

ECM REAL ESTATE INVESTMENTS A.G.

**ANNUAL REPORT AND
INDEPENDENT AUDITOR'S REPORT**

FOR THE YEAR ENDED 31 DECEMBER 2009

REPORT OF THE REVISEUR D'ENTREPRISES

To the shareholders of
ECM REAL ESTATE INVESTMENTS A.G.
9, rue du Laboratoire
L-1911 Luxembourg

Report on the consolidated financial statements

Following our appointment by the General Meeting of the Shareholders dated 28 April 2009, we have audited the accompanying consolidated financial statements of ECM REAL ESTATE INVESTMENTS A.G., which comprise the consolidated statement of financial position as at 31 December 2009, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Board of Directors' responsibility for the consolidated financial statements

The Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Responsibility of the réviseur d'entreprises

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted by the *Institut des réviseurs d'entreprises*. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the judgment of the *réviseur d'entreprises*, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the *réviseur d'entreprises* considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of ECM REAL ESTATE INVESTMENTS A.G. as of 31 December 2009, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Without qualifying our opinion, we draw your attention to Note 3.37.3. of the consolidated financial statements. ECM REAL ESTATE INVESTMENTS A.G. is currently in breach of the condition defined in article 4.1.8.4 of securities notes as the event of default to its euro bonds with convertible warrants. As discussed in that note to the consolidated financial statements, the Company's ability to continue as a going concern is dependent upon the decision of the general meeting of the Bondholders as it may require repayment of the euro bonds at an amount equal to 125% of the par value together with accrued interest. These consolidated financial statements do not include any adjustments that might be required if the euro bonds become repayable after the general meeting of the Bondholders.

Deloitte

Report on other legal and regulatory requirements

The consolidated management report, which is the responsibility of the Board of Directors, is consistent with the consolidated financial statements.

Deloitte S.A.

Réviseur d'entreprises

A handwritten signature in black ink, appearing to read 'Nick Tabone', written over a horizontal line.

Nick Tabone
Partner

2 April 2010

ECM REAL ESTATE INVESTMENTS A.G.
ANNUAL REPORT 2009
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1. Letter from the Chairman of the Board and President

Dear shareholders, business partners, clients and customers, and distinguished stakeholders,

I am please to present to you the annual report of ECM REAL ESTATES INVESTMENTS AG for the year 2009, which proved to be even more challenging than the last one. The year to which most of us were looking forward in hope, the year which one might call “The year after” and the year which, contrary to expectations, made us humbly look back to the very foundations of our business and think very carefully about the future direction of our company.

I must confess that market conditions for the last year put our business under even tougher pressure than I would have expected in my worst nightmares. Let me just name a few constrains for the last year:

- Financial debt markets remained virtually closed for 2009
- The credit crunch kept putting significant restrictions on our business with the majority of the banks primarily still focused on doing their own house cleaning
- Contrary to the vast majority of economic predictions the global economy recovery is still more or less wishful thinking with no light at the end of the tunnel in sight.
- The development and the construction business continued to be among the most severely hit by the global financial and economic slowdown.

All of the above mentioned and even more undisclosed facts have obviously had a major impact on real estate companies throughout the world, ECM being no exception.

This, however, didn't mean that ECM stood with their arms folded and passively waited for the next things to come.

On the contrary, ECM kept on implementing a further series of cost savings measures, aimed predominantly at a significant reduction in personnel and professional services, finally resulting in the handover of all those activities on to a specialized service company outside the world of ECM. Above all, the results of that can be clearly seen in our consolidated financial results where our OPEX is notably lower than for year 2008.

Despite the market conditions being very far from ideal we are proud to report several achievements in the field of development.

- In the Czech Republic we have managed to secure the number one spot as the disposal of the City Tower project ranked as the single largest real estate transaction for the year 2009.
- In China we have fully completed the construction phase of both of our projects
- Also in China we have accomplished the reacquisition of 12.9% equity stakes for both projects, hence increased our share on future profit
- In Russia we have obtained a valid construction permit with actual construction work being started now
- We are continuing with the gradual sale of individual properties in our residential project Terasy Unhost

I would like to close this foreword by thanking you all again for your continual contribution and support to our company. I would also like to inform you that it is inevitable that in the upcoming months we can expect further possible adjustments to our future business plans and strategy and we will be looking forward to those challenges as we have always been.

Milan Janku
Chairman and President

2. Key Milestones of 2009

1st Quarter

- ECM secured senior bank financing to finance its retail project in China
- ECM sold a 23% stake in both Chinese projects
- The AGM elected Mr. Antonin Jakubse as the new member of the board of directors
- The AGM approved the resignation of Mr. Tomas Lastovka as the board member
- The final acquisition payment of the purchase price for both Chinese projects
- Disposal of the small Varenska Office Centre property
- The Payment of the coupon from CS Bonds

2nd Quarter

- ECM obtained the construction permit for its City Court project – part of the Pankrac Plain development
- Disposal of the Palisades residential project

3rd Quarter

- Handover of project and property management to an external specialist company – PPF ECM Advisory, s.r.o.
- ECM obtained the construction permit for its Ryazan Shopping Mall project in Russia
- The Payment of the coupon from CS Bonds

4th Quarter

- The Payment of the coupon from euro bonds
- ECM exercised the Call option for 12.9% re-acquisition of equity interest in both Chinese projects
- The construction phase of both Chinese projects successfully completed
- Disposal of the City Tower project – the single largest real estate transaction for 2009 in the Czech Republic

3. Outlook and Subsequent Events

Business Outlook for 2010

We are still of the opinion that the real estate industry throughout the world will continue to be significantly impacted by the global financial crisis and that it will be very difficult to find any fundamental signs of its weakening for this and the next year.

As already presented last year ECM will continue with its strict cost management and explicit project categorization with strong emphasis on real estate development as its core business. We are still considering the potential disposal of some of our investment projects as well as some development projects which are currently not considered to be our top priority.

In general, ECM's plans for the Czech Republic during the course of 2010 are as follows:

- ECM plans to start the second phase of its development on Pankrac Plain including the beginning of construction work of City Deco, City Element and City Epoque Residential
- If there is an offer based on standard market conditions, ECM will consider the possibility of exiting some of its investment projects such as City Empiria, Varenska Office Centre and CCS Headquarters.

In China, after the successful construction and fit-out phase, ECM plans to negotiate the potential sale of its equity interest in both of its Chinese projects

In Russia, ECM has secured the senior project financing for its Ryazan project and now will push for the construction phase to begin as soon as possible

ECM will also continue to carry forward the development process of other projects in its development portfolio during 2010, mainly focusing on the acceleration of obtaining permits and other related processes.

Subsequent Events - Important Events that have occurred since the End of the Financial Year:

China

In January 2010, ECM finished the reacquisition of 12.9% of equity interest in both of its Chinese projects held by Hong Kong SPV's China East Investment Ltd and Metropolis Holding China Ltd.

Czech Republic

ECM has entered into serious discussions for the potential sale of projects City Empiria and City Court in Prague 4.

Euro Bonds

ECM is currently in breach of the condition defined in article 4.1.8.4 of securities notes as the event of default to its euro bonds. More precisely it is the condition under 4.1.8.4 (i) the failure to comply with the following ratio: $(\text{Consolidated Financial Debt}) / (\text{Total Assets}) < 65\%$. The further devaluation of ECM assets and ongoing negative financial results are among the major causes of the fact that this ratio currently stands around 80%.

In case the defined ratio is breached, the representative of the body of Bondholders may, if so decided by the general meeting of Bondholders, ruling by majority decision, by notification sent to the Company, declare all the Bonds due and repayable at an amount equal to 125% of par together with accrued interest. A meeting of the Bondholders may be convened at any time by the representative(s) or by the Board of Directors. The Board intends to actively communicate this fact to the Bondholders and convene a Bondholders meeting for this purpose without delay after the Annual General Meeting of Shareholders, once the results of the Company for the year 2009 are approved.

4. Board of Directors

Milan Janku

Chairman of the Board of Directors

Milan Janku was one of the co-founders of ECM in 1991 and remains the controlling shareholder of ECM Real Estate Investments A.G., via his majority share in ECM Group N.V. He is one of the most highly regarded entrepreneurs in the Czech Republic, having taken ECM from its original incorporation in 1991 to its successful listing on the Prague Stock Exchange in 2006.

Under Milan Janku's guidance, ECM has taken part in several important transactions (those with an overall investment value exceeding 150 million euro), including projects in the Czech Republic, Romania, Russia and China, and today the company is regarded as one of the most successful real estate investors in the region.

Before founding ECM, Milan Janku worked as Czech and Slovak Republic country manager for the Austrian Girozentrale der Oesterreichischen Sparkassen AG (now Erste Bank).

He graduated from the German Fernuniversitaet.

Jana Zejdlikova

Member of the Board of Directors

Jana Zejdlikova joined ECM in 1992 as a member of the Private Equity Team for Central and Eastern Europe. During this time, she was involved in the purchase, development and subsequent sale of several of the company's biggest schemes. In 1996, she became the Financial Director and Member of the Supervisory Board of ECM and as part of the company's reorganization during the early part of 2008, she transferred to Executive Vice-President for the Czech Republic.

She graduated from the University of Economics in Prague.

Antonin Jakubse

Executive Vice-President for Corporate Affairs

Secretary of the Board of Directors

Antonin Jakubse joined ECM in 2007 as an Executive Vice-President for Corporate Affairs and Secretary of the Board of Directors. Prior to joining ECM, Antonin Jakubse held several top executive functions in a number of leading Czech companies, including President and Chairman of the Board of Directors of Aero Vodochody a.s., Chairman of the Board of Directors of Czech Airlines and Deputy General Manager and Member of the Board of Directors of the Investment and Post Bank in Czech Republic.

He holds a Masters degree from the University of Economics in Prague.

Josef Franz Homola

Member of the Board of Directors (Non-Executive)

Professor Josef Franz Homola was appointed as Non-Executive Member of the Board of Directors in July 2008. In 1982 he founded his own engineering office in Frankfurt, Germany, which is now known as ARCADIS Homola AG, and he has been Chairman of the Board of ARCADIS Homola AG since 1999 and a member of the Advisory Board of ARCADIS Germany since 2003. He was also a Member of the Board of the German Association of Project Managers in the Building Industry e.V. ("DVP") between 1990 and 2002.

Since 1996 Professor Homola has been a Fellow of the Royal Institute of Chartered Surveyors ("FRICS") and since 2000 he has worked as a private lecturer at the International Real Estate Business School in the field of 'Economy of Real Estate'. Last year he was appointed an Honorary Professor at the Potsdam School of Architecture.

He graduated from the Czech Technical University in Prague.

EXECUTIVE MANAGEMENT – Operation Committee

Milan Janku

Operation Committee member

Antonin Jakubse

Operation Committee member

During 2009, the following changes were made to the composition of the Board of Directors:

- Appointment of Mr. Antonin Jakubse as executive member of the Board of Directors in April 2009
- Resignation of Mr. Tomas Lastovka as executive member of the Board of Directors in April 2009
- Establishment of Operational Committee as the advisory panel to the Board of Directors

5. Corporate Governance Principles

Sound corporate governance enables effective management control, safeguards shareholder interests and serves as an important tool to build a stable corporate culture. The Board of Directors has therefore taken measures to create an efficient corporate governance system and, in 2006, decided that the Company will adopt the rules of the United Kingdom Combined Code of Corporate Governance (the “Code”) insofar as they apply to the Company. The Company decided to gradually and progressively restructure its management and administration structure with the aim of utmost compliance with the Code in the future. In the first phase of restructuring, the Company began to introduce the following management and administration structure:

Board of Directors

The Company and the Group shall be strategically managed by the Board of Directors that shall decide all crucial issues of the Company and of its holding, being supported by the Operational Committee (the “*Operational Committee*”) as its body and by Boards of Directors. The Board of Directors shall have at least three but no more than seven members.

The directors shall hold office for a maximum period of three years and shall thereafter be eligible for re-election. The non-executive directors shall be eligible for re-election if they continue to meet the independence criteria.

The Chairman of the Board of Directors (the “*Chairman*”) and the other members of the Board of Directors shall be elected by the general meeting of shareholders, having regard to the recommendations of the Nomination Committee.

The Board of Directors shall appoint one of its non-executive directors to act as a Vice Chairman and a Senior Independent Director (the “*Vice-Chairman*” or the “*Senior Independent Director*”).

The Rules of the Board of Directors shall stipulate matters reserved for the Board of Directors. Among such matters shall be the (i) determination of the corporate, management and control structure of the Company and of the Group; (ii) establishment of committees of the Board of Directors; adoption of their rules and appointment of their Chairman and members; (iii) approval of the annual report and accounts, half-yearly report, interim management statements and any preliminary announcement of the final results; adoption of significant changes in accounting policies; approval of the dividend policy; (iv) ensuring the maintenance of a sound system of internal control and risk management; (v) decisions related to the business of the Company and to capital projects of its subsidiaries with a total budget exceeding EUR 100 million; approval of equity drawing exceeding EUR 10 million, extra equity allocation, loan raising above approved plan, loan drawing exceeding EUR 10 million, extraordinary spending within operational finance, purchase of assets exceeding EUR 10 million, as well as all off-balance sheet commitments and collaterals; (vi) approval of the contracts of the Company or any subsidiary not in the ordinary course of business, for example loans and repayments above EUR 100 million; foreign currency transactions above EUR 100 million; major acquisitions or disposals above EUR 100 million; (vii) approval of core corporate policies, including the Code of Conduct; the Share Dealing Code; the Health and Safety Policy; the Environmental Policy; the Corporate Social Responsibility Policy; and the Charitable Donations Policy; (viii) approval of the appointment of the Group’s principal professional advisers; and (ix) approval of the overall levels of insurance for the Company, including Directors’ & Officers’ liability insurance and indemnification of directors.

The Board of Directors shall closely cooperate with the highest executive official of the Company (the “*President*”), which shall be appointed by the general meeting of shareholders.

Operational Committee

The duties of the Operational Committee shall include the proposing of a four-year rolling plan and budget to the Board of the Company; discussion of best practices in conducting the business of different business units; discussion of particularly noteworthy information about new projects of the Group; and discussion of issues pertinent to the relationship of the business units, such as the amendment of project equity levels that have been previously approved by the Board resources and the transfer of people from one business unit to another.

The Operational Committee shall report to the Board of Directors of the Company with its proposals and recommendations on the running of the business of the Group.

The Operational Committee is comprised of the following persons: Mr Milan Janku and Mr Antonin Jakubse.

Audit Committee

The Audit Committee shall be made up of at least two but no more than three members appointed by the Board of Directors on the recommendation of the Nomination Committee. The Audit Committee shall meet quarterly and as otherwise required.

Its duties shall include (i) monitoring of the integrity of the financial statements of the Company, including its annual and half-yearly reports and interim management statements; reviewing significant financial reporting issues and judgements which they contain; reviewing summary financial statements, significant financial returns to regulators and any other statements or publications containing financial information; (ii) reviewing the consistency of, and any changes to, accounting policies both on a year on year basis and across the Company/Group; reviewing all material information presented with the financial statements; (iii) reviewing the effectiveness of the Company’s internal controls and risk management systems; (iv) monitoring and reviewing the effectiveness of the Company’s internal audit function in the context of the Company’s overall risk management system; and (v) considering and making recommendations to the Board of Directors, to be put to shareholders for approval at the annual general meeting, in relation to the appointment, re-appointment and removal of the Company’s external auditors; overseeing the relationship with the external auditors, including the approval of their remuneration, terms of engagement and annual assessment of their independence and objectivity.

The current members of the Audit Committee are Mr Josef Homola and Mr Bohumil Kral.

Valuation Committee

The Valuation Committee shall be made up of least three members but no more than four members appointed by the Board of Directors on the recommendation of the Nomination Committee

The Valuation Committee shall meet quarterly and as otherwise required.

Its duties shall include (i) reviewing regularly valuations for financial reporting and sending a copy of its reports to the Board of Directors and the Audit Committee; (ii) providing the Board of Directors with its opinion on the value of projects which the Group plans to acquire or dispose of, the value of which may exceed EUR 5 million; and (iii) other duties corresponding to the Valuation Committee’s area of expertise which the Board has placed reasonably upon it. The Valuation Committee shall strictly observe investment policy, in particular the broad valuation principles and investment strategy of the Company as laid down by the Board of Directors.

The current members of the Valuation Committee are Mr Milan Janku, Mr Kamil Ziegler and Mr Tomas Lastovka.

Company Secretary

The Board of Directors shall appoint a Company Secretary whose role will be to provide for compliance with the CG Documentation and to facilitate effective information flow between the Board of Directors and its bodies and between senior management and non-executive directors.

The Company Secretary shall, in particular, organise meetings of the Board of Directors and of its committees, and formulate meeting agendas with the President.

The performance of his/her duties shall ensure among others: that an annual general meeting of shareholders is held in accordance with the requirements of Luxembourg, other applicable laws and regulations, and the Company's Articles of Association; and the publication and distribution of the Company's annual report and interim statements as well as securing the personnel for the organisation of meetings of BU Board and BU Committee.

The current Company Secretary is Mr Antonin Jakubse.

Appraisal and Remuneration of the Company's Officials

Remuneration of the members of the Board of Directors shall consist of an annual flat fee, which the Board, following review and recommendation by the Remuneration Committee, shall propose for approval by the annual general meeting of shareholders.

The remuneration of the President shall consist of (i) a base remuneration, (ii) an annual bonus remuneration, and (iii) a share incentive plan. Such remuneration of the President shall be approved by the annual general meeting of shareholders on the basis of a review and recommendation by the Remuneration Committee, put forward to it by the Board of Directors

The remuneration of the executive vice-presidents of the Company and of the members of the boards of directors of the Company's business units shall consist of (i) a base remuneration, (ii) an annual bonus remuneration, (iii) a share incentive plan. Such remuneration shall be approved by the annual general meeting of shareholders, on the basis of a review and recommendation by the Remuneration Committee, put forward to it by the Board of Directors.

The remuneration of the members of the Committees of the Board of Directors shall consist of an annual flat fee and shall be determined by the Board of Directors, following a recommendation by the Chairman of the Board.

The remuneration of the Company Secretary shall consist of an annual flat fee and shall be decided by the Board on the recommendation of the Chairman of the Board.

6. Remuneration Report

Remuneration and Benefits

Board of Directors and Executive Management

At an Annual General Meeting ("AGM") dated April 28, 2009, the Shareholders of the Company approved the total remuneration to Members of the Board of Directors ("Board") for both their statutory and managerial functions in the total amount of up to EUR 2,500,000 for the remuneration period from April 28, 2009 until April 27, 2010.

Total remuneration of the Members of the Board each year is subject to the subsequent approval by the Shareholders at an Annual General Meeting of the Company.

During the year 2009, the Company paid EUR 997,000 to the Members of the Board of Directors for both their statutory and managerial functions.

As disclosed in the IPO Prospectus, the Company committed itself to paying fixed remuneration to any Board Member or any Executive Management Member even after the termination of their mandate, as long as the Company has requested the particular Member to comply with the non-competition clause stipulated in his or her mandate agreement. In the case of the Members of the Executive Management terminated during 2009, the Company chose not to require from them any compliance with the non-competition clause and has agreed, therefore, to pay no further remuneration to these terminated managers.

Total accrued remuneration of the Members of the Board of Directors for the fulfilment of their statutory functions:

	2009	2008
<i>In 000 of Euros</i>		
Total remuneration and benefits paid to the Members of the Board of Directors of ECM REI A.G.	361	445
Total	361	445

Total accrued remuneration of the Members of the Executive Management for the fulfilment of their managerial function:

	2009	2008
<i>In 000 of Euros*</i>		
Total remuneration and benefits paid to the Executive Management	636	2,125
<i>Out of which – Members of the Board of Directors of ECM REI A.G.</i>	636	807
Total	636	2,125

*Using average exchange rate for 2009

List of trades with securities of ECM REAL ESTATE INVESTMENTS A.G.
(ISIN: LU0259919230)

Individual	Transaction	Total Number of Shares
Members of the Board of Directors	acquisition	3,666
Close persons of Members of the Board of Directors	acquisition	78

Costs of ECM REI A.G. Group related to the services of external auditors in 2009

<i>In 000 of Euros*</i>	Audit	Other	Total
ECM REAL ESTATE INVESTMENTS A.G.	224	0	224
Other companies of the ECM Group	133	0	133
Total	357	0	357

*Using average exchange rate for 2009

7. Corporate and Social Responsibility

ECM promotes a broad range of charitable activities, acts in an environmentally sound manner, and is strongly aware of its social responsibility. The company's efforts are focused on four areas: education, the arts, sports, and help for the needy. We try to help where our help is needed.

Education

ECM financially supports the Tomáš Baťa Foundation, whose main focus is on providing support to culture and youth education. The foundation organizes courses and educational programs, sponsors scientific publications, conferences and exhibitions, helps to finance students' foreign travels, and supports children's homes, schools and universities.

Contemporary art

ECM is a longtime partner of the Art CZ art organization and sponsors the quarterly Revue Art on Czech and Slovak art. Over the course of the year, ECM also supports many exhibitions for young and emerging artists, both within its project spaces and elsewhere.

Sport

Since 2001, ECM has sponsored the ATP Challenger men's tennis tournament and a women's tournament as part of the WTA Tour. The importance of this increasingly popular tournament was confirmed in 2006 when legendary tennis star Martina Navrátilová participated as well. In 2009, exhibition matches were played by Australia's Pat Cash, who beat Ivan Lendl in the Wimbledon final in 1987, and France's Henri Leconte. The company also supports Miroslav Brychta, the best wheelchair-bound Czech tennis player and member of the Czech wheelchair tennis team, as well as two promising Czech tennis players, the Plíšková sisters – 17-year-old Karolína won the junior doubles at the 2009 Australian Open in Melbourne.

8. Market Overview

The Czech Republic

Market Overview

In the **office market** after the record breaking year of 2008 when the new office supply exceeded 322,000 sqm, 2009 brought only 162,000 sqm to the market. This represents a 50% y-o-y decline. According to Colliers International, the total office stock now stands at 2.7 million sqm.

As a result of negative GDP growth, the take-up also declined over the year reaching only 245,000 sqm – only 6% less than in 2008. Take-up, however, was mostly driven by renegotiations and relocations that amounted to more than a half. Almost 30% of companies that renegotiated their lease terms were from the IT & Telecoms, Professional Services and Manufacturing sectors.

Due to the changed market conditions coupled with a large delivery of space in late 2008 and early 2009, the overall vacancy rate increased. It grew continuously over the year reaching 11.8% at the end of 2009 compared to less than 9% at end 2008.

Office prime headline rents decreased slightly in 2009. Monthly rents in the city centre dropped to EUR 20 – 21 per sqm, and to EUR 12 – 14 per sqm in the outer city. Rents in the inner city remained at EUR 15 – 17.5 per sqm. To keep existing tenants or gain new ones, landlords continued to provide discounts and incentives. With a 5 year lease tenants were able to secure a 3 – 5 month rent free period and fit-out contribution of EUR 30 – 50 per sqm, on average.

Based on analyses of CB Richard Ellis, in 2009, the Czech **retail market** was affected by the continuing economic downturn. Although most retailers postponed their expansion plans, new entries to the Czech Republic were recorded. On the other hand, the Czech market experienced the closure of a modern shopping centre for the first time in summer 2009. The downturn in retail sales deepened the differences in their performance. Whereas demand for retail space in better performing shopping centres was stable, poorly located retail centres struggled with higher vacancy rates.

As reported by King Sturge, the Czech **residential market** experienced a decline in three key areas across 2009. Firstly, in 2009 and on a quarter by quarter basis, the price of residential housing started to decrease after twenty years of positive growth. The average decrease in new flat prices across the Czech Republic was 7.1% y-o-y, whereas the average price of new flats in Prague dropped by 8.2 % y-o-y. The price level of older flats also changed in 2009, with the average price across the Czech Republic now minus 9.4%, when compared to 2008. In Prague, the price of older flats went down by 5.9% year-on-year.

Secondly, developers have struggled with declining demand since Q4 2008, which turned into a steep fall in H1 2009. The end of 2009 was more optimistic and brought with it the first signs of a moderate improvement in residential sales. According to data produced by the Czech Ministry of Regional Development and www.hypindex.cz, the volume of mortgages granted in 2009 dropped by 35 %, when compared to 2008.

Thirdly, the number of residential schemes completed in 2009, again, when compared to 2008, declined by 7 %. Development of many of these projects was stopped due to lack of finance. The number of residential projects that commenced their construction also dropped by 13 % in 2009, when compared to 2008. There are a few reasons for this comparably negative outflow in construction. Firstly, the economic crisis in general, buyer uncertainty and falling confidence in the economic future; consequently this means a general lack of will to take on large and long-term financial commitments (mortgages). Further, this is coupled with stringent conditions for banking finance and, little interest from private investors to take on any type of property development scheme.

ECM in the Czech Republic

ECM has been one of the leading European real estate developers in the Czech Republic since the early 1990s, and, with its Czech roots and its December 2006 listing on the Prague Stock Exchange, it is only natural that a large part of the company's exposure remains within the Czech Republic.

From its earliest days, ECM has been keen to build a diversified portfolio of real estate development and investment projects, and this has certainly been achieved in the Czech Republic, where it has been extremely successful with a mixture of commercial, residential, hotel and retail developments, as well as mixed-use projects.

Office

ECM continues with the development of its key office projects on Pankrac Plain City Deco and City Element with the preliminary construction phase being already completed. On the other hand ECM is considering the disposal of another CITY project, City Court, where we have obtained an interesting offer which would allow ECM to unlock some equity which might be used for the speeding up the development of the other projects on Pankrac Plain.

The end of 2009 saw ECM's most important project to date, the City Tower building sold to a private investor making this the single largest real estate transaction for the 2009 in the whole Czech Republic. ECM managed to sell this project for a prime yield of 7% p.a. bringing the total value of the property to EUR 130 million. ECM is still staying with the project via the property and facility management contracts negotiated with the new owner.

ECM continues to own the City Empiria, another office building in the CITY portfolio as well as the Varenska Office Centre in Ostrava and CCS Building in Prague 8. As previously indicated ECM is currently willing to start negotiations with any potential reputable buyer for any of those properties as long as they are based on current market price indicated by respectable independent valuers.

Retail

During 2009 ECM continued with the development process of its two retail shopping centres "Kaskady Zlin" in Zlin and "Stromovka Retail" in Ceske Budejovice. It is however important to say that ECM is currently experiencing some delays in obtaining all necessary permits as well as in the acquisition of remaining land plots needed for the project.

Hotels

Following the current terrible situation and empowered by the negative outlook for the hotel business in next few years ECM has changed its view on City Epoque Hotel project and is currently considering changing this project into something else, such as office or residential premises.

Residential

ECM focuses on luxury residential projects such as the CITY Epoque Residence and Terasy Unhost and this has proved a successful strategy as there is still a high demand for property in the high end of the residential market.

The first phase of the Terasy Unhost project has sold out with the second phase planned to be sold this year.

The City Epoque Residential project continued on target during 2009 with the construction phase planned to be started in first half of 2010 following the issuance of all necessary permits. The City Epoque Residence is expected to provide a very high rate of return as ECM observes strong demand for such exceptional type of apartments.

Facility Management Activities

In 2009 ECM Facility, a.s. merged with Optiservis, s.r.o. in order to create one strong and competitive entity with one centralized management and supporting departments.

ECM Facility also managed to acquire a number of significant facility management contracts such as those with two of the Czech Republic's biggest companies, Vítkovice Steel and ČEZ.

