



ECM REAL ESTATE INVESTMENTS A.G.

(incorporated as a *Société Anonyme* (Joint Stock Company) under the laws of Luxembourg; registered with the Luxembourg Registre de Commerce et des Sociétés under number B65.153)

SECURITIES NOTE

relating to

Application for listing of up to 3,497,012 Shares on the main market of the Prague Stock Exchange

ECM REAL ESTATE INVESTMENTS A.G. (the “Company”), a Luxembourg joint stock company, ordinary registered shares of which, each with a nominal value of EUR 1.70 (the “Shares”), are listed and traded on the main market of *Burza cennych papiru Praha, a.s.* (the “Prague Stock Exchange” or the “PSE”) and traded under ISIN code LU0259919230 and Common Code 025991923.

This Securities Note is a securities note for the purposes of listing and admission to trading of up to 3,497,012 newly issued Shares (the “Issue Shares”) on the main market of the Prague Stock Exchange.

This Securities Note has been prepared in accordance with Commission Regulation (EC) No 809/2004 of 29 April 2004, as amended. This Securities Note (as well as any other component of the Prospectus, as defined below) has been approved as a securities note by the *Commission de Surveillance du Secteur Financier* in Luxembourg (the “CSSF”) and provided by the CSSF to the Czech National Bank, in accordance with the European passport mechanism set out in the Prospectus Directive (No. 2003/71/EC). The Securities Note has been published solely for the purposes of listing and admission to trading of the Issue Shares and may not be distributed to the public and the Issue Shares may not be publicly offered for sale, purchase or barter.

For a discussion of certain considerations which should be taken into account in deciding whether to invest in the Issue Shares, see “Risk Factors”.

The Issue Shares have been accepted for settlement through Clearstream Banking SA, Luxembourg (“Clearstream”) and UNIVYC, a.s. (“UNIVYC”).

This document does not constitute an offer to sell, or the solicitation of any offer to buy, the Issue Shares or a public offer thereof within the meaning of the Luxembourg law on prospectuses for securities of 10 July 2005 (the *Loi du 10 juillet 2005 relative aux prospectus pour valeurs mobilières*) or the Act No. 256/2004 Coll., on Conducting Business in the Capital Market (*zakon c. 256/2004 Sb., o podnikani na kapitalovem trhu*), as amended. For a description of certain restrictions on transfer, see “Selling restrictions”.

This Securities Note forms part of a tripartite prospectus, which comprises the registration document relating to the Company dated 30 September 2008 (the “Registration Document”), the summary note relating to the Company dated 30 September 2008 (the “Summary”) and this document (together the “Prospectus”).

This Securities Note should be read in conjunction with the Registration Document and Summary and any investment decision should be made on the basis of the Prospectus as a whole.

This Securities Note will be published on the website of the Company (www.ecm.cz) and on the website of the Luxembourg Stock Exchange (www.bourse.lu).

Securities Note dated 30 September 2008

IMPORTANT INFORMATION FOR INVESTORS

This Securities Note does not constitute an offer to sell or a solicitation of an offer to buy any security or a public offer of securities and is meant solely for the purposes of listing and admission to trading of the Issue Shares on the main market of the Prague Stock Exchange. The delivery of this Securities Note shall not under any circumstances imply that there has been no change in the affairs of the Company or any of its subsidiaries or the Company and its subsidiaries taken as a whole (the “Group”) or that the information contained herein is correct as of any date subsequent to the earlier of the date hereof or any date specified with respect to such information.

This Securities Note has been prepared by the Company in connection with the application for listing and admission to trading of the Issue Shares on the main market of the Prague Stock Exchange and solely for the purpose of enabling a prospective investor to consider an investment in the Issue Shares on the main market of the Prague Stock Exchange. Reproduction and distribution of this Securities Note or revelation or use of the information contained herein for any other purpose is prohibited. The information contained in this Securities Note has been provided by the Company and other sources identified herein. No person has been authorised to give any information or to make any representation not contained in the Prospectus in connection with the admission and listing of the Issue Shares and, if given or made, any such information or representation should not be relied upon as having been authorised by the Company.

In making an investment decision, investors must rely on their own examination of the Company and the Group, including the merits and risks involved. Any decision to purchase the Issue Shares should be based solely on the information contained in the Prospectus as a whole. Information on the Company’s website, any website mentioned in the Prospectus or any website directly or indirectly linked to the Company’s website is not, unless explicitly stated herein, incorporated by reference into the Prospectus and any decision to purchase the Issue Shares should not be made in reliance on such information.

Prospective investors should not rely on any financial, operational information, financial projections and other information regarding the Company other than that which appears in the Prospectus or which has been made or authorised by the Company.

Neither the Company nor any of its representatives make any representation to any offeree or purchaser of the Issue Shares regarding the legality of an investment by such offeree or purchaser under appropriate legal investment or similar laws. Each investor should consult with their own advisers as to the legal, tax, business, financial and related aspects of the purchase of the Issue Shares. The distribution of this Securities Note and the offer and sale of the Issue Shares may, in certain circumstances, be restricted by law. Persons who come into possession of this Securities Note are required by the Company to comply with any such restrictions. For a further description of certain restrictions on the offer and sale of the Issue Shares, see “Selling Restrictions”.

This Prospectus relates to, and has been prepared in accordance with, the Luxembourg law of 10 July 2005 concerning Prospectuses for Securities for the purpose of the listing and admission to trading of the Issue Shares on the main market of the Prague Stock Exchange.

This Prospectus has been prepared on the basis that, once it has been approved under the Prospectus Directive (2003/71/EC). The Issue Shares will be listed and admitted to trading on the main market of the Prague Stock Exchange and no offer of the Issue Shares will be made to the public. Any person making or intending to make any offer within the European Economic Area of the Issue Shares should do so in circumstances in which (i) such offer does not constitute an offer to the public or (ii) no obligation arises for the Company under the Prospectus Directive (2003/71/EC), as implemented in member states of the European Economic Area to produce a prospectus for such offer. The Company has not and does not authorise the making of any offer of Issue Shares through any financial intermediary.

THE ISSUE SHARES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OR THE SECURITIES LAWS OF ANY OTHER STATE OR JURISDICTION. SUBJECT TO CERTAIN EXCEPTIONS, THE ISSUE SHARES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES. FOR A DESCRIPTION OF THESE AND CERTAIN FURTHER RESTRICTIONS ON OFFERS, SALES AND TRANSFERS OF THE ISSUE SHARES AND THE DISTRIBUTION OF THIS SECURITIES NOTE, REGISTRATION DOCUMENT OR SUMMARY OR ANY OFFERING MATERIAL IN ANY JURISDICTION WHERE ACTION FOR THAT PURPOSE IS REQUIRED, SEE “SELLING RESTRICTIONS”.

For a more detailed description of selling restrictions that are applicable in respect of investors in the United States, the United Kingdom, the European Economic Area, the Czech Republic and Italy, see “Selling restrictions”.

TABLE OF CONTENT

1	GENERAL INFORMATION	5
2	RISK FACTORS.....	7
3	INFORMATION ON THE ISSUE.....	10
4	INFORMATION ON THE ISSUE SHARES	14
5	CZECH SECURITIES MARKETS.....	21
6	TAXATION	29
7	KEY INFORMATION	34
8	SELLING RESTRICTIONS	35

1 GENERAL INFORMATION

1.1 Forward-looking statements

This Securities Note contains statements under the caption “Risk Factors” or elsewhere which are, or may be deemed to be, “forward-looking statements”. In some cases, these forward-looking statements can be identified by the use of forward-looking terminology, including the words “believes”, “estimates”, “anticipates”, “expects”, “intends”, “targets”, “may”, “will”, “plans”, “continue” or “should” or, in each case, their negative or other variations or comparable terminology or by discussions of strategies, plans, objectives, goals, future events or intentions. The forward-looking statements contained in this Securities Note include certain “targets”. These targets reflect goals that the Company is aiming to achieve and do not constitute forecasts.

The forward-looking statements contained in this Securities Note include all matters that are not historical facts and include statements regarding the Company’s intentions, beliefs or current expectations concerning, among other things, the results of operations, financial condition, liquidity, prospects, growth, strategies and dividend policy and the industry and markets in which the Company operates. By their nature, forward-looking statements involve known and unknown risks and uncertainties because they relate to events, and depend on circumstances, that may or may not occur in the future. Forward-looking statements are not guarantees of future performance. Prospective investors should not place undue reliance on these forward-looking statements.

Many factors could cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. The factors that could affect the future results, performance or achievements of the Company include:

- the Company’s ability to obtain suitable sites for development;
- the Company’s ability to successfully, within acceptable financial parameters, complete its development projects;
- the Company’s ability to successfully acquire new property for its investment portfolio;
- the Company’s ability to rent the properties in its investment portfolio;
- macroeconomic factors, in particular rising interest rates and economic growth in the countries in which the Company operates;
- governmental factors, including the costs of compliance with regulations and the impact of regulatory changes; and
- other risks, uncertainties and factors inherent in the Company’s business, such as construction risk, rent cycles, vacancy risks and maintenance risks.

Should one or more of these risks or uncertainties occur, or should underlying assumptions prove incorrect, actual results may vary materially from those described in this Securities Note as anticipated, believed, estimated or expected.

1.2 Presentation of financial information

The Company presents its financial statements in euro, unless otherwise specified or the context otherwise requires. References to “euro” or “EUR” or “€” are to the currency of the member states of the European Union participating in the third stage of the European Economic and Monetary Union.

1.3 Industry and market data

Information regarding markets, market size, market share, market position, growth rates and other industry data pertaining to the Company’s business contained in this Securities Note consists of estimates based on data reports compiled by professional organisations and analysts, on data from other external sources, and on the Company’s knowledge of sales and

markets. In certain cases, there is no readily available external information (whether from trade associations, government bodies or other organisations) to validate market-related analyses and estimates, requiring the Company to rely on internally developed estimates.

While the Company has compiled, extracted and reproduced market or other industry data from external sources, including third parties or industry or general publications, the Company has not independently verified that data. Information in this Securities Note which is based on third-party sources has been accurately reproduced and, as far as the Company is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. Subject to the foregoing, the Company cannot assure investors of the accuracy and completeness of, or take any responsibility for, such data. The source of such third-party information is cited whenever such information is used in this Securities Note.

While the Company believes its internal estimates to be reasonable, such estimates have not been verified by any independent sources and the Company cannot assure potential investors as to their accuracy or that a third party using different methods to assemble, analyse or compute market data would obtain the same result. The Company does not intend, and does not assume, any obligations to update industry or market data set forth in this Securities Note. Finally, behaviour, preferences and trends in the marketplace tend to change. As a result, investors should be aware that data in this Securities Note and estimates based on that data may not be reliable indicators of future results.

