



AFI EUROPE N.V.

(a public limited liability company ('naamloze vennootschap') incorporated under the laws of the Netherlands, with its corporate seat in Amsterdam)

Public Offering of up to 23,800,000 newly issued ordinary shares with a nominal value of EUR 0.01 per share and up to 7,100,000 existing ordinary shares with a nominal value of EUR 0.01 per share

On the basis of this document (this "**Prospectus**") AFI Europe N.V. ("**AFIE**" or the "**Issuer**"), a public limited liability company ("**naamloze vennootschap**") incorporated under the laws of the Netherlands, with its corporate seat in Amsterdam, is offering up to 23,800,000 newly issued ordinary shares (the "**New Shares**") and Africa Israel International Properties (2002) Ltd. ("**AIIP**" or the "**Selling Shareholder**") is offering up to 7,100,000 existing ordinary shares (the "**Sale Shares**"). In addition, the Selling Shareholder agreed to sell up to 4,635,000 existing ordinary shares pursuant to the over-allotment option (the "**Over-allotment Shares**", and together with the New Shares and the Sale Shares, the "**Offer Shares**"). In total, up to 35,535,000 Offer Shares are being offered in the Offering. The Issuer and the Selling Shareholder reserve the right to decrease, prior to the Pricing Date, the number of the Offer Shares allotted to investors in order to ensure that the gross proceeds from the issuance of the New Shares will be approximately EUR 100 million. Any such decrease will be announced in a press release.

The Issuer will receive the net proceeds from the sale of the New Shares and the Selling Shareholder will receive the net proceeds from the sale of the Sale Shares and the Over-allotment Shares.

This offering (the "**Offering**") consists of a public offering to: (i) retail investors in the Republic of Poland (the "**Retail Offering**"), (ii) institutional investors in the Republic of Poland (the "**Polish Institutional Offering**" and, together with the "**Retail Offering**", the "**Polish Public Offering**") and a (iii) private placement for institutional investors outside the United States (excluding the Republic of Poland) in reliance on Regulation S under the U.S. Securities Act of 1933, as amended from time to time (the "**U.S. Securities Act**") (the "**International Offering**" and together with the Polish Institutional Offering, the "**Institutional Offering**"). There will be no public offering outside of the Republic of Poland; in particular there will be no public offering in The Netherlands.

The Offer Shares are being offered, as specified in this Prospectus, subject to cancellation or modification of the Offering and subject to certain other conditions.

The Selling Shareholder has granted to Deutsche Bank AG, London Branch and ING Bank N.V., London Branch (together, the "**Joint Global Coordinators**", the "**Joint Lead Managers**" and the "**Joint Bookrunners**") an option exercisable for up to 30 calendar days following the Listing Date (as defined below) to purchase from it up to an additional 4,635,000 Over-allotment Shares, the maximum number of which is equal to 15% of the original aggregate number of Offer Shares being offered in the Offering (before any exercise of the over-allotment option), solely to cover over-allotments, if any, made in connection with the Offering and short positions resulting from stabilisation transactions. Such stabilisation shall be conducted in accordance with the rules set out in the European Commission Regulation (EC) No. 2273/2003 of 22 December 2003 implementing Directive 2003/6/EC of the European Parliament and of the Council of the European Union as regards exemptions for buy-back programmes and stabilisation of financial instruments.

This Prospectus constitutes a prospectus in the form of a single document within the meaning of Article 5, section 3 of the Directive 2003/71/EC of 4 November 2003 of the European Parliament and of the Council of the European Union on the prospectus to be published when securities are offered to the public and admitted to trading (the "**Prospectus Directive**") and has been prepared in accordance with the provisions of the European Commission Regulation (EC) 809/2004 and Chapter 5.1 of the Dutch Act on Financial Supervision ("**Wet op het financieel toezicht**"). This Prospectus has been filed with, and was approved on 18 November 2010, by the Netherlands Authority for the Financial Markets ("**Stichting Autoriteit Financiële Markten**") (the "**AFM**"), which is the competent authority for the purpose of the relevant implementing measures of the Prospectus Directive in the Netherlands. Based on Article 5:6 paragraph 1 under (a) of the Dutch Act on Financial Supervision, the Netherlands are the home member state of the Issuer and the AFM is solely authorised to approve this Prospectus. The Issuer will be authorised to carry out the Public Offering in the Republic of Poland once the AFM has notified the Polish Financial Supervisory Commission (Komisja Nadzoru Finansowego) (the "**PFSC**"), which is the competent authority for the purposes of the relevant implementing measures of the Prospectus Directive in the Republic of Poland, that it has approved the Prospectus.

PLEASE SEE THE CHAPTER HEADED "RISK FACTORS" FOR A DESCRIPTION OF FACTORS TO BE TAKEN INTO ACCOUNT WHEN CONSIDERING WHETHER TO INVEST IN THE OFFER SHARES.

Prior to the Offering, the shares in the capital of the Issuer have not been admitted to or traded on any regulated market. Application will be made based on this Prospectus to have admitted to listing and trading on the main market of the Warsaw Stock Exchange (Giełda Papierów Wartościowych w Warszawie S.A., the "**WSE**") (the "**Admission**") of the following securities: (i) all of the Offer Shares, including all New Shares which have been authorised and issued pursuant to the Offering as at the Settlement Date (as defined below) and (ii) all of the other currently issued and outstanding shares in the capital of the Issuer (where (i) and (ii) are jointly referred to as the "**Shares**"). The expected date on which quotation of the Shares on the WSE will commence is on or about 9 December 2010 (the "**Listing Date**"). Delivery of the Offer Shares to investors' securities accounts is expected to be made on or about 8 December 2010 (the "**Settlement Date**").

Prospective retail investors in the Republic of Poland may subscribe for the Offer Shares during a period which is expected to commence on or about 22 November 2010 and end on or about 29 November 2010, whereas selected prospective institutional investors (other than "**U.S. persons**" as defined in Regulation S under the U.S. Securities Act) may subscribe for the Offer Shares during a period that is expected to commence on or about 22 November 2010 and end on or about 30 November 2010. The offer price per Offer Share (the "**Offer Price**") will be determined by the Issuer, with the agreement of the Joint Lead Managers (together with ING Securities S.A.: the "**Managers**"), on or about 1 December 2010 (the "**Pricing Date**") and will be announced in a press release soon thereafter and in the same manner as this Prospectus. The Offer Price will be determined based on the following criteria and rules: (i) size and price sensitivity of demand from investors gauged during the book-building process and (ii) the current and anticipated situation on the Polish and international capital markets. If the Offering is cancelled or postponed prior to final allotments of the Offer Shares to investors on or about 1 December 2010 (the "**Allotment Date**"), all subscriptions for the Offer Shares will be disregarded and any subscription payments made will be returned without interest or other compensation. All dealings in the Offer Shares prior to the start of trading on the WSE are at the sole risk of the parties concerned. The Joint Lead Managers, the Issuer and the Selling Shareholder do not accept any responsibility or liability with respect to any person as a result of a withdrawal/cancellation or postponement of the Offering.

The Shares have not been and will not be registered under the U.S. Securities Act or any other state securities laws and may be offered and sold outside the United States of America and may not be offered, sold or delivered within the United States of America or to, or for the account or benefit of U.S. persons, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act.

Offer Price: to be determined in PLN

ING Securities S.A. will act as the offeror and listing agent (the "**Listing Agent**") for the Offering and listing of the Offer Shares on the WSE.

Joint Global Coordinators, Joint Lead Managers and Joint Bookrunners



The date of this Prospectus is 18 November 2010

IMPORTANT INFORMATION

Capitalised terms used in this Prospectus and not otherwise defined herein have the meaning ascribed to those terms in Annex I “Definitions”.

Prospective investors are expressly advised that an investment in the Offer Shares entails financial risk and that they should therefore read this Prospectus entirely and in particular the “Risk Factors” section when considering an investment in the Offer Shares. The contents of this Prospectus are not to be construed as legal, financial or tax advice. Each prospective investor should consult his, her or its own legal adviser, independent financial adviser or tax adviser for legal, financial or tax advice and should consider the investment decision in light of the prospective investor’s personal circumstances and should not rely exclusively on the legal, financial or tax information contained in this Prospectus.

No person is or has been authorised to give any information or to make any representation in connection with the Offering, other than as contained in this Prospectus, and, if given, or made, any other information or representation must not be relied upon as having been authorised by the Issuer, the Selling Shareholder or the Managers.

Responsibility

The Issuer accepts responsibility for the information contained in this Prospectus. To the best of the Issuer’s knowledge and belief, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is in accordance with the facts and contains no omission likely to affect its import. The delivery of this Prospectus at any time after the date hereof will not, under any circumstances, create any implication that there has been no change in the Issuer’s affairs since the date hereof. Neither the Managers nor the legal advisers to the Issuer accept responsibility whatsoever for the contents of this Prospectus, for its translation, or for any other statement made or purported to be made by any of them or on their behalf in connection with the Issuer. The Managers and the legal advisers to the Issuer accordingly disclaim all and any liability whether arising in tort or contract which they might otherwise have in respect of this Prospectus or any such statement.

None of the Managers has independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Managers as to the accuracy or completeness of the information contained or incorporated in this Prospectus or any other information provided by the Issuer in connection with the offering of the Shares. None of the Managers accepts any liability in relation to the information contained or incorporated by reference in this Prospectus or any other information provided by the Issuer in connection with the Offering of the Offer Shares or their distribution.

No person is or has been authorized to give any information or to make any representation in connection with the offer or sale of the Offer Shares, other than as contained in this Prospectus, and, if given or made, any other information or representation must not be relied upon as having been authorized by the Issuer, the Selling Shareholder or the Managers. Potential investors should rely only on the information contained in this Prospectus. The Issuer, the Selling Shareholder and the Managers have not authorized any other person to provide Potential Investors with different information. No reliance should be placed on any information provided by any other means. Potential Investors should assume that the information appearing in this Prospectus is accurate only as of the date of this Prospectus, regardless of the time of delivery of this Prospectus or of any Offer or sale of the Offer Shares. The business, financial condition, results of operations and prospects of the Issuer could have changed since that date. The delivery of this Prospectus at any time after the date hereof shall not, under any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date hereof or that the information set out in this Prospectus is correct as at any time since its date.

The Issuer expressly disclaims any duty to update this Prospectus except as required by applicable law. Significant new factors which may affect the price of the Offer Shares and material mistakes or inaccuracies relating to the information included in the Prospectus and which arise or are noted after the Prospectus has been approved and before the Offer Shares are admitted to trading on the regulated market of the WSE shall be mentioned in a supplement to this Prospectus (to be approved by the AFM and passported to the PFSC for publication in Poland), which will be published in the same manner as the Prospectus.

Notice to Prospective Investors

This Prospectus does not constitute, and may not be used for the purposes of, an offer or an invitation to purchase or subscribe for any Offer Shares by any person (i) in any jurisdiction in which such offer or invitation is not authorized, or (ii) in any jurisdiction in which the person making such offer or invitation is not qualified to do so, or (iii) to any person to whom it is unlawful to make such offer or invitation. In any member state (“**Member State**”) of the European Economic Area (“**EEA**”) that has implemented the Prospectus Directive other than Poland (and subject to any limitations set out in the relevant regulations of such EEA Member State), this communication is only addressed to and is only directed at qualified investors in that Member State within the meaning of the Prospectus Directive. Selling restrictions applicable in certain jurisdictions are set out below under “*Selling Restrictions*”.

No representation or warranty, express or implied, is made by the Joint Global Coordinators, the Joint Lead Managers and the Joint Bookrunners, nor by any other Manager, as to the accuracy or completeness of information contained in this Prospectus. Prospective investors are deemed to have acknowledged that: (i) they have not relied on the Managers or any person affiliated with the Managers in connection with any investigation of the accuracy of any information contained in this Prospectus or their investment decision; and (ii) they have relied only on the information contained in this Prospectus. In making an investment decision, each investor must rely on his, her or its own examination, analysis and enquiry of the Company and the terms of the Offering, including the merits and risks involved. Please see the chapter headed “*Risk Factors*” for a description of the main risks involved in connection with the Company and the Offering.

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SUMMARY

This summary provides an overview of selected information contained elsewhere in this Prospectus and should be read as an introduction to this Prospectus. Any decision to invest in the Offer Shares should be based on consideration of this Prospectus as a whole by you. You should carefully read the Prospectus in its entirety before investing in the Offer Shares, including the information discussed under “Risk Factors“ and the IFRS Financial Statements and the notes thereto that appear elsewhere in this Prospectus. Unless otherwise stated, all the information in this Prospectus assumes that the Managers will not exercise the Over-allotment Option.

Under laws in effect in the states within the European Economic Area, no civil liability will attach to the Company in respect of this Summary, including the Summary of the Offering and the Summary of Financial and Operating Data included herein, or any translation thereof, unless it is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus. Where a claim relating to information contained in this Prospectus is brought before a court in a state within the European Economic Area, the plaintiff investor may, under the national legislation of the state where the claim is brought, be required to bear the costs of translating this Prospectus before the legal proceedings are initiated.

Overview

The Company is a real estate investment and development group operating in Central Eastern Europe (“CEE”) and South Eastern Europe (“SEE”), with a focus on the development of large-scale commercial and residential real estate projects. Since commencing operations in 1997 as a division of Africa Israel Investments Ltd. (“**Africa Israel Investments**”), the Company has established a track record of developing and managing real estate projects and properties in these regions. The Company’s activities include the identification and evaluation of opportunities, preparation of designs, securing permits, purchase of land, and construction management, followed by the operation of commercial properties, or sale of apartments in the residential projects. As of 30 September 2010, the Company has developed 293,106 sqm (GLA) of commercial properties, and since 2007 it has delivered 1,300 apartments.

The Company’s portfolio presently consists of 32 projects in 7 countries throughout CEE and SEE:

- 10 commercial projects which are yielding and under management. These projects include shopping malls and commercial centres, office complexes, business parks and a logistics facility, totalling 293,106 sqm of GLA. A substantial portion of the Company’s revenues (44.6% of the total gross rental income and proceeds from sale of trading properties) derives from three large-scale commercial projects, AFI Palace Cotroceni in Romania, Airport City Belgrade in Serbia and Palace Flora in the Czech Republic;
- 7 developed residential projects with apartments for sale targeting potential purchasers from the middle and upper-middle class totalling 127,863 sqm of GSA (with 52,081 sqm GSA or 578 apartments available for sale as of 30 September 2010) and 1,822 sqm of adjacent commercial space (for the purpose of this portfolio classification, project Osiedle Europejskie in Kraków, Poland is counted both as a commercial project and as a residential project, because it includes a commercial centre alongside a large scale residential development); and
- 15 land bank properties, as well as additional land plots adjacent to some of the commercial and residential projects mentioned above. These properties are earmarked for future development and are currently expected to include commercial projects with 902,252 sqm of GLA and residential projects with 1,414,411 sqm of GSA.

In addition, the Company manages and holds a minority interest in a portfolio of 34 residential and commercial properties located in various cities in Germany (the “**German Portfolio**”). The German Portfolio comprises 579 apartments for rent with 46,440 sqm of GLA, as well as 488 units of commercial property for rent with 108,560 sqm of GLA, and it also includes 2 undeveloped land plots.

The management and operation of the German Portfolio is an activity which is substantially different from the development and management of the Company's real estate projects in CEE and SEE. The Company considers the German Portfolio to be outside its core business and accordingly the information concerning the German Portfolio is presented in this Prospectus separately, and is in some cases excluded, from information regarding the Company's projects.

As of 30 September 2010, the total aggregate value of all the projects and properties in which the Company holds any economic interest (including 100% of the German Portfolio and Wilanów One), in their existing state of development, was EUR 1,404 million, subject to the assumptions set out in the DTZ Report that is included in the Prospectus as Annex II (the "**DTZ Report**"). The Company's proportional share of the total value is EUR 1,125 million (excluding the German Portfolio and Wilanów One).

Competitive Strengths

The Company believes that it benefits from the following competitive strengths:

- Track record and high quality property development
- A portfolio which combines income-generating and development projects
- Presence in higher growth markets
- Highly skilled management team
- On-the-ground presence
- Ability to attract and retain high calibre tenants
- Good relationships with banks and ability to raise financing
- Support, know-how and experience of the parent group

Business Strategy

The Company aims to maximise shareholder value by both growing its business and also increasing its profitability. The Company intends to achieve this by pursuing the following elements of its business strategy:

- Strengthen the Company's position as a real estate developer in CEE and SEE
- Focus on large-scale commercial projects balanced with residential projects in the medium-to long-term
- Adopt a flexible approach to project development
- Increase performance and profitability through active portfolio management of the Company's income generating projects
- Create value through effective utilisation of the Company's land bank
- Focus on the successful execution of current projects while pursuing attractive new developments

Corporate Information

The Issuer is a public limited liability company incorporated under the laws of the Netherlands, and is registered with the Trade Register of the Chamber of Commerce of Amsterdam under number 34218161, and has its corporate seat in Amsterdam, the Netherlands. The Issuer's business address is Keizersgracht 604, 1017 EP, Amsterdam, the Netherlands, and its website is www.afi-europe.eu

Company History

The Company commenced its operations in the Czech Republic in 1997 as a division of Africa Israel Investments, and entered into a project in Serbia in 2003. Thereafter, in 2005 the Company expanded its real estate development activity into Bulgaria and Romania. In 2007 the Company expanded further by acquiring projects and properties in Germany, Hungary, Latvia and Poland. The Issuer was incorporated in the Netherlands on 4 April 2006.

For a more detailed description of the Company's history, please see "*Business—Overview and history*".

SUMMARY OF RISK FACTORS

Before investing in the Offer Shares, prospective investors should carefully consider, together with other information contained in the Prospectus, certain risk factors pertaining to the Company, including the Company's business and industry, as well as to an investment and trading in the Offer Shares, set out in the section "*Risk Factors*".

The Company's business, results of operations and financial condition may be adversely affected by the following risk factors:

Risk factors which are specific to the Company's business include, but are not limited to the following:

- The Company's business has been affected by the global financial crisis and could be further affected if the downturn in general economic conditions in the countries in which the Company operates continues or worsens
- The real estate development market is cyclical
- The valuation of the Company's properties is inherently uncertain and may be inaccurate and such valuations are subject to fluctuation
- A number of factors may hinder the Company's ability to sell its properties on a timely basis
- Failure to obtain the required zoning, construction permits, or any other approvals in a timely manner or at all may delay or prevent the development of certain of the Company's projects
- The Company's business is dependent on the Company's ability to actively manage its assets
- The Company may be materially affected by the loss of key tenants
- The Company may not be able to complete the projects in its portfolio, a number of which are in the pre-construction stage
- The Company may be subject to increased costs or project delays or cancellations if it is unable to hire general contractors to build its projects on commercially reasonable terms, or at all, or if the general contractors it hires fail to build the Company's projects to accepted standards, in a timely manner or within budget
- The Company may face claims for defective construction and risks associated with adverse publicity, which could have an adverse effect on its competitive position
- The construction of the Company's projects may be delayed or damaged by factors for which the Company has limited or no control
- The Company is subject to general development risks that may increase costs and/or delay or prevent the development of its projects
- Without sufficient local infrastructure and utilities, the construction of the Company's projects may be delayed or cancelled, or it may be unable to realise the full expected value of its completed projects
- The Company may not be able to successfully manage its growth due to the expected expansion of its operations
- The Company may be subject to the risk that tenants are unwilling to vacate a development site, which could result in the Company having to incur costs or delays in the development of a project

- The Company may be subject to liability following the disposal of investments
- The Company may be exposed to certain environmental liabilities and compliance costs
- The Company is subject to legal disputes
- The Company's insurance may be inadequate
- The Company's financial performance is to a large extent dependent on local economic circumstances, such as real estate prices and rental levels
- A failure to manage and operate its largest projects may materially adversely affect the Company
- The Company faces competition from other real estate developers and it might not be able to secure suitable locations for development of its projects
- Shortages of qualified employees and other skilled professionals could delay the completion of the projects of the Company or increase its costs
- The Company may not be able to realise its expected rates of return if the real estate markets in CEE and SEE countries in which the Company operates become saturated and competition increases
- The Company is subject to joint venture risks as control of certain projects is shared with third parties
- The Company's consolidated balance sheet and income statement may be significantly affected by fluctuations in the fair market value of its properties as a result of revaluations
- The Company may be unable to detect and prevent fraud or other misconduct committed by its employees or third parties

Financing risk factors include, but are not limited to, the following:

- The Company has significant capital needs, and additional financing may not be available on favourable terms, on a timely basis or at all
- The Company may be unable to raise additional financing in the future to enable acquisition and development of new projects
- The Company may incur substantial losses if it fails to meet the obligations and requirements of its debt financing and furthermore, the restrictions imposed by its debt financing may prevent it from selling its projects
- The Company is exposed to changes in foreign currency exchange rates
- The Company is subject to interest rate risk

Risk factors which are specific to the geographic markets in which the Company operates include, but are not limited to, the following:

- Political, economic and legal risks associated with countries in emerging markets, including CEE and SEE, could adversely affect the Company's financial condition and results of operations
- Unlawful, selective or arbitrary government action may impact the Company's ability to secure the agreements, contracts and permits required for it to develop its projects
- Changes in laws could adversely affect the Company

- The Company's claims to title of investment and development properties may be subject to challenge in certain cases and permits may have been obtained in breach of applicable laws
- There are factors which may prolong or result in a further downturn in the condition of the real estate market in the countries in which the Company operates
- The residential mortgage markets will impact the level of housing purchases in countries of the Company's operations

Risk factors which are specific to the shareholding structure of the Company, corporate governance, the Offering and the listing of the Shares include, but are not limited to, the following:

- Africa Israel Investments and/or AFI Properties will be able to exercise control over the Company, in a way which may not always be in the best interest of the minority shareholders
- There may be conflicts of interest between Africa Israel Investments and/or AFI Properties and the Company
- As the Issuer is established and organised under Dutch law, shareholders may have different rights and obligations from those of shareholders in Polish companies listed on the WSE
- The Issuer is not in full compliance with the Dutch Corporate Governance Code and the WSE Corporate Governance Rules and does not expect to be in full compliance in the near future
- Because the Issuer is a holding company, its ability to pay dividends depends upon the ability of its subsidiaries to pay dividends and advance funds
- Certain of the Issuer's subsidiaries may have negative net assets or net assets lower than the amount of their respective charter capitals
- Future offerings by the Issuer of debt or equity securities may adversely affect the market price of the Shares and dilute the shareholders' interests
- Prospective holders of the Shares are subject to exchange rate risk
- Trading in the Shares on the WSE may be suspended
- The Shares may be excluded from trading on the WSE
- The marketability of the Shares may decline and the market price of the Shares may fluctuate and decline below the Offer Price
- There is no prior market for the Shares and therefore there cannot be an assurance regarding the future development of such market
- The Issuer may be unable to list its Shares on the WSE

Risk factors which are specific to taxation include, but are not limited to, the following:

- Changes in tax laws or their interpretation could affect the Issuer or any of its subsidiaries' financial condition and the cash flows available to the Company
- The Issuer is exposed to risks relating to its tax status in countries other than the Netherlands

These risks are more fully described in the section entitled "*Risk Factors*" immediately following this Prospectus summary.

SUMMARY OF THE OFFERING

The Issuer	AFI Europe N.V.
Selling Shareholder	Africa Israel International Properties (2002) Ltd.
The Offering	<p>The Offering comprises the offer of up to 35,535,000 Offer Shares, by way of a public offering to (i) retail investors in the Republic of Poland (the “Retail Offering”) (ii) institutional investors in the Republic of Poland (the “Polish Institutional Offering”) and, together with the “Retail Offering”, the “Polish Public Offering”) and (iii) a private placement for institutional investors outside the United States (excluding the Republic of Poland) in reliance on Regulation S under the U.S. Securities Act (the “International Offering”) and together with the Polish Institutional Offering, the “Institutional Offering”).</p> <p>The gross proceeds from the issuance of the New Shares will be approximately EUR 100 million, therefore the Issuer and the Selling Shareholder reserve the right to decrease, prior to the Pricing Date, the number of the Offer Shares allotted to investors.</p>
New Shares	Up to 23,800,000 New Shares of the Issuer that are offered in the Offering.
Sale Shares	Up to 7,100,000 existing ordinary shares in the capital of the Issuer that are offered by the Selling Shareholder in the Offering.
Shares issued immediately prior to the Offering	93,000,000 Shares outstanding
Over-allotment Shares	Up to 4,635,000 existing ordinary shares in the capital of the Issuer that may be offered by the Selling Shareholder in the Offering pursuant to the Over-allotment Option.
Offer Shares	The New Shares, the Sale Shares and the Over-allotment Shares, in total up to 35,535,000 Shares.
Shares	The Offer Shares and all the other ordinary shares in the issued and outstanding capital of the Issuer from time to time.
Maximum Price	PLN 21.50 per one Offer Share (EUR 5.50 per Offer Share based on the EUR/PLN exchange rate of 3.9150, quoted by the ECB on 5 November 2010).
Price Range	An indicative price range for the Offering that might be set prior to the start of the book-building, by the Issuer, after consulting with the Selling Shareholder and the Managers.
Pricing Date	The date on which the Offer Price will be determined by the Issuer, with the agreement of the Joint Lead Managers.

Offer Price	The Offer Price will be determined by the Issuer and the Selling Shareholder, with the agreement of the Joint Lead Managers, and will not be higher than the Maximum Price. The Offer Price will be filed with the AFM and published in the same manner as this Prospectus. The Offer Price will be determined based on the following criteria and rules: (i) size and price sensitivity of demand from the institutional investors as gauged during the book-building process and (ii) the current and anticipated situation on the Polish and international capital markets.
Offer Period	The offer period (the “ Offer Period ”) for the Retail Investors will commence on 22 November 2010 and is expected to end on 29 November 2010 and for the Institutional Investors will commence on 22 November 2010 and is expected to end at 6 pm Warsaw time on 30 November 2010.
Allotment Date	Allotment will occur following the subscription period for Institutional Investors, and is expected to take place on or about 1 December 2010, subject to acceleration or extension of the timetable for the Offering at the discretion of the Issuer, with the agreement of the Joint Global Coordinators.
Over-allotment Option	The Selling Shareholder granted to the Underwriters an Over-allotment Option exercisable for up to 30 days following the Allotment Date, to purchase up to an additional 4,635,000 Over-allotment Shares, the maximum number of which is equal to 15% of the original aggregate number of Offer Shares being offered in the Offering (before any exercise of the Over-allotment Option) solely to cover over-allotments, if any, made in connection with the Offering and short positions resulting from stabilisation transactions. Please see “ <i>Placing and Underwriting</i> ”.
Use of Proceeds	<p>The Company intends to utilise the net proceeds from the New Shares to invest in its pipeline projects. Please refer to “<i>Use of Proceeds</i>” for more details. The Company is not entitled to any proceeds from the Sale Shares.</p> <p>The costs and expenses of the Offering, including fees and commissions of the Managers, are estimated at approximately EUR 6.5 million. The exact amount of the net proceeds will be announced in a press release on the Pricing Date.</p>
Listing and Trading	Application will be made by the Issuer to admit to listing and trading all of the Shares as per the Listing Date on the main market. Trading of the Shares on the WSE is expected to commence on or about 9 December 2010. Prior to the Offering, the shares in the capital of the Issuer have not been admitted to or traded on any regulated market.
Listing Agent	ING Securities S.A.

Delivery, Settlement and Payment	Payment for the Offer Shares by the Retail Investors shall be made at the time of placing of the subscription orders. Payment for the Offer Shares by investors in the Institutional Offering shall be made no later than on 3 December 2010. Delivery of the Offer Shares is expected to be made on or about 8 December 2010 to investors' securities accounts upon payment of the total Offer Price, through the book-entry facilities of the Polish National Depository of Securities (the "NDS") in accordance with their normal settlement procedures applicable to IPOs of equity securities.
Central Securities Depository	The Issuer will apply for registration of all of the Issuer's Shares, including the Offer Shares, with the NDS. It is expected that on or soon after the Settlement Date, all of the Issuer's Shares, including the Offer Shares and any additional Shares issued in connection with the full or partial exercise of the Over-allotment Option on the Allotment Date, will exist in book-entry form.
Voting Rights	Each Share entitles its holder to one vote at the Issuer's Shareholders' Meeting.
Lock-up	<p>Pursuant to the Underwriting Agreement, the Selling Shareholder agreed that except for the Sale Shares that will be effectively sold in the Offering, it will not in the period of 365 days from the Listing Date, without the prior written consent of the Underwriters, acting on behalf of the Managers, offer, pledge, allot, issue, sell, contract to sell, sell any option or contract to purchase, purchase any option to sell, grant any option, right exercisable or exchangeable for Shares or enter into any swap or other arrangement that transfers to another, in whole or in part, directly or indirectly, the economic consequence of ownership of Shares, whether any such transaction described above is to be settled by delivery of Shares or such other securities, in cash or otherwise, or announce an intention to effect any such transaction.</p> <p>Pursuant to the Underwriting Agreement, the Issuer agreed, except for the issue of the New Shares in the Offering, that it will not in the period of 180 days from the Listing Date, without the prior written consent of the Underwriters acting on behalf of the Managers: (i) exercise an authorisation pursuant to its Articles of Association to increase its capital; (ii) submit a proposal for a capital increase to any meeting of the shareholders for resolution; or (iii) offer, pledge, allot, issue, sell, contract to sell, sell any option or contract to purchase, purchase any option to sell, grant any option, right exercisable or exchangeable for Shares or enter into any swap or other arrangement that transfers to another, in whole or in part, directly or indirectly, the economic consequence of ownership of Shares, whether any such transaction described above is to be settled by delivery of Shares or such other securities, in cash or otherwise, or announce an intention to effect any such transaction.</p>
ISIN Code	NL 0009590074

Joint Global Coordinators, Joint Lead Managers and Joint Global Bookrunners	Deutsche Bank AG, London Branch and ING Bank N.V., London Branch
Managers	Deutsche Bank AG, London Branch, ING Bank N.V., London Branch and ING Securities S.A.
Selling Restrictions	The Offering of the Offer Shares is subject to certain selling restrictions. Please refer to “ <i>Selling Restrictions</i> ” for more details.

SUMMARY FINANCIAL INFORMATION AND OPERATING DATA

The following tables set out a summary of consolidated financial and operating data for the Company on a consolidated basis as at and for the three years ended 31 December 2007, 2008 and 2009 (the “**Summary Annual Financial Information**”), and as at and for each of the nine-month periods ended 30 September 2009 and 2010, respectively (the “**Summary Interim Financial Information**”).

The Summary Annual Financial Information has been extracted from the Annual Audited Financial Statements, without material adjustment, and should be read in conjunction with, and is qualified in its entirety by reference to, the Annual Audited Financial Statements and the notes thereto included in this Prospectus, and the information in the section titled “*Operating and Financial Review*”. The Summary Interim Financial Information has been extracted from the Interim IFRS Financial Statements, without material adjustment, and should be read in conjunction with, and is qualified in its entirety by reference to, the Interim IFRS Financial Statements and the notes thereto included in this Prospectus, and the information in the section titled “*Operating and Financial Review*”. The Annual Audited Financial Statements and the Interim IFRS Financial Statements have been prepared in accordance with IFRS adopted by the European Union and as applicable in the respective years. The Annual Financial Statements have been audited by KPMG Accountants N.V., the Netherlands. See “*Independent Auditors*”.

	Nine months ended 30 September		Year ended 31 December		
	2010	2009	2009	2008	2007
	(unaudited)		(audited)		
	(in thousand of Euros)				
Net rental and related income.....	37,971	20,099	30,836	21,705	16,669
Profit (loss) on disposal of trading properties...	134	(6,735)	(16,205)	(52,951)	202
Net valuation gains (loss) on investment property	4,121	(3,626)	(22,564)	28,756	35,240
Net valuation gains (loss) investment properties under development	(3,476)	51,472	36,690	—	—
Impairment of investment property under development.....	—	—	—	(10,432)	—
Administrative expenses	(7,830)	(5,882)	(8,810)	(9,683)	(4,067)
Selling and marketing expenses	(774)	(1,201)	(2,756)	(2,773)	(1,358)
Net other income/(expenses)	(1530)	781	(1,977)	(8,808)	(291)
Net operating profit (loss) before net financing costs.....	28,616	54,908	15,214	(34,186)	46,395
Financial Income.....	1,376	2,540	3,270	3,594	184
Interest expenses to Africa Properties	(5,222)	(6,815)	(8,854)	(18,265)	(4,784)
Other financial expenses.....	(25,844)	(14,522)	(24,785)	(14,243)	(10,825)
Net financing costs.....	(29,690)	(18,797)	(30,369)	(28,914)	(15,425)
Income tax expense	(2,173)	(20,114)	(16,660)	3,843	(2,060)
Equity profit (loss) from affiliated companies..	(166)	(77)	567	(8,260)	(160)
Profit (loss) for the period.....	(3,413)	16,074	(31,248)	(67,517)	28,750
Profit (loss) for the year attributable to non controlling interest	(77)	16,289	6,571	7,812	14,191
Profit (loss) for the year attributable to the equity holders.....	(3,336)	(215)	(37,819)	(75,329)	14,559

Statement of Financial Position Data <i>(In thousands of Euros)</i>	As at 30 September		As at 31 December		
	2010	2009	2009	2008	2007
	<i>(unaudited)</i>		<i>(audited)</i>		
Assets					
Investment property.....	753,907	430,070	744,749	412,023	365,541
Investment property under development	103,052	429,177	105,827	289,259	214,715
Inventory of buildings	188,188	213,641	204,312	216,093	224,365
Total non-current assets	1,091,408	1,131,724	1,107,809	973,849	862,520
Inventory of buildings held for sale.....	72,257	93,636	90,274	90,343	110,429
Property held for sale	14,542	—	—	—	—
Cash and cash equivalents	16,195	17,440	17,825	25,022	37,217
Total current assets	136,089	155,649	141,127	152,618	181,849
Total assets	1,227,497	1,287,373	1,248,936	1,126,467	1,044,369
Total equity attributable to equity holders of the parent	199,995	234,585	198,521	235,843	71,432
Non-controlling interest	36,963	47,868	38,085	33,895	27,862
Total Equity	236,958	282,453	236,606	269,738	99,294
Liabilities					
Interest-bearing loans and borrowings	542,295	500,886	515,960	353,199	248,138
Interest-bearing loans and borrowings from related parties	255,497	246,002	248,390	235,045	474,765
Total non-current liabilities	853,464	808,590	819,105	636,211	769,641
Interest-bearing loans and borrowings	60,611	113,214	108,027	107,862	68,681
Interest-bearing loans and borrowings from related parties	18,280	—	—	—	—
Advances for selling inventory.....	3,250	8,740	12,645	11,321	28,535
Total current liabilities	137,075	196,330	193,225	220,518	175,434
Total liabilities	990,539	1,004,920	1,012,330	856,729	945,075
Total equity and liabilities	1,227,497	1,287,373	1,287,373	1,126,467	1,044,369

Statement of Cash Flows Data <i>(In thousands of Euros)</i>	Nine months ended 30 September		Year ended 31 December		
	2010	2009	2009	2008	2007
	<i>(unaudited)</i>		<i>(audited)</i>		
Cash flows from operating activities	31,167	(31, 696)	(10,626)	(25,387)	(117,720)
Cash flows from investing activities	(5,303)	(101,519)	(124,110)	(209,239)	(423,669)
Cash flows from financing activities	(27,724)	125,715	127,631	222,419	566,274
Net increase in cash and cash equivalents .	(1,860)	(7,500)	(7,105)	(12,207)	24,885

Operating Data⁽¹⁾	As of 30 September		As of 31 December		
	2010	2009	2009	2008	2007
GLA (yielding properties, excluding Germany)	293,106	218,516	293,106	190,169	134,472
No. of residential units in stock	578	753	744	889	998

Operating Data⁽¹⁾	Nine months ended 30 September		Year ended 31 December		
	2010	2009	2009	2008	2007
No. of residential units delivered.....	264	311	369	486	104
No. of residential units sold.....	142	85	145	109	252

Note (1) Represents 100% of the projects in which the Company has an economic interest, regardless of the actual proportional ownership of the Company in such project. For more information see “Business – Description of current projects”.

RISK FACTORS

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

Investors in the emerging markets of certain of the CEE and SEE countries should be aware that these markets are subject to greater legal, economic and political risks than mature markets and are subject to rapid change. In general, investing in the securities of issuers with substantial operations in these countries, involves a higher degree of risk than investing in the securities of issuers with substantial operations in the United States, the mature member states of the European Union or other similar jurisdictions. In addition, changes in economic and political situations in other emerging markets country may have a negative related or unrelated consequential impact on the economic and political situation these countries. Accordingly, prospective investors should exercise particular care in evaluating the risks involved in investing in the Shares, including those set forth below.

Even though the following risk factors cover all risks the Company currently believes to be material, the risks discussed below may, in retrospect, turn out not to be complete or prove not to be exhaustive and therefore may not be the only risks to which the Company is exposed. The order in which the risks are presented below does not reflect the likelihood of their occurrence nor the magnitude or significance of the individual risks. Additional risks and uncertainties of which the Company is not currently aware or which it does not consider significant at present could likewise have a material adverse effect on the Company's business, cash flows, financial condition, results of operations or prospects. The market price of the Shares could fall if any of these risks were to materialise, in which case investors could lose all or part of their investment.

Risk factors which are specific to the Company's business

The Company's business has been affected by the global financial crisis and could be further affected if the downturn in general economic conditions in the countries in which the Company operates continues or worsens

The global financial crisis resulted in the failure of a large number of financial institutions, unprecedented levels of government intervention in the capital markets, a result of which was the substantial reduction in the availability of bank financing to businesses. The financial crisis was immediately followed by a slowdown in the general economy in many countries throughout the world, including the countries in which the Company operates.

The events relating to the financial crisis, such as the decrease in consumer spending and the associated request for rental discounts from retailers, have had a negative impact on the European economy and which resulted in an increase in the interest rates on bank loans, stricter conditions for receipt and/or renewal of financing, and a reduction in the market values of real estate properties.

Furthermore, the general reduction in the level of consumer confidence, the less favourable real estate market conditions and the difficulties tenants have faced in securing financing have directly affected the Company's business. The Company's ability to sell or lease its projects at favourable rates is directly influenced by the condition of the real estate market in the countries in which it operates. The economic downturn in these countries, which has resulted in reduced demand for property and has adversely affected the Company's ability to sell or let its completed projects at their expected rates of return. Reference is made to "Operating and Financial Review – Key factors affecting the operations of the Company – General economic conditions and the effect of the credit crisis". This has led to a slowdown in the rate of residential sales and construction of residential projects by the Company, a decline in demand for rental properties, a drop in the occupancy rates of and a decrease in the rents received from rental properties.

If the downturn in general economic conditions and the real estate market in the countries in which the Company operates continues or worsens it may further adversely affect the willingness and ability of customers to secure financing and purchase or lease property. If demand continues to fall, the Company may have to sell or let its projects at a loss or may not be able to sell or let its projects at all. Continuation of the crisis may also lead to a drop in the market value of the Company's properties. It may also adversely affect the Company's business in other ways, for example, if tenants of the Company go bankrupt as a result of the decrease in consumer spending. Any of these results may have a material adverse effect on the Company's business, financial condition and results of operations.

The real estate development market is cyclical

The real estate development market is cyclical. Consequently, the number of projects completed by the Company has varied from year to year, depending on, among other things, general macro-economic factors, changes in the demographics of specific metropolitan areas, availability of financing and market prices of existing and new projects. Typically, growing demand results in an increase of margins of real estate developers and an increase in the number of new projects. Because of the significant lag time between the time of the decision to construct a project and its actual delivery, due in part to the protracted process of obtaining the required governmental consents and the construction time, there is a risk that once the project is completed, the market will be saturated and the developer will not be able to sell the project without decreasing its profit margin. An upturn in the market is typically followed by a downturn as new developers are deterred from commencing new projects due to reduced profit margins. Such downturn may have a material adverse effect on the Company's business, financial condition and results of operations.

The valuation of the Company's properties is inherently uncertain and may be inaccurate and such valuations are subject to fluctuation

The valuation of property is inherently subjective and as a result valuations are subject to uncertainty. Property valuations are made on the basis of assumptions which may not be correct. For example, DTZ's report on the valuation of the Company's properties was prepared on the basis of certain forecasts and assumptions regarding the real estate markets in the CEE and SEE countries in which the Company operates. There can be no assurance that the valuations of the Company's present and future properties will reflect actual sale prices (even where any such sales occur shortly after the relevant valuation date) or that the estimated yield and annual rental revenue of any property will be attained. Forecasts may prove inaccurate as a result of the limited amount and quality of publicly available data and research regarding the real estate markets in which the Company operates compared to mature markets. The construction costs as estimated by the Company and as included in the DTZ Report are based on current prices and future price forecasts. The actual costs may be different.

If the forecasts and assumptions on which DTZ's valuations of the projects in the Company's portfolio are based prove inaccurate, the actual value of the projects in the Company's portfolio may differ materially from DTZ's respective valuation. Inaccurate valuations of the Company's properties and fluctuations in valuations may have a material adverse effect on the Company's business, financial condition and results of operations.

In addition, a decrease in the value of the real estate assets of the Company may also negatively affect the loan-to-value ratios associated with the Company's projects and the ability of the Company to raise and service its debt funding.

A number of factors may hinder the Company's ability to sell its properties on a timely basis

There may be circumstances under which it would be beneficial for the Company to be able to sell one or more of its projects quickly. For example, the Company may wish to sell on short notice if it believes that market conditions are optimal or if it is approached by a party interested in purchasing a particular property on commercially attractive terms. Real estate investors generally cannot dispose of real estate investments quickly due to the relatively bureaucratic sales process. The Company's properties may be subject to financing covenants which may further restrict and/or delay their transferability with a requirement to obtain the lender's consent. Some of the Company's projects are also held through joint ventures with third parties,

(AFI Palace Flora, Airport City Belgrade, Broadway Palace, Evropska Business Center, D8 European Park, Club Aliga, Wilanów One and Plovdiv) and may, as a result, be subject to legal and/or contractual limitations on transferability, such as first refusal and co-sale rights, or a requirement to approve any such sale by the joint company's corporate organs. Such limitations could adversely affect the Company's ability to complete a transaction and to generate cash as needed through timely sales of its projects at favourable prices or to vary its portfolio promptly in response to economic or other conditions. If the Company cannot sell a particular project within a reasonable time, it may not be able to generate the cash flow it may require to service ongoing operations or invest in new projects, or it may be unable to take advantage of favourable economic conditions or mitigate against the impact of unfavourable economic conditions when they arise, which could have a material adverse effect on the Company's business, financial condition and results of operations.

Failure to obtain the required zoning, construction permits, or any other approvals in a timely manner or at all may delay or prevent the development of certain of the Company's projects

For each of the Company's projects, the Company must obtain the required zoning, construction permits and all of the other applicable approvals and permits. In respect of certain of the Company's projects, local residents or others may oppose its planned developments or certain aspects of them. The absence of the required approvals and permits issued by the relevant authorities could result in administrative fines and court claims brought by the relevant authorities. Failure to do so could prevent completion of such projects. In addition, the procedures for re-zoning are complex and extensive and the approval process, particularly in countries where the bureaucracy is cumbersome and inefficient, may be arbitrary. As a result, the Company cannot guarantee that all relevant municipal, zoning and other administrative permits, consents or permissions required from various government entities in connection with existing or new development projects will be obtained by the Company in a timely manner or at all.

In addition, the Company may wish to alter certain of its projects to put these to a more profitable use but may be unable to do so as a result of not being able to obtain the required approvals and permits. If the Company cannot obtain these required approvals and permits in a timely manner or at all, its projects will be delayed or cancelled, which could have a material adverse effect on Company's business, financial condition and results of operations.

The Company's business is dependent on the Company's ability to actively manage its assets

A core part of the Company's operations is the active management of its assets, which includes the management of vacancy rates and rent levels and the constant endeavours to improve the quality of the existing tenants by attracting new tenants. This is particularly relevant with respect to the Company's large scale commercial properties, such as AFI Palace Cotroceni, Palace Flora, AFI Palace Pardubice, and Airport City Belgrade. In addition to legal restraints, the Company's ability to reduce vacancies and increase rents is subject to various market related factors that have an effect on the demand for the Company's properties. Some of these factors, such as the general economic environment, consumers' confidence, inflation and interest rates and others, are out of the Company's control. During periods of recessions or downturns, it is more challenging for developers to attract new tenants and to retain existing ones, and the competition between developers on each tenant is much stronger. If the Company is unable to create or capture demand for its properties by, for example, improving tenant services or motivating its external sales agents, it may not be able to reduce vacancy rates or increase rents as desired.

A prolonged period of higher vacancy rates could lower the rents tenants pay generally and make it more difficult to increase the average rent that the Company is able to charge. Higher vacancy rates would also increase the Company's overall operating costs, as it would have to cover expenses generated by empty properties or units without generating related revenue. Any such decrease in rental revenue or increase in operating costs could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company may be materially affected by the loss of anchor tenants

The presence of anchor tenants in its commercial retail projects is important for the commercial success of the Company. Anchor tenants play an important part in generating customer traffic and making a centre a desirable location for other tenants. It may be more difficult to attract anchor tenants to enter into leases during periods when market rents are increasing or when general consumer activity is decreasing, or if there is competition for such tenants from competing developments. In addition, the termination of a lease or an agreement for lease by any anchor tenant may adversely affect the attractiveness of a project. The failure of an anchor tenant to abide by these agreements, or the bankruptcy or economic decline of a anchor tenant, may cause delays, or result in a decrease in rental income (temporary or long term), the effect of which we may not be able to offset due to difficulties in finding a suitable replacement anchor tenant. If the Company fails to renew the leases of anchor tenants, or to replace such tenants in a timely manner, the Company may incur material additional costs or loss of revenues which in turn may have a material adverse effect on the Company's business, financial condition and results of operations.

The Company may not be able to complete the projects in its portfolio, a number of which are in the pre-construction stage

The Company's portfolio currently comprises 32 projects. On 15 of these projects (categorised as land bank) development has not yet begun. The Company's ability to commence and complete the development of these projects is subject to a number of factors, some of which are beyond its control, including, but not limited to, the ability of the Company to obtain the requisite permits and financing as well as engage quality contractors. If the Company should fail to obtain the requisite permits or financing, or fail to engage quality contractors, its ability to complete these projects on time, or at all, will be impaired, which could have a material adverse effect on its business, financial condition and results of operations.

The Company may be subject to increased costs or project delays or cancellations if it is unable to hire general contractors to build its projects on commercially reasonable terms, or at all, or if the general contractors it hires fail to build the Company's projects to accepted standards, in a timely manner or within budget

The Company outsources the construction of its projects to general contractors. The successful construction of the Company's projects depends on its ability to hire general contractors to build its projects to accepted standards of quality and safety on commercially reasonable terms, within the limits of an agreed timeframe or an approved budget. The Company may not be able to hire general contractors on commercially reasonable terms or at all for a variety of reasons. For example, the competition for the services of high quality general contractors and subcontractors may make it difficult to enter into contracting arrangements on commercially acceptable terms within the required timeframe, or at all.

In addition, the Company's reliance on general contractors and subcontractors exposes it to the risks associated with the poor performance or work ethic of such contractors and their subcontractors and employees, construction defects and the solvency of the contractors and their subcontractors. The Company may incur losses as a result of being required to engage contractors to repair defective work or pay damages to persons who have suffered loss as a result of such defective work. Furthermore, these losses and costs may not be covered by the Company's professional liability insurance, by the contractor or by any relevant subcontractor.

The Company's failure to hire general contractors on commercially reasonable terms could result in increased costs. Failure to hire general contractors at all could result in project delays or cancellations. Failure of general contractors to meet accepted standards of quality and safety or to complete the construction within the limits of an agreed timeframe or within an approved budget, may result in increased costs, project delays, claims against the Company and cancellations. In addition, it may damage the Company's reputation and affect the marketability of the completed property. If the Company is unable to enter into contracting arrangements with quality general contractors or subcontractors on commercial terms, or their performance is substandard, this could have a material adverse effect on its business, financial condition and results of operations.

The Company may face claims for defective construction and risks associated with adverse publicity, which could have an adverse effect on its competitive position

The construction, lease and sale of properties are subject to a risk of claims for defective construction, corrective or other works and associated adverse publicity. There can be no assurance that such claims will not be asserted against the Company in the future, or that such corrective or other works will not be necessary. Further, any claim brought against the Company, and the surrounding negative publicity concerning the quality of the Company's properties or projects, irrespective of whether the claim is successful, could also have a material adverse effect on how its business, properties and projects are perceived by target customers, tenants or investors. This could negatively affect the Company's ability to market, lease and sell its properties and projects successfully in the future, which could have a material adverse effect on the Company's business, financial condition and results of operations.

The construction of the Company's projects may be delayed or damaged by factors over which the Company has limited or no control

The construction of the Company's projects may be delayed or damaged by, among others, the following factors over which the Company has no control:

- increased material, labour or other costs, which may make completion of the project uneconomical;
- acts of nature, such as harsh climate conditions in the winter, earthquakes and floods, that may damage or delay construction of properties;
- industrial accidents, deterioration of ground conditions (for example, presence of underground water) and potential liability under environmental laws and other laws;
- changes in applicable laws, regulations, rules or standards that take effect after the commencement by the Company of the planning or construction of a project, that result in the incurrence of costs by the Company or delays in the development of the project; and
- defective building methods or materials.

The inability to complete the construction of a project on schedule, on budget, or at all, for any of the above reasons or others may result in increased costs or cause the project to be delayed or cancelled, which could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company is subject to general development risks that may increase costs and/or delay or prevent the development of its projects

Development of the 15 land bank projects has not yet begun. As such, they do not generate any revenues. The successful development of these projects is an important factor for its future success. Such development involves a large number of highly variable factors, and as a result it is complex and inherently risky. In addition to these risks, the Company's business may be affected by additional factors, including, but not limited to, the following:

- additional construction costs for a development project being incurred in excess of the original agreement with the general contractors;
- changes in existing legislation or the interpretation or application thereof;
- actions of governmental and local authorities resulting in unforeseen changes in urban planning, zoning and architectural requirements, as well as other unforeseeable circumstances, resulting in the imposition of requirements to preserve buildings or other structures having historic and cultural heritage value;
- potential defects in the legal title of the land plots or buildings acquired by the Company, or defects in approvals or other authorisations relating to land plots held by the Company;

- the Company's potential inability to obtain financing on favourable terms or at all for individual projects or in the context of multiple projects being developed at the same time;
- potential liabilities relating to acquired land, properties or entities owning properties for which the Company may have limited or no recourse;
- obligations for the development of adjacent properties; and
- obligations relating to the preservation and protection of the environment and the historic and cultural heritage of the countries in which the Company operates, as well as other social obligations.

These factors, including factors over which the Company has little or no control, may increase costs, give rise to liabilities or otherwise create difficulties or obstacles to the development of the Company's projects. The inability to complete the construction of a property on schedule or at all for any of the above reasons may result in increased costs or cause the projects to be delayed or cancelled, which could have a material adverse effect on the Company's business, financial condition and results of operations.

Without sufficient local infrastructure and utilities, the construction of the Company's projects may be delayed or cancelled, or it may be unable to realise the full expected value of its completed projects

The Company's projects can only be carried out if the sites on which they are located have access to the relevant technical infrastructure (e.g. internal roads, utility connections, and fire prevention equipment and procedures) which is required by law. In cases where such infrastructure is not connected with the site, the use permit for the project may not be issued until such connection is assured. It may also be possible that the relevant authorities will require that the Company develops the relevant infrastructure as a part of the works related to the project, which may have a significant impact on the costs of the construction works. The authorities may also demand that the investor develops the technical infrastructure that is not required from the project's perspective but may be expected by the authorities as a contribution of the investor in the development of the local municipality.

In addition to the necessity of having adequate infrastructure during the construction process, the viability of the Company's projects, once completed, depends on the availability and sufficiency of local infrastructure and utilities. In some cases utilities, communications and logistics networks have not been adequately funded or maintained over past decades and may experience failures. To be sufficient, the existing local infrastructure and utilities may need to be improved, upgraded or replaced. As a consequence of this lack of maintenance, for example, the Company may from time to time experience shortages in the availability of energy and other utilities. In addition, the Company's completed projects rely on accessibility through the use of the public transport network in the cities in which they are located, including buses and trains, as well as the viability and reliability of travel in and around these cities by car. The existing infrastructure in some of the cities in which the Company's projects are located may require upgrades, improvements and in some cases the initiation and completion of new infrastructure projects. As a result of the recent economic downturn, the development of existing infrastructure has, in certain countries in which the Company operates (such as Latvia), has been put on hold and may be delayed in the future. In other cases, plans to initiate new infrastructure projects have been put on hold or may be put on hold in the future.

If the existing infrastructure in and around the Company's projects is not improved by the date of completion of its projects, the Company may lack the ability to utilise these sites to their full intended capacity, either as a result of its inability to connect them with the necessary utilities or as a result of diminished accessibility. This may affect the value and marketability of the Company's projects. There can be no assurance that improvements to the infrastructure in and around the Company's projects, or infrastructure integrated into its projects, will occur prior to completion of the projects or that any such improvement will be sufficient to support its completed projects.

The Company may not be able to successfully manage its growth due to the expected expansion of its operations

The Company expects to expand its operations over a relatively short period of time, in terms of size and, potentially, geographical location. It is likely that the operational complexity and scale of the Company's projects and the responsibilities of its management will increase as a result of this expected growth, placing significant strain on the Company's management and other key personnel. The Company will need to continue to improve its operational and managerial controls and procedures to keep pace with this expected growth. If the Company fails to manage this expected growth effectively, it may not be able to execute its business plans, which could have a material adverse effect on its business, financial condition and results of operations.

The Company may be subject to the risk that tenants are unwilling to vacate a development site, which could result in the Company having to incur costs or delays in the development of a project

The relocation of existing tenants could be a lengthy process and may result in legal claims against the Company. These obstacles may delay or prevent the Company from beginning work on such projects or prevent the completion of a certain project and/or cause the Company excessive cost in having to purchase such interests, which could have a material adverse effect on its business, financial condition and results of operations.

The Company may be subject to liability following the disposal of investments

When the Company disposes of its projects, it may be required to give certain representations, warranties and undertakings and to pay damages to the extent that any such representations, warranties or undertakings turn out to be inaccurate or it does not fulfil such representations, warranties or undertakings. As a consequence, the Company may become involved in disputes or litigation concerning such representations, warranties and undertakings and may be required to make payments to third parties, which may have an adverse effect on the Company's business, financial condition and results of operations.

The Company may be exposed to certain environmental liabilities and compliance costs

The environmental laws in the countries in which the Company's operates, as a rule impose actual and potential obligations to conduct remedial action on sites contaminated with hazardous or toxic substances. Such laws often impose liability without regard to whether the owner of such site knew of, or was responsible for, the presence of such contaminating substances. These obligations may relate to sites that the Company currently owns or on which the Company is currently developing its projects.

In such circumstances, the owner's liability is generally not limited under such laws and the costs of any required removal, investigation or remediation can be substantial. The presence of such substances on, or in, any of the Company's properties, or the liability for failure to remedy property contamination from such substances, could adversely affect the Company's ability to sell or let such property or to borrow funds using such property as collateral, which could have an affect on the Company's return on investment. In addition, the presence of hazardous or toxic substances on or in a property may prevent, delay or restrict the development or redevelopment of such property, negatively affecting the potential returns achievable on such property.

The CEE and SEE countries in which the Company operates have in the recent past implemented environmental laws and regulations and increased their enforcement thereof. This may be of significant importance in connection with project sites that were previously the site of operating factories such as, for example, the land in Bucharest on which the Company plans the large scale mixed-use development project, AFI Golden City, or the land in Prague which is designated for project AFI City. The acquisition by the Company of a property that turns out to be contaminated, may adversely affect the Company's ability to develop residential or commercial projects on the site, and may result in the Company incurring significant costs in cleaning it up. In addition, any future sale of the development may require the Company to provide indemnities to the purchaser against environmental liabilities. Accordingly, the Company may continue to face potential environmental liabilities with respect to a particular property even after such property is sold.

Furthermore, the Company may become involved in claims and lawsuits relating to environmental matters. An adverse outcome in any of these might have a significant negative impact on the Company's operations. If the authorities in the countries in which the Company operates discover violation of their respective environmental laws, the Company may be subject to fines and other penalties.

The imposition of stricter environmental, health and safety laws or enforcement policies in the countries in which the Company operates, could result in substantial costs and liabilities to the Company and could subject the properties that the Company owns or operates (or those formerly owned or operated by the Company) to more rigorous scrutiny than is currently the case. Consequently, compliance with these laws could result in substantial costs resulting from any required removal, investigation or remediation and the presence of such substances on the Company's properties may restrict its ability to sell the property or use the property as collateral, which could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company is subject to legal disputes

The Company's business involves the rental, sale and administration of properties that, as a matter of ordinary course of business, expose the Company to a certain amount of small-scale litigation and other legal proceedings. For information on legal proceedings in which the Company is involved, see "*Legal and Arbitration Proceedings*". Legal disputes which, taken individually, are relatively immaterial, may be joined with disputes based on similar facts, such that the aggregate exposure to the Company might become material to its business. Furthermore, the Company may face claims and may be held liable in connection with incidents occurring in its construction sites such as accidents, injuries or fatalities of its employees, employees of its contractors or other visitors on the sites. Other types of disputes in which the Company may be involved include, among others, disputes with individual tenants regarding replacement or maintenance of residential unit fixtures or appliances, lease disputes and the settlement of utility charges. If such individual disputes are joined and successfully pursued against the Company, they could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company's insurance may be inadequate

The Company's insurance policies may not cover it for all losses that may be incurred by the Company in the conduct of its business and certain types of insurance are not available on commercially reasonable terms or at all. As a result, the Company's insurance may not fully compensate it for losses associated with damage to its real estate assets. In addition, there are certain types of risks, generally of a catastrophic nature, such as floods, hurricanes, terrorism or acts of war that may be uninsurable or that are not economically insurable. Other factors may also result in insurance proceeds being insufficient to repair or replace a property if it is damaged or destroyed, such as inflation, changes in building codes and ordinances, environmental considerations. The Company may incur significant losses or damage to its assets or business for which it may not be compensated fully or at all. As a result, the Company may not have sufficient coverage against all losses that it may experience. Should an uninsured loss or a loss in excess of insured limits occur, the Company could lose capital invested in the affected developments as well as anticipated future revenue from that project. In addition, the Company could be liable to repair damage caused by uninsured risks. The Company could also remain liable for any debt or other financial obligation related to that damaged property. No assurance can be given that material losses in excess of insurance coverage limits will not occur in the future. Any uninsured losses or losses in excess of insured limits could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company's financial performance is to a large extent dependent on local economic circumstances, such as real estate prices and rental levels

The results of the Company's operations is dependent, to a large extent, on real estate prices and rental levels remaining stable or rising in the countries in which the Company operates. There is no guarantee that this will be the case and the Company may be unable to sell or let its developments at profitable prices. In addition, adverse political, environmental or economic developments in the countries in which the Company operates could have a significant negative impact on, among other things, gross domestic products, foreign trade or economies in general and as a result affect the Company's financial condition, results of operations

and the price of the Shares. Furthermore, if the ability of tenants to pay rent or the ability of potential purchasers to acquire properties is affected, this may have a negative impact on the Company's financial condition and results of operations.

A failure to manage and operate its largest projects may materially adversely affect the Company

In the first nine months of 2010, 75.2% of the Company's gross rental income (representing 44.6% of the Company's total gross rental income and proceeds from sale of trading properties) was generated by three large-scale projects - AFI Palace Cotroceni (44%), Airport City Belgrade (20.3%) and Palace Flora (10.9%). If the Company were unable to manage and operate these projects in accordance with its business plans by maintaining the present level of occupancy, rent and, in the case of AFI Palace Cotroceni and Palace Flora, footfall (i.e. the number of people visiting the mall in a given period of time), this may have a material adverse effect on the Company's business, financial condition and results of operations.

The Company faces competition from other real estate developers and it might not be able to secure suitable locations for development of its projects

The Company faces competition from other real estate developers. Competition may lead, among other things, to an increase in land prices and/or developments costs. The successful growth and profitability of the Company is dependent, in particular, on acquiring good development sites at competitive prices and their appropriate development. The acquisition of sites for development may be difficult for reasons such as competition in the real estate market, the slow process of obtaining permits, the absence of local zoning plans and the limited availability of land with the appropriate infrastructure. If the Company finds and acquires a location that is suitable for development, the suitability of that location may be adversely affected by external factors such as a competing project within the same catchment area. If the suitability of a location is adversely affected, the relevant development may be delayed or abandoned. In such circumstances, there is no guarantee that the Company will be able to use the site for an alternative development or be able sell the site. In each country the Company will face competition from other property developers for the acquisition of sites that the Company has identified for the development of projects. Failure of any of the Company's projects due to the reasons described above may have a material adverse effect on the Company's business, financial condition and results of operations.

Shortages of qualified employees and other skilled professionals could delay the completion of the projects of the Company or increase its costs

The Company relies on employees and certain other skilled professionals, such as project managers, developers, mid-level managers, accountants and other financial professionals, lawyers, engineers and architects, in the development of its projects. If the Company is unable to compete successfully for the limited number of skilled professionals countries in which operates or to hire the necessary numbers of employees, staffing shortages may adversely affect its ability to adequately manage the completion of its projects or force it to pay increased salaries to attract skilled professionals or such employees. Furthermore, the future success of the Company depends on its ability to hire senior personnel such as regional managers and country managers with extensive experience in the identification, acquisition, financing, construction, marketing and management of development projects and investment properties. Failure by the Company to recruit and retain appropriate personnel may have a material adverse effect on the Company's business, financial condition, results of operations and the price of the Shares.

The Company may not be able to realise its expected rates of return if the real estate markets in CEE and SEE countries in which the Company operates become saturated and competition increases

Real estate markets may reach saturation if the supply of properties exceeds demand. Saturation in these markets would result in an increase in vacancy rates and/or a decrease in market rental rates and sale prices. As the commercial real estate markets in the CEE and SEE are characterised predominantly by short term leases, the Company expects that rental rates would decrease promptly in response to a perceived oversupply of lettable commercial space in those markets. If vacancy rates rise and/or market rental rates decrease, the Company may not be able to realise its expected rates of return on its projects or may be unable to let or sell

its properties at all, which could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company is subject to joint venture risks as control of certain projects is shared with third parties

Some of the Company's projects (AFI Palace Flora, Airport City Belgrade, Broadway Palace, Evropska Business Center, D8 European Park, Club Aliga, Wilanów One and Plovdiv) are held through joint venture arrangements with third parties. Pursuant to the agreements governing such relationships (See: "Material Contracts"), the Company shares control of such assets with those third parties. As a result, certain decisions relating to those projects may require the consent or approval of the Company's joint venture partners. Disputes may arise between the Company and its joint venture partners, which could mean that the Company may not be able to manage or deal with a particular project as it sees fit.

Specific risks arising from such joint venture arrangements, which are not present with projects that are wholly-owned, include but are not limited to:

- the Company's joint venture partners may have different objectives from the Company, including with respect to the appropriate timing and pricing of any sale or refinancing of a development;
- the Company's joint venture partner may take action contrary to the Company's instructions or requests, policies or objectives, or frustrate its actions;
- the Company's joint venture partners might become bankrupt or insolvent; and
- the Company may be required to provide additional financing to make up for any shortfall due to the joint venture partner failing to provide such finance or to furnish any required collateral to the financing banks.

Even when the Company has a controlling interest, certain major decisions (such as whether to sell, refinance or enter into a lease or contractor agreement and the terms on which to do so) may require the joint venture partner's approval. Failure to reach or maintain agreement with the Company's joint venture partners on the matters relating to the financing and operation of the relevant projects may cause delays or cancellations of the Company's projects, impair the Company's ability to complete its projects as planned, or result in increased costs to the Company, which could have a material adverse effect on the Company's business, financial condition, prospects and results of operations.

The Company's consolidated balance sheet and income statement may be significantly affected by fluctuations in the fair market value of its properties as a result of revaluations

The Company's income generating properties and properties under development are independently re-valued on an annual basis, in accordance with its accounting policy. Consequently, in accordance with IAS 40 as adopted by the EU, any increase or decrease in the value of its properties is recorded as a revaluation gain or loss in the Company's consolidated income statement for the period during which the revaluation occurs. As a result, the Company can have significant non-cash revenue gains and losses from period to period depending on the change in fair market value of its properties, whether or not such properties are sold. If market conditions and the prices of comparable commercial real estate properties continue to be volatile, significant revaluation gains or losses from the Company's existing properties may continue in the future. If a substantial decrease in the fair market value of its properties occurs, over the longer term, the Company's business, results of operations and financial condition could be materially adversely affected.

The Company may be unable to detect and prevent fraud or other misconduct committed by its employees or third parties

Fraud and other misconduct by employees or third parties acting on behalf of the Company may be difficult to detect and prevent and could subject the Company to financial losses and sanctions imposed by governmental authorities and seriously harm the Company's reputation. In addition, the Company's employees or third parties acting on behalf of the Company may commit errors that could subject the

Company to financial claims and regulatory actions. Such fraud or errors may have a material adverse effect on the Company's business, financial condition and results of operations.

Financing risks

The Company has significant capital needs, and additional financing may not be available on favourable terms, on a timely basis or at all

The Company's business is capital intensive. The Company requires substantial up-front expenditures for land acquisition, development and construction costs. As a result, the Company requires substantial amounts of cash and construction financing from banks for its operations. The Company cannot be certain that such external financing would be available on favourable terms, on a timely basis or at all. In addition, construction loan agreements generally permit the draw down of the loan funds against the achievement of predetermined construction and space leasing milestones. If the Company fails to achieve these milestones, the availability of the loan funds may be delayed, thereby causing a further delay in the construction schedule. If the Company fails to obtain financing to fund its planned projects and other expenditures, its ability to service existing, or undertake additional, development projects may be limited, which would have a material adverse effect on the Company's business, financial condition and results of operations.

