

IMMOEAST

ANNUAL REPORT 2005/06

WHAT WE DO WITH YOUR MONEY

Record Investments have
made IMMOEAST the leading
property company in Central
and Eastern Europe.

IMMOEAST

”WHO KNOWS THE EAST LIKE THE BACK OF HIS HAND?“

Quality leads to success.

In the emerging markets of Central and Eastern Europe, IMMOEAST concentrates only on the most profitable investments. The broad-based sector diversification of our property portfolio also creates greater stability. And that pays off: average annual performance of +18.5% since the IPO in December 2003. Put our success in your pocket. Further information can be obtained from your bank or investment advisor, and under www.immoeast.at

A prospectus approved by the Austrian Financial Market Supervisory Authority has been published, and can also be obtained from Immoeast Immobilien Anlagen AG, Bankgasse 2, 1010 Vienna, and Constantia Privatbank AG, Bankgasse 2, 1010 Vienna. The content of this prospectus is definitive, and investment decisions should only be made on the basis of the information in this prospectus. Performance data reflects the status as of 30.04.06. The development of earnings and the share price in the past do not represent an indication of the development of earnings and the share price in the future.

IMMOEAST
Where investing pays.

Key data on IMMOEAST

	2005/06	CHANGE	2004/05
CORPORATE DATA			
Revenues in EUR mill.	80.0	215.0%	25.4
Operating profit (EBIT) in EUR mill.	156.3	367.6%	33.4
Earnings before tax (EBT) in EUR mill.	182.9	263.9%	50.3
Gross cash flow in EUR mill.	24.9	351.7%	5.5
Return on equity (ROE) in %	8.7%	-18.2%	10.7%
Return on capital employed (ROCE) ¹⁾ in %	8.9%	10.3%	8.1%
Equity in EUR mill. (including minority interest)	1,662.0	307.7%	407.7
Equity ratio in %	61.8%	7.9%	57.3%
Balance sheet total in EUR mill.	2,687.5	277.6%	711.8
Gearing	23.1%	-38.9%	37.8%
Net asset value per share in EUR	8.39	9.4%	7.67
PROPERTY DATA			
Number of properties	116	100.0%	58
Thereof investments in other companies ²⁾	47	62.1%	29
Letable space in sqm	1,414,961	98.9%	711,356
Thereof investments in other companies ²⁾	249,520	21.4%	205,468
Fair value of properties in EUR mill.	1,931.0	197.5%	649.0
Thereof investments in other companies ²⁾	176.7	42.4%	124.1
Investments in EUR mill.	1,055.7	208.8%	341.9
Occupancy in %	94.2	-0.4%	94.6
STOCK EXCHANGE DATA			
Earnings per share in EUR	0.76	-20.8%	0.96
Price/earnings ratio	11.0	-	7.5
Share price at end of period in EUR	8.6	19.0%	7.23
Number of shares in mill.	222.4	275.00%	59.3
Market capitalisation in EUR mill.	1,912.2	346.1%	428.7

¹⁾ NOPAT (Net operating profit after tax) in relation to capital employed.

²⁾ Investments in other companies include associates consolidated at equity and holdings recorded as financial instruments in accordance with IAS 39.

As of 31 January 2006 IMMOEAST converted from the cost model to the internationally accepted fair value model. The values for the 2004/05 Business Year were adjusted accordingly but prior year data before this time is not presented because of the change-over.

INVESTMENTS 2006/07

CATEGORY	EUR BILL.
Contracted investments/projects	2.25
Investments/projects under due diligence or negotiations	2.58
Investments/projects approved by the Supervisory Board	0.93
Investment pipeline 2006/07	5.76

IMMOEAST – The leading listed property company in Central and Eastern Europe

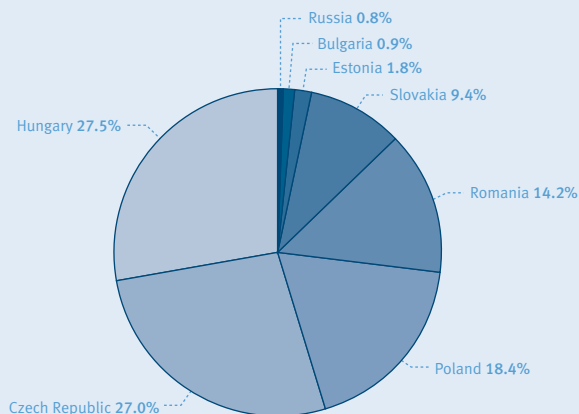
IMMOEAST was founded in 1999 as a regional holding company and subsidiary of IMMOFINANZ, and has since grown to become the leading listed property company in its home market – which comprises Hungary, the Czech Republic, Poland, Romania and Slovakia. The IMMOEAST share has traded on the Vienna Stock Exchange since December 2003, and advanced to the top Prime Market segment in March 2005. A series of successful capital increases – the latest was placed in May/June 2006 with a volume of EUR 2.75 billion and represented the second largest transaction of its kind in the history of the Vienna Stock Exchange – has raised the standing of IMMOEAST in international circles: the company has become one of the few Austrian corporations to be included in the MSCI World stock index, and is also represented in the GPR-15 branch index.

IMMOEAST shareholders – approx. 49.5% of the shares are held in free float, while the remainder are owned by the parent company IMMOFINANZ – can profit from the steady and outstanding development of the share price: the after-tax return for the 2005/06 Business Year totalled 22.32%, and clearly outperformed comparable firms on the Vienna Stock Exchange.

The IMMOEAST portfolio is widely diversified: the 116 properties with more than 1.4 million sqm of letable space at the end of the 2005/06 Business Year are concentrated primarily in the developed property markets of Central and Eastern Europe. They also cover the various sectors of the property market – from residential and office buildings to commercial and logistics facilities.

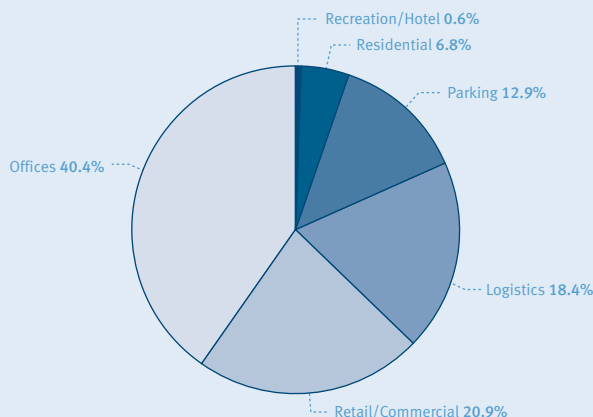
REGIONAL DISTRIBUTION OF LETABLE SPACE

As of 30.4.2006



SECTOR DISTRIBUTION OF LETABLE SPACE

As of 30.4.2006

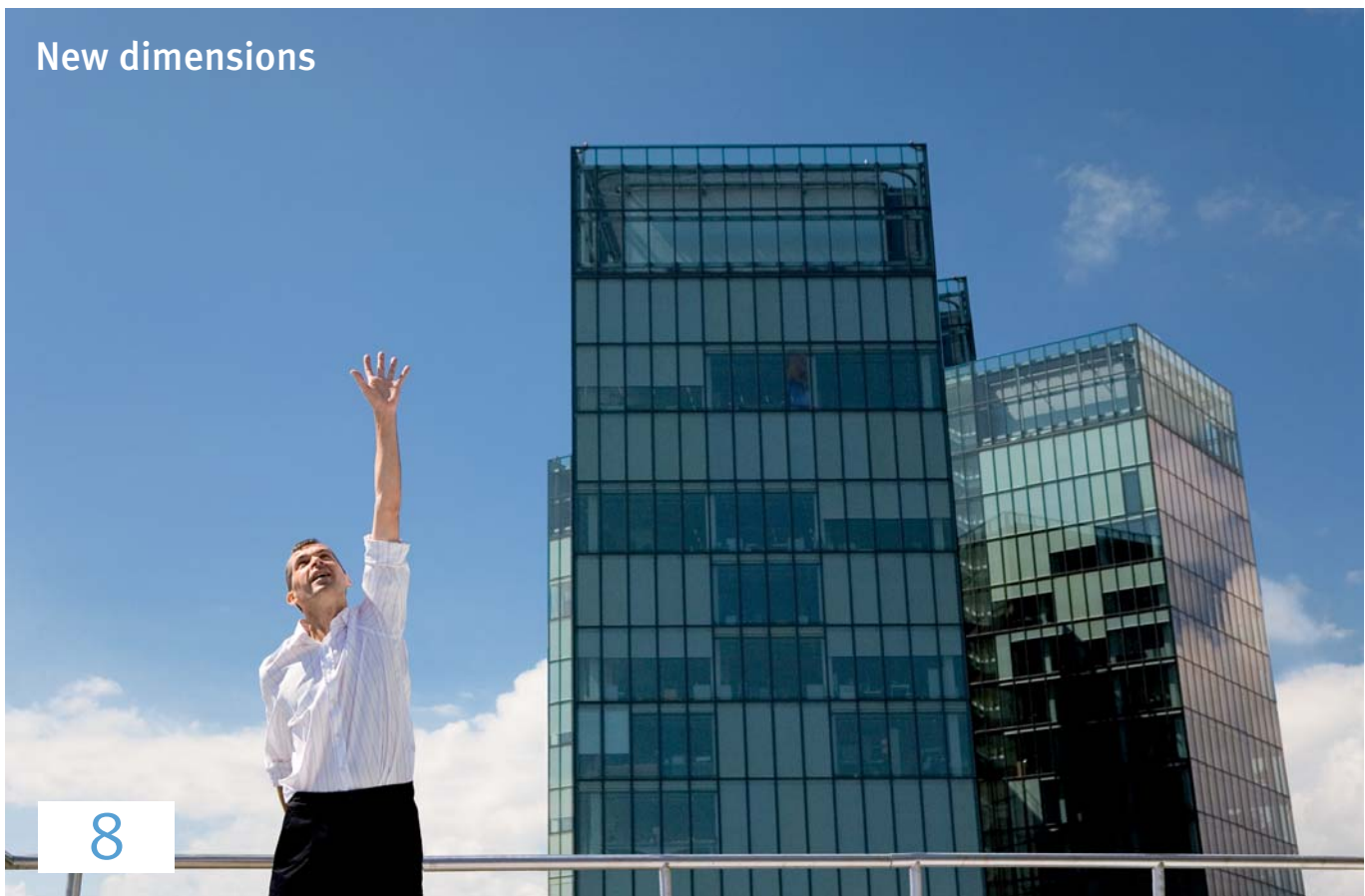




All the facts at a glance



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At home on the world's most attractive market

IMMOEAST reached a new dimension during the 2005/06 Business Year: EUR 1.06 billion was invested in the expansion of the property portfolio.

M

ost companies are especially proud of their accomplishments when they do well in a particularly difficult business climate. But for these companies as well as their shareholders, the best situation is a sound market environment – and exactly that was the case for IMMOEAST during the 2005/06 Business Year. The market showed extremely positive development in all respects, and this favourable situation provided optimal support for the growth and diversification strategies of IMMOEAST. As a result, the company was able to significantly expand the volume of business and record a substantial improvement in earnings.

The real pace of this business development and earnings growth is demonstrated by the fact that not a single balance sheet indicator failed to show a triple-digit increase for the reporting year. The fair value of the property portfolio rose nearly threefold from EUR 649 million to EUR 1.93 billion. The number of objects doubled from 58 to 116, and letable space soared 99% to 1.4 million sqm. Investments exceeded the billion-mark with a plus of EUR 1.06 billion, which is nearly triple the 2004/05 figure of EUR 341.9 million. Revenues also increased by a substantial amount, rising 215.0% above the prior year level of EUR 25.4 million to EUR 80 million. However, this strong growth only include several months of revenues from objects acquired during the course of the reporting year, and no revenues at all from the many projects that are currently under development. EBIT rose to EUR 156.3 million, which corresponds to an increase of more than 367%.

This excellent growth in the business activities of the company as well as the generally positive climate on capital markets and the inherent potential for an increase in value was also reflected in the development of the IMMOEAST share. With a performance of 22.32%, our shareholders were able to enjoy extraordinarily good results that also clearly exceeded the targeted long-term return.

In past years and also at the start of the reporting period, the IMMOEAST strategy led to the creation of structures that permit the optimal use of favourable market trends. These efforts paid off in full during 2005/06: a broad-based presence on the most important submarkets, a first-class asset management team and sufficient capitalisation.

The funds required for the wide-ranging expansion of IMMOEAST were raised through a capital increase, which was carried out in two segments during June and July 2005. This transaction brought the company a total of EUR 1.13

billion to finance the extensive new investments and commitments arising from long-term projects. The rapid implementation of this investment programme was managed by the IMMOEAST asset management team – which is comprised of 30 leading specialists on Central and Eastern Europe, and holds an exceptional position among the listed property companies active in the region. The 2005/06 Business Year saw the completion of an average of one transaction each week, where financing was structured, the complex legal challenges coupled with property markets in Central and Eastern Europe were mastered and price negotiations were brought to a successful conclusion. This demonstrates clearly why capital alone does not guarantee success on the booming property markets in the east, and also explains why a growing number of large international property companies are turning to investments in IMMOEAST shares instead of acquiring direct holdings in these promising but certainly not uncomplicated regions. IMMOEAST has worked hard to establish a presence in the most important country markets

Karl Petrikovics,
Chief Executive Officer



Norbert Gertner,
Member of the Executive Board



and property sectors over a period of many years. That, in turn, has formed the requirements for the successful utilisation of attractive investment opportunities in all sectors as well as broad-based expansion and the resulting minimisation of risk.

IMMOEAST also used this strong growth to further optimise the structure of the portfolio. In keeping with the company's long-term strategy to first invest in new markets through holdings in other companies and only then become active through direct investments, the reporting year saw an increased changeover to direct acquisitions, above all in the established markets of Hungary, the Czech Republic, Poland and Slovakia, but also in Romania. This geographical presence was expanded in 2005/06 through the market entry of IMMOEAST into Bulgaria (through a joint venture with the leading local property developer) and the Baltic States (through a joint venture with Grainger, a British property group, and a well-known local partner) IMMOEAST is also building up a presence in the Balkans, in particular Serbia, through a minority stake in Global Finance, a specialist on South-eastern Europe.

The start of activities in the Baltic States also marked the first step in a highly promising residential market, which will form an increased focus of activities for IMMOEAST in the coming years. These new investments led to a reduction in the office component of the IMMOEAST portfolio, while the retail and logistics sectors have gained in importance.

The property markets of Central and Eastern Europe will also provide excellent opportunities over the coming years, and IMMOEAST intends to utilise these opportunities to the greatest extent possible. During the reporting year, work continued at a rapid pace to prepare for further major acquisitions. The investment pipeline contained an enormous EUR 5 billion in projects as of the balance sheet date. These projects will now be "processed" quickly with the funds raised through the EUR 2.75 billion capital increase that was carried out after the end of the reporting year. The success of this transaction – which represents the largest capital market venture ever taken by a listed property company in Europe – was due to the profitable development of business operations as well as enormous interest in the IMMOEAST share on Austrian and international capital markets. As of the copy deadline for this annual report, two months after the start of the 2006/07 Business Year, contracts had been signed and negotiations were in the final stages for projects totalling EUR 4.8 billion. The prospects are therefore excellent for realising the EUR 5 billion investment programme that was planned for 2006/07.

The prospects for the regional market are also good. The EU member states in Central Europe will continue to record much higher growth rates than the "old" EU countries. Romania and Bulgaria are experiencing an enormous boom in advance of their expected accession to the European Union at the beginning of 2007, the countries on the territory of the former Yugoslavia are profiting from their candidate status and Russia is one of the big winners from the dramatic rise in energy prices. These macroeconomic factors have provided substantial momentum for the property market, and growing political stability in large parts of the region has lowered the risk for investors. This combination of positive factors will ensure the realisation of current forecasts by numerous experts over the mid-term: Central and Eastern Europe is the most attractive property market in the world. And the prospects for IMMOEAST to maintain and expand its leading position are also excellent.



Norbert Gertner
Member of the Executive Board



Karl Petrikovics
Chief Executive Officer



H, Nyíregyháza (from the Stop Shop Portfolio)



CZ, Prague, Panská (from the CSOB Portfolio)



New dimensions

IMMOEAST set numerous milestones during the 2005/06 Business Year – a series of strategically important investments led to a threefold increase in the volume of the portfolio and further diversified the regional and sector distribution of properties.





When IMMOEAST nearly tripled its equity in June/July 2005 with a capital increase that totalled roughly EUR 1.13 billion (see page 26ff for detailed information), it was clear that the course

for the 2005/06 Business Year would be set on growth. The following months brought a number of major investments that moved the company into new dimensions. Of special note are the acquisitions that not only stand out because of their size, but also because they pave the way for IMMOEAST to enter new markets.

Stop Shop: specialty shopping centres for the entire region

A special highlight of the reporting year was the acquisition of the Hungarian Stop Shop chain with a portfolio that included 12 locations – with three completed – at the time of purchase. Since the completion of this initial transaction, six centres have opened for business, four will be completed during 2007 and 10 are planned for 2008. And that is only the first step: this unusually successful concept – the completed facilities are almost fully occupied – will not only be implemented in Hungary, where a total of 20 locations will be built, but preliminary negotiations have started in a number of other countries for the construction of Stop Shop centres. Plans call for ten objects in the Czech Republic and 20 each in Poland and Romania. The investment in this product line is scheduled to total EUR 1.4 billion, and will give IMMOEAST an excellent opportunity to gain a leading position in this rapidly growing market segment.

In developing these businesses, IMMOEAST will be able to rely on the many years of experience gained by its parent company IMMOFINANZ at more than 100 specialty shopping centres and similar facilities in Austria. Long-standing cooperation with international

retail chains in the IMMOFINANZ specialty shopping centres, which frequently realise their eastern expansion together with Stop Shop, will help to ensure an excellent level of pre-letting and optimal utilisation.

Tallinn: entry into the residential market

In June 2005 IMMOEAST founded a joint venture together with the British residential construction giant Grainger and NPC, a local partner, for the construction of apartment complexes in the Baltic States. This project is new for IMMOEAST in many respects: it represents the first investment in the booming Baltic Republics as well as the first major transaction in the residential sector. In contrast to most other IMMOEAST projects, these properties will not be held over the long-term, but sold as condominiums during the construction phase. This strategy reflects the current situation on the housing market in the new EU member states, where there is virtually no interest in premium rental apartments but extremely high demand for top quality condominiums.

The first project started by the joint venture is a housing complex in the Estonian capital city of Tallinn. It involves the construction of 52 buildings with a total of 805 apartments at a well-planned site in Haabersti, one of the most attractive residential districts in Tallinn. Completion will take place in several stages over a period of two years. Further projects with up to 2,000 units are currently in preparation.

Poland: modern shopping centre

The Silesia City Center in Katowice, the heart of the booming Slask region, was fully acquired in autumn 2005. This shopping centre, in which IMMOEAST purchased a stake of 10% one year ago, is impressive not only because of its size with 127,000 sqm, but also

Start of business in Bulgaria

because its modern concept is expected to set a new trend for the entire Polish market. The design is based on shopping malls in the USA, and has attracted numerous leading international retail chains and brand shops as tenants – a mix with a level of quality that is only a dream for many shopping centres in the west.

The Silesia City Center has already gained broad recognition among experts. At the Central & Eastern European Real Estate Quality Awards, the facility won prizes in the categories “Retail Development of the Year 2005” and “CEE Outstanding Development of the Year”.

The acquisition of the Silesia City Center, the largest single investment by IMMOEAST to date with a total volume of EUR 170 million, also marked the start of cooperation with the TriGranit Group, one of the best known developers in the region. This group subsequently acquired the Polus City Center in Bratislava and, after the end of the reporting period, a 25% stake in the Lakeside project.

IMMOEAST entered the market in Bulgaria during June 2005 with the purchase of a stake in Prime Property BG, a leading local real estate company. The transaction also includes an option to acquire a direct majority stake as a co-investor in all large projects carried out by Prime Property BG. This will allow IMMOEAST to invest selectively in the most attractive projects and thereby significantly increase the opportunities for a higher return.

Bulgaria represents one of the most important growth markets in the region and promises an enormous potential for the coming years. The country will most probably join the EU at the beginning of 2007 and has already profited from the economic boom experienced by neighbouring Romania. Estimates call for Bulgaria to comprise a share of 3% in the IMMOEAST portfolio over the mid-term.



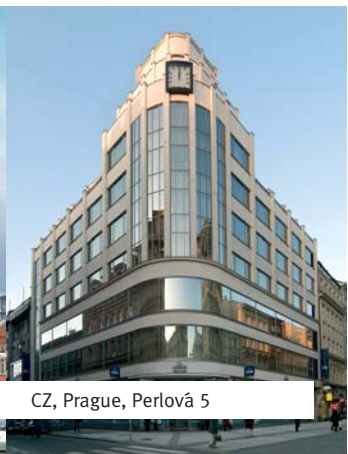
H, Érd (from the Stop Shop Portfolio)



EE, Tallinn, Haabersti



PL, Katowice, Silesia City Center



CZ, Prague, Perlová 5



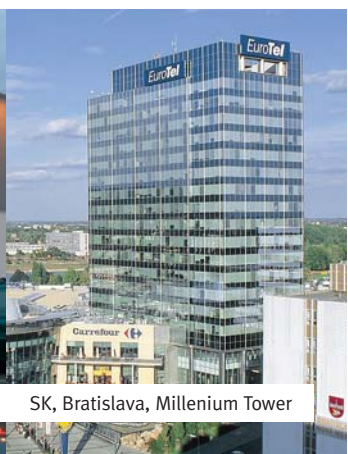
BG, St. Vlas, Sunny Beach



RO, Constanta Harbourside



RUS, Moscow, Hyper Center



SK, Bratislava, Millenium Tower

Prague: inner city portfolio with 53,000 sqm

The acquisition of a portfolio with seven objects at top locations in the centre of Prague was not one of the largest, but certainly one of the most outstanding transactions of the reporting year because of the unique character of these properties. The office buildings were acquired together with a local developer and have 47,000 sqm of lettable space, which will be expanded to slightly more than 53,000 sqm in the coming years.

The seller was CSOB, a major bank, which will use the buildings up to mid-2007. After the bank relocates, the objects will be completely renovated to include offices as well as retail space, a hotel and apartments. These properties are truly distinctive, and it is virtually impossible that a comparable portfolio of first-class objects in the city centre of Prague will be offered for sale in the near future.

Overview of further acquisitions



PL, Warsaw, IO-1

POLAND: MISTRAL AND IO-1

The Mistral office building in Warsaw, which has 19,600 sqm of lettable space, was acquired for roughly EUR 30 million in March 2006. In addition, the IO-1 development project with 30,000 sqm of lettable space was purchased in summer 2005. It is located in the booming Mokotow business district, and completion is scheduled for the end of 2006 at a cost of nearly EUR 36 million.



RO, Bucharest, Pipera Center

ROMANIA: IRIDE, BUCHAREST CORPORATE CENTER, PIPERA, HARBOURSIDE

The IMMOFINANZ flagship in Bucharest, the IRIDE Business Park, was expanded to 87,000 sqm and the construction of additional buildings will bring the total capacity to significantly more than 150,000 sqm. Other acquisitions included the Pipera Center office complex (23,000 sqm) in July 2005 and the Bucharest Corporate Center (14,400 sqm) in spring 2006 as well as the Harbourside development project in Constanta, the second largest city in Romania.



H, Budapest, Shark Park

HUNGARY: SHARK PARK AND CAMEL PARK LOGISTICS OBJECTS

Two extremely attractive logistics objects were acquired in Budapest.

Shark Park (21,000 sqm) and Camel Park (32,000 sqm) are both parts of the Eurobusiness Park, and are rented on a long-term basis to first rate international companies. IMMOEAST also acquired the new Greenpoint 7 office building (22,000 sqm) in Budapest.



CZ, Prague, Park Hostivar

CZECH REPUBLIC: AIRPORT BUSINESS CENTER, PARK HOSTIVAR

In June 2005 IMMOEAST also acquired the Airport Business Center (15,300 sqm), which is

rented on a long-term basis to well-known companies. In addition, the stake in the fully let Park Hostivar shopping centre was increased from 50% to 100%.



SK, Bratislava, Polus City Center

SLOVAKIA: POLUS CITY CENTER

The Polus City Center in Bratislava, which has 100,000 sqm of lettable space (offices and retail areas), was acquired in

December 2006. It represents the largest single investment made by IMMOEAST to date, with a volume of more than EUR 200 million. Together with the neighbouring Lakeside project, which was acquired after the end of the reporting year, this location will become the largest office quarter in the Slovakian capital with 200,000 sqm of space. In addition, IMMOEAST also purchased a number of specialty shopping centre projects from the Big Box portfolio.



Growth creates security

The IMMOEAST Executive Board, CEO Karl Petrikovics and Norbert Gertner, on the company's expansion and diversification strategies, long-term goals, realistic outlook for returns and the opportunities available on the property market in Central and Eastern Europe – and on some things that are better left alone.



“We are focusing on the region formed by Central, Eastern and South-eastern Europe. That is where we have extensive know-how, the best contacts and an outstanding reputation on the market.”

IMMOEAST tripled its property portfolio during 2005/06, and growth is expected to match this pace in 2006/07. Doesn't that make you nervous?

Petrikovics: Of course not. IMMOEAST always was, and still is, a conservative investor with a strong focus on security, and will remain true to this orientation in the future. Our growth course is well protected in every respect: we have the necessary financial base and an excellent reputation on the capital market; we have the staff and organisational structures to manage growth, and we move in a market whose dynamics are unique, at least in Europe. For these reasons, the growth of the company and its earnings also go hand in hand at IMMOEAST. I would only be worried if we didn't grow as fast as we do. Not only because we weren't making the best use of the opportunities provided by this historically unique market situation – the expansion of the EU – but because the next few years will belong to the big players and small investors will find it increasingly difficult to acquire attractive objects and development projects. In this situation, growth is not a risk but a necessity, and also the basis for security.

Again and again, you hear reservations that the market may not be able to support the many investments planned by IMMOEAST and its few large competitors.

Petrikovics: That is absolute nonsense and, if you stop and think, you will quickly agree. Just for comparison: over the past twelve months, commercial properties with a value of more than EUR 1 billion were sold in Vienna. And then there are the hundreds of millions of Euros that poured into development projects – and all this in a well-established market where there is hardly any unsatisfied demand. In Central and Eastern Europe, on the other hand, I can identify at least eight cities – Prague, Budapest, Warsaw, Bucharest, Sofia, Moscow, St. Petersburg and Kiev – that are comparable in size or larger than Vienna. If you add Bratislava, the capitals of the Baltic Republics and the successor states of ex-Yugoslavia, the major regional cities in huge markets like Poland or Romania, as well as Russia or Ukraine, then we are talking about roughly 50 markets that are interesting for international investors. And we are talking about markets that have an enormous pent-up demand in many respects. For example, the supply of modern office space in Budapest corresponds to only one-fifth of the volume in Vienna, and modern shopping centres, efficient logistics facilities and, of course, high-quality apartments are missing everywhere.

We are therefore at work in a market, where hundreds of billions of Euros will be invested during the next decade. Our own plans, which call for investments of EUR 5 billion in 2006/07, are admittedly very ambitious, but I can guarantee that we do not have any problems finding attractive investment opportunities. Of course, this reassuring situation is also a result of our large and extremely qualified asset management team, which is continuously on location in

these markets, enjoys excellent contacts and has built up a large pipeline of interesting properties and projects in recent months. When some of our competitors try to manage this type of business from a desk in their own headquarters, of course they have a problem.

What type of investment strategy will the company follow in the future? Will IMMOEAST basically continue to follow its previous policies, or can we expect some structural changes?

Petrikovics: The developments that characterised in 2005/06 will certainly continue. The average size of our investments will tend to increase, and we will focus primarily on large projects and the purchase of entire portfolios. The share of office properties will become smaller, while retail and logistics space will gain in importance. The same is true for the share of residential properties, but in this area we are starting from a much lower level. We also plan to make greater use of the advantages provided by our association with IMMOFINANZ. One good example is the Stop Shop specialty shopping centre group: the international retailers that make up the majority of the tenants in these facilities have rented space in the specialty shopping centres owned by IMMOFINANZ in Austria for many years. These corporations have come to know us as a competent partner, and therefore select Stop Shop for their eastern expansion. For this reason, we are planning to construct a total of 70 Stop Shop centres in the group's Hungarian home country and subsequently expand into the Czech Republic, Poland and Romania.

From a geographical point of view, the EU countries will remain our primary market, but the highest growth rates will be found in the new accession countries such as Romania and Bulgaria. In the attractive, but somewhat riskier markets like Russia and Ukraine, we will increase our activities, but still continue to follow a relatively conservative approach.

Will IMMOEAST also enter new country markets?

Petrikovics: We are slowly but surely running out of countries. Our map still has a few “white spots” in Ex-Yugoslavia and individual Baltic States, but these markets are comparably small and will never be very important for us. On the other hand, we will certainly not invest in markets outside Central, Eastern and South-eastern Europe. Why? That region is where we have extensive know-how, the best contacts and an outstanding reputation on the market. And that



“IMMOEAST has set a target of roughly 10 to 12% for annual performance, and I am confident that this range will also be realistic in the future.”

is where we have access to the best objects, where we understand every facet of every submarket and, as an Austrian company, have close historical ties throughout the area. We can manage the mentality very well and have numerous employees from these countries, which give us key advantages over our competitors. If, on the other hand, we were to enter completely unknown markets, we would not have the same advantages and would not be able to generate the same above-average level of returns – even if these markets are highly interesting. For this reason, we have decided to avoid investments in countries like Turkey, also where if they are close to the borders of the new Europe.

Speaking of above-average returns. What can shareholders expect in the coming years?

Gertner: The bad news is that the past business year – when the performance of the IMMOEAST share reached 22.32% – will remain an exception. Here, all factors fit perfectly for a conservative property company to realise absolutely sensational gains: the stock markets generally remained on an upward trend, shares with an eastern focus were in great demand and IMMOEAST recovered from a significant undervaluation in comparison to other property companies. The good news is that the outlook for steady and sound

returns is excellent. The inherent value of the IMMOEAST share, the so-called net asset value per share, totalled EUR 8.39 as of the balance sheet date and has continued to rise since that time. The valuation of the stock is also very fair. IMMOEAST has set a target of roughly 10% to 12% for annual performance, and I am confident that this range will also be realistic in the future.

Will the declining returns on property markets in Central and Eastern Europe have a negative impact on stock market returns?

Gertner: Not necessarily. On the one hand, the recent returns on stock markets were far above the benchmarks. On the other hand, there is still a sizeable difference in returns compared to cities in the west, and therefore still sufficient potential for an increase in value. In addition, the

high pace of economic growth in these countries will lead to an increase in rents, particularly at good locations. IMMOEAST also profits to a great extent from the fact that it was able to secure a number of particularly attractive objects many years ago, which can now be sold at favourable conditions. For example, the IRIDE Business Park, which originally had 55,000 sqm and is now being expanded to include more than 87,000 sqm – and the subsequent increase in value for properties in this district has made returns particularly attractive. The market conditions are excellent, IMMOEAST is well organised and our stock is fairly valued. You don't have to be a confirmed optimist to see this situation, and then take a relaxed look at the future.

A full pipeline

The steady growth of IMMOEAST has been supported by the timely development of a pipeline with attractive projects for future development. At the end of the 2005/06 Business Year, preparations had been completed for investments totalling EUR 5.8 billion.



The strong development of the IMMOEAST portfolio can be summarised in three simple figures: EUR 649 million as of the 2004/05 balance sheet date, EUR 1.93 billion as of the 2005/06 balance sheet date and more than EUR 6 billion at the end of the 2006/07 Business Year. No doubt an ambitious goal for this new year but, as a matter of fact, the foundation for this expansion was laid during the reporting period.

The long-range development of a project pipeline is becoming more and more important because the substantial increase in the average volume of individual investments has been matched with a parallel increase in the length of time required to evaluate and prepare these transactions. IMMOEAST had readied projects totalling EUR 5 billion before the balance sheet date on 30 April 2006, which will now be completed in rapid succession. During the first two months of the new business year, a number of major steps were taken to reach this goal:

- EUR 2.25 billion or 39% of these projects had already been signed by this time or contractually secured through forward purchases, investments in established developments, acquisitions of shares in existing joint venture projects, etc.

- EUR 2.58 billion or 45% of the projects were in the final stage of negotiations or due diligence audits. Letters of intent or similar agreements have been signed for all these investments, and IMMOEAST will be the only partner for follow-up negotiations.

- EUR 930 million or 16% of the planned investments have already been approved by the Supervisory Board.

In addition to the previous core markets of Poland, Hungary, the Czech Republic, Romania and Slovakia, investments will also be made in Russia, Ukraine and Bulgaria as well as the former Yugoslavian states of Slovenia, Croatia and Serbia. Roughly 49% of these properties will make an immediate contribution to cash flow, and the remaining 51% represent profitable development projects.

This broad-based investment activity also plays an important role in strengthening the earning power of IMMOEAST. Independent analyses by leading investment banks confirm that the company has regularly been able to acquire properties at prices below current market levels, and that forms the basis for a sizeable increase in value.

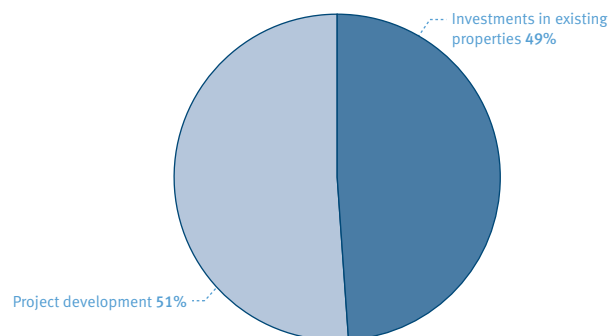
A substantial increase in value was also recorded during the 2005/06 Business Year, with the value of the property portfolio rising by nearly 200% or, in absolute numbers, by a total of EUR 1.28 billion. The revaluation of properties resulted in a gain of EUR 116.9 million, which corresponds to a plus of 7.4% based on the Group's direct investments.

INVESTMENTS IN 2006/07

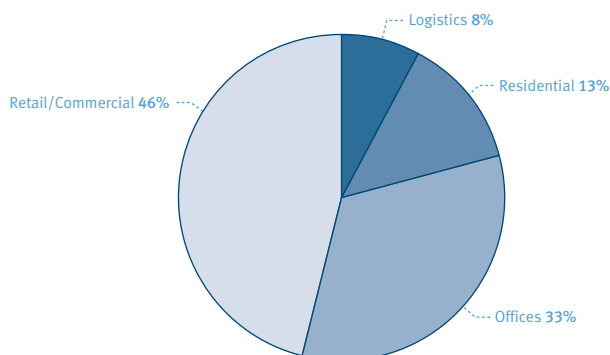
CATEGORY	EUR BILL.
Contracted investments/projects	2.25
Investments/projects under due diligence or negotiations	2.58
Investments/projects approved by the Supervisory Board	0.93
Investment pipeline 2006/07	5.76

This growth in value reflects the positive development of property markets in Central and Eastern Europe. The average returns have shown a significant decline in recent years – for example, the return on first-class office buildings in Prague fell to 6.9% and in Budapest to 6.8%, which means property prices have increased.

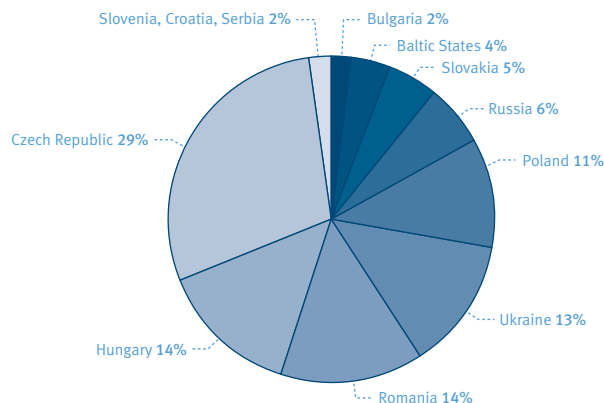
INVESTMENTS IN 2006/07



SECTOR DISTRIBUTION OF INVESTMENTS IN 2006/07



REGIONAL DISTRIBUTION OF INVESTMENTS IN 2006/07



This is how IMMOEAST properties are valued

In determining the fair value of the property portfolio, IMMOEAST follows exact guidelines that guarantee objective appraisals. All valuations are prepared in accordance with the fair value method defined in IAS 40, which is also recommended as a Best Practices Policy by the European Public Real Estate Association (EPRA), an organisation of property companies in Europe. Properties are shown at fair value, and the increase in value is also included on the balance sheet and income statement.

THIS PROCEDURE MAKES CERTAIN THAT THREE MAIN GOALS ARE MET:

- Correct presentation of the company's business position: The use of fair value allows IMMOEAST to present the total results for a year, which are made up not only of rental income but also the increase in the value of the property portfolio.
- Comparability between reporting years: The valuation criteria represent long-term standards. That makes it easy to compare the company's financial statements over a longer period of time.
- Comparability with other listed property companies: IMMOEAST bases the valuation of its property portfolio on the recommendations issued by the European Public Real Estate Association (EPRA). These standards make it possible to compare the results of all major property companies.

The properties in the IMMOEAST portfolio are appraised individually – and each year – by outside special-

lists. Most of the objects are valued by an independent committee of three court-certified experts. The remainder are valued by well-known international property companies (CB Richard Ellis, Knight Frank and others).

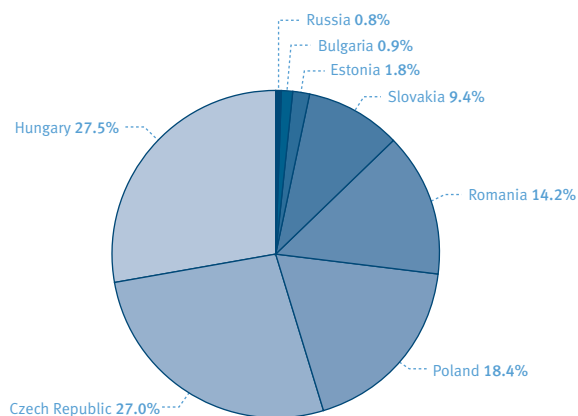
This appraisal is generally based on the discounted cash flow method, which meets the basic requirements of international valuation standards. Under this method, gains expected in the future (in the form of cash flows) provide the basis for determining fair value. Gains expected in the near future are weighted more heavily, while gains realised at a later date carry a lower weighting – which is reflected in the use of so-called “discount factors”. Additional opportunities for increasing value are reflected in premiums, and risks are included through markdowns.

The discount factors used in the valuation are determined by the experts, and vary for the different property sectors and countries.

The figures reached by the three experts are compared at meetings of the Valuation Committee, and discussed to reach a common fair value for each and every object. The combined value of the individual appraisals, in turn, corresponds to the value of the property portfolio. The fair value of the portfolio plus other assets owned by the company, less borrowings from outside sources, equals the net asset value (NAV) of IMMOEAST. Dividing this figure by the number of shares issued by the company shows the “real value” of the IMMOEAST share.

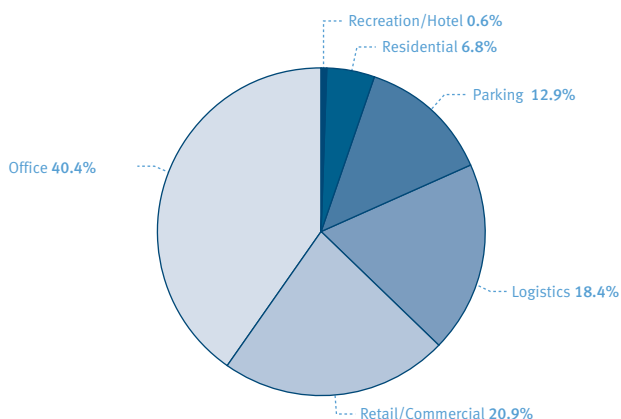
REGIONAL DISTRIBUTION OF LETABLE SPACE

As of 30.4.2006



SECTORAL DISTRIBUTION OF LETABLE SPACE

As of 30.4.2006



The fair value of a property is determined on the basis of two components – rental income and the normal returns for property investments on the particular sub-market. An increase in fair value can result from higher rental income as well as declining returns.

EXAMPLE:

A property generates annual rental income of EUR 1 million, and the market return is 8%. That means the rental income represents 8% of the fair value of the property. Therefore, the fair value equals EUR 12.5 million.

In the following year, rental income increases 2% to EUR 1.02 million but the market return declines to 7.5%. That means the rental income represents 7.5% of the fair value of the property, and the fair value equals EUR 13.6 million.

Since IMMOEAST only concludes indexed leases that call for an annual adjustment in rents based on the development of inflation, this leads to an “automatic” increase in rental income that, in turn, also increases the fair value of the properties. When market developments are favourable and new rental agreements can be concluded at higher prices, this effect is intensified.

Active portfolio management also plays an important role in increasing the value of properties. Routine measures include actions to reduce vacancies as well as the expansion of lettable space and the optimal utilisation of opportunities to generate additional earnings. Here IMMOEAST can also profit from its cooperation with two subsidiaries of Constantia Privatbank, the CPB brokerage firm and IMV facility management company, both of whom have significantly strengthened their presence in Central and Eastern Europe during recent years.

Numerous sales completed in 2005/06 have shown that the valuations of IMMOEAST properties are not only realistic, but conservative. One impressive example is the sale of the Europe Tower in November 2005. When this 34,500 sqm building at a prime site in Budapest was acquired during the project stage in autumn 2004, plans called for it to become the new IMMOFINANZ flagship in Hungary. However, the Europe Tower was fully rented before completion and subsequently sold at a high profit of roughly 20% over the acquisition cost at that time.



A strong team

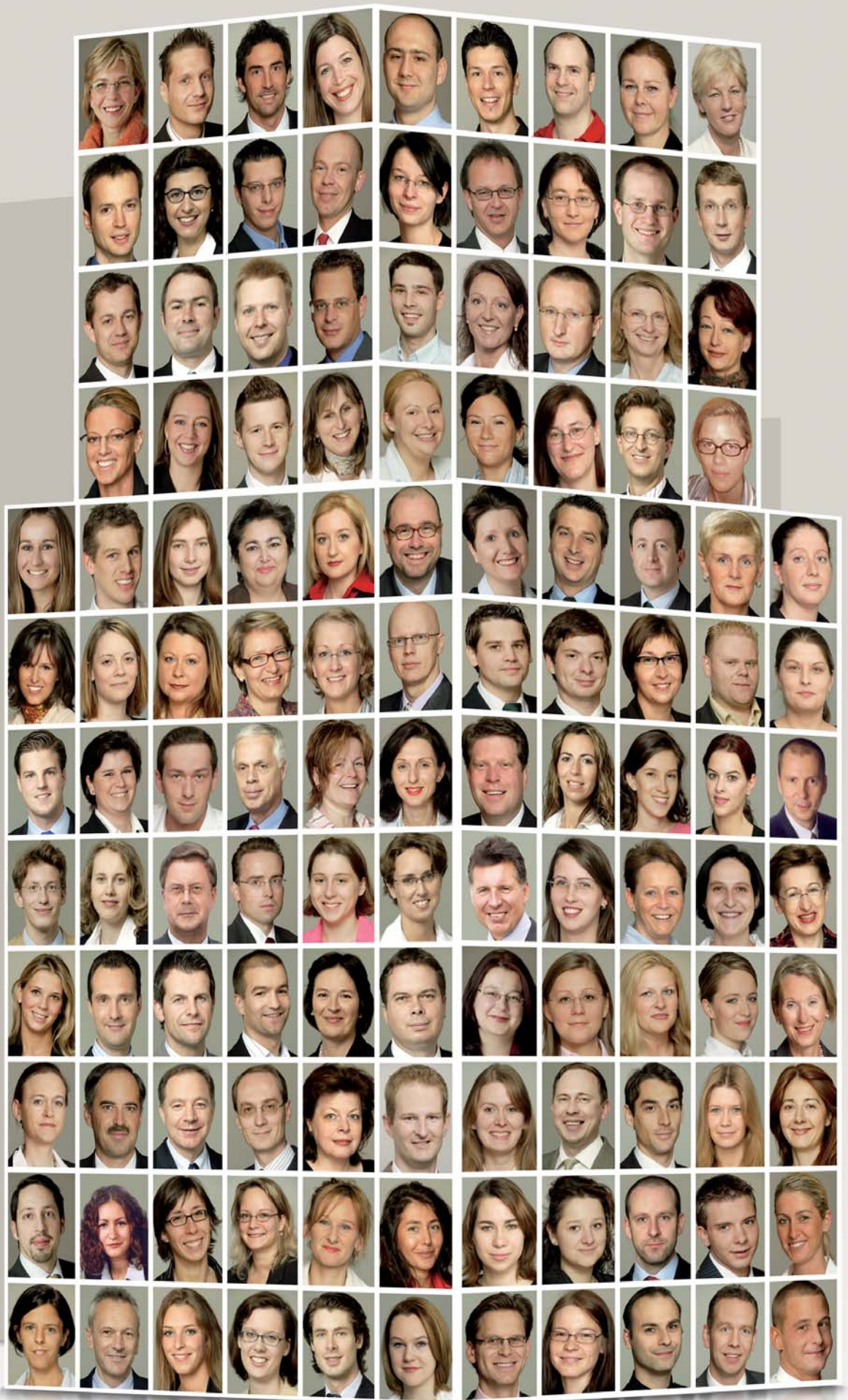
The management contract with Constantia Privatbank and the large number of first rate specialists placed through this contract have made the IMMOEAST asset management team a decisive success factor for the company. These men and women are the guarantee for direct access to the most attractive and profitable investments, and set the stage for the company's growth in all areas of business.

The direction of business and the management of IMMOEAST and its parent company IMMOFINANZ have been handled by Constantia Privatbank since the founding of these two companies. IMMOEAST does not have a separate staff – employees of Constantia Privatbank work for the company.

The contract covers general management, asset management, controlling and accounting, financing and investments, marketing, legal services and all administrative activities such as the call centre, secretariat etc. In total, roughly 150 employees of Constantia Privatbank work for IMMOEAST within the framework of the management contract. The services performed by Constantia Privatbank are covered by a flat-rate management fee that equals 1% of new

investments plus 0.6% of the portfolio objects at the beginning of the year, whereby this latter component is linked to the consumer price index.

This close cooperation is especially useful in financial areas where Constantia Privatbank, the leading private bank in Austria, has developed extensive resources and built up wide-ranging experience. Experienced specialists are responsible for the accounting, controlling and financing (corporate finance) functions as well as the treasury department, which handled the investment of liquid funds that rose briefly to EUR 3 billion after the capital increase in June 2006. The legal department of Constantia Privatbank, which has compiled extensive know-how in the area of property law in Central and Eastern Europe, guarantees the correct legal handling of all IMMOEAST transactions.





The IMMOEAST team

According to a popular saying in the real estate business, the three decisive success factors for a property are “location, location, location”. Translated for property companies, “know-how, know-how, know-how” would be a better expression of the most important requirement for long-term success. And this is particularly true for business activities in a market that is growing as rapidly and often remains as complex as Central and Eastern Europe.



All management functions are handled within the framework of a comprehensive management contract with Constantia Privatbank. In recent years, Constantia Privatbank has developed and expanded its staff of highly qualified specialists for the property markets in this region. This internationally recognised team provides IMMOEAST with a key competitive advantage over other firms through its size, experience and contacts in the multi-faceted property markets of the east. Alone the asset management group – the department responsible for new investments and the development of the property portfolio, has more than 30 employees – which is more than any other property company active in the region.

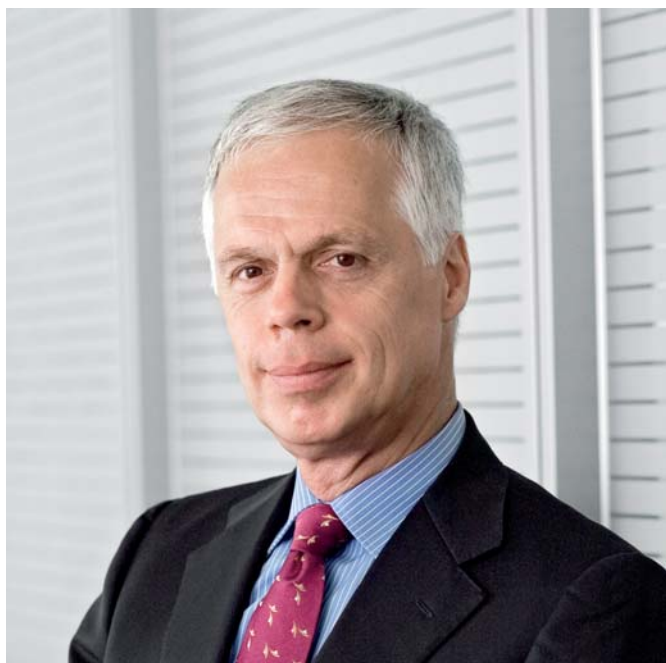
Experienced specialists in every field

Asset management activities are divided into four groups, which focus on different countries or regions and areas of business. The group headed by Günther Bukor is active primarily in the field of direct property investments in countries outside the EU, while Peter Oesterle's staff is responsible mainly for direct investments in the EU and Edgar Rosenmayr and his team manage investments in other companies and joint ventures.