1.4 Information contained in this Securities Note

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

2 RISK FACTORS

Prospective investors should carefully review and consider the following risk factors and the other information contained in this Prospectus prior to making any investment decision with respect to the Issue Shares. The occurrence of one or more of these risks alone or in combination with other circumstances may have a material adverse effect on the Company's business, financial condition, results of operations or prospects.

The risks set out below are not complete or exhaustive and therefore may not be the only risks the Group is exposed to. The order in which the risks are presented below does not reflect the likelihood of their occurrence or the magnitude or significance of the individual risks. Additional risks and uncertainties of which the Company is not currently aware or which it does not consider significant at present could likewise have a material adverse effect on the Company's business, financial condition, results of operations or prospects. The market price of the Issue Shares could fall if any of these risks were to materialise, in which case investors could lose all or part of their investment.

Investors should only purchase Issue Shares for inclusion in a broadly diversified portfolio. Those investors who have any reservations regarding the content of the Prospectus should contact their stockbroker, bank, lawyer, tax adviser or financial adviser. The information in the Prospectus is not equivalent to the professional advice from the persons mentioned above.

2.1 The Company's shareholder may under certain circumstances hold a stake in the Company that can pass resolutions that require special majority shareholder approval.

As of the date of this Securities Note, Mr. Milan Janku indirectly owns 31.76 per cent. of the share capital of the Company through ECM Group N.V. Mr. Milan Janku further owns 1,869,746 warrants issued by the Company through ECM Group N.V. Before the Issue, following exercise of warrants held by ECM Group N.V. and assuming that no other warrants issued by the Company are exercised, Mr. Milan Janku may be in a position to control actions that require simple majority shareholder approval. In addition, the ECM Group N.V. and/or Mr. Milan Janku may purchase warrants at any time by private arrangements with the warrant holders or in the open market. Moreover, Mr. Milan Janku may purchase Shares at any time by private arrangements with some of the shareholders in the Company (the "Shareholders") or in the open market. Accordingly, Mr. Milan Janku's controlling interest in the Company may increase over time.

Among the Shareholders, there are some Shareholders who generally do not exercise their rights to participate and to vote on a general meeting of Shareholders. When a first general meeting of Shareholders of the Company is convened and a quorum is not met, a second general meeting is convened with no quorum requirements. In such case, Mr. Milan Janku may be able to be in a position to control actions that require special majority shareholder approval, including amendments to the articles of association of the Company, any increase or decrease of the issued and/or authorised share capital of the Company, the removal or limitation to the preferential subscription right of the Shareholders of the Company, and the liquidation of the Company. Although Mr. Milan Janku is a shareholder in the Company, due to the size of his shareholding there may be certain circumstances in which his interests are not the same as the interests of other Shareholders in the Company.

2.2 Returns on the Issue Shares may be limited to capital appreciation.

The Company has not paid any dividends to its Shareholders in the past. If the board of directors of the Company decides not to declare and pay dividends, the returns on investments in the Issue Shares in the foreseeable future may be limited to capital appreciation, if any.

2.3 The price of the Issue Shares can prove to be volatile.

The market price of the Issue Shares depends to a large extent on the value of the Company's real estate portfolio. After the issue of the Issue Shares, the price of the Issue Shares may be subject to volatility due in particular to variations in the Company's actual or forecasted operating results, changes in profit forecasts or a failure to meet the profit expectations of securities analysts, a decrease in the market value of the Company's portfolio, general economic conditions and other factors. The general volatility of share prices, in particular within the real estate sector, may also lead to price pressure on the Issue Shares without there necessarily being a reason for this in the business or in the earnings outlook of the Company. Because the Company invests in properties in markets that are generally considered to be less mature than Western European property markets, the price of the Issue Shares may be more volatile than the price of shares of other publicly traded real estate companies that concentrate their investments in Western European markets. Significant decreases in the price of the Issue Shares could result from political or economic developments in the region where the Company invests, rather than any change in the Company's property or business per se.

2.4 The Company's Shareholders could suffer a total loss in the value of their shares in the event of the Company's insolvency.

In the event of insolvency of the Company, its financial and trade creditors will be entitled to receive payment from the Company's assets before any assets are distributed to its Shareholders. Most of the Company's properties have been pledged as collateral for debt financing and are encumbered with mortgages. If the Company were to be declared bankrupt, there is a high likelihood that all or substantially all of the Company's assets would be used to satisfy claims of its creditors and investors in Shares would suffer a partial or complete loss of their investment.

2.5 The holders of the Issue Shares face potential dilution of their shareholdings in the future.

The Company's capital requirements depend on numerous factors. If its capital requirements vary materially from its current plans, the Company may require further financing. The Company may issue Shares in connection with future acquisitions of other businesses, financings or the funding of its business objectives. Any issuances of Shares will, unless the Shareholders acquire shares on a pre-emptive rights basis, dilute the shareholdings of the then existing holders of the Issue Shares. The Company has granted options to purchase Shares to members of management and employees of the Group (see "General Information on the Company — Remuneration and Benefits" in the Registration Document). Any such purchase may dilute the shareholdings of the then existing holders of the Shares.

Further, any debt financing, if available, may involve restrictions on financing and operating activities. There can be no assurance that the Company will be able to raise additional funds when needed or that such funds will be available on terms favourable to the Company.

Moreover, there are 2,637,012 Warrants issued by the Company outstanding, which are exercisable into 2,637,012 Shares. Further, the Company may under terms and condition of an Equity Step-Up Programme, as defined below, issue up to 860,000 Shares. If the outstanding Warrants are exercised in full and the Company issues 860,000, a stake in the Company of 1 per cent. as at the date of this Securities Note will be diluted to 0.56 per cent. following the issue of all such new Shares.

2.6 The Prague Stock Exchange is substantially smaller and less liquid than securities markets in certain other countries, such as those in the United States or the United Kingdom.

As at 31 August 2008, shares representing 33 companies were registered for trading on the Prague Stock Exchange and, of these, shares representing 20 companies were registered for trading on the main market and 13 on the official free market. No securities were registered for trading on the unregulated free market. The total market capitalisation at such date with

respect to companies registered for trading on the main market and all companies registered for trading on the Prague Stock Exchange was approximately CZK 1,828 billion (EUR 74 billion) and CZK 1,857 billion (EUR75 billion), respectively. Accordingly, a very small number of companies represent the gross majority of the market capitalisation and trading volumes of the Prague Stock Exchange. There is no guarantee that the Shares will continue to be actively traded and, if they do not, this would likely increase price volatility and/or adversely affect the price of the Shares.

2.7 The rules applicable on sell-out right of shareholders of foreign companies listed on regulated markets in the Czech Republic are unclear.

Contrary to Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004 on takeover bids (the “Takeover Directive”), Czech law does not provide for sell-out right of minority Shareholders. Instead, it requires that an offeror make a supplemental takeover bid. It is not clear whether the provisions of Luxembourg law, which provide for a sell-out right of a minority Shareholder, would be applicable to the Company and if such minority shareholder could exercise its sell-out right arising under Luxembourg law with respect to the Company. Theoretically, such shareholder could be able to claim damages from the Czech Republic for failure to duly implement the Takeover Directive.

3 INFORMATION ON THE ISSUE

3.1 Purpose of this Securities Note

The purpose of this Securities Note is to allow for listing and admission to trading of the Issue Shares on the main market of the Prague Stock Exchange. The Issue Shares may be issued under the Equity Step-Up Programme, as defined below, and as a result of exercise of the Warrants issued by the Company.

3.2 Method and reasons for the Issue

3.2.1 Equity Step-Up Programme

The Company requires financing for its current and future projects and developments and, furthermore, the possibility to adjust its equity-to-debt ratio. As a method of financing and of adjustment, following the listing of the Company's Shares on the main market of the Prague Stock Exchange, the Company concluded an option agreement with Bank Austria Creditanstalt AG, with its registered office at Vordere Zollamtsstrasse 13, A-1030 Vienna, enabling the Company to issue and the Bank Austria Creditanstalt AG to subscribe for up to 1,500,000 of the Company's Shares in the period between May 29, 2007 and May 29, 2011 (the "Equity Step-Up Programme").

The Company may only issue up to 250,000 of its Shares in each consecutive three-month period, unless otherwise agreed with Bank Austria Creditanstalt AG. The Board of Directors of the Company has been granted authority by resolution of the meeting of Shareholders of the Company to issue the Shares under the Equity Step-Up Programme.

As at the date of this Securities Note, the Board of Directors has under this authorisation and under the Equity Step-Up Programme made the following issues:

<i>Date of the Issue</i>	<i>Number of Shares Issued</i>
9 August 2007	70,000
14 September 2007	180,000
27 December 2007	140,000
15 September 2008	250,000

The Company is allowed to issue new Shares if the capital increase following the issue of new Shares stays within the limit of the authorised capital and if the conditions on removal or limitation of the preferential subscription rights are applicable to the issue of Shares. The next issue of new Shares under the Equity Step-Up Programme will be authorised by resolutions of the Board of Directors of the Company following an authorisation by the extraordinary general meeting of the Shareholders to allow the Board of Directors to issue such new Shares by cancellation of any preferential subscription right. The Company intends under the Equity Step-Up Programme to issue additional shares in order to gain financing for current and future projects. Moreover, the Company generally undertakes to fulfil certain financial covenants in, among others, facility agreements it concludes. One of such covenants is equity-to-debt ratio. Due to substantial increase in volatility of prices of real-estate property, the Company's equity may fall. In order to fulfil equity-to-debt ratio the Company may need to issue additional shares (See " – Use of proceeds").

The net proceeds from such issue would amount to approximately 92.12 per cent. of the multiple of market price of the Shares at the time of the issue and the number of Shares so issued. The expenses connected with such issue would amount to approximately 7.88 per cent. of the multiple of market price of the Shares at the time of the issue and the number of Shares so issued.

3.2.2 Exercise of Warrants issued by the Company

As at the date of this Securities Note, there are 779,772 warrants issued by the Company under ISIN code XS0258854495 outstanding. When the warrants are exercised, which may occur at any time up until 22 July 2011, the Company may deliver either existing Shares or newly issued Shares. Therefore, as at the date of this Securities Note, the Company may issue up to 779,772 new Shares for the outstanding warrants. The warrant holder may pay for the subscription price for the new Shares in cash or by sale to the Company of a certain number of bonds to which the warrants were initially attached. Assuming that the warrant holder pays in cash, the Company estimates as at the date of this Securities Note that the net proceeds from the issue of each new Share would be approximately EUR 22.22, which is the exercise price of the warrants, and expenses connected with such issue would be negligible.

