.s.	Czech Republic	100%	—	—
ECM Residence Unhošť a.s.	Czech Republic	100%	—	—
ECM Real Estate Consulting (Beijing) Co., Ltd.	China	100%	—	—
ECM Hotel Operations EUROPORT s.r.o.	Czech Republic	100%	—	—
ECM Hotel Operations Plzeň s.r.o.	Czech Republic	100%	—	—
ECM Real Estate Development Prague s.r.o.	Czech Republic	100%	—	—
SPV POINT, a.s.	Czech Republic	5%	5%	98.39%
EKZ Tschechien 4 Immobiliengesellschaft s.r.o.	Czech Republic	50%	50%	50%

Acquisitions of subsidiaries

During 2005, the Group acquired the following companies:

Company	Share	Purchased on
ECM Hotel Operations EUROPORT s.r.o.	98.39%	1 April 2005
ECM Hotel Operations Plzen s.r.o.	98.39%	26 October 2005
ECM Byty s.r.o.	100%	26 April 2005
ECM Retail CB, a.s.	100%	24 November 2005
ECM Residence Unhost a.s.	100%	10 November 2005
ECM REAL ESTATE INVESTMENTS, k.s.	100%	21 December 2005
ECM Real Estate Development Prague s.r.o.	100%	21 December 2005

During 2004, the following companies were acquired:

Company	Share	Purchased on
TABULA MAIOR, a.s.	95%	15 July 2004
TABULA MINOR, a.s.	95%	15 July 2004
2P, s.r.o.	100%	14 October 2004

During 2003, the following companies were acquired:

Company	Share	Purchased on
ALBOTER s.r.o.	100%	14 April 2003
SPV POINT, a.s.	98.39%	14 November 2003
EKZ Tschechien 4 Immobiliengesellschaft s.r.o.	50%	1 April 2003

ALBOTER s.r.o. was disposed of on 1 December 2003.

During 2005, the Group established the following companies:

Company	Share	Established on
ECM Real Estate Consulting (Beijing) Co., Ltd.	100%	22 December 2005

During 2003, the following companies were established:

Company	Share	Established on
SPV TOWER, s.r.o.	98.39%	19 November 2003
SPV Court, s.r.o.	98.39%	26 November 2003

Effect of acquisitions

The acquisitions had the following effect on the Group's assets and liabilities:

The acquiree's net assets at the acquisition date (for companies acquired in 2005)

	ECM Hotel Operations EUROPORT s.r.o.	ECM Hotel Operations Plzen s.r.o.	ECM Byty s.r.o.	ECM Retail CB, a.s.	ECM Rezidence Unhost a.s.
			(In EUR thousand)		
Trade and other receivables	—	2	—	5	5
Cash and cash equivalents	7	5	7	64	64
Net identifiable assets and liabilities	7	7	7	69	69
Consideration, paid in cash	(7)	(7)	(7)	(69)	(69)
Cash (acquired)	7	5	7	64	64
Net cash outflow	—	(2)	—	(5)	(5)

The acquiree's net assets at the acquisition date (for companies acquired in 2005)

	ECM REAL ESTATE INVESTMENT S, k.s.	ECM Real Estate Development Prague s.r.o.
	(In EUR thousand)	
Property, plant and equipment	269	—
Trading property – inventory	2,783	—
Investment property	2,521	—
Intangible assets	49	—
Other investments	1,677	909
Trade and other receivables	2,494	948
Cash and cash equivalents	100	3
Trade and other payables	(9,174)	(516)
Net identifiable assets and liabilities	719	1,344
Consideration, paid in cash	(719)	(1,344)
Cash (acquired)	100	3
Net cash outflow	(619)	(1,341)

The acquiree's contribution to the consolidated net profit in 2005 (for companies acquired in 2005)

	Net profit contributed to consolidated profit in 2005
	(In EUR thousand)
ECM Hotel Operations EUROPORT, s.r.o.	(2)
ECM Hotel Operations Plzen s.r.o.	(2)
ECM Byty s.r.o.	(13)
ECM Retail CB, a.s.	(4)
ECM Rezidence Unhost, a.s.	(4)
ECM REAL ESTATE INVESTMENTS, k.s.	1
ECM Real Estate Development Prague s.r.o.	(13)

If the acquisitions had occurred on 1 January 2005, the Group revenue and net profit would not significantly differ from the values included in the consolidated financial statements. This is due to the fact that the acquired companies did not show any significant activity prior to their acquisition by the Group.

The acquiree's net assets at the acquisition date (for companies acquired in 2004)

	TABULA MAIOR, a.s.	**TABULA MINOR, a.s.**	**2P, s.r.o.**
		(In EUR thousand)	
Property, plant and equipment	3	—	165
Investment property	6,538	1,363	—
Intangible assets	3	2	—
Trade and other receivables	139	—	9
Cash and cash equivalents	—	1	2
Interest-bearing loans and borrowings	—	—	(164)
Trade and other payables	(177)	(4)	(4)
Net identifiable assets and liabilities	6,506	1,362	8
Consideration, paid in cash	(6,506)	(1,362)	(8)
Cash (acquired)	—	1	2
Net cash outflow	(6,506)	(1,361)	(6)

The acquiree's contribution to the consolidated net profit of 2004 (for companies acquired in 2004)

	TABULA MAIOR, a.s.	TABULA MINOR, a.s.	2P, s.r.o.
	(In EUR thousand)		
Net profit contributed to consolidated profit in 2004	342	(5)	(9)

If the acquisitions had occurred on 1 January 2004, the Group revenue and net profit would not significantly differ from the values included in the consolidated financial statements. This is due to the fact that the acquired companies did not show any significant activity prior to their acquisition by the Group.

The acquisition cost of the above stated companies was equal to the fair value of net assets.

The acquiree's net assets at the acquisition date (for companies acquired in 2003)

	2005	2004
	(In EUR thousand)	
Trade and other receivables	60	—
Cash	—	6
Consideration, paid in cash	(62)	(8)
Cash (acquired)	—	6
Net cash outflow	(62)	(2)

The acquiree's contribution to the consolidated net profit of 2003 (for companies acquired in 2003)

	SPV POINT, a. s.	ALBOTER s.r.o.
	(In EUR thousand)	
Net profit contributed to consolidated profit in 2003	—	38

If the acquisition had occurred on 1 January 2003, the Group revenue and net profit would not significantly differ from values included in the consolidated financial statements. This is due to the fact that the acquired companies did not show any significant activity prior to their acquisition by the Group.

The acquisition cost of the above stated companies was equal to the market value of net assets.

3.2 Gross rental income

Gross rental income totals EUR 2,136,000 (2004, – EUR 4,958,000; 2003 – EUR 4,390,000), which consists of income from the rental of offices, land and garages.