ECM Facility manages a significant portfolio of buildings, including the biggest sporting arena in the Czech Republic, the O2 Arena, the headquarters of the Všeobecná zdravotní pojišťovna (General Health Insurance Company), Mrakodrap Tomáše Bati (Tomas Bata's skyscraper building) in Zlin, and a number of other buildings belonging to the Stavba silnic a železnic company (Roads and Railways Construction Works).

ECM Facility finished 2009 with total revenues of EUR 14.62 million, representing an increase of 30% compared to 2008.

CHINA

Market Overview

Office

According to the research done by Colliers International, the overall Beijing office market slackened in 2009 due to the impact of the global financial crisis that hit in mid-2008. In recognition of the market movement, Beijing's local government became more proactive by creating new incentive policies to boost demand for office space among occupiers. In conjunction with the government's efforts and the immediate financial incentives offered by most landlords, demand for office property continued to pick up over the last four quarters. Many office properties had to postpone their completion dates to 2009 as a consequence of approvals by government agencies for the Olympics in 2008 being suspended, which caused the overall vacancy rate of the property sector to reach a historical peak. Domestic financial institutions contributed significantly to overall office demand, particularly in the Grade A office sector, as evidenced by several significant leasing transactions concluded during the year. Large-scale domestic enterprises dominated the en bloc sales market as they had more confidence in the market's recovery and benefited from the slackened credit policies. Over the period from 1Q09 to 3Q09, landlords had no choice but to offer more concessions in rentals and leasing terms in order to maintain and attract tenants amid the ongoing global economic meltdown and its impact on occupational demand for office space. Overall average rentals decreased consecutively over the four quarters of 2009, with the average net effective rent in the Beijing Grade A office market falling by 6.97% in 1Q09, 5.72% in 2Q09, 1.92% in 3Q09 and 0.68% in 4Q09. By the end of 4Q09, the overall average net effective rent for Beijing Grade A office space had plummeted to RMB164.75 psm per month, down 14.57% y-o-y. In particular, rents in East 2nd Ring, East Chang An Avenue and CBD submarkets saw the most significant y-o-y decreases as of 4Q09, down 22.65%, 22.11%, 20.44% and 13.46%, respectively. Meanwhile, in the Financial Street and Zhongguancun areas, sustained growing domestic demand and the already low vacancy rates resulted in the smallest rental decreases, down by 10.29% and 8.57% y-o-y, respectively.

The recovery of Beijing's economy and the local government's efforts to boost local office demand inspired local tenants and drove business developments and expansions. In 2010, office rentals in some projects and areas may continue to fall, although the pace of the decline should continue to be moderate and overall average rental levels are expected to remain relatively constant in the short term, given landlords' upbeat opinion about the performance of their assets from 1Q09 to 3Q09. The large amount of new supply, approximately 700,455 sqm in 2010, should place leasing pressure on landlords and drive the overall vacancy rate to 22.04% by the end of the year.

Retail

The global economic recession and the slowing local economy resulted in a downturn in Beijing's retail property market in 2009. A large number of international retailers pulled back on their expansion plans and developers postponed completions and openings of new retail schemes during the year. While the overall vacancy rate rose by 2.23 percentage points y-o-y compared to 2H08, average rent of mid- to high-end shopping centres in the capital plummeted, by approximately 6.89% y-o-y by the end of 2009. Underpinned by the support of both central and local governments' economic stimulus measures, and local residents' growing disposable income - strong consumption power, the market became stabilized in 2H09, evidenced by a small dip in the vacancy rate and a mild increase in average rent, compared to 1H09.

Five new shopping centres were completed and made their debuts during 2009, bringing to the market a total of 375,811 sqm of new retail space, which accounts for about 40% of the retail properties originally scheduled for completion and opening in 2009. While some luxury and high-end international retailers were cautious in expanding, mid-end international fashion retailers and domestic retailers in the fashion, F&B and entertainment sectors enlarged their presence by taking advantage of the tenant-flavour situation in the leasing market in 2009. It is worth noting that luxury brands' leasing activities rebounded notably, compared to the first three quarters, with more brands expanding and new brands entering the local market.

Fixed rents of Beijing's retail property market dropped by 9.18% y-o-y and 4.28% q-o-q to RMB681.05 psm in 2Q09, as most landlords lowered rental prices in order to maintain satisfactory occupancy rates in the face of dwindling demand. Benefiting from the warming economic environment and optimistic market sentiment, rents started to increase from 3Q09, reaching RMB694.27 psm per month at end-4Q09, up 0.3% q-o-q but down 6.89% y-o-y.

With a confirmed rebound in the local economy, the stability and consistency of related macroeconomic policy by the central and local governments, as well as the residents' sustainable consumption power, Beijing's retail market should have an optimistic outlook in 2010. The level of leasing activity is expected to increase as both overseas and domestic retailers' confidence in the mainland market is gradually picking up. However, landlords and retailers should remain flexible for leasing negotiations as the market should continue to take some time to fully recover. Although some landlords of sophisticated shopping centres intended to increase rents in response to improving performances, most landlords, especially those of new projects, may continue to offer attractive financial terms to avoid the erosion of retailers' confidence. In light of this, the overall rents are expected to remain stable until 2H10. With more than 1,230,000 sqm coming into the market in 2010, the possible supply glut may intensify leasing competition between landlords, thus, pushing the overall vacancy rate to face an upward trend.

ECM IN CHINA

ECM was one of the first Central and East European investors to move into China, opening its branch office in Beijing in 2005, and this has proved to be a very wise move that will continue to reap significant benefits over the next few years.

In 2007, ECM expanded its investment portfolio through the acquisition of a retail shopping centre known as the ECMall, as well as the purchase (and then exercise) of an option to acquire an office building already under construction and called the Metropolis Tower. Both buildings are part of a multi-functional development project in Zhongguancun Zone, Beijing's 'Silicon Valley'.

In January, 2009, ECM managed to secure the RMB 700 million (EUR 75.2 million) 5-year loan which covers all financing requirements in relation to the ECMall through to completion. The loan has a grace period of 24 months and will bear an effective interest rate (on the basis of PBOC), currently at approximately 8% per annum all in.

Also in January, 2009, ECM agreed with Nordevo Investments Limited ("Nordevo"), a joint-venture partner for its projects in China, on the sale of a 23% stake in China East Investment Limited and Metropolis Holding China Limited for a total consideration of US\$ 11.5 million (EUR 8.4 million). China East Investment Limited and Metropolis Holding China Limited ("HK Holding Companies") are companies incorporated in Hong Kong that own, respectively, the Beijing-based ECMall and Metropolis Tower projects through their wholly-owned subsidiaries.

Nordevo has been granted an option ("Put option") to require ECM to purchase 12.9% of the issued share capital and the related shareholders' loans of the HK Holding Companies for a consideration of US\$ 6.45 million (EUR 4.73 million) plus the value of any new pro-rata shareholders' loan, together with the cost of financing accruing at the rate of 20% per annum for the period nine to twelve months after completion of the transaction. ECM has been granted an option ("Call option") to require Nordevo to sell 12.9% of the issued share capital and the related shareholders' loans of the HK Holding Companies on similar terms, at any time after completion of the transaction, for a period of 12 months.

In December, 2009, ECM announced the successful completion of the construction phase of both of those projects. Covering an area of more than 53,000 square metres, the ECMall shopping mall is heavily geared towards luxury in terms of both world-renowned brands in garments and fashion accessories, as well as its offer of entertainment, relaxation and culinary specialties. ECMall, already in operation, is one of the last development opportunities in the shopping centre segment in Beijing's Zhongguancun. This shopping centre's competitive advantage is its excellent accessibility thanks to the direct entrance to the city's underground train services. The construction costs have amounted to some 120 million euro.

Located near the shopping centre, the Metropolis Tower office building is a 19-floor 90-metre high-rise offering 25,000 and 500 square metres of office and retail space, respectively. Overall project costs have amounted to approximately 51 million euro. The office building has been designed in compliance with stringent technical and architectural standards with a focus on functionality and safety. Together with the ECMall shopping mall, it has 450 parking places.

RUSSIA

Market Overview

According to the market overview done by Colliers International, the year 2009 was characterised by increased confidence and the appearance of the first investment transactions in the real estate market. According to the Central Bank of the Russian Federation, net capital inflow from April to June 2009 reached \$7.2 bln for the first time since September 2008.

The main risks are associated with continuing macroeconomic instability, worsening indicators in the key sectors of the Russian economy, and the uncertain environment of external markets. On the other hand, starting in Q2 2009, there has been a growing feeling among market participants that the very bottom of the market has been passed, manifesting itself in an increasing number of potential buyers in the market and reluctance of developers to reduce property prices below the current price level.

Compared to late 2008, when the granting of construction loans was virtually frozen, the current situation in the debt market shows signs of improvement. Even though debt financing volumes are still very insignificant, major market players do manage to obtain loans, most often due to their individual agreements with banks. At the same time, there are practically no loans available for external players. Financing of projects at the earliest construction stages is suspended. Loans can be obtained only for quality assets at final development stages (~70% of completion).

In addition, banks prefer to restructure loans for the majority of borrowers, as, for the moment, they are not interested in taking over developers' assets.

As a result of the stabilisation of the economic situation, there has been a constant increase in the number of investors in the Russian market in 2009.

However, potential buyers are still extremely conservative regarding project valuation. It is important to note that, due to limited liquidity in the market and a desire to diversify risks, investors are mainly interested in relatively small-scale projects (up to 30,000 sqm of GBA).

Sellers' expectations of capitalisation rates for Moscow Class A office and professional retail projects have reached 13–15.5%, and for Class A warehouse projects – 14–15%. Developers are restructuring loans and generally not ready to sell attractive assets at a capitalisation rate above 15%. Therefore, the majority of investors have adjusted their expectations to 15–17%.

Taking into account the current market situation, the most liquid assets are still the most conveniently located, ready-for-use small-scale retail and office projects with quality tenants and long-term lease contracts.

At the same time, the least liquid assets are land plots and projects at early stages of development.

Despite a decrease in asking prices, there are virtually no transactions in the market. The sellers offering properties for sale can be roughly divided into two categories. The first category includes those who need to sell properties for various reasons, including as a measure to save the core or a non-core business. As a matter of fact, selling appears to be a forced step for them. The second category includes those that previously planned the sale of a property. They are interested in a transaction depending on the tenant occupancy and completion level of the project. Developers with projects that bring in stable rental income have either postponed a possible sale “until better times”, or changed their mind regarding selling.

At the same time, a number of buyers hope that prices will continue to decline (basing their expectations on the fact that properties taken over by banks in lieu of overdue loans may enter the market), and postpone the decision to purchase for a while.

In addition, postponing the purchase may be related to the fact that there are virtually no properties in the market that are interesting from a buyer's perspective. Among those are small-scale completed projects (fully or partially leased) that are of interest to potential tenants (the latter is quite important given the current vacancy rate).

2009 was especially difficult for retail market players. Under a lot of pressure due to the worsened macroeconomic situation, they began to affect each other to a larger extent than usual. It is not necessarily a win-lose game, as everybody feels the negative effects of the crisis, and the effects depend only on the players' market position, their policy in effect during last year, and their current actions.

While in early 2009 approximately 1,485,400 sqm (GLA is 763,200 sqm) of retail space were announced to enter the market, it was clear in the middle of the year that no more than 50% would, in fact, enter the market. At the same time, the majority (over 50%) of entering and announced projects are shopping centres that were to open in the past years, but were not finished on time.

There is evidence in the renegotiation of rental rates in shopping centres, and the rental rate's percentage drop depends on many things, with the project's popularity among potential customers (and, therefore, among retail operators) being one of the key factors. At the same time, there is no rate reconsideration in a number of projects, or its decrease is temporary. Lower sales volume results in a situation when a variable payment scheme with a fixed minimum plus a sales percentage becomes mutually beneficial to both the tenant and the project's owner. It allows the former to reduce the risk of a drop in sales volume and the latter to receive rental revenue and not lose the tenant.

ECM in Russia

ECM entered the Russian market in 2005, with a particular view to investing into retail developments in communities and neighbourhoods outside the capital city. It made its first investment in 2006 by acquiring a retail site in Ryazan for a modern shopping centre development.

For this project ECM and PSJ formed a joint venture to fund the project equity requirements. PSJ's Russian construction division is also the general contractor responsible for the construction of the project. In August 2009 ECM secured the valid construction permit with the intention of starting the construction phase early in 2010. Currently ECM is in very serious and detailed negotiations with Ceska Exportni Banka about securing the senior financing facility for the project in excess of EUR 100 million. The Ryazan Shopping Centre completion is scheduled for the end of 2011. The single-floor shopping mall will offer its visitors approximately 69,000 sq m. of retail space and 3,500 parking places. Ryazan, a key industrial city in the region with approximately 600,000 citizens, is located 180 kilometres South-East of Moscow. The Ryazan Shopping Center will be located next to two major roadways; the main highway to Moscow and the Ryazan ring-road.

In 2007, ECM acquired its first office project in South-Eastern Moscow, to be known as the East Point Office Park. This project will offer 75,000 sqm of grade A office space conveniently located at the main 4th ring road intersection.

9. Financial Analyses 2009

Introduction

During 2009 company performance was again severely hit by continued global negative sentiment on real estate companies worldwide. ECM reported total valuation loss on its real estate portfolio in amount of EUR 40 million and provisions and impairments added a further EUR 8 million. By the simple look on ECM's Profit and Loss account we can clearly see that those were the major drivers of operational loss that amounted to EUR 47 million. It is very important to point out that both drivers are non-cash with no actual impact on ECM's cash position. On the other hand ECM performed well and delivered on its promise to significantly reduce its OPEX resulting in total savings of EUR 5.6 million y-o-y bringing total volume down to EUR 12 million compared to EUR 17.6 million in 2008. Further analyses of key positions in ECM's Profit and Loss accounts follows further below.

Moving on to the company balance sheet we can see the striking decrease in total volume of ECM's asset from EUR 678 million down to EUR 342 million on y-o-y bases.

We have identified major reasons behind it. Firstly, following the sale of 23% stake in both Chinese projects ECM changed the consolidation method from full consolidation to equity consolidation which instantly reduced ECM assets by EUR 160 million. Secondly, the sale of City Tower project reduced ECM balance sheet for another EUR 115 million. Lastly, ECM paid off some corporate debt in amount of approximately EUR 30 million by the end of 2009.

In spite of shadowy outlooks, however, ECM stands strong on its rental business, where its tenant mix continues to be built on solid fundamentals. Having said this it is obvious that following the sale of City Tower we can expect substantial decrease of rental income for year 2010.

Also some significant improvements have been reached in the facility management segment, where ECM still sees a significant potential for a future income in form of fees.

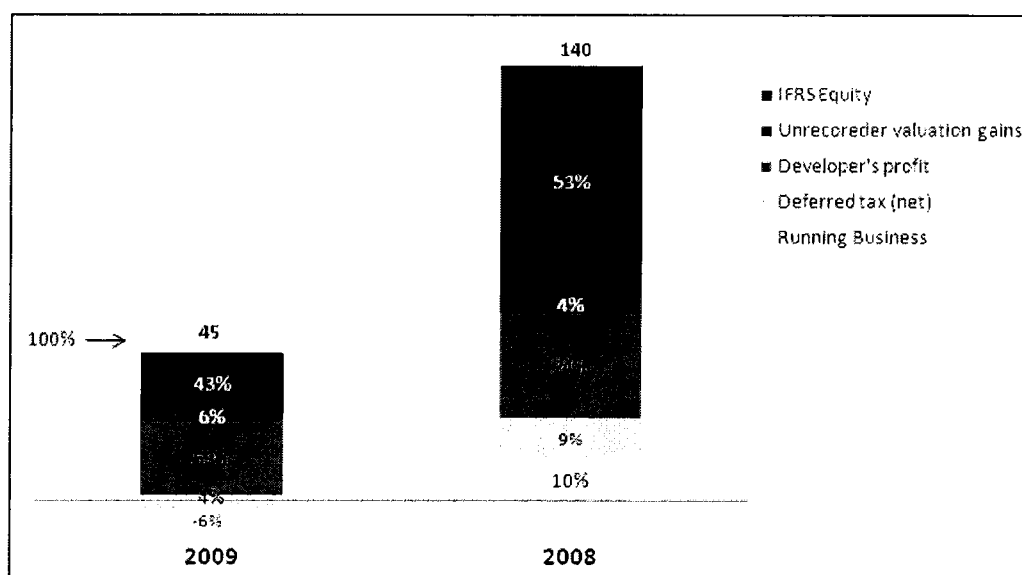
NAV

ECM's NAV is calculated in accordance with EPRA methodology on the basis of an independent external appraisal of the company's development and investment projects, and is subsequently further verified by its auditors. As of 2009, valuations were provided by Colliers International in the Czech Republic and for Ryazan Shopping Center, CB Richard Ellis for the company's two projects in China, Cushman & Wakefield Stiles & Riabokobylko for East Point Office Park in Moscow and Reas Sp. z o.o. for the Poznan Housing Development.

ECM reported total NAV of EUR 45 million as of year-end 2009, a decrease of 68% compared to the EUR 140 million reported for 2008. Among the main factors affecting the NAVs was the decrease in the value of the company's investment property as well as the financial expenses.

	12/31/2009	12/31/2008
Total NAV (EUR million)	45	140
NAV per share (EUR)*	6,6	20,3
<i>*NAV per share calculated using the end-of-period number of shares</i>		

NAV structure (EUR million, Percent)

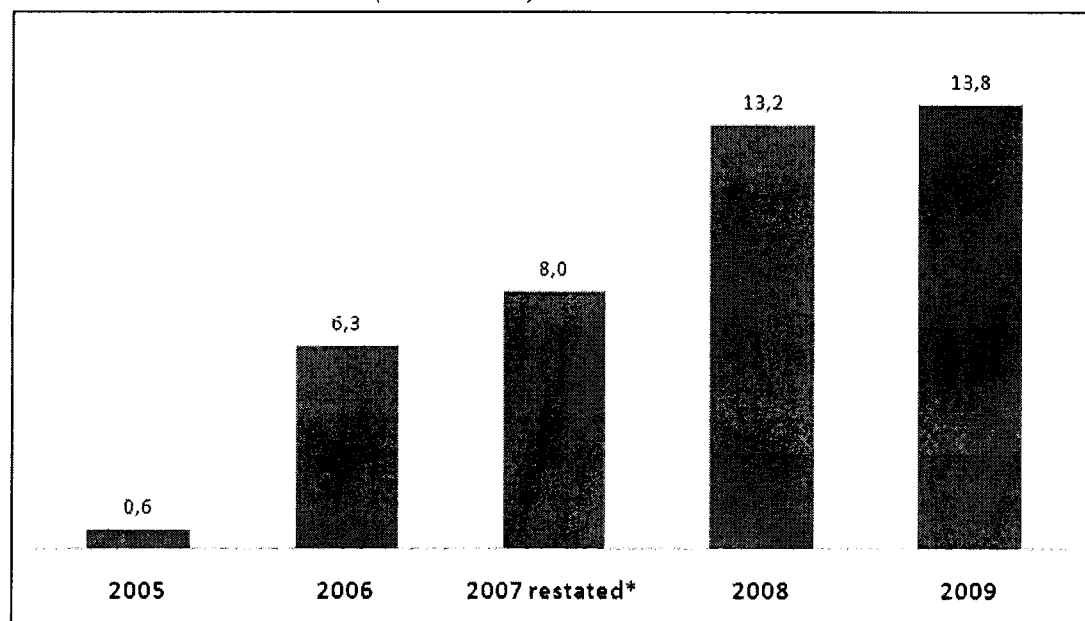


Unrecorded valuation gains include valuation of ECM's running businesses

Net Rental and Related Income

In 2009 ECM reported only very slight growth in net rental and related income from 13.2 million to 13.8 million, mainly due to the fact that majority of the tenants in City Tower project have enjoyed a free rental period during the first half of the year. The main contributors of rental income for 2009 were CITY Empiria, City Tower, Varenska Office Center and CCS Headquarters, whilst the main contributors of service income for 2008 were the Facility Business, the Hotel EUROPORT and the Diplomat Pilsen center.

Net rental and related income (EUR million)



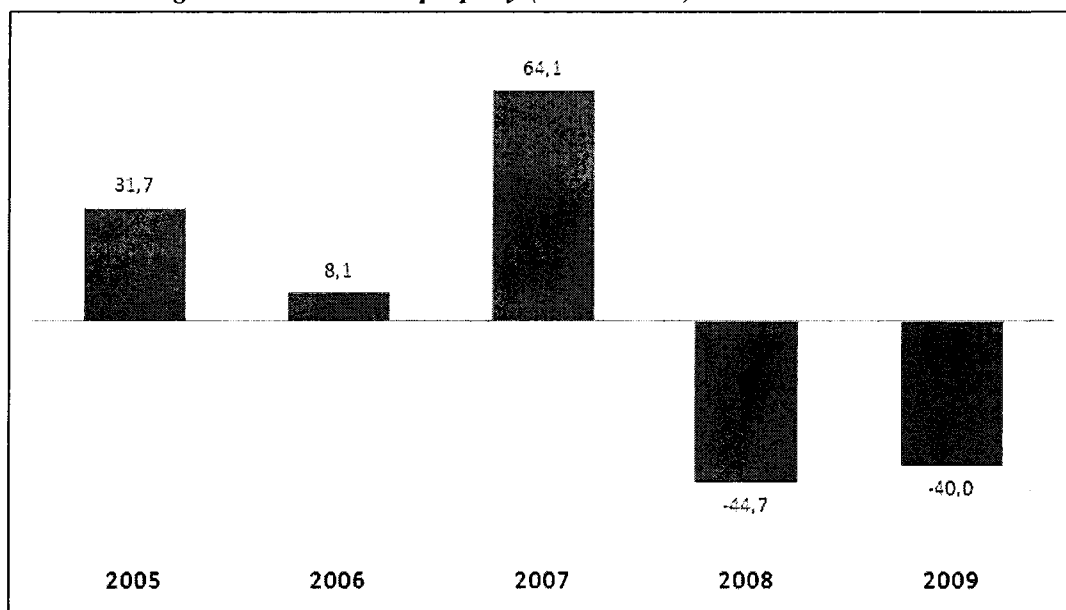
*Change in methodology during 2008

Net Valuation Gains and Losses on Investment Property

ECM reported a net valuation loss in the amount of EUR 40 million compared to its net valuation loss of EUR 44.7 million for the accounting period ending 31.12.2008.

The valuation loss was mainly driven by the drop in value of projects such as, City Epoque Hotel, City Parkview and City Element as well as in all projects in regional cities in the Czech Republic. We could also see some significant decrease in value in Russian projects.

Net valuation gains on investment property (EUR million)



Profit on the disposal of trading properties

The whole result of profit on the disposal of trading properties is attributed to the continuous sale of our residential project Terasy Unhost where almost all houses from phase 1 had been sold with phase 2 also being sold gradually according to the plan.

Net Financial Income / Expense

ECM reported net financial expenses of EUR 26.2 million for year 2009; compared to net financial expenses of EUR 23.9 million in 2008;

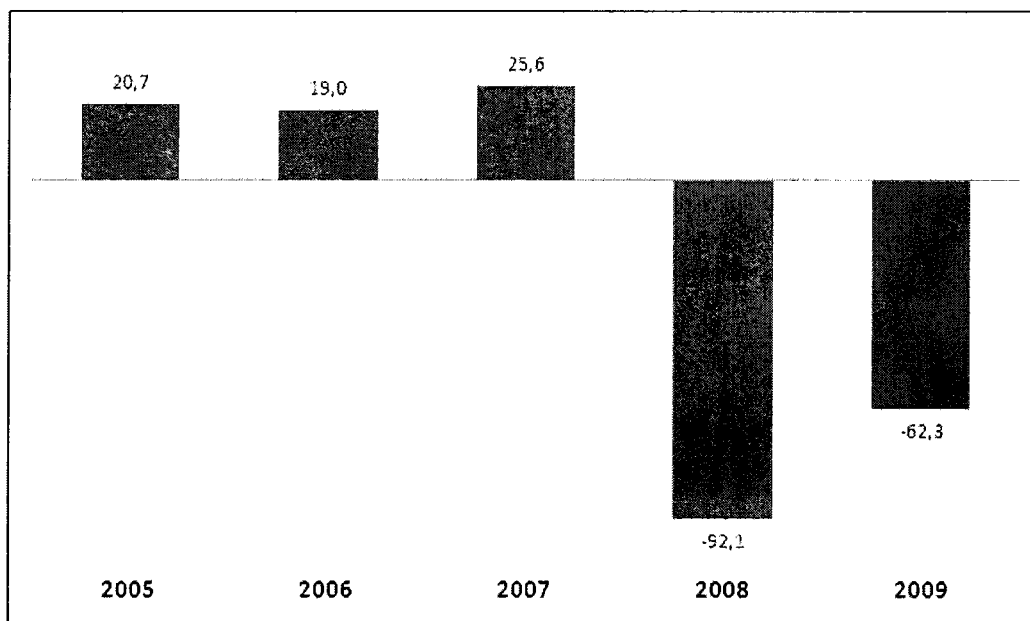
As with the last year, the composition of net financial income / expense consisted predominantly from the accrued and paid interest from Bonds and interest from loans from the finished projects where interests is no longer capitalized. The remaining difference can be attributed to the FX movement.

Profit for the Period

For 2009 ECM reported a net loss of EUR 62.3 million compared to a net loss of EUR 92.1 million reported for 2008.

For 2009 the company reported basic and diluted earnings per share of EUR -8.4 and EUR -6.1 respectively, compared to EUR -23.4 and EUR -14.6 respectively in 2008.

Profit for the period (EUR million)



**CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2009**

Name of the Company: ECM REAL ESTATE INVESTMENTS A.G.

Registered Office: 9, Rue du Laboratoire, L – 1911 Luxembourg

Components of the Consolidated Financial Statements:

Consolidated statement of comprehensive income

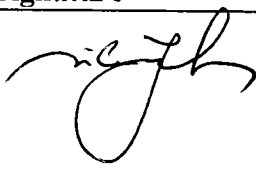
Consolidated statement of financial position

Consolidated statement of changes in equity

Consolidated statement of cash flows

Notes to the consolidated financial statements

The consolidated financial statements were authorised for issue by the Board of Directors on 2 April 2010.