The Company may be unable to raise additional financing in the future to enable acquisition and development of new projects

In order for the Company to continue to acquire and develop new properties in accordance with its long term strategy, it may need in the future to raise further funds through, for example, issuing shares, undertaking loans and issuing debt instruments. There can be no guarantee that such further fundraising or any type of fundraising would be successful. The development and growth of the business of the Company may be constrained if fundraising is not successful or if funds are raised on unfavourable terms, which could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company may incur substantial losses if it fails to meet the obligations and requirements of its debt financing and furthermore, the restrictions imposed by its debt financing may prevent it from selling its projects

In order to secure their loans, the Company and its Subsidiaries have in the past and/or may in the future mortgage its assets, pledge participation interests in its subsidiaries, enter into guarantees and agree to negative pledges. In addition, the Company's loans contain restrictions on its ability to dispose of certain key assets. The Company could fail to make principal and/or interest payments due under the Company's loans or breach of any of the covenants in the Company's loans. In some cases, the Company may breach these covenants due to circumstances which may be beyond the control of the Company. These may include, requirements to meet certain loan to value, debt service coverage and working capital requirements. For example, as a result of a general decline in real properties' values throughout Germany during 2008, impairments were made to the aggregate value of the German Portfolio, which resulted in a failure to meet, as of the beginning of 2009, one of the covenants under the loan agreement relating to the observance of a certain minimum loan-to-value ratio. A breach of such covenants by the Company could result in the forfeiture of its mortgaged assets or the acceleration of its payment obligations, the acceleration of payment guarantees, trigger cross-default clauses or make future borrowing difficult or impossible. In these circumstances, the Company could also be forced in the long term to sell some of its assets to meet its loan obligations or the completion of its affected projects could be delayed or curtailed. Any of the events described above could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company is exposed to changes in foreign currency exchange rates

The Company reports its financial results in Euros. A significant portion of the Company's expenses and expected revenues are, or will be, denominated and settled in the local currencies of the countries in which the Company operates. For example, in 2009 46% of the income generated by selling apartments was denominated in Czech Crown (CZK), and an additional 35% in Polish Zloty (PLN). The Company expects

that, for commercial purposes, a significant proportion of such income and expenditure may be negotiated using Euro and paid in other currencies at the prevailing spot rate. In addition, the Company has obtained debt financing denominated in Euros. As a result of these factors, the Company may generate foreign exchange gains and losses to the extent that the Euro depreciates or appreciates against the local currencies in the countries in which the Company operates, as its Euro-denominated liabilities and interest payments will decrease or increase with such currency fluctuations when translated into other currencies. Accordingly, the Company is exposed to the risk of fluctuation of the Euro and such local currencies, each of which has experienced significant volatility in the last three years. Such fluctuations may adversely affect the Company's Euro-measured results and have a material adverse effect on its business, financial condition, results of operations and the price of the Shares.

The Company is subject to interest rate risk

The Company currently has or intends to incur certain indebtedness under existing debt facilities which is subject to variable interest rates. Interest rates are highly sensitive to many factors, including government monetary policies and domestic and international economic and political conditions, and other factors beyond the Company's control. Changes in interest rates may increase the Company's cost of borrowing of existing loans, impacting on its profitability. The need to hedge interest rate risk is reviewed by the Company on a case by case basis, except for those projects in which the lenders require it to hedge the relevant interest rate risk. Changes in interest rates may have a material adverse effect on the Company's business, financial condition and results of operations.

Risks factors relating to the geographic markets in which the Company operates

Political, economic and legal risks associated with countries in emerging markets, including CEE and SEE countries, could adversely affect the Company's financial condition and results of operations

All of the Company's revenues are attributable to operations in CEE and SEE countries, particularly Romania, the Czech Republic and Serbia. These markets are subject to greater risk than more developed markets. CEE and SEE countries still present various risks to foreign investors, such as instability or changes in national or local government authorities, land expropriation, changes in taxation legislation or regulation, changes to business practices or customs, changes to laws and regulations relating to currency repatriation and limitations on the level of foreign investment or development. In particular, the Company is affected by rules and regulations regarding foreign ownership of real estate and personal property. Such rules may change quickly and significantly and, as a result, impact the Company's ownership and may cause it to lose its property or assets without legal recourse.

Furthermore, some countries may regulate or require governmental approval for the repatriation of investment income, capital or the proceeds of sales of securities by foreign investors. In addition, if there is a deterioration in a country's balance of payments or for other reasons, a country may impose temporary restrictions on foreign capital remittances abroad. Any such restrictions may adversely affect the Company's ability to repatriate investment loans or to remit dividends. Some CEE and SEE countries, have experienced substantial, and in some periods extremely high, rates of inflation for many years. Inflation and rapid fluctuations in inflation rates have had and may continue to have negative effects on the economies and securities markets of certain emerging countries.

In addition, adverse political or economic developments in neighbouring countries could have a significant negative impact on, among other things, the gross domestic product, foreign trade or economies in general of individual countries. The countries of the Company's operations have experienced and may still be subject to potential political instability caused by changes in governments, political deadlock in the legislative process, tension and conflict between federal and regional authorities, corruption among government officials and social and ethnic unrest.

The materialisation of any of the foregoing risks would have a material adverse effect on the Company's business, financial condition and results of operations.

Unlawful, selective or arbitrary government action may impact the Company's ability to secure the agreements, contracts and permits required for it to develop its projects

Government authorities have a high degree of discretion in the CEE and SEE countries in which the Company operates and may not be subject to oversight by other authorities, requirements to provide a hearing or prior notice, or public scrutiny. Government authorities in such countries may exercise their discretion arbitrarily or selectively or in an unlawful manner and may be influenced by political or commercial considerations. Such discretion may have a material adverse effect on the Company's business, financial condition and results of operations.

Changes in laws could adversely affect the Company

The Company's actions are subject to various regulations in the countries in which it operates, such as fire and safety requirements, environmental regulations, labour laws, land use restrictions and taxes. If the Company's projects and properties do not comply with these requirements, the Company may incur governmental fines or private damage awards. New, or amendments to existing, laws, rules, regulations, or ordinances could require significant unanticipated expenditures or impose restrictions on the use of the subject locations and could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company's claims to title of investment and development properties may be subject to challenge in certain cases and permits may have been obtained in breach of applicable laws

It may be difficult or, in certain cases, impossible for the Company to establish with certainty that title to a property has been vested in a relevant group company due to the fact that real estate laws in the countries in which the Company operates are complicated and often ambiguous and/or contradictory and relevant registries may not be reliable. Under the laws of the jurisdictions in which the Company operates, transactions involving real estate may be challenged on many grounds, including where the seller or assignor to property did not have the right to dispose of such property, breach of corporate approval requirements by a counterparty or failure to register the transfer of title in an official register, when required. Also even if title to real property is registered it may still be subject to challenge in certain jurisdictions. Therefore, there can be no assurance that the Company's claim to title would be upheld if challenged. Further, it is possible that permits, authorisations, re-zoning approvals or other similar requirements may have been obtained in breach of applicable laws or regulations (including in return for illegal payments). Such matters would be susceptible to subsequent challenge. Similar issues may arise in the context of compliance with privatisation procedures and auctions related to the acquisition of leases of land and development rights. It may be difficult, or impossible, to monitor, assess or verify these concerns. If any of these permits, authorisations, re-zoning approvals or other similar requirements were to be challenged, this may have an adverse effect on the Company's business, financial condition and results of operations.

There are factors which may prolong or result in a further downturn in the condition of the real estate market in the countries in which the Company operates

The real estate market in the countries in which the Company operates has been adversely affected by the recent global economic downturn, which has impacted the demand for property. In addition to the economic downturn, the Company could further be affected by a number of factors which may prolong or result in a further downturn in the condition of the real estate market in these countries, including but not limited to:

- changes in customer preferences;
- a decrease in customer purchasing power;
- an increased supply of newly developed commercial or residential real estate; and
- changes in laws and governmental regulations in relation to real estate, including those relating to taxes and governmental charges.

The occurrence of any of these factors may have a material adverse effect on the Company's business, financial condition and results of operations.

The residential mortgage markets will impact the level of housing purchases in countries of the Company's operations

The high demand and increase in prices of flats and houses in Poland, Latvia, Bulgaria and the Czech Republic until the last quarter of 2007 was in large measure the effect of low interest rates and an increase in the availability of credit and loans earmarked for financing the purchase of flats and houses. An increase in interest rates, deterioration in the economic situation of households, and administrative restrictions on the ability of banks to grant credits and loans has caused a decrease in the demand for apartments and houses, and this decrease may persist. As such, interest in the Company's projects has declined and may decline further. Moreover, banks have been restricting the granting of new mortgage loans and have been increasing interest rates. The considerable popularity of foreign currency loans means that a fall in the value of the local currencies in relation to foreign currencies, may result in potential purchasers of new apartments not being in a position to obtain financing, and clients who had already purchased apartments or houses potentially experiencing difficulty with repayment. This may also reduce demand for new apartments and houses. Such reduced demand may have a material adverse effect on the Company's business, financial condition and results of operations.

Risk factors relating to the shareholding structure of the Company, corporate governance, the Offering and the listing of the Shares

Africa Israel Investments and AFI Properties will be able to exercise control over the Company, and their decisions may not always be in the best interest of the minority shareholders

As of the date hereof, Africa Israel Investments holds 56% of the shares of Africa Israel Properties Ltd. ("**AFI Properties**"). As a result thereof, Africa Israel Investments indirectly holds a large interest in the Issuer through AFI Properties, as its subsidiary AIIP holds all of the Issuer's shares. Following completion of this Offering and assuming placement of all of the Shares, AFI Properties will indirectly hold approximately 73.5% of the outstanding shares of the Issuer (or 69.6% if the Over-allotment Option is exercised in full). Each of Africa Israel Investments and AFI Properties are public companies whose securities are listed on the Tel Aviv Stock Exchange ("**TASE**").

As the Issuer's largest beneficial shareholders, AFI Properties and (indirectly) Africa Israel Investments and will have the ability to use its majority voting power to exercise control over the Company's operations and business strategy, and will be able to influence significantly the Company's affairs and actions, including the following:

- matters requiring shareholder approval, such as the election of directors, mergers, consolidations or acquisitions;
- the sale of all or substantially all of the Company's assets and other decisions affecting the Company's capital structure;
- amendment of the Issuer's articles of association; and
- dissolution of the Issuer.

Dutch law does not provide minority shareholders with any right to proportional representation on the Board (equivalent to the "group voting" procedure under Polish law). Africa Israel Investments and AFI Properties are also not restricted from increasing their ownership percentage in the Issuer in the future.

The interests of Africa Israel Investments and AFI Properties may conflict with the interests of the minority shareholders of the Issuer. Their control of the Issuer could delay, deter or prevent acts that the minority shareholders may favour, such as hostile takeovers, changes in control of the Issuer and changes in management. As a result of such actions, the price of the Shares could decline or shareholders might not receive a premium for their Shares in connection with a change of control of the Issuer.

There may be conflicts of interest between Africa Israel Investments and/or AFI Properties and the Company

Africa Israel Investments and AFI Properties invest in other companies, and certain members of the Issuer's board of directors also serve or may serve as officers and/or directors of Africa Israel Investments, AFI Properties and/or these other companies. This may lead to conflicts of interest. For example, certain investments desirable for the Company may also be desirable for one or more of these other investment vehicles, and Africa Israel Investments, AFI Properties, and their respective investment advisers or respective representatives on the Issuer's Board, may have conflicting obligations regarding whether to direct or facilitate the making of any particular investment through the Company or through another such investment vehicle. Africa Israel Investments and its subsidiaries may also engage in real estate development or private equity investments and in the future may also compete with the Company for investments or business opportunities.

As the Issuer is established and organised under Dutch law, shareholders may have different rights and obligations from those of shareholders in Polish companies listed on the WSE

The Issuer is organised and exists under the law of the Netherlands. Accordingly, the Issuer's corporate structure as well as rights and obligations of its shareholders may be different from the rights and obligations of shareholders in Polish companies listed on the WSE. The exercise of certain shareholders' rights for Polish investors in the Issuer may be more difficult and costly than the exercise of rights in a Polish company. Resolutions of the Shareholders' Meeting may be taken with majorities different from the majorities required for adoption of equivalent resolutions in Polish companies. Any action to contest any corporate action of the Issuer must be filed with, and will be reviewed by a Dutch court, in accordance with Dutch law. Investors in the Shares are generally subject to Dutch dividend withholding tax at a rate of 15 percent on dividends distributed by the Issuer. Generally, the Issuer is responsible for the withholding of such dividend withholding tax at source. Investors in the Shares may also be subject to Dutch taxation on income and capital gains derived from their investment in the Issuer. Dutch Private Individuals are generally subject to Dutch income tax at statutory progressive rates with a maximum of 52 percent with respect to any benefits derived or deemed to be derived from a Dutch enterprise, including any capital gains realised on the disposal thereof. Although Poland and the Netherlands have a tax treaty which provides protection against double taxation, there can be no assurance that such treaty will continue to remain in force. See also "Taxation".

The Issuer is not in full compliance with the Dutch Corporate Governance Code and the WSE Corporate Governance Rules and does not expect to be in full compliance in the near future

While the Issuer's corporate governance structure complies with the principles of Dutch law, the Issuer deviates in certain respects from the principles of good corporate governance and best practice provisions set forth in the Dutch Corporate Governance Code and the WSE Corporate Governance Rules contained in the "Best Practices in Public Companies in 2010". In accordance with the comply or explain principle of the Dutch Corporate Governance Code, the reasoning behind any deviations from the principles and best practice provisions of the Dutch Corporate Governance Code will be explained in the Issuer's annual report. The Issuer has adopted a policy that, whenever the Dutch Corporate Governance Code and the WSE Corporate Governance Rules contain conflicting provisions, the Issuer will, to the extent practicable, comply with the regulations of the WSE, as this is the main market on which the Issuer's Shares will be listed. See "Description of Share Capital and Corporate Governance—Dutch Corporate Governance Code" and "Description of Share Capital and Corporate Governance—Polish Corporate Governance".

Because the Issuer is a holding company, its ability to pay dividends depends upon the ability of its subsidiaries to pay dividends and advance funds

The Issuer has never paid out dividends and may not pay out dividends in the near future or at all. Being a holding company, the Issuer's ability to pay dividends depends upon the ability of its subsidiaries to pay dividends and advance funds to the Issuer. Therefore, there can be no assurance that the Issuer will declare or pay any dividends to its shareholders in the future. The payment and amount of any future dividends will depend on the Board's assessment of factors such as long-term growth and earnings trends, the need for

sufficient liquidity, the need for investment in the Issuer's existing asset base, the existence of alternative profitable investment opportunities and the Issuer's financial position in general.

Certain of the Issuer's subsidiaries may have negative net assets or net assets lower than the amount of their respective charter capitals

Some of the Issuer's subsidiaries could have negative equity, when their liabilities exceed their assets. Such situation could trigger an event of default under certain loan agreements (see "*Operating and Financial Review – Commitments and Contingent Liabilities – Loans, security and covenants*"). Furthermore, if such situation is not remedied in a timely manner, such subsidiaries with negative equity could be declared insolvent and forced to undertake insolvency proceedings prescribed by the relevant applicable law. The consequences of this could have a material adverse effect on the Issuer's business, financial condition and results of operations.

Future offerings by the Issuer of debt or equity securities may adversely affect the market price of the Shares and dilute the shareholders' interests

To finance future acquisitions, the Issuer may raise additional capital by offering debt or additional equity securities, including global depositary receipts, commercial paper, medium-term notes, senior or subordinated notes, series of preferred shares or ordinary shares. The issuance of equity or debt securities with conversion rights may dilute the economic and voting rights of existing shareholders, if made without granting pre-emptive or other subscription rights, or reduce the price of the Issuer's shares, or both. The exercise of conversion rights or options by the holders of convertible or warrant-linked bonds that the Issuer may issue in the future may also dilute shareholders' interests. Holders of the Issuer's ordinary shares have statutory pre-emptive rights entitling them to purchase a percentage of every issuance of the Issuer's ordinary shares. As a result, holders of the Issuer's ordinary shares may purchase ordinary shares that the Issuer may issue in the future, in order to preserve their percentage ownership interest in the Issuer, thereby reducing the percentage ownership interest of other investors. The Issuer's articles of association currently provide for the issuance of up to 29,100,000 additional shares as authorised capital including New Shares in this Offering. The Issuer may issue all of these shares without any action or approval by the shareholders and without reserving any pre-emptive subscription rights to shareholders. Because any decision by the Issuer to issue additional securities depends on market conditions and other factors beyond the Issuer's control, the Issuer cannot predict or estimate the amount, timing or nature of any such future issuances. Thus, prospective investors bear the risk of the Issuer's future offerings reducing the market price of the Shares and diluting their interest in the Issuer.

Prospective holders of the Shares are subject to exchange rate risk

The Offer Shares are priced in Polish Zloty and, presuming that a trading market for the Shares develops on the WSE, will be quoted and traded in Polish Zloty. Accordingly, non-Polish holders are subject to risks arising from adverse movements in the value of other currencies against the Polish Zloty, which may reduce the relative value of the Shares, as well as that of any dividends paid.

Trading in the Shares on the WSE may be suspended

The WSE management board has the right to suspend trading in shares of a listed company if the company fails to comply with the regulations of the WSE (such as specific disclosure requirements) or if such suspension is necessary to protect the interests of market participants. Moreover, trading may be suspended upon the request of the Issuer or of the PFSC. In the case of the latter if: (i) investors' interests, (ii) the orderly stock exchange trading, or (iii) the security of stock exchange trading are endangered. There can be no assurance that trading in the Shares will not be suspended. Any suspension of trading would adversely affect the price of the Shares.

The Shares may be excluded from trading on the WSE

If a company listed on the WSE fails to fulfil certain requirements or obligations under the applicable laws and regulations of the WSE and/or if the orderly stock exchange trading, the safety of trading thereon or the investors' interests are endangered, the Issuer's securities can be excluded from trading on the WSE. This

particularly may be the case: (i) if transferability of shares is restricted, (ii) if shares cease to exist in a book entry form, (iii) upon the request of the PFSC, or (iv) if shares are excluded from trading on a regulated market by a relevant supervisory authority. There can be no assurance that such a situation will not occur in relation to the Shares. If a company listed on the WSE fails to fulfil certain requirements under applicable laws, in particular, the requirements referred to in the Act on Public Offerings, the PFSC has the authority to impose a fine on the company and/or to exclude the company's securities from trading on a regulated market.

The marketability of the Shares may decline and the market price of the Shares may fluctuate and decline below the Offer Price

The Issuer cannot assure that the marketability of the Shares will improve or remain consistent. The market price of the Shares at the time of the Offering may not be the same as the market price for the Shares after the Offering has been completed. The market price of the Shares may fluctuate widely, depending on many factors beyond the Issuer's control. These factors include, amongst other things, actual or anticipated variations in operating results and earnings by the Issuer and/or its competitors, changes in financial estimates by securities analysts, market conditions in the industry and in general the status of the securities market, governmental legislation and regulations, as well as general economic and market conditions, such as recession. The market price of the Shares is also subject to fluctuations in response to further issuance of shares by the Issuer, sales of Shares by the Selling Shareholder, the liquidity of trading in the Shares, capital reduction or purchases of Shares by the Issuer, as well as investor perception. As a result of these or other factors, the Issuer cannot assure that the public trading market price of the Shares will not decline below the Offer Price.

There is no prior market for the Shares and therefore there cannot be an assurance regarding the future development of such market

The lack of a prior public market for the Shares may have a negative effect on the ability of shareholders to sell their Shares or the price at which the holders may be able to sell their Shares. If a market for the Shares were to develop, the Shares could trade at prices that may be higher or lower than the Offer Price, depending on many factors. There can be no assurance as to the liquidity of any trading in the Shares or that an active market for the Shares will develop.

The Issuer may be unable to list its Shares on the WSE

The admission of the Shares to trading on the WSE requires that the PFSC receive a certificate from the AFM confirming that this Prospectus has been approved in the Netherlands, that the Polish National Depository for Securities (the "NDS") accept the Shares into deposit and that the management board of the WSE approves that the Shares are listed and traded on the WSE. The Issuer intends to take all the necessary steps to ensure that the Shares are admitted to trading on the WSE as soon as possible. However, there is no guarantee that all of the aforementioned conditions will be met and that the Shares will be admitted to trading on the WSE on the date expected or at all.

Risk factors relating to taxation

Changes in tax laws or their interpretation could affect the Issuer or any of its subsidiaries' financial condition and the cash flows available to the Company

Tax planning and the calculation of the tax liabilities of the Company involve the interpretation and application of the tax laws and treaties of various jurisdictions. The Company undertakes transactions in various countries, mainly through local companies in which it invests. Accordingly, the activities of the Company are subject to the tax laws in place in those countries, and calculation of its tax liability involves their interpretation and application as aforesaid. The Company assesses its tax liabilities on the basis of its understanding of those laws and treaties. However, the tax authorities could interpret or apply the relevant laws and treaties in a way that would lead to additional tax liabilities. Furthermore, relief from taxation available to the Company and its group may not be in accordance with the assumptions made by the Company and/or may change. Changes to the tax laws or practice in the countries in which the Company

operates, or any other tax jurisdiction affecting the Company, may have an effect on the Company. Such changes could affect the value of the investments held by the Company or affect the Company's ability to achieve its investment objective or alter the post tax returns to shareholders. The level of dividends the Issuer is able to pay may also be adversely affected. Any taxation relief referred to in this document as being available or potentially available to shareholders depends on the individual circumstances of shareholders. The tax positions taken by the Company and its group, including the tax effect of transfer pricing and the availability of tax relief provisions, are also subject to review by various tax authorities.

In addition, if the Company were to be treated as having a permanent establishment, or as otherwise being engaged in a trade or business, in any country in which it develops real estate, income attributable to or effectively connected with such permanent establishment or trade or business may be subject to tax.

The Issuer is exposed to risks relating to its tax status in countries other than the Netherlands

The Issuer is deemed to be resident of the Netherlands for Dutch corporate income tax purposes because it is incorporated under Dutch law (residency by incorporation). However, the Issuer's status as a Dutch tax resident for the application of regulations in other taxing jurisdictions and specific double taxation treaties, in particular with Israel, depends on the composition of the Board, the place of residence of the Board's individual members and the locations in which the Board and management make decisions. In particular, in order to avoid a situation of being dual resident in Israel and to maintain the Issuer's non-Israeli tax resident status, the Issuer is required to be controlled and managed outside Israel. While the Issuer is resident in the Netherlands, continued attention must be paid to ensure that its key management decisions are taken in the Netherlands and not taken in other operating jurisdictions to avoid the risk that it may lose its Dutch tax residence for tax treaty purposes or that it might be deemed to have a permanent establishment in another operating jurisdiction.

Continued attention must be paid by the management to ensure that all relevant conditions are satisfied in all the jurisdictions in which the Company operates to avail it of the benefit of, for example, double taxation treaties, EU Directives and local country requirements. Any change to these factors may lead to the Issuer being considered a tax resident of Israel or any other country in which it invests or in which its interests are managed, or may lead to the creation of a permanent establishment, which could have an adverse material effect on the Issuer's business, financial condition and results of operations.

PRESENTATION OF FINANCIAL AND OTHER DATA

Presentation of Financial and Other Information

In this Prospectus, the “**Company**” refers to AFI Europe N.V. and its subsidiaries from time to time. The term “**Issuer**” or “**AFIE**” refers to AFI Europe N.V.

Certain figures contained in this Prospectus, including financial information, have been subject to rounding adjustments. Accordingly, in certain instances the sum of the numbers in a column or a row in tables contained in this Prospectus may not conform exactly to the total figure given for that column or row.

In this Prospectus, references to “**EUR**” are to the Euro, the currency of the European Economic and Monetary Union, references to “**PLN**” are to the Polish Zloty, references to “**CZK**” are to the Czech Koruna, references to “**BGN**” are to the Bulgarian Lev, references to “**RSD**” are to the Serbian Dinar, and references to “**RON**” are to the Romanian Lei.

Certain industry terms and other terms used in this Prospectus are defined or explained in Annex I “*Definitions*”.

Market, Economic and Industry Data

All references to market, economic or industry data, statistics and forecasts in this Prospectus consist of estimates compiled by professionals, organisations, analysts, publicly available information, or the Issuer’s knowledge of its sales and markets. Industry statistical data has been primarily derived from the reports on the relevant real estate markets prepared by DTZ, Jones Lang LaSalle, CB Richard Ellis, Cushman & Wakefield, REAS and Business Monitor International.

Industry publications generally state that their information is obtained from sources they believe to be reliable but that the accuracy and completeness of such information is not guaranteed and that the projections they contain are based on a number of significant assumptions. The Issuer has relied on the reliability of such data and statements without carrying out an independent verification thereof and therefore cannot guarantee its accuracy and completeness.

However, the information obtained from the sources cited in this Prospectus has been accurately reproduced and, as far as the members of the Board of the Issuer are aware and have been able to ascertain from information published by the cited sources, no facts have been omitted which would render the information reproduced inaccurate or misleading. Where third-party information has been used in this Prospectus, the source of such information has been identified.

In this Prospectus, the Issuer makes certain statements regarding the Company’s competitive position and market leadership. The Issuer believes these statements to be true, based on market data and industry statistics regarding the competitive position of certain of the Company’s competitors.

Documents Incorporated by Reference

No documents nor the content of any website are incorporated by reference into this Prospectus.

Forward-Looking Statements

Some of the statements in some of the sections in this Prospectus include forward-looking statements which reflect the Issuer’s current views with respect to future events and financial performance. Statements which include the words “intend”, “plan”, “project”, “expect”, “anticipate”, “believe”, “will” and similar statements of a future or forward-looking nature identify forward-looking statements.

All forward-looking statements address matters that involve risks and uncertainties. Accordingly, there are or will be important factors that could cause the Issuer’s actual results to differ materially from those indicated in these statements. These factors include, but are not limited to, those set out under “*Risk Factors*”, which should be read in conjunction with the other cautionary statements that are included elsewhere in this Prospectus. If one or more of these or other risks or uncertainties materialise, or if the

Issuer's underlying assumptions prove to be incorrect, actual results may vary materially from those projected in this Prospectus.

Apart from any continuing obligations under the Dutch Act on Financial Supervision, the Polish Act on Public Offers, the WSE Corporate Governance Rules, the Dutch Corporate Governance Code, the Dutch Civil Code or any other law or regulation to which the Issuer is subject, the Issuer undertakes no obligation to publicly update or review any forward-looking statement contained in this Prospectus, whether as a result of new information, future developments or otherwise.

Exchange Rate Information

The reporting currency of the Company is the Euro. The exchange rates below are provided solely for information and convenience. No representation is made that the Polish Zloty could have been, or could be, converted into Euros at the rates presented below.

The table below shows the low, high, average and period-end exchange rates expressed in Polish Zloty per Euro for the periods stated. Prospective investors should note that the average rates are simple arithmetic averages computed using the exchange rate quoted by the European Central Bank for each business day of the period.

Year ended 31 December	Polish Zloty per Euro 1.0			
	Low	High	Average	Period End
2007	3.5744	3.9385	3.7835	3.5935
2008	3.2053	4.1670	3.5121	4.1535
2009	3.9747	4.8795	4.3276	4.1045
Nine months ended 30 September				
	Low	High	Average	Period End
2009	3.9747	4.8795	4.3797	4.2295
2010	3.8349	4.1950	4.0043	3.9847

Source: European Central Bank, www.ecb.int

USE OF PROCEEDS

AFIE intends to raise approximately EUR 100 million (or PLN 391.5 million, based on the EUR/PLN exchange rate of 3.9150, quoted by the ECB on 5 November 2010) of gross proceeds from the issue of New Shares in the Offering. The net proceeds which AFIE will receive from the issue of New Shares are estimated to be approximately EUR 93.5 million (PLN 366.1 million, based on the EUR/PLN exchange rate of 3.9150, quoted by the ECB on 5 November 2010) after deducting the estimated commissions, costs and expenses associated with the Offering in the amount of approximately EUR 6.5 million (approximately PLN 25.4 million, based on the EUR/PLN exchange rate of 3.9150, quoted by the ECB on 5 November 2010).

The fees and expenses of the Offering include in particular legal, accounting, administrative and other costs, registration fees in relation to the issue of the Shares, expenses in relation to the publication of the required legal notices, marketing of the Offering and printing and distribution of this Prospectus, and the commissions paid to the Managers.

AFIE will publish the final details of the net proceeds gained in the Offering within two weeks of the Settlement Date in a manner consistent with Dutch and Polish laws i.e., by way of a Current Report.

AFIE intends, subject to overall market conditions, to use the net proceeds from the issue of the New Shares in the first instance to fund the equity portion of the development of its real estate projects, including in particular:

- AFI Business Park Cotroceni (office building A) in Bucharest, Romania (approximately EUR 5.5 million, construction is expected to commence in January 2011);
- Phase 2 of Classic 7 Business Park in Prague, the Czech Republic (approximately EUR 5.5 million, construction is expected to commence in March 2011);
- Phase 1 of AFI Golden City (shopping mall) in Bucharest, Romania (approximately EUR 22.5 million including outstanding payment in relation to the acquisition of land, construction is expected to commence in March 2011);
- Phase 8B of the residential project Osiedle Europejskie in Kraków, Poland (approximately EUR 2.1 million, construction is expected to commence in March 2011);
- Phase B1.1 of the residential project Wilanów One in Warsaw, Poland (approximately EUR 3 million, construction is expected to commence in June 2011);
- Phase 1 of AFI Palace Ploiesti (shopping mall) in Ploiesti, Romania (approximately EUR 3.5 million, construction is expected to commence in June 2011);
- Phase 4 (building 1000N) of Airport City Belgrade business park in Belgrade, Serbia (approximately EUR 9 million, construction is expected to commence in July 2011);
- AFI Business Park Cotroceni (office building B) in Bucharest, Romania (approximately EUR 6 million, construction is expected to commence in September 2011);
- Phase 1 of AFI Palace Arad (commercial centre) in Arad, Romania (approximately EUR 5 million, construction is expected to commence in January 2012);
- Phase 3 of Classic 7 Business Park in Prague, the Czech Republic (approximately EUR 4.5 million, construction is expected to commence in January 2012); and
- Phase 1 of AFI Karlin (offices) in Prague, the Czech Republic (approximately EUR 12 million, construction is expected to commence in January 2012).

All of the above projects will be developed on land plots which are currently owned by the Company. The relevant zoning in relation to these projects enables the issuance of building permits for their construction according to the Company's plans.

The projects identified above are expected to use up to 84% of the net proceeds from the issuance of the New Shares, and construction works are expected to commence within the next 18 months from the completion of the Offering. The commencement of construction of each project and pace of development will be

determined by the Company's assessment of market conditions at that time and the expected profitability of such project. See "*Business – Development Process*".

The total outstanding construction costs for these projects are, together with the outstanding payment for the land for AFI Golden City, expected to be approximately EUR 267 million. The Company expects to finance this amount approximately 71% through project loans or construction financing and approximately 29% through equity. As of the date of the Prospectus, the Company has received term sheets from banks for financing of the following projects: Phase 2 of Classic 7 Business Park, phase 1 of AFI Golden City (shopping mall), AFI Business Park Cotroceni (building A) and phase 8B of Osiedle Europejskie (residential project). The total amount of financing under these term sheets is approximately EUR 64 million (based on the respective exchange rates as of 5 November, as quoted by ECB) which covers all debt financing requirements for these four projects and represents 34% of the estimated EUR 189 million required debt financing for all the projects for which constructions works are expected to commence within the next 18 months from the completion of the Offering. See "*Business – Land Bank – Near-Term Projects*" for more information on the above mentioned projects.

Excess funds from the issuance of the New Shares are expected to be deployed in the medium term for the development of other land bank projects, subject to market conditions, and will be used for general corporate purposes, including optimisation of the funding structure at AFIE or the project level in terms of costs, loan tenors and covenants, as well as taking advantage of acquisition opportunities that may present themselves in the future.

Pending use of the net proceeds from the issuance of the New Shares, the Company intends to invest the raised funds in accordance with its investment policy guidelines, which currently provide for bank deposits and investment in liquid debt instruments, such as, government bonds and treasury bills, high grade and corporate notes and commercial paper.

AFIE will not receive any proceeds from the sale of the Sale Shares by the Selling Shareholder.

The Offering and the listing of the Shares on the WSE are furthermore expected to provide AFIE with a number of additional benefits, such as facilitating AFIE's access to the capital markets and improving opportunities for further growth, expansion and development of its business, and thus increasing share value to the benefit of AFIE's shareholders.

BUSINESS

Overview and history

The Company is a real estate investment and development group operating in CEE and SEE, with a focus on the development of large-scale commercial and residential real estate projects. Since commencing operations in 1997 as a division of Africa Israel Investments, the Company has established a track record of developing and managing real estate projects and properties in these regions. The Company's activities include the identification and evaluation of opportunities, preparation of designs, securing permits, purchase of land, and construction management, followed by the operation of commercial properties, or sale of apartments in the residential projects. As of 30 September 2010, the Company has developed 293,106 sqm (GLA) of commercial properties, and since 2007 it has delivered 1,300 apartments.

The Company's portfolio presently consists of 32 projects in 7 countries throughout CEE and SEE:

- 10 commercial projects which are yielding and under management. These projects include shopping malls and commercial centres, office complexes, business parks and a logistics facility, totalling 293,106 sqm of GLA. A substantial portion of the Company's revenues (44.6% of the total gross rental income and proceeds from sale of trading properties) derives from three large-scale commercial projects, AFI Palace Cotroceni in Romania, Airport City Belgrade in Serbia and Palace Flora in the Czech Republic;
- 7 developed residential projects with apartments for sale targeting potential purchasers from the middle and upper-middle class totalling 127,863 sqm of GSA (with 52,081 sqm GSA or 578 apartments available for sale as of 30 September 2010) and 1,822 sqm of adjacent commercial space (for the purpose of this portfolio classification, project Osiedle Europejskie in Kraków, Poland is counted both as a commercial project and as a residential project, because it includes a commercial centre alongside a large scale residential development); and
- 15 land bank properties, as well as additional land plots adjacent to some of the commercial and residential projects mentioned above. These properties are earmarked for future development and are currently expected to include commercial projects with 902,252 sqm of GLA and residential projects with 1,414,411 sqm of GSA.

In addition, the Company manages and holds a minority interest in a portfolio of 34 residential and commercial properties located in various cities in Germany. The German Portfolio comprises 579 apartments for rent with 46,440 sqm of GLA, as well as 488 units of commercial property for rent with 108,560 sqm of GLA, and it also includes 2 undeveloped land plots. The management and operation of the German Portfolio is an activity which is substantially different from the development and management of the Company's real estate projects in CEE and SEE. The Company considers the German Portfolio to be outside its core business and accordingly the information concerning the German Portfolio is presented in this Prospectus separately, and is in some cases excluded, from information regarding the Company's projects.

As of 30 September 2010, the total aggregate value of all the projects and properties in which the Company holds any economic interest (including 100% of the German Portfolio and Wilanów One), in their existing state of development, was EUR 1,404 million, subject to the assumptions set out in the DTZ Report that is included in the Prospectus as Annex II. The Company's proportional share of the total value is EUR 1,125 million (excluding the German Portfolio and Wilanów One).

The Company has local management teams based in Belgrade, Berlin, Bucharest, Prague, Riga, Sofia, Varna, Kraków and Warsaw. The Company's head office is located in Amsterdam.

Since its incorporation, the Company has been a wholly-owned subsidiary of AIIP, which is a wholly-owned subsidiary of AFI Properties, an Israeli company listed on TASE. AFI Properties is 56.0% owned by Africa Israel Investments, which is also listed on TASE

Africa Israel Investments is a holding and investment company, with a market capitalisation of approximately EUR 531 million as at 5 November 2010 (based on the Bank of Israel's official NIS/EUR

exchange rate as of the same date). Its public and private subsidiaries (together referred to as the “**AFI Group**”) are engaged in real estate development, construction, infrastructure, hotels, steel and ceramics. Established in 1934, Africa Israel Investments has been developing commercial and residential properties primarily in Europe, Russia and the CIS, the United States and Israel. In 1997 Mr. Lev Leviev acquired a controlling interest in Africa Israel Investments, and since then he has been the chairman of its board of directors. As of the date of this Prospectus, Mr. Leviev holds a 47.2% interest in Africa Israel Investments.

The paragraphs below set out in brief the development of the Company in each of the countries of operation as of 30 September 2010:

- The Company commenced operations in the Czech Republic in 1997 and since then has acquired and developed there commercial properties with an aggregate GLA of 110,401 sqm, and also delivered 291 apartments.
- In 2003, the Company commenced operations in Serbia and since then it has developed there commercial properties with an aggregate GLA of 61,947 sqm.
- The Company commenced operations in Romania in 2005 where it developed AFI Palace Cotroceni, its flagship project, with an aggregate GLA of 74,475 sqm.
- The Company commenced operations in Bulgaria in 2005 and since then has developed there commercial properties with an aggregate GLA of 42,402, and also delivered 21 apartments.
- The Company commenced operations in Poland in 2007 where it acquired and operated a commercial centre with GLA of 2,041 sqm, and also delivered 768 apartments.
- The Company commenced operations in Latvia in 2007, where it has delivered since then 274 apartments as of 30 September 2010.

The tables below sets out the Company’s track record, presented in terms of total GLA in its projects and number of residential units in stock, as well as number of residential units delivered and sold, and rental income and proceeds from sale of trading properties, for the financial periods covered in this Prospectus.

<u>As of the end of period⁽¹⁾</u>	<u>As of 30 September</u>		<u>As of 31 December</u>		
	<u>2010</u>	<u>2009</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
GLA (sqm)	293,106	218,516	293,106	190,169	134,472
Residential units in stock	578	753	744	889	998
<u>For the period</u>	<u>Nine months ended 30 September</u>		<u>Year ended 31 December</u>		
	<u>2010</u>	<u>2009</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Residential units delivered ⁽¹⁾	264	311	369	486	104
Residential units sold ⁽¹⁾	142	85	145	109	252
Rental income (EUR ‘000) ⁽²⁾	40,250	21,931	33,384	25,442	18,504
Sale of residential units (EUR ‘000)	27,744	18,646	23,058	39,669	4,580

Notes

- (1) Represents 100% of the projects in which the Company has an economic interest, regardless of the actual proportional ownership of the Company in such project. For more information see “*Business – Description of current projects*”.
- (2) Excluding service charge income.

For a discussion regarding rental income and proceeds from residential sales, see “*Description of the principal markets of operations*”.

Competitive strengths

The Company believes that it benefits from the following competitive strengths:

- Track record and high quality property development
- A portfolio which combines income generating and development projects

- Presence in higher growth markets
- Highly skilled management team
- On-the-ground presence
- Ability to attract and retain high calibre tenants
- Good relationships with banks and ability to raise financing
- Support, know-how and experience of the parent group

Track record and high quality property development

The Company has a track record of over 13 years of developing and managing real estate properties and projects in CEE and SEE. Since the start of its operations and up until 30 September 2010, the Company has acquired and developed an income-generating property portfolio with total GLA of 293,106 (reference is made to “*Business – Yielding Projects*”). Furthermore, between 2007 and 30 September 2010, the Company delivered under its ownership or management 1,300 apartments. This includes the residential projects which are currently in progress and are described in this Prospectus, and also Korunni Dvur a residential project in Prague, Czech Republic, that has been completed and in which all apartments have been sold and which therefore no longer forms part of the Company’s portfolio of projects.

The quality of its projects has enhanced the Company’s profile in these countries among planning officials, banks, investors, retailers, contractors and service providers, potential tenants interested in office or retail space for rent and potential purchasers of apartments. Furthermore, the quality of the Company’s track record is illustrated by numerous awards won, including the following in the last two years:

- AFI Europe Romania was awarded “*Best Retailer of the Year*” at the annual “*Europaproperty*” SEE Real Estate Awards Gala in May 2010 and AFI Palace Cotroceni was named the region’s “*Best Shopping Mall*” and the “*Best Real Estate Project*” of 2010;
- AFI Palace Cotroceni was named “*Best Shopping Centre Development*” of 2009 and the “*Best Overall Development*” of 2009, according to CEE CIJ, one of the leading real estate magazines in CEE;
- Phase 1 of Tulipa Modranska Rokle, was ranked first in the category “*Façade of the year 2009*” for new constructions by the (Czech Construction and Architecture Faculty);
- Classic 7 Business Park was named “*Best Office Project*” in the Czech Republic in 2009 by the Czech Republic Architecture and Building Foundation and was also ranked first in the list of best renovated office buildings by the Association for Real Estate Market Development;
- Vitosha Tulip, a residential project in Sofia, was named “*Best Residential Project*” in Bulgaria in 2009 by “*Construction and City*” magazine; and
- The Company was named “*Investor of the Year (2009)*” among real estate companies in Bulgaria by “*1 to 1 in Construction*” magazine.

A portfolio which combines income-generating and development projects

Out of the Company's 32 projects, 17 are generating revenues and 15 are land bank properties that are earmarked for future developments. The Company has a portfolio which combines income-generating projects that provide stable rental income from commercial operations, additional cash flow from apartment sales and an extensive land bank that provides it with growth potential through the development of additional projects.

The Company’s land bank is currently designated for the development of commercial properties with a total GLA of 902,252 sqm and residential projects with a total GSA of 1,414,411 sqm. A significant part of the land bank (20.5% measured by sqm) consists of land plots that adjoin existing projects and which are

designated for the development of future phases of these projects. The Company owns the freehold of substantially all land included in its land bank. See also “*Land Bank*”.

Presence in higher growth markets

All the activities of the Company (with the exception of the German Portfolio) are in CEE and SEE. The Company believes that as the economies in SEE stabilise and grow, that region presents more growth opportunities than the mature economies of Western Europe. The Company believes that as the economies in SEE stabilise and grow, and disposable income rises, there will be an increased demand for commercial and residential properties. At the same time, its presence in the more developed economies of CEE, where investment activity and disposable income are comparatively higher, allows the Company to reduce risk whilst maintaining the strong growth potential of its portfolio.

Highly skilled management team

The Company is led by a senior management team of experienced and highly-skilled professionals, with in-depth knowledge of the real estate investment and development industry in the regions in which the Company operates. The experience of all members of the management team, each in his relevant field of expertise, has been gained through years of extensive work in their current positions at the Company or in previous positions at AFI Group or other companies (see “*Management and Employees*”). In addition, the Company’s local operations are staffed with qualified and experienced professionals who have thorough understanding of their real estate markets, and who work in cooperation with, and according to the instructions and guidance of, the Company’s senior management.

On-the-ground presence

The Company’s projects are developed locally and to a large extent are managed and implemented by teams of experienced local managers who are guided, supported and instructed by the Company’s central management, who ensure compliance of all local operations with the Company’s global strategy. The Company’s qualified professionals and local management teams have extensive knowledge of the real estate development and asset management market and of the relevant local business environments. Such organisation provides the Company with a high degree of expertise and a deep understanding of each of the markets in which it operates. Local knowledge and expertise are necessary for identification of business opportunities, negotiations with local contractors, service providers and financial institutions, obtaining regulatory approvals and for effective sales and marketing operations.

Ability to attract and retain high calibre tenants

The Company has been able to attract and retain high calibre tenants including recognised multinational retailers, such as the Inditex Group (which owns, among others Zara, Pull & Bear, Massimo Dutti and Bershka), H&M, C&A and Metro Group and office tenants such as E.ON, Telenor, KBC Bank, UniCredit Bank, Bank Intesa and PricewaterhouseCoopers. For instance, H&M leases and operates stores at the Company’s shopping mall in Pardubice and has recently signed a lease agreement for the opening of its flagship store at AFI Palace Cotroceni in Bucharest. The ten largest tenants, eight of which are publicly traded companies on major international stock exchanges, and of whom six have an investment grade credit rating, accounted for approximately 25% of the Company’s total annual rental income for the year ended 31 December 2009. In addition, the Company’s local managers maintain relationships with local retailers. As of the date of this Prospectus the Company has let at least 92% of each shopping mall within the first year after opening, with a mix of multinational and local retailers.

Good relationships with banks and ability to raise financing

The Company’s income generating assets are financed by long term loans, while its land bank is mainly financed by equity. The Company maintains good relationships with banks, as demonstrated by its ability to increase bank financing by EUR 162,926 thousand of loans made available to the Company during 2009, despite severe difficulties in the global financial markets and a general slowdown at that time in the real estate sector. As of 30 September 2010, the Company’s loans had a weighted average duration of 5.4 years.

The Company believes it is well positioned to attract future financing for the development of additional projects.

Support, know-how and experience of the parent group

The Company is a subsidiary of Africa Israel Investments, and as such it is part of the AFI Group, which is engaged through its various subsidiaries in the development of large scale commercial and residential real estate projects in Russia and the CIS, the United States and Israel, as well as in construction and infrastructure. The Company's relationship with AFI Group allows the Company to benefit from the substantial know-how, methodology and human capital of the group. This gives the Company an advantage in attracting multinational retailers and corporations as tenants, securing financing from financial institutions at favourable terms, achieving economies of scale and negotiating favourable terms with suppliers. The Company believes that this is one of the key elements that differentiate it from most other developers in the region.

Business strategy

The Company aims to maximise shareholder value by growing its business and increasing its profitability. The Company intends to achieve this by pursuing the following elements of its business strategy:

- Strengthen the Company's position in the CEE and SEE real estate development market
- Focus on large-scale commercial projects balanced with residential projects in the medium-to long-term
- Adopt a flexible approach to project development
- Increase performance and profitability through active portfolio management of the Company's income generating projects
- Create value through effective utilisation of the Company's land bank
- Focus on the successful execution of current projects while pursuing attractive new developments

Strengthen the Company's position in the CEE and SEE real estate development market

The Company intends to continue its policy of seeking attractive development opportunities in areas where there is strong demand for high quality properties and where its projects can become leaders in their local markets. To achieve this, the Company intends to focus its operations in the CEE and SEE markets.

Focus on large-scale commercial properties balanced with residential projects in the medium- to long-term

The Company concentrates on the operation and development of large-scale projects with an emphasis on the development of commercial properties in the short term, to which the Company intends to attract first-rate, financially-sound tenants, such as international fashion brands for its shopping malls and multinational corporations for its office complexes. The Company believes that this approach will allow it to take advantage of economies of scale, to efficiently use its management resources and utilise its land bank most effectively.

The Company intends to focus on the development of commercial projects and on pursuing the next phases of its existing residential projects in the Czech Republic and Poland in the next eighteen months. Medium-term developments include primarily commercial projects in the Czech Republic, Romania and Serbia (including subsequent phases of existing projects) as well as residential projects in Bulgaria, the Czech Republic and Romania, subject to market conditions. In the long-term, depending on the market cycle and local demand, the Company intends to accelerate development of its residential projects in Romania and Hungary.

Adopt a flexible approach to project development

Where the Company deems it appropriate, a project is sub-divided into phases which can be separately developed, financed, constructed and leased or sold. Ensuring that each phase can be evaluated and redesigned without compromising prior phases, enables the Company to adapt to changing market conditions and exploit new opportunities during the course of the project development. For example, Airport City Belgrade (“ACB”) was developed in four phases between 2004 and 2009 and Business Park Varna (“BPV”) was developed in three phases between 2005 and 2008. Out of the existing yielding projects, the following are planned to be developed in further phases: ACB, BPV, Classic 7 Business Park, D8 European Park and AFI Palace Cotroceni (where the next phase is an office project and is referred to in this Prospectus as AFI Business Park Cotroceni). The Company’s residential projects (Osiedle Europejskie, Wilanów One, Tulipa Rokyta phase 1 and 2, Tulip, Metropolia and Lagera) are also being developed in phases.

Increase performance and profitability through active portfolio management of the Company’s income-generating projects

The Company actively manages its income-generating property portfolio in order to maximise operating performance, achieve efficiencies and synergies and enhance rental income. In particular, the Company will seek to generate value by employing the following asset-level management strategies:

- Long term leases: securing income streams by maintaining existing long-term leases and by maintaining and strengthening relationships with existing long-term, high-quality tenants. The Company will negotiate lease expirations, renewals, rent reviews and lease extensions in order to enhance the size and quality of its rental income.
- Short-term leases and vacant properties: The Company intends to pursue an active asset management strategy to increase lease terms of properties with short-term leases and/or to actively target quality, long-term tenants for its vacant properties.
- Maximise GLA leased to multinational tenants: The Company’s strong relationships with multinational tenants, such as the Inditex Group, H&M, E.ON and Telenor, often provide visibility into their corporate development with such persons in various countries. Where appropriate, the Company engages in early dialogue in order secure leases in its commercial properties.

Create value through effective utilisation of the Company’s land bank

The Company believes that its land bank allows it to maintain and enhance its development abilities and to achieve its growth objectives. The Company continually reviews its land bank and may choose to dispose of any non-core land plots subject to meeting its return objectives.

The Company intends, subject to the overall market conditions, to use its land bank to develop the following projects in the next eighteen months:

- AFI Business Park Cotroceni (office building A) in Bucharest, Romania;
- Phase 2 of Classic 7 Business Park in Prague, the Czech Republic;
- Phase 1 of AFI Golden City (shopping mall) in Bucharest, Romania;
- Phase 8B of the residential project Osiedle Europejskie in Kraków, Poland;
- Phase B1.1 of the residential project Wilanów One in Warsaw, Poland;
- Phase 1 of AFI Palace Ploiesti (shopping mall) in Ploiesti, Romania;
- Phase 4 (building 1000N) of Airport City Belgrade business park in Belgrade, Serbia;
- AFI Business Park Cotroceni (office building B) in Bucharest, Romania;
- Phase 1 of AFI Palace Arad (commercial centre) in Arad, Romania;
- Phase 3 of Classic 7 Business Park in Prague, the Czech Republic; and

- Phase 1 of AFI Karlin (offices) in Prague, the Czech Republic.

Focus on the successful execution of current projects while pursuing attractive new developments

Whilst the Company believes that its existing land bank will allow it to maintain and enhance its development abilities within the next few years, the Company may also acquire additional lands and commence new projects in other locations. The Company is currently focusing on its operations in the countries in which it is already present; however, the Company may consider geographical expansion in the future. Such expansion, if any, whether within the same countries of operation or into additional countries, will be selective and evaluated based on market demand and the potential return on investment.

Recent Developments

Sale of land in Bucharest

On 15 September 2010 S.C. Premier Solutions & Team S.R.L. (“**Premier**”), a fully owned Romanian subsidiary of the Issuer signed a preliminary agreement with a chain of do-it-yourself (“**DIY**”) stores, setting out the primary terms for the sale and transfer of a plot of land of approximately 30,000 sqm by Premier to a chain of do-it-yourself stores. The plot is located on 166 Bucurestii Noi Blvd, District 1, Bucharest and is currently part of AFI Golden City land bank property. The aggregate consideration is EUR 16,000 thousand plus VAT. The consideration is payable by the purchaser in the following instalments:

- EUR 2,000 thousand plus VAT is payable within 11 weeks from signing the preliminary agreement (ultimately on 2 December 2010), subject to the purchaser’s satisfaction with the results of its due diligence review;
- EUR 5,000 thousand plus VAT is payable upon the transfer of the plot’s ownership from Premier to the purchaser by signing an authenticated sale-purchase agreement on the earlier of 1 May 2011 or 15 days after obtaining a building permit enabling the construction of a DIY store on the plot with a built-up area of approximately 18,000 sqm; and
- 4 additional instalments of EUR 2,250 thousand each are payable on 30 May of each of the years 2012, 2013, 2014 and 2015, according to promissory notes personally guaranteed by the purchaser’s administrator/owner and secured by Premier’s publicly registered privilege over the plot until the purchase price is paid in full.

Appointment new CEO

In September 2010, Mr. Avraham Barzilay was appointed CEO of the Issuer, following the resignation of Opher Linchevski for personal reasons. Over the last 10 years Mr. Barzilay served as CFO of AFI Properties and as director of the Issuer since incorporation. He has been actively involved in the Company’s project development, funding, operations and management.

Amendment of the Articles of Association, conversion of Shareholder’s Loan and conversion of share premium reserve

On 4 November 2010, the Shareholder’s Loan was assigned by AFI Properties to AIIP. Also on 4 November 2010, the Issuer executed an amendment to its Articles, providing for (i) an increase in its authorized share capital from EUR 90,000 to EUR 1,221,000 and (ii) a split in the shares of the Issuer by a 1:100 ratio, by changing the nominal value of the Issuer’s shares from EUR 1 to EUR 0.01, which resulted in an increase in the number of issued shares from 90,000 to 9,000,000.

On 4 November 2010, the Issuer also issued 84,000,000 Shares to AIIP pursuant to the conversion of (i) EUR 409,669 of the Shareholder’s Loan into 40,966,900 Shares at nominal value and (ii) EUR 430,331 of the Issuer’s share premium reserve into an additional 43,033,100 Shares. As a result, the Selling Shareholder holds a total of 93,000,000 Shares as of the date hereof. For more details on the Shareholder’s Loan, please refer to “*Operating and Financial Review – Shareholder’s Loan*”.

Settlement of dispute with Laromet

On 9 November 2010, Premier Solutions & Team S.R.L. (“**Premier**”), a Romanian subsidiary of the Issuer, and Laromet S.A. (“**Laromet**”) signed an addendum to the acquisition contract between them dated September 2007, and thereby agreed to settle their dispute in connection with the transaction for the purchase of certain plots of land in Bucuresti Noi, in the northern part of Bucharest, Romania. For more information on the dispute, please refer to “*Legal and Arbitration Proceedings – Laromet*”.

Under the terms of this settlement, Laromet and Premier agreed to terminate all legal proceedings related to their dispute, and they furthermore agreed that the outstanding payment due to Laromet under the purchase agreement (approximately EUR 15,541 thousand plus an annual interest of 9 percent) will be paid in 8 instalments payable over a period of 2 years. In addition, Premier paid to Laromet an amount of EUR 8,000 thousand for (i) settlement of the liquidated damages that were claimed by Laromet; (ii) reimbursement of expenses incurred by Laromet in relation to the dispute; (iii) additional penalty for late payment by Premier, and (iv) payment of part of the remaining outstanding portion of the land purchase price. Finally, Premier undertook to develop for Laromet an office building with a gross built up area of 4,000 sqm, that will be adjacent to the AFI Golden City Mall, and to sell this building to Laromet together with several parking spaces for a price of approximately EUR 3,500 thousand.

Premier’s obligations to Laromet have been secured by a corporate guarantee of AFIE, as well as by mortgages over part of the project’s land and over one of the Company’s landbank properties in Bucharest. The Issuer has recorded an adequate provision in its financial statements as at 30 September 2010.

Development process

The development process involves a series of five steps: (i) identification, (ii) acquisition, (iii) concept design, (iv) planning and (v) construction. The Company generally retains its commercial projects as investment properties and operates them with the aim of maximising yields. If a strategic exit opportunity arise however, the Company may sell any of such assets. The Company generally sells the residential units that it develops, except for (and as a temporary measure only) some apartments which may be leased prior to sale. In the German Portfolio the apartments are leased and not sold.

The Company maintains budget and financial controls from the commencement of the development process, starting with detailed budgeting from the feasibility stage. The budget and controls of the Company are managed by the CFO working with local financial officers. The typical project development process is described in the following paragraphs.

Identification process

Opportunities are usually identified by the Company’s local management teams who conduct market studies and market analysis. In addition, the Company’s broad network of relationships enables it to receive direct proposals from property owners, real estate brokers, banks and other parties.

Once an attractive opportunity has been identified, a feasibility report is prepared and presented to the investment committee for review and approval. This report typically includes a project plan, initial design, marketing input, business analysis, initial engineering analysis, initial construction cost estimates, reports of site visits and the availability of zoning and relevant regulatory permits.

The Company has an internal approval process for investments and acquisitions. Such potential transactions are first reviewed by an investment committee consisting of the Issuer’s CEO, CFO, general counsel and the relevant regional director. A positive decision of such investment committee is required prior to signing any preliminary agreement (such as a memorandum of understanding, heads of terms, etc.) and to incurring significant expenses on due diligence review and on the negotiation of the definitive transaction documents.

Once the transaction documents have been negotiated and finalised, the transaction must be approved by the Issuer’s Board. The Company’s investment criteria include factors such as the profitability of a potential

project, the anticipated amount of time to develop the project, the legal and administrative status of the land, the availability of zoning and building rights, engineering requirements, the location of the project and similarity to past projects.

Acquisition of rights

The Company typically acquires rights to a new property or project by either purchasing the rights to the land and/or the assets constructed thereon or, alternatively, by purchasing ownership interests (i.e. shares) in the company that owns such land and/or assets. Prior to closing any acquisition transaction, a thorough legal, financial and technical due diligence review is conducted in relation to the land, the project and the company whose shares may be purchased. The transaction would be completed subject to the Company being satisfied of the results of such due diligence review, the negotiation of the transaction's definitive agreements and final approval of the Board. Following this Offering, the Issuer intends to establish an investment committee of the Board, with a majority of independent directors. This committee will discuss and present its recommendations to the Board on any new investment above EUR 50 million.

Concept design

The concept design of the project aims to present an overall view of the project concept and the plans for the building type, considering the composition of buildings and ways to optimise use of the land, based on the applicable zoning parameters. At this stage, the Company selects the project architects among both reputable local firms and internationally renowned candidates.

Before the Company commences detailed planning, it submits the project's concept design plans to the relevant authorities for approval and receipt of the relevant zoning (or urbanism) permit for the project.

Detailed planning and permits

The detailed planning stage consists of preparing the project's detailed architectural designs under the guidance of the Company's project management team. During this stage, building plans are drawn, an initial budget is prepared, a model is created and the overall project plan is discussed and developed. The budget remains dynamic until construction costs are finalised with contractors. Finally, the plans are submitted to the competent authorities in the relevant municipality. The detailed planning stage ends upon receipt of a building permit.

Construction

Once the Company has decided to proceed with the project and obtained all the relevant zoning and regulatory permits from the authorities, construction can commence.

The Company appoints general contractors through a tender process based on a number of criteria. Most importantly, general contractors should be reliable, capable of high quality work and have proven professional standards and financial resources. It is also important that they present a track record of completing their work on time and within budget. In choosing a general contractor, the Company's criteria include each candidate's reputation, availability of construction resources, pricing, insurance and performance guarantees. In the case of contractors with whom the Company has not previously worked, the Company generally inspects work they have recently carried out on other projects. The Company closely supervises all general contractors that it engages throughout the construction project.

At the start of construction, the general contractor determines the logistics of the project site and orders materials. The Company establishes a project management team, consisting of a project manager and dedicated project engineers working under the oversight of the relevant regional director. The Company may also approve or nominate subcontractors for the project. Throughout the project, the engineers of the Company maintain oversight of (sub)contractors and materials procurement. The project management team evaluates performance of (sub)contractors and revises targets. The Company controls the project budget using forecast comparisons through local bookkeeping systems, which are integrated with its budgeting and financial reporting systems.

At the completion of construction, the project management team inspects and approves the project, and regulatory inspections are conducted to ensure that regulatory requirements and applicable standards have been satisfied and observed. The construction stage concludes after receipt of all approvals and authorisations necessary to operate the project. In residential projects, the construction is considered complete and purchasers may take title and possession of their respective units once all common areas of the project have received the necessary approvals and authorisations, even though some individual residential units may still require further fit out works pending instruction from the relevant purchaser.

Financing

The Company finances the construction of its development projects through its equity and by obtaining construction loans from local and international financial institutions. In some cases, financing of residential projects is conditional on the Company pre-selling a portion of the residential units. The Company evaluates its financing opportunities on the basis of the economic terms offered and its past experience with the relevant banking institution. The land bank of the Company is normally financed mainly through the Company's equity. As of 30 September 2010, 55.3% of the land bank (by area) was unleveraged.

The Company's project financing is typically structured as follows:

The Company prepares a detailed budget for the construction of a particular project. Based on this budget, the Company submits a proposal to various banking institutions, which may provide a term sheet in response. The relevant directors and financial managers of the Company evaluate, negotiate and agree the proposed term sheets in consultation with the CFO. Once a term sheet is signed, the loan documentation is drafted and due diligence is performed by the relevant bank. The Company generally does not sign the project's financing documentation before the contractor is selected and the budget is finalised. Sometimes the Company closes the financing package earlier if, for example, the Company needs the financing in place so that construction can commence immediately upon signing the construction agreement with the contractor. Once the financing documentation is finalised and subject to any conditions precedent contained therein, the loan proceeds are disbursed to the Company for use in relation to the relevant project.

The debt financing for each project generally contains some or all of the following terms:

- minimum equity requirements;
- pre-lease and/or pre-sale requirements;
- financial covenants such as loan to value ratio, loan to cost ratio and debt-service-coverage ratio;
- non-recourse basis;
- interest rate margins depending on the particular project, geography and other factors;
- conversion of the construction loan into an investment loan upon completion of construction;
- refinancing upon completion;
- a security interest over the shares of the project company and the assets; and
- requirements for insurance and performance and quality bonds from the general contractor.

The table below sets out an average loan to value ratio for main project categories as of 30 September 2010.

Euro '000s	Yielding properties	Residential projects in progress	Land bank	Total
Loans outstanding ⁽¹⁾	491,532	37,095	65,502	594,129
Book value of assets	738,318	55,678	337,950	1,131,946
Loan to value ratio	67%	67%	19%	52%

Note (1) Excluding the Shareholder's Loan, excluding Wilanów One and the German Portfolio which are accounted for on an equity basis.

For more information, see "*Operational and Financial Review – Commitments and contingent liabilities – Loans, security and covenants*".

Sales and marketing

Commercial projects

The Company sources tenants through its own and the AFI Group's extensive contacts with multinational retailers and corporations, and by engaging local real estate brokers with proven relevant experience. The Company aims to identify and contract with a successful mix of tenants for each property and actively manages the tenant mixture and their locations in each asset. For retail developments the company typically tries to secure an anchor tenant early in the process.

The pricing strategy of the Company accounts for unit positioning, size, common areas and parking. Generally, the Company partially pre-leases its office, retail and logistics projects prior to construction. For example, the Company will pre-lease space to anchor tenants and larger shops in its retail developments and will optimise revenue by leasing to smaller tenants after construction of the building's foundation and shell. The leasing strategy of the Company for each project is continually revised throughout the course of the project as space is built and released to the market.

The Company manages its office, retail and logistics properties after construction through its own local property management teams. While the Company aims to maximise value through leasing, refinancing and asset management, the Company also considers strategic opportunities to sell all or part of an asset. The decision whether to hold or sell an asset is made by analysing current and future market conditions, capital allocation, risk management and business opportunities.

Residential projects

The Company has experienced local residential sales and marketing teams in each of the countries in which the Company currently developed residential projects including Bulgaria, the Czech Republic, Latvia and Poland.

The sales plan of each project is prepared by its marketing team in consultation with the project management, the regional director and the architects, based on the concept and subject to the relevant planning restrictions. To determine a sales price list the Company conducts market benchmarking and sets stage prices. The Company continually revises its price list as project stages are built. The pricing strategy of the Company accounts for each unit's floor space, positioning, size, common areas, balconies and terraces, parking and fit-out. The Company pre-sells a part of its residential projects, depending on the terms of the construction financing available and sales prices of real estate in the relevant market. The Company optimises prices by selling the remainder of the residential project during the construction process.

The Company launches its marketing campaign in various media (including advertising in print and poster formats, as well as internet, television and radio) and occasionally the Company will build a model unit for onsite sales. The Company trains sales staff to ensure consistent use of its selling methodologies, as well as its brands, trademarks and logos.

Description of the principal markets of operations

Portfolio valuation by country

The following table provides a breakdown by countries of the values of the projects in which the Company has an economic interest as of 30 September 2010 (excluding the German Portfolio and project Wilanów One in Warsaw which are consolidated on an equity basis), according to the DTZ Report. For more information please see the DTZ Report included in Annex II of this Prospectus.

Euro 000's	Income generating properties	Residential projects in process	Land bank	Total	Total
Czech Republic.....	294,170	7,466	54,675	356,311	28.9%
Serbia.....	128,130	-	26,000	154,130	12.4%
Bulgaria.....	44,550	31,970	39,930	116,450	9.4%
Romania.....	350,000	-	167,973	517,973	41.8%
Latvia.....	-	12,875	17,800	30,675	2.5%
Poland ⁽¹⁾	3,325	6,800	10,800	20,925	1.7%
Hungary.....	-	-	35,525	35,525	2.9%
Total ⁽²⁾	820,175	59,111	352,703	1,231,989	100.0%

NOTES

(1) Excluding Wilanów One which is consolidated on an equity basis

(2) Represents 100% of the projects in which the Company has an economic interest, regardless of the actual proportional ownership of the Company in such project. For more information see "Business – Description of current projects".

The table below sets out valuation of properties in Germany and project Wilanów One as of 30 September 2010. For more information please see the DTZ Report included in Annex II of the Prospectus.

Euro 000's	Total	Consolidation
Wilanów One	75,950	Equity consolidation
German Portfolio	96,490	Equity consolidation
Total	172,440	

The Issuer affirms that to the date of this Prospectus, no material changes have occurred to the values as included in the DTZ Report of the projects in which the Company has an economic interest, or to the German Portfolio or Wilanów One.

Total revenues by category of activity and market for the nine months ended 30 September 2010

The table below sets out revenues from rental income and sale of apartments for the nine months period ended 30 September 2010. Rental income does not take into account service charge income/expenses.

Country	Rental income (Euro '000s) (unaudited)	Rental income (%)	Proceeds from sale of trading properties (Euro '000s) (unaudited)	Proceeds from sale of trading properties (%)
Czech Republic.....	11,516	28.6%	13,768	49.6%
Serbia.....	8,182	20.3%	—	—
Bulgaria.....	2,541	6.3%	4,330	15.6%
Romania.....	17,738	44.1%	—	—
Latvia.....	—	—	2,857	10.3%
Poland.....	201	0.5%	6,789	24.5%
Hungary.....	72	0.2%	—	—
Total	40,250	100.0%	27,744	100.0%

Total revenues by category of activity and market for the nine months ended 30 September 2009

The table below sets out revenues from rental income and sale of apartments for the nine months period ended 30 September 2009. Rental income does not take into account service charge income/expenses.