Each of these three team leaders has many years of experience in the countries where IMMOEAST is active and is one

of the best known experts in his field. The fact that the company has also developed an organisation of highly qualified employees from Central and Eastern Europe represents an additional advantage.

A new group headed by shopping centre expert Walter Wölfler is in charge of the rapidly growing retail segment. These specialists are responsible for centre management activities as well as the further development of the increasing number of shopping centres and specialty shopping centres owned by IMMOEAST.



“The emerging markets of today are the established markets of tomorrow. For this reason, investments outside the EU are particularly important for the growth of the company over the mid-term. The basis we establish in these markets will form the starting point for the development of a leading position over the long-term.”

Günther Bukor



“Hungary and the Czech Republic are absolute “home countries” for IMMOEAST. These markets are characterised by excellent development and our expansion into new fields of business – such as the Stop Shop chain – will give us an enormous potential for growth in the future.”

Peter Oesterle



“Together with well-known local partners, we work to develop new and particularly profitable areas of the property market. The best example is the booming residential sector, which is expected to generate high returns in the coming years.”

Edgar Rosenmayr



“Central and Eastern Europe are a paradise for shopping centres. Disposable income is rising rapidly throughout the region, and the population is turning its attention to consumption and higher quality. Well-managed shopping centres in these countries can generate returns that are not possible anywhere else in Europe.”

Walter Wölfler

However, the cooperation with Constantia Privatbank extends far beyond the framework of the management contract. IMMOEAST relies increasingly on the services provided by Constantia Privatbank subsidiaries, especially for rentals and building management – and that adds considerably to the fast rental and optimal utilisation of the properties in the portfolio.

CPB Immobilienreuehand GmbH, a subsidiary of Constantia Privatbank, operates branch offices in Budapest, Prague, Bratislava and Warsaw and will start activities in Bucharest

at the beginning of 2007. In addition to numerous local brokers, CPB also works for IMMOEAST and plays an important role in the quick rental of objects. The cooperation with another Constantia Privatbank subsidiary, IMV-Immobilien Management und Verwaltung GmbH, also represents a major advantage for IMMOEAST. IMV is the largest facility manager in Austria, and is present in four countries in Central and Eastern Europe. This firm guarantees the same high international standards in building management wherever it is active, a situation that has not always been seen on eastern markets in the past.

Growth and high returns

The development of business in 2005/06 and the record capital increase carried out shortly after the end of the reporting year made IMMOEAST a real heavy weight on the Vienna Stock Exchange and one of the largest listed property companies in Continental Europe. For shareholders, this growth was reflected through solid gains in the price of the IMMOEAST share.

It is really nothing unusual when a subsidiary “outgrows” its parent company. But the speed at which IMMOEAST has outpaced IMMOFINANZ is truly impressive. Only two and a half years after its initial public offering on the Vienna Stock Exchange, IMMOEAST can demonstrate a higher market capitalisation than IMMOFINANZ.

This strong growth was made possible by the substantial interest of investors in the IMMOEAST share, which supported major capital increases in June/July 2005 and May/June 2006.

12 Dec 03

The IMMOEAST IPO raises EUR 30.1 million; IMMOFINANZ continues to hold the majority of shares.

30 Apr 04

The fair value of the property portfolio reaches EUR 270 million.

1 Oct 04

IMMOEAST completes a successful capital increase with volume of EUR 192 million.

May 2006

IMMOEAST becomes one of the few Austrian companies to be included in the well-known MSCI World stock index

May/June 2006

IMMOEAST completes the largest capital increase of a European property company raising EUR 2.75 billion.

July 06

IMMOEAST is added to the GPR-15 index of the 15 most liquid property stocks in Europe.

30 Apr 05

The fair value of the property portfolio reaches a new high of EUR 649 million.

30 Apr 06

A period of strong growth raises the fair value of the property portfolio to EUR 1.93 billion.

Average annual

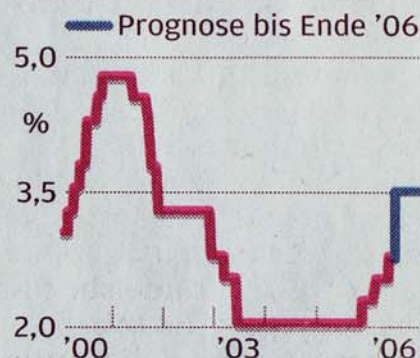
return after tax since the IPO: 18.48%;
2005/06 Business Year: 22.32%

June/July 2005

IMMOEAST places the largest capital increase of any listed property company in Austria to date with a volume of EUR 1.13 billion.

ATX	↗	1,22%
DAX	↗	0,24%
FTSE*	↗	0,01%
Stoxx 50*	↗	0,26%
Nikkei	↘	-1,45%

EURO-LEITZINSEN



US-LEITZINSEN



Finanzen & B

0 vs. US-\$ 1,2696



↗ Euro vs. Yen 146,631



↗ Euro vs. sFr 1,5683



The volume of the capital increase at the beginning of the 2005/06 Business Year totalled EUR 1.13 billion and represented the largest transaction of its kind by a listed Austrian property company to date. The issue was heavily oversubscribed and brokers were unable to fill the many orders, in particular from institutional investors.

Above-average performance in 2005/06

The capital increase was a full success for investors. During the 2005/06 Business Year, the IMMOEAST share recorded a performance of 22.32%. Since the initial public offering in December 2003, the IMMOEAST share has recorded an average annual performance of 18.48% and clearly outperformed all other Austrian property stocks during this period. Since IMMOEAST retains its earnings and does not distribute dividends (which are subject to withholding tax), performance is measured solely in the form of growth in the share price. And these gains are tax-free for private investors after the end of a one-year holding period.

KEY DATA ON THE IMMOEAST SHARE

	2005/06	2004/05	2003/04*
Equity as of 30.4. in EUR mill.	1,662.0	407.7	169.3
Number of shares as of 30.4. in mill.	222.4	59.3	29.6
Annual high in EUR	9.27	7.34	6.39
Annual low in EUR	6.91	6.14	6.10
Price at year-end in EUR	8.60	7.28	6.39
Market capitalisation as of 30.4. in EUR mill.	1,912.2	431.7	189.4
Stock market turnover in EUR mill.	2,717.4	197.9	23.3
Fair value as of 30.4. in EUR mill.	1,931.0	649.0	269.9
Earnings per share in EUR	0.76	0.96	0.39
Price/Earnings ratio as of 30.4.	11.0	7.5	16.6

* Start of trading on 12.12.2003

This exceptional performance during the reporting period was supported by a generally favourable climate on stock markets and the substantial interest of investors in companies with a focus on the east. Additionally, IMMOEAST recovered a large part of the undervaluation in comparison to other property companies that are active in this region. At the end of the 2005/06 Business Year, IMMOEAST traded near its net asset value (NAV), which reflects the “real” value of the share.

Capital increase with record volume

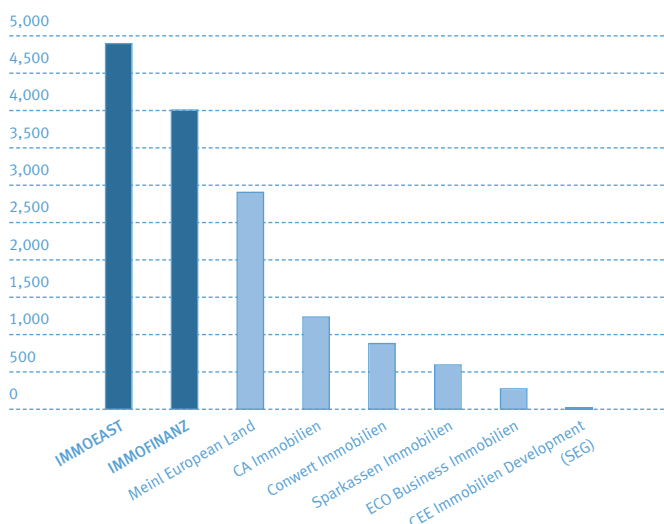
The capital increase carried out shortly after the end of the reporting year was roughly two and a half times as large as the IMMOEAST issue in early summer 2005. With a volume of EUR 2.75 billion, it not only represents the largest transaction of this kind by an Austrian property company to date but also the second largest capital increase ever carried out by an Austrian company. The issue also ranks well in international comparison – it is the largest capital increase ever carried out by a European property company.

The parent company IMMOFINANZ exercised its subscription rights for both capital increases, and continues to hold roughly 50.5% of IMMOEAST shares. The remaining 49.5% represent free float. Growth in the share price and the capital increase in May/June 2006 raised the market capitalisation of IMMOEAST to EUR 4.66 billion in July 2006.

These developments have made IMMOEAST one of the largest property companies in Continental Europe. Based on market capitalisation, IMMOEAST currently ranks seventh in Continental Europe. The IMMOFINANZ Group – IMMOFINANZ and IMMOEAST together – is rated number two.

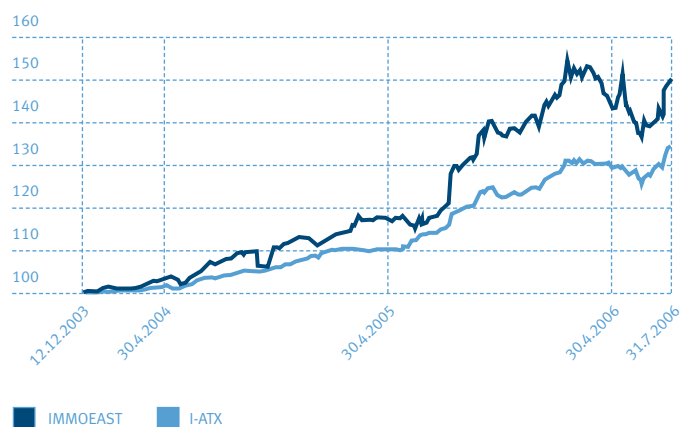
MARKET CAPITALISATION ON THE VIENNA STOCK EXCHANGE LISTED PROPERTY COMPANIES IN EUR MILL.

As of 31.7.2006



DEVELOPMENT OF SHARE PRICE: IMMOEAST VS I-ATX

From 12.12.2003 to 31.7.2006



MARKET CAPITALISATION AND WEIGHTING ATX PRIME MARKET

Weighted by free float as of 31.7.2006

STOCK	MARKET CAPITALISATION IN EUR MIL.
OMV	10,805
Erste Bank	10,464
Telekom Austria	6,634
Raiffeisen Int. Bank-Hldg	4,800
IMMOFINANZ	4,023
Voest Alpine	3,435
Verbundgesellschaft	2,860
Wienerberger	2,752
IMMOEAST	2,493
Wiener Städtische Allg. Vers.	2,394
Boehler-Uddeholm	2,086
Bank Austria Creditanstalt	1,480
Andritz AG	1,336

ANNUAL PERFORMANCE OF THE IMMOEAST SHARE

As of 30.4.2006 in %

PERIOD	AFTER-TAX RETURN	PRE-TAX RETURN (INV. SUBJECT TO WITHHOLDING TAX)
1 year	22.32%	29.76%
since IPO	18.48%	24.64%

TURNOVER IN THE PRIME MARKET SEGMENT OF THE VIENNA STOCK EXCHANGE, 1-6 / 2006

RANK	STOCK	MILL. EUR
1	OMV	12,239
2	Erste Bank	8,764
3	Telekom Austria	7,889
4	Raiffeisen Int. Bank-Hldg	5,112
5	Betandwin.com	4,890
6	Voest Alpine	4,215
7	Verbundgesellschaft	3,529
8	Wienerberger	2,576
9	IMMOEAST	2,565
10	Boehler-Uddeholm	2,479
11	IMMOFINANZ	2,226
12	Wr. Städtische	1,662
13	Andritz AG	1,402
14	RHI	1,037
15	Bank Austria Creditanstalt	880

Growing international interest

This steady increase in the position of IMMOEAST has led to the company's inclusion in a number of major stock indexes. In May 2006 it was added to the MSCI World, the most important global stock index. That makes IMMOEAST one of the selected group of Austrian shares that are represented in this highly regarded indicator. Even more "elite" is the GPR 15, the European property stock index, which added IMMOEAST to its exclusive circle at the beginning of July 2006. The GPR 15 includes the 15 most important property shares in Europe and, of this total, only eight companies are from Continental Europe. These two indexes represent an important tool for large institutional investors, who base their investment decisions heavily on such indicators. IMMOFINANZ is weighted at 9.4% in the GPR 15, IMMOEAST at 2.2%.

The growing importance of IMMOEAST for the capital market is also reflected in the strong development of stock exchange turnover. During the 2005/06 Business Year, IMMOEAST shares with a total value of EUR 2,717 million were traded on the Vienna Stock Exchange, which is 14-times larger than the volume in 2004/05. And the upward trend continues. Turnover for the first half of 2006 equalled EUR 2.56 billion, and exceeded the level recorded for the entire 12 months of 2005. That makes IMMOEAST one of the most liquid shares on the Vienna Stock Exchange. Based on turnover, the company ranks ninth ahead of well-known Austrian corporations like RHI, Andritz and Böhler-Uddeholm.

Investor Relations

In 2005/06 IMMOEAST increased its efforts to provide shareholders and potential investors with a wide range of information on the company. The IMMOEAST website at www.immoeast.at provides general information on business activities and the property portfolio as well as the latest news and press reports. A regular shareholders' newsletter (IMMOEAST Report) is designed to supply additional information, commentaries and analyses on the development of business. Investors also had an opportunity to gain first-hand information at a number of trade fairs (including the GEWINN trade fair in Vienna and Moneyworld).

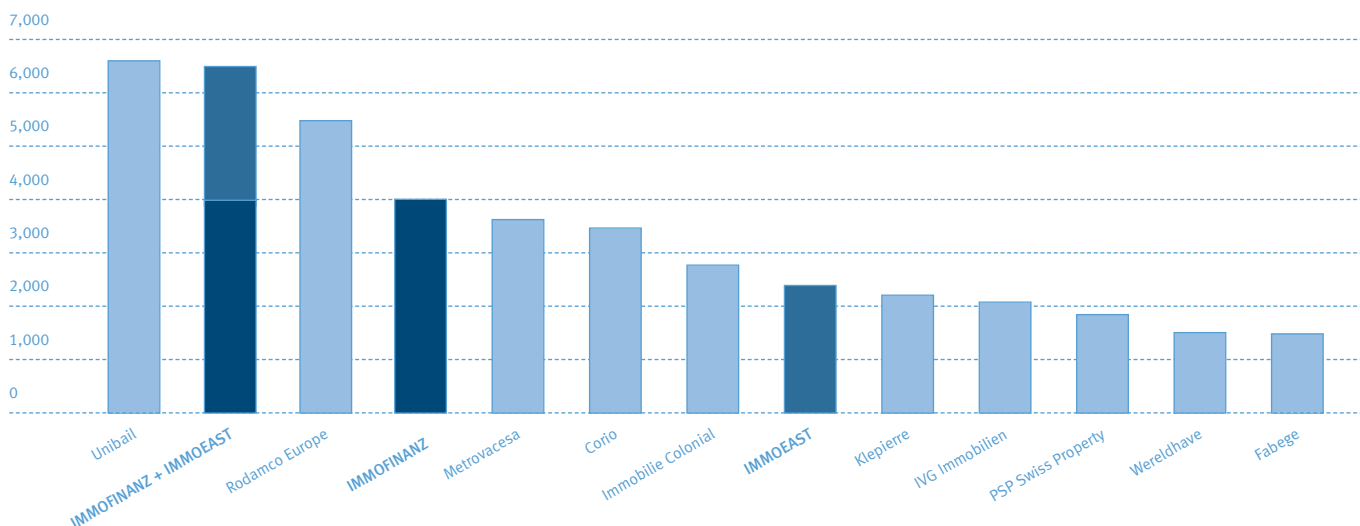
Investor relations activities for institutional shareholders were also expanded during the reporting year, especially in advance of the capital increases. The IMMOEAST share was presented during an extensive road show at the major financial centres, including New York, Frankfurt, London, Paris and Zurich as well as at other international business hubs.

INFORMATION ON THE IMMOEAST SHARE

Contact for Investor Relations	Margit Hermentin
Shareholders' telephone	+43/1/532 87 60-0
E-Mail	investor@immoeast.at
Internet	www.immoeast.at
Traded on	Vienna Stock Exchange
Trading segment	Standard Market
Market segment	Prime Market
Vienna Stock Exchange abbreviation	IEA
ISIN	AT0000642806
Reuters	IMEA.VI
Bloomberg	IEA AV Equity
Included in the following indexes	IATX, WBI, MSCI-World, GPR-15, EPRA, Dow Jones Stoxx 600, Dow Jones Euro Stoxx
IPO	12.12.2003

IMMOEAST AND IMMOFINANZ VS. CONTINENTAL EUROPEAN PROPERTY COMPANIES

Market capitalisation of free float in EUR mill. (as of 31.7.2006)



Corporate Governance

For many years IMMOEAST has pursued a strategy that is designed to realise a sustainable long-term increase in the property portfolio and, as a result, in the value of the company. Strict principles for good management and transparency as well as the steady development of efficient systems for corporate control and risk management in the interest of all stakeholders form the key elements of this policy. Corporate governance represents an integral part of the corporate culture of IMMOEAST.

The Austrian Corporate Governance Code took effect on 1 October 2002 and includes rules that serve as a framework for the management and control of companies. The objectives of these regulations include the equal treatment of all shareholders, an increase in the confidence of shareholders through greater transparency and information as well as the improvement of cooperation between the executive board, supervisory board and shareholders.

To underscore its commitment to responsible management, IMMOEAST has declared its intention to voluntarily comply with the provisions of the Corporate Governance Code.

IMMOEAST has fully implemented all regulations of the code that are based on mandatory legal requirements. Other regulations set forth in the code exceed legal requirements, and compliance is voluntary. When a company agrees to comply with the code, it must explain any failure to observe the C rules (“comply or explain”).

IMMOEAST deviated from the following “comply or explain rules” of the Austrian Corporate Governance Code during the 2005/06 Business Year, and explains these differences as follows:

Rule 18:

Depending on the size of a company, an internal audit function must be installed as a separate staff department reporting to the executive board or these activities must be outsourced to a qualified institution. A risk analysis performed by IMMOEAST indicated that the establishment of a traditional internal audit department would not lead to a reasonable optimisation of the risk situation because of the specific characteristics of the group. In accordance with the results of this analysis, internal control and audit functions are carried out as part of group controlling activities. The Executive Board provide regular reports to the Supervisory Board on the results of monitoring and controls.

Rules 38 and 54:

The articles of association do not set a specific age limit for the members of the Executive Board or Supervisory Board. The company does not consider such age limits to be reasonable, but rather allows the responsible bodies of the corporation to make their own decisions on appointments.

The Supervisory Board has established an Audit Committee, which is comprised of Herbert Kofler (Chairman), Wolfgang Reithofer and Christian Böhm. Helmut Kofler meets the qualifications for designation as a financial expert according to the Corporate Governance Code.

A management letter prepared by the auditor of the annual financial statements and the report of this auditor on the effectiveness of risk management in the IMMOEAST Group were submitted to the Chairman of the Supervisory Board and discussed by this body.

Summary of the evaluation of compliance with the Austrian Corporate Governance Code during the 2005/06 Business Year

We have evaluated compliance with the Austrian Corporate Governance Code by the Executive Board and Supervisory Board of IMMOEAST IMMOBILIEN ANLAGEN AG, Vienna, as presented in the public statement made by the Executive Board. The Executive Board and Supervisory Board of the company are responsible for compliance with the individual regulations as well as public reporting. Our responsibility is to issue a report on compliance with the regulations of the code based on our evaluation.

We conducted our evaluation in accordance with the rules issued by the International Federation of Accountants (IFAC) for activities related to the review of annual financial statements (ISRE 2400). These principles require that we plan and perform the evaluation to obtain reasonable assurance about whether the statement by the Executive Board on compliance with the Corporate Governance Code is free of material misstatements. The evaluation basically includes interviews with the responsible persons as well as an examination, on a test basis,

of compliance with the Austrian Corporate Governance Code. We performed our evaluation based on the questionnaire issued by the Austrian Working Group for Corporate Governance.

Our evaluation we did not reveal any facts that conflict with the statement issued by the Executive Board on compliance with the provisions of the Austrian Corporate Governance Code. Our liability as auditors of the annual financial statements is determined by the provisions of § 275 Par. 2 of the Austrian Commercial Code.

Vienna, 7 July 2006

KPMG

Wirtschaftsprüfungs- und Steuerberatungs GmbH

Yann-Georg Hansa

Günther Hischböck

Certified Public Accountants

IMMOEAST gives the highest priority to the equal treatment and provision of comprehensive information to all shareholders. In order to ensure the equal treatment of all shareholders in the determination of a price for a mandatory offer, the annual general meeting of IMMOEAST on 6 June 2005 approved the exclusion of the 15% discount permitted by § 26 Par. 1 of the Austrian Takeover Act. This step guarantees that every shareholder will receive the same price for his/her IMMOEAST shares in the event of a mandatory takeover offer. The core shareholder of IMMOEAST AG is IMMO-FINANZ AG, which holds a stake of 50.46%.

The Issuer Compliance Regulations announced by the Austrian financial markets supervisory authority took effect on 1 April 2002. These guidelines establish principles for the distribution of information within companies listed on the Vienna Stock Exchange, and are designed to prevent the misuse of such information. IMMOEAST complies with the

provisions of the Issuer Compliance Regulations, and also extends these regulations to the activities of the Supervisory Board. Compliance with these rules is monitored on a regular basis.

Information on the purchase and sale of the company's shares by members of the Executive Board and Supervisory Board is provided on the IMMOEAST website (www.immoeast.at) under "Directors' Dealings".

The implementation and correctness of our public statement was reviewed by KPMG Wirtschaftsprüfungs- und Steuerberatungs GmbH based on the rules issued by the International Federation of Accountants (IFAC) for activities related to the review of annual financial statements (ISRE 2400).

Risk management

As an international company, IMMOEAST is exposed to a variety of risks. The handling of these risks is an indication of the quality of actions by management. A key objective of the IMMOEAST strategy is to recognise risks at an early stage and eliminate them to the greatest extent possible through effective operating and control systems. IMMOEAST corporate policies are directed to limiting risk through active and systematic risk management.

Planning and controlling processes, group guidelines and regular reporting represent the most important instruments for the management of risk. Reporting plays a key role in the monitoring and control of the economic risks associated with ordinary business operations. Risk management represents an important part of all decisions and business processes at IMMOEAST, and is well integrated throughout the entire organisation. The responsibility for the monitoring of risk management at the group level lies with the Executive Board. IMMOEAST has updated its assessment of various risks based on a risk analysis and survey to also include the identification and valuation of the special risks associated with the geographic markets and property sectors in which the group is active.

STRATEGIC RISKS

IMMOEAST works to steadily broaden the geographical scope of its activities and, in this way, enlarges the regional diversification of the property portfolio. Each new market entry is preceded by extensive research on the relevant conditions in the target country. These analyses are carried out by IMMOEAST or a qualified local or international partner, and cover the country's general economic position, legal regulations for zoning, building procedures and municipal regulations as well as tax and company law.

OPERATIONAL RISKS

The credit standing of prospective tenants is evaluated before the conclusion of every contract and deposits are established based on credit ratings to ensure the fulfilment of legal obligations. IMMOEAST has developed standard leases for each industry segment, which are designed to meet the specific interests of property-owners. Extensive negotiations are also conducted with potential tenants to determine the optimal term and lock-in period for the contract. IMMOEAST protects itself against the risk of inflation on new leases through an annual index adjustment. An optimal tenant structure is determined for each property based on the

current market situation. Regular reporting by the facility and asset management department to the Executive Board and Supervisory Board guarantees the availability of key information for decision-making.

FINANCING AND FOREIGN EXCHANGE RISKS

IMMOEAST has an equity ratio of 61.8%, which forms the cornerstone for a solid balance sheet structure and stability in turbulent economic times. The target for debt financing is adjusted to reflect the respective market situation over the mid- to long-term., whereby the goal is to maintain a balance between equity and debt. The financing currency for projects is also selected in keeping with the respective market situation. Foreign investments are financed in Austria or through local banks, but only in major international currencies. In the area of financial management, IMMOEAST is supported by the specialists at Constantia Privatbank AG.

SECTOR AND ECONOMIC RISKS

IMMOEAST works to use the cyclical variations on property markets for the benefit of its shareholders. An early focus on attractive target markets in Central and Eastern Europe forms an important part of the company's strategy. A further goal of IMMOEAST is to steadily diversify the property portfolio to reflect a balanced distribution of sectors, locations, age and degree of completion. In this way, the company will be in a position to generate stable values over the long-term and minimise its exposure to market, sector and economic risks.

THE REAL ESTATE BUSINESS IS A LOCAL BUSINESS

The successful development of a property company is dependent on local conditions and factors. IMMOEAST profits from experienced partners with local infrastructures, who can draw on resident asset managers, brokers and other specialists for key information and knowledge of the market. The auditor of the group financial statements evaluated the effectiveness of IMMOEAST risk management for the first time during the 2005/06 Business Year and reported on the results of this evaluation to the Executive Board and the Supervisory Board. The functionality of risk management at IMMOEAST was evaluated by the auditor of the group financial statements in accordance with the Austrian Corporate Governance Code, and confirmed to be appropriate.

From Prague to Moscow...

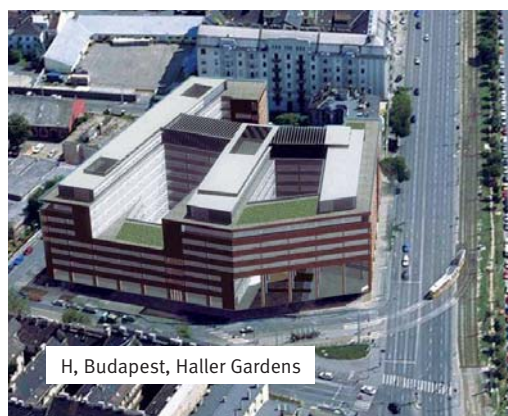
The first two months of the 2006/07 Business Year were marked by the successful completion of the capital increase arranged during 2005/06 as well as the start of a new investment programme through numerous major acquisitions.

IMMOEAST set a number of milestones during the first months of the 2006/07 Business Year. Lengthy preparations during 2005/06 were crowned by the successful completion of a record capital increase during May and June. In spite of a dramatic deterioration in the stock market climate immediately before the issue – the ATX lost 20% within five weeks and most exchanges in the east reported even stronger declines – all new shares were placed. This transaction raised EUR 2.75 billion of additional capital, and represents the largest step of its kind by a listed European property company to date.

This capital increase catapulted IMMOEAST to a top position among the listed property corporations in Europe. This development was also reflected shortly after the completion of the transaction by the addition of IMMOEAST to the elite GPR 15, the index of the 15 most important property companies in Europe. In May 2006 IMMOEAST was also added to the MSCI World, which includes the leading corporations on the most important stock markets in the world.

The successful capital increase provided the funds required to continue the company's growth course. Contracts have already been signed, or will be completed shortly, for EUR 5 billion of the project pipeline – totalling nearly EUR 6 billion – that was available as of the balance sheet date. A large part of these transactions were concluded during the first quarter of the 2006/07 Business Year.

- EUR 2.25 billion or 39% of these projects had already been signed by this time or contractually secured through forward purchases, investments in established developments, acquisitions of shares in existing joint venture projects, etc.
- EUR 2.58 billion or 45% of the projects were in the final stage of negotiations or due diligence audits. Letters of intent or similar agreements have been signed for all these investments, and IMMOEAST will be the only partner for follow-up negotiations.
- EUR 930 million or 16% of the planned investments have already been approved by the Supervisory Board.



H, Budapest, Haller Gardens



UKR, Alacor Logistic Park Obukhov



RUS, Moscow, Golden Babylon



CZ, Prague, Pankrác House

The investments completed to date include the following exceptional transactions:

Haller Gardens

This complex is one of the largest office development projects in Budapest, and involves the construction of 49,000 sqm of letable space in a top inner city business district. Completion is scheduled for 2008 at a total investment of nearly EUR 80 million.

Start in Ukraine

IMMOEAST has concluded a general agreement with Alacor, a well-known local property developer, for the joint development of several projects. The first two properties, Alacor Business Park City and Alacor Logistic Park Obukhov, cover 160,000 sqm of space and will be completed by 2009. The investment volume exceeds EUR 120 million.

Shopping centres in Moscow

IMMOEAST made its first direct investments in Russia by acquiring two fully let shopping centres in Moscow with 38,000 sqm and 20,800 sqm of space, respectively. The larger of the two objects houses well-known tenants from the foodstuffs and electronics branches. The second property will be completed in August 2006. Both facilities are situated at good locations, with catchment areas covering a sizeable 1.3 million residents in districts that have well-developed purchasing power.

Takeover of IMAK CEE

The remaining 43.4% stake in IMAK CEE was purchased during May. This company owns 11 fully let logistics and office objects in Hungary and Poland with a total of 165,000 sqm. The fair value of the portfolio totals roughly EUR 300 million.

CZ, Skofin, Office Building



Full acquisition of Pankrác House

The investment in the Pankrac House office property, which is located in the fourth district of Prague, was increased from 50% to 100%. The building has 26,000 sqm of space and is fully occupied.

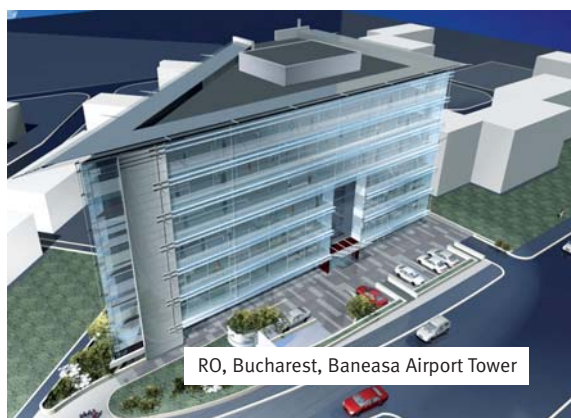
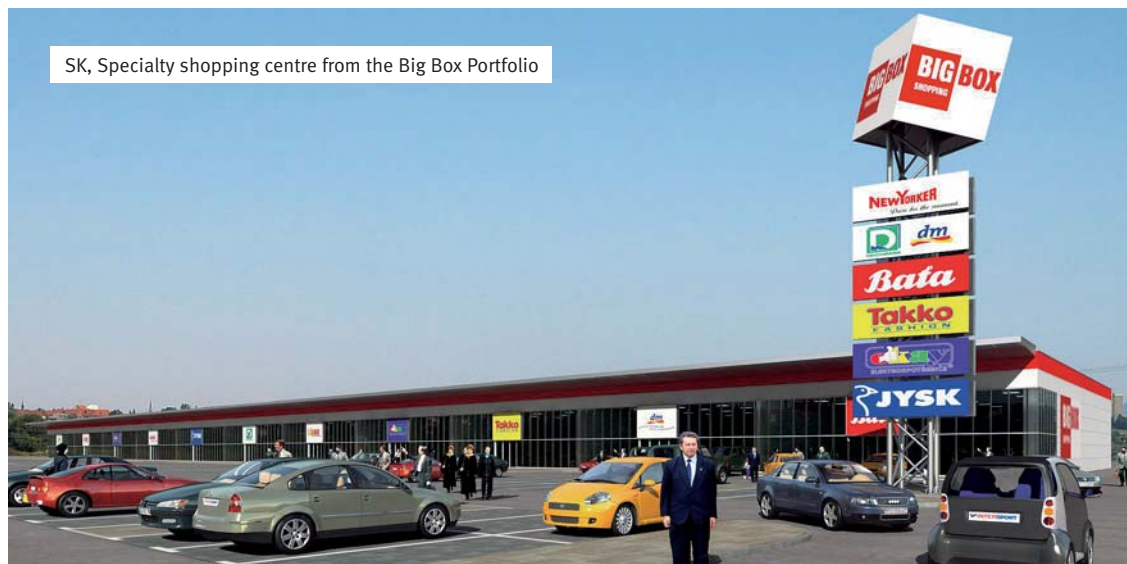
Purchase of Skofin Office Building

The second investment completed in Prague at the start of the new reporting year was the acquisition of the Skofin Office Building in the fifth district. This 7,300 sqm object was completed in 1997 and is fully let through a long-term contract to Skoda Finance, a member company of the VW Group.

Expansion of the Iride Business Park

IMMOEAST is also strengthening its presence in Romania. After the end of the reporting year, work continued on the enlargement of the Iride Business Park. The third phase includes three buildings: the first two have already been finished and the third is scheduled for completion in October. These new buildings will give the Iride Business Park – which was purchased in 2004 as the first direct investment by IMMOEAST in Romania with approx. 55,000 sqm – more than 87,000 sqm of lettable space.

SK, Specialty shopping centre from the Big Box Portfolio



RO, Bucharest, Baneasa Airport Tower



H, Budapest, Mester Business Park

Baneasa Airport Tower – development project in Bucharest

As part of a joint venture, IMMOEAST is constructing the 6,100 sqm Baneasa Airport Tower near Romania's domestic airport in Bucharest. IMMOEAST currently holds a 75% stake in this property, with plans calling for full acquisition after construction is completed in spring 2007.

Start of construction on Mester Business Park in Budapest

Construction on the first section of this project, which is located in a prime area of Budapest, started in spring 2006. The other sections are scheduled for completion by 2009, giving the property a total of 250,000 sqm.

Expansion of the Big Box specialty shopping centre chain in Slovakia

In 2005/06 IMMOEAST started development work on the Big Box specialty shopping centre chain in Nove Zamky, Trencin and Poprad. Two locations (with 5,600 sqm and 6,800 sqm of letable space) are currently under construction, with completion scheduled for October of this year. The acquisition of new sites is currently in progress.



SK, Bratislava, Lakeside



PL, Warsaw, Salzburg Center

Investment in Slovakian development company

IMMOEAST acquired a 25% holding in the Slovakian Tri Granit Centrum a.s., which also includes a stake in the Lakeside development project in Bratislava. This site comprises 27,900 sqm, and plans call for the construction of four buildings with letable space of 89,000 sqm over the coming years.

Koral Bay joint venture project in Bulgaria

A luxury 4-star hotel and adjacent residential area are under construction on the Black Sea coast together with Prime Property BG, a Bulgarian real estate company.

Investment in TriGranit

IMMOEAST acquired a 25% stake in TriGranit Holding, one of the leading East European property developers, for nearly EUR 400 million on 31 July 2006. This investment will provide the company with access to specialised know-how as well as an extremely attractive pipeline of projects that can be realised over the short-term.

Jandameriei Residential and Jandameriei Office development projects

This project will involve the construction and sale of roughly 360 condominiums in the capital city of Bucharest. On an adjacent site, plans call for the construction of a modern office complex with roughly 38,000 sqm of letable space. The related property companies were acquired at the end of July 2006.

St. Vlas development project

On the Black Sea coast near Burgas, IMMOEAST is planning to build a vacation colony with 11,150 sqm of residential space together with Prime Property. A suitable site for the project was acquired at the end of July.

Acquisition of Salzburg Center in Warsaw

At the end of July IMMOEAST also signed an agreement for the forward purchase of the Salzburg Center in Warsaw, a modern newly constructed office building.

Overview of the IMMOEAST property portfolio¹⁾

(As of 30.4.2006)

Office properties

COUNTRY	CITY	PROPERTY	
BG	Sofia	Antim I	N
BG	Sofia	Predgarov	N
CZ	Prague	Airport Business Center	N
CZ	Prague	Andel Park B	N
CZ	Prague	Anglicka 20	N
CZ	Prague	Arbes	
CZ	Prague	European Business Center	
CZ	Prague	Italská	
CZ	Prague	Jindřiská 16	N
CZ	Prague	Jungmannova 15	N
CZ	Prague	Na Florenci 23	N
CZ	Prague	Na Příkopě 14	N
CZ	Prague	Pankrác Business Corner	
CZ	Prague	Pankrác House	
CZ	Prague	Panská 9	N
CZ	Prague	Pekarska Office	N
CZ	Prague	Perlová 5	N
CZ	Prague	Prague Office Park I	N
CZ	Prague	Prague Office Park II	N
CZ	Prague	Prokopova 20	N
CZ	Prague	Štětkova 18	N
CZ	Prague	Valdek	
CZ	Prague	Vinice	
CZ	Prague	Vítek	
H	Budapest	Árpád Center	
H	Budapest	East-West Business Centre	
H	Budapest	Europe Business Tower	
H	Budapest	Globe 3	
H	Budapest	Globe 13	
H	Budapest	Greenpoint 7	N
H	Budapest	Mester Business Park	
H	Budapest	Óbuda Gate Office Center	
H	Budapest	Optima "A" Office Building	N
H	Budapest	Szépülvölgyi Business Park	
H	Budapest	West Gate Business Park	
H	Budapest	Xenter 13 Office Building	
PL	Krakow	Lubicz Office Building	N
PL	Poznan	Poznan Financial Center	

PL	Warsaw	Atrium Centrum	N
PL	Warsaw	Atrium Plaza	N
PL	Warsaw	Bokserska Office Centre	
PL	Warsaw	Crown Point	
PL	Warsaw	Crown Tower	
PL	Warsaw	Cybernetyki Office Centre	
PL	Warsaw	IO-1	
PL	Warsaw	Mistral Office Building	N
RO	Bucharest	Baneasa Airport Tower	N
RO	Bucharest	Bucharest Corporate Center BCC	N
RO	Bucharest	Feper	N
RO	Bucharest	Global Business Center	
RO	Bucharest	Iride Business Park	
RO	Bucharest	Otopeni	
RO	Bucharest	Petricani Street	N
RO	Bucharest	Pipera Center I	N
RO	Bucharest	Pipera II	N
RUS	Moscow	Berlin House	N
RUS	Moscow	Gogolevsky Boulevard 11	
RUS	Moscow	Lesnaya Street 3	
SK	Bratislava	Bratislava Business Center III & IV	
SK	Bratislava	Bratislava Business Center V	
SK	Bratislava	Millenium Tower I	N
SK	Bratislava	Millenium Tower II	N
SK	Bratislava	Millenium Tower III	N

Retail/Commercial properties

COUNTRY	CITY	PROPERTY	
CZ	Hradec Kralove	Futurum Centrum	
CZ	Olomouc	Hana Centrum	
CZ	Olomouc	Olympia Centre	N
CZ	Ostrava	Futurum Centrum	
CZ	Prague	Palladium	
CZ	Prague	Park Hostivar	
H	Budapest	Stop Shop	N
H	Budapest	Stop Shop	N
H	Budapest	Stop Shop	N
H	Érd	Stop Shop	N
H	Nyíregyháza	Stop Shop	N
H	Veszprém	Stop Shop	N
PL	Katowice	Silesia City Center	
PL	Wloclawek	Real Hypermarket	
RO	Constanta	Harbourside Constanta	N
RUS	Moscow	Hypercenter (4 Objects)	N
SK	Bratislava	Polus City Center	N
SK	Proprad	Big Box	N

Logistics properties

COUNTRY	CITY	PROPERTY	
CZ	Prague	Large Box Uherské Hradiste	N
CZ	Prague	Rudna Logistics Park	
CZ	Prague	Rudna Logistics Park Phase II	N
CZ	Prague	Westpoint Distribution Park	
H	Budapest	Camel Park	N
H	Budapest	Pharma Park	
H	Budapest	Shark Park	N
H	Dunaharaszti	Logistics property Dunaharaszti	N
PL	Kolonia Klepaczka	Silesia Logistic Park	N
PL	Warsaw	Boklerska Distribution Center	
PL	Warsaw	Lopuszanska Business Park	
PL	Warsaw	Zeran Park	
RUS	St. Petersburg	Warehouse Complex Shushary	N
SK	Bratislava	Senec Cargo Center	N

Residential properties

COUNTRY	CITY	PROPERTY	
BG	Sofia	Cerkovna	N
BG	Sofia	Gorna Banya I – Engel II	N
BG	Sofia	Gorna Banya II – Engel II	N
BG	Sofia	Kambarry – Engel II	N
BG	Sofia	Malinova Dolina – Engel II	N
BG	Sofia	Monastirski Livadi – Engel II	N
BG	St. Vlas	Sunny Beach	N
CZ	Prague	Netlu	N
CZ	Prague	Novy Eden	
CZ	Prague	Stodulky	
CZ	Prague	Vokovice	
EE	Tallinn	Haabersti (Rannamoisa tee)	N
H	Budapest	Engel Park	
H	Budapest	Sun Palace	
H	Győr	Győr	
PL	Warsaw	Hines Residential	N
PL	Warsaw	Lesna Polana	
SK	Bratislava	BCT Projekt	N

Total space owned by IMMOEAST in sqm

1,414,961

Thereof through investments in other companies in sqm

249,520

1) The properties are allocated to the individual sectors based on their primary use. As of 30.4.2006, IMMOEAST owned a total of 116 properties (thereof 46 through investments in other companies).

A SELECTION OF PROPERTIES FROM THE IMMOEAST PORTFOLIO IS SHOWN BELOW.



BG-Sofia
Antim I

[O] N



BG-Sofia
Cerkovna

[R] N



BG-St. Vlas on the Black Sea
coast, Sunny Beach

[R] N



CZ-Hradec Kralove
Futurum Centrum

[C]



CZ-Olomouc
Hana Centrum

[C]



CZ-Olomouc
Olympia Centre

[C] N



CZ-Ostrava
Futurum Centrum

[C]



CZ-Prague
Airport Business Center

[O] N

[O] Office

[H] Recreation / Hotel

[C] Retail / Commercial

[L] Logistics

[R] Residential

[N] New



CZ-Prague
Andel Park B

☐ ☒ N



CZ-Prague
Arbes

☐



CZ-Prague
European Business Center

☐



CZ-Prague
Italská

☐



CZ-Prague
Na Florenci 23

☐ ☒ N



CZ-Prague
Novy Eden

☐ ☒ R



CZ-Prague
Palladium

☐ ☒ C



CZ-Prague
Pankrác Business Corner

☐



CZ-Prague
Pankrác House

☐



CZ-Prague
Park Hostivar

☐



CZ-Prague
Pekarska Office

☐ ☒ N



CZ-Prague
Prague Office Park I

☐ ☒ N



CZ-Prague
Rudna Logistics Park

☐ ☒ L



CZ-Prague
Štětkova 18

☐ ☒ N



CZ-Prague
Stodulky

☐ ☒ R



CZ-Prague
Valdek

☐



CZ-Prague
Vinice

☐



CZ-Prague
Vitek

☐



CZ-Prague
Vokovice

☐ ☒ R



CZ-Prague
Westpoint Distribution Park

☐ ☒ L



CZ-Prague
Jindřiská 16 (CSOB)

[O] [N]



CZ-Prague
Panská 9 (CSOB)

[O] [N]



CZ-Prague
Perlová 5 (CSOB Portfolio of
7 properties)

[O] [N]



EE-Tallinn
Haabersti (Rannamoisa tee)

[R] [N]



H-Budapest
Árpád Center

[O]



H-Budapest
Camel Park

[L] [N]



H-Budapest
East-West Business Centre

[O]



H-Budapest
Engel Park

[R]



H-Budapest
Globe 13

[O]



H-Budapest
Globe 3

[O]



H-Budapest
Greenpoint 7

[O] [N]



H-Budapest
Mester Business Park

[O]



H-Budapest
Óbuda Gate Office Center

[O]



H-Budapest
Optima "A" Office Building

[O] [N]



H-Budapest
Pharma Park

[L]



H-Budapest
Shark Park

[L] [N]



H-Budapest
Stop Shop

[C] [N]



H-Budapest
Sun Palace

[R]



H-Budapest
Szépvölgyi Business Park

[O]



H-Budapest
West Gate Business Park

[O]

[O] Offices

[H] Recreation/ Hotel

[C] Retail / Commercial

[L] Logistics

[R] Residential

[N] New



H-Budapest
Xenter 13 Office Building

[O]



H-Dunaharaszti
Logistics property Dunaharaszti

[L] [N]



H-Érd
Stop Shop

[C] [N]



H-Győr
Győr

[R]



H-Nyíregyháza
Stop Shop

[C] [N]



H-Veszprém
Stop Shop

[C] [N]



PL-Katowice
Silesia City Center

[C]



PL-Kolonia Klepaczka, Slask
Silesia Logistic Park

[L] [N]



PL-Krakow
Lubicz Office Building

[O] [N]



PL-Poznan
Poznan Financial Center

[O]



PL-Warsaw
Atrium Centrum

[O] [N]



PL-Warsaw
Atrium Plaza

[O] [N]



PL-Warsaw
Bokserska Distribution Center

[L]



PL-Warsaw
Bokserska Office Centre

[O]



PL-Warsaw
Crown Point

[O]



PL-Warsaw
Crown Tower

[O]



PL-Warsaw
Cybernetyki Office Centre

[O]



PL-Warsaw
IO-1

[O]



PL-Warsaw
Lesna Polana

[R]



PL-Warsaw
Lopuszanska Business Park

[L]



PL-Warsaw
Mistral Office Building
☐ ☒ N



PL-Warsaw
Zeran Park
☐ L



PL-Wloclawek
Real Hypermarket
☐ C



RO-Bucharest
Baneasa Airport Tower
☐ ☒ N



RO-Bucharest
Bucharest Corporate Center BCC
☐ ☒ N

RO-Bucharest
Global Business Center
☐ O

RO-Bucharest
Iride Business Park
☐ O

Developments in the economy and branch

The economic environment

MODERATE GROWTH IN WESTERN EUROPE, STRONG MOMENTUM IN CENTRAL AND EASTERN EUROPE

The global economy remained on an upward trend in 2005, which was supported above all by strong impulses from Asia. However, analyses by the Austrian research institute WIFO show a decline in GDP growth for the OECD countries from 3.3% in the previous year to 2.7% for 2005. This development was triggered primarily by rising interest rates and record prices for crude oil. The USA remained the main driver for growth with a plus of 3.5% (2004: 4.2%), but China played an increasing role as a source of global dynamics. A plus of 2.6% placed Japan only slightly above the 2004 level.

The EU-15 recorded an improvement in real GDP from 1.5% in 2004 to 2.3% for 2005, whereby stagnation relegated Italy to last place after Portugal with an increase of only 0.4%. The member states with the strongest economies were Ireland and Luxembourg with growth of more than 4%. Austria ranked near the average with an increase of 1.8%.

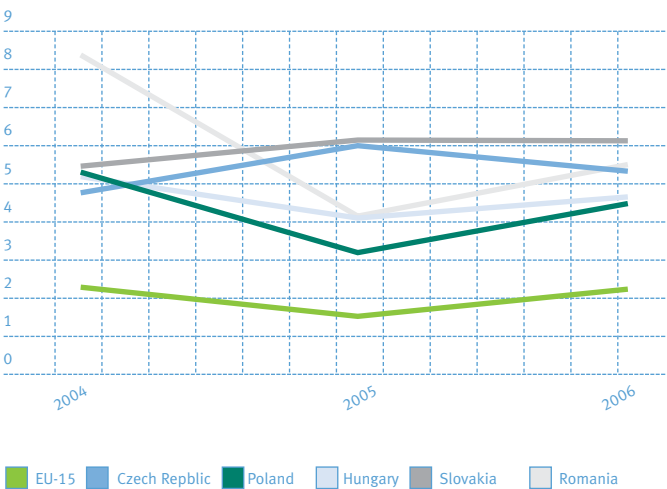
The ten new EU member countries reported significantly stronger growth – but from different starting points. The Baltic “Tiger States” of Estonia, Lithuania and Latvia headed the rankings in Europe with increases of 7% to 10%. In the countries that form the core market of IMMOEAST – Hungary, Poland, the Czech Republic, Slovakia and Romania – GDP growth ranged from 4% to 6% for 2005. A comparison of gross domestic product per capita sheds additional light on these statistics: the OECD average for 2005 was USD 29,800, the EU-15 USD 32,800, Latvia USD 6,870 and Hungary USD 10,800. A comparison of these different stages of economic development underscores the pent-up demand in Central and Eastern Europe as well as the enormous opportunities that are available to investors in this region.