As at the date of this Securities Note, there are 1,857,240 warrants issued by the Company under ISIN code XS0319645981 outstanding. When the warrants are exercised, which may occur at any time up until 2 November 2014, the Company may deliver either existing Shares or newly issued Shares. Therefore, as at the date of this Securities Note, the Company may issue up to 1,857,240 new Shares for the outstanding warrants. The warrant holder may pay for the subscription price for the new Shares in cash or by sale to the Company of a certain number of bonds to which the warrants were initially attached. Assuming that the warrant holder pays in cash, the Company estimates as at the date of this Securities Note that the net proceeds from the issue of each new Share would be approximately EUR 71.25 and expenses connected with such issue would be negligible.

According to Article 5 of the Articles of Association of the Company, the Board of Directors of the Company is authorised within the limits of the authorised share capital to issue Shares pursuant to the issuance of warrants to be issued by the Company by cancellation of any preferential subscription right. The Board of Directors of the Company will authorise the issue of new Shares for the purposes of delivering them to warrant holders who exercise their warrants on an ongoing basis.

3.3 Date of the Issue

Until 29 May 2011, the Company may in each consecutive three months issue up to 250,000 Shares under the Equity Step-Up Programme. Following this principle, the Company may issue up to 250,000 Shares in the time period 15 December 2008 and 14 March 2009. The Company intends, depending on market price of the Shares and Company's needs for financing, to issue up to 250,000 Shares in that period. Respecting this rule, the Company may issue up to 860,000 Shares until 29 May 2011.

Depending on the decision of holders of warrants issued by the Company under ISIN code XS0258854495, the Company may have to issue at any time until 22 July 2011 up to 779,772 Shares.

Depending on the decision of holders of warrants issued by the Company under ISIN code XS0319645981, the Company may have to issue at any time until 2 November 2014 up to 1,857,240 Shares.

As a consequence, the Company may have to issue a total of up to 3,497,012 Shares.

3.4 Use of the proceeds

The Company is not in a position to forecast if and when it receives proceeds from the issue of Shares following the exercise of the Warrants by their holders, it does not plan for using such proceeds for any specific purpose; rather, the Company will use such proceeds for general corporate purposes or for financing current and future projects.

The Company estimates that the total amount of net proceeds from the issue of Shares under the Equity Step-Up Programme will be EUR 14.6 million. The total estimated amount of net proceeds from the issue of Shares under the Equity Step-Up Programme has been calculated by the Company on the Share price at the close of business on 29 August 2008 at an exchange rate of EUR 1 = CZK 24.7. The actual amount of total net proceeds from the issue of Shares under the Equity Step-Up Programme may in fact be significantly higher or lower than the estimated amount, depending on the Share price at the time of the actual issue. As described above, the number of Shares that may be issued by the Company under the Equity Step-Up Programme in each consecutive three month interval is limited. As a result, the Company will not receive the total net proceeds under the Equity Step-Up Programme at the same time.

The Company intends to use proceeds from the issue of Shares under the Equity Step-Up Programme for the financing of current and future projects. As noted elsewhere in this Securities Note, the purpose of this Securities Note is to enable the Company to list Shares it may issue under the Equity Step-Up Programme, thereby raising equity financing for current and future projects and adjusting its equity-to-debt ratio (See “ – Method and reasons for the issue”). As at the date of this Securities Note, the Company does not intend to make use of its right to make such issue in order to raise financing for any specific project.

3.5 Dilution resulting from the Issue

If the Company issues 860,000 new Shares (i.e. the maximum amount of Shares it may yet issue under the Equity Step-Up Programme) and no warrants issued by the Company are exercised, a stake in the Company of 1 per cent. as at the date of this Securities Note will be diluted to 0.84 per cent. following the issue of the new Shares.

If all warrants issued by the Company and outstanding as at the date of this Securities Note are exercised and, as a consequence, the Company issues 2,637,012 new Shares and no Shares are issued under the Equity Step-Up Programme, a stake in the Company of 1 per cent. as at the date of this Securities Note will be diluted to 0.63 per cent. following the issue of the new Shares.

If all warrants issued by the Company and outstanding as at the date of this Securities Note are exercised and, as a consequence, the Company issues 2,637,012 new Shares and the Company also issues 860,000 new Shares (i.e. maximum amount of Shares it may yet issue under the Equity Step-Up Programme), a stake in the Company of 1 per cent. as at the date of this Securities Note will be diluted to 0.56 per cent. following the issue of all of the new Shares.

3.6 Interest in the Issue

Neither persons employed with the Company, persons holding a managerial position in the Company or acting as solicitors for the Company have any interest, conflicting or otherwise, that is material to the Issue.

3.7 Application for listing of the Issue Shares

The Shares are admitted to trading and listed on the main market of the Prague Stock Exchange. The Company will apply for the admission to and listing of up to 3,497,012 Issue Shares on the main market of the Prague Stock Exchange.

4 INFORMATION ON THE ISSUE SHARES

4.1 Type, category and ranking date of the Issue Shares

The Issue Shares will be ordinary shares in the form of registered shares and will be listed and traded under ISIN code: LU0259919230.

Effective 11 December 2006, up to 10,000,000 Shares, representing the entire authorised capital of the Company as at 11 December 2006, has been admitted to trading on the main market of the Prague Stock Exchange. The Issue Shares will be listed and traded after a notice of the Issue is delivered to the Prague Stock Exchange and an approved and passported prospectus within the meaning of the Prospectus Directive is published. The Issue Shares will be listed and traded on the main market of the Prague Stock Exchange.

The Issue Shares will be subject to the stipulations of the Articles of Association of the Company. They will carry the right in respect of the financial year in which they are issued and subsequent financial years, to the same dividend (equal by reference to their accounting par value) as that which may be paid in relation to the other Shares carrying the same beneficial rights.

They will therefore rank *pari passu* with such other Shares with effect from the due date for payment of the dividend relating to the preceding financial year or, if none is distributed, after the annual general meeting of Shareholders considering the accounts for said financial year. At and after the date of the issue the Issue Shares will be entirely fungible with the Company's existing Shares.

4.2 Jurisdiction and applicable law

Applicable law

The Shares are issued under Luxembourg law.

Competent courts

The competent courts in the event of disputes shall be those under whose jurisdiction the registered office of the Company falls without prejudice to the latter's right to take action before any other competent court under Luxembourg law.

4.3 Settlement of trades in Issue Shares listed on the Prague Stock Exchange

The Issue Shares will be issued in registered form and will be initially represented by a Global Certificate and registered in the name of a nominee (the "Central Depository") of, and deposited with a custodian, for Clearstream Banking, S.A. ("Clearstream").

This clearing system settles transactions through electronic book-entry changes in the accounts of its participants. It thereby ensures that, ultimately, sellers receive cash when delivering Shares and buyers receive corresponding Shares when making payment into the system and it eliminates the need for physical delivery of shares.

Clearstream will hold the Issue Shares on behalf of its respective participants. Non-participants of the system may hold and transfer book-entry interests in the Issue Shares through an account held either directly or through one or more intermediaries with Clearstream.

So long as the Shares are registered in the name of the Central Depository, the Central Depository will be the sole registered owner or holder of the Issue Shares represented by the Global Certificate for all purposes.

The persons shown in the records of Clearstream as the holders of the Issue Shares evidenced by the Global Certificate (each an "Accountholder") will, in principle, not have the Issue Shares registered in their names, will not receive or be entitled to receive physical delivery of

definitive Certificates evidencing interests in the Issue Shares, and will not be considered registered owners or holders thereof.

The holders of interests in the Global Certificate through Clearstream, will only be able to transfer their interests in accordance with the rules and procedures of the clearing systems.

Shareholders may also hold the Issue Shares by being directly entered into the Share register kept in Luxembourg by or on behalf of the Company.

Settlement (delivery and payment) of transactions on the Prague Stock Exchange will, however, only be effected through a settlement system recognised by the Prague Stock Exchange.

Shareholders directly registered in the Company's share register must therefore, in order to be able to trade their Shares on one of the stock exchanges where the Shares are quoted, deposit them first into one of the settlement systems.

UNIVYC, a wholly-owned subsidiary of the Prague Stock Exchange, is licensed by the Czech National Bank primarily to settle trades on the Prague Stock Exchange.

UNIVYC is an Accountholder with Clearstream and interests in the Shares held by UNIVYC will be recorded on this account. UNIVYC will hold all the Issue Shares to be settled for transactions on the Prague Stock Exchange.

UNIVYC will hold interests in the Issue Shares for the benefit of UNIVYC accountholders and will record interests of UNIVYC accountholders in the Issue Shares in book-entry form.

Transfers of the interests in the Issue Shares between UNIVYC account-holders will be effected in accordance with UNIVYC rules and operating procedures. Trading in the Issue Shares on the Prague Stock Exchange will be settled only through UNIVYC and will be recorded in book-entry form on accounts of UNIVYC accountholders.

Trades in the Issue Shares concluded on the Prague Stock Exchange will be reflected in the records of UNIVYC accountholders only and there will be no change to accounts opened with Clearstream or the holder of the Global Share Certificate.

4.4 Exercise of Shareholder Rights

UNIVYC accountholders or any persons holding their Issue Shares through a securities settlement system must rely on the rules and procedures of Clearstream and UNIVYC respectively, to exercise any rights and obligations as a holder of Issue Shares.

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

The Issue Shares which are the subject of such a certificate must be blocked until after the holding of the general meeting of Shareholders and may be transferred only after the holding of such meeting; such blocking will result from the certificate.

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

4.5 Payments on the Issue Shares through the clearing system

UNIVYC accountholders or any persons holding their shares through a securities settlement system must look solely to Clearstream and UNIVYC respectively, as the case may be, for their share of any payment made by the Company to the Depository of the Issue Shares and in relation to all other rights arising under the Global Certificate, subject to and in

accordance with the respective rules and procedures of Clearstream and UNIVYC respectively, as the case may be.

Such accountholder shall have no claim directly against the Company in respect of payments due on the Issue Shares for so long as the Issue Shares are represented by such Global Certificate and such obligations of the Company will be discharged by payment to the Central Depository of the Issue Shares in respect of each amount so paid.

Those who hold interests in the Global Certificate through Clearstream, or UNIVYC, as the case may be, will receive payments subject to and in accordance with the rules and procedures of such clearing systems.

Distribution of dividends and other payments with respect to the book-entry interests in the Issue Shares held through Clearstream will be credited, to the extent received by Clearstream, to the cash accounts of Clearstream accountholders in accordance with the Clearstream system rules and procedures.

Distribution of dividends and other payments with respect to the book-entry interests in the Issue Shares held through UNIVYC will be credited, to the extent received by UNIVYC, to the cash accounts of UNIVYC members in accordance with the UNIVYC system rules and procedures for further distribution to UNIVYC accountholders.