Statutory body of the reporting entity:	Signature
Milan Janků <i>Chairman of the Board of Directors</i>	
Antonín Jakubše <i>Member of the Board of Directors</i>	

ECM REAL ESTATE INVESTMENTS A.G.
Consolidated statement of comprehensive income
For the year ended 31 December 2009

In thousands of *Euros*, unless stated otherwise

	Note	2009	2008
Gross rental income	3.3	13,139	12,181
Service income	3.3	23,712	23,612
Service charge income	3.4.1	2,924	2,979
Service charge expenses	3.4.1	(3,862)	(4,213)
Property operating expenses	3.4.2	(22,080)	(21,380)
Net rental and service related income		13,833	13,179
Valuation gains on investment property	3.5.1	1,355	32,621
Valuation losses on investment property	3.5.2	(41,188)	(77,295)
Net valuation (loss) on investment property		(39,833)	(44,674)
Proceeds from the sale of investment property	3.6	3,976	1,655
Carrying value of investment property sold	3.6	(4,434)	(1,682)
(Loss) on the disposal of investment property		(458)	(27)
Proceeds from the sale of financial investments in subsidiaries and associates	3.7	60,700	5,667
Carrying value of financial investments in subsidiaries and associates sold	3.7	(60,521)	(5,893)
Gain / (Loss) on the disposal of financial investments		179	(226)
Proceeds from the sale of trading property – inventory and related accounts	3.8	4,794	--
Carrying value of trading property - inventory and related accounts sold	3.8	(4,119)	--
Gain on the disposal of trading property		675	--
Personnel expenses	3.9	(3,697)	(3,821)
Administrative expenses	3.10	(8,379)	(13,799)
Impairment of trading property	3.11.1	(6,272)	(1,177)
Impairment of goodwill	3.11.2	--	(4,995)
Impairment of property, plant and equipment	3.11.3	(1,715)	--
Other income	3.12	6,795	4,142
Other expenses	3.13	(8,337)	(22,839)
Net other (expense)		(9,529)	(24,869)
Net operating (loss) before net financial (expense)		(47,209)	(74,237)
Interest income	3.14	1,122	1,206
Interest expenses	3.14	(23,756)	(24,627)
Net other financial (expense)	3.15	(3,590)	(544)
Net financial (expense)		(26,224)	(23,965)
Share of the profit of associates and joint venture		580	54
(Loss) before tax		(72,853)	(98,148)
Current tax income / (expense)	3.16.1	602	(758)
Deferred tax income	3.16.1	9,972	6,799
Income tax income	3.16.1	10,574	6,041
(Loss) for the period		(62,279)	(92,107)

ECM REAL ESTATE INVESTMENTS A.G.
Consolidated statement of comprehensive income
For the year ended 31 December 2009

In thousands of *Euros*

	Note	2009	2008
Other comprehensive income			
Foreign currency translation differences for foreign operations		1,459	8,039
<i>Other comprehensive income for the period, net of income tax</i>		<i>1,459</i>	<i>8,039</i>
Total comprehensive income for the period		(60,820)	(84,068)
Profit / (Loss) attributable to:			
Equity holders of the parent company		(57,707)	(102,489)
Non-controlling interest		(4,572)	10,382
Profit / (Loss) for the period		(62,279)	(92,107)
Total comprehensive income attributable to:			
Equity holders of the parent company		(53,346)	(98,627)
Non-controlling interest		(7,474)	14,559
Total comprehensive income for the period		(60,820)	(84,068)
Earnings per share			
Basic earnings per share (euros)	3.26.7	(8.4)	(23.4)
Diluted earnings per share (euros)	3.26.7	(6.1)	(14.6)

Note: No tax effect is related to Other comprehensive income.

Notes to consolidated financial statements on pages 10 to 81 are integral part of these financial statements.

ECM REAL ESTATE INVESTMENTS A.G.

Consolidated statement of financial position

As at 31 December 2009

In thousands of *Euros*

	Note	31.12.2009	31.12.2008
Investment property	3.17	167,649	508,518
Investment property under construction	3.18	10,601	57,517
Property, plant and equipment	3.19	10,608	18,908
Intangible fixed assets	3.20	270	451
Goodwill	3.20	3,314	3,256
Pre-paid operating lease payments		6	7
Investments in associates and joint venture	3.21	5,731	76
Other investments	3.21	262	312
Provided loans	3.22	13,217	2,526
Deferred tax assets	3.16.4	17,606	14,180
Total non-current assets		229,264	605,751
Trading property	3.23	63,880	13,549
Income tax receivable	3.16.3	167	297
Trade and other receivables	3.24	19,924	24,700
Cash and cash equivalents	3.25	28,455	33,627
Total current assets		112,426	72,173
TOTAL ASSETS		341,690	677,924

	Note	31.12.2009	31.12.2008
EQUITY	3.26		
Issued capital		11,676	11,676
Share premium		66,888	67,874
Reserves		253	193
Equity instruments		7,438	7,438
Retained earnings		(88,000)	(29,469)
Translation reserve		21,234	16,873
Total equity attributable to equity holders of the Company		19,489	74,585
Non-controlling interest		10,772	20,761
Total equity		30,261	95,346
LIABILITIES			
Interest-bearing loans and borrowings	3.27	70,952	221,962
Convertible bonds	3.28	76,262	86,015
Other bonds	3.29	30,581	30,167
Long-term liabilities from derivatives	3.28	11,671	10,458
Other long-term payables	3.32	13,024	12,157
Provisions	3.31	16,071	15,053
Deferred tax liabilities	3.16.4	15,037	27,303
Total non-current liabilities		233,598	403,115
Trade and other payables	3.30	16,970	137,018
Bank overdraft	3.27	--	1,555
Interest-bearing loans and borrowings	3.27	60,739	40,279
Provisions	3.31	122	611
Total current liabilities		77,831	179,463
Total liabilities		311,429	582,578
TOTAL EQUITY AND LIABILITIES		341,690	677,924

Notes to consolidated financial statements on pages 10 to 81 are integral part of these financial statements.

ECM REAL ESTATE INVESTMENTS A.G.

Consolidated statement of changes in equity

For the year ended 31 December 2009

In thousands of Euros

	Share capital	Share premium	Legal reserve fund	Equity Instrument	Retained earnings	Translation reserve	Total attributable to equity holders of the Company	Non-controlling interest	Total equity
<i>Balance at 1 January 2008</i>	7,229	44,467	175	7,438	75,648	12,831	147,788	168	147,956
Total comprehensive income for the period									
Profit or loss	--	--	--	--	(102,489)	--	(102,489)	10,382	(92,107)
Other comprehensive income									
Foreign currency translation differences	--	--	--	--	--	4,042	4,042	1,211	5,253
Items recorded directly in equity	--	--	--	--	(180)	--	(180)	2,966	2,786
Total other comprehensive income	--	--	--	--	(180)	4,042	3,862	4,177	8,039
Total comprehensive income for the period	--	--	--	--	(102,669)	4,042	(98,627)	14,559	(84,068)
Transactions with owners, recorded directly in equity									
Contributions by and distributions to owners									
Equity Step-up	425	3,478	--	--	--	--	3,903	--	3,903
Private placement	4,022	19,929	--	--	--	--	23,951	--	23,951
Total contribution by and distributions to owners	4,447	23,407	--	--	--	--	27,854	--	27,854
Changes in ownership interests in subsidiaries that do not result in a loss of control									
Changes in non-controlling interest without change in control	--	--	--	--	(2,472)	--	(2,472)	6,034	3,562
Total changes in ownership interests in subsidiaries	--	--	--	--	(2,472)	--	(2,472)	6,034	3,562
Total transactions with owners	4,447	23,407	--	--	(2,472)	--	25,382	6,034	31,416
Other movements									
Addition to the legal reserve fund	--	--	18	--	(18)	--	--	--	--
Other changes in equity	--	--	--	--	42	--	42	--	42
Total other movements	--	--	18	--	24	--	42	--	42
<i>Balance at 31 December 2008</i>	11,676	67,874	193	7,438	(29,469)	16,873	74,585	20,761	95,346

ECM REAL ESTATE INVESTMENTS A.G.
Consolidated statement of changes in equity
For the year ended 31 December 2009

In thousands of *Euros*

	Share capital	Share premium	Legal reserve fund	Equity Instrument	Retained earnings	Translation reserve	Total attributable to equity holders of the Company	Non-controlling interest	Total equity
<i>Balance at 1 January 2009</i>	11,676	67,874	193	7,438	(29,469)	16,873	74,585	20,761	95,346
Total comprehensive income for the period									
Profit or loss	--	--	--	--	(57,707)	--	(57,707)	(4,572)	(62,279)
Other comprehensive income									
Foreign currency translation differences	--	--	--	--	--	4,361	4,361	(2,902)	1,459
Total other comprehensive income	--	--	--	--	--	4,361	4,361	(2,902)	1,459
Total comprehensive income for the period	--	--	--	--	(57,707)	4,361	(53,346)	(7,474)	(60,820)
Transactions with owners, recorded directly in equity									
Contributions by and distributions to owners									
Equity Step-up	--	(986)	--	--	--	--	(986)	--	(986)
Transactions with non-controlling interest resulting in loss of control	--	--	--	--	--	--	--	(4,807)	(4,807)
Addition to Legal Reserve Fund	--	--	60	--	(60)	--	--	--	--
Total contributions by and distributions to owners	--	(986)	60	--	(60)	--	(986)	(4,807)	(5,793)
Changes in ownership interests in subsidiaries that do not result in a loss of control									
Transactions with non-controlling interest without change in control	--	--	--	--	(784)	--	(784)	2,292	1,508
Total changes in ownership interests in subsidiaries	--	--	--	--	(784)	--	(784)	2,292	1,508
Total transactions with owners	--	(986)	60	--	(844)	--	(1,770)	(2,515)	(4,285)
Other movements									
Other changes in equity	--	--	--	--	20	--	20	--	20
Total other movements	--	--	--	--	20	--	20	--	20
<i>Balance at 31 December 2009</i>	11,676	66,888	253	7,438	(88,000)	21,234	19,489	10,772	30,261

Notes to consolidated financial statements on pages 10 to 81 are integral part of these financial statements.

ECM REAL ESTATE INVESTMENTS A.G.

Consolidated statement of cash flows

For the year ended 31 December 2009

In thousands of *Euros*

	2009	2008
<i>Cash flows from operating activities</i>		
(Loss) for the period before tax	(72,853)	(98,148)
<i>Adjustments for:</i>		
Depreciation	578	705
Amortisation	41	147
Impairment losses	7,987	6,172
Foreign exchange losses/ gains	7,167	(13,981)
Change in the value of investment property	39,833	44,674
Revaluation of derivatives	(12,432)	23,459
Interest expense	22,634	23,421
Share of profit of associates	(580)	(54)
Gain / loss on the sale of investments in subsidiaries and associates	(179)	226
Gain on the sale of other investments	(384)	--
Gain on the sale of trading property - inventory	(675)	--
Loss on the sale of investment property	458	27
Loss/ gain on the sale of property, plant and equipment	242	(295)
Other	163	8,487
<i>Operating loss / profit before changes in working capital and provisions</i>	(8,000)	(5,160)
Increase / (decrease) in trade and other receivables	(4,027)	5,317
Increase / (decrease) in trading property - inventory	(9,690)	(6,583)
Increase / (decrease) in trade and other payables	(7,752)	76,717
Increase / (decrease) in assets and liabilities held for sale	--	(3,822)
Increase / (decrease) in provisions and employee benefits	253	13,679
<i>Cash generated from / (used in) the operations</i>	(29,216)	80,148
Interest paid	(16,858)	(12,740)
Interest received	318	1,011
Income taxes paid	(428)	(470)
<i>Net cash from / (used in) operating activities</i>	(46,184)	67,949
<i>Cash flows from investing activities</i>		
Proceeds from the sale of property, plant and equipment	545	798
Proceeds from the sale of investment property	3,976	1,655
Proceeds from the sale of investments in associates	--	5,217
Proceeds from the sale of other investments	439	--
Proceeds from the sale of trading property	4,794	--
Proceeds from disposals of subsidiaries, net of cash disposed	35,345	3,562
Acquisition of subsidiaries, net of cash acquired	--	(1,711)
Acquisition of property, plant and equipment	(813)	(7,877)
Acquisition of intangible assets	(26)	(339)
Acquisition of investment property	(11,956)	(33,524)
Acquisition of investment property under construction	(1,021)	(132,968)
Other loans (provided) / repaid	71	(290)
<i>Net cash from / (used in) investing activities</i>	31,354	(165,477)
<i>Cash flows from financing activities</i>		
Proceeds from the issue of share capital	--	28,389
Drawings / (repayments) of loans and borrowings	9,007	71,837
Drawings / (repayments) of finance lease liabilities and other long term payables	651	(5,824)
<i>Net cash from financing activities</i>	9,658	94,402
<i>Net decrease in cash and cash equivalents</i>	(5,172)	(3,126)
Cash and cash equivalents at 1 January	33,627	36,753
<i>Cash and cash equivalents at 31 December</i>	28,455	33,627

Notes to consolidated financial statements on pages 10 to 81 are integral part of these financial statements.

ECM REAL ESTATE INVESTMENTS A.G.

Notes to the consolidated financial statements

For the year ended 31 December 2009

1. GENERAL INFORMATION

Business firm:

ECM REAL ESTATE INVESTMENTS A.G. (hereinafter “the Company” or “ECM”)

Registered office:

9, Rue du Laboratoire
L - 1911 Luxembourg

Registration number:

B 65153

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 2009 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 2009 are available on www.ecm.cz.

Principal Activities

The Group’s basic objective is to conduct 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 technological 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 project implementation life-cycle 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 Development;
- Business Operations; and
- Hotel Operations.

Real Estate Development focuses on:

- Office spaces;
- Retail spaces; and
- Residential portfolio.

Business Operations focuses on rentals of:

- Office spaces;
- Retail real estate; and
- Hotels.

Hotel Operations focuses on:

- Providing of hotel services.

ECM REAL ESTATE INVESTMENTS A.G.

Notes to the consolidated financial statements

For the year ended 31 December 2009

Major shareholders

The Company currently has a number of shareholders with ECM Group N.V., Amsterdam, Holland, 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 2009

Shareholder	Thousands of shares	Share in registered capital	Share in voting rights
ECM Group N.V.	5,766	84%	84%
Other retail and institutional investors	1,102	16%	16%
Total	6,868	100%	100%

Year 2008

Shareholder	Thousands of shares	Share in registered capital	Share in voting rights
ECM Group N.V.	5,785	84%	84%
Other retail and institutional investors	1,083	16%	16%
Total	6,868	100%	100%

Description of ownership structure

The Company controls, directly or indirectly, a number of other companies in the Czech Republic, Luxembourg, Cyprus, Russia, China, Poland and in the Netherlands.

List of directors

Milan Janků, Chairman of the Board of Directors of the Company
Jana Žejdlíková, Member of the Board of Directors of the Company
Antonín Jakubše, Member of the Board of Directors of the Company
Jozef Franc Homola, Member of the Board of Directors of the Company

In 2009, the board of directors changed as follows:

- in April 2009 Tomáš Laštovka was removed from the board of directors;
- in April 2009 Antonín Jakubše was appointed as a member of the board of directors.

Employees Review

	2009	2008
Czech Republic	352	487

All of the above-mentioned employees were engaged in the core business activities of the Group, in real estate trading, leasing and administration, or were in charge of related activities for the Group, or its subsidiaries – keeping accounts, selling, supporting activities and services. The employment contracts are signed with ECM Real Estate Investment, k.s., ECM Facility a.s., ECM Finance a.s., ECM Hotel Operations Plzeň s.r.o., ECM Hotel Operations EUROPORT s.r.o., OOO “ECM Russia” and ECM Real Estate Consulting (Beijing) Co., Ltd.

Trend Information

The Group's priority is to continue with the development of its key projects and to complete the current project pipeline. In order to do that it may need to reconsider the viability of some of its current projects.

ECM REAL ESTATE INVESTMENTS A.G.

Notes to the consolidated financial statements

For the year ended 31 December 2009

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 management supervision and focusing on delivering quality products in response to market need. As at today's date, the activities of the Group are focused mainly on the geographical market in Europe, but the Group has established regional centres in Asia.

They consist of several business lines (offices, retail, residential buildings, and hotels) and are located in various regions of the country with a different level of saturation compared with the Group's original market in the capital of Prague. The different business lines 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 their 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 implied corporate culture. This further eliminates the natural market risk given by the existing competition among the leading developers.

Uncertainty about the Impact of the Global Financial Crisis

The Group is influenced by the global financial and economic crisis. The Group is exposed to increased risk mainly due to the high volatility and uncertainty regarding the valuation, possible impairment of assets, contingent liabilities and future development of the markets. Those potential risks may have an impact on the Group's financial statements in the future.

The presented consolidated financial statements for the year ended 31 December 2009 are based on the current best estimates and management of the Group believes that they present the true and fair view of the Group's financial results and financial position using all relevant and available information at the reporting date.

The project management changes

In accordance with the conclusions of the General Meeting that took place on 28 April 2009, the Board of ECM REAL ESTATE INVESTMENTS A.G. has adopted a vigorous cost restructuring. By strengthening its cash flow on the highly volatile Central European real estate market, the Company wants to support the long-term value for its shareholders and it believes that this can be reached by increased outsourcing which, in terms of project management and servicing, is supported by significant savings made through economies of scale. The Board of the Company is aiming to reach a reduction in its operational costs in the level of 20 – 25% per year and it plans to re-invest such cost savings to finalize its own selected development projects.

As a result of that the Board of ECM has handed over the management of its own projects to an external specialist company, PPF ECM Advisory. Based on a consultancy contract, this company looks after the management as well as the servicing support of ECM's projects and any steps relating to these assets will be carried out by PPF ECM Advisory only after the approval of the Board of ECM. This externally managed projects model is used in the Czech Republic as well as in Russia and China. This transaction was initiated during the third quarter of 2009.

The outsourcing of the servicing of projects ensures the full flexibility of ECM. The company will still continue to be managed by the Board, which, according to the law, has to take decisions in accordance with the interests of all parties involved, including non-controlling interest, and which aims to ensure maximum transparency towards them as well as towards the whole market. ECM still remains under the control of its majority shareholder Milan Janků, who controls the company through his majority stake in the company ECM GROUP N.V.

ECM REAL ESTATE INVESTMENTS A.G.

Notes to the consolidated financial statements

For the year ended 31 December 2009

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and the interpretations adopted by the International Accounting Standards Board (IASB) as adopted by the European Union.

The consolidated financial statements were authorised for issue by the Board of Directors on 2 April 2010.

(b) Basis of preparation

The financial statements are presented in euros, rounded to the nearest thousand. All figures are in thousands of euros (EUR), unless stated otherwise. They are prepared on a historical cost basis, with the exception of investment property and derivatives which are 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 with exceptions arising from adoption of new, revised or amended standards (see note (v)) Impact of changes in Accounting Policies arising from the Adoption of New IFRSs and Amendments to IASs effective 1 January 2009).

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements. The date of transition to IFRS was 1 January 2003.

The accounting policies have been applied consistently by the Group entities.

(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.

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 non-controlling shareholders is stated at the non-controlling interest's proportion of the fair values of the assets and liabilities recognised. Subsequently, any losses applicable to the non-controlling interest in excess of the non-controlling interest are allocated against the interests of the parent company.

Change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Acquisitions of non-controlling interests are accounted for as transactions with equity holders in their capacity as equity holders and therefore no goodwill is recognised as a result of such transactions.

(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. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

ECM REAL ESTATE INVESTMENTS A.G.

Notes to the consolidated financial statements

For the year ended 31 December 2009

(ii) Associates (equity accounted investees)

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity. Associates are accounted for using the equity method (equity accounted investees) and are recognised initially at cost. The Group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Group's share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

(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 assets that the Group controls and the liabilities that it incurs in the course of pursuing the joint operation, and the expenses that the Group incurs and its share of the income that it earns from the joint operation.

(iv) 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 to account for to all common control transactions.

(v) Transactions eliminated on consolidation

Intra-group balances and transactions, 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 equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(d) Functional and presentation currency

(i) Functional currency

Functional currencies of the companies in the Group depend on the country of their incorporation and operations.

Summary of countries and functional currencies:

Country	Functional currency
Luxembourg	EUR
Netherlands	EUR
Cyprus	EUR
Czech Republic	CZK
Russia	RUB
China	CNY
Hong Kong	USD
Poland	PLN

For a detailed list of the companies in the Group refer to Note 3.1.2 Subsidiaries, joint ventures and associates.

ECM REAL ESTATE INVESTMENTS A.G.

Notes to the consolidated financial statements

For the year ended 31 December 2009

(ii) Presentation currency

The Group presentation currency is the euro (EUR). The Group has selected this presentation currency because the users of its financial statements base their economic decisions on information expressed in EUR.

(iii) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss.

(iv) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to euro at exchange rates at the reporting date. The income and expenses of foreign operations are translated to euro at exchange rates approximating the foreign exchange rates ruling at the dates of the transactions.

Foreign exchange differences arising on translation of foreign operations are recognised directly in a separate component of equity – Translation reserve. When a foreign operation is disposed of, in part or in full, the relevant amount in the translation reserve is transferred to profit or loss.

Cash flows of foreign operations are translated into euro at exchange rates approximating the foreign exchange rates ruling at the dates of the transactions.

The following exchange rates were used during translations:

Date	Closing exchange rate CZK/EUR	Average exchange rate CZK/EUR for the 12-month period
31 December 2009	26.465	26.445
31 December 2008	26.930	24.942
1 January 2008	26.620	N/A

Date	Closing exchange rate RUB/EUR	Average exchange rate RUB/EUR for the 12-month period
31 December 2009	43.272	44.121
31 December 2008	41.283	36.397
1 January 2008	36.004	N/A

Date	Closing exchange rate CNY/EUR	Average exchange rate CNY/EUR for the 12-month period
31 December 2009	9.835	9.478
31 December 2008	9.496	10.168
1 January 2008	10.756	N/A

Date	Closing exchange rate USD/EUR	Average exchange rate USD/EUR for the 12-month period
31 December 2009	1.441	1.388
31 December 2008	1.392	1.464
1 January 2008	1.473	N/A

Date	Closing exchange rate PLN/EUR	Average exchange rate PLN/EUR for the 12-month period
31 December 2009	4.104	4.326
31 December 2008	4.153	3.502
1 January 2008	3.591	N/A

ECM REAL ESTATE INVESTMENTS A.G.

Notes to the consolidated financial statements

For the year ended 31 December 2009

(e) Use of estimates

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. These estimates, which specifically relate to the determination of fair values of investment property and investment property under construction, impairment of assets and provisions, are based on the information available at the reporting date. The current global economic crisis, its acceleration and market turbulence increase the risk that the actual results and outcomes may significantly differ from these estimates. Key areas with a potential for significant differences between the actual results and the estimates principally include fair values of investment property and investment property under construction. The Group prepared the sensitivity analysis of its main projects which is presented on the Note 3.34.4.a). 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.

(f) 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 (l)).

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the initial estimate, where relevant, of the costs of dismantling and removing building items and restoring the building site at which they are located, capitalised borrowing costs and an appropriate proportion of production overheads.

Where components of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

When the use of a property changes from owner-occupied to investment property, the property is re-measured to fair value and reclassified as investment property. Any gain or loss arising on re-measurement is recognised in profit or loss.

(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 (l)). Lease payments are accounted for as described in accounting policy (q) (iii).

Other leases are operating leases and, except for investment property, the leased assets are not recognised in the Group's statement of financial position. Property held under operating leases that meets the definition of investment property is classified as investment property on a property-by-property basis. Investment property held under an operating lease is recognised in the Group's statement of financial position at its fair value.

ECM REAL ESTATE INVESTMENTS A.G.

Notes to the consolidated financial statements

For the year ended 31 December 2009

(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 profit or loss as incurred.

(iv) Depreciation

Depreciation is recognised in profit or loss 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 TEUR 1 are recognised in profit or loss in the year that they are acquired. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

The costs of improving fixed assets increase their acquisition cost. Repairs and maintenance costs are recognised in profit or loss.

The estimated useful lives are as follows:

Assets	2009	2008
Temporary structures – construction site	2 years	2 years
Machinery and equipment	4-6 years	4-6 years
Motor vehicles	4 years	4 years
Buildings	30 years	30 years

Depreciation methods, useful lives and residual values (if not insignificant) are reviewed at each reporting date.

(g) Intangible assets

(i) Goodwill

Business combinations, excluding those commenced between parties under common control, are accounted for by applying the acquisition method. Goodwill represents amounts arising upon the acquisition of subsidiaries, associates and joint ventures. Goodwill that arises upon the acquisition of subsidiaries and joint-ventures is included in intangible assets. In respect of associates, goodwill is included in carrying amount of equity accounted investee.

In respect of business acquisitions on or after 1 January 2009, the Group measures goodwill as the fair value of the consideration transferred including the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date.

In respect of business acquisitions since 1 January 2003 prior to 1 January 2009, goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree.

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 Group's interest in 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 statement of financial position at 1 January 2003.

Acquisitions of non-controlling interests are accounted for as transactions with equity holders in their capacity as equity holders and therefore no goodwill is recognised as a result of such transactions.

Goodwill is measured at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units (assets) and is not amortised but is tested annually for impairment (see accounting policy (I)). In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment.

Negative goodwill arising on acquisition is recognised directly in profit or loss.

ECM REAL ESTATE INVESTMENTS A.G.

Notes to the consolidated financial statements

For the year ended 31 December 2009

(ii) Other intangible assets

Other intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation (see below) and accumulated impairment losses (see accounting policy (l)). Amortisation is recognised in profit or loss in 'Administrative expenses'.

(iii) Subsequent expenditure

Subsequent expenditure on 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 recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, 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	2009	2008
Other intangible fixed assets	30 years	30 years
Software	4 years	4 years

(h) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both. The investment property of the Group primarily includes 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, valued the portfolio of investment property and investment property under construction at the year end of 2009 and 2008 respectively. 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 of the investment properties and investment properties under construction are determined in euros. Various investment properties and investment properties under construction are held by companies with the functional currency other than euros. Revaluation gains and losses in respect of these investment properties and investment properties under construction therefore include the impact of a change in foreign exchange rates. The impact of changes in foreign exchange rates is presented separately under 'Net other financial (expense) / income'. Changes in the fair value of investment properties and investment properties under construction without effect of changes in foreign exchange rates are presented on the face of the statement of comprehensive income as 'Valuation gains / losses on investment property'.

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. 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 rentals or for capital appreciation or both. The initial cost of a property interest 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 (q).

ECM REAL ESTATE INVESTMENTS A.G.

Notes to the consolidated financial statements

For the year ended 31 December 2009

(i) Investment property under construction

Property that is being constructed for future use as investment property is accounted for as investment property under construction measured at fair value (including prepayments done for property) until construction or development is complete, at which time it is reclassified as investment property. Any gain or loss arising on the measurement is recognised in profit or loss.

(j) 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.

(k) Financial instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, provided loans, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Other 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 recognised in profit or loss on an accrual basis using the 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 calculated at initial recognition of these financial assets). Receivables with a short duration are not discounted.

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.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank accounts and call deposits 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.

Interest-bearing loans and borrowings

Interest-bearing borrowings are recognised initially at fair values 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 profit or loss 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 date of the statement of financial position.

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 to use are capitalised. Subsequently, they are recorded as financial expenses.

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Trade and other payables

Trade and other payables are stated at their nominal value, which is equal to their amortised cost.

Other financial liabilities

Other financial liabilities, including issued bonds, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Available-for-sale financial assets

Available-for-sale financial assets are recognised and derecognised on the 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 are carried at cost.

(ii) 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 the Company's risk management strategy, the hedging relationship is formally documented and the hedge is effective, that is, 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 percent to 125 percent.

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.

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Notes to the consolidated financial statements

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Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss. Changes in the fair value of separable embedded derivatives are recognised immediately in profit or loss.

(iii) Compound financial instruments

Compound financial instruments issued by the Group comprise bonds with attached warrants that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument (bond) is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially as the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of compound financial instruments is measured at amortised cost using the effective interest method, unless it is designated at fair value through profit or loss. The equity component of compound financial instruments is not re-measured subsequent to initial recognition.

Interest, dividends, losses and gains relating to the financial liability are recognised in profit or loss. Distributions to the equity holders are recognised against equity, net of any tax benefit.

(iv) Share capital and share premium

Ordinary shares are classified as equity. External costs directly attributable to the issue of new shares and shares options, other than upon a business combination, are recognised as a deduction from equity, net of any tax effects. Share issue costs incurred directly in connection with a business combination are included in the cost of acquisition.