INTEREST RATES

The extremely favourable level of interest rates in recent years was followed by a distinctly stronger trend in the USA during 2005: a series of adjustments raised the prime rate to 5% by May 2006. The

DEVELOPMENT OF THE GLOBAL ECONOMY

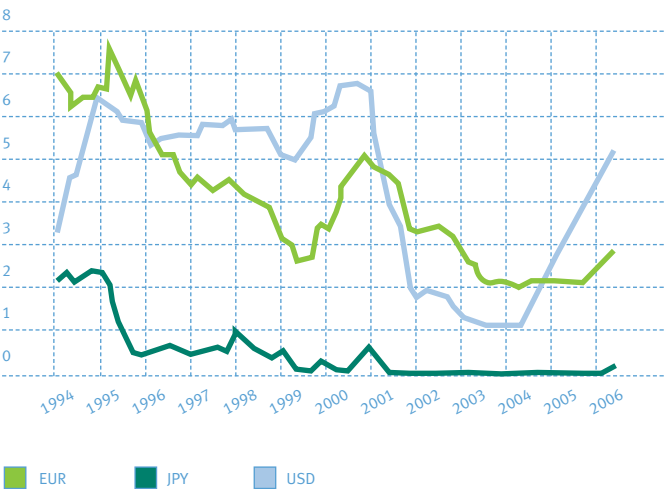
Real GDP growth in %



Source: WIFO, OECD

DEVELOPMENT OF GLOBAL INTEREST RATES

3-month interest rates in %



Source: WIFO, OECD

European Central Bank has also set a similar course, but with an extended time lag – interest rates in Europe remained much more favourable at less than 3%, based on the three-month EURIBOR rate. For property investors like IMMOEAST, a decisive factor for success in this operating environment is to create a financing structure with an optimal mix of equity and debt, and to develop innovative financing instruments.

The market environment

The business climate on property markets generally parallels economic trends, but with a delay of several months. As a result, the developed property markets in Central and Western Europe, above all Germany, still remain under the influence of tense economic conditions, while Central and Eastern Europe – starting from a lower level – can demonstrate a sizeable potential for growth. The

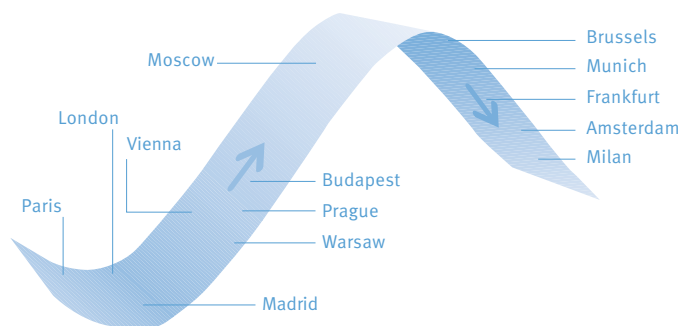
countries in this region, especially the new EU member states, have shown an extremely high level of market activity in recent years, which was driven primarily by international investors. This development has been supported by greater legal certainty and, in part, more favourable taxation structures. The strong demand for properties in this region is reflected in substantial price increases on a number of submarkets as well as a gradual adjustment in returns to West European levels.

THE IMMOEAST OPERATING ENVIRONMENT

The business activities of IMMOEAST are concentrated in the company's core market, which is comprised of Poland, the Czech Republic, Hungary, Slovakia and Romania. In this region IMMOEAST has the best contacts and wide-ranging expertise, and also profits from the common history shared by Austria and these markets. This concentration strategy is complemented by selected investments in countries such as Bulgaria, the Baltic States, Russia and Ukraine.

VIENNA OFFICE MARKET IN EUROPEAN COMPARISON

Spring 2006

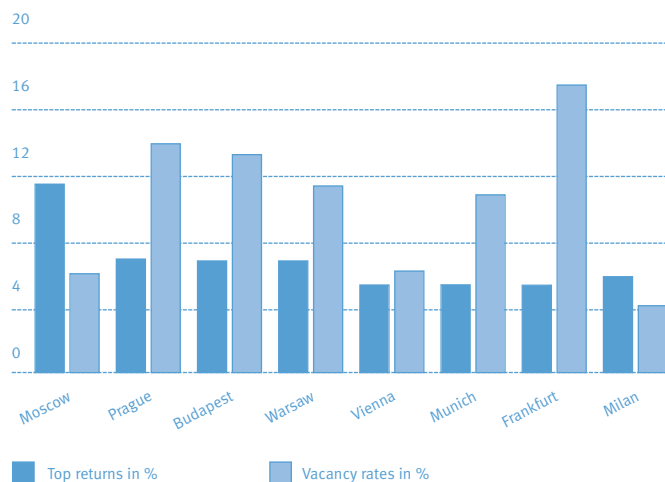


This graph shows the development of prices on the most important office markets in Europe.

Source: CPB Immobilienrehand GmbH

COMPARISON OF OFFICE MARKETS IN EUROPE

Spring 2006



Source: CPB Immobilienrehand GmbH

The development of business in 2005/06

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1. Corporate profile

IMMOEAST IMMOBILIEN ANLAGEN AG (IMMOEAST) is one of the largest and most successful property investors in Central und Eastern Europe. The company is a leading player in this region with a property portfolio that currently includes 69 directly owned properties as well as 47 objects held through various investment vehicles that cannot or may not be consolidated, for a proportional share of lettable space totalling 1,414,961 sqm.

The IMMOEAST portfolio is diversified through two different types of segments: the segmentation based on region is comprised of Hungary, the Czech Republic, Poland, Romania and Slovakia, while

the segmentation based on sector reflects the various uses of properties such as offices, logistics facilities, commercial and residential objects etc. IMMOEAST does not manage car parks and parking spaces as a separate area of business because the revenues generated from these activities are generally related to the rental of offices or logistics properties. However, parking is classified as a secondary segment of business due to its financial importance. In addition to the above-mentioned countries, IMMOEAST is also represented in Bulgaria and Estonia – which are not classified as primary segments at this time since the volume of business in these two countries is still relatively low.

In addition to operational diversification, IMMOEAST also holds financial investments that support a broader distribution of risk. These investments in other companies represent property holdings in Russia, Bulgaria and Serbia as well as the countries listed above as primary segments.

IMMOEAST receives operational support from CONSTANTIA PRIVAT-BANK AG through a management contract, which was concluded between the two companies. (Detailed information on management is provided on page 131 of the notes.)

2. Application of new accounting standards

The introduction of new accounting standards and a change in the accounting methods selected from available options have had a significant influence on the results reported by IMMOEAST and limit comparability with previous annual financial statements.

As of 31 January 2006 IMMOEAST discontinued the application of the cost model, under which the value of properties is reduced by regular depreciation, and adopted the fair value model, which requires properties to be recorded at fair value with any increases or decreases in this value credited or charged to the income statement. This changeover reflects a Best Practices Policy Recommendations (2.1) by the European Public Real Estate Association (EPRA). The conversion was made retrospectively, and also required the adjustment of prior year values in the consolidated financial statements and notes to these statements.

3. Significant accounting policies

IMMOEAST prepares its financial statements in accordance with International Financial Reporting Standards, which are based on Regulation (EU) Nr. 1606/2002 of the European Parliament and the European Union for the application of international accounting

standards (IAS Regulation 1606/2002). These standards were adopted into European Union law through a special procedure in 2002. The accounting and valuation methods used by IMMOEAST are described on page 89ff of the notes. The following accounting and valuation methods can have a significant impact on earnings and, for this reason, are explained in detail below:

3.1 Property valuation and accounting

IMMOEAST values all investment properties at fair value. As a rule, fair value is determined by a Valuation Committee that is comprised of three independent court-certified experts. Certain properties are valued by international experts, in cases where this procedure is required by joint venture contracts. All investment properties were stated at fair value as of the balance sheet date, unless IMMOEAST had specific plans to sell a particular property. Properties under construction are valued at cost. In order to identify any impairment in value, these properties are also appraised by the Valuation Committee.

Following the above-mentioned changeover in the accounting method, investment property is valued in accordance with the fair value model. Under this model, the annual increase or decrease in the value of a property after its acquisition is determined by the Valuation Committee and subsequently credited or charged to the income statement. The fair value model does not permit the deduction of depreciation from the value of properties.

The discounted cash flow method is used to calculate the fair value of properties. This method requires the discounting of a series of cash flows back to the balance sheet date. The discount factor has a significant effect on the value of a property; this rate is selected by the Valuation Committee and reflects the situation on the individual property submarket.

3.2 Amortisation of goodwill

Goodwill that arises from the acquisition of a company must be subjected to an impairment test each year. This test is performed by first allocating the goodwill to the relevant cash-generating units. The need for an impairment charge to a cash-generating unit

is determined by comparing the carrying value of the unit with its recoverable amount. If the recoverable amount is less than the carrying value, the difference between these two figures is recognised to the income statement as an impairment charge. Any remaining difference is allocated to the other assets in the cash-generating unit in proportion to their carrying values. All impairment charges are recognised immediately to the income statement. Subsequent increases in value are not permitted. If an acquisition results in goodwill, the carrying value of the cash-generating unit is increased by the carrying value of the goodwill. This total is subsequently compared to the recoverable value of the cash-generating unit, and any negative difference is reflected in an impairment charge to goodwill.

The acquisition of project companies generally leads to positive goodwill because accounting rules require the recording of deferred tax liabilities on revalued properties. The unequal valuation of these deferred tax liabilities – which, in contrast to other acquired net assets, may not be discounted according to IFRS 3.57b in connection with IFRS 3.B16 (i) and IAS 12.53 – results in goodwill as a technical figure, which is subjected to an impairment test at the time of initial recognition. The fact that this type of goodwill only arises because of the deferred tax liabilities that result from the valuation method required by IFRS generally leads to an impairment charge equal to the undiscounted part of the deferred tax liability. This need for an impairment charge is reflected in the write-down of goodwill.

3.3 Reversal of negative goodwill

A consolidation leads to negative differences (negative goodwill or excess) when the cost of an acquisition is less than the proportional share of revalued net assets acquired. In such cases, IFRS 3.56 (a) requires that the buyer reassess the identification and measurement of identifiable assets, liabilities and contingent liabilities as well as the cost of the business combination. Any excess remaining after the reassessment must be recognised immediately to the income statement as required by IFRS 3.56 (b). The IASB sees three

reasons for a gain recognised under these circumstances: a) errors in identification and measurement, b) the application of standards for the measurement of assets and liabilities that do not reflect the fair value of these items and c) a bargain purchase.

Negative goodwill recognised in the IMMOEAST financial statements is comprised exclusively of goodwill as defined in IAS 3.57 (c) – bargain purchases. Identification and measurement errors are eliminated during the reassessment, and the application of standards for the measurement of assets and liabilities at amounts that do not reflect fair value leads to effects that counteract the generation of an excess or reduce this excess. This latter effect is caused by the prohibition on discounting defined by IFRS 3.57b in connection with IFRS 3.B16 (i) and IAS 12.53, which affects the deferred tax liabilities in the category summarised under this item.

Bargain purchases can result from the following factors:

- a) When a forward purchase is executed, the acquisition price for a property company is determined for a specific point in the future. A decline in the market return for this property before the acquisition date leads to a fair value that can exceed the price defined in the contract by a substantial amount, and thereby lead to an excess.
- b) Business combinations of minority interests that cannot be consolidated but, at the same time, include a purchase right for IMMOEAST at a fixed return that is determined in advance can lead to an excess if the market return declines at the time of the business combination.
- c) The following circumstances can also lead to an excess: A property company is acquired and the objects owned by this company have a high vacancy rate at the time the contract is signed, this situation is reflected in the purchase price. However, the objects are fully let, or nearly fully let, prior to the transfer of legal ownership (closing). As a result of this development the properties will have a higher fair value at the time of closing, which can lead to an excess.
- d) When companies with development projects are acquired, the strategic risk premium that forms the basis for the acquisition

and has been accepted by the seller can be higher than the risk premium determined by the market. The fair value of the property can therefore be higher than the value on which the contract negotiations were based – and that can lead to an excess.

- e) When a property company is purchased, negotiations can result in a premium over and above the general market return. The fair value of the property can therefore be higher than the price agreed with the seller – which, in turn, can lead to an excess.
- f) In the case of a joint venture, where a former contract partner transfers his share to the group and, in turn, the group subsequently has sole control over the assets of the former joint venture, the group can generally purchase the net assets at a price below market value. The reason for this is that the seller (former joint venture partner) is frequently unable to find a buyer for his share in the joint venture, and this situation has a favourable impact on the purchase price to be paid by the buyer.

3.4 Financial instruments and the fair value option

Securities reported under non-current assets and investments in other companies are classified as available-for-sale in keeping with IAS 39, and recorded at their fair value – which is the market or stock exchange value on the balance sheet date. If fair value cannot be determined and comparable market prices are not available, fair value is established using generally accepted valuation methods (discounted cash flow method) or, in the case of property companies, according to net asset value. The initial valuation is made as of the settlement date. Fluctuations in fair value are charged or credited to equity with no effect on the income statement; these changes are only recognised to the income statement in the event of impairment or when the securities are sold. If there are objective indications of impairment to an asset, an appropriate write-down is made. Financial assets acquired after 1 May 2004 are generally designated as financial assets at fair value through profit or loss in accordance with IAS 39 (see point 4.5 of the notes), and are measured at fair value as of the balance sheet date. Changes in fair value are recognised to the income statement.

3.5 Impact of foreign currency translation

The Group currency is the Euro. The determination of the functional currency for foreign companies included in the financial statements through consolidation or proportionate consolidation is based on the primary (macro)economic environment in which each company operates. The basic determining factor is the currency in which the majority of goods, business activities and services are denominated and settled in the relevant country. For the IMMOEAST companies affected by this regulation, the local currency is the functional currency in all cases. In accordance with IAS 21 and in keeping with the functional currency concept as reflected in the modified current rate method, the assets and liabilities in the financial statements that were converted to IFRS – and in the case of acquisitions, also revalued and prepared for consolidation – are translated at the average exchange rate on the closing date; the various positions on the income statement are translated at the weighted average exchange rate for the reporting year.

3.5.1 IMPACT ON VALUATION

Companies outside the Euro zone that are included in the financial statements through consolidation or proportionate consolidation based on the functional currency concept as reflected in the modified current rate method (see point 2.4). Any change in the exchange rates used to translate balance sheet items will have an indirect influence on the revaluation of properties because the expert opinions are prepared in Euros.

An increase in foreign exchange rates compared to the Euro will lead to higher Euro amounts in the expert opinions than the amounts shown in prior years when the fair values of properties are translated. When the latest value is compared with the unchanged amount from a prior year expert opinion in Euro, the translation of the prior year Euro amount back into the functional currency (local currency) leads to a lower value – because of the higher exchange rate – and therefore to an impairment charge. If the value in the expert opinion rises, this foreign exchange effect reduces the upward potential for the valuation of the property; if the value in the expert opinion is lower, this effect increases the impairment

charge. During the reporting year, this effect occurred in the Czech Republic, Slovakia, Romania and Poland.

A decline in foreign exchange rates compared to the Euro lead to lower Euro amounts in the expert opinions than the amounts shown in prior years when the fair values of properties are translated. When the latest value is compared with the unchanged amount from a prior year expert opinion in Euro, the translation of the prior year Euro amount back into the functional currency (local currency) leads to a higher value – because of the lower exchange rate – and therefore to a revaluation gain. If the value in the expert opinion rises, this foreign exchange effect increases the upward for the valuation of the property; if the value in the expert opinion is lower, this effect reduces the impairment charge. During the reporting year, this effect occurred in Hungary.

3.5.2 IMPACT ON THE ASSET POSITION

IAS 21 calls for the translation of monetary assets and liabilities at the average exchange rate in effect on the balance sheet date as well as the recognition of any gains or losses to the income statement. This affects the currencies of Central and Eastern Europe to a lesser extent. Therefore, fluctuations in exchange rates can have a direct impact on the asset position of the group.

The risk of devaluation associated with cash balances in foreign currencies is offset by the rapid conversion of these funds into Euros or through investments in these currencies. As an alternative, the low USD cash balances are used for investments in USD to which the group is committed.

IMMOEAST has only a limited volume of foreign currency credits in Europe (see point 4.10 of the notes) because the risk of undesired foreign exchange effects outweighs the advantage provided by possibly lower interest rates. As a rule, the relevant projects are only financed with foreign currency debt when contractual agreements call for the payment of rents in this currency and therefore provide a natural hedge for payment flows.

Since the functional currency represents the local currency for companies included using full or proportionate consolidation (see point 2.4) but borrowings are generally concluded in Euros, this situation – which is caused by the fluctuation of exchange rates in relation to the Euro – leads to an impact on earnings that must be recognised through profit or loss. In order to limit the foreign exchange risk on rental income, contractual agreements with tenants in Central Europe generally call for the payment of rents in Euros or link the rental payments to the Euro exchange rate at a particular period in time.

4. Results for the 2005/06 Business Year

4.1 Earnings position

The following table shows the income statement of IMMOEAST for the 2005/06 and 2004/05 Business Years according to the fair value model defined in IAS 40.33:

IAS 40 – FAIR VALUE MODEL	2005/06 IN TEUR	2004/05 IN TEUR
Revenues	80,014.5	25,401.5
Revaluation of properties	116,986.1	22,621.3
Other operating income	51,334.4	21,553.0
Depreciation and amortisation	-31,868.0	-17,248.0
Expenses related to properties	-23,027.9	-7,775.6
Other operating expenses	-36,844.1	-11,129.7
Personnel expenses	-24.4	0.0
Cost of materials	-301.2	0.0
Operating profit (EBIT)	156,269.4	33,422.5
Net financing costs	-1,612.9	-3,790.4
Income/(loss) on financial instruments	29,492.3	25,283.2
Share of profit/(loss) from associated companies	-1,203.1	-4,641.9
Financial results	26,676.3	16,850.9
Earnings before tax (EBT)	182,945.7	50,273.4
Income taxes	-37,654.3	-6,702.0
Net profit for the period	145,291.4	43,571.4
Equity holders of the parent company	145,308.4	43,617.4
Minority interests	-17.0	-46.0
Earnings per share in EUR	0.76	0.96

REVENUES

The following table shows the revenues by primary segment:

AMOUNTS IN TEUR	HUNGARY		CZECH REPUBLIC		POLAND	
	2005/06	2004/05	2005/06	2004/05	2005/06	2004/05
Offices	8,706.0	6,160.8	7,669.9	2,944.7	4,295.2	584.9
Logistics/Commercial	6,263.1	31.4	8,491.6	3,485.6	5,606.4	1,013.5
Residential	0.0	672.5	55.2	31.4	0.0	0.0
Parking	430.3	151.4	647.0	286.7	207.8	14.4
Rental Income	15,399.4	7,016.1	16,863.8	6,748.4	10,109.3	1,612.8
Sale of inventories	276.7	0.0	0.0	0.0	0.0	0.0
Operating costs charged to tenants	5,022.2	799.4	5,649.2	2,143.5	4,521.1	148.9
Miscellaneous	330.7	191.6	190.6	24.7	61.8	1.9
Revenues	21,029.1	8,007.1	22,703.6	8,916.6	14,692.3	1,763.6

Revenues for the 2005/06 Business Year rose by TEUR 54,613.0 or 215.0% over 2004/05. Rental income increased 191.8% to equal TEUR 59,323.7 for the reporting year. Newly acquired property companies were responsible for TEUR 34,812.8 of the total increase in revenues; the remaining 78% were generated largely by companies acquired in prior years or represented organic growth.

The company's diversification strategy led to a shift in the distribution of rental income among the individual country segments – with a decrease in all countries except Poland in favour of Slovakia, the newest segment. The increase in rental income and revenues in Poland resulted from the acquisition of Nowe Centrum Sp. z o.o. as well as the initial consolidation of rental income and revenues from the IMAK Group during the reporting year.

The largest share of group rental income and revenues was generated in the Czech Republic, which grew to become the strongest segment through the acquisition of Akvamarin Beta s.r.o. (Andel Park), Airport Property Development a.s. and the CSOB portfolio. This country was followed closely by Hungary, with a 26% share of total rental income and revenues. The organic increase in revenues was also supported by the purchase of Center Invest kft. with its six Stop Shop shopping centres. Romania also reported a significant improvement in revenues with a plus of more than 110%, making the fourth largest contribution to revenues only slightly behind Poland. Slovakia – the newest addition to the primary segments – ranked last with 9.3% of group revenues. However, it should be noted that the Polus companies (Polus City and two office towers) were only included in the 2005/06 financial statements for four months. An extrapolation of these results over a full year would result in revenues of EUR 22.4 million. Despite a strong increase of TEUR 21,871.3 (165.1%) over the prior year, office space declined

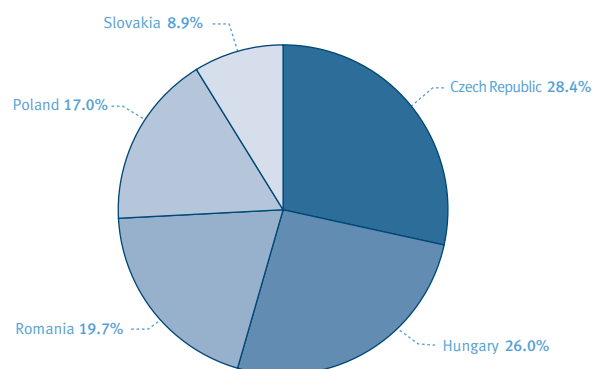
as a percentage of total revenues in favour of logistics and commercial facilities. This development also reflects the diversification strategy pursued by IMMOEAST. The share of rental income generated by logistics and commercial space rose by TEUR 16,844.6 (284.5%) and resulted primarily from the acquisition of large shopping centres (Silesia City Center, Katowice; Polus City, Bratislava) as well as the takeover of the Stop Shop specialty shopping centre chain. Moreover, IMMOEAST also purchased the remaining 50% of the shares in Park Hostivar in Prague during 2005/06.

REVALUATION RESULTS

Revaluation results include all increases and decreases in the value of investment properties. Any impairment charges to development projects are also recorded here.

STRUCTURE OF RENTAL REVENUES 2005/06

By primary segment in %



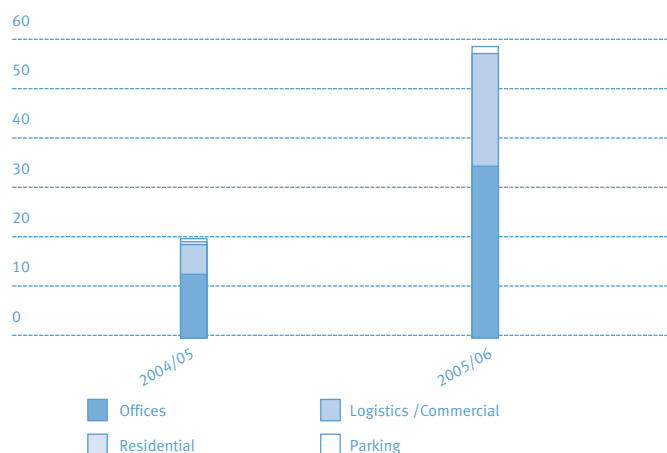
ROMANIA		SLOVAKIA		OTHER AND GROUP ELIMINATIONS		IMMOEAST GROUP	
2005/06	2004/05	2005/06	2004/05	2005/06	2004/05	2005/06	2004/05
11,697.1	3,560.4	2,753.9	0.0	0.0	0.0	35,122.1	13,250.8
0.0	1,390.2	2,404.2	0.0	0.0	0.0	22,765.3	5,920.7
0.0	0.0	0.0	0.0	0.0	0.0	55.2	703.9
0.0	0.0	95.9	0.0	0.0	0.0	1,381.0	452.5
11,697.1	4,950.6	5,254.0	0.0	0.0	0.0	59,323.7	20,327.9
0.3	0.0	0.0	0.0	0.0	0.0	277.0	0.0
2,418.2	1,763.3	985.8	0.0	0.0	0.0	18,596.5	4,855.1
0.0	0.3	1,226.4	0.0	7.8	0.0	1,817.4	218.5
14,115.6	6,714.2	7,466.2	0.0	7.8	0.0	80,014.5	25,401.5

REVENUES BY SECONDARY SEGMENT IN TEUR

	2005/06	%	2004/05	%
Offices	35,122.1	59.20%	13,250.8	65.19%
Logistics/Commercial	22,765.3	38.37%	5,920.7	29.13%
Residential	55.2	0.09%	703.9	3.46%
Parking	1,381.0	2.33%	452.5	2.23%
Rental revenues	59,323.7	100.00%	20,327.9	100.00%
Sale of inventories	277.0		0.0	
Operating costs	18,596.5		4,855.1	
Other revenues	1,817.4		218.5	
Reserves	80,014.5		25,401.5	

STRUCTURE OF RENTAL REVENUES BY SECONDARY SEGMENT

In EUR mill.



In comparison to the prior year, revaluation results rose by TEUR 94,364.8 (417%) to TEUR 116,986.1. This figure comprises revaluation gains of TEUR 133,463.8 and impairment charges of TEUR 16,477.7. Revaluation results include TEUR 43,227.7 of effects from the revaluation of properties acquired during the reporting year. Of the remaining TEUR 51,137.1, TEUR 26,703.4 represent the revaluation of completed development projects (Lentia Real, Budapest; IRIDE, Bucharest). In contrast, the impairment charges resulted chiefly from the strong rise of the Slovakian and Czech Krone, the Romanian Leu and the Polish Zloty in comparison to the Euro.

REVALUATION RESULTS BY PRIMARY SEGMENT

IN TEUR	2005/06	2004/05
Hungary	46,637.2	19,857.8
Czech Republic	13,015.1	4,376.4
Poland	37,890.9	2,085.3
Romania	23,066.8	-3,698.2
Slovakia	-3,623.9	-
Total	116,986.1	22,621.3

As in the prior years, **Hungary** made the largest contribution to revaluation results during 2005/06. This development was supported by the traditionally strong representation of Hungary in the IMMOEAST portfolio (above all in the office sector) as well as the particularly high earnings that have resulted from a sharp decline in the level of returns (yield compression) and continuous optimisation of the portfolio. The weighted average fair value yield of the Hungarian portfolio currently equals 6.7%, whereby office properties normally generate over 6% and logistics and commercial facilities roughly 7%.

Poland advanced from last place but one in the revaluation ranking to second place among the primary segments. This shift was a result of the strong decline in returns, but also reflected an improvement in the tenant structure and increase in the level of rental prices. An outstanding contribution to the TEUR 37,890.9 generated in Poland was provided by the valuation of the Silesia City Center, the most important project in the Polish commercial sector, with a valuation gain of TEUR 17,054.3. Furthermore, the IMAK portfolio, which includes four first-rate office complexes and three high-quality special logistics facilities, also recorded a significant increase of TEUR 17,910.6 in value. The weighted average fair value yield in Poland currently equals 6.31%.

Romania was able to recover the negative earnings reported for 2004/05 through revaluation gains during the reporting year. This improvement was also linked to the completion of major sections of the IRIDE Business Park in Bucharest during 2005/06 and a related contribution of TEUR 17,361.6 to group earnings. Moreover, the Global Business Centre, which was written down in the prior year because of currency translation adjustments, registered a sizeable increase of TEUR 3,643.6 in value. The weighted average fair value yield in Romania equals 8.03% at the present time, but this indicator is heavily influenced by the high representation of the IRIDE Business Park.

The **Czech Republic** made only a modest contribution of TEUR 13,015.1 to revaluation results in comparison to the sizeable property portfolio of TEUR 414,126.1. This situation was not an

indication of the inferior quality of the objects or lower increase in productivity in the segment, but reflected the upward movement of 6.82% in the Czech Krone in relation to the Euro during the reporting year. The growing strength of the Krone absorbed a large part of the increase in value when the properties were converted into the Euro, the group's reporting currency. The weighted average fair value yield in the Czech Republic totals 6.93%.

Slovakia contributed a negative TEUR 3,623.9 to revaluation results. This development was caused by the relatively late market entry of IMMOEAST in 2005/06 through the acquisition of Polus City and the two Millennium Towers in Bratislava. According to the expert opinion prepared at the time of purchase, no increase in value was possible. The Euro value of the expert appraisal remained unchanged – but the growing strength of the Slovakian Krone in relation to the Euro between the date of purchase and the balance sheet date led to an impairment charge. The weighted average fair value yield in Slovakia totals 6.27%.

OTHER OPERATING INCOME

Other operating income is comprised primarily of the reversal of negative goodwill as well as gains on deconsolidation and other items.

The reversal of negative goodwill totalling TEUR 43,951.0 for the reporting year was dominated by two major transactions. The first acquisition involved the six Stop Shop specialty shopping centres in Hungary, where extensive and long-standing contacts to the property developers led to an extremely favourable purchase price for IMMOEAST that also included the registered Stop Shop brand. The negative goodwill that arose in connection with the takeover of Center Invest kft. (the corporation that owns the Stop Shop chain) equalled TEUR 12,768.2. The second transaction – which was completed during the third quarter of the reporting year – made an even larger contribution of TEUR 19,726.2 to IMMOEAST earnings. This acquisition covered the remaining 90% of the shares in Nowe Centrum a.s., the owner of the Silesia City Center. This transaction was extremely favourable from the IMMOEAST point of view due to

the interaction of the price set in 2004 as part of a contractual agreement for the takeover of the remaining 90% of shares and the significant yield compression that has occurred since that time.

Other operating income also includes TEUR 3,964.9 from the sale of the stake in VERDI Development spol. s.r.o. and the partial deconsolidation of Centrum Olympia Olomouc a.s.

DEPRECIATION AND AMORTISATION

This item is comprised chiefly of impairment charges to goodwill as well as depreciation on tangible assets.

The income statement shows depreciation and amortisation of TEUR 31,868.0. Of this total, 30,729.6 represent impairment charges to goodwill. This goodwill is related entirely to the exclusion of discounting for deferred tax liabilities that are related to the acquisition of companies. For example, the initial inclusion of the Polus companies in the IMMOEAST financial statements following their acquisition also involved the assumption of TEUR 31,980.9 in deferred tax liabilities. The required accounting treatment resulted in an impairment charge of TEUR 19,182.8 to goodwill.

EXPENSES RELATED TO PROPERTIES

Expenses related to properties consist for the most part of operating costs, valuation adjustments to receivables and other directly allocated expenses. These expenses show an increase that is proportional to the growth in rental income.

OTHER OPERATING EXPENSES

Other operating expenses are comprised of administrative charges, consulting fees, property and legal transaction taxes, commissions and advertising expenses.

These expenses rose by TEUR 25,714.4 (231%) over the prior year. The increase resulted chiefly from higher administrative fees charged by Constantia Privatbank Aktiengesellschaft based on the management contract with IMMOEAST, which are based on the total volume of managed property assets. During the reporting year, Constantia Privatbank Aktiengesellschaft invoiced administrative fees of TEUR 15,544.2 to IMMOEAST.

Legal, auditing and consulting expenses nearly tripled to TEUR 6,028.8. This development was the result of an additional need for consulting work – above all in connection with legal and tax issues – in East European countries, where the legal environment is undergoing rapid changes. Moreover, auditing costs rose due to an increase in the number of managed companies from 59 to 154. A further significant rise in these categories of expenses is to be expected in the following business years.

Taxes and duties rose by 122% to TEUR 1,915.1, primarily as a result of building taxes that are levied in certain Central and East European countries. This factor led to higher expenses for transaction taxes because of the increased number of objects in the property portfolio. In addition, the trade tax in Hungary and the capital investment tax on direct shareholder contributions in Austria also added to the increase in this item.

Advertising expenses rose by 636% to TEUR 1,544.3. This development was due chiefly to the numerous investor relations events that were held during the reporting year.

Commission expense increased TEUR 2,489.2 to TEUR 2,998.5. Of this total, TEUR 2,321.1 were charged by subsidiaries of Constantia Privatbank Aktiengesellschaft for the brokerage of shares in project companies.

OPERATING PROFIT (EBIT)

The development of operating profit by primary segment is shown below:

	2005/06	2004/05	CHANGE	IN %
Hungary	73,778.1	22,451.5	51,326.6	228.6%
Czech Republic	19,550.8	7,534.0	12,016.8	159.5%
Poland	56,023.5	7,976.7	48,046.8	602.3%
Romania	31,804.7	-1,941.3	33,746.0	1,738.4%
Slovakia	-21,420.8	0.0	-21,420.8	-
Group eliminations	-3,467.0	-2,598.6	-868.4	33.4%
Total	156,269.4	33,422.4	122,846.9	367.6%

EBIT rose by TEUR 122,846.9 to TEUR 156,269.4 for the 2005/06 Business Year, which represents an increase of 368%. This growth was supported by a contribution of TEUR 95,514.5 from newly acquired properties as well as TEUR 43,951.0 from the reversal of negative goodwill. After the adjustment of prior year EBIT to reflect new acquisitions made during 2004/05 (TEUR 26,278.1), existing properties generated TEUR 60,754.9 of group EBIT.

COMPOSITION OF EBIT IN TEUR	NEW ACQUISITIONS	EXISTING PORTFOLIO	TOTAL
2005/06	95,514.5	60,754.9	156,269.4
2004/06	26,278.1	7,144.4	33,422.5

As in the previous year, Hungary again made the largest contribution to group EBIT with TEUR 73,778.1, followed by Poland with TEUR 56,023.5 and Romania with TEUR 31,804.7. The Czech Republic fell to the last but one place in the ranking of primary segments despite impressive growth in revenues because of reduced opportunities for revaluation gains as a result of exchange rate developments. Slovakia reported negative EBIT following sizeable impairment charges to goodwill and revaluation gains to the value of properties that were caused by foreign exchange factors.

The following table shows the adjustment of EBIT as shown in the financial statements for non-cash components:

IN TEUR	HUNGARY	CZECH REPUBLIC	POLAND	ROMANIA	SLOVAKIA	GROUP ELIMINATIONS	TOTAL
EBIT	73,778.1	19,550.8	56,023.5	31,804.7	-21,420.8	-3,467.0	156,269.4
Depreciation and amortisation	1,781.5	4,648.4	4,906.9	1,248.1	19,261.8	21.3	31,868.0
Revaluation	-46,637.2	-13,015.1	-37,890.9	-23,066.8	3,623.9	0.0	-116,986.1
Reversal of negative goodwill	-17,070.2	-3,158.9	-19,768.0	2,229.9	0.0	-6,183.8	-43,951.0
Cash EBIT	11,852.2	8,025.2	3,271.5	12,215.9	1,464.9	-9,629.6	27,200.3
Revenues	21,029.1	22,703.6	14,692.3	14,115.6	7,466.2	7.8	80,014.5
Cash EBIT margin	56.4%	35.3%	22.3%	86.5%	19.6%	-	34.0%

This analysis shows that Romania generated the highest cash contribution to IMMOEAST earnings during the 2005/06 Business Year. Only Poland and Slovakia lie substantially below the group average cash EBIT margin of 34%. This situation is due to the higher costs related to development projects in these countries.

FINANCIAL RESULTS

Financial results comprise interest income and expense, current financing costs, profit and loss on financial investments and the proportional share of profit and loss from associated companies.

Financial results rose by 58.3% over 2004/05 to TEUR 26,676.3 for the 2005/06 Business Year. Financing costs showed only a slight improvement from expenses of TEUR -3,790.4 in the previous year to expenses of TEUR -1,612.9 for 2005/06, but the net profit on financial investments increased by a clear margin from TEUR 25,283.2 to TEUR 29,492.3. The improvement in net financing costs resulted above all from additional interest income on the investment of surplus liquid funds. The net profit on financial investments is determined by four major components, whereby the gain on currency translation differences represents the most important item. Foreign exchange gains (TEUR 35,166.6) arose for the most part from the valuation of credit liabilities and group financing in Euros, which were concluded in Poland, Romania and the Czech Republic. Foreign exchange losses (TEUR 24,025.1) were related largely to the devaluation of the Hungarian Forint. Another major part of the net profit on financial investments was the TEUR 7,850.9 in income generated by the short- to mid-term investment of surplus liquid funds. The valuation of other financial instruments led to income of TEUR 6,829.4, and the distributions from these financial instruments totalled TEUR 3,670.5.

The distribution of financial results among the primary segments is as follows:

	2005/06	2004/05
Hungary	-15,989.8	204.6
Czech Republic	5,107.8	1,920.2
Poland	1,505.4	-325.7
Romania	-1,602.9	3,905.1
Slovakia	-271.5	0.0
Other and group eliminations	37,927.3	11,146.7
Total	26,676.3	16,850.9

The above table shows the impact of foreign exchange losses in Hungary on the financial results of this segment.

INCOME TAXES

This item includes income tax expense as well as provisions for deferred taxes.

Income tax expense for the group rose from TEUR -6,702.0 in the prior year to TEUR -37,654.3 for 2005/06, which represents an increase in the group tax rate from 13.3% to 20.6%. A calculation based on TEUR -1,651.2 of income taxes actually paid for the reporting year shows a rate of 0.9% for the actual taxation of earned income.

The following table provides an overview of the effective tax rates for the individual segments:

	ABSOLUTE EFFECTIVE TAX RATE IN TEUR		EFFECTIVE TAX RATE AS A % OF INCOME	
	2005/06	2004/05	2005/06	2004/05
Hungary	-9,199.5	-934.3	15.9	4.1
Czech Republic	-9,311.9	-1,847.2	37.8	19.5
Poland	-8,040.6	-223.8	14.0	2.9
Romania	-4,580.6	-461.0	15.2	23.5
Slovakia	447.0	0.0	2.1	-
Other and group eliminations	-6,968.7	-3,235.7		
Total	-37,654.3	-6,702.0	20.6	13.3

With the exception of the Czech Republic, all effective tax rates reflect the current rates applicable in the relevant countries. The high (deferred) tax expense resulted from the reversal of deferred tax assets previously calculated on loss carryforwards whose application against future income was questioned during an audit; these items were subsequently adjusted by IMMOEAST as a precautionary measure.

The tax loss carryforwards available in the individual segments are shown in the following table:

IN TEUR	30 APRIL 2006
Hungary	18,676.2
Czech Republic	14,240.4
Poland	11,611.0
Romania	6,320.8
Slovakia	9,178.3
Total	60,026.7

The tax rate in **Hungary** equals 16%, and is applied to the calculation of deferred taxes and taxes on income. The tax loss carryforwards in the Hungarian companies totalled TEUR 18,676.2 as of 30 April 2006, and will be available in full for the next five reporting years. In Hungary, tax loss carryforwards that occur during the first four years can be carried forward for an unlimited period of time; thereafter the ability to utilise these losses in the future is dependent on the approval of the taxation authorities. Deferred tax assets were created on tax loss carryforwards in cases where it is probable that sufficient taxable income will be available to utilise these tax loss carryforwards in the future. As of the balance sheet date, the group had recorded deferred tax assets of TEUR 1,222.6 on tax loss carryforwards.

The applicable tax rate in the **Czech Republic** is 24%. Regulations in this country permit the use of tax loss carryforwards for five years. As of the balance sheet date on 30 April 2006 IMMOEAST had tax loss carryforwards of TEUR 14,240.4 in the Czech Republic, most of which can be carried forward for the next three years. Deferred tax assets of TEUR 1,430.0 were created on tax loss carryforwards in cases where it is probable that sufficient taxable income will be available to utilise these tax loss carryforwards in the future.

A tax rate of 19% applies to the calculation of deferred taxes and income taxes in **Poland**. The tax loss carryforwards in the Polish companies totalled TEUR 11,611.0 as of the balance sheet date, whereby TEUR 6,233.6 of this amount may be carried forward. In Poland tax loss carryforwards are valid for up to five years, but they may be applied to only 50% of taxable income. Deferred tax assets of TEUR 1,629.4 were recorded on tax loss carryforwards that can be used in the future.

The applicable tax rate in **Romania** is 16%. As of the balance sheet date, IMMOEAST had tax loss carryforwards of TEUR 6,320.8 in this country, which may be carried forward for the next two years. Deferred tax assets of TEUR 1,057.6 were created for tax loss carryforwards that can be used in the future.

The tax rate in **Slovakia** equals 19%, and tax loss carryforwards remain valid for a period of five years. Tax loss carryforwards in this country totalled TEUR 9,178.3 as of 30 April 2006. Deferred tax assets were created on tax loss carryforwards in cases where it is probable that sufficient taxable income will be available to utilise these tax loss carryforwards in the future. As of 30 April 2006 deferred tax assets on tax loss carryforwards equalled TEUR 1,746.4.

4.2 Financial position

CONSOLIDATED STATEMENT OF CASH FLOWS	2005/06 IN TEUR	2004/05 IN TEUR
Earnings before tax	182,945.7	50,273.4
Amortisation/reversal of negative goodwill	3,919.8	-9,645.8
Share of profit/(loss) from associated companies	1,203.1	4,641.9
Gain/(loss) on the sale of non-current assets	220.4	-133.7
Gains on the change in investments	-3,964.9	0.0
Temporary changes in the fair value of financial instruments	-29,499.8	-25,292.3
Income taxes paid	-1,651.4	-1,057.5
Net financing costs	7,278.7	4,345.9
Other non-cash income/(expenses)	-135,597.5	-17,629.2
Gross cash flow	24,854.1	5,502.7
Receivables and other assets	-40,204.3	3,118.4
Trade accounts payable	18,829.8	645.4
Provisions (excl. tax provisions)	4,581.3	461.7
Other liabilities	-1,277.2	3,487.2
Cash flows from operating activities	6,783.7	13,215.4
Acquisition of property	-126,834.8	-31,332.5
Acquisition of property companies less cash and cash equivalents (TEUR 20,880.8; 2004/05: TEUR 7,590.9)	-278,836.2	-97,525.0
Acquisition of other tangible assets	1,847.4	-983.1
Acquisition of intangible assets	92.0	-26.4
Acquisition of financial instruments	-8,990.0	-43,891.6
Proceeds from the sale of current assets	2,117.6	20,368.5
Proceeds from the sale of non-current assets	4,136.9	859.3
Proceeds from the sale of financial instruments	6,099.2	14,693.5
Interest income from financial instruments	13,453.5	21,237.4
Cash flows from investing activities	-386,914.4	-116,599.9
Cash inflows from long-term financing	116,665.7	21,354.8
Cash inflows from capital increases	1,086,376.6	188,482.2
Cash outflows from changes in investments	-1,321.4	0.0
Cash outflows from short-term financing	-412,534.1	0.0
Repayment of short-term debt	-2,461.5	-64,761.2
Repayment of long-term debt	-130,673.4	-5,303.1
Interest expense	-12,439.3	-2,291.4
Dividends paid	0.0	-6,818.8
Cash flows from financing activities	643,612.6	130,662.6
Differences arising from foreign currency translation	-4,564.9	610.9
Change in cash and cash equivalents	258,917.0	27,889.0
Cash and cash equivalents at the beginning of the period	58,811.7	30,922.7
Cash and cash equivalents at the end of the period	317,728.7	58,811.7
Change in cash and cash equivalents	258,917.0	27,889.0

GROSS CASH FLOW

Gross cash flow demonstrates the strength of a company's operational earnings. However, the strong growth of IMMOEAST in recent years has made this indicator less important than earnings data for an accurate evaluation of performance. Gross cash flow for the 2005/06 Business Year showed an above-average increase in comparison to revenues and earnings, rising 351% to TEUR 24,854.1.

CASH FLOW FROM OPERATING ACTIVITIES

Cash flow from operating activities is based on gross cash flow, and includes the changes in the various components of working capital. For the reporting year, cash flow from operating activities fell significantly below gross cash flow because of a sharp rise in other receivables. This increase was related to amounts due from taxation authorities in various East European countries for input VAT as well as recently granted financing, and represents the status as of 30 April 2006.

CASH FLOW FROM INVESTING ACTIVITIES

Cash flow from investing activities clearly shows the expansion strategy of IMMOEAST. A total of TEUR 116,599.9 was invested in 2004/05 and a further TEUR 386,914.6 during the reporting year. The purchase of property companies – which represents the most effective form of acquisition in the majority of East European countries – dominates cash flow from investing activities at TEUR 278,836.2. An additional TEUR 126,834.8 was invested in the direct acquisition of properties during 2005/06.

CASH FLOW FROM FINANCING ACTIVITIES

Cash flow from financing activities contains two major components. It was influenced by the net cash inflows from the capital increase carried out by IMMOEAST (TEUR 1,086,376.6) as well as the granting of short-term financing to IMMOFINANZ (TEUR 412,534.1).

FINANCING

IMMOEAST currently has an equity ratio of 61.8% and gearing of 23.1%. This standing reflects the capital increase that was carried out during the 2005/06 Business Year.

The following table provides an overview of the current conditions for external financing:

AMOUNTS IN EUR	CURRENCY	NOMINAL VALUE	INTEREST RATE FIXED/VARIABLE	EFFECTIVE INTEREST RATE
Amounts due to financial institutions				
Loans and advances	EUR	779,689,912	variable	4.60%
	CHF	39,998,759	variable	3.88%
	USD	25,785,762	variable	5.53%

4.3 Asset position

The balance sheets as of 30 April 2006 and 2005 are shown in the following table:

	30 APRIL 2006 IN TEUR	30 APRIL 2005 IN TEUR
Investment property	1,586,376.6	455,165.6
Property under construction	85,632.7	62,326.5
Other tangible assets	1,693.3	1,487.7
Intangible assets	1,967.8	2,220.9
Shares in associated companies	21,574.4	25,169.9
Other financial instruments	94,089.6	65,928.7
Receivables and other assets	16,120.2	3,155.2
Deferred tax assets	23,042.5	8,137.6
Non-current assets	1,830,497.1	623,592.1
Receivables and other assets	478,005.0	29,405.0
Property held for sale	42,847.6	0.0
Inventories	18,375.5	0.0
Financial instruments	101,966.0	0.0
Cash and cash equivalents	215,762.7	58,811.7
Current assets	856,956.8	88,216.7
ASSETS	2,687,453.9	711,808.8
Share capital	222,353.1	59,294.2
Reserves	1,219,560.1	286,559.9
Revaluation reserve	75.7	0.0
Retained earnings and consolidated profit	204,918.6	54,032.9
Currency translation adjustment	15,064.2	6,195.5
	1,661,971.7	406,082.5
Minority interests	-17.4	1,621.6
Equity	1,661,954.3	407,704.1
Long-term financial liabilities	614,655.6	152,049.2
Trade accounts payable	869.6	301.4
Provisions	1,597.5	0.0
Other liabilities	15,951.5	2,977.2
Deferred tax liabilities	186,946.7	49,667.8
Non-current liabilities	820,020.9	204,995.6
Short-term financial liabilities	87,641.6	60,679.0
Trade accounts payable	47,823.8	12,283.5
Provisions	9,609.1	2,190.4
Other liabilities	60,404.2	23,956.2
Current liabilities	205,478.7	99,109.1
EQUITY AND LIABILITIES	2,687,453.9	711,808.8

This balance sheet includes the following changes and new items:

INVENTORIES

IMMOEAST is currently participating in two projects that involve the construction of apartments for sale as condominiums. These projects are located in Tallin, Estonia, and Bratislava, Slovakia. Both settlements are under currently construction, and are carried at their current cost of TEUR 18,375.5.

Since the sale of these apartments will take place during the normal cycle of business, the properties are included under current assets.

INVESTMENT PROPERTY

This balance sheet position was introduced to meet the requirements of IFRS 5. Investment properties generally represent non-current assets, for which there is a sufficiently documented intention to sell. On the balance sheet as of 30 April 2006, this item represents the Europe Tower, a development project in Budapest, which was sold – contingent on completion – to a subsidiary of Erste Bank.

REVALUATION RESERVE

A revaluation reserve is created when an additional stake is acquired in a property company. Following this type of transaction, all assets and liabilities in the acquired company must be revalued. The revaluation leads to an increase in equity, which must subsequently be consolidated. In contrast, the part of the revaluation that is related to the stake previously owned may not be consolidated. The revaluation reserve as of 30 April 2006 arose from the acquisition of five property companies from the joint venture that is managed together with the S+B Group.