4.6 Currency of the Issue Shares

The Issue Shares are issued in EUR. The nominal value of each Issue Shares is EUR 1.70. The Issue Shares issued under the Equity Step-Up Programme are to be purchased by Bank Austria Creditanstalt AG in EUR, the Issue Shares to be issued for Warrants are to be issued in EUR.

4.7 Rights and restrictions attached to the Issue Shares

Each year, at least 5 per cent. of the annual net profit has to be allocated to a legal reserve account. Such allocation to the legal reserve ceases to be compulsory when the legal reserve reaches 10 per cent. of the issued capital of the Company. The remaining balance of the profit is at the disposal of the general meeting of shareholders for distribution or allocation to a reserve account. Dividends are payable to shareholders holding shares through an intermediary on the record date declared at the general meeting of shareholders. Dividend payments are distributed through Clearstream or UNIVYC, as the case may be, on behalf of each shareholder by the relevant intermediary participating in the centralised securities clearing system managed by Clearstream (see also above under Section 4.5).

The Issue Shares will be subject to all the stipulations of the Company's Articles of Association.

Pursuant to the current Articles of Association, the main rights attached to the Issue Shares are described below.

Each Issue Share gives entitlement to one vote and a pro rata participation in the distribution and liquidation proceeds of the Company.

Upon each capital increase or issue of instruments entitling Shareholders to subscribe for Shares, each Issue Share is entitled to a proportional preferential subscription right in the new issue, unless such right has been cancelled by a Shareholders' meeting or the Board of Directors. The Board of Directors is authorised and empowered within the limits of the authorised capital to (i) realise any increase of the corporate capital in one or several successive tranches, following, as the case may be, the exercise of the subscription and/or conversion rights granted by the Board of Directors within the limits of the authorised capital under the terms and conditions of warrants (which may be separate or attached to shares, bonds, notes or similar instruments), convertible bonds, notes or similar instruments issued from time to time by the Company, by the issuing of new shares, with or without share premium, against payment in cash or in kind, by conversion of claims on the Company or in any other manner; (ii) determine the place and date of the issue or the successive issues, the issue price, the terms and conditions of the subscription of and paying up on the new shares; and (iii) remove or limit the preferential subscription right of the then existing shareholders of the Company in case of issue under the authorised capital.

The annual general meeting of the Company is held on the last Tuesday of April at 10:00 a.m. Shareholder resolutions are adopted by majority vote without a quorum requirement, unless the relevant resolution relates to an amendment of the Articles of Association (including an increase or decrease of the issued and/or authorised capital) or the liquidation of the Company in which case a quorum of 50 per cent. at a first meeting (with no quorum required at a second reconvened meeting) and a two-thirds majority of the votes cast at the relevant meeting must be obtained to pass the relevant resolution.

The Shareholders' meeting appoints the Company's directors and auditor(s), approves the annual statutory and consolidated (if any) accounts, and resolves on dividend distributions.

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

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

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

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

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

4.8 Resolution and decision by virtue of which the Shares are offered

The issue of the Issue Shares will be authorised from time to time by resolutions of the Board of Directors of the Company to issue the Issue Shares within the limits of the authorised share capital by cancellation of any preferential subscription right. The authorised share capital has been created on 5 June 2008 by an extraordinary general meeting of shareholders.

4.9 Restrictions on transfers of the Issue Shares

The Issue Shares are not subject to any transfer restrictions.

4.10 Legislation on public offerings

4.10.1 Pursuant to Article 4(2)(b) of the Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004 on takeover bids (the “Takeover Directive”), providing for the rules applicable to takeover bids on companies not listed in the Member State of the European Union in which they have their registered office:

- (i) matters relating to the consideration offered in the context of a takeover bid, to the takeover bid procedure and to the content of the offer document shall be dealt with in accordance with Czech rules, in particular with the Act No 104/2008 Coll., on Takeover Bids and Amendment of Certain Further Acts (the “Czech Takeover Law”) and supervised by the Czech National Bank; and
- (ii) matters relating to the information to be provided to the employees of the Company and to company law (in particular relating to the percentage of voting rights which confers control over the Company, any derogation from the obligation to launch an offer or the conditions under which the Board of Directors may undertake any action which may result in the frustration of the bid) shall be dealt with in accordance with Luxembourg rules, in particular with the *Loi du 19 mai 2006 portant transposition de la directive 2004/25/EC du Parlement européen et du Conseil du 21 avril 2004 concernant les offres publiques d’acquisition* (the “Luxembourg Takeover Law”) and supervised by the CSSF.

4.10.2 Mandatory bids

(i) *Obligation to file a takeover bid*

Pursuant to Luxembourg law, if a person holds securities in the Company which when added to any existing holdings of securities in the Company of that person and persons acting in concert with that person, directly or indirectly give that person control of the Company, such person will be required to make, as soon as possible and at an equitable price, a bid to all other holders of securities in the Company for their entire holdings of those securities. Under Luxembourg law, a controlling stake is deemed to be acquired, if a voting power of 33¹/₃ per cent. is reached (non-voting shares not being considered to this effect).

A mandatory bid will not have to be launched under Luxembourg law, if the acquisition of the control over the Company be the result of a voluntary takeover bid on all the shares of the Company.

(ii) *Principles applicable to the price with respect to a mandatory takeover bid*

Pursuant to Czech rules in the case of a mandatory takeover bid, the consideration offered (either cash or securities or combination of both) must correspond to at least a premium price. A premium price is the highest price, which the offeror or persons acting in concert with him paid, in a period of 12 months before the obligation to make a takeover bid arose, for the securities that are subject of the offer. If such premium price cannot be determined, the consideration offered must correspond to at least a weighted average of prices, for which trades with such securities were made on a regulated market in a period of six months before the obligation to make a takeover bid arose (the “average price”). Under certain conditions, the Czech National Bank may change the consideration offered, in particular in order to make the offer adequate.

4.10.3 Squeeze-out

Pursuant to Luxembourg law, if any offeror holds Shares representing not less than 95 per cent. of the capital carrying voting rights and 95 per cent. of the voting rights of the Company as a result of a takeover bid, such offeror would be entitled to squeeze-out minority Shareholders.

In accordance with Czech rules, such offeror may, within three months of the end of the time allowed for acceptance of the takeover bid, ask the Board of Directors of the Company to convene a general meeting of Shareholders which will decide that the ownership of the Shares of other Shareholders will be transferred to the offeror. However, previous consent of the CNB is needed for the adoption of such resolution of the general meeting of Shareholders, otherwise such resolution will be void.

The consideration offered shall be adequate; it is deemed that the consideration which was offered in the takeover bid is adequate, provided that the offer is made within three months of the end of the time allowed for acceptance of the takeover bid. The offeror must deposit the consideration for the Shares that are to be squeezed with a bank or a licensed securities broker.

4.10.4 Sell-out

Pursuant to Luxembourg law, if a bidder holds Shares representing more than 90 per cent. of the Company capital carrying voting rights following a bid made to all the holders of the Company's Shares for all of their Shares, a minority Shareholder would be entitled to require the offer or to buy its Shares at a fair price.

Czech law does not, contrary to the Takeover Directive, provide for sell-out right. Rather, it stipulates that an offeror holds Shares representing not less than 90 per cent. of the capital carrying voting rights and 90 per cent. of the voting rights of the Company, as a result of an unconditional and unlimited takeover bid shall, pursuant to Czech law, make within 30 days of the end of the time allowed for acceptance of the takeover bid a supplemental takeover bid. Such supplemental takeover bid shall be valid for 90 days and consideration offered shall be at least in the amount which has been offered in a takeover bid. It is not clear whether these rules would apply for the purposes of the above provisions of Luxembourg law on the sell-out right of a minority Shareholder.

4.10.5 Board opinion

The Board of Directors of the Company shall publish a opinion on the takeover bid and its impact on the Company's interests, analysing, in particular, the bid's impact on employment and the bidder's proposed strategy for the Company.

4.10.6 Employees' information

Luxembourg Takeover Law involves employee representatives in the takeover process by imposing a duty on the Company's Board of Directors to inform the Company's employees about the takeover bid.

4.10.7 Breakthrough rule

The Shareholders may elect, by special Shareholders vote to be notified to the CSSF, to apply the breakthrough rules. If such breakthrough rules apply, any share transfer restrictions contained in Shareholders' agreements shall not be binding on the offeror. The Company has made no such election to date.

4.10.8 Defensive measures

The Shareholders of the Company may elect, by special Shareholders vote to be notified to the CSSF, to prohibit its management from taking defensive measures, other than seeking a competing bid, during a takeover bid, without being authorised to do so by a separate resolution passed at a Shareholders' meeting. The Company has made no such election to date.

4.10.9 Recent takeover bids

No takeover bid has been launched with respect to the capital of the Company during the last financial year or the current financial year.

5 CZECH SECURITIES MARKETS

5.1 Introduction

In the Czech Republic, there are two regulated markets for trading shares: the Prague Stock Exchange and the RM System. In addition to the regulated markets, trading of securities is also conducted over the counter (the “OTC market”). The PSE has also established a non-regulated market.

The operations of the Prague Stock Exchange, the RM System, securities dealers, settlement systems and other capital market professionals in the Czech Republic are primarily regulated by the Czech Act on Concluding Business in the Capital Market (No. 256/2004 Coll., as amended) (the “Czech Capital Market Act”) and by the Czech National Bank, which is the regulator of capital markets in the Czech Republic (in this role, it replaced the Czech Securities Commission on 1 April 2006). The majority of the regulatory standards of capital markets in the Czech Republic comply with applicable directives and regulations of the European Union.

5.2 Prague Stock Exchange

The PSE is the principal market in the Czech Republic in which shares, bonds, investment certificates, PX index futures, mortgage bonds and warrants are traded. The PSE organises both the regulated market (divided into the special market and the official market (which is divided into two segments, main market and official free market)), and an unregulated free market. Mortgage bonds are traded on the official free market. On 4 October 2006, trading in investment certificates commenced on the official free market. On 5 October 2006, trading in PX index futures commenced on a special regulated market. Since 4 October 2006 warrants can be traded on the official free market.

As at 31 August 2008, shares representing 33 companies were registered for trading on the PSE, and of these, shares representing 20 companies were registered for trading on the main market and 13 on the official free market. No securities were registered for trading on the unregulated free market. The total market capitalisation for shares at said date with respect to companies registered for trading on the main market and all companies registered for trading on the PSE was approximately CZK 1,828 billion (EUR 74 billion) and CZK 1,857 billion (EUR 75 billion) respectively.