Country	Rental income (Euro '000s) (unaudited)	Rental income (%)	Proceeds from sale of trading properties (Euro '000s) (unaudited)	Proceeds from sale of trading properties (%)
Czech Republic	11,137	50.8%	9,697	52%
Serbia.....	7,635	34.8%	—	—
Bulgaria.....	2,926	13.3%	—	—
Romania	—	—	—	—
Latvia.....	—	—	3,006	16.1%
Poland.....	173	0.8%	5,943	31.9%
Hungary.....	60	0.3%	—	—
Total.....	21,931	100.0%	18,646	100%

Total revenues by category of activity and market for the year ended 31 December 2009

The table below sets out revenues from rental income and sale of apartments for year ended 31 December 2009. Rental income does not take into account service charge income/expenses.

Country	Rental income (Euro '000s) (audited)	Rental income (%)	Proceeds from sale of trading properties (Euro '000s) audited	Proceeds from sale of trading properties (%)
Czech Republic	14,811	44.4%	10,514	45.6%
Serbia.....	10,309	30.9%	—	—
Bulgaria.....	3,839	11.5%	795	3.4%
Romania	4,120	12.3%	—	—
Latvia.....	—	—	3,755	16.3%
Poland.....	234	0.7%	7,994	34.7%
Hungary.....	71	0.2%	—	—
Total.....	33,384	100.0%	23,058	100.0%

Total revenues by category of activity and market for the year ended 31 December 2008

The table below sets out revenues from rental income and sale of apartments for year ended 31 December 2008. Rental income does not take into account service charge income/expenses.

Country	Rental income (Euro '000s) audited	Rental income (%)	Proceeds from sale of trading properties (Euro '000s) audited	Proceeds from sale of trading properties (%)
Czech Republic	9,235	36.3%	—	—
Serbia.....	8,164	32.1%	—	—
Bulgaria.....	3,808	15.0%	—	—
Romania	—	—	—	—
Latvia.....	—	—	9,187	23.2%
Poland.....	266	1.0%	30,482	76.8%
Hungary and Germany ⁽¹⁾	3,969	15.6%	—	—
Total.....	25,442	100.0%	39,669	100.0%

Note (1): The Company deconsolidated the German Portfolio on 30 June 2008.

Total revenues by category of activity and market for the year ended 31 December 2007

The table below sets out revenues from rental income and sale of apartments for the year ended 31 December 2007. Rental income does not take into account service charge income/expenses.

Country	Rental income (Euro '000s) <i>audited</i>	Rental income (%)	Proceeds from sale of trading properties (Euro '000s) <i>audited</i>	Proceeds from sale of trading properties (%)
Czech Republic	7,956	43.0%	—	—
Serbia.....	4,396	23.8%	—	—
Bulgaria.....	780	4.2%	—	—
Romania	—	—	—	—
Latvia.....	—	—	3,672	80.2%
Poland.....	162	0.9%	908	19.8%
Germany	5,210	28.1%	—	—
Total	18,504	100.0%	4,580	100.0%

For more information and description of historical changes in the Company's revenues, see "*Operational and Financial Review*".

Description of current projects

Set forth below are descriptions of each of the investment and development projects of the Company, organised by type of project and sub-divided by country. Unless otherwise noted, each project is a development project. The German Portfolio is described separately further in this section. In this section, where the term "**weighted average**" is used, this refers to an average weighted by GLA. Unless otherwise noted, all data sets provided below are given as of 30 September 2010.

AFI EUROPE N.V.

Breakdown of GLA/GSA (sqm)													Revenues (€ / rent (€ / pa) (Eur 000s)										Occupancy per asset class											
No	Project	City	Zoning	Legal status	Site area , sqm	Gross buildable area, sqm	Residential	Offices	Retail	Other	Parking (spaces)	Unsold / unleased net area excl car parking (sqm)	Residential (average price per sqm for sold apartments in last year for selling projects) ¹	Offices Actual revenue ²	Retail Actual revenue ²	Other Actual Revenues ²	Parking ²	Annual Market Rent, by DTZ (EUR000s)	Construction start date	Est completion date	Outstanding land acquisition costs (Euro000s)	Total cost (Construction budget) ³ (Euro000s)	Estimated outstanding construction costs ³ (Euro000s)	Project completion, %	Occupancy	Occupancy per asset class				Market value of 100% ownership ⁸	AFIE share (%)	Market Value, AFIE share ⁴ (€Euro000s)	Outstanding Loans as of 30 September 2010, AFIE share ⁴ (Euro000s)	
																										Offices	Retail	Other	Strategy					
Income generating projects																																		
1	Palace Cortoceni	Bucharest	Y	freehold	99,252	215,000	-	1,560	72,915	-	2,700	6,520	n/a	267	23,604	371	-	30,996	n/a	n/a	-	-	-	100%	92%	100%	92%	n/a	Hold	350,000	98.4%	350,000	232,404	
2	Airport City Belgrade	Belgrade	Y	freehold	78,314	75,406	-	61,947	-	-	1,475	9,110	n/a	10,477	-	-	-	12,519	n/a	n/a	-	-	-	100%	88%	88%	n/a	n/a	Hold	128,130	53.7%	128,130	22,039 (Phase 1) 24,071 (Phase 2) 38,000 (Phase 3)	
3	Palace Flora	Prague	Y	freehold	11,350	86,060	-	17,669	20,168	822	750 (222 lettable)	1,953	n/a	2,338	8,065	211(stor)+396(Ki)	377	12,632	n/a	n/a	-	-	-	100%	95%	89%	100%	n/a	Hold	170,000	50.0%	85,000	55,896	
4	Palace Pardubice	Pardubice	Y	freehold	24,556	50,000	-	-	16,258	4,235	542	588	n/a	-	3,593	155	73	5,345	n/a	n/a	-	-	-	100%	99%	n/a	99%	99%	Hold	68,000	100.0%	68,000	42,298	
5	Business Park Varna	Varna	Y	freehold	19,569	42,878	-	34,930	4,481	2,991	591	15,273	n/a	2,521	363	77	498	5,286	n/a	n/a	-	-	-	100%	64%	65%	51%	66%	Hold	44,550	100.0%	44,550	37,828	
6	Classic 7	Prague	Y	freehold	9,167	22,700	-	16,693	824	781	183	5,768	n/a	1,875	106	85	171	2,820	n/a	n/a	-	-	-	100%	69%	67%	100%	76%	Hold	33,200	100.0%	33,200	24,015	
7	Broadway Palace	Prague	Y	leasehold	2,254	11,736	-	5,711	1,190	2,033	-	1,358	n/a	747	814	211	-	1,827	n/a	n/a	-	-	-	100%	85%	95%	80%	98%	Hold	7,420	64.0%	7,420	4,812	
8	Evropska Business Center	Prague	Y	freehold	5,262	5,653	-	4,313	-	605	79	1,445	n/a	401	-	-	49	673	n/a	n/a	-	-	-	100%	71%	67%	n/a	100%	Hold	7,200	63.0%	7,200	3,603	
9	D8 European Park	Prague	Y	freehold	68,900	20,126	-	814	-	20,125	-	8,769	n/a	108	-	479	-	803	n/a	n/a	-	-	-	100%	59%	8%	n/a	61%	Hold	8,350	50.0%	4,175	4,615	
10	Europejski Commercial Center	Krakow	Y	freehold	5,304	2,750	-	253	1,677	111	735	-	n/a	9	258	-	-	288	n/a	n/a	-	-	-	100%	100% ⁷	100%	100%	100%	Hold	3,325	100.0%	3,325	1,951	
Sub total					323,928	532,309	-	143,890	117,513	31,703	7,055	50,784	n/a	18,743	36,803	1,985	1,168	73,189	n/a	n/a	-	-	-							820,175		731,000	491,532	
Residential projects																																		
11	Tulipa Modaranska, Phase 1	Prague	Y	freehold	21,864	11,000	8,800	-	-	-	129	3,408	2,536	-	-	-	-	n/a	n/a	n/a	-	-	-	n/a	n/a	n/a	n/a	n/a	Sell	7,100	100.0%	7,100	4,311	
12	Tulipa Rokytka, Phase 1	Prague	Y	freehold	5,353	8,565	5,944	-	-	-	87	149	2,288	-	-	-	-	n/a	n/a	n/a	-	-	-	n/a	n/a	n/a	n/a	n/a	Sell	366	100.0%	366	-	
13	Osiedle Europejskie, Phase 9	Krakow	Y	freehold	13,388	18,474	13,255	-	95	-	179	3,111	1,506	-	-	-	-	n/a	n/a	n/a	-	-	-	n/a	n/a	n/a	n/a	n/a	Sell	6,800	100%	6,800	4,776	
14	Wilanów One	Warszawa	Y	freehold	15,199	28,544	20,554	-	-	-	294	5,368	1,965	-	-	-	-	n/a	n/a	n/a	-	-	-	n/a	n/a	n/a	n/a	n/a	Sell	11,250	30.0%	equity consolidation	equity consolidation	
15	Lagera, Phase I	Sofia	Y	freehold	6,128	30,534	20,634	-	1,727	-	204	17,531	844	-	-	-	-	n/a	n/a	n/a	-	-	-	n/a	n/a	n/a	n/a	n/a	Sell	16,300	100.0%	16,300	4,027	
16	Vitosha Tulip	Sofia	Y	freehold	9,772	21,896	15,223	-	-	6,673	137	16,304	946	-	-	-	-	n/a	n/a	n/a	-	-	-	n/a	n/a	n/a	n/a	n/a	Sell	15,670	100.0%	15,670	10,922	
17	Metropolia	Riga	Y	freehold	28,112	57,745	43,453	-	-	305	428	10,501	1,099	-	-	-	-	n/a	n/a	n/a	-	-	-	n/a	n/a	n/a	n/a	n/a	Sell	12,875	100.0%	12,875	13,059	
Sub total					99,816	176,758	127,863	-	1,822	6,978	1,458	56,372	-	-	-	-	-	-	n/a	n/a	-	-	-							70,361		59,111	37,095	

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Breakdown of GLA/GSA (sqm)												Revenues (€ / rent (€ / pa) (Eur 000s)										Occupancy per asset class											
No	Project	City	Zoning	Legal status	Site area , sqm	Gross buildable area, sqm	Resi dental	Offices	Retail	Other	Parking (spaces)	Unsold / unleased net area excl car parking (sqm)	Residential (average price per sqm for sold apartments in last year for selling projects) ¹	Offices Actual revenue ²	Retail Actual revenue ²	Other Actual Revenues ²	Parking ²	Annual Market Rent, by DTZ (EUR'000s)	Construction start date	Est completion date	Outstanding land acquisition costs (Euro'000s)	Total cost (Construction budget) ³ (Euro'000s)	Estimated outstanding construction costs ³ (Euro'000s)	Project completion, %	Occupancy	Offices	Retail	Other	Strategy	Market value of 100% ownership ⁴	AFIE share (%)	Market Value, AFIE share ⁵ (€Euro'000s)	Outstanding Loans as of 30 September 2010, AFIE share ⁴ (Euro'000s)
Land bank: near-term projects																													-				
18	Classic 7, Phase 2	Prague	Y	freehold	4,556	12,577	-	10,081	-	-	225	-	n/a	n/a	n/a	n/a	n/a	n/a	Mar-11	4Q/2012	-	15,400	15,400	-	n/a	n/a	n/a	n/a	Build & hold	2,319	100.0%	2,319	-
19	Classic 7, Phase 3	Prague	Y	freehold	3,164	10,180	-	7,917	-	-	66	-	n/a	n/a	n/a	n/a	n/a	n/a	Jan-12	Q3/2013	-	11,692	11,692	-	n/a	n/a	n/a	n/a	Build & hold	1,611	100.0%	1,611	-
20	AFI Karlin, Phase 1	Prague	Y	freehold	12,289	28,199	-	25,522	-	-	125	-	n/a	n/a	n/a	n/a	n/a	n/a	Jan-12	Q1/2014	-	45,200	45,200	-	n/a	n/a	n/a	n/a	Build & hold	11,800	100.0%	11,800	-
21	Airport City Belgrade Phase 4 (1000N)	Belgrade	Y	freehold	8,500	23,000	-	18,400	-	-	382	-	n/a	n/a	n/a	n/a	n/a	n/a	Jul-11	Q3/2013	-	39,537	39,537	-	n/a	n/a	n/a	n/a	Build & hold	5,046	53.7%	5,046	-
22	AFI Golden City Mall	Bucharest	Y	freehold	65,000	49,037	-	-	38,385	-	1,109	38,385	n/a	n/a	n/a	n/a	n/a	n/a	Mar-11	Q4/2012	6,500	48,500	48,500	-	n/a	n/a	n/a	n/a	Build & hold	38,130	100.0%	38,130	-
23	AFI Palace Ploiesti Mall	Ploiesti	N	freehold	39,000	19,500	-	-	17,000	-	784	19,500	n/a	n/a	n/a	n/a	n/a	n/a	Jun-11	Q4/2012	-	14,271	14,271	-	n/a	n/a	n/a	n/a	Build & hold	8,158	100.0%	8,158	-
24	Wilanów One, Phase B1.1	Warszawa	Y	Perpetual usufruct	8,606	14,574	9,347	-	1,194	-	200	10,541	n/a	n/a	n/a	n/a	n/a	n/a	Jun-11	Q4/2012	-	12,400	12,400	-	n/a	n/a	n/a	n/a	Build & sell	3,301	30.0%	equity consolidation	equity consolidation
25	Osiedle Europejski, Phase 8B	Kraków	Y	freehold	14,941	16,428	12,541	-	-	580	209	13,121	n/a	n/a	n/a	n/a	n/a	n/a	Mar-11	Q3/2012	-	11,800	11,800	-	n/a	n/a	n/a	n/a	Build & sell	3,693	100%	3,693	-
26	AFI Business Park Cotroceni Building A	Bucharest	Y	freehold	3,000	19,538 ³	-	16,214 ³	-	-	-	16,214	n/a	n/a	n/a	n/a	n/a	n/a	Jan-11	Q2/2012	-	17,900	17,900	-	n/a	n/a	n/a	n/a	Build & hold	3,560	98.4%	3,560	-
27	AFI Business Park Cotroceni Building B	Bucharest	Y	freehold	3,000	23,610 ³	-	18,710 ³	-	-	-	18,710	n/a	n/a	n/a	n/a	n/a	n/a	Sep-11	Q2/2013	-	21,100	21,100	-	n/a	n/a	n/a	n/a	Build & hold	3,560	98.4%	3,560	-
28	AFI Palace Arad Mall	Arad	Y for DIY N for rest of commercial planned	freehold	73,860	34,400	-	-	32,550	-	1,458	32,550	n/a	n/a	n/a	n/a	n/a	n/a	Jan-12	Q4/2012	-	22,804	22,804	-	n/a	n/a	n/a	n/a	Build & hold	16,898	100.0%	16,898	-
Sub total					235,916	251,043	21,888	96,844	89,129	580	4,558	149,021									6,500	260,604	260,604							98,076	94,775	-	
Land bank: medium-term projects																													-				
29	Tulipa Rokytka, Phase 2	Prague	Y	freehold	4,929	8,500	6,142	-	-	795	101	-	n/a	n/a	n/a	n/a	n/a	n/a	Q2/2012	Q4/2013	-	6,650	6,650	-	n/a	n/a	n/a	n/a	Build & sell	1,950	100.0%	1,950	-
30	Tulipa Vokovice	Prague	Y	freehold	10,523	12,500	8,700	-	-	-	155	-	n/a	n/a	n/a	n/a	n/a	n/a	Q4/2012	Q4/2014	-	29,500	29,500	-	n/a	n/a	n/a	n/a	Build & sell	3,000	100.0%	3,000	-
31	AFI City, Phase 1	Prague	Y	freehold	45,336	58,433	-	45,624	1,063	2,000	600	-	n/a	n/a	n/a	n/a	n/a	n/a	Q3/2012	Q3/2015	-	n/a	n/a	-	n/a	n/a	n/a	n/a	Build & sell	8,499	100.0%	8,499	13,516
32	AFI Business Park Cotroceni Building C	Bucharest	Y	freehold	3,000	23,610 ³	-	18,710 ³	-	-	170	18,710	n/a	n/a	n/a	n/a	n/a	n/a	Q2/2013	Q1/2014	-	21,100	21,100	-	n/a	n/a	n/a	n/a	Build & hold	3,560	98.4%	3,560	-
33	AFI Business Park Cotroceni Building D	Bucharest	Y	freehold	3,000	23,610 ³	-	18,710 ³	-	-	170	18,710	n/a	n/a	n/a	n/a	n/a	n/a	Q3/2014	Q2/2015	-	21,100	21,100	-	n/a	n/a	n/a	n/a	Build & hold	3,560	98.4%	3,560	-
34	AFI Business Park Cotroceni Building E	Bucharest	Y	freehold	3,000	23,610 ³	-	18,710 ³	-	-	170	18,710	n/a	n/a	n/a	n/a	n/a	n/a	Q1/2105	Q2/2016	-	21,100	21,100	-	n/a	n/a	n/a	n/a	Build & hold	3,560	98.4%	3,560	-

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Breakdown of GLA/GSA (sqm)												Revenues (€ / rent (€ / pa) (Eur 000s)										Occupancy per asset class													
No	Project	City	Zoning	Legal status	Site area , sqm	Gross buildable area, sqm	Residential	Offices	Retail	Other	Parking (spaces)	Unsold / unleased net area excl car parking (sqm)	Residential (average price per sqm for sold apartments in last year for selling projects) ¹	Offices Actual revenue ²	Retail Actual revenue ²	Other Revenues ²	Parking ²	Annual Market Rent, by DTZ (EUR000s)	Construction start date	Est completion date	Outstanding land acquisition costs (Euro000s)	Total cost (Construction budget) ³ (Euro000s)	Estimated outstanding construction costs ³ (Euro000s)	Project completion, %	Occupancy	Offices	Retail	Other	Strategy	Market value of 100% ownership ⁴	AFIE share (%)	Market Value, AFIE share ⁴ (€Euro000s)	Outstanding Loans as of 30 September 2010, AFIE share ⁴ (Euro000s)		
35	AFI Golden City - Offices +Commercial	Bucharest	Y for Offices N for commercial	freehold	22,097	18,712	-	11,112	7,600	-	500	11,112	n/a	n/a	n/a	n/a	n/a	n/a	n/a	Q3/2012	Q1/2014	5,498	16,986	18,300	-	n/a	n/a	n/a	n/a	Build & hold	12,962	100.0%	12,962	-	
36	Tulip Towers	Bucharest	N	freehold	17,405	63,010	57,505	-	1,369	-	717	57,505	n/a	n/a	n/a	n/a	n/a	n/a	n/a	Q2/2012	Q1/2014	-	49,288	52,478	-	n/a	n/a	n/a	n/a	Build & sell	18,206	100.0%	18,206	9,510	
37	AFI Palace Ploiesti Offices	Ploiesti	N	freehold	1,000	11,725	-	6,728	-	-	149	6,728	n/a	n/a	n/a	n/a	n/a	n/a	n/a	Q4/2012	Q4/2014	-	8,244	8,244	-	n/a	n/a	n/a	n/a	Build & hold	209	100.0%	209	-	
38	AFI Palace Arad Offices	Arad	N	freehold	7,000	10,000	-	8,411	-	-	1,500	8,411	n/a	n/a	n/a	n/a	n/a	n/a	n/a	Q3/2012	Q1/2014	-	9,528	9,528	-	n/a	n/a	n/a	n/a	Build & hold	1,602	100.0%	1,602	-	
39	Airport City Belgrade, Phase 4 (1000S)	Belgrade	Y	freehold	8,500	23,000	-	5,840	-	15,700	152	-	n/a	n/a	n/a	n/a	n/a	n/a	n/a	Q1/2013	Q3/2014	-	32,000	32,000	-	n/a	n/a	n/a	n/a	Build & hold	5,046	53.7%	5,046	-	
40	Tulip Lagera, Phase 2 & 3	Sofia	Y	freehold	9,683	42,310	26,029	-	2,281	-	294	-	n/a	n/a	n/a	n/a	n/a	n/a	n/a	Q1/2013	Q3/2014	-	20,614	20,614	-	n/a	n/a	n/a	n/a	Build & sell	6,780	100.0%	6,780	-	
41	Osiedle Europejski, Phase 10 & 11	Kraków	Y	freehold	28,752	43,907	32,926	-	-	597	639	33,523	n/a	n/a	n/a	n/a	n/a	n/a	n/a	Q4/2012	Q2/2016	-	24,750	24,750	-	n/a	n/a	n/a	n/a	Build & sell	7,107	100%	7,107	-	
42	Wilanów One, Phase B1.2	Warszawa	Y	Perpetual usufruct	8,606	18,860	13,579	-	-	-	219	13,579	n/a	n/a	n/a	n/a	n/a	n/a	n/a	Q3/2012	Q1/2014	-	15,200	15,200	-	n/a	n/a	n/a	n/a	Build & sell	3,301	30.0%	equity consolidation	equity consolidation	
43	Wilanów One, Phase B1.3	Warszawa	Y	Perpetual usufruct	8,606	11,772	7,900	-	600	-	150	8,500	n/a	n/a	n/a	n/a	n/a	n/a	n/a	Q1/2013	Q2/2014	-	10,400	10,400	-	n/a	n/a	n/a	n/a	Build & sell	3,301	30.0%	equity consolidation	equity consolidation	
44	Wilanów One, Phase B1.4	Warszawa	Y	Perpetual usufruct	8,606	16,167	11,640	-	-	-	188	11,640	n/a	n/a	n/a	n/a	n/a	n/a	n/a	Q2/2013	Q4/2014	-	14,000	14,000	-	n/a	n/a	n/a	n/a	Build & sell	3,301	30.0%	equity consolidation	equity consolidation	
Sub total					190,042	409,726	164,421	133,845	12,913	19,092	5,874	207,128										5,498	300,460	304,964							85,944		76,041	23,026	
Land bank- long-term projects																																			-
45	D8 Phase 2	Prague	Y	freehold	154,714	69,900	-	-	-	69,900	n/a	69,900	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	-	n/a	n/a	-	n/a	n/a	n/a	n/a	Build & hold	3,750	50.0%	1,875	-	
46	Pipera	Bucharest	Y	freehold	100,000	277,340	244,408	-	2,125	-	2,609	246,533	n/a	n/a	n/a	n/a	n/a	n/a	n/a	Q1/2013	Q1/2016	-	199,744	199,744	-	n/a	n/a	n/a	n/a	Build & sell	10,500	100.0%	10,500	7,611	
47	Golden City	Bucharest	Y	freehold	55,000	190,250	178,123	-	-	-	2,040	178,123	n/a	n/a	n/a	n/a	n/a	n/a	n/a	Q3/2012	Q1/2016	8,220	154,000	154,000	-	n/a	n/a	n/a	n/a	Build & sell	32,264	100.0%	32,264	-	
48	Magurele – Plaza Arad	Bucharest	N	freehold	268,189	307,372	304,972	-	2,400	-	3,364	307,372	n/a	n/a	n/a	n/a	n/a	n/a	n/a	Q3/2012	Q1/2018	-	189,776	189,776	-	n/a	n/a	n/a	n/a	Build & sell	10,190	100.0%	10,190	-	
49	AFI City Phase 3	Prague	N	freehold	45,337	58,433	-	45,624	1,063	2,000	600	48,686	n/a	n/a	n/a	n/a	n/a	n/a	n/a	Q4/2015	Q4/2018	-	n/a	n/a	-	n/a	n/a	n/a	n/a	Build & hold	11,248	100.0%	11,248	-	
50	AFI City Phase 2	Prague	N	freehold	60,000	33,840	12,000	-	16,200	-	400	28,200	n/a	n/a	n/a	n/a	n/a	n/a	n/a	Q1/2015	Q1/2017	-	n/a	n/a	-	n/a	n/a	n/a	n/a	Build & sell	8,499	100.0%	8,499	-	
51	Business Park Varna	Varna	Y	freehold	47,861	219,273	-	155,720	-	-	63,553 sqm	155,720	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	-	n/a	n/a	-	n/a	n/a	n/a	n/a	Build & hold	20,000	100.0%	20,000	19,487	
52	Malina	Sofia	Y	freehold	30,449	63,342	39,882	-	7,038	-	16,422sqm	46,920	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	-	29,400	29,400	-	n/a	n/a	n/a	n/a	Build & sell	6,650	100.0%	6,650	-	
53	Plovdiv	Plovdiv	Y	freehold	330,978	148,500	-	22,275	-	126,225	n/a	148,500	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	-	58,560	58,560	-	n/a	n/a	n/a	n/a	Build & hold	6,500	75.0%	6,500	-	
54	Soleville	Riga	Y	freehold	104,097	331,267	152,237	18,700	5,882	5,800	81,650sqm	182,619	-	n/a	n/a	-	-	-	n/a	n/a	n/a	-	143,960	140,823	-	n/a	n/a	n/a	n/a	Build & sell	17,800	100.0%	17,800	10,425	

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Breakdown of GLA/GSA (sqm)											Revenues (€ / rent (€ / pa) (Eur 000s)											Occupancy per asset class													
No	Project	City	Zoning	Legal status	Site area , sqm	Gross buildable area, sqm	Residential	Offices	Retail	Other	Parking (spaces)	Unsold / unleased net area excl car parking (sqm)	Residential (average price per sqm for sold apartments in last year for selling projects) ¹	Offices Actual revenue ²	Retail Actual revenue ²	Other Actual Revenues ²	Parking ²	Annual Market Rent, by DTZ (EUR000s)	Construction start date	Est completion date	Outstanding land acquisition costs (Euro000s)	Total cost (Construction budget) ³ (Euro000s)	Estimated outstanding construction costs ³ (Euro000s)	Project completion, %	Occupancy	Offices	Retail	Other	Strategy	Market value of 100% ownership ⁸	AFIE share (%)	Market Value, AFIE share ⁴ (€Euro000s)	Outstanding Loans as of 30 September 2010, AFIE share ⁴ (Euro000s)		
55	Nepliget	Budapest	Y	freehold	19,537	52,204	35,698	-	-	-	7,522sqm	35,698	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	-	38,083	32,023	-	n/a	n/a	n/a	n/a	Build & sell	4,525	100.0%	4,525	-	
56	Clubaliga	Aliga	N	freehold	470,256	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	-	n/a	n/a	-	n/a	n/a	n/a	n/a	Build & hold	31,000	50.0%	15,500	4,953	
57	Airport City Belgrade Phase 5	Belgrade	Y	freehold	26,794	63,300	47,661	-	3,336	-	591	50,997	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	-	59,000	59,000	-	n/a	n/a	n/a	n/a	Build & sell	15,907	53.7%	15,907	-	
58	Wilanów One phase B2	Warszawa	Y	Perpetual usufruct	56,598	81,222	58,480	-	-	-	1,199	58,480	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	-	54,000	54,000	-	n/a	n/a	n/a	n/a	Build & sell	21,713	30.0%	equity consolidation	equity consolidation	
59	Wilanów One phase C	Warszawa	Y	Perpetual usufruct	22,503	31,152	22,430	-	-	-	486	22,430	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	-	26,000	26,000	-	n/a	n/a	n/a	n/a	Build & sell	8,633	30.0%	equity consolidation	equity consolidation	
60	Wilanów One Commercial	Warszawa	Y	Perpetual usufruct	55,123	58,120	-	-	40,684	-	1,627	40,684	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	-	34,500	34,500	-	n/a	n/a	n/a	n/a	Build & sell	21,148	30.0%	equity consolidation	equity consolidation	
61	Tulipa Modaranska, Phase2	Prague	N	freehold	14,947	n/a	8,350	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	Build & sell	2,000	100.0%	2,000	-	
62	Butimanu	Bucharest-Suburb	Y	freehold	210,886	108,803	98,862	-	1,500	-	1,060	100,362	n/a	n/a	n/a	n/a	n/a	n/a	n/a	Q3/2013	Q3/2017	-	70,712	70,712	-	n/a	n/a	n/a	n/a	Build & sell	1,054	100.0%	1,054	-	
Sub total					2,073,269	2,094,318	1,203,103	242,319	80,228	203,925	13,976 + 169,147 sqm	1,721,224										n/a	n/a								233,381		164,512	42,476	
Total excluding German Portfolio					2,922,970	3,464,154	1,517,275	616,898	301,605	262,278	32,921 + 169,147 sqm	2,184,529		18,743	36,803	1,985	1,168	73,189					n/a	n/a		-	-	-	-	-		1,307,939	-	1,125,439	594,129
German Portfolio ⁶		Germany	Y	freehold	161,713	155,100	46439			108,661	317	45,529	n/a	n/a	n/a								n/a	n/a		71%	n/a	n/a	-71%	Hold	96,490	49%	equity consolidation	equity consolidation	

Notes:

(1) Average price for the period 30 September 2009 – 30 September 2010.

(2) Annual rental income assuming occupancy and rental rates as of 30 September 2010.

(3) Excluding cost of land and financing costs.

(4) Proportional consolidation (excluded from total) for assets where the Company holds 50% interest; full consolidation for assets where the Company holds a stake above 50%; Wilanów One and German Portfolio are accounted for on an equity basis. Land value of project phases based on pro-rata market value (market value of all phases as per DTZ Report, weighted by land size assigned to a project phase).

(5) GBA and GLA including parking.

(6) German Portfolio is equity consolidated and is considered by the Company to be outside its core business.

(7) Approximately 200 sqm representing 10% of the total GLA is occupied by the Company's project team.

(8) Market value of income-generating projects and residential projects is as set forth in the DTZ Report. Market value of each of the land bank project phases is calculated by dividing the total market value of the project (as set out in the DTZ Report), by the land area of each project phase. Total value of all projects is as set out in the DTZ Report.

Yielding projects

This section describes the 10 commercial projects which are yielding and under management of the Company. These projects represented 59.2% of the Company's total gross rental income and proceeds from sale of trading properties in the first nine months of 2010, with AFI Palace Cotroceni representing 26.1% of such total revenues, Airport City Belgrade representing 12.0% of such total revenues and Palace Flora representing 6.4% of such total revenues.

Romania

AFI Palace Cotroceni

Overview. AFI Palace Cotroceni ("**Palace Cotroceni**") is one of the largest and newest shopping malls in Romania with GLA of 74,475 sqm. Between November 2009 and September 2010 the mall attracted approximately 70,000 daily visitors on average. The property consists of 114,561 sqm of land, with the mall occupying 99,252 sqm of land and an adjacent area of 15,300 sqm designated for the future development of an office project. See "*Land Bank – Near-Term Projects – AFI Business Park Cotroceni, Buildings A and B*". Palace Cotroceni has a wide variety of retail segments combined with numerous leisure facilities, including a twenty-screen cinema complex with the first 3D IMAX theatre in Romania.

History and ownership. Palace Cotroceni is owned by Cotroceni Park S.A., which was incorporated in Romania in 2004 and which acquired the land for the project in 2005. The project's construction commenced in 2007 and Palace Cotroceni opened in October 2009 with 92% occupancy. The Company holds a 98.4% interest in Palace Cotroceni through its wholly-owned Cypriot subsidiary, Cotroceni Investments Limited ("**CIL**"), which holds a 97.979% interest in the project, together with an additional direct interest in the project of 0.4482%. The Company acquired a 50% stake in CIL in 2005 and it purchased the remaining 50% interest in 2007. The total acquisition and development costs of the project amounted to approximately EUR 310,994 thousand.

Location and accessibility. The shopping mall is located near the Cotroceni Presidential Palace, in west Bucharest, sector 6, at the junction of Timisoara Boulevard and Vasile Milea Boulevard. It is located approximately 3 kilometres to the west of the historical city centre and 200 metres to the south of Iuliu Maniu Boulevard, a key link in west Bucharest leading to the A1 highway to Pitesti.

Palace Cotroceni is easily accessible by car or public transport – it is located approximately 150 metres from the closest underground station, Politehnica, and it is also situated on the tram and trolley bus lines which connect it with the city centre. The new Basarab bridge, part of the inner ring road of Bucharest, is currently under construction and according to the municipality's plans, it is expected to increase the traffic flow in the area.

Catchment area. Palace Cotroceni is located between two large and densely populated neighbourhoods, Militari and Drumui Taberei. It is also in close proximity to the neighbourhood of Cotroceni. Office buildings (including part of IBM's headquarters in Romania), the Leu students' complex and the Polytechnics Institute are also located within the vicinity of the project.

Tenants and yielding status. The mall's tenants include popular and high-end fashion chains. Other retail segments include electrical and home appliance, services, cosmetics, optics and drugstore, entertainment facilities and a food court. H&M has signed an agreement to open its flagship store in the mall and has leased 1,938 sqm. The Company believes that H&M's first store in Romania, which is expected to open in March 2011, should attract a significant number of shoppers. Pure Fitness has signed an agreement to open its first store in Romania in the mall and has leased 1,818 sqm. The Pure Fitness store is expected to open in the fourth quarter of 2010. As of 30 September 2010, 92% of the mall's GLA was leased (including H&M and Pure Fitness). The Company continues to optimise the mix of tenants and improve the project's yield, including (among other things) replacing shops with more successful ones that sell more popular brands. This is common market practice for newly opened shopping malls and the Company believes that it is managed in a professional and efficient manner which should contribute to further improving the project's financial results.

The table below set outs the top 5 tenants of Palace Cotroceni as of 30 September 2010.

Tenant	GLA (sqm)	% of total GLA	Contract expires
Real	12,788	17.2%	2024
Cinema City (IMAX)	6,530	8.8%	2019
Inditex Group (8 shops) ⁽¹⁾	4,073	5.5%	2019
C&A	3,284	4.4%	2014
Karting	3,000	4.0%	2012
Total top 5 tenants	29,675	39.8%	

Note (1): Including the following brands of the Inditex Group: Zara, Zara Men, Zara Home, Bershka, Massimo Dutti, Pull and Bear and Stradivarius.

Palace Cotroceni offers a wide range of entertainment facilities, including a twenty-screen cinema complex with a 3D IMAX theatre, an 830 sqm ice rink, two electronic casinos, a carting track, two children's playgrounds, a bowling alley and an XD theatre. In addition, the mall has several restaurants and cafés. The Company believes that such variety of entertainment and dining possibilities is a key factor differentiating the mall from its competitors.

The mall is open 24 hours a day with the Real hypermarket and the casinos operating continuously.

As of 30 September 2010, the project had a weighted average lease term of 7.0 years and a weighted average turnover rent of 5.8%. Standard lease terms include monthly or quarterly advance payments (determined on a tenant by tenant basis) and annual indexation by the Eurozone Harmonised Index of Consumer Prices ("HICP") which is published by Eurostat. Rent is denominated in Euro but is payable in Romanian Lei.

The table below sets out gross rental income generated by Palace Cotroceni during the nine months ended 30 September 2010 and year ended 31 December 2009 together with the occupancy rate at the end of the respective periods.

	Nine months ended 30 September 2010	Year ended 31 December 2009
Gross rental income (EUR '000s)	17,738	4,120
Occupancy at end of period (%)	92.0%	94.0%

According to DTZ Report, Palace Cotroceni has an annual Market Rent of EUR 30,996 thousand (based on 100% occupancy), including EUR 1,200 thousand of turnover rent.

Legal Rights. Cotroceni Park S.A. owns the freehold of the lands and buildings of the project.

Serbia

Airport City Belgrade

Overview. Airport City Belgrade ("ACB") is the first modern business park in Serbia. The property consists of seven office buildings and a hangar, with an aggregate GLA of approximately 61,947 sqm, providing high-quality office accommodation, along with convenience retailing on the ground floor and ancillary car parking. The project occupies a site of 78,314 sqm with adjacent land of 43,794 sqm designated for future phases.

History and ownership. The project commenced in 2003, construction of the first phase commenced in 2004 and the project was completed in June 2006, with GLA of 15,606 sqm. The project's second phase was delivered in May 2007 with GLA of 15,111 sqm. The project's third phase was developed in two stages, phase 3a was completed in May 2008 with GLA of 17,495 sqm, and phase 3b was completed in April 2009 with GLA of 10,235 sqm. The hangar building with a total GLA of 3,500 sqm is also located on the ACB site. The building has been converted from an old airport hangar into an office and storage space. The Company owns 53.7 % of this project. It acquired its initial 50% stake in the project in 2004 and an additional 3.7% interest in 2008. The total acquisition and development costs of the project amounted to approximately EUR 77,977 thousand.

Location and accessibility. ACB is situated in New Belgrade, Belgrade's new development area, with easy access from Pan-European Motorway E-75 and in close proximity to Belgrade International Airport. Several lines of public transportation facilitate day and night travel. Several hypermarkets and one of the biggest shopping malls in Serbia are located close to ACB.

Tenants and yielding status. As of 30 September 2010, 88% of the project's GLA was leased. The table below sets out the top 5 office tenants.

Tenant	GLA (sqm)	% of total GLA	Contract Expires
Telenor	13,000	21.0%	2021
KBC Bank	4,675	7.5%	2017
UniCredit Bank.....	4,460	7.2%	2016
Banka Intesa	3,120	5.0%	2014
PricewaterhouseCoopers	2,053	3.3%	2012
Total top 5 tenants	27,308	44.1%	

As of 30 September 2010, the project had a weighted average lease term of 5.7 years. Standard lease terms include monthly or quarterly advance payments (determined on a tenant by tenant basis) and annual indexation by Eurozone HICP. Rent is denominated in Euro but is payable in Serbian dinar.

The table below sets out the gross rental income generated by ACB during the nine months ended 30 September 2010 and 2009 and the year ended 31 December 2009 together with the occupancy rate at the end of the respective periods.

	Nine months ended 30 September 2010	Nine months ended 30 September 2009	Year ended 31 December 2009
Gross rental income (EUR '000s)	8,182	7,635	10,309
Occupancy at the end of period (%)	88%	79%	86%

According to DTZ Report, ACB has an annual Market Rent of EUR 12,519 thousand (based on 100% occupancy and including an Add on Factor of EUR 1,324 thousand).

Legal Rights. The project company is registered with the competent land registry as the holder of a right to use of land over all of the project land and it also has registered title over the completed office buildings.

Czech Republic

Palace Flora

Overview. Palace Flora comprises a four-level shopping mall and office complex. The project comprises a shopping mall with GLA of 20,990 sqm including storage of 882 sqm and six office floors in three towers above the mall with GLA of 17,669 sqm. Between November 2009 and September 2010, the mall attracted approximately 22,749 visitors daily. The mall has a nine-screen cinema complex, including a 3D IMAX auditorium which is the only 3D theatre in the Czech Republic.

History and ownership. The Company has developed the project from inception to completion. The land for the project was acquired in 1997 and construction was completed in March 2003. The total acquisition and development costs of the project amounted to EUR 77,785 thousand.

At the beginning of 2005, the Company sold 50% of its equity interest in the project for EUR 23,573 thousand to Rizetta Limited, a company managed by Avestus Capital (formerly Quinlan Private), a European real estate investment and asset manager. The Company, however, continued to manage the project pursuant to an asset management agreement between the project company and AFI Europe Czech Republic s.r.o., a wholly owned Czech subsidiary of the Company ("AFIE CR").

Location and accessibility. Palace Flora is located in the district of Vinohrady (Prague 3), approximately 2 kilometres from the centre of Prague. The mall benefits from direct access to the Metro, Prague's underground network, via the Flora underground station which leads to the shopping centre gallery, as well

as from bus and tram connections through its street level entrance. In addition, the project is located at the intersection of two main roads and the project's four-level underground car park can accommodate 750 cars.

Catchment area. Palace Flora is located at the edge of the city centre in the district of Vinohrady, an affluent neighbourhood which provides the mall with a solid retail customer base.

Tenants and yielding status. As of 30 September 2010, 100% of the retail GLA was leased, and the average size of the retail units was 168 sqm. The majority of the mall's retail tenants can be described as boutique retailers. In addition, entertainment facilities in the mall include a nine-screen cinema complex with a 3D IMAX auditorium.

The table below sets out the top 5 retail tenants as of 30 September 2010.

Tenant	GLA (sqm)	% of total GLA⁽¹⁾	Contract Expires
Cinema City	2,621	13.0%	2013
Albert supermarket	1,841	9.1%	2013
Esprit	751	3.7%	2013
Bata	600	3.0%	2013
Intersport	530	2.6%	2013
Total top 5 retail tenants	6,343	31.4%	

Notes: (1) Retail only, excluding office and storage.

As of 30 September 2010, the retail segment of the project had a weighted average lease term of 3.1 years and a weighted average turnover rent of 7.9%. Standard lease terms for retail tenants include monthly or quarterly advance payments (determined on a tenant by tenant basis) and annual indexation by Eurozone HICP. Rent is denominated and payable in Euro.

As of 30 September 2010, 89% of the project's office space was leased. The table below set out the top 5 office tenants as of 30 September 2010.

Tenant	GLA (sqm)	% of total GLA⁽¹⁾	Contract Expires
Exxon Mobil.....	8,742	49.5%	Indefinite ⁽²⁾
Danone	1,400	7.9%	2014
Xerox	1,352	7.7%	2015
British American Tobacco.....	979	5.5%	2013
Reckitt Benckiser	822	4.7%	2015
Total top 5 office tenants	13,295	75.2%	

Notes:

(1) Office only, excluding retail and storage.

(2) This contract may be terminated by Exxon Mobil giving a 6 months notice period.

As of 30 September 2010, the office segment of the project had a weighted average lease term of 4.4 years. Standard lease terms for office tenants include quarterly advance payments and annual indexation by Eurozone HICP. Rent is denominated and payable in Euro.

The table below sets out the Company's interest (*i.e.* 50%) in the gross rental income generated by Palace Flora for the nine months-ended 30 September 2010 and 2009 and the year ended 31 December 2009 together with the occupancy rate at the end of the respective periods.

	Nine months ended 30 September 2010	Nine months ended 30 September 2009	Year ended 31 December 2009
Gross rental income (EUR '000s)	4,381	4,647	5,975
Occupancy at the end of period(%)	93%	100%	97%

According to DTZ Report, Palace Flora has a Market Rent of EUR 12,632 thousand (based on 100% occupancy) including EUR 180 thousand turnover rent (EUR 6,316 thousand and EUR 90 thousand for the Company's 50% interest, respectively).

Legal Rights. The project company owns the freehold to the project's land and to the buildings constructed on it.

Broadway Palace

Overview. Broadway Palace comprises three office buildings, retail space and an underground theatre which hosts musical and theatre performances, with a total GLA of 8,934 sqm. One building has 5 storeys and the two other buildings are 6 storeys with each an open passage entrance through office and retail units. The project occupies a site of 2,254 sqm.

History and ownership. The Company acquired its interest in the project in 1997 and completed extensive refurbishment in 2000. The Company has a 64% interest in the project, and maintains full management control through an asset management agreement. The project's total acquisition and development costs amounted to EUR 10,754 thousand.

Location and accessibility. Broadway Palace is located in the centre of Prague (Prague 1 district) on Na Příkopě Street, near Wenceslas Square and in the centre of the main retail and tourist area. Broadway Palace has good accessibility with public transport links from Můstek and Nám Republiky underground stations, which are within walking distance, and several tram stops near the complex.

Catchment area. Broadway Palace is located in the area which serves as one of Prague's most prestigious shopping districts with a number of department stores, boutiques, restaurants, cafés and bars. Na Příkopě is one of the most renowned shopping streets in Prague (source: C&W, *Main Streets around the World 2009*). Its location provides a solid retail customer base and is a desirable location for an office complex.

Tenants and yielding status. As of 30 September 2010, 95% of the retail GLA was leased and the two top retail tenants were Global Network with GLA of 275 sqm and 23.1% of the retail GLA and Vitrens Holding with GLA of 173 sqm and 14.5% of the retail GLA of 1,190 sqm. As of 30 September 2010, the retail segment of the project had a weighted average lease term of 4.8 years. Standard lease terms for retail tenants include quarterly advance payments and annual indexation by Eurozone HICP. Rent is denominated and payable in Euro.

As of 30 September 2010, 80% of the project's office space (out of a total office GLA of 5,711 sqm was leased. The table below set outs the top 5 office tenants as at 30 September 2010.

Tenant	GLA (sqm)	% of total GLA⁽¹⁾	Contract Expires
Presto.....	983	17.2%	2013
O.K. IN	774	13.6%	2011
Ballymore Properties.....	770	13.5%	2011
APS Holding	390	6.8%	2012
Pinnacle	341	6.0%	2012
Total top 5 office tenants.....	3,258	57.0%	

Notes: (1) Office only.

As of 30 September 2010, the office segment of the project had a weighted average lease term of 4.8 years. Standard lease terms for office tenants include quarterly advance payments and annual indexation by Eurozone HICP. Rent is denominated and payable in Euro.

As of 30 September 2010, the underground entertainment space was leased to the Divadlo Broadway theatre.

The table below sets out the gross rental income generated by Broadway Palace for the nine months ended 30 September 2010 and 2009 and the year ended 31 December 2009 together with the occupancy rate at the end of the respective periods.

	Nine months ended 30 September 2010	Nine months ended 30 September 2009	Year ended 31 December 2009
Gross rental income (EUR '000)	1408	1385	1,838
Occupancy at end of period(%).....	86%	97%	92%

According to the DTZ Report, the Market Rent for Palace Broadway has been estimated at EUR 1,827 thousand (based on 100% occupancy, no annual rent turnover has been included).

Legal Rights. The project company of Broadway Palace leases the property pursuant to a lease contract which term will expire on 31 March 2048. The owner of this property is the Czech Republic, while the right to administer it rests with Správa železniční dopravní cesty s.o., the state-owned railway administration company.

Evropska Business Centre

Overview. Evropska Business Centre is an office complex which includes two office buildings with a total GLA of 4,918 sqm and occupies a site of 5,262 sqm.

History and ownership. The Company acquired the project in 1997 and an extensive refurbishment was completed in 2000. The Company owns 63% of the project and maintains full management control through an asset management agreement between the project company and AFIE-CR. The total acquisition and development costs of the project amounted to EUR 6,523 thousand.

Location and accessibility. Evropska Business Centre is located on the Evropská Street, the main road between Prague city centre and Prague International Airport. The project is 20 minutes by tram from the closest Dejvicka metro station. The city of Prague is currently extending the A metro line to Evropská Street with a metro station presently under construction immediately opposite the project.

Tenants and yielding status. As of 30 September 2010, 71% of the project's GLA was leased. The Company is taking active marketing steps to lease out the project's remaining vacant office space. The table below set outs the top 5 office tenants as of 30 September 2010.

Tenant	GLA (sqm)	% of total GLA	Contract Expires
Takenaka	724	14.7%	2012
Skola umeni.....	680	13.8%	2015
Zegap.....	412	8.4%	2011
SSI.....	327	6.6%	2012
Videris.....	315	6.4%	2014
Total top 5 tenants	2,458	50.0%	

As of 30 September 2010, the project had a weighted average lease term of 2.6 years. Standard lease terms include quarterly advance payments and annual indexation by Eurozone HICP. Rent is denominated and payable in Euro.

The table below sets out the gross rental income generated by Evropská Business Centre for the nine months ended 30 September 2010 and 2009 and the year ended 31 December 2009 together with the occupancy rate at the end of the respective periods.

	Nine months ended 30 September 2010	Nine months ended 30 September 2009	Year ended 31 December 2009
Gross rental income (Euro '000s).....	358	372	489
Occupancy at end of period (%).....	71%	88%	78%

According to DTZ Report, annual Market Rent has been estimated at EUR 673 thousand (based on 100% occupancy).

Legal Rights. The project company owns the freehold to the project's land and to the buildings constructed on the land.

Classic 7 Business Park, Phase I

Overview. Phase 1 of Classic 7 Business Park is an office complex comprising three office buildings and an aggregate GLA of 18,298 sqm. The exterior of two of the buildings, which served as an early-Twentieth Century flour mill, was preserved during the renovation process allowing the project to exhibit a mixture of modern and historical architecture. The project occupies a site of 9,167 sqm and an adjacent area of 7,720 sqm is designated for the development of the next phases. See "Land Bank – Near-Term Projects".

History and ownership. The Company has developed the project from inception to completion. The Company acquired the land in four stages in 1998, 2000, 2005 and 2006, construction commenced in December 2006 and three office buildings were completed in August 2008. The total acquisition and development costs of the project amounted to EUR 27,150 thousand. Classic 7 Business Park is owned by a wholly-owned Czech subsidiary of the Company.

Location and accessibility. Classic 7 Business Park is located in the 7th district of Prague which, close to the Holešovice marina and in close proximity to the city centre, is one of Prague's emerging business centres. The project is easily accessible by car and public transport including tram lines and underground.

Tenants and yielding status. As of 30 September 2010, 68% of the project's GLA was leased. The table below sets out the top 5 tenants.

Tenant	GLA (sqm)	% of total GLA	Contract Expires
Centrum Holdings	3,696	20.0%	2013
VIG.....	2,042	11.1%	2014
HBO	1,380	7.5%	2015
IKP	1,367	7.4%	2015
ESET	946	5.1%	2016
Total top 5 tenants	9,431	51.5%	

As of 30 September 2010, the project had a weighted average lease term of 4.1 years. Standard lease terms include quarterly advance payments and annual indexation by the Czech Consumer Price Index ("CPI") published by the Statistics Office of the Czech Republic. Rent is denominated in and payable in Czech koruna.

The table below sets out gross rental income generated by the project during the nine months ended 30 September 2010 and 2009 and the year ended 31 December 2009 together with an occupancy rate at the end of the respective periods.

	Nine months ended 30 September 2010	Nine months ended 30 September 2009	Year ended 31 December 2009
Gross rental income (Euro '000s).....	1339	786	1,203
Occupancy at the end of period(%)	69%	50%	58%

According to DTZ Report, annual Market Rent has been estimated at EUR 2,820 thousand (based on 100% occupancy).

Legal Rights. The project company owns the freehold to the project's land and to the buildings constructed on the land.

AFI Palace Pardubice

Overview. AFI Palace Pardubice is the largest shopping mall in the centre of Pardubice, with GLA of approximately 20,493 sqm and approximately 24,708 daily visitors on average (from November 2009 to September 2010). The mall has two retail floors with approximately 100 shops and one underground parking level. With a wide variety of retail segments, together with several restaurants, caf  s, a children's area, an eight-screen cinema complex and a casino, Palace Pardubice serves also as an entertainment centre for the city of Pardubice and its vicinity. In addition, the mall includes a convention centre that hosts conferences and events with up to 600 participants. The project occupies a site of 24,556 sqm.

History and ownership. The Company has developed the project from inception to completion. The land was acquired in May 2006, construction commenced in November 2006 and the shopping mall was completed in November 2008. The total acquisition and development costs amounted to EUR 57,972 thousand.

Location and accessibility. Pardubice is an industrial city located approximately 100 kilometres from Prague (connected by highway D11) with a population of approximately 90,000 inhabitants. Palace Pardubice is located on Masaryk square, a short distance from the historic centre and is easily accessible by car and public transport.

Catchment area. As the project is the largest and only modern shopping mall in Pardubice. The entire city serves as its catchment area.

Tenants and yielding status. The mall's tenants include popular fashion chains, a multiplex cinema, restaurants, caf  s and other retail segments, such as home appliances and various service providers. As of 30 September 2010, 99% of the project's GLA was leased. The table below sets out the top 5 retail tenants.

Tenant	GLA (sqm)	% of total GLA	Contract Expires
Cinema City (IMAX)	1,531	7.5%	2019
H&M	1,300	6.3%	2020
Intersport	1,040	5.1%	2013
New Yorker	886	4.3%	2013
HM studio	573	2.8%	2018
Total top 5 tenants	5,330	26.0%	

As of 30 September 2010, the project had a weighted average lease term of 6.2 years and a weighted average turnover rent of 7.4%. Standard lease terms include quarterly advance payments and annual indexation by Eurozone HICP. Rent is denominated and payable in Euro.

The table below sets out the gross rental income generated by Palace Pardubice during the nine months ended 30 September 2010 and 2009 and the year ended 31 December 2009 together with the occupancy rate at the end of the respective periods.

	Nine months ended 30 September 2010	Nine months ended 30 September 2009	Year ended 31 December 2009
Gross rental income (Euro '000s)	3,826	3,845	5,176
Occupancy at the end of the period (%)	99%	97%	97%

According to DTZ Report, annual Market Rent for AFI Palace Pardubice has been estimated at EUR 5,345 thousand (based on 100% occupancy, no turnover rent has been included).

Legal Rights. The project company owns the freehold to the project's land and the mall.

D8 European Park

Overview. D8 European Park is a logistics warehouse and light industry park with a total GLA of 20,939 sqm. The park offers numerous services, including 24-hour on-site security, landscaping,

maintenance and repairs, snow removal, public transportation links and waste collection. The project occupies a site of 68,900 sqm of land.

History and ownership. The Company acquired the land in November 2004, construction commenced in February 2007 and the project was completed in December 2007. The total acquisition and development costs amounted to EUR 13,800 thousand.

The Company owns 50% of D8 European Park. The remaining 50% is held by Pro Delta B.V., one of the largest logistics companies in the Netherlands, which contributed to the project its experience and extensive know-how in relation to the development, design, construction, operation and marketing of logistics facilities.

Location and accessibility. D8 European Park is located in the district of Melnik Kozomin, at Exit 9 of the D8 motorway which links Prague and Berlin, approximately 14 kilometres from Prague and opposite Tesco's distribution centre for the Czech Republic. It can be easily accessed from both directions of the motorway. The project's has a good location and accessibility for distribution companies.

Tenants and yielding status. As of 30 September 2010, 58% of the project's GLA was leased.

The table below sets out the project's tenants.

Tenant	GLA (sqm)	% of total GLA	Contract Expires
Horitim Int.....	3,945	18.8%	2014
Horizont.....	3,685	17.6%	2011
Cesky Caparol.....	2,432	11.6%	2013
Agility Logistic.....	1,978	9.4%	2014
Total tenants	12,040	57.5%	

As of 30 September 2010, the project had a weighted average lease term of 3.0 years. Standard lease terms include quarterly advance payments and annual indexation by Eurozone HICP. Rent is denominated and payable in Euro.

The table below sets out the Company's interest (*i.e.* 50%) in the gross rental income generated by D8 European Park for the nine months ended 30 September 2010 and 2009 and the year ended 31 December 2009 together with the occupancy rate at the end of the respective periods.

	Nine months ended 30 September 2010	Nine months ended 30 September 2009	Year ended 31 December 2009
Gross rental income (Euro '000s).....	204	102	131
Average occupancy (%)	59%	62%	61%

According to DTZ Report, annual Market Rent for D8 European Park has been estimated at EUR 803 thousand (based on 100% occupancy) (EUR 402 thousand for the Company's 50% stake in the project).

Legal Rights. The project company owns the freehold to the project's land and the warehouse.

Bulgaria

Business Park Varna

Overview. Business Park Varna ("BPV") is an office complex comprising three office buildings with a total GLA of 42,402 sqm. The project occupies a site of 19,569 sqm and an adjacent area of 47,861 sqm is designated for the development of the project's next phases. Small retail units are situated on the ground floor level of the office buildings.

History and ownership. The Company acquired the land in 2004 and 2005. Construction of the first building commenced in 2005 and was completed in 2006, with GLA of 12,528 sqm. Construction of the

second building commenced in 2006 and was completed in October 2007, with GLA of 15,903 sqm. Construction of the third building commenced in 2007 and was completed in December 2008, with GLA of 13,971 sqm. Total acquisition and development costs amounted to EUR 48,189 thousand. BPV is owned by a wholly-owned Bulgarian subsidiary of the Company, which the Company acquired in 2007 for EUR 76,966 thousand.

Location and accessibility. BPV is located on the Hemus highway, approximately five minutes' drive east from Varna International Airport and ten minutes' drive from Varna city centre. BPV has direct access to the Hemus Highway and to A2 Road. The project can be easily accessed by car and public transportation.

Tenants and yielding status. As of 30 September 2010, 64% of the project's GLA was leased. The table below sets out the top 5 tenants.

Tenant	GLA (sqm)	% of total GLA	Contract Expires
E.ON.....	15,903	36.9%	2012
Sistec Holding	2,110	4.9%	2012
Sis Technology	907	2.1%	2016
Vestas	635	1.5%	2012
OPI	506	1.2%	2015
Total top 5 tenants	20,061	46.5%	

As of 30 September 2010, Building B1 has been leased to 57 tenants of which Sistec Holding and Sis Technology are the largest tenants and lease 16.8% and 7.2%, respectively, of the GLA of the Building 1. As of 30 September 2010, the building's occupancy rate was 70%.

As of 30 September 2010, Building B6 is 100% leased to E.ON. This building has been fully occupied since November 2007 with a lease term of 5.0 years.

As of 30 September 2010, Building B8 has been leased to 9 tenants of which Vestas leases the largest office space in an area of 635 sqm. As of 30 September 2010, the building's occupancy rate was 19%. The Company believes that this low occupancy rate is the result of the poor market conditions caused by the global financial crisis and continues to actively market the project.

As of 30 September 2010, the project had a weighted average lease term of 2.5 years. Standard lease terms include monthly advance payments and annual indexation by Eurozone HICP. Rent is denominated and payable in Euro.

The table below sets out gross rental income generated by BPV for the nine months ended 30 September 2010 and 2009 and the year ended 31 December 2009 together with the occupancy rate at the end of the respective periods.

	Nine months ended 30 September 2010	Nine months ended 30 September 2009	Year ended 31 December 2009
Gross rental income (Euro '000s).....	2,541	2,926	3,839
Occupancy at the end of period (%)	64%	65%	64%

According to DTZ Report, annual Market Rent has been estimated at EUR 5,286 thousand (based on 100% occupancy).

Legal Rights. The BPV project company owns the freehold to all of the project's land and the buildings.

Poland

Osiedle Europejskie, commercial centre

Overview. Osiedle Europejskie comprises a retail and services centre with a total GLA of 2,041 sqm adjacent to a large residential development in Kraków. The project occupies a site of 5,304 sqm.

History and ownership. The Company purchased the property in May 2007 by acquiring the project company. At the time of acquisition, the commercial centre had been in operation for a year. Total acquisition and development costs amounted to EUR 2,500 thousand.

Location and accessibility. The Osiedle Europejskie project is located in the Dębniki district, approximately 8 kilometres south-west of Kraków's city centre. Osiedle Europejskie links with the Grota-Roweckiego road towards Kraków's city centre, which extends to road 776, a main motorway, and the main inner city ring road that circles Kraków's city centre and Old Town.

Catchment area. The commercial centre serves mainly as a local retail and services centre for the larger residential development of Osiedle Europejskie.

Tenants and yielding status. As of 30 September 2010, 100% of the property's GLA was leased (of which office space of approximately 200 sqm, *i.e.* 10%, is occupied by the Company's project team and generates no rental income). The table below sets out the top two tenants.

Tenant	GLA (sqm)	% of total GLA	Contract Expires
Carrefour	985	51.0%	2016
Medicover.....	227	11.8%	2012
Total top 2 tenants	1,212	62.8%	

As of 30 September 2010, the project had a weighted average lease term of 5.0 years. Standard lease terms include monthly advance payments and annual indexation by the Polish CPI published by GUS (the central Polish statistical office). Rent is denominated and payable in Polish Zloty.

The table below sets out the gross rental income generated by the project during the nine months ended 30 September 2010 and 2009 and the year ended 31 December 2009 together with the occupancy rate at the end of the respective periods.

	Nine months ended 30 September 2010	Nine months ended 30 September 2009	Year ended 31 December 2009
Gross rental income (Euro '000s)	201	173	234
Average occupancy (%)	100%	100%	100%

According to DTZ Report, annual Market Rent has been estimated at EUR 288 thousand (based on 100% occupancy).

Legal Rights. The Company has the ownership title to the commercial centre and to the land on which it was constructed.

Residential projects in progress

This section describes 6 residential projects of which sales are in progress. The seventh residential project, Tulipa Rokytká is not described in this section since as of 30 September 2010 there were only 2 apartments left for sale and hence Tulipa Rokytká is no longer qualified as "*in progress*". Residential projects (excluding Wilanów One which is consolidated on an equity basis) represented 40.8% of the Company's total gross rental income and proceeds from sale of trading properties in the first nine months of 2010, with Tulipa Rokytká representing 2.0 % of such total revenues.

Czech Republic

Tulipa Modřanská, phase I

The first phase of the Tulipa Modřanská residential project in Modřany, district 12 of Prague, comprises three high-end residential buildings with a total of 120 apartments and 129 underground parking spaces with a total GSA of 8,800 sqm located on 21,864 sqm of land. Construction of the project completed in the first quarter of 2010. The Company has obtained occupancy permits for all three buildings. The sale of the

residential units began in 2007 and is on-going. As of 30 September 2010, the Company had sold 79 apartments, at an average selling price for the period of September 2009 to September 2010 of EUR 2,536 per sqm, and 70 apartments had been delivered. Adjacent land owned by the project company is designated for the development of the second phase of the project. See “*Land Bank – Tulipa Modřanská rokle, Phase 2*”. The project’s total acquisition and development costs amounted to EUR 17,024 thousand.

Poland

Osiedle Europejskie, phase 9

Phase 9 of the Osiedle Europejskie residential development in Kraków comprises three residential buildings with a total of 255 apartments and 179 parking spaces with a total GSA of 13,255 sqm located on 13,388 sqm of land. Phase 9 is one of 12 phases of the larger Osiedle Europejskie residential development comprising a total of 29 residential buildings with a total of 2,427 apartments, together with a small commercial centre servicing the project’s residents and the surrounding neighbourhood. See “*Yielding Projects – Osiedle Europejskie*”. The project was acquired by the Company in 2007 and construction of phase 9 completed in the second quarter of 2009. The Company has obtained occupancy permits for the completed buildings. As of 30 September 2010, the Company has sold 197 of the 255 apartments available for sale, at an average selling price for the period of September 2009 to September 2010 of EUR 1,506 and 180 apartments had been delivered. The project’s total acquisition and development costs amounted to EUR 15,000 thousand. The Company is developing 1 additional phase of the Osiedle Europejskie project (phase 8B) and holds zoning permit for remaining two phases (phase 10 and 11). See “*Land Bank – Osiedle Europejskie, shopping mall*”

Wilanów One, phase 1

Wilanów One is a large scale residential complex in the Wilanów district of Warsaw. The project is situated near the historical Wilanów palace, one of most famous heritage sites in Poland, on land held by the project company in perpetual usufruct. Phase 1 of the project was completed in the fourth quarter of 2009 with a total of 275 apartments, of which 218 have sold as of 30 September 2010, at an average selling price for the period of September 2009 to September 2010 of EUR 1,965 per sqm and 197 of which have been delivered. Phase 2 is planned to comprise 689 apartments with construction planned to commence during the next eighteen months. The Company has obtained occupancy permits for the completed buildings and the building permit for phase 2. The Company’s total acquisition and development costs for phase 1 of the project amounted to EUR 39,000 thousand. The project company has applied for an amendment to the applicable zoning plan to allow for the construction of commercial premises on a section of the land. The owner of the project Wilanów One Sp. z o.o., is a Polish company of which the Company owns a 30% interest. MGPA owns the remaining 70% interest.

Bulgaria

Lagera Tulip, phase 1

Lagera Tulip is a residential complex in the Lagera district of central Sofia comprising 4 residential buildings with a total of 248 apartments with a total GSA of 20,634 sqm located on 4 neighbouring totalling 15,811 sqm of land. Phase 1 is still under construction and the Company expects it to be completed in the fourth quarter of 2010. As of 30 September 2010, of the 248 apartments available, 72 of the apartments have sold, at an average selling price for the period of September 2009 to September 2010 of EUR 844 per sqm, with delivery expected to commence in the coming months. The Company has obtained occupancy permits for the completed buildings. Phase 1 also comprises 5 retail outlets and a kindergarten. The project’s total acquisition and development costs amounted to EUR 19,977 thousand.

Vitosha Tulip

Vitosha Tulip is a residential complex at the foot of the Vitosha Mountains in Sofia comprising 10 buildings with a total of 144 apartments and 137 parking spaces and a total GSA of 15,233 sqm located on 9,772 sqm of land. In addition, the complex includes storage facilities, a spa centre with recreational and leisure facilities and a roof-top garden with a total GLA of 6,673 sqm. The project was completed in the third

quarter of 2009. As of 30 September 2010, the Company has sold 28 of the 144 apartments available, at an average selling price for the period of September 2009 to September 2010 of EUR 946 per sqm. As of 30 September 2010, 21 apartments have been delivered. The project's total acquisition and development costs amounted to EUR 15,615 thousand.

Latvia

Metropolia

Metropolia is a residential project in the Imanta neighbourhood of Riga comprising 5 multi-floor residential buildings with a total of 550 apartments with a total GSA of 43,453 sqm on an area of 28,112 sqm of land. The Company acquired the project in 2007 and construction was completed in the second quarter of 2009. The Company has obtained occupancy permits for the completed buildings. As of 30 September 2010, the Company had sold 426 apartments (of which 393 have been delivered), at an average selling price for the period of September 2009 to September 2010 of EUR 1,099 per sqm. The project's total acquisition and development costs amounted to EUR 49,920 thousand.

Land Bank

This section describes the land bank of the Company, which the Company holds for future development. These assets currently generate no revenues. The first part of this section summarizes projects of which the Company plans to commence the construction in the next eighteen months. The section then describes the medium-term and long-term projects.

Near-Term Projects

Classic 7 Business Park, Phase 2

The Company owns a freehold land plot of 4,556 sqm, adjacent to the existing yielding project Classic 7 Business Park, on which it plans to develop further phases of the business park. The existing phase consists of three office buildings with a total GLA of 18,298 sqm. See "*Yielding projects – Classic 7 Business Park, Phase I*".