Net asset value

The following table provides an overview of the components of net asset value:

VALUES IN TEUR	2005/06		2004/05	
Equity before minority interest	1,661,971.7		406,082.5	
Deferred tax assets	-23,042.5		-8,137.6	
Deferred tax liabilities	186,946.7	1,825,876.0	49,667.8	447,612.7
Property under construction (carrying value)	85,632.7		62,326.5	
Property under construction (fair value)	95,387.3	9,754.6	69,732.5	7,406.0
Property available for sale (carrying value)	42,847.6		0.0	
Property available for sale (fair value)	54,125.0	11,277.4	0.0	0.0
Shares in associated companies (carrying value)	21,574.4		25,169.9	
Shares in associated companies (fair value)	39,979.4	18,404.9	25,169.9	0.0
Net asset value		1,865,312.9		455,018.7
Number of shares (in 1,000)		222,353.1		59,294.2
Net asset value per share (in EUR)		8.39		7.67

The calculation of net asset value is based on a Best Practices Policy Recommendation (6.3) of the European Public Real Estate Association (EPRA).

The calculation of Triple NNNAV, which represents EPRA NAV after the adjustment for any tax consequences, is not required because – with few exceptions – the IMMOEAST strategy does not include the sale of properties. Furthermore, acquisitions are designed not to create a tax burden if a stake in a project is sold at a later date – to the extent this practice is supported by double taxation treaties.

FAIR VALUE OF PROPERTY

The fair value of the property portfolio as of the balance sheet date is shown below:

ALL AMOUNTS IN MEUR	BALANCE SHEET VALUE	FAIR VALUE
Investment property	1,586.4	1,586.4
Property under construction	85.6	95.4
Property held for sale	42.8	54.1
Inventories	18.4	18.4
Total	1,733.2	1,754.3
Property in fund investments (indirect investments)	0.0	176.7
Total managed assets	1,733.2	1,931.0

Net operating income yields

The following table provides an overview of the net operating income yields of investment property at the segment level:

	MARKET VALUE	NOI (A)	NOI (A) YIELD	VACANCY
Hungary	361,370.9	23,723.0	6.6%	7.6%
Czech Republic	390,231.5	26,830.8	6.9%	9.5%
Poland	375,275.0	23,424.0	6.2%	4.0%
Romania	218,129.2	17,538.9	8.0%	4.2%
Slovakia	241,370.0	14,929.8	6.2%	1.6%
Development projects	167,886.3	-	-	-
Financial investments	176,723.5	-	-	-
Total	1,930,986.4	106,446.5		

Net operating income (NOI) covers the cash flows that can be directly allocated to a property, and also forms the basis for valuation. This item includes net rental revenues (excluding operating expenses) less costs that cannot be charged out. The calculation of NOI is based on the cash flows for a full year.

5. Country reports

5.1 Czech Republic

STRONG ECONOMIC GROWTH

Real GDP growth in the Czech Republic totalled 6.0% for 2005. This sound development was driven by a high level of industrial production and rising exports. An accelerating upward trend was also noted in consumer spending, which paralleled a drop in the unemployment rate to below 8%.

The Czech property market was originally concentrated in the capital city of Prague and the surrounding areas – and here the focus was placed mainly on office properties. However, cities such as Brno, Ostrava, Plzen and Ceske Budejovice have grown to be much more important in recent years. Rising consumer spending and a higher standard of living have made these locations more interesting, above all as a market for retail properties. The residential market has also become more attractive for investors – but only in the high quality condominium segment.

RECOVERY ON THE PRAGUE OFFICE MARKET

The Czech Republic has a population of approximately 10.3 million, whereby 1.2 million live in the capital city. The Prague office market comprises 1.8 million sqm of space, with roughly 60% of this amount concentrated in new buildings. The production of new space reached nearly 180,000 sqm in 2005 and exceeded rentals of 140,000 sqm, which were slower in comparison to Budapest and Warsaw. This oversupply triggered a slight increase in the vacancy rate to 14%. However, developments are expected to remain stable in this market segment because of the unbroken demand by West European corporations for high-quality space.

DEMAND FOR HIGHER QUALITY ON THE HOUSING MARKET

The housing market in the Czech Republic covers 4.4 million units, of which roughly 600,000 are located in Prague. Based on the size of the population, this represents a good level of supply compared to other European countries. The relationship of owner-occupied and rental apartments is more or less equal. However, the steady improvement in living standards has led to an increase in the demand for high-quality condominiums and the market has been unable to meet this demand up to now.

BOOM FOR RETAIL PROPERTIES

The Czech retail trade sector has also profited from the general increase in disposable income. The demand by international retail chains for new high-quality facilities remains strong, and is concentrated not only in Prague but also extends into the dynamically growing provincial cities.

DEVELOPMENTS

The Czech Republic generated 28.4% of IMMOEAST revenues in 2005/06, which reflects an increase of 154.6% to EUR 22.7 million. This growth resulted not only from new acquisitions, which contributed EUR 7.4 million, but also to a high level of occupancy. The portfolio in this country is focused primarily on office, logistics and commercial space. Investments totalling EUR 219.4 million were made during the 2005/06 Business Year. This segment recorded an improvement of 159.5% in EBIT to EUR 19.6 million. Income of EUR 13.0 million from the revaluation of properties includes EUR 8.3

KEY DATA ON THE CZECH REPUBLIC

	2005/06	CHANGE	2004/05
Revenues in EUR mill.	22.7	154.6%	8.9
EBIT in EUR mill.	19.6	159.5%	7.5
Investments in EUR mill.	219.4	208.2%	71.2
Letable space in sqm	890,653	35.2%	658,829
Proportional share of letable space in sqm	381,660	64.6%	231,829
Letable space as a % of the total portfolio	27.0%	-17.3%	32.6%
Fair value in EUR mill.	470.5	123.2%	210.8
Fair value as a % of the total portfolio	24.4%	-25.0%	32.5%

million generated by acquisitions made in 2005/06. Investments and increases in the value of existing properties raised the fair value of the portfolio from EUR 210.8 million in 2004/05 to EUR 470.5 million for the reporting year. The Czech Republic represents the largest segment of IMMOEAST with a 24.4% share of fair value.

New acquisitions

IMMOEAST acquired 100% of the shares in Czech Airport Property Development a.s. as of 29 June 2005. The fully let Airport Business Center, which is owned by this company, is located directly at Ruzyně International Airport and has more than 15,000 sqm of lettable space. The occupancy rate is 94%, and annual rental revenues total TEUR 2,609.1.

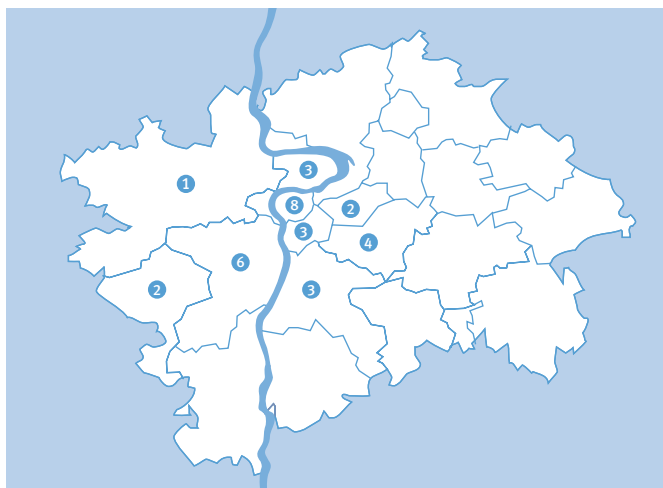
During the first six months of 2005/06 the stakes held in the Czech SBF Development Praha spol.s.r.o., SB Praha 4 spol.s.r.o., WEGE spol.s.r.o. and ODP – Office Development Praha spol.s.r.o. were increased to 100% through a transition consolidation and the stake owned in VLADEK Praha spol.s.r.o. was raised to 80%. The remaining 20% of VALDEK Praha spol.s.r.o. was acquired during the third quar-

ter of the reporting year. These transactions resulted in the full takeover of the following properties in Prague: Pankrac Business Corner I+II, ARBES Státníkova 32+34, Valdek Jugoslávka 29 and Park Hostivar. The Pankrac Business Corner has more than 4,000 sqm of space that is let to tenants such as NextiraOne, CANABA a.s. and ARVAL CZ s.r.o. The ARBES property has 5,100 sqm of lettable space that is fully rented to HVB Bank, dm Drogeriemarkt and other well-known companies. The 36,500 sqm Park Hostivar is located at a prime site with good traffic connections in the eastern section of the city. It is fully rented to top retail chains that include SPAR, McDonalds, C&A and dm Drogeriemarkt. This object generates rental revenues of TEUR 2,831.6 per year.

On 30 September 2005 IMMOEAST purchased 100% of the shares in Akvamarin Beta s.r.o., a Czech company that owns the Andel Park B property in Prague. This office complex is located in the western part of the city, and has excellent traffic connections as well as a good infrastructure. The 29,300 sqm of space is rented to established companies such as Johnson & Johnson, Ferrero, Whirlpool, Carl Zeiss and Imperial Tobacco. Rental revenues equal TEUR 3,908.6 per year.

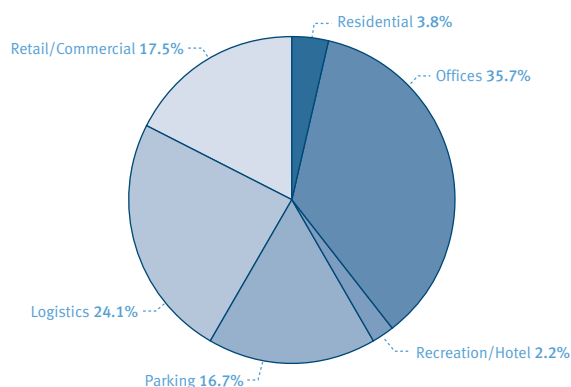
THE PROPERTY PORTFOLIO IN PRAGUE

Number of properties per district



DISTRIBUTION OF LETABLE SPACE IN THE CZECH PORTFOLIO

As of 30.4.2006



Eight Czech companies were acquired as of 9 December 2005 through a 50% investment in a joint venture: PERL INVEST a.s., NP Investment a.s., Prokopova Development a.s., E.N.G. Property a.s., JUNGMANNOVA ESTATES a.s., Štětškova Property Investment a.s., J.H. Pragueue a.s. and PAN Development a.s. These companies are the owners of first-class objects at excellent locations in the inner city of Prague. The office properties at Jindřišská 16, Jungmannova 15, Na Příkopě 14, Panská 9, Perlová 5, Anglicka 20 and Prokopova 20 have total letable space of 47,000 sqm. These prime locations are comparable with the Kärntnerstrasse or Graben in the inner city of Vienna. The properties are rented to the seller, the Czech CSOB Bank, up to 2007, and will then be renovated and enlarged to 53,000 sqm. Large parts of the properties will no longer be used as offices, but converted to retail, hotel and residential space, which will lead to an increase in revenues.

As part of its 50% investment in S+B CEE Beteiligungsverwaltungs GmbH, IMMOEAST acquired three project companies in Prague: NF 23 spol.s.r.o. with Na Florenci 23, Netlu spol.s.r.o. with the Netlu property and Stavební a inženýrská spol.s.r.o. with Stetkova 18. The Stetkova 18 property is an office and commercial building with 10,255 sqm, and plans calling for extensive renovation and modernisation in the near future. The Na Florenci 23 property is a former residential and commercial building that is current not in use; renovation is scheduled for 2009 in connection with the VITEK project.

INVESTMENTS IN THE CZECH REPUBLIC DURING 2005/06

Olomouc	Olympia Centre
Prague	Airport Business Center
Prague	Andel Park B
Prague	Anglická 20
Prague	Jindřišská 16
Prague	Jungmannova 15
Prague	Large Box Uherské Hradiste
Prague	Na Florenci 23
Prague	Na Příkopě
Prague	Netlu
Prague	Pekarska Office
Prague	Prague Office Park I+II
Prague	Panská 9
Prague	Perlová 5
Prague	Prokopova 20
Prague	Rudna Logistics Park Phase II
Prague	Štětškova 18

5.2 Hungary

SLIGHT ECONOMIC WEAKNESS

Real GDP growth in Hungary declined from 5.2% to 4.1% in 2005, ranking the country below the average for the new EU member states but still clearly above the EU-15. The main economic drivers in recent years have been a high level of exports and strong investment activity. In spite of this favourable development, the unemployment rate rose slightly above 7% in 2005.

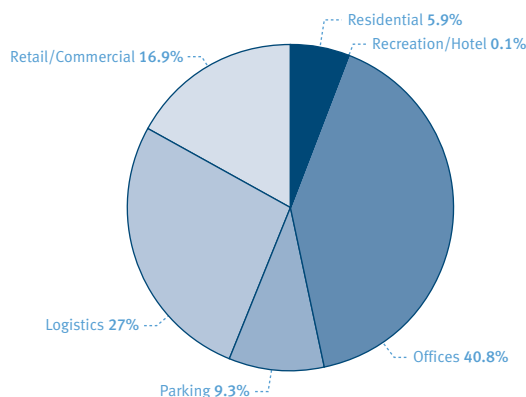
The property market in Hungary is concentrated in the capital city of Budapest. However, local centres such as Debrecen, Miskolc, Szeged, Pécs and Győr are becoming more important as interesting locations for retail properties.

STABLE OFFICE MARKET IN BUDAPEST

The Budapest office market has roughly 1.8 million sqm of space compared to a population of approximately 1.8 million. Conditions on the market began to improve in 2004 and resulted in a significant rise in rentals – this trend continued into 2005. New space totalling 75,000 sqm was completed in 2005, compared to rentals of 240,000 sqm. The completion of numerous buildings in 2006 is expected to increase the supply of modern space to roughly 180,000 sqm, and rentals should also match this high level. The average vacancy rate has declined steadily in recent years, levelling off at 13% in 2005. However, the demand situation shows a massive discrepancy: while the vacancy rate for new objects lies far below 10%, buildings constructed around 1990 are considered to be unattractive. The average rent in Budapest is EUR 13, but tenants are willing to pay up to EUR 19 per sqm and month for top objects.

DISTRIBUTION OF LETTABLE SPACE IN THE HUNGARIAN PORTFOLIO

As of 30.4.2006



KEY DATA ON HUNGARY

	2005/06	CHANGE	2004/05
Revenues in EUR mill.	21.0	162.6%	8.0
EBIT in EUR mill.	73.8	228.6%	22.5
Investments in EUR mill.	237.0	148.7%	95.3
Lettable space in sqm	849,986	27.1%	668,907
Proportional share of lettable space in sqm	390,318	57.8%	247,300
Lettable space as a % of the total portfolio	27.6%	-20.7%	34.8%
Fair value in EUR mill.	461.6	166.4%	173.2
Fair value as a % of the total portfolio	23.9%	-10.5%	26.7%

New acquisitions

IMMOEAST acquired 100% of the shares in the Hungarian Center Invest Kft. as of 2 June 2005. This company is the owner of the Stop Shop portfolio in Hungary, which consists of six completed and fully let specialty shopping centres. Three of these properties are located in the capital city of Budapest, while the others are situated in Érd, Veszprém and Nyíregyháza. The Stop Shop portfolio has lettable space of 61,476 sqm. The specialty shopping centre in Érd near Budapest has 11,505 sqm of lettable space, the object in Nyíregyháza near the border to Romania has 6,590 sqm and Veszprém near Lake Balaton has 13,951 sqm. All locations are fully rented to international chains that include dm Drogeriemarkt, C&A, Deichmann, TAKKO, INTERSPAR and Vögele. The total rental income ranges from TEUR 861.5 to TEUR 1,745.0 per year, depending on the site and size of the shopping centre.

During the second quarter of the reporting year IMMOEAST purchased 100% of the shares in the Hungarian Optima A Kft. This transaction led to the takeover of the Optima A office building with 7,600 sqm of space. The object is situated at a top office location in the northern section of the city, which can be easily reached with public and private transportation and is well integrated in a good local infrastructure. The office building is fully let to international companies like Zepter, Pepsi and Kone. Annual rental income equals TEUR 869.0.

Through its investment in IMAK CEE B.V., IMMOEAST acquired 100% of the shares in the Hungarian C.E.P.D. Kft. and Euro Businesspark Kft. C.E.P.D. Kft. is the owner of the newly built Greenpoint 7 office building, which has roughly 22,000 sqm of lettable space. This object is fully rented to companies like Accor Services, Pannonia Hotels, Matáv, Vogel Burda and AKRON. Annual rentals total TEUR 2,809.4. Euro Businesspark Kft. owns two logistics objects in Budapest: Shark Park and Camel Park. Shark Park has 17,100 sqm of warehouse space and 4,000 sqm of offices. Camel Park has 31,000 sqm of warehouse and office space that is rented to well-known companies such as Frans Maas, Schneider Papier, Camelog and General Motors. Rental income totals TEUR 1,507.5 (Shark Park) and TEUR 2,341.3 (Camel Park).

As of 1 November 2005 IMMOEAST acquired 100% of the shares in the Hungarian Böck & Jeschek Kft. This company owns a warehouse and office building in Budapest, which has 29,807 sqm of space. The object is located in Dunaharaszti, south of Budapest and directly on the M0, the ring autobahn that surrounds an industrial and logistics area. The facility is rented to V & T Kft., a logistics company, through a long-term contract. The annual rent for the property totals TEUR 985.0.

INVESTMENTS IN HUNGARY DURING 2005/06

Budapest	Camel Park
Budapest	Greenpoint 7
Budapest	Optima "A" Office Building
Budapest	Shark Park
Budapest	3 Stop Shop shopping centres
Dunaharaszti	Dunaharaszti logistics object
Érd	Stop Shop
Nyíregyháza	Stop Shop
Veszprém	Stop Shop

5.3 Poland

Weaker domestic demand slowed economic growth in Poland from 5.3% to 3.2% in 2005. The 18% unemployment rate exceeds the EU average by a significant margin, and is due above all to structural problems in the agricultural sector. Although this sector generates less than 5% of GDP, it employs one-fourth of the country's workforce.

The property market in Poland is characterised by extremely high pent-up demand, particularly in the office sector. However, there are also considerable opportunities for development in the residential and retail segments.

INCREASE IN OFFICE RENTALS

The office market in Warsaw has a capacity of 2.4 million sqm compared to a population of 1.7 million. In recent years, there has been a sizeable demand overhang. The production of new space totalled 180,000 sqm in 2005, while new rentals reached a level of 350,000 sqm. Numerous projects currently in the planning or realisation stage will increase the supply of new space by 280,000 sqm in 2006. The vacancy rate has levelled off at 11%. Rental prices average EUR 14 to EUR 15 per sqm and month, with top prices reaching EUR 20.

ABOVE-AVERAGE HOUSEHOLD SIZE

Poland has approximately 13 million housing units, or an average of more than three persons per household based on the current population. This figure exceeds the comparable figures for Western and Central Europe by a substantial margin. Furthermore, many of the existing objects are of poor quality – and 16% are classified as substandard. The rising standard of living and decline in the size of the average household to the West European level of roughly two persons are expected to trigger increased demand for higher quality housing in the coming years.

THE PROPERTY PORTFOLIO IN WARSAW

Number of properties per district



KEY DATA ON POLAND

	2005/06	CHANGE	2004/05
Revenues in EUR mill.	14.7	733.1%	1.8
EBIT in EUR mill.	56.0	602.3%	8.0
Investments in EUR mill.	244.5	195.9%	82.6
Letable space in sqm	460,214	6.4%	432,527
Proportional share of letable space in sqm	260,173	132.1%	112,096
Letable space as a % of the total portfolio	18.4%	17.1%	15.7%
Fair value in EUR mill.	444.6	226.4%	136.2
Fair value as a % of the total portfolio	23.0%	9.7%	21.0%

STRONG DEMAND FOR RETAIL OBJECTS

The retail market in Poland is also particularly interesting for investors at the present time. An increase in disposable income and the population's growing focus on consumption are contrasted with a lack of high quality retail space, not only in the capital city of Warsaw but also in other rapidly developing major cities.

DEVELOPMENTS

IMMOEAST invested a total of EUR 244.5 million in Poland during the 2005/06 Business Year, and thereby increased the weighting of this country in the group's property portfolio from 21% to 23%. The most important investments in this segment include the acquisition of Nowe Centrum Sp.z.o.o. with the Silesia City Center. A number of successful acquisitions during the reporting year and the high level of occupancy in existing properties supported an increase in revenues in Poland from EUR 1.8 million to EUR 14.7 million. Of this total, EUR 7.4 million are related to new acquisitions. EBIT rose from EUR 8.0 million in the previous year to EUR 56.0 million for 2005/06. This extremely sound development was supported by two main factors: the favourable development of the fair value of properties resulted in revaluation income of EUR 37.9 million, and successful acquisitions led to the reversal of negative differences and subsequent revaluation gains of EUR 19.8 million. Revaluation income of EUR 37.9 million includes EUR 20.6 million from companies that were included in the IMMOEAST financial statements for the first time during the reporting year. The fair value of the Polish portfolio totalled EUR 444.6 million as of the balance sheet date, compared to EUR 136.2 million on 30 April 2005.

New acquisitions

The most important transaction in Poland during the 2005/06 Business Year was the acquisition of the remaining 90% of the shares in Nowe Centrum Sp.z.o.o. After the completion of this takeover, the company was included in the consolidated financial statements of IMMOEAST as of 31 December 2005. Nowe Centrum Sp.z.o.o. is the owner of the Silesia City Center in Katowice. With its 127,000 sqm, this modern shopping mall has 105,900 sqm of letable space and is the largest property of its kind in the heavily populated Slask region. The Silesia City Center is comparable in size to Vienna's Donauzentrum shopping centre, and is fully rented to international tenants such as Saturn, Tesco, Nike, Adidas, Douglas, Esprit, C&A, Zara, Puma and Mexx. This property generates annual rents – excluding revenue-based rents and rental payments for stands and smaller areas – of TEUR 13,089.1.

As of 31 January 2006 IMMOEAST acquired 100% of the shares in Mistral Real Sp.z.o.o., with the Mistral Office Building in the Polish capital of Warsaw. The property is situated at an excellent location, roughly ten minutes from the inner city or the international airport.

This office building has 19,600 sqm of space that is rented to well-known companies like Compensa – a subsidiary of the Vienna Insurance Group – as well as Energizer, Luxmed and Tyco Polska.

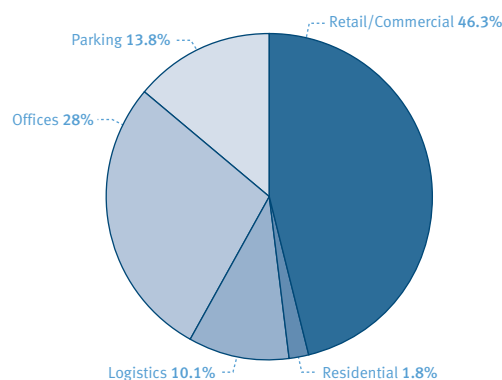
IMMOEAST acquired ARE 8 Sp.z.o.o. with the Silesia Logistics Park through its holding in IMAK CEE B.V. effective on 15 June 2005. This property has 16,609 sqm of letable space that is fully rented to ACR Logistics Poland Sp.z.o.o. The rental income for the object equals TEUR 797.2 per year.

INVESTMENTS IN POLAND DURING 2005/06

Kolonia Klepaczka, Slask	Silesia Logistic Park
Krakow	Lubicz Office Building
Warsaw	Atrium Centrum
Warsaw	Atrium Plaza
Warsaw	Hines Residential
Warsaw	Mistral Office Building

DISTRIBUTION OF LETABLE SPACE IN THE POLISH PORTFOLIO

As of 30.4.2006



5.4 Romania

STABLE ECONOMY

After an unusually strong increase of more than 8% in the previous year, the Romanian economy recorded a plus of 4.1% for 2005. This lower figure reflects the average rate of growth over the past several years. Economic momentum in Romania is driven primarily by sound consumer spending. Official reports place the unemployment rate at roughly 7%. The property market in this country is not considered to be fully developed but – in this stage – provides enormous opportunities for investors with sufficient know-how.

EMERGING OFFICE MARKET

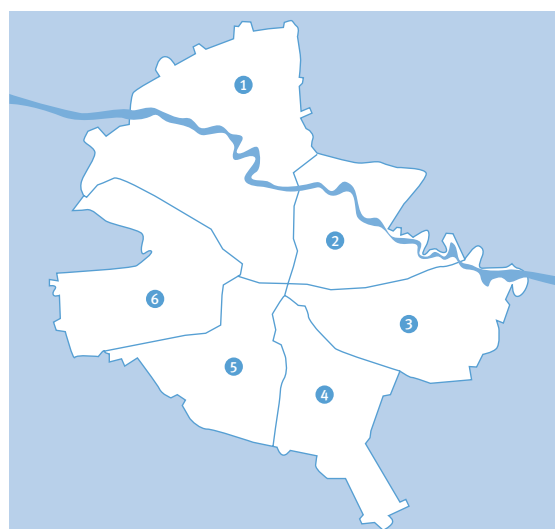
A functioning office market has developed in recent years, above all in the capital city of Bucharest. It has 600,000 sqm of space in comparison to a population of roughly 2 million (Vienna as a benchmark: 1.8 million residents versus 10 million sqm of office space). Despite a steady increase in the volume of new space in recent years, there is a clear demand overhang. For this reason, the vacancy rate for modern space is an extremely low 5%. Properties are generally pre-let roughly six months prior to completion. Average rents range from EUR 14 to EUR 15, but top objects can bring EUR 19 to EUR 20 per sqm and month.

SUBSTANDARD HOUSING

Romania is the largest country in South-eastern Europe based on the size of the population. The country has more than 22 million residents, with 2 million living in Bucharest. The housing market comprises roughly 8 million units, which translates to an average household size that clearly exceeds comparable figures for Western

THE PROPERTY PORTFOLIO IN BUCHAREST

Number of properties per district



Europe. Privatisation measures introduced in the 1990's and the generally low level of income led to a deterioration of the housing stock. This development has since been met by a rise in average incomes, above all in urban regions – and has, in turn, supported a rapid increase in the demand for modern housing and created interesting opportunities for investors.

UPSWING IN THE RETAIL SECTOR

Similar to the residential market, the retail sector is profiting from the rising standard of living and steady growth in consumer

KEY DATA ON ROMANIA

	2005/06	CHANGE	2004/05
Revenues in EUR mill.	14.1	110.2%	6.7
EBIT in EUR mill.	31.8	1,738.4%	-1.9
Investments in EUR mill.	97.3	-5.3%	102.8
Letable space in sqm	268,563	135.5%	114,020
Proportional share of letable space in sqm	200,999	88.9%	106,433
Letable space as a % of the total portfolio	14.2%	-5.3%	15.0%
Fair value in EUR mill.	240.1	125.7%	106.4
Fair value as a % of the total portfolio	12.4%	-24.2%	16.4%

spending. The current deficit of high-quality selling space is expected to trigger a rise in demand over the coming years, not only in the capital city of Bucharest but also the next largest cities of Constanta, Iasi and Timisiara.

DEVELOPMENTS

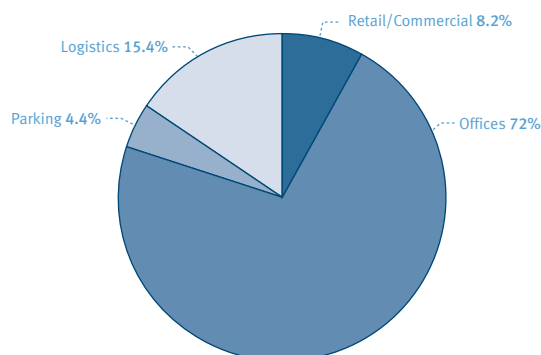
Revenues recorded in Romania more than doubled during the 2005/06 Business Year. This segment generated EUR 14.1 million for the reporting year, which represents 17.6% of IMMOEAST revenues. Of this EUR 14.1 million, EUR 2.7 million were generated by companies that were included in the consolidation for the first time in 2005/06. In comparison to negative EBIT of EUR 1.9 million in 2004/05, operating profit reached a positive EUR 31.8 million for 2005/06. This strong improvement resulted chiefly from an increase in the fair value of properties, which led to revaluation gains of EUR 23.1 million. Of this amount, EUR 2.2 million were generated by new acquisitions. Acquisitions and an increase in the value of properties raised the fair value of the portfolio from EUR 106.4 million to EUR 240.1 million. Investments totalling EUR 97.3 million – which consist largely of development projects – were made during the reporting year.

NEW ACQUISITIONS

IMMOEAST acquired 100% of the shares in Bucharest Corporate Center s.r.l. as of 22 March 2006. This company is the owner of the Bucharest Corporate Center, a 14-storey office building that has been completed and fully rented. The complex is located north of the city centre, and has 14,400 sqm of space that is let to established companies such as Wolff Theiss, Petrom and Generali.

DISTRIBUTION OF LETABLE SPACE IN THE ROMANIAN PORTFOLIO

As of 30.4.2006



In Constanta, the second largest city in Romania, a 75% stake was acquired in Harborside Imobiliara s.r.l. as of 11 May 2005. The Harborside Constanta project – a retail and office property – has 30,000 sqm of lettable space, which is divided into 21,000 sqm of retail areas and 9,000 sqm in two office towers.

Another acquisition was made in Romania during the first quarter of the 2005/06 Business Year: as of 25 July 2005 IMMOEAST acquired 100% of the shares in Cora GS s.r.l., and thereby took over the Pipera Center office building with roughly 24,000 sqm of lettable space. This property is fully rented to the leading mobile telecommunications company in Romania through a long-term contract. The rental payments total TEUR 2,595.0 per year.

IMMOEAST acquired PBT Invest s.r.l. in Romania as of 21 October 2005 through its 50% stake in S+B CEE Beteiligungsverwaltungs GmbH. This local company owns the Feper project – a site in Bucharest with excellent connections to the transportation network. Plans call for the construction of an office building with 7,850 sqm at this location.

Two further important acquisitions were made in Romania during the last quarter of the 2005/06 Business Year. As of 10 February 2006 IMMOEAST purchased 100% of the shares in Capri Trade s.r.l. with the Pipera II project, and as of 30 March 2006 a 75% stake in VALUEROI GRUP s.r.l. The Baneasa Airport Tower, which is owned by VALUEROI GRUP s.r.l., is an office building with 6,100 sqm of lettable space and 110 parking spaces. Completion is scheduled for the beginning of 2007.

INVESTMENTS IN ROMANIA DURING 2005/06

Bucharest	Baneasa Airport Tower
Bucharest	Bucharest Corporate Center BCC
Bucharest	Feper
Bucharest	Pipera Center I
Bucharest	Pipera Center II
Bucharest	Petricani Street
Constanta	Harbourside Constanta

5.5 Slovakia

DYNAMIC ECONOMY

Economic development in Slovakia was characterised by increasing momentum in 2005, with an increase in GDP from 5.4% in 2004 to 6.1% for 2005. The unemployment situation differs widely by region: the capital city of Bratislava reports nearly full employment, but the average for the country shows a jobless rate of 17%. The flat tax system introduced in 2004 defines a uniform tax rate of 19% and has drawn considerable interest, above all from international corporations.

FOCUS ON BRATISLAVA

An office market is gradually developing in Bratislava, and comprises 350,000 sqm in this city. Annual rentals have reached 35,000 sqm in recent years, with average rents equalling EUR 15 and a vacancy rate of 15%. The residential market in this country is characterised by a high 70% share of owner-occupied properties and a 13% share of rental apartments owned by cooperative societies – as a consequence, the market for rental apartments is tight. However, the rising standard of living has created numerous opportunities for attractive development projects in the top segment of the condominium market.

DEVELOPMENTS

IMMOEAST entered the market in Slovakia through direct investments during the 2005/06 Business Year. A total of EUR 257.5 million was invested in office, logistics and commercial properties. Revenues reached a level of EUR 7.5 million. However, the income statement for this segment only reflects the period from the acquisition

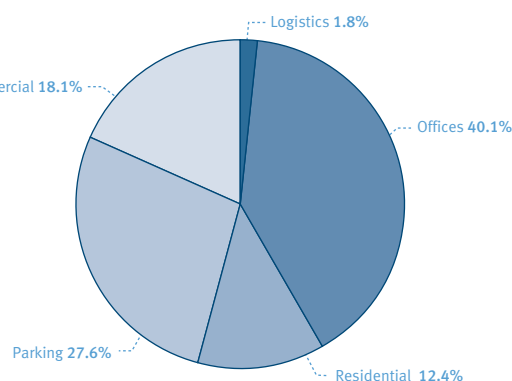
dates of the individual companies to the balance sheet date on 30 April 2006. EBIT for the reporting year was a negative EUR 21.4 million. This resulted to a large extent from impairment charges to goodwill, which was subjected to evaluation at the point of acquisition in accordance with accounting rules. The fair value of properties in Slovakia totalled EUR 285.9 million as of 30 April 2006 and represented 14.8% of the IMMOEAST portfolio.

INVESTMENTS IN SLOVAKIA DURING 2005/06

Bratislava	BCT Projekt
Bratislava	Millenium Tower I + II + III
Bratislava	Polus City Center
Bratislava	Senec Cargo Center
Proprad	Big Box

DISTRIBUTION OF LETABLE SPACE IN THE SLOVAKIAN PORTFOLIO

As of 30.4.2006



KEY DATA ON SLOVAKIA

	2005/06	CHANGE	2004/05
Revenues in EUR mill.	7.5	-	-
EBIT in EUR mill.	-21.4	-	-
Investments in EUR mill.	257.5	-	-
Letable space in sqm	203,176	-	-
Proportional share of letable space in sqm	132,742	-	-
Letable space as a % of the total portfolio	9.4%	-	-
Fair value in EUR mill.	285.9	-	-
Fair value as a % of the total portfolio	14.8%	-	-

5.6 Other IMMOEAST markets

The countries described in detail in this report form the core market of IMMOEAST, which now also includes Slovakia. However, IMMOEAST also realises selected investments in countries such as Estonia, Bulgaria and Russia – and in the near future, also in Ukraine.

In developing new markets, IMMOEAST continues to follow its proven strategy by first acquiring stakes in strong local partners and only making direct investments at a later date when it has compiled extensive market know-how.

BULGARIA

Economic growth in Bulgaria has reached an annual average of roughly 5% in recent years. In 2005 the unemployment rate was 10%. Increasing stability in the economic and legal framework of the country is expected to result in a massive inflow of western companies from the financial, industrial and retail sectors over the coming years, which will lead to greater demand for modern office and retail space. The residential market should also profit from the upward trend in incomes as well as the growing demand that will result from the current low level of quality and undersupply.

RUSSIA

The Russian economy slowed to growth of 4% in 2005 after higher values in recent years, but still remains above comparable figures for Western Europe. The unemployment rate equals 8%. There is no single or uniform property market in Russia because of the size and diversity of the country – and any analysis must therefore reflect the characteristics of the individual submarkets. The office market in cities like Moscow and St. Petersburg currently shows extremely high demand, making this sector very attractive for international investors. The market for retail properties has also shown excellent development. There is substantial pent-up demand for the construction of shopping centres; latest statistics show that the selling space per capita in Russia is roughly one-half the European average.

UKRAINE

After stronger momentum in previous years, the Ukraine economy grew by only 2.1% in 2005. In spite of this temporary slowdown, the country with its population of 47 million is considered to be a prospering market because of the favourable wage levels and the above-average qualifications of the workforce – two factors that attract international companies. There is pent-up demand in all sectors of the property market, whereby higher returns are also coupled with a higher investment risk.

INVESTMENTS IN COUNTRIES OUTSIDE THE IMMOEAST CORE MARKET DURING 2005/06

BG	Sofia	Antim I
BG	Sofia	Cerkovna
BG	Sofia	Gorna Banja – Engel II
BG	Sofia	Gorna Banja II – Engel II
BG	Sofia	Karnbarry – Engel II
BG	Sofia	Malinova Dolina – Engel II
BG	Sofia	Monastirski Livadi – Engel II
BG	Sofia	Predgarov
BG	St. Vlas on the Black Sea coast	Sunny Beach
EE	Tallinn	Haabersti (Rannamoisa tee)
RUS	Moscow	Berlin House
RUS	Moscow	Hypercenter
RUS	St. Petersburg	Warehouse Complex Shushary

6. Outlook

The successful conclusion of the capital increase in 2005/06 gave IMMOEAST substantial liquidity reserves of approximately EUR 3 billion. The company's goal is to complete the more than EUR 5 billion of projects currently in the pipeline by the end of the 2006/07 Business Year.

The realisation of this goal will lead to a significant change in the balance sheet structure. Plans call for roughly 51% of these new investments to flow into development projects, while additional funds will be directed to financial instruments and investments in other companies. For this reason, the total investment volume will not be reflected on the balance sheet as of 30 April 2007.

Revenues and operating profit (EBIT) for 2006/07 are expected to show a significant improvement over the 2005/06 Business Year. This growth will be driven by two factors: the steady optimisation of the existing portfolio and its management in keeping with the principles of shareholder value as well as the ability of IMMOEAST to continue to profit from developments in its previous core markets and the new markets of Eastern Europe. However, the new acquisitions will only make a full contribution to earnings in 2007/08 because the transactions will be spread over the entire 2006/07 Business Year. Forecasts indicate that financial results will also show a substantial improvement over 2005/06.

From the current point of view, IMMOEAST also expects a significant increase in net asset value per share. The investments completed and contracted at the start of 2006/07 as well as projects under negotiation should lead to an above-average improvement in this most important indicator for property companies. Despite the capital increase during the 2006/07 Business Year and the related dilution, forecasts also call for the positive development of earnings per share over the long-term.

Gross cash flow will also increase by a substantial margin, but will be negatively affected by advance expenses and ancillary costs for the growth course in 2006/07.

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Consolidated balance sheet as of 30 April 2006

with comparison to prior year

ASSETS	NOTE	30 APRIL 2006	30 APRIL 2005
		IN TEUR	IN TEUR
Investment property	(4.1.1)	1,586,376.6	455,165.6
Property under construction	(4.1.2)	85,632.7	62,326.5
Other tangible assets	(4.2)	1,693.3	1,487.7
Intangible assets	(4.3)	1,967.8	2,220.9
Shares in associated companies	(4.4)	21,574.4	25,169.9
Other financial instruments	(4.5)	94,089.6	65,928.7
Receivables and other assets	(4.6)	16,120.2	3,155.2
Deferred tax assets	(4.15)	23,042.5	8,137.6
Non-current assets		1,830,497.1	623,592.1
Receivables and other assets	(4.6)	478,005.0	29,405.0
Property held for sale	(4.1.3)	42,847.6	0.0
Inventories	(4.8)	18,375.5	0.0
Financial instruments	(4.7)	101,966.0	0.0
Cash and cash equivalents		215,762.7	58,811.7
Current assets		856,956.8	88,216.7
ASSETS		2,687,453.9	711,808.8
EQUITY AND LIABILITIES			
Share capital		222,353.1	59,294.2
Reserves		1,219,560.1	286,559.9
Revaluation reserve		75.7	0.0
Retained earnings and consolidated profit		204,918.6	54,032.9
Currency translation adjustment		15,064.2	6,195.5
		1,661,971.7	406,082.5
Minority interests		-17.4	1,621.6
Equity	(4.9)	1,661,954.3	407,704.1
Long-term financial liabilities	(4.10)	614,655.6	152,049.2
Trade accounts payable	(4.11)	869.6	301.4
Provisions	(4.12)	1,597.5	0.0
Other liabilities	(4.13)	15,951.5	2,977.2
Deferred tax liabilities	(4.15)	186,946.7	49,667.8
Non-current liabilities		820,020.9	204,995.6
Short-term financial liabilities	(4.10)	87,641.6	60,679.0
Trade accounts payable	(4.11)	47,823.8	12,283.5
Provisions	(4.12)	9,609.1	2,190.4
Other liabilities	(4.13)	60,404.2	23,956.2
Current liabilities		205,478.7	99,109.1
EQUITY AND LIABILITIES		2,687,453.9	711,808.8

The following Notes to the Consolidated Financial Statements form an integral part of this Consolidated Balance Sheet.

Consolidated income statement for 2005/06

with comparison to prior year

	NOTES	2005/06 IN TEUR	2004/05 IN TEUR
Revenues	(5.1)	80,014.5	25,401.5
Revaluation of properties	(5.2)	116,986.1	22,621.3
Other operating income	(5.3)	51,334.4	21,553.0
Depreciation and amortisation	(5.4)	-31,868.0	-17,248.0
Expenses related to properties	(5.5)	-23,027.9	-7,775.6
Other operating expenses	(5.6)	-36,844.1	-11,129.7
Personnel expenses	(5.7)	-24.4	0.0
Cost of goods sold	(5.8)	-301.2	0.0
Operating profit (EBIT)		156,269.4	33,422.5
Net financing costs		-1,612.9	-3,790.4
Income/(loss) on financial instruments		29,492.3	25,283.2
Share of profit/(loss) from associated companies		-1,203.1	-4,641.9
Financial results	(5.9)	26,676.3	16,850.9
Earnings before tax (EBT)		182,945.7	50,273.4
Income taxes	(5.10)	-37,654.3	-6,702.0
Net profit for the period		145,291.4	43,571.4
Equity holders of the parent company		145,308.4	43,617.4
Minority interests		-17.0	-46.0
Earnings per share in EUR	(8.2)	0.76	0.96

The following Notes to the Consolidated Financial Statements form an integral part of this Consolidated Income Statement.

Statement of changes in equity

ALL AMOUNTS IN TEUR	SHARE CAPITAL	CAPITAL RESERVES	REVALUATION RESERVE	RETAINED EARNINGS	CURRENCY TRANSLATION ADJUSTMENT	MINORITY INTERESTS	TOTAL
Balance on 30 April 2004	29,647.1	127,724.7	0.0	5,700.5	121.8	0.0	163,194.1
Effects of change in method				5,760.1	324.1		6,084.2
Balance on 30 April 2004 after change in method	29,647.1	127,724.7	0.0	11,460.6	445.9	0.0	169,278.3
Negative goodwill				4,088.5			4,088.5
Adjusted balance as of 1 May 2004	29,647.1	127,724.7	0.0	15,549.0	445.9	0.0	173,366.8
Fair value reserve				3,189.6			3,189.6
Deferred tax asset/liability recognised directly in equity				-811.9			-811.9
Net income recognised directly in equity				2,377.6			2,377.6
Net profit for 2005				43,617.4		-46.0	43,571.4
Total recognised income and expense for the period				45,995.1		-46.0	45,949.1
Capital increase	29,647.1	163,058.9					192,706.0
Cost of capital increase		-4,223.8					-4,223.8
Distribution				-6,818.8			-6,818.8
Currency translation adjustment				-277.4	5,891.3	40.7	5,654.6
Changes in shareholders' equity of associates				-415.0	-141.7		-556.6
Additions to consolidation range						1,626.9	1,626.9
Balance on 30 April 2005	59,294.2	286,559.9	0.0	54,032.9	6,195.5	1,621.6	407,704.1
Fair value reserve				6,952.6			6,952.6
Deferred tax asset/liability recognised directly in equity				-1,738.1			-1,738.1
Net income recognised directly in equity				5,214.5		0.0	5,214.5
Net profit for 2006				145,308.4		-17.0	145,291.4
Total recognised income and expense for the period				150,523.0		-17.0	150,506.0
Capital increase	163,058.9	962,047.7					1,125,106.6
Cost of capital increase		-29,047.5					-29,047.5
Currency translation adjustment				0.2	9,086.3	-41.0	9,045.6
Structural changes						-1,581.0	-1,581.0
Change in consolidation method			75.7				75.7
Changes in shareholders' equity of associates				362.5	-217.6		145.0
Balance on 30 April 2006	222,353.1	1,219,560.1	75.7	204,918.6	15,064.2	-17.4	1,661,954.3

The following Notes to the Consolidated Financial Statements form an integral part of this Statement of Changes in Equity.

Consolidated statement of cash flows

with comparison to prior year

ALL AMOUNTS IN TEUR	2005/06	2004/05
Earnings before tax	182,945.7	50,273.4
Amortisation/reversal of negative goodwill	3,919.8	-9,645.8
Share of profit/(loss) from associated companies	1,203.1	4,641.9
Gain/(loss) on the sale of non-current assets	220.4	-133.7
Gains on the change in investments	-3,964.9	0.0
Temporary changes in the fair value of financial instruments	-29,499.8	-25,292.3
Income taxes paid	-1,651.4	-1,057.5
Net financing costs	7,278.7	4,345.9
Other non-cash income/(expenses)	-135,597.5	-17,629.2
Gross cash flow	24,854.1	5,502.7
Receivables and other assets	-40,204.3	3,118.4
Trade accounts payable	18,829.8	645.4
Provisions (excl. tax provisions)	4,581.3	461.7
Other liabilities	-1,277.2	3,487.2
Cash flows from operating activities	6,783.7	13,215.4
Acquisition of property	-126,834.8	-31,332.5
Acquisition of property companies less cash and cash equivalents (TEUR 20,880.8; 2004/05: TEUR 7,590.9)	-278,836.2	-97,525.0
Acquisition of other tangible assets	1,847.4	-983.1
Acquisition of intangible assets	92.0	-26.4
Acquisition of financial instruments	-8,990.0	-43,891.6
Proceeds from the sale of current assets	2,117.6	20,368.5
Proceeds from the sale of non-current assets	4,136.9	859.3
Proceeds from the sale of financial instruments	6,099.2	14,693.5
Interest income from financial instruments	13,453.5	21,237.4
Cash flows from investing activities	-386,914.4	-116,599.9
Cash inflows from long-term financing	116,665.7	21,354.8
Cash inflows from capital increases	1,086,376.6	188,482.2
Cash outflows from changes in investments	-1,321.4	0.0
Cash outflows from short-term financing	-412,534.1	0.0
Repayment of short-term debt	-2,461.5	-64,761.2
Repayment of long-term debt	-130,673.4	-5,303.1
Interest expense	-12,439.3	-2,291.4
Dividends paid	0.0	-6,818.8
Cash flows from financing activities	643,612.6	130,662.6
Differences arising from foreign currency translation	-4,564.9	610.9
Change in cash and cash equivalents	258,917.0	27,889.0
Cash and cash equivalents at the beginning of the period	58,811.7	30,922.7
Cash and cash equivalents at the end of the period	317,728.7	58,811.7
Change in cash and cash equivalents	258,917.0	27,889.0

The following Notes to the Consolidated Financial Statements form an integral part of this Consolidated Statement of Cash Flows.