The PSE is a private organisation, comprising 21 members as at 31 August 2008. Only corporate entities holding a securities dealer’s licence issued by the Czech National Bank (or its predecessor, the Czech Securities Commission) and foreign entities that are licensed to provide investment services are eligible for membership in the PSE, which is regulated by the Czech Capital Market Act, various decrees, and its internal rules. Except for the Czech National Bank, the Czech Consolidation Agency and the Czech Republic, which acts through the Ministry of Finance and certain other entities under specific conditions, only members of the PSE are allowed to trade directly on the PSE under Czech law, either on their own behalf or on behalf of their clients. Non-members can only trade indirectly through a PSE member.

The listing of securities on the PSE is extensively regulated by the applicable EC secondary legislation and the Czech Capital Market Act, which set out minimum listing requirements and specify certain reporting obligations. In addition, the PSE has specific listing and reporting rules for each of its markets (the “Listing Rules”).

Under the Czech Capital Market Act and the Listing Rules, a foreign issuer that has its registered office in another EU member state or whose prospectus was approved by the supervisory authority of another EU member state does not have to apply for the approval of such prospectus in the Czech Republic. The foreign issuer will fully comply with the respective rules, if it provides to the domestic supervisory authority a prospectus that has been approved by the supervisory authority of the respective EU member state, together with a certificate stating that the prospectus has been prepared in compliance with the laws of the European Community.

5.3 Main market

In order for a company to have its equity securities admitted to the main market of the PSE, the following principal criteria must ordinarily be met: (i) the securities to be admitted must be fully paid up and must be tradable without any restrictions; and (ii) a prospectus must be published subsequent to its approval by the Czech National Bank or any other EC competent authority.

The PSE Committee on Listing (“PSE Listing Committee“) decides whether or not to admit a security to the main market. The PSE Listing Committee will not accept an issue if it is aware of circumstances which, in the event that the issue is accepted, may lead to the damaging or threatening of the investors' interests or the threatening of important public interests. A company admitted to the main market is required to make certain financial information publicly available. In particular, such a company must file with the PSE preliminary financial results if it compiles them and quarterly financial results, unaudited semi-annual and annual reports and audited annual financial statements. Furthermore, the company must notify the PSE of certain information, in particular changes in its financial condition, including: (i) extensive information regarding the securities in question, the payout of dividends and all changes to rights relating to the listing of securities; (ii) information about the convening of a general meeting and its decisions on all matters; (iii) proposals for changes to the founding document; (iv) any changes to the entry in the Commercial Register involving the issuer; (v) changes in the Shareholder structure; (vi) any changes in the members of the board of directors or supervisory board of the company and in the management thereof; (vii) any changes in the company's ownership interests; (viii) any legal or commercial dispute involving 5 per cent. or more of the company's assets; (ix) the filing of a petition for a declaration of bankruptcy against the company or its material subsidiary or an imminent threat of such a filing; (x) new patents and licences; (xi) a change of auditors; and (xii) other changes in the company's financial situation, such as changes in the data in the prospectus and other facts that could influence the price of shares or could worsen the company's ability to meet its obligations arising from the issues of securities, in particular the fact that the company is in default with any of its due monetary obligations to a bank or other financial institution or that it is in default with any monetary obligation that exceeds 5 per cent. of the company's equity capital.

For more details on the Listing Rules applicable to an issuer of securities traded on the main market please see below.

5.4 Official free market

The official free market enables companies to have their securities publicly traded on a regulated market without having to comply with the admission and extensive financial disclosure requirements applicable to companies whose securities are admitted to the main market. Besides shares and bonds, (including mortgage bonds) and investment certificates are traded on the official free market. Since 4 October 2006 warrants can be traded on the official free market.

Under both listing rules applicable to securities traded on the official free market and listing rules applicable to investment certificates and warrants, application for the admission of a security to the official free market can be filed by an issuer or by a member of the PSE authorised by the issuer. The application must provide certain basic data with regard to the issuer and the issue and the prospectus must be approved by the Czech National Bank. The application is decided by the PSE Listing Committee.

Under the listing rules applicable to investment certificates and warrants, the issuer of warrants or investment certificates has to comply with certain disclosure duties under the PSE rules relevant for the admission and trading on the official free market. It has to submit to the PSE unaudited half-yearly and annual financial statements, all information on changes of rights relating to warrants or investment certificates, all insider information relating to the issuer and all significant information needed to protect investors or provide for smooth functioning of the market. Furthermore, the issuer has to submit to the PSE every proposal for changes in the articles of association of the issuer and every proposal for the increase or

decrease of the registered capital, both in case the proposed changes could influence the rights of the owner of a warrant or an investment certificate.

5.5 Unregulated free market

The PSE's listing rules applicable to securities traded on the unregulated free market came into force on 3 April 2006. For an issue to be accepted, an application with certain basic data regarding the issuer and the prospectus (or a summary document) must be filed. Application for the admission of a security to the unregulated free market can be filed by an issuer or by a member of the PSE. The application is decided by the general director of the PSE. Except for a disclosure duty regarding some basic information, there are no other information duties imposed on the issuer.

5.6 Trading

The PSE is an electronic exchange and trades are effected through its automated trading system. The exchange trading and information system is based on the automated processing of buy and sell orders entered into the system by member firms.

Securities traded on the PSE are divided into six trading groups. The first trading group comprises shares and bonds except for shares traded in SPAD. The second trading group includes certificated shares and bonds. The third group comprises selected shares included in SPAD trading. The fourth group includes investment certificates. The fifth trading group comprises futures, and the sixth trading group includes warrants.

Trading can be currently undertaken in the following ways:

- (i) trades with the participation of market makers within the SPAD;
- (ii) automatic trades;
- (iii) block trades;
- (iv) trades with the participation of a specialist; or
- (v) futures trades.

SPAD is based on the participation of market makers. A market maker is a PSE member who has entered into an official contract with the PSE to act as a market maker for selected issues. Trading is divided into either an open or closed phase. During the open phase, market makers are obliged to make their quotations and the price is set according to the best quotation. During the closed phase, market makers are not obliged to make quotations and trading can be made within the allowed spread defined by the best quotation in the open phase.

Automatic trading is effected in two forms: (i) auction trading, which is based on the accumulation of buy and sell orders through the automated trading system at a particular time, at which a single price for the security is fixed – the price fixed on a given day can differ from the closing price from the previous day by a maximum of 5 per cent. and (ii) continuous trading which enables conclusion of transactions based on continually filed buy and sell orders for investment instruments.

Block trades are effected in two forms: (i) block trades between PSE members and (ii) block trades between a PSE member and a non-member. For these trades, both the price and number of securities are determined by an agreement between the buyer and seller, but the trade is registered and settled in the automatic trading system of the PSE.

Two new methods of trading were introduced in connection with the commencement of trading in PX index futures and investment certificates. Both are similar to that used to trade within SPAD. Futures trades are performed with the participation of market makers who have the duty of maintaining supply and demand. The futures trading takes place in two phases, i.e. in an open phase followed by a closed one.

Investment certificates are traded with the participation of a specialist, which is a similar method of trading to that employed in respect of PX index futures. Where there are three or more specialists for a certain investment certificate the trading method used will be SPAD.

Warrants can be traded in the same way as investment certificates are traded, i.e. with the participation of a specialist. Automatic trading may be used as well if approved by the PSE Trading Committee. When there are three or more specialists for a certain warrant the trading method used will be SPAD. The decision will be made on an issue by issue basis.

Trading with participation of a specialist is based on the activity of a specialist, who is a member of the PSE authorised to act as a specialist for a certain investment certificate or for a certain warrant upon a decision of the general director of the PSE. The task of the specialist is to maintain supply and demand. Trading with participation of a specialist takes place in two phases, i.e. open phase followed by a closed one. During the open phase, the specialist is obliged to make his quotations. During the closed phase, the specialist may not make any quotations. In both the open and closed phases, the members of the PSE may conclude trades with investment certificates or with warrants only within the allowable spread valid at the given moment.

5.7 Indices

There are two general indices calculated by the PSE which track daily prices on the PSE. In addition, there are a number of other indices calculated by other participants in the capital markets. The PSE uses (a) the PX, which on 20 March 2006 replaced the PSE indices PX 50 and PX-D, and (b) PX-GLOB.

The PX index is an official index of the PSE. It has been calculated since April 1994 because it took over the history of the PX 50 index. The PX index comprises so-called “blue chip” issues only. Its base is adjusted quarterly using several criteria, in particular market capitalisation. The PX base comprises 14 stocks. The PX-GLOB, which is a broad-based price index, is also an official index of the PSE. It currently comprises 32 stocks.

5.8 The RM System

The RM System is a privately owned entity in which securities trading takes place through a computerised bid and offer matching system that operates every business day. Trades through the RM System may be placed either by a securities dealer or directly by an investor. Trading on the RM System is conducted through a network of 52 designated locations. The auction price varies during the course of the day according to the actual bids and offers. Settlement takes place on the same trading day. Book-entry securities traded on the RM System are settled through the Securities Centre.

5.9 The OTC Market

In addition to the regulated securities markets, a portion of securities trading is conducted on the OTC market.

OTC market trades concerning shares in book-entry form are settled in the Securities Centre. The Securities Centre publishes the volumes and prices of securities traded on the OTC market on a daily basis.

5.10 Czech National Bank

The main regulator of the securities market in the Czech Republic is the Czech National Bank, which on 1 April 2006 took over the role of the Czech Securities Commission, including all its duties. Therefore, since 1 April 2006 the mission of the Czech National Bank has been, among other things, to foster investor confidence in the securities market through the protection of investors, the development of the Czech capital market and the promotion of public knowledge in this area. The Czech National Bank is authorised to supervise compliance on the part of securities market professionals with applicable laws and regulations. The Czech National Bank issues licences to professionals operating on the Czech securities market. For instance, a licence from the Czech National Bank is required for the operation of a stock exchange, for the operation of a settlement system or in order to provide services as a securities dealer.

Any public offer of securities in the Czech Republic and any trading of securities on a regulated market of the PSE must be preceded by the publication of a prospectus describing the offered or listed securities and their issuer. Prior to its publication, the Czech National

Bank must approve the prospectus, unless the prospectus has already been approved by another competent EU authority and passported to the Czech Republic. Only after the prospectus has been so approved or passported and published can the PSE admit the securities for trading. Issuers are liable for any incorrect or misleading statements or omissions of fact contained in the prospectus and may be held liable for damages arising there from.

Under the Czech Capital Market Act, all issuers of securities traded on the PSE must publish an annual report and a semi-annual report containing certain information about their business and financial conditions. Such issuers must also without undue delay publish information about any event which is significant for the protection of investors or the due operation of the market.

5.11 Foreign currency regulations in the Czech Republic

The Shares are deemed to be foreign securities within the meaning of Czech Act No. 219/1995, the Act on Foreign Exchange, as amended (the “Foreign Exchange Act”). Pursuant to the Foreign Exchange Act, it is not necessary to obtain a foreign exchange licence or foreign exchange permit for individual purchases or sales of foreign securities to foreigners or residents, or for transactions with foreign securities conducted as a business activity, except as specified below. However, transactions with foreign securities may be subject to a reporting obligation.