3.3 Net service charge income and property operating expenses

Net service charge income

	2005	2004	2003
		(In EUR thousand)	
Service charge income	30	174	311
Service charge expenses	(76)	(259)	(244)
Total	(46)	(85)	67

Property operating expenses

	2005	2004	2003
		(In EUR thousand)	
Repairs and maintenance	(569)	(843)	(1,515)
Depreciation of tangible fixed assets	(392)	(426)	(1,318)
Depreciation of finance lease assets	(332)	(329)	(331)
Energy	(97)	(98)	(116)
Other expenses	(73)	(1,599)	(814)
Total property operating expenses	(1,463)	(3,295)	(4,094)

3.4 Net valuation gains and losses on investment property

Valuation gains on investment property

	2005	2004	2003
		(In EUR thousand)	
Entity description – Project description			
CITY PROJECT	32,305	3,859	2,782
ECM Airport Center a.s. – Europort	—	4,242	212
	32,305	8,101	2,994

Valuation losses on investment property

	2005	2004	2003
		(In EUR thousand)	
Entity description – Project description			
CITY PROJECT	(183)	(523)	—
ECM Airport Center a.s. – Europort	(466)	—	—
	(649)	(523)	—
Net valuation gains and losses on investment	31,656	7,578	2,994

	2005	2004	2003
		(In EUR thousand)	
property			

3.5 Net result on disposal of trading property – inventory

	2005	2004	2003
		(In EUR thousand)	
Proceeds from sale of trading property – inventory and related accounts			
Entity description – Project description			
ECM Airport Center a.s. – Europort	6,749	—	—
2P, s.r.o.– DIPLOMAT	391	—	—
MV CENTRUM, a.s. – Empiria	—	57,241	—
SPV POINT, a.s. – City Point	—	28,119	—
ALBOTER s.r.o.	—	94	3,018
ECE Hamburg	—	—	5,223
Other	—	—	78
Total	7,140	85,454	8,319
Carrying value of sold trading property – inventory and related accounts			
Entity description – Project description			
ECM Airport Center a.s. – Europort	(5,502)	(46)	—
2P, s.r.o. – DIPLOMAT	(381)	—	—
MV CENTRUM, a.s. – Empiria	—	(57,241)	—
SPV POINT, a.s. – City Point	(193)	(27,481)	—
ALBOTER s.r.o.	—	—	2,964
ECE Hamburg	—	—	5,435
Other	—	—	67
	(6,076)	(84,768)	(8,466)
Total	1,064	686	(147)

ALBOTER s.r.o.

The ownership interest transfer agreement on the transfer of a 100 per cent. stake held by the Group in ALBOTER s.r.o. was signed on 1 December 2003. The share in the subsidiary was sold for EUR 289,000 in cash and a post-tax gain of EUR 54,000 was realised. In 2004, the price was additionally increased by EUR 94,000.

The effect of the disposal on trading property – inventory and related accounts of the Group (ALBOTER s.r.o.)

	2003
	(In EUR thousand)
Carrying value of sold trading property – inventory and related accounts	
Trading property – inventory	2,683
Trade and other receivables	70
Cash and cash equivalents	211
Total	2,964
Proceeds from the sale of trading property – inventory and related accounts	
Trade payables and other liabilities	2,729
Sale price	289
	3,018
Net identifiable assets and liabilities	2,964
Net gain/loss on disposal	54

ECE Hamburg

Agreements on the transfer of land held by the Group were signed in June 2001 and August 2001. The land was effectively sold in September 2003 for EUR 5,223,000 in cash and a loss of EUR 212,000 was realised.

MV CENTRUM, a.s.

The ownership interest transfer agreement on the transfer of a 100 per cent. stake in MV CENTRUM, a.s. was signed on 15 July 2004. The parties have agreed on the preliminary purchase price for the shares. The Group has paid EUR 453,000 in cash for the sale of the shares and a zero profit has been realised. The price will be adjusted in 2006. Based on the information obtained after the balance sheet date, an additional profit will be realised in 2006 after price adjustments.

MV CENTRUM, a.s. was the sole shareholder of TABULA MAIOR, a.s. and TABULA MINOR, a.s. The Group acquired 95 per cent. of TABULA MAIOR, a.s. and TABULA MINOR, a.s. at the time when MV CENTRUM, a.s. was sold. The Group has concluded an option to sell 95 per cent. of both companies to MV CENTRUM, a.s. after the development of the TABULA MAIOR, a.s. and TABULA MINOR, a.s. properties is completed. In case the option is not exercised by MV CENTRUM, a.s. the Group has the right to purchase the remaining 5 per cent. stake in both companies.

Effect of the disposal on trading property – inventory and related accounts of the Group (MV CENTRUM, a.s.)

	2004
	(In EUR thousand)
Carrying value of sold trading property – inventory and related accounts	
Trading property – inventory	45,954

	2004
	(In EUR thousand)
Property, plant and equipment and intangible fixed assets	42
Other investments	581
Trade and other receivables	10,014
Cash and cash equivalents	650
	57,241
Proceeds from sale of trading property – inventory and related accounts	
Trade payables and other liabilities	57,694
Sale price	(453)
	57,241
Net identifiable assets and liabilities	(57,241)
Net gain/loss on disposal	0

SPV POINT, a.s.

The ownership interest transfer agreement on the transfer of a 95 per cent. stake in SPV POINT, a.s. was signed on 22 September 2004. The remaining 5 per cent. stake is to be transferred to the buyer after 31 December 2009. The remaining stake is carried at cost and is classified as an available-for-sale financial asset in an unquoted equity instrument. The parties have agreed on the preliminary purchase price for the shares. The price will be adjusted in 2006. The Group has recognised the lowest certain income from the transaction. The shares of the subsidiary SPV POINT, a.s. were sold for EUR 9,406,000 in cash and a post-tax gain of EUR 638,000 was realised.

Effect of the disposal on property – inventory and related accounts of the Group (SPV POINT, a.s.)

	2004
	(In EUR thousand)
Carrying value of sold trading property – inventory and related accounts	
Trading property – inventory	13,928
Trade and other receivables	13,204
Cash and cash equivalents	349
	27,481
Proceeds from sale of trading property – inventory and related accounts	
Trade payables	18,713
Sale price	9,406
	28,119
Net identifiable assets and liabilities	(27,481)

	2004
	(In EUR thousand)
Net gain/loss on disposal	638

ECM Airport Center a.s.

The ownership interest transfer agreement on the transfer of a 99 per cent. stake held by the Group in ECM Airport Center a.s. was signed on 18 May 2005. The ownership transfer is to be completed in two stages, each stage involving a 49.5 per cent. stake. Only the first stage of the transaction (Closing I) has been completed as of 31 December 2005. The shares of the subsidiary ECM Airport Center a.s. were sold for EUR 3,500,000 in cash and a post-tax gain of EUR 1,247,000 was realised.

The second stage is to be completed following the finalisation of development work when the subject property is approved for use and tenants take possession of the premises. The final purchase price can be adjusted subject to certain conditions not being met.

Effect of the disposal on property – inventory and related accounts of the Group (ECM Airport Center a.s.)

	2005
	(In EUR thousand)
Carrying value of sold trading property – inventory and related accounts	
Investment property	5,597
Trade and other receivables	27
Effect in movement in foreign exchange rate	(122)
	5,502
Trade payables and other liabilities	3,249
Sales price	3,500
	6,749
Net identifiable assets and liabilities	(5,502
Net gain/loss on disposal	1,247

2P, s.r.o.