Segment reporting

Segmentation by region

ALL AMOUNTS IN TEUR	HUNGARY		CZECH REPUBLIC		POLAND	
	2005/06	2004/05	2005/06	2004/05	2005/06	2004/05
Offices	8,706.0	6,160.8	7,669.9	2,944.7	4,295.2	584.9
Logistics / Commercial	6,263.1	31.4	8,491.6	3,485.6	5,606.4	1,013.5
Residential	0.0	672.5	55.2	31.4	0.0	0.0
Parking	430.3	151.4	647.0	286.7	207.8	14.4
Sale of inventories	276.7	0.0	0.0	0.0	0.0	0.0
Operating costs charged to tenants	5,022.2	799.4	5,649.2	2,143.5	4,521.1	148.9
Other revenues	330.7	191.6	190.6	24.7	61.8	1.9
Revenues	21,029.1	8,007.1	22,703.6	8,916.6	14,692.3	1,763.6
Revaluation of properties	46,637.2	19,857.8	13,015.1	4,376.4	37,890.9	2,085.3
Other operating income	20,000.9	7,447.4	1,282.5	2,766.2	20,983.3	6,911.9
Depreciation and amortisation	-1,781.5	-6,839.7	-4,648.4	-3,782.0	-4,906.9	-1,542.6
Expenses related to properties	-5,869.7	-2,657.3	-7,572.1	-2,856.8	-4,528.5	-173.4
Other operating expenses	-5,936.6	-3,363.9	-5,229.7	-1,886.4	-8,089.0	-1,068.1
Personnel expenses	0.0	0.0	-0.1	0.0	-18.6	0.0
Cost of materials	-301.2	0.0	0.0	0.0	0.0	0.0
Operating profit (EBIT)	73,778.1	22,451.5	19,550.8	7,534.0	56,023.5	7,976.7
Net financing costs	-5,601.5	-2,138.2	-5,270.8	-2,014.4	-6,280.0	-1,406.8
Income/(loss) on financial instruments	-10,388.3	2,342.8	10,378.5	3,934.7	7,785.4	1,081.1
Share of profit/(loss) from associated companies	0.0	0.0	0.0	0.0	0.0	0.0
Financial results	-15,989.8	204.6	5,107.8	1,920.2	1,505.4	-325.7
Earnings before tax (EBT)	57,788.3	22,656.2	24,658.6	9,454.2	57,528.9	7,651.0
Thereof share of profit/(loss) from joint ventures	21,141.9	0.0	10,259.5	5,635.7	16,333.9	2,684.3
Thereof share of profit/(loss) from companies consolidated at equity	-601.2	-418.9	-601.9	-4,223.0	0.0	0.0
Income taxes	-9,199.5	-934.3	-9,311.9	-1,847.2	-8,040.6	-223.8
Net profit for the period	48,588.9	21,721.9	15,346.7	7,607.0	49,488.3	7,427.2
Segment assets	466,178.1	189,654.8	467,866.0	169,876.8	424,821.5	129,800.1
Thereof investments in companies consolidated at equity	8,228.1	9,046.9	13,342.4	16,123.0	0.0	0.0
Segment liabilities	292,391.1	116,949.7	296,955.9	107,786.2	289,443.1	119,429.2
Segment investments	237,042.2	95,298.8	219,377.2	71,173.4	244,495.7	82,621.5

ROMANIA		SLOVAKIA		OTHER AND GROUP ELIMINATIONS		IMMOEAST GROUP	
2005/06	2004/05	2005/06	2004/05	2005/06	2004/05	2005/06	2004/05
11,697.1	3,560.4	2,753.9	0.0	0.0	0.0	35,122.1	13,250.8
0.0	1,390.2	2,404.2	0.0	0.0	0.0	22,765.3	5,920.7
0.0	0.0	0.0	0.0	0.0	0.0	55.2	703.9
0.0	0.0	95.9	0.0	0.0	0.0	1,381.0	452.5
0.3	0.0	0.0	0.0	0.0	0.0	277.0	0.0
2,418.2	1,763.3	985.8	0.0	0.0	0.0	18,596.5	4,855.1
0.0	0.3	1,226.4	0.0	7.8	0.0	1,817.4	218.5
14,115.6	6,714.2	7,466.2	0.0	7.8	0.0	80,014.5	25,401.5
23,066.8	-3,698.2	-3,623.9	0.0	0.0	0.0	116,986.1	22,621.3
2,838.5	4,581.0	45.4	0.0	6,183.8	-153.5	51,334.4	21,553.0
-1,248.1	-3,946.8	-19,261.8	0.0	-21.3	-1,137.0	-31,868.0	-17,248.0
-3,201.3	-2,090.2	-1,856.5	0.0	0.0	2.0	-23,027.9	-7,775.6
-3,764.0	-3,501.2	-4,189.3	0.0	-9,635.5	-1,310.1	-36,844.1	-11,129.7
-2.8	0.0	-1.0	0.0	-1.9	0.0	-24.4	0.0
0.0	0.0	0.0	0.0	0.0	0.0	-301.2	0.0
31,804.7	-1,941.3	-21,420.8	0.0	-3,467.0	-2,598.6	156,269.4	33,422.5
-5,263.9	-2,749.1	-2,351.3	0.0	23,154.7	4,518.2	-1,612.9	-3,790.4
3,661.0	6,654.2	2,079.9	0.0	15,975.7	11,270.4	29,492.3	25,283.2
0.0	0.0	0.0	0.0	-1,203.1	-4,641.9	-1,203.1	-4,641.9
-1,602.9	3,905.1	-271.5	0.0	37,927.3	11,146.7	26,676.3	16,850.9
30,201.8	1,963.9	-21,692.3	0.0	34,460.3	8,548.1	182,945.7	50,273.4
-144.7	0.0	0.0	0.0	5,362.9	-993.5	52,953.4	7,326.5
0.0	0.0	0.0	0.0	0.0	0.0	-1,203.1	-4,641.9
-4,580.6	-461.0	447.0	0.0	-6,968.7	-3,235.7	-37,654.3	-6,702.0
25,621.2	1,502.8	-21,245.3	0.0	27,491.6	5,312.5	145,291.4	43,571.4
255,699.6	115,390.3	283,167.7	0.0	789,720.9	107,086.8	2,687,453.9	711,808.8
0.0	0.0	0.0	0.0	3.8	0.0	21,574.4	25,169.9
163,941.9	73,809.1	223,652.9	0.0	-240,885.1	-113,869.6	1,025,499.7	304,104.7
97,301.6	102,779.1	257,478.8	0.0	2.2	-9,950.3	1,055,697.5	341,922.5

Segment reporting

Segmentation by sector

ALL AMOUNTS IN TEUR	2005/06			2004/05		
	REVENUES	INVESTMENTS	ASSETS	REVENUES	INVESTMENTS	ASSETS
Offices	44,318.2	468,984.5	991,050.0	16,557.8	192,425.9	337,323.8
Logistics / Commercial	30,453.7	586,496.5	681,008.2	7,398.5	149,496.6	150,726.0
Residential	69.0	0.0	19,918.2	879.6	0.0	17,919.6
Parking	1,844.9	216.5	41,698.1	565.6	0.0	11,522.7
Other	3,328.7	0.0	0.0	0.0	0.0	0.0
Total	80,014.5	1,055,697.5	1,733,232.4	25,401.5	341,922.5	517,492.1
Shares in associated companies			21,574.4			25,169.9
Investments in companies			93,089.3			50,073.3
Other assets			839,557.8			119,073.5
Total Group assets			2,687,453.9			711,808.8

Notes

1. General principles

1.1 Introduction

IMMOEAST IMMOBILIEN ANLAGEN AG (hereafter IMMOEAST AG) maintains its registered headquarters at A-1010 Vienna, Bankgasse 2. The business activities of the IMMOEAST Group include the acquisition and development of properties, above all in Central and Eastern Europe, as well as the sale, commercial utilisation and management of properties to optimise asset management.

The company's share has traded in the standard market segment of the Vienna Stock Exchange since 12 December 2003 and in the Prime Market Segment since 21 March 2005.

The consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS) that were valid as of the balance sheet date. IFRS include the new IFRS issued by the International Accounting Standards Board (IASB) and International Accounting Standards (IAS) as well as the Interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and Standing Interpretations Committee (SIC).

These consolidated financial statements are based on Regulation (EU) Nr. 1606/2002 of the European Parliament and the European Union for the application of international accounting standards (IAS-regulation 1606/2002), which require capital market-oriented companies in the European Union to prepare and publish their consolidated financial statements for business years that begin on or after 1 January 2005 in accordance with International Financial Reporting Standards. Art. 3 Par. 1 of IAS regulation 1606/2002 requires the application of those standards, which were adopted into the body of law of the European Union through the procedure set forth in Art 6 Par. 2 of IAS regulation 1606/2002. The International Financial Reporting Standards adopted by the European Union take effect immediately in the member states of the European Union and do not require separate implementation into national law. Valid standards in the sense of European Union law cover all International Financial Reporting Standards published in the relevant country language. § 245a Par. 1 of the Austrian Commercial Code in the version published in Austrian federal gazette BGBl. I 161/2004 provides for an exemption from the obligation to prepare consolidated financial statements in accordance with the provisions of Austrian

commercial law (§§ 247 ff of the Austrian Commercial Code), if a company is required to prepare consolidated financial statements in accordance with International Financial Reporting Standards as defined in Art. 4 Par. 1 of IAS regulation 1606/2002. IMMOEAST AG has elected to make use of this exemption in accordance with European Union law. The consolidated financial statements prepared in previous years by IMMOEAST AG in accordance with International Financial Reporting Standards were based on the option provided by § 245a Par. 1 of the Austrian Commercial Code, in the version published in Austrian federal gazette BGBl. I 1999/49. This option releases a company from the obligation to prepare consolidated financial statements pursuant to Austrian commercial law if the company prepares consolidated financial statements in accordance with international accounting standards.

The IASB framework does not represent an integral part of IFRS and, for this reason, was not adopted into the body of law of the European Union. However, IAS 8.11 (b) calls for the application of the definitions and recognition criteria for assets, liabilities, expenses and income that are anchored in the framework to provide interpretations and fill gaps. In keeping with Point 2.1.5 of the (legally non-binding) commentary on certain sections of IAS regulation 1606/2002 of the EU, the framework forms a "basis for the formation of judgments on the solution of accounting problems". For this reason and because of the express reference in IAS 8.11 (b), the framework was applied without limitation when the consolidated financial statements of IMMOEAST AG were prepared.

The annual financial statements of all Austrian and foreign companies included in the consolidated financial statements, either through full or proportionate consolidation, were converted to IFRS. In the case of business combinations as defined in IFRS 3, the financial statements were revalued, and audited or subjected to a review by independent certified public accountants in agreement with International Standards on Auditing. The accounting and valuation principles used by all companies included in the consolidated financial statements were standardised and adjusted to conform to the options elected by IMMOEAST AG. In accordance with IAS 27.26, the balance sheet date for the consolidated financial statements is the same as the balance sheet date of the parent company. The annual financial statements of all companies included in the consolidation were prepared on the same balance sheet date as the consolidated financial statements.

The principle of fair presentation was observed in preparing the consolidated financial statements. The financial position and financial performance as well as cash inflows and cash outflows of the company provide a true and fair view of the actual situation and events in all material respects.

The consolidated financial statements are presented in thousand Euro ("TEUR", rounded). The use of automatic data processing equipment can lead to rounding differences in the addition of rounded amounts or percentage rates.

1.2 Statement of compliance with IFRS (IAS 1.14)

The consolidated financial statements prepared by IMMOEAST AG reflect the full scope of International Financial Reporting Standards in their current version, to the extent that these IFRS were adopted by the European Union into the European Union body of law in accordance with Art. 6 Par. 2 of IAS regulation 1606/2002 through the special unification procedure. In the opinion of IMMOEAST AG, this does not represent any limitation of the compliance with IFRS that is required by IAS 1.14.

1.3 Overview of applied standards and interpretations

Given the large number of new standards and the generally permitted early application of these standards, the following table provides an overview of the regulations applied by IMMOEAST AG in preparing the consolidated financial statements as of 30 April 2006:

STANDARD	APPLICATION	STANDARD	APPLICATION	INTERPRETATION	APPLICATION
IFRS 1	n.a.	IAS 21 (revised 2005)	as of 2006/07	SIC-7 to IAS 21	n.a.
IAS 1	up to 2003/04	IAS 22 ^{*)}	up to 2003/04	SIC-10 to IAS 20	n.a.
IAS 1 (revised 2003)	as of 2004/05	IAS 23	as of 2000/01	SIC-12 to IAS 27	n.a.
IAS 1, version IFRS 7	as of 2006/07	IAS 24	up to 2003/04	IFRIC adjustment to SIC-12	n.a.
IFRS 2	n.a.	IAS 24 (revised 2003)	as of 2004/05	SIC-13 to IAS 31	n.a.
IAS 2	n.a.	IAS 26	n.a.	SIC-15 to IAS 17	as of 2000/01
IAS 2 (revised 2003)	as of 2004/05	IAS 27	up to 2003/04	SIC-21 to IAS 12	n.a.
IFRS 3	as of 2004/05	IAS 27 (revised 2003)	as of 2004/05	SIC-25 to IAS 12	n.a.
IFRS 4	n.a.	IAS 28	up to 2003/04	SIC-27 to IAS 1/17/18	as of 2000/01
IFRS 5	as of 2005/06	IAS 28 (revised 2003)	as of 2004/05	SIC-29 to IAS 1	n.a.
IFRS 6	n.a.	IAS 29	n.a.	SIC-31 to IAS 18	n.a.
IFRS 7	as of 2006/07	IAS 30	n.a.	SIC-32 to IAS 38	n.a.
IAS 7	as of 2000/01	IAS 31	up to 2003/04	IFRIC 1	n.a.
IAS 8	up to 2003/04	IAS 31 (revised 2003)	as of 2004/05	IFRIC 2	n.a.
IAS 8 (revised 2003)	as of 2004/05	IAS 32	up to 2003/04	IFRIC 3	n.a.
IAS 10	up to 2003/04	IAS 32 (revised 2003)	as of 2004/05	IFRIC 4	n.a.
IAS 10 (revised 2003)	as of 2004/05	IAS 33	up to 2003/04	IFRIC 5	n.a.
IAS 11	n.a.	IAS 33 (revised 2003)	as of 2004/05	IFRIC 6	n.a.
IAS 12	as of 2000/01	IAS 34	n.a.	IFRIC 7	n.a.
IAS 14	as of 2000/01	IAS 35	n.a.	IFRIC 8	n.a.
IAS 15 ^{*)}	n.a.	IAS 36	up to 2003/04		
IAS 16	up to 2004/05	IAS 36 (revised 2004)	as of 2004/05		
IAS 16 (revised 2003)	as of 2005/06	IAS 37	as of 2000/01		
IAS 17	up to 2003/04	IAS 38	up to 2003/04		
IAS 17 (revised 2003)	as of 2004/05	IAS 38 (revised 2004)	as of 2004/05		
IAS 18	as of 2000/01	IAS 39	up to 2003/04		
IAS 19	as of 2000/01	IAS 39 (revised 2003) ^{***)}	as of 2004/05		
IAS 20	as of 2000/01	IAS 40	as of 2000/01		
IAS 21	up to 2003/04	IAS 40 (revised 2003)	as of 2004/05		
IAS 21 (revised 2003)	as of 2004/05	IAS 41	n.a.		

^{*)} IAS 15 was cancelled without replacement; ^{**) IAS 22 was replaced by IFRS 3; ^{***)} In the 2006 version; n.a. = not applicable}

1.4 Overview of accounting standards not applied on an early basis

In accordance with IAS 8.30, information must be provided on any standards or interpretations that have been issued by the IASB or IFRIC but are not yet effective, and the possible impact that the application of these new standards or interpretations would have on the financial statements in the period of initial application. This information is provided below in cases where the new standards or interpretations would have an impact on the consolidated financial statements of IMMOEAST AG:

IFRS 7 FINANCIAL INSTRUMENTS: DISCLOSURES

IFRS 7 applies to annual periods beginning on or after 1 January 2007. This standard replaces IAS 30 (IFRS 7.42). It also transfers the required disclosures on financial instruments in the notes, which are currently defined in IAS 32, to IFRS 7 and substantially expands disclosure requirements. The impact of IFRS 7 on these consolidated financial statements is related solely to additional information in the notes. IFRS 7 was not implemented on an early basis because of the related costs.

IAS 1 PRESENTATION OF FINANCIAL STATEMENTS

IAS 1 was expanded by Appendix C of IFRS 7 to require the disclosure of additional information on the equity of the parent company or, respectively, on supervisory capital. This area is not applicable because IMMOEAST AG is not subject to monitoring by bank or insurance supervisory authorities. The effective date indicated in IFRS 7 applies to the disclosure of additional information on the equity of the parent company.

IAS 21 THE EFFECT OF CHANGES IN FOREIGN EXCHANGE RATES

The IASB issued an amendment to IAS 21 on 15 December 2005 that will affect foreign currency gains and losses, which result from the long-term exchange of debt with indefinite repayment dates between group companies. This change is applicable to annual periods that begin on or after 1 January 2006 and requires the direct recognition of these foreign currency gains and losses in equity. In the consolidated financial statements for 2005/06, this would represent a reduction of TEUR 6,462.2 in Group net profit.

2. Basis of consolidation

2.1 Consolidation methods

In accordance with IFRS 3, all business combinations must be recorded using the purchase method of accounting. This method calls for the elimination of the investment and equity at the acquisition date through the offset of the purchase price with the revalued proportional share of net assets in the acquired company. All identifiable assets, liabilities and contingent liabilities of the subsidiary are stated at their full fair value, independent of any minority interest. Major exceptions to the mandatory recognition of assets and liabilities at fair value include deferred tax assets and provisions for deferred taxes as well as assets or groups of assets that fall under IFRS 5. Intangible assets must be shown separately from goodwill, if their fair value can be reliably determined and if they are identifiable. According to IFRS 3.46, this latter criterion is met when the assets are separable from the company or result from a contractual or other right. Provisions for restructuring may not be created during the allocation of the purchase price. Any remaining differences are capitalised as goodwill. Negative differences arising from the initial consolidation are recognised immediately to the income statement under other operating income after the reassessment of the revaluation required by IFRS 3.56 (a).

In accordance with IFRS 3 in connection with IAS 36, capitalised goodwill is no longer amortised on a regular basis, but is subjected to an impairment test each year or on an interim basis if there are signs of a loss in value. If the carrying value of a cash-generating unit to which goodwill has been allocated should fall below its recoverable amount, goodwill will be reduced by the amount of the difference through an impairment charge. Any remaining difference will be reflected in a proportional reduction of the carrying value of the other non-current assets.

Successive share purchases, with or without a change in the consolidation method, are presented as business combinations achieved in stages in accordance with IFRS 3.58ff and can lead to goodwill or excess. The shift between the previous minority interest and the offset of capital from a successive share purchase is shown as a structural change on the statement of changes in shareholders' equity. For business combinations that result in a proportional share of equity below 100%, the increase in minority interest is shown as an addition to the consolidation range on the statement of changes in shareholders' equity. In accordance with the economic unity principle that is anchored in IAS 27.4 and IAS 1.68 (o), minority interests are presented as a separate position under equity.

IFRS 3 and IAS 27 do not directly regulate the determination of indirect minority interests. In accordance with the economic unity prin-

ciple, the consolidated financial statements of IMMOEAST AG include only indirect minority interests in the earned equity of consolidated subsidiaries. In keeping with the prevalent opinion expressed in accounting literature, indirect minority interests are treated in line with the economic unity principle and not taken into account in the consolidation, which is therefore based on the direct stake owned in the subsidiary. This leads to the determination of goodwill that is secured through cash outflows and meets the conceptual criteria for complete revaluation that are expressed in IFRS 3.

The financial statements of all companies included in the consolidation were prepared in accordance with uniform accounting and valuation methods. Interim financial statements were prepared by those subsidiaries that have a different balance sheet date.

Newly acquired companies are included in the consolidation as of their acquisition date. In order to meet the requirements of IFRS 3.62 (a), the conversion of the opening balance sheets of major newly acquired companies to IFRS is subject to an audit or review and the fair values of the properties included in these balance sheets are determined by expert opinions.

Joint ventures are included at their proportionate share according to the same general principles described above.

All receivables and liabilities, revenues, other income and expenses from the provision of goods and services between fully or proportionately consolidated companies are eliminated. Interim profits, which arise primarily from the transfer of stakes in other companies and properties between member companies of the group, are eliminated.

For associated companies consolidated at equity, the difference resulting from the elimination of the investment and equity is determined according to the same general principles used for fully consolidated companies. The carrying values of assets and liabilities as well as the amount of revenues and expenses were determined in accordance with IAS 28.20 on a uniform basis as required by IFRS. For associated companies with a different balance sheet date, interim financial statements were prepared at a closing date within three months from the closing date used by IMMOEAST AG in accordance with IAS 28.25. Major transactions were reflected in a proportional adjustment of results included in the consolidated financial statements.

2.2 Consolidation range

An overview of the Group companies of IMMOEAST AG is presented at the end of the notes.

2.2.1 Proportionate consolidation

In accordance with IAS 31, 53 companies are included in the consolidated financial statements using proportionate consolidation. Due to the conclusion of syndication agreements with other companies for the joint management of business in accordance with IAS 31.3 in connection with IAS 31.9, IMMOEAST AG does not exercise control over the following companies despite its majority holdings or manages these businesses jointly with other partners in spite of its minority interests:

COMPANY	HEADQUARTERS	STAKE
ARE 4 Sp. z o.o.	Warsaw, PL	56.60%
Central Bud Sp. z o. o.	Warsaw, PL	56.60%
ARE 3 Sp. z o.o.	Warsaw, PL	56.60%
ImmoPoland Residential I Sp.z.o.o. (formerly ARE 6 Sp.z.o.o.)	Warsaw, PL	47.50%
IMAK CEE B.V.	Amsterdam, NL	56.60%
ARE 1 Sp. z.o.o.	Warsaw, PL	56.60%
ARE 2 Sp. z.o.o.	Warsaw, PL	56.60%
ARE 5 Sp. z.o.o.	Warsaw, PL	56.60%
ARE 7 Sp. z.o.o.	Warsaw, PL	56.60%
Flex Invest Sp. z.o.o.	Warsaw, PL	56.60%
Secure Bud Sp. z.o.o.	Warsaw, PL	56.60%
AI Sp.z.o.o.	Warsaw, PL	56.60%
Atlantis Invest Sp.z.o.o.	Warsaw, PL	56.60%
OI Sp.z.o.o.	Warsaw, PL	56.60%
Omega Invest Sp.z.o.o.	Warsaw, PL	56.60%
SAS Inter Kft.	Budapest, H	56.60%
IMAK Finance B.V.	Amsterdam, NL	56.60%
Akron Finance Kft.	Budapest, H	56.60%
UKS GmbH	Vienna, A	56.60%
C.E.P.D. Kft.	Budapest, H	56.60%
ARE 8 Sp.z.o.o.	Warsaw, PL	56.60%
ARE 9 Sp.z.o.o.	Warsaw, PL	56.60%
OÜ Robbins	Tallinn, EST	45.00%
IA Holding 1 Kft.	Budapest, H	56.60%
Euro Businesspark Kft.	Budapest, H	56.60%
Shark Park Holding Kft.	Budapest, H	56.60%
AM-ImmoEast Central European Property Fund	Luxembourg	45.00%
AM-ImmoEast Asset Management GmbH	Munich, D	45.00%
Master Spofari s.r.l.	Luxembourg	45.00%
Holtera Property a.s.	Prague, CZ	45.00%
Centrum Olympia Olomouc a.s.	Prague, CZ	45.00%

The following tables show the pro rata values for companies that were included in the consolidated financial statements at their proportional share:

ALL AMOUNTS IN TEUR	30 APRIL 2006	30 APRIL 2005
Property	288,986.4	160,186.6
Other non-current assets	5,976.3	3,131.4
Current assets	24,785.6	11,087.2
Non-current liabilities	-133,840.6	-89,291.7
Current liabilities	-81,155.9	-23,572.1
Proportional share of net assets	104,751.9	61,541.3

ALL AMOUNTS IN TEUR	2005/06	2004/05
Revenues	13,101.9	5,304.5
Revaluation	40,114.3	2,294.7
Operating profit (EBIT)	44,748.9	9,210.3
Financial results	8,204.5	-1,883.8
Income taxes	-9,042.4	-666.3
Net profit for the period	43,911.0	6,660.2

2.2.2 Equity method

Three companies and one company sub-group are included in the consolidated financial statements at equity. The requirement for application of the equity method is the existence of significant influence on the financial and business activities of the associated company. However, the actual exercise of this significant influence is not required. Significant influence as defined in IAS 28.6 is considered to exist when the stake owned in a company equals 20% or more of the voting power, but this presumption can be refuted. IMMOEAST AG holds stakes of more than 20% in the net assets of the following companies, which were not classified as associated companies:

Prime Property BG REIT, Bulgaria (42.23%)
FF&P Russia Real Estate Limited, Guernsey (25.8%)
Global Emerging Property Fund L.P., Jersey (25%)

The presumption of association is refuted by the absence of employees or corporate bodies of IMMOEAST AG on the managing bodies of the above companies as well as the quorum of shareholders that is required to pass resolutions.

2.2.3 Full consolidation

The consolidation range was determined in keeping with the principles of IAS 27.12. In addition to IMMOEAST AG, the consolidated financial statements include 45 domestic and 51 foreign subsidiaries in which IMMOEAST AG directly or indirectly holds the majority of shareholder voting rights or can exercise legal or actual control.

2.3. Development of the consolidation range

The consolidation range changed during the reporting year as follows:

CONSOLIDATION RANGE	PROPORTIONAL		ASSOCIATES	TOTAL
	FULL CONSOLIDATION	CONSOLIDATION		
Balance on 30 April 2005	25	31	3	59
Newly consolidated	67	28	1	96
Disposal	0	-1	0	-1
Change in consolidation method	5	-5	0	0
Balance on 30 April 2006	97	53	4	154
Thereof foreign companies	51	51	3	105

IMMOEAST AG made the following acquisitions and founded the following companies during the reporting year:

NAME OF COMPANY	STAKE	DATE OF INITIAL CONSOLIDATION	CONSOLIDATION METHOD
Center Invest Kft.	100.00%	2.6.2005	V
Stop-Shop Holding GmbH	100.00%	31.5.2005	V
IMMOEAST Projekt Alpha Holding GmbH	100.00%	31.5.2005	V
IMMOEAST Projekt Beta Holding GmbH	100.00%	4.6.2005	V
IMMOEAST ALLEGRO Beteiligungs GmbH	100.00%	28.6.2005	V
IMMOEAST Projekt Gamma Holding GmbH	100.00%	2.7.2005	V
IMMOEAST Projekt Delta Holding GmbH	100.00%	8.7.2005	V
IMMOEAST Projekt Epsilon Holding GmbH	100.00%	8.7.2005	V
Immoeast Cora Holding s.r.l.	100.00%	1.7.2005	V
Harborside Imobiliara s.r.l.	75.00%	11.5.2005	V
C.E.P.D. Kft.	56.60%	31.8.2005	Q
ARE 8 Sp.z.o.o.	56.60%	15.6.2005	Q
ARE 9 Sp.z.o.o.	56.60%	15.6.2005	Q
Airport Property Development a.s.	100.00%	29.6.2005	V
IMMOEAST Slovakia s.r.o.	100.00%	21.7.2005	V
OÜ Robbins	45.00%	27.5.2005	Q
IA Holding 1 Kft.	56.60%	13.7.2005	Q
Cora GS s.r.l.	100.00%	25.7.2005	V
Optima A Kft.	100.00%	1.9.2005	V
Akvamarin Beta s.r.o.	100.00%	30.9.2005	V
S+B Real Estate Ltd.	50.00%	21.10.2005	Q
PBT Invest s.r.l. (formerly S+B Project s.r.l.)	50.00%	21.10.2005	Q
NF 23 spol.s.r.o.	50.00%	10.8.2005	Q
Netlu spol.s.r.o.	50.00%	13.7.2005	Q
IMMOEAST Projekt Lambda Holding GmbH	100.00%	16.11.2005	V
IMMOEAST Projekt Kappa Holding GmbH	100.00%	20.12.2005	V
IMMOEAST Projekt Omega Holding GmbH	100.00%	5.1.2006	V
IMMOEAST Projekt Sita Holding GmbH	100.00%	4.1.2006	V
IMMOEAST Projekt Jota Holding GmbH	100.00%	20.12.2005	V
IMMOEAST HRE Investment jeden Sp.z.o.o.	100.00%	28.12.2005	V

IMMOEAST HRE Investment dwa Sp.z.o.o.	100.00%	28.12.2005	V
IMMOEAST HRE Investment trzy Sp.z.o.o.	100.00%	28.12.2005	V
IMMOEAST HRE Investment cztery Sp.z.o.o.	100.00%	28.12.2005	V
IMMOEAST HRE Investment piec Sp.z.o.o.	100.00%	28.12.2005	V
IMMOEAST HRE Investment szesc Sp.z.o.o.	100.00%	28.12.2005	V
PERL INVEST a.s.	50.00%	9.12.2005	Q
NP Investment a.s.	50.00%	9.12.2005	Q
Prokopova Development a.s.	50.00%	9.12.2005	Q
E.N.G. Property a.s.	50.00%	9.12.2005	Q
JUNGMANNOVA ESTATES a.s.	50.00%	9.12.2005	Q
Štětкова Property Invest a.s.	50.00%	9.12.2005	Q
J.H. Prague a.s.	50.00%	9.12.2005	Q
PAN Development a.s.	50.00%	9.12.2005	Q
Polus Tower 2 a.s.(formerly TriGranit Tower 2 a.s.)	100.00%	31.12.2005	V
Polus Tower 3 a.s. (formerly TriGranit Tower 3 a.s.)	100.00%	31.12.2005	V
Polus a.s.	100.00%	31.12.2005	V
BA Energetika s.r.o.	100.00%	31.12.2005	V
Böck & Jeschek Kft.	100.00%	1.11.2005	V
Nowe Centrum Sp.z.o.o.	100.00%	31.12.2005	V
ELCO Sp.z.o.o.	100.00%	31.12.2005	V
AM-ImmoEast Asset Management GmbH	45.00%	3.11.2005	Q
A-I Investments Management Europe GmbH	50.00%	3.11.2005	Q
Stavební a inženýrská spol.s.r.o.	50.00%	4.1.2006	Q
Euro Businesspark Kft.	56.60%	14.11.2005	Q
Shark Park Holding Kft.	56.60%	8.11.2005	Q
IMMOEAST Projekt Aries Holding GmbH	100.00%	31.1.2006	V
Mistral Real Sp.z.o.o.	100.00%	31.1.2006	V
Blizzard Real Sp.z.o.o.	100.00%	31.1.2006	V
IMMOEAST Presto Beteiligungs GmbH	100.00%	31.3.2006	V
IMMOEAST Projekt Idamantes Holding GmbH	100.00%	8.4.2006	V
IMMOEAST Bulgaria 1 EOOD	100.00%	17.4.2006	V
IMMOEAST Projekt Arbaces Holding GmbH	100.00%	11.4.2006	V
IMMOEAST Projekt Masetto Holding GmbH	100.00%	11.4.2006	V
IMMOEAST Projekt Zerlina Holding GmbH	100.00%	8.4.2006	V
IMMOEAST Projekt Dorabella Holding GmbH	100.00%	8.4.2006	V
Bucharest Corporate Center s.r.l.	100.00%	22.3.2006	V
Capri Trade srl	100.00%	10.2.2006	V
VALUEROI GRUP s.r.l.	75.00%	30.3.2006	V
IMMOEAST Projekt Capricornus Holding GmbH	100.00%	17.2.2006	V
IMMOEAST Projekt Caelum Holding GmbH	100.00%	17.2.2006	V
IMMOEAST Projekt Cassiopeia Holding GmbH	100.00%	9.3.2006	V
IMMOEAST Projekt Cepheus Holding GmbH	100.00%	9.3.2006	V
IMMOEAST Projekt Circinus Holding GmbH	100.00%	9.3.2006	V
Prague Office Park I s.r.o.	100.00%	5.4.2006	V
IMMOEAST Projekt Cygnus Holding GmbH	100.00%	13.4.2006	V
IMMOEAST Projekt Equuleus Holding GmbH	100.00%	12.4.2006	V
IMMOEAST Projekt Eridanus Holding GmbH	100.00%	12.4.2006	V
IMMOEAST Projekt Hydrus Holding GmbH	100.00%	13.4.2006	V
IMMOEAST Projekt Primus Holding GmbH	100.00%	13.4.2006	V

IMMOEAST Projekt Secundus Holding GmbH	100.00%	13.4.2006	V
IMMOEAST Projekt Tertius Holding GmbH	100.00%	13.4.2006	V
IMMOEAST Projekt Quartus Holding GmbH	100.00%	13.4.2006	V
IMMOEAST Projekt Quintus Holding GmbH	100.00%	13.4.2006	V
IMMOEAST Projekt Sextus Holding GmbH	100.00%	13.4.2006	V
IMMOEAST Projekt Septimus Holding GmbH	100.00%	13.4.2006	V
IMMOEAST Projekt Octavus Holding GmbH	100.00%	13.4.2006	V
IMMOEAST Projekt Nonus Holding GmbH	100.00%	13.4.2006	V
IMMOEAST Projekt Decimus Holding GmbH	100.00%	13.4.2006	V
IMMOEAST Projekt Duodecimus Holding GmbH	100.00%	13.4.2006	V
AM-ImmoEast Central European Property Fund C.V.	45.00%	24.1.2006	Q
Master Spofari s.r.l.	45.00%	24.3.2006	Q
Holtera Property a.s.	45.00%	30.3.2006	Q
Centrum Olympia Olomouc a.s.	45.00%	10.5.2005	Q
My Box Uherske Hradiste s.r.o.	50.00%	10.3.2006	Q
M.O.F. Immobilien AG	20.00%	31.3.2006	E
S+B CEE ALPHA CYPRUS Ltd.	50.00%	10.3.2006	Q

V = Full consolidation. Q = Proportionate consolidation. E = Equity method

The Hungarian Center Invest Kft. was acquired in full as of 2 June 2005. This company owns the Stop Shop portfolio in Hungary, which consists of six completed and fully let specialty shopping centres.

In Constanta, the second largest city in Romania, 75% of the shares in Harborside Imobiliara s.r.l. were purchased as of 11 May 2005. The Harborside Constanta project – a retail and office project – has approx. 30,000 sqm of letable space, with 21,000 sqm of this amount representing shopping areas and 9,000 sqm as offices in two office towers.

Another acquisition was made in Romania during the first quarter of the 2005/06 Business Year: as of 25 July 2005 IMMOEAST acquired 100% of the shares in Cora GS s.r.l., and thereby took over the Pipera Center office building with roughly 24,000 sqm of letable space. This property is fully rented to the leading mobile telecommunications company in Romania through a long-term contract.

IMMOEAST acquired 100% of the shares in the Czech Airport Property Development a.s. as of 29 June 2005. The fully let Airport Business Center, which is owned by this company, is located directly at Ruzyně International Airport and more than 15,000 sqm of letable space.

As part of its 50% investment in S+B CEE Beteiligungsverwaltungs GmbH, IMMOEAST acquired three project companies in the Czech Republic: NF 23 spol.s.r.o. was consolidated on 10 August 2005, Netlu spol.s.r.o. on 13 July 2005 and Stavební a inženýrská spol.s.r.o. on 4 January 2006. PBT Invest s.r.l. in Romania was acquired through this same holding as of 21 October 2005.

IMMOEAST purchased 100% of the shares in the Hungarian Optima A Kft. during the second quarter of the reporting year, which led to the takeover of the Optima A office building with 7,600 sqm of space. The object is fully let to international tenants.

Through its investment in IMAK CEE B.V., IMMOEAST acquired 100% of the shares in the Hungarian C.E.P.D. Kft. as of 31 August 2005 and 100% of the shares in Euro Businesspark Kft. as of 14 November 2005. C.E.P.D. Kft. is the owner of the newly built Greenpoint 7 office building, which has roughly 22,000 sqm of letable space. Euro Businesspark Kft. owns two logistics objects in Budapest: Shark Park and Camel Park. Shark Park has 17,100 sqm of warehouse space and 4,000 sqm of offices. Camel Park with its 31,000 sqm of warehouse and office space has already been completed. Another major acquisition was completed through the IMAK CEE B.V. investment on the Polish market: The Silesia Logistic Park was purchased from ARE 8 Sp.z.o.o. as of 15 June 2005.

During the third quarter of the 2005/06 Business year, IMMOEAST purchased 100% of the Slovakian Polus a.s., Polus Tower 2 a.s. and Polus Tower 3 a.s. as of 31 December 2005. This transaction resulted in the takeover of the modern Polus City Center, which is located near the centre of Bratislava in the Nove Mesto district. The complex includes a shopping centre with 56,000 sqm of letable space as well as two office high-rises, the Millennium Tower I with 23,000 sqm of space and the Millennium Tower II with 23,200 sqm of space.

As of 1 November 2005 IMMOEAST acquired 100% of the shares in the Hungarian Böck & Jescsek Kft. This company owns a warehouse and office building in Budapest, which has 29,807 sqm of space.

In Poland the remaining 90% of the shares in Nowe Centrum Sp.z.o.o. were acquired, leading to the consolidation of the company in the financial statements of IMMOEAST AG as of 31 December 2005. This company owns the Silesia City Center in Katowice, a modern shopping facility with 127,000 sqm of total space and 105,900 sqm of letable space.

All of the shares in Mistral Real Sp.z.o.o. were acquired as of 31 January 2006. The Mistral Office Building with 19,600 sqm of space is located at an interesting site in the Polish capital of Warsaw.

During the last quarter of the 2005/06 Business Year, IMMOEAST made three major acquisitions in Romania. As of 22 March 2006, 100% of the shares in the Bucharest Corporate Center s.r.l. were purchased. This 14-storey office building has been completed and is fully occupied. The other transactions represent the purchase of 100% of the shares in Capri Trade s.r.l. on 10 February 2006 and 75% of VALUEROI GRUP s.r.l. as of 30 March 2006. The Baneasa Airport Tower, which is owned by VALUEROI GRUP s.r.l., is an office

building with 6,100 sqm of letable space and roughly 110 parking spaces. Construction is scheduled for completion in early 2007.

2.3.1 Impact of initial consolidation

The acquisition of companies and related initial consolidations had the following impact on the consolidated balance sheet and the consolidated income statement:

ALL AMOUNTS IN TEUR	30 APRIL 2006	30 APRIL 2005
Property	1,004,066.5	342,820.4
Other non-current assets	15,433.8	24,368.6
Current assets	76,676.0	24,711.4
Non-current liabilities	-497,260.6	-119,031.5
Current liabilities	-120,033.1	-47,658.9
Proportional share of net assets	478,882.6	225,210.0

ALL AMOUNTS IN TEUR	2005/06	2004/05
Revenues	34,812.8	12,041.6
Revaluation	43,227.7	-148.1
Operating profit (EBIT)	95,514.5	26,278.1
Financial results	-12,656.5	-3,188.7
Income taxes	-9,826.5	-1,779.0
Net profit for the period	73,031.4	21,310.4

The above amounts were determined at the consolidated individual company level.

A description of the major acquisitions of the reporting year and their impact on the asset, financial and earnings position of IMMOEAST AG is provided in the following.

2.3.1.1 Initial consolidation of Center Invest Kft.

The acquisition of Center Invest Kft. led to the inclusion of the following assets and liabilities at fair value:

ALL AMOUNTS IN TEUR	2005/06
Cash and cash equivalents	992.1
Receivables and other assets	2,583.9
Deferred tax assets	3,591.9
Property	118,239.7
Tangible assets	32.6
Financial liabilities	-47,807.2
Trade payables	-5,627.7
Other liabilities	-778.5
Provisions	-119.2
Deferred tax liabilities	-11,169.4
Currency translation adjustment	17.5
Acquired net assets	59,955.7
(Negative) goodwill	-12,768.2
Outstanding purchase price	-23,307.1
Purchase price paid in cash	23,880.4
Less cash and cash equivalents acquired	-992.1
Net purchase price for property company	22,888.3

The following table shows the consolidated proportional share of net assets in Center Invest Kft. at the individual company level as of the balance sheet date:

ALL AMOUNTS IN TEUR	30 APRIL 2006
Property	126,301.1
Other non-current assets	4,050.2
Current assets	4,007.9
Non-current liabilities	-68,793.9
Current liabilities	-4,588.6
Proportional share of net assets	60,976.7

The following income statement of the company from the date of acquisition to the balance sheet date was included in the consolidated financial statements:

ALL AMOUNTS IN TEUR	2005/06
Revenues	7,446.4
Revaluation	3,077.0
Operating profit (EBIT)	19,946.7
Financial results	-5,180.1
Income taxes	-865.0
Net profit for the period	13,901.6

2.3.1.2 Initial consolidation of Polus a.s., Polus Tower 2 a.s., Polus Tower 3 a.s. and BA Energetika s.r.o.

The acquisition of the Polus companies (from a commercial standpoint, this represents a single transaction) led to the inclusion of the following assets and liabilities at fair value:

ALL AMOUNTS IN TEUR	2005/06
Cash and cash equivalents	4,979.8
Receivables and other assets	2,126.1
Deferred tax assets	48.1
Property	256,930.4
Tangible assets	214.1
Financial liabilities	-99,002.0
Trade payables	-1,381.6
Other liabilities	-70,453.2
Provisions	-50.0
Deferred tax liabilities	-31,980.9
Currency translation adjustment	-1,058.7
Acquired net assets	60,372.1
(Negative) goodwill	19,182.8
Outstanding purchase price	-2,855.0
Purchase price paid in cash	76,699.9
Less cash and cash equivalents acquired	-4,979.8
Net purchase price for property company	71,720.1

The following table shows the consolidated proportional share of net assets in the Polus companies at the individual company level as of the balance sheet date:

ALL AMOUNTS IN TEUR	30 APRIL 2006
Property	253,556.0
Other non-current assets	2,686.2
Current assets	11,311.7
Non-current liabilities	-130,585.2
Current liabilities	-7,154.8
Proportional share of net assets	129,813.9

The following income statement of the company for the period from the date of acquisition to the balance sheet date was included in the consolidated financial statements:

ALL AMOUNTS IN TEUR	2005/06
Revenues	7,466.2
Revaluation	-3,623.9
Operating profit (EBIT)	-18,163.2
Financial results	829.6
Income taxes	444.4
Net profit for the period	-16,889.2

2.3.1.3 Initial consolidation of Nowe Centrum Sp.z.o.o.

The acquisition of Nowe Centrum Sp.z.o.o. led to the inclusion of the following assets and liabilities at fair value:

ALL AMOUNTS IN TEUR	2005/06
Cash and cash equivalents	6,043.7
Intangible assets (excl. goodwill)	2.0
Receivables and other assets	9,923.3
Deferred tax assets	1,213.1
Property	194,819.7
Tangible assets	467.1
Financial liabilities	-81,455.3
Trade payables	-494.2
Other liabilities	-37,958.0
Provisions	-416.1
Deferred tax liabilities	-16,108.7
Currency translation adjustment	1,477.0
Acquired net assets	77,513.6
(Negative) goodwill	-19,726.2
Outstanding purchase price	-16,000.0
Purchase price paid in cash	41,787.4
Less cash and cash equivalents acquired	-6,043.7
Net purchase price for property company	35,743.7

The following table shows the consolidated proportional share of net assets in Nowe Centrum Sp.z.o.o. at the individual company level as of the balance sheet date:

ALL AMOUNTS IN TEUR	30 APRIL 2006
Property	221,001.4
Other non-current assets	1,431.4
Current assets	9,510.6
Non-current liabilities	-101,506.7
Current liabilities	-11,792.3
Proportional share of net assets	118,644.4

The following income statement of the company for the period from the date of acquisition to the balance sheet date was included in the consolidated financial statements:

ALL AMOUNTS IN TEUR	2005/06
Revenues	6,036.4
Revaluation	17,054.3
Operating profit (EBIT)	39,462.3
Financial results	-1,906.5
Income taxes	-3,050.2
Net profit for the period	34,505.6

2.3.2 Structural changes/change in consolidation method

Structural changes represent the impact of shifts in investments in other companies between the parent company (IMMOEAST AG) and the minority shareholders of the relevant consolidated subsidiaries or companies included through proportionate consolidation which, in turn, have their own consolidated companies with minority interests. The term structural changes also includes the acquisition of shares in companies with minority interests, where these acquisitions have an impact on group equity, as well as partial deconsolidation measures and successive share purchases without transition consolidations that lead to a shift in the earned equity (either from the group's share to minority interest, or the reverse) of enterprises in which the company that is partially deconsolidated has a controlling or joint management interest as defined in IAS 31.

On 1 June 2005 the remaining 10% stake in the Czech ABLO Property s.r.o. was acquired.

During the first six months the stakes held in the Czech SBF Development Praha spol.s.r.o., SB Praha 4 spol.s.r.o., WEGE spol.s.r.o. and ODP – Office Development Praha spol.s.r.o. were increased to 100% through a transition consolidation and the stake owned in VALDEK Praha spol.s.r.o. was raised to 80%. The remaining 20% of VALDEK Praha spol.s.r.o. was acquired during the third quarter.

The investment in VERDI Development spol. s.r.o., which was held through a joint venture with the S+B Group, was sold and deconsolidated as of 27 April 2006.

2.4 Foreign currency translation

The individual Group companies record foreign currency transactions at the average exchange rate in effect on the date of the event as required by IAS 21.21. Monetary assets and liabilities denominated in foreign currencies are translated on the balance sheet date at the average exchange rate in effect on this date. Any resulting foreign exchange gains or losses are recognised to the income statement for the reporting year.

The Group currency is the Euro. The determination of the functional currency for foreign companies included in the financial statements through consolidation or proportionate consolidation is based on the primary (macro)economic environment in which each company operates. The basic determining factor is the currency in which the majority of goods, business activities and services are denominated and settled in the relevant country. For the IMMOEAST companies affected by this regulation, the local currency is the functional currency in all cases. In accordance with IAS 21 and in keeping with the functional currency concept as reflected in the modified current rate method, the assets and liabilities in the financial statements that were converted to IFRS – and in the case of acquisitions, also revalued and prepared for consolidation – are translated at the average exchange rate on the closing date; the various positions on the income statement are translated at the weighted average exchange rate for the reporting year. Goodwill allocated to a foreign subsidiary or company included through proportionate consolidation is translated at the closing rate in accordance with IAS 21.47. The equity of subsidiaries and companies included through proportionate consolidation as well as the investments in any other foreign entities in foreign currencies are translated at the historical exchange rate at the point of initial consolidation. Distributions in a foreign currency are translated at the average exchange rate. The components of earned (historical) group equity of foreign entities that present their financial statements in a foreign currency are translated at the closing rate. Any resulting foreign exchange gains and losses are recorded to the currency translation adjustment in equity.

The following exchange rates, which were issued by Constantia Privatbank Aktiengesellschaft on 28 April 2006, were used for translation:

	HUF	PLN	CZK	ROL	RON
Balance sheet rate on 30 April 2006	264.08000	3.87470	28.42000	-	3.47500
Average rate	252.96600	4.00690	29.41440	-	3.57532
Balance sheet rate on 30 April 2005	252.51000	4.27150	30.49900	36,180.00000	-

	CYP	SKK	EEK	BGN
Balance sheet rate on 30 April 2006	0.57600	37.39500	15.64660	1.95580
Average rate	0.57584	37.38250	15.64660	1.95580
Balance sheet rate on 30 April 2005	0.58180	-	-	-

The Romanian currency was redenominated from ROL (Romanian Leu) to RON (new Romanian Leu) on 1 July 2005, whereby 10,000 ROL equal 1 RON. This change was authorised by Law Nr. 348 dated 14 July 2004, which was published in the Romanian federal gazette ("Monitorul Oficial al României") on 23 July 2004.

The Bulgarian and Estonian currencies are tied to the Euro through a currency board (the domestic currency is tied to the foreign currency on a one-sided basis). Prior to the introduction of the Euro, these countries had a currency board with the D-Mark. On 5 July 1999 the Bulgarian currency (Lew) was converted at a ratio of 1 new Lew for 1,000 old Lewa and tied to the German Mark (1 Lew = 1 DM). After the introduction of the Euro, the exchange rate for conversion of the Lew into Euro exactly equalled the DM – Euro rate. This exchange rate (1 EUR = 1.9558) is defined by Bulgarian law and does not change. The Estonian currency (Krone) was introduced in the newly independent Estonia after the collapse of the Soviet Union in 1992. After 1993 the Estonian Krone was linked to the D-Mark and this rate was maintained following the introduction of the Euro. The current exchange rate is 1 EUR = 15.6466.

3. Accounting and valuation principles

3.1 Changes in accounting and valuation methods

IAS 40.20 requires investment property to be measured at cost at the time of initial recognition. In subsequent periods the company must use a uniform accounting and valuation procedure for the measurement of all investment property – either the fair value model as defined in IAS 40.33-35 or the cost model as defined in IAS 40.56. In accordance with the principle of consistency that is anchored in IFRS, an accounting and valuation method must also be applied in future periods once it has been selected. However, IAS 8.14 (b) permits changes in accounting policies if these changes result in a more reliable and more relevant presentation of business transactions and other events on the asset, financial and earnings position of the company.

The property portfolio of IMMOEAST AG was valued as of 30 April 2005 based on the cost model. In keeping with this model, property was valued at cost less ordinary depreciation and any necessary impairment charges. On 31 January 2006 the management of IMMOEAST AG decided to adopt the EPRA's Best Practices Policy Recommendation 2.11, which recommends that EPRA members use the fair value model specified in IAS 40. As a result of this decision, the consolidated financial statements were adjusted retrospectively in accordance with IAS 8.22 to reflect the application of the fair value model as defined in IAS 40.33.

In accordance with the fair value model, all investment properties are stated at their fair value as of the balance sheet date. Additional information on the valuation of property is provided under point 3.4. Deferred taxes are created on all temporary differences between the tax bases and the IFRS fair values of these properties. The gain or loss arising from the revaluation of the properties must be recognised to the income statement. IAS 36.2 (f) exempts investment property measured at fair value from the general rules for impairment tests that are set forth in IAS 36 because, in accordance with the rules of IAS 40, these properties are already stated at fair value with the recognition of gains and losses to the income statement.

The retrospective application of the fair value model in accordance with IAS 8.22 had the following impact on the prior year financial statements. The property portfolio at fair value, including property under construction, totalled TEUR 517,492.1 as of 30 April 2005 (cost model: TEUR 486,449.6). The calculation of deferred taxes on the temporary differences between the tax bases and IFRS fair values of the properties led to a change in deferred tax liabilities from TEUR 44,058.3 to TEUR 49,667.8. Retained earnings and consolidated profit rose from TEUR 28,918.0 under the cost model to TEUR 54,032.9 under the fair value model. The currency translation adjustment under the fair value model increased to TEUR 6,195.5. Minority interest in the fair value balance sheet as of 30 April 2005 equalled TEUR 1,621.6 (cost model: TEUR 1,699.5).