In the event of an emergency situation in the area of foreign exchange management, if the Czech Republic’s ability to make foreign payments is directly and seriously endangered, it is prohibited, without a special permit of the Czech National Bank, among other things, to (i) acquire foreign-currency values (including the Shares) for Czech currency, or (ii) make any payments abroad from the Czech Republic (including transfers of funds between banks and their branches). In the event of such an emergency situation, if the internal monetary balance of the Czech Republic is directly and seriously endangered, it is prohibited, among other things, to transfer funds from abroad into the Czech Republic between banks and their branches without a special permit of the Czech National Bank. An emergency situation in the area of foreign exchange management may be declared by the Czech government in the event of an unfavourable development of the balance of payments which directly and seriously endangers the ability to make payments abroad or the internal monetary balance of the Czech Republic. An emergency situation in the area of foreign currency management ends no later than three months after the date on which it was announced in the mass media.

5.12 Czech Securities Market Law

5.12.1 Czech law

The Company’s shares are traded on the main market of the PSE and the Company needs to comply with certain provisions of Czech law regulating capital markets and with the Listing Rules.

The Company is in particular subject to the following provisions of the Czech Capital Market Act: (i) Sections 118 to 121 and 123 of the Czech Capital Market Act regulating the provision of information to the public and (ii) Sections 124 to 127 of the Czech Capital Market Act concerning the rules applicable to market manipulation and insider dealing (including “safe harbours” for carrying out share buy-back programs and stabilisations).

5.12.2 Czech Capital Market Act

Under the Czech Capital Market Act the following are applicable to the Company.

(i) Ad Hoc publicity

Under the Czech Capital Market Act, the Company is required to publish without delay any insider information (as defined below) which concerns the Company directly or indirectly. Such information must be clear and not misleading. The Company is required to post such information on the Company’s website and notify the Czech National Bank. The Company may delay the publication of

relevant information for serious reasons, but only if investors would not be misled as a result of the non-disclosure of such information and the Company is able to ensure the confidentiality of such information. If the Company decides to delay the publication of insider information, it must inform the Czech National Bank, stating the reasons for delay and content of the insider information.

The Company must also publish on the Internet and send to the Czech National Bank (electronically) all information about the convening of the general meeting of the Company, payments of dividends, any decision to issue new shares and any decision to exercise a subscription right.

Without any undue delay after the publication of its annual financial statement, the Company must also at least annually provide the Czech National Bank with a document that contains or refers to all information that it has published during the preceding 12 months in the Czech Republic and under the securities and certain other laws of the Czech Republic and in other countries under EC or the domestic capital market law of said other countries.

(ii) Changes in major shareholdings

Czech law imposes notification requirements in respect of certain shareholdings in companies which are listed on the Prague Stock Exchange which have their registered office in the Czech Republic. Thus, these requirements do not apply to the Company or any holders of its shares.

(iii) Management trading in shares

Management and members of the supervisory body of the Company and persons related to those persons (this category is broadly defined) must notify the Czech National Bank of the existence of any transactions conducted on their own account relating to the Company's shares or derivatives linked to such shares. This obligation is applicable only if the aggregate value of such transactions (i.e. including those conducted on the account of related persons) exceeds EUR 5,000 per calendar year. The Czech National Bank will publish such information without delay on its website.

(iv) Insider trading

Insider information is defined as accurate information not known to the public which concerns directly or indirectly an investment or other instrument which has been admitted (or relevant application has been filed) for trading on the regulated market of a member state of the European Union (a "Financial Instrument") or other instrument which has not been admitted to such market, the value of which is derived from the Financial Instrument, the issuer of such Financial Instrument or other facts that are important for the development of the quoted price or other price or yield of such Financial Instrument, and which would, if it were publicly known, substantially influence the quoted price of, or proceeds from, such Financial Instrument or other instrument, the value of which is derived from such Financial Instrument. A reasonable investor would likely use such information as the basis for an investment decision.

An insider is any person who obtains insider information either due to his profession or employment, position or shareholding in the issuer or in relation to the fulfilment of his duties. Any person who gains access to insider information by way of a criminal offence is also deemed to be an insider. A person who obtains insider information in another manner and is or should be aware that such information constitutes insider information is also deemed to be an insider.

In general, Czech criminal law prohibits the abuse of insider information on Czech territory or by Czech citizens abroad. Any insider who uses insider information that is not yet public with the intention of gaining advantage for himself or a third party is (depending on the amount of financial advantage) liable to a penalty of up to twelve years' imprisonment and a fine of up to CZK 5 million (on top of a fine of up to CZK 10 million under the Czech Capital Market Act).

(v) *Market manipulation*

Under the Czech Capital Market Act, market manipulation means an act that may distort the view of participants in the capital market with respect to the value of, supply of or demand for a financial instrument. Market manipulation also means any other act that may distort the quoted price of a financial instrument. Such act is not regarded as market manipulation if the person who entered into the transaction or issued the trade order has a legitimate reason for carrying out such act and the transaction or trade order conforms to accepted market practices on the regulated market concerned. There are also other exceptions which are modelled on the basis of the relevant EC market abuse legislation. Market manipulation is prohibited and is subject to an administrative fine of up to CZK 20 million. The fine may be imposed by the Czech National Bank.

5.12.3 Prague Stock Exchange Listing Rules

Further, the Company will be subject to the Listing Rules issued by the PSE applicable to the issuer of securities traded on the main market.

Under the Listing Rules the Company will have to provide the PSE, most importantly with the following: (a) financial information, such as preliminary financial results (if the Company compiles them), quarterly financial results, regular non-consolidated financial statements verified by an auditor (unless an exemption is obtained from the Czech National Bank and the PSE), consolidated financial statements verified by an auditor (if the Company consolidates); (b) information regarding ordinary or extraordinary general meetings, such as an invitation or announcement of a general meeting (this must be provided at least 30 days before an ordinary general meeting and at least 15 days before an extraordinary general meeting); decisions of the general meeting regarding the election and recalling of members of the board of directors and of the supervisory board and other bodies; changes to the articles of association and memorandum of association; changes to the registered capital; issuing of bonds; changes in the type of shares issued by the Company; applications for the withdrawal of securities from the official market, limitation of the transferability of shares, the exclusion or limitation of the right of first refusal in respect of obtaining convertible or priority bonds or the subscription of new shares; the sale of the Company or part thereof; the dissolution of the Company by liquidation; the dissolution of the Company without liquidation; a change to the business plan; approval of the financial statements and the structure of the distribution of profits; (c) minutes from ordinary/extraordinary/alternative general meetings, including annexes (no later than 30 days after the general meeting); (d) annual reports and semi-annual reports (these reports must also be published on the Company's website and sent to the Czech National Bank); (d) the decision of the supervisory authority over the capital market concerning the Company or shares issued by the Company (immediately after coming into force); (e) applications for the registration in the companies register of important changes, such as the dissolution of the Company (immediately after the application is submitted); (f) information about the Company's ownership interests in other parties, and changes thereto; (g) a report on the structure of the controlling Shareholders of the Company; (h) new patents and/or licences; (i) new important contracts; (j) legal and commercial disputes; (k) important subsidies or grants; (l) personnel changes to the board of directors, supervisory board, and top management, and other facts that could directly or indirectly cause changes to the securities' share price or rate; (m) a proposal for changing the articles of association or memorandum of association or a proposal to increase or decrease the registered capital; (n) the announcement of a change of auditors; (o) other changes to the Company's financial situation; changes to the prospectus and other facts which could directly or indirectly cause changes to the securities' share price or rate or which could worsen the Company's ability to meet its obligations from the issue of shares information that a proposal to declare the Company or its major subsidiaries bankrupt has been filed or that there is an imminent threat of such a filing; information about the fact that the Company is in

default with any of its due monetary obligations to a bank or other financial institution or that it is in default with any monetary obligation that exceeds 5 per cent of the Company's equity capital; information about the fact that any monetary obligation to a bank, other financial institution or the state or any other significant monetary obligation has fallen due; information about the convening of a meeting of bond owners; the exercising of rights from convertible or priority bonds; the payout of earnings or the payout of bonds; information about all received loans or credit and in particular about guarantees and other security provided in connection therewith in the case of priority and convertible bonds; information about any changes to the rights relating to shares that may be acquired on the basis of those bonds; information about the fact that a committee of creditors or another similar formal or informal group of creditors has been formed, met or taken action for the purpose of evaluating the ability of the Company to meet its monetary obligations, the restructuring of the Company's debts, the postponement of the due date of the Company's obligations, the conversion of debt into registered capital or composition, information about the fact that a contract has been concluded among creditors binding them to proceed jointly or that the creditors have informally decided on such a joint procedure vis-à-vis the Company, or that formal or informal talks among such committee or group creditors have been commenced.

The Company must ensure that identical information is provided in the Czech Republic, at the same time, to that provided in other countries, particularly in Luxembourg.

6 TAXATION

A summary of Czech and Luxembourg tax consequences of an investment in the Issue Shares is set forth below. The summary is for general information only and does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to invest in or hold Shares. Prospective investors should consult their own tax advisers as to the particular tax consequences of their purchasing, owning and disposing of the Shares, including the applicability and effect of state, local, foreign and other tax laws and possible changes in tax law.

6.1 Czech Republic

Income tax

Taxation of dividends

Dividends paid on the Shares will be treated as income from a Luxembourg source (i.e. as income from sources outside the Czech Republic). The gross amount of dividends paid on the Shares (before any amounts are withheld in respect of Luxembourg taxes) received by an individual Shareholder who is a Czech tax resident will be taxed as ordinary income subject to personal income tax at a marginal rate 15 per cent. Subject to applicable restrictions and limitations that may vary depending on the circumstances of the Czech individual Shareholder who is a Czech tax resident, Luxembourg taxes withheld at a rate not exceeding the rate provided in the Double Tax Treaty concluded between the Czech Republic and Luxembourg (15 per cent. of gross amount of dividends) will be creditable against the Czech personal income tax liability of the Czech individual Shareholder who is a Czech tax resident. If an individual Shareholder is a Czech tax non-resident, his dividend income is not subject to Czech income tax, unless the non-resident performs a business through a permanent establishment in the Czech Republic, to which the Shares are effectively connected. Czech tax residency is generally triggered if the individual resides in the Czech Republic for more than 183 days per calendar year, or if he has a permanent home in the Czech Republic.