In November 2005, the Group sold 32.5 per cent. of its shares in the subsidiary 2P, s.r.o. The shares of 2P, s.r.o. were sold for EUR 4,000 in cash and a post-tax gain of EUR 10,000 was realised.

3.6 Administrative expenses

	2005	2004	2003
		(In EUR thousand)	
Advertising expenses	(952)	(599)	(441)

	2005	2004	2003
		(In EUR thousand)	
Audit, tax, advisory services	(97)	(71)	(235)
Material consumption	(79)	(86)	(96
Wages and salaries	(241)	(147)	(106)
Social security contributions	(66)	(46)	(40)
Amortisation of intangible fixed assets	(63)	(19)	(20)
Rent	(25)	(11)	—
Legal services	(17)	(194)	(344)
Other administrative expenses	(1,552)	(1,781)	(794)
	(3,092)	(2,954)	(2,076)

3.7 Net other income

Other income

	2005	2004	2003
		(In EUR thousand)	
Penalties	298	12	—
Net income on disposal of material, property, plant and equipment	13	61	—
Net income on written-off receivables	—	42	—
Change in provisions (Note 3.21)	—	259	—
Other	518	907	13
	829	1,281	13

Other expenses

	2005	2004	2003
		(In EUR thousand)	
Change in provisions (Note 3.21)	(16)	—	(186)
Taxes	(19)	(191)	(277)
Penalties	(31)	(132)	(173)
Receivable written off	(5)	(146)	(23)
Gifts	—	(18)	—
Other	(619)	(8)	(996)
	(690)	(495)	(1,655)

3.8 Net financing costs

	2005	2004	2003
	(In EUR thousand)		
Net foreign exchange gain	587	2,199	348
Interest income	64	218	258
Other financial income	14	8	20
Financial income	665	2,425	626
Interest expense related to non-bank loans........	(1,115)	(2,103)	(1,098)
Interest charges related to financial leases.........	(1,673)	(684)	(686)
Bank interest expense	(208)	(475)	(917)
Other financial expenses	(120)	(1,123)	(77)
Financial expenses	(3,116)	(4,385)	(2,778)
Net financing costs	(2,451)	(1,960)	(2,152)

3.9 Taxation

(a) Income tax expense recognised in the income statement

	2005	2004	2003
	(In EUR thousand)		
Current tax expense................................			
Current year	(6)	(1)	(1)
Total	(6)	(1)	(1)
Deferred tax expense			
New and reversed temporary differences	(7,383)	(2,158)	(2,958)
Effect of changes in foreign currency rates	(85)	(7)	59
Benefit of tax losses recognised	200	—	—
Total	(7,268)	(2,165)	(2,899)
Total income tax expense in income statement	(7,274)	(2,166)	(2,900)

(b) Reconciliation of effective tax rate

	2005	2005	2004	2004	2003	2003
	(In EUR thousand)					
Profit before tax..........		27,984		5,714		(2,660)
Income tax using the domestic corporation tax rate......................	24.0%	(6,716)	24.0%	(1,371)	24.0%	638
Change in tax rate		—		—		(1,489)

	2005	2005	2004	2004	2003	2003
			(In EUR thousand)			
from 31% to 24%........						
Non-deductible expenses		(456)		(210)		(2,049)
Tax exempt revenues.		296		—		—
Effect of tax losses not included in the deferred tax...............		(398)		(585)		—
Total..........................		(7,274)		(2,166)		(2,900)

The Group did not generate any significant taxable profits in 2003, 2004 or 2005. The recorded income tax expense related primarily to the change in deferred tax. Consequently, tax rates of 24 per cent. (in 2005, 2004 and 2003) and 31 per cent. (for deferred tax as at 1 January 2003) are used. These rates were enacted or substantially enacted for the periods in which the temporary differences are likely to reverse.

(c) Current tax assets and liabilities

The current tax asset of EUR 18,000 (2004, EUR 4,000; 2003, EUR 3,000) represents the amount of income tax recoverable in respect of current and prior periods, i.e. the amount by which the income tax receivable exceeds payments.

(d) Deferred tax assets and liabilities

The deferred tax assets and liabilities are attributable to the following:

	Assets			Liabilities			Net		
	2005	2004	2003	2005	2004	2003	2005	2004	2003
				(In EUR thousand)					
Investment property.....	—	490	2,250	(8,064)	—	—	(8,064)	490	2,250
Trading property – inventory	2,490	—	—	—	—	—	2,490	—	—
Finance lease.............	302	215	130	—	—	—	302	215	130
Property, plant and equipment	—	—	—	(38)	(47)	(338)	(38)	(47)	(338)
Interest-bearing loans and borrowings...........	182	194	453	—	—	—	182	194	453
Trade receivables........	185	137	93	—	—	—	185	137	93
Other items	—	26	171	(22)	—	—	(22)	26	171
Tax losses carried-forwards	762	600	1,014	—	—	—	762	600	1,014
Tax assets/(liabilities) ..	3,921	1,662	4,111	(8,124)	(47)	(338)	(4,203)	1,615	3,773
Unrecognised tax losses	(983)	(585)	—	—	—	—	—	—	—
Set-off of tax...............	608	2,957	706	(608	(2,957)	(706)	—	—	—
Net tax assets/(liabilities)	4,529	4,619	4,817	(8,732)	(3,004)	(1,044)	(4,203)	1,615	3,773

(e) Movement in temporary differences during the year

	Balance at 1 Jan 2003	Recognised in income	Disposed of as a result of change in the consolidation method	Balance at 31 Dec 2003
		(In EUR thousand)		
Investment property	5,276	(3,026)	—	2,250
Finance lease	58	72	—	130
Property, plant and equipment	(295)	(43)	—	(338)
Unrealised foreign exchange gains	(983)	983	—	—
Interest-bearing loans and borrowings	587	(134)	—	453
Trade receivables	—	93	—	93
Other items	230	(59)	—	171
Tax value of loss carry-forwards utilised	1,858	(844)	—	1,014
Total	6,731	(2,958)	—	3,773

	Balance at 1 Jan 2004	Recognised in income	Disposed of as a result of change in the consolidation method	Balance at 31 Dec 2004
		(In EUR thousand)		
Investment property	2,250	(1,760)	—	490
Finance lease	130	85	—	215
Property, plant and equipment	(338)	291	—	(47)
Interest-bearing loans and borrowings	453	(259)	—	194
Trade receivables	93	44	—	137
Other items	171	(144)	—	26
Tax value of loss carry-forwards utilised	1,014	(415)	—	600
	3,773	(2,158)	—	1,615

	Balance at 1 Jan 2005	Recognised in income	Disposed of as a result of change in the consolidation method	Balance at 31 Dec 2005
		(In EUR thousand)		
Investment property	490	(10,119)	1,565	(8,064)
Impairment of trading property – inventory	—	2,490	—	2,490
Finance lease	215	87	—	302
Property, plant and equipment	(47)	9	—	(38)
Interest-bearing loans and	194	(12)	—	182

	Balance at 1 Jan 2005	Recognised in income	Disposed of as a result of change in the consolidation method	Balance at 31 Dec 2005
		(In EUR thousand)		
borrowings				
Trade receivables	137	48	—	185
Other items	26	(48)	—	(22)
Tax value of loss carry-forwards – recognised	600	162	—	762
	1,615	(7,383)	1,565	(4,203)

The disposal of EUR 1,565,000 recorded in 2005 related to the disposal of 50 per cent. of the Group's interest in ECM Airport Center, a.s. (as described in Note 3.5). As a result of the disposal, the remaining Group interest in ECM Airport Center, a.s. is accounted for using the equity method as at 31 December 2005. Consequently, the deferred tax liability of EUR 1,565,000 existing as at the date of the disposal is no longer recognised in the deferred tax balance as at 31 December 2005.