A consolidated income statement prepared in accordance with the fair value model formed an integral part of the audited consolidated financial statements of IMMOEAST AG as of 30 April 2005. The retrospective application of the fair value model led to a change in the following two positions on the income statement: depreciation increased from TEUR 16,331.1 to TEUR 17,248.0 and income taxes declined from TEUR 7,220.1 to TEUR 6,702.0. This adjustment resulted from the improved information that was made available by the exclusive application of the fair value model.

3.2 Intangible assets

IAS 38 defines intangible assets as identifiable, non-monetary assets without physical substance, which can be expected to generate a future economic benefit. The identifiability of intangible assets is coupled either with the capability of being sold or transferred (either alone or together with other assets or liabilities) as defined in IAS 38.12 (a) or with a contractual or legal right as defined in IAS 38.12 (b). In accordance with IAS 38, intangible assets are carried at cost less amortisation. All intangible assets with the exception of goodwill have a definite useful life and are amortised on a regular basis.

Ordinary straight-line amortisation is based on the following useful lives:

USEFUL LIFE IN YEARS	
Other intangible assets	3 – 25

The company has no internally generated intangible assets.

3.3 Differences arising from the consolidation

3.3.1 Goodwill

The difference between the cost of a business combination and the proportional share of revalued net assets as of the acquisition date is recorded as goodwill and recognised as an asset in accordance with IFRS 3. Goodwill is not amortised on a regular basis, but is subjected to an impairment test each year or on an interim basis if there are signs of a loss in value. In order to conduct the impairment test, goodwill is first allocated to the individual cash-generating units. The need to recognise an impairment charge to a cash-generating unit is determined by comparing the carrying value with the recoverable amount. If the recoverable amount is less than the carrying value, an impairment charge is recognised at the amount of this difference to reduce the carrying amount to the recoverable amount. Any remaining difference is allocated to the other assets in the cash-generating unit in proportion to their carrying values. All impairment charges are recognised immediately to the income statement. Subsequent increases in value are not permitted.

If a business combination results in goodwill, the carrying value of the cash-generating unit is increased by the carrying value of the goodwill. This total is subsequently compared to the recoverable value of the cash-generating unit. Any negative difference is reflected in an impairment charge to goodwill.

The acquisition of project companies generally leads to positive goodwill because of the obligation to record deferred tax liabilities on revalued properties. The unequal valuation of these deferred tax liabilities - which, in contrast to other acquired net assets, may not be discounted according to IFRS 3.57b in connection with IFRS 3.B16 (i) and IAS 12.53 – results in goodwill as a technical figure, which is subjected to an impairment test at the time of initial recognition. The fact that this type of goodwill only arises because of the deferred tax liabilities that result from the valuation method prescribed by IFRS generally leads to an impairment charge equal to the undiscounted part of the deferred tax liability. This need for an impairment charge is reflected in the write-down of goodwill.

3.3.2 Excess of acquirer's in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost (Excess)

A consolidation will lead to negative differences (negative goodwill or excess) when the cost of a business combination is less than the proportional share of revalued net assets acquired. In such cases, IFRS 3.56 (a) requires that the acquirer reassess the identification and measurement of identifiable assets, liabilities and contingent liabilities as well as the cost of the business combination. Any excess remaining after the reassessment must be recognised immediately to the income statement as required by IFRS 3.56 (b). The IASB sees three reasons for a gain recognised under these circumstances: a) errors in identification and measurement, b) the application of standards for the measurement of assets and liabilities that do not reflect the fair value of these items and c) a bargain purchase.

Negative goodwill recognised in the financial statements of IMMOEAST AG is comprised exclusively of goodwill as defined in IAS 3.57 (c) – bargain purchases. Identification and measurement errors are eliminated during the reassessment, and the application of standards for the measurement of assets and liabilities at amounts that do not reflect fair value leads to effects that counteract the generation of an excess or reduce this excess. This latter effect is caused by the prohibition on discounting defined by IFRS 3.57b in connection with IFRS 3.B16 (i) and IAS 12.53, which affects the deferred tax liabilities in the category summarised under this item.

Bargain purchases can result from the following factors:

- a) When a forward purchase is executed, the acquisition price for a property company is determined for a specific point in the future. A decline in the market yield for this property before the acquisition date leads to a fair value that can exceed the price defined in the contract by a substantial amount, and thereby lead to an excess.
- b) Business combinations of minority interests that cannot be consolidated but, at the same time, include a call option for IMMOEAST AG at a fixed yield that is determined in advance can lead to an excess if the market yield declines at the time of the business combination.
- c) The following circumstances can also lead to an excess: A property company is acquired and the objects owned by this company have a high vacancy rate at the time the contract is signed; this situation is reflected in the purchase price. If the objects are fully let, or nearly fully let, prior to the transfer of legal ownership (closing), this will result in a higher fair value at the time of closing, which can lead to an excess.
- d) When companies with development projects are acquired, the strategic risk premium that forms the basis for the acquisition and has been accepted by the seller can be higher than the risk premium determined by the market. The fair value of the property can therefore be higher than the value on which the contract negotiations were based – and that can lead to an excess.
- e) When a property company is purchased, negotiations can result in a premium over and above the general market yield. The fair value of the property can therefore be higher than the price agreed with the seller – which, in turn, can lead to an excess.
- f) In the case of a joint venture, where a former contract partner transfers his share to the group and, in turn, the group subsequently has sole control over the assets of the former joint venture, the group can generally purchase the net assets at a price below market value. The reason for this is that the seller (former joint venture partner) is frequently unable to find a buyer for his share in the joint venture, and this situation has a favourable impact on the purchase price to be paid by the buyer.

3.4 Investment property

Investment properties represent all objects that are held to generate rental income or to realise a long-term increase in value, and are not used in production or for administrative purposes or sold as part of the ordinary business activities of the company.

In accordance with IAS 40, investment properties are measured at cost at the point of recognition. For subsequent measurement, this Standard provides companies with an option to choose either the cost model or the fair value model. Up to 30 April 2005 IMMOEAST AG recorded investment property in accordance with the cost model. In keeping with this model, properties were recorded at cost less ordinary straight-line depreciation and any necessary impairment charges. Beginning with the third quarter of the 2005/06 Business Year, IMMOEAST AG changed its accounting method to the fair value model. This change in method was made retrospectively in accordance with IAS 8.22. The effects of the retrospective application of the fair value model are explained under point 3.1.

In accordance with the fair value model, properties are carried at their fair value as of the balance sheet date. Fair value is defined as the amount at which a property could be exchanged between knowledgeable, willing parties in an arm's length transaction. All changes in fair value are recognised to the income statement. The properties are no longer depreciated on a regular basis, but measured each year at their fair value. The regulations on impairment tests that are contained in IAS 36.2 (f) are not applicable because investment properties are measured at fair value and gains or losses in fair value are recognised to the income statement.

The fair values of the properties in the group's portfolio are determined by expert opinions, which are prepared by an independent Valuation Committee of three court-certified experts. Individual properties are appraised by recognised independent international property valuation companies (see point 5.2). The discounted cash flow method – which complies with the principles of International Valuation Standards – is used to value office, commercial and logistics objects, where complex rental agreement structures must be represented. Under this valuation method, the difference between cash inflows and cash outflows for the forecast period is discounted to the valuation date with the use of a discount rate. The estimation of future cash flows is based on current knowledge, and reflects the current rental situation as well as the location, condition and equipment/furnishings of the object. The cash flows comprise forecasted annual gross rents less an adjustment for the risk of default on rental payments and costs related to possible vacancies. All risks are incorporated in the discounted cash flows. The discount factors vary according to the subsection of the property market and the type of property, and are determined by independent experts on the basis of their experience.

3.5 Property under construction

Properties constructed by the company for the generation of rental and/or leasing income or for the realisation of an increase in value are recognised as properties under construction and measured at cost. For this purpose, cost includes expenses incurred up to the completion of construction or development. IAS 16 is applied up to completion and the start of operations in the property. Beginning with the date of completion, the property is measured at fair value in accordance with IAS 40. Any difference between the fair value of the property at this time and the previous carrying value is recognised to the income statement as required by IAS 40.65. Properties under construction are subject to an impairment test each year in accordance with IAS 36, whereby cost is compared with the fair value (value in use) determined by an expert opinion.

3.6 Tangible assets

In accordance with IAS 16, tangible assets are carried at cost less accumulated depreciation and any necessary write-downs that result from impairment tests.

Depreciation is calculated on a straight-line basis beginning in the month of acquisition.

Government grants are recorded as a reduction of cost after a binding commitment is received.

Financing costs are capitalised in accordance with IAS 23.

Ordinary straight-line depreciation on depreciable tangible assets is based on the following useful lives:

	USEFUL LIFE IN YEARS
Property (buildings)	25 – 50
Other tangible assets	4 – 10

The useful lives of the various assets and the depreciation method are reviewed regularly in agreement with IAS 16 in order to ensure that they reflect the expected development of the economic value in use of the tangible asset.

3.7 Non-current assets held for sale (IFRS 5)

IFRS 5 classifies assets as “held for sale” if they can be sold in their present condition and their sale is highly probable. The involved assets represent non-current items. These assets are no longer depreciated on a regular basis, but are measured at the lower of carrying value at the point of classification as “held for sale” and fair value less costs to sell. The requirements for classification as “held for sale” are: a) the existence of a concrete intent to sell, b) the immediate availability of the asset and c) with certain exceptions, the completion of the sale within twelve months. If the requirements for classification as “held for sale” are no longer met, the asset is transferred to the appropriate balance sheet position and measured at the lower of carrying amount and fair value less costs to sell. Any adjustment to the value of the asset is recognised to the income statement.

Investment properties represent an exception to the valuation requirements set forth in IFRS 5 because these assets are valued in accordance with the fair value model (IFRS 5.4 (d)). However, the presentation requirements defined in IFRS 5 apply.

3.8 Inventories

In accordance with IAS 2, objects are recorded as inventories on the balance sheet if they are held for sale as part of ordinary business activities or are under construction and sale is planned. Inventories are capitalised at cost and measured at the lower of carrying value or recoverable amount as of the balance sheet date. Recoverable value is determined as the estimated selling price less any outstanding production costs and costs to sell.

Sales of inventories are included in revenues, whereby revenue is realised when ownership is transferred. In the event of a sale, the production costs are recorded as a disposal under the cost of materials.

3.9 Leasing

In keeping with IAS 17, the allocation of a leased asset to the lessor or lessee is based on the transfer of all material risks and rewards incident to ownership of the asset.

Assets obtained through finance leases are capitalised at the fair value or lower present value of the minimum lease payments, and amortised on a straight-line basis over the shorter of the presumed useful life or term of the lease agreement. Payments required on operating leases are recognised to the income statement in equal instalments over the term of the lease.

IAS 40.6 gives companies an option to classify property that is held through an operating lease as investment property if the fair value model is used and the property otherwise meets the definition of an investment property. This classification alternative is available on a property-by-property basis.

3.10 Financial instruments

3.10.1 Investments in other companies

Investments in other companies are stated at fair value in accordance with IAS 39. If this amount cannot be determined reliably, such investments are reported at cost less any impairment losses.

Loans granted are generally recorded at cost or the lower present value as of the balance sheet date.

Securities reported under non-current assets and investments in other companies are classified as available-for-sale in keeping with IAS 39, and recorded at their fair value or market value as of the balance sheet date. If fair value cannot be determined and comparable market prices are not available, fair value is established using generally accepted valuation methods (discounted cash flow method) or, in the case of property companies, according to the net asset value. The initial valuation is made as of the settlement date. Fluctuations in fair value are directly charged or credited to equity; these changes are only recognised to the income statement in the event of impairment or when the securities are sold. If there are objective indications of impairment to an asset, an appropriate write-down is made. Financial instruments acquired after 1 May 2004 are generally designated as financial assets at fair value through profit or loss in accordance with IAS 39 (see point 4.5), and are measured at fair value as of the balance sheet date. Changes in fair value are recognised to the income statement.

3.10.2 Receivables and other assets

Receivables and other assets are stated at cost. Recognisable individual risks are reflected in appropriate valuation adjustments.

3.10.3 Current financial instruments

In accordance with IAS 39, current financial instruments are classified as held for trading and carried at fair value or quoted market price as of the balance sheet date. All purchases and sales are recognised on the settlement date, i. e. the date on which the asset is transferred. Temporary fluctuations in market value are recognised to the income statement. In accordance with IAS 7.7, current financial instruments are included in cash flow as a component of cash and cash equivalents if they have a term of less than three months from the date of acquisition. All assets in the balance sheet position meet this criterion as of the balance sheet date.

3.10.4 Derivative financial instruments

Derivatives are recognised as independent transactions in agreement with IAS 39. These financial instruments are used to reduce the risks associated with foreign exchange and interest rate fluctuations. Derivative transactions are only concluded with financial institutions that have first-rate credit standings.

Derivative financial instruments are recorded on the balance sheet at fair value in accordance with IAS 39.43. After initial recognition, they are carried at fair value. Any valuation changes are recognised to the income statement. Additional information on derivative financial instruments and their valuation is provided under point 8.1.3.

3.10.5 Financial liabilities

Liabilities are recorded at the amount of funds received less transaction costs. Any premium, discount or other difference (e.g. costs for the procurement of funds) between the amount received and the repayment amount is allocated over the term of the financing according to the effective interest rate method and recorded under financial results. The effective interest rate method is not used for immaterial differences; instead, such differences are allocated on a straight-line basis over the term of the liability.

3.10.6 Limited partnership interests

As stated in IAS 32.18 (b), a financial instrument that gives the owner the right to put back this instrument to the issuer for cash or another financial instrument must be classified as a financial liability ("puttable instrument"). Shares in partnerships under various legal systems fall under this definition. For this reason, business combinations that result in the purchase of shares in financial instruments that simultaneously transfer control are recognised through the consolidation of liabilities instead of the offset of equity. Any differences are recognised to the income statement as differences arising from the consolidation of liabilities (see point 4.3.4).

3.11 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, funds-in-transit and deposits with financial institutions. These items are recorded at their actual value as of the balance sheet date.

3.12 Impairment of assets

In accordance with IAS 36 all assets, in particular intangible assets with an indeterminate useful life as well as goodwill, are subjected to an annual impairment test. This test is generally performed separately for each asset. The impairment test is only performed on the smallest group of assets, the cash-generating unit, in cases where cash inflows cannot be directly allocated to a specific asset and an individual valuation is therefore not possible.

The cash-generating unit is the smallest identifiable group of assets to generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

The relevant standard for the impairment test according to IAS 36 is the recoverable amount. This figure is the higher of an asset's fair value less costs to sell and its value in use. If the carrying value of an asset exceeds its recoverable amount, the difference is reflected in an impairment charge.

Fair value less costs to sell represents the amount obtainable from the sale of an asset or cash-generating unit in an arm's length transaction at normal market conditions between knowledgeable and willing parties less the costs of disposal. The costs of disposal are incremental costs directly attributable to the disposal of an asset or cash-generating unit, excluding financing costs.

Value in use is the present value of estimated future cash flows that are expected to arise from the continuing use of an asset or cash-generating unit. The determination of value in use is based on the same methodology used to establish the value of a company, i.e. the discounted cash flow method.

Any necessary impairment charge is recognised to the income statement. If there is an indication that an impairment loss may no longer exist or may have decreased, the impairment loss is reversed to the carrying amount that would have been determined (net of amortisation or depreciation) if no impairment loss had been recognised in prior years. This does not apply to goodwill.

3.13 Deferred taxes

In accordance with the balance sheet liability method required by IAS 12, provisions for deferred taxes are calculated on all temporary differences between the carrying amount of an asset or liability in the IFRS consolidated financial statements and its tax base in the individual company financial statements. This calculation includes probable realisable tax benefits from existing tax loss carryforwards. Deferred tax assets and deferred tax liabilities are offset if the following conditions set forth in IAS 12.74 are met:

- a) There is a legal right to offset tax assets against tax liabilities,
- b) These items relate to income taxes levied by the same taxation authority.

The calculation of deferred taxes is based on the tax rate applicable or expected in the relevant country at the point of realisation, i.e. the tax rates that have been enacted or substantively enacted as of the balance sheet date. For Austrian companies, the calculation of deferred taxes is based on a corporate tax rate of 25%. The relevant local tax rate is used for foreign companies (see point 4.15). In accordance with IAS 1.51, provisions for taxes are classified solely by term under non-current assets or non-current liabilities.

3.14 Provisions and other liabilities

In accordance with IAS 37.14, an obligation arising from past events whose timing or amount is uncertain is recorded as a provision when it becomes probable that an outflow of resources will be required to settle this obligation. The provision is based on the best estimate possible at the time the financial statements are prepared.

3.15 Contingent liabilities

Contingent liabilities represent possible or existing obligations that arise from past events, in cases where it is not probable that an outflow of resources will be required to settle the obligation. In accordance with IFRS 3, contingent liabilities are recorded on the balance sheet if they were obtained in connection with the acquisition of a company and fair value at the point of acquisition can be measured with sufficient reliability. Subsequent measurement is made through profit or loss at the higher of the expected value as determined under IAS 37 (see point 3.14) and the value determined at the point of recognition – less accumulated amortisation in accordance with IAS 18.

3.16 Revenue recognition

Revenues from the rental of property are recognised during the appropriate period as called for by the rental agreement.

The sale of inventories is reported under revenues, with the transfer of ownership forming the point of realisation.

3.17 Estimates

In preparing the Group financial statements, it is necessary to estimate certain figures (for example, with respect to the parameters for property valuation, see 4.1) and make assumptions that influence the recording of assets and liabilities, the declaration of other obligations as of the balance sheet date, and the recording of revenues and expenses during the reporting period. The actual figures that become known at a later time may differ from these estimates.

4. Notes to the balance sheet

4.1 Property

Detailed information on the development of fixed and financial assets is provided below, whereby the effect of changes in the consolidation range is shown separately. Also shown separately are currency translation differences, which result from the translation of assets by foreign companies using different exchange rates at the beginning and end of the year.

4.1.1 Investment properties

The development of the cost of investment properties is shown in the following table:

ALL AMOUNTS IN TEUR	LAND	BUILDINGS	TOTAL
Balance on 1 May 2004	44,523.5	91,930.7	136,454.2
Change in consolidation range	46,972.4	211,403.4	258,375.8
Currency translation adjustments	3,440.9	12,399.6	15,840.5
Additions	1,998.8	1,915.2	3,914.0
Disposals	-267.9	-1,173.8	-1,441.7
Reclassification	2,116.3	18,701.5	20,817.9
Balance on 30 April 2005	98,784.0	335,176.5	433,960.6
Balance on 1 May 2005	98,784.0	335,176.5	433,960.6
Change in consolidation range	59,059.5	775,178.8	834,238.2
Change in consolidation method	13,518.0	24,445.4	37,963.4
Currency translation adjustments	3,933.1	23,948.5	27,881.5
Additions	4,002.4	48,580.7	52,583.1
Disposals	-298.7	-3,732.9	-4,031.6
Reclassification	-11,440.1	68,685.8	57,245.6
Balance on 30 April 2006	167,558.1	1,272,282.7	1,439,840.9

The development of the fair value of investment properties is as follows:

ALL AMOUNTS IN TEUR	LAND	BUILDINGS	TOTAL
Balance on 1 May 2004	44,523.5	97,077.9	141,601.4
Change in consolidation range	46,972.4	211,403.4	258,375.8
Currency translation adjustment	3,440.6	7,577.2	11,017.8
Additions	1,998.8	1,915.2	3,914.0
Disposals	-267.9	-1,173.8	-1,441.7
Revaluation/impairment charges	0.0	22,621.3	22,621.3
Reclassification	2,116.3	16,960.7	19,077.1
Balance on 30 April 2005	98,783.7	356,381.9	455,165.6
Balance on 1 May 2005	98,783.7	356,381.9	455,165.6
Change in consolidation range	59,059.5	775,375.4	834,434.9
Change in consolidation method	13,518.0	28,440.6	41,958.6
Currency translation adjustment	3,933.0	24,072.1	28,005.1
Additions	4,002.4	48,580.7	52,583.1
Disposals	-298.7	-3,716.9	-4,015.6
Revaluation	0.0	133,463.8	133,463.8
Impairment charge	0.0	-12,574.8	-12,574.8
Reclassification	-11,439.8	68,795.7	57,355.9
Balance on 30 April 2006	167,558.1	1,418,818.6	1,586,376.6

The revaluation of land is included under revaluation/impairment charges to buildings.

The properties owned by IMMOEAST AG were appraised as of 30 April 2006 by an independent Valuation Committee, which is comprised of three court-certified experts. One object was appraised by a recognised independent international property valuation company (see point 5.2). The discounted cash flow method – which complies with the principles of International Valuation Standards – is used to value office, commercial and logistics objects. The valuation covers a period of up to ten years, with a perpetual yield determined at the end of this period based on any necessary growth discounts. All risks are incorporated in the discounted cash flows. The discount factors vary according to the subsection of the property market and the type of property, and were determined by independent experts on the basis of their experience.

Additions cover the following objects:

CZ, Olomouc, Olympia Centre
CZ, Prague, Airport Business Center
CZ, Prague, Andel Park
CZ, Prague, Anglicka
CZ, Prague, Jindřišská
CZ, Prague, Jungmannova
CZ, Prague, Na Příkopě
CZ, Prague, Panska
CZ, Prague, Perlová 5
CZ, Prague, Prague Office Park
CZ, Prague, Prokopova
H, Budapest II, Stop Shop
H, Budapest III, Stop Shop
H, Budapest IV, Stop Shop
H, Budapest, Camel Park
H, Budapest, Green Point 7
H, Budapest, Optima A
H, Dunaharaszti, logistics hall
H, Érd, Stop Shop
H, Nyíregyháza, Stop Shop
H, Veszprém, Stop Shop
PL, Katowice, Silesia City Center
PL, Kolonia Klepaczka, Slask, Silesia Logistics Center
PL, Warsaw, Mistral Office Building
RO, Bucharest, Bucharest Corporate Center
RO, Bucharest, Pipera Center
SK, Bratislava, Millenium Tower I
SK, Bratislava, Millenium Tower II
SK, Bratislava, Polus City Center

The following object was sold during the reporting year:

CZ, Prague, Opletalova

The transition consolidations relate to the following objects:

CZ, Prague, PBC Pankrac Business Corner I + II

CZ, Prague, ARBES Stafnikova 32+34

CZ, Prague, Valdek Jugoslavka 29

CZ, Prague, Park Hostivar

The carrying value of tangible assets pledged as collateral for long-term debt totalled TEUR 1,586,376.6 (2004/05: TEUR 400,280.0). Liens of TEUR 1,016,859.3 (2004/05: TEUR 386,736.5) are recorded in land registers.

4.1.2 Property under construction

The cost of property under construction developed as follows during 2005/06:

ALL AMOUNTS IN TEUR	PROPERTY UNDER CONSTRUCTION
Balance on 1 May 2004	2,945.8
Change in consolidation range	54,472.7
Currency translation adjustment	1,872.0
Additions	24,979.2
Disposals	-18.0
Reclassification	-21,759.6
Balance on 30 April 2005	62,492.0
Balance on 1 May 2005	62,492.0
Change in consolidation range	52,401.9
Change in consolidation method	286.0
Currency translation adjustment	2,539.9
Additions	49,049.0
Disposals	-1,383.8
Reclassification	-75,398.5
Balance on 30 April 2006	89,986.5

The carrying values of properties under construction developed as follows:

ALL AMOUNTS IN TEUR	PROPERTY UNDER CONSTRUCTION
Balance on 1 May 2004	2,790.7
Change in consolidation range	54,472.7
Currency translation adjustment	1,861.6
Additions	24,979.2
Disposals	-18.0
Reclassification	-21,759.6
Balance on 30 April 2005	62,326.5
Balance on 1 May 2005	62,326.5
Change in consolidation range	52,401.9
Change in consolidation method	114.5
Currency translation adjustment	2,536.4
Additions	49,049.0
Disposals	-1,383.8
Impairment charges	-3,902.9
Reclassification	-75,508.8
Balance on 30 April 2006	85,632.7

The impairment charges were related entirely to exchange rate fluctuations (see point 5.2).

The additions to properties under construction are shown below:

CZ, Prague, Štětkova
CZ, Prague, Na Florenci 23
CZ, Prague, Netlu
CZ, Prague, Large Box Uherske Hradiste
H, Budapest, Shark Park
RO, Bucharest, Projekt Feper
RO, Constanta, Harbourside Constanta
RO, Bucharest, Pipera II
RO, Bucharest, Baneasa Airport Center
SK, Bratislava, Millenium Tower III Land

The fair value of property under construction totalled TEUR 95,387.3 (2004/05: TEUR 69,732.5).

4.1.3 Non-current property held for sale

Non-current property held for sale is carried at fair value (IFRS 5.5 (d)) if it falls under the scope of application defined in IAS 40. In all other cases, non-current property held for sale is stated at the lower of carrying value and fair value less costs to sell.

The carrying values of non-current property held for sale changed as follows during the reporting year:

ALL AMOUNTS IN TEUR	NON-CURRENT PROPERTY HELD FOR SALE
Cost as of 1 May 2005	0.0
Currency translation adjustment	-1,882.5
Additions	25,202.8
Reclassification	19,527.3
Cost as of 30 April 2006	42,847.6
Carrying value as of 1 May 2005	0.0
Currency translation adjustment	-1,882.5
Additions	25,202.8
Reclassification	19,527.3
Carrying value as of 30 April 2006	42,847.6

The property held for sale is:

H, Budapest, Europe Tower

The fair value of non-current properties held for sale totals TEUR 54,125.0 (2004/05 TEUR 0.0).

4.1.4 Net asset value

The calculation of net asset value does not represent a basic requirement for the preparation of consolidated financial statements under IFRS. However, net asset value is a significant indicator for investors and analysts and, for this reason, has been added to the notes to the financial statements and thereby included in the audit. In keeping with the Best Practices Policy Recommendations (6.3) of European Public Real Estate Association, net asset value was calculated according to the following basic principles:

Equity as shown in the IFRS financial statements (without minority interest) is adjusted by the difference between the carrying value of property that does not qualify for valuation at fair value (see points 4.1.2 and 4.8). An adjustment is also made for financial instruments that are not stated at fair value. In a last step, deferred tax assets and deferred tax liabilities are offset against equity.

The results of the calculation are as follows:

ALL AMOUNTS IN TEUR	2005/06		2004/05	
Equity before minority interest	1,661,971.6		406,082.5	
Deferred tax assets	-23,042.5		-8,137.6	
Deferred tax liabilities	186,946.8	1,825,876.0	49,667.8	447,612.7
Property under construction (carrying value)	85,632.7		62,326.5	
Property under construction (fair value)	95,387.3	9,754.6	69,732.5	7,406.0
Property held for sale (carrying value)	42,847.6		0.0	
Property held for sale (fair value)	54,125.0	11,277.4	0.0	0.0
Shares in associated companies (carrying value)	21,574.4		25,169.9	
Shares in associated companies (fair value)	39,979.4	18,404.9	25,169.9	0.0
Net asset value		1,865,312.9		455,018.7
Number of shares (in 1,000)		222,353.1		59,294.2
Net asset value per share (in EUR)		8.39		7.67

4.2 Other tangible assets

The development of other tangible assets is as follows:

ALL AMOUNTS IN TEUR	MACHINERY AND EQUIPMENT	OTHER EQUIPMENT FURNITURE, FIXTURES AND OFFICE EQUIPMENT		PREPAYMENTS	TOTAL
Cost as of 1 May 2004	0.0	2,102.4	0.0	0.0	2,102.4
Change in consolidation range	0.0	100.7	0.0	0.0	100.7
Currency translation adjustment	0.0	56.3	-12.3	-12.3	44.1
Additions	0.0	151.1	816.2	816.2	967.3
Disposals	0.0	-81.5	0.0	0.0	-81.5
Cost as of 30 April 2005	0.0	2,328.9	804.0	804.0	3,133.0
Accumulated depreciation as of 1 May 2004	0.0	1,235.4	0.0	0.0	1,235.4
Currency translation adjustment	0.0	44.3	0.0	0.0	44.3
Disposals	0.0	-24.1	0.0	0.0	-24.1
Depreciation for the year	0.0	389.6	0.0	0.0	389.6
Accumulated depreciation as of 30 April 2005	0.0	1,645.2	0.0	0.0	1,645.2
Carrying value as of 30 April 2005	0.0	683.7	804.0	804.0	1,487.7
Cost as of 1 May 2005	0.0	2,328.9	804.0	804.0	3,133.0
Change in consolidation range	673.3	598.5	20.9	20.9	1,292.7
Change in consolidation method	0.0	86.3	0.0	0.0	86.3
Currency translation adjustment	1.2	25.7	-1.5	-1.5	25.5
Additions	51.5	400.8	0.0	0.0	452.3
Reclassification	-550.2	-71.5	-802.5	-802.5	-1,424.3
Cost as of 30 April 2006	175.7	3,368.8	20.9	20.9	3,565.4
Accumulated depreciation as of 1 May 2005	0.0	1,645.2	0.0	0.0	1,645.2
Change in consolidation method	0.0	77.4	0.0	0.0	77.4
Currency translation adjustment	0.0	26.2	0.0	0.0	26.2
Reclassification	0.0	-153.5	0.0	0.0	-153.5
Depreciation for the year	19.5	257.2	0.0	0.0	276.7
Accumulated depreciation as of 30 April 2006	19.5	1,852.5	0.0	0.0	1,872.1
Carrying value as of 30 April 2006	156.2	1,516.3	20.9	20.9	1,693.3

No impairment charges were recognised to other tangible assets during the reporting year.

4.3 Intangible assets and goodwill

4.3.1 Intangible assets

The development of intangible assets is shown below:

ALL AMOUNTS IN TEUR	OTHER INTANGIBLE ASSETS
Cost as of 1 May 2004	1.1
Change in consolidation range	2,187.7
Currency translation adjustments	153.1
Additions	4.8
Disposals	-0.2
Reclassification	21.5
Cost as of 30 April 2005	2,368.1
Accumulated amortisation as of 1 May 2004	0.4
Currency translation adjustments	2.0
Disposals	0.7
Amortisation for the year	144.1
Accumulated amortisation as of 30 April 2005	147.2
Carrying value as of 30 April 2005	2,220.9
Cost as of 1 May 2005	2,368.1
Change in consolidation method	113.9
Currency translation adjustments	81.7
Additions	1.7
Reclassification	-176.6
Cost as of 30 April 2006	2,388.8
Accumulated amortisation as of 1 May 2005	147.2
Change in consolidation method	101.3
Currency translation adjustments	4.5
Disposals	-0.7
Reclassification	-0.4
Amortisation for the year	169.1
Accumulated amortisation as of 30 April 2006	421.1
Carrying value as of 30 April 2006	1,967.8

4.3.2 Goodwill

In order to test goodwill for impairment, the carrying value of the cash-generating unit is increased by the carrying value of goodwill. The total amount is then compared with the recoverable amount of the cash-generating unit. Any negative difference is recognised as an impairment charge to goodwill. The acquisition of project companies generally leads to positive goodwill because of the obligation to record deferred tax liabilities on revalued properties. The unequal valuation of these deferred tax liabilities – which, in contrast to other acquired net assets, may not be discounted according to IFRS 3.57b in connection with IFRS 3.B16 (i) and IAS 12.53 – results in goodwill as a technical figure, which is subjected to an

impairment test at the time of initial recognition and leads to an immediate impairment charge.

During the 2005/06 Business Year, TEUR 30,729.6 (2004/05: TEUR 9,898.8) of existing and newly acquired goodwill was written off through the income statement in accordance with IFRS 3.54.

The development of goodwill is as follows:

ALL AMOUNTS IN TEUR	GOODWILL
Carrying value as of 30 April 2004	3,042.8
Additions	6,834.1
Currency translation adjustments	21.9
Impairment	-9,898.8
Carrying value as of 30 April 2005	0.0
Additions	31,093.3
Currency translation adjustments	-363.7
Impairment	-30,729.6
Carrying value as of 30 April 2006	0.0

4.3.3 Negative goodwill (excess)

Negative goodwill, which arose from business combinations that took place prior to the 2004/05 Business Year, was recorded through equity without recognition to profit or loss in accordance with IFRS 3.81. For negative goodwill acquired during the reporting year, IFRS 3.56 (a) requires a reassessment of the identification and measurement of the amounts resulting from the purchase price allocation. Any remaining excess of net asset over the purchase price is recognised immediately in profit or loss in agreement with IFRS 3.56 (b) (also see point 3.3.2). The resulting amount of TEUR 43,951.0 (2004/05: TEUR 20,035.0) was recorded under other operating income.

The development of negative goodwill is shown in the following table:

ALL AMOUNTS IN TEUR	NEGATIVE GOODWILL
Carrying value as of 30 April 2004	-3,973.6
Currency translation adjustments	-114.9
Offset against reserves in accordance with IFRS 3.81	4,088.5
Additions	-20,035.0
Reversal through profit and loss	20,035.0
Carrying value as of 30 April 2005	0.0
Additions	-45,474.9
Currency translation adjustments	1,524.0
Reversal through profit and loss	43,951.0
Carrying value as of 30 April 2006	0.0

4.3.4 Differences arising from the consolidation of liabilities on the acquisition of puttable instruments

Based on the new regulation in IAS 32.18 (b), puttable instruments are included through the consolidation of liabilities instead of the consolidation of equity. This procedure affected the acquisition of AM-ImmoEast Central European Property Fund C.V. during the 2005/06 Business Year.

Differences of TEUR 7.1 (2004/05: TEUR 0.0) arising from the consolidation of liabilities were recognised to the income statement and included under other operating expenses (see point 5.6).

4.4 Shares in associated companies

The cost and carrying values of shares in associated companies are shown in the following table:

ALL AMOUNTS IN TEUR	30 APRIL 2006				30 APRIL 2005		
	EUROPEAN PROPERTY GROUP	MESTER PARK KFT.	M.O.F. IMMOBILIEN AG	TOTAL	EUROPEAN PROPERTY GROUP	MESTER PARK KFT.	TOTAL
Cost as of 1 May	19,783.5	9,562.3	0.0	29,345.8	24,490.7	9,562.3	34,053.0
Additions	0.0	0.0	3.8	3.8	0.0	0.0	0.0
Disposals	0.0	0.0	0.0	0.0	-4,707.2	0.0	-4,707.2
Cost as of 30 April	19,783.5	9,562.3	3.8	29,349.6	19,783.5	9,562.3	29,345.8
Carrying value as of 1 May	16,123.0	9,046.9	0.0	25,169.9	25,641.6	9,434.1	35,075.7
Additions	0.0	0.0	3.8	3.8	0.0	0.0	0.0
Disposals	0.0	0.0	0.0	0.0	-4,707.2	0.0	-4,707.2
Equity components	362.5	-217.6	0.0	145.0	-588.4	31.8	-556.6
Distribution	-2,541.3	0.0	0.0	-2,541.3	0.0	0.0	0.0
Share of profit/(loss)	-601.9	-601.2	0.0	-1,203.1	-4,223.0	-418.9	-4,641.9
Carrying value as of 30 April	13,342.4	8,228.1	3.8	21,574.4	16,123.0	9,046.9	25,169.9

Shares in associated companies include a 45% stake in Mester Park Kft. and Mester Park Ost Bt, a 25% stake in European Property Group Ltd. and a 20% stake in M.O.F. Immobilien AG.

The proportional changes in the equity of associated companies, which were included in the consolidated financial statements without recognition through profit or loss in accordance with IAS 28.11, comprise a hedging reserve of TEUR 276.6 (2004/05: TEUR -414.9) from the consolidated financial statements of European Property Group Ltd. and foreign currency differences of TEUR -131.6 (2004/05: TEUR -141.7).

The aggregated net assets of associated companies are as follows:

ALL AMOUNTS IN TEUR	30 APRIL 2006			30 APRIL 2005	
	EUROPEAN PROPERTY GROUP ^{*)}	MESTER PARK KFT. ^{**)}	M.O.F. IMMOBILIEN AG	EUROPEAN PROPERTY GROUP ^{*)}	MESTER PARK KFT. ^{**)}
Property	112,051.0	10,441.7	0.0	91,511.6	10,427.5
Other non-current assets	460.0	28.0	0.0	14,757.3	48.0
Current assets	13,004.0	753.0	3.8	34,502.8	1,622.8
Total assets	125,515.0	11,222.7	3.8	140,771.7	12,098.3
Equity	77,673.0	9,424.9	3.8	108,071.4	11,195.3
Non-current liabilities	44,955.0	752.7	0.0	26,508.9	50.1
Current liabilities	2,887.0	1,045.1	0.0	6,191.5	852.8
Total equity and liabilities	125,515.0	11,222.7	3.8	140,771.7	12,098.3

*) 31 March 2006; **) 31 March 2005; ***) Consolidated

The aggregated income statement for the associated companies is as follows:

ALL AMOUNTS IN TEUR	2005/06			2004/05	
	EUROPEAN PROPERTY GROUP ^{*)}	MESTER PARK KFT. ^{**)*)}	M.O.F. IMMOBILIEN AG	EUROPEAN PROPERTY GROUP ^{*)}	MESTER PARK KFT. ^{**)*)}
Revenues	535.0	667.2	0.0	547.9	1,301.0
Operating profit	-406.0	-603.7	0.0	-614.1	-816.0
Financial results	23.0	53.5	0.0	73.8	136.0
Earnings before tax	-383.0	-550.2	0.0	-540.4	-680.0

*) 31 March 2006; **) 31 March 2005; ***) Consolidated

4.5 Other financial instruments

The development of financial instruments is shown in the following table:

ALL AMOUNTS IN TEUR	INVESTMENTS IN OTHER COMPANIES	LOANS GRANTED	FINANCIAL INSTRUMENTS	TOTAL
Cost as of 1 May 2005	46,644.8	15,855.4	0.0	62,500.2
Additions	31,981.8	0.0	981.6	32,963.4
Disposals	-2,923.9	-16,902.5	0.0	-19,826.4
Currency translation effects	176.1	1,047.0	18.7	1,241.8
Cost as of 30 April 2006	75,878.8	0.0	1,000.3	76,879.1
Carrying value as of 30 April 2005	50,073.3	15,855.4	0.0	65,928.7
Carrying value as of 30 April 2006	93,089.3	0.0	1,000.3	94,089.6

Investments in other companies include an atypical silent partner investment in “Wienerberg City” Errichtungsgesellschaft m.b.H., which has an acquisition cost of TEUR 10,000. IMMOEAST Beteiligungs GmbH as the atypical silent partner participates in the profit and loss and in the total assets of the company (including goodwill and silent reserves) in proportion to its investment. The allocation of losses is limited to a maximum of 120% of the silent partner contribution. During the 2005/06 Business Year, an impairment charge of TEUR 224.2 was recorded to this investment, directly recognised in equity. The carrying value totalled TEUR 9,775.8 as of 30 April 2006.

In the prior year, loans granted included a mezzanine loan of TEUR 15,855.4 that was provided to Nowe Centrum Sp.z. o.o. (share in 2004/05: 10%). Following the acquisition of the remaining 90% of the shares in this company, the loan was reclassified to accounts receivable from subsidiaries and eliminated during the consolidation of liabilities.

Other financial instruments are comprised largely of derivative financial instruments. Information on the terms and market values of the derivatives is provided under point 8.1.3.

The following table shows the fair value of investments in other companies, which are not valued through profit or loss:

IAS 39 INVESTMENTS	FAIR VALUE IN TEUR
Heitman Central Europe Property Partners II, L.P.	19,256.2
Polonia Property Fund, L.P.	19,274.4
“Wienerberg City” Errichtungsgesellschaft m.b.H.	9,775.8
Total	48,306.4

The following table shows the fair value of investments in other companies, which are valued through profit or loss:

IAS 39 INVESTMENTS	FAIR VALUE IN TEUR
FF&P Russia Real Estate Ltd.	16,275.5
Heitman Central Europe Property Partners III, L.P.	3,107.1
Eastern Property Holdings Ltd.	15,725.3
Prime Property BG	5,259.7
Global Emerging Property Fund	4,415.4
Total	44,782.9

The fair values of the properties held through all IMMOEAST investments in other companies are shown below:

ALL AMOUNTS IN EUR MILLION	FAIR VALUE OF PROPERTIES
Balance on 30 April 2004	111.0
Additions	42.9
Disposals	-45.0
Change in value	15.1
Balance on 30 April 2005	124.0
Additions	48.6
Disposals	-9.9
Change in value	14.0
Balance on 30 April 2006	176.7

4.6 Receivables and other assets

ALL AMOUNTS IN TEUR	30 APRIL 2006	THEREOF REMAINING TERM UNDER 1 YEAR	THEREOF REMAINING TERM BETWEEN 1 AND 5 YEARS	THEREOF REMAINING TERM OVER 5 YEARS	30 APRIL 2005
Trade accounts receivable					
Rents receivable	12,078.4	11,937.4	141.0	0.0	2,900.3
Miscellaneous	1,833.3	1,833.3	0.0	0.0	0.0
Accounts receivable from joint venture partners	4,305.8	4,292.3	0.0	13.5	2,712.4
Accounts receivable from subsidiaries	911.3	653.3	258.0	0.0	0.0
Accounts receivable from subsidiaries, limited partnership contribution	3,194.0	3,194.0	0.0	0.0	0.0
Accounts receivable from parent company (trust receivables)	412,534.1	412,534.1	0.0	0.0	0.1
Other receivables and assets					
Financing	17,280.0	3,910.0	3,642.3	9,727.7	10,665.6
Fiscal authorities (transaction taxes)	22,032.6	21,738.1	294.4	0.0	7,012.1
Fiscal authorities (income taxes)	1,243.5	1,243.5	0.0	0.0	163.3
Property management	1,481.7	1,388.1	17.3	76.3	85.8
Accrued interest	176.2	176.2	0.0	0.0	49.4
Insurance	137.2	137.2	0.0	0.0	183.7
Administrative duties	6,296.0	6,296.0	0.0	0.0	1,121.7
Commissions	910.2	885.0	25.2	0.0	528.6
Lease incentives	687.7	67.6	599.4	20.7	0.0
Miscellaneous	9,023.2	7,718.9	1,064.2	240.2	7,137.1
Total	494,125.2	478,005.0	6,041.8	10,078.4	32,560.1

Accounts receivable from subsidiaries, limited partner contributions, relates to a 20% stake in AM-ImmoEast Central European Property Fund C.V. that is owned by I-E-H GmbH as a limited partner. An amount of TEUR 3,194.0 represents the part of the receivable that was not included in the consolidation of liabilities. The stake in AM-ImmoEast Central European Property Fund C.V. represents a puttable instrument as defined in IAS 32.18 (b) (see point 3.10.6).

Miscellaneous other receivables and assets are comprised primarily of TEUR 2,710.0 for ancillary acquisition costs incurred for the future acquisition of shares in project companies and TEUR 637.3 of due diligence expenses related to the purchase of the IMAK companies.

4.7 Current financial instruments

Securities of TEUR 101,966.0 (2004/05: TEUR 0.0) which are recorded under current assets, have a remaining term of less than three months.

4.8 Inventories

Inventories totalled TEUR 18,375.5 as of 30 April 2006 (2004/05: TEUR 0.0). All objects included under inventories represent properties under construction.

ALL AMOUNTS IN TEUR	30 APRIL 2006
SK, Bratislava, Ruzinov Trnavska cesta	15,507.0
EST, Tallinn, Rannamoisa tee	2,868.5
Total	18,375.5

4.9 Shareholders' equity

The development of equity in the IMMOEAST Group is shown on the Statement of Changes in Equity, which forms an integral part of these consolidated financial statements.

The annual general meeting on 17 September 2004 approved an increase of EUR 88,941,240 in share capital from EUR 59,294,160 to EUR 148,235,400. A resolution passed by the annual general meeting on 6 June 2005 authorised the Executive Board to increase share capital in accordance with § 169 of the Austrian Stock Corporation Act. This authorisation is valid up to 22 June 2010 and covers an increase of up to EUR 74,117,700 to EUR 222,353,100. A second segment of the capital increase was approved based on a resolution of the Executive Board from 22 June 2005 and the authorisation from 6 June 2005. In total, share capital was increased to EUR 222,353,100 through the issue of 163,058,940 shares.

The annual general meeting on 20 March 2006 approved an increase in share capital by up to EUR 333,529,650 to EUR 555,882,750. The share capital of IMMOEAST AG totalled EUR 222,353,100 as of 30 April 2006 (2004/05: EUR 59,294,160) and is divided into 222,353,100 (2004/05: 59,294,160) non-par value shares.

The classification of shares as of 30 April 2006 is as follows:

	NUMBER OF SHARES 30 APRIL 2006	SHARE CAPITAL IN EUR 30 APRIL 2006	NUMBER OF SHARES 30 APRIL 2005	SHARE CAPITAL IN EUR 30 APRIL 2005
Registered shares	2	2	2	2
Bearer shares	222,353,098	222,353,098	59,294,158	59,294,158
Total	222,353,100	222,353,100	59,294,160	59,294,160

The share premium in the individual financial statements prepared in accordance with Austrian commercial law includes restricted capital reserves of TEUR 1,195,616.0 (2004/05: TEUR 233,568.3) from capital increases in accordance with § 229 Par. 2 Nr. 1 of the Austrian Commercial Code in conjunction with § 130 Par. 2 of the Austrian Stock Corporation Act.

The capital increase carried out during the 2005/06 Business Year generated a premium of TEUR 962,047.7 (2004/05: TEUR 163,058.9). Issue costs of TEUR 29,047.5 (2004/05: TEUR 4,223.8) were charged to the share premium account after the deduction of taxes.

4.10 Financial liabilities

ALL AMOUNTS IN TEUR	30 APRIL 2006	THEREOF REMAINING TERM UNDER 1 YEAR	THEREOF REMAINING TERM BETWEEN 1 AND 5 YEARS	THEREOF REMAINING TERM OVER 5 YEARS	30 APRIL 2005
Amounts due to financial institutions	691,427.9	77,111.0	207,326.9	406,990.0	212,326.9
Thereof guaranteed	0.0	0.0	0.0	0.0	0.0
Thereof secured by collateral	690,559.8	76,242.9	207,326.9	406,990.0	212,326.9
Thereof not secured by collateral	868.1	868.1	0.0	0.0	0.0
Financial liabilities – limited partnership interests	10,440.0	10,440.0	0.0	0.0	0.0
Other financial liabilities	429.4	90.7	338.7	0.0	401.3
Total	702,297.2	87,641.6	207,665.6	406,990.0	212,728.2

The financial liabilities of TEUR 10,440.0 arising from limited partnership interests were included in the consolidated financial statements through the limited partner investment in I-E-H Holding GmbH, as the limited partner, and AM-ImmoEast Asset Management GmbH, as general partner and manager of AM-ImmoEast Central European Property Fund C.V., and do not affect the unconsolidated partnership capital of the remaining shareholders of AM-ImmoEast Central European Property Fund C.V. The shares in AM-ImmoEast Central European Property Fund C.V. represent puttable instruments as defined in IAS 32.18 (b) (see point 3.10.6).

The key conditions of financial liabilities are as follows:

ALL AMOUNTS IN EUR	CURRENCY	NOMINAL VALUE	INTEREST RATE FIXED/VARIABLE	EFFECTIVE INTEREST RATE
Amounts due to financial institutions				
Loans and advances	EUR	779,689,912	variable	4.60%
	CHF	39,998,759	variable	3.88%
	USD	25,785,762	variable	5.53%

4.11 Trade accounts payable

ALL AMOUNTS IN TEUR	30 APRIL 2006	THEREOF REMAINING TERM UNDER 1 YEAR	THEREOF REMAINING TERM BETWEEN 1 AND 5 YEARS	THEREOF REMAINING TERM OVER 5 YEARS	30 APRIL 2005
Trade accounts payable	48,693.4	47,823.8	869.6	0.0	12,584.9
Total	48,693.4	47,823.8	869.6	0.0	12,584.9

4.12 Provisions

Other provisions were created primarily for taxes as well as auditing, consulting and expert opinion costs. This item developed as follows during the reporting year:

ALL AMOUNTS IN TEUR	OTHER PROVISIONS	
	30 APRIL 2006	30 APRIL 2005
Balance on 1 May	2,190.4	1,063.9
Use	-1,562.6	-893.3
Reversal	-1,095.1	-480.0
Addition	8,980.8	1,840.2
Currency translation adjustments	310.1	39.7
Change in consolidation method	66.6	0.0
Change in consolidation range	2,316.4	619.9
Balance on 30 April	11,206.6	2,190.4
Thereof current	9,609.1	2,190.4

Other provisions include TEUR 3,121.3 (2004/05: TEUR 649.2) of provisions for taxes.