The Company plans to further develop the project through three subsequent phases. The second phase of the project is the planned construction of a six-storey office building with a total GLA of 10,081 sqm on a land plot of 4,556 sqm with 225 parking spaces. The Company is currently negotiating the terms of a pre-lease for approximately 3,500 sqm.

The Company expects to commence construction in March 2011 and completion is planned for the fourth quarter of 2012. The Company has obtained the relevant zoning and building permits.

Total project budget as of 30 September 2010 has been estimated at EUR 17,562 thousand (excluding financing costs), of which the Company contributed to this date EUR 2,162 thousand, as held on the Company's books (at cost minus impairments). The estimated outstanding development costs (excluding financing costs) amount to EUR 15,400 thousand. To fund this amount, the Company will contribute an additional EUR 5,500 thousand of project equity, equalling 36% of the estimated outstanding development costs. The remaining EUR 9,900 thousand of the estimated outstanding development costs (equalling 64%) will be financed by debt. The Company has received the terms for financing this development.

Classic 7 Business Park, Phase 3

The Company owns a freehold land plot of 3,164 sqm, adjacent to the existing yielding project Classic 7 Business Park, on which it plans to develop further phases of the business park. The existing phase consists of three office buildings with a total GLA of 18,298 sqm. See "*Yielding projects – Classic 7 Business Park, Phase I*".

The Company plans to further develop the project through three subsequent phases. The second phase of the project is the planned construction of a six-storey office building with a total GLA of 10,081 sqm on a land

plot of 4,556 sqm with 225 parking spaces. See “*Land Bank – Near-Term projects – Classic 7 Business Park, Phase 2*”.

The Company plans to further develop the project through the planned construction of an office building with a total GLA of 7,917 sqm with 66 parking spaces.

The Company expects to commence construction in January 2012 and the completion is planned for the third quarter of 2013. The Company has obtained the relevant zoning and building permits.

Total project budget as of 30 September 2010 has been estimated at EUR 13,461 thousand (excluding financing costs), of which the Company contributed to this date EUR 1,769 thousand, as held on the Company’s books (at cost minus impairments). The estimated outstanding development costs (excluding financing costs) amount to EUR 11,692 thousand. To fund this amount, the Company will contribute an additional EUR 4,500 thousand of project equity, equalling 38% of the estimated outstanding development costs. The remaining EUR 7,192 thousand of the estimated outstanding development costs (equalling 62%) will be financed by debt.

AFI Karlin, phase 1

AFI Karlin is located in the Karlin area of Prague. It consists of the freehold land plot of 12,289 sqm on which the Company plans to construct two office building(s) with a total GLA of 25,552 sqm and 125 parking spaces.

The land and existing building permit for an office building with total GLA of 25,552 sqm were acquired from Real Estate Karlín-Palác a.s., however, without the rights to the project documentation. At present, the building permit is valid and the Company can use it, provided a fee is paid to the sellers for the project documentation. The Company has extended the term for completion of construction under the current building permit until 31 December 2013. The Company intends to modify the building design and allow phased construction and therefore it is preparing new project documentation and applications for new planning and building permits.

The Company expects to commence construction in January 2012 and the completion is planned for the first quarter of 2014. The Company has obtained the relevant zoning permit.

Total project budget as of 30 September 2010 has been estimated at EUR 57,492 thousand (excluding financing costs), of which the Company contributed to this date EUR 12,292 thousand, as held on the Company’s books (at cost minus impairments). The estimated outstanding development costs (excluding financing costs) amount to EUR 45,200 thousand. To fund this amount, the Company will contribute an additional EUR 12,000 thousand of project equity, equalling 27% of the estimated outstanding development costs. The remaining EUR 33,200 thousand of the estimated outstanding development costs (equalling 73%) will be financed by debt.

Airport City Belgrade, phase 4, building 1000N

The Company owns a freehold land plot of 8,500 sqm, adjacent to the yielding project ACB, on which it plans to develop an additional office building. For a description of ACB business park see “*Yielding projects – Airport City Belgrade*”.

Next phase of the project is the planned construction of two office buildings, the first of which, Building 1000N, is expect to have a total GLA of 18,400 sqm with 382 parking spaces.

The Company expects to commence construction in July 2011 and the completion of this building is planned for the third quarter of 2013. The Company has obtained the relevant zoning permit.

Total project budget as of 30 September 2010 has been estimated at EUR 40,700 thousand (excluding financing costs), of which the Company contributed to this date EUR 1,163 thousand, as held on the Company’s books (at cost minus impairments). The Company will contribute an additional EUR 9,000 thousand of project equity and the remaining 77% of the estimated outstanding development costs will be financed by debt.

AFI Golden City Mall

The Company owns a freehold land plot of 65,000 sqm on which it plans to develop a commercial project, including a shopping mall, through four phases.

The Golden City project is located in the northern part of Bucharest, in the neighbourhood Bucurestii Noi, approximately 10 kilometres from the city centre. Bucurestii Noi Boulevard is one of the major transportation routes in Bucharest and it has good public transport. In addition, a subway line along the boulevard is currently under construction. There are no modern large-scale retail centres in the vicinity.

Phase one of the Golden City project is the planned construction of a two-storey shopping mall with a total GLA of 38,385 sqm with 1,109 parking spaces. The tenants of the mall are expected to include a hypermarket and two popular fashion stores. A large DIY store will be constructed adjacent to the mall, which the Company believes will assist in attracting more visitors to the mall.

The Company expects to commence construction in March 2011 and the completion is planned for the fourth quarter of 2012. The Company has obtained the relevant zoning permit and expects to receive the building permit by the end of the year.

Total project budget as of 30 September 2010 has been estimated at EUR 77,063 thousand (excluding financing costs), of which the Company contributed to this date EUR 28,563 thousand, as held on the Company's books (at cost minus impairments). The estimated outstanding development costs (excluding financing costs) amount to EUR 48,500 thousand. To fund this amount, the Company will contribute an additional EUR 16,000 thousand of project equity, equalling 33% of the estimated outstanding development costs. The remaining EUR 32,500 thousand of the estimated outstanding development costs (equalling 67%) will be financed by debt. The Company has received a term sheet for the financing of this project.

AFI Palace Ploiesti Mall

The Company owns a freehold land plot of 40,000 sqm in the city of Ploiesti on which it plans to develop a commercial project consisting of retail and office space.

Ploiesti is located approximately 60 kilometres north of Bucharest, close to national highway 1 (DN 1). The land plot is located in the north eastern part of the town, with good transportation links from the city centre.

The Company plans to develop AFI Palace Ploiesti in two phases. The first phase is the planned construction of a commercial centre with a total GLA of 17,000 sqm on a land plot of 39,000 sqm. The second phase is the planned construction of an office tower above the commercial centre with a total GLA of 6,728 sqm. The project is expected to include a total of 933 parking spaces.

The Company expects to commence construction of the commercial centre in June 2011 and the completion is planned for the fourth quarter of 2012. Construction of the office tower is expected at later date, subject to market conditions. At present there is a factory on the site. The factory is planned to be demolished, in order to enable redevelopment of the site. As of the date of this Prospectus, the Company has applied to change the zoning designation. The Company has not yet obtained the building permit.

Total project budget as of 30 September 2010 has been estimated at EUR 22,638 thousand (excluding financing costs), of which the Company contributed to this date EUR 8,367 thousand, as held on the Company's books (at cost minus impairments). The estimated outstanding development costs (excluding financing costs) amount to EUR 14,271 thousand. To fund this amount, the Company will contribute an additional EUR 3,500 thousand of project equity, equalling 25% of the estimated outstanding development costs. The remaining EUR 10,771 thousand of the estimated outstanding development costs (equalling 75%) will be financed by debt.

Wilanów One, phase B1.1

The Company holds a right of perpetual usufruct over 8,606 sqm of land, adjacent to the land plots under the existing buildings of the Wilanów One residential project, on which it plans to further develop the Wilanów

One project in subphases. The existing part of the project consists of two buildings which were completed in the first quarter of 2009 and 2010, respectively. See “*Residential projects in progress – Wilanów One*”.

The Wilanów One project is located in Wilanów district in Warsaw, approximately 8 kilometres south from the city centre. Wilanów One is part of the Miasteczko Wilanów development.

The next subphase of the project is the planned construction of a residential building with a total GSA of 9,347 sqm and retail area with 1,194 sqm of GLA and 155 apartments with 200 parking spaces.

The Company expects to commence construction in June 2011 and the completion is planned for the fourth quarter 2012. The Company has obtained the relevant zoning permit.

Total project budget as of 30 September 2010 has been estimated at EUR 14,150 thousand (excluding financing costs), of which the Company contributed to this date EUR 1,750 thousand, as held on the Company’s books (at cost minus impairments). The estimated outstanding development costs (excluding financing costs) amount to EUR 12,400 thousand. To fund this amount, the Company will contribute an additional EUR 3,000 thousand of project equity, equalling 23% of the estimated outstanding development costs. The remaining EUR 9,400 thousand of the estimated outstanding development costs (equalling 77%) will be financed by debt.

Osiedle Europejskie, phase 8B

The Company owns a freehold land plot of 14,941 sqm, adjacent to the existing mixed-use project, on which it plans to develop the next residential phase of the project. The existing part of the project consists of 20 residential buildings which were completed between 2003 and 2009 and a commercial centre which serves as the retail centre for the project. See “*Residential projects in progress – Osiedle Europejskie*” and “*– Yielding projects – Osiedle Europejskie*”.

Osiedle Europejskie is located in the Dębniki district, approximately 8 kilometres south west from Kraków’s city centre.

Phase 8B is the planned construction of 3 buildings with a total of 195 apartments and a total GSA of 12,541 sqm, together with retail units, on the ground floor level of the buildings, and 209 additional parking spaces. Two of the buildings will be six-storey buildings and third will be four storeys.

The Company expects to commence construction in March 2011 and the completion of the first building is planned for the third quarter of 2012. The Company has obtained the relevant zoning and building permits.

Total project budget as of 30 September 2010 has been estimated at EUR 14,200 thousand (excluding financing costs), of which the Company contributed to this date EUR 2,400 thousand, as held on the Company’s books (at cost minus impairments). The estimated outstanding development costs (excluding financing costs) amount to EUR 11,800 thousand. To fund this amount, the Company will contribute an additional EUR 2,100 thousand of project equity, equalling 18% of the estimated outstanding development costs. The remaining EUR 9,700 thousand of the estimated outstanding development costs (equalling 82%) will be financed by debt. The Company has received a terms sheet for the financing of this project.

AFI Business Park Cotroceni, Buildings A and B

The Company owns a freehold land plot of 15,000 sqm, adjacent to the AFI Palace Cotroceni Mall Company’s existing flagship project, on which it plans to develop an office complex as the next phase of the project. For a description of AFI Palace Cotroceni Mall see “*Yielding projects – AFI Palace Cotroceni*”.

The Company plans to develop the remaining land plot as four office buildings and a hotel. The first two phases of the office development include the construction of Buildings A and B on a land plot of 6,000 sqm. Building A will comprise office space with a total GLA of 16,214 sqm (including parking) with retail units located on the ground floor of the building. Building B will comprise office space with a total GLA of 18,710 sqm (including parking) sqm with retail units located on the ground floor of the building. Each building will have 170 underground parking spaces, in addition to the shopping mall’s parking spaces. Each building will comprise 11 floors and connect directly to the shopping mall.

The Company expects to commence construction of Building A in January 2011 and plans to complete it in the second quarter of 2012. Similarly, the Company expects to commence construction of Building B in September 2011 with completion planned for the second quarter of 2013. The Company has obtained the relevant zoning permits for both phases and has obtained building permit for Building A.

Total budget for building A as of 30 September 2010 has been estimated at EUR 21,460 thousand (excluding financing costs), of which the Company contributed to this date EUR 3,560 thousand, as held on the Company's books (at cost minus impairments). The estimated outstanding development costs (excluding financing costs) for building A amount to EUR 17,900 thousand. To fund this amount, the Company will contribute an additional EUR 5,500 thousand of project equity, equalling 31% of the estimated outstanding development costs. The remaining EUR 12,400 thousand of the estimated outstanding development costs (equalling 69%) will be financed by debt. The Company has received a term sheet for financing building A.

Total budget for building B as of 30 September 2010 has been estimated at EUR 24,660 thousand (excluding financing costs), of which the Company contributed to this date EUR 3,560 thousand, as held on the Company's books (at cost minus impairments). The estimated outstanding development costs (excluding financing costs) for building B amount to EUR 21,100 thousand. To fund this amount, the Company will contribute an additional EUR 6,000 thousand of project equity, equalling 28% of the estimated outstanding development costs. The remaining EUR 15,100 thousand of the estimated outstanding development costs (equalling 72%) will be financed by debt.

AFI Palace Arad Mall

The Company owns a freehold land plot of 80,860 sqm in the centre of the city Arad, on which it plans to develop a commercial project comprising retail and office space. Arad is in the western part of Romania, approximately 550 kilometres from Bucharest.

The Company plans to develop AFI Palace Arad in two phases. The first phase is the planned construction of a commercial centre with a total GLA of 32,550 sqm on a plot of land of 73,860 sqm. The second phase of the project is the planned construction of an office tower with a total GLA of 8,411 sqm. The commercial centre and the office building will be served by approximately 1,500 parking spaces.

The Company expects to commence construction of the shopping mall in January 2012 and plans to complete it in the fourth quarter of 2012. Construction of the office tower is planned to commence at a later date, subject to market conditions. The Company is in the process of applying for an amended zoning permit for both phases. The building permit is pending.

Total project budget as of 30 September 2010 has been estimated at EUR 40,087 thousand (excluding financing costs), of which the Company contributed to this date EUR 17,283 thousand, as held on the Company's books (at cost minus impairments). The estimated outstanding development costs (excluding financing costs) amount to EUR 22,804 thousand. To fund this amount, the Company will contribute an additional EUR 5,000 thousand of project equity, equalling 22% of the estimated outstanding development costs. The remaining EUR 17,804 thousand of the estimated outstanding development costs (equalling 82%) will be financed by debt.

Medium-Term Projects

Asset impairments for the Company's medium-term projects totalled EUR 14.7 million in 2008, EUR 4.9 million in 2009 and EUR 1.9 million for the first nine months of 2010.

Tulipa Rokytka, phase 2

The Company owns a freehold land plot of 4,929 sqm, adjacent to the existing residential project, Tulipa Rokytka, phase 1, on which it plans to develop further phases of the residential project. The existing phase was completed in February 2009 and consists of 86 residential units, six non-residential units (cellars) and 87 underground parking spaces.

Tulipa Rokytka is located in District 9 of Prague, next to Rokytka and Podviní parks and a short walk from the closest underground station.

The second phase of the project is the planned construction of two buildings with a total of 92 apartments with a total of GSA of 6,142 sqm.

The Company expects to commence construction in the second quarter of 2012 and the completion is planned for the fourth quarter 2013. The Company has obtained the relevant zoning permit. The building permit was obtained in September 2009. The development of the second phase of the project has been temporarily halted pending negotiations between Tulipa Rokytka, s.r.o and a potential joint venture partner in respect of the second phase of the project. At the date of this Prospectus, these negotiations are still on-going.

Total construction costs are estimated at EUR 6,650 thousand.

Tulipa Vokovice

The Company owns a freehold land plot of 10,523 sqm together with two dilapidated buildings. The Company currently intends to develop a high-end residential condominium.

Tulipa Vokovice is located in a residential area in the sixth district of Prague, close to the Divoka Sarna National Park, approximately 15 minutes' drive from the centre of Prague.

The Company plans to construct five buildings with a total of 124 apartments and GSA of 8,700 sqm. The buildings benefit from cultural preservation.

The Company expects to commence construction in the fourth quarter of 2012 and the completion is planned for the fourth quarter 2014. The Company has obtained the relevant zoning permit.

Total construction costs are estimated at EUR 29,500 thousand.

AFI City, phase 1

The Company owns a freehold land plot of 150,635 sqm, on which it plans to develop a mixed use project consisting of an office park, residential buildings and a retail area. It is a former industrial area. In the past the state machinery company ČKD was located on the property.

AFI City is located in district 9 of Prague, on Kolbenova Street in Vysočany, Prague.

As part of the project, the Company plans to develop an office park, comprising six buildings with a total GLA of 45,624 sqm and retail units with a total GLA of 1,063 sqm located on the ground floor. The first phase of the office park is the planned construction of an office building with a total GLA of 12,500 sqm.

The Company expects to commence construction in the third quarter of 2012 and the completion is planned for the third quarter 2015. The demolition permit for the current structures (except for two buildings) was obtained in October 2009 and expires in October 2012.

AFI Business Park Cotroceni, Buildings C, D and E

The Company owns a freehold land plot of 15,000 sqm, adjacent to the AFI Palace Cotroceni Mall project, on which it plans to develop an office complex as the next phase of the project. For a description of the AFI Palace Cotroceni mall see “*Yielding projects – AFI Palace Cotroceni*”.

The Company plans to develop the remaining land plot as four office buildings and a hotel. The first two phases of the office development include the construction of Buildings A and B on a land plot of 6,000 sqm. See “*Land Bank – Near-term projects – AFI Business Park Cotroceni, Buildings A and B*”.

The remaining phases of the development include the construction of Buildings C, D and E, each of them with a total GLA of 18,710 sqm and retail units located on the ground floor. Each building will have 170 underground parking spaces, in addition to the shopping mall’s parking spaces. Each building will comprise up to 11 floors and connect directly to the shopping mall.

The Company expects to commence construction of Building C in the second quarter of 2013 and plans to complete it in the first quarter of 2014. The Company expects to commence construction of Building D in the third quarter of 2014 with completion planned for the second quarter of 2015. The Company expects to commence construction of Building E in the first quarter of 2015 with completion planned for the second quarter of 2016. The Company has obtained the relevant zoning permit.

Total construction costs of Building C, D and E are estimated at EUR 21,100 thousand each.

AFI Golden City, office complex

The Company owns a freehold land plot of 22,097 sqm on which it plans to develop an office complex through three phases. The initial phase of the Golden City project is the planned construction of a two-storey shopping mall with a total GLA of 38,385 sqm on a land plot of 65,000 sqm with 1,109 parking spaces. See “*Land Bank – Near-term projects – AFI Golden City Mall*”.

The Company plans to develop the next phase of the project with the construction of an office building with a total GLA of 11,112 sqm and 260 parking spaces. The Company also intends to develop additional standalone commercial boxes with a GLA of 7,600 sqm and 240 parking spaces.

The Company expects to commence construction in the third quarter of 2012 and the completion is planned for the first quarter of 2014. The Company has obtained the relevant zoning permit for the office building and is in process of obtaining the zoning permits for the commercial boxes.

Total construction costs are estimated at EUR 18,300 thousand. The Company has an outstanding payment of EUR 5,498 thousand in connection with the acquisition of the land.

Tulip Towers

The Company owns the freehold land plot of 17,405 sqm located in the centre of Bucharest, in close proximity to the Parliament building and King’s Palace.

The Company plans to construct five high-end residential buildings, comprising a basement, a ground floor and 15 upper floors, a total of 575 apartments and total GSA of 57,505 sqm and 1,369 sqm if retail GLA.

The Company expects to commence construction in the second quarter of 2012 and completion is planned for the first quarter of 2014. As of the date of the Prospectus, the Company has not yet obtained the relevant zoning permit.

Total construction costs are estimated at EUR 52,478 thousand.

AFI Palace Ploiesti Offices

The Company owns the freehold land plot of 1,000 sqm located in the city of Ploiesti, Romania, on which it plans to develop a commercial project consisting of an office complex.

The Company plans to construct an office building with a total GLA of 6,728 sqm and 149 parking spaces.

The Company expects to commence construction in the fourth quarter of 2012 and completion is planned for the fourth quarter of 2014. The Company has not yet obtained the relevant zoning permit.

Total construction costs are estimated at EUR 8,244 thousand.

AFI Palace Arad Offices

The Company owns the freehold land plot of 7,000 sqm located in the city of Arad, Romania, on which it plans to develop an office complex.

The Company plans to construct an office building with a total GLA of 8,411 sqm and 200 parking spaces.

The Company expects to commence construction in the third quarter of 2012 and completion is planned for the first quarter of 2014. The Company has not yet obtained the relevant zoning permit.

Total construction costs are estimated at EUR 9,528 thousand.

Airport City Belgrade, phase 4, building 1000S

The Company owns a freehold land plot of 8,500 sqm, adjacent to the yielding project Airport City Belgrade, on which it plans to further develop the project. For a description of Airport City Belgrade see “*Yielding projects – Airport City Belgrade*”.

Phase four of the project is the planned construction of two office buildings, the second of which, Building 1000S, is expected to have a total office GLA of 5,840 sqm, hotel with a total GLA of 15,700 sqm and 152 parking spaces.

The Company expects to commence construction in the first quarter of 2013 and the completion is planned for the third quarter of 2014. Due to legislation changes in September 2009, the zoning plan applicable to the project land was not sufficient for the issuance of a construction permit for the project’s new phases. The Company has obtained the relevant zoning permit. Total construction costs are estimated at EUR 32,000 thousand.

Lagera Tulip, phases 2 and 3

The Company owns a freehold land plot of 9,683 sqm, adjacent to the Lagera Tulip, phase 1 project, on which it plans to develop further phases of the residential project. For a description of Lagera Tulip, phase 1 see “*Residential projects in progress – Lagera Tulip, phase 1*”.

Lagera Tulip is located in the Lagera district of central Sofia.

The Company plans to develop the project in two subsequent phases with a total GSA of 26,029 sqm and 294 apartments, retail units with a total GLA of 2,281 sqm and 294 parking spaces.

The Company expects to commence construction of phase 2 and 3 in the first quarter of 2013 with completion planned for the third quarter of 2014. The Company has obtained the relevant zoning permit.

Total construction costs are estimated at EUR 20,614 thousand.

Osiedle Europejskie, phases 10 and 11

The Company owns the freehold land plot of 28,752 sqm as part of the larger Osiedle Europejskie residential project in Kraków. The project is being developed in 12 phases, out of which 8 phases consisting of 1,376 apartments have been sold and delivered and the construction of the phase 9 of the project has been completed. See “*Residential projects in progress—Poland—Osiedle Europejskie, phase 9*”.

The Company plans to further develop the residential project through two subsequent phases with a total GSA of 32,926 sqm and 597 apartments and 639 parking spaces.

The Company expects to commence construction of phases 10 and 11 in the fourth quarter of 2012 with completion of phase 11 planned for the second quarter of 2016. The Company has obtained the relevant zoning permit for both phases.

Total construction costs are estimated at EUR 24,750 thousand.

Wilanów One, phases B1.2, B1.3 and B1.4

The Company holds a right of perpetual usufruct over 25,817 sqm of land, adjacent to the land plots under the existing buildings of the Wilanów One residential project, on which it plans to further develop the Wilanów One project. The existing part of the project consists of two buildings which were completed in the first quarter of 2009 and 2010, respectively. See “*Residential projects in progress – Wilanów One*”.

The Company plans to construct three residential buildings with a total GSA of 33,119 sqm and a total of 534 apartments (consisting of 219, 127 and 188 for Building B1.2, B1.3 and B1.4, respectively), together with a total of 557 parking spaces.

The Company expects to commence construction of Building B1.2 in the third quarter of 2012 and plans to complete it in the first quarter of 2014. The Company expects to commence construction of Building B1.3 in the first quarter of 2013 with completion planned for the second quarter of 2014. The Company expects to commence construction of Building B1.4 in the second quarter of 2013 with completion planned for the fourth quarter of 2014. The Company has obtained the relevant zoning permit.

Total construction costs of Building B1.2, B1.3 and B1.4 are EUR 15,200 thousand, EUR 10,400 thousand and EUR 14,000 thousand, respectively.

Long-term projects

Asset impairments for the Company’s long-term projects totalled EUR 36.6 million in 2008, EUR 20.6 million in 2009 and EUR 4.2 million for the first nine months of 2010.

The Company has a number of commercial and residential projects which it plans to develop over the longer term. The table below sets out the Company’s long-term projects as of 30 September 2010.

AFI EUROPE N.V.

No	Project	City	Zoning	Legal status	Breakdown of GLA/GSA (sqm)							Unsold / unleased net area excl car parking (sqm)	Construction start date	Estimated completion date	Outstanding land acquisition costs (Euro'000s)	Total cost (Construction budget) ¹ (Euro'000s)	Estimated outstanding construction costs ¹ (Euro'000s)	Strategy	Market value of 100% ownership valued by DTZ	AFIE share (%)	Market Value, AFIE share ² (€Euro'000s)	Outstanding Loans as of 30 September 2010, AFIE share ² (Euro'000s)
					Site area (sqm)	Gross buildable area, sqm	Residential	Offices	Retail	Other	Parking (spaces)											
1	D8 Phase 2	Prague	Y	freehold	154,714	69,900	-	-	-	69,900	n/a	69,900	n/a	n/a	-	n/a	n/a	Build & hold	3,750	50.0%	1,875	
2	Pipera	Bucharest	Y	freehold	100,000	277,340	244,408	-	2,125	-	2,609	246,533	Q1/2013	Q1/2016	-	199,744	199,744	Build & sell	10,500	100.0%	10,500	7,611
3	Golden City	Bucharest	Y	freehold	55,000	190,250	178,123	-	-	-	2,040	178,123	Q3/2012	Q1/2016	8,220	154,000	154,000	Build & sell	32,264	100.0%	32,264	-
4	Magurele – Plaza Arad	Bucharest	N	freehold	268,189	307,372	304,972	-	2,400	-	3,364	307,372	Q3/2012	Q1/2018	-	189,776	189,776	Build & sell	10,190	100.0%	10,190	-
5	AFI City Phase 3	Prague	N	freehold	45,337	58,433	-	45,624	1,063	2,000	600	48,686	Q4/2015	Q4/2018	-	n/a	n/a	Build & hold	11,248	100.0%	11,248	-
6	AFI City Phase 2	Prague	N	freehold	60,000	33,840	12,000		16,200	-	400	28,200	Q1/2015	Q1/2017	-	n/a	n/a	Build & sell	8,499	100.0%	8,499	-
7	Business Park Varna	Varna	Y	freehold	47,861	219,273	-	155,720	-	-	63,553 sqm	155,720	n/a	n/a	-	n/a	n/a	Build & hold	20,000	100.0%	20,000	19,487
8	Malina	Sofia	Y	freehold	30,449	63,342	39,882	-	7,038	-	16,422sqm	46,920	n/a	n/a	-	29,400	29,400	Build & sell	6,650	100.0%	6,650	-
9	Plovdiv	Plovdiv	Y	freehold	330,978	148,500	-	22,275	-	126,225	n/a	148,500	n/a	n/a	-	58,560	58,560	Build & hold	6,500	75.0%	6,500	-
10	Soleville	Riga	Y	freehold	104,097	331,267	152,237	18,700	5,882	5,800	81,650sqm	182,619	n/a	n/a	-	143,960	140,823	Build & sell	17,800	100.0%	17,800	10,425
11	Nepliget	Budapest	Y	freehold	19,537	52,204	35,698	-	-	-	7,522sqm	35,698	n/a	n/a	-	38,083	32,023	Build & sell	4,525	100.0%	4,525	-
12	Club Aliga	Aliga	N	freehold	470,256	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	-	n/a	n/a	Build & hold	31,000	50.0%	15,500	4,953
13	Airport City Belgrade Phase 5	Belgrade	Y	freehold	26,794	63,300	47,661	-	3,336	-	591	50,997	n/a	n/a	-	59,000	59,000	Build & sell	15,907	53.7%	15,907	-
14	Wilanów One phase B2	Warszawa	Y	Perpetual usufruct	56,598	81,222	58,480	-	-	-	1,199	58,480	n/a	n/a	-	54,000	54,000	Build & sell	21,713	30.0%	equity consolidation	equity consolidation
15	Wilanów One phase C	Warszawa	Y	Perpetual usufruct	22,503	31,152	22,430	-	-	-	486	22,430	n/a	n/a	-	26,000	26,000	Build & sell	8,633	30.0%	equity consolidation	equity consolidation
16	Wilanów One Commercial	Warszawa	Y	Perpetual usufruct	55,123	58,120	-	-	40,684	-	1,627	40,684	n/a	n/a	-	34,500	34,500	Build & sell	21,148	30.0%	equity consolidation	equity consolidation
17	Tulipa Modaranska, Phase2	Prague	N	freehold	14,947	n/a	8,350	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	Build & sell	2,000	100.0%	2,000	-
18	Butimanu	Bucharest-Suburb	Y	freehold	210,886	108,803	98,862	-	1,500	-	1,060	100,362	Q3/2013	Q3/2017	-	70,712	70,712	Build & sell	1,054	100.0%	1,054	-
Total					2,073,269	2,094,318	1,203,103	242,319	80,228	203,925	13,976 + 169,147 sqm	1,721,224				8,220	n/a	n/a	233,381		164,512	42,476

Notes:
(1) Excluding cost of land and financing costs
(2) Proportional consolidation (excluded from total) for assets where the Company holds 50% interest; full consolidation for assets where the Company holds a stake above 50%; Wilanów One and German Portfolio are accounted for on an equity basis. Land value of project phases based on pro-rata market value (market value of all phases as per DTZ Report, weighted by land size assigned to a project phase)

German Portfolio

The German Portfolio comprises 34 residential and commercial properties located in Berlin (20 properties), Hannover (3 properties), Aachen (2 properties), Bielefeld, Landau, Fürstenwalde, Wuppertal, Herne, Duisburg, Essen, Wilhelmshaven, and Frechen, and 2 undeveloped land plots in Berlin and Leipzig.

The German Portfolio comprises 579 apartments for rent with 46,440 sqm of GLA, as well as 488 units of commercial property for rent with 108,560 sqm of GLA, including 52,960 sqm GLA of retail and office space, and 55,600 sqm GLA of industrial properties.

The Company manages the German Portfolio pursuant to an asset management agreement, though the Company's power to make certain major decisions related to the German Portfolio is limited under agreements with its joint venture third parties.

Rental income of the German Portfolio is set out in the table below:

	Nine months ended 30 September 2010	Nine months ended 30 September 2009	Year ended 31 December 2009
Gross rental income (Euro '000s).....	5,651	6,249	8,170
Occupancy at end of period (%).....	71%	89%	82%

Principal Investments in the years ending 31 December 2007, 2008, 2009 and nine-months period ending 30 September 2010

The principal investments made by the Company in 2007 included i) EUR 105,000 thousand for the acquisition of the German Portfolio and ii) EUR 23,472 thousand for the development of ACB (Phase 3a). The principal investments made by the Company in 2008 included i) EUR 23,626 thousand for the development of ACB (Phase 3b), ii) EUR 39,360 thousand for the development of AFI Palace Pardubice and iii) EUR 104,146 thousand for the development of AFI Palace Cotroceni. The principal investments made by the Company in 2009 included i) EUR 130,012 thousand for the development of AFI Palace Cotroceni, ii) EUR 4,750 thousand for the development of Vitosha Gardens, iii) EUR 5,517 thousand for the development of Lagera Tulip and iv) EUR 8,730 thousand for the development of Tulipa Modřanská. The principal investment made by the Company for the nine-month period ending 30 September 2010 was EUR 2,053 thousand for the development of Lagera Tulip.

Environmental issues

The Company is not aware of any environmental issues that materially affect utilisation of its tangible fixed assets. As part of the process of obtaining urban and building permits for its projects, the Company conducts environmental reviews that are customary for such projects.

IT system

The Company is not dependent on any IT system that is critical for it to conduct its operations.

Competition

The Company faces competition in identifying and acquiring development projects as well as in selling or leasing units in completed projects.

Competition in the CEE and SEE real estate market is fragmented. The following table sets out the companies which the Company considers its main competitors in each of the countries and segments in which it operates.

	Retail	Offices	Logistics	Residential
Bulgaria	-	Varna Towers, Landmark Center Comfort Office Building Kargo Express Office center	-	Lindner Bulgaria Arteks residential Elvistar Este Properties City
Czech Republic	Unibail Rodamco Multi Development ECE Avestus Capital	PFJ PPF Orco Karlin Group	Pro Logis Panattoni Europe CTP	BLVD Residence Winslow Gardens Skanska EKOSPOL Finep Sekyra Group
Latvia	Lighthouse	Lighthouse	-	Central Group Merks YIT Hanner PBLIC Baltic Property Group
Poland	Globe Trade Center Unibail Rodamco Plaza Centers CEFIC (Simon Ivanhoe) Echo Investment	-	-	Dom Development Polnord Robyg Orco Echo Investment
Romania	Immoeast (Immofinanz) GTC Plaza Centers Sona Sierra Anchor Group	CA Immo Portland trust Raiffaesen evolution AIG Lincoln Anchor Group	-	Adama Impact Willbrook Primavara
Serbia	Delta Holding MPC Holding/ Merrill Lynch	MPC Holding/ Merrill Lynch GTC S.A IMMO Blue House Willbrook	-	Delta Holding

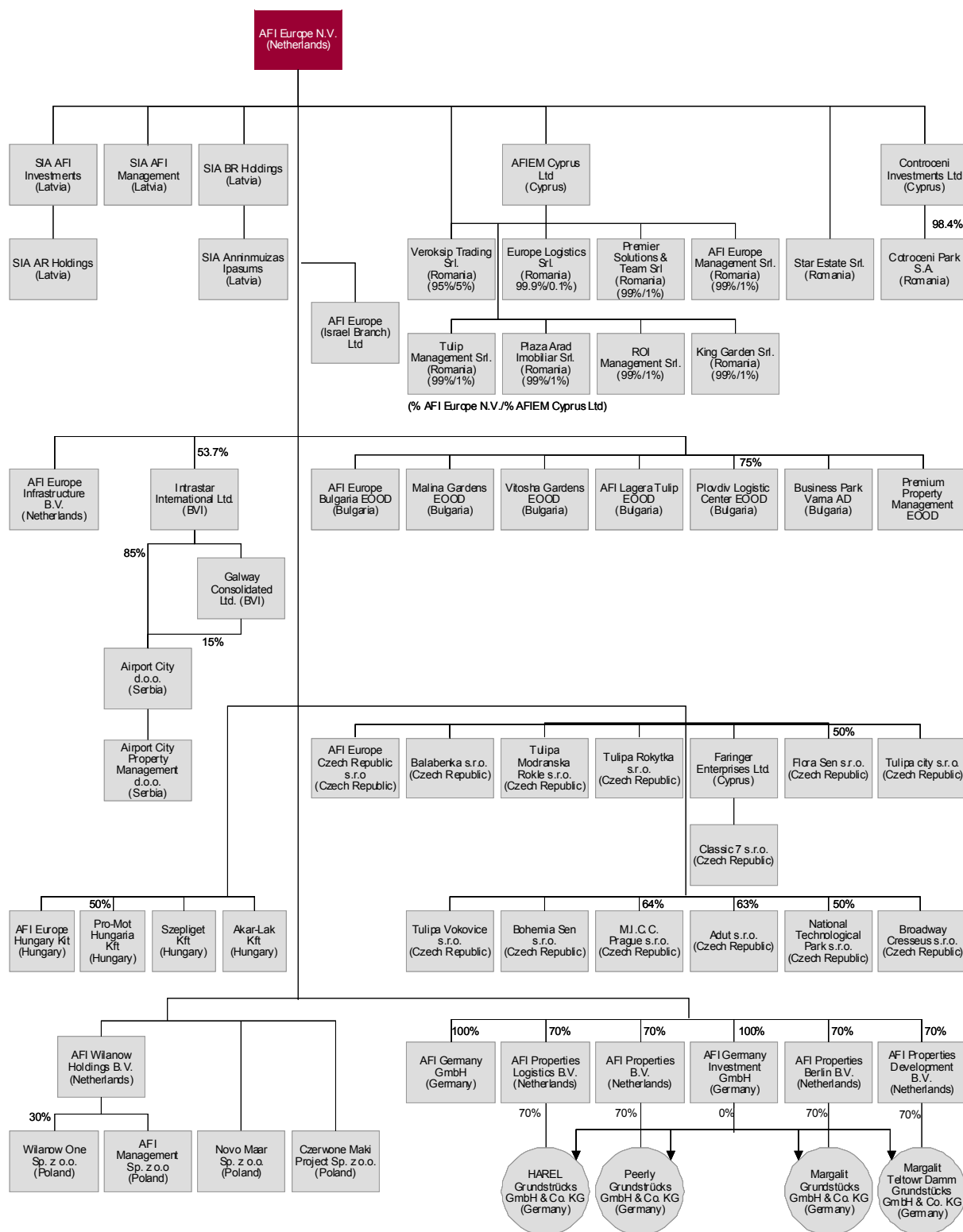
See “Risk Factors – Risks which are specific to the Company’s business – The Company faces competition from other real estate developers and it might not be able to secure suitable locations for development of its projects”.

Insurance

The Company believes that it has insurance coverage in place that is similar to insurance coverage maintained by other real estate development and investments companies in the regions in which it operates.

Overview of the Company's structure

The chart below sets out the corporate structure of the Company in respect of the various territories where the Company has its projects or material holding companies. Unless otherwise indicated, shareholdings are 100%.



INDUSTRY

Some of the statements in some of the sections in this Prospectus include forward-looking statements which reflect the Issuer's current views with respect to future events and financial performance. Statements which include the words "intend", "plan", "project", "expect", "anticipate", "believe", "will" and similar statements of a future or forward-looking nature identify forward-looking statements.

All forward-looking statements address matters that involve risks and uncertainties. Accordingly, there are or will be important factors that could cause the Issuer's actual results to differ materially from those indicated in these statements. These factors include, but are not limited to, those set out under "Risk Factors", which should be read in conjunction with the other cautionary statements that are included elsewhere in this Prospectus. If one or more of these or other risks or uncertainties materialise, or if the Issuer's underlying assumptions prove to be incorrect, actual results may vary materially from those projected in this Prospectus.

Apart from any continuing obligations under the Dutch Act on Financial Supervision, the Polish Act on Public Offers, the WSE Corporate Governance Rules, the Dutch Corporate Governance Code, the Dutch Civil Code or any other law or regulation which the Issuer is subject to, the Issuer undertakes no obligation to publicly update or review any forward-looking statements contained in this Prospectus, whether as a result of new information, future developments or otherwise.

In this section, these definitions have the following meaning:

Effective Rent	The rental income generated by a lease. This figure is typically computed as the aggregate rent to be paid under the lease, net of any incentives forming part of the transaction and divided by the term of the lease.
Net Effective Rent	The Effective Rent reduced by any operating expenses included in the rent or otherwise borne by the lessor.
Prime Rent	The rent for a property of the highest quality and in the best location of the relevant market.
Prime Yield	The current yield used in the valuation of property let at the full market value and which, for the class of property concerned, is of the highest quality, in the best location, and with the best tenant's covenant and contemporary lease terms.
Office Take-Up	Change in office demand. Where take-up is positive, it will also be referred to as the growth in demand.
Yield	The derived return on investment in a property. This percentage is calculated by dividing the net income from such property by its market value or price.

This section includes information on the macroeconomic situation and sets out main characteristics of the real estate markets in the countries and segments in which the Company operates. This was prepared based on the information provided by DTZ and using publicly available information published by Jones Lang LaSalle ("JLL") CB Richard Ellis ("CBRE"), Cushman & Wakefield ("C&W"), Business Monitor International ("BMI") and REAS (together, the "**Real Estate Companies**"), in addition to the Company's commentary and view on the markets' current status and potential development. The market data below are for guidance purposes only and must not be used in regard to specific investment decisions. The Real Estate Companies take no responsibility for the use of the data included herein by any person.

Romania

With a population of approximately 22 million, Romania is the second largest country in SEE and the ninth largest in Europe. Romania's accession to the European Union ("EU") in January 2007, contributed to a more stable macroeconomic situation. The international financial crisis interrupted this economic progress with GDP growth dropping by 7.1% in 2009 (source: EIU). However, the Romanian economy is expected to recover as soon as 2011, with predicted GDP growth of 2.7 % for 2011 and 4.7 % for 2012 (source: EIU).

The prospects of the Romanian real estate market are driven by several factors, including a general improvement in investor sentiment towards Romania's continued integration with the EU, improvement in the domestic political environment, as well as an increase in infrastructure investment. EU accession provided a strong impetus for growth in the construction industry. However, there is still a significant discrepancy between primary and secondary areas, with primary areas (such as Bucharest) attracting most retailers and investment players and generally offering more growth potential in the real estate market.

With a population of 1.9 million people (2.5 million inhabitants including the surrounding areas) Bucharest is one of the biggest cities in the region. The city holds 10% of the Romanian total population and according to the Romanian National Institute of Statistics, it has one of the lowest unemployment rates in the EU (2.5% in the first quarter of 2010). This provides a natural demand for retail and office schemes as well as for residential projects.

Retail market

Demand

According to a CBRE study (Source: "How Global is the Retail Market", 2010 edition) Romania was the second most popular country for geographical expansion out of almost 300 retailers in 200 cities worldwide. In the first six months of 2010, international retailers such as H&M, Camaieu, Gerard Darel, SIX and Brioche Doree entered the Romanian market. These retailers continue to be active in the Romanian retail market. H&M and Pure Fitness recently committed to opening additional stores in Romania and have announced plans to expand rapidly in Bucharest and nationwide. This shows an improvement in retailers' activity following a period where numerous retailers reassessed their expansion plans in the wake of the deteriorating trading environment. In the second half of 2008 and throughout 2009, as a result of the turmoil on the financial markets, many retailers put their expansion plans on hold.

Top countries by new retailer entries in 2009

Country	Number of new retailers entering the country
United Arab Emirates	21
Romania	9
Kuwait	9
Morocco	8
India	8
Saudi Arabia	8
Cyprus	8
Ukraine	8
Portugal	7
Croatia	7
Slovakia	7

Source: How Global is the Retail Market, CBRE, 2010 edition

Supply

Until recently the retail market in Romania was characterised by a general lack of high-quality developments. The opening of the first shopping mall in 2004 (the Bucharest Mall) represented an important step for the local retail market. The success of this mall has encouraged a number of other investors to develop similar projects. Notable projects in Bucharest include Plaza Romania, City Mall and Baneasa Shopping Mall, the recently opened Sun Plaza and Palace Cotroceni.

Since 2008, shopping centre development has slowed considerably. No significant new projects started since the middle of 2008, many projects were put on hold and no new projects were completed in Romania in the second quarter of 2010. The last two shopping malls that opened in Bucharest over the last twelve months are Sun Plaza (opened in February 2010) and Palace Cotroceni (opened in November 2009). In the third quarter of 2010, two new projects that were previously planned but had been shelved were re-launched: 1) Colosseum, located in the north-western part of Bucharest, with the first phase consisting of a retail park of 55,000 sqm, and 2) Polus Centre in Constanta (at Black Sea Coast), with around 50,000 sqm to be delivered. Both projects are scheduled for opening in 2011. The re-launch of these projects was linked to securing anchor tenants: Carrefour and Leroy Merlin in Colosseum, and Auchan in Polus Centre.

According to CBRE, total retail stock in Bucharest as of 30 June 2010 (including shopping galleries, retail parks and factory outlets) amounted to 788,000 sqm. Large shopping centres with over 40,000 sqm constituted approximately 32% of the Bucharest retail market. These shopping centres have generally been performing well, while smaller, convenience-based centres have been facing some difficulties.

The table below sets out information on Palace Cotroceni and the top shopping centres in Bucharest. The Company considers the following to be its most important competitors in Romania.

Top shopping centres by GLA

Shopping centre	Developer	GLA (sqm)	Opening year
Palace Cotroceni.....	AFIE	74,435	2009
Sun Plaza ¹	EMCT	66,000	2010
Baneasa Shopping City ²	Trination	55,000	2008
Plaza Romania.....	Anchor Group	51,020	2004
Unirea Shopping Centre.....	Novatrade	44,000	1976
Bucharest Mall.....	Anchor Group	38,816	1999

Source: C&W, May 2009, "Marketbeat, Romanian Real Estate Market Report", 2010 (except for Palace Cotroceni)

Note 1. GLA of Sun Plaza excludes Baumax DIY (approximately 14,000 sqm, no connection to the shopping mall).

Note 2. GLA of Baneasa Shopping City does not include IKEA, DIY and Carrefour.

Rents

The downward pressure of a weaker economy during 2008 and 2009 and the increased availability of space have impacted rent levels in Bucharest. This was particularly visible in the case of high street shops and smaller less successful retail parks. Softening of Prime Rents has also been visible to some extent in the best performing shopping malls. According to JLL, Prime Rents in Bucharest decreased by approximately 15% on a quarterly basis to EUR60-75/sqm/month in the second quarter of 2010.

Prime Rents in shopping centres in Bucharest

Prime Rents (EUR/sqm/month)	2006	2007	2008	2009	1Q 2010	2Q 2010
Maximum.....	85	90	115	85	85	75
Minimum.....	75	80	100	70	70	60

Source: Bucharest City Report Q2 2010, Jll

Yields

Following a period characterised by decreasing yields driven by the improving retail environment and increasing investment activity in Romania, net shopping centre Prime Yields in Bucharest stabilised in the first two quarters of 2008 and then in the third quarter of 2008 recorded a 25 basis points increase for prime shopping centres (source: C&W). Following turmoil in the financial markets and weakening retail demand, net shopping centre Prime Yields recorded further upward movement throughout the fourth quarter of 2008 and the whole of 2009, with activity in retail real estate deals coming to a standstill by the end of 2008. In the fourth quarter of 2009 Prime Yields in Romania stabilised, with minor increases mainly in secondary cities. In Bucharest net shopping centre Prime Yields remained stable throughout the third quarter of 2010 at a record high level of 9% (source: C&W). The Company believes that Prime Yields should remain stable in the near future.

Vacancy rates

Historically, overall supply of modern retail space in Bucharest has been low and vacancies have been close to zero. The recent international crisis caused vacancy rates to increase to 5%-10% for large shopping malls such as Palace Cotroceni, Baneasa Shopping City, Sun Plaza and Bucharest Mall and 7%-15% for less attractive centres. As the international retailers continue their expansion in the Romanian market the Company expects that they will focus on prime assets. This should lower availability of space in these centres.

Office market

Demand

Following the EU accession and on-going macroeconomic improvement, Bucharest has been developing quickly and has experienced increasing office Take-up, which reached its peak in 2008 when more than 250,000 sqm were leased (source: JLL). Following the international crisis, Take-up was reduced in the second half of 2008 and 2009; however the increased level of demand registered in the second quarter of 2010 is an encouraging sign for the Bucharest office market.

According to CBRE, office Take-up reached 49,650 sqm in the second quarter of 2010, an 8% increase compared to the first quarter of 2010 and an increase of 145% compared to the same period in 2009. Leasing activity (including Take-up and renewal transactions) was at 62,950 sqm, an increase of 22% compared to the first quarter of 2010. In total, pre-leases for this quarter accounted for almost 35% of total Take-up, the highest level since the first quarter of 2009.

Key recent office space transactions are summarised in the table below.

Major transactions in the second quarter of 2010, Bucharest

Tenant	Office building	GLA (sqm)	Type of lease
Unicredit.....	n/a	15,000	pre-lease
Embassy	City Gate	550	lease
Lidl	Pipera Business Tower	2,850	lease
Porr	Pipera Business Tower	950	lease
Avon	Euro Tower	1,200	lease
Pireus Bank	Romanitza Centre	1,330	lease
Lina & Guia.....	Visotria Centre	350	sub-lease
Medlife	Porumbaru OB	1,200	lease

Source: CBRE, 2Q 2010

Supply

According to JLL, the modern office supply in Bucharest (class A and B offices) has reached 1.6 million sqm as of the end of the second quarter of 2010, with over 52,000 sqm delivered during the first three months of 2010 and 88,000 sqm delivered between March and June 2010. This represents a 30% decrease compared to the supply delivered in the first six months of 2009. 2008 also saw a large number of new office developments, driven by strong occupier demand and lack of Grade A office space. According to CBRE the level of supply in 2008 was 25% higher than in the previous year.

Among most recently delivered buildings (second quarter of 2010) are LakeView Sevastopol 9, Vistory Business Centre, EKA Business Centre IV and Filipescu OB. By the end of 2010, an additional 140,000-160,000 sqm are due for completion, bringing the total additional projected office space supply in Bucharest in 2010 close to 280,000 sqm.

Rents

Prior to the financial crisis, in the first three quarters of 2008, Prime Rents in Central Bucharest District were at the level of EUR22.0-23.0/sqm/month (source: CBRE). As a result of the economic slowdown, the decrease in the level of Prime Rents started in the fourth quarter of 2008 and continued in the first half of 2009 reaching the level of EUR20.0/sqm/month. This trend continued throughout the next quarters with the

second quarter of 2010 being the third consecutive quarter in which the office Prime Rents remained at the level of EUR 19.5/sqm/month. According to CBRE, for class A office buildings in Central Bucharest District, rental levels in the second quarter of 2010 ranged between EUR 17.5-20.0/sqm/month, while class B space rented for EUR 14.5—17.0/sqm/month. Secondary locations generated little interest from tenants. As a consequence, rents for non-central locations have fallen to EUR10.0-14.5/sqm/month. Net Effective Rents are generally at lower levels, as they include numerous incentives such as rent free periods which vary between 2-6 months, depending on the duration of the lease. Service charges remained at the same level since the first half of 2009; EUR3.5-4.0/sqm/month and EUR5.0/sqm/month in case of some prime office buildings.

Yields

According to C&W, gross Prime Yields in the third quarter of 2010 remained stable at approximately 9.5% (9.0% for the Central Business District and 10.0% for locations out of town), 25 basic points higher than in 2009 and 262.5 basic points higher compared to the end of 2008 when gross Prime Yields were 6.75% and 7.00% for the Central Business District and locations out of town, respectively. According to CBRE, a compression of gross Prime Yields by 25 basic points by the end of 2010 can be expected.

Vacancy rates

The construction of new office space has lead to an increase in the vacancy rate to 17.9% as of 30 June 2010 (source: CBRE), the highest level since 2005. In 2007 and 2008 vacancies were close to zero, followed by a sharp increase in 2009 driven by the international financial crisis, when it went up to approximately 15% (source: JLL). The vacancy rates are currently significantly lower in central locations of Bucharest (Central Business District: 13.5%) while secondary locations like the Pipera, West and East regions registered vacancies above 25% (source: CBRE, as of 30 June 2010). Assuming a steady recovery in the Romanian economy in the medium and long-term and given the significant reduction in the office pipeline activity, the Company expects the Bucharest market to experience notable supply shortage in the next few years. The Company believes that it is a good market opportunity to start construction of prime projects in prime locations in Bucharest in the near future.

Residential market

Recent fluctuations in the value of the Romanian Lei relative to the Euro and other foreign currencies in which mortgages are typically granted, has negatively impacted the mortgage market in 2009 and 2010. The increase in VAT from July 2010, as well as stricter mortgage policies applied by the local banks, is also likely to have a negative impact on the market.

A low supply of new buildings is a result of a particularly low number of flats delivered to the market over the last 1.5 years. At the same time, the stock of available flats has decreased slowly. According to JLL, only 346 units were completed in the first quarter of 2010 which is nearly 35% less than in the corresponding period of 2009. Many dwellings which were completed in 2009 were part of large-scale compounds which should have been completed 1-2 years ago and were already in an advanced state of construction. As a result, 2009 was more active than 2008 in terms of number of apartments delivered to the market.

Despite weaker demand and a limited number of transactions, prices for flats remained stable for the past three quarters.

Czech Republic

The Czech Republic has a population of approximately 10 million people. The country has been a member of the European Union since May 2004 and remains one of the most important economies in Central Europe. Analysts expect GDP growth of 0.9% in 2010 and 2.0% in 2011 (source: EIU).

Economic growth is also reflected in real estate investment volumes, which have increased in the second quarter of 2010. According to DTZ, the real estate investment market recorded a sharp increase in transaction volumes with institutional investors coming back to the market with more aggressive acquisition

strategies. DTZ estimates that the total investment volume in the first six months of 2010 will be more than EUR600 million, as compared to EUR450 million in 2009.

Prague, the capital city, has a population of 1.3 million, and attracts around 4.1 million visitors annually, providing a strong customer base for the retail industry.

Retail market

Growing disposable income, increasing employment rates and an expanding consumer credit market have helped grow the retail market over the past 5 years. Following a fall in retail spending in 2009, retail sales have picked up in the second quarter of 2010, with data from the Czech Statistical office indicating that retail sales were up 3.1% year-on-year in real terms.

Demand

The retail market in the Czech Republic is now in a transition period, facing market leavers as well as new market entrants. Following the international financial crisis small retailers have been struggling, faced with decreasing sales and constraints on credit needed to finance expansions. At the same time numerous international retailers have announced further expansion plans for the near future. In general, the performance of the retail market is stable (source: JLL).

International retailers that recently announced new openings in the Czech Republic include Tesco, with a new store concept of their in-house brands F&F, Austrian furniture retailer XXXLutz, and Agent Provocateur. In addition, the arrival of Decathlon, the French sporting retailer is expected shortly. Other retailers that have announced expansion plans for 2010 and 2011 include Lindex, New Yorker, Takko Fashion, Gant, KIK, Deichmann, CCC, Cocodrillo, Naturhouse, Dm Drogeire, Rossman, KIKA, IKEA, Sconto, Siko Koupelny, Komfort, Palace Cinemas, Baumax, Bauhaus, Expert Tesco, Kaufland, Žabka, Coffeeshop, Subway, McDonald's, The Pub, Ambientem, AmRest (the franchise of KFC, Starbucks and Burger King). With a limited new supply of shopping centres, the expanding retailers are looking for well established shopping centres in prime locations that show a proven performance track record and have a good catchment area.

Supply

According to DTZ, total modern retail stock (schemes with GLA in excess of 5,000 sqm) in the Czech Republic stood at 2.79 million sqm as of 30 June 2010. Prague accounted for 35% of such stock, which represented approximately the same level as at the end of 2008 (36%). Around 66% of the total stock consisted of shopping centres.

Following a record supply of 372,636 sqm of the GLA in 2008, growth decreased significantly in 2009 and 2010 with 199,628 sqm delivered in 2009 and slightly more than 100,000 sqm delivered in the first six months of 2010. The only new addition of stock in Prague in the first half of 2010 was the flagship Van Graaf department store on Wenceslas square (GLA of 10,000 sqm). The supply of new shopping centres is limited, with Galerie Harfa (GLA of 42,000 sqm) being the main project underway in Prague.

Supply of retail space in the Czech Republic

Year	Annual supply of retail space (sqm)
2002.....	272,384
2003.....	124,581
2004.....	222,343
2005.....	307,576
2006.....	122,665
2007.....	291,022
2008.....	372,636
2009.....	199,628
2010 F.....	120,719
2011 F.....	140,000

Source: DTZ

Rents

Prime retail rents in Prague and Brno have remained relatively stable in 2010, in spite of anchor tenants continuing to demand bigger incentive packages on new leases. According to JLL, prime shopping centre rents in Prague were at EUR85/sqm/month as of 30 June 2010; however, weaker schemes achieved lower rates ranging between EUR65-75/sqm/month at the end of this period. DTZ estimates that prime shopping centre rents in Prague for a unit of 50-100 sqm ranged between EUR50-EUR80/sqm/month, whereas this range remained considerably lower in secondary cities: EUR40-60/sqm/month in Brno and Ostrava, EUR30-40/sqm/month in Liberec, EUR25-40/sqm/month in Plzeň, Olomouc and Pardubice. According to C&W Prime Rents should remain stable in the short term.

Deteriorating market conditions, resulting from the turmoil in the financial markets, started a downward trend in the level of prime retail rents. Since the last quarter of 2008, there has been additional pressure to provide large fit-out contributions and other types of incentives such as step rents. Prime shopping centre rents in Prague were at the level of EUR90/sqm/month in the first half of 2009, and have decreased to EUR85/sqm/month as of 31 December 2009.

With the expected positive economic growth in the Czech Republic (source: EIU), the Company believes that Prime Rents will remain stable in the near future.

Yields

2008 net shopping centre Prime Yields were affected by the problems in the global credit market. Consequently Prime Yields across all retail sectors recorded upward movement in the second half of 2008 and throughout 2009. According to C&W, net shopping centre Prime Yields in Prague and Brno amounted to 7.0% at the end of 2009, followed by the compression in 2010, with 6.75% recorded in the first quarter of 2010 and 6.5% as of 30 September 2010. C&W is expecting further yield compression towards the end of 2010.

Vacancy rates

According to JLL, the vacancy rate in Prague shopping centres reached 6% at the end of the second quarter of 2010. Following a record low vacancy rate of approximately 1% in 2005, the rates rose again to a record level of approximately 6.5% in 2008 and 2009. This was driven by the effects of the international financial crisis and an increasing amount of modern retail stock being delivered in the capital. With the stabilising macroeconomic situation and new international entrants, vacancy rates have decreased slightly in the first six months of 2010.

Office market

Demand

Despite the economic downturn, Take-up of the office space in Prague remained relatively stable over the last two years, with 2008 and 2009 Take-up levels above 2007. According to JLL, net Take-up of the office space in the second quarter of 2010 increased by 59% over the previous quarter and reached approximately 49,000 sqm. Manufacturing and constructing companies were most active in leasing, followed by professional services.

Supply

According to DTZ, 2008 showed a record high supply of 322,000 sqm while 2009 recorded a sharp decrease in the office space supply that was driven by the global economic downturn. Drop in supply has continued in 2010. New supply of office space in Prague during 2010 is expected to be at a record low since 2002, with DTZ expecting new space of only 57,000 sqm. In the second quarter of 2010 only one project, BB Centrum Filadelfia, was delivered to the market. In 2011 the supply is expected to remain limited to around 100,000 sqm, with the largest planned projects being Main Point Karlin (25,700 sqm), City Deco (10,3000 sqm), Budějovická (10,300 sqm) and the refurbishment of Štětškova (11,700 sqm). During the first half of 2010, construction work started on 37,000 sqm of office space. Several developers have announced

plans to start construction in the second half of the year; however, completion in 2011 is unlikely. A gap in supply is therefore expected.

Rents

Prime Rents in Prague have remained stable during 2010 and 2009; they were at a slightly lower level than in 2008, but at a similar or higher level than in 2006 and 2007. According to JLL Prime Rental levels as of 30 June 2010 stood at EUR20-21/sqm/month. Stable rents were also recorded for non-prime assets, remaining below EUR20/sqm/month. Although overall vacancy rates remains relatively high, prime office buildings in good locations have limited available space and therefore no major shift in Prime Rent levels is expected over the next few months. In case of non-central locations there is a pressure on rental levels and the level of incentives that have to be provided to attract new tenants.

Yields

Gross Prime Yields for offices in Prague reached their historic lows of 5.0% in 2007 and remained unchanged for four quarters until the beginning of 2008 (source: C&W). Due to deteriorating market conditions, second quarter of 2008 recorded an increase in gross Prime Yields to 5.6% in Prague, followed by continuing increase until the end of 2009 when they reached 7.0%. 2010 started yield compression – from 6.75% in Prague at the end of the first quarter to 6.50% as of 30 September 2010. C&W is expecting further yield compression in 2011.

Vacancy rates

According to JLL, the vacancy rate in the Prague office market reached 13.8% as of the end of second quarter of 2010, the highest level that the market has seen in the last five years, following an increase in vacancy rates in 2008 and 2009 which was driven by deteriorating market conditions. C&W believes that the vacancy rates have now peaked and a record low supply of new office space in the coming few months should help drive the vacancy rates down.

Logistics market

The logistics market performed well during the second quarter of 2010 and the Company believes that confidence in the sector is returning. This is supported by the improving industrial and economic environment.

Despite this improved backdrop, however, the supply of logistics space during 2010 has been limited, no new developments were completed during the second quarter of 2010, and only two schemes remain under construction. According to DTZ, within the larger industrial sector, 150,000 sqm of new space was delivered to the Prague market in 2009. In the first half of 2010, this figure stands at just 4,000 sqm. According to DTZ, 2008 was much more active than 2009 in terms of new supply of logistics and industrial space, with approximately 640,000 sqm delivered in 2008 compared to approximately 220,000 delivered in 2009 in the Czech Republic.

Demand has remained healthy in the sector, driven by third party logistics service providers setting up regional hubs throughout the country. This strong demand and a decreasing level of supply have enabled logistics rents to remain stable during 2010, unchanged since 2009 and 2008. According to JLL, the current monthly rent for class A space in Prague ranges from EUR3.8-4.5/sqm/month. Outside of Prague Prime Rents in modern distribution parks are lower, ranging from EUR2.9 to EUR4.5/sqm/month. These prices may face upwards pressure, as some regions face under supply in the short to medium term, especially for spaces over 2,000 sqm.

Residential market

In the first quarter of 2009, the Prague market was leading the country's dwelling output with more than 2,100 units completed in the first quarter of 2009 (source: JLL), more than in the corresponding period of 2008. Due to the economic downturn, residential supply decreased in the later quarters of 2009. There were a limited number of new developments launched in Prague by developers during the first half of 2010, and

according to JLL, the number of residential building permits indicate a drop of 7% compared with the previous year, and a 15% drop compared with two years ago. This is mostly due to the large supply of unsold property, remaining from projects completed during 2009.

After a continuous rise in prices since 2005, the Prague residential market experienced a period of price correction which started from mid-2008 onward, following turmoil on the financial markets. Mortgage statistics however indicate improved demand during 2010 – the volume and nominal value of household mortgages has increased month-on-month since January, after dropping significantly following the global economic downturn. According to JLL, the majority of house prices in Prague as of 30 June 2010 ranged between CZK 50,000 to 75,000/m² (EUR 1,950 to EUR 2,920/m²).

Serbia

Serbia (excluding Kosovo) has a population of 7.5 million people. It applied for EU membership in 2009 and currently has 'potential candidate' status.

In March 2009 the country secured a EUR2.9bn standby loan facility from the International Monetary Fund. As part of this facility Serbia committed to a number of measures designed to cut the country's budget deficit. EIU expects the Serbian economy to grow by 1.5% in 2010, and by 3.5% in 2011. The country is expected to benefit from a young population (approximately 65% of the population are under 59 years old), and rising disposable income.

Belgrade, the capital with a population of 1.6m, is the fourth largest city in southeast Europe (after Istanbul, Athens, and Bucharest). As in Romania, there is a significant discrepancy between primary and secondary areas, with Belgrade attracting the majority of retailers, investment players, and corporates entering the market.

Belgrade office market

Demand

Since the onset of the economic downturn, demand has been (and remains) weak. The majority of market activities come from the current tenants and consist of space renewal or renegotiation of the rental agreements, rather than from the new tenants looking to enter the market. The Company believes that this is likely to remain the case for the near future, however, in the medium to long-term future, as economic recovery progresses and more companies increase their activities in Serbia, demand for office space will pick up.

Supply

The Company estimates that the current supply of the office space in Belgrade ranges between 130,000 sqm and 150,000 sqm. However, most of the buildings have either not been fully completed due to financial difficulties of their developers, or they do not meet class A office standards. The Company believes that approximately 40,000 sqm of class A office space are likely to be completed in the near future; 35,000 sqm of which are being developed as part of a single project (the Blue Center).

Rents

Prime Rents in Belgrade decreased from EUR18.0/sqm/month as at the end of 2008 to EUR16.0/sqm/month as at the end of 2009. The decrease in Prime Rents throughout 2009 was driven by the economic downturn in the global markets and increased vacancy rates. Despite the weak demand, Prime Rents have remained at a stable level of EUR16.0/sqm/month as of 30 June 2010 (at the same level as at the end of 2009) and according to C&W they should stay stable in the near future.

Yields

According to C&W, gross Prime Yields for offices in Belgrade amounted to 9.0% at the end of 2008, followed by an increase by 50 basis points in the first quarter of 2009 and reaching 10.5% at the end of 2009. Gross Prime Yields for offices remained at the unchanged level of 10.5% throughout the first three quarters

of 2010. C&W estimates that following a period of softening, gross Prime Rents are stabilising, although they remain difficult to accurately forecast given the lack of transactional evidence.

Vacancy rates

Following an increase in supply and weak demand from new market entrants, the vacancy rate in Belgrade increased dramatically, from 10% as at the end of 2008 to 20% as of 30 June 2010 (source: C&W).

Bulgaria

Bulgaria, with a population of 7.6 million, has been a member of the EU since January 2007. According to EIU, Bulgaria's economy is expected to stabilise over 2010, before returning to GDP growth of 2.6% in 2011. Whilst current consumer demand remains weak, external demand is on the rise - export activity was up 13.4% in the first quarter of 2010 compared to the same quarter in the previous year (source: DTZ), which is expected to help economic growth.

Sofia, the capital city of Bulgaria, has a population of 1.4 million within the central municipality. Varna, the largest city and seaside resort on the Bulgarian Black Sea coast, is Bulgaria's third largest city in terms of population (after Sofia and Plovdiv) and an important tourist, business and university centre.

Office market

Tenant activity within the Bulgarian office market has been subdued since mid-2008. The economic downturn resulted in the majority of businesses delaying any property related plans, with the majority of activity consisting of tenants looking to use space more efficiently or relocating to lower priced space in an effort to cut costs. The Company believes that there are tentative signs of improving demand, which is expected to increase year-on-year in 2010, as tenants are increasingly willing to take advantage of the reduced rental rates and rent free periods and commit to long-term leases.

A large number of office projects were completed during 2009, and supply has continued to increase since then, with availability standing at 230,000 sqm as at the end of Q2 2010 (source: C&W). This is as a result of speculative-space reaching completion, combined with slowing demand, and tenants releasing excess space.

In 2008 supply level was up while demand levels – driven by the global economic downturn – decreased. This resulted in a decrease in Prime Rents which shrunk by 5.6% in Sofia in the last quarter of 2008 reaching the level of EUR17.00/sqm/month at the end of 2008. Prime Rents have been falling since 2009 reaching EUR13.50/sqm/month in Sofia at the end of 2009. However the rate of decline has slowed down during 2010. Prime Rents amounted to EUR12.50/sqm/month in Sofia and EUR6.50/sqm/month in Varna in Q2 2010, and should now stabilise (source: C&W).