3.10 Investment property

	ECM Airport Center	City Project	Total
		(In EUR thousand)	
Balance at 1 January 2003	3,450	23,156	26,606
Acquisitions	127	3,876	4,003
Fair value adjustment	212	2,782	2,994
Effect in movement in foreign exchange rate	(89)	(848)	(937)
Balance at 31 December 2003	3,700	28,966	32,666
Balance at 1 January 2004	3,700	28,966	32,666
Acquisitions	359	7,450	7,809
Acquisitions of companies	—	7,901	7,901
Fair value adjustment	4,242	3,336	7,578
Effect in movement in foreign exchange rate	436	1,977	2,413
Capitalised financial leases	1,767	—	1,767
Disposals	—	—	—
Balance at 31 December 2004	10,504	49,630	60,134
Balance at 1 January 2005	10,504	49,630	60,134
Acquisitions	454	6,911	7,365
Acquisitions of companies	300	2,221	2,521
Fair value adjustment	(466)	31,523	31,057

	ECM Airport Center	City Project	Total
		(In EUR thousand)	
Effect in movement in foreign exchange rate	517	3,329	3,846
Transfer to trading property – inventory	—	(28,614)	(28,614)
Disposals	(11,309)	—	(11,309)
Balance at 31 December 2005	—	65,000	65,000

Acquisitions of companies represent purchases of investment property as part of the acquisition of subsidiaries.

Disposals included in the above table in 2005 represent the disposal of investment property as a result of a change in the consolidation method applied to the Group's interest in ECM Airport Center a.s. in 2005. As described in Note 3.5.5, the Group sold 50 per cent. of its interest in ECM Airport Center a.s. in May 2005. Consequently, the consolidation method used in respect of ECM Airport Center a.s. was changed from full consolidation to the equity method of accounting.

Project	Description	Estimated total rentable/saleable space (m^2)
CITY	Multi-purpose development scheme (see a separate description below) in Prague 4/Pankrac district	231,468
EUROPORT	Marriot Courtyard at Prague Airport, 240 rooms hotel plus retail and parking spaces	29,000

Detailed description of CITY project		Estimated total rentable/saleable space (m^2)
CITY COURT	Office building with kitchen, canteen, storage and parking	18,674
CITY EPOQUE	Consist of 2 projects: EPOQUE RESIDENTIAL and EPOQUE HOTEL	51,000
EPOQUE RESIDENTIAL	170 apartments on 30 floors, 326 basement parking spaces, complementary services	32,000
EPOQUE HOTEL	330 hotel rooms on 22 floors, 4 basement floors with parking spaces, infrastructure, convention facilities	19,000
CITY ARENA	Multi-purpose retail, entertainment and lifestyle component of the City Project	12,000
CITY DECO CITY FORUM	Multi-purpose project with offices, retail spaces, conference room,	27,900

Detailed description of CITY project		Estimated total rentable/saleable space (m^2)
CITY ELEMENT	storage areas, dining facility, parking spaces	
EMPIRIA IV	Residential building with parking spaces and retail units where the existing garage building is located, currently in the acquisition phase	10,000

3.11 Property, plant and equipment

	Land and buildings	Plant and equipment	Under construction	Advance payments	Other	Finance leases	Total
			(In EUR thousand)				
Cost							
Balance at 1 January 2003	1,359	1,399	423	—	116	12,087	15,384
Acquisitions	190	131	88	16	—	—	425
Disposals............	(454)	(145)	—	—	(2)	—	(601)
Effect of movements in foreign exchange.	(16)	(32)	(8)	—	(2)	—	(58)
Balance at 31 December 2003...	1,079	1,353	503	16	112	12,087	15,150
Balance at 1 January 2004	1,079	1,353	503	16	112	12,087	15,150
Acquisitions through business combinations	—	—	172	—	—	—	172
Other acquisitions	—	49	189	412	—	281	931
Disposals............	(21)	(97)	(286)	—	—	—	(404)
Disposals out of the group	—	(188)	—	—	(9)	—	(197)
Effect of movements in foreign exchange.	68	71	(19)	(1)	5	—	124
Balance at 31 December 2004...	1,126	1,188	559	427	108	12,368	15,776
Balance at 1 January 2005	1,126	1,188	559	427	108	12,368	15,776
Acquisitions through business combinations	139	611	3	—	11	—	764
Other acquisitions	721	258	981	635	3	—	2,598
Disposals............	(54)	(236)	(11)	(3)	—	—	(304)
Effect of movements in foreign exchange.	49	46	25	(23)	6	—	103
Balance at 31 December 2005...	1,981	1,867	1,557	1,036	128	12,368	18,937

	Land and buildings	Plant and equipment	Under construction	Advance payments	Other	Finance leases	Total
				(In EUR thousand)			
Depreciation and impairment losses							
Balance at 1 January 2003	(1,300)	(538)	—	—	—	(910)	(2,748)
Depreciation charge for the year	(13)	(246)	(209)	—	—	(331)	(799)
Disposals............	454	91	—	—	—	—	545
Effect of movements in foreign exchange.	22	14	3	—	—	—	39
Balance sheet at 31 December 2003	(837)	(679)	(206)	—	—	(1,241)	(2,963)
Balance at 1 January 2004	(837)	(679)	(206)	—	—	(1,241)	(2,963)
Depreciation charge for the year	(145)	(246)	—	—	—	(329)	(720)
Disposals............	15	20	206	—	—	—	241
Disposals out of the group	—	125	—	—	—	—	125
Effect of movements in foreign exchange.	(54)	(60)	—	—	—	—	(114)
Balance at 31 December 2004...	(1,021)	(840)	—	—	—	(1,570)	(3,431)
Balance at 1 January 2005	(1,021)	(840)	—	—	—	(1,570)	(3,431)
Acquisitions through business combinations	—	(496)	—	—	—	—	(496)
Depreciation charge for the year	(47)	(341)	—	—	—	(332)	(720)
Transfer to investment property	—	—	—	—	—	—	—
Disposals............	—	242	—	—	—	—	242
Effect of movements in foreign exchange.	(51)	(70)	—	—	—	—	(121)
Balance at 31 December 2005...	(1,119)	(1,505)	—	—	—	(1,902)	(4,526)
Carrying amounts							
At 1 January 2003	59	861	423	—	116	11,177	12,636
At 31 December	242	674	297	16	112	10,846	12,187

	Land and buildings	Plant and equipment	Under construction	Advance payments	Other	Finance leases	Total
	(In EUR thousand)						
2003							
At 1 January 2004	242	674	297	16	112	10,846	12,187
At 31 December 2004	105	348	559	427	108	10,798	12,345
At 1 January 2005	105	348	559	427	108	10,798	12,345
At 31 December 2005	862	362	1,557	1,036	128	10,466	14,411

Disposals out of the Group represent disposals of the assets of the subsidiaries disposed of.