Unless an exemption from tax applies, the gross amount of dividends paid on the Shares (before any amounts withheld in respect of Luxembourg taxes) received by a corporate Shareholder, who is a Czech tax resident will be included into a separate tax base of the corporate Shareholder and will be taxed at a flat tax rate of 15 per cent. Subject to applicable restrictions and limitations that may vary depending on the circumstances of the corporate Shareholder, who is a Czech tax resident, Luxembourg taxes withheld at a rate not exceeding the rate provided in the Double Tax Treaty concluded between the Czech Republic and Luxembourg (15 per cent. of gross amount of dividends, or 5 per cent. of gross amount of dividends if the corporate Shareholder holds directly at least 25 per cent. of the capital of the company paying the dividends) will be creditable against the Czech corporate income tax liability of the Czech corporate Shareholder. A non-Czech owner of the Shares (a “Non-Czech Shareholder”) will be regarded as a Czech tax resident and as such be subject to Czech income tax if it is effectively managed in the Czech Republic. A Non-Czech Shareholder that carries on business in the Czech Republic through a permanent establishment with which the Shares are effectively connected is also liable to pay Czech corporate income tax in relation to dividends on the Shares.

The dividends are exempt from Czech corporate income tax, if the Shareholder holds directly at least 10 per cent. of the Shares for a minimum period of 12 consecutive months and if the Shareholder is either (i) a Czech tax resident having the form of a joint-stock company, limited liability company or a cooperation or (ii) a tax resident and subject to corporate income tax in another EU Member State having one of the forms listed in the Annex to the EC Parent-Subsidiary Directive and carrying on business in the Czech Republic through a permanent establishment with which the Shares are effectively connected.

Taxation of capital gains

Unless an exemption from tax will apply, a capital gain realised by an individual Shareholder who is a Czech tax resident upon the sale of the Shares will be taxed as ordinary income of the individual Shareholder subject to a marginal rate of personal income tax 15 per cent. in 2008 and 12.5 per cent. from 2009 onwards.

However, a capital gain derived by an individual Shareholder who is a Czech tax resident from the sale of the Shares will be exempt from Czech personal income tax if (i) the Shares are held by the individual Shareholder for a period exceeding six consecutive months; (ii) the individual Shareholder did not hold direct or indirect share exceeding 5 per cent. of the capital or 5 per cent. of voting rights of the Company during 24 months prior to the sale of Shares; and (iii) the Shares did not form part of the business asset of the individual Shareholder at any point of time prior to their sale. If the third condition is not fulfilled, an exemption from tax may still apply under certain circumstances, provided that the business activities of the individual Shareholder have been terminated.

If an individual Shareholder who is a Czech tax resident is an accounting unit subject to Czech accounting standards for entrepreneurs, who holds the Shares in connection with his business activities, a loss upon the sale of the Shares is considered tax deductible if the Shares were held for trading (in a similar way to a Czech corporate Shareholder). If an individual Shareholder who is a Czech tax resident holds the Shares with no relation to his business activities, the loss incurred upon the sale of the Shares is generally treated as tax non-deductible except for a situation when such loss is deducted against other taxable capital gains derived by the Czech individual Shareholder from the sale of securities in a given taxable period (provided that such securities do not form part of the business asset of the Czech individual Shareholder on the date of their sale or an exemption from tax applies).

Capital gains realised by a corporate Shareholder who is a Czech tax resident upon the sale of the Shares will be taxed as ordinary income of the corporate Shareholder subject to Czech corporate income tax at the rate of 21 per cent. in 2008, 20 per cent. in 2009 and 19 per cent. from 2010 onwards. Any losses incurred by the corporate Shareholder who is a Czech tax resident upon the sale of the Shares should be treated as tax deductible for corporate income tax purposes if those Shares were held for trading, provided that the general conditions for tax deductibility are met.

The capital gain realised by a Shareholder who is not a Czech tax resident upon the sale of the Shares will be taxable in the Czech Republic only if the Shares held by such Shareholder are sold to a Czech tax resident or to a permanent establishment of a Czech tax non-resident located in the Czech Republic. The consideration paid to such Shareholder who is not a Czech tax resident or a resident of another EU Member State or EEA state in respect of such sale of the Shares may be subject to a 1 per cent. "security tax advance" withheld by the buyer of the Shares. However, the majority of double tax treaties concluded by the Czech Republic generally eliminate the taxation of the capital gains derived from the sale of the Shares in the Czech Republic provided that the Shares will not form part of the business property of the Shareholder's, who is not a Czech tax resident, permanent establishment in the Czech Republic. In such case, the "security tax advance" would not have to be withheld by the buyer of the Shares.

Inheritance and gift tax

According to the Czech Tax Act on Inheritance, Gift and Real Estate Transfers Act, the inheritance or gift of shares may be subject to Czech inheritance or gift tax at a rate that varies from 0.5 per cent. to 40 per cent., depending on the value of the asset transferred (generally the fair market value or the value assessed by an independent expert if the fair market value is not available) and the relationship of the deceased to the heir or of the donor to the donee. There are a number of exemptions available from the gift or inheritance taxes depending on the value of the Shares and the relationship between the deceased/donor and the heir/donee.

Generally, the taxpayer of gift tax is the donee while the donor is a guarantor. However, if a gift is donated by an individual with his permanent home in the Czech Republic or a corporation with its registered seat in the Czech Republic to either an individual who has not his permanent home in the Czech Republic or to a company which has not its registered seat in the Czech Republic, then the tax-payer is the donor (and not the donee).

The taxpayer of inheritance tax is the heir. If the deceased was a Czech citizen with a permanent home in the Czech Republic owning the Shares, inheritance tax applies to all of his/her Shares regardless of their location. If the deceased was either a Czech citizen who had no permanent home in the Czech Republic or a foreigner (i.e. not a Czech citizen), inheritance tax applies only to the Shares located in the Czech Republic.

Other Czech taxes

No Czech stock exchange transfer tax, value added tax, stamp duty or other tax is levied on the acquisition, the sale or the disposal of shares.

6.2 Luxembourg

Withholding tax

Since the change of its tax status, the Company is fully subject to Luxembourg income taxes. The Company is considered to be a Luxembourg resident company for tax purposes and as such benefits from double taxation treaties concluded by Luxembourg.

Under current Luxembourg tax law, dividends distributed by the Company to its Shareholders are subject to a 15 per cent. withholding tax computed on the gross amount of the dividend distributed.

This rate could be reduced pursuant to double taxation treaties concluded between Luxembourg and the country of residence of the Shareholders. Under most of the double taxation treaties concluded by Luxembourg, dividend withholding tax is reduced on dividends distributed to Shareholders who are resident in the country with which Luxembourg has entered into the double taxation treaty. Withholding tax is usually reduced by refunding to the Shareholder the excess of the total amount withheld over the withholding tax actually owed under the pertinent double taxation treaty upon the Shareholder's application for a refund to the Luxembourg tax authorities (Administration des Contributions Directes, Division 5 – Relations Internationales, 18 rue du Fort Wedell, L-2982 Luxembourg). Forms for the refund request can be obtained from the Luxembourg tax authorities.

No withholding tax is levied if the dividends are paid to a limited liability company which is a fully taxable Luxembourg resident company, or to a company resident in a Member State of the European Union as defined in article 2 of EU Directive 90/435/EEC of 23 July 1990 as amended or to its permanent establishment located in Luxembourg, or to the Luxembourg permanent establishment of a company resident in a country which has concluded a double taxation treaty with Luxembourg or to a limited liability company or a cooperative company resident in a country which is member of the European Economic Area ("EEA") and which is fully liable to a tax corresponding to Luxembourg corporate income tax or to the permanent establishment of a limited liability company or of a cooperative company resident in a country which is a member of the EEA, provided that at the date of the payment, the Shareholder holds or commits itself to hold, directly or through a tax transparent vehicle, during an uninterrupted period of at least 12 months, a participation of at least 10 per cent. in the capital of the Company or a participation with an acquisition price of at least EUR 1.2 million.

Income tax and corporate income tax

Taxation of dividends

Dividends received from the Company by Luxembourg resident individuals are subject to Luxembourg individual income tax, at progressive rates. Luxembourg resident individuals receiving dividends will be exempt from tax on 50 per cent. of these dividends.

Dividends distributed by the Company to a Luxembourg resident company, or to a permanent establishment located in Luxembourg, which does not fall within the scope of the Luxembourg participation exemption regime are subject to Luxembourg corporate income tax (including the contribution to the employment fund and the municipal business tax). Half of the dividends received from the Company are however excluded from the taxable basis of the Shareholder.

According to the Luxembourg participation exemption regime, dividends distributed by the Company to a Luxembourg limited liability company or to a permanent establishment located in Luxembourg of a company resident in a member state of the European Union as defined in article 2 of the EU Directive 90/435/EEC of 23 July 1990, or to a permanent establishment located in Luxembourg of a company resident in a country which has concluded a double taxation treaty with Luxembourg or to a permanent establishment located in Luxembourg of a limited liability company or of a cooperative company resident in a country member of the EEA, are exempt from corporate income tax in Luxembourg provided that, at the date of the distribution, the Shareholder holds or commits itself to hold, directly or through a tax transparent vehicle, during an uninterrupted period of at least 12 months, a participation of at least 10 per cent. in the capital of the Company or a participation with an acquisition price of at least EUR 1.2 million.

Dividends distributed to holding companies subject to the Law of 31 July 1929 as amended and to undertakings for collective investments subject to the Law of 20 December 2002 or to the Law of 13 February 2007 are not subject to any Luxembourg income tax.

For a Shareholder resident in Luxembourg and for a non-resident Shareholder that holds the Shares as part of the assets of a permanent establishment (including a permanent representative) or fixed base in Luxembourg, withholding tax will be credited against the income or corporate tax liability upon the Shareholder's income tax assessment.

Dividends distributed to non-resident individuals or non-resident companies which do not have a permanent establishment in Luxembourg are not taxable in Luxembourg, apart from the dividend withholding tax, if applicable.

Taxation of capital gains

Capital gains realised upon the disposal of Shares by a Luxembourg resident individual Shareholder are not subject to taxation in Luxembourg, unless the disposal occurs less than six months after the acquisition of the Shares or precedes the acquisition, or the disposal occurs more than six months after the acquisition of the Shares and the Shareholder, together with family members, has held more than 10 per cent. of the share capital of the Company at any time during the five preceding years.

Capital gains realised upon the disposal of the Shares by a Luxembourg resident company, or by a permanent establishment located in Luxembourg, are fully subject to corporate income tax in Luxembourg, except if the Luxembourg participation regime is applicable.