According to C&W, net Prime Yields in Sofia were 10.0% as of 30 September 2010, 50 basis points below the level in the first six months of 2010. Net Prime Yields in Sofia were 9.0% at the end of 2009 and 8.5% at the end of 2008.

Residential market

The economic downturn in Bulgaria resulted in a significant decline in demand for residential properties in Sofia. Developers reacted slowly to lower prices, but prices have since declined each quarter since October 2008. At the end of 2009, the average price for a new apartment in Sofia was EUR1,000/sqm, representing a price decrease of about 25% year-on-year.

Despite the current decline, the Company believes that the population size of Sofia along with a serious housing deficit and lack of quality of residential stock provide good market prospects in the long-term.

Poland

Poland, with a population of 38 million, has achieved rapid economic growth over the last decade, driven by a strong manufacturing industry and successive government policies in favour of market-liberalization. Poland joined the EU in May 2004.

Poland achieved the strongest growth in Europe during 2009, when it was the only country in the EU which maintained positive GDP growth throughout all four quarters, and for which year it recorded year-on-year growth of 1.8% (source: EIU). In 2010, the Polish economy has continued to grow, expanding at 3% year-on-year during the first quarter of 2010, driven by accelerating domestic demand and net exports. EIU forecasts GDP growth of 3.0% in 2010 and 3.4% in 2011.

Retail market

Retail sales in Poland achieved positive year-on-year growth rates in both 2009 and first quarter of 2010, indicating a strong retail sector. Retail sales were down for one month only (April 2010 -1.6%). The Company believes this was partly caused by the national mourning following the death of the President in April 2010. The retail sales returned to 4% year-on-year growth in May 2010.

Supply

The supply volume of modern retail stock in Poland totalled 9.9 million sqm at the end of June 2010. Shopping centres account for the largest portion of this stock (73%), followed by retail warehouses (17%) and retail parks and other schemes (10%).

According to DTZ, total volume of modern retail stock (defined as retail schemes exceeding 5,000sqm) delivered to the Polish market in 2008 was 840,000 sqm (1.6% increase compared to the previous year) and amounted to 950,000 sqm completed in 2009, including 42 new investments and 21 extension of the existing buildings. Major completions between January and June 2010 include Plaza Centres in Suwałki and Zgorzelec, Galeria Mazovia in Płock, Galeria Jastrzębie in Jastrzębie-Zdrój, Metropol Dom i Wnętrze in Warsaw, as well as the second phase of Port Łódź in Łódź. These, combined with 8 extensions on existing schemes, amounted to 247,000 sqm of additional space. This represents 42% less stock than in the first six months of 2009.

More than 53% of supply delivered in the first half of 2010 was situated in the major urban centres (with populations exceeding 400,000), and of those schemes located in the smaller cities due for completion in the second half of 2010, 2011 and 2012, only 45% is under construction. The larger Polish cities such as Warsaw, Kraków, Poznań, Wrocław or Gdańsk, are more attractive to developers due to the higher purchasing power of their inhabitants.

Demand

Demand in 2008 was very strong which was reflected in low vacancy rates, estimated at the level of 0%-3% in the best shopping centres, as well as high rate of pre-lets in pipeline projects (source: DTZ). 2009 was characterised by a strengthening of retailers' negotiation position, which was caused by the reduced demand pool. The first half of 2010 has still seen a cautious approach from retailers with regard to property, however there has been a discernible optimism in tenants' activities, including retailers talking about new locations.

Chains which entered Poland in the first half of 2010 or plan to do so in the next six months include Dune, Decat, Muji, Oviessse, Phenome, Peacocks, Qui, and Red Valentino. In addition, chains like AnnChristine and Code are in the process of expanding to other locations.

Rents

Demand for shop units in the best performing shopping centres is high, resulting in stable rents. However, tenants' position in renegotiations has increased significantly, and new agreements in secondary properties were priced at 10-20% lower levels, creating a growing discrepancy between prime and average rents. DTZ forecasts this trend to reverse in 2011, as a result of slower supply and improving demand due to increased consumer spending and an improved economic situation.

Yields

According to C&W, net shopping centre Prime Yields in Poland amounted to 6.5% as of 30 September 2010. This is 25 basis points less than at the end of the first quarter of 2010. Net shopping centre Prime Yields stayed at the unchanged level of 7.00% at the end of 2009 and 2008, up by 75 basis points since mid-2008. C&W expects further compression of net shopping centre Prime Yields in 2010.

Residential market

Warsaw is the largest residential property market in the CEE and has continued growing in 2009, with approximately 19,000 units delivered that year. Construction levels are still high in Warsaw, although there was a decline in building permits and new building starts in 2009, construction has increased significantly in 2010. In Kraków, the number of residential permits granted to developers decreased from 7,583 in 2008 to 6,199 in 2009. However, in 2010 there were 3,851 permits granted during the first half of 2010, 222 more than in the corresponding period of 2009 (source: GUS).

Due to the global economic downturn, in the fourth quarter of 2008 the residential market in Warsaw experienced its lowest volume of sales in recent years, followed by three more quarters of depressed sales volumes and declining prices. Sales volumes also decreased in other Polish cities, including Kraków, where the number of apartments for sale declined by approximately 13% in 2009 (source: REAS).

According to DTZ, asking prices for new apartments in Warsaw dropped by about 9% from their highest point in the second quarter of 2009 to PLN 8,350/sqm in the fourth quarter of 2009. The price decrease was relatively small when compared to price decreases in comparable markets. Sales in the last quarter of 2009 increased and were again equal to the long-term average. This has encouraged developers to launch a number of residential projects.

Latvia

With a population of 2.3 million, Latvia is the smallest country in CEE. Latvia suffered severely during the global economic downturn, and is also expected to undergo a modest GDP decline in 2010. However, EIU expects the recovery to begin in the second half of 2010, with GDP rising 3% in 2011, driven primarily by recovering industrial production and external demand. Riga, the capital city, is home to around one third of the country's population, and is also the largest city in the Baltic region.

Residential market

The residential property market in Latvia went through three difficult years from 2007 to 2009. Prices dropped as the market became saturated due to a fall in demand and years of heavy construction. Through this period, the capital city, Riga, performed better than the rest of the country.

For 2010, there are signs of recovery in the market, as house prices increased in the fourth quarter of 2009 for the first time since 2007.

In the long-term, the performance of the Riga property market will be chiefly determined by the recovery of Latvia's economy. The Company believes that positive signs in early 2010, such as the growth of the manufacturing sector, a rise in domestic consumption and a fall in unemployment, raise expectations for the long-term health of the market.

Hungary

Hungary is one of the most important economies in Central Europe, with a population of just over 10 million people. Hungary joined the EU in May 2004. Hungary has had an increasingly open investment environment over the past decade, and the country's automotive, logistics, and services sectors have all attracted significant investment.

The country's GDP suffered a sharp contraction of 6.3% in 2009. However, EIU believes that an export-led recovery is already underway, as figures for the second quarter of 2010 show industrial output rising by

12.9% year-on-year, the strongest result since 2006. EIU forecasts a modest recovery of 0.3% in 2010, accelerating to growth of 2.5% in 2011, as domestic demand strengthens.

The capital city, Budapest, is by far the largest city, with a population of 1.7 million. Budapest remains the economic powerhouse of the country, and has a reputation as a centre of research and development for many multinational companies including Nokia and SAP; other important industries for the capital include tourism and transport & logistics.

Residential market

The Hungarian residential property market was among the worst affected by the global economic downturn due to the devaluation of the Hungarian forint. Prior to the downturn, foreign currency lending, particularly in the Swiss Franc, had made up half of consumer loans, but as the forint lost value home-owners struggled to repay mortgages in foreign-denominations.

The Budapest market was severely impacted by the downturn, as a large portion of new dwellings were being built in the capital – JLL estimates that in 2009, the capital's share of housing completions was 33%. In 2009, transaction volumes in Budapest fell significantly compared to 2008, and asking prices of newly built homes fell by around 10%.

The future of Hungary's housing market greatly depends on macro-economic factors. With positive signs that the recovery is under way, the Company believes that housing market activity should improve in the medium and long-term.

LEGAL AND REGULATORY ENVIRONMENT IN WHICH THE COMPANY OPERATES

The following summarises certain aspects of the legal and regulatory environment of the countries in which the Company operates. This summary is not exhaustive and is qualified by reference to applicable law.

Bulgaria

Property law

Foreign ownership

In general, the acquisition of real estate by foreign individuals or companies is subject to restrictions. Different restrictions are in place for nationals of EEA Member States and nationals of other countries. EEA Member State nationals may acquire land in Bulgaria directly subject to the following conditions:

- *if residing in Bulgaria permanently* – without any restriction whatsoever; or
- *if not residing permanently in Bulgaria*, they may only acquire land in Bulgaria for second residences after 31 December 2011. Agricultural, forest and forest-like land may only be acquired after 31 December 2013.

There are no additional restrictions for Bulgarian companies owned by foreign legal entities to acquire real estate in Bulgaria which do not also apply to Bulgarian companies in general. There are no restrictions for foreign individuals or companies to acquire ownership of, or overriding interests in, buildings.

Overriding interests

Bulgarian law recognizes the following rights to real estate:

The right to use is a non-transferable right to exploit and receive benefits of property owned by another. Unless granted for a shorter period, the right of use remains in force and has effect until the termination of existence of the beneficiary.

A construction right, which is generally free assignable, allows its holder to build on land owned by a third party. Once construction is completed, the construction right converts into a right of ownership of the building, which is also transferable, subject to the pre-emption right of the owner of the land. The owner of the building is permitted to use the land but only if this is necessary for the proper use of the building.

Easements represent the right of the owner of property to receive limited benefits from another property. Easement rights follow the ownership of the property to which they relate.

The right to use real estate under a lease or rent is a contractual right enforceable against the counter-party to the contract and in a limited number of cases also specific third parties only.

Pre-emption rights

Statutory pre-emption rights exist for the benefit of the owner of the land on which a third party owns a building and the co-owner of a property, which allow them to acquire the building or a share in a property against the same terms and conditions as offered to a third party. Bulgarian law also allows for contractual pre-emption rights.

Expropriation

In Bulgaria, the expropriation of real estate requires a statutory ground and may only take place if the interests of the Bulgarian state or municipality cannot be met in any other way. The owner of expropriated property is entitled to a fair compensation to be paid up front.

Transfer restrictions

Property in Bulgaria is classified as either “private” or “public” property. Public property cannot be transferred to third parties, but can be used by third parties under a contractual concession right for a

maximum period of 35 years. Bulgarian law contains no general restrictions regarding the transfer of private property.

Property registry

The land register is a register for all types of immovable property and contains documents relating to the ownership of property, limited rights in-rein over property, mortgages, attachments and any other actions, facts or circumstances, which are subject of registration. The property register and the cadastre are still being developed for parts of Bulgaria.

Landlord and tenant law

If a lease: (i) qualifies as a non-commercial transaction (e.g. a transaction between two individuals, neither of whom enters into the transaction in the ordinary course of a business) or (ii) relates to property owned by the state or municipality, the maximum duration of the lease is ten years (but may be renewed). Commercial leases may be concluded for a longer term.

Public law

Planning / Zoning

The development of a property must be in line with a detailed development plan adopted by the competent local municipality. The development plan, setting out the designated use of the land, the construction parameters, specific conditions and restrictions regarding the construction constitutes the basis for the requirements for the issuance of permits and related documents required for construction.

A “planning visa” issued by the municipality is a pre-requisite for the commencement of construction. It includes a copy of the detailed development plan for the plot and adjoining plots, indicates existing buildings and structures, and specifies the required development lines, permissible heights, development density and intensity. A planning visa is required for the approval of the design of the building.

Building permits

Complicated and complex projects are usually designed in three stages: the conceptual stage, the technical stage and the working design stages. A developer may seek to obtain a building permit based on the conceptual design and working design in accordance with the specifics of the projects.

On the basis of an approved working design - and in certain cases on the basis of the approved conceptual design - the developer may obtain a building permit. The building permit authorises the developer to perform construction works within a specific area and is issued by the municipality. Building permits for significant projects are issued by the regional governor or minister. Construction works generally have to commence within three years of the date of issuance of the building permit and the roofing of the building must be completed within five years.

Following completion of construction an occupancy permit will be granted if the building was constructed in compliance with the relevant law and the underlying construction documentation. The building may not be used, without the occupancy permit.

Environmental

Certain types of construction or development works are considered potentially harmful to the environment. In such cases a developer has to obtain a detailed environmental report prior to the possible issuance of a construction permit, confirming that the planned construction complies with relevant environmental laws and regulations. In general, an environmental assessment is mandatory for large industrial projects, infrastructure projects and projects in the tourist and hotel industry, but is generally not required for developing residential projects.

Czech Republic

Property law

Agreements to sell apartments are commonly entered into prior to completion of construction. However, since these agreements do not contain all information required by the Civil Code and are therefore entered into under the general Commercial Code, such agreements could be rendered invalid. Czech law is unclear as to whether apartments are subject to the statutory warranty period of two years or if apartments may be protected only by a voluntary contractual warranty, but the Czech Supreme Court has ruled that a statutory minimum warranty of two years has to be given.

Foreign ownership

In general, the acquisition of real estate by foreign individuals or companies is subject to restrictions. However, companies incorporated within the EEA or the United States may directly acquire real estate in the Czech Republic, with the exception of certain agricultural and forest land. There are no additional restrictions for Czech companies owned by foreign legal entities to acquire real estate in the Czech Republic which do not also apply to Czech companies in general.

Czech law is not in accordance with, and has not yet been changed to comply with, EU directives. The transition period stipulated in the acquisition treaty, whereby Czech Republic was allowed to restrict acquisition of real estate by foreigners lapsed on 1 May 2009 and from this date the EU directive is directly applicable and prevails over Czech law. Therefore, from 1 May 2009 any foreign individual or company may acquire real estate property in the Czech Republic without any limits (except for agricultural and forest land), despite the fact that Czech law formally does not allow this.

Easements, pledges or pre-emption rights over registered properties, with the exception of easements, pledges or pre-emption rights established by law or court or administrative decision, require registration with the Cadastral Registry to become effective.

Pre-emption rights

Any co-owner of property has a statutory pre-emption right if the other co-owner intends to dispose of his interest in the property.

In addition, the state, municipalities and the regions have statutory pre-emption rights to acquire land designated by a zoning plan for the development of roads, utilities, public parks and other facilities in the public interest at market price, which is to be set by an authorised court surveyor. This provision poses a significant limitation on ownership rights. If a public facility is intended to be constructed on a part of the land that is to be transferred, the entitled municipality, region or state has the right to decide whether to exercise the pre-emption right within six months.

Expropriation

The state or municipality may require the compulsory sale of property, if such sale is required in the public interest or on specific statutory grounds, such as for infrastructure projects or electricity supply. The owner whose property is expropriated is entitled to compensation at market value, to be set by an authorized court expert. In practice, expropriation is extremely rare.

Restitution

Pursuant to various restitution laws, the transfer of ownership rights or the payment of compensation to previous owners of property wrongfully seized after the communists took power in 1948, and of properties wrongfully seized between 1938 and 1945 by the Nazi regime, may be required. Although most restitution claims have been satisfied or the relevant time periods for bringing claims have expired, the entire restitution process is not yet over. There remains the remote possibility of new and successful restitution claims.

Transfer restrictions

Ownership rights to common parts of the building and to the underlying land cannot be transferred separately from the ownership of an apartment.

Land registry

The Czech Republic has a public central land registry, the Cadastral Registry, which contains information about ownership, title, encumbrances, easements and other rights in relation to the property, as well as the name of the owner and other persons who have a legal interest in relation to the property (e.g. beneficiaries of pre-emption rights or easements, mortgages). The Cadastral Registry further shows if any procedures are pending.

Any information registered after 1 January 1993 is presumed to be correct and can be relied upon by third parties, unless the third party had knowledge that the information registered was incorrect. Any information registered in the Cadastral Register before 1 January 1993 is deemed to be correct unless proven otherwise.

The transfer of ownership rights over registered real estate requires registration in the Cadastral Registry. The Cadastral Registry's decision becomes retrospectively valid as of the date the application for registration of the transfer was filed. In contrast thereto, the transfer of certain types of real estate (e.g. minor constructions, fences) does not have to be registered and occurs upon the legal effectiveness of the underlying acquisition document.

Landlord and tenant law

Under Czech law leases are a contractual right to use a property and not subject to registration at the Cadastral Registry. There are no restrictions on the duration of a lease, although terms expressed to last for long periods (e.g. 100 years) may be regarded by the courts as leases for indefinite periods.

Generally the parties are entitled to freely negotiate most of the lease terms. Statutory regulations will normally apply to those areas that have not been covered in the lease agreement.

Leases for non-residential premises concluded for an indefinite term may be terminated by either party at any time upon the statutory notice period of three months, unless agreed otherwise. Leases for a definite term can only be terminated on specific statutory ground unless agreed otherwise.

Tenants of apartments are protected by law. A landlord of a residential unit can therefore only terminate a lease on specific statutory grounds, while tenants are entitled to terminate for any reason.

If a lease is terminated and the tenant fails to vacate, in certain cases stipulated by law, the landlord may seek a court order to enable him to recover possession of the premises. In practice, it can take several months or even years to get such an order.

On the sale of property which is subject to a lease, a tenant is entitled to terminate its lease agreement, unless expressly agreed otherwise, even though the new owner takes over the position of landlord vis-à-vis the tenant. This provision does not apply to non-residential property.

Public law*Planning / zoning*

The urban zoning plan is the basic document for the development and, simultaneously, the regulation of urban areas. The zoning plan is prepared by individual municipalities.

An application to obtain a relevant planning permit to develop land must be filed with the local construction authority which is responsible for controlling the use and development of land in its area. The local construction authorities are subject to statutory time periods within which a decision must be made to issue a planning permit. A refusal to issue a permit may be appealed.

Anyone can apply for a planning permit in respect of land provided that the applicant received the approval from the land owner. During the planning permit proceedings the relevant authority considers each application regarding:

- (i) compliance with the relevant zoning plan;
- (ii) protection of the environment and health and safety; and
- (iii) the views of any other participants in the planning proceedings. A planning permit will contain conditions regulating the impact of the development of the property.

Building permits

To commence construction works, a developer has to apply for a building permit on the basis of the planning permit. In certain cases concerning specific constructions, the construction authority may issue a planning consent instead of a planning permit. The administrative procedure for obtaining a planning consent is less complicated and faster than the procedure for a planning permit.

The Building Act specifies which construction works do not require a building permit or a notification to the respective construction authority. Certain minor constructions only require a notification to the construction authority and permission is automatically granted unless the authority prohibits the construction within 40 days of the notice. In all other cases, construction cannot commence until a valid effective building permit is issued.

During the mandatory consultation period, interested third parties may put forward objections (or support) for the proposed planning or building permit which should be considered by the relevant authority. Additionally, even after a permit has been obtained there is a period within which third parties are entitled to appeal.

A building permit generally ceases to be valid if construction has not commenced within two years of the date on which the building permit took legal effect, although a longer period may be granted by the construction authority or the validity can be extended upon the request of the applicant.

If works are to be carried out with regard to historically or architecturally important buildings or in protected historic areas, a developer must obtain a positive statement from the cultural heritage protection authority before a planning or building permit will be issued.

Once a building has been constructed or the construction works are completed, an application must be made to the construction authority to issue an occupancy consent which approves the use of a building for a particular purpose. Certain simple constructions can be used after notifying the authority.

Environmental

Pollution

In general, the ‘polluter pays’ principle applies: the person who spilled, released or discharged a substance will normally be liable for any adverse effects that it causes. However, environmental laws may cause future owners and occupiers to be liable for contamination already present at the property when they acquire it, if:

- (i) the substance is causing, or there is still a risk for it to cause, actual harm to humans, real estate, personal property, protected ecosystems or groundwater or surface water to be polluted; and
- (ii) either the new owner knows about the presence of the substance but fails to take adequate steps to limit the harm it causes or no other person more directly responsible for causing or knowingly permitting the substance to be present at the property can be found.

For any development significantly affecting the environment, an environmental impact assessment must be undertaken before the relevant permit will be issued. The procedure requires the developer to compile an environmental statement describing the likely significant effects of the development on the environment and

proposed mitigation measures, which must be circulated to statutory consultation bodies and made available to the public for comment. Its contents, together with any comments, must be taken into account by the competent authority (e.g. the local planning authority) before it may grant consent. The building authority and planning permission may prescribe conditions under which the development may be carried out to prevent potential contamination.

At construction sites with a high possibility of archaeological findings a preliminary archaeological research is required. If during construction an archaeological find is made notice must be given to the relevant authority and construction must usually be interrupted until the respective archaeological research is finished. The costs of all archaeological research are paid by the developer.

Hungary

Property law

Foreign ownership

In general, the acquisition of real estate by foreign individuals or companies is subject to restrictions. Foreign nationals are prohibited from acquiring ownership of arable land or of preservation areas. However, companies incorporated within the European Economic Area (“EEA”) may acquire commercial properties in Hungary on the same basis as Hungarian entities. There are no additional restrictions for Hungarian companies owned by foreign legal entities to acquire real estate in Hungary which do not apply to Hungarian companies in general.

Other rights in relation to property

A land right of use (földhasználati jog) is required to separate the ownership of land from the ownership of buildings. Subsequently, the right of use of a building may be registered with the land registry once the building is completed. The legal nature of the rights to a building created through a land right of use does not differ from the right of ownership, and it is a good, legally protected, registered and marketable right.

Option rights entitle the beneficiaries of such rights to acquire a property by making a unilateral declaration. If registered in the land registry, it is also effective against third parties. An option right can be established for a maximum period of five years.

A beneficial right of use (haszonélvezet) is a limited non-transferable right to occupy and use a property owned by a third party and to collect proceeds from such property. This right can be registered in the land registry. It must be granted for a definite period of time ending at the latest at the time of death of the beneficiary of this right.

A right of use (használat joga) is a limited non-transferable right to use a property owned by another. It can be registered in the land registry.

Pre-emption rights

In principle, neither the state nor the municipality is granted statutory pre-emption rights. However, exceptional special pre-emption rights in favour of the state or the relevant municipality exist in relation to certain “protected” buildings.

Expropriation

In Hungary, real estate may be expropriated (*kisajátítás*) in the public interest, such as for infrastructure projects, on grounds set out in the Expropriation Act. The owner of expropriated property is entitled to cash compensation at market value, or, alternatively, at the option of the owner of the land, to alternative property.

Transfer restrictions

There are no restrictions on the transfer of real estate other than in respect of arable land.

Land registry

As a general rule, ownership of real estate assets is created through registration with the land registry. In principle, all rights and encumbrances should be registered in the land registry. Subject to certain exceptions (most notably, lease agreements and public utility easements), a land registry search should reveal all third party rights and encumbrances over the property. In general, the data of the land registry is complete and up-to-date.

A purchaser acting in good faith and relying on the land registry information will acquire a right notwithstanding any unregistered third party rights or encumbrances. However, if a third party acting in good faith acquires a right which was created by an invalid or void document, such right may only be challenged within three years from the date of registration of this right with the land registry.

Landlord and tenant law

Property leases in Hungary are set out in the Hungarian Civil Code and Act No. LXXVIII. of 1993 on lease of apartments and premises ("**Lease Act**"). Leases relating to commercial real estates commonly include detailed contractual provisions, which deviate from statutory provisions. For example, there are no statutory limitations on the duration of leases and it is possible for the parties to agree on renewal terms and options.

Public law

Planning / Zoning

Zoning requirements of a district or a zone within a district or town are regulated by the competent municipality in a local decree. A building permit will be issued by the competent authorities if the planned building works are in accordance with the rules set out in such decree.

Building permits

A building permit is required for the construction, expansion, demolition, occupancy or modification of the original function of a structure. The building permit is valid for two years and may be extended by the relevant authority. Once commencement of the construction is announced within the statutory time limit, the developer has five years following this announcement to complete the construction, even if the term of the building permit expires within that period.

Prior to requesting the building permit, a preliminary building permit may be applied for, but no construction work may be undertaken on the basis of the preliminary permit. A preliminary building permit is valid for one year and may be extended once by no more than one additional year (provided that the applicable laws and regulations have not changed in the during that time). The building authority is obliged to respect the provisions of the preliminary building permit when considering an application for a building permit,

To use a new or refurbished building, an occupancy permit is required which should be registered with the trade registry. The occupancy permit confirms that the building complies with the building permit and applicable building regulations.

If a building or a part thereof was built or refurbished without a valid building permit, the building authority may (i) issue a so-called "legalization permit" allowing for the structure to remain in place and impose a fine or (ii) request the structure to be demolished or brought in line with the building permit. If demolition works are ordered and completed on time the fine is waived. The demolition of a building can be ordered within one year from the date on which the building authority becomes aware of the deviation from the approved building plans and at the latest within ten years from the completion of the building works.

Environmental contamination

Unless the current owner or user of the property can prove that he did not cause the environmental contamination, he is jointly and severally liable, together with the owner at the time of contamination, for the contamination of the property.

Latvia***Property law******Foreign ownership***

In general, the acquisition of land (but not buildings) by foreign individuals and companies is subject to restrictions. Companies incorporated within the EU (including Latvia) may acquire land in Latvia, if:

- (a) more than one half of the company's share capital is owned by citizens of EU member states (including Latvia) and/or the state of Latvia or a local government in Latvia; or
- (b) more than one half of the company's share capital is owned by individuals or legal entities from countries with whom Latvia has concluded a relevant treaty; or
- (c) the company is a publicly traded joint stock company on the Latvian stock exchange; or
- (d) in other exceptional cases as provided by law, e.g. acquisitions by a church, other religious institutions or state universities.

Companies not falling within any of these categories may request a permit from the relevant local government to acquire a particular property in Latvia. The local government has the discretion to grant or reject such application. Certain additional restrictions apply to foreign companies if the land is located in the state border territories or in special protected zones. No restrictions apply to the ownership of buildings, but as a building is generally considered to be part of the underlying land, in most cases the ownership of buildings will be subject to the same restrictions as the ownership of land.

Right of first refusal

Subject to certain exceptions, a local government has a right of first refusal in relation to properties located in its administrative territory, if these properties are necessary for the performance by the local government of its statutory functions, e.g. operation of schools, kindergartens or certain types of social houses, etc.

The state has a right of first refusal in relation to a property that is deemed a cultural monument of state importance, that is located in a protection zone or that is located in ports and special economic zones.

The right of first refusal also exists in favour of co-owners of real estate (i.e. owners that own a notional part of the real estate), if any of them transfers their part of the real estate to a person who is not a co-owner. If land and the buildings constructed on that land have different owners, the owners of each of such properties (the land and the buildings) have a right of first refusal over the other owner's property should it be sold to a third party.

A right of first refusal may be agreed upon between the parties or established by law in other cases. A right of first refusal may be exercised within two months after the purchase agreement is delivered to the persons entitled to such rights. Depending on whether the real estate is or is not necessary for the performance by the local government of its statutory functions, such term for local governments is 20 days or 5 working days respectively.

Expropriation

Pursuant to a treaty concluded between Latvia and the Netherlands, investments made in Latvia by Dutch entities are protected from expropriation unless the expropriation is on the basis of statutory grounds and a fair compensation is paid.

Although expropriation of property for state and public needs under exceptional circumstances is regulated by law, the Latvian parliament has to adopt a separate detailed law in respect of each property subjected to expropriation. Generally, the respective state administrative or local government institution will first try to come to an agreement with the owner of such property on a fair compensation or an exchange for an equivalent property. If no agreement is reached, a proposal to expropriate is submitted to the respective

governmental body. A constitutional complaint regarding the expropriation of a particular property may be filed with the Constitutional Court within six months from the date the law on expropriation of the particular property comes into force.

Transfer of title restrictions

Title to a property may be freely transferred subject to any right of first refusal being exercised. Any encumbrances registered with the Land Registry in relation to a property, such as mortgages or prohibition notes prohibiting certain activities in respect of the properties may also restrict the transfer of rights to the particular property and may restrict the granting and acquiring of any other rights to property. Mortgages on property are often granted on terms requiring a mortgagee's consent to transfer rights to the property.

Before the rights to property can be transferred, any property tax due relating to the particular property has to be paid.

Land Registry

All properties, their owners, encumbrances, or other matters directly related to the property, such as purchase agreements, should be registered with the Land Registry.

Ownership rights over immovable property (including land and buildings) are formally created upon their registration with the Land Registry. If the property (transaction) is not properly registered with the Land Registry, the transaction remains valid between the parties but is not binding on third parties and the owner cannot exercise its ownership rights or other property rights prior to registration.

Landlord and tenant law

The Latvian civil law and the law on residential tenancy are the main laws regulating the rights and obligations of landlords and tenants. In residential tenancy, the law grants additional protection to tenants compared to the general civil law regulations, as a tenant is considered to be the weaker party to a residential lease and is therefore entitled to a greater degree of protection.

A purchaser of commercial property must comply with the terms and conditions of commercial leases concluded between the previous owner and the tenants, but only if such lease rights have been registered at the Land Registry. However, if residential real estate (e.g. a house or an apartment) is sold, all residential leases regarding the property remain in force irrespective of the leases' registration at the Land Registry.

Real estate development

Planning / Zoning

Local governments may define the purpose for which property in their territory may be used, may set limits on construction activities and issue building permits. If the territory has no detailed plan, drafting such a plan may take over a year.

The absence of a detailed plan does not completely prevent commencement of real estate development but a public discussion may be required. A public discussion is required if the construction has an adverse impact on living conditions, value of the property or the environment. Local governments may determine additional circumstances requiring public discussion by incorporating provisions to such effect into local building regulations.

A constitutional complaint regarding a territorial plan may be filed with the Constitutional Court within six months from the date on which the local regulations adopting the territorial plan came into force.

The use of a particular property (including construction) may also be restricted by the utilities and protection zones located or partly located in or applying to the real estate. Such zones are areas reserved for public roads, telecommunication lines, electric power networks and other utility services or as safety zones for certain properties. A protection zone entitles the beneficiary of the zone to perform the works necessary for the maintenance, exploitation, repair, renovation and reconstruction of the relevant utility service. Generally,

the establishment of new protection zones or changes to the existing protection zones requires coordination with the relevant land owner(s).

Building permits

A *planning and architectural order* is issued by a local government and sets out the basic regulations for the design of the intended construction and lists the institutions from which additional technical requirements are to be obtained. The planning and architectural order constitutes the basis for development of a construction design and is valid for two years from issuance.

A *construction design* and any changes to it must be approved by the local “Construction Board”. A construction design is valid for two years after issuance.

A *building permit* is issued by the Construction Board after approval of a construction design, on the basis of which construction may be commenced. The building permit is issued for a certain period of time with a minimum of one year.

Generally, a building permit may be disputed within one month from the day it comes into effect. However, under certain circumstances private persons whose rights or legal interests are restricted by the building permit may dispute it within one month from the day that such person becomes aware of it, but not later than one year from the day the building permit comes into force. Disputing a building permit does not suspend its operation, but the applicant may petition for a suspension.

A building may only be used in conformity with its designated purposes and only after its acceptance for operation which should be obtained from a special commission convened by the local government once construction is completed. Acceptance for operation is the final stage of construction before the building or the respective part of a building can be used.

Environmental

The general rule is that a polluter is liable for any pollution that results from its activities. There is no mechanism to address any contamination from the Soviet era in Latvia. Therefore, a land owner is liable for any pollution and to start construction works he will first be required to clean the contaminated site at least to such extent that human health and/or the environment are not endangered.

An environmental impact assessment is required by law for construction projects of a certain scope and size (for example, thermal power stations, dangerous waste dumps, etc.). This requirement usually does not apply to residential construction.

In addition, a licence is required under the law on pollution if the construction involves the utilisation of soil, subterranean depths, water, air, installations, or buildings and other stationary facilities that may result in environmental pollution or risk of accidents, as well as activities that are to be performed on contaminated property and may cause the spread of the contamination.

Poland

Property law

Ownership of land and ownership of buildings are not separated. However, Polish law recognizes exceptions for this in relation to the ownership of residential premises. In such a situation an owner of premises owns a share in the co-ownership of the land on which the residential building is erected.

In addition to ownership rights, many properties belonging to the state treasury or local communities are held as a “perpetual usufruct” which confers a right to use, collect the income, manage and administer the property for a specific period of time, usually for 99 years. Buildings erected on land in respect of which a perpetual usufruct right has been granted are owned by a perpetual usufructee and cannot be transferred separately from the perpetual usufruct right.

Foreign ownership

In general, the acquisition of land by foreign individuals or companies requires a permit issued by the minister of internal affairs. However, this does not apply to companies incorporated within the EEA, with the exception of the acquisition of certain types of protected properties such as agricultural land, forests and property serving as second residence. There are no additional restrictions for Polish companies owned by foreign legal entities to acquire real estate in Poland which do not also apply to Polish companies in general.

Limited Property rights

Polish law recognizes the following limited rights regarding real property:

- *Usufruct* grants its holder a right to use and collect income benefits from the property pursuant to a notarial usufruct contract. A right of usufruct cannot be transferred to a third party. There is no limitation on the duration of a right of usufruct but it expires if not exercised for a period of ten years.
- *Easements* are either ground easements and personal easements, with ground easements being established for the benefit of the owner (or perpetual usufruct) of land and the latter for the benefit of an individual person. Easements expire if they are not exercised for more than 10 year
- *Cooperative rights to residential premises* are limited rights in favour of the members of a cooperative, for instance a housing co-operative, such as a cooperative right to residential premises. Such right is transferable, hereditary and as a limited right in rem, it can be encumbered with a mortgage and can be subject to execution.
- *Mortgage rights* are security rights over real property, which ranks ahead of unsecured debts and are effective towards any owner of the land. The holder of a mortgage right is free to dispose of the encumbered land at any time.

Pre-emption rights

In certain cases, public bodies have a statutory pre-emption right. Failure to observe these rights renders the sale agreement void. The local community in question has one month following the notification of a conditional sale agreement to exercise its right.

Expropriation

Expropriation may only apply to properties in areas designated for public use by the local zoning plan or properties for which a binding decision to establish the location of a public investment (e.g. infrastructure) has been issued. Expropriation is only permissible for public purposes and the owner of the expropriated property is entitled to reasonable compensation.

Restitution claims

Restitution claims are a repercussion of the nationalisation processes which took place during the communist regime in Poland. There is no reprivatization law that would solve this problem as a whole and restitution takes place through individual court proceedings. However, a purchaser cannot be deprived of the property acquired if he purchased the property in good faith in reliance on the mortgage registers. In that case, the former owner or his heirs may only seek compensation from the state treasury or municipality.

Transfer restrictions

Reference is made to the sections on “*Foreign ownership*” and “*Pre-emption rights*” above.

Land register

Land and mortgage registers (the “Mortgage Registers”) are kept by special divisions of district courts competent for the relevant territory. They include:

- (i) a physical description of the property;
- (ii) the rights benefiting the property (e.g. granted easements);
- (iii) the owner (and perpetual usufructee, where appropriate);
- (iv) all encumbrances other than mortgages (easements, usufructs, leases, pre-emption rights, etc.), including restrictions on disposals; and
- (v) mortgages.

The Mortgage Registers also set out the physical features of the land (surface, borders, etc.), as well as its designated use (agricultural, forest, construction purposes, etc.), and the class of land.

Certain rights are created or transferred upon registration, such as a perpetual usufruct or mortgage, and the order of registration determines the ranking of the rights. Registered rights rank higher than unregistered rights.

A good faith purchaser of a registered right acquires this right if it is registered with the Mortgage Registers and it is acquired from the person registered as the holder of the right (even if such person did not actually hold the relevant right).

Landlord and tenant law

Polish law recognises two forms of lease: lease (*najem*) and tenancy (*dzierżawa*). Both can be concluded for an indefinite period of time or for a maximum period of 30 years (ten years in the event of a lease concluded with an individual not doing so in the ordinary course of business). Leases for a term of more than one year have to be in writing. If not, the lease is deemed to have been granted for an indefinite period of time and terminable by either party. Leases may be registered in the Mortgage Registers.

Public law

Planning/Zoning

Zoning plans designate the permitted use for properties in the area they cover. Currently zoning plans have only been adopted for approximately 20% of Poland. If a site is not covered by a zoning plan, a planning permit must be obtained prior to submitting building permit documentation. The law distinguishes between planning permits for public and private developments, with 'private' planning permits usually being more difficult to obtain. A private planning permit expires if another developer obtains a building permit for the site, or if a zoning plan is adopted and the planning permit does not comply with the new plan (unless a final building permit had already been granted).

Building permits

Building permits can be obtained if a project complies with the relevant zoning plan or planning permit. A building permit usually consists of two basic elements: (i) approval of the designs and (ii) permission to commence the construction. To obtain a building permit, the developer needs to hold legal title to the site (including a leasehold). If the project is phased, the developer may request the permission to commence construction for the initial phase(s) only.

Unless the building permit requires that a permit for use has to be obtained, use of a building may commence once the relevant authority has been notified and no objections have been raised within 21 days of the notification.

Environmental

Under Polish law, the polluter, not the owner of the land, is liable for pollution that occurred after 30 April 2007. In cases of pollution that occurred before this date, the current occupier of the land is held liable regardless of whether he occupied the land at the time of the pollution, unless he can prove that the pollution was committed by a third party after he had occupied the land.

Both investments that (i) will significantly influence and (ii) may potentially significantly influence the environment require an environmental decision. Certain investments, due to their potential impact on the environment, require the preparation of an environmental impact assessment report.

A developer has to obtain an environmental decision prior to obtaining a planning permit or filing for a building permit. The environmental decision is valid for four years and will be binding on the building authority when granting the building permit.

Romania

Property law

Foreign ownership

In general, the acquisition of real estate by foreign individuals or companies is subject to restrictions. Companies incorporated within the EU will be entitled to acquire land for residential purposes or for setting up secondary offices after 1 January 2012 and will be entitled to acquire agricultural land, forests and forestry land after 1 January 2014 on the same basis as Romanian entities. There are no restrictions for foreign legal entities to acquire ownership rights over buildings. There are no additional restrictions for Romanian companies owned by foreign legal entities to acquire real estate in Romania which do not also apply to Romania companies in general.

Overriding interests

A *right of use* is required for buildings to be owned separately from the land and in that case the building may only be transferred together with the land use right.

Pre-emption rights

There are no statutory pre-emption rights in favour of the state or municipalities.

Expropriation

A property may only be expropriated if required in the public interest against prior and equitable compensation.

Transfer restrictions

Romanian law does not provide general restrictions to the transfer of private property.

Land registry

The land registry is the local system for recording real estate assets and contains a description of property and the title thereto and of any encumbrances over such real estate. Rights relating to a property can only be registered with the land registry on the basis of notarized conveyance deeds.

The registration with the land registry does not constitute a legal title but creates a refutable presumption that the person who registered ownership or another right over a certain property is the actual owner of such property or holder of such right, and that such right was acquired or constituted in good faith. A right will not be held in 'good faith' if on the date of registration of the ownership right any action challenging the registration in the land registry was acknowledged or if the underlying document granting title and the land registry reveals any discrepancies.

Landlord and tenant law

There are no specific regulations governing commercial leases in Romania and consequently the general provisions of the Romanian Civil Code apply. Lease contracts may be executed as private deeds, without any special formal requirements. No rent control exists in the private sector. The amount of rent may be freely negotiated between landlord and tenant. In case of a contract for an indefinite period, the Romanian Civil Code gives both parties the right to terminate, subject to the notice period imposed in the contract or, in the

absence of such provisions, according to market practice. The tenant may sublease partially or entirely the rented premises unless subleases are prohibited under rental agreement.

Public law

Planning / Zoning

An urbanism certificate, which sets out the legal, economic and technical regime of the lands and constructions, the zoning requirements that need to be met and the list of approvals and permits necessary, is required before a building permit can be requested.

The urbanism certificate is issued in accordance with the zoning development plans and with the urbanism documentation drawn up by the authorities at national, regional and local area level. The urbanism certificate may include specific conditions which need to be satisfied prior or during development. The urbanism certificate itself does not confer the right to develop land or to build on it. An urbanism certificate is valid for 6 to 24 months from the date of issue.

Building permits

A building permit, issued on the basis of urbanism certificate and the additional permits required for a specific development project by the local public authorities, set outs the requirements regarding the location, design, execution, function and manner of construction or dismantling operations. Certain limited construction works may be performed without obtaining a building permit.

The terms of the building permit are based on the urban and territorial planning documentation together with the technical specifications set out in the urbanism certificate.

The building permit is issued only to legal persons or individuals holding an ownership right over the property. Legal persons or individuals holding a right of use over real estate arising out of a concession, freehold or lease contract may only obtain authorization for temporary constructions and require the express consent of the land owner.

A building permit is valid for 12 months. The relevant works must be commenced within this period and have to be completed within either 12 or 24 months from commencement, depending on the terms of the building permit. The developer may apply for an extension of the building permit.

Environmental

The main obligations for parties carrying out activities in Romania are:

- (i) to apply for environmental permits and/or authorizations to the environmental protection authorities;
- (ii) to pay for damage mitigation and removal costs arisen from pollution and to re-establish the previous environmental balance;
- (iii) to ensure special systems for monitoring technological installations and processes, for the analysis and control of polluting agents within the area where their various activities are performed and to record the results of these analyses to prevent and avoid technological risks or accidental release of polluting substances, and to report these results on a monthly basis to the competent environmental authorities; and
- (iv) to adopt proper solutions for the environment when new activities and projects are contemplated, or in case of any alteration of such existing activities and projects.

If these obligations are not complied with, the environmental authorities could impose various sanctions such as administrative fines or even order restrictions on the use of the property.

Serbia

Property law

The introduction in September 2009 of a new Law on Planning and Construction (the “**Planning Law**”) permitted private ownership of any type of construction land for the first time in Serbia.

Foreign ownership

In general, the acquisition of real estate by foreign individuals or companies is subject to treaties between Serbia and the home state of the foreign individual or company. Foreign individuals or companies are prohibited from owning agricultural land. In practice, a foreign company is required to be registered in Serbia in order to acquire real estate. There are no restrictions for Serbian companies owned by foreign legal entities to acquire real estate in Serbia which do not apply to Serbian companies in general.

Overriding interests

Serbia does not have separate legislation on overriding interests. Easements (such as rights of passage) have to be registered with the relevant registry.

Pre-emption rights

When land and buildings are privately owned by two or more individuals, the co-owner is obliged to offer its share of the land or building to the other co-owner first (or majority co-owner if there are more than two co-owners) under the same terms and conditions as offered to a third party. Transfer agreements in breach of this statutory pre-emption right are invalid and may be challenged within two years after execution. A similar statutory pre-emption right exists for agricultural land in favour of owners of the neighbouring land. Tenants of residential property have no statutory pre-emption right.

Expropriation

A property may be expropriated or the ownership may be restricted if required in the public interest, as determined by law or by a governmental decree for specific development projects in the areas of education, health care, social welfare, culture, water distribution, sports, traffic, energy and utility infrastructure, state, provincial and municipal institutions, defence, environment and disaster protection, mineral resources exploitation as well as public housing projects. An owner whose property is expropriated is entitled to compensation at least equivalent to the market price.

The Expropriation Law regulates different types of restrictions that may be placed on property: full expropriation, mandatory easements, mandatory lease (for a maximum period of three years) or temporary occupancy. A property may be expropriated for the benefit of the state, a province, a city, a municipality, social and government funds as well as public enterprises.

Transfer restrictions

Restrictions on transfer of property rights imposed by regulations arise either under a specific property regime or from the principle that rights to land may not be transferred separately from rights to the buildings on it. With respect to public property regimes, the restrictions and limitations relate to the disposal of state owned property, property of socially owned companies (which are currently undergoing privatization) and rights to undeveloped construction land, as in principle undeveloped construction land may be transferred only by local authorities and only in competitive procedures such as a public tender or a public auction. There are no restrictions on sale or other disposals of residential units other than the restrictions under certain special property regimes.

Property registry

There are three public registries in Serbia maintaining data on real estate property: (i) the Land Registry; (ii) the Cadastral Registry and (iii) the Unified Cadastral Registry (Cadastre of Property). All registries are

maintained at a municipal level and there is no centralized registry for the whole of Serbia. These registries are still being developed and may therefore not be reliable.

In general, ownership rights over land or buildings are formally created upon registration of the holder's interest in the relevant registry. Any acquirers will be deemed to have knowledge of all registered matters. In practice, it is possible to acquire title from an unregistered owner and the registries will register such title, provided that there is sufficient evidence linking the acquirer with the currently registered owner as the previous transferor. To prevent multiple sales of the same real property, the Law on Transfer of Real Estate has been amended in January 2010.

There are however certain rights (contained in various regulations) that, although not registered, bind any new owner. For example, if there is an unsettled amount of property tax, the new owner is liable for the five years preceding the year concerned. This information is not contained in the land register.

Furthermore, the registry does not contain information on lease agreements. A new owner takes over the position of a previous landlord and must respect the lease agreement. This may be an issue if the lease is entered into for a definite period as such leases may only be unilaterally terminated in situations provided for in the leasing agreement.

Landlord and tenant law

Rent is determined freely by the parties and should be determined by the express terms of the lease agreement. Any rent increases not expressly provided for in the lease agreement will have to be claimed in court.

A landlord is generally obliged to provide the tenant with undisturbed possession of the leased premises. If a third party has a right which excludes the tenant's right to use the leased premises, the lease agreement is automatically terminated, while the landlord becomes obliged to compensate the tenant for damages. A tenant has no statutory right to renew its lease, but a lease for a definite term may renew automatically, if the tenant continues to use the leased premises after expiration of the lease term and the landlord does not object. However, any security provided by third parties is terminated after the expiration of the original lease term. Leases for an indefinite period may be terminated by either party at any time upon a statutory notice period of eight days. Commonly, indefinite leases provide for a longer notice period of 30 to 90 days.

Public law

Planning / Zoning

All cities and municipalities in Serbia are zoned in accordance with local decisions adopted by the respective cities and municipalities, which should comply with so-called master plans and plans of detailed regulation, which have been adopted or should be adopted by the local authorities. Buildings constructed within one of the zones within the boundaries of Belgrade also need to comply with specific conditions set out in the applicable detailed urban plan, or other relevant conditions set out generally in the master plan.

As of September 2009, when a new Planning Law was introduced, the issuance of building permits (i.e. the construction permit and location permit jointly) is conditional on the existence of a sufficiently detailed urban plan. Accordingly, the authorities are no longer permitted to determine urban conditions for development on a case by case basis. There is a lack of such plans for significant parts of Serbia (including territory of Belgrade and other major cities).

Building permits

A developer must obtain a construction permit from the relevant authorities to commence construction works.

A construction permit is issued by the ministry or relevant municipality on the basis of various documents including the location permit, approved main project and evidence of title to the underlying land (i.e. a land lease right or ownership right). Notably, a land right of use is generally not considered sufficient title to the

land and accordingly holders of a land right of use must first convert their rights to ownership to obtain the necessary permits.

The application for a construction permit must be supplemented with a location permit. The location permit sets out the parameters for the preparation of technical documentation (the “Main Project”) and requires that there is a sufficiently detailed urban plan. A location permit is valid for two years. The request for a construction permit must be made within two years of after the location permit is issued.

A construction permit should be issued within 8 days but in practice this may take a few months or even a year. A construction permit becomes invalid if constructions works have not commenced within two years and also contains a deadline for the completion of the construction. This period commences from the notification of the commencement of works to the issuing authority and the competent construction inspection.

Once the building is completed, the competent technical commission is required to assess if the building has been completed in accordance with the technical plan, permits and consents. Assuming that there are no objections, a technical acceptance certificate is issued and an occupancy permit should be issued by the municipality within seven days thereafter, but in practice this may take significantly longer. Receipt of the occupancy permit is required for use of the building and registering it in the relevant registry.

Environmental

The environmental regulatory regime in Serbia is currently undergoing extensive changes to harmonize existing legislation and practice with EU requirements for environmental protection and international environmental quality standards.

The Law on Environment Protection provides that a polluter or its legal successor is liable for pollution caused by its business activities and that it is obliged to eliminate the direct or indirect consequences of any environmental pollution. Additionally, numerous regulations have been adopted for specific areas of environmental protection.

Depending on the type and size of the location to be developed, an environmental impact assessment study may be required before a Construction Permit is issued and development can be commenced, which may take up to a couple of months at considerable cost to a developer.

MANAGEMENT AND EMPLOYEES

Set out below is a summary of relevant information concerning the Board, Senior Management and other employees of the Company. In addition, a brief summary of certain significant provisions of Dutch corporate law and the Company's Articles of Association in respect of the Company's Board as they will read after the execution of the Deed of Amendment, which was approved on 17 November 2010, is set out below. Please see "Description of Share Capital and Corporate Governance – General".

The numbers of Shares and other securities and exercise prices set forth in this chapter are based on the assumption that the capital restructuring reflected in the Deed of Amendment and the conversion of the Shareholder Loan has been completed. Please see "Description of Share Capital and Corporate Governance – Share Capital – Composition of the Share Capital".

Management structure

The Issuer has a board of directors (*raad van bestuur*) consisting of executive and non-executive directors (the "**Board**").

Dutch law currently only provides for a two-tier governance structure, *i.e.*: a management board (*raad van bestuur*) and a separate supervisory board (*raad van commissarissen*). A Dutch limited liability company (*naamloze vennootschap*), such as the Issuer, which is not subject to the statutory two-tier rules (*structuurregime*) is not required to have a supervisory board. In November 2008, the government presented to the Lower House of Dutch Parliament (*Tweede Kamer*) a bill containing rules for companies having a one-tier board structure in which both executive and non-executive directors form part of one board. This bill has not entered into force as of yet, but is expected to do so in the near future.

It is, however, currently established practice in the Netherlands to have a structure in the board of directors which is comparable to a one-tier structure. Although all members of the board of directors are formally directors (*bestuurders*) of equal status, the articles of association of a company can provide that some directors are responsible for the day-to-day management of a company (similar to executive directors) and that other directors are responsible for supervising the day-to-day management of a company (similar to non-executive directors). All statutory provisions relating to the members of the board of directors apply in principle to all members of a "one-tier board", and all responsibilities therefore remain subject to the collective responsibility of the board of directors of a company. The number of executive and non-executive directors is determined in the articles of association of a company (and can be amended by means of an amendment of the articles of association of the company, which requires a resolution of the general meeting of shareholders of the company). The appointment of the directors is made by the general meeting of shareholders.

Powers, composition and function of the Board

Pursuant to the articles of association of the Issuer (the "**Articles of Association**"), the Board must consist of three or more directors of whom one or more are executive directors and one or more are non-executive directors. The number of directors is determined by the shareholders' meeting of the Issuer (the "**Shareholders' Meeting**"). As of the Offering, the Issuer will have six directors, two of whom are executive directors and four of whom are non-executive directors. Three of the non-executive directors are independent within the meaning of best practice provision III.2.2 of the Dutch Corporate Governance Code. The Issuer believes that there is a satisfactory balance for the purposes of decision-making at Board level in line with the provisions of the Dutch Corporate Governance Code. The Issuer can be represented by the Board (as a whole) or by any two directors (of which at least one director is an executive director), acting jointly.

The Shareholders' Meeting appoints the members of the Board. A resolution to appoint a director can only be adopted by a simple majority of the votes cast, in a Shareholders' Meeting in which at least half of the issued capital is represented.

Upon the occurrence of a vacancy the Board remains properly constituted.

Unless the Shareholders' Meeting resolves otherwise at the proposal of the Board, a director will be appointed for a maximum period of four years, provided however that unless such director has resigned at an earlier date, his term of office will lapse on the day of the annual Shareholders' Meeting to be held in the fourth year after the year of his appointment. A retiring director is eligible for re-election.

Directors may be suspended or dismissed at any time by the Shareholders' Meeting. A resolution to suspend or dismiss a director is adopted by an absolute majority of the votes cast representing at least one-third of the issued share capital. If an absolute majority of the votes cast is in favour of the resolution to suspend or dismiss a director, but such majority does not represent at least one-third of the issued share capital, a second meeting may be convened at which the resolution may be adopted by an absolute majority of the votes cast, without a quorum being required.

The Board is presided over by its chairman, appointed by the Board from among its members.

The non-executive directors supervise the policy and the fulfilment of duties of the executive directors, respectively, and the general affairs of the Issuer and they are furthermore entrusted with such duties as are or will be determined by or pursuant to the Articles of Association or a resolution of the Board.

The Board may appoint a person to act as company secretary. The company secretary administers, attends and drafts minutes of meetings of the Board, its committees and the Shareholders' Meetings and furthermore has such powers as are assigned to him or her by the Board.

The Board can adopt resolutions by a simple majority of the votes cast in a meeting where at least one half of the members of the Board in office is present or represented. Each director has the right to cast one vote. In the event of a tie vote, the chairman shall not have the deciding vote and the proposal shall be deemed to have been rejected. The Board can only adopt valid resolutions if all directors in office have been given due notice of the meeting. The Board may also adopt resolutions without holding a meeting, provided such resolutions are adopted in writing and all directors entitled to vote have expressed themselves in favour of the proposal concerned. Resolutions which have accordingly been adopted will be recorded in the minute book of the Board and the documents evidencing the adoption of such resolution will be signed by the corporate secretary and kept together with the minute book.

Notwithstanding the previous, Dutch law requires that resolutions of the Board regarding a significant change in the identity or nature of the Issuer or its business, are approved by the Shareholders' Meeting. Such a change includes in any event:

- (i) the transfer of the entire business or the majority of the business of the Issuer to a third party;
- (ii) the conclusion or cancellation of any long-lasting cooperation by the Issuer or a subsidiary (*dochtermaatschappij*) with any other legal person or company or as a fully liable general partner of a limited partnership or a general partnership, provided that such cooperation or the cancellation thereof is of essential importance to the Issuer; and
- (iii) the acquisition or disposal of a participating interest in the capital of a company, having a value of at least one-third of the sum of the assets according to the consolidated balance sheet with explanatory notes thereto according to the last adopted annual accounts of the Issuer, by the Issuer or a subsidiary.

Members of the Board

The following table sets out information with respect to each of the members of the Board, their respective ages and their positions at the Issuer as at the date of this Prospectus. The chairman of the Board and all executive directors will be reappointed and the non-executive directors will be appointed upon the completion of the Offering. Each of these appointments will be for a period of four years.

<u>Name</u>	<u>Position</u>	<u>Age</u>	<u>Member as of</u>
Izzy Cohen.....	Chairman, non-executive director	58	2008
Avraham Barzilay.....	Executive director	47	2010
Ariel Goldstein	Executive director	38	2006
Hubert Andrzej Janiszewski ⁽¹⁾	Non-executive independent director	66	2010
Martin Lewis ⁽¹⁾	Non-executive independent director	67	2010
Jan Diephuis ⁽¹⁾	Non-executive independent director	69	2010

Note (1) These persons are not a director as of the date of the Prospectus, but will be appointed as a director upon completion of the Offering.

The address of the Issuer's registered office serves as the business address for all members of the Board. Please refer to "*General Information*" for further details.

Relevant expertise and experience of the members of the Board

Izzy Cohen has served as chairman of the Board since March 2009, and has served as the chief executive officer of Africa Israel Investments, the Issuer's controlling shareholder since June 2008. Prior to his appointment at Africa Israel Investments, he was chief executive officer of Migdal Insurance and Financial Holdings Ltd for ten years. He also worked as head of Generali Group Innovation Lab. Mr. Cohen graduated from the Hebrew University of Jerusalem with a BA in Statistics and Computer Sciences. The following table sets out an overview of Mr. Cohen's current and former directorships.

<u>Director</u>	<u>Current directorships</u>
Izzy Cohen	<p>AFI Development plc Derech Eretz Highways (1997) Ltd. Vash Telekanal Ltd. Africa-Israel Industries Ltd. Africa-Israel Residences Ltd. Africa-Israel Hotels Ltd. Danya Cebus Ltd. Migdal Holdings and Management of Insurance Agencies Ltd. Maestro Ltd. Migdal Insurance Company Ltd. Migdal Insurance and Financial Holdings Ltd. Migdal Investments Management 2001 Ltd. Migdal Capital Markets (1965) Ltd. Wheel House (charitable body)</p> <p>Directorships during the preceding five years Magen Insurance Company Ltd. Migdal P.E. Ltd.</p>

Avraham Barzilay is an executive director of the Issuer and was appointed as its Chief Executive Officer on 24 September 2010. He also served as Vice-President Finance of AFI Properties from October 2004 until July 2010. He also serves as Deputy CEO of AFI Properties since July 2010. He has over 15 years' experience in the real estate industry, including as Chief Financial Officer of Red Sea Construction Ltd. Mr. Barzilay studied economics and accounting at the Bar-Ilan University, Israel, qualifying as a CPA. The following table sets out an overview of Mr. Barzilay's current and former directorships.

Director	Current directorships
Avraham Barzilay	Africa Israel International Properties (2002) Ltd.
	Directorships during the preceding five years AFI Development plc

Ariel Goldstein is an executive director of the Issuer as well as its Vice-President Finance and Chief Financial Officer since 2006. He also serves as Vice-President Finance and Chief Financial Officer of AFI Properties since July 2010. Mr. Goldstein joined the Company in 2004, after practicing as a Certified Accountant with Deloitte & Touche, where he was a member of the real estate team. Mr. Goldstein has not been a member of any other administrative, management or supervisory bodies and has not been a partner in a partnership at any time in the previous five years. Mr. Goldstein has a BA, *cum laude*, in Economics and Accounting and an MBA from Bar-Ilan University.

Hubert Andrzej Janiszewski will be appointed as an independent non-executive director of the Issuer effective upon the closing of the Offering. Mr. Hubert Janiszewski served as Managing Director of Deutsche Bank AG, London from 1999 to 2002. Mr. Janiszewski served as Managing Director at Bankers Trust Co., London from 1998 to 1999 and served as its Vice President in 1990s. Mr. Janiszewski has a master's degree in economics. He graduated at VSE in Prague and Central School of Planning and Statistics in Warsaw. He holds a title of Doctor of Economic Science. The following table sets out an overview of Mr. Janiszewski current and former directorships.

Director	Current directorships
Hubert Andrzej Janiszewski	Deutsche Bank Polska SA - Dty Chairman, supervisory board Deutsche Bank PBC SA - Dty Chairman, supervisory board DB Securities SA - chairman, supervisory board ElstarOils SA - chairman, supervisory board Zlomrex SA - chairman, supervisory board MCI Management SA - chairman, supervisory board Mediacap SA(formerly EmLab SA) - chairman, supervisory board PGF SA - Dty chairman, supervisory board
	Directorships during the preceding five years Unimil SA Chairman, supervisory board

Martin Lewis will be appointed as an independent non-executive director of the Issuer effective upon the closing of the Offering. Mr. Lewis was a partner at KPMG, serving in various positions there for over 30 years. Additionally, Mr. Lewis was a member of KPMG's Japan practice global steering committee for many years. Mr. Lewis graduated from the London School of Economics with a B.S. degree in Economics specializing in Accounting. Additionally, he qualified as a Chartered Accountant in 1967. The following table sets out an overview of Mr. Lewis' current and former directorships.

Director	Current directorships
Martin Lewis	JMH Vision B.V Subsidiaries of Grafton Group Plc (Ireland) from February 2006 to present : Brook Rock Netherlands B.V., Rock Brook Netherlands B.V., Rock Brook Finance B.V., Rock Brook Holding S.A., Brook Rock Holding S.A. Subsidiaries of Capita Group plc (UK) (from march 2008 to present) (as supervisory director): Capita Fiduciary Group B.V., Capita Fiduciary B.V.
	Directorships during the preceding five years JHM Financial Services Ltd (Ireland) Waterview Sarl (Belgium) Subsidiaries of J.M.Huber Corporation (USA) from march 2003 until august 2007

Jan Diephuis will be appointed as an independent non-executive director of the Issuer effective upon the closing of the Offering. Mr. Diephuis served 20 years in DTZ Netherlands where he was director of valuations between 1987 and 1997, following which he established his own valuation firm which he manages to date. His firm, Diephuis Partners is active in the Dutch commercial property market as provider of valuation and advisory services. Mr. Diephuis started his career as a commercial real estate agent at DTZ.

Mr. Diephuis has not been a member of any other administrative, management or supervisory bodies and has not been a partner in a partnership at any time in the previous five years.

Senior management

The following table sets out the senior members of the management team of the Company (“**Senior Management**”):

Name	Age	Title
Avraham Barzilay.....	47	Chief Executive Officer
Ariel Goldstein	38	Vice-President Finance & Chief Financial Officer
David Hay	48	Senior Vice-President, Regional Director for CEE
Shimon Ben-Hamo	49	Regional Director for SEE
Nir Geva	35	General Counsel & Corporate Secretary
Liron Babian.....	32	Financial Controller

The address of the Issuer’s registered office serves as the business address for all members of the Senior Management. Please refer to “*General Information*” for further details.

Relevant expertise and experience of the members of the Senior Management

Avraham Barzilay. The relevant expertise and experience of Avraham Barzilay is set out above under “*Relevant expertise and experience of the members of the Board*”.

Ariel Goldstein. The relevant expertise and experience of Ariel Goldstein is set out above under “*Relevant expertise and experience of the members of the Board*”.

David Hay joined AFI Europe in 2006, bringing with him over 20 years of experience in international real estate development and marketing. Mr. Hay has not been a member of any administrative, management or supervisory bodies and has not been a partner in a partnership at any time in the previous five years. He previously served as Vice President of Hail Holdings. Mr Hay graduated from Buckingham University with an LL.M.

Shimon Ben-Hamo joined AFI Europe in 2008. He previously served as the head of the Structural Changes Division at the Government Companies Authority of Israel, where he was a major contributor to reforms in relation to the administration of Israel’s ports, roads, railway, electricity and water supply. Mr. Ben-Hamo has not been a member of any other administrative, management or supervisory bodies and has not been a partner in a partnership at any time in the previous five years. Mr. Ben-Hamo holds a BA and MA in economics, as well as an MBA, all from the Hebrew University of Jerusalem.

Nir Geva joined the Company in 2007, after serving as its outside legal counsel since 2005 being a corporate lawyer at Weksler Bregman & Co. He has extensive experience in structuring, negotiating and documenting complex cross-border transactions, including international joint ventures, mergers and acquisitions. Mr. Geva has not been a member of any administrative, management or supervisory bodies and has not been a partner in a partnership at any time in the previous five years. Mr. Geva graduated the law faculty at the University of Haifa with an LL.B.

Liron Babian joined AFI Europe in 2008 after practicing as a CPA at Ernst & Young, where he was a manager at a real estate team. Mr. Babian has not been a member of any administrative, management or supervisory bodies and has not been a partner in a partnership at any time in the previous five years. Mr. Babian holds a BA in economics and accounting from the Hebrew University of Jerusalem, as well as an MBA from Tel Aviv University.

Board committees: Audit and Risk Management, Investment, Remuneration, and Selection and Appointment Committees

On closing of the Offering, the Board will adopt an internal corporate governance policy (the “**Corporate Governance Policy**”) to set out the Issuer’s system of corporate governance. The Corporate Governance

Policy lays out various provisions including: the Board's main tasks and authorities, as well as its structure, composition, and functioning; the qualification and independence of directors, their nomination and election, directors' rights and duties, procedures to deal with conflicts of interest and related party transactions, rules on competing engagements and directors' retirement by rotation. Upon Admission, the Issuer will be required to comply with the Dutch Corporate Governance Code released by the Dutch Corporate Governance Code Committee (the Dutch Corporate Governance Code). In addition, under the listing rules adopted by the WSE (the "**Listing Rules**"), the Issuer will be required to include a statement in its annual report and accounts as to the significant ways in which actual corporate governance practices differ from those set out in the Good Practices of the Companies Listed on the WSE (2010) adopted by the WSE (the "**Polish Corporate Governance Code**"). For further details, see "*Description of Share Capital and Corporate Governance—Dutch Corporate Governance Code*".

The Corporate Governance Policy provides that the Board should have a balance of non-executive and executive directors which is effective for the promotion of its corporate objectives, the protection of the interests of all shareholders and stakeholders and the governance of the Issuer. A director is not deemed independent if he or she (or his wife/her husband, registered partner or other life companion, foster child or relative by blood or marriage up to the second degree):

- (i) has been an employee of the Company or the AFI Group within the last five years;
- (ii) receives personal financial compensation from any company within the AFI Group other than the compensation received as director;
- (iii) has had an important business relationship with the Company or a company associated with it in the year prior to the appointment;
- (iv) holds a cross-directorship or has any significant links with other directors through involvement in other companies or bodies where these cross-directorships or links would materially interfere with the director's objective, unfettered or independent judgement or ability to act in the best interests of the Company; or
- (v) holds directly or indirectly more than 10% of the Shares; or is a member of the (management or supervisory) board or senior management of an entity which holds directly or indirectly at least ten 10% of the Shares.

In accordance with its Corporate Governance Policy, the Issuer will, upon closing of the Offering, establish four committees: an audit and risk management committee, a remuneration committee, an investment committee, and a selection and appointment committee. The members of the committees will be members of the Board. The Board may at all times change the duties and composition of each committee. A brief description of the terms of reference of each of the committees is set out below.

Audit and Risk Management Committee

Upon the closing of the Offering, the Issuer will establish an audit and risk management committee which will operate pursuant to a charter approved by the Board. The audit and risk management committee will be wholly composed of independent non-executive directors appointed by the Board. The Chairman of the Board cannot be member of the audit and risk management committee. The Board will strive to procure that the audit and risk management committee will have at least three (3) members (unless the total number of independent non-executive directors on the Board is less than three (3)). The audit and risk management committee will be responsible for advising the Board with respect to the integrity of the Company's financial statements; the Company's internal control, compliance and risk management; the compliance by the Company with legal and regulatory requirements; the performance, qualifications and independence of the external audit function of the Issuer and its subsidiaries and the nomination of the Company's external auditor to the Shareholders' Meeting; the performance of the Company's internal audit function; the supply of financial information to the Board; monitoring and approving all related party transactions; and opining and making proposals to the Board in all matters where a (potential) conflict of interest exists between directors and the Company.