(I) Impairment

(i) Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.

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.

All impairment losses are recognised in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised.

(ii) Non -financial assets

The carrying amounts of the Group's assets, other than investment property (see accounting policy (h)), investment property under construction (see accounting policy (i)) and deferred tax assets (see accounting policy (s)), are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

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In respect of goodwill, the recoverable amount is estimated at each date of the statement of financial position.

An impairment loss is recognised whenever the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. Impairment losses are recognised in profit or loss, when detected.

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.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Goodwill that forms part of the carrying amount of an investment in an associate is not recognised separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate is tested for impairment as a single asset when there is objective evidence that the investment in an associate may be impaired.

(m) Assets and liabilities held for sale

Disposal groups comprising assets and liabilities that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the components of a disposal group are re-measured in accordance with the Group's accounting policies at the lower of their carrying amount and fair value less cost to sell. Thereafter generally the disposal group of assets and liabilities are measured at the lower of their carrying amount and fair value less cost to sell.

Impairment losses on initial classification as held for sale and subsequent gains or losses on re-measurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

(n) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, 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.

(o) Guaranties provided

In the normal course of business, the Group entities may enter into credit related commitments which are accounted for in accounts out of the statement of financial position. These commitments primarily include financial guarantees. Provisions are made for estimated losses on these commitments. In estimating the losses, the Group refers to the historical data regarding risk parameters (credit conversion factors, probability of default and loss-given default).

(p) Revenue

(i) Services rendered

Revenue from services rendered is recognised in profit or loss when the transaction under the service agreement has been completed. This usually involves completion of the development work.

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Notes to the consolidated financial statements

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(ii) Rental income

Rental income from investment property leased out under an operating lease is recognised in profit or loss 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, over the term of the lease.

(iii) Sale of investment property, trading property and investments in subsidiaries and associates

Revenue from the sale of investment property, trading property – inventory and investments in subsidiaries and associates is recognised in profit or loss when the significant risks and rewards of ownership have been transferred to the buyer.

If the assets and liabilities are sold by selling the interest in a subsidiary or an associate the profit or loss on sale is recognised in total under the line 'Gain/ loss on the sale of investments' of the statement of comprehensive income.

(q) 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 profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease.

Where the property interest held under an operating lease is classified as an investment property, the property interest is accounted for as if it was a finance lease and the fair value model is used for the asset recognised.

(iii) Finance lease payments

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent rents are charged as expenses in the periods in which they incur.

(r) Net financial income (expenses)

(i) Interest income

Interest income comprises interest income on funds invested (bank interest and interest on provided loans). Interest income is recognised as it accrues in profit or loss, using the effective interest method.

(ii) Interest expense

Interest expense comprises interest expense on loans and borrowings, on convertible debenture loans, on other bonds and interest charges related to finance leases. All borrowing costs are recognised in profit or loss using the effective interest method net of interest capitalised.

The interest expense component of finance lease payments is recognised in profit or loss using the effective interest rate method.

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(iii) Net other financial income / (expense)

Other financial income / (expense) comprise foreign exchange gains and losses, gains and losses on derivative instruments that are recognised in profit or loss and bank charges.

Foreign currency gains and losses are reported on a net basis.

(s) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in profit or loss 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 reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the liability method in the statement of financial position, 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 reporting 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.

(t) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible notes.

(u) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the management committee to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Each segment within the group is periodically evaluated during the regular meetings of established task forces and results of such evaluations are reported during the Board of Directors meetings. Segment results that are reported to the Board of Directors include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters), head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, investment property, investment property under construction, intangible assets other than goodwill and trading property.

Segment information is presented in respect of the Group's operating and geographical segments. The Group's primary format for segment reporting is based on operating segments. The operating segments are determined based on the Group's management and internal reporting structure.

The business activity of the Group is considered to be three segments.

Inter-segment pricing is determined on an arm's length basis.

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(v) Changes in Accounting Policies arising from the Adoption of New IFRSs and Amendments to IASs effective 1 January 2009

(i) Overview of New IFRSs and Amendments to IASs

In 2009 the Group adopted the following new or amended International Financial Reporting Standards and IFRIC Interpretations, however not all below listed standards and IFRIC interpretations were relevant for the Group:

- *IFRS 1 First-time Adoption of International Financial Reporting Standards* and *IAS 27 Consolidated and Separate Financial Statements - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* (effective date 1 January 2009):
The amendments specify the accounting in separate financial statements of a newly formed entity that becomes the new parent entity of another entity in a group in certain transactions and require dividends from investments in subsidiaries, jointly controlled entities or associates to be recognised in profit or loss in the separate financial statements of the investor.
- *Amendments to IFRS 7 Financial Instruments: Disclosures - Improving Disclosures about Financial Instruments* (effective date 1 January 2009):
The amendment enhances disclosures about fair value measurements of financial instruments and over liquidity risk. The amendments to IFRS 7 introduce a three-level hierarchy for fair value measurement disclosures and require entities to provide additional disclosures about the relative reliability of fair value measurements. In addition, the amendments clarify and enhance the existing requirements for the disclosure of liquidity risk.
- *IFRS 8 Operating Segments* (effective date 1 January 2009):
IFRS 8 replaces IAS 14 Segment Reporting and sets out requirements for disclosure of information about an entity's operating segments and also about the entity's products and services, the geographical areas in which it operates and its major customers.
- *IAS 1 Presentation of Financial Statements* (revised 2007; effective date 1 January 2009):
The revised standard requires the presentation of statements of financial position, comprehensive income, changes in equity, cash flows and related notes, together with comparatives. Assets and liabilities held for trading in accordance with *IAS 39 Financial instruments: Recognition and Measurement* are not automatically classified as current in the balance sheet.
- *IAS 23 Borrowing Costs* (effective date 1 January 2009):
The revised standard prohibits the immediate expensing of borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset.
- *IFRIC 15 Agreements for the Construction of Real Estate* (effective date 1 January 2009):
This interpretation provides guidance on the accounting for revenue arising from agreements for the construction of real estate. The interpretation addresses the applicable accounting standard (IAS 11 Construction Contracts or IAS 18 Revenue) and the timing of revenue recognition.
- *Revised IFRS 3 Business Combinations* (effective for acquisitions with a date of acquisition on or after the beginning of the first annual period beginning on or after 1 July 2009):
Amended IFRS 3 introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period of acquisition, and future reported results. The changes by revised IFRS 3 will affect future acquisitions or loss of control and transactions with minority interests.
- Consequential amendment to *IAS 12 Income Taxes* as a result of the revised version of IFRS 3 (effective July 2009);
- *IAS 16 Property, Plant and Equipment* (effective 1 July 2009): Replace the term "net selling price" with "fair value less costs to sell".

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At the date of authorisation of these financial statements, the following standards and interpretations were in issue and endorsed by the EU but not yet effective:

- *IFRS 5 Non-current Assets Held for Sale and Discontinued Operations* (effective 1 January 2010):
The amendments clarify that the required disclosures for non-current assets (or disposal groups) classified as held for sale or discontinued operations are specified in IFRS 5.
- *IFRS 8 Operating Segments* (effective 1 January 2010):
The amendments clarify that segment information with respect to total assets is required only if such information is regularly reported to the chief operating decision maker.
- *IAS 1 Presentation of Financial Statements* (effective 1 January 2010):
The amendments clarify that the classification of the liability component of a convertible instrument as current or non-current is not affected by terms that could, at the option of the holder of the instrument, result in settlement of the liability by the issue of equity instruments.
- *IAS 7 Cash Flows* (effective 1 January 2010):
The amendments clarify that only expenditures that result in the recognition of an asset can be classified as a cash flow from investing activities.
- *IAS 17 Leases* (effective 1 January 2010):
The amendments clarify that when a lease includes both the land and building elements, an entity should determine the classification of each element taking account of the fact that land normally has an indefinite economic life
- *IAS 36 Impairment of Assets* (effective 1 January 2010):
The amendments clarify that the largest unit to which goodwill should be allocated is the operating segment level as defined in IFRS 8 before applying the aggregation criteria of IFRS 8.
- *IAS 39 Financial Instruments: Recognition and Measurement* (effective 1 January 2010):
The amendments provide additional guidance on determining whether loan prepayment penalties result in an embedded derivative that needs to be separated and clarify that the gains or losses on a cash flow hedge should be reclassified from other comprehensive income to profit or loss during the period that the hedged forecast cash flows impact profit or loss.
- *IFRS 1 First-time Adoption of International Financial Reporting Standards – Additional Exemptions for First-time Adopters* (effective 1 January 2010)
- *IFRS 2 Share-based Payment – Group Cash-settled Share-based Payment Transactions* (effective 1 January 2010)
- *IAS 32 Financial Instruments: Presentation – Classification of Rights Issues* (effective 1 January 2010):
The IASB amended IAS 32 to allow rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency to be classified as equity instruments provided the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments.
- *IAS 24 Related Party Disclosures* (revised 2009) (effective 1 February 2010):
The revised IAS 24 *Related Party Disclosures* amends the definition of a related party and modifies certain related party disclosure requirements for government-related entities.
- *IAS 32 Financial Instruments: Presentation – Classification of Rights Issues* (effective 1 February 2010)
- *IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments* (effective 1 July 2010)

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The Group is currently assessing the potential impacts of the new and revised standards that will be effective for the annual period from 1 January 2010 or later. The Group currently does not expect that the new standards and interpretations would have a significant effect on the Group's results and financial position.

(i) Accounting for business combinations

The Group has early adopted IFRS 3 *Business Combinations* (2008) and IAS 27 *Consolidated and Separate Financial Statements* (2008) for business combinations occurring in the financial year starting 1 January 2009. All business combinations occurring on or after 1 January 2009 are accounted for by applying the acquisition method. The change in accounting policy was applied prospectively and had no material impact on earnings per share.

(ii) Accounting for acquisitions of non-controlling interests

The Group has early adopted IFRS 3 *Business Combinations* (2008) and IAS 27 *Consolidated and Separate Financial Statements* (2008) for acquisitions of non-controlling interests occurring in the financial year starting 1 January 2009. The change in accounting policy was applied prospectively and had no material impact on earnings per share.

(iii) Investment property under construction

The Group applies the amended IAS 40 *Investment property* (2008), which became effective as of 1 January 2009. As a result, property under construction or development for future use as investment property is measured at fair value. Any gain or loss arising on the measurement is recognised in profit or loss.

(iv) Determination and presentation of operating segments

As of 1 January 2009 the Group determines and presents operating segments based on the information that internally is provided to the Board of Directors. This change in accounting policy is due to the adoption of IFRS 8 *Operating Segments*. Previously operating segments were determined and presented in accordance with IAS 14 *Segment Reporting*. Comparative segment information has been re-presented in conformity with the transitional requirements of such standard. Since the change in accounting policy only impacts presentation and disclosure aspects, there is no impact on earnings per share.

(v) Presentation of financial statements

The Group applies the revised IAS 1 *Presentation of Financial Statements* (2007), which became effective as of 1 January 2009. As a result, the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. This presentation has been applied in these financial statements as of and for the year ended 31 December 2009. Comparative information has been restated to conform to the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

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3. SUPPORTING NOTES TO THE FINANCIAL STATEMENTS**3.1. Group entities****3.1.1. Control of the Group**

The Group's ultimate parent company is ECM REAL ESTATE INVESTMENTS A.G. which is controlled by the owners – ECM Group N.V. (84 %) and other retail and institutional investors (16 %).

PPF Group N.V. and Milan Janků have agreed to establish a joint holding company, which will manage the two groups' selected real estate assets. Its establishment will not have any bearing on ECM REAL ESTATE INVESTMENTS A.G. or its activities and assets. Through his majority stake in ECM GROUP N.V., Milan Janků will retain control over ECM REAL ESTATE INVESTMENTS A.G. As at 31 December 2009 the above mentioned transaction was not legally in force and Milan Janků was the sole owner of ECM GROUP N.V.

3.1.2. Subsidiaries, joint-ventures and associates

Name (former name)	Country of incorporation	Ownership interest	
		31/12/2009	31/12/2008
ECM Finance a.s.	Czech Republic	100%	100%
ECM Real Estate Investments, k.s.	Czech Republic	100%	100%
ECM Czech Republic A.G.	Luxembourg	100%	100%
CITY PARKVIEW s.r.o. (SPV Court, s.r.o.)	Czech Republic	100%	100%
CITY TOWER, s.r.o. (SPV TOWER, s.r.o.)	Czech Republic	--	100%
LANCASTER a.s.	Czech Republic	100%	100%
TABULA MAIOR, a.s.	Czech Republic	100%	100%
TABULA MINOR, a.s.	Czech Republic	100%	100%
ECM Byty s.r.o.	Czech Republic	100%	100%
ECM Czech Services, a.s. (STROMOVKA OBCHODNI CENTRUM a.s.)	Czech Republic	100%	100%
ECM Hotel Operations EUROPORT s.r.o.	Czech Republic	100%	100%
ECM Hotel Operations Plzeň s.r.o.	Czech Republic	100%	100%
ECM OFFICES LIBEŇ s.r.o.	Czech Republic	100%	100%
ADARKON a.s.	Czech Republic	100%	100%
EPOQUE HOTEL a.s.	Czech Republic	100%	100%
EPOQUE-LANCASTER a.s.	Czech Republic	100%	100%
ECM CITY POINT a.s. (HUANTA a.s.)	Czech Republic	100%	100%
ECM CITY EMPIRIA a.s. (DORMIDA a.s.)	Czech Republic	100%	100%
ECM Facility a.s. (I)	Czech Republic	100%	100%
ECM REGIONS CZ S.a.r.l.	Luxembourg	100%	100%
GRASLON a.s.	Czech Republic	100%	100%
CITY ELEMENT s.r.o.	Czech Republic	100%	100%
CITY DECO s.r.o.	Czech Republic	100%	100%
EMPIRIA BUILDING s.r.o.	Czech Republic	100%	100%
SAZERAC a.s.	Czech Republic	100%	100%
Palisády, s.r.o.	Czech Republic	100%	100%
TORSAR a.s.	Czech Republic	100%	100%
NATIONAL BUSINESS CENTRE Ostrava a.s.	Czech Republic	100%	100%
NBC National s.r.o.	Czech Republic	100%	100%
NBC Office a.s.	Czech Republic	10%	10%
Ryazan Investors Company Ltd.	Cyprus	79%	85%
Ryazan Shopping Mall Ltd.	Cyprus	79%	85%
Ryazan Hold Company Ltd.	Cyprus	100%	100%
PROSPECT LLC (OOO "PROSPEKT")	Russia	79%	85%
REZIDENCE UNHOŠŤ a.s.	Czech Republic	100%	100%
Czech Real Estate Regions S. a.r.l.	Luxembourg	100%	100%
VARENSKÁ OFFICE CENTER, a.s.	Czech Republic	100%	100%
EKZ Tschechien 4 Immobiliengesellschaft s.r.o.	Czech Republic	50%	50%
OIK City Point Investment a.s. (SPV POINT, a.s.)	Czech Republic	--	5%
China East Investment Limited	Hong Kong	37%	60%
ECM Property Holding (Tianjin) Co Ltd.	China	37%	60%
Metropolis Holding China Limited	Hong Kong	37%	60%
Metropolis Holding (Tianjin) Co., Ltd.	China	37%	60%
MOLE ONE LIMITED	Cyprus	100%	100%
ECM Poland A.G. (China ECM Beijing I. SA)	Luxembourg	100%	100%
ECM CHINA Beijing S.a.r.l.	Luxembourg	100%	100%

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Name (former name)	Country of incorporation	Ownership interest	
		31/12/2009	31/12/2008
ECM POZNAN RESIDENCE sp. z o.o. (Mergus sp. z o.o.)	Poland	100%	100%
East Point Holding B.V.	Netherlands	30%	30%
ОАО Yugo-Vostochnaya promyshlennaya kompaniya "Kartontara"	Russia	30%	30%
GONDOMAR s.r.o.	Czech Republic	100%	100%
ECM Corporate Services s.r.o. (HARBINOIR s.r.o.)	Czech Republic	100%	100%
ECM China Investments s.r.o. (LEPORANO s.r.o.)	Czech Republic	100%	100%
POYNTON s.r.o.	Czech Republic	100%	100%
ROBUREN s.r.o.	Czech Republic	100%	100%
ECM ExCE Services s.r.o. (TALENTONE s.r.o.)	Czech Republic	100%	100%
URBARIUM s.r.o.	Czech Republic	100%	100%
VEPAMOS s.r.o.	Czech Republic	100%	100%
LUNZIE a.s.	Czech Republic	100%	100%
OPTISERVIS, spol. s r.o. (1)	Czech Republic	--	100%
ECM Russia A.G.	Luxembourg	100%	100%
ООО "ECM Russia"	Russia	100%	100%
Yerevan Invest B.V.	Netherlands	70%	70%
ECM Real Estate Consulting (Beijing) Co.,Ltd.	China	100%	100%

(1) 1 January 2009 was set as the effective day of merger by acquisition of OPTISERVIS, spol. s r.o. (the company ceasing to exist) and ECM Facility a.s. (the successor company). The merger was recorded in the Commercial Register as at 1 October 2009. The merger by acquisition has no impact on the consolidated financial statements as at 31 December 2009.

3.1.3. Changes in the Group

During 2009, the Group acquired or disposed the following companies:

Company	Share of acquisition	Share of disposal	Purchased/Sold on
China East Investment Limited (1)	--	23%	9 January 2009
Metropolis Holding China Limited (2)	--	23%	9 January 2009
Ryazan Investors Company Ltd. (3)	--	6%	31 March 2009
CITY TOWER, s.r.o. (4)	--	100%	29 December 2009
OIK City Point Investment a.s (5)	--	5%	29 December 2009

- (1) Including its subsidiary ECM Property Holding (Tianjin) Co Ltd. The ownership interest was sold to NORDEVO INVESTMENTS LIMITED. The ownership interest decreased to 37%. Therefore, the method of equity consolidation has been applied since 9 January 2009.
- (2) Including its subsidiary Metropolis Holding (Tianjin) Co., Ltd. The ownership interest was sold to NORDEVO INVESTMENTS LIMITED. The ownership interest decreased to 37%. Therefore, the method of equity consolidation has been applied since 9 January 2009.
- (3) Including its subsidiaries Ryazan Shopping Mall Ltd. and Prospect LLC. The ownership interest was sold to related party PSJ NEW N.V.
- (4) The ownership interest was sold to MARPONA a.s.
- (5) The ownership interest was sold to IVG Institutional Funds GmbH.

During 2008, the Group acquired or disposed the following companies:

Company	Share of acquisition	Share of disposal	Purchased/Sold on
Yerevan Invest B.V. (1)	100%	--	17 January 2008
ООО "ECM Russia"	100%	--	18 January 2008
ECM Real Estate Consulting (Beijing) Co., Ltd.	100%	--	21 March 2008
East Point Holding B.V. (2)	--	--	31 March 2008
OPTISERVIS, spol. s r.o. (3)	50%	--	28 May 2008
ECM Czech Republic A.G.	100%	--	29 May 2008
2P, s.r.o.	--	100%	31 July 2008
Ryazan Investors Company Ltd. (4)	--	15%	24 October 2008

- (1) The Group acquired 100% of shares of this entity at the date stated above. Subsequently 30% of the shares were sold to Victor Nicolayevich Krestin on 22 May 2008.

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- (2) The Group started to control the operation and activities of East Point Holding B.V. and its wholly owned subsidiary OAO Yugo-Vostochnaya promyshlennaya kompaniya "Kartontara" regardless of ownership interest as the development project in OAO Yugo-Vostochnaya promyshlennaya kompaniya "Kartontara" is under control of the Group. Therefore, the method of full consolidation has been applied since 31 March 2008.
- (3) The Group acquired the first 50% of shares of the entity as at 20 December 2007. The remaining 50% of shares were acquired as at the date stated above.
- (4) Including its subsidiaries Ryazan Shopping Mall Ltd. and Prospect LLC. The ownership interest was sold to related party PSJ NEW N.V.

3.1.4. 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 2008)

<i>In thousands of euros</i>	Yerevan Invest B.V.	OOO "ECM Russia"	ECM Real Estate Consulting (Beijing) Co., Ltd.	OPTISERVIS, spol. s r.o.	ECM Czech Republic A.G.
Property, plant and equipment	--	88	10	11	--
Intangible assets	--	--	--	1	--
Trading property	--	1,375	--	2	--
Income tax receivables	--	--	--	30	--
Trade and other receivables	--	172	5	325	--
Cash and cash equivalents	18	197	55	108	31
Trade payables	--	(34)	(104)	(258)	--
Interest-bearing loans	--	(2,058)	--	--	--
Deferred tax	--	269	--	--	--
Net identifiable assets and liabilities	18	9	(34)	219	31
Fair value adjustments	--	--	--	--	--
Net identifiable assets and liabilities in fair values	18	9	(34)	219	31
Consideration, paid in cash	(18)	(9)	(206)	(1,882)	(31)
Cash (acquired)	18	197	55	108	31
Net cash outflow	--	188	(151)	(1,774)	--

The acquiree's net assets at the acquisition date (for companies acquired in 2008) - continued

<i>In thousands of euros</i>	East Point Holding B.V. (1)	OAO Yugo-Vostochnaya promyshlennaya kompaniya "Kartontara" (1)
Investment property	--	4,771
Provided loans	5,599	--
Investments	4,210	--
Trade and other receivables	--	846
Cash and cash equivalents	5	22
Trade and other payables	(24)	(5,537)
Other long-term payables	--	(180)
Interest-bearing loans	(9,643)	(5,691)
Deferred tax	--	29
Net identifiable assets and liabilities	147	(5,740)
Fair value adjustments	--	9,804
Net identifiable assets and liabilities in fair values	147	4,064
Consideration, paid in cash	(1)	(4,210)
Cash (acquired)	5	22
Net cash outflow	4	(4,188)

- (1) The Group started to control the operation and activities of East Point Holding B.V. and its wholly owned subsidiary OAO Yugo-Vostochnaya promyshlennaya kompaniya "Kartontara" regardless of ownership interest as the development project in OAO Yugo-Vostochnaya promyshlennaya kompaniya "Kartontara" is under control of the Group. Therefore, the method of full consolidation has been applied since 31 March 2008.

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The acquiree's contribution to the consolidated net profit in 2008 (for companies acquired in 2008)

Companies acquired in 2008	Net profit/(loss) contributed to consolidated profit in 2008 <i>In thousands of euros</i>
Yerevan Invest B.V.	(22)
OOO "ECM Russia"	(1,385)
ECM Real Estate Consulting (Beijing) Co., Ltd.	315
OPTISERVIS, spol. s r.o.	376
ECM Czech Republic A.G.	(42)
East Point Holding B.V.	295
OAo Yugo-Vostochnaya promyshlennaya kompaniya "Kartontara"	14,687

The acquiree's revenue and net profit before acquisition date in 2008 (for companies acquired in 2008)

Companies acquired in 2008	The acquiree's revenue before acquisition date in 2008 <i>In thousands of euros</i>	The acquiree's net profit before acquisition date in 2008 <i>In thousands of euros</i>
Yerevan Invest B.V.	--	--
OOO "ECM Russia"	--	(178)
ECM Real Estate Consulting (Beijing) Co., Ltd.	44	(36)
OPTISERVIS, spol. s r.o.	--	--
ECM Czech Republic A.G.	--	--
East Point Holding B.V.	--	113
OAo Yugo-Vostochnaya promyshlennaya kompaniya "Kartontara"	--	9,989

3.2. Segment reporting

3.2.1. Operating segments

The Group comprises the following main operating segments:

- Development
 - Activities in this segment comprise realization of specific development projects.
- Business Operations
 - Activities in this segment consist of providing the rental of immovables (mainly multi-purpose office and retail buildings) and related services.
- Hotel Operations
 - Companies within the Group operate three hotels: Courtyard by Marriott Prague Airport, Marriott Executive Apartments and Courtyard by Marriott Pilsen. Based on market development and internal analysis, the Group disclosed a provision for onerous contracts within this segment of TEUR 13,621 as at 31 December 2009 (TEUR 15,053 as at 31 December 2008) and an impairment of TEUR 1,700 related to leased assets within the segment (TEUR 0 as at 31 December 2008).

3.2.2. Geographical segments

The running of the business and development segments are managed on a worldwide basis, but operate in two principal geographical areas, Europe and Asia. In Europe the business facilities and sales offices are operated in Russia, Cyprus, the Netherlands, Luxembourg, the Czech Republic and Poland.

The companies in Asia operate in China and Hong Kong. Decrease in operations in geographical segment Asia relates to the sale of 23% stake in China East Investment Limited and Metropolis Holding China Limited to NORDEVO INVESTMENTS LIMITED in January 2009 (refer to Note 3.7.2).

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

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Operating segments

<i>In thousands of euros</i>	Hotel Operations		Business Operations		Development		Eliminations		Consolidation	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
External revenues (1)	7,589	9,676	20,434	15,000	81,222	21,418	--	--	109,245	46,094
Inter-segment revenue	--	--	3,504	1,950	10,298	8,255	(13,802)	(10,205)	--	--
Total segment revenue	7,589	9,676	23,938	16,950	91,520	29,673	(13,802)	(10,205)	109,245	46,094
Segment result	(2,061)	(18,582)	(1,642)	(27,994)	(59,156)	(45,585)			(62,859)	(92,161)
Results from operating activities	(2,028)	(17,950)	7,687	(18,135)	(52,868)	(38,152)	--	--	(47,209)	(74,237)
Share of the profit in associates and joint ventures	--	--	--	--	--	--	--	--	580	54
Net finance costs	(66)	(363)	(11,908)	(12,926)	(14,250)	(10,676)	--	--	(26,224)	(23,965)
Income tax expense	33	(269)	2,579	3,067	7,962	3,243	--	--	10,574	6,041
Profit for the period									(62,279)	(92,107)

(1) External revenues consist of gross rental income, service income, service charge income, proceeds from the sale of investment property, proceeds from the sale of financial investments in subsidiaries and associates and proceeds from the sale of trading property.

<i>In thousands of euros</i>	Hotel Operations		Business Operations		Development		Consolidation	
	2009	2008	2009	2008	2009	2008	2009	2008
Segment assets	3,429	4,019	99,166	245,408	239,095	428,497	341,690	677,924
Segment liabilities	16,170	11,544	82,543	183,735	212,716	378,299	311,429	582,578
Segment net assets							30,261	95,346
Capital expenditure	15	13	1,275	27,248	12,135	154,315	13,425	181,576
Depreciation	3	404	70	167	505	134	578	705
Amortisation of intangible assets	2	1	6	8	33	138	41	147

Geographical segments

<i>In thousands of euros</i>	Europe and Russia		Asia		Consolidated	
	2009	2008	2009	2008	2009	2008
Revenue from external customers	108,376	45,168	869	926	109,245	46,094
Segment assets	341,123	496,538	567	181,386	341,690	677,924
Capital expenditure	13,255	48,584	170	132,992	13,425	181,576

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3.3. Gross rental and service income

Gross rental income totals TEUR 13,139 (2008 – TEUR 12,181), which consists of income from the rental of offices, land and garages. The income is mainly generated by ECM CITY EMPIRIA a.s., CITY TOWER s.r.o., VARENSKÁ OFFICE CENTER, a.s., ECM Real Estate Investments, k.s., ECM OFFICES LIBEŇ s.r.o., ECM Finance, a.s., OAO Yugo-Vostochnaya promyshlennaya kompaniya “Kartontara” and TABULA MAIOR, a.s.