Land and buildings

	31 December		
	2005	**2004**	**2003**
	(In EUR thousand)		
ECM BYTY s.r.o...	656	—	—
ECM REAL ESTATE INVESTMENTS, k.s.	150	—	—
ECM Finance a.s.	56	67	64
SPV TOWER, s.r.o.	—	38	178
Total	**862**	**105**	**242**

Plant and equipment

	31 December		
	2005	**2004**	**2003**
	(In EUR thousand)		
TABULA MAIOR, a.s.	169	3	—
ECM REAL ESTATE INVESTMENTS, k.s.	101	—	—
ECM Finance a.s.	83	345	589
LANCASTER a.s...	9	—	—
MV CENTRUM, a.s..	—	—	85
Total	**362**	**348**	**674**

Property under construction

	31 December		
	2005	**2004**	**2003**
	(In EUR thousand)		
2P, s.r.o.	870	225	—
ECM Finance a.s.	345	334	297
ECM Residence Unhost a.s.	18	—	—
ECM BYTY, s.r.o.	4	—	—
ECM REAL ESTATE INVESTMENTS, k.s.	320	—	—
Total	**1,557**	**559**	**297**

Advance payments for tangible fixed assets

	31 December		
	2005	**2004**	**2003**
	(In EUR thousand)		
ECM Residence Unhost, a.s.	575	—	—
2P, s.r.o.	414	394	—
ECM Finance a.s.	47	33	16
Total	**1,036**	**427**	**16**

Finance leases

	31 December		
	2005	**2004**	**2003**
	(In EUR thousand)		
ECM Finance a.s. - Hotel Mariott	9,850	10,140	10,429
ECM Finance a.s. - Vila C	333	375	417
2P, s.r.o.	283	283	—
Total	**10,466**	**10,798**	**10,846**

3.12 Intangible assets

	Software	Other intangible assets	Total
	(In EUR thousand)		
Cost			
Balance at 1 January 2003	66	22	88
Effect of movements in foreign exchange rate	(2)	(1)	(3)
Balance at 31 December 2003	64	21	85
Balance at 1 January 2004	64	21	85
Acquisitions through business combinations	3	2	5
Other acquisitions	—	5	5
Disposal out of the Group	(9)	(21)	(30)
Effect of movements in foreign exchange rate	4	1	5
Balance at 31 December 2004	62	8	70
Balance at 1 January 2005	62	8	70
Acquisitions through business combinations	649	40	689
Other acquisitions	76	481	557
Effect of movements in foreign exchange rate	1	9	10
Balance at 31 December 2005	788	538	1,326
Amortisation and impairment losses			
Balance at 1 January 2003	(31)	(9)	(40)
Amortisation for the year	(16)	(4)	(20)
Effect of movements in foreign exchange rate	2	—	2
Balance at 31 December 2003	(45)	(13)	(58)
Balance at 1 January 2004	(45)	(13)	(58)
Amortisation for the year	(16)	(3)	(19)
Disposal through disposal of part of the Group	6	11	17
Effect of movements in foreign exchange rate	(4)	(1)	(5)
Balance at 31 December 2004	(59)	(6)	(65)
Balance at 1 January 2005	(59)	(6)	(65)
Amortisation for the year	(43)	(20)	(63)
Acquisitions through business combinations	(631)	(9)	(640)
Effect of movements in foreign exchange rate	(4)	(12)	(16)

	Software	Other intangible assets	Total
		(In EUR thousand)	
Balance at 31 December 2005	(737)	(47)	(784)
Carrying amounts			
At 1 January 2003	35	13	48
At 31 December 2003	19	8	27
At 1 January 2004	19	8	27
At 31 December 2004	3	2	5
At 1 January 2005	3	2	5
At 31 December 2005	51	491	542

Other intangible assets primarily include the user's right in the amount of EUR 502,000 as at 31 December 2005.

3.13 Investments in associates and joint ventures

The Group has the following investments in associates and joint ventures:

		Ownership		
	Country	2005	2004	2003
EKZ Tschechien 4 Immobiliengesellschaft s.r.o.	Czech Republic	50%	50%	50%
ECM Airport Center a.s.	Czech Republic	49.5%	99%	100%

These associates and joint ventures are accounted for using the equity method. As at 31 December 2005, the amount of the investment in ECM Airport Center a.s. totalled EUR 2,297,000 (2004, EUR 0, 2003, EUR 0) and the amount of the investment in EKZ Tschechien 4 Immobiliengesellschaft s.r.o. totalled EUR 2,000 (2004, EUR 2,000 2003, EUR 2,000).

The Group's share of the post-acquisition profit or loss of the above associates and joint ventures recognised as at 31 December 2005 is EUR 1,514,000 (2004, EUR 0, 2003, EUR 0).

The financial information relating to associates and joint ventures (not considering the actual Group share in these companies) is summarised below:

	Assets	Liabilities	Equity	Profit/(loss)
		(In EUR thousand)		
2005				

	Assets	Liabilities	Equity	Profit/(loss)
		(In EUR thousand)		
EKZ Tschechien 4 Immobiliengesellschaft s.r.o.	122	(129)	7	—
ECM Airport Center a.s.................	19,622	(14,671)	(4,951)	(96)
2004				
EKZ Tschechien 4 Immobiliengesellschaft s.r.o.	51	(56)	5	(2)
ECM Airport Center a.s.................	10,631	(5,806)	(4,825)	3,137
2003				
EKZ Tschechien 4 Immobiliengesellschaft s.r.o.	15	(18)	3	—
ECM Airport Center a.s.................	3,742	(2,209)	(1,533)	(262)

3.14 Provided loans

	2005	Average interest rate	2004	Average interest rate	2003	Average interest rate
			(In EUR thousand)			
Provided loans........................	562	4.66%	2,007	4.66%	4,674	4.66%
	562		**2,007**		**4,674**	

3.15 Long-term receivables

There were no long-term receivables as at 31 December 2005 (2004, EUR 54,000; 2003, EUR 0).