4.13 Other liabilities

ALL AMOUNTS IN TEUR	30 APRIL 2006	THEREOF REMAINING TERM UNDER	THEREOF REMAINING TERM BETWEEN	THEREOF REMAINING TERM	30 APRIL 2005
		1 YEAR	1 AND 5 YEARS	OVER 5 YEARS	
Amounts due to subsidiaries	4,528.7	0.0	0.0	4,528.7	13,997.6
Amounts due to joint venture partners	2,696.9	0.0	0.0	2,696.9	0.0
Outstanding purchase price (share deal)	31,332.7	29,764.9	1,567.8	0.0	0.0
Rental and lease prepayments	13,166.4	10,263.2	1,527.4	1,375.8	2,873.4
Fiscal authorities (transaction taxes)	2,184.6	2,184.6	0.0	0.0	483.0
Fiscal authorities (income taxes)	152.0	152.0	0.0	0.0	251.4
Property management	1,702.4	1,305.9	370.3	26.3	17.4
Construction and refurbishment	206.1	206.1	0.0	0.0	0.0
Miscellaneous	20,386.0	16,527.7	3,312.4	545.9	9,310.6
Total	76,355.7	60,404.2	6,777.9	9,173.6	26,933.4

The liabilities arising from outstanding purchase prices (acquisition of shares) represent amounts due in connection with the acquisition of companies. The total of TEUR 31,332.7 comprises TEUR 16,000.0 for Nowe Centrum Sp.z.o.o., TEUR 2,233.5 for Böck & Jescheck Kft., TEUR 1,805.5 for Polus a.s. and TEUR 945.5 for Polus Tower 2 a.s.. A further TEUR 2,552.7 are related to Blizzard Real Sp.z.o.o.

Miscellaneous liabilities include TEUR 10,805.7 of prepayments related to the sale of the Europe Tower (Gordon Invest Kft). A further TEUR 1,257.7 relate to the purchase of a construction right. Miscellaneous liabilities include TEUR 393.8, which arose from the valuation of derivative financial instruments.

4.14 Contingent liabilities and guarantees

Contingent liabilities are valued in accordance with IAS 37 and IFRS 3.48 (see point 3.12). There were no guarantees outstanding as of the balance sheet date.

4.15 Deferred taxes

Through an agreement dated 29 April 2005, the major Austrian companies have joined together in a group as defined in § 9 of the Austrian Corporate Tax Act as set forth in the Austrian Tax Act. The parent company, IMMOEAST Immobilien Anlagen AG, serves as the head of the group. Taxable income earned by the individual members of the group is allocated to the head of the group after an offset against any (individual company) losses. A tax charge was included in the group contract as settlement for the transfer of taxable income.

Deferred tax assets and liabilities as of 30 April 2006 and 30 April 2005 are the result of the following timing differences in valuation or accounting treatment between the carrying values in the consolidated financial statements under IFRS and the related tax bases. Furthermore, deferred tax assets were created for tax loss carryforwards in cases where it is probable that sufficient taxable income will be available to utilise these tax loss carryforwards in the future.

ALL AMOUNTS IN TEUR	30 APRIL 2006		30 APRIL 2005	
	ASSETS	LIABILITIES	ASSETS	LIABILITIES
Property	5,105.4	170,880.4	60.8	44,104.0
Other financial assets and miscellaneous assets	4,142.5	6,541.7	3,426.2	1,830.4
Total	9,247.9	177,422.1	3,487.0	45,934.4
Other liabilities and provisions	1,128.2	1,158.4	0.0	0.0
Financial liabilities	755.2	8,366.2	900.6	3,733.4
Total	1,883.4	9,524.6	900.6	3,733.4
Tax loss carryforwards	11,911.2	0.0	3,750.0	0.0
Net sum of deferred tax assets and liabilities	23,042.5	186,946.7	8,137.6	49,667.8

The tax rates in the individual countries are listed below:

COUNTRY	APPLICABLE TAX RATE
Austria	25.00%
Poland	19.00%
Hungary	16.00%
Romania	16.00%
Czech Republic	24.00%
Slovakia	19.00%
Cyprus	10.00%
Russia	24.00%
Ukraine	25.00%
Estonia	31.50% ^{*)}
Bulgaria	15.00%

*) Applicable only to distributions; retained earnings are not taxed.

5. Notes to the income statement

5.1 Revenues

Detailed information on revenues is presented by region (primary segmentation) and sector (secondary segmentation) under segment reporting, which forms an integral part of these consolidated financial statements.

IAS 14 specifies that the segments of business should be defined in keeping with the “risks and rewards approach”. The internal reporting structure of the company provides an important basis for this definition.

Rental revenues are classified by sector as follows:

ALL AMOUNTS IN TEUR	2005/06	%	2004/05	%
Offices	35,122.1	59.20%	13,250.8	65.19%
Logistics / commercial	22,765.3	38.37%	5,920.7	29.13%
Residential	55.2	0.09%	703.9	3.46%
Car parks and parking spaces	1,381.0	2.33%	452.5	2.23%
Rental income	59,323.6	100.00%	20,327.9	100.00%
Sale of inventories	277.0		0.0	
Operating costs charged on to tenants	18,596.5		4,855.1	
Other revenues	1,817.4		218.5	
Total	80,014.5		25,401.5	

5.2 Revaluation

The revaluation of investment properties is based primarily on the principles described in point 3.4.

ALL AMOUNTS IN TEUR	2005/06	2004/05
Revaluation	133,463.8	28,666.5
Impairment charges	-16,477.7	-6,045.3
Total	116,986.1	22,621.3

Impairment charges of TEUR 16,477.7 include an impairment charge of TEUR 3,902.9 to an object under construction. Impairment charges to property and property under construction by IMMOEAST were caused exclusively by fluctuations in foreign exchange rates (see point 8.1.2.2.1).

During the 2005/06 Business Year, impairment charges were recognised to the following properties:

ALL AMOUNTS IN TEUR	2005/06
CZ, Prague, PBC Pankrac Business Corner I + II	-1,092.5
CZ, Prague, Na Příkopě	-1,798.1
CZ, Prague, Valdek Jugoslavka 29	-880.7
CZ, Prague, Na Florenci 23	-354.2
CZ, Prague, Prague Office Park	-44.7
H, Nyiregyhaza, Stop Shop	-3,587.3
H, Veszprem, Stop Shop	-650.7
H, Budapest, Shark Park	-1,813.3
PL, Warsaw, Mistral Office Building	-6.5
RO, Bucharest, Pipera II	-1,403.7
RO, Bucharest, Bucharest Corporate Center	-1,048.6
RO, Bucharest, Otopeni	-173.6
SK, Bratislava, Polus City Center	-1,574.4
SK, Bratislava, Millenium Tower I	-748.0
SK, Bratislava, Millenium Tower II	-1,143.3
SK, Bratislava, Millenium Tower III	-158.1
Total	-16,477.7

The following property was not appraised by the Valuation Committee, but by a recognised international property expert. The reason for this procedure is the company's cooperation with other partners on the project through a joint venture:

CZ, Olomouc, Olympia Centre

The valuation of this property as of 30 April 2006 was performed by CB Richard Ellis, and led to a revaluation gain of TEUR 2,809.9 (2004/05: TEUR 0.0).

A valuation was not performed for the following property because it is classified as held for sale in accordance with IFRS 5, and the sale price exceeds the current cost of the property under construction:

H, Budapest, Europe Tower

This object represents a property under construction, which was classified as held for sale in accordance with IFRS 5. As of 30 April 2006 the property was recognised at its carrying value of TEUR 42,847.6. The fair value of the object as of 30 April 2006 was TEUR 54,125.0.

5.3 Other operating income

AMOUNTS IN TEUR	2005/06	2004/05
Reversal of negative goodwill	43,951.0	20,035.0
Reversal of provisions	589.3	480.0
Insurance compensation	3.8	0.4
Income from deconsolidation/ transition consolidation	3,964.9	0.0
Miscellaneous	2,825.4	1,037.6
Total	51,334.4	21,553.0

The deconsolidation of VERDI Development spol.s.r.o. led to deconsolidation income of TEUR 784.7.

Structural changes that involved a change in the consolidation method generated income of TEUR 3,180.2. This transaction was related to Centrum Olympia Olomouc a.s.

Other miscellaneous operating income include TEUR 1,199.6 of currency translation adjustments that were allocated to the operating area. A further TEUR 549.8 represent the reimbursement of penalties and TEUR 787.4 were charged on.

5.4 Depreciation and amortisation

Information on depreciation and amortisation is provided in the statement of changes in non-current assets and the notes on the amortisation of goodwill (see point 4.3).

5.5 Expenses related to properties

ALL AMOUNTS IN TEUR	2005/06	2004/05
Operating costs charged on	17,999.0	5,295.6
Bad debt allowances	1,602.4	612.9
Vacancies	819.2	51.3
Commissions	330.8	385.6
Maintenance	12.3	280.5
Other current expenses	6.1	328.0
Other directly allocated expenses	2,258.1	821.7
Total	23,027.9	7,775.6

Other directly allocated expenses are comprised entirely of costs associated with property ownership.

5.6 Other operating expenses

ALL AMOUNTS IN TEUR	2005/06	2004/05
Administration	17,427.5	4,552.4
Legal, auditing and consulting fees	6,028.8	2,090.9
Taxes and duties	1,915.1	864.3
Commissions	2,998.5	509.3
Penalties	1,669.1	0.0
Advertising	1,544.3	209.8
Rental and leasing expenses	230.9	88.9
Remuneration for Supervisory Board	195.0	0.0
Translations	16.8	0.0
Miscellaneous	4,818.2	2,814.1
Total	36,844.1	11,129.7

Miscellaneous other operating expenses include TEUR 652.5 of expenses that were charged on and TEUR 1,603.2 of currency translation adjustments that were allocated to the operating area. A further TEUR 538.5 represent allowances granted to tenants as well as maintenance costs of TEUR 367.5 and expenses of TEUR 436.5 for the use of parking facilities.

Information on differences arising from the consolidation of liabilities related to puttable instruments is provided under point 4.3.4.

5.7 Personnel expenses

The average number of employees in companies included in the consolidated financial statements developed as follows during the 2005/06 Business Year:

	2005/06	2004/05
Wage employees	0	0
Salaried employees	4	0
Total	4	0

These persons are employed by ELCO Sp.z.o.o., an energy supply company that is owned by Nowe Centrum Sp.z.o.o.

ALL AMOUNTS IN TEUR	2005/06	2004/05
Wages	2.8	0.0
Salaries	18.1	0.0
Expenses for pensions	3.1	0.0
Other personnel expenses	0.4	0.0
Total	24.4	0.0

5.8 Cost of goods sold

The cost of goods sold totalled TEUR 301.2 (2004/05: TEUR 0.0) and is related to inventories (see point 4.8).

5.9 Financial results

ALL AMOUNTS IN TEUR	2005/06	2004/05
Interest and similar income	15,465.7	1,635.6
Interest and similar expenses	-17,078.6	-5,426.0
Net financing costs	-1,612.9	-3,790.4
Profit/(loss) on financial instruments and proceeds on the disposal of financial instruments	7,850.9	13,916.1
Currency translation adjustments	11,141.5	9,243.5
Profit/(loss) on financial instruments at fair value through profit or loss	6,829.4	400.6
Share of profit/(loss) from investments in other companies	3,670.5	1,723.1
Profit/(loss) on financial instruments	29,492.3	25,283.2
Share of profit/(loss) from associated companies	-1,203.1	-4,641.9
Financial results	26,676.3	16,850.9

The valuation of financial instruments at fair value through profit or loss comprises gains of TEUR 7,403.2 and losses of TEUR 573.8. The losses include TEUR 103.1 from the investment in Heitman Central Europe Property Partners III, L.P. and TEUR 470.7 from the investment in Global Emerging Property Fund, and represent start-up losses and founding expenses.

The share of profit/(loss) from investments in other companies includes distributions of TEUR 3,009.8 (2004/05: TEUR 1,376.1) from Heitman Central Europe Property Partners II and TEUR 657.8 (2004/05: TEUR 0.0) from FF&P Russia Real Estate Limited.

5.10 Income taxes

This item includes income taxes paid or owned by Group companies as well as provisions for deferred taxes.

ALL AMOUNTS IN TEUR	2005/06	2004/05
Income tax expense	-2,900.2	-1,031.0
Deferred taxes	-34,754.1	-5,671.0
Total	-37,654.3	-6,702.0

The difference between theoretical income tax expense and actual income expense for 2005/06 as per the income statement is due to the following factors:

ALL AMOUNTS IN TEUR	2005/06		2004/05	
Earnings before tax	182,945.6		50,273.4	
Income tax expense at tax rate of 25%	-45,736.4	25.0%	-15,584.8	31.0%
Different tax rates	8,548.5	-4.7%	5,697.0	-10.0%
Changes in tax rates	0.0	0.0%	277.6	-0.6%
Amortisation of goodwill/reversal of negative goodwill	3,305.3	-1.8%	2,534.1	-6.4%
Non-deductible expenses	-2,485.6	1.4%	-1,689.2	3.4%
Tax-free income	2,592.4	-1.4%	2,052.2	-4.1%
Valuation adjustments to deferred taxes	-2,671.0	1.5%	-78.6	0.2%
Effects related to other periods and other non-temporary differences	-1,207.6	0.7%	89.6	-0.2%
Effective tax expense/rate	-37,654.3	20.6%	-6,702.0	13.3%

This calculation was performed in accordance with the transition rules defined in § 26c Nr. 2 of the Austrian Income Tax Act of 1988 as set forth in the Austrian Tax Reform Act of 2005, which allow companies with differing business years to allocate taxable income to the periods before and after 31 December 2004. The old 34% tax rate is used up to 31 December 2004, and the new 25% tax rate is used beginning on 1 January 2005. An average based on the relevant number of months resulted in a tax rate of 31% for IMMOEAST AG.

6. Notes to the statement of cash flows

The Statement of Cash Flows for the IMMOEAST Group shows the changes in cash and cash equivalents resulting from the inflow and outflow of funds during the reporting year. The Statement of Cash Flows distinguishes between cash flows from operating activities, investing activities, and financing activities. Cash flow from operating activities is calculated using the indirect method in accordance with IAS 7.18 (b). Cash and cash equivalents of TEUR 14,129.0 (2004/05: TEUR 6,055.9) are attributable to companies consolidated on a proportional basis. All information required by IAS 7 is provided in the statement of cash flows. The following assets and liabilities, which were acquired through the purchase of property companies, are stated at present value:

ALL AMOUNTS IN TEUR	2005/06	2004/05
Cash and cash equivalents	19,143.2	7,590.9
Intangible assets (excluding goodwill)	99.6	2,187.7
Financial assets	0.0	3,410.8
Receivables and other assets	22,445.2	25,425.8
Deferred tax assets	7,265.1	4,078.4
Property	889,706.1	312,949.2
Tangible assets	1,292.7	0.0
Financial liabilities	-329,662.4	-135,724.2
Trade accounts payable	-16,578.4	-8,585.4
Other liabilities	-153,736.4	-58,896.4
Provisions	-2,316.4	0.0
Deferred tax liabilities	-94,217.2	-31,572.8
Minority interests	-0.1	-1,626.9
Currency translation adjustments	886.2	-920.1
Net assets acquired	344,327.2	118,316.9
(Negative) goodwill	-13,974.7	-13,201.0
Outstanding purchase prices	-50,681.7	0.0
Purchase prices paid in cash	279,670.9	105,115.9
Less cash and cash equivalents "acquired"	-19,143.2	-7,590.9
Net purchase price for property companies	260,527.6	97,525.0

Purchase prices totalling TEUR 279,670.9 (2004/05: TEUR 105,115.9) for property companies were paid in cash.

The following assets and liabilities at fair value were taken over following the acquisition of additional shares in companies (transition consolidation). These transactions led to a change in the consolidation method (also see point 2.3):

ALL AMOUNTS IN TEUR	2005/06	2004/05
Cash and cash equivalents	1,737.6	0.0
Intangible assets (excluding goodwill)	12.6	0.0
Receivables and other assets	3,040.8	0.0
Deferred tax assets	1,211.1	0.0
Property	42,073.1	0.0
Tangible assets	9.0	0.0
Financial liabilities	-19,550.9	0.0
Trade accounts payable	-383.7	0.0
Provisions	-66.6	0.0
Other liabilities	-2,344.3	0.0
Deferred tax liabilities	-3,129.2	0.0
Currency translation adjustments	-2,156.3	0.0
Net assets acquired	20,453.1	0.0
(Negative) goodwill	-406.9	0.0
Purchase prices paid in cash	20,046.1	0.0
Less cash and cash equivalents "acquired"	-1,737.6	0.0
Net purchase price for property companies	18,308.6	0.0

The purchase price of TEUR 20,046.1 for the acquisition of additional shares was paid in cash.

The only deconsolidation of the reporting year (VERDI Development spol.s.r.o.) had the following impact:

ALL AMOUNTS IN TEUR	2005/06	2004/05
Cash and cash equivalents	-0.5	0.0
Receivables and other assets	-6.6	0.0
Property	-2,869.3	0.0
Other liabilities	1,121.0	0.0
Deferred tax liabilities	422.1	0.0
Net assets disposed	-1,333.3	0.0
Result of deconsolidation	-784.8	0.0
Total sale price	-2,118.0	0.0
Plus cash and cash equivalents	0.5	0.0
Net sale price	-2,117.6	0.0

Cash and cash equivalents are comprised of the following:

ALL AMOUNTS IN TEUR	2005/06	2004/05
Current securities	101,966.0	0.00
Cash and cash equivalents	215,762.7	58,811.7
Total	317,728.7	58,811.7

Cash and cash equivalents include TEUR 169,114.5 in EUR, TEUR 13,059.0 in CZK, TEUR 11,682.4 in HUF, TEUR 8,332.5 in PLN, TEUR 5,181.0 in RON, TEUR 4,285.2 in SKK and TEUR 4,108.1 in other currencies.

Liquidity as shown on the Statement of Cash Flows is comprised of cash and cash equivalents and current securities. In accordance with IAS 7.7, current securities are classified as cash and cash equivalents if their remaining term is less than three months. All assets included under current securities meet this criterion as of the balance sheet date.

7. Segment reporting

REVENUES

IMMOEAST AG recorded total revenues of TEUR 80,014.5 during the 2005/06 Business Year. Of this amount, 28.4% were generated in the Czech Republic, the largest regional segment of the Group. Revenues in this segment rose from TEUR 8,916.6 in 2004/05 to TEUR 22,703.6 for the reporting year, or by 154.6%. This development was supported not only by new acquisitions, but also the excellent level of occupancy in the properties. The main focal point of activities is formed by office, logistics and commercial space. Hungary contributed a share of 26.3% to Group revenues, for an increase of 162.6% to TEUR 21,029.1. Revenues in Romania more than doubled during 2005/06. The share of revenues generated in Poland rose from 6.9% in the prior year to 18.4% for the reporting year. Slovakia, the newest IMMOEAST AG segment, contributed 9.3% to Group revenues.

OPERATING PROFIT (EBIT)

IMMOEAST AG increased operating profit from TEUR 33,422.5 in 2004/05 to TEUR 156,269.4 for the 2005/06 Business Year, which reflects an improvement of 367.6%. With a share of 47.2%, Hungary made the highest contribution to Group EBIT. This growth resulted above all from the positive development of the fair value of properties, which led to revaluation income of TEUR 46,637.2. Part of this revaluation gain was the result of changes in foreign exchange rates (see point 8.1.2.2.1). An additional effect that increased earnings was the reversal of negative goodwill TEUR 19,227.8 through profit and loss; TEUR 12,768.2 of this amount were related to the acquisition of Center Invest Kft.

Poland generated EBIT of TEUR 56,023.5, or 35.9% of total Group operating profit for the 2005/06 Business Year. This reflects an improvement of 602.3% over the prior year, and was due in part to two factors: the favourable development of the fair value of the property portfolio, which led to income of TEUR 37,890.9 on revaluation, as well as income of TEUR 19,768.0 from the reversal of negative differences on successful acquisitions, above all Nowe Centrum Sp.z.o.o. Another important factor was the overall strong growth in this segment.

Romania also reported highly positive development. In comparison to negative EBIT of TEUR 1,941.3 in the prior year, operating profit reached TEUR 31,804.7 in 2005/06. The revaluation of properties also represented the most important factor in this segment.

The Czech Republic increased EBIT by 159.5% over the prior year to TEUR 19,550.8 in 2005/06.

The income statement for Slovakia shows only the period from the date of acquisition to the balance sheet date. This segment reported an operating loss of TEUR 21,420.8 for the partial reporting period in 2005/06. The negative EBIT also resulted from an impairment charge to goodwill, which was subjected to an impairment test on the date of acquisition.

FINANCIAL RESULTS

IMMOEAST AG recorded an improvement in financial results from TEUR 16,850.9 in the prior year to TEUR 26,676.3 for the 2005/06 Business Year. This development was supported primarily by financial investments. Exchange rate fluctuations in specific countries also had an impact on financial results. The growing strength of the CZK and PLN led to income from changes in foreign exchange rates in the Czech Republic and Poland, but the increasing weakness of the HUF triggered a foreign exchange loss. With a share of 19.2%, the Czech Republic made the highest contribution to the financial results of IMMOEAST AG. Positive developments were also noticed in Poland, where negative financial results of TEUR 325.7 in the prior year improved to TEUR 1,505.4 for 2005/06.

INVESTMENTS

IMMOEAST AG invested a total of TEUR 1,055,697.5 during the 2005/06 Business Year, which was allocated to the individual segments as follows: 24.4% to Slovakia, 23.2% to Poland, 20.8% to the Czech Republic, 22.4% to Hungary and 9.2% to Romania. Investment activities were concentrated on properties in the office, logistics and commercial sectors.

8. Other information

8.1 Reporting on financial instruments and risk report

8.1.1 General information

As an internationally active company, the Group is exposed to various financial risks that arise from business operations and financing activities. The most important financial risks for IMMOEAST AG are associated with possible changes in foreign exchange rates, interest rates, and stock prices as well as the creditworthiness and liquidity of the Group's customers and business partners. The business policies of the Group are oriented to actively limiting these risks through systematic risk management.

In accordance with IAS 32 and IAS 39, a distinction is made between primary and derivative financial instruments.

Primary financial instruments include investments in other companies that are reported under financial assets as well as securities and loans granted, trade accounts receivable, available-for-sale securities and deposits with financial institutions. Available-for-sale financial assets are carried at fair value; all other financial assets are shown at cost less amortisation. The determination of fair value is based on market prices or calculated in accordance with recognised valuation methods. Primary financial instruments recorded under liabilities are comprised primarily of financial liabilities and trade accounts payable, which are shown at cost less amortisation.

Derivative financial instruments are used to hedge the risk associated with fluctuations in foreign exchange rates and interest rates arising from business operations as well as risk associated with monetary investments and financing (see point 8.1.3).

8.1.2 Risk report

8.1.2.1 Default/credit risk

The volume of primary financing instruments held by the Group is shown on the balance sheet, whereby the value of financial assets represents the maximum risk of default. Any default risks identified for financial assets are reflected in valuation adjustments. Credit risks arise from the possibility that the counterparty to a transaction may be unable or unwilling to meet his/her obligations, and the Group incurs financial damages as a result. The maximum credit risk for assets is represented by the amounts shown on the balance sheet. The risk associated with receivables due from tenants is low because the credit standing of all tenants and customers is

reviewed on a regular basis, and no single tenant or customer is responsible for more than 5% of total outstanding receivables. The risk of non-payment associated with other primary or derivative asset instruments is also low because all financing transactions are concluded with financial institutions that have excellent credit ratings.

The risk of default is countered through the diversity of the property portfolio as well as the selection of a suitable tenant structure for each property. Moreover, tenants are generally required to provide collateral that covers the risk of default for a specific period of time. An increase in the liquidity of the collateral is directly linked to a reduction in the risk of default for the Group. For this reason, cash deposits equal to the maximum amount permitted by law are generally required for the rental of residential properties and either bank guarantees or cash deposits are required for the rental of commercial properties.

8.1.2.2 Foreign exchange risk

Foreign exchange risks can affect IMMOEAST AG in two forms: fluctuation in foreign exchange rates can influence the results of valuations, and also have an impact on the asset position of the company.

8.1.2.2.1 Impact on valuation

The results from companies located outside the Euro zone, which are included using full or proportionate consolidation, are translated based on the functional currency of the local company in accordance with the modified current rate method (see point 2.4). Changes in the exchange rates used to translate the balance sheet positions have an indirect impact on the revaluation of properties because the expert opinions are prepared based on Euro amounts.

An increase in foreign exchange rates compared to the Euro will lead to higher Euro amounts in the fair values of investment properties than the prior year amounts reflected in the expert opinions. When the latest value is compared with the unchanged amount from a prior year expert opinion in Euro, the translation of the prior year Euro amount back into the functional currency (local currency) leads to a lower value – because of the higher exchange rate – and therefore to a write-down. If the value in the expert opinion rises, this foreign exchange effect reduces the upward potential for the valuation of the property; if the value in the expert opinion is lower, this effect increases the write-down. During the reporting year, this effect occurred in the Czech Republic, Slovakia, Romania and Poland (see point 2.4).

A decline in foreign exchange rates compared to the Euro will lead to lower Euro amounts in the fair values than the amounts shown in prior years when the fair values of properties are translated. When the latest value is compared with the unchanged amount from a prior year expert opinion in Euro, the translation of the prior year Euro amount back into the functional currency (local currency) leads to a higher value – because of the lower exchange rate – and therefore to a write-up. If the value in the expert opinion rises, this foreign exchange effect increases the upward for the valuation of the property; if the value in the expert opinion is lower, this effect reduces the write-down. During the reporting year, this effect occurred in Hungary (see point 2.4).

8.1.2.2.2 Impact on the asset position

IAS 21 calls for the translation of monetary assets and liabilities at the average exchange rate in effect on the balance sheet date as well as the recognition of any gains or losses to the income statement (see point 2.4). In particular, this requirement affects assets and liabilities that are denominated in USD and, to a lesser extent, currencies in Central Europe. For this reason, fluctuations in exchange rates can have a direct impact on the asset position of the group.

The risk of devaluation associated with cash balances in foreign currencies is offset by the rapid conversion of these funds into Euros or through investments in these currencies. As an alternative, the low USD cash balances are used for investments in USD to which the group is committed.

The group has only a limited volume of foreign currency credits in Europe (see point 4.10) because the risk of undesired foreign exchange effects outweighs the advantage provided by possibly lower interest rates. As a rule, the relevant projects are only financed with foreign currency debt when contractual agreements call for the payment of rents in this currency and therefore provide a natural hedge for payment flows.

Since the functional currency represents the local currency for companies included using full or proportionate consolidation (see point 2.4) but borrowings are generally concluded in Euros, this situation – which is caused by the fluctuation of exchange rates in relation to the Euro – leads to an impact on earnings that must be recognised through profit or loss. In order to limit the foreign exchange risk on rental income, contractual agreements with tenants in Central Europe generally call for the payment of rents in Euros or link the rental payments to the Euro exchange rate at a particular period in time.

Derivative financial instruments are also used to a lesser extent to hedge foreign currency positions (see point 8.1.3). Hedge accounting as defined in IAS 39.85 – IAS 39.102 is not applied because the necessary requirements are not met.

8.1.2.3 Interest rate risk

As an international company, IMMOEAST AG is subject to interest rate fluctuations on various property sub-markets. Changes in interest rates can influence the earnings recorded by IMMOEAST AG through higher interest costs for existing variable rate financing, and can also have a reflex effect on the valuation of properties.

8.1.2.3.1 Impact on financial results

Rising interest rates – in cases where financing carries variable interest rates (see point 4.10) – have a direct influence on financial results in the form of higher interest expense.

IMMOEAST AG uses derivative financial instruments – depending on forecasts for the future development of interest rates – to protect the company against rising interest rates. However, hedge accounting as defined in IAS 39.85 – IAS 39.102 is avoided. The hedging instruments currently in use are described under point 8.1.3.

8.1.2.3.2 Impact on property valuation

Under the discounted cash flow method – which is the preferred method for valuing office and commercial properties (see point 3.4) – the present value of future cash flows generated by an object are calculated through discounting at the current market interest rate applicable to the property. The current market interest rate is generally comprised of a risk-free basic interest rate and a risk premium, which varies according to the sector and submarket of the property. Rising interest rates lead to an increase in the risk-free basic interest rate and a higher discount factor. That, in turn, reduces the present value of cash flows from the property as well as its fair value

8.1.3 Derivative financial instruments

The derivative financial instruments used by IMMOEAST to hedge interest rate and foreign exchange risk are recorded as independent transactions and not as hedge transactions. Derivative financial instruments are stated at market value, and any changes in this market value are recognised as income or expenses under financial results.

Derivative financial instruments have the following market values and conditions:

COMPANY	DERIVATIVE	CURRENCY	BEGINNING	END	FINANCIAL INSTITUTION
Atom Centrum a.s.	SWAP	CZK/EUR	21.4.2006	21.7.2006	HVB Bank Czech Republic a.s.
Atom Centrum a.s.	CAP	EUR	31.3.2006	31.3.2011	HVB Bank Czech Republic a.s.
Centrum Olympia Olomouc a.s.	CAP	EUR	31.8.2005	30.9.2010	HVB Bank Czech Republic a.s.
PERL INVEST a.s.	CAP	EUR	31.1.2006	27.9.2007	Bank Austria Creditanstalt AG
Prokopova Development a.s.	CAP	EUR	31.1.2006	27.9.2007	Bank Austria Creditanstalt AG
E.N.G. Property a.s.	CAP	EUR	31.1.2006	27.9.2007	Bank Austria Creditanstalt AG
JUNGMANNOVA ESTATES a.s.	CAP	EUR	31.1.2006	27.9.2007	Bank Austria Creditanstalt AG
NP Investments a.s.	CAP	EUR	31.1.2006	27.9.2007	Bank Austria Creditanstalt AG
J.H.Prague a.s.	CAP	EUR	31.1.2006	27.9.2007	Bank Austria Creditanstalt AG
PAN Development a.s.	CAP	EUR	31.1.2006	27.9.2007	Bank Austria Creditanstalt AG

FIXED INTEREST RATE / EXCHANGE RATE	REFERENCE INTEREST RATE	HEDGE	CURRENCY	REFERENCE VALUE AS OF	MARKET VALUE AS OF
				30.4.2006 IN TEUR	30.4.2006 IN TEUR
28.373	n.a.	Foreign currency (CZK)	EUR	270.0	-0.2
4.00%	3M-EURIBOR	Interest rate	EUR	14,981.0	193.6
3.00%	3M-EURIBOR	Interest rate	EUR	37,059.4	1,228.9
3.50%	3M-EURIBOR	Interest rate	EUR	4,704.9	-6.8
3.50%	3M-EURIBOR	Interest rate	EUR	752.8	-1.1
3.50%	3M-EURIBOR	Interest rate	EUR	3,920.8	-5.7
3.50%	3M-EURIBOR	Interest rate	EUR	10,194.0	-14.7
3.50%	3M-EURIBOR	Interest rate	EUR	24,246.0	-35.0
3.50%	3M-EURIBOR	Interest rate	EUR	9,096.2	-13.1
3.50%	3M-EURIBOR	Interest rate	EUR	5,645.9	-8.4

The reference value forms the basis value for derivatives outstanding as of the balance sheet date.

The market value represents the amount that the relevant company would receive or be required to pay if the transaction were terminated as of the balance sheet date. The market values do not reflect the proportionate consolidation of the company in the consolidated financial statements.

Derivatives with a positive market value are included on the balance sheet under “other financial instruments”. Derivatives with a negative market value are shown on the balance sheet under “other liabilities”.

The derivative financial instruments used by Atom Centrum a.s. include a cap agreement and a foreign exchange swap agreement with HVB Bank Czech Republic a.s. These instruments hedge the foreign exchange risk and interest rate risk associated with long-term debt. The cap carries an annual premium of TEUR 12.5, which is payable on a 3-month basis.

As of 31 August 2005, Centrum Olympia Olomouc a.s. acquired an interest rate cap from HVB Bank Czech Republic a.s. This instrument limits the 3-month EURIBOR rate to a maximum of 3.0% up to the end of the derivative on 30 September 2010.

Each of the Czech companies recently acquired as part of a 50% joint venture (PERL INVEST a.s., Prokopova Development a.s., E.N.G. Property a.s., JUNGMANNOVA ESTATES a.s., NP Investments a.s., J.H.Prague a.s. and PAN Development a.s.) acquired an inter-

est rate cap with Bank Austria Creditanstalt AG as of 31 January 2006 as a hedge against rising interest rates on credit liabilities. All seven contracts fix the 3-month EURIBOR rate at 3.50% up to their expiration on 27 September 2007.

8.2 Earnings per share

In accordance with IAS 33, earnings per share are calculated by dividing net profit for the period by the weighted average number of issued shares.

	2005/06	2004/05
Total number of shares	222,353,100	59,294,160
Weighted average number of shares	191,040,910	45,404,706
Net profit for the period in EUR	145,308,333	43,617,388
Earnings per share in EUR	0.76	0.96

Diluted earnings per share are not reported separately because the company has no potential diluting shares of common stock.

8.3 Information on the company

The members of the Executive Board and Supervisory Board of IMMOEAST AG are as follows:

EXECUTIVE BOARD:

Karl Petrikovics – CEO

Norbert Gertner – Member

SUPERVISORY BOARD:

Helmut Schwager – Chairman

Wolfgang Reithofer – Vice-Chairman

Christian Böhm

Herbert Kofler

Erhard Schaschl

8.4 Transactions with related parties

IMMOEAST AG is a subsidiary of IMMOFINANZ IMMOBILIEN ANLAGEN AG, which holds 50.46% of the shares and voting rights.

Constantia Privatbank Aktiengesellschaft (CPB) as well as its corporate bodies and subsidiaries are considered related parties in the sense of IAS 24. The following subsidiaries of CPB are classified as related parties in accordance with the provisions of IAS 24: CPB Immobilien-treuhand GmbH, IMV Immobilien Management und Verwaltung GmbH, Immoeast Corporate Finance Consulting GmbH, CPB Corporate Finance Consulting GmbH, Immofinanz Acquisition and Finance Consulting GmbH.

8.4.1 Constantia Privatbank Aktiengesellschaft

8.4.1.1 Management contracts

Constantia Privatbank Aktiengesellschaft and IMMOEAST AG have concluded a management contract.

This management contract obliges Constantia Privatbank Aktiengesellschaft to provide the following services to IMMOEAST AG and its subsidiaries:

- Provision of corporate bodies and proxies,
- Support for corporate bodies in connection with the annual general meetings,
- Controlling, financial and accounting services (including the preparation of quarterly and annual reports, financial planning, treasury and group financing),
- Selection of properties (feasibility studies, acquisition and sale negotiations),
- Asset management (representation of owner interests, management of maintenance, contact office for brokers etc.) and
- Provision of infrastructure.

The management contracts do not cover the following services:

- Broker services,
- Property management,
- Consulting that can only be provided by specific professional groups,
- Market-making,
- Consulting in connection with capital increases and
- Banking services.

Payment for the calendar year was set at 1% of new investments and commissioned projects plus 0.60% of properties owned by IMMOEAST AG at the beginning of the year. This second component is linked to the consumer price index. The same principles apply to financial instruments held by IMMOEAST AG that are classified as investments in other companies, whereby there is no 1% fee and the paid commitment forms the calculation basis. For the 2005/06 Business Year, Constantia Privatbank Aktiengesellschaft charged administrative fees of TEUR 15,544.2 (2004/05: TEUR 4,552.4) to IMMOFINANZ AG.

Furthermore, the Constantia Privatbank Group and IMMOFINANZ IMMOBILIEN ANLAGEN AG carry out investment and service transactions at arm's length.

8.4.1.2 Other services

Constantia Privatbank Aktiengesellschaft also provides other banking services for IMMOEAST AG. The most important services are related to the securities issued by company. The fees for these services totalled TEUR 27,366.9 (2004/05: TEUR 3,680.9) for the part of the IMMOEAST AG capital increase that was not subscribed by IMMOFINANZ IMMOBILIEN ANLAGEN AG.

Constantia Privatbank Aktiengesellschaft serves as the primary commercial bank for the majority of the Austrian subsidiaries and a number of the foreign subsidiaries. Normal market rates and interest rates are charged for these account management services. The interest rate on credit balances was 2.37% as of 28 April 2006 (28 April 2005: 1.82%) and the interest rate on debit balances was 3.17% as of this date (28 April 2005: 2.60%).

8.4.2 Immofinanz Corporate Finance Consulting GmbH

Immofinanz Corporate Finance Consulting GmbH serves as a trust company for group financing. The contract partners are IMMOEAST AG as well as the majority of companies included under full or proportionate consolidation. For these services, Immofinanz Corporate Finance Consulting GmbH receives fees totalling TEUR 10 per calendar year (2004/05: TEUR 10).

8.4.3 Immoeast Corporate Finance Consulting GmbH

Immoeast Corporate Finance Consulting GmbH provides the majority of management resources for IMMOEAST AG in accordance with the management contract concluded with Constantia Privatbank Aktiengesellschaft. In addition, Immoeast Corporate Finance Consulting GmbH provided brokerage services for TEUR 2,321.1 during the 2005/06 Business Year (2004/05: TEUR 0.0).

Furthermore, cash outlays by Immoeast Corporate Finance Consulting GmbH were reimbursed for a total of TEUR 7.1 (2004/05: TEUR 12.1).

8.4.4 CPB Corporate Finance Consulting GmbH

CPB Corporate Finance Consulting GmbH provided brokerage services in connection with the acquisition of companies for fees totalling TEUR 4,696.4 (2004/05: TEUR 0.0).

8.4.5 IMV Immobilien Management und Verwaltung GmbH

IMV Immobilien Management und Verwaltung GmbH is the largest property management company in Austria and manages the majority of objects in this country. IMV Immobilien Management und Verwaltung GmbH has a wholly owned subsidiary in Hungary, IMV HUNGARIA KFT, which provides similar services for the Hungarian properties owned by IMMOEAST AG. These companies handle the invoices for subsidiary operating costs and receive no additional fees from IMMOEAST AG.

8.4.6 CPB Immobilientreuhand GmbH

CPB Immobilientreuhand GmbH and its subsidiaries in Hungary, the Czech Republic and Poland provide broker services at arm's length for the rental of properties. During the 2005/06 Business Year, brokerage fees of TEUR 1,221.8 (2004/05: TEUR 561.8) were charged to IMMOEAST AG.

8.4.7 Remuneration of corporate bodies

The members of the Executive Board receive no separate remuneration from the company. The remuneration for the members of the Supervisory Board is as follows:

ALL AMOUNTS IN TEUR	2005/06	2004/05
Helmut Schwager	30.0	0.0
Wolfgang Reithofer	22.5	0.0
Erhard Schaschl	15.0	0.0
Christian Böhm	15.0	0.0
Herbert Kofler	15.0	0.0
Total	97.5	0.0

The members of the Executive Board and Supervisory Board hold a total of 244,143 shares. No stock options were granted.

8.4.8 Trust loan

The internal financing for the subsidiaries of IMMOEAST AG is handled in part by IMMOFINANZ Corporate Finance Consulting GmbH at arm's length interest rate conditions. Additionally, IMMOEAST AG provided financing of TEUR 412,534.1 to the IMMOFINANZ Group at arm's length conditions.

8.5 Subsequent events

8.5.1 Capital transactions

IMMOEAST AG carried out a capital increase up to 7 June 2006, which involved the sale of 333,529,650 shares of bearer stock at a price of EUR 8.25 per share. IMMOFINANZ AG subscribed to 50.46% of this issue and thereby retained its holding as of 30 April 2006.

8.5.2 Acquisitions

The Haller Gardens office project in Hungary, which was developed by AIG Lincoln, was acquired through a forward purchase after the end of the reporting year. This object is located at a prime site in the inner city of Budapest near the Danube River, and has 49,000 sqm of letable space. The completion of this seven-storey object and three-storey underground garage with parking for 600 cars is scheduled for summer 2008. The investment volume totals nearly EUR 80 million.

The remaining stake in IMAK CEE, which was founded in 2004 as a joint venture between IMMOEAST AG and Akron Management East GmbH, an Austrian property development group, was also acquired. IMMOEAST AG previously held a 56.6% in this firm. IMAK CEE owns an extremely attractive office and logistics portfolio with 11 objects and 165,000 sqm of letable space.

IMMOEAST AG and the Ukrainian developer Alacor concluded an extensive cooperation agreement after the end of the reporting year. In the future these two companies will work together on the development of a high-quality property portfolio in Ukraine. The first assignments designated for realisation are the Alacor Business Park City, an office and logistics project, and the Alacor Logistics Park Obukhov. These two objects are scheduled for completion in 2009, and will have roughly 160,000 sqm of letable space. The

total investment volume exceeds USD 150 million, or roughly EUR 120 million.

After the end of the 2005/06 Business Year, IMMOEAST AG acquired two shopping centres in Moscow with nearly 60,000 sqm of letable space. The larger of the two objects has 38,000 sqm of space, which is fully rented to attractive tenants from the foodstuffs and electronics branches. The second object with 20,800 sqm of space will be completed in August 2006 and is fully let. These facilities represent the first two direct investments by IMMOEAST AG on the Russian property market. Up to this time the company was present in Russia only through investments in local property companies.

The portfolio in Prague was expanded to include two new investments in the office sector. The holding in the Pankrac House (Atom Centrum a.s.) office project was increased from 50% to 100%. This building has 26,250 sqm of letable space. The second transaction was the acquisition of the Skofin Office Building, which has 7,321 sqm of space. The investment volume for both acquisitions totalled roughly EUR 66 million.

The Koral Bay cooperation project between Prime Property BG, Vita-tour Invest AD and IMMOEAST AG was signed after the end of the reporting year. A closed complex with a 4-star hotel and residential area will be built on a property with approximately 165,000 sqm. The investment will total EUR 17.2 million, and completion is planned for the end of 2008.

IMMOEAST AG acquired a 25% stake in the Slovakian TriGranit Centrum a.s. after the end of 2005/06, and thereby received rights to an investment in the Lakeside development project. Four buildings with approx. 86,000 sqm of letable office space and approx. 3,000 sqm retail space will be constructed on a property with a total area of approx. 27,900 sqm. Plans call for development in four construction phases during a period of 3-4 years at a cost (including land) of approximately EUR 130 million.