According to the Luxembourg participation exemption regime, capital gains realised upon the disposal of the Shares by a Luxembourg limited liability company or by a permanent establishment located in Luxembourg of a company resident in a member state of the European Union as defined in article 2 of the EU Directive 90/435/EEC of 23 July 1990, or by a permanent establishment located in Luxembourg of a company resident in a country which has concluded a double taxation treaty with Luxembourg or by a permanent establishment located in Luxembourg of a limited liability company or of a cooperative company resident in a country member of the EEA, are exempt from corporate income tax in Luxembourg provided that, at the date of the disposal, the Shareholder holds or commits itself to hold, directly or through a tax transparent vehicle, during an uninterrupted period of at least 12 months, a participation of at least 10 per cent. in the capital of the Company or a participation with an acquisition price of at least EUR 6 million.

Capital gains realised upon the disposal of the Shares by holding companies subject to the Law of 31 July 1929 as amended and incorporated before 31 July 2006 and by undertakings for collective investments subject to the Law of 20 December 2002 or to the Law of 13 February 2007 are not subject to any Luxembourg income tax.

No Luxembourg income tax will be payable, as a result of a disposal of the Shares by an individual or corporate Shareholder that is a non-resident of Luxembourg, unless the participation held by the Shareholder represents more than 10 per cent. of the share capital of the Company, and the relevant Shareholder was a Luxembourg resident taxpayer for more than 15 years and has become a non-resident taxpayer less than five years before the sale of the Shares, or the participation held by the Shareholder represents more than 10 per cent. of the share capital of the Company and the Shares have been held less than six months at the time of the sale. These conditions could be relaxed by double taxation treaties concluded between Luxembourg and the country of residence of the Shareholder.

Inheritance and gift tax

No inheritance tax is levied on the transfer of Shares upon the death of a Shareholder in cases where the deceased was not a resident of Luxembourg for inheritance tax purposes. No gift tax is levied in Luxembourg if the deed is not executed before a Luxembourg notary public.

Net wealth tax

Luxembourg resident companies are subject to net wealth tax on their net assets. For fully taxable Luxembourg resident corporate entities, Shares whose dividends qualify for the participation exemption regime are excluded from the taxable basis for net wealth tax purposes. Non-resident companies are subject to net wealth tax on their assets which are attributable to an enterprise or part thereof which is carried on in Luxembourg through a permanent establishment, except otherwise provided for by a tax treaty concluded by Luxembourg and the country of residence of the non-resident company.

Other Luxembourg taxes

There is no Luxembourg registration tax, stamp duty or any other similar tax or duty payable in Luxembourg by the Shareholders of the Company as a consequence of the purchase, holding or disposal of the Shares. There is no Luxembourg value added tax payable in respect of payments in consideration for the issuance or disposal of the Shares or in respect of payment of dividends.

7 KEY INFORMATION

7.1 Working capital statement

Taking into account the estimated proceeds of the Issue, the Company is of the opinion that the working capital available to the Company is sufficient for its present requirements, for at least a period of 12 months from the date of the publication of this Securities Note.

7.2 Capitalisation and indebtedness

The following table sets forth, as of 30 June 2008, the consolidated audited capitalisation of the Company prepared in accordance with IFRS on (i) an actual basis and (ii) an adjusted basis to reflect the assumed net proceeds of the issue of the 3,497,012 Issue Shares (the maximum number of the Shares that may be issued under the Equity Step-Up Programme and Shares which may be issued when all outstanding Warrants are exercised, assuming that the holders of Warrants pay for the newly issued Shares in cash) of EUR 165.55 million, less fees and expenses related to the Issue of EUR 1.25 million.

For the calculation of proceeds from the issue of the Equity Step-Up Programme Shares, the Share price at the close of business on 29 August 2008 was used.

This table should be read in conjunction with the Consolidated Financial Statements (see Annex B of the Registration Document) and the Operating and Financial Review (see section 8 of the Registration Document). See also “Operating and Financial Review – Liquidity and capital resources” in section 8 of the Registration Document.

	As of 30 June 2008	
	(reviewed)	(reviewed) (adjusted for the results of the issue of 3,497,012 of the Issue Shares)
	<i>(in EUR thousand)⁽¹⁾</i>	
Current liabilities	121 954	121 954
Secured by collateral	71 773	71 773
Not secured by collateral	50 181	50 181
Non-current liabilities	385 798	385 798
Secured by collateral	206 653	206 653
Not secured by collateral	148 415	148 415
Deferred tax liabilities	30 730	30 730
Equity	146 604	310 904
Share capital ⁽²⁾	7 229	13 174
Capital reserves ⁽³⁾	44 467	202 822
Other reserves	93 878	93 878
Minority interests	1 030	1 030
Total⁽⁴⁾	654 356	818 656

Notes:

- (1) For conversion, an exchange rate of EUR 1 = CZK 23.895 was used (the official rate published by the CNB on 30 June 2008). For conversion of the proceeds of the issue of new Shares under the Equity Step-Up Programme, an exchange rate of EUR 1 = CZK 24.7 was used (the official rate published by the CNB on 29 August 2008).
- (2) The amount of adjusted share capital depends on the number of Issue Shares issued. The actual adjusted subscribed capital is calculated as follows: (total number of Issue Shares issued) x (calculatory value of the Shares, i.e., EUR 1.70).
- (3) The amount of adjusted capital reserves depends on the number of Issue Shares issued, the issue price and the expenses related to the Issue. It is calculated as follows: ((total number of Issue Shares issued) x ((final issue price) – (calculatory value of the Shares, i.e., EUR 1.70)) – expenses related to the Issue).
- (4) The adjustment of the total capitalisation results from the adjustment of the share capital, the reserves and other reserves.
- (5) The table above is as at 30 June 2008, adjusted for the results of the issue of 3,497,012 of the Issue Shares, and does not reflect the issue of 250,000 Shares on 15 September 2008 under the Equity Step-up Programme.

8 SELLING RESTRICTIONS

General

No action has been taken by the Company that would permit an offer of the Issue Shares or possession or distribution of this Securities Note, Registration Document or Summary or any other offering material in any jurisdiction where action for that purpose is required. The distribution of this Securities Note, the Registration Document and the Summary and the offer of Issue Shares in certain jurisdictions may be restricted by law, and therefore persons into whose possession this Securities Note, the Registration Document and the Summary comes should inform themselves about and observe any such restrictions, including those in the paragraphs that follow. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdictions.

Notice to investors in the United States

The Issue Shares have not been and will not be registered under the U.S. Securities Act of 1933 (the “Securities Act”) and may not be offered or sold within the United States.

Notice to investors in the European Economic Area

In relation to each member state of the European Economic Area which has implemented the Prospectus Directive (each, a “Relevant Member State”), an offer to the public of any Issue Shares may not be made to the public in that Relevant Member State except that an offer of Issue Shares may be made to the public in that Relevant Member State at any time under the following exemptions under the Prospectus Directive, if they are implemented and in accordance with the implementing legislation in that Relevant Member State:

- to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- to any legal entity which has two or more of (i) an average of at least 250 employees during the last financial year; (ii) a total balance sheet of more than EUR 43,000,000 and (iii) an annual net turnover of more than EUR 50,000,000, as shown in its last annual or consolidated accounts;
- to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the Managers for any such offer; or
- in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of the Issue Shares shall result in a requirement for the publication by the Company of a prospectus pursuant to Article 3 of the Prospectus Directive.

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

Notice to investors in the Czech Republic

No approval of a prospectus has been sought or obtained from the Czech National Bank under Act No. 256/2004 Coll. on Conducting Business in the Capital Market, as amended (the “Czech Capital Market Act”) with respect to the Shares. No action has been taken to passport a prospectus (other than this Securities Note, the Registration Document and the Summary) approved by the competent authority of the home member state of the issuer into the Czech Republic by delivery of a certificate of such competent authority to the Czech National Bank attesting that a prospectus approved by the home member state authority has been drawn up in accordance with the law of the European Community.

Save as contemplated in this Securities Note no application has been filed nor has any permission been obtained for listing nor has any other arrangement for trading the Issue Shares on any regulated market in the Czech Republic (as defined by the Czech Capital Market Act) been made.

Accordingly, any person making or intending to make any offer within the Czech Republic of Shares should only do so in circumstances in which no obligation arises for the Company to produce a prospectus for such

offer. The Company has not authorised, nor does it authorise, the making of any offer of Shares through any financial intermediary.

Notice to investors in the United Kingdom

Each Manager will represent, warrant and agree that (i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the “FSMA”)) received by it in connection with the issue or sale of any Offer Shares in circumstances in which section 21(1) of the FSMA does not apply to the Company and (ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Offer Shares in, from or otherwise involving the United Kingdom.

Notice to investors in Italy

The offering of the Offer Shares has not been registered with the Commissione Nazionale per le Società e la Borsa (“CONSOB”) (the Italian securities exchange commission) pursuant to Italian securities legislation and, accordingly, each Manager has represented and agreed that it has not offered, sold or delivered any Offer Shares nor distributed any copies of this Prospectus or any other document relating to the Offer Shares, and will not offer, sell or deliver any shares nor distribute any copies of this Prospectus or any other document relating to the Offer Shares in Italy in a solicitation to the public at large (sollecitazione all’investimento), and that the Offer Shares in Italy shall only be (i) offered or sold to professional investors (operatori qualificati) as defined in Article 31, second paragraph of CONSOB Regulation No. 11522 of 1 July 1998 (the “Regulation No. 11522”), as amended or (ii) offered or sold in circumstances where an exemption from the rules governing solicitations to the public at large applies, pursuant to Article 100 of Legislative Decree No. 58 of 24 February 1998 (the “Financial Services Act”) and Article 33, first paragraph, of CONSOB Regulation No. 11971 of 14 May 1999 (the “Regulation No. 11971”), as amended, and shall in any event be effected in accordance with all relevant Italian securities, tax and exchange controls and other applicable laws and regulations. Moreover, and subject to the foregoing, the Managers have represented and agreed that the Offer Shares may not be offered, sold or delivered and that neither this Prospectus nor any other material relating to the Offer Shares may be distributed or made available in Italy unless such offer, sale or delivery of Offer Shares or distribution or availability of copies of this Prospectus or any other material relating to the Offer Shares in Italy (i) is in compliance with Article 129 of Legislative Decree No. 385 of 1 September 1993 (the “Italian Banking Act”) and the implementing guidelines of the Bank of Italy, pursuant to which the issue or the offer of shares in Italy may need to be followed by an appropriate notice to be filed with the Bank of Italy depending, inter alia, on the aggregate value of the securities issued or offered in Italy and their characteristics and (ii) is made by investment firms, banks or financial intermediaries permitted to conduct such activities in Italy in accordance with the Financial Services Act, the Italian Banking Act, the Regulation No. 11522, the Regulation No. 11971 and any other applicable laws and regulations. Insofar as the requirements above are based on laws which are superseded at any time pursuant to the implementation of the Prospectus Directive, such requirements shall be replaced by the applicable requirements under the Prospectus Directive.

[Back Cover]

THE COMPANY

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