3.16 Trading property – inventory

	CITY TOWER	CITY EMPIRIA	CITY POINT	ALBOTER	ECE Hamburg + Other	Total
			(In EUR thousand)			
Balance at 1 January 2003.....	—	31,939	5,990	2,227	6,756	46,912
Acquisition..............................	—	12,406	2,986	473	640	16,505
Sold trading property – inventory................................	—	—	—	(2,683)	(5,502)	(8,185)
Effect of movement in foreign exchange rate........................	—	(749)	(254)	(17)	(87)	(1,107)
Balance at 31 December 2003......................................	—	43,596	8,722	—	1,807	54,125
Balance at 1 January 2004	—	43,596	8,722	—	1,807	54,125

	CITY TOWER	CITY EMPIRIA	CITY POINT	ALBOTER	ECE Hamburg + Other	Total
			(In EUR thousand)			
Acquisition	—	—	4,651	—	171	4,822
Sold trading property – inventory	—	(45,954)	(13,928)	—	—	(59,882)
Effect of movement in foreign exchange rate	—	2,358	555	—	115	3,028
Balance at 31 December 2004	—	—	—	—	2,093	2,093
Balance at 1 January 2005	—	—	—	—	2,093	2,093
Transfer from investment property	28,614	—	—	—	—	28,614
Acquisition	—	—	—	—	2,349	2,349
Effect of movement in foreign exchange rate	—	—	—	—	—	—
Balance at 31 December 2005	28,614	—	—	—	4,442	33,056

The ownership interest transfer agreement on the transfer of a 95 per cent. stake in SPV Tower, s.r.o. was signed on 23 August 2005. The sale is expected to take place following completion of construction work on the property and achievement of a specified contracted rental income target. The construction is to be completed by December 2009. A future transfer agreement on the transfer of the remaining ownership interest will become effective after 31 December 2009.

The Group has recognised an impairment of EUR 2,192,000 with respect to ALBOTER's trading property and EUR 3,810,000 with respect to SPV POINT's trading property in its opening IFRS balance sheet as at 1 January 2003. The impairment was recognised on the grounds of prudence because subsequent sales of ALBOTER s.r.o. and SPV POINT, a.s. indicated a lower value of the property.

Other trading property – inventory represents primarily unbilled services provided by ECM Finance a.s. and ECM REAL ESTATE INVESTMENTS, k.s. to other companies outside the Group.

Description of trading property – inventory

Project	Description	Estimated total rentable/saleable space (m^2)
CITY TOWER	Office building with retail, storage, parking and restaurant facilities	47,374
CITY EMPIRIA	Office building	23,000
CITY POINT	Commissioned office building leased to two anchor tenants (Eurotel, ICZ)	8,520

3.17 Trade and other receivables

	2005	2004	2003
	(In EUR thousand)		
Trade receivables	6,391	7,528	2,557
Prepaid expenses	258	100	161
Value added tax receivables	829	364	125
Pre-payments	477	357	747
Receivables from partners	259	1	1
Receivables from subscribed shareholders'\ capital	93	—	—
Estimated receivables	49	23	138
Receivables from employees	34	—	1
Other receivables	339	228	545
Total	**8,729**	**8,601**	**4,275**

Trade receivables are shown net of impairment losses amounting to EUR 170,000 recognised in the current year (2004, EUR 84,000; 2003, EUR 192,000).

3.18 Cash and cash equivalents

	2005	2004	2003
	(In EUR thousand)		
Bank balances	2,903	1,208	5,361
Cash and cash equivalents	24	21	14
Cash and cash equivalents in the cash-flow statement	**2,927**	**1,229**	**5,375**

3.19 Changes in equity

The consolidated statement of changes in equity is presented on the face of the financial statements.

Share capital

	Ordinary shares		
	2005	**2004**	**2003**
	(in thousands of shares)		
Issued at 1 January	1,500	1,500	56
Transfer to share capital from retained earnings	3,000	—	1,444
Issued at 31 December – fully paid	4,500	1,500	1,500

Capital structure

The subscribed capital of the Company was EUR 4,500,000 comprising 18,000 shares, each with a nominal value of EUR 250. All shares are of the same type (ordinary registered shares) and are fully paid-up.

The authorised capital of the Company is determined to be EUR 6,000,000 – to be divided into 24,000 shares each with a nominal value of EUR 250.

The authorised and the subscribed capital of the Company may be increased or reduced by a decision of the general meeting of shareholders, voting with the same quorum as for an amendment to the articles of incorporation.

Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements from the functional to the presentation currency (see accounting policy (q)).

Other changes in equity

Other changes in equity in the statement of changes in equity presented on the face of the financial statements include primarily minority interests reclassified to retained earnings as a result of the acquisition of ECM REAL ESTATE INVESTMENTS, k.s. in December 2005. ECM REAL ESTATE INVESTMENTS, k.s. is a minority owner of other subsidiaries within the Group.

3.20 Interest-bearing loans and borrowings

The contractual terms of the Group's interest-bearing loans and borrowings are summarised below. For more information about the Group's exposure to interest rate and foreign currency risk, please refer to Note (3.25).

	2005	2004	2003
		(In EUR thousand)	
Non-current liabilities			
Loans from third parties	(8,007)	(9,524)	(8,772)
Loans from third parties – BOHL MEZZANINE INVESTMENT S.A.	(27,248)	(25,470)	(22,787)
Bank loans	(13,837)	(4,337)	(36,694)
Loans from related parties	(4,075)	(170)	(5,622)
Total	(53,167)	(39,501)	(73,875)

Interest-bearing loans and borrowings are payable as follows:

	Amount as at 31 December 2005	Payable in 1-5 years	Payable after 5 years
		(In EUR thousand)	
Loans from third parties	(8,007)	(327)	(7,680)
Loans from third parties – BOHL MEZZANINE	(27,248)	—	(27,248)

	Amount as at 31 December 2005	Payable in 1-5 years	Payable after 5 years
	(In EUR thousand)		
INVESTMENT S.A.			
Bank loans	(13,837)	(6,472)	(7,365)
Loans from related parties	(4,075)	—	(4,075)
Total	**(53,167)**	**(6,799)**	**(46,243)**

The bank loans are secured as follows:

Entity	Assets pledged by the entity	Carrying amount of pledged assets		
		2005	2004	2003
		(In EUR thousand)		
LANCASTER a.s.	Land, trade receivables, shares	33,100	7,437	643
SPV TOWER, s.r.o.	Land, trade receivables, receivables from insurance contracts, shares	28,622	22,503	18,000
TABULA MAIOR, a.s.	Land, trade receivables, current account receivables, shares	16,111	7,414	—
SPV Court, s.r.o.	Land	6,316	5,973	5,430
2 P, s.r.o.	Current account receivables	9	2	—
MV CENTRUM, a.s.	Land, building, trade receivables	—	—	43,484
TRADITRADE, s.r.o.	Land, current account receivables	6,983	4,865	4,655
ECM Finance a.s.	Trade receivables	575	799	504
Total		91,716	48,993	72,716

Pledge of the group's stakes for bank loans

In addition, ECM REAL ESTATE INVESTMENTS A.G. has pledged its stake in TABULA MAIOR, a.s., ECM Finance a.s., LANCASTER a.s., and SPV TOWER, s.r.o. for bank loans granted to these Group companies. ECM Finance a.s. has pledged its stakes in TRADITRADE, s.r.o.

Guarantees provided on behalf of Group companies for bank loans

ECM Finance a.s. has provided guarantees to banks on behalf of TABULA MAIOR, a.s., TRADITRADE, s.r.o. that it will reimburse the banks for all over-the-budget construction costs in case the Group companies lack sufficient funds for additional loan repayments.

ECM REAL ESTATE INVESTMENTS A.G., ECM Finance a.s., and SPV Court, s.r.o. have provided a guarantee for the credit repayments to banks on behalf of LANCASTER a.s.

Pledge of real estate on behalf of other group companies

SPV Court, s.r.o. has also pledged all of its trade receivables and real estate for the bank loan granted to LANCASTER a.s.