Group companies of IMMOEAST IMMOBILIEN ANLAGEN AG

COMPANY	HEADQUARTERS	SHARE CAPITAL	CURRENCY	STAKE ³⁾	INITIAL CONSOLIDATION	TRANSITION CONSOLIDATION OR INCREASE IN STAKE	TYPE OF CONSOLIDATION
IMMOEAST IMMOBILIEN ANLAGEN AG	Vienna	222,353,100	EUR				
IMMOEAST Beteiligungs GmbH	Vienna	35,000	EUR	100.00%	22.8.2001		V
Mester Park Kft.	Budapest, H	626,000,000	HUF	45.00%	31.12.2000		E
Mester Park Ost Bt.	Budapest, H	1,403,000,000	HUF	45.00%	31.12.2002		E
European Property Group Ltd.	Tortula, BVI	133,902,000	CHF	25.00%	31.12.2001		E
S+B CEE Beteiligungsverwaltungs GmbH	Vienna	35,000	EUR	50.00%	1.1.2003		Q
SBF Development Praha, spol.s.r.o.	Prague, CZ	30,600,000	CZK	100.00%	1.1.2003	31.10.2005	V
ODP Office Development Praha spol.s.r.o.	Prague, CZ	10,700,000	CZK	100.00%	1.1.2003	21.7.2005	V
WEGE, spol.s.r.o.	Prague, CZ	100,000	CZK	100.00%	1.1.2003	21.7.2005	V
SB Praha 4, spol.s.r.o.	Prague, CZ	26,532,000	CZK	100.00%	1.1.2003	21.7.2005	V
RHP Development spol.s.r.o.	Prague, CZ	200,000	CZK	50.00%	8.1.2003		Q
VALDEK Praha spol.s.r.o.	Prague, CZ	100,000	CZK	100.00%	16.10.2003	21.7.2005/1.11.2005	V
KIP Development spol.s.r.o.	Prague, CZ	200,000	CZK	50.00%	20.5.2004		Q
I-E-H Immoeast Holding GmbH	Vienna	35,000	EUR	100.00%	18.9.2004		V
I-E-H Holding GmbH	Vienna	35,000	EUR	100.00%	15.2.2005		V
I-E Immoeast Real Estate GmbH	Vienna	35,000	EUR	100.00%	30.4.2004		V
ARE 4 Sp. z o.o.	Warsaw, PL	50,000	PLN	56.60%	7.12.2004		Q
Central Bud Sp. z o. o.	Warsaw, PL	50,000	PLN	56.60%	9.12.2004		Q
ImmoPoland Sp. z o.o.	Warsaw, PL	50,000	PLN	100.00%	20.1.2005		V
ARE 3 Sp. z o.o.	Warsaw, PL	50,000	PLN	56.60%	31.1.2005		Q
ImmoPoland Residential I Sp.z.o.o. (formerly ARE 6 Sp.z.o.o.)	Warsaw, PL	50,000	PLN	47.50%	3.2.2005		Q
IO-1 Building Sp. z.o.o.	Warsaw, PL	50,000	PLN	100.00%	9.12.2004		V
IMAK CEE B.V.	Amsterdam, NL	45,000	EUR	56.60%	18.2.2005		Q
Immofinanz Polska Sp.z.o.o.	Warsaw, PL	50,000	PLN	100.00%	31.3.2004		V
Global Trust s.r.l.	Bucharest, RO	2,030	RON	100.00%	1.1.2005		V
IRIDE S.A.	Bucharest, RO	16,683,215	RON	100.00%	13.5.2004		V
AC Parc Invest s.r.l. (formerly S+B CEE Projekt srl)	Bucharest, RO	4,000,000	RON	50.00%	16.8.2004		Q
S+B CEE Cyprus Ltd.	Nicosia, Cyprus	1,000	CYP	50.00%	1.8.2004		Q
Zitna Building s.r.o.	Prague, CZ	7,000,000	CZK	100.00%	24.11.2004		V
ABLO Property s.r.o.	Prague, CZ	100,000	CZK	100.00%	3.12.2004	1.6.2005	V
ATLAS 2001 CR s.r.o.	Prague, CZ	200,000	CZK	100.00%	20.4.2004		V
Arpad Center Kft.	Budapest, H	31,000,000	HUF	100.00%	1.8.2002		V
Globe 13 Kft.	Budapest, H	50,000,000	HUF	100.00%	1.8.2002		V
IMMOFINANZ Hungária Harmadik Kft.	Budapest, H	3,000,000	HUF	100.00%	20.2.2004		V
Lentia Real (1) Kft.	Budapest, H	227,000,000	HUF	100.00%	24.2.2004		V
West Gate Üzleti Park Fejlesztő Kft.	Budapest, H	3,180,000	HUF	100.00%	2.7.2004		V
Globe 3 Ingatlanfejlesztő Kft.	Budapest, H	561,000,000	HUF	100.00%	13.7.2004		V
Szepevölgyi Business Park Kft.	Budapest, H	601,000,000	HUF	100.00%	5.8.2004		V
Gordon Invest Kft.	Budapest, H	583,000,000	HUF	100.00%	6.8.2004		V
Immoeast Silesia Holding Ltd.	Nicosia, Cyprus	1,000	CYP	100.00%	29.10.2004		V
Immoeast Real Estate Holding Ltd.	Nicosia, Cyprus	1,000	CYP	100.00%	31.1.2005		V
Atom Centrum a.s.	Prague, CZ	1,000,000	CZK	50.00%	20.1.2005		Q
IMMOEAST Acquisition & Management GmbH	Vienna	35,000	EUR	100.00%	21.4.2005		V
ARE 1 Sp. z.o.o.	Warsaw, PL	50,000	PLN	56.60%	30.4.2005		Q
ARE 2 Sp. z.o.o.	Warsaw, PL	50,000	PLN	56.60%	30.4.2005		Q
ARE 5 Sp. z.o.o.	Warsaw, PL	50,000	PLN	56.60%	30.4.2005		Q

COMPANY	HEADQUARTERS	SHARE CAPITAL	CURRENCY	STAKE ⁹⁾	INITIAL CONSOLIDATION	TRANSITION	TYPE OF CONSOLIDATION
						OR INCREASE IN STAKE	
ARE 7 Sp. z.o.o.	Warsaw, PL	50,000	PLN	56.60%	30.4.2005		Q
Flex Invest Sp. z.o.o.	Warsaw, PL	51,000	PLN	56.60%	30.4.2005		Q
Secure Bud Sp. z.o.o.	Warsaw, PL	50,000	PLN	56.60%	30.4.2005		Q
AI Sp.z.o.o.	Warsaw, PL	50,000	PLN	56.60%	30.4.2005		Q
Atlantis Invest Sp.z.o.o.	Warsaw, PL	51,000	PLN	56.60%	30.4.2005		Q
OI Sp.z.o.o.	Warsaw, PL	50,000	PLN	56.60%	30.4.2005		Q
Omega Invest Sp.z.o.o.	Warsaw, PL	50,000	PLN	56.60%	30.4.2005		Q
SAS Inter Kft.	Budapest, H	258,690,000	HUF	56.60%	30.4.2005		Q
IMAK Finance B.V.	Amsterdam, NL	18,000	EUR	56.60%	30.4.2005		Q
Akron Finance Kft.	Budapest, H	3,000,000	HUF	56.60%	30.4.2005		Q
UKS GmbH	Vienna	35,000	EUR	56.60%	30.4.2005		Q
ProEast Holding GmbH	Vienna	35,000	EUR	100.00%	16.4.2005		V
Center Invest Kft.	Budapest, H	3,000,000	HUF	100.00%	2.6.2005		V
Stop-Shop Holding GmbH	Vienna	35,000	EUR	100.00%	31.5.2005		V
IMMOEAST Projekt Alpha Holding GmbH	Vienna	35,000	EUR	100.00%	31.5.2005		V
IMMOEAST Projekt Beta Holding GmbH	Vienna	35,000	EUR	100.00%	4.6.2005		V
IMMOEAST ALLEGRO Beteiligungs GmbH	Vienna	35,000	EUR	100.00%	28.6.2005		V
IMMOEAST Projekt Gamma Holding GmbH	Vienna	35,000	EUR	100.00%	2.7.2005		V
IMMOEAST Projekt Delta Holding GmbH	Vienna	35,000	EUR	100.00%	8.7.2005		V
IMMOEAST Projekt Epsilon Holding GmbH	Vienna	35,000	EUR	100.00%	8.7.2005		V
Immoeast Cora Holding s.r.l.	Bucharest, RO	204	RON	100.00%	1.7.2005		V
Harborside Imobiliara s.r.l.	Bucharest, RO	1,000	RON	75.00%	11.5.2005		V
C.E.P.D. Kft.	Budapest, H	3,000,000	HUF	56.60%	31.8.2005		Q
ARE 8 Sp.z.o.o.	Warsaw, PL	50,000	PLN	56.60%	15.6.2005		Q
ARE 9 Sp.z.o.o.	Warsaw, PL	50,000	PLN	56.60%	15.6.2005		Q
Airport Property Development a.s.	Prague, CZ	1,000,000	CZK	100.00%	29.6.2005		V
IMMOEAST Slovakia s.r.o.	Bratislava, SK	200,000	SKK	100.00%	21.7.2005		V
OÜ Robbins	Tallinn, Estonia	2,556	EEK	45.00%	27.5.2005		Q
IA Holding 1 Kft.	Budapest, H	2,183,000,000	HUF	56.60%	13.7.2005		Q
Cora GS s.r.l.	Bucharest, RO	300	RON	100.00%	25.7.2005		V
Optima A Kft.	Budapest, H	3,000,000	HUF	100.00%	1.9.2005		V
Akvamarin Beta s.r.o.	Prague, CZ	200,000	CZK	100.00%	30.9.2005		V
S+B Real Estate Ltd.	Nicosia, Zypern	1,000	CYP	50.00%	21.10.2005		Q
PBT Invest s.r.l. (formerly S+B Project s.r.l.)	Bucharest, RO	400	RON	50.00%	21.10.2005		Q
NF 23 spol.s.r.o.	Prague, CZ	200,000	CZK	50.00%	10.8.2005		Q
Netlu spol.s.r.o.	Prague, CZ	200,000	CZK	50.00%	13.7.2005		Q
IMMOEAST Projekt Lambda Holding GmbH	Vienna	35,000	EUR	100.00%	16.11.2005		V
IMMOEAST Projekt Kappa Holding GmbH	Vienna	35,000	EUR	100.00%	20.12.2005		V
IMMOEAST Projekt Omega Holding GmbH	Vienna	35,000	EUR	100.00%	5.1.2006		V
IMMOEAST Projekt Sita Holding GmbH	Vienna	35,000	EUR	100.00%	4.1.2006		V
IMMOEAST Projekt Jota Holding GmbH	Vienna	35,000	EUR	100.00%	20.12.2005		V
IMMOEAST HRE Investment jeden Sp.z.o.o.	Warsaw, PL	50,000	PLN	100.00%	28.12.2005		V
IMMOEAST HRE Investment dwa Sp.z.o.o.	Warsaw, PL	50,000	PLN	100.00%	28.12.2005		V
IMMOEAST HRE Investment trzy Sp.z.o.o.	Warsaw, PL	50,000	PLN	100.00%	28.12.2005		V
IMMOEAST HRE Investment cztery Sp.z.o.o.	Warsaw, PL	50,000	PLN	100.00%	28.12.2005		V
IMMOEAST HRE Investment piec Sp.z.o.o.	Warsaw, PL	50,000	PLN	100.00%	28.12.2005		V
IMMOEAST HRE Investment szesc Sp.z.o.o.	Warsaw, PL	50,000	PLN	100.00%	28.12.2005		V
PERL INVEST a.s.	Prague, CZ	2,000,000	CZK	50.00%	9.12.2005		Q
NP Investment a.s.	Prague, CZ	2,000,000	CZK	50.00%	9.12.2005		Q
Prokopova Development a.s.	Prague, CZ	2,000,000	CZK	50.00%	9.12.2005		Q
E.N.G. Property a.s.	Prague, CZ	2,000,000	CZK	50.00%	9.12.2005		Q
JUNGMANNOVA ESTATES a.s.	Prague, CZ	2,000,000	CZK	50.00%	9.12.2005		Q
Štětkova Property Invest a.s.	Prague, CZ	2,000,000	CZK	50.00%	9.12.2005		Q
J.H. Prague a.s.	Prague, CZ	2,000,000	CZK	50.00%	9.12.2005		Q

COMPANY	HEADQUARTERS	SHARE CAPITAL	CURRENCY	STAKE ⁹⁾	INITIAL CONSOLIDATION	TRANSITION	TYPE OF CONSOLIDATION
						OR INCREASE IN STAKE	
PAN Development a.s.	Prague, CZ	2,000,000	CZK	50.00%	9.12.2005		Q
Polus Tower 2 a.s. (formerly TriGranit Tower 2 a.s.)	Bratislava, SK	75,213,900	SKK	100.00%	31.12.2005		V
Polus Tower 3 a.s. (formerly TriGranit Tower 3 a.s.)	Bratislava, SK	13,100,000	SKK	100.00%	31.12.2005		V
Polus a.s.	Bratislava, SK	222,767,000	SKK	100.00%	31.12.2005		V
BA Energetika s.r.o.	Bratislava, SK	200,000	SKK	100.00%	31.12.2005		V
Böck & Jeschek Kft.	Budapest, H	3,000,000	HUF	100.00%	1.11.2005		V
Nowe Centrum Sp.z.o.o.	Katowice, PL	63,636,000	PLN	100.00%	31.12.2005		V
ELCO Sp.z.o.o.	Katowice, PL	50,000	PLN	100.00%	31.12.2005		V
AM-ImmoEast Asset Management GmbH	Munich, D	25,000	EUR	45.00%	3.11.2005		Q
A-I Investments Management Europe GmbH	Munich, D	25,000	EUR	50.00%	3.11.2005		Q
Stavební a inženýrská spol.s.r.o.	Prague, CZ	270,000	CZK	50.00%	4.1.2006		Q
Euro Businesspark Kft.	Budapest, H	372,970,000	HUF	56.60%	14.11.2005		Q
Shark Park Holding Kft.	Budapest, H	2,320,000,000	HUF	56.60%	8.11.2005		Q
IMMOEAST Projekt Aries Holding GmbH	Vienna	35,000	EUR	100.00%	31.1.2006		V
Mistral Real Sp.z.o.o.	Warsaw, PL	50,000	PLN	100.00%	31.1.2006		V
Blizzard Real Sp.z.o.o.	Warsaw, PL	50,000	PLN	100.00%	31.1.2006		V
IMMOEAST Presto Beteiligungs GmbH	Vienna	35,000	EUR	100.00%	31.3.2006		V
IMMOEAST Projekt Idamantes Holding GmbH	Vienna	35,000	EUR	100.00%	8.4.2006		V
IMMOEAST Bulgaria 1 EOOD	Sofia, BG	5,000	BGN	100.00%	17.4.2006		V
IMMOEAST Projekt Arbaces Holding GmbH	Vienna	35,000	EUR	100.00%	11.4.2006		V
IMMOEAST Projekt Masetto Holding GmbH	Vienna	35,000	EUR	100.00%	11.4.2006		V
IMMOEAST Projekt Zerlina Holding GmbH	Vienna	35,000	EUR	100.00%	8.4.2006		V
IMMOEAST Projekt Dorabella Holding GmbH	Vienna	35,000	EUR	100.00%	8.4.2006		V
Bucharest Corporate Center s.r.l.	Bucharest, RO	8,068,929	RON	100.00%	22.3.2006		V
Capri Trade srl	Bucharest, RO	200	RON	100.00%	10.2.2006		V
VALUEROI GRUP s.r.l.	Bucharest, RO	37,000	RON	75.00%	30.3.2006		V
IMMOEAST Projekt Capricornus Holding GmbH	Vienna	35,000	EUR	100.00%	17.2.2006		V
IMMOEAST Projekt Caelum Holding GmbH	Vienna	35,000	EUR	100.00%	17.2.2006		V
IMMOEAST Projekt Cassiopeia Holding GmbH	Vienna	35,000	EUR	100.00%	9.3.2006		V
IMMOEAST Projekt Cepheus Holding GmbH	Vienna	35,000	EUR	100.00%	9.3.2006		V
IMMOEAST Projekt Circinus Holding GmbH	Vienna	35,000	EUR	100.00%	9.3.2006		V
Prague Office Park I s.r.o.	Prague, CZ	38,600,000	CZK	100.00%	5.4.2006		V
IMMOEAST Projekt Cygnus Holding GmbH	Vienna	35,000	EUR	100.00%	13.4.2006		V
IMMOEAST Projekt Equuleus Holding GmbH	Vienna	35,000	EUR	100.00%	12.4.2006		V
IMMOEAST Projekt Eridanus Holding GmbH	Vienna	35,000	EUR	100.00%	12.4.2006		V
IMMOEAST Projekt Hydrus Holding GmbH	Vienna	35,000	EUR	100.00%	13.4.2006		V
IMMOEAST Projekt Primus Holding GmbH	Vienna	35,000	EUR	100.00%	13.4.2006		V
IMMOEAST Projekt Secundus Holding GmbH	Vienna	35,000	EUR	100.00%	13.4.2006		V
IMMOEAST Projekt Tertius Holding GmbH	Vienna	35,000	EUR	100.00%	13.4.2006		V
IMMOEAST Projekt Quartus Holding GmbH	Vienna	35,000	EUR	100.00%	13.4.2006		V
IMMOEAST Projekt Quintus Holding GmbH	Vienna	35,000	EUR	100.00%	13.4.2006		V
IMMOEAST Projekt Sextus Holding GmbH	Vienna	35,000	EUR	100.00%	13.4.2006		V
IMMOEAST Projekt Septimus Holding GmbH	Vienna	35,000	EUR	100.00%	13.4.2006		V
IMMOEAST Projekt Octavus Holding GmbH	Vienna	35,000	EUR	100.00%	13.4.2006		V
IMMOEAST Projekt Nonus Holding GmbH	Vienna	35,000	EUR	100.00%	13.4.2006		V
IMMOEAST Projekt Decimus Holding GmbH	Vienna	35,000	EUR	100.00%	13.4.2006		V
IMMOEAST Projekt Duodecimus Holding GmbH	Vienna	35,000	EUR	100.00%	13.4.2006		V
AM-ImmoEast Central European Property Fund C.V.	Luxembourg		EUR	45.00%	24.1.2006		Q
Master Spofari s.r.l.	Luxembourg		EUR	45.00%	24.3.2006		Q
Holtera Property a.s.	Prague, CZ	2,000,000	CZK	45.00%	30.3.2006		Q
Centrum Olympia Olomouc a.s.	Prague, CZ	103,000,000	CZK	45.00%	10.5.2005		Q
My Box Uherske Hradiste s.r.o.	Prague, CZ	200,000	CZK	50.00%	10.3.2006		Q
M.O.F. Immobilien AG	Vienna	1,000,000	EUR	20.00%	31.3.2006		E
S+B CEE ALPHA CYPRUS Ltd.	Nicosia, Cyprus	10,000	CYP	50.00%	10.3.2006		Q

V = Full consolidation, Q = Proportionate consolidation, E = Equity accounting

⁹⁾ The direct investment reflects the proportional share of net assets and annual results that is included in the consolidation.

List of properties^{*)}

IMMOEAST Immobilien Anlagen AG

COUN- TRY	CITY	DESCRIPTION OF PROPERTY OR ADDRESS	FAIR VALUE AS OF 30.4.2006 IN TEUR	COLLATERAL IN TEUR ^{*)}	TYPE OF COLLATERAL ^{*)}	INSUR- ANCE
CZ	Prague	Arbes Stafnikova 32-34	14,521.1	8,502.7	Mortgage	Y
CZ	Prague	Park Hostivar	41,499.7	26,018.6	Mortgage	Y
CZ	Prague	Pankrác Business Corner	13,163.4	10,006.0	Mortgage	Y
CZ	Prague	Valdek	15,878.4	-	-	Y
CZ	Prague	Vitek	20,060.7	26,000.0	Mortgage	Y
CZ	Prague	Štětkova 18	2,853.3	-	-	Y
CZ	Prague	Na Florenci 23	609.7	-	-	Y
CZ	Prague	Netlu (Land)	305.4	-	-	N
CZ	Prague	Vinice	44,451.0	-	-	Y
CZ	Prague	Westpoint Distribution Park	44,396.4	-	-	Y
CZ	Prague	Pankrác House	26,513.6	25,000.0	Mortgage	Y
CZ	Olomouc	Olympia Centre	30,142.1	42,000.0	Pledge of shares	Y
CZ	Prague	Airport Business Center	38,854.8	13,280.0	Lien	Y
CZ	Prague	Andel Park B	65,451.2	35,200.0	Lien	Y
CZ	Prague 1	Jindřišská 16	5,544.6	-	-	Y
CZ	Prague 1	Jungmannova 15	6,353.6	-	-	Y
CZ	Prague 1	Na Příkopě 14	11,761.2	-	-	Y
CZ	Prague 1	Panska 9	3,702.1	-	-	Y
CZ	Prague 1	Perlova 5	4,345.0	-	-	Y
CZ	Prague 2	Anglicka 20	5,043.5	-	-	Y
CZ	Prague 3	Prokopova 20	1,322.2	-	-	Y
CZ	Prague	Prague Office Park I	17,287.7	8,130.2	Mortgage	Y
CZ	Prague	Prague Office Park II	****)	-	-	-
CZ	Prague	Large Box Uherske Hradiste	65.5	-	-	N
EST	Tallinn	Haabersti (Rannamoisa tee)	2,866.8	-	-	N
H	Budapest	Árpád Center	13,291.8	6,500.0	Mortgage	Y
H	Budapest	Globe 13	46,882.8	21,000.0	Mortgage	Y
H	Budapest	Xenter 13 Office Building	20,713.4	12,960.0	Mortgage	Y
H	Budapest	West Gate Business Park	23,504.1	31,000.0	Mortgage	Y
H	Budapest	Szépvölgyi Business Park	30,476.8	12,600.0	Mortgage	Y
H	Budapest	Globe 3	15,979.5	-	-	Y
H	Budapest	Europe Business Tower	54,125.0	-	-	N
H	Budapest	Pharma Park	11,102.2	13,408.2	Mortgage	Y
H	Budapest	Camel Park	18,513.0	20,644.0	Mortgage	Y
H	Budapest	Shark Park	12,236.0	17,100.6	Mortgage	Y
H	Budapest	Greenpoint 7	27,750.5	26,750.0	Mortgage	Y
H	Budapest	Stop Shop	19,170.2	9,466.4	Mortgage	Y
H	Budapest	Stop Shop	26,591.0	933.7	Mortgage	Y
H	Budapest	Stop Shop	17,204.9	16,770.0	Mortgage	Y

COUNTRY	CITY	DESCRIPTION OF PROPERTY OR ADDRESS	FAIR VALUE AS OF 30.4.2006 IN TEUR	COLLATERAL IN TEUR ^{*)}	TYPE OF COLLATERAL ^{***)}	INSUR- ANCE
H	Érd	Stop Shop	26,057.6	11,570.0	Mortgage	Y
H	Veszprém	Stop Shop	24,581.7	16,965.0	Mortgage	Y
H	Nyíregyháza	Stop Shop	12,695.7	17,745.0	Mortgage	Y
H	Budapest	Optima "A" Office Building	13,631.7		-	Y
H	Dunaharaszti	Dunaharaszti logistics hall	13,224.0	4,400.0	Mortgage	Y
PL	Włocławek	Real Hypermarket	17,234.9	12,600.0	Mortgage	Y
PL	Warsaw	IO-1	28,430.8		-	N
PL	Warsaw	Bokserska Office Centre	12,006.8	22,600.0	Mortgage	Y
PL	Warsaw	Bokserska Distribution Park	10,941.6	22,600.0	Mortgage	Y
PL	Warsaw	Cybernetyki Office Centre	14,398.2	12,950.0	Mortgage	Y
PL	Warsaw	Crown Tower	21,569.4	20,200.0	Mortgage	Y
PL	Warsaw	Crown Point	23,016.9	31,350.0	Mortgage	Y
PL	Warsaw	Lopuszanska Business Park	13,268.2	12,700.0	Mortgage	Y
PL	Kolonia Klepaczka, Slask	Silesia Logistic Park	6,699.2	7,200.0	Mortgage	Y
PL	Warsaw	Mistral Office Building	35,138.5	32,782.7	Maximum mortgage	Y
PL	Katowice	Silesia City Center	221,001.4	202,000.0	Mortgage, Pledge of shares	Y
RO	Bucharest	Feper	2,976.1		-	N
RO	Bucharest	Iride Business Park	119,168.6	108,926.1	Mortgage	Y
RO	Bucharest	Otopeni	2,065.6		-	N
RO	Bucharest	Global Business Center	29,526.9		-	Y
RO	Bucharest	Pipera Center I	33,953.7		-	Y
RO	Constanța	Harbourside Constanta	1,200.0		-	N
RO	Bucharest	Bucharest Corporate Center	35,480.0		-	Y
RO	Bucharest	Pipera II	7,061.5		-	N
RO	Bucharest	Baneasa Airport Tower	5,336.9		-	N
SK	Bratislava	Polus City Center	121,352.0	61,000.0	Pledge of shares	Y
SK	Bratislava	Millenium Tower I	57,653.0			Y
SK	Bratislava	Millenium Tower II	62,365.0	36,000.0	Pledge of shares	Y
SK	Bratislava	Millenium Tower III	12,186.0		-	N
SK	Bratislava	Ruzinov Trnavska cesta (BCT project)	15,507.2		-	N

^{*)} The list of properties does not include unconsolidated indirect investments. ^{**)} Amount of collateral recorded in land register; ^{***)} Mortgage or lien;

^{****)} The fair value of Prague Office Park II is included in the fair value of Prague Office Park I.

The consolidated financial statements were completed and signed by the Executive Board of IMMOEAST AG on 7 July 2006.

Vienna, 7 July 2006

**THE EXECUTIVE BOARD OF
IMMOEAST IMMOBILIEN ANLAGEN AG**



NORBERT GERTNER
Member



KARL PETRIKOVICS
Chairman

The consolidated financial statements of IMMOEAST AG and all relevant documents were filed with the Company Register of the Commercial Court in Vienna under Registry Number 189637d.

Auditor's report

To the members of the Executive Board and Supervisory Board of IMMOEAST IMMOBILIEN ANLAGEN AG, Vienna

Unqualified opinion:

We have audited the consolidated financial statements of IMMOEAST IMMOBILIEN ANLAGEN AG, Vienna, for the reporting year from 1 May 2005 to 30 April 2006. The preparation and content of these consolidated financial statements in agreement with International Financial Reporting Standards (IFRSs) as adopted by the EU as well as the preparation of the analysis of group results in accordance with Austrian commercial law are the responsibility of the company's legal representatives. Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to state whether the analysis of group results agrees with the consolidated financial statements.

We conducted our audit in accordance with laws and regulations applicable in Austria as well as Austrian Standards on Auditing and International Standards on Auditing (ISAs). Those Standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatements, and whether we can state that the analysis of group results agrees with the consolidated financial statements. In determining the audit procedures we considered our knowledge of the business, and the economic and legal environment of the group as well as the expected occurrence of errors. An audit involves procedures to obtain evidence about amounts and other disclosures in the consolidated financial statements on a sampling basis. The audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

Our audit did not give rise to any objections. In our opinion, which is based on the results of our audit, the consolidated financial statements meet legal requirements and present fairly, in all material respects, the asset and financial position of the group as of 30 April 2006 and the results of operations and cash flows for the reporting year from 1 May 2005 to 30 April 2006 in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU. The analysis of group results agrees with the consolidated financial statements.

Vienna, 7 July 2006

KPMG

Wirtschaftsprüfungs- und Steuerberatungs GmbH

Yann-Georg Hansa

Günther Hirschböck

Certified Public Accountants

Analysis of results for the 2005/06 Business Year

A. General information

IMMOEAST IMMOBILIEN ANLAGEN AG (IMMOEAST) serves as the holding company for business activities in Central and Eastern Europe within the IMMOFINANZ Group. The primary activity of the company is the acquisition and management of investments in other enterprises. Therefore, the development of business in these investments and the earnings they generate are of significant importance for an evaluation of IMMOEAST. For this reason, additional details on the development of business and the results of the group are provided in the following sections in accordance with § 267 Par. 3 of the Austrian Commercial Code and in connection with § 251 Par. 3 of the Austrian Commercial Code. The same applies to the description of events that occurred after the balance sheet date as well as the use of financial instruments and the resulting risks.

B. Financial and non-financial performance indicators (§ 267 Par. 2 2nd Sentence of the Austrian Commercial Code)

The development of business at IMMOEAST was excellent in 2005/06. It not only reflects successful performance, but also confirms the company's growth strategy. Consolidated revenues reached EUR 80.0 million, for an increase of 215% over the 2004/05 Business Year. EBIT rose from EUR 33.4 million to EUR 156.3 million. The largest component of earnings was provided by revaluation gains of EUR 116.9 million. Net profit for the 2005/06 Business Year totalled EUR 145.3 million, which represents an increase of more than 233%. Properties directly and indirectly managed by IMMOEAST had a total fair value of EUR 1,931

million (thereof EUR 176.7 million in investments in other companies that may not or can not be consolidated) as of 30 April 2006. This value is 197.5% higher than the comparable figure as of 30 April 2005. Gross cash flow rose by 351.7% to EUR 24.9 million. The resulting cash flow margin of 31% is excellent in branch comparison.

The lettable space in the IMMOEAST portfolio totalled 1,414,961 sqm as of 30 April 2006, which represents an increase of more than 98% over the comparable figure for the 2004/05 Business Year.

During the reporting year IMMOEAST employed four persons in Poland through an energy supply company.

C. New investments completed in the 2005/06 Business Year

The consolidation range increased from 59 in 2004/05 to 154 during the reporting year. The following major acquisitions were made during 2005/06:

IMMOEAST acquired 100% of the shares in the Hungarian Center Invest Kft. as of 2 June 2005. This company is the owner of the Stop Shop portfolio in Hungary, which consists of six completed and fully let specialty shopping centres.

In Constanta, the second largest city in Romania, a 75% stake was acquired in Harborside Imobiliara s.r.l. as of 11 May 2005. The Harbourside Constanta project – a retail and office property – has 30,000 sqm of lettable space, which is divided into 21,000 sqm of retail areas and 9,000 sqm in two office towers.

Another acquisition was made in Romania during the first quarter of the 2005/06 Business Year: as of 25 July 2005 IMMOEAST acquired 100% of the shares in Cora GS s.r.l., and thereby took over the Pipera Center office building with roughly 24,000 sqm of letable space. This property is fully rented to the leading mobile telecommunications company in Romania through a long-term contract.

IMMOEAST acquired 100% of the shares in Czech Airport Property Development a.s. as of 29 June 2005. The fully let Airport Business Center, which is owned by this company, is located directly at Ruzyne International Airport and has more than 15,300 sqm of letable space.

As part of its 50% investment in S+B CEE Beteiligungsverwaltungs GmbH, IMMOEAST acquired three project companies in Prague: NF 23 spol.s.r.o. was consolidated as of 10 August 2005, Netlu spol.s.r.o. on 13 July 2005 and Stavebni a inzenyrska spol.s.r.o. on 4 January 2006. PBT Invest s.r.l. in Romania was acquired as of 21 October 2005 through the same investment.

During the second quarter of the reporting year IMMOEAST purchased 100% of the shares in the Hungarian Optima A Kft., which led to the takeover of the Optima A office building with 7,600 sqm of space. The object is fully rented to international tenants.

Through its investment in IMAK CEE B.V., IMMOEAST acquired 100% of the shares in the Hungarian C.E.P.D. Kft. and Euro Businesspark Kft. as of 31 August 2005 and 14 November 2005, respectively. C.E.P.D. Kft. is the owner of the newly built Greenpoint 7 office building, which has roughly 22,000 sqm of letable space. Euro

Businesspark Kft. owns two logistics objects in Budapest: Shark Park and Camel Park. Shark Park has 17,100 sqm of warehouse space and 4,000 sqm of offices. Camel Park has 31,000 sqm of warehouse and office space, and has already been completed. A further acquisition was made through the IMAK CEE B.V. investment on the Polish market: ARE 8 Sp.z.o.o. with the Silesia Logistics Park was purchased as of 15 June 2005.

During the third quarter of the 2005/06 Business Year and effective on 31 December 2005, 100% of the shares were purchased in the Slovakian Polus a.s., Polus Tower 2 a.s. and Polus Tower 3 a.s. Through these transactions, IMMOEAST acquired the modern Polus City Center in the Nove Mesto district near the city centre of Bratislava. The complex includes a shopping centre with 56,000 sqm of letable space as well as two office buildings, the Millennium Tower I with 23,000 sqm and the Millennium Tower II with 23,200 sqm of letable space.

As of 1 November 2005 IMMOEAST acquired 100% of the shares in the Hungarian Böck & Jeschek Kft. This company owns a warehouse and office building in Budapest, which has 29,807 sqm of space.

In Poland the remaining 90% of the shares in Nowe Centrum Sp.z.o.o. were acquired, and this company was included in the consolidated financial statements of IMMOEAST as of 31 December 2005. Nowe Centrum Sp.z.o.o. is the owner of the Silesia City Center in Katowice. With its 127,000 sqm, this modern shopping mall has 105,900 sqm of letable space.

As of 31 January 2006 IMMOEAST acquired 100% of the shares in Mistral Real Sp.z.o.o.. The Mistral Office Building has 19,600 sqm of space, and is situated at a good location in the Polish capital of Warsaw.

Three major acquisitions were made in Romania during the last quarter of 2005/06. As of 22 March 2006 IMMOEAST purchased 100% of the shares in Bucharest Corporate Center s.r.l. The 14-storey building owned by this company has already been completed and fully rented. As of 10 February 2006 IMMOEAST purchased 100% of the shares in Capri Trade s.r.l. and as of 30 March 2006 a 75% stake in VALUEROI GRUP s.r.l. The Baneasa Airport Tower, which is owned by VALUEROI GRUP s.r.l., is an office building with 6,100 sqm of lettable space and 110 parking spaces. Completion is scheduled for the beginning of 2007.

IMMOEAST has no expenditures for research and development (§ 267 Par. 3 Nr. 3 of the Austrian Commercial Code).

D. Financial instruments and risk management (§ 267 Par. 3 Nr. 4 of the Austrian Commercial Code)

As an internationally active company, IMMOEAST is exposed to various financial risks that arise from business operations and financing activities. The most important financial risks for IMMOEAST are associated with possible changes in foreign exchange rates, interest rates, and stock prices as well as the creditworthiness and liquidity of the company's customers and business partners. The business policies of the company are oriented to actively limiting these risks through systematic risk management.

In accordance with IAS 32 and IAS 39, a distinction is made between primary and derivative financial instruments.

Primary financial instruments include investments in other companies that are reported under financial assets as well as securities and loans granted, trade accounts receivable, available-for-sale securities and deposits with financial institutions. Available-for-sale financial assets are carried at fair value; all other financial assets are shown at cost less amortisation. The determination of fair value is based on market prices or calculated in accordance with recognised valuation methods. Primary financial instruments recorded under liabilities are comprised primarily of financial liabilities and trade accounts payable, which are shown at cost less amortisation.

Default and credit risk

The volume of primary financing instruments held by IMMOEAST is shown on the balance sheet, whereby the value of financial assets represents the maximum risk of default. Any default risks identified for financial assets are reflected in valuation adjustments. Credit risks arise from the possibility that the counterparty to a transaction may be unable or unwilling to meet his/her obligations, and the company incurs financial damages as a result. The maximum credit risk for assets is represented by the amounts shown on the balance sheet. The risk associated with receivables due from tenants is low because the credit standing of all tenants and customers is reviewed on a regular basis, and no single tenant or customer is responsible for more than 5% of total outstanding receivables. The risk of non-payment associated with other primary or derivative asset instruments is also low because all financing transactions are concluded with financial institutions that have excellent credit ratings.

The risk of default is countered through the diversity of the property portfolio as well as the selection of a suitable tenant structure for each property. Moreover, tenants are generally required to provide collateral that covers the risk of default for a specific period of time. An increase in the liquidity of the collateral is directly linked to a reduction in the risk of default for the company. For this reason, cash deposits equal to the maximum amount permitted by law are generally required for the rental of residential properties and either bank guarantees or cash deposits are required for the rental of commercial properties.

Foreign exchange risk

Foreign exchange risks can affect IMMOEAST in two forms: fluctuation in foreign exchange rates can influence the results of valuations, and also have an impact on the asset position of the company.

The results from companies located outside the Euro zone, which are included using full or proportionate consolidation, are translated based on the functional currency of the local company in accordance with the modified current rate method. Changes in the exchange rates used to translate the balance sheet positions have an indirect impact on the revaluation of properties because the expert opinions are prepared based on Euro amounts.

An increase in foreign exchange rates compared to the Euro will lead to higher Euro amounts in the fair values of investment properties than the amounts reflected in the expert opinions from the prior year. When the latest value is compared with the unchanged amount from a prior year expert opinion in Euro, the translation of the prior year Euro amount back into the functional currency (local currency) leads to a lower value – because of the higher exchange rate – and therefore to an impairment charge. If the value in the expert opinion rises, this foreign exchange effect reduces the upward potential for the valuation of the property; if the value in the expert opinion is lower, this effect increases the impairment charge. During the reporting year, this effect occurred in the Czech Republic, Slovakia, Romania and Poland.

A decline in foreign exchange rates compared to the Euro lead to lower Euro amounts in the fair values than the amounts shown in

prior years when the fair values of properties are translated. When the latest value is compared with the unchanged amount from a prior year expert opinion in Euro, the translation of the prior year Euro amount back into the functional currency (local currency) leads to a higher value – because of the lower exchange rate – and therefore to a revaluation gain. If the value in the expert opinion rises, this foreign exchange effect increases the upward potential for the valuation of the property; if the value in the expert opinion is lower, this effect reduces the impairment charge. During the reporting year, this effect occurred in Hungary.

IAS 21 calls for the translation of monetary assets and liabilities at the average exchange rate in effect on the balance sheet date as well as the recognition of any gains or losses to the income statement. In particular, this requirement affects assets and liabilities that are denominated in USD and, to a lesser extent, currencies in Central Europe. For this reason, fluctuations in exchange rates can have a direct impact on the asset position of the group.

The risk of devaluation associated with cash balances in foreign currencies is offset by the rapid conversion of these funds into Euros or through investments in these currencies. As an alternative, the low USD cash balances are used for investments in USD to which the group is committed. The group has only a limited volume of foreign currency credits in Europe because the risk of undesired foreign exchange effects outweighs the advantage provided by possibly lower interest rates. As a rule, the relevant projects are only financed with foreign currency debt when contractual agreements call for the payment of rents in this currency and therefore provide a natural hedge for payment flows.

Since the functional currency represents the local currency for companies included using full or proportionate consolidation but borrowings are generally concluded in Euros, this situation – which is caused by the fluctuation of exchange rates in relation to the Euro – leads to an impact on earnings that must be recognised through profit or loss. In order to limit the foreign exchange risk on rental income, contractual agreements with tenants in Central Europe generally call for the payment of rents in Euros or link the rental payments to the Euro exchange rate at a particular period in time.

Derivative financial instruments are also used to a lesser extent to hedge foreign currency positions. Hedge accounting as defined in IAS 39.85 – IAS 39.102 is not applied because the necessary requirements are not met.

Interest rate risk

As an international company, IMMOEAST is subject to interest rate fluctuations on various property sub-markets. Changes in interest rates can influence the earnings recorded by IMMOEAST through higher interest costs for existing variable rate financing, and can also have a reflex effect on the valuation of properties.

IMPACT ON FINANCIAL RESULTS

Rising interest rates – in cases where financing carries variable interest rates – have a direct influence on financial results in the form of higher interest expense.

IMMOEAST uses derivative financial instruments – depending on forecasts for the future development of interest rates – to protect the company against rising interest rates. Hedge accounting as defined in IAS 39.85 – IAS 39.102 is not applied because the necessary requirements are not met.

IMPACT ON PROPERTY VALUATION

Under the discounted cash flow method – which is the preferred method for valuing office and commercial properties – the present value of future cash flows generated by an object are calculated through discounting at the current market interest rate applicable to the property. The current market interest rate is generally comprised of a risk-free basic interest rate and a risk premium, which varies according to the sector and submarket of the property. Rising interest rates lead to an increase in the risk-free basic interest rate and a higher discount factor. That, in turn, reduces the present value of cash flows from the property as well as its fair value.

DERIVATIVE FINANCIAL INSTRUMENTS

The derivative financial instruments used by IMMOEAST to hedge interest rate and foreign exchange risk are recorded as independent transactions and not as hedge transactions. Derivative financial instruments are stated at market value, and any changes in this market value are recognised as income or expenses under financial results.

The conditions and market values of the various derivative financial instruments are shown in the following table:

COMPANY	DERIVATIVE	CURRENCY	BEGINNING	END	FINANCIAL INSTITUTION
Atom Centrum a.s.	SWAP	CZK/EUR	21.4.2006	21.7.2006	HVB Bank Czech Republic a.s.
Atom Centrum a.s.	CAP	EUR	31.3.2006	31.3.2011	HVB Bank Czech Republic a.s.
Centrum Olympia Olomouc a.s.	CAP	EUR	31.8.2005	30.9.2010	HVB Bank Czech Republic a.s.
PERL INVEST a.s.	CAP	EUR	31.1.2006	27.9.2007	Bank Austria Creditanstalt AG
Prokopova Development a.s.	CAP	EUR	31.1.2006	27.9.2007	Bank Austria Creditanstalt AG
E.N.G. Property a.s.	CAP	EUR	31.1.2006	27.9.2007	Bank Austria Creditanstalt AG
JUNGMANNOVA ESTATES a.s.	CAP	EUR	31.1.2006	27.9.2007	Bank Austria Creditanstalt AG
NP Investments a.s.	CAP	EUR	31.1.2006	27.9.2007	Bank Austria Creditanstalt AG
J.H.Prague a.s.	CAP	EUR	31.1.2006	27.9.2007	Bank Austria Creditanstalt AG
PAN Development a.s.	CAP	EUR	31.1.2006	27.9.2007	Bank Austria Creditanstalt AG

E. Subsequent events (§ 267 Par. 3 Nr. 1 of the Austrian Commercial Code)

Capital transactions

IMMOEAST AG carried out a capital increase up to 7 June 2006, which involved the sale of 333,529,650 shares of bearer stock at a price of EUR 8.25 per share. IMMOFINANZ IMMOBILIEN ANLAGEN AG subscribed to 50.46% of this issue and thereby retained its holding as of 30 April 2006.

Acquisition of companies

The Haller Gardens office project in Hungary, which was developed by AIG Lincoln, was acquired through a forward purchase after the end of the reporting year. This object is located at a prime site in the inner city of Budapest near the Danube River, and has 49,000 sqm of letable space. The completion of this seven-storey object and three-

storey underground garage with parking for 600 cars is scheduled for summer 2008. The investment volume totals nearly EUR 80 million.

The remaining stake in IMAK CEE, which was founded in 2004 as a joint venture between IMMOEAST AG and Akron Management East GmbH, an Austrian property development group, was also acquired. IMMOEAST AG previously held a 56.6% in this firm. IMAK CEE owns an extremely attractive office and logistics portfolio with 11 objects and 165,000 sqm of letable space.

IMMOEAST AG and the Ukrainian developer Alacor concluded an extensive cooperation agreement after the end of the reporting year. In the future these two companies will work together on the development of a high-quality property portfolio in Ukraine. The first assignments designated for realisation are the Alacor Business Park City, an office and logistics project, and the Alacor Logistics Park Obukhov. These two objects are scheduled for completion in 2009, and will have roughly 160,000 sqm of letable space. The total investment volume exceeds USD 150 million, or roughly EUR 120 million.

FIXED INTEREST RATE EXCHANGE RATE	REFERENCE INTEREST RATE	HEDGE	CURRENCY	REFERENCE VALUE AS OF 30.4.2006 IN TEUR	MARKET VALUE AS OF 30.4.2006 IN TEUR
28.373	n.a.	Foreign currency (CZK)	EUR	270.0	-0.2
4.00%	3M-EURIBOR	Interest rate hedge	EUR	14,981.0	193.6
3.00%	3M-EURIBOR	Interest rate hedge	EUR	37,059.4	1,228.9
3.50%	3M-EURIBOR	Interest rate hedge	EUR	4,704.9	-6.8
3.50%	3M-EURIBOR	Interest rate hedge	EUR	752.8	-1.1
3.50%	3M-EURIBOR	Interest rate hedge	EUR	3,920.8	-5.7
3.50%	3M-EURIBOR	Interest rate hedge	EUR	10,194.0	-14.7
3.50%	3M-EURIBOR	Interest rate hedge	EUR	24,246.0	-35.0
3.50%	3M-EURIBOR	Interest rate hedge	EUR	9,096.2	-13.1
3.50%	3M-EURIBOR	Interest rate hedge	EUR	5,645.9	-8.4

After the end of the 2005/06 Business Year, IMMOEAST acquired two shopping centres in Moscow with nearly 60,000 sqm of letable space. The larger of the two objects has 38,000 sqm of space, which is fully rented to attractive tenants from the foodstuffs and electronics branches. The second object with 20,800 sqm of space will be completed in August 2006 and is fully let. These facilities represent the first two direct investments by IMMOEAST on the Russian property market. Up to this time the company was present in Russia only through investments in local property companies.

The portfolio in Prague was expanded to include two new investments in the office sector. The holding in the Pankrac House (Atom Centrum a.s.) office project was increased from 50% to 100%. This building has 26,250 sqm of letable space. The second transaction was the acquisition of the Skofin Office Building, which has 7,321 sqm of space. The investment volume for both acquisitions totalled roughly EUR 66 million.

The Koral Bay cooperation project between Prime Property BG, Vita-tour Invest AD and IMMOEAST was signed after the end of the reporting year. A closed complex with a 4-star hotel and residential area will be built on a property with approximately 165,000 sqm. The investment will total EUR 17.2 million, and completion is planned for the end of 2008.

IMMOEAST also acquired a 25% stake in the Slovakian TriGranit Centrum a.s. after the end of 2005/06, and thereby received rights to an investment in the Lakeside development project. Four buildings with ca 86,000 sqm of letable office space and ca 3,000 sqm of retail space will be constructed on a total area of approx.

27,900 sqm. Plans call for development in four construction phases during a period of 3-4 years at a cost (including land) of approximately EUR 130 million.

F. Outlook (§ 267 Par. 3 Nr. 2 of the Austrian Commercial Code)

IMMOEAST operates in a business environment that produces above-average growth compared to other economic regions in Central Europe. Based on the financial power and well-considered expansion strategy of IMMOEAST, the growth of the group can be expected to reflect the dynamics of this market.

Vienna, June 2006

THE EXECUTIVE BOARD



NORBERT GERTNER



KARL PETRIKOVICS

Report of the Supervisory Board



The Supervisory Board performed those duties mandated by law and the articles of association during the 2005/2006 Business Year. The Executive Board provided the Supervisory Board with regular reports and information on the development of business and the position of the company.

The Supervisory Board held five meetings during the reporting year.

The annual financial statements and management report of IMMOEAST Immobilien Anlagen AG as of 30 April 2006, which were prepared by the Executive Board, as well as the consolidated financial statements and group management report as of 30 April 2005, which were prepared by the Executive Board in accordance with International Financial Reporting Standards (IFRS), were audited by KPMG Wirtschaftsprüfungs- und Steuerberatungs GmbH and awarded an unqualified opinion. The Supervisory Board has accepted and approved the results of this audit.

The Supervisory Board has approved the annual financial statements of IMMOEAST Immobilien Anlagen AG and declared its agreement with the management report. The annual financial statements as of 30 April 2005 are therefore considered approved in accordance with § 125 of the Austrian Stock Corporation Act. The Supervisory Board has also approved the consolidated financial statements and group management report.

The recommendation for the distribution of profits, which was prepared by the Executive Board, was evaluated and approved by the Supervisory Board.

The Supervisory Board would like to thank the members of the Executive Board and all employees of the company for their commitment and performance during the reporting year.

Vienna, 24 July 2006

A handwritten signature in black ink, reading 'Schwager' in a cursive script.

Helmut Schwager

Chairman of the Supervisory Board

Glossary

Accumulation of profits: Profits are not distributed in the form of dividends, but reinvested in the company and thereby support earnings growth; shareholders profit from gains in the stock price.

Asset management: The management of assets by specialised service firms through a power of attorney.

ATX: Austrian Traded Index.

ATX Prime: Includes all shares in the Prime Market segment of the Vienna Stock Exchange. The Prime Market segment covers all stocks that are admitted for official trading or traded over-the-counter and also meet additional requirements. The ATX Prime was introduced on 2 January 2002 and included 44 stocks as of 31 July 2006 (IMMOFINANZ since March 2005 as well as IMMOEAST).

Benchmark: External standard for the evaluation of business indicators.

Book value: Amount at which a property is carried on the balance sheet after the deduction of ordinary depreciation and any impairment charges.

Cash EBIT margin: Cash EBIT (=EBIT, depreciation, amortisation, revaluation of properties and reversal of negative goodwill).

Closing: Time at which legal ownership is in relation to revenues transferred.

Corporate governance: The Austrian Corporate Governance Code issued in fall 2002 represents a “corporate constitution”, or system of rules for the responsible management and control of a company.

Cost model: IFRS accounting method for property, which is similar to the method required by the Austrian Commercial Code and calls for annual depreciation independent of fair value.

DAX: German stock index.

Discounted cash flow method: Method used to determine value through the discounting of payment flows.

Diversification: Distribution of property investments among various sectors and geographic regions to minimise risk.

Earnings per share: Net profit divided by the weighted average number of shares outstanding.

Earnings retention: Net income is not distributed as dividends but reinvested in the company, and thereby supports earnings growth; investors gain through an increase in the stock price.

EBIT: Earnings before interest and tax, or operating profit.

EBT: Earnings before tax.

Effective tax rate: The ratio of actual income taxes paid to earnings before tax.

EPRA: European Public Real Estate Association, an organisation of listed property companies in Europe.

Equity method: Accounting method, under which the value of an investment in a company is recorded at the acquisition price and adjusted annually to reflect the proportional share of net assets; the pro rata share of annual profit or loss in the relevant company is recognised to the income statement.

Equity ratio: Indicator showing the relation of equity to total assets.

Fair value model: IFRS accounting method for property, which is based on actual realisable market value.

Fair value: The market value of property as determined by the valuation committee.

Free float: The percentage of shares held by a large number of stockholders.

Gearing: Ratio of net debt to equity

GPR-15 Real Time Index: Global Property Research (GPR) prepares a stock index that covers the 15 largest listed property companies in Europe; of these companies, eight are located in Continental Europe. IMMOEAST was weighted at 2.2% as of 1 July 2006.

Gross cash flow: Increase or decrease in cash and cash equivalents arising from cash inflows and outflows during the business year.

IAS 40: IAS 40 provides enterprises with an option for recording real estate held as investment property; companies may choose between a fair value model and a cost model (also see definitions of fair value model and cost model).

IATX: Branch index for property stocks in the ATX.

IFRS and IAS: International Financial Reporting Standards and International Accounting Standards.

IPO: Initial Public Offering; first issue by a company on the stock exchange (IMMOEAST in December 2003).

ISIN: International Security Identification Number (code number for stocks and bonds).

Joint venture: An enterprise founded and operated by a number of partners.

Loss carryforward: A regulation under tax law that permits the transfer of tax losses to later business years; the number of years over which these losses can be used against taxable profit is determined by the laws of the relevant country.

Market capitalisation: The market value of a stock corporation (stock price x number of shares).

MSCI World Index: Stock index published by Morgan Stanley Capital International (MSCI), which is based on roughly 2,000 stock prices from over 20 countries; in addition to a global index, MSCI also issues regional indexes (MSCI Europe Index).

Net debt: Financial liabilities minus liquid funds.

Net asset value (NAV): Fair value of the property portfolio less debt.

Net operating income (NOI): Direct payment flows allocated to a property, which are also used in determining its value.

P/E ratio: Price/earnings ratio, an indicator of the market valuation of a stock.

Portfolio management: The purchase and management as well as the possible sale of property to increase and maintain the value of a portfolio.

Pre-letting: Space rented before the start of construction.

Private placement: Sale of shares outside the stock exchange.

Reassessment: The determination of a new value for an asset.

Return: Key indicator for the yield on an investment, expressed as a percent of invested capital.

Revenues: For IMMOEAST, revenues equal income from rentals and operating costs.

ROE: Return on equity, or net income divided by average capital employed; key indicator for the profitable use of equity.

Secondary market yield: Average return on securities traded on the secondary market.

Silent reserves: The fair value less the carrying value of properties.

Speculation period: Austrian law classifies certain speculation gains (for example, the difference between the purchase and sale price of a share) as tax-free after one year.

Stock performance: Development of the value of a stock.

Valuation committee: A group of three court-certified experts who jointly determine the fair value of properties as of the balance sheet data.

Withholding tax: A tax on capital yields, currently 25% in Austria.

Supervisory Board, Executive Board and Valuation Committee

(as of 30 April 2006)

SUPERVISORY BOARD

Helmut Schwager – Chairman

Wolfgang Reithofer – Vice-Chairman

Christian Böhm

Herbert Kofler

Erhard Schaschl

EXECUTIVE BOARD

Karl Petrikovics – CEO

Norbert Gertner

VALUATION COMMITTEE

Wolfgang Foglar-Deinhardstein

Court-certified expert for property valuation

Peter Steppan

Court-certified expert for construction and property

Anton Wallner

Court-certified expert for property valuation

Financial calendar / Imprint

14 September 2006
7th Annual General Meeting

22 September 2006
Report on the First Quarter as of 31.7.2006

14 December 2006
Report on the First Six Months as of 31.10.2006

23 March 2007
Report on the First Three Quarters as of 31.1.2007

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IMPRINT

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Photos: IMMOFINANZ archive,
Stephan Huger, Klaus Vyhnašek

DISCLAIMER:

This annual report includes assumptions and forecasts that were based on information available up to the copy deadline on 31 July 2006. If the assumptions underlying these forecasts are not realised or risks, as described in the risk report, should in fact occur, actual results may differ from the results expected at this time. This annual report does not represent a recommendation to buy or sell shares in IMMOEAST AG.