Investment Committee

Upon the closing of the Offering, the Issuer will establish an investment committee which will operate pursuant to a charter approved by the Board. The committee will consist of at least 3 members appointed by the board with a majority of independent non-executive directors. The investment committee will review, recommend to the Board and, where approval authority was delegated to it by the Board, approve all major strategic or financial investments and divestments and other major capital expenditure decisions. This committee will discuss and present its recommendation to the Board on any new investment above EUR 50 million.

Remuneration Committee

Upon the closing of the Offering, the Issuer will establish a remuneration committee which will operate pursuant to a charter approved by the Board. The members will be appointed by the Board and will be composed of at least three directors with a majority of independent non-executive directors and with the Chairman of the Board. The chairman of the Board may be a member of the remuneration committee. The remuneration committee will advise the Board in relation to its responsibilities with respect to the remuneration of directors and senior executives. The remuneration committee will prepare proposals to the Board on: the remuneration policy for directors for adoption at a Shareholders' Meeting; salary levels, bonuses and other benefits for directors and senior executives; contractual terms for executive and non-executive directors; preparation of share-based incentive plans, such as the contemplated Employee Share Option Plan as described below; succession planning for senior executives; and preparation of a remuneration report of the Board.

Selection and Appointment Committee

Upon the closing of the Offering, the Issuer will establish a selection and appointment committee which will operate pursuant to a charter approved by the Board. The Board will strive to procure that the selection and appointment committee is composed of at least three directors with a majority of independent non-executive directors. The Chairman of the Board may be a member of the selection and appointment committee. The selection and appointment committee will advise the Board in relation to determining the composition of the Board. The committee will also be responsible for periodically reviewing the Board's structure and identifying potential candidates to be appointed as Directors, as the need may arise.

Directors' Remuneration, Benefits and Terms and Conditions***Remuneration Policy***

Prior to the Offering, the Company will adopt a remuneration policy. The objective of the Company's remuneration policy is to provide a compensation programme that allows the Company to attract, retain and motivate members of the Board who have the character traits, skills and background to successfully lead and manage respectively supervise the Company.

The following table presents the total remuneration, including salary, benefits and bonuses, paid to each of the following Board members and Senior Management for the year ended 31 December 2009:

	Position	Total remuneration (EUR)
Opher Linchevski ⁽¹⁾	CEO, director	188,888
Ariel Goldstein	VP Finance & CFO, director	133,096
David Hay	Senior VP, Regional Manager for CEE	172,354
Shimon Ben-Hamo	Regional Manager for SEE	198,200
Nir Geva	General Counsel & Corporate Secretary, director	160,400
Liron Babian.....	Financial Controller	52,589

Note (1) Mr. Linchevski resigned on 22 September 2010. See: "Business – Recent Developments".

In addition, during the year ended 31 December 2009 an amount of EUR 6,000 was paid to a trust company through which Messrs Diederik Coenraad Hissink and René Marcel van den Outenaar were engaged by the Issuer as managing directors, and no remuneration was paid or is payable to Mr. Izzy Cohen, the Chairman of the Board, and to Mr. Nadav Grinshpon, who served as a director and resigned prior to the date of this Prospectus.

The three non-executive independent directors appointed in November 2010 are each entitled to annual remuneration of EUR 18,000.

Except for Mr. Avraham Barzilay, who is entitled to a 3 months salary payment following termination of his engagement by the Company pursuant to his service contract, no members of the Board or Senior Management are entitled to benefits upon termination of their engagement.

The Issuer did not have a Supervisory Board in 2009.

Employee Share Option Plan

The Selling Shareholder, being the sole shareholder in the Issuer prior to the Offering, has announced its intention to approve the general terms, criteria and beneficiaries of the Employee Share Option Plan (the “ESOP”) upon the completion of this Offering, in relation to the grant of options to purchase ordinary shares of the Issuer representing, in the aggregate, up to a maximum of 1% of the Issuer’s issued share capital on the completion of the Offering, on a fully diluted basis. The options are envisaged to be issued to members of the Board and Senior Management, as set out in the following table.

Name	Position	Number of options⁽¹⁾	Percentage of interest in the Issuer⁽¹⁾
Avraham Barzilay	CEO, director	467,200	0.40%
Ariel Goldstein.....	VP Finance & CFO, director	233,600	0.20%
David Hay	Regional Manager for CEE	163,520	0.14%
Shimon Ben-Hamo.....	Regional Manager for SEE	163,520	0.14%
Nir Geva.....	General Counsel & Corporate Secretary	70,080	0.06%
Liron Babian	Financial Controller	70,080	0.06%

Note (1) Assuming that all New Shares are issued.

The options will be granted under the ESOP terms and will become exercisable (*i.e.* vest) in three equal portions on the second, third and fourth anniversaries of the options’ granting date. Employees are only eligible to exercise their options while being employed by the Company or within three months after the termination of their employment with the Company (unless the employment of such employee is terminated as a result of injury or death). Each of the options will lapse 12 month from its respective vesting date, if it has not lapsed earlier under the rules of the ESOP. The exercise price of the options is the price payable per Share in the Offering *plus* 10% of such price. On exercise of the options the Issuer will issue or transfer to the person exercising the option such number of Shares which equals the value of the difference between the exercise price and the market price at that date (“cashless exercise”), all under the rules of the ESOP and taking into account any applicable tax obligations. To this end, the Issuer may purchase shares in the open market to satisfy any share entitlements upon exercise of any options issued or granted under the ESOP (in accordance with relevant rules regarding market abuse).

Other information

At the date of this Prospectus, no member of the Board or Senior Management has, in the previous five years (i) been convicted of any offences relating to fraud; (ii) held an executive position at any company at the time of or immediately preceding any bankruptcy, receivership or liquidation; (iii) been subject to any official public sanction by any statutory or regulatory authority (including any designated professional body); and (iv) been the subject of any official public incrimination or been disqualified by the court from acting as a member of the administrator, management or supervisory bodies of a company or from acting in the management or from conduct of the affairs of any company.

No family relationships exist between the members of the Board or Senior Management.

As set out under “*Relevant expertise and experience of the members of the Board*” some Directors have duties owing to other companies. Mr. Avraham Barzilay, the CEO of the Issuer, also serves as Deputy CEO of AFI Properties which is the Issuer’s controlling shareholder, Mr. Ariel Goldstein also serves as Vice-President Finance and Chief Financial Officer of AFI Properties, and Mr. Izzy Cohen also serves as the CEO of Africa Israel Investments and AFI Properties.

Mr. Izzy Cohen is furthermore also a director (and in some cases chairman) on the boards of Danya Cebus Ltd., Africa Israel Industries Ltd., Africa Israel Residences Ltd. (all listed on TASE), a director on the board of AFI Development PLC (listed on the LSE) and a director and CEO of AFI Properties (listed on TASE). The boards of all of the above companies are one-tier boards, which do not specifically define executive and non-executive positions. Therefore, there is a potential for conflicts of interests between these Directors’ duties owed to the Issuer, on the one hand, and these Directors’ duties owed to the aforementioned companies on the other hand, in circumstances where the interests of the aforementioned companies are not aligned with the Issuer’s interests. There are several instruments in place to minimize potential conflict of interest which include the Relationship Agreement (see “*Related-Party Transactions – Relationship Agreement*”) and specific provisions in the Articles of Association regarding conflicts of interest (see “*Description of Share Capital and Corporate Governance – Directors*” and the Articles of Association attached as Annex 3).

Except as specifically noted in the previous sentence or in the biographical notes appearing above under the captions “*Relevant expertise and experience of the members of the Board—Board*”, no member of the Board holds a supervisory or a non-executive position in another listed company. Furthermore, and other than as set out above, no member of the Board or Senior Management has a potential conflict of interest between any duties to the Issuer and his private interests and or other duties.

No member of the Board or Senior Management intends to subscribe for Offer Shares in the Offering.

None of the members of the Company’s administrative, management or supervisory bodies or any senior managers, owns Shares or holds options over the Shares, other than in the context of the ESOP.

Employees

The following table sets out number of employees of the Company as at each of 31 December 2007, 2008, 2009 and 30 September 2010:

	<u>As at 30 September 2010</u>	<u>As at 31 December 2009</u>	<u>As at 31 December 2008</u>	<u>As at 31 December 2007</u>
Employees	143	139	187	172

As of the date of this Prospectus, the Company had 143 employees.

Works council

The Issuer currently does not have a works council established in the Netherlands and is currently not required to establish a works council pursuant to Dutch law.

Indemnification and insurance

In order to attract and retain qualified and talented persons to serve as members of the Board, in respect of a sector, region, product group or other internal company structure or segment, the Company provides such persons with protection through a directors' and officers' insurance policy.

Furthermore, the Company may, subject to approval by the Shareholders’ Meeting, indemnify and hold harmless current and former members of its Board, unless otherwise provided by Dutch law, for reasonable costs of conducting a defence against claims based on acts or failures to act in the exercise of their duties or any other duties currently or previously performed by them at the request of the Company; any damages or

finances payable by them as a result of an act or failure to act in the exercise of their duties or any other duties currently or previously performed by them at the request of the Company; and reasonable costs of appearing in other legal proceedings in which they are involved as current or former members of the Board, with the exception of proceedings primarily aimed at pursuing a claim on their own behalf.

There will be no entitlement to reimbursement as referred to above if and to the extent that a Dutch court has established in a final and conclusive decision that the act or failure to act of the person concerned may be characterised as wilful (*opzettelijk*), intentionally reckless (*bewust roekeloos*) or seriously culpable (*ernstig verwijtbaar*) conduct, unless Dutch law provides otherwise or this would, in view of the circumstances of the case, be unacceptable according to standards of reasonableness and fairness or if the costs or financial loss of the person concerned are covered by an insurance and the insurer has paid out the costs or financial loss. The Company may take out liability insurance for the benefit of the persons concerned.

SELECTED FINANCIAL INFORMATION

The following tables set out a summary of consolidated financial and operating data for the Company on a consolidated basis as at and for the three years ended 31 December 2007, 2008 and 2009 (the “**Summary Annual Financial Information**”), and as at and for each of the nine-month periods ended 30 September 2009 and 30 September 2010, respectively (the “**Summary Interim Financial Information**”).

The Summary Annual Financial Information has been extracted from the Annual Audited Financial Statements, without material adjustment, and should be read in conjunction with, and is qualified in its entirety by reference to, the Annual Audited Financial Statements and the notes thereto included in this Prospectus, and the information in the section titled “*Operating and Financial Review*”. The Summary Interim Financial Information has been extracted from the Interim IFRS Financial Statements, without material adjustment, and should be read in conjunction with, and is qualified in its entirety by reference to, the Interim IFRS Financial Statements and the notes thereto included in this Prospectus, and the information in the section titled “*Operating and Financial Review*”. The Annual Audited Financial Statements and the Interim IFRS Financial Statements have been prepared in accordance with IFRS adopted by the European Union and as applicable in the respective years. The Annual Financial Statements have been audited by KPMG the Netherlands. See “*Independent Auditors*”.

	Nine months ended 30 September		Year ended 31 December		
	2010	2009	2009	2008	2007
	(unaudited)			(audited)	
	(in thousands of Euros)				
Net rental and related income.....	37,971	20,099	30,836	21,705	16,669
Profit (loss) on disposal of trading properties.....	134	(6,735)	(16,205)	(52,951)	202
Net valuation gains (losses) on investment property	4,121	(3,626)	(22,564)	28,756	35,240
Net valuation gains (losses) investment properties under development	(3,476)	51,472	36,690	—	—
Impairment of investment property under development	—	—	—	(10,432)	—
Administrative expenses.....	(7,830)	(5,882)	(8,810)	(9,683)	(4,067)
Selling and marketing expenses.....	(774)	(1,201)	(2,756)	(2,773)	(1,358)
Net other income/(expenses)	(1,530)	781	(1,977)	(8,808)	(291)
Net operating profit (loss) before net financing costs.....	28,616	54,908	15,214	(34,186)	46,395
Financial Income.....	1,376	2,540	3,270	3,594	184
Interest expenses to Africa Properties.....	(5,222)	(6,815)	(8,854)	(18,265)	(4,784)
Other financial expenses.....	(25,844)	(14,522)	(24,785)	(14,243)	(10,825)
Net financing costs.....	(29,690)	(18,797)	(30,369)	(28,914)	(15,425)
Income tax expense	(2,173)	(20,114)	(16,660)	3,843	(2,060)
Equity profit (losses) from affiliated companies....	(166)	(77)	567	(8,260)	(160)
Profit (loss) for the period.....	(3,413)	16,074	(31,248)	(67,517)	28,750
Profit (loss) for the year attributable to non controlling interest.....	(77)	16,289	6,571	7,812	14,191
Profit (loss) for the year attributable to the equity holders	(3,336)	(215)	(37,819)	(75,329)	14,559

Statement of Financial Position Data	As at 30 September		As at 31 December		
	2010	2009	2009	2008	2007
	(unaudited)		(audited)		
	(In thousands of Euros)				
Assets					
Investment property.....	753,907	430,070	744,749	412,023	365,541
Investment property under development	103,052	429,177	105,827	289,259	214,715
Inventory of buildings	188,188	213,641	204,312	216,093	224,365
Total non-current assets.....	1,091,408	1,131,724	1,107,809	973,849	862,520
Inventory of buildings held for sale.....	72,257	93,636	90,274	90,343	110,429
Property held for sale	14,542	—	—	—	—
Cash and cash equivalents	16,195	17,440	17,825	25,022	37,217
Total current assets	136,089	155,649	141,127	152,618	181,849
Total assets.....	1,227,497	1,287,373	1,248,936	1,126,467	1,044,369
Total equity attributable to equity holders of the parent	199,995	234,585	198,521	235,843	71,432
Non-controlling interest	36,963	47,868	38,085	33,895	27,862
Total Equity	236,958	282,453	236,606	269,738	99,294
Liabilities.....					
Interest-bearing loans and borrowings.....	542,295	500,886	515,960	353,199	248,138
Interest-bearing loans and borrowings from related parties.....	255,497	246,002	248,390	235,045	474,765
Total non-current liabilities.....	853,464	808,590	819,105	636,211	769,641
Interest-bearing loans and borrowings.....	60,611	113,214	108,027	107,862	68,681
Interest-bearing loans and borrowings from related parties.....	18,280	—	—	—	—
Advances for selling inventory.....	3,250	8,740	12,645	11,321	28,535
Total current liabilities.....	137,075	196,330	193,225	220,518	175,434
Total liabilities	990,539	1,004,920	1,012,330	856,729	945,075
Total equity and liabilities	1,227,497	1,287,373	1,287,373	1,126,467	1,044,369

	Nine months ended 30 September		Year ended 31 December		
<u>Statement of Cash Flows Data</u>	2010	2009	2009	2008	2007
	<i>(unaudited)</i>		<i>(audited)</i>		
	<i>(In thousands of Euros)</i>				
Cash flows from operating activities	31,167	(31, 696)	(10,626)	(25,387)	(117,720)
Cash flows from investing activities.....	(5,303)	(101,519)	(124,110)	(209,239)	(423,669)
Cash flows from financing activities	(27,724)	125,715	127,631	222,419	566,274
Net increase in cash and cash equivalents	(1,860)	(7,500)	(7,105)	(12,207)	24,885

OPERATING AND FINANCIAL REVIEW

The following discussion and analysis generally relates to the Company's historical financial condition and results of operations and should be read in conjunction with its financial statements and related notes included elsewhere in this document. The financial information in this section has been extracted from the Annual Audited Financial Statements and the Interim IFRS Financial Statements, without material adjustment, and should be read in conjunction with, and is qualified in its entirety by reference to, the Annual Audited Financial Statements and the Interim IFRS Financial Statements. This discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. Actual results may differ materially from those anticipated in forward-looking statements as a result of a number of factors, including, but not limited to those set forth under "Risk Factors" and elsewhere in this document.

Overview

The Company is a real estate investment and development group operating in CEE and SEE with a focus on the development of large-scale commercial and residential real estate projects. Since commencing operations in 1997 as a division of Africa Israel Investments, the Company has established a track record of developing and managing real estate projects and properties in these regions. The Company's activities include the identification and evaluation of opportunities, preparation of designs, securing permits, purchase of land, and construction management, followed by the operation of commercial properties, or sale of apartments in the residential projects. As of 30 September 2010, the Company has developed 293,106 sqm (GLA) of commercial properties, and since 2007 it has delivered 1,300 apartments.

The Company's portfolio presently consists of 32 projects in 7 countries throughout CEE and SEE:

- 10 commercial projects which are yielding and under management. These projects include shopping malls and commercial centres, office complexes, business parks and a logistics facility, totalling 293,106 sqm of GLA. A substantial portion of the Company's revenues (44.6% of the total gross rental income and proceeds from sale of trading properties) derives from three large-scale commercial projects, AFI Palace Cotroceni in Romania, Airport City Belgrade in Serbia and Palace Flora in the Czech Republic;
- 7 developed residential projects with apartments for sale targeting potential purchasers from the middle and upper-middle class totalling 127,863 sqm of GSA (with 52,081 sqm GSA or 578 apartments available for sale as of 30 September 2010) and 1,822 sqm of adjacent commercial space (for the purpose of this portfolio classification, project Osiedle Europejskie in Kraków, Poland is counted both as a commercial project and as a residential project, because it includes a commercial centre alongside a large scale residential development); and
- 15 land bank properties, as well as additional land plots adjacent to some of the commercial and residential projects mentioned above. These properties are earmarked for future development and are currently expected to include commercial projects with 902,252 sqm of GLA and residential projects with 1,414,411 sqm of GSA.

In addition, the Company manages and holds a minority interest in a portfolio of 34 residential and commercial properties located in various cities in Germany. The German Portfolio comprises 579 apartments for rent with 46,440 sqm of GLA, as well as 488 units of commercial property for rent with 108,560 sqm of GLA, and it also includes 2 undeveloped land plots. The management and operation of the German Portfolio is an activity which is substantially different from the development and management of the Company's real estate projects in CEE and SEE. The Company considers the German Portfolio to be outside its core business and accordingly the information concerning the German Portfolio is presented in this Prospectus separately, and is in some cases excluded, from information regarding the Company's projects.

As of 30 September 2010, the total aggregate value of all the projects and properties in which the Company holds any economic interest (including 100% of the German Portfolio and Wilanów One), in their existing state of development, was EUR 1,404 million, subject to the assumptions set out in the DTZ Report that is

included in the Prospectus as Annex II. The Company's proportional share of the total value is EUR 1,125 million (excluding the German Portfolio and Wilanów One).

The Company had net rental and related income of EUR 37,971 thousand and EUR 30,836 thousand for the nine months ended 30 September 2010 and the year ended 31 December 2009, respectively. The Company had net operating profit before net financing costs of EUR 28,616 thousand for the nine month period ended 30 September 2010 and a net operating profit before net financing costs of EUR 15,214 thousand for the year ended 31 December 2009.

The Company had total assets of EUR 1,227,497 thousand and EUR 1,248,936 thousand as at 30 September 2010 and 31 December 2009, respectively. The Company had total liabilities of EUR 990,539 thousand and 1,012,330 thousand as at 30 September 2010 and 31 December 2009, respectively.

Key factors affecting the operations of the Company

The following are the key factors that affect the operations of the Company.

- (i) *General economic conditions and the effects of the credit crisis.* The Company's results of operations and its financial condition are dependent on the general economic conditions in CEE and SEE. The recent global financial crisis has had and continues to have an impact on the economies of CEE and SEE member countries and consequently impacts the Company's operations. More specifically, the following items affected the Company:
- The global financial crisis has led to disruptions in the international and domestic capital markets which have resulted in reduced liquidity and increased credit risk premiums for certain market participants causing a reduction of available financing or a "credit crunch". Companies located in CEE and SEE countries have been particularly susceptible to these disruptions and reductions in the availability of credit or increases in financing costs. This has resulted in many companies in these countries experiencing financial difficulty. Similarly, in many cases the public finances of such countries have been impacted from the resulting economic slowdown and decrease in demand for sovereign debt.
 - The global financial crisis has given rise to a slowdown in the rate of residential sales and construction of residential projects by the Company, a decline in demand for rental properties, a drop in the occupancy rates and a decrease in the rents received from rental properties. The crisis has had a significant impact on occupancy rates at various of the Company's properties, in particular Business Park Varna in Bulgaria and the most recently completed building of Phase 3 in Airport City Belgrade business park, Serbia.
 - The global financial crisis has also resulted in significant fluctuations in the property markets and the fair values of real estate properties in CEE and SEE. The table below details the changes in property valuations (before taxes and minority interest) as they changed mostly as a result of the crisis for each of the years ending on 31 December 2009, 2008 and 2007 and for the nine-month period ending on 30 September 2010, divided into the geographical segments in which the Company operates. These changes resulted mostly from the crisis and subsequent downturn in general economic and real estate markets. The valuations of investment property under development for the period ending 31 December 2009 set out in this table include both the revaluation of the relevant properties under development pursuant to the revaluation of such properties as at 1 January 2009 pursuant to the implementation of the amended IAS 40 (see: "*Key factors affecting comparability – Amended IAS 40*") and impairments due to the credit crisis and completion of projects.

Segment	Nine months ended		31	1	31 December	
	30 September		December	January	2008	
	2010	2009	2009	2009	2008	2007
	(Euro '000s)		(Euro '000s)			
Valuation loss of investment property						
Romania	—	—	—	—	—	—
Serbia.....	(1,531)	(2,572)	(18,022)	—	—	—
Czech Republic	(1,037)	—	(15,393)	—	(9,212)	—
Bulgaria	(1,257)	(376)	(2,502)	—	—	—
Poland.....	—	(235)	(240)	—	(530)	—
Germany	—	—	—	—	—	—
Latvia.....	—	—	—	—	—	—
Hungary	—	(443)	—	—	(1,172)	—
Total valuation loss	(3,825)	(3,626)	(36,157)	—	(10,914)	—
Total valuation Gains	7,946	—	13,593	—	39,670	35,240
Net valuation gains (loss) of investment property	4,121	(3,626)	(22,564)	—	28,756	35,240
Valuation loss of investment property under development / Impairment of investment property under development						
Romania	(3,210)	(16,682)	(7,686)	—	(5,916)	—
Serbia.....	(1,042)	—	—	—	—	—
Czech Republic	(174)	—	(879)	—	—	—
Bulgaria	—	(7,718)	(7,746)	—	(4,516)	—
Poland.....	—	—	—	—	—	—
Latvia.....	—	—	—	—	—	—
Hungary	—	—	—	—	—	—
Total valuation loss of investment property under development / Impairment of investment property under development	(4,426)	(24,400)	(16,311)	—	(10,432)	—
Total valuation gains of investment property under development as result from implementation IAS 40 as of 01.01.2009	—	—	—	56,593⁽¹⁾	—	—
Total valuation gains of investment property under development	950	75,872	53,000	—	—	—
Net valuation gains (loss) of investment property under development / Impairment of investment property under development	(3,476)	51,472	36,690	—	(10,432)	—
Impairment of inventory of buildings held for sale and land of buildings held for sale						
Romania	(3,910)	(306)	(2,565)	—	(2,875)	—
Serbia.....	—	—	—	—	—	—
Czech Republic	—	—	(1,167)	—	—	—
Bulgaria	—	—	—	—	—	—
Poland.....	—	—	—	—	(21,400)	—
Latvia.....	(1,500)	(8,215)	(15,054)	—	(30,656)	—
Hungary	—	—	—	—	(1,822)	—
Total	(5,410)	(8,521)	(18,786)	—	(56,753)	—
Impairment of goodwill						
Romania	—	—	—	—	—	—
Serbia.....	—	—	(195)	—	—	—
Czech Republic	—	—	—	—	—	—
Bulgaria	—	—	—	—	(5,875)	—
Poland.....	—	—	—	—	(2,232)	—
Latvia.....	—	—	—	—	(1,056)	—
Hungary	—	—	—	—	—	—
Total	—	—	(195)	—	(9,163)	—
Impairment of goodwill in associate company						
Romania	—	—	—	—	—	—
Serbia.....	—	—	—	—	—	—
Czech Republic	—	—	—	—	—	—
Bulgaria	—	—	—	—	—	—
Poland.....	—	—	—	—	(3,209)	—
Latvia.....	—	—	—	—	—	—
Germany	—	—	—	—	—	—
Hungary	—	—	—	—	—	—
Total	—	—	—	—	(3,209)	—

Notes:

(1) For a separation of this figures into the geographical segments in which the Company operates, see the table included in the section “—Key factors affecting comparability - Amended IAS 40”.

- (ii) *Demand for and prices of real estate.* The Company's rental income depends on the respective rental rates per unit and per sqm. As with property sales prices, the amount the Company can charge for rent largely depends on the property's location and condition. Rental income is influenced by local market trends and the state of local economies. The Company's rental income is particularly affected by change in vacancy rates and the Company's ability to implement rent increases. The Company's operational results depend on the extent to which it is able to sell residential units on favourable terms. The supply of new apartments in the different markets in which the Company operates affects the demand and prices of apartments. Prices for apartments are further impacted by fluctuations in interest rates, the availability of credit and the mortgage market generally.
- (iii) *Valuation of standing investments.* The Company's results of operations depend heavily on the fluctuation of prices in the property markets. The Company revalues its investment properties at least once per year. Any change in fair value of the investment property is thereafter recognised as a gain or loss in the income statement. See "*Critical Accounting Policies*". The amendment to IAS 40 in January 2009 affected the valuation of standing investments as amendment caused the Company to revalue at fair value investments properties under development in respect of which significant progress had been made.
- (iv) *Interest rates.* Substantially all loans of the Company have a variable interest rate, mainly connected to Euribor. Approximately 38% of the Company's loans are hedged or partially hedged. See "*Quantitative and Qualitative disclosures about market risk — Exposure to interest rate*". Increases in interest rates generally increase the Company's financing costs. An interest rate increase of 1% will increase the Company's interest expense by approximately EUR 5 million. In addition, demand for standing investments generally tends to increase when interest rates are low, which can lead to higher valuations of the Company's existing investment portfolio. Conversely, increased interest rates generally adversely affect the valuation of the Company's properties, which can result in recognition of a valuation impairment that negatively affects the Company's income.
- (v) *Foreign exchange rates.* Exchange rates against the Euro of local currencies of the countries in which the Company operates are an important factor, as the credit facilities that are obtained may be denominated in either Euros or local currencies. The Company reports its financial statements in Euros. Its operations, however, are based locally in Bulgaria, the Czech Republic, Romania, Poland, Latvia, Serbia and Hungary and therefore it receives a certain portion of its income and incurs most of its costs in foreign currencies, including the Czech Koruna ("**CZK**"), Polish Zloty ("**PLN**"), the Bulgarian Lev ("**BGN**"), the Serbian Dinar ("**RSD**") and the Romanian Lei ("**RON**"). The exchange rates between local currencies and the Euro have historically fluctuated. The table below sets out the exchange rates per period for the most relevant of these currencies for the respective periods.

	Average rate				Spot rate			
	Nine month ended 30 September 2010	12 months ended 31 December			As at 30 September 2010	As at 31 December		
		2009	2008	2007		2009	2008	2007
CZK (in Euros).....	25.5	26.4	25.0	27.8	24.6	26.5	26.0	26.6
LEVA (in Euros)	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
BGN (in Euros).....	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9
RON (in Euros).....	4.2	4.2	3.7	3.5	4.3	4.2	4.0	3.6
PLN (in Euros).....	4.0	4.3	3.5	3.7	4.0	4.1	4.2	3.6

The table below sets out a sensitivity analysis of the influence of a fluctuation of exchange rates on the shareholders' equity and the net profit (loss), assuming an increase as at 31 December 2009 of 10% in the exchange rate against certain currencies. This analysis was made based on the assumption that all the other variables, particularly the interest rates, remain fixed. The analyses for the tables as at 31 December 2008 and 2007, respectively, were made based on the same assumptions.

		Change in Shareholder's Equity		Change in Net Profit (loss)	
		(EUR '000s)	(%)	(EUR '000s)	(%)
December 31, 2009.....	CZK	(3,217)	(1.36%)	(3,273)	10.47%
	PLN	940	0.40%	1077	3.45%
	BGN	(95)	(0.04%)	(95)	0.30%
	RON	1119	0.47%	1119	(3.58%)
	Others	665	0.28%	665	(2.13%)
December 31, 2008.....	CZK	5,935	2.20%	5,766	8.54%
	PLN	278	0.10%	535	0.79%
	BGN	550	0.20%	550	0.81%
	RON	34	0.01%	34	0.05%
	Others	637	0.24%	637	0.94%
December 31, 2007.....	CZK	535	0.54%	685	2.38%
	PLN	3,655	3.68%	-	-
	CSD	101	0.10%	-	-
	Others	171	0.17%	-	-

A decrease as at 31 December 2009, 2008 and 2007 of 10% in the exchange rate of the Euro against the above currencies would have the same effect but in the opposite direction, based on the assumption that all the other variables remain fixed.

- (vi) *The regulatory environment.* The current state of and changes to the regulatory requirements and applicable laws (including in relation to taxation, planning and zoning) in the jurisdictions in which the Company operates, impact the Company's operations. This is especially true as part of the operations of the Company are in emerging economies with relatively less developed legal systems and whose laws and regulations are generally subject to rapid change.

For a further description of the risks relating to the Company, please refer to the chapter headed "*Risk Factors*".

Key factors affecting comparability

- (i) *Amended IAS 40.* The figures set out above under "*Key factors affecting the operations of the Company — General economic conditions and the effects of the credit crisis*" reflect the implementation as of 1 January 2009 of the amendment made to IAS 40 - *Investment Property*. As a result of the amendment, the Company since that date values investment properties under development at fair value, whereas prior to 1 January 2009, investment property under development was valued at cost or fair value (if lower than cost). As a result, the Company recorded a valuation gain of investment property under development of EUR 56,593 thousand for the year ended 31 December 2009. The following table sets out the impact of the Company's implementation of the revised IAS 40 by segment/country as of 1 January 2009.

	Segment	As of 1 January 2009 (EUR '000s)
Net valuation gains (loss) of investment property under development	Romania.....	22,100
	Serbia.....	35,821
	Czech Republic.....	—
	Bulgaria	(1,328)
	Poland.....	—
	Latvia.....	—
	Hungary	—
	Total	56,593

- (ii) *Completion of projects.* The completion of income generating projects (yielding projects), such as the opening of AFI of Palace Cotroceni in the fourth quarter of 2009, enables the Company to

recognise rental income from the project, which affects the results of operations of the Company. In addition, upon completion of construction, projects which are classified as investment property under development are revalued at fair value and reclassified as investment property and any gain or loss on revaluation is recognised in the Company's income statement. Any change in fair value of the investment property is thereafter recognised as a gain or loss in the Company's income statement.

- (iii) *Deconsolidation of German properties.* In June 2008, the Company sold 30% from its holdings in companies owning a 70% interest in a portfolio of real properties in Germany with a book value of approximately EUR 105,520 thousand, thereby diluting its stake to 49%. Following this divestment, the Company deconsolidated its German portfolio.

Recent Developments

Sale of Land

On 15 September 2010 S.C. Premier Solutions & Team S.R.L. ("**Premier**"), a fully owned Romanian subsidiary of the Company signed a preliminary agreement with a chain of do-it-yourself stores, setting out the primary terms for the sale and transfer of a plot of land of approximately 30,000 sqm by Premier to a chain of do-it-yourself stores. The plot is located on 166 Bucurestii Noi Blvd, District 1, Bucharest and is currently part of Golden City Laromet land bank property. The aggregate consideration is EUR 16,000 thousand plus VAT. The consideration is payable by the purchaser in several instalments as follows:

- (i) EUR 2,000 thousand plus VAT is payable within 11 weeks from signing the preliminary agreement (ultimately on 2 December 2010), subject to the purchaser's satisfaction with the results of its due diligence review;
- (ii) EUR 5,000 thousand plus VAT is payable upon the transfer of the plot's ownership from Premier to the purchaser by signing an authenticated sale-purchase agreement on the earlier of 1 May 2011 or 15 days after obtaining a building permit enabling the construction of a DIY store on the plot with a built-up area of approx. 18,000 sqm; and
- (iii) 4 additional instalments of EUR 2,250 thousand each are payable on 30 May of each of the years 2012, 2013, 2014 and 2015, according to promissory notes personally guaranteed by the purchaser's administrator/owner and secured by Premier's publicly registered privilege over the plot until the purchase price is paid in full.

Amendment of the Articles of Association, conversion of Shareholder's Loan and conversion of share premium reserve

On 4 November Shareholder's Loan was assigned by AFI Properties to AIIP. Also on 4 November 2010, the Issuer executed an amendment to its Articles, providing for (i) an increase in its authorized share capital from EUR 90,000 to EUR 1,221,000 and (ii) a split in the shares of the Issuer by a 1:100 ratio, by changing the nominal value of the Issuer's shares from EUR 1 to EUR 0.01, which resulted in an increase in the number of shares from 90,000 to 9,000,000.

On 4 November 2010, the Issuer also issued 84,000,000 Shares to AIIP pursuant to the conversion of (i) EUR 409,669 of the Shareholder's Loan into 40,966,900 Shares at nominal value and (ii) EUR 430,331 of the Issuer's share premium reserve into an additional 43,033,100 Shares. As a result, the Selling Shareholder holds a total of 93,000,000 Shares as of the date hereof. For more details on the Shareholder's Loan, please refer to "*Operating and Financial Review – Shareholder's Loan*".

Settlement of dispute with Laromet

On 9 November 2010, Premier Solutions & Team S.R.L. ("**Premier**"), a Romanian subsidiary of the Issuer, and Laromet S.A. ("**Laromet**") signed an addendum to the acquisition contract between them dated September 2007, and thereby agreed to settle their dispute in connection with the transaction for the purchase

of certain plots of land in Bucuresti Noi, in the northern part of Bucharest, Romania. For more information on the dispute, please refer to “Legal and Arbitration Proceedings – Laromet”.

Under the terms of this settlement, Laromet and Premier agreed to terminate all legal proceedings related to their dispute, and they furthermore agreed that the outstanding payment due to Laromet under the purchase agreement (approximately EUR 15,541 thousand) will be paid in 8 instalments payable over a period of 2 years. In addition, Premier paid to Laromet an amount of EUR 8,000 thousand for (i) settlement of the liquidated damages that were claimed by Laromet; (ii) reimbursement of expenses incurred by Laromet in relation to the dispute; (iii) additional penalty for late payment by Premier, and (iv) payment of part of the remaining outstanding portion of the land purchase price. Finally, Premier undertook to develop for Laromet an office building with a gross built up area of 4,000 sqm, that will be adjacent to the AFI Golden City Mall, and to sell this building to Laromet together with several parking spaces for a price of approximately EUR 3,500 thousand.

Premier’s obligations to Laromet have been secured by a corporate guarantee of AFIE, as well as by mortgages over part of the project’s land and over one of the Group’s landbank properties in Bucharest. The Issuer has recorded an adequate provision in its financial statements as at 30 September 2010.

Recognition of Costs

The Company capitalises a large portion of the costs related to projects in the pre-construction or construction stages, including for finance costs related to its projects. These capitalised costs are reflected on the Company’s balance sheet as part of investment property under development costs. However, once the Company completes construction of a project, the Company ceases to capitalise the related costs and begins to recognise expenses related to the project in its income statement.

Description of certain Income Statement Line Items

The following discussion provides a description of the composition of certain of the Company’s income statement line items for the period under review.

Gross rental income

The Company recognises rental income from investment properties leased out in its income statement on a straight line basis over the term of the lease. Lease incentives, including grace periods, step rent based on average rent over the duration of the lease and fit-out contributions, are recognized as an integral part of the Company’s total rental income over the term of the lease.

Service charge income

Service charge income represents the income from services re-invoiced to tenants and consists mainly of re-invoiced utilities, marketing, repairs and maintenance costs.

Service charge expenses

Service charge expenses represent expenses consisting mainly of utilities, marketing, repairs and maintenance that relate to the properties’ operation that the Company could, but may not for various reasons, re-invoice to tenants.

Property operating expenses

Property operating expenses include costs that cannot be re-invoiced to tenants, mainly consisting of property tax and insurance.

Net rental and related income

Net rental and related income comprises the result of gross rental income, service charge income, service charge expenses and property operating expenses.

Profit (loss) on disposal of trading properties

Profit or loss on disposal of trading properties consists of proceeds from the sale of trading properties after costs and after any write-down of inventory. The Company recognises proceeds from the sale of trading properties in its income statement when the significant risk and rewards of ownership of the property is transferred to the buyer. The Company recognises a loss from write-down of inventory when the net realized value of the property is less than the book value of the property.

Net valuation gains (loss) on investment property and investment properties under development

Net valuation gains (loss) on investment property and investment properties under development reflects the change in the fair value of investment properties. In January 2009, the Company implemented the amended IAS 40, regarding valuation of investment property. Prior to January 2009, investment property under development was valued at cost or fair value (if lower than cost) in accordance with IAS 16 (*Property, Plant and Equipment*). As a result of the amendments to IAS 40, investment property under development is only valued at fair value.

In accordance with the practices of the AFI Group, the Company's properties are independently appraised on an annual basis or more frequently depending on changes in the property's status and prevailing market conditions, such as, for example, a substantial change (greater than 10%) in the occupancy rate of the property compared with the occupancy rate as at the last valuation date, or change in the average rent per square meter of greater than 5% of a specific property from the last valuation date. Any resulting increase or decrease in the value of its properties is recorded as a revaluation gain or loss in the Company's consolidated income statement for the period during which the revaluation occurs. As a result, the Company can have significant non-cash revenue gains and losses from period to period depending on the change in fair market value of its properties, whether such properties are sold or not. If market conditions and the prices of comparable commercial real estate properties continue to be volatile, significant revaluation gains or losses from the Company's existing properties will continue in the future.

Net other income (expenses)

Net other income (expenses) include income or expenses from non-integral activities of the Company.

Net financing costs

Net financing costs include interest expenses to financial institutions and other creditors, gains or losses due to foreign exchange rate fluctuations, interest and income from investments of the Company's excess cash. All of the interest expense on construction loans have been capitalised during the construction period until completion of the development. Specific and non-specific costs were capitalised to qualifying assets throughout the period required for completion and construction until they are ready for their intended use. Due to the global financial crisis, since 2008, the Company postponed several residential projects and investment properties under development projects, and therefore according to its accounting policies ceased to capitalise borrowing costs to these projects.

Income Tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date and any adjustments to tax payable in respect of previous years. Generally, the Company disposes of the property holding companies rather than the real estate itself, in part because in certain jurisdictions the sale and disposal of real estate is generally subject to real estate transfer tax and/or VAT. Furthermore, if the Company were to directly dispose of the property assets held by those property holding companies, rather than the holding companies themselves, the Company would not be able to benefit from the so-called 'participation exemption'. See "*Taxation*".

Comparative discussion of historical results – Results of business operations

A statement of significant operations data is presented below:

	Nine months ended 30 September		Year ended 31 December		
	2010	2009	2009	2008	2007
	(unaudited)			(audited)	
	(in thousands of Euros)				
Net rental and related income.....	37,971	20,099	30,836	21,705	16,669
Profit (loss) on disposal of trading properties.....	134	(6,735)	(16,205)	(52,951)	202
Net valuation gains (losses) on investment property	4,121	(3,626)	(22,564)	28,756	35,240
Net valuation gains (losses) investment properties under development	(3,476)	51,472	36,690	—	—
Impairment of investment property under development	—	—	—	(10,432)	—
Administrative expenses.....	(7,830)	(5,882)	(8,810)	(9,683)	(4,067)
Selling and marketing expenses.....	(774)	(1,201)	(2,756)	(2,773)	(1,358)
Net other income/(expenses)	(1,530)	781	(1,977)	(8,808)	(291)
Net operating profit (loss) before net financing costs.....	28,616	54,908	15,214	(34,186)	46,395
Financial Income.....	1,376	2,540	3,270	3,594	184
Interest expenses to Africa Properties.....	(5,222)	(6,815)	(8,854)	(18,265)	(4,784)
Other financial expenses.....	(25,844)	(14,522)	(24,785)	(14,243)	(10,825)
Net financing costs.....	(29,690)	(18,797)	(30,369)	(28,914)	(15,425)
Income tax expense	(2,173)	(20,114)	(16,660)	3,843	(2,060)
Equity profit (losses) from affiliated companies....	(166)	77	567	(8,260)	(160)
Profit (loss) for the period.....	(3,413)	16,074	(31,248)	(67,517)	28,750
Profit for the year attributable to non controlling interest	(77)	16,289	6,571	7,812	14,191
Profit (loss) for the year attributable to the equity holders of the parent	(3,336)	(215)	(37,819)	(75,329)	14,559

Gross rental income and net rental and related income

Set out in the table below is the Company's gross rental income (per country and total) and net rental and related income for each of the relevant periods.

	Nine months ended 30 September		Year ended 31 December		
	2010	2009	2009	2008	2007
	(unaudited)			(audited)	
	(in thousands of Euros)				
Romania	17,738	—	4,120	—	—
Czech Republic.....	11,516	11,137	14,811	9,235	7,956
Serbia.....	8,182	7,635	10,309	8,164	4,396
Poland.....	201	173	234	266	162
Hungary.....	72	60	71	64	—
Bulgaria	2,541	2,926	3,839	3,808	780
Germany	—	—	—	3,905	5,210
Gross rental income.....	40,250	21,931	33,384	25,442	18,504
Net rental and related income	37,971	20,099	30,836	21,705	16,669

Comparison 30 September 2010 – 30 September 2009

Total gross rental income increased by 83.5% in the nine-month period ended 30 September 2010 to EUR 40,250 thousand from EUR 21,931 thousand for the same period in 2009. Net rental and related income increased by 88.9% to EUR 37,971 thousand for the nine-month period ended 30 September 2010 from EUR 20,099 thousand for the same period in 2009. The increase was primarily due to an increase in gross rental income in Romania due to the opening of AFI Place Cotroceni on 29 October 2009.

Comparison 31 December 2009 – 31 December 2008

Total gross rental income for the year ended 31 December 2009 increased 31.2% to EUR 33,384 thousand from EUR 25,442 thousand in the previous year. Net rental and related income increased 42.1% to EUR 30,836 thousand from EUR 21,705 thousand in the previous year. This increase is mainly attributed to the completion of projects during 2009 (the opening of Phase 3 of ACB in third quarter of 2009, Serbia and the opening of the AFI Palace Cotroceni in Bucharest, Romania in the fourth quarter of 2009) and the earnings of a full year of rental income from the AFI Palace Pardubice Mall in Pardubice, Czech Republic, which opened in the fourth quarter of 2008. The rental income in 2008 includes the rent income from the portfolio of properties in Germany of EUR 3,905 thousands, which was deconsolidated by the Company as of 30 June 2008.

Comparison 31 December 2008 – 31 December 2007

Total gross rental income for the year ended 31 December 2008 increased 37.5% to EUR 25,442 thousand from EUR 18,504 thousand in the previous year. Net rental and related income increased 30.2% to EUR 21,705 thousand from EUR 16,669 thousand in the previous year. The increase in net rental and related income is mainly attributed to the opening of the Phase 3 and earnings of a full year of rental income from the following: Phase 2 of the office buildings in ACB, Serbia; the opening of Classic 7 Business Park and AFI Palace Pardubice projects in the Czech Republic; and the opening of Business Park Varna, Bulgaria and the related increase in occupancy rates. The increase in gross rental income was partially offset by the deconsolidation of the German operations as of 30 June 2008.

For more details on rental income in relation to the projects described above please refer to “*Business — Yielding projects*”.

Profit (loss) on disposal of trading properties

Set out in the table below is the Company’s profit or loss on the disposal of trading properties for each of the relevant periods.

	Nine months ended 30 September		Year ended 31 December		
	2010	2009	2009	2008	2007
	<i>(in thousands of Euros)</i>				
	<i>(unaudited)</i>		<i>(audited)</i>		
Proceeds	27,744	18,646	23,058	39,669	4,580
Carrying value of properties sold	(22,200)	(16,860)	(20,477)	(35,867)	(4,378)
Write down of inventory to net.....	(5,410)	(8,521)	(18,786)	(56,753)	—
Total.....	134	(6,735)	(16,205)	(52,951)	202

Comparison 30 September 2010 – 30 September 2009

The Company recorded a profit on disposal of trading properties in the nine-month period ended 30 September 2010 of EUR 134 thousand compared to a loss of EUR 6,735 thousand in the same period in 2009. The profit on disposal of trading properties in the first nine months of 2010 is due to a 48.8% increase in proceeds from the sale of properties, EUR 27,744 thousand in 2010 from EUR 18,646 thousand for the same period in 2009, primarily as a result of income recognition due to the completion of the Tulipa Modranska project in Prague, Czech Republic and the Lagera project in Sofia, Bulgaria. This income recognition was partly offset by a write-down of inventory to net realised value in the amount of EUR 5,410 thousand (EUR 3,910 thousand in Romania and EUR 1,500 thousand in Latvia). This impairment was based on the DTZ Report that was prepared for the purposes of the Offering. In the nine-month period ended 30 September 2009, the Company recorded a loss on the disposal of trading property due to write-downs of inventory to net realised value in the amount of EUR 8,521 thousand, primarily as a result of an impairment in the amount of EUR 8,215 thousand in relation to the Soleville project. The impairment was based on a valuation report of DTZ, carried out as per 30 June 2009, in light of the deterioration of the residential property market in Latvia. The relationship between proceeds from sale of properties and profit on disposal of trading property is affected by the volume of deliveries and the profit margin per delivery.

Comparison 31 December 2009 – 31 December 2008

Loss on the disposal of trading properties for the year ended 31 December 2009 decreased 69.4% to EUR 16,205 thousand from EUR 52,951 thousand for the same period in 2008. The decrease was mainly due to a decrease in write-downs of EUR 37,967 thousand of inventory to net realisable value, primarily in connection with the revaluation of the Soleville project in Latvia (based on a valuation report of an external independent appraiser engaged by the Company, carried out as per 30 June 2009), and a 41.9% decrease in proceeds from sale of properties to EUR 23,058 thousand from EUR 39,669 thousand in 2008 mainly due to the delivery of apartments in Phase 7 and 8A at Oseidle Europejskie in Kraków, Poland in 2008 and the very beginning of 2009.

Comparison 31 December 2008 – 31 December 2007

The Company recorded a loss on disposal of trading properties for the year ended 31 December 2008 of EUR 52,951 thousand compared to a profit of EUR 202 thousand for the same period in 2007. The loss in 2008 was mainly due to a write down of EUR 56,753 thousand of inventory to net realisable value. This write down in inventory primarily resulted from impairment of property in Krakow, Poland and Riga, Latvia. The impairment was based on a valuation report of an external independent appraiser carried out at 31 December 2008 which was instructed by the Company in view of the deterioration of the residential market conditions in Latvia and Poland.

Net valuation gains (loss) on investment property*Comparison 30 September 2010 – 30 September 2009*

Net valuation gains on investment property for the nine-month period ended 30 September 2010 increased to EUR 4,121 thousand (before taxes and minority interest) from a net valuation loss on investment property of EUR 3,626 for the same period in 2009, mainly due to an appreciation of certain properties in the Czech Republic (in total EUR 3,183 thousand relating mainly to AFI Palace Flora) due to the improved market conditions in the Czech Republic and an appreciation for AFI Palace Cotroceni in Romania (in the amount of EUR 3,265 thousand) resulting from the recognition of the impact of AFI Palace Cotroceni's first year of operation on its valuation by external appraisers. These appreciations were partly offset by an impairment in the value of certain properties in Serbia (EUR 1531 thousand – ACB) and Bulgaria (EUR 1,257 thousand – BPV) in connection with poor market conditions in these countries. The net valuation loss on investment property for the nine months ended 30 September 2009 in the amount of EUR 3,626 thousand was mainly due to a fair value impairment of the ACB.

Comparison 31 December 2009 – 31 December 2008

The Company recognised a net valuation loss on investment property for the year ended 31 December 2009 of EUR 22,564 thousand (before taxes and minority interest) compared to a profit of EUR 28,756 for the year ended 31 December 2008, mainly due to changes in the fair value of investment properties in the Czech Republic and Serbia resulting from deteriorating market conditions, which were partially offset by positive valuation gains generated by AFI Palace Cotroceni in Romania due to the opening of the mall in October 2009. For further details on valuations gains on investment property, see “Key factors affecting the operations of the Company – General economic conditions and the effects of the credit crisis”.

Comparison 31 December 2008 – 31 December 2007

Net valuation gains on investment property for the year ended 31 December 2008 decreased 18.4% to EUR 28,756 thousand (before taxes and minority interest) from EUR 35,240 thousand for the year ended 31 December 2007, primarily due to valuation gains resulting from the completion of Phase 1 of ACB in the first quarter of 2007. The Company recognised a valuation gain in 2008 in the total amount of about EUR 39,670 thousand from the completion and opening of Phase 1 of Classic 7 Business Park, Phase 3 of ACB and AFI Palace Pardubice and, consistent with IAS 16 (*Property, Plant and Equipment*) and the Company's policy at that time, these assets were valued at cost. The gain from the revaluation was partially

offset by a loss of EUR 10,914 thousand (before taxes and minority interest) mainly due to changes in the fair value of investment properties in the Czech Republic resulting from deteriorating market conditions.

Net valuation gains (losses) on investment property under development/Impairment of investment property under development

Comparison 30 September 2010 – 30 September 2009

In the nine month period ended 30 September 2010, the Company recorded impairments of EUR 3,476 thousand mainly due to impairments in Serbia (EUR 1,042 thousand - ACB), Romania (in total EUR 3,208 thousand – mainly relating to AFI Palace Ploiesti and AFI Palace Arad), which were partly offset by the appreciation of certain assets in the Czech Republic (EUR 776 thousand – mainly Classic 7 Business Park). In the same period in 2009, the Company recorded a valuation gain of EUR 51,472 thousand (before taxes and minority interest) mainly due to valuing the land for development in ACB in Serbia and AFI Palace Cotroceni in Romania at fair value as a result of the implementation of the revised IAS 40 (see “Description of Income Statement Line Items”).

Comparison 31 December 2009 – 31 December 2008

The Company recognised a gain of EUR 36,690 thousand (before taxes and minority interest) for the year ended 31 December 2009. Consistent with the implementation of IAS 40 as of 1 January 2009, the Company booked gains from the revaluation of properties under development of EUR 52,201 thousand in relation to AFI Palace Cotroceni in Romania and in relation to ACB, Serbia, despite deteriorating market conditions. These valuation gains were partially offset by a loss of EUR 15,511 thousand (before taxes and minority interest) mainly due to changes in the fair value of investment properties under development in Bulgaria and other properties in Romania, resulting from deteriorating market conditions. In the absence of a gain from the change in accounting treatment in January 2009, consistent with the implementation of IAS 40, the Company would have recorded a net valuation loss on investment property under development in 2009 due to deteriorating market conditions resulting from the financial crisis.

Comparison 31 December 2008 – 31 December 2007

The Company recognised an impairment on investment property under development for the year ended 31 December 2008 of EUR 10,432 thousand, primarily as a result of the deteriorating market conditions in Romania and Bulgaria. In the same period in 2007, no impairment was made.

Administrative expenses

Comparison 30 September 2010 – 30 September 2009

Administrative expenses in the nine-month period ended 30 September 2010 increased by 33.1% to EUR 7,830 thousand from EUR 5,882 thousand for the same period in 2009. The increase was mainly due to a decrease in capitalised expenses in the amount of EUR 2,453 thousand as a result of the Company having fewer projects under development compared to the same period in 2009.

Comparison 31 December 2009 – 31 December 2008

Administrative expenses for the year ended 31 December 2009 decreased 9.0% to EUR 8,810 thousand from EUR 9,683 thousand in 2008. The decrease in the Company’s administrative expenses is mainly due to a decrease of expenses in relation to wages and salaries caused by a headcount reduction that the Company decided to implement due to deteriorating market conditions, partially offset by a decrease of capitalised expenditures attributed to projects in the amount of EUR 3,897 thousand caused by fewer projects under development. The administrative expenses were furthermore reduced by reduction of legal and audit fees due to fewer development activity in the Company at that period.

Comparison 31 December 2008 – 31 December 2007

Administrative expenses for the year ended 31 December 2008 increased 138.1% from EUR 4,067 thousand in 2007 to EUR 9,683 thousand. The increase in the Company’s administrative expenses is mainly due to

the purchase of residential companies in Bulgaria, Latvia and Poland during 2007 and the full consolidation of these activities during 2008.

Net other income (expenses)

Comparison 30 September 2010 – 30 September 2009

The Company recorded net other expenses in the nine month period ended 30 September 2010 of EUR 1,530 thousand, compared to net other income in the amount of EUR 781 thousand for the same period in 2009, primarily as a result of the completion of contracting work relating to the construction of a technical facility on behalf of a major tenant in ACB, Serbia, in December 2009 and the cessation of income for such contracting work. In September 2010, the Company further recorded a provision in the amount of EUR 2,500 thousand in relation to litigation in Romania against a subsidiary of the Company, Premier Solutions & Team S.R.L. For further details, see “*Legal and Arbitration Proceedings*”.

Comparison 31 December 2009 – 31 December 2008

Net other expenses for the year ended 31 December 2009 decreased 77.6% to EUR 1,977 thousand, from EUR 8,808 thousand in 2008, following goodwill impairments in 2008 of EUR 9,163 thousand as a result of the global financial crisis in relation to projects in Bulgaria, Poland and Latvia. In 2009, net other expenses primarily resulted from recognizing net income from the contracting work at ACB of EUR 1,473 thousand, which was offset by a provision in the amount of EUR 4,000 thousand in relation to litigation in Romania against a subsidiary of the Company, Premier Solutions & Team S.R.L. For further details, please refer to “*Legal and Arbitration Proceedings*”.

Comparison 31 December 2008 – 31 December 2007

Net other expenses for the year ended 31 December 2008 increased from EUR 291 thousand in 2007 to EUR 8,808 thousand, primarily as a result of the impairment of goodwill described above.

Net financing costs

Comparison 30 September 2010 – 30 September 2009

Financing costs in the nine month period ended 30 September 2010 increased by 58.0% to EUR 29,690 thousand, from EUR 18,797 thousand for the same period in 2009. The increase in the net financing costs resulted mainly from the change in capitalised interest expenses in the amount of EUR 12,381 thousand, namely the loan for financing Palace Cotroceni, whereupon completion of construction in November 2009, interest expenses relating to this loan were no longer capitalised (see “—*Description of Certain Income Statement Line Items — Net financing costs*”). The increase in net financing costs was partially offset by the decrease of the 3 months Euribor interest rate from an average of 1.39% in the first nine months of 2009 to an average of 0.74% in the first nine months of 2010. This decrease affected the interest payable in particular on the Shareholder’s Loan (see below under “—*Shareholder’s Loan*”).

Comparison 31 December 2009 – 31 December 2008

Financing costs for the year ended 31 December 2009 increased 5.0% to EUR 30,369 thousand from EUR 28,914 thousand in the previous year. The increase in financing costs mainly resulted from the cessation of the capitalisation of interest expenses in the amount of EUR 1,846 thousand related to the loans in relation to AFI Palace Pardubice and Classic 7 Business Park in Prague, after which interest expenses relating to these loans could no longer be capitalised. In addition, financing costs increased in 2009 due to the depreciation against the Euro of local currencies in countries where the Company operates. This increase in financing costs was offset by a decrease in the interest expenses to AFI Properties in 2009 compared to 2008, due to the conversion of EUR 250,000 thousand of the Shareholder’s Loan to equity as at 31 of December 2008 and by the decrease of the 3 months Euribor interest rate from 2.89% at 31 December 2008 to 0.70% at 31 December 2009.

Comparison 31 December 2008 – 31 December 2007

Financing costs for the year ended 31 December 2008 increased 87.4% from EUR 15,425 thousand in 2007 to EUR 28,914 thousand in 31 December 2008. The increase in financing expenses mainly resulted from the cessation of the capitalisation of interest expenses in the amount of EUR 1,494 thousand related to the loans in relation to Phase 2 of ACB, after which interest expenses relating to these loans could no longer be capitalised, and projects for which the development plan were postponed due to the global crises. Net financing costs increased due to an increase in related party interest expenses from EUR 4,784 thousand as at 31 December 2007 to EUR 18,265 thousand as at 31 December 2008, resulting from an increase of the Shareholder's Loan in 2007 of EUR 401,318 thousand. (see below under – “Shareholder's Loan”)

Income Tax*Comparison 30 September 2010 – 30 September 2009*

Income tax expenses in the nine month period ended 30 September 2010 decreased 89.2% to EUR 2,173 thousand from EUR 20,114 thousand for the same period in 2009. Income tax expenses decreased primarily as a result of valuation gains in the amount of approximately EUR 51,000 thousand in the first nine months of 2009, due to revaluations for investment properties and investment properties under development. This resulted in a higher income before tax for that period.

Comparison 31 December 2009 – 31 December 2008

The Company recorded tax expenses for the year ended 31 December 2009 of EUR 16,660 thousand compared to a tax gain of EUR 3,843 thousand in 2008. The tax expenses in 2009 primarily resulted from a higher profit before tax caused by valuation gains in relation to investment properties under development as a result of the implementation of IAS 40 in January 2009.

Comparison 31 December 2008 – 31 December 2007

The Company recorded tax income for the year ended 31 December 2008 of EUR 3,843 thousand compared to tax expenses of EUR 2,060 thousand for the year ended 31 December 2007. The difference was caused by a loss before tax in 2008 against a profit before tax in 2007.

Equity profit/losses from associate companies*Comparison 30 September 2010 – 30 September 2009*

Equity profit/losses from associate companies remained flat during the first nine months of 2010 compared to the same period in 2009. It amounted to a EUR 166 thousand loss as at 30 September 2010 compared to a EUR 77 thousand gain as at 30 September 2009.

Comparison 31 December 2009 – 31 December 2008

The Company recorded equity profit from affiliated companies for the year ended 31 December 2009 of EUR 567 thousand compared to equity losses from affiliated companies of EUR 8,260 thousand in 2008, mainly as a result of an impairment pursuant to the annual valuation of the German Portfolio of properties due to the global financial crisis.

Comparison 31 December 2008 – 31 December 2007

The Company recorded equity losses from affiliated companies for the year ended 31 December 2008 of EUR 8,260 thousand compared to equity losses from affiliated companies of EUR 160 thousand in 2007. These equity losses from affiliated companies in 2008 were mainly a result of impairment losses in connection with the German Portfolio pursuant to the annual property valuation as impacted by the global financial crisis.

Comparative discussion of Statement of Financial Position Data

The following table sets out certain balance sheet data as at the respective dates:

	As at 30 September 2010	As at 31 December		
		2009	2008	2007
		<i>(in thousands of Euros)</i>		
Total assets	1,227,497	1,248,936	1,126,467	1,044,369
Investment property	753,907	744,749	412,023	365,541
Investment property under development	103,052	105,827	289,259	214,715
Inventory of buildings held for sale (non current + current)	274,987	294,586	306,436	334,794
Goodwill	1,455	1,455	1,650	9,163
Deferred tax assets	6,290	4,355	8,395	6,498
Cash and cash equivalents	16,195	17,825	25,022	37,217
Total equity	(236,958)	(236,606)	(269,738)	(99,294)
Loans from banks and other (non current + current)	(602,906)	(623,987)	(461,061)	(316,819)
Loans from related parties (non current + current)	(273,777)	(248,390)	(235,045)	(474,765)
Trade and other payables	(54,934)	(72,553)	(101,335)	(78,218)
Advances for selling inventory	(3,250)	(12,645)	(11,321)	(28,535)

Investment property

The table below sets out the value of the Company's real estate for investment properties per country based on valuations by appraisers.

Asset Valued	As at 30 September 2010	As at 31 December			Appraiser
	Market Value	2009	2008	2007	
		Market Value	Market Value	Market Value	
		<i>(in thousands of Euros)</i>			
Czech Republic	212,327	205,164	217,503	121,200	
Serbia	128,130	129,050	127,220	83,750	DTZ
Bulgaria	44,550	45,802	48,208	34,792	DTZ
Hungary	15,589	15,534	15,769	16,332	Colliers
					International /
					DTZ ⁽¹⁾
Poland	3,312	3,109	3,322	4,467	DTZ
Romania	350,000	346,090	—	—	DTZ
Germany	—	—	—	105,000	DTZ
Total	753,907	744,749	412,022	365,541	

Note (1): The valuation in Hungary in 2009 was undertaken by Colliers, and in 2008 by DTZ. The property was acquired in 2007.

Comparison 30 September 2010 – 31 December 2009

The market value of the Company's investment property as at 30 September 2010 increased by 1.2% to an amount of EUR 753,907 thousand from EUR 744,749 thousand as at 31 December 2009. The increase was mainly due to valuation gains of EUR 4,121 thousand (primarily in the Czech Republic in which a gain of EUR 3,183 thousand was recognized) and capitalised costs in the amount of EUR 2,917 thousand.

Comparison 31 December 2009 – 31 December 2008

The market value of the Company's investment property as at 31 December 2009 increased 80.8% to EUR 744,749 thousand from EUR 412,023 thousand as at 31 December 2008, primarily as a result of the completion of AFI Palace Cotroceni in Bucharest, Romania, and Phase 3b buildings in ACB, following which the market value of these projects in the amount of EUR 353,618 thousand was reclassified from "Investment Property under Development" to "Investment Properties". The increase in market value was partially offset by the revaluation at fair value of investment properties in 2009 amounting to net valuation losses on investment of EUR 22,564 thousand, mainly due to changes in the fair value of investment properties in the Czech Republic and Serbia due to deteriorating market conditions. For more details, please

refer to geographical segments table under “Key factors affecting the operations of the Company – General economic conditions and the effects of the credit crisis”.

Comparison 31 December 2008 – 31 December 2007

The market value of the Company’s investment property as at 31 December 2008 increased 12.7% to EUR 412,023 thousand from EUR 365,541 thousand as at 31 December, 2007, primarily as a result of completing the development of Phase 3 of ACB Building B8 in BPV, Bulgaria, AFI Palace Pardubice, Czech Republic, and Classic 7 Business Park in Prague, Czech Republic, following which the market value of these projects in the amount of EUR 118,380 thousand was reclassified from “Investment Property under Development” to “Investment Properties”. In addition, the market value of the Company’s investment property increased due to valuation gains of approximately EUR 39,670 thousand from the completion of phase 1 of Classic 7 Business Park, Phase 3 of ACB and AFI Palace Pardubice shopping mall. The gain from the revaluation was partially offset by a loss of EUR 10,914 thousand (before taxes and minority interest) mainly due to changes in fair value of investment properties in the Czech Republic, resulting from deteriorating market conditions. For more details, please refer to the Geographical Segments table under “Key factors affecting the operations of the Company – General economic conditions and the effects of the credit crisis”. The increase was further offset as a result of the Company selling in June 2008 30% from its holdings in companies owning 70% of a portfolio of real properties in Germany with a book value of approximately EUR 105,520 thousand, thereby diluting its stake to 49% following which the Company deconsolidated its German Portfolio.

Investment property under development

The following table sets out a brief description regarding the value of the Company’s investment properties under development per country. As of 31 December 2009, investment property under development was recorded at fair value, consistent with the implementation of amended IAS 40. For the other periods, investment property under development was valued at cost or fair value (if lower than cost).

<i>Asset Valued</i>	As at 30 September 2010	As at 31 December			
	<i>Market Value</i>	2009		2008	2007
		<i>Market value</i>	<i>Appraiser</i>	<i>Value at cost</i>	<i>Value at cost</i>
		<i>(in thousands of Euros)</i>			
Properties in Serbia.....	26,000	27,150	DTZ	13,989	19,002
Properties in Romania	44,667	47,263	DTZ/Parker Lewis	235,220	117,062
Properties in Bulgaria	26,514	26,514	DTZ	34,142	43,503
Properties in Czech republic.....	5,871	4,901	DTZ	5,908	35,148
Total.....	103,052	105,828		289,259	214,715

Comparison 30 September 2010 – 31 December 2009

Investment property under development decreased by 2.6% to an amount of EUR 103,052 thousand from EUR 105,827. This decrease was primarily caused by net valuation losses of EUR 3,476 thousand (including a net valuation loss of EUR 3,208 thousand in Romania), as a result of the valuation by DTZ in the DTZ Report that was prepared for the purposes of the Offering. These valuation losses were partially offset by costs capitalised in the amount of EUR 501 thousand.

Comparison 31 December 2009 – 31 December 2008

Investment property under development decreased from EUR 289,259 thousand as at 31 December 2008 to EUR 105,827 thousand at 31 December 2009, primarily as a result of the reclassification upon completion of AFI Palace Cotroceni in Bucharest, Romania, and Phase 3b buildings in ACB, from “Investment Property under Development” to “Investment Properties” in a total amount of EUR 353,618 thousand, which followed an increase in value of the same projects attributable to the capitalisation of construction costs and interest expense in the amount of EUR 133,496 thousand. During 2009, the net valuation gains on investment properties under development amounted to EUR 36,690, based on valuations made by independent external appraisers following implementation of the amendment to IAS 40.

Comparison 31 December 2008 – 31 December 2007

Investment property under development increased from EUR 214,715 thousand as at 31 December 2007 to EUR 289,259 thousand at 31 December 2008 stems mainly from progress in the development of the AFI Palace Cotroceni in Bucharest, Romania in the amount of EUR 104,146 thousand. This amount was partially offset by a reclassification on completion of AFI Palace Pardubice, Classic 7 Business Park in Prague, building B8 BPV, and Phase 3 buildings in ACB, from “*Investment Property under Development*” to “*Investment Properties*” in the aggregate amount of EUR 122,732 thousand. At the end of 2008, the Company has impaired the value of the three properties under development by an amount of EUR 10,432 thousand based on valuations made by independent external appraisers in connection with deteriorating market conditions.

Inventory of buildings held for sale (current and non-current)

The table below sets out the book value and impairment of the Company’s portfolio of buildings held for sale per jurisdiction.