Subordination agreements

Group companies TABULA MAIOR a.s., TRADITRADE s.r.o., and LANCASTER a.s., have signed subordination agreements with the banks which subordinate all other liabilities to these bank loans.

Additional securities obtained for bank loans

Mr Milan Janků, Chief Executive Officer and a majority shareholder, has provided a personal guarantee for bank loans granted to ECM Finance a.s.

3.21 Provisions

The Group creates provisions mainly for real estate transfer tax and penalties. The provisions recorded by the Group as at 31 December 2005 amounted EUR 211,000 (2004, EUR 187,000; 2003, EUR 513,000).

	(In EUR thousand)
Balance at 1 January 2003	351
Provisions created during the year	474
Provisions used during the year	(300)
Effect of movement in foreign exchange rate	(12)
Balance at 31 December 2003	513
Balance at 1 January 2004	513
Provisions created during the year	131
Provisions used during the year	(390)
Provisions disposed of	(89)
Provisions released during the year	—
Effect of movement in foreign exchange rate	22
Balance at 31 December 2004	187
Balance at 1 January 2005	187
Provisions created during the year	58
Provisions used during the year	(42)
Effect of movement in foreign exchange rate	8
Provisions released during the year	—
Balance at 31 December 2005	211
Non-current	—
Current	211
Total	211

3.22 Trade and other payables

	2005	2004	2003
	(In EUR thousand)		
Trade payables	6,695	8,307	5,127
Advances received	3,203	2,533	2,660
Deferred revenues	542	14	1,211
Accrued expenses	215	171	848
Payables to employees, social security and health insurance, employees' income tax	92	12	14
Other payables	152	515	2,861
Total	(10,899)	(11,552)	(12,721)

3.23 Finance lease liabilities

As at 31 December 2005, long-term liabilities amounted to EUR 12,024,000 (2004, EUR 13,423,000; 2003, EUR 11,809,000), of which EUR 11,551,000 (2004, EUR 13,360,000; 2003, EUR 11,355,000) related to finance lease liabilities.

Non-cancellable finance lease rentals are payable as follows:

	2005	2004	2003
	(In EUR thousand)		
Between one and five years	323	278	236
More than five years	11,228	13,082	11,119
Total	11,551	13,360	11,355

During the year ended 31 December 2005, EUR 700,000 was recognised as an interest expense in the income statement in respect of finance leases (2004, EUR 684,000; 2003, EUR 686,000).

3.24 Operating leases

Contracts entered into by the Group as lessee

Non-cancellable operating lease rentals are payable as follows:

	2005	2004	2003
	(In EUR thousand)		
Less than one year	669	253	—
Between one and five years	2,604	1,349	—
More than five years	408	745	—
Total	3,681	2,347	—

The Group has entered into finance and operating leases of land and is both the lessor (under a finance lease) and the lessee for hotel operations. The Group also rents its headquarters under an operating lease agreement.

The Group leases offices and cars under operating leases. The Company has entered into an operating lease in respect of land at Prague Airport (ECM Airport Center a.s.). Interest under this operating lease was classified and measured as investment property in 2004, as described in Note (3.10).

Contracts entered into by the Group as lessor

The Group leases out its investment property under operating leases. The future minimum lease payments under non-cancellable leases are as follows:

	2005	2004	2003
		(In EUR thousand)	
Less than one year	472	174	—
Between one and five years	2,105	2,051	—
More than five years	636	1,162	—
Total	**3,213**	**3,387**	**—**

The Group has also entered into a sublease agreement for part of its premises. A certain portion of the sublease rental income is variable depending on the turnover of the lessee.

3.25 Financial instruments

Exposure to credit, interest rate and currency risks arises in the normal course of the Group's business.

Credit risk

The management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed for all customers requiring credit over a certain amount. The Group does not require collateral in respect of financial assets.

Investments can be made only in liquid securities and only with counterparties that have a credit rating equal to or better than the Group. Transactions involving derivative financial instruments are with counterparties that have a sound credit rating and with whom the Group has a signed netting agreement. Given their high credit ratings, the management does not expect any counterparty to fail to meet its obligations.

At the balance sheet date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the balance sheet.

Foreign currency risk

The Group is exposed to foreign currency risk on borrowings that are denominated in a currency other than the euro. The currency risk is managed where possible by making investments in the same currency as the financing sources utilised. If the currencies are different, the Group limits the risk, where appropriate, by using hedging instruments and other mechanisms.

The currency risk during the period of repayment of the liabilities to third parties is usually offset by generating revenues denominated in the same underlying currency, which is applicable to both sales revenues and operating revenues.

The euro is also commonly used for transactions in the real estate market in the Czech Republic. As a result, the Group is exposed to foreign currency risk on investment properties and trading properties – inventory, where the related future revenues might be generated in euros.

Derivative financial instruments were used in 2005 to hedge against the exposure to foreign currency risk arising on forecast transactions. However, the Group has not applied hedge accounting for these transactions.

The amount of derivative financial instruments not settled as at 31 December 2005 was insignificant to the size of the Group.

Interest rate risk

The interest rate risk is applicable generally to those business activities and development projects where the floating interest rates for the debt financing are used. Bank loans usually have flexible interest rates in the vast majority of senior financing cases depending on EURIBOR of PRIBOR rates for the reference period from one month to six months increased by a fixed margin. Some of the loan agreements request the Group to enter into interest rate hedge using derivatives should the exposure to cash flow interest rate risk exceed predefined levels.

Liquidity risk

With respect to the nature of its business (where a vast majority of business activities performed are allocated in special purpose companies) and its assets, the Group is naturally exposed, to some extent, to liquidity risk. However, this risk is minimal because of the business strategy adopted and carried out by the Group – to develop a project property and execute an investment exit generating sales revenues or continue to operate the property.

Effective interest rates and repricing analysis

In respect of interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date and the periods in which they reprice.

	2005					
	Effective interest rate	**Total**	**6 months or less**	**6-12 months**	**1-5 years**	**More than 5 years**
			(In EUR thousand)			
Loans from third parties	12%	(8,007)	(427)			(7,580)
Loans from third parties – BOHL MEZZANINE INVESTMENT S.A. ..	7%	(27,248)	(27,248)	—	—	—
Bank loans	5%	(13,837)	(13,837)	—	—	—
Loans from related parties	5%	(4,075)	(4,075)	—	—	—
Total		**(53,167)**	**(45,587)**	**—**	**—**	**(7,580)**

	2004					
	Effective interest rate	Total	6 months or less	6-12 months	1-5 years	More than 5 years
			(In EUR thousand)			
Loans from third parties	12%	(9,524)	—	—	—	(9,524)
Loans from third parties – BOHL MEZZANINE INVESTMENT S.A. ..	7%	(25,470)	(25,470)	—	—	—
Bank loans	5%	(4,337)	(4,337)	—	—	—
Loans from related parties	5%	(170)	(170)	—	—	—
Total		**(39,501)**	**(29,977)**		**—**	**(9,524)**