Service income totals TEUR 23,712 (2008 – TEUR 23,612), which consists of income from facility management activities provided in connection with the rental activity and services provided in the Hotel Operations segment. The income is mainly generated by ECM Hotel Operations EUROPORT s.r.o., ECM Hotel Operations Plzeň s.r.o., ECM Facility a.s., ECM Finance a.s., ECM CITY EMPIRIA a.s., OOO “ECM Russia”, ECM Real Estate Consulting (Beijing) Co., Ltd. and CITY TOWER s.r.o.

3.4. Net service charge income and property operating expenses

3.4.1. Net service charge expense

<i>In thousands of euros</i>	2009	2008
Service charge income	2,924	2,979
Service charge expenses	(3,862)	(4,213)
Total	(938)	(1,234)

Service charge income and expenses are connected with rental activities.

3.4.2. Property operating expenses

<i>In thousands of euros</i>	2009	2008
Repairs and maintenance	(1,948)	(1,772)
Depreciation of finance lease assets	(355)	(403)
Material consumption	(1,559)	(2,102)
Energy consumption	(129)	(543)
Depreciation of tangible fixed assets	(383)	(931)
Operating lease expenses	(5,324)	(3,970)
Wages and salaries	(3,916)	(4,653)
Social security contribution	(1,489)	(1,264)
Other expenses	(6,977)	(5,742)
Total property operating expenses	(22,080)	(21,380)

Changes in property operating expenses relate mainly to following operation:

- Increase in expenses related to operations of ECM Facility a.s. (TEUR 3,082).
- Decrease in expenses related to operations of investment property rented out under operating lease (CITY TOWER s.r.o.) by TEUR 1,003. Property operating expenses of CITY TOWER s.r.o. in 2008 included mainly cost for material and energy consumption in connection with finalization of fit-outs for future tenants related to the period before conclusion of lease contracts.

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3.5. Net valuation gain/ (loss) on investment property**3.5.1. Valuation gains on investment property**

<i>In thousands of euros</i>	2009	2008
<i>Entity description – Project description</i>		
CITY PARKVIEW s.r.o.	1,110	--
ECM CITY EMPIRIA a.s.	245	
OAo Yugo-Vostochnaya promyshlennaya kompaniya "Kartontara"	--	19,388
RYAZAN SHOPPING MALL Ltd.	--	9,138
ECM Property Holding (Tianjin) Co Ltd.	--	2,699
NATIONAL BUSINESS CENTRE Ostrava a.s. & NBC National s.r.o.	--	1,396
Total	1,355	32,621

3.5.2. Valuation losses on investment property

<i>In thousands of euros</i>	2009	2008
<i>Entity description – Project description</i>		
CITY PROJECT	(9,108)	(33,663)
OAo Yugo-Vostochnaya promyshlennaya kompaniya "Kartontara"	(7,915)	--
GRASLON a.s.	(7,510)	(4,555)
CITY TOWER s.r.o.	(4,346)	(12,138)
NATIONAL BUSINESS CENTRE Ostrava a.s. & NBC National s.r.o.	(3,570)	--
RYAZAN SHOPPING MALL Ltd.	(2,946)	--
VARENSKA OFFICE CENTER, a.s.	(1,941)	(51)
LUNZIE a.s.	(1,689)	(2,798)
ECM OFFICES LIBEŇ s.r.o.	(1,231)	(1,845)
ECM POZNAŇ REZIDENCE sp. z o.o.	(932)	(2,520)
ECM CITY EMPIRIA a.s.	--	(18,584)
ECM Byty s.r.o.	--	(931)
Palisády, s.r.o.	--	(210)
	(41,188)	(77,295)
Net valuation gains / (losses) on investment property	(39,833)	(44,674)

3.6. Net result on disposal of investment property

<i>In thousands of euros</i>	2009	2008
Proceeds from sale of investment property		
<i>Entity description – project description</i>		
VARENSKÁ OFFICE CENTER, a.s. - VARENSKÁ OFFICE CENTER	1,701	1,281
CITY TOWER s.r.o. – CITY TOWER	1,405	74
Palisády, s.r.o. - Palisády	870	--
ECM Byty s.r.o. – Residence Letnany	--	300
NATIONAL BUSINESS CENTRE Ostrava a.s. & NBC National s.r.o.	--	--
	3,976	1,655
Carrying value of investment property sold		
<i>Entity description – project description</i>		
VARENSKÁ OFFICE CENTER, a.s. - VARENSKÁ OFFICE CENTER	(2,066)	(1,286)
CITY TOWER s.r.o. – CITY TOWER	(1,424)	(74)
Palisády, s.r.o. - Palisády	(940)	--
ECM Byty s.r.o. – Residence Letnany	(1)	(322)
NATIONAL BUSINESS CENTRE Ostrava a.s. & NBC National s.r.o.	(3)	--
	(4,434)	(1,682)
Net gain / (loss) on disposal		
<i>Entity description – project description</i>		
VARENSKÁ OFFICE CENTER, a.s. - VARENSKÁ OFFICE CENTER	(365)	(5)
CITY TOWER s.r.o. – CITY TOWER	(19)	--
Palisády, s.r.o. - Palisády	(70)	--
ECM Byty s.r.o. – Residence Letnany	(1)	(22)
NATIONAL BUSINESS CENTRE Ostrava a.s. & NBC National s.r.o.	(3)	--
TOTAL	(458)	(27)

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3.6.1. VARENSKÁ OFFICE CENTER, a.s. - VARENSKÁ OFFICE CENTER

Sale of investment property in 2009

The agreement on the sale of a part of investment property in VARENSKÁ OFFICE CENTER, a.s. (known as small building) was signed in the first quarter of 2009. The investment property was sold for TEUR 1,701 in cash and a loss of TEUR (365) was realised.

Sale of investment property in 2008

The agreement on the sale of fit-outs of rented premises to the lessee in VARENSKÁ OFFICE CENTER, a.s. was signed in the second quarter of 2008. The investment property was sold for TEUR 1,281 in cash and a loss of TEUR (5) was realised.

3.6.2. CITY TOWER s.r.o. – CITY TOWER

Sale of investment property in 2009

The agreements on the sale of fit-outs of rented premises to the remaining lessees in CITY TOWER s.r.o. were signed in all quarters of 2009. The investment property was sold for TEUR 1,405 in cash and a loss of TEUR (19) was realised.

Sale of investment property in 2008

The agreement on the sale of fit-outs of rented premises to a lessee in CITY TOWER s.r.o. was signed in the fourth quarter of 2008. The investment property was sold for TEUR 74 in cash and no gain or loss was realised.

3.6.3. Palisády, s.r.o. - Palisády

Sale of investment property in 2009

The agreement on the sale of investment property - land in Palisády, s.r.o. was signed in the second quarter of 2009. The investment property was sold for TEUR 870 in cash and a loss of TEUR (70) was realised.

3.6.4. ECM Byty s.r.o. – Residence Letňany

Agreement on the sale of part of the land and buildings in ECM BYTY s.r.o. was signed on 13 December 2007. In second half of 2007, the investment property was sold for TEUR 1,246 in cash and a gain of TEUR 916 was realised. In 2008, the remaining part of investment property was sold for TEUR 300 in cash and a loss of TEUR (22) was realised.

3.7. Net result on disposal of the financial investment in subsidiaries and associates

<i>In thousands of euros</i>	2009	2008
Proceeds from sale of financial investment in subsidiaries and associates		
<i>Entity description – project description</i>		
CITY TOWER s.r.o.	52,296	--
China East Investment Limited and Metropolis Holding China Limited - ECMall + Metropolis Tower	8,404	--
2P s.r.o.	--	5,667
	60,700	5,667
Carrying value of financial investment in subsidiaries and associates and cost to sell)		
<i>Entity description – project description</i>		
CITY TOWER s.r.o.	(50,753)	--
China East Investment Limited and Metropolis Holding China Limited - ECMall + Metropolis Tower	(9,768)	--
2P s.r.o.	--	(5,893)
	(60,521)	(5,893)
Net profit / (loss) on disposal of subsidiaries and associates	179	(226)

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3.7.1. CITY TOWER s.r.o.

ECM REAL ESTATE INVESTMENTS A.G. owned 95% ownership interest and ECM Finance a.s. 5% ownership interest in CITY TOWER s.r.o. On 22 December 2009, both companies concluded with MARPONA a.s. an Agreement on transfer of the respective ownership interests. The transfer was recorded in the Commercial Register of Companies as at 29 December 2009. The sales price amounted to TEUR 41,451 whereas TEUR 25,652 was settled in cash and TEUR 15,799 was settled in convertible bonds (4,071 bonds without warrants attached) issued by ECM REAL ESTATE INVESTMENTS A.G.

Effect of the disposal

<i>In thousands of euros</i>	2009
Carrying value of investment property	130,000
Property, plant and equipment	6,383
Intangible fixed assets	11
Deferred tax assets	28
Trading property	8
Income tax receivable	9
Trade and other receivables	7,653
Cash and cash equivalents	8,847
Identifiable assets	152,939
Interest-bearing loans and borrowings	(84,439)
Deferred tax liability	(3,509)
Trade and other payables	(24,714)
Identifiable liabilities	(112,662)
Net identifiable assets total	40,277
Net identifiable assets sold	40,277
Loans and receivables assigned	10,476
Total carrying value sold	50,753
Sales price of the subsidiary based on the contract	41,451
Adjustment of the sales price resulting from valuation of bonds received	282
Sales price of loans and receivables assigned	10,563
Total sales price	52,296
Net gain on disposal	1,543

3.7.2. China East Investment Limited and Metropolis Holding China Limited

In January 2009 ECM agreed with NORDEVO INVESTMENTS LIMITED ("NORDEVO"), a project partner in China, on the sale of 23% stake in China East Investment Limited and Metropolis Holding China Limited for a total consideration of US\$ 11.5 million. China East Investment Limited and Metropolis Holding China Limited are companies that own, respectively, the Beijing-based ECMall and Metropolis Tower Projects through their wholly-owned subsidiaries. The sale consisted of the sale of 23% stake in the above entities and the cession of part of shareholders' loans provided by the Group.

NORDEVO has been granted an option ("Put option") to require ECM to purchase 12.9% of the issued share capital and the related shareholders' loans of the HK Holding Companies for a consideration of US\$ 6.45 million plus the value of any new pro-rata shareholders' loan, together with the cost of financing accruing at the rate of 20% per annum for a period of nine to twelve months after completion of the transaction. ECM has been granted an option ("Call option") to require NORDEVO to sell 12.9% of the issued share capital and the related shareholders' loans of the HK Holding Companies on similar terms, at any time after completion of the transaction, for a period of 12 months.

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Effect of the disposal

<i>In thousands of euros</i>	2009
Carrying value of investment property	122,459
Carrying value of investment property under construction	55,295
Trade and other receivables	3
Cash and cash equivalents	426
Identifiable assets	178,183
Interest-bearing loans and borrowings	(81,796)
Deferred tax liability	(913)
Trade and other payables	(83,121)
Identifiable liabilities	(165,830)
Net identifiable assets total	12,353
Net identifiable assets sold	3,154
Loans assigned	6,322
Total carrying value sold	9,476
Sales price	8,404
Cost to sell	(292)
Net loss on disposal	(1,364)

3.7.3. 2P s.r.o.

The Group sold shares of 2P, s.r.o. with the effective date of 31 July 2008. The transfer of shares to CA Immo International AG was recorded in the Commercial Register of Companies as at 25 August 2008. The shares of the subsidiary 2P s.r.o. were sold for TEUR 5,667 in cash, and a loss of TEUR (226) was realised.

Effect of the disposal

<i>In thousands of euros</i>	2008
Carrying value of property, plant and equipment, trading property and intangibles sold	31,186
Cash and cash equivalents	1,264
Deferred tax asset	13
Trade and other receivables	765
Identifiable assets	33,228
Trade payables and other liabilities, interest-bearing loans and provisions	(26,321)
Deferred tax liability	(1,014)
Identifiable liabilities	(27,335)
Net identifiable assets	5,893
Sales price	5,667
Net loss on disposal	(226)

3.8. Net result on disposal of the trading property - inventories

<i>In thousands of euros</i>	2009	2008
Proceeds from sale of trading property		
<i>Entity description – project description</i>		
REZIDENCE UNHOŠŤ a.s.- Terasy Unhošť	4,794	--
	4,794	--
Carrying value of sold trading property		
<i>Entity description – project description</i>		
REZIDENCE UNHOŠŤ a.s.- Terasy Unhošť	(4,119)	--
	(4,119)	--
Net profit (loss) on disposal of trading property	675	--

3.8.1. REZIDENCE UNHOŠŤ a.s. – Terasy Unhošť

The agreements on the sale of 26 family houses (including related land) from residential project Terasy Unhošť in REZIDENCE UNHOŠŤ a.s. were signed in 2009. The trading property was sold for TEUR 4,794 in cash and a gain of TEUR 675 was realised.

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3.9. Personnel expenses

<i>In thousands of euros</i>	2009	2008
Wages and salaries	(3,340)	(3,195)
Social security contributions	(357)	(626)
Total	(3,697)	(3,821)

Personnel expenses are mostly generated by ECM Real Estate Investments, k.s., ECM Real Estate Investments A.G., ECM Finance, a.s., ECM Facility a.s., ECM Real Estate Consulting (Beijing) Co., Ltd. and OOO "ECM Russia".

3.10. Administrative expenses

<i>In thousands of euros</i>	2009	2008
Advertising expenses	(1,097)	(1,326)
Audit, tax, advisory services	(1,516)	(3,006)
Material consumption	(201)	(648)
Legal services	(891)	(2,857)
Amortisation of tangible and intangible fixed assets	(201)	(405)
Representation cost	(241)	(423)
Travel expenses	(312)	(422)
Operating lease	(1,052)	(1,141)
Telecommunication fees	(331)	(457)
Other administrative expenses	(2,537)	(3,114)
Total	(8,379)	(13,799)

Decrease in administrative expenses is attributable mainly to ECM Real Estate Investments, k.s. (TEUR 2,989), ECM Facility a.s. (TEUR 612), ECM REAL ESTATE INVESTMENTS A.G. (TEUR 578), 2P s.r.o. sold in 2008 (TEUR 462) and to China East Investment Limited and Metropolis Holding China Limited sold in January 2009 (TEUR 380).

3.11. Impairment

3.11.1. Impairment of trading property

As a result of annual impairment test, the Group decided to charge through profit or loss impairment of trading property in total amount of TEUR 6,272 (2008 - TEUR 1,177) of which TEUR 5,588 related to Chinese and Russian projects in progress recorded in ECM Real Estate Investments, k.s. and TEUR 684 to project Terasy Unhošť in REZIDENCE UNHOŠŤ a.s. (refer also to Note 3.23). The reason for impairment recorded is the ECM's conservative view on its ability to recover the value of the assets.

3.11.2. Impairment of goodwill

In connection with annual impairment test, the Group recorded no impairment of goodwill through profit or loss in 2009. In 2008, the Group decided to charge through profit or loss impairment of goodwill in total amount of TEUR 4,995 related to business combinations involving following entities:

<i>In thousands of euros</i>	2009	2008
Ryazan Hold Company Ltd. and OOO "PROSPEKT"	--	(4,254)
SAZERAC a.s.	--	(334)
ECM Real Estate Consulting (Beijing) Co., Ltd.	--	(240)
Czech Real Estate Regions S.a.r.l. (1)	--	(140)
ECM Poland A.G. and ECM CHINA Beijing S.a.r.l.	--	(27)
Total	--	(4,995)

(1) Including its subsidiaries 2P, s.r.o., REZIDENCE UNHOŠŤ a.s. and VARENSKÁ OFFICE CENTER, a.s.

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3.11.3. Impairment of property, plant and equipment

As a result of annual impairment test, the Group decided to charge through profit or loss impairment of property, plant and equipment in total amount of TEUR 1,715 (2008 - TEUR 0) of which TEUR 1,700 related to leased assets within the Hotel operations segment (ECM Finance a.s.) and TEUR 15 to advance payments for property, plant and equipment recorded in LANCASTER a.s. The reason for the impairment recorded is the ECM's conservative view on its ability to recover the value of the assets.

3.12. Other income

<i>In thousands of euros</i>	2009	2008
Decrease in provision charged to profit or loss (1) (refer to Note 3.31)	2,048	503
Reversal of impairment of receivables (2)	1,765	--
Compensations for premature terminations of rental contracts	1,186	780
Gain on sale of 5% investment in OIK City Point Investment a.s. (refer to Note 3.1.3)	384	--
Liabilities charged to profit or loss	135	157
Gain on sale of property, plant and equipment	95	--
Net gain on disposal of leased asset Vila C	--	474
Interest payable due to ECE PROJEKTMANAGEMENT charged to profit or loss	--	472
Income from retention related to sale of ECM Airport Center a.s. (3)	--	317
Income from retention related to Kartontara project	--	179
Other	1,182	1,260
Total	6,795	4,142

- (1) Based on market development and internal analysis, the Group decreased the provision for onerous contracts within the Hotel operations segment by TEUR 1,700 as at 31 December 2009.
- (2) Reversal of impairment of receivables relates mainly to other receivables recorded in ECM Real Estate Investments, k.s. in 2008.
- (3) Income from retention in 2008 relates to the second stage of the ownership transfer of a stake held by the Group in ECM Airport Center a.s. to CA Immo International AG in 2007.

3.13. Other expenses

<i>In thousands of euros</i>	2009	2008
Change in provisions (Note 3.31) (1) + (2)	(2,471)	(15,359)
Taxes and fees (3)	(1,287)	(398)
Penalties	(946)	(124)
Other expenses related to Chinese projects	(862)	--
Impairment of receivables (4) + (5)	(614)	(1,770)
Receivables written off	(156)	(236)
Contractual settlement paid to ECE PROJEKTMANAGEMENT (6)	--	(1,958)
Advance for shares SALER written off	--	(211)
Other charges related to ECM Group N.V.	--	(556)
Other	(2,001)	(2,227)
Total	(8,337)	(22,839)

- (1) The Group recorded the provision for potential penalty related to projects CITY DECO and CITY ELEMENT of TEUR 2,450 as at 31 December 2009.
- (2) Based on market development and internal analysis, the Group increased the provision for onerous contracts within the Hotel operations segment by TEUR 15,185 as at 31 December 2008.
- (3) ECM REAL ESTATE INVESTMENTS A.G. charged to profit or loss disallowed value added tax of TEUR 832 in 2009.
- (4) In 2009, the Group recorded impairment of receivable from retention related to the sale of 2P s.r.o. due from CA Immo International AG (refer to Note 3.7.3).

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- (5) In 2008, impairment of receivables related mainly to receivables recorded in ECM Real Estate Investments, k.s.
- (6) In 2008, the Group decided to cancel a planned project with ECE PROJEKTMANAGEMENT, which among the others resulted in the settlement fee paid in the amount of TEUR 1,958.

3.14. Interest income / (expense)

<i>In thousands of euros</i>	2009	2008
Bank interest income	320	929
Other interest income	802	277
Interest income	1,122	1,206
Interest expense related to bank and non-bank loans (1)	(10,192)	(11,055)
Interest expenses from convertible debt	(11,054)	(10,398)
Expenses related to other bonds (2)	(1,827)	(2,486)
Interest charges related to financial leases	(683)	(688)
Interest (expenses)	(23,756)	(24,627)
Net interest (expense) / income	(22,634)	(23,421)

- (1) Decrease in interest expense related to bank and non-bank loans is attributable mainly to 2P s.r.o. sold in 2008 (TEUR 970).
- (2) Decrease in expenses related to other bonds resulted from fluctuations in interest rate (refer also to Note 3.29) and from fluctuations in foreign exchange rate EUR/ CZK.

3.15. Net other financial income / (expense)

<i>In thousands of euros</i>	2009	2008
Net foreign exchange gains/ (losses)	(4,140)	23,632
Revaluation of financial derivatives	805	(23,459)
Bank charges	(422)	(383)
Other financial income	659	2
Other financial (expenses)	(492)	(336)
Net other financial (expense) / income	(3,590)	(544)

Net foreign exchange gains / (losses) comprise net foreign exchange losses of TEUR (3,055) (2008 - net foreign exchange gains of TEUR 10,773) related to the revaluation of investment property and net foreign exchange losses of TEUR (1,085) (2008 - net foreign exchange gains of TEUR 12,859) which were recorded mainly due to fluctuations in the FX rate in the companies having EUR and CZK as the functional currencies.

3.15.1. Foreign exchange gains and losses related to revaluation of investment property

<i>In thousands of euros</i>	2009	2008
<i>Entity description – Project description</i>		
OAQ Yugo-Vostochnaya promyshlennaya kompaniya "Kartontara"	1,618	2,503
RYAZAN SHOPPING MALL Ltd.	1,029	2,291
CITY PARKVIEW s.r.o.	197	--
Palisády, s.r.o.	14	11
CITY TOWER s.r.o.	(2,580)	1,572
CITY PROJECT	(1,194)	1,034
ECM CITY EMPIRIA a.s.	(1,147)	1,005
VARENSKA OFFICE CENTER, a.s.	(212)	177
GRASLON a.s.	(207)	194
ECM OFFICES LIBEN s.r.o.	(172)	142
LUNZIE a.s.	(155)	134
NATIONAL BUSINESS CENTRE Ostrava a.s. + NBC National s.r.o.	(149)	85
ECM POZNAŇ REZIDENCE sp. z o.o.	(97)	1,625
Total	(3,055)	10,773
Foreign exchange gains on investment property	2,858	10,773
Foreign exchange losses on investment property	(5,913)	--

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Foreign exchange gains and losses related to the revaluation of investment property are included in net foreign exchange gains / (losses).

3.16. Taxation**3.16.1. Income tax expense recognised in profit or loss**

<i>In thousands of euros</i>	2009	2008
Current tax expense		
Current year	602	(758)
Total	602	(758)
Deferred tax expense		
New and reversed temporary differences	7,126	5,818
Effect of changes in tax rates	(214)	--
Effect of changes in foreign currency rates	923	(308)
Benefit of tax losses recognised	2,137	1,289
Total	9,972	6,799
Total income tax expense in profit or loss	10,574	6,041

3.16.2. Reconciliation of effective tax rate

<i>In thousands of euros</i>	2009	2009	2008	2008
Profit before tax		(72,853)		(98,148)
Income tax using the domestic corporation tax rate	20.00%	14,571	21.00%	20,611
Effect of tax rate in foreign jurisdictions		(729)		(981)
Non-deductible expenses		(8,054)		(9,121)
Tax exempt revenues		6,478		3,018
Effect of changes in deferred tax rate (1)		(214)		--
Effect of tax losses included in the deferred tax for the first time		--		--
Effect of provisions not included in the deferred tax		272		(2,860)
Effect of impairment not included in the deferred tax		(1,384)		--
Effect of tax losses not included in the deferred tax		(366)		(4,626)
Total		10,574		6,041

The Group did not generate any significant taxable profits in 2009 and 2008.

- (1) New tax rates were enacted in the Czech Republic in 2007 for following periods in which the temporary differences are likely to reverse (21% in 2008, 20% in 2009 and 19% in 2010 and following years). New tax rate of 20% was enacted in Russia in 2009 for following periods in which the temporary differences are likely to reverse.

3.16.3. Current tax assets and liabilities

The current tax asset of TEUR 167 (2008 – TEUR 297) 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.

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3.16.4. Deferred tax assets and liabilities**a) Recognised deferred tax assets and liabilities**

The deferred tax assets and liabilities are attributable to the following:

<i>In thousands of euros</i>	Assets		Liabilities		Net	
	2009	2008	2009	2008	2009	2008
Investment property	1,198	1,745	(11,689)	(27,636)	(10,491)	(25,891)
Investment property under construction	96	--	--	(94)	96	(94)
Trading property - inventory	142	--	(3,240)	(72)	(3,098)	(72)
Finance lease	20	--	--	--	20	--
Property, plant and equipment	--	--	(2)	--	(2)	--
Interest-bearing loans and borrowings	103	--	(13)	(219)	(90)	(219)
Trade and other receivables	215	207	(59)	(464)	156	(257)
Trade and other payables	--	636	(2)	--	(2)	636
Provisions	711	54	--	(32)	711	22
Bonds	3,146	1,690	(32)	(46)	3,114	1,644
Assets and liabilities held for sale	--	--	--	--	--	--
Other items	--	--	--	--	--	--
Tax losses carried-forward	11,975	11,108	--	--	11,975	11,108
Tax assets/(liabilities)	17,606	15,440	(15,037)	(28,563)	2,569	(13,123)
Set-off of tax	--	(1,260)	--	1,260	--	--
Tax assets/(liabilities) held for sale	--	--	--	--	--	--
Net tax assets/(liabilities)	17,606	14,180	(15,037)	(27,303)	2,569	(13,123)

b) Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

<i>In thousands of euros</i>	Assets	
	2009	2008
Provisions	2,588	2,860
Impairment of assets	1,384	--
Tax losses carried-forward	4,992	4,626
Net tax assets	8,964	7,486

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3.16.5. Movement in temporary differences during the year

<i>In thousands of euros</i>	Balance at 1 Jan 08	Recognised in income	Change in deferred tax as a result of acquisitions	Change in deferred tax as a result of disposals	Recognised in share premium	Balance at 31 Dec 08
Investment property	(23,535)	740	(3,096)	--	--	(25,891)
Investment property under construction	--	(94)	--	--	--	(94)
Trading property - inventory	(73)	1	--	--	--	(72)
Finance lease	387	(387)	--	--	--	--
Interest-bearing loans and borrowings	(2,808)	2,589	--	--	--	(219)
Trade receivables	(1,061)	687	--	--	117	(257)
Trade payables	192	444	--	--	--	636
Provisions	210	(188)	--	--	--	22
Bonds	(508)	2,152	--	--	--	1,644
Assets ad liabilities held for sale	(659)	(342)	--	1,001	--	--
Other items	--	(102)	--	--	102	--
Tax value of loss carry-forwards - recognised	9,819	991	298	--	--	11,108
Total	(18,036)	6,491	(2,798)	1,001	219	(13,123)

<i>In thousands of euros</i>	Balance at 1 Jan 09	Recognised in income	Change in deferred tax as a result of acquisitions	Change in deferred tax as a result of disposals	Recognised in share premium	Balance at 31 Dec 09
Investment property	(25,891)	10,953	--	4,447	--	(10,491)
Investment property under construction	(94)	96	--	94	--	96
Trading property - inventory	(72)	(3,026)	--	--	--	(3,098)
Finance lease	--	20	--	--	--	20
Property, plant and equipment	--	(2)	--	--	--	(2)
Interest-bearing loans and borrowings	(219)	309	--	--	--	90
Trade receivables	(257)	38	--	(28)	403	156
Trade payables	636	(1,789)	--	1,151	--	(2)
Provisions	22	689	--	--	--	711
Bonds	1,644	1,470	--	--	--	3,114
Assets ad liabilities held for sale	--	--	--	1,011	--	--
Other items	--	--	--	--	--	--
Tax value of loss carry-forwards - recognised	11,108	2,137	--	(1,270)	--	11,975
Total	(13,123)	10,895	--	4,394	403	2,569

The amount recognised in income includes new and reversed temporary differences of TEUR 8,396 (2008 - TEUR 5,818) and the benefit of tax losses recognised of TEUR 867 (2008 - TEUR 1,289).