	As at 30 September 2010	Book Value			Impairment	
		As at 31 December			As at 31 December	
		2009	2008	2007	2009	2008
		<i>(in thousands of Euros)</i>			<i>(in thousands of Euros)</i>	
Romania	123,542	127,125	129,626	120,527	(2,565)	(2,875)
Czech Republic.....	57,141	64,036	61,479	47,476	(1,167)	—
Bulgaria	43,360	44,340	33,822	23,748	—	—
Latvia.....	29,145	32,941	50,588	71,403	(15,054)	(30,656)
Poland.....	17,463	21,723	26,438	65,174	—	(21,400)
Hungary.....	4,336	4,421	4,483	6,466	—	(1,822)
Total.....	274,987	294,586	306,436	334,794	(18,786)	(56,753)

Comparison 30 September 2010 – 31 December 2009

The book value of inventory of buildings held for sale as at 30 September 2010 decreased by 6.7% to EUR 274,987 thousand from EUR 294,586 thousand as at 31 December 2009. This decrease was caused by the sale of inventory, including the delivery of residential units in the Czech Republic, Bulgaria, Latvia and Poland in the amount of EUR 22,200 thousand, and a write-down of inventory to net realised value in the amount of EUR 5,410 thousand (EUR 3,910 thousand in Romania and EUR 1,500 thousand in Latvia). Decreases in inventory of buildings held for sale were partially offset by additional capitalised construction costs of EUR 3,085 thousand, primarily in connection with the completion of the construction of the Lagera project in Bulgaria.

Comparison 31 December 2009 – 31 December 2008

The book value of the inventory of buildings held for sale as at 31 December 2009 decreased 3.9% to EUR 294,586 thousand from EUR 306,436 thousand as at 31 December 2008, as a result of the Company selling inventory in the Czech Republic and Bulgaria in the amount of EUR 20,477 thousand and recording impairments in 2009 of EUR 18,786 thousand, mainly in Latvia and Romania, in connection with the revaluation of properties due to deteriorating market conditions. Decreases in the inventory of buildings held for sale were partially offset by additional capitalised interest and construction costs of EUR 26,597 thousand in connection with the completion of the construction of certain projects in Bulgaria and the Czech Republic.

Comparison 31 December 2008 – 31 December 2007

The book value of inventory of buildings held for sale as at 31 December 2008 decreased 8.5% to EUR 306,436 thousand from EUR 334,794 thousand as at 31 December 2007, primarily as a result of the Company recording impairments in 2008 of EUR 56,753 thousand of inventory to net realisable value, mainly in Poland and Latvia, due to the global financial crisis. The decrease was also due to selling inventory in Poland and Latvia for an amount of EUR 35,867 thousand. Decreases in inventory of buildings

held for sale were partially offset by additional capitalised interest and construction costs of EUR 64,505 thousand relating to certain projects in the Czech Republic, Bulgaria, Poland and Latvia.

Total equity

Comparison 30 September 2010 – 31 December 2009

Total equity remained flat during the first nine months of 2010 and amounted to EUR 236,958 thousand compared to EUR 236,606 thousand for the year ending 31 December 2009.

Comparison 31 December 2009 – 31 December 2008

Total equity as at 31 December 2009 decreased 12.3% to EUR 236,606 thousand from EUR 269,738 thousand as at 31 December 2008, primarily as a result of a net loss of EUR 31,248 thousand in 2009.

Comparison 31 December 2008 – 31 December 2007

Total equity as at 31 December 2008 increased 171.6% to EUR 269,738 thousand from EUR 99,294 thousand as at 31 December 2007, primarily as a result of the conversion of EUR 250,000 thousand of the Shareholder's Loan to equity in December 2008. This increase was partially offset by a net loss for 2008 of EUR 67,517 thousand and decreases in both translations reserves for foreign currency exchange differences, in an amount EUR 1,343 thousand, and reserves from hedge accounting in an amount of EUR 8,917 thousand.

Liquidity and capital resources

Going concern

Due to the credit crunch caused by the global financial crisis, and considering that the Company's current obligations exceeded its current assets by approximately EUR 986 thousand as of 30 September 2010 (from EUR 52,098 as at 31 December 2009), the Company intends to increase its liquid assets and decrease its short-term obligations. The Company intends to accomplish this through (i) the conversion of a short-term Shareholder Loan of EUR 15,214 thousand to equity (which will occur upon the completion of the Offering and is part of the conversion of the total amount of EUR 268,668 thousand of the Shareholder's Loan, see "*Shareholder's Loan*"), and (ii) using surplus cash generated by the Company's on-going operations. The Company also intends to increase its liquid assets through, among other things, refinancing long-term loans collateralized by investment property or realising assets by exploiting adequate business opportunities. In light of the various resources available to the Company, management believes that the Company has sufficient financial means for repayment of its obligations in the foreseeable future. Please refer to "*Working Capital Statement*" for further details.

The debt restructuring of Africa Israel Investments will not influence the going concern of the Company. Please refer to "*Debt restructuring of Africa Israel*".

Sources of financing

This table sets out the sources of financing of the Company as at the respective dates.

	As at 30 September	As at 31 December		
	2010	2009	2008	2007
Total equity	236,958	236,606	269,738	99,294
Non-current interest bearing loans and liabilities from related parties ..	255,497	248,390	235,045	474,765
Non-current interest bearing loans and liabilities from third parties.....	542,295	515,960	353,199	248,138
Current interest bearing loans and liabilities from related parties.....	18,280	11,487	10,480	22,238
Current interest bearing loans and liabilities from third parties.....	60,611	96,540	97,382	46,443
Advances for selling inventory	3,250	12,645	11,321	28,535
Total.....	1,116,891	1,121,628	977,165	919,413

Comparison 30 September 2010 – 31 December 2009

Approximately 19% of the Company's assets were financed by shareholders' equity and minority interests, approximately 22% of the Company's assets were financed by the Shareholder's Loan in the amount of EUR 268,668 thousand and approximately 49% of the Company's assets were financed by bank loans as at 30 September 2010. The Company's investments in investment properties, investment properties under development and inventory of buildings held for sale totalled EUR 1,131,946 thousand, constituting approximately 92% of its total assets. These investments are considered to be medium and long-term investments.

Comparison 31 December 2009 – 31 December 2008

Approximately 19% of the Company's assets were financed by shareholders' equity and minority interests and approximately 48% of the Company's assets were financed by bank loans as at 31 December 2009. The Company's investments in investment properties, investment properties under development and land of buildings held for sale totalled EUR 1,145,162 thousand, constituting approximately 92% of its total assets. These investments are considered to be medium and long-term investments.

Comparison 31 December 2008 – 31 December 2007

Approximately 24% of the Company's assets were financed by shareholders' equity and minority interests and approximately 39% of the Company's assets were financed by bank loans as at 31 December 2008. The Company's investments in investment properties, investment properties under development and land of buildings held for sale, amounted to EUR 1,007,718 thousand, constituting approximately 89% of its total assets. These investments are considered to be medium and long-term investments.

Cash flow

This table sets out the cash flow of the Company for the respective periods.

	For the nine-months ended		For the year ended 31 December		
	30 September		2009	2008	2007
	2010	2009	<i>(in thousands of Euros)</i>		
Cash flows from (to) Operating activities.....	31,167	(31,696)	(10,626)	(25,387)	(117,720)
Cash flows from (to) Investing activities.....	(5,303)	(101,519)	(124,110)	(209,239)	(423,669)
Cash flows from (to) Financing activities.....	(27,724)	125,715	127,631	222,419	566,274

Cash flows from (to) operating activities*Comparison 30 September 2010 – 30 September 2009*

Cash flows provided by operating activities in the nine month period ended 30 September 2010 increased to EUR 31,167 thousand compared to the cash flow used for operating activities of EUR 31,696 thousand for the same period in 2009. The difference was primarily the result of an increase of rental income due to the opening of AFI Palace Cotroceni in Romania on 29 October 2010 which generated EUR 17,738 thousand of gross rental income in the first three quarters of 2010, and a decrease in payments to suppliers due to the completion of residential projects in Poland (Kraków), the Czech Republic and Bulgaria of EUR 21,400 thousand compared to the first three quarters of 2009 and an increase in receipt of proceeds from the sale of apartments during the first nine months of 2010 of EUR 16,167 thousand compared to the same period in 2009.

Comparison 31 December 2009 – 31 December 2008

Cash flow used for operating activities for the year ended 31 December 2009 decreased to EUR 10,626 thousand compared to cash flow used for operating activities of EUR 25,387 thousand for the year ended 31 December 2008. The difference was mainly due to an increase of rental income in the amount of EUR 7,942 thousand mainly due to the completion of projects during 2009 (the opening of the 1700 building in ACB and the opening of AFI Palace Cotroceni) and a full year of operations from the

AFI Palace Pardubice which opened in November 2008. Furthermore, cash flow used for operating activities increased due to a decrease in trade and other receivables of EUR 4,463 thousand in 2009 compared to an increase of EUR 9,628 thousand in 2008 and a decrease in development activities amounting to EUR 43,291 thousand compared to 2009. The decrease in cash flow used for operating activities was offset by a decrease in trade and other payables of EUR 30,979 thousand in 2009 compared to an increase of EUR 18,628 thousand in 2008.

Comparison 31 December 2008 – 31 December 2007

Cash flow used for operating activities for the year ended 31 December 2008 decreased to EUR 25,387 thousand compared to cash flow used for operating activities of EUR 117,720 thousand for the year ended 31 December 2007. The difference was mainly due to an increase in rental income in 2008 of EUR 6,938 thousand compared to 2007 related to the opening of the Phase 3 and earnings of a full year of rental income from the Phase 2 of the office buildings in ACB, Serbia; the opening of Classic 7 Business Park and AFI Palace Pardubice in the Czech Republic; and the opening of BPV in Bulgaria. Furthermore, cash flow increased due to a decrease in development activities amounting to EUR 8,667 thousand compared to 2007, a decrease in cash flow used for residential inventories on progress of EUR 64,183 thousand compared to 2007, and an increase in cash flow provided by trade and other payables of EUR 19,271 thousand compared to 2007.

Cash flows used for investing activities

Comparison 30 September 2010 – 30 September 2009

Cash flows used for investing activities in the nine month period ended 30 September 2010 decreased by EUR 96,216 thousand to EUR 5,303 thousand from EUR 101,519 thousand for the same period in 2009. The decrease was primarily due to a decrease in cash flow used for investment and development of investment property of EUR 97,735 thousand in 2010 compared to the relevant period of 2009 due to the completion of AFI Palace Cotroceni.

Comparison 31 December 2009 – 31 December 2008

Cash flow used for investing activities in the year ended 31 December 2009 decreased to EUR 124,110 thousand compared to EUR 209,239 thousand for the year ended 31 December 2008. The decrease of EUR 85,129 thousand was primarily due to a decrease in cash flow used for investment and development of investment property of EUR 84,211 thousand in 2009 compared to 2008, largely due to the completion of AFI Palace Cotroceni.

Comparison 31 December 2008 – 31 December 2007

Cash flow used for investing activities in the year ended 31 December 2008 decreased to EUR 209,239 thousand compared to EUR 423,669 thousand for the year ended 31 December 2007. The decrease of EUR 214,430 thousand was primarily due to cash flow used in 2007 for the acquisition of newly consolidated subsidiaries and affiliated companies in the amount of EUR 113,752 thousand and EUR 35,975 thousand, respectively. Cash flow used for investment and development of investment property decreased EUR 58,944 thousand in 2008 compared to 2007.

Cash flows from (to) financing activities

Comparison 30 September 2010 – 30 September 2009

Cash flows used for financing activities in the nine month period ended 30 September 2010 totalled EUR 27,724 thousand compared to cash flow provided by financing activities of EUR 125,715 thousand. The change of EUR 153,412 thousand is primarily the result of a decrease in cash flow due to the level of proceeds of non-current borrowings of EUR 126,853 thousand compared to the first three quarters of 2009, higher repayment of borrowings of EUR 8,281 thousand and net payment of current borrowings of EUR 5,438 thousand compared to the first nine months of 2009. Furthermore there was an increase in

interest paid of EUR 16,033 compared to first nine months of 2009 on additional bank loans for properties in development and new investment properties in Romania and Serbia.

Comparison 31 December 2009 – 31 December 2008

Cash flows provided by financing activities in the year ended 31 December 2009 decreased 42.6% to EUR 127,631 thousand from EUR 222,419 thousand for the same period in 2008. The decrease in cash flow provided by financing activities is principally due to a decrease in additional bank loans, proceeds of non-current borrowings of EUR 99,868 thousand and an increase in cash flow used for current borrowings of EUR 18,049 thousand compared to 2008. It was also offset by a decrease in repayment of borrowings of EUR 16,694 thousand compared to 2008 and a decrease in interest paid of EUR 9,384 thousand compared to 2008.

Comparison 31 December 2008 – 31 December 2007

Cash flows from financing activities in the year ended 31 December 2008 decreased 60.7% to EUR 222,419 thousand from EUR 566,274 thousand for year ended 31 December 2007. The decrease in cash flow provided by financing activities of EUR 343,855 thousand is principally due to a decrease in additional loans from banks and other non-current borrowings to EUR 267,365 thousand from EUR 573,309 thousand in 2007 (a decrease of EUR 305,944 thousand). Furthermore, there was an increase in cash flow used for repayment of borrowings of EUR 22,798 thousand compared to 2007, a decrease in proceeds of current borrowings of EUR 4,824 thousand and an increase of EUR 9,849 thousand in interest paid compared to 2007.

Shareholder's loan

The Issuer and AFI Properties entered into a shareholders loan agreement on 21 December 2008 (the **"Shareholder's Loan Agreement"**) for the total amount of EUR 484,856 thousand, pursuant to which new terms were agreed in relation to all loans provided to the Company by AFI Properties (the **"Shareholder's Loan"**).

On 22 December 2008, AFI Properties and AIIP entered into an assignment agreement pursuant to which AFI Properties transferred and assigned to AIIP a receivable in the amount of EUR 250,000 thousand out of the outstanding amount of the Shareholder's Loan. Subsequently AIIP contributed this receivable as share premium on the shares in the capital of the Issuer. After this assignment an amount of EUR 234,856 thousand of the Shareholder's Loan remained outstanding.

From 1 January 2009 the Shareholder's Loan bears interest at a rate of three-month EURIBOR plus 2% per annum.

In addition, AFI Properties provided to the Issuer short term loans with an aggregate outstanding amount of EUR 15,214 thousand. By way of an amendment to the Shareholder's Loan Agreement dated 30 June 2010, AFI Properties and the Issuer agreed that each of these short terms loans shall be repaid within 12 months from the date on which the relevant funds were received by the Issuer.

As at 30 September 2010, the total outstanding amount of the Shareholder's Loan (including the aforementioned short term loans) was EUR 268,668 thousand.

On 4 November 2010, the Issuer executed an amendment to its Articles, providing for (i) an increase in its authorized share capital from EUR 90,000 to EUR 1,221,000 and (ii) a split in the shares of the Company by a 1:100 ratio, by changing the nominal value of the Company's shares from EUR 1 to EUR 0.01, which resulted in an increase in the number of shares from 90,000 to 9,000,000.

On 4 November Shareholder's Loan was assigned by AFI Properties to AIIP. Also on 4 November 2010, the Issuer also issued 84,000,000 Shares to AIIP pursuant to the conversion of (i) EUR 409,669 of the Shareholder's Loan into 40,966,900 Shares at nominal value and (ii) EUR 430,331 of the Issuer's share premium reserve into an additional 43,033,100 Shares. As a result, the Selling Shareholder holds a total of 93,000,000 Shares as of the date hereof. The contribution of the remaining outstanding balance of the loan

on share premium (*agio*) will take place concurrently with and subject to all conditions of the Offering having been met. There will be no outstanding Shareholder's loan upon the completion of the Offering

Commitments and contingent liabilities

Corporate guarantees

Effective as of 30 September 2010, 7 corporate guarantees with an aggregate value of approximately EUR 60 million have been issued by the Issuer as security for repayment obligations of certain subsidiaries with respect to financing obtained by each of such subsidiaries in relation to its project (in addition to other securities, such as mortgages and pledges on shares, accounts and receivables as further detailed below).

Litigation

For an overview of litigation in respect of the Issuer and its subsidiaries, and the contingent liabilities of the Company in relation thereto, see: "*Legal and Arbitration Proceedings*".

Loans, security and covenants

To secure loans for construction or investment, the Company granted banks (i) first ranking pledges on the assets of certain subsidiaries, including rights with respect to the land of certain projects for which the loans were taken (ii) pledges on the rights of certain subsidiaries pursuant to the agreements to which they are party, including general contractor contracts and long term tenants leases, and (iii) subordination of shareholders loans given to certain subsidiaries to their debt towards the financing banks. In some cases the Issuer pledged its shares in the relevant subsidiary in favour of the financing bank. Several subsidiaries agreed not to dispose of secured assets, and not to sell, transfer or lease or encumber any substantial part of their assets, without the prior consent of the financing bank.

In some of the financing agreements of the subsidiaries, the Issuer is obliged to inject further equity financing in case it is required to complete the relevant project. The subsidiaries agreed to comply with certain financial ratios and minimum cash balances (covenants). The major covenants are to be in compliance with (i) certain ratios between periodical net rental income to periodical loan repayments and other similar ratios, (ii) certain ratios between outstanding loan balance to the value of the project, and (iii) certain reporting requirements. To the best of the Company's knowledge, the Company is not aware of any breach of covenants under the respective financing agreements by any of the subsidiaries, except for:

- (i) a loan agreement in relation to financing the acquisition of the German Portfolio, where the "loan to value" ratio has been recently reduced, as a result of a general decline in real property's values throughout Germany in 2008, which led to an impairment with respect to the value of the German Portfolio's properties;
- (ii) loan agreements in relation to financing obtained by the two subsidiaries for the projects Metropolia and Soleville in Latvia, where as a result of a general decline in real properties' values throughout Latvia, an impairment was made with respect to the value of these projects, resulting in each of these subsidiaries to be in a situation of negative equity, and thereby failing to meet one of the covenants under its loan agreements. However, under the relevant loan agreements, the lender may only accelerate repayment of these loans in such a situation upon the lender giving an applicable notice and the borrower failing to cure the breach. To date, no such notice has been delivered by the lender and if such notice were delivered, both subsidiaries would be in a position to cure the breach in a timely manner.

The Company holds a continuous dialogue with the relevant banks, which periodically receive financial reports of the relevant subsidiary and updated valuation reports on the relevant properties, and none of these banks has issued any request or demand in relation to the matters described above.

The table below sets out further information regarding the current and non-current contractual terms of the Company's interest-bearing loans and borrowings as at 30 September 2010.

	<u>Currency</u>	<u>Nominal interest rate</u>	<u>Year of maturity</u>	<u>Carrying value</u>
		<i>(In thousands of Euros)</i>		
Non-current				
Secured bank loan	EUR	3M Euribor+1.4-7%	2010-2029	510,884
Secured bank loan	PLN	1M Wibor+3.5%	2012	1,865
Secured bank loan	CZK	3M Pribor+1.75-6.5%	2012-2018	37,531
Finance lease liabilities ⁽¹⁾	CZK	13.44%	2047	7,511
Loan from Africa Israel Properties	EUR	3M Euribor+2%	Not determined	253,454
Loan from related parties	EUR	3M Euribor+5.6%	2012	2,043
Current maturity				(15,496)
Total non-current interest-bearing liabilities				797,752
Current				
Secured bank loan	EUR	3M Euribor+3.5-6%	2010-2013	34,676
Secured bank loan	PLN	1M Wibor+4%	2011	4,862
Secured bank loan	CZK	1M Pribor+ 1.85%	2011	4,311
Current maturity				15,496
Loan from Africa Israel Properties	EUR	3M Euribor+2%	Not determined	15,214
Current maturity from related parties	EUR			3,066
Loan from Joint Venture partners	EUR	3M Euribor+1.5-2%	2011	1,266
Total current interest-bearing liabilities				78,891

Notes:

(1) The Company presents the book value of the Broadway Palace leasehold on a gross basis i.e. the sum of the leasehold value and the size of the lease liability (as represented by the present value of the ground lease payments).

The bank loans are secured on land and buildings with a total carrying amount of EUR 594,130 thousand.

The table below sets out information regarding the Company's interest-bearing loans and borrowings as at 30 September 2010.

Company name	beginning of current loan	Total drawdown Amount	Maturity of Loan	Interest rate	Loan currency	Loan Balance as of 30 September 2010	Loan maturity (years) repayment terms
AFI Palace Cotroceni	05/02/2008	234,000,000	25/05/2014	4.295%	EUR	232,404,000	Note 1
Airport City Belgrade -Phase 1	10/08/2005	25,500,000	30/09/2014	5.140%	EUR	22,038,848	Note 2
Airport City Belgrade -Phase 2	24/11/2006	25,000,000	30/09/2015	5.315%	EUR	24,071,068	Note 3
Airport City Belgrade -Phase 3	24/07/2007	37,869,542	31/12/2020	3M Euribor+2% 1.45%+3M Euribor ⁵	EUR	38,000,000	Note 4
Palace Flora	01/12/2004	120,000,000	31/12/2022	3M Euribor + 1.2%	EUR	111,792,000	Note 5
AFI Palace Pardubice	02/07/2009	44,291,178	16/06/2019	3M Euribor + 2.5%	EUR	42,298,000	Note 6
Business Park Varna	17/01/2008	58,675,000	31/12/2015	3M Pribor + 2.5%	EUR	57,315,000	Note 7
Classic 7 Business Park	16/11/2006	25,458,750	31/12/2018	3M Euribor + 1.9%	CZK	24,015,000	Note 8
Broadway Palace	24/03/2003	8,930,000	31/12/2017	3M Euribor + 1.9%	EUR	4,812,000	Note 9
Evropska Business Centre	24/03/2003	5,558,537	31/12/2017	3M Euribor +3.25%	EUR	3,603,000	Note 10
D8 European Park	20/12/2007	13,400,000	31/12/2029	1M Wibor + 3.25%	EUR	9,230,000	Note 11
Osiedle Europejskie Commercial centre	02/11/2005	2,826,633	30/09/2012 31/10/2011 for 1st Phase	1M Pribor + 1.85%	PLN	1,951,000	Note 12
Tulipa Modranska	20/06/2008	11,796,138	30/06/2011	1M Wibor + 4.0%	CZK	4,311,179	Note 13
Osiedle Europejskie, phase 9	27/05/2008	14,467,476	30/06/2011	3M Euribor + 6.5%	PLN	4,776,000	Note 13
Lagera, phase 1	30/04/2010	4,500,000	15/09/2011	3M Euribor+4%	EUR	4,027,000	Notes 14, 15
Vitosha Tulip	01/08/2007	12,100,000	26/09/2011	3M Euribor+4%	EUR	10,922,000	Note 13
Metropolia	04/11/2005	32,412,855	01/06/2013	3M Euribor+4% 3M Pribor + 6.5% ¹⁵	EUR	13,059,000	Note 13
AFI City	25/06/2008	13,516,260	30/06/2012	3M Euribor+ 4.9%	CZK	13,516,260	Single bullet upon maturity
Tulip Towers (INOX)	18/12/2007	11,730,000	30/06/2012	3M Euribor+3.5%	EUR	9,510,000	Note 16
Pipera	05/06/2007	7,636,500	30/06/2012	3M Euribor+7%	EUR	7,611,000	Note 17
Soleville	23/11/2005	10,425,382	01/06/2013	3M Euribor + 3.5%	EUR	10,425,000	Single bullet upon maturity
Club Aliga	24/03/2009	12,549,322	31/03/2011		EUR	9,906,000	Single bullet upon maturity

Notes:

- Converted from a construction loan to an investment loan on August 2010. Quarterly payments representing a 50 years amortization schedule with fixed principal payments. Outstanding loan repaid upon the 4th anniversary.
- Quarterly payments representing a 15 years amortization schedule. Outstanding loan repaid upon the 7th anniversary.
- Quarterly payments representing a 25 years amortization schedule. Outstanding loan repaid upon the 7th anniversary.
- Currently at construction loan phase. Switching to an investment loan with quarterly payments representing a 25 years amortization schedule with the outstanding loan repaid upon the 10th anniversary (procedure pending).
- EUR 55,000 thousand of the total EUR 120,000 thousand drawdown loan has a fixed interest of 4.59% until 31/12/2012. The loan is paid according to a 25 years amortization schedule with a EUR 25,000 thousand balloon. Outstanding loan repaid upon the 15th anniversary.
- Quarterly payments amounting to 3% of the loan in each of the first three years, 3.5% in the fourth and fifth year and 4% in years 5-10. Outstanding loan repaid upon maturity.
- The loan is composed of five tranches – each has a specific amortization schedule ending 31/12/2015. Outstanding loan of approximately 85% repaid upon maturity.
- Quarterly payments based on a 25 years amortization schedule. Outstanding loan repaid upon the 10th anniversary.
- Quarterly payments in the amount of EUR 85 thousand. Outstanding loan repaid upon maturity.
- Quarterly principal payments in the amount of EUR 50 thousand. Outstanding loan repaid upon maturity.
- 20 years loan with a specific accelerating amortization schedule starting with quarterly payments of EUR 35 thousand as of 2010 and gradually rising.
- Majority of the loan repaid upon maturity.
- Principal and interest repayments subjugated to apartment sales and deliveries. Outstanding loan repaid upon maturity.
- Loan amount reached EUR 4,500 thousand in the 3rd quarter, 3 principal repayments of min EUR 1,000 thousand each quarter starting the 4th quarter of 2010 and a 4th principal repayment of EUR 1,500 thousand in the 3rd quarter of 2011.
- 3M Pribor + 6.5%. To be decreased to 4.5% after the zoning permit has been issued. However if the zoning permit is not issued within 18 months, the margin will increase to 7.5%.
- Quarterly principal payments of EUR 450 thousand. Outstanding loan repaid upon maturity.
- 15% of the loan repaid in 3 biannual instalments of EUR 380 thousand. Outstanding 85% of the loan is repaid upon maturity.

Under Bulgarian law, the total equity of a joint-stock company must not fall below the amount of its registered capital (such situation is referred to as “negative equity”), otherwise the company’s shareholders are required to remedy the shortfall within one year, and in case of a failure to do so the company could be declared insolvent and face an involuntary liquidation procedure. As of the date of the Prospectus, such negative equity situation exists in two Bulgarian subsidiaries: the project companies for Business Park Varna and Plovdiv Logistics Centre. These two subsidiaries are currently considering the adoption of a restructuring plan that would put an end to their negative equity situation.

Loans obtained in relation to the German Portfolio and Wilanów One

The construction of project Wilanów One in Warsaw (in which the Company holds a 30% interest and is therefore not consolidated) is financed with a credit facility in the total amount of EUR 250,000 thousand, of which the balance as of 30 September 2010 was EUR 32,175 thousand. The maturity of this credit facility is on June 2012. The interest rate of this loan is 3M Wibor + 2.5%.

The acquisition of the German properties portfolio (which was deconsolidated in 2008 when the Company’s interest reduced from 70% to 49%) was financed with a non-recourse loan obtained by the German property companies in the total amount of EUR 91,327 of which the loan balance was EUR 90,756 as of 30 September 2010. The interest rate of this loan is 5.55% p.a. In 2007 and 2008 no repayments were made on this loan, in 2009 and 2010 0.5% has been and will be repaid, in 2011 and 2012 1% will be repaid and in 2013 1.5% of the loan will be repaid. The maturity of this loan is on July 2014. As a result of a general decline in real properties’ values throughout Germany during 2008, impairments were made to the properties’ aggregate value, which resulted in failure to meet – since the beginning of 2009 – one of the covenants under the loan agreement relating to the observance of a loan-to-value ratio of a maximum of 90%. The Company holds a continuous dialogue with the bank, which periodically receives valuation reports regarding the portfolio, and which has not issued any request or demand in relation to this matter. Another covenant in the financing agreement for the German Portfolio provides that if AFI Properties reduces its indirect shareholding in AFIE to less than 66.6%, then the lender will be entitled to require immediate repayment of the loan.

Contractual obligations

The Company has various contractual obligations and commercial commitments to make future payments, including debt agreements, lease obligations and certain other committed obligations. The following table summarises the Company’s future obligations (including interest) under these contracts as at 30 September 2010:

	As at 30 September 2010				Total
	Carrying amount as at 30 September 2010	Less than a year	Between one and five years	More than five years	
Long term loans.....	534,784	–	340,586	194,197	534,784
Short term loans.....	59,345	59,345	–	–	59,345
Financial lease liability.....	7,511	9	47	7,455	7,511
Loan from Africa Israel Properties ⁽¹⁾	268,668	15,214	–	253,454	268,668
Loan from related parties ⁽²⁾	5,109	3,066	2,043	–	5,109
Non-current liabilities.....	5,275	–	6,275	–	6,275
Loan from joint venture partners.....	1,266	1,266	–	–	1,266
Trade and other payables.....	54,934	54,934	–	–	54,934
Total.....	937,892	133,834	348,951	455,106	937,892
Total accumulated liabilities interest.....	–	15,117	43,237	83,462	141,815

Note (1) The Shareholder’s Loan will be converted into equity upon completion of the Offering. See “Financial and Operating Review – Shareholder’s Loan”.

Note (2) Loan from Danya Cebus Rom. See: “Related Party Transactions - Danya Cebus Rom’s loans to the Company”

Debt restructuring of Africa Israel Investments

In May 2010, Africa Israel Investments, the Company’s ultimate parent corporation, reached an agreement with the bondholders of all series to restructure NIS 7,500,000 thousand of debt (at that date approximately

EUR 1,300,000 thousand). Pursuant to this agreement, Africa Israel Investments has exchanged the existing bonds for new bonds and shares. Furthermore, as a result of this restructuring, the shareholding of Africa Israel Investments in AFI Properties was diluted to 56% (previously 70%). On 11 May 2010, Africa Israel Investments notified the public that all conditions of this debt restructuring were fulfilled and that the debt restructuring process was completed.

No significant change

Other than the conversion of EUR 409,669 thousand of the Shareholder's Loan and EUR 430,331 thousand of the share premium reserve against issuance of a total of 84,000,000 Shares, there has been no significant change in the financial or trading position of the Company since 30 September 2010.

Critical accounting policies and estimates

Basis of preparation of the combined financial statements

The audited financial statements have been prepared in accordance with the International Financial Reporting Standards adopted by the European Union ("IFRS") and as applicable in the respective years. The consolidated financial statements for the year ended 31 December 2009 comprise the Issuer and its subsidiaries and the group interest in associates and jointly controlled entities. The financial statements are presented on going-concern basis. The consolidated financial statements are presented in Euro which is the Issuer's functional and presentation currency. The accounting policies set out below have been applied consistently by the Issuer and its wholly-owned subsidiaries and apply to all periods presented in these consolidated financial statements.

Use of estimates and judgments

The preparation of the Annual Audited Financial Statements on the basis of IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that management believes to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. For further information about significant areas of estimation, uncertainty, and critical judgements in applying accounting policies see "*- Investment Property*".

Investment property

Investment properties are properties which are held either to earn rental income for the long term or for capital appreciation or for both purposes. Investment properties are stated at fair value. An external, independent valuation company, with recognised professional qualification and recent experience in the location and category of property being valued, values the property portfolio once a year. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

The valuations of *completed* investment properties are prepared by considering the aggregate of the net annual rents receivable from the properties and, where relevant, associated costs. A yield which reflects the risks inherent in the net cash flows is then applied to the net annual rentals to arrive at the property valuation. The valuation of "*Investment properties under development*" is prepared by the residual method or by comparison method, depending on the stage of completion.

Any gain or loss arising from a change in fair value is recognised in the income statement. When an item of property, plant and equipment is transferred to investment property following a change in its use, any differences arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair values are recognised directly in equity if it is a gain. Upon disposal of the item, the gain is transferred to retained earnings. Any loss arising in this manner is recognised in the income statement immediately.

Inventory of buildings held for sale

Inventory of buildings held for sale includes property intended for sale in the ordinary course of business or in the process of construction or development for such sale. Inventory of buildings held for sale is stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of self-constructed inventory includes the cost of materials, direct labour, and an appropriate portion of production overheads.

Borrowing costs are capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalisation of borrowing costs commences when the activities to prepare the inventory are in progress and expenditures and borrowing costs are being incurred. Capitalisation of borrowing costs continues until the inventory is substantially ready for their intended use. The capitalisation rate is arrived at by reference to the actual rate payable on borrowings for development purposes or, with regard to that part of the development cost financed out of general funds, to the average rate.

Revenue

Revenue from services rendered (such as project management) is recognised in the income statement in proportion to the stage of completion of the transaction at the balance sheet date. The stage of completion is assessed by reference to surveys of work performed. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due or associated costs. Rental income from investment property leased out under operating leases is recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Revenue from the sale of trading properties or inventories is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated cost and possible return of goods can be estimated reliably, there is no continuing management involvement in the goods, and the amount of revenue can be measured reliably.

Recent accounting pronouncements

The following new standards, amendments to standards and interpretations set out below have been issued but are not effective for the financial year ending 31 December 2009 and have not been applied in preparing the financial statements for the years ended 31 December 2009, 2008 and 2007:

IFRS 3R, "Business combinations"

IFRS 2, "Share-based payment;" group cash-settled share-based payment transactions;

IFRS 5, "Non-current assets held for sale and discontinued operations;"

IAS 39, "Financial Instruments: Recognition and Measurement" (April 2009 revisions);

IFRS 9, "Financial Instruments;"

IFRIC 9, "Reassessment of Embedded Derivatives;"

IFRIC 17, "Distributions of Non-Cash Assets to Owners," effective annual periods beginning on or after 1 July 2009; and

IFRIC 19, "Extinguishing financial liabilities with equity instruments," effective annual periods beginning on or after 1 July 2010.

These new standards and interpretations, with the exception of IFRIC 19, are mandatory for the Company's 2013 financial statements. Following an internal review it is not anticipated that the adoption of these standards and interpretations will have a material financial impact on the financial statements in the period of initial application and the subsequent reporting periods.

Quantitative and qualitative disclosures about market risk*Currency risk*

Exchange rates against the Euro of local currencies of the countries in which the Company operates are an important factor, as the credit facilities that are obtained may be denominated in either Euros or local currencies. The Company reports its financial statements in Euros. Its operations, however, are based locally in Bulgaria, the Czech Republic, Romania, Poland, Latvia, Serbia, Hungary and therefore it receives a certain part of the revenues and incurs most costs in foreign currencies, including the Czech Koruna (CZK), Polish Zloty (PLN), the Bulgarian Lev (BGN) and the Romanian Lei (RON). The Company is most exposed to the CZK. An increase as at 31 December 2009 of 10% in the exchange rate of the EUR against the CZK would increase (decrease) the net profit (loss) by EUR 3 million (2008: by EUR 6,000 thousand, 2007: by EUR 1,000 thousand). This analysis was made based on the assumption that all the other variables, particularly the interest rates, remain fixed. The Company's financial results could therefore be adversely affected by fluctuations in the exchange rates between such currencies.

Exposure to interest rate

The Company is expected to finance a substantial part of its project development costs by borrowing. Borrowings will expose the Company to movements in interest rates. The Company uses derivative financial instruments in certain loan agreements to hedge its exposure to interest rate risks.

Exposure to credit risk

Management has a credit policy in place and the exposure to credit risk is monitored by management on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The Company requires collateral from its tenants (bank guarantee or cash deposits usually equal to three months rent income) in respect of lease agreements.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at 31 December 2009 was EUR 71,597 thousand (2008: EUR 81,368 thousand, 2007: EUR 77,015 thousand).

CAPITALISATION AND INDEBTEDNESS

The following table sets out the capitalisation and indebtedness of the Company on a consolidated basis as at 30 September 2010, (i) on an actual basis and (ii) as adjusted to give effect to the conversion of the EUR 268,668 thousand Shareholder's Loan to equity (see "Operating and Financial Review - Shareholder's Loan").

	As at 30 September 2010	
	Actual	As adjusted
	(Euros '000s)	
CURRENT DEBT		
Current secured	61,589	61,589
Current guaranteed / secured	24,738	24,738
Current guaranteed / secured from related parties	-	-
Total guaranteed / secured	86,327	86,327
Current unguaranteed / unsecured	32,468	32,468
Current unguaranteed / unsecured from related parties	18,280	3,066
Total current unguaranteed / unsecured	50,748	35,534
Total current debt	137,075	121,861
NON CURRENT DEBT (net of current portion of long term debt)		
Non current secured	507,306	507,306
Non current guaranteed / secured	34,989	34,989
Non current guaranteed / secured from related parties	-	-
Total guaranteed / secured	542,295	542,295
Non current unguaranteed / unsecured	55,672	55,672
Non current unguaranteed / unsecured from related parties	255,497	2,043
Total non current unguaranteed / unsecured	311,169	57,715
Total non-current debt	853,464	600,010
EQUITY:		
Issued capital	90	930
Share premium reserve	287,227	555,055
Translation reserve	(727)	(727)
Hedging reserve, net	(3,930)	(3,930)
Retained earnings (losses)	(82,665)	(82,665)
Total equity attributable to shareholders of the Company	199,995	468,663
Non-controlling interest	36963	36963
Total equity	236,958	505,626
TOTAL CAPITALISATION	1,227,497	1,227,497
NET INDEBTEDNESS:		
Cash and cash equivalents	16,195	16,195
Liquidity	16,195	16,195
CURRENT INTEREST-BEARING LOANS AND BORROWINGS:		
Current interest-bearing loans and borrowings	60,611	60,611
Current interest-bearing loans and borrowings from related parties	18,280	3,066
Other current financial debt	58,184	58,184
Current financial indebtedness	137,075	121,861
Net current financial indebtedness	120,880	105,666
NON CURRENT INTEREST-BEARING LOANS AND BORROWINGS:		
Non current interest-bearing loans and borrowings	542,295	542,295
Other non current financial debt	55,672	55,672
Non current interest-bearing loans and borrowings from related parties	255,497	2,043
Non-current financial indebtedness	853,464	600,010
Net financial indebtedness	974,344	705,676

Other than as disclosed in the tables above, there has not been any significant change in the Company's financial or trading position since 30 September 2010.

WORKING CAPITAL STATEMENT

The Issuer represents that, in its opinion, the existing working capital of the Issuer is sufficient to cover its current needs and to conduct operations in the period of at least 12 months commencing as of the date of this Prospectus. In particular, following the Company's successful refinancing arrangements (completed between January and September 2010) the Issuer represents that in its opinion, cash on hand plus cash flow generated from existing operations (e.g., income producing properties and prospective sale of existing residential inventory) will be sufficient to cover its current needs in the period of at least 12 months commencing as of the date of this Prospectus. The pace (e.g., amount and timing) of expenditures for development activities as outlined in this Prospectus is contingent upon, among other things, (i) the amount of capital raised in an IPO and (ii) its ability to secure bank financing for such development.

RELATED-PARTY TRANSACTIONS

Except as disclosed below, none of the members of the Board and the Selling Shareholder have had an interest in any transactions to which the Issuer was a party since 1 January 2009 or which were entered into by the Issuer prior thereto and under which the Issuer or the other parties still have ongoing obligations.

The related-party transactions have arisen in connection with the following:

Relationship agreement

To ensure that all transactions and relationships between the Issuer and AFI Properties' group are on arm's-length terms, the Issuer expects to enter into a relationship agreement (the "**Relationship Agreement**") with AFI Properties on or about the date of this Prospectus that restricts (possible) conflict of interest issues and allows the Issuer to be operated as a standalone entity. The Relationship Agreement stipulates – *inter alia* – that:

- AFI Properties will allow the Issuer to be operated in the clear corporate interest (*vennootschappelijk belang*) of the Issuer;
- AFI Properties shall allow the Issuer to carry on its business as a standalone company;
- AFI Properties shall use its best endeavours to procure that no member of its group shall act or omit in any way which shall: (i) prejudice the Issuer's ability to carry on its business as a standalone company, (ii) render the Issuer unsuitable for continued listing on the WSE or render the Issuer open to censure or other regulatory action by reason of any act or omission on the part of any member of AFI Properties' group, or (iii) cause the Issuer to fail to comply with the Listing Rules;
- AFI Properties and the Issuer undertake to each other that they shall conduct any transactions and relationships between any subsidiary of AFI Properties on the one hand and any of the Issuer and its subsidiaries on the other hand, on arm's length terms and on a normal *bona fide* commercial basis and in accordance with the applicable listing rules and subject to the provisions of Dutch Law;
- Subject to the provisions of Dutch Law, AFI Properties shall undertake that any voting rights that it may control on the Board shall not be exercised (i) in respect of any resolution which relates to a transaction, arrangement, agreement and/or a dispute between the Issuer and/or its subsidiaries, on the one hand, and AFI Properties and/or any subsidiary of AFI Properties, on the other hand, save as in accordance with the Listing Rules (so far as they are applicable) and (ii) in respect of any variations to the Issuer's Articles of Association which would be contrary to the provisions of the Relationship Agreement or to the Issuer's ability to carry on its Business as a standalone company; and The Issuer shall adopt relevant procedures to ensure that the representatives of AFI Properties or its group members on the Board shall not participate or vote at meetings of the Board in which AFI Properties or its group members has an interest.

AFI Properties undertakes that in connection with any proposal by the Board (or the remuneration or selection and appointment committee of the Board) relating to the proposed appointment or removal of any independent director, it shall consult among other things with the other independent directors in relation to its voting intentions on such proposals.

The Relationship Agreement is subject to the Offering and shall continue to be in full force and effect until the occurrence of the earlier of: (i) the Issuer's shares ceasing to be admitted to listing and trading on the WSE, or (ii) AFI Properties and / or any of its subsidiaries ceasing to be a controlling shareholder of the Issuer.

Activity Demarcation Agreement and Activity Demarcation Undertaking

To delineate the scope of AFI Group's real estate activities in Europe, except through the Issuer, the Issuer has entered into an activity demarcation agreement with AFI Properties (the "**Activity Demarcation Agreement**"), which, subject to the Offering, restricts AFI Properties' real estate activities in Europe, other

than the Russian Federation and the States of the Commonwealth of Independent States (the “CIS”). For these purposes, “real estate activity” means development of real estate properties intended for letting to third parties for residential, commercial and retail use and residential real estate designated for sale to third parties for residential use. The Activity Demarcation Agreement stipulates – *inter alia* – that:

- (i) AFI Properties shall not engage in real estate activity in the territory as described above; and
- (ii) AFI Properties shall not hold a controlling interest in another company that engages in real estate activity in territory as described above.

AFI Properties (and/or any company controlled by it) shall not be restricted:

- (a) in respect of any activity carried out by AFI Properties and/or a company controlled by it relating to the real estate and/or property development that at the time of the commencement of such activity was not intended to comprise real estate activity, such as, among other things, activities related to infrastructure and/or “build-operate-transfer” (BOT) and/or “private finance initiative” (PFI) and/or other activities of a similar type, as well as such *de minimis* real estate activity which is incidental thereto;
- (b) in respect of the development, management or utilisation of real estate by AFI Properties and/or a corporation controlled by it principally for their own operations or activities referred to in paragraph (a) above, which does not comprise real estate activity, as well as such *de minimis* real estate activities, which are incidental to any activity referred to in this paragraph (b); and
- (c) in respect of any business opportunity which the Issuer has elected in writing not to pursue or has consented in writing that AFI Properties may pursue, which consent shall not be unreasonably withheld.

The term of the Activity Demarcation Agreement shall be seven years from the date of Admission, provided that the agreement may be terminated by either party upon 90 days’ prior written notice if AFI Properties ceases to hold a controlling interest in the Issuer. For these purposes a “controlling interest” means the ability, directly or indirectly, to direct the activities of a company.

In addition, Africa Israel Investments has provided the Issuer with an undertaking (the “**Activity Demarcation Undertaking**”) setting out that, subject to the Offering, Africa Israel and subsidiaries controlled by it, other than its publicly traded subsidiaries, including Danya Cebus Ltd., AFI Development Plc, Africa Israel Properties Ltd., Africa Israel Residences Ltd., Packer Plada Ltd., Negev Ceramics Ltd., and their respective subsidiaries, shall not engage in real estate activity in Europe, other than the Russian Federation and the CIS; nor hold a controlling interest in another company that engages in real estate activity in Europe.

The Activity Demarcation Undertaking is subject to limitations that are broadly similar to the ones contained in the Activity Demarcation Agreement. The Activity Demarcation Undertaking has a seven year term, subject to Africa Israel Investments maintaining an indirect controlling interest in the Company. See “*Risk Factors – Risk Factors which are specific to the Company’s business – There may be conflicts of interest between Africa Israel Investments and/or AFI Properties and the Company*”.

Trademark Sublicense Agreement

To allow the Company to use the trademark (in respect of the name “AFI” and the Africa Israel / AFI Group logo which are registered in the areas of the Selling Shareholder) in the course of its business, the Issuer has entered into a trademark sublicense agreement with AFI Properties that permits the Company to use the trademark as described above. The trademark sublicense agreement – *inter alia* – stipulates that AFI Properties grants the Issuer and its subsidiaries, without consideration and subject to the terms and conditions set out in the trademark sublicense agreement, the permission to make use of the trademark in the course of the Company’s business in the spheres of the Company’s activity, insofar as the Company deems fit, *provided that* the Issuer undertakes not to use the trademark in any way which may harm, dilute or derogate from the trademark’s good name, reputation or value.

Services agreement

The Company is party to a services agreement with AFI Properties. Under this agreement AFI Properties undertakes to provide to the Company certain management services and office-related services, including, among other things, developing strategic planning objectives, negotiating transactions and implementing corporate policies. The Company reimburses AFI Properties for all costs, expense and liabilities incurred by AFI Properties for the purpose of providing the management services and the office-related services, as well as all reasonable out-of-pocket expenses borne by AFI Properties in performing such services. In addition, the company shall pay AFI Properties a quarterly fee (on a *cost plus* basis) for the management services and the office-related services.

Shareholder's loan

The Issuer and AFI Properties entered into a shareholders loan agreement on 21 December 2008 (the “**Shareholder's Loan Agreement**”) for the total amount of EUR 484,856 thousand, pursuant to which new terms were agreed in relation to all loans provided to the Company by AFI Properties (the “**Shareholder's Loan**”).

On 22 December 2008, AFI Properties and AIIP entered into an assignment agreement pursuant to which AFI Properties transferred and assigned to AIIP a receivable in the amount of EUR 250,000 thousand out of the outstanding amount of the Shareholder's Loan. Subsequently AIIP contributed this receivable as share premium on the shares in the capital of the Issuer. After this assignment an amount of EUR 234,856 thousand of the Shareholder's Loan remained outstanding.

From 1 January 2009 the Shareholder's Loan bears interest at a rate of three-month EURIBOR plus 2% per annum.

In addition, AFI Properties provided to the Issuer short term loans with an aggregate outstanding amount of EUR 15,214 thousand. By way of an amendment to the Shareholder's Loan Agreement dated 30 June 2010, AFI Properties and the Issuer agreed that each of these short term loans shall be repaid within 12 months from the date on which the relevant funds were received by the Issuer.

As at 30 September 2010, the total outstanding amount of the Shareholder's Loan (including the aforementioned short term loans) was EUR 268,668 thousand.

On 4 November 2010, the Issuer executed an amendment to its Articles, providing for (i) an increase in its authorized share capital from EUR 90,000 to EUR 1,221,000 and (ii) a split in the shares of the Company by a 1:100 ratio, by changing the nominal value of the Company's shares from EUR 1 to EUR 0.01, which resulted in an increase in the number of shares from 90,000 to 9,000,000.

On 4 November Shareholder's Loan was assigned by AFI Properties to AIIP. Also on 4 November 2010, the Issuer also issued 84,000,000 Shares to AIIP pursuant to the conversion of (i) EUR 409,669 of the Shareholder's Loan into 40,966,900 Shares at nominal value and (ii) EUR 430,331 of the Issuer's share premium reserve into an additional 43,033,100 Shares. As a result, the Selling Shareholder holds a total of 93,000,000 Shares as of the date hereof. The contribution of the remaining outstanding balance of the loan on share premium (*agio*) will take place concurrently with and subject to all conditions of the Offering having been met.

For more details on the Shareholder's Loan, please refer to “*Operating and Financial Review – Shareholder's Loan*” and note 26 to the Annual Audited Financial Statements.

Danya Cebus Rom's loans to the Issuer

On 27 March 2010 a loan agreement was executed between the Issuer, as borrower, and Danya Cebus Rom S.R.L. (“**Danya Cebus Rom**”) as lender. Danya Cebus Rom is a subsidiary of Danya Cebus Ltd., which is

an Israeli public company listed on TASE and controlled by Africa Israel Investments. The loan agreement provided the terms for the following two loans:

- A loan in the amount of EUR 4.3 million, that is to be repaid in five quarterly instalments starting from 31 March 2011 until 31 March 2012;
- A loan in the amount of EUR 816 thousand that is to be repaid on 31 December 2010 (or earlier, as provided in that loan agreement).

Both loans bear interest at a rate of 3-months EURIBOR plus 5.6%.

MATERIAL CONTRACTS

The following are the only contracts not entered into in the ordinary course of business which have been entered into by members of the Company and which the Company deems material. For information on the material financing arrangements of the Company, see “*Operating and Financial Review – Commitments and Contingent Liabilities – Loans, security and covenants*”.

Poland

Wilanów One

On 18 June 2007 the Company entered into a shareholders agreement with MGP Sp Dom z.o.o and MGP Dom Parallel Sp z.o.o in relation to the parties’ rights and obligations as shareholders of Wilanów One Sp. z.o.o., a Polish company that develops a residential project in Warsaw known as Wilanów One, in which the Company holds a 30% interest. The agreement also sets out the parties’ understandings in relation to the project’s management, and contains customary restrictions on transfer of shares. Please refer to “*Business - Residential projects in progress – Wilanów One*” for more details hereof.

Furthermore, the shareholders agreement stipulates that major decisions, such as changes to the project and distribution of dividends, require a unanimous decision. In case the parties are conflicted and fail to adopt such major decision, a deadlock resolution procedure which includes a buy-sell clause will be initiated. Depending on the financial performance of the project company, the Company’s entitlement to profits may increase beyond its percentage holdings in that company.

Czech Republic

D8 European Park

On 27 September 2006 the Issuer entered into an agreement with ProDelta Prague B.V. pursuant to which the latter acquired from the Issuer 50% of the ownership interest in National Technological Park s.r.o., a Czech company that develops and operates a logistics and light industry facility near Prague, known as D8 European Park. The agreement governs the parties’ rights and obligations as shareholders of the project company, and also provides a mechanism regarding an escalated mechanism for the resolution of conflicts which may arise between them. In addition, the agreement sets out the parties’ understandings in relation to the project’s management, and contains customary restrictions on transfer of ownership interests. Please refer to “*Business – Yielding Projects – D8 European Park*” for more information regarding D8 European Park.

Palace Flora

On 2 December 2004 AIIP sold to Rizzetta Limited 50% of the ownership interest in Flora-Sen s.r.o., a Czech company which developed and that now operates a shopping mall and office complex in Prague known as Palace Flora. Simultaneously therewith, the parties also entered into a joint venture agreement governing their rights and obligations as shareholders of the project company. On 7 June 2006 AIIP assigned all its rights and obligations under the joint venture agreement to the Issuer. The joint venture agreement also sets out the parties’ understandings in relation to the project’s management, and contains customary restrictions on transfer of ownership interests. Please refer to “*Business – Yielding projects – Palace Flora*” for more details hereof.

Germany

The German Portfolio

On 21 May 2008 the Issuer entered into a share purchase agreement (which was amended on 30 June 2008) disposing a 30% interest in each of AFI Properties Berlin B.V., AFI Properties Logistics B.V., AFI Properties Development B.V. and AFI Properties B.V. (each referred to as a “**Dutch Company**” and collectively the “**Dutch Companies**” to Prevezon Holdings Ltd. The total purchase price amounted to EUR 3,073,950. The share purchase agreement, as amended, further governs *inter alia* the parties’ management of the Dutch Companies and contains restrictions on transfer of shares.

Each Dutch Company holds a 70% interest in four German partnerships in the form of GmbH & Co. KG (each referred to as a “**KG**” and collectively the “**KGs**”). In each of the KGs AFI Germany Investments GmbH is acting as general partner, and M.S.A. Efrat Investment Ltd., D.B.M. Harel Investment (2006) Ltd. and the relevant Dutch Company are limited partners. Each of the KGs holds properties which are part of the German Portfolio. The agreement provides that participation in the decision-making process in relation to the management of the German Portfolio will be based on the parties’ respective indirect percentage interests in the KGs (taking into account that the Issuer’s indirect interest is 49%).

Serbia

Airport City Belgrade

On 18 March 2004 AIIP entered into an agreement pursuant to which it purchased a 50% stake in Intrastar International Limited (“**Intrastar**”), which owns, directly or indirectly, 100% of the Serbian project company that develops and operates project Airport City Belgrade. The agreement also governs the rights and obligations of its parties as Intrastar’s shareholders, and sets out their understandings in relation to the project’s management. The agreement contains customary restrictions on the transfer of Intrastar’s shares.

On 7 June 2006 AIIP assigned all its rights and obligations under the joint venture agreement to the Issuer, which subsequently, in December 2008, increased its stake in Intrastar to 53.7%. Please refer to “*Business – Yielding projects – Airport City Belgrade*” for more details hereof.

Hungary

Club Aliga

On 14 November 2007 the Issuer acquired a 50% stake in a Hungarian company that develops a mixed-use touristic, commercial and residential project in Balatonvilagos, approximately 90 km from Budapest, known as Club Aliga. Simultaneously therewith, the Issuer entered into a syndicate agreement with Shikun & Binui Real Estate Development B.V., governing the parties’ rights and obligations as shareholders of the project company, and also setting out their understandings in relation to the project’s management. In addition, the syndicate agreement contains customary restrictions on transfer of shares.

LEGAL AND ARBITRATION PROCEEDINGS

Other than as set out below, there have been no governmental, legal or arbitration proceedings, that may have, or have had during the 12 months preceding the date of this document, a significant effect on the Issuer's and the Company's financial position or profitability and, so far as the Issuer is aware, there are no such proceedings pending or threatened.

Beit Amzalag claim

On 16 February 2009, Beit Amzalag Ltd filed a claim for an amount of approximately EUR 1,000,000 against the Issuer and other defendants with the District Court of the Central District of Israel. The claim relates to brokerage fees and related payments allegedly due by the defendants in connection with transactions performed by subsidiaries of the Issuer in Romania and the Czech Republic. The Issuer is contesting the claim. Court hearings regarding this matter have been held on 10 and 17 October, 2010, following which the judge set an additional hearing for 23 January 2011. No provision was recorded in the Issuer's books in respect of the claim.

Itzhaki claim

On 11 February 2008, Mr. Ilan Itzhaki filed a claim for an amount of approximately EUR 1,200,000 against the Issuer and others with the District Court of Tel Aviv, Israel. The claim relates to a real estate purchase agreement signed by the Company in November 2007. The plaintiff demands a share in the transaction, alleging that he was a partner in the project, or, alternatively, a broker's fee for being an agent/broker in relation to the transaction. The Issuer is contesting the claim and believes, based, *inter alia*, on advice from counsel, that the chances are high that a substantial part of the claim or the claim as a whole will be dismissed. No provision was recorded in the Issuer's books in respect of the claim.

Industrija Masina I Traktora claim

In December 2007, Industrija Masina I Traktora ("IMT") filed a claim in Serbia against Airport City (in which the Issuer holds an indirect interest of 53.7%) for payment of EUR 900,000 under an agreement dated 11 March 2004 regarding the costs relating to the eviction of unauthorised tenants. In its response to this claim, Airport City has argued that such payment was conditional upon the occurrence of certain conditions precedent which were not fulfilled by IMT, and that the amount payable to IMT should therefore be substantially reduced. In the opinion of the Company and its legal advisers, the chances of the claim to be accepted are remote. No provision was recorded in the Issuer's books in respect of the claim.

Laromet

In September 2007 Premier Solutions & Team S.R.L. ("**Premier**"), a Romanian subsidiary of the Issuer, purchased five plots of land with a total area of approximately 156,000 sqm in Bucuresti Noi, in the northern part of Bucharest, Romania (the "**Land**") from Laromet S.A. ("**Laromet**"). The purchase price for the Land amounted to approximately EUR 78,000,000. During the first quarter of 2009, Premier concluded with Laromet an addendum to the purchase agreement, to reschedule the payment of the then-outstanding portion of the purchase price in the amount of EUR 22,500,000, and to postpone the transfer of possession in relation to part of the Land. In February 2010, Premier paid to Laromet an amount of approximately EUR 7,400,000 that consisted of two contractual instalments. These instalments were paid after their due date for payment under the purchase agreement. In May 2010 Laromet notified Premier that as a result of these late payments an execution procedure would be carried out in relation to the Land, unless Premier would pay to Laromet an amount of approximately EUR 8,200,00 as liquidated damages, which were allegedly payable pursuant to a penalty clause in the agreement.

On 9 November 2010 Premier and Laromet settled this dispute by the execution of a second addendum to the purchase agreement.

Under the terms of this settlement, Laromet and Premier agreed to terminate all legal proceedings related to their dispute, and they furthermore agreed that the outstanding payment due to Laromet under the purchase agreement (approximately EUR 15,541 thousand) will be paid in 8 instalments payable over a period of 2

years. In addition, Premier paid to Laromet an amount of EUR 8,000 thousand for (i) settlement of the liquidated damages that were claimed by Laromet; (ii) reimbursement of expenses incurred by Laromet in relation to the dispute; (iii) additional penalty for late payment by Premier, and (iv) payment of part of the remaining outstanding portion of the land purchase price. Finally, Premier undertook to develop for Laromet an office building with a gross built up area of 4,000 sqm, that will be adjacent to the AFI Golden City Mall, and to sell this building to Laromet together with several parking spaces for a price of approximately EUR 3,500 thousand.

Premier's obligations to Laromet have been secured by a corporate guarantee of AFIE, as well as by mortgages over part of the project's land and over one of the Group's landbank properties in Bucharest. The Issuer has recorded an adequate provision in its financial statements as at 30 September 2010.

Ordinary course of business

The Company is involved from time to time in litigation arising from the ordinary course of its business. Although the final outcome of each of these cases cannot be estimated at this time, the Company's management believes, based on legal advice, that the resolution of such litigation will not have a material adverse effect on the Company's financial position.

DESCRIPTION OF SHARE CAPITAL AND CORPORATE GOVERNANCE

General

Set out below is a summary of certain relevant information concerning the Issuer's share capital, significant provisions of Dutch corporate law and a brief summary of provisions of the Articles of Association.

This summary does not purport to give a complete overview and should be read in conjunction with the Articles of Association attached as Annex III to this Prospectus and relevant provisions of Dutch law. This summary does not constitute legal advice regarding these matters and should not be considered as such.

Corporate Objects

Pursuant to Article 3 of the Articles of Association, the Issuer's corporate objects are:

- (i) to incorporate, to participate in any way whatsoever in, to manage, to supervise businesses and companies;
- (ii) to finance businesses and companies;
- (iii) to borrow, to lend and to raise funds, including the issue of bonds, promissory notes or other securities or evidence of indebtedness as well as to enter into agreements in connection with aforementioned activities;
- (iv) to render advice and services to businesses and companies with which the Issuer forms a group and to third parties;
- (v) to grant guarantees, to bind the Issuer and to pledge its assets for obligations of businesses and companies with which it forms a group and on behalf of third parties;
- (vi) to acquire, alienate, manage and exploit registered property and items of property in general;
- (vii) to trade in currencies, securities and items of property in general;
- (viii) to develop and trade in patents, trademarks, licenses, know-how and other industrial property rights;
- (ix) to perform any and all activities of an industrial, financial or commercial nature; and to do all that is connected therewith or may be conducive thereto, all to be interpreted in the broadest sense.

Composition of the Share Capital

Historic overview of the share capital

At incorporation the authorised capital of the Issuer amounted to EUR 90 thousand. The issued capital amounted to EUR 18 thousand consisting of 18 thousand shares with a nominal value of EUR 1 per share. For the period ending 30 September 2010 and for the years ending 31 December 2007, 2008 and 2009 the authorised and the issued capital of the Issuer was EUR 90 thousand. The nominal value of the shares throughout the period was EUR 1.

On 4 November 2010, the Shareholder's Loan was assigned by AFI Properties to AIIP. Also on 4 November 2010, the Issuer executed an amendment to its Articles, providing for (i) an increase in its authorized share capital from EUR 90,000 to EUR 1,221,000 and (ii) a split in the shares of the Issuer by a 1:100 ratio, by changing the nominal value of the Issuer's shares from EUR 1 to EUR 0.01 which resulted in an increase in the number of Shares from 90,000 to 9,000,000. On the same date:

- (i) AIIP contributed an amount of EUR 409,669 of the Shareholder's Loan to the Issuer's capital and the Issuer issued 40,966,900 Shares to AIIP at nominal value (for more details on the Shareholder's Loan, please refer to "*Operating and Financial Review – Shareholder's Loan*"); and

- (ii) the Issuer converted an amount of EUR 430,331 of its share premium reserve into issued share capital and issued an additional 43,033,100 Shares to AIIP at nominal value.

As a result hereof the Selling Shareholder holds on the date hereof a total of 93,000,000 Shares.

Selling shareholder and dilution

Upon completion of the Offering, the amount and percentage of the immediate dilution of the Issuer's shares will be as follows, assuming all New Shares are subscribed for and issued and all Sale Shares are sold.

SHAREHOLDER	SHARES OWNED PRIOR TO THE CLOSING OF THE OFFERING		SHARES OWNED IMMEDIATELY AFTER THE OFFERING			
	TOTAL	%	<i>without exercise of the Over-allotment Option</i>		<i>with full exercise of the Over-allotment Option</i>	
			TOTAL	%	TOTAL	%
AIIP	93,000,000	100.0	85,900,000	73.5	81,265,000	69.6
SHAREHOLDERS ACQUIRING THE SHARES IN THE OFFERING	0	0	30,900,000	26.5	35,535,000	30.4
TOTAL	0	100.0	116,800,000	100.0	116,800,000	100.0

Currently, neither the Issuer nor any of its subsidiaries hold any Shares. All Shares that are outstanding as of the date of this Prospectus are fully paid up.

The principal legislation under which the Shares have been created and under which the Issuer was formed and now operates is Book 2 of the Dutch Civil Code.

Following the completion of the Offering (and assuming all New Shares are issued and all Sale Shares are sold), the controlling shareholder of the Issuer, AIIP, will own approximately 73.5% of the Shares (or 69.6% of the Shares if the Over-Allotment Option is exercised in full).

As a result, AIIP will have effective control of the Issuer. The Board is satisfied that the Issuer is capable of carrying on its business independently of AIIP and that all transactions and relationships between the Issuer and AIIP will be on arm's length terms. The Board will make all of its decisions in a manner consistent with its duties to the Issuer and all of the Issuer's stakeholders after giving fair consideration to the potentially divergent interests and all other relevant interests of the holders of shares in the Issuer.

To ensure that all transactions and relationships between the Issuer and AIIP are on arms-length terms, the Issuer has entered into a Relationship Agreement with AFI Properties. If a conflict arises between any member of the AFI Group and any of the directors of the Issuer, the directors of the Issuer with a conflict of interest will take no part in the Board's decisions on that matter. Please refer to the chapter titled "*Related-Party Transactions*".

Form and Transferability of Shares

The Shares may generally be in registered or bearer form. However, for the purposes of listing on the WSE all the Offer Shares will be registered with the NDS, the central securities depository and clearinghouse in Poland and no physical share certificates will be issued to shareholders. The Shares, while registered with the NDS will take the bearer form and shareholding will be evidenced by reference to securities accounts held for the shareholder by members of the NDS (e.g. brokers or custodians). Transfer of Shares takes place through the facilities of the NDS.

Depository Receipts

Pursuant to Article 5.12 of the Articles of Association, the Issuer is not authorised to cooperate in the issue of depository receipts for Shares.

Legislation under which the Issuer operates

The Issuer is a public limited liability company (*naamloze vennootschap*), incorporated and existing under the laws of the Netherlands, operating under the laws of the Netherlands. The Netherlands is the home member state of the Issuer for the purposes of Directive 2004/109/EC (the “**Transparency Directive**”) as a consequence of which the Issuer will be subject to the Dutch Act on Financial Supervision in respect of certain ongoing transparency and disclosure obligations upon admission to listing and trading on the WSE. Reference is made to “*Disclosure of Information*” below. Application will be made to admit the Shares to listing and trading on the WSE following which the Issuer will be subject to the Warsaw Stock Exchange Rules, the Polish Act on Public Offerings and the Polish Act on Trading in Financial Instruments.

Shareholders’ register

Subject to Dutch law and the Articles of Association, a shareholders’ register shall be kept by or on behalf of the Issuer, in which all Shares shall be registered. The register may consist of several parts, which may be kept in different places. The shareholders register shall record the names and addresses of all Shareholders, the amount paid up on each Share, the date on which they acquired the Shares, the date of acknowledgement by or giving of notice to the Issuer, and such further information as determined by the Board. The requirement applies similarly to holders of a right of pledge (*pandrecht*) on shares and holders of a right of usufruct (*vruchtgebruik*) on shares. Shareholders, holders of a right of pledge on Shares and holders of right of usufruct on Shares will, at their request, be provided free of charge with an extract from the shareholders’ register with respect to Shares registered in their name. The Board may allow inspection of the register and provide information recorded therein as well as any other information regarding the direct or indirect shareholding of a Shareholder provided to the Issuer by such Shareholder to the authorities which are charged with the supervision of and/or the performance of the trading in Shares on the WSE in order to comply with applicable laws and regulations.

Rights attached to the Shares

The rights attached to Shares are governed by the provisions of Dutch corporate laws, the Articles of Association and certain other Dutch laws applicable to the formation, organisation and operation of the Issuer. A Share entitles Shareholders to cast one vote and none of the shareholders have different voting rights pertaining to the Shares held by them.