	2003					
	Effective interest rate	Total	6 months or less	6-12 months	1-5 years	More than 5 years
			(In EUR thousand)			
Loans from third parties	12%	(8,772)	—	—	—	(8,772)
Loans from third parties – BOHL MEZZANINE INVESTMENT S.A. ..	7%	(22,787)	(22,787)	—	—	—
Bank loans	5%	(36,694)	(36,694)	—	—	—
Loans from related parties	5%	(5,622)	(5,622)	—	—	—
Total		**(73,875)**	**(65,103)**		**—**	**(8,772)**

3.26 Contingencies

The Group identified the following contingencies as at 31 December 2005:

- ECM REAL ESTATE INVESTMENTS, k.s. issued two blank promissory notes to ČSOB Leasing in the total amount of EUR 79,000;
- A lawsuit was filed by European Property Development against ECM Finance a.s. The amount of the suit is EUR 463,000;
- SPV Court, s.r.o. issued a guarantee to a bank for a third party in the amount of EUR 8,098,000;
- SPV TOWER, s.r.o. pledged part of its land and buildings as a guarantee for a third party. The guarantee totals EUR 7,000,000;
- ECM Finance a.s. issued a guarantee for third party liabilities in the amount of EUR 2,313,000, of which EUR 1,812,000 was to a related party;
- ECM REAL ESTATE INVESTMENTS A.G. has provided a guaranteed to a third party on behalf of one of the related parties in an unspecified amount for receivables arising under a cooperation contract;

- ECM Finance a.s. has provided a guarantee on behalf of one of the Group companies for receivables from rental contracts;
- ECM Finance a.s. has pledged its receivables from bank accounts to banks for securing bank receivables from treasury operations with the Group up to the amount of EUR 3,800,000; and
- ECM Finance a.s. has provided a guarantee of EUR 350,000 on behalf of third parties to secure bank receivables from treasury operations.

3.27 Related parties

Identity of related parties

The Group has a related party relationship with its subsidiaries, associates, joint ventures and with its directors and executive officers.

Key management persons are the Chairman of the Board of Directors, the Finance Director and the Chief Project Manager. The accrued remuneration of the key management personnel is as follows:

	2005	2004	2003
	(In EUR thousand)		
Remuneration and benefits paid to key management	410	169	150
	410	**169**	**150**

The Group identified the following transactions with related parties in 2005, 2004 and 2003:

		2005	2004	2003
		(In EUR thousand)		
Milan Janků	Loans provided to the Group	3,667	372	66
	Loans granted by the Group	451		142
	Advances provided by the Group	365	372	18
Europa Capital Management, a.s.	Receivables from Group	—	265	248
	Services provided to Group	—	269	9
	Advances provided by the Group	194	254	—
	Loans granted by the Group	—	—	111
	Property acquisition		—	1,531
ECM REAL ESTATE INVESTMENTS, k.s.	Receivables from the Group		3,235	1,987
	Payables to the Group		393	459
	Property acquisition		1,811	3,751
	Other services provided		558	341

		2005	2004	2003
		(In EUR thousand)		
	to the Group			
	Purchases from the Group		439	—
	Loans provided to the Group		—	149
	Loans granted by the Group		—	1,674
ECM Real Estate Development Prague s.r.o.	Loans provided to the Group	—	665	298
	Loans granted by the Group	—	—	215
	Receivables from the Group	—	—	38
Wincroft Investment Management Ltd.	Payables to the Group	1,600	—	—
	Receivables from the Group	647	—	—
Kanebo Investments S.A.	Loans provided to the Group	364	—	—
Longin Business Center a.s.	Loans provided to the Group	—	1,468	1,598
	Loans granted by the Group	—	—	2,519
	Receivables from the Group	—	—	59
Nová Liboc a.s..............................	Loans provided to the Group	—	41	—
	Loans granted by the Group	—	—	40
ECM Facility, a.s...........................	Services provided to the group	123	—	634
	Receivables from the Group	—	—	276
	Payables to the Group	—	—	88
	Loans provided to the Group	—	—	9
	Loans granted by the Group	—	—	13
	Property acquisition	—	—	32
Other related parties	Loans provided to the Group	89	—	—

3.28 Subsequent events

In January 2006, the Group signed a joint venture agreement with Citigroup Property Investors to invest in the development and investment projects in the Czech Republic entitled Czech Regions Sarl, based in Luxemburg. ECM REAL ESTATE INVESTMENTS A.G. holds a 50 per cent. stake in this joint venture through its subsidiary Aquamarine Sarl.

Czech Regions Sarl will exclusively invest in projects in the geographical area of the Czech Republic, mainly in the major regional cities. The investment capacity of the joint venture will reach EUR 200,000,000 within the next three years.

In February 2006, the joint venture completed the first two purchases, namely the Varenska Office Centre in Ostrava and the Diplomat Centre in Plzen.

Subsequent to the year-end, the Group also purchased the following subsidiaries:

- EPOQUE-LANCASTER a.s. (former MISANDR a.s.) - 100 per cent. ownership purchased
- ADARKON a.s. - 100 per cent. ownership purchased,
- ECM Regions CZ S.a.r.l. - 100 per cent. ownership purchased,

The Group has repurchased a 32.5 per cent. stake in 2P, s.r.o. and is finalising preparatory work to sign an Ownership Transfer Agreement in respect of its share in 2P, s.r.o.

In March, the joint venture company EKZ Tschechien 4 Immobiliengesellschaft s.r.o. received a series of permits allowing continuation of the infrastructure project for the CITY projects.

The Group is finalising preparatory work to sign an Ownership Transfer Agreement related to its share in TRADITRADE s.r.o. The completion of the transaction is subject to the fulfilment of contractually agreed conditions precedent which are assumed to be fulfilled in May 2006.

The Group company, LANCASTER a.s., has purchased an additional 4,446 m^2 of land in the Pankrác locality, thereby achieving a necessary buildable area for its CITY EPOQUE projects.

3.29 Explanation of the transition to IFRSs

The accounting policies set out in 'Significant accounting policies' have been applied in preparing the financial statements for the year ended 31 December 2005 and the comparative information presented in these financial statements for the years ended 31 December 2004 and 31 December 2003.

The Group did not present consolidated financial statements for previous periods.

The following schedule includes significant adjustments made during the preparation of the consolidated IFRS financial statements as a result of transition from the local GAAP to IFRS:

Impact on equity

	31 December			**1 December**
	2005	**2004**	**2003**	**2003**
	(In EUR thousand)			
Revaluation of investment property	21,759	(6,447)	(4,025)	(17,018)
Change in deferred tax	(6,580)	81	1,789	5,413
Capitalisation of finance lease	(1,131)	(841)	(545)	(240)
Not amortised goodwill under IFRS	737	480	240	—
Other adjustments	(713)	(549)	(386)	(329)
Total	**14,072**	**(7,276)**	**(12,927)**	**(12,174)**

Impact on P&L account

	31 December		
	2005	2004	2003
	(In EUR thousand)		
Revaluation of investment property	31,057	7,577	2,994
Change in deferred tax	(7,345)	(1,708)	(3,624)
Capitalisation of finance lease	(290)	(296)	(304)
Unamortised goodwill under IFRS	257	240	240
Other adjustments...	(163)	(163)	(57)
Total	**23,516**	**5,650**	**(751)**

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