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3.17. Investment property

<i>In thousands of euros</i>	CITY PROJECT	VARENSKA OFFICE CENTER	ECM CITY OFFICES	ECM LIBEN	ECM BYT, s.r.o.	ECM TOWER s.r.o.	CITY TOWER s.r.o.	Ryazan Shopping Mall Ltd.	NATIONAL BUSINESS CENTRE Ostrava a.s. + NBC National s.r.o.	GRASLON a.s.	Palisady, s.r.o.	ECM POZNAN RESIDENCE sp. z o.o.	LUNZIE a.s.	ECM Property Holding (Tinatin) Co Ltd.	OAO Yugo-Vostochnaya promyshlennaya kompaniya "Kartontara"	URBARI-UM s.r.o.	Total
Balance at 1 January 2008	83,398	14,202	80,909	11,381	820	126,580	15,802	6,801	15,578	870	10,141	10,801	563	839	941	301	377,283
Acquisitions	4,563	1,181	1,202	31	489	18,606	3,599	331	393	156	329	563	839	839	941	301	33,524
Transfers to/ from investment property under construction	--	--	--	--	--	--	--	--	--	--	--	--	--	114,802	--	--	114,802
Transfers to/ from trading property	--	--	--	--	--	(525)	952	--	--	--	--	--	--	--	406	--	833
Transfers to/ from property, plant and equipment	(16)	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	(16)
Acquisitions through business combinations	--	--	--	--	--	--	--	--	--	--	--	--	--	--	17,671	--	17,671
Fair value adjustment	(33,663)	(51)	(18,584)	(1,845)	(931)	(12,138)	9,138	1,396	(4,555)	(210)	(2,520)	(2,798)	2,699	2,699	19,388	--	(44,674)
FX adjustment (refer to Note 3.15.1)	1,034	177	1,005	142	--	1,572	2,291	85	194	11	1,625	134	--	--	2,503	--	10,773
Effect in movement in foreign exchange rate (refer to Note 3.26.4)	1,100	(169)	262	(10)	47	(2,033)	(1,785)	(214)	110	(7)	(1,076)	28	7,286	7,286	(3,513)	(22)	4
Disposals	--	(1,286)	--	--	(322)	(74)	--	--	--	--	--	--	--	--	--	--	(1,682)
Disposals out of the Group	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Balance at 31 December 2008	56,416	14,054	64,794	9,699	103	131,988	29,997	8,399	11,720	820	8,499	8,728	125,626	125,626	37,396	279	508,518

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<i>In thousands of euros</i>	CITY PROJECT	VARENSKA OFFICE CENTER, a.s.	ECM CITY OFFICES LIBEŇ a.s.	ECM BYV. s.r.o.	ECM TOWER s.r.o.	CITY SHOPPING Mall Ltd.	NATIONAL BUSINESS CENTRE Ostrava a.s. + NBC National s.r.o.	GRASLON a.s.	PALISADY, s.r.o.	ECM POZNAN RESIDENCE sp. z o.o.	LUNZIE a.s.	ECM Property Holding (Tianjin) Co Ltd.	ECM Yugo-Vostochnaya promyshlennaya kompaniya "Kartontara"	URBARI-UM s.r.o.	Total
Balance at 1 January 2009	56,416	14,054	64,794	9,699	103	131,988	29,997	11,720	820	8,499	8,728	125,626	37,396	279	508,518
Acquisitions	4,398	--	693	--	1	3,772	997	237	91	610	664	--	491	--	11,956
Transfers to/ from investment property under construction	(7,300)	--	--	--	--	--	--	--	--	--	--	--	--	--	(7,300)
Transfers to/ from trading property	(16,380)	--	--	--	--	--	(30,776)	--	--	--	--	(2,719)	--	--	(49,875)
Other transfers	--	--	--	--	--	--	--	--	--	--	--	(448)	--	--	(448)
Acquisitions through business combinations	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Fair value adjustment	(9,108)	(1,941)	245	(1,231)	--	(4,346)	(2,946)	(7,510)	--	(932)	(1,689)	--	(7,915)	--	(40,943)
FX adjustment (refer to Note 3.15.1)	(1,194)	(212)	(1,147)	(172)	--	(2,580)	1,029	(207)	14	(97)	(155)	--	1,618	--	(3,252)
Effect in movement in foreign exchange rate (refer to Note 3.26.4)	1,162	250	1,153	174	2	2,590	1,699	212	15	66	156	--	(1,749)	5	5,886
Disposals	--	(2,066)	--	--	(1)	(1,424)	--	--	(940)	--	--	--	--	--	(4,434)
Disposals out of the Group	--	--	--	--	--	(130,000)	--	--	--	--	--	(122,459)	--	--	(252,459)
Balance at 31 December 2009	27,994	10,085	65,738	8,470	105	--	--	4,830	4,452	8,146	7,704	--	29,841	284	167,649

Investment property comprises advances paid to suppliers of TEUR 472 (2008 – TEUR 578).

Acquisitions through business combinations represent purchases of investment property as part of the acquisition of subsidiaries.

Development of the project ECMall (Globe Plaza – Plot 23) in ECM Property Holding (Tianjin) Co Ltd. was finalized in 4th quarter of 2008. As a result, the property was reclassified from Investment property under construction to Investment property and re-measured at fair value through profit or loss (refer also to Note 3.18).

Disposals out of the Group in 2009 included in the above table represent the disposal of investment property as a result of the sale of 23% stake in China East Investment Limited to Nordevo Investments Limited (for more details refer to Note 3.7.2) and the disposal of investment property as a result of the sale of 100% stake in CITY TOWER s.r.o. (Note 3.7.1).

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Disposals in 2009 consist of the sales of investment property from VARENSKÁ OFFICE CENTER, a.s. (for more details refer to Note 3.6.1), CITY TOWER s.r.o. (Note 3.6.2), Palisády, s.r.o. (Note 3.6.3), ECM Byty s.r.o. (Note 3.6.4) and NATIONAL BUSINESS CENTRE Ostrava a.s. & NBC National s.r.o. Disposals in 2008 consist of the sales of investment property from VARENSKA OFFICE CENTER, a.s. (for more details refer to Note 3.6.1), ECM Byty, s.r.o. (Note 3.6.4) and CITY TOWER s.r.o. (Note 3.6.2).

In 2009, CITY PARKVIEW s.r.o. obtained a construction permit and started to develop an office building. As a result, project CITY COURT was transferred to investment property under construction in the second quarter of 2009 (refer also to Note 3.18).

In 2009, Ryazan Shopping Mall Ltd. obtained a construction permit and started to develop a retail building for future sale. As a result, this project was transferred to trading property in the third quarter of 2009 (refer also to Note 3.23). In 2009, EPOQUE – LANCASTER a.s. obtained a construction permit and started to develop a project CITY EPOQUE - RESIDENCE for future sale. As a result, this project was transferred to trading property in the fourth quarter of 2009 (refer also to Note 3.23).

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Description of investment property

Company	Project	Description	Location (City, State)	Estimated total rentable/ saleable space (sq.m)
	CITY	Multi-purpose development scheme (see a separate description below) in Prague 4/Pankrac district	Prague, Czech Republic	93,518
VARENSKA OFFICE CENTER, a.s.	VARENSKA OFFICE CENTER	Office building known as small and large building – include office building, retail, storage, circulation areas and lobby	Ostrava, Czech Republic	7,644
ECM OFFICES LIBEŇ s.r.o.	CCS HQ Building	Multi-purpose office building, currently used for generating of rental income	Prague, Czech Republic	7,267
ECM Byty s.r.o.	RESIDENCE LETNANY	Residential project	Prague, Czech Republic	4,458
ECM CITY EMPIRIA a.s.	CITY EMPIRIA	Multi-purpose office building with parking, currently used for generating of rental income	Prague, Czech Republic	24,769
National Business Centre Ostrava a.s. and NBC National s.r.o.	PALACE CENTER	Multi-purpose project – retail and residential facilities with parking	Ostrava, Czech Republic	47,114
GRASLON s.r.o.	BREZNICKA CENTER ZLIN	Retail centre with parking	Zlin, Czech Republic	29,932
ECM POZNAŇ RESIDENCE sp. z o.o.	POZNAN	Residential project	Poznan, Poland	50,663
LUNZIE a.s.	PARK VIEW II	Residential project	Prague, Czech Republic	11,186
ECM Property Holding (Tianjin) Co Ltd.	ECMall (Globe Plaza – Plot 23)	Multi-purpose commercial building (retail, services, entertainment, parking)	Beijing, China	28,966
OAO Yugo-Vostochnaya promyshlennaya kompaniya “Kartontara”	East Point Office Park	Office buildings with complementary restaurant, retail facilities and parking	Moscow, Russia	75,935
URBARIUM s.r.o.	URBARIUM	Land for undetermined future use	Běchovice, Czech Republic	8,100

Detailed description of CITY project

EPOQUE HOTEL a.s.	CITY EPOQUE - HOTEL	320 hotel rooms on 22 floors, 4 basement floors with parking places, infrastructure, convention facilities	Prague, Czech Republic	15,218
CITY DECO s.r.o.	CITY DECO	Multi-purpose project with offices, retail and parking	Prague, Czech Republic	17,661
TABULA MAIOR, a.s.	CITY FORUM	Congress centre project with offices and retail	Prague, Czech Republic	4,432
CITY ELEMENT s.r.o.	CITY ELEMENT	Office building project with retail and parking	Prague, Czech Republic	8,332
TABULA MINOR, a.s.	CITY EMPIRIA IV	Residential building with parking lots, offices and retail units where the existing garage building is located, currently in the acquisition phase	Prague, Czech Republic	47,875

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3.18. Investment property under construction

<i>In thousands of euros</i>	ECM Property Holding (Tianjin) Co Ltd.	Metropolis Holding (Tianjin) Co., Ltd.	CITY PARKVIEW s.r.o.	SAZERAC a.s.	Total
Balance at 1 January 2008	19,732	9,231	--	--	28,963
Acquisitions	90,998	41,970	--	--	132,968
Transfer to/from trading property	2,935	979	--	611	4,525
Transfer to/from property, plant and equipment	--	--	--	773	773
Transfer to/from investment property	(114,802)	--	--	--	(114,802)
Effect in movement in foreign exchange rate	1,137	4,055	--	(102)	5,090
Disposals	--	--	--	--	--
Balance at 31 December 2008	--	56,235	--	1,282	57,517
Balance at 1 January 2009	--	56,235	--	1,282	57,517
Acquisitions	--	172	141	708	1,021
Transfer to/from trading property	--	(907)	--	--	(907)
Transfer to/from investment property	--	--	7,300	--	7,300
Other transfers	--	(205)	--	--	(205)
Fair value adjustment	--	--	1,110	--	1,110
FX adjustment (refer to Note 3.15.1)	--	--	197	--	197
Effect in movement in foreign exchange rate	--	--	(158)	21	(137)
Disposals	--	--	--	--	--
Disposals out of the Group	--	(55,295)	--	--	(55,295)
Balance at 31 December 2009	--	--	8,590	2,011	10,601

In 2009, CITY PARKVIEW s.r.o. obtained a construction permit and started to develop an office building. As a result, project CITY COURT was reclassified from investment property to investment property under construction in the second quarter of 2009 (refer also to Note 3.17).

Development of the project ECMall (Globe Plaza – Plot 23) in ECM Property Holding (Tianjin) Co Ltd. was finalized in 4th quarter of 2008. As a result, the property was reclassified to Investment property and re-measured at fair value through profit or loss (refer also to Note 3.17).

Disposals out of the Group in 2009 included in the above table represent the disposal of investment property under construction as a result of the sale of 23% stake in Metropolis Holding China Limited to Nordevo Investments Limited (for more details refer to Note 3.7.2).

Investment property under construction comprises no advances paid for the purchase price in 2009 and 2008.

Investment property under construction includes the capitalised borrowing cost of TEUR 0 (2008 – TEUR 2,297).

Description of investment property under construction

Company	Project	Description	Location (City, State)	Estimated total rentable/saleable space (sq.m)
Metropolis Holding (Tianjin) Co.,Ltd	Metropolis Tower	Office building with lobby, restaurant and parking facilities	Beijing, China	27,574
CITY PARKVIEW s.r.o.	CITY COURT	Office building with kitchen, canteen, retail, storage and parking	Prague, Czech Republic	17,154
SAZERAC, a.s.	Husova Retail	Retail centre with parking	České Budějovice, Czech Republic	32,628

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3.19. Property, plant and equipment

<i>In thousands of euros</i>	Land and buildings	Plant and equipment	Property under construction	Advance payments	Other	Finance leases	Total
Cost							
Balance at 1 January 2008	1,281	2,345	321	161	93	13,719	17,920
Acquisitions through business combinations	--	172	--	--	--	--	172
Other acquisitions	--	588	7,106	183	--	--	7,877
Transfer to/ from investment property	--	--	--	22	--	--	22
Transfer to/ from investment property under construction	--	--	(773)	--	--	--	(773)
Disposals	(692)	(33)	(29)	(90)	--	(650)	(1,494)
Effect of movements in foreign exchange rate	36	(81)	(469)	(10)	(1)	(107)	(632)
Balance at 31 December 2008	625	2,991	6,156	266	92	12,962	23,092
Balance at 1 January 2009	625	2,991	6,156	266	92	12,962	23,092
Other acquisitions	37	147	628	--	1	--	813
Disposals out of the Group	--	--	(6,382)	--	(1)	--	(6,383)
Disposals	(15)	(756)	(326)	(172)	--	--	(1,269)
Effect of movements in foreign exchange rate	11	54	122	4	2	230	423
Balance at 31 December 2009	658	2,436	198	98	94	13,192	16,676
Accumulated depreciation and impairment losses							
Balance at 1 January 2008	(69)	(1,788)	--	--	--	(2,096)	(3,953)
Acquisitions through business combinations	--	(63)	--	--	--	--	(63)
Depreciation charge for the year	(48)	(236)	--	--	--	(421)	(705)
Transfer to/ from investment property	--	--	--	--	(6)	--	--
Disposals	--	26	104	--	--	--	352
Effect of movements in foreign exchange rate	2	35	--	--	24	61	102
Balance at 31 December 2008	(89)	(1,948)	--	(6)	--	(2,141)	(4,184)
Balance at 1 January 2009	(89)	(1,948)	--	(6)	--	(2,141)	(4,184)
Depreciation charge for the year	(58)	(150)	--	--	--	(370)	(578)
Disposals	3	479	--	--	--	--	482
Impairment loss	--	--	--	(15)	--	(1,700)	(1,715)
Effect of movements in foreign exchange rate	(2)	(35)	--	--	--	(36)	(73)
Balance at 31 December 2009	(146)	(1,654)	--	(21)	--	(4,247)	(6,068)
Carrying amounts							
At 1 January 2008	1,212	557	321	161	93	11,623	13,967
At 31 December 2008	536	1,043	6,156	260	92	10,821	18,908
At 1 January 2009	536	1,043	6,156	260	92	10,821	18,908
At 31 December 2009	512	782	198	77	94	8,945	10,608

Disposals out of the Group in 2009 included in the above table represent the disposal of property, plant and equipment as a result of the sale of 100% stake in CITY TOWER s.r.o. (Note 3.7.1).

In connection with annual impairment test, the Group decided to recognize impairment loss on property, plant and equipment in total amount of TEUR (1,715) (2008 - TEUR 0). For further information refer to Note 3.11.3.

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Land and buildings

<i>In thousands of euros</i>	31 December 2009	31 December 2008
ECM Real Estate Investments, k.s.	27	--
ECM Finance a.s.	16	7
ECM Facility a.s.	452	500
ADARKON a.s.	17	17
EMPIRIA BUILDING s.r.o.	--	12
Total	512	536

Plant and equipment

<i>In thousands of euros</i>	31 December 2009	31 December 2008
TABULA MAIOR, a.s.	72	111
ECM Real Estate Investments, k.s.	164	400
ECM OFFICES LIBEŇ s.r.o.	40	49
ECM Facility a.s.	143	105
OPTISERVIS, spol. s r.o.	--	6
ECM Finance a.s.	23	10
EPOQUE - LANCASTER a.s.	3	5
ECM CITY EMPIRIA a.s.	89	72
CITY ELEMENT s.r.o.	5	6
VARENSKA OFFICE CENTER, a.s.	98	123
ECM Hotel Operations Plzeň s.r.o.	1	2
ECM Hotel Operations EUROPORT s.r.o.	16	4
ECM Real Estate Consulting (Beijing)	22	22
OOO ECM Russia	106	128
Total	782	1,043

Property under construction

<i>In thousands of euros</i>	31 December 2009	31 December 2008
ECM Real Estate Investments, k.s.	--	317
ECM Facility a.s.	4	4
ECM Finance a.s.	9	2
ADARKON a.s.	101	38
ECM Czech Services, a.s. (STROMOVKA OBCHODNI CENTRUM, a.s.)	84	82
CITY TOWER, s.r.o.	--	5,710
ECM Hotel Operations EUROPORT s.r.o.	--	3
Total	198	6,156

Advance payments for tangible fixed assets

<i>In thousands of euros</i>	31 December 2009	31 December 2008
LANCASTER a.s.	--	15
ECM Facility a.s.	1	1
TORSAR a.s.	76	75
ECM Real Estate Investments, k.s.	--	169
Total	77	260

Finance leases

<i>In thousands of euros</i>	31 December 2009	31 December 2008
ECM Finance a.s. - Hotel Marriott	8,945	10,806
ECM Facility a.s.	--	15
Total	8,945	10,821

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3.20. Intangible assets

<i>In thousands of euros</i>	Software	Other intangible assets	Total	Goodwill
Cost				
Balance at 1 January 2008	726	845	1,571	7,801
Acquisitions through business combinations	4	--	4	1,903
Other acquisitions	261	78	339	--
Disposal	--	(158)	(158)	--
Effect of movements in foreign exchange rate	(28)	1	(27)	(1,445)
Balance at 31 December 2008	963	766	1,729	8,259
Balance at 1 January 2009	963	766	1,729	8,259
Other acquisitions	18	8	26	--
Disposals out of the Group	(17)	(2)	(19)	--
Disposals	(207)	(52)	(259)	--
Effect of movements in foreign exchange rate	17	6	23	58
Balance at 31 December 2009	774	726	1,500	8,317
Accumulated amortisation and impairment losses				
Balance at 1 January 2008	(620)	(530)	(1,150)	(8)
Amortisation for the year	(98)	(49)	(147)	--
Impairment / Reversal of impairment	--	--	--	(4,995)
Acquisitions through business combinations	(3)	--	(3)	--
Disposal	--	1	1	--
Effect of movements in foreign exchange rate	16	5	21	--
Balance at 31 December 2008	(705)	(573)	(1,278)	(5,003)
Balance at 1 January 2009	(705)	(573)	(1,278)	(5,003)
Amortisation for the year	(14)	(27)	(41)	--
Disposals out of the Group	7	1	8	--
Disposals	61	35	96	--
Effect of movements in foreign exchange rate	(13)	(2)	(15)	--
Balance at 31 December 2009	(664)	(566)	(1,230)	(5,003)
Carrying amounts				
At 1 January 2008	106	315	421	7,793
At 31 December 2008	258	193	451	3,256
At 1 January 2009	258	193	451	3,256
At 31 December 2009	110	160	270	3,314

In 2008, the addition to goodwill through business combinations of TEUR 1,903 was recorded in connection with the following acquisitions:

- 100% share in ECM Real Estate Consulting (Beijing) Co., Ltd. on 21 March 2008; and
- 50 % share in OPTISERVIS, spol. s r.o. on 28 May 2008.

The purchase prices, net identifiable assets and liabilities at fair values and goodwill were as follows:

Company	Purchase price	Net assets and liabilities	Goodwill
ECM Real Estate Consulting (Beijing) Co., Ltd.	206	(34)	240
OPTISERVIS, spol. s r.o.	1,882	219	1,663
Total	2,088	185	1,903

The Company paid a premium for the synergistic effects and these effects are part of goodwill acquired.

In connection with annual impairment test, the Group did not record any impairment loss on goodwill (2008 - TEUR 4,995). For further information refer to Note 3.11.2.

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3.21. Investments in associates, joint ventures and other investments

3.21.1. Equity accounted investees

The Group has the following investments in associates which were accounted for using the equity method:

	Country	Ownership		Investment	
		2009	2008	2009	2008
EKZ Tschechien 4 Immobiliengesellschaft s.r.o.	Czech Republic	50%	50%	77	76
China East Investment Limited (1) + (3)	Hong Kong	37%	--	5,654	--
Metropolis Holding China Limited (2) + (3)	Hong Kong	37%	--	--	--

(1) Including its subsidiary ECM Property Holding (Tianjin) Co Ltd.

(2) Including its subsidiary Metropolis Holding (Tianjin) Co., Ltd.

(3) In January 2009 ECM agreed with Nordevo Investments Limited, a project partner in China, on the sale of 23% stake in China East Investment Limited and Metropolis Holding China Limited for a total consideration of US\$ 11.5 million. China East Investment Limited and Metropolis Holding China Limited are companies that own, respectively, the Beijing-based ECMall and Metropolis Tower Projects through their wholly-owned subsidiaries (for further details refer to Note 3.7.2).

The Group's share of the post-acquisition profit or loss of the above associates recognised as at 31 December 2009 is TEUR 655 (2008 – TEUR 75).

The financial information relating to associates (100%) is summarised below:

<i>In thousands of euros</i>	Assets	Liabilities	Equity	Profit
2009				
EKZ Tschechien 4 Immobiliengesellschaft s.r.o.	*)	*)	*)	*)
China East Investment Limited	56,016	(63,911)	7,895	7,240
ECM Property Holding (Tianjin) Co., Ltd.	164,157	(87,891)	(76,276)	(19,246)
Metropolis Holding China Limited	47,067	(54,622)	7,555	7,542
Metropolis Holding (Tianjin) Co., Ltd.	62,097	(32,905)	(29,192)	(3,273)
2008				
EKZ Tschechien 4 Immobiliengesellschaft s.r.o.	2,930	(2,778)	(152)	(108)

*) Data not available as at 31 December 2009.

3.21.2. Other investments

The Group has the following investments in which the ownership interest is less than 10%.

	Country	Ownership		Investment	
		2009	2008	2009	2008
NBC Office a.s.	Czech Republic	10%	10%	262	258
OIK City Point Investment a.s. (1)	Czech Republic	--	5%	--	54
Other investments				262	312

(1) The ownership interest was sold to IVG Institutional Funds GmbH on 29 December 2009 (refer also to Note 3.1.3).

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3.22. Provided loans

<i>In thousands of euros</i>	2009	Average interest rate	2008	Average interest rate
Other loans	13,217	9%	2,526	8%
Total	13,217		2,526	

As at 31 December 2009, provided loans comprise mainly TEUR 7,244 which was granted to China East Investment Limited, TEUR 3,144 provided to Metropolis Holding China Limited and TEUR 2,162 provided to Blackstrait Limited. As at 31 December 2008, the most significant loans were provided to ECM Group N.V. for TEUR 856 and to Kanebo Investments S.A. for TEUR 447.

3.23. Trading property

<i>In thousands of euros</i>	CITY TOWER, s.r.o.	REZIDENCE UNHOŠŤ a.s.	Ryazan Shopping Mall Ltd.	EPOQUE – LANCASTER a.s.	OOO ECM RUSSIA	Other	Total
Balance at 1 January 2008	8	6,407	--	--	--	7,119	13,534
Acquisitions	--	5,534	--	--	19	1,674	7,227
Acquisitions through business combinations	--	--	--	--	1,375	2	1,377
Transfers to/from investment property	525	--	--	--	(952)	(406)	(833)
Transfers to/from investment property under construction	--	--	--	--	--	(4,525)	(4,525)
Transfers to/from property, plant and equipment	--	--	--	--	--	--	--
Transfers to/from assets held for sale	--	--	--	--	--	(1,132)	(1,132)
Other transfers	(525)	--	--	--	--	525	--
Impairment/reversal of impairment	--	--	--	--	--	(1,177)	(1,177)
Disposals and other movements	--	--	--	--	(251)	(393)	(644)
Effect of movements in foreign exchange rate	--	(483)	--	--	(112)	317	(278)
Balance at 31 December 2008	8	11,458	--	--	79	2,004	13,549
Balance at 1 January 2009	8	11,458	--	--	79	2,004	13,549
Acquisitions	--	3,030	6,758	--	--	--	9,788
Transfers to/from investment property	--	--	30,776	16,380	--	2,719	49,875
Transfers to/from investment property under construction	--	--	--	--	--	907	907
Impairment/reversal of impairment	--	(684)	--	--	--	(5,588)	(6,272)
Disposals and other movements	--	(4,119)	--	--	(2)	(96)	(4,217)
Disposals out of the Group	(8)	--	--	--	--	--	(8)
Effect of movements in foreign exchange rate	--	205	(46)	--	(4)	103	258
Balance at 31 December 2009	--	9,890	37,488	16,380	73	49	63,880

In 2009, Ryazan Shopping Mall Ltd. obtained a construction permit and started to develop a retail building for future sale. As a result, this project was transferred from investment property to trading property in the third quarter of 2009 (refer also to Note 3.17).

In 2009, EPOQUE – LANCASTER a.s. obtained a construction permit and started to develop a project CITY EPOQUE - RESIDENCE for future sale. As a result, this project was transferred from investment property to trading property in the fourth quarter of 2009 (refer also to Note 3.17).

Transfers from investment property and investment property under construction in 2009 included in column 'Other' in the above table represent the transfer of unbilled services provided by ECM Real Estate Investments, k.s. to China East Investment Limited and Metropolis Holding China Limited as a result of the sale of 23% stake in these entities to Nordevo Investments Limited (for more details refer to Note 3.7.2).

Other trading property – inventory primarily represents unbilled services provided by ECM Real Estate Investments, k.s. and ECM Finance a.s. to other companies within the Group.

Trading property comprises also advances paid to suppliers of TEUR 723 (2008 – TEUR 5) and borrowing cost in the amount of TEUR 980 (2008 – TEUR 328).

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In connection with annual impairment test, the Group decided to recognize impairment loss on trading property in total amount of TEUR (6,272) (2008 - TEUR (1,177)). For further information refer to Note 3.11.1.

Description of trading property – inventory

Company	Project	Description	Location	Estimated total rentable/saleable space (sq.m)
Ryazan Shopping Mall Ltd.	RYAZAN SHOPPING CENTER	Multi-purpose project - retail building with parking	Ryazan, Russia	69,496
EPOQUE – LANCASTER a.s.	CITY EPOQUE - RESIDENCE	170 apartments on 30 floors, 326 basement parking places, complementary services	Prague, Czech Republic	25,340
REZIDENCE UNHOŠŤ a.s.	TERASY UNHOŠŤ	Residential project	Czech Republic	14,278

3.24. Trade and other receivables

<i>In thousands of euros</i>	2009	2008
Trade receivables (1)	9,108	10,908
Value added tax receivables	2,509	3,569
Pre-payments (2)	3,667	3,314
Revaluation of derivatives	--	201
Prepaid expenses (3)	871	4,401
Estimated receivables	885	1,168
Receivables from employees	45	89
Receivable from retention (4)	--	450
Other receivables (5)	2,839	600
Total	19,924	24,700

- (1) Trade receivables are shown net of impairment losses amounting to TEUR (275) recognised in the current year (2008 – TEUR (309)). For details refer to Note 3.13 Other expenses.
- (2) The Company entered into negotiations with Telor International Limited to cancel the future share purchase option on the sale of 25% shares of GRASLON a.s. and SAZERAC a.s. Cancellation is expected to occur in 2010. In 2007, the Company paid an advance on the cancellation fee of TEUR 2,500.
- (3) In 2008 prepaid expenses primarily included:
 - Expenses incurred in connection with the planned increase in the company's share capital (Equity Step-Up) of TEUR 1,389 before tax. Due to the low possibility of further use of Step-Up equity program, the Group decided to charge the recorded asset to share premium in 2009. For further information refer to Note 3.26.2 Equity Step-Up.
 - Discounts of rentals for the whole leasehold period of TEUR 1,720 provided to tenants by CITY TOWER s.r.o. The entity was sold out of the Group in 2009 (refer also to Note 3.7.1).
- (4) Receivable from retention relates to transfer of shares of 2P, s.r.o. to CA Immo International AG. In 2009, the Group recorded impairment to this receivable from retention. For further information refer to Notes 3.7.3 and 3.13.
- (5) Other receivables are shown net of provisions for irrecoverable amounts amounting to TEUR (271) recognised in the current year (2008 – TEUR (1,526)). Provisions for irrecoverable amounts recorded in 2008 were fully released in 2009. For details refer to Notes 3.12 Other income and 3.13 Other expenses.

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3.25. Cash and cash equivalents

<i>In thousands of euros</i>	2009	2008
Bank balances	28,381	33,558
Cash and cash equivalents	74	69
Cash and cash equivalents in the cash-flow statement	28,455	33,627

3.26. Changes in equity

The consolidated statement of changes in equity is presented on the face of the financial statements.

3.26.1. Share capital and share premium

<i>In thousands of euros</i>	Ordinary shares	
	2009	2008
Issued at 1 January	11,676	7,229
Equity Step – Up	--	425
Private placement of shares	--	4,022
Issued at 31 December	11,676	11,676

The subscribed capital of the Company as at 31 December 2009 was TEUR 11,676 (2008 – TEUR 11,676), comprising 6,868,092 shares (2008 – 6,868,092 shares), each with a nominal value of EUR 1.7 (2008 – EUR 1.7). All shares are of the same type (ordinary registered shares) and are fully paid-up.

3.26.2. Equity Step-Up

The option of issuing additional shares of the Company, so called Equity Step-Up, was approved at an extraordinary general meeting on 29 May 2007. The Company concluded a contract with Bank Austria Creditanstalt AG which enables the Company to sell the shares issued additionally for a set contractual price. The number of new shares is contractually limited to 1,500,000 shares. The minimum number of new shares is not set and it will be specified by the Company's management in the individual periods.

Due to the low possibility of further use of Step-Up equity program the Company has decided to write off the booked asset which has currently been gradually decreased upon each step-up drawing. This asset consists of various consultancy and brokerage fees paid upon the set-up of this program. As a result, the share premium was decreased by TEUR (986) which consists of the asset written off of TEUR (1,389) and related deferred tax liability of TEUR 403.

3.26.3. Private placement

On 19 December 2008, the Company issued 2,365,592 shares which were subscribed by the major shareholder ECM Group N.V. The issue was based on Subscription Agreement concluded between the Company and ECM Group N.V. on 16 December 2008.

As at 31 December 2008, total expenses incurred in connection with the private placement of shares amounted to TEUR 351 before tax (TEUR 249 net of tax effect). The whole amount net of tax effect is charged to share premium related to private placement of shares.

3.26.4. 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 (d)).

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3.26.5. Other changes in equity

Effect of transaction with non-controlling interest resulting in loss of control as at 31 December 2009 relates to sale of 23% stake in China East Investment Limited and Metropolis Holding China Limited to NORDEVO INVESTMENTS LIMITED. For further information refer to Note 3.7.2 Net result on disposal of the financial investment in subsidiaries and associates.

Change in non-controlling interest without change in control charged directly in equity as at 31 December 2009 relates to sale of 6% of shares of Ryazan Investors Company Ltd. to PSJ NEW N.V. For further information refer to Note 3.1.3 Changes in the Group.

Change in non-controlling interest without change in control charged directly in equity as at 31 December 2008 relates to sale of 15% of shares of Ryazan Investors Company Ltd. to PSJ NEW N.V. For further information refer to Note 3.1.3 Changes in the Group.

As at 31 December 2008 items recorded directly in equity comprise discounting effect related to interest-free loans granted by minority shareholder NORDEVO INVESTMENTS LIMITED to China East Investment Limited and Metropolis Holding China Limited.

3.26.6. Legal reserves

Legal reserves comprise mainly legal reserve of ECM REAL ESTATE INVESTMENTS A.G. of TEUR 108. The remaining TEUR 145 consists of legal reserves of Czech entities.

Luxembourg companies are required to appropriate to legal reserve a minimum of 5% of the annual net income, after deducting any losses brought forward, until this reserve equals 10% of the subscribed share capital. This reserve may not be distributed in the form of cash dividends, or otherwise, during the life of the Company.

3.26.7. Earnings per share

Basic earnings per share 2009

Profit attributable to ordinary shareholders

<i>In thousands of euros</i>	Continuing operations	Discontinued operations	Total
Net profit / (loss) attributable to ordinary shareholders for the year ended 31 December 2009	(57,707)	--	(57,707)
Dividends on non-redeemable preference shares	--	--	--
Net profit / (loss) attributable to ordinary shareholders	(57,707)	--	(57,707)

Weighted average number of ordinary shares

<i>In thousands of shares</i>	Ordinary shares	Weight	Weighted average
Issued ordinary shares at 1 January 2009	6,868	360	6,868
Weighted average number of ordinary shares as 31 December 2009			6,868
Earnings per share 2009			(8.4)

Diluted earnings per share 2009

Profit attributable to ordinary shareholders (diluted)

<i>In thousands of euros</i>	Continuing operations	Discontinued operations	Total
Net profit / (loss) attributable to ordinary shareholders for the year ended 31 December 2009	(57,707)	--	(57,707)
Net profit / (loss) attributable to ordinary shareholders	(57,707)	--	(57,707)

Weighted average number of ordinary shares (diluted)

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<i>In thousands of shares</i>	Ordinary shares	Weight	Weighted average
Weighted average number of ordinary shares (basic) as 31 December 2009	6,868		6,868
Effect of convertible warrants from convertible bonds 2006 unconverted in bonds 2007	780	360	780
Effect of convertible warrants from convertible bonds 2007	1,857	360	1,857
Weighted average number of ordinary shares (diluted) as 31 December 2009			9,505
Earnings per share 2009 (diluted)			(6.1)

Basic earnings per share 2008

Profit attributable to ordinary shareholders

<i>In thousands of euros</i>	Continuing operations	Discontinued operations	Total
Net profit / (loss) attributable to ordinary shareholders for the year ended 31 December 2008	(102,489)	--	(102,489)
Dividends on non-redeemable preference shares	--	--	--
Net profit / (loss) attributable to ordinary shareholders	(102,489)	--	(102,489)

Weighted average number of ordinary shares

<i>In thousands of shares</i>	Ordinary shares	Weight	Weighted average
Issued ordinary shares at 1 January 2008	4,252	360	4,252
Effect of shares issued in 3 rd quarter 2008 – Equity Step-Up	250	100	69
Effect of shares issued in 4 th quarter 2008 – Private Placement	2,366	10	66
Weighted average number of ordinary shares as 31 December 2008			4,387
Earnings per share 2008			(23.4)

Diluted earnings per share 2008

Profit attributable to ordinary shareholders (diluted)

<i>In thousands of euros</i>	Continuing operations	Discontinued operations	Total
Net profit / (loss) attributable to ordinary shareholders for the year ended 31 December 2008	(102,489)	--	(102,489)
Net profit / (loss) attributable to ordinary shareholders	(102,489)	--	(102,489)

Weighted average number of ordinary shares (diluted)

<i>In thousands of shares</i>	Ordinary shares	Weight	Weighted average
Weighted average number of ordinary shares (basic) as 31 December 2008	4,387		4,387
Effect of convertible warrants from convertible bonds 2006 unconverted in bonds 2007	780	360	780
Effect of convertible warrants from convertible bonds 2007	1,857	360	1,857
Weighted average number of ordinary shares (diluted) as 31 December 2008			7,024
Earnings per share 2008 (diluted)			(14.6)

3.27. 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 3.34 Financial Instruments.

<i>In thousands of euros</i>	2009	2008
Current liabilities		
Loans from third parties	21,690	16,474
Loans from related parties	2,702	1,749
Bank loans	36,347	22,056
Total	60,739	40,279

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The Group withdrew no bank overdraft as at 31 December 2009 (2008 – TEUR 1,555).

<i>In thousands of euros</i>	2009	2008
Non-current liabilities		
Loans from third parties	86	65,595
Loans from related parties	--	--
Bank loans	70,866	156,367
Total	70,952	221,962

Non-current interest bearing loans and borrowings are payable as follows:

<i>In thousands of euros</i>	Amount as at 31 December 2009	Payable in 1-5 years	Payable after 5 years
Loans from third parties	86	86	--
Loans from related parties	--	--	--
Bank loans	70,866	52,453	18,413
Total	70,952	52,539	18,413

<i>In thousands of euros</i>	Amount as at 31 December 2008	Payable in 1-5 years	Payable after 5 years
Loans from third parties	65,595	65,595	--
Loans from related parties	--	--	--
Bank loans	156,367	28,411	127,956
Total	221,962	94,006	127,956

The maturity of the loans depends on the development of individual projects. Therefore, any further details related to the maturity of the above stated loans would be inaccurate.

The bank loans are secured as follows:

<i>In thousands of euros</i>		Carrying amount of pledged assets	
Entity	Assets pledged by the entity	2009	2008
EPOQUE – LANCASTER a.s.	Land, trade receivables	16,480	16,178
EPOQUE HOTEL a.s.	Land, trade receivables	6,360	15,861
CITY TOWER, s.r.o.	Land, trade receivables, receivables from insurance contracts, shares	--	143,396
TABULA MAIOR, a.s.	Land, trade receivables, receivables from insurance contracts, receivables from construction contracts	8,297	9,984
CITY PARKVIEW s.r.o.	Land	8,591	9,151
ECM CITY EMPIRIA a.s.	Land, building, trade receivables, shares	67,383	78,208
ECM OFFICES LIBEŇ s.r.o.	Land, shares, receivables from insurance contracts, accounts receivables, cash and bank deposits	9,452	10,778
VARENSKA OFFICE CENTER a.s.	Land, trade receivables	11,205	15,220
ECM Finance a.s.	Shares, accounts receivables	--	15,126
REZIDENCE UNHOŠŤ a.s.	Land	15,445	13,938
CITY DECO s.r.o.	Shares, land, receivables	6,990	2,211
CITY ELEMENT s.r.o.	Shares, land, receivables	1,917	4,209
LUNZIE a.s.	Fixed assets, cash and bank deposits	7,704	8,730
ECM POZNANŮ REZIDENCE sp. z o.o.	Buildings, receivables	8,245	8,500
NATIONAL BUSINESS CENTRE Ostrava a.s.	Shares, bank accounts	306	287
ECM Facility a.s.	Technology, guarantee declaration, shares, bank accounts	708	430
Total		169,083	352,207

Pledge of the group's stakes and other guarantees for bank loans

Refer to Note 3.35 Contingencies.

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3.28. Bonds with convertible warrants

On 31 July 2006 the Company issued 115,212 bonds with 15 redeemable warrants attached to each bond. All of these 115,212 bonds and 948,408 of the warrants issued in 2006 were converted into 16,870 new issued bonds with redeemable warrants attached in the fourth quarter of 2007. In the fourth quarter of 2007, the Company further issued 9,662 bonds with warrants attached. In December 2009, the Group received from MARPONA a.s. 4,071 convertible bonds without warrants attached as a part of the settlement for transfer of ownership interest in CITY TOWER s.r.o. (for further details refer to Note 3.7.1).

<i>In thousands of euros</i>	2009	2008
Number of convertible notes	22,461	26,532
Proceeds from issue of convertible notes (2)	80,017	94,520
Transaction costs	(3,578)	(4,226)
Net proceeds	76,439	90,294
Amount classified as equity (3)	(7,438)	(7,438)
Amount classified as derivative (1)	(5,027)	(5,027)
Accrued interest	12,288	8,186
Carrying amount of liability	76,262	86,015

- (1) The Group identified a derivative embedded in the value of convertible bonds. The nominal value of the derivative is TEUR 14,178 (31 December 2008 – TEUR 14,178). The fair value of the derivative was separated and presented on the face of the statement of financial position as a long-term liability from derivatives. The fair value of the derivative was TEUR 5,027 as at the date of separation and TEUR 11,671 as at 31 December 2009 (TEUR 10,458 as at 31 December 2008). For further information refer to Note 3.34.5 Liquidity risk.
- (2) Proceeds from the issue of convertible notes consist of the redemption value of converted 2006 warrants of TEUR 34,475, the redemption value of the converted 2006 bonds of TEUR 25,649 and net proceeds of TEUR 34,396 paid in cash. In 2009, proceeds from the issue of convertible notes were decreased by the proceeds attributable to 4,071 convertible bonds received as a part of the settlement for transfer of ownership interest in CITY TOWER s.r.o.
- (3) The amount of convertible warrants classified as equity of TEUR 7,438 is net of the attributable transaction cost of TEUR 348.

The warrants are convertible into 1,857 thousand ordinary shares in October 2011 at the option of the holder, which represents the rate of one share for each warrant. Seventy warrants are attached to each bond.

The interest rate of the bonds is 5% and interest is payable on an annual basis on 30 September. Bonds will be redeemed in full on 9 October 2011. Subject to certain conditions, the Company may decide to redeem all the bonds early (on the interest payment date) at par plus the interest amount accrued until the early redemption date.

Convertible bonds received in 2009

<i>In thousands of euros</i>	2009
Number of convertible notes received	(4,071)
Proceeds from issue of convertible notes	(14,503)
Transaction costs	648
Net proceeds	(13,855)
Amount classified as equity	--
Amount classified as derivative	--
Accrued interest	(2,227)
Carrying amount of liability related to bonds received	(16,082)

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ECM is currently in court proceedings with one of its bondholder which is claiming that pursuant to condition 4.1.8.1.2.1 of the terms and conditions of the Bonds as set out in a Securities Note and Summary dated 3 October 2007, a Change of Control occurred in December 2008 giving holders of the bonds the right to early redemption of their Bond(s).

3.29. Other bonds

Starting from 30 March 2007, the Company has issued 800 bearer bonds with a nominal value of TCZK 1,000 each. The Company could issue bearer bonds up to a maximum value of TCZK 1,000,000.

<i>In thousands of euros</i>	2009	2008
Number of bearer bonds	800	800
Proceeds from issue of bearer bonds	28,510	28,510
Transaction costs	(245)	(245)
Net proceeds	28,265	28,265
FX translation as at 31 December	1,787	1,291
Accrued interest	529	611
Carrying amount of liability	30,581	30,167

The principal of the bearer bonds is due on 30 March 2012.

The interest rate of the bonds is floating and amounted to 6.82% p.a. in the first quarter of 2009, to 5.56% in the second and third quarters of 2009 and to 5.05% in the fourth quarter of 2009 (6.53% p.a. in the first quarter of 2008, to 7.10% in the second and third quarters of 2008 and to 6.82% in the fourth quarter of 2008). Interest is payable on a semi-annual basis on 31 March and 30 September.

3.30. Trade and other payables

<i>In thousands of euros</i>	2009	2008
Trade payables (1)	8,660	97,480
Advances received (2)	2,117	12,378
Payables resulting from the purchase of financial assets	18	18
Estimated payables (4)	2,713	4,636
Income tax payables	228	184
Payables to employees, social security and health insurance, employees income tax	515	889
Accrued expenses	370	285
Value added tax payables	595	339
Deferred revenues	198	649
Revaluation of derivatives	696	13,309
Other payables (3)	860	6,851
Total	16,970	137,018

(1) Trade payables decreased by TEUR 88,820 mainly due to

- the sale of 23% stake in China East Investment Limited and Metropolis Holding China Limited in January 2009 (for further information refer to Note 3.7.2). Trade payables of Metropolis Holding (Tianjin) Co., Ltd. amounted to TEUR 26,156 and trade payables of ECM Property Holding (Tianjin) Co., Ltd. amounted to TEUR 56,319 as at 31 December 2008.
- CITY TOWER s.r.o. was sold out of the Group in December 2009 (refer to Note 3.7.1). Trade payables of this entity amounted to TEUR 2,068 as at 31 December 2008.

(2) In 2008 advances received comprised mainly

- Advances of TEUR 8,693 received by CITY TOWER s.r.o. for fit-outs from tenants. The entity was sold out of the Group in 2009 (refer also to Note 3.7.1).
- Advances of TEUR 2,280 received by REZIDENCE UNHOŠŤ a.s. for residential project TERASY UNHOST from buyers. These advances decreased to TEUR 593 as at 31 December 2009.

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(3) As at 31 December 2008, other payables comprise retentions of TEUR 6,584 due from CITY TOWER s.r.o. to Metrostav a.s. The entity was sold out of the Group in 2009 (refer also to Note 3.7.1).

(4) Estimates mostly relate to uninvoiced services related to development projects.

3.31. Provisions

The Group creates provisions mainly for onerous contracts, expected business risks, real estate-transfer tax and penalties. The provisions recorded by the Group as at 31 December 2009 amounted to TEUR 16,193 (2008 – TEUR 15,664).

<i>In thousands of euros</i>	
Balance at 1 January 2008	3,102
Release of provisions during the year	(503)
Provisions created during the year	15,359
Provisions used during the year	(1,177)
Effect of movement in foreign exchange rate	(1,117)
Balance at 31 December 2008	15,664
Balance at 1 January 2009	15,664
Release of provisions during the year	(2,048)
Provisions created during the year	2,471
Provisions used during the year	(170)
Effect of movement in foreign exchange rate	276
Balance at 31 December 2009	16,193
Balance at 31 December 2008	
Non-current	15,053
Current	611
Total	15,664
Balance at 31 December 2009	
Non-current	16,071
Current	122
Total	16,193

Based on market development and internal analysis, the Group disclosed a provision for onerous contracts within the Hotel operations segment of TEUR 13,621 as at 31 December 2009 (2008 - TEUR 15,053). Furthermore, the Group created a provision for penalties related to projects CITY DECO and CITY ELEMENT of TEUR 2,450 as at 31 December 2009. Expected timing of cash outflows resulting from onerous contracts can be linearly spread until 2017 and provision for penalty related to projects CITY DECO and CITY ELEMENT will be settled in 2011.

3.32. Other long-term payables

As at 31 December 2009, other long-term liabilities amounted to TEUR 13,024 (2008 – TEUR 12,157), of which TEUR 11,085 (2008 – TEUR 10,932) related to finance lease liabilities and TEUR 989 (31 December 2008 – TEUR 714) related to retentions.

Non-cancellable finance lease rentals are payable as follows:

<i>In thousands of euros</i>	2009	2008
Less than one year	--	48
Between one and five years	424	298
More than five years	10,661	10,586
Total	11,085	10,932

During the year ended 31 December 2009, TEUR 683 was recognised as an interest expense in the statement of comprehensive income in respect of finance leases (2008 – TEUR 688).

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For the year ended 31 December 2009

3.33. Operating leases

3.33.1. Contracts entered into by the Group as lessee

Non-cancellable operating lease rentals are payable as follows:

<i>In thousands of euros</i>	2009	2008
Less than one year	5,197	5,405
Between one and five years	18,176	19,553
More than five years	13,632	18,828
Total	37,005	43,786

The Group has entered into operating leases of building for hotel operations. The Group also leases offices and cars under operating leases.

3.33.2. 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:

<i>In thousands of euros</i>	2009	2008
Less than one year	6,983	12,933
Between one and five years	16,520	40,582
More than five years	3,769	25,816
Total	27,272	79,331

The Group has also entered into a sublease agreement for part of its premises. A certain portion of the sublease rentals is variable depending on the turnover of the lessee.

Decrease in future minimum lease payments relates to the sale of CITY TOWER s.r.o. out of the Group in December 2009 (refer to Note 3.7.1).

3.34. Financial instruments

Exposure to various risks arises in the normal course of the Group's business. These risks include credit risk (refer to Note 3.34.1), capital risk (refer to Note 3.34.2), operational risk (refer to Note 3.34.3), market risks including currency risk, interest rate risk and price risk (refer to Note 3.34.4) and liquidity risk (refer to Note 3.34.5).

3.34.1. Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and, if not available, the Group uses other publicly available financial information and its own trading records to rate its major customers and suppliers that are entitled to draw advances for projects under construction. In some cases, the Group requires bank references.

The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

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Trade receivables and advances paid consist of a large number of customers and projects' suppliers. Ongoing credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit guarantee insurance cover is purchased.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The Group's policy is to provide financial guarantees only to wholly-owned subsidiaries. At 31 December 2009 no guarantees were outstanding (2008 - none).

Credit risk concentration

	Total credit exposure	
	2009	2008
Amounts due from banks	28,381	33,558
Positive fair value of financial derivative transactions	--	201
Amounts due from customers and advances paid	19,924	24,499
Total	48,305	58,258

The Group has bank accounts with prestigious banking institutions, no risk is expected.

The Group paid significant advances to suppliers of projects under construction. For advances paid to suppliers, the Group provides regular control of invested resources in realised projects.

The Group uses the following standard security steps in the case of bankruptcy of development project suppliers:

1. Bank guarantees for provision of work in accordance with contract (10% of total price)
2. Retention from each monthly invoicing (10%).
3. Other contractual agreements
4. Damage compensation

Receivables related to the rentals are secured by bank guarantees and advances received by lessees.

3.34.2. Capital risk

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged compared to 2008.

The Group as a developer and property investor is mainly influenced by the fact that it leverages its project financing by using bank debts. There are no real seasonality impacts on its financial position but rather a volatility of financial markets might positively or negatively influence the Group's financial position.

To minimise the negative impacts of financial market volatility, i.e. Currency (FX) and Interest Rate (IR) Risk, the Group implemented and developed its FX and IR hedging policy. This policy contains rules and methods on how to manage these risks.

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The capital structure of the Group consists of debt, which includes the borrowings disclosed in Note 3.27, bonds with convertible warrants and other bonds disclosed in Notes 3.28 and 3.29 respectively, cash and cash equivalents and equity attributable to equity holders of the Company and to non-controlling interest, comprising issued capital, reserves and retained earnings as disclosed in Notes 3.25 and 3.26.

Gearing ratio	2009	2008
<i>In thousands of euros</i>		
Debt (1)	238,534	378,423
Cash and cash equivalents	28,455	33,627
Net debt	210,079	344,796
Equity (2)	30,261	95,346
	87%	78%

(1) Debt is defined as long and short-term borrowings, bonds with convertible warrants and other bonds as detailed in Note 3.28 and 3.29.

(2) Equity includes all capital and reserves of the Group.

3.34.3. Operational Risk

Operational risk is defined as the risk of loss arising from the inappropriateness or failure of internal processes, human errors or failures of systems or the risk of loss arising from external events. The Group assesses these risks on a regular basis and undertakes measures aimed at systematic detection and minimisation of these risks. In 2009 and 2008, operational risk management activities focused on the implementation of new management information system comprising information about individual projects and legal documentation in force.

The Group discloses significant amounts of advances paid for realised projects. Advances are paid on the basis of a contract concluded with supplier, where the termination dates and quality required are directly specified. If the contract is breached, the supplier is obliged to return all payments related to project acquisition, including the penalty fee, to the investor.

In respect of areas with an identified significant risk the Group has implemented a set of key risk indicators that serve as an early warning system and as a measure of operational risk taken.

3.34.4. Market Risks

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group buys and sells derivatives, and also incurs financial liabilities, in order to manage market risks. The Group does not designate derivatives as hedging instruments under a fair value hedge accounting model.

Market risk exposures are measured using sensitivity analysis.

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

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a) Risk related to investment portfolio

Overview as at 31 December 2009

The total amount of Investment property and investment property under construction valued using fair value method under IAS – 40 Investment property amounts to 178,250 TEUR. For the sensitivity analyses the company selected four projects that have been finished for a 92,418 TEUR which compromises 51.85% of total value.

Project		City Empiria + City Forum	VOC	CCS	Total	Difference
Net Operating Income	EUR	5 200 000	958 938	696 861		
Initial Yield as of 31.12.2009		7,50%	8,75%	8,50%		
Net Rental Income	EUR	5 200 000	958 938	696 861		
Yield Decreased by	1 b.p.	6,50%	7,75%	7,50%		
OMV of Completed Scheme		80 000 000	12 373 394	9 291 480	101 664 874	13 173 884
Net Rental Income	EUR	5 200 000	958 938	696 861		
Yield Decreased by	0.5 b.p.	7,00%	8,25%	8,00%		
OMV of Completed Scheme		74 285 714	11 623 491	8 710 763	94 619 968	6 128 978
Net Rental Income	EUR	5 200 000	958 938	696 861		
Yield Increased by	0.5 b.p.	8,00%	9,25%	9,00%		
OMV of Completed Scheme		65 000 000	10 366 897	7 742 900	83 109 797	-5 381 192
Net Rental Income	EUR	5 200 000	958 938	696 861		
Yield Increased by	1 b.p.	8,50%	9,75%	9,50%		
OMV of Completed Scheme		61 176 471	9 835 262	7 335 379	78 347 111	-10 143 878

In addition to that, other three major projects are presented to better illustrate the sensitivity to the yield movements. However, as those projects are currently under development, the sensitivity analysis is based on the future assumed final open market values.

Project		Kartontara	City Deco	Zlin Retail	Total	Difference
Net Operating Income	EUR	35 457 517	3 393 773	5 744 390		
Initial Yield as of 31.12.2009		13,00%	7,25%	8,25%		
Net Rental Income	EUR	35 457 517	3 393 773	5 744 390		
Yield Decreased by	1 b.p.	12,00%	6,25%	7,25%		
OMV of Completed Scheme		295 479 311	54 300 368	79 232 966	429 012 645	39 822 880
Net Rental Income	EUR	35 457 517	3 393 773	5 744 390		
Yield Decreased by	0.5 b.p.	12,50%	6,75%	7,75%		
OMV of Completed Scheme		283 660 139	50 278 119	74 121 161	408 059 419	18 869 653
Net Rental Income	EUR	35 457 517	3 393 773	5 744 390		
Yield Increased by	0.5 b.p.	13,50%	7,75%	8,75%		
OMV of Completed Scheme		262 648 277	43 790 619	65 650 171	372 089 068	-17 100 698
Net Rental Income	EUR	35 457 517	3 393 773	5 744 390		
Yield Increased by	1 b.p.	14,00%	8,25%	9,25%		
OMV of Completed Scheme		253 267 981	41 136 642	62 101 514	356 506 137	-32 683 628

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Overview as at 31 December 2008

The total amount of Investment property valued using fair value method under IAS – 40 Investment property amounted to 508,518 TEUR. For the sensitivity analyses the company selected five already finished projects that have been finished for a 225,439 TEUR which compromised 44.33% of total value.

Project		City Tower	City Empiria + City Forum	VOC	CCS	Total	Difference
Net Rental Income	EUR	9 555 948	5 626 476	1 297 162	865 165		
Initial Yield as of 31.12.2008		7,24%	7,74%	9,23%	8,92%		
OMV of Completed Scheme		153 140 199	83 478 877	15 761 380	10 923 802	263 304 257	34 869 612
Net Rental Income	EUR	9 555 948	5 626 476	1 297 162	865 165		
Yield Decreased by	1 b.p.	6,24%	6,74%	8,23%	7,92%		
OMV of Completed Scheme		141 779 650	77 713 761	14 858 666	10 275 120	244 627 197	16 192 552
Net Rental Income	EUR	9 555 948	5 626 476	1 297 162	865 165		
Yield Increased by	0.5 b.p.	6,74%	7,24%	8,73%	8,42%		
OMV of Completed Scheme		123 461 866	68 282 479	13 331 568	9 184 343	214 260 256	-14 174 389
Net Rental Income	EUR	9 555 948	5 626 476	1 297 162	865 165		
Yield Increased by	1 b.p.	8,24%	8,74%	10,23%	9,92%		
OMV of Completed Scheme		115 970 247	64 376 159	12 679 976	8 721 422	201 747 805	-26 686 840

In addition to that, other three major projects were presented to better illustrate the sensitivity to the yield movements. However, as those projects were under development as at 31 December 2008, the sensitivity analysis was based on the future assumed final open market values.

Project		Ryazan Shopping Mall	China Retail	Kartontara	Total	Difference
Net Rental Income	EUR	19 000 000	11 716 126	29 426 272		
Initial Yield as of 31.12.2008		13,00%	6,92%	9,50%		
OMV of Completed Scheme		158 333 333	197 907 542	346 191 440	702 432 316	77 220 047
Net Rental Income	EUR	19 000 000	11 716 126	29 426 272		
Yield Decreased by	1 b.p.	12,00%	5,92%	8,50%		
OMV of Completed Scheme		152 000 000	182 494 182	326 958 582	661 452 765	36 240 496
Net Rental Income	EUR	19 000 000	11 716 126	29 426 272		
Yield Decreased by	0.5 b.p.	12,50%	6,42%	9,00%		
OMV of Completed Scheme		140 740 741	157 899 279	294 262 724	592 902 744	-32 309 525
Net Rental Income	EUR	19 000 000	11 716 126	29 426 272		
Yield Increased by	0.5 b.p.	13,50%	7,42%	10,00%		
OMV of Completed Scheme		135 714 286	147 930 890	280 250 214	563 895 389	-61 316 879

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b) Foreign currency risk

The Group is exposed to foreign currency risk on borrowings that are denominated in a currency other than Czech crowns. 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 the third parties is usually offset by generating revenues denominated in the same underlying currency, which is applicable to both sales revenues and operating revenues.

EUR 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 EUR.

The Group used derivative financial instruments to hedge against the exposure to foreign currency risk arising on forecast transactions, although the Group do not use hedge accounting.

To protect against foreign currency risk there are used mainly instruments as standard foreign currency forwards, foreign currency swaps and structured foreign currency forwards. These derivatives are used in two levels. The first one is directly connected with cash-flows of project financing and the second one to hedge the global FX position.

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Overview of foreign currency receivables and payables as at 31 December 2009 and 31 December 2008

2009		Total	Less than 1 year	1-5 years	More than 5 years
Items in the statement of financial position					
Trade receivables	TEUR	1,566	1,566	--	--
	TUSD	22	22	--	--
	TRUR	20,180	20,180	--	--
	TCNY	1,522	1,522	--	--
Advances provided	TEUR	1,313	1,313	--	--
Provided loans	TUSD	20,945	20,945	--	--
	TRUR	530	530	--	--
Trade payables	TEUR	(1,822)	(1,822)	--	--
	TUSD	(167)	(167)	--	--
	TRUR	(44,041)	(44,041)	--	--
Advances received	TEUR	(335)	(335)	--	--
Loans	TEUR	(87,985)	(6,560)	(70,503)	(10,922)
	TRUR	(330,264)	(177,742)	(152,522)	--
	TPLN	(20,000)	(20,000)	--	--
	TUSD	(8,099)	--	(8,099)	--
Bonds	TEUR	(76,262)	(4,726)	(71,536)	--
Finance lease liabilities	TEUR	(10,749)	(58)	(420)	(10,271)
	TUSD	(569)	(1)	(5)	(563)
Net position	TEUR	(174,274)	(10,622)	(142,459)	(21,193)
	TUSD	12,132	20,799	(8,104)	(563)
	TRUR	(353,595)	(201,073)	(152,522)	--
	TCNY	1,522	1,522	--	--
	TPLN	(20,000)	(20,000)	--	--

2008		Total	Less than 1 year	1-5 years	More than 5 years
Items in the statement of financial position					
Trade receivables	TEUR	38	38	--	--
	TUSD	22	22	--	--
	TRUR	11,144	11,144	--	--
	TCNY	590	590	--	--
Provided loans	TEUR	1,535	856	--	679
Trade payables	TEUR	(6,962)	(6,962)	--	--
	TUSD	(253)	(253)	--	--
	TRUR	(204,977)	(204,977)	--	--
	TCNY	(471,655)	(471,655)	--	--
Loans	TEUR	(146,875)	(10,609)	(21,387)	(114,879)
	TUSD	(88,409)	--	(88,409)	--
	TPLN	(18,600)	--	--	(18,600)
	TEUR	(86,015)	(4,726)	(81,289)	--
Bonds	TEUR	(86,015)	(4,726)	(81,289)	--
Finance lease liabilities	TEUR	(10,806)	(48)	(357)	(10,401)
Net position	TEUR	(249,085)	(21,451)	(103,033)	(124,601)
	TUSD	(88,640)	(231)	(88,409)	--
	TRUR	(193,833)	(193,833)	--	--
	TCNY	(471,065)	(471,065)	--	--
	TPLN	(18,600)	--	--	(18,600)

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Sensitivity Analysis - Exposure to currency risk

A 10% strengthening (devaluation) of the Czech crown against the below currencies at 31 December 2009 would have decreased (increased) the profit and loss account by TEUR 49 (2008 – TEUR 14,789). This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2008.

The Group's exposure to foreign currency risk was as follows based on notional amounts:

FX rate as at 31/12/2009		10%	-10%
EUR	26.465	29.112	23.819
USD	18.368	20.205	16.531
RUR	0.612	0.673	0.550
CNY	2.691	2.960	2.422
PLN	6.448	7.093	5.803

Average FX rate for 12 months 2009		10%	-10%
EUR	26.445	29.090	23.801
USD	19.057	20.963	17.151
RUR	0.599	0.659	0.539
CNY	2.790	3.069	2.511
PLN	6.113	6.724	5.502

2009	Orig. currency	TCZK	TCZK +10%	Change	TCZK -10%	Change
Items in the statement of financial position						
Trade receivables	TEUR	1,566	41,444	45,588	4,144	37,300
	TUSD	22	404	444	40	364
	TRUR	20,180	12,342	13,576	1,234	11,108
	TCNY	1,522	4,096	4,506	410	3,686
Advances provided	TEUR	1,313	34,749	38,224	3,475	31,274
Provided loans	TUSD	20,945	384,718	423,190	38,472	346,246
	TRUR	530	324	357	33	291
Investment property	TEUR	178,250	4,717,386	5,189,125	471,739	4,245,647
Trade payables	TEUR	(1,822)	(48,219)	(53,041)	(4,822)	(43,397)
	TUSD	(167)	(3,067)	(3,373)	(306)	(2,761)
	TRUR	(44,041)	(26,935)	(29,628)	(2,693)	(24,242)
Advances received	TEUR	(335)	(8,866)	(9,753)	(887)	(7,979)
Loans	TEUR	(87,985)	(2,328,523)	(2,561,375)	(232,852)	(2,095,671)
	TRUR	(330,264)	(201,986)	(222,184)	(20,198)	(181,788)
	TPLN	(20,000)	(128,960)	(141,856)	(12,896)	(116,064)
	TUSD	(8,099)	(148,762)	(163,638)	(14,876)	(133,886)
Bonds	TEUR	(76,262)	(2,018,274)	(2,220,102)	(201,828)	(1,816,446)
Finance lease liabilities	TEUR	(10,749)	(284,472)	(312,919)	(28,447)	(256,025)
	TUSD	(569)	(10,451)	(11,496)	(1,045)	(9,406)
Total items in the statement of financial position (Net exposure to currency risk)						
	TEUR	3,976	105,225	115,747	10,522	94,703
	TUSD	12,132	222,842	245,127	22,285	200,557
	TRUR	(353,595)	(216,255)	(237,879)	(21,624)	(194,631)
	TCNY	1,522	4,096	4,506	410	3,686
	TPLN	(20,000)	(128,960)	(141,856)	(12,896)	(116,064)
				TCZK	(1,303)	TCZK
				TEUR	(49)	TEUR
						49

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FX rate as at 31/12/2008		10%	-10%
EUR	26.930	29.623	24.237
USD	19.346	21.281	17.411
RUR	0.652	0.718	0.587
CNY	2.836	3.120	2.552
PLN	6.485	7.134	5.837

Average FX rate for 12 months 2008		10%	-10%
EUR	24.942	27.436	22.448
USD	17.035	18.739	15.332
RUR	0.685	0.754	0.617
CNY	2.453	2.698	2.208
PLN	7.123	7.835	6.411

2008	Orig. currency	TCZK	TCZK +10%	Change	TCZK -10%	Change	
Items in the statement of financial position							
Trade receivables	TEUR	38	1,023	1,126	103	920	(103)
	TUSD	22	426	468	42	384	(42)
	TRUR	11,144	7,270	7,997	727	6,543	(727)
	TCNY	590	1,673	1,841	168	1,505	(168)
Provided loans	TEUR	1,535	41,338	45,471	4,133	37,205	(4,133)
Investment property	TEUR	508,518	13,694,390	15,063,829	1,369,439	12,324,951	(1,369,439)
Trade payables	TEUR	(6,962)	(187,487)	(206,235)	(18,748)	(168,739)	18,748
	TUSD	(253)	(4,895)	(5,384)	(489)	(4,406)	489
	TRUR	(204,977)	(133,713)	(147,084)	(13,371)	(120,342)	13,371
	TCNY	(471,655)	(1,337,614)	(1,471,375)	(133,761)	(1,203,853)	133,761
Loans	TEUR	(146,874)	(3,955,317)	(4,350,849)	(395,532)	(3,559,785)	395,532
	TUSD	(88,409)	(1,710,361)	(1,881,397)	(171,036)	(1,539,325)	171,036
	TPLN	(18,600)	(120,621)	(132,683)	(12,062)	(108,559)	12,062
Bonds	TEUR	(86,015)	(2,316,384)	(2,548,022)	(231,638)	(2,084,746)	231,638
Finance lease liabilities	TEUR	(10,806)	(291,006)	(320,106)	(29,100)	(261,906)	29,100
Total items in the statement of financial position (Net exposure to currency risk)	TEUR	259,434	6,986,557	7,685,214	698,657	6,287,900	(698,657)
	TUSD	(88,640)	(1,714,830)	(1,886,313)	(171,483)	(1,543,347)	171,483
	TRUR	(193,833)	(126,443)	(139,087)	(12,644)	(113,799)	12,644
	TCNY	(471,065)	(1,335,941)	(1,469,534)	(133,593)	(1,202,348)	133,593
	TPLN	(18,600)	(120,621)	(132,683)	(12,062)	(108,559)	12,062
				TCZK	368,875	TCZK	(368,875)
				TEUR	14,789	TEUR	(14,789)

c) Interest Rate Risk

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments are described under Notes 3.22 and 3.27, 3.28, 3.29 for financial assets and financial liabilities, respectively.

The interest rate risk is applicable generally to those business activities and development projects where the floating interest rates for debt financing are used. Bank loans usually have flexible interest rates in a vast majority of senior financing cases depending on EURIBOR or PRIBOR rates for the reference period from 1 month to 6 months increased by a fixed margin. Some of the loan agreements request the Group to enter into interest rate hedges using derivatives should the exposure to cash flow interest rate risk exceed predefined levels.

Both standard and structured amortised interest rate swaps are used to hedge against the interest rate risk derived from the cash flow of project financing based mainly on 3M EURIBOR interest rates. These IRS are set up directly for payment schedules of concrete credit facilities. However, the Group does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model and records changes in the fair value of the derivatives in the profit and loss account.

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There are no real seasonality impacts on the Group's position but rather a development on the office, retail and residential market might positively or negatively influence the Group's overall / financial position.

Sensitivity Analysis - Interest rate risk***Sensitivity analysis for variable interest rate instruments***

An increase (decrease) of interest rates by 10% at the reporting date would have decreased (increased) the profit and loss account by TEUR 756 (2008 – TEUR 1,207) as shown in the following table. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2008.

<i>In thousands of euros</i> 2009	Average amounts		
	Effective interest rate	Total	Interest (calculated)
Bank loans	5.3%	(111,266)	(5,844)
Other bonds	6.3%	(30,374)	(1,919)
Provided loans	8.0%	2,526	202
Total		(139,114)	(7,561)

Increase of rate by 10%			Decrease of rate by 10%		
increase of rate by 10%	Interest (calculated)	PL effect	decrease of rate by 10%	Interest (calculated)	PL effect
5.8%	(6,428)	(584)	4.7%	(5,260)	584
6.9%	(2,111)	(192)	5.7%	(1,727)	192
8.8%	222	20	7.2%	182	(20)
	(8,317)	(756)		(6,805)	756

<i>In thousands of euros</i> 2008	Average amounts		
	Effective interest rate	Total	Interest (calculated)
Bank loans	6.4%	(162,336)	(10,454)
Other bonds	6.7%	(30,253)	(2,025)
Provided loans	8.0%	5,164	413
Total		(187,425)	(12,066)

Increase of rate by 10%			Decrease of rate by 10%		
increase of rate by 10%	Interest (calculated)	PL effect	decrease of rate by 10%	Interest (calculated)	PL effect
7.1%	(11,500)	(1,046)	5.8%	(9,408)	1,046
7.4%	(2,227)	(202)	6.0%	(1,823)	202
8.8%	454	41	7.2%	372	(41)
	(13,273)	(1,207)		(10,859)	1,207

Sensitivity analysis for fixed interest rate instruments

The Group accounts for all financial assets and liabilities (except for derivatives) at amortised costs. No fair value adjustments are recorded through the profit or loss account. The Group does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore a change in interest rates at the reporting date would not affect profit or loss.

The fair value of convertible bonds issued in the fourth quarter of 2007 and loans with the fixed interest rate provided and drawn has not changed significantly as at 31 December 2009.

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3.34.5. Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

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.

The Group manages liquidity risk by maintaining adequate reserves, where possible and by short term borrowing facilities obtained by the entity.

Contractual maturities for non-derivative financial liabilities

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

<i>In thousands of euros</i>	Contractual payments	Payable in less than year	Payable in 1-5 years	Payable after 5 years
Loans from third parties	(23,120)	(23,030)	(90)	--
Bank loans	(112,500)	(38,032)	(55,461)	(19,007)
Loans from related parties	(3,109)	(3,109)	--	--
Operating leases – lessee	(39,966)	(5,613)	(19,630)	(14,723)
Operating leases – lessor	29,455	7,542	17,842	4,071
Finance leases	(28,408)	(883)	(3,659)	(23,866)
Bonds	(130,236)	(5,742)	(124,494)	--
Total	(307,884)	(68,867)	(185,492)	(53,525)

Effective interest rates and repricing analysis

In respect of interest-bearing financial liabilities, the following tables indicate their effective interest rates at the reporting date and the periods in which they reprice.

<i>In thousands of euros</i>	2009					
	Effective interest rate	Total	6 months or less	6-12 months	1-5 years	Fixed interest rate
Loans from third parties	6.6%	(21,776)	--	--	--	(21,776)
Loans from related parties	16.2%	(2,702)	--	--	--	(2,702)
Bank loans	4.9%	(107,213)	(44,197)	--	--	(63,016)
Convertible bonds	11.0%	(76,262)	--	--	--	(76,262)
Other bonds	5.7%	(30,581)	(30,581)	--	--	--
Total		(238,534)	(74,778)	--	--	(163,756)

<i>In thousands of euros</i>	2008					
	Effective interest rate	Total	6 months or less	6-12 months	1-5 years	Fixed interest rate
Loans from third parties	11.9%	(82,069)	--	--	--	(82,069)
Loans from related parties	15.0%	(1,749)	--	--	--	(1,749)
Bank loans	6.2%	(178,423)	(178,423)	--	--	--
Convertible bonds	11.0%	(86,015)	--	--	--	(86,015)
Other bonds	6.9%	(30,167)	(30,167)	--	--	--
Total		(378,423)	(208,590)	--	--	(169,833)

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Derivatives

Type of derivative	Nominal value		Positive fair value		Negative fair value	
<i>In thousands of EUR</i>	2009	2008	2009	2008	2009	2008
Foreign currency forward	14,394	70,662	--	201	(173)	(1,987)
Non-delivery forward	--	30,888	--	--	--	(2,748)
Foreign currency swap	3,000	44,387	--	--	(2)	(4,256)
Interest rate swap	85,028	1,087,577	--	--	(521)	(4,318)
Embedded derivative	14,178	14,178	--	--	(11,671)	(10,458)
Total	116,600	1,247,692	--	201	(12,367)	(23,767)

Type of derivative	Maturity 2009					
<i>In thousands of EUR</i>	Carrying value	6 months or less	6 - 12 months	1 - 2 years	2 - 5 years	more than 5 years
Foreign currency forward	14,221	478	9,338	3,926	479	--
Foreign currency forward	(14,394)	(479)	(9,479)	(3,957)	(479)	--
Settled on gross basis	(173)	(1)	(141)	(31)	--	--
Non-delivery forward	--	--	--	--	--	--
Foreign currency swap	(2)	--	(2)	--	--	--
Interest rate swap	(521)	(135)	(122)	(204)	(60)	--
Embedded derivative	(11,671)	--	--	(11,671)	--	--
Settled on net basis	(12,194)	(135)	(124)	(11,875)	(60)	--
Total	(12,367)	(136)	(265)	(11,906)	(60)	--

Type of derivative	Maturity 2008					
<i>In thousands of EUR</i>	Carrying value	6 months or less	6 - 12 months	1 - 2 years	2 - 5 years	more than 5 years
Foreign currency forward	68,876	54,304	14,572	--	--	--
Foreign currency forward	(70,662)	(55,662)	(15,000)	--	--	--
Settled on gross basis	(1,786)	(1,358)	(428)	--	--	--
Non-delivery forward	(2,748)	(2,748)	--	--	--	--
Foreign currency swap	(4,256)	(4,212)	(44)	--	--	--
Interest rate swap	(4,318)	(295)	(689)	(1,528)	(1,797)	--
Embedded derivative	(10,458)	--	--	--	(10,458)	--
Settled on net basis	(21,780)	(7,255)	(742)	(1,528)	(12,255)	--
Total	(23,566)	(8,613)	(1,170)	(1,528)	(12,255)	--

3.35. Contingencies

The Group identified the following contingencies as at 31 December 2009:

- ECM CITY EMPIRIA a.s. pledged its receivables, fixed assets, shares, receivables from bank accounts, service charge account and claims arising from lease agreements, existing and future claims arising from the insurance agreement, stake in EMPIRIA BUILDING s.r.o. as a guarantee to the bank for a group company to secure a loan in the amount of TEUR 58,100.
- EPOQUE – LANCASTER a.s. pledged its fixed assets, receivables from its bank account and shares as a guarantee to the bank for a group company to secure a loan in the amount of TEUR 2,645.
- EPOQUE HOTEL a.s. pledged its fixed assets, receivables from its bank account and shares as a guarantee to the bank for a group company to secure a loan in the amount of TEUR 2,645.
- ECM REAL ESTATE INVESTMENTS A.G. has pledged its shares and stake in TABULA MAIOR, a.s., ECM CITY EMPIRIA a.s., ECM OFFICES LIBEŇ s.r.o., CITY DECO s.r.o., CITY ELEMENT s.r.o., NATIONAL BUSINESS CENTRE Ostrava a.s., EPOQUE HOTEL a.s., EPOQUE-LANCASTER a.s. and LUNZIE a.s. for bank loans granted to these Group companies. In addition, ECM REAL ESTATE INVESTMENTS A.G. pledged its fixed assets, receivables from its bank account and existing and future claims arising from the insurance agreements for a bank loan granted to the Group. Furthermore ECM REAL ESTATE INVESTMENTS A.G. agreed with issue of an bill of exchange as a guarantee to secure a non-bank loan in the amount of TEUR 1,700.

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- NATIONAL BUSINESS CENTRE Ostrava a.s. pledged its receivables from bank accounts and shares as a guarantee to the bank for a group company to secure a loan in the amount of TEUR 3,023.
- ECM OFFICES LIBEŇ s.r.o. pledged its receivables, fixed assets and receivables from bank accounts and claims arising from lease agreements as a guarantee to the bank for a group company to secure a loan in the amount of TEUR 6,750.
- CITY DECO s.r.o. pledged its receivables, fixed assets and receivables from bank accounts, operating account and claims arising from lease agreements as a guarantee to the bank for a group company to secure a loan in the amount of TEUR 19,149.
- CITY ELEMENT s.r.o. pledged receivables, fixed assets and receivables from bank accounts, operating account and claims arising from lease agreements, existing as a guarantee to the bank for a group company to secure a loan in the amount of TEUR 8,259.
- VARENSKÁ OFFICE CENTER, a.s. pledged receivables, shares and fixed assets as a guarantee to the bank for a group company to secure a loan in the amount of TEUR 9,259.
- REZIDENCE UNHOŠŤ a.s. pledged its receivables, shares and fixed assets as a guarantee to the bank for a group company to secure a loan in the amount of TEUR 17,241.
- LUNZIE a.s. pledged fixed assets, shares and receivables from its bank account as a guarantee to the bank for a group company to secure a loan in the amount of TEUR 3,401.
- ECM Facility a.s. pledged financed electro technologies, insurance benefits from insurance of technologies, receivables from bank accounts, shares and guarantee declarations as a guarantee to the bank for a group company to secure a loan in the amount of TEUR 6,757.
- TABULA MAIOR a.s. pledged its fixed assets, receivables, shares and receivables from bank accounts, operating account and claims arising from lease agreements as a guarantee to the bank for a group company to secure a loan in the amount of TEUR 5,292.
- ECM POZNAŇ REZIDENCE Sp. z o.o. pledged its fixed assets and receivables as a guarantee to the bank for a group company to secure a loan in the amount of TEUR 4,873.
- Czech Real Estate Regions S.a.r.l. pledged its share in REZIDENCE UNHOŠŤ, s.r.o and VARENSKÁ OFFICE CENTER, a.s. as a guarantee for bank loans granted to these Group companies.

3.36. Related parties

3.36.1. 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 include the Chairman of the Board of Directors, Finance Director, and Chief Project Manager. The accrued remuneration of the key management personnel is as follows:

<i>In thousands of euros</i>	2009	2008
Remuneration and benefits paid to key management	997	2,570
Total	997	2,570

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3.36.2. Transactions with related parties

The Group identified the following transactions with related parties in 2009 and 2008:

<i>In thousands of euros</i>		2009	2008
Milan Janků	Loans provided to the Group	61	--
	Loans granted by the Group	18	9
	Payables to the Group	4,581	4,761
	Receivables from the Group	--	67
	Services provided to the Group	67	--
	Purchases from the Group	7	--
ECM Group N.V.	Loans granted by the Group	92	856
	Receivables from the Group	--	18
	Services provided	260	1
	Purchases from the Group	31	--
ECM Group Asset Management, a.s.	Payables to the Group	--	888
	Receivables from the Group	1	--
	Advances to the Group	141	--
	Services provided	107	--
	Purchases from the Group	531	866
Domus Eventis Asset Management, s.r.o.	Payables to the Group	20	57
	Purchases from the Group	--	153
	Services provided to the Group	--	23
	Loans granted by the Group	34	--
NONET s.r.o.	Payables to the Group	--	52
	Receivables from the Group	--	9
	Services provided to the Group	--	1
	Purchases from the Group	2	16
	Loans granted by the Group	50	--
LONGIN Business Center, a.s.	Payables to the Group	23	83
	Services provided to the Group	1	1
	Purchases from the Group	3	1
	Loans granted from the Group	38	--
TELOR CAPITAL MANAGEMENT a.s.	Payables	38	75
	Receivables	297	251
	Advances to the Group	1	--
	Services provided to the Group	--	27
	Purchases	13	--
	Loans provided to the Group	672	3,875
ECM Real Estate Development Prague, s.r.o.	Loans granted by the Group	--	38
	Receivables from the Group	81	88
	Payables to the Group	--	11
	Purchases from the Group	2	25
	Services provided to the Group	3	--
	Receivables from the Group	41	2,890
PSJ, a.s.	Advances to the Group	176	58
	Services provided to the Group	2	1,121
	Purchases from the Group	883	106
	Loans granted by the Group	46	2
Nová Libec, a.s.	Receivables from the Group	--	34
	Payables to the Group	--	9
	Payables to the Group	79	--
	Receivables from the Group	--	144
ECM Real Estate Investments II. A.G.	Services provided to the Group	--	151
	Purchases from the Group	196	--
	Services provided	1	--
EARTH RESOURCES, spol. s r.o.	Loans provided to the Group	1,700	--
PSJ New N.V.	Loans provided to the Group	2,315	--
PPF Group	Loans provided to the Group	--	--

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3.37. Subsequent events

3.37.1. Increase in ownership interests in Chinese projects

In January 2009 ECM has agreed with Nordevo Investments Limited, a project partner in China, on the sale of 23% stake in China East Investment Limited and Metropolis Holding China Limited for a total consideration of US\$ 11.5 million. China East Investment Limited and Metropolis Holding China Limited are companies that own, respectively, the Beijing-based ECMall and Metropolis Tower Projects through their wholly-owned subsidiaries.

Nordevo has been granted an option ("Put option") to require ECM to purchase 12.9% of the issued share capital and the related shareholders' loans of the HK Holding Companies for a consideration of US\$ 6.45 million plus the value of any new pro-rata shareholders' loan, together with the cost of financing accruing at the rate of 20% per annum for a period of nine to twelve months after completion of the transaction. ECM has been granted an option ("Call option") to require Nordevo to sell 12.9% of the issued share capital and the related shareholders' loans of the HK Holding Companies on similar terms, at any time after completion of the transaction, for a period of 12 months.

In January 2010, ECM finished the reacquisition of 12.9% of equity interest in both of its Chinese projects held by Hong Kong SPV's China East Investment Ltd and Metropolis Holding China Ltd.

3.37.2. Planned disposals of investment projects

ECM has entered into serious discussions for potential sale of projects CITY EMPIRIA (ECM CITY EMPIRIA a.s.) and CITY COURT in Prague 4 (CITY PARKVIEW s.r.o.).

3.37.3. Bonds with convertible warrants

ECM is currently in breach of the condition defined in article 4.1.8.4 of securities notes as the event of default to its euro bonds with convertible warrants. More precisely it is the condition under 4.1.8.4 (i) the failure to comply with the following ratio: (Consolidated Financial Debt) / (Total Assets) < 65%. The further devaluation of ECM assets and ongoing negative financial results are among the major causes of the fact that this ratio currently stands around 80%.

In case the defined ratio is breached, the representative of the body of Bondholders may, if so decided by the general meeting of Bondholders, ruling by majority decision, by notification sent to the Company, declare all the Bonds due and repayable at an amount equal to 125% of par together with accrued interest. A general meeting of the Bondholders may be convened at any time by the representative(s) or by the Board of Directors. The Board intends to actively communicate this fact to the Bondholders and convene a Bondholders meeting for this purpose without delay after the Annual General Meeting of Shareholders, once the results of the Company for the year 2009 are approved. The fact the decision by the Bondholders to waive this covenant has not yet been taken casts a material uncertainty on the Company's ability to continue as a going concern.