Issue of Shares and Pre-emptive Rights

Shares may be issued pursuant to a resolution of the Shareholders’ Meeting, with the Board’s approval, or a resolution of the Board if it has been designated for that purpose by a resolution of the Shareholders’ Meeting for a fixed period not exceeding five years. On such designation the number of shares which may be issued must be specified. The designation may be extended, from time to time, for periods not exceeding five years. Unless such designation provides otherwise, it may not be withdrawn. A resolution to issue shares shall stipulate the issue price and the other conditions of issue.

Unless restricted or limited and except for issues of the Shares (i) to a Shareholder who exercises a previously acquired right to subscribe for Shares, (ii) in return for non-cash consideration, and (iii) issued to employees of the Issuer, Shareholders have pre-emptive rights to subscribe for their pro-rata amount of newly to be issued Shares. The Shareholders’ Meeting or the Board, if designated thereto by the Shareholders’ Meeting, may restrict the rights or exclude the pre-emption rights to subscribe for any newly to be issued Shares. The authorisation of the Board to restrict or exclude the pre-emptive rights may not exceed a period of five years and may from time to time be extended for a period not exceeding five years. Unless otherwise provided at the time the authorisation was granted, the authorisation cannot be withdrawn.

Following termination of the Board’s delegated authority to resolve to issue ordinary shares and/or to limit or exclude pre-emptive rights in relation to an issue of shares, the Shareholders’ Meeting shall be authorised to do so, unless it has delegated these authorities to another corporate body.

Upon issuance of Shares, the full nominal value thereof must be paid, plus, if the Shares are issued at a higher amount, the difference between such amounts.

Repurchase of Shares

The Issuer may repurchase its own shares, subject to certain provisions of Dutch corporate law, market abuse rules, the Commission Regulation (EC) no. 2273/2003 of 22 December 2003 and the Articles of Association. In any event, the Issuer may not repurchase its own capital stock if (i) the payment required to make the repurchase would reduce Shareholders' equity to an amount less than the sum of the paid-up and called-up part of its share capital and any reserves required by law or the Articles of Association, or if (ii) the Issuer and its subsidiaries would thereafter hold shares with an aggregate nominal value equal to more than 50% of the issued share capital. Any repurchase of Shares, which are not fully paid-up, is void.

Other than those shares acquired for no consideration, shares may only be acquired subject to a resolution of the Board and authorised by the Shareholders' Meeting. Such authorisation from the Shareholders' Meeting for the acquisition of the Issuer's shares shall specify the number and class of these shares that may be acquired, the manner in which these shares may be acquired and the price range within which shares may be acquired. No authorisation from the Shareholders' Meeting is required for the acquisition of fully paid shares for the purpose of transferring these shares to employees pursuant to the Issuer's share option plan. Any shares the Issuer held in its own capital may not be voted or counted for voting quorum purposes.

Reduction of Share Capital

On the proposal of the Board, the Shareholders' Meeting may resolve to reduce the issued share capital by cancelling Shares or by reducing the par value of Shares by an amendment of the Articles of Association. Such resolution shall specify the Shares to which the resolution applies and shall describe how such resolution shall be implemented.

The Shareholders' Meeting may only adopt a resolution to reduce the share capital by a majority of at least two-thirds of the votes cast if at the meeting less than one-half of the issued share capital is represented or (ii) a simple majority of the votes cast if at the meeting more than one-half of the issued share capital is represented.

Dividends and other distributions

The Issuer may make distributions to Shareholders and other persons entitled to distributable profits only to the extent that its net assets exceed the paid-up and called-up part of its share capital increased by the reserves which must be maintained pursuant to Dutch law and by the Articles of Association. Any distribution of profits will be made after the adoption of the annual accounts showing that this is permitted. Each shareholder is entitled to dividends *pro rata* the number of Shares held by such Shareholder. For the computation of the profit distribution, the Shares held by the Issuer in its own capital must be excluded. All Shares, including the Offer Shares, carry equal dividend rights.

Subject to certain conditions and pursuant to an interim statement of assets and liabilities, the Board may resolve to pay interim dividends. The statement of assets and liabilities relates to the state of the assets of the Issuer on or after the first day of the third month prior to the month in which the resolution to declare the interim dividend for payment is made known. The Issuer shall deposit the interim statement of assets and liabilities at the office of the Commercial Register within eight days after the day on which the resolution to declare the interim dividend is made known.

The right of a Shareholder to receive profit distributions in cash shall lapse if such profit distribution is not claimed within five years from the date on which it became payable. The cash dividends that were unclaimed will be for the benefit of the Issuer.

Notice of distributions, and of the dates on which they become payable, shall be disclosed in the form of a Current Report and published in a national daily newspaper in the Netherlands and further in such manner as the Board may deem desirable. Please see chapter headed "*Dividends and Dividend Policy*".

Directors

The minimum number of Directors of the Issuer is three and there is no maximum number of Directors. As long as three members of the Board hold office the Board may continue its activities despite a vacancy. If less than three members of the Board hold office the remaining member(s) of the Board will continue to be authorised to represent the Issuer and endeavour to facilitate the appointment of such number of members of the Board as are required to create a quorum of three Directors.

Members of the Board are appointed, suspended and dismissed by the Shareholders' Meeting.

The Board may appoint directors and grant the title "executive director" or "non-executive director". The Board may appoint one of the executive Directors as a chief executive officer (CEO). The Board will be presided over by the chairman who shall be appointed by the Board. The Board may revoke such appointment at any time.

The Issuer is represented by the Board as a whole. In addition, one executive director acting jointly with one non-executive director as well as two executive directors acting jointly shall have the power to represent the Issuer. If a Director has a personal conflict of interest with the Issuer, the Issuer may be represented by the other Directors (in accordance with the rules set out in the first sentence of this paragraph), unless the Shareholders' Meeting appoints another person for that purpose to represent the Issuer. In the event that a Director has a conflict of interest vis-à-vis the Issuer in any other manner than as described in the first sentence of this paragraph, the Issuer may be represented by the other Directors (in accordance with the rules set out in the first sentence of this paragraph). Furthermore, one or more of the non-executive directors may decide that any executive director who holds a position in the Issuer's (direct or indirect) parent company has a conflict of interest regarding a particular matter. If any of the non-executive directors so determines, the conflicted Director shall not participate in deliberations or vote on the matter in respect of which a conflict exists.

The Shareholders' Meeting will determine the principles of the remuneration policy and other employment conditions in respect of members of the Board. The salary, bonus, and any other kind of remuneration of the members of the Board shall, with due observance of the provision of the policy referred to in the first sentence of this paragraph, be determined by the Board. Regarding the remuneration in the form of Shares or the right to acquire Shares as well as changes thereto, the Board will submit a proposal to the Shareholders' Meeting for its approval. The proposal shall include at least the number of Shares or rights to acquire Shares that may be awarded to members of the Board and which criteria apply to awards or their modifications. Please see "*Management and Employees—Powers, composition and functioning of the Board*" for more detailed information relating to the Board.

Board Meetings

The Board will meet at least four times per year or whenever one of the Directors has requested a meeting. Resolutions of the Board shall be taken with a simple majority of the votes cast in a meeting where at least half of the members of the Board are present or represented. Each director has the right to cast one vote. In the event of a tie vote, the Chairman will not have the deciding vote and the proposal will be deemed to have been rejected. A resolution can be passed without a meeting if all the Directors consent in writing to the proposal. Subject to Dutch law, the Articles of Association and any applicable regulation, the Board may entrust and assign certain powers to one or more of its members or a committee made up of some of its members.

The Board is in charge of the management of the Issuer. The executive Directors are charged with the daily management of the Issuer, subject to the overall responsibility of the Board. The non-executive Directors are responsible for supervising the day-to-day management of the Issuer. If one or more members of the Board is/are absent or unable to act, the remaining members or sole member of the Board will be temporarily charged with the management of the Issuer. If all members of the Board are absent or unable to act, the Shareholders in a Shareholders' Meeting will appoint a person who will be temporarily charged with the management of the Issuer.

The Board will establish an Audit and Risk Management Committee, Investment Committee, Remuneration and Selection and Appointment Committee as well as such other committees as it may deem fit upon the closing of the Offering. The Board has drawn up a set of rules and regulations for these committees. The members of each committee shall be appointed from among the members of the Board, provided that the executive Directors may not be appointed as members of the Audit and Risk Management Committee nor as members of the Remuneration Committee or the Selection and Appointment Committee. The task of each committee will be to prepare the resolutions of the Board and to make proposals to the Board. No committee will have any executive power.

Indemnity

The Issuer may, upon and subject to the approval by the Shareholders' Meeting, indemnify and hold harmless current and former members of its Board for reasonable costs of conducting a defence against claims based on acts or failures to act in the exercise of their duties or any other duties currently or previously performed by them at the request of the Issuer; any damages or fines payable by them as a result of an act or failure to act in the exercise of their duties or any other duties currently or previously performed by them at the request of the Issuer; and reasonable costs of appearing in other legal proceedings in which they are involved as current or former members of the Board, with the exception of proceedings primarily aimed at pursuing a claim on their own behalf.

There will be no entitlement to reimbursement to the extent that a Dutch court has established in a final and conclusive decision that the act or failure to act of the person concerned may be characterised as wilful (*opzettelijk*), intentionally reckless (*bewust roekeloos*) or seriously culpable (*ernstig verwijtbaar*) conduct, unless this would, in view of the circumstances of the case, be unacceptable according to standards of reasonableness and fairness; or the costs or financial loss of the person concerned are covered by an insurance and the insurer has paid out the costs or financial loss. The Issuer may take out liability insurance for the benefit of the persons concerned. For further information relating to indemnification of Directors, please refer to "*Management and Employees—Indemnity and Insurance*".

Shareholders' Meetings and voting rights

The annual Shareholders' Meeting shall be held within six months after the end of each financial year. The Issuer's financial year is equal to a calendar year.

An Extraordinary Shareholders' Meeting may be convened, whenever the Issuer's interests so require, by the Board. Shareholders representing alone or in aggregate at least one-tenth of its issued and outstanding share capital may, pursuant to the Dutch Civil Code and the Articles of Association, request the district court to authorise such shareholder to convene an Extraordinary Shareholders' Meeting.

The notice convening any Shareholders' Meeting will be sent no later than 42 days prior to the meeting and will include the agenda, place, date and time of the Shareholders' Meeting, the procedure for participation in the Shareholders' Meeting and the exercise of voting rights.

Holders of Shares who, alone or in the aggregate, own shares representing at least 1% of the Issuer's issued and outstanding capital or a value of at least EUR 50 million, have the right to request the Board to place items on the agenda of the Shareholders' Meeting. If such proposals are submitted to the Board in time for the Board to put these proposals on the agenda for the next meeting, or announce them prior to the meeting by means of a supplementary notice with due observance of the aforementioned notice period, and such proposal are motivated, the Board will be obliged to do so to the extent that this does not contravene the principles of reasonableness and fairness.

All notices of Shareholders' Meetings, all announcements concerning dividend and other distributions, and all other announcements to holders of shares shall be effected by means of a Current Report distributed through the regular channels or a publication in a nationally distributed daily newspaper in the Netherlands and/or on the Issuer's website.

A statutory registration date set at the twenty-eighth date prior to the Shareholders' Meeting applies to establish which Shareholders are entitled to attend and vote in the Shareholders' Meeting.

Each Share entitles the holder thereof to cast one vote. Each Shareholder entitled to vote, and each usufructuary and pledgee to whom the right to vote on the Shares accrues, shall be authorised to attend the Shareholders' Meeting, to address the Shareholders' Meeting and to exercise his voting rights. Shareholders may vote by proxy. The voting rights attached to the Shares held by the Issuer, if any, are suspended as long as they are held in treasury.

Decisions of the Shareholders' Meeting are taken by an absolute majority of votes cast, except where Dutch law or the Articles of Association provides for a qualified majority.

Pre-Meetings

The Issuer intends to hold in Poland preliminary meetings with shareholders ("**Pre-Meetings**") not more than 10 business days and not less than 1 business day prior to the date of each Shareholders' Meeting.

The agenda of the Pre-Meeting will be identical with the agenda of the Shareholders' Meeting which follows the Pre-Meeting. Invitation to the Pre-Meeting will be published in Poland by way of a press release and a Current Report. The invitation to a Pre-Meeting may be published simultaneously with the invitation to the Shareholders' Meeting. Shareholders may participate, ask questions, review documents and vote on the Pre-Meetings on terms identical to those applicable to the Shareholders' Meeting. Shareholders present or represented at the Pre-Meeting will be able to appoint proxies (indicated by the Board) to cast on behalf of shareholders votes at the Shareholders' Meeting which follows the Pre-Meeting.

Shareholder resolutions which require a super majority

Unless otherwise required by the Articles of Association or Dutch law, all resolutions of the Shareholders' Meeting shall in principle be adopted by an absolute majority of votes cast, unless it concerns certain explicitly described matters, in which case a super majority is required, which, amongst others, include:

- (i) limitation or exclusion of pre-emptive rights or designation of the Board as the authorised corporate body to adopt a resolution on limitation or exclusion of pre-emptive rights;
- (ii) reduction of the Issuer's share capital;
- (iii) dissolution of the Issuer; and
- (iv) amendment of the Articles of Association.

Resolutions of the Board which require prior approval by the Shareholders' Meeting

Resolutions of the Board regarding a significant change in the identity or nature of the Issuer or its business, will require the approval of the Shareholders' Meeting, including in any event:

- (i) the transfer of the entire business or the majority of the business of the Issuer to a third party;
- (ii) the conclusion or cancellation of any long-lasting cooperation by the Issuer or a subsidiary (*dochtermaatschappij*) with any other legal person or company or as a fully liable general partner of a limited partnership or a general partnership, *provided that* such cooperation or the cancellation thereof is of essential importance to the Issuer; and
- (iii) the acquisition or disposal of a participating interest in the capital of a company, such interest having a value of at least one-third of the sum of the assets according to the consolidated balance sheet with explanatory notes thereto according to the last adopted annual accounts of the Issuer, by the Issuer or a subsidiary.

The absence of an approval as referred to above does not affect the representative authority of the Board or of the members of the Board.

Amendment of the Articles of Association

The Shareholders' Meeting may resolve to amend the Articles of Association. A resolution to amend the Articles of Association other than on the proposal of the Board, shall only be valid if it is adopted at a(n) (Extraordinary) Shareholders' Meeting in which at least three-quarters of the issued share capital is represented and with a majority of at least two-thirds of the votes cast. A resolution to amend the Articles of Association on the proposal of the Board shall be adopted by an absolute majority of the votes cast, irrespective of the capital present or represented at the meeting.

If a proposal to amend the Articles of Association is to be made to the Shareholders' Meeting, this shall always be stated in the notice convoking the meeting at which that proposal is to be considered. Simultaneously, a copy of the proposal, containing the proposed amendment verbatim, must be deposited at the office of the Issuer and must be and remain open to the inspection of every Shareholder until the dissolution of that meeting. During the aforesaid period Shareholders may obtain copies of the proposal free of charge.

Statutory Merger and Statutory Demerger

The Shareholders' Meeting may resolve that the Issuer enters into a statutory merger or demerger (which term includes both a split-up and a spin-off), subject to a proposal by the Board. In the event the Issuer is the acquiring company, the Board may resolve to enter into a statutory merger or demerger, unless one or more shareholders representing at least 5% of the Issuer's issued and outstanding share capital request the Board within one month of the announcement of the merger or demerger, to convene an Ordinary or Extraordinary Shareholders' Meeting in order to resolve on the merger or demerger.

Dissolution and Liquidation

The Issuer may only be dissolved by a resolution of the Shareholders' Meeting, subject to a proposal by the Board. In the event of dissolution, the Issuer's business will be liquidated in accordance with Dutch law and the Articles of Association, and the members of the Board will (unless otherwise determined by the Shareholders' Meeting) become liquidators. During liquidation, the provisions of the Articles of Association will remain in force to the extent possible. The balance of the Issuer's remaining equity after payment of debts and liquidation costs will be distributed to the Shareholders in proportion to the number of ordinary shares that each Shareholder holds.

Dutch Corporate Governance Code

On 9 December 2003, the Dutch Corporate Governance Committee, also known as the Tabaksblat Committee, released the Dutch Corporate Governance Code which was subsequently updated effective as per 1 January 2009. The Dutch Corporate Governance Code contains 21 principles and 113 best practice provisions for management boards, supervisory boards, shareholders and general meetings of shareholders, financial reporting, auditors, disclosure, compliance and enforcement standards.

Dutch companies listed on a stock exchange or, under circumstances, on a multilateral trading facility, whether in the Netherlands or elsewhere, are required under Dutch law to disclose in their annual reports whether or not they apply the provisions of the Dutch Corporate Governance Code and, if they do not apply, to explain the reasons why. The Dutch Corporate Governance Code provides that if a company's general meeting of shareholders explicitly approves the corporate governance structure and policy and endorses the explanation for any deviation from the best practice provisions, such company will be deemed to have applied the Dutch Corporate Governance Code. The Issuer acknowledges the importance of good corporate governance. The directors have reviewed the Dutch Corporate Governance Code, generally agree with its basic provisions, and have taken and will take any further steps which they consider appropriate to implement the Dutch Corporate Governance Code. The Issuer supports the Dutch Corporate Governance Code and will apply the relevant best practice provisions of the Dutch Corporate Governance Code subject to the exceptions set out below.

Upon Admission, the Issuer's shares will be admitted to listing and trading on the main market of the WSE following which the Issuer will be required to comply with the Dutch Corporate Governance Code. The

Issuer has made an effort in drawing up internal corporate governance regulations that comply, to the extent possible, with the Dutch Corporate Governance Code. Where deviations from the Dutch Corporate Governance Code were found to be necessary, such has been indicated below and will furthermore be indicated in the Issuer's annual report and accounts. Non-application of a specific best practice provision is not in itself considered objectionable by the Dutch Corporate Governance Code and may well be justified because of particular circumstances relevant to a company.

Upon completion of the Offering, the Issuer will have six Directors, two of whom are executive Directors and four of whom are non-executive Directors, of whom three are considered to be independent within the meaning of best practice provision III.2.2. of the Dutch Corporate Governance Code. The Board believes that there is a satisfactory balance for the purposes of decision-making at Board level in line with the provisions of the Dutch Corporate Governance Code.

The Issuer has not applied a limited number of best practice provisions from the Dutch Corporate Governance Code, as it has found them not to be in the interest of the Issuer and its stakeholders.

The best practice provisions currently not applied by the Issuer are:

- (i) Best practice provision II.2.4 stipulates *inter alia* that if options are granted, they shall, in any event, not be exercised in the first three years after the date of granting. The number of options to be granted shall be dependent on the achievement of challenging targets specified beforehand. The Issuer deviates from this best practice provision as one third of the options granted by the Issuer to eligible executives director under the Employee Share Option Plan vests on the second anniversary of the date of award. The options that are currently granted to eligible executive directors are also not dependent on the achievement of targets specified beforehand. The Issuer believes that the current terms of its Employee Share Option Plan are an important incentive to attract individuals with the required level of skills and expertise.
- (ii) Best practice provision II.2.8 stipulates *inter alia* that the remuneration of a management board member in the event of dismissal may not exceed one year's salary (the 'fixed' remuneration component). If the maximum of one year's salary would be manifestly unreasonable for a management board member who is dismissed during his first term of office, such board member shall be eligible for severance pay not exceeding twice the annual salary. The engagement terms of the executive Directors are governed by Israeli employment law, which may require the Issuer to provide severance pay that exceeds the maximum levels set out in this best practice provision.
- (iii) Best practice provision III.5.1 stipulates *inter alia* that the terms of reference for each Board committee may provide that a maximum of one member of each committee may not be independent within the meaning of best practice provision III.2.2. The Issuer will strive to ensure that a maximum of one member of each committee is not independent, but this may not at all times be possible given the current Board composition comprising of three independent directors with different areas of expertise.
- (iv) Best practice provision III.8.4 stipulates *inter alia* that the majority of the members of the management board shall be non-executive directors and are independent within the meaning of best practice provision III.2.2. The Board currently consists of three independent non-executive Directors, representing half of the Board. The Issuer believes that this Board composition adequately reflects its current group structure with one controlling shareholder.
- (v) Best practice provision IV.3.1 stipulates *inter alia* that provision shall be made for all shareholders to follow these meetings and presentations in real time, for example by means of webcasting or telephone. Considering its size, the Issuer will not make provisions of all shareholders to follow the shareholders' meetings in real time as this would create an excessive burden for the Issuer to facilitate this.

Polish Corporate Governance

The Good Practices of WSE Listed Companies, which were adopted by the board of the WSE on 19 May 2010 and which came into effect on 1 July 2010, are a set of corporate governance rules for public companies whose securities are listed on the WSE. In accordance with the introduction to the Good Practices of WSE Listed Companies, such rules are intended to increase the transparency of public companies, improve the quality of communication between companies and investors, as well as contribute to increased shareholder protection.

The Good Practices of WSE Listed Companies set out the principles of investor relations in order to promote corporate governance among public companies. The Good Practices of WSE Listed Companies include non-binding recommendations related to the good practices of listed companies and guidelines based on the “comply” or “comply or explain” principle: (i) the recommendations related to the good practices of listed companies; (ii) good practices implemented by the management boards of listed companies; (iii) good practices applied by supervisory board members; and (iv) good practices applied by shareholders. The recommendations related to the good practices of listed companies, good practices of management boards, supervisory boards and shareholders, are reflected in the annual reports published by public companies with respect to their compliance with corporate governance guidelines.

Pursuant to Article 29 section 3 of the WSE Rules, should a specific governance rule not be applied by a public company on a permanent basis or be violated incidentally, a public company must publish a current report specifying under what circumstances and for what reasons a rule has not been applied, as well as how a public company intends to address the effects, if any, of not having applied a given rule or what steps it intends to take to mitigate the risk of the corporate governance rules not being applied in the future. The current report should be published on the public company’s official website and in conformity with the guidelines applied to submission of such public company’s current reports pursuant to the Current and Periodic Information Regulation. The obligation to publish the current report should be performed as soon as the public company becomes reasonably convinced that a given rule was not applied or will not be applied and, in any case, promptly after an event representing a breach of a corporate governance rule has taken place.

The Management Board intends that, in the future, the Issuer will comply with the rules of corporate governance provided in the Good Practices of WSE Listed Companies, with exceptions set forth below. If any of the rules of corporate governance provided in Good Practices of WSE Listed Companies are not complied with by the Issuer, the Issuer will announce such non-compliance as required by the WSE Rules in the form of a current report.

As of the date of Prospectus the Issuer does not intend to comply with the following rules of corporate governance contained in the Good Practices of WSE Listed Companies due to the fact that Issuer will not have a Supervisory Board: Rule II.1.6 (the publishing of annual reports on the activity of a supervisory board), Rule II.1.11 (the publishing of information known to the management board based on a statement by a member of the supervisory board on any relationship of a member of the supervisory board with a shareholder who holds shares representing not less than 5% of all votes at the Issuer’s general meeting), Rule II.3 (before a company executes a significant agreement with a related entity, its management board shall request the approval of the transaction/agreement by the supervisory board), Rule III.1 (the obligation of a supervisory board to (i) once a year prepare and present to the ordinary general meeting a brief assessment of the company’s standing; (ii) once a year prepare and present to the ordinary general meeting an evaluation of its work; (iii) review and present opinions on issues subject to resolutions of the general meeting), Rule III.2 (a member of a supervisory board should submit to the company’s management board information on any relationship with a shareholder who holds shares representing not less than 5% of all votes at the general meeting), Rule III.3 (a general meeting should be attended by members of the supervisory board who can answer questions submitted at the general meeting), Rule III.4 (a member of a supervisory board should notify any conflicts of interest which have arisen or may arise to the supervisory board and should refrain from taking part in the discussion and from voting on the adoption of a resolution on the issue which gives rise to such a conflict of interest), Rule iii.5 (a member of a supervisory board should not resign from this function if this action could have a negative impact on the supervisory board’s capacity to act, including the

adoption of resolutions by the supervisory board), Rule III.6 (at least two members of a supervisory board should meet the criteria of being independent from the company and entities with significant connections with the company), Rule III.8 (Annex I to the Commission Recommendation of 15 February 2005 on the role of non-executive or supervisory director should apply to the tasks and the operation of the committees of a supervisory board), Rule III.9 (execution by a company of an agreement/transaction with a related entity which meets the conditions of section II.3 requires the approval of the supervisory board).

In addition, the Issuer does not intend to comply with the following rules of corporate governance contained in the Good Practices of WSE Listed Companies: Rule II.1.3 (publish current and periodic reports) , Rule II.1.8 (publishing information about the reasons for cancellation of a general meeting, a change of its date or agenda together with grounds), Rule II.1.9 (publishing information about breaks in a general meetings and the grounds for those breaks), Rule II.8 (if the management board of a company receives notice of the convocation of a general meeting based on Art. 399 § 2-4 of the Polish Commercial Companies Code, the management board must immediately take all the steps required in connection with the organisation and holding of a general meeting), Rule IV.7 (a resolution of the general meeting concerning a conditional dividend payment may only contain such conditions whose potential fulfilment must take place before the date of setting the right to dividend) and Rule IV.10 (a company should enable its shareholders to participate in the general meeting using electronic means of communication).

Disclosure of Information

Issuers of securities for which the Republic of Poland is a host state, within the meaning of the Public Offering Act, are subject to the disclosure requirements specified in the legislation in force in the home state of such issuers. Therefore, in the case of the Issuer, the scope of insider, current and periodic information (including the content of annual reports, semi-annual reports and quarterly reports) to be disclosed, as well as the timing of such disclosure, is governed by the laws of the Netherlands, as the Netherlands is its home state.

The Issuer will be required to have its annual accounts prepared and made available for adoption by the Shareholders' Meeting within four months after the end of each financial year and its half-yearly figures within two months after the end of the first six months of each financial year. The annual accounts shall be accompanied by an auditor's statement, the annual report and certain additional information required under Dutch law. Upon adoption of the annual accounts by the Shareholders' Meeting, the annual accounts shall be sent to the AFM within five days following adoption.

Issuers of securities admitted to trading on a regulated market in the Republic of Poland, such as the Issuer, are required to communicate any insider information to the AFM, PFSA, WSE and to the public (through a press release), as well as to post such information on their website. Insider information is any information of a precise nature relating (directly or indirectly) to one or more issuers of financial instruments, one or more financial instruments, or acquisition or disposal of such instruments, which has not been made public and which, if made public, would be likely to have a significant effect on the prices of financial instruments or related derivative financial instruments.

In addition, issuers of securities for which the Republic of Poland is the host state are required to communicate any current and periodic information to the PFSA, WSE and to the public (through a Current Report). However the content of such information is determined by the laws of the home state of such issuer, being the Netherlands.

Under the Public Offering Act, insider, current and periodic information may be disclosed by issuers for which the Republic of Poland is a host state in either Polish or English at the discretion of such issuers.

Upon admission of the Shares to trading on the WSE, the Issuer will be bound by the above-mentioned disclosure requirements.

Obligations of Shareholders to Make a Public Offer

In accordance with Directive 2004/25/EC of the European Parliament and of the Council of the European Union (the "**Takeover Directive**") each Member State should ensure the protection of minority shareholders

by obliging the person that acquires control of a company to make an offer to all the holders of that company's voting securities for all their holdings at an equitable price. The Takeover Directive applies to all companies governed by the laws of a Member State of which all or some voting securities are admitted to trading on a regulated market in one or more Member States. The laws of the Member State in which a company has its registered office, being the Netherlands, will determine the percentage of voting rights that is regarded as conferring control over that company. As Poland has not yet fully implemented Directive 25/2004/EC, Polish securities regulations may apply to tender offers carried out with respect to the shares of the Issuer to a larger extent than in other EU member states.

Dutch Mandatory Offer Rules

Under the laws of the Netherlands, the above percentage has been determined to be 30%. Pursuant to Article 5:70 of AFS, a party - whether acting alone or in concert with others - that acquires 30% or more of the voting rights of a company the shares of which are admitted to trading on a regulated market has to make an offer for the remaining shares of that company. This obligation does not apply to shareholders with existing controlling interests of more than 30% of the voting rights at the time that the shares of a company are admitted to listing and trading on a regulated market for the first time.

Polish Mandatory Offer Rules

Purchase of shares authorizing their holder to over 5% or 10% of the total number of votes in a relevant period

Subject to certain exceptions, the acquisition of shares in a WSE-listed company in a number resulting in the holder of shares increasing its share in the total number of votes by more than:

10% of the total number of votes in a period shorter than 60 days by a shareholder whose share in the total number of votes in the company is less than 33%; or

5% of the total number of votes in a period shorter than 12 months by a shareholder whose share in the total number of votes in the company amounts to at least 33%,

may take place solely as a result of launching a tender offer for the sale or exchange of such shares in a number not less than 10% or 5%, respectively, of the total number of votes in the WSE-listed company.

Exceeding the 33% threshold

Exceeding the threshold of 33% of the total number of votes in a WSE-listed company may take place solely by launching a prior tender offer for the sale or exchange of the shares of such WSE-listed company in a number sufficient to acquire 66% of the total number of votes (except in the case when an excess of 33% of the total number of votes takes place as a result of launching a tender offer for the sale or exchange of all the remaining shares of such WSE-listed company).

If the threshold of 33% of the total number of votes was exceeded as a result of: (i) an indirect acquisition of shares; (ii) subscribing for newly issued shares; (iii) the purchase of shares in a public offering; (iv) an in-kind contribution to the company; (v) a merger; (vi) a demerger; (vii) a change to the relevant articles of association; (viii) expiry of the preference of shares; or (ix) the occurrence of a legal event other than a legal action, the shareholder, within three months after obtaining more than 33% of the total number of votes, is obliged to do the following:

- (a) launch a tender offer for the sale or exchange of shares of the company in a number sufficient to acquire 66% of the total number of votes; or
- (b) sell the shares in a number sufficient to reduce its voting rights to no more than 33% of the total number of votes,

unless during that time the share of the shareholder in the general number of votes shall change to not more than 33% of the total number of votes, as a result of a share capital increase, a change to the Articles of Association or the expiry of the preference of the shares, respectively.

Exceeding the 66% threshold

Exceeding the threshold of 66% of the total number of votes in a company may take place solely by virtue of launching a prior tender offer for the sale or exchange of all the remaining shares of a WSE-listed company.

If the threshold of 66% of votes was exceeded as a result of: (i) an indirect acquisition of the shares; (ii) subscribing for newly issued shares; (iii) the purchase of shares in a public offering; (iv) an in-kind contribution to a company; (v) a merger; (vi) a demerger; (vii) a change to the Articles of Association; (viii) expiry of the preference of shares; or (ix) the occurrence of a legal event other than a legal action, the shareholder must, within three months of obtaining more than 66% of the total number of votes launch a tender offer for the sale or exchange of all the remaining shares of a company, unless during that time the share of the shareholder in the general number of votes will change to not more than 66% of the total number of votes, as a result of a share capital increase, a change to the Articles of Association or the expiry of the preference of the shares, respectively.

Parties acting in concert

Polish securities law recognizes the concept of ‘concert parties’, whereby in specified circumstances parties bound by an understanding relating to: (i) the purchasing of shares in a WSE-listed company; (ii) voting in the same agreed manner at the general meeting of the shareholders of a WSE-listed company; or (iii) carrying out a long-term policy with respect to a WSE-listed company, are regarded as one entity and are required to perform the tender offer-related requirements and large shareholding notifications.

Squeeze-out rules

Pursuant to Section 2:92a of the Dutch Civil Code, a shareholder who for his own account holds at least 95% of the issued capital may institute proceedings against the other shareholders jointly for the transfer of their shares to the claimant. The proceedings are held before the Dutch Enterprise Chamber and can be instituted by means of a writ of summons served upon each of the minority shareholders in accordance with the provisions of the Dutch Code of Civil Procedure (*Wetboek van Burgerlijke Rechtsvordering*). The Dutch Enterprise Chamber may grant the claim for squeeze out in relation to all minority shareholders and will determine the price to be paid for the shares, if necessary after appointment of one or three experts, who will offer an opinion to the Dutch Enterprise Chamber on the value to be paid for the shares of the minority shareholders. Once the order to transfer becomes final before the Dutch Enterprise Chamber, the person acquiring the shares must give written notice of the date and place of payment and the price to the holders of the shares to be acquired whose addresses are known to him. Unless the addresses of all of them are known to him, he must also publish the same in a newspaper with a national circulation. In addition, pursuant to Section 2:359c of the Dutch Civil Code, after a public offer, a holder of at least 95% of the outstanding shares and voting rights has the right to require the minority shareholders to sell their shares to him. Any such request to require the minority shareholders to sell their shares must be filed with the Dutch Enterprise Chamber within three months after the end of the acceptance period of the public offer. Conversely, in such a case, each minority shareholder has the right to require the holder of at least 95% of the outstanding shares and voting rights to purchase his shares. The minority shareholders must file such claim with the Dutch Enterprise Chamber within three months after the end of the acceptance period of the public offer.

Obligations of Shareholders to Disclose Holdings*Dutch Notification Obligations*

Shareholders may be subject to notification obligations under the Dutch Act on Financial Supervision and the Decree on the Disclosure of Major Holdings and Capital Interests in Securities-Issuing Institutions (*Besluit melding zeggenschap en kapitaalbelang in uitgevende instellingen*). The following description summarises those obligations. Shareholders are advised to consult with their own legal advisors to determine whether the notification obligations apply to them.

The most important notification requirements for the Issuer's investors with recourse to the AFS are:

any person who, directly or indirectly, acquires or disposes of a capital interest or voting rights in the Issuer must forthwith give written notice to the AFM of such capital interest and/or voting rights. This notification obligation will exist if an acquisition or disposal causes the total percentage of the capital interest and/or voting rights held to reach, exceed or fall below the following thresholds: 5%, 10%, 15%, 20%, 25%, 30%, 40%, 50%, 60%, 75% and 95%;

any person whose capital interest or voting rights in the Issuer reaches, exceeds or falls below a threshold due to a change in the Issuer's outstanding capital, or in votes that can be cast on the Shares as notified to the AFM by the Issuer, should notify the AFM no later than the fourth trading day after the AFM has published the Issuer's notification; and

any person with a capital interest or voting rights in the Issuer reaching or exceeding 5% will be required to notify the AFM of any changes in the composition (actual or potential) of this interest annually within four weeks from 31 December at 24:00 hours.

For the purpose of calculating the percentage of capital interest or voting rights, the following interests must be taken into account: (i) Shares directly held (or acquired or disposed of) by any person, (ii) Shares (or depositary receipts for shares) held (or acquired or disposed of) by such person's subsidiaries or by a third party for such person's account or by a third party with whom such person has concluded an oral or written voting agreement, and (iii) Shares which such person, or any subsidiary or third party referred to above, may acquire pursuant to any option or other right held by such person (or acquired or disposed of including, but not limited to, on the basis of convertible bonds). Non-compliance with the notification obligations could lead to criminal fines, administrative fines, imprisonment or other sanctions.

Special rules apply to attribution of community of property. A pledgee or usufructuary in respect of shares can also be subject to the notification obligations upon the right to vote accruing to such person.

Moreover, each member of the Board must forthwith notify the AFM of any change in his or her holding of Shares and voting rights attached thereto.

Polish Notification Obligations

Shareholders may also be required under Polish law to notify the PFSC and the Issuer regarding a change in the share in the total number of votes by:

if they have reached or exceeded the thresholds of 5%, 10%, 15%, 20%, 25%, 33%, 33 1/3%, 50%, 75% or 90% of the total votes in the company or have decreased their total shareholding below one of the above-mentioned thresholds;

if they already own shares representing more than 10% of the total vote at a general meeting and sell or purchase shares of the Issuer traded on the WSE main market which represent at least 2% of the total vote at a shareholders' meeting;

if they hold shares representing more than 33% of the total vote at a general meeting and sell or purchase shares of the Issuer traded on the WSE main market which represent at least 1% of the total vote at a general meeting.

Other reporting triggers

The above-mentioned disclosure obligations also arise if the above-mentioned thresholds are reached or exceeded as a result of: (a) circumstances other than legal actions (e.g. amendments to the company's statute or shareholder dilution), (b) the acquisition or disposal of financial instruments from which an unconditional right or obligation to acquire the already issued shares of the company arises (i.e. options for existing shares, bonds convertible into existing shares), or (c) an indirect acquisition of shares in the Issuer as defined in the relevant laws (e.g. acquisition of shares by the purchaser's subsidiaries or the takeover over an entity holding shares in the public company).

The aforementioned notification may be made in English.

Following receipt of such notice the Issuer is required to immediately and simultaneously make the information public (through the publication of a periodic report) and deliver it to the PFSC and the WSE (through the electronic system for the WSE-listed issuers, i.e. ESPI).

Insider Regulation

Pursuant to chapter 5.4 of the Dutch Act on Financial Supervision and the rules promulgated pursuant to it in the Market Abuse Decree (*Besluit marktmisbruik Wft*), the Issuer is required to have a code of conduct with rules governing the possession of and transactions in the Issuer's shares.

Such code of conduct, amongst others, should include rules for:

the tasks and powers of the person appointed by the Issuer to carry out the notifications under the disclosure obligation;

the obligations of employees, Executive Directors, Non-Executive Directors and Senior Officers with regard to the possession of and transactions in the Shares; and

if relevant, the period during which the persons as meant in the item above may not conduct or effect transactions in the Shares.

The Issuer must also draw up a list of persons working, under a contract of employment or otherwise, who could have access to inside information, to regularly update this list of persons and to inform persons on this list about the relevant prohibitions and sanctions in respect of insider knowledge and market abuse.

Other Applicable Market Abuse Regulations

Dutch Market Abuse Regulations

Any dealings in or from The Netherlands in the Shares and any other securities whose value is determined by the value of the Shares (including dealings by the Issuer itself) are subject to the provisions of Dutch law regarding insider dealing and market abuse as contained in Chapter 5.4 of the AFS.

In case of violation of the Dutch market abuse regulations, the AFM may take enforcement action. It may impose administrative fines and issue injunctions. Furthermore, the AFM is in principle obliged to publish the fact that it imposes an administrative fine and/or issues an injunction, mentioning the name of the offender. In addition, non-compliance with certain prohibitions and obligations qualifies as a criminal offence.

Polish Market Abuse Regulations

Restrictions on the acquisition and disposal of shares by persons with access to insider information during so called restricted periods

The Polish Act on Trading in Financial Instruments (the “**Trading Act**”) contains restrictions related to financial instrument transactions effected by individuals with access to insider information. During “restricted periods,” such individuals, generally, are prohibited from acquiring or disposing of a relevant issuer's shares, derivative rights attached thereto or other financial instruments related to such shares for their own account or for the account of a third party, and cannot effect any other legal transactions for their own account or for the account of a third party which will lead or could lead to the disposition of such financial instruments.

As defined in the Trading Act, “restricted periods” include: (i) the period between the time when the members of the Board, supervisory board, proxies or attorneys-in-fact of the Issuer, its employees, qualified auditors or other persons related to the Issuer under any contract of mandate or any legal relationship of a similar nature (collectively, “**Primary Insiders**”) obtain insider information related to an issuer or the financial instruments and the time when such information is made public; (ii) in the case of an annual report,

the period of up to two months prior to the publication of such report or, if shorter, the period between the end of a given financial year and the publication of such report, unless a primary insider had no access to the financial data on the basis of which such report was prepared; (iii) in the case of a semi-annual report, the period of up to one month prior to the publication of such report or, if shorter, the period between the end of a given half year and the publication of such report, unless a primary insider had no access to the financial data on the basis of which such report was prepared; and (iv) in the case of a quarterly report, the period of up to two weeks prior to the publication of such report or, if shorter, the period between the end of a given quarter and the publication of such report, unless a primary insider had no access to the financial data on the basis of which such report was prepared.

The PFSA may impose a fine of up to PLN 200,000 on individuals with access to insider information and who violate the above-mentioned restrictions.

At the same time: (i) individuals who are members of a relevant issuer's management or supervisory body or who are its proxies; and (ii) other individuals who hold management positions in the organizational structure of a company, who have permanent access to insider information related to the relevant company (whether directly or indirectly) and are authorized to make decisions related to the company's development and business prospects, are required to notify the PFSA or the company of any transactions executed by them or by individuals related to them for their own account, under which they acquire or dispose of the issuer's shares, derivative rights attached thereto and any other financial instruments related to the shares which are admitted or are seeking to be admitted to trading. The PFSA may impose a fine of up to PLN 100,000 for any violation of the above-mentioned requirement.

Prohibition of financial instruments manipulation

Article 39 of the Trading Act prohibits any manipulation of financial instruments which includes (i) any action taken which may affect the price of a financial instrument through any misleading representation as to the actual supply of, demand for, or price of a financial instrument or the inducement of an artificial price increase or decrease of a financial instrument; (ii) the dissemination and use of false or inaccurate information related to a financial instrument which may be misleading; and (iii) the derivation of financial benefits through the influence of opinions on financial instruments, their issuers or on the price of the financial instruments held, which are expressed in the media on an occasional or regular basis, unless an existing conflict of interest has been fully, reliably and publicly disclosed.

The PSFA may impose a penalty of up to PLN 200,000 or a penalty of up to ten times the financial benefit gained or jointly both penalties on any individual who engages in manipulation events referred to in (ii) or (iii) above. Pursuant to Article 172 of the Trading Act, any individual who engages in collusion with the other individuals for the purpose of manipulation is subject to the same penalty.

As defined in the Trading Act, manipulation excludes the following events: (i) any acquisition by a public company or an entity acting on behalf of a public company of its own shares for its own account; *provided that* such acquisition is carried out in the manner, time and pursuant to the terms specified in the Stabilising Regulation; or (ii) any acquisition of financial instruments with a view to stabilising their prices in trading on a regulated market, provided that the acquisition is carried out in the manner, time and pursuant to the terms specified in the Stabilising Regulation.

Entities that operate in the financial services sector, such as investment companies, domestic banks and branches of credit institutions, are required to notify the PFSA immediately should any reasonable suspicion arise that an instance of manipulation has occurred.

DIVIDENDS AND DIVIDEND POLICY

The Issuer's current policy is to use profits for the growth and development of its business, rather than for distribution of dividends. However, the Issuer does not rule out paying dividends in the future. The payment and amount of any future dividends will depend on the Board's assessment of factors such as long-term growth and earnings trends, the need for sufficient liquidity, the need for investment in the Issuer's asset base, the existence of alternative profitable investment opportunities and the Issuer's financial position in general, including any limitations related to the Issuer's financing agreements which might restrict its right to pay dividends.

Since its incorporation, the Issuer has not paid any dividends to its shareholders.

For more information relating to dividend payments please see "*Description of Share Capital and Corporate Governance— Dividends and other distributions*"

THE POLISH SECURITIES MARKET

Capital market regulations

The Polish securities market is governed by various Polish laws and regulations, including the Public Offering Act, the Trading Act, the WSE Rules, the NDS Rules and the Detailed Exchange Trading Rules. In addition, the Capital Market Supervision Act and the Financial Market Supervision Act set forth the principal provisions governing the PFSA's supervision of the Polish securities market.

An application for admission to trading and flotation on the main market of the official stock exchange operated by the WSE will be submitted with respect to the Shares, including the Offer Shares. For additional information, see "*Terms and Conditions of the Offering*."

Trading in financial instruments and settlement of transactions

Dematerialisation

Pursuant to Article 5 of the Trading Act, the Offer Shares to be offered in the Offering and the Shares whose admission to trading on the WSE will be sought will exist in dematerialised form (not in bearer form) and they will be registered in the securities depository operated by NDS, a Polish deposit and clearing institution, pursuant to a securities registration agreement between NDS and the Issuer.

Rights attached to such dematerialised Shares arise and are vested at the moment of their recording for the first time in a holder's securities account. Securities accounts into which dematerialised securities are entered are maintained by, among others, brokerage houses and banks conducting brokerage operations, who are participants of the securities depository.

Mechanism of concluding exchange transactions

Trading in the shares listed on the WSE is effected through investment firms, including brokerage houses, banks conducting brokerage operations and foreign investment firms, using an electronic transaction system.

A list of buy and sell orders is compiled for the purpose of determining the price of a financial instrument that is the subject of an exchange transaction. Exchange transactions are concluded during trading sessions through the matching of purchase and sale orders other than block trades, which are discussed in detail below.

Settlement of exchange transactions

Exchange transactions in the shares are settled on a delivery versus payment basis, generally on a T + 3 basis. Investors should hold investment accounts (including a securities account and a cash account) with an investment company or a custodian bank for the purpose of concluding exchange transactions.

Schedule of trading sessions

Exchange transactions (other than block trades which are described below) may be concluded from 8:30 a.m. to 4:35 p.m., Warsaw time, Monday through Friday, except on bank holidays, as part of trading in the continuous trading system and the single-price auction system with one auction or two auctions. In limited circumstances, the WSE management board may change the hours of trading.

In the case of the continuous trading system, the following rules apply, in the order of priority specified below, when determining opening and closing prices:

- maximisation of the volume of trade;
- minimisation of the difference between the number of securities in sell orders and in buy orders which may be executed at a determined price; and
- minimisation of the difference between the price being determined and the reference price.

The above-mentioned principles are also applied to the single-price auction system, where the single price is determined based on brokers' limit orders and brokers' orders without price limits.

The Issuer intends to trade its Shares in the continuous trading system.

Price variation limits

Static and dynamic price variation limits are applied on the WSE with respect to the continuous trading system and the single-price auction system. These limits are designed to protect investors against the excessive volatility of prices on the WSE and do not permit abrupt changes in the price of a given financial instrument and the price at which exchange transactions are concluded, other than the scope of price changes permissible during a given trading session.

Block trades

Block trades are executed outside the continuous trading system and outside the single-price system and may be executed only on the days on which trading sessions are held; provided that trading in the relevant financial instrument has not been suspended.

A block trade may be executed if a seller and a buyer have agreed such transaction's parameters, in particular: the price of the financial instrument, the number of financial instruments to be included in the transaction and the settlement date. In addition, at least one exchange member must submit a buy order and a sell order for the same number of financial instruments (except for derivative instruments) at the same price and with the same settlement date, and the block trade must involve financial instruments with a value of at least:

- PLN 250,000 in the case of shares included in the WIG20 index (index of generally the 20 largest and most liquid listed companies on the WSE); or
- PLN 100,000 in the case of other financial instruments.

In addition, the maximum difference between the price at which the block trade is being executed and the last price of the relevant financial instrument from a trading session cannot exceed 10%.

Block trades executed outside normal trading hours may also be made if the difference in the price of such transaction does not exceed 40% of the volume-weighted average price of all transactions executed on a given trading session.

In limited circumstances, the WSE management board may permit a block trade that does not meet the above-mentioned minimum value and price deviation criteria, if such transaction involves at least 5% of the relevant public company's securities that are listed on the WSE.

TAXATION

This taxation summary solely addresses the principal Dutch and Polish tax consequences of the acquisition, ownership and disposal of Shares and is included for general purposes only. It does not consider every aspect of taxation that may be relevant to all categories of investors, some of which may be subject to special treatment under applicable law (such as trusts or similar arrangements). Any potential investor should consult its own tax adviser with regard to the tax consequences of investing in the Shares in their particular circumstances.

Dutch taxation

This summary does not describe the tax consequences for holders of Shares if:

- such holders are deemed to hold Shares pursuant to article 2.14a of the Dutch Income Tax Act 2001 (*Wet inkomstenbelasting 2001*);
- such holders, and in the case of individuals, his/her partner as defined in article 1.2 of the Dutch Income Tax Act 2001 (*Wet inkomstenbelasting 2001*) (partner) or certain of their relatives by blood or marriage in the direct line (including foster children), have or are deemed to have a substantial interest in the Issuer under the Dutch Income Tax Act 2001 (*Wet inkomstenbelasting 2001*). Generally, a holder of securities is considered to have a substantial interest in a company, if such holder alone or, in the case of an individual, together with his/her partner, directly or indirectly holds (i) a number of shares representing 5 % or more of the Issuer's total issued and outstanding capital (or the issued and outstanding capital of any class of the shares), or (ii) rights to acquire, directly or indirectly, such interest, or (iii) profit participating certificates (*winstbewijzen*) relating to 5 % or more of the Issuer's annual profit or to 5 % or more of the Issuer's liquidation proceeds. Generally, a deemed substantial interest arises if a substantial interest (or part thereof) in a company has been disposed of, or is deemed to have been disposed of, on a non-recognition basis;
- such holders are individuals for whom the Shares or any benefit derived from the Shares have any connection with such individual's past, present or future employment or have a connection with such holder's membership of a management board (*bestuurder*) or a supervisory board (*commissaris*);
- such holders are individuals who derive benefits from the Shares that are taxable as benefits from miscellaneous activities (*resultaat uit overige werkzaamheden*), which includes activities that exceed normal portfolio management (*normaal vermogensbeheer*);
- such holders are corporate entities that derive benefits from the Shares that are exempt under the participation exemption as laid down in the Dutch Corporation Tax Act 1969 (*Wet vennootschapsbelasting 1969*) or would have been exempt under the participation exemption if such holder were a taxpayer in the Netherlands. This may, inter alia, be the case if such a holder has a shareholding of 5 % or more in the Issuer's nominal paid-up share capital; and
- such holders are pension funds, exempt investment institutions (*vrijgestelde beleggingsinstellingen*), investment institutions (*fiscale beleggingsinstellingen*) and other entities that are exempt from corporation tax in the Netherlands or another state of the European Union, Norway or Island.

Taxes on income and capital gains – resident shareholders

If a holder of Shares is an individual who is resident or deemed to be resident in the Netherlands, including an individual who elected to be treated as a resident of the Netherlands for Dutch income tax purposes (a “**Dutch Resident Individual**”), any benefit derived or deemed to be derived from the Shares (including capital gains realized on the disposal thereof) will be subject to Dutch income tax at progressive rates (max. 52%) if the Shares are attributable to an enterprise from which the Dutch Resident Individual derives profits as an entrepreneur or pursuant to a co-entitlement to the net worth of such enterprise, other than as an entrepreneur or a shareholder.

If the abovementioned does not apply to a Dutch Resident Individual holder of Shares, the Dutch Resident Individual's Shares will be subject to a fictitious yield tax regime. Irrespective of the actual income and/or capital gains, the annual taxable benefit of all the assets and liabilities of a Dutch Resident Individual that are

taxed under such regime including, as the case may be, the Shares, is set at a fixed percentage. This percentage is 4% of the average fair market value of these assets and liabilities at the beginning and at the end of every calendar year (minus a tax-free amount). The tax rate applicable under the fictitious yield tax is 30%.

If a holder of Shares is a corporate entity (*lichaam*) that is resident or deemed to be resident in the Netherlands for Dutch corporation tax purposes (a "**Dutch Resident Entity**"), any benefits derived or deemed to be derived from the Shares (including any capital gains realized on the disposal thereof) are generally subject to corporation tax at a rate of 25.5% (a rate of 20% applies with respect to taxable profits up to EUR 200,000).

Taxes on income and capital gains - non-resident shareholders

A holder of Shares that is neither a resident nor deemed to be a resident in the Netherlands (and, if such person is an individual, he or she has not elected to be treated as a resident of the Netherlands for Dutch income tax purposes), will not be subject to any Dutch taxes on income or capital gains in respect of any benefits derived or deemed to be derived from Shares, including any capital gain realised on the disposal thereof, provided that such holder does not have an interest in an enterprise or deemed enterprise which, in whole or in part, is either effectively managed in the Netherlands or is carried out through a permanent establishment, a deemed permanent establishment or a permanent representative in the Netherlands and to which enterprise or part thereof the Shares are attributable.

Dividend withholding tax

The Issuer is generally required to withhold Dutch dividend withholding tax at a rate of 15% from dividends distributed by the Issuer. The concept "dividends distributed by the Issuer" as used in this section "Dutch Taxation" includes, but is not limited to, the following:

- distributions in cash or in kind, deemed and constructive distributions and repayments of capital not recognised as paid-in for Dutch dividend withholding tax purposes;
- liquidation proceeds and proceeds of repurchase or redemption of shares in excess of the average capital recognised as paid-in for Dutch dividend withholding tax purposes;
- the par value of shares issued by the Issuer to a shareholder or an increase of the par value of shares, as the case may be, to the extent that it does not appear that a contribution, recognised for Dutch dividend withholding tax purposes, has been made or will be made; and
- partial repayment of capital, recognised as paid-in for Dutch dividend withholding tax purposes, if and to the extent that there are net profits (*zuivere winst*), unless (a) the general meeting of the Issuer's shareholders has resolved in advance to make such repayment and (b) the par value of the shares concerned has been reduced by an equal amount by way of an amendment to the Issuer's articles of association.

If a holder of Shares, whether an individual or an entity, is resident in a country other than the Netherlands and if a treaty for the avoidance of double taxation with respect to taxes on income is in effect between the Netherlands and that country, and the shareholder is a qualifying resident for purposes of such treaty, such shareholder may, depending on the terms of that particular treaty, qualify for full or partial relief at source or for a refund (in whole or in part) of the Dutch dividend withholding tax.

Dutch Resident Individuals (other than individuals who elected to be treated as a resident of the Netherlands for Dutch income tax purposes) and Dutch Resident Corporate Entities may generally credit the withholding tax against their personal income tax or corporation tax liability and are generally entitled to a refund of dividend withholding taxes exceeding their aggregate personal income tax or corporation tax liability, unless such individual or such entity is not the beneficial owner of the dividend. The same generally applies to holders of Shares that are neither resident nor deemed to be resident of the Netherlands if the Shares are attributable to a permanent establishment or permanent representative in the Netherlands of such non-resident holder.

Based on a legal provision, a recipient of dividends will not be considered the beneficial owner thereof if as a consequence of a combination of transactions:

- a person other than the recipient wholly or partly benefits from the dividends;
- the recipient is entitled to a larger reduction or refund of dividend withholding tax than such person; and
- such person retains, whether directly or indirectly, an interest in the shares on which the dividends were paid comparable with his position in similar shares before such combination of transactions.

The term combination of transactions includes the sole acquisition of one or more dividend coupons and the establishment of short-term rights of enjoyment on Issuer's Shares, while the transferor retains the ownership of the Shares. The provisions apply to the transfer of the Issuer's Shares and dividend coupons and also to transactions that have been entered into in the anonymity of a regulated stock market. The Dutch State Secretary of Finance takes the position that the definition of beneficial ownership also applies in the context of a treaty for the avoidance of double taxation.

Gift and inheritance taxes

If a shareholder disposes of the Shares by way of gift, in form or in substance, or if he dies, no Dutch gift tax or Dutch inheritance tax, as applicable, will be due, unless:

- the donor is, or the deceased was, resident or deemed to be resident in the Netherlands for purposes of Dutch gift tax or Dutch inheritance tax, as applicable; or
- the donor made a gift of Shares, then became a resident or deemed resident of the Netherlands, and died as a resident or deemed resident of the Netherlands within 180 days of the date of the gift; or
- the transfer is otherwise construed as a gift or inheritance made by, or on behalf of, a donor who, at the time of the gift or the death, is or deemed to be resident of the Netherlands.

For the purposes of Dutch gift and inheritance tax, amongst others, a person that holds the Dutch nationality will be deemed to be resident in the Netherlands if such person has been resident in the Netherlands at any time during the ten years preceding the date of the gift or his death. Additionally, for the purposes of Dutch gift tax, amongst others, a person not holding the Dutch nationality will be deemed to be resident in the Netherlands if such person has been resident in the Netherlands at any time during the preceding the date of gift. Applicable tax treaties may override deemed residency.

Other taxes and duties

No Dutch registration tax, transfer tax, stamp duty or any other similar documentary tax or duty, other than court fees, is payable in the Netherlands by the Issuer's shareholder in respect of or in connection with (i) the subscription, issue, placement, allotment, delivery of Shares, (ii) the delivery and/or enforcement by way of legal proceedings (including the enforcement of any foreign judgment in the courts of the Netherlands) of the documents relating to the issue of Shares or the performance by the Issuer of the Issuer's obligations under such documents, or (iii) the transfer of Shares.

Polish taxation

Taxes on income and capital gains – Polish resident shareholders

The summary set out in this section solely deals with the prospective shareholders who are resident or deemed to be resident in the Republic of Poland. The below comments do not apply to the taxation in Poland of non-resident shareholders.

Capital gains derived from the disposal of shares – Polish individuals

In accordance with Article 3, section 1 of the Personal Income Tax Act, individuals, provided that they reside within the territory of the Republic of Poland ("**Polish Individuals**"), are liable to pay tax on all of their income (revenue) regardless of the location of the source of revenues (unlimited tax obligation). A Polish Individual is any individual who (i) has the centre of their personal or economic interests (centre of life interests) within the territory of Poland; or (ii) resides within the territory of Poland for more than 183 days in any tax year.

In case of disposal by a Polish Individual of property located in another country, the tax treaty between Poland and that country applies. According to Article 13, section 4 of the Netherlands - Poland tax treaty (the

“**Tax Treaty**”), gains from the disposal of shares are taxed exclusively in the country in which the person disposing of the property is resident. Thus, income from the disposal of the shares earned by Polish Individuals is taxed in Poland according to the Tax Treaty. Notwithstanding the aforementioned, the Netherlands shall have the right to tax gains derived by an individual who is a resident of Poland and has been a resident of the Netherlands in the course of the last ten years preceding the disposal of the shares.

Pursuant to Article 30b, section 1 of the Personal Income Tax Act, income earned in Poland on the transfer of the ownership of securities (including the Shares) in exchange for consideration is taxed at a flat rate of 19%. Taxable income is computed as the difference between the proceeds from the disposal of securities and the tax deductible costs, including the expenditure relating to the acquisition of these securities. Such income is subject to taxation as income due, even if not actually yet received. It is not aggregated with the other income of the individual and is taxed separately.

Entities intermediating in the sale of securities by an individual (e.g. brokerage houses) are required to deliver to that person and the appropriate tax office, information on the amount of income earned by that person within the statutory time frame. There is no requirement to pay tax advances during the tax year.

An individual who derives gains (or incurs losses) on the sale of Shares is required to calculate and pay the tax due, as well as submit to the competent tax office, by 30 April of the calendar year immediately following the year in which such gains are obtained (or losses incurred), a separate tax return identifying the amount of the gains or losses.

The above regulations shall not apply if a sale of Shares for a consideration is a consequence of performance of any business activities, as in such case the revenues from the sale of securities should be qualified as originating from the performance of such activities and should be settled according to general terms.

Dividend income derived from shares – Polish Individuals

In light of Polish tax law, income from a share in the profits of legal persons is the income actually generated from such a share, including, *inter alia*, dividends or income from the redemption of shares, from the disposal of shares to the company in exchange for consideration with a view to redeeming the shares.

Taxation of the dividend income obtained by a Polish Individual from a company resident in the Netherlands is regulated by the provisions of the Tax Treaty. Pursuant to Article 10 of the Tax Treaty, dividends paid by a company resident in the Netherlands to an individual resident in Poland may be taxed in Poland. These dividends may also be taxed in the Netherlands, but the tax levied may not exceed 15% of the dividend.

Pursuant to Article 30a, section 1 point 4 of the Personal Income Tax Act, dividend income and other income from a share in the profits of legal persons is not aggregated with income from any other sources, and is subject to taxation at a flat rate of 19% of the income earned. However, according to Article 23 of the Tax Treaty, Poland must grant a credit for the tax levied on dividends in the Netherlands.

Income derived from the disposal of shares – Polish corporate entities

In accordance with Article 3, section 1 of the Corporation Tax Act, taxpayers having their seat or a Board within the territory of the Republic of Poland (“**Polish Corporate Entities**”), are liable to pay tax on all of their income, irrespective of the location of the source of revenues.

According to Article 13, section 4 of the Tax Treaty, gains from the disposal of shares are taxed exclusively in the country, in which the person disposing of property is resident. Thus, income from the disposal of the shares earned by Polish Corporate Entities is taxed in Poland.

Gains on the disposal of securities (including the shares) by Polish Corporate Entities are subject to taxation under the general rules stipulated in the Corporation Tax Act. Taxable income is the difference between the proceeds from the disposal of securities and the tax-deductible costs, including the expenditure relating to the acquisition of these securities. The income thus computed is aggregated with the other income of the legal person. The income of a legal person is taxed at a rate of 19% of the taxable income.

Pursuant to Article 25 of the Corporation Tax Act, a legal person which has disposed of securities is required to pay the due tax prepayment into the account of the appropriate tax office. The tax prepayment is calculated as the difference between the tax due on the income earned since the beginning of a given fiscal year and the aggregate tax prepayments due for the previous months of this year. The taxpayer is required to

submit their annual tax return by the end of the third month of the year immediately following the year in which the gains are made.

Dividends derived from shares – Polish corporate entities

As a rule, dividend income and other income from a share in the profits of non-resident companies is accumulated with the income (revenues) earned from other sources and is subject to taxation at a standard rate of 19%. However, pursuant to Article 12 of the Tax Treaty, dividends paid by a company resident in the Netherlands to a company resident in Poland may be taxed in Poland. These dividends may also be taxed in the Netherlands, but the tax levied may not exceed 5% of the gross amount of the dividend, if the dividend is received by a company holding at least 10% of the share capital of the company paying the dividend and 15% of the gross amount of the dividend in all other cases.

Pursuant however to Article 20, section 3 of the Corporation Tax Act, income (revenues) from dividends and other revenues from qualifying participations derived by Polish Corporate Entities, are tax exempt in Poland if certain conditions are cumulatively satisfied. Generally speaking, the conditions are: (i) the participation is a company which pays income tax and has its registered seat or Board within the territory of the EU; (ii) the entity receiving income (revenues) from a qualifying participation, is a Polish Corporate Entity; (iii) the Polish Corporate Entity has at least a 10% direct shareholding in the share capital of the participation provided a two year period of uninterrupted holding can be demonstrated.

The exemption referred to above applies if the Polish Corporate Entity derives income (revenues) from dividends and other benefits from a qualifying participation. In the case of failure to satisfy the condition of holding shares in the required amount uninterruptedly for two years, the taxpayer shall be required to make a correction to the annual tax returns for the tax years in which such exemption was enjoyed and as a consequence to pay outstanding taxes, if any.

Gift and inheritance taxes

Pursuant to Article 2 of the Act on Tax of Gifts and Inheritance, the Polish tax on inheritance, gifts and donations is paid by natural persons who received title to property rights exercised outside the territory of Poland (including inter alia the shares in foreign companies) by right of succession, as legacy, further legacy, testamentary instruction or gift only if at the moment of the acquisition of these property rights the acquirers were the Polish citizens or had permanent place of stay within the territory of Poland.

The taxable base is the value of the property rights received after deducting the debts and charges (net value), assessed based on the condition of the property rights on the day of their receipt and based on the market prices applicable as at the day when the tax liability arose. The tax amount is computed according to the tax group to which the recipient was assigned. A relevant tax group is assigned according to the recipient's personal relationship to the person from whom the property rights were received or inherited. The inheritance and gifts are taxed at a progressive rate from 3% to 20% of the taxable base depending on the tax group to which the recipient was assigned. There are certain amounts exempt from tax in each group. Taxpayers are required, except for cases in which the tax is charged by the tax remitter, to file with the competent head of the tax office a tax return specifying the receipt of the property rights. The tax return should be accompanied by documents justifying the amount of the taxable base. The tax is paid within 14 days from the receipt of the decision issued by the head of the tax office assessing the amount of the tax liability.

Under Article 4a, section 1 of the Act on Tax of Gifts and Inheritance, the receipt of title to property or property rights (including securities) by the spouse, descendant, ascendant, stepson, siblings, stepfather and stepmother are tax exempt provided that they notify the receipt of title to the property rights to the competent head of the tax office within six months from the date when the tax liability arose, and in the case of their receipt by right of succession within six months from the date when the court decision on accession to the estate becomes final and binding. In the case of the failure to meet the said condition, the receipt of title to the property rights is subject to taxation on general terms.

Tax on Civil Law Transactions (transfer tax) on the sale of shares

Pursuant to Article 1, section 1, item 1, letter a) in conjunction with Article 1, section 4 of the Act on Tax on Civil Law Transactions, transfer tax applies to agreements for the sale or exchange of property rights,

provided that they cover property rights exercised in Poland (including securities, shares etc.). The tax is also imposed on agreements for the sale or exchange of property rights exercised outside Poland only if the sale or exchange agreement is concluded in Poland and the purchaser has a place of residence or seat in the territory of Poland.

Tax liability arises when the civil law transaction (the transfer) is concluded and is the sole responsibility of the buyer in the case of a sale agreement. The taxable base is the market value of the property or property right. As a rule, when selling property rights (including shares) the rate of the tax is set at 1% of the taxable base. Taxpayers are required to file a tax return on tax on civil law transactions, calculate and pay the due amount of the tax within 14 days of the tax liability arising, unless the tax is collected by a tax remitter who is a notary public in the case of civil law transactions concluded in the form of a notarial deed.

Simultaneously, under Article 9 item 9 of the Act on Tax on Civil Law Transactions, the sale of property rights that are brokerage financial instruments (i) to investment companies (including foreign investment companies), or (ii) through their intermediation, or (iii) the sale of such instruments in an organized trading, or (iv) outside the organized trading by investment companies (including foreign investment companies) if such financial instruments had been acquired by such firms as a part of organized trading; - within the meaning of the Act on Trading in Financial Instruments, is exempt from tax on civil law transactions, are exempted from transfer tax. Therefore, transactions in respect of the Shares, conducted on the Warsaw Stock Exchange, will in principle be exempt from transfer tax.

TERMS AND CONDITIONS OF THE OFFERING

The Offering

On the basis of this Prospectus the Issuer is offering up to 23,800,000 New Shares and the Selling Shareholder is offering up to 7,100,000 Sale Shares. In addition the Selling Shareholder agreed to sell up to 4,635,000 Over-allotment Shares pursuant to the over-allotment option (see “*Placing and Underwriting*”). In total, up to 35,535,000 Offer Shares are being offered in the Offering.

The Offering consists of: (i) the Polish Public Offering consisting of: (a) the Retail Offering and (b) the Polish Institutional Offering and (ii) the International Offering. Retail investors (the “**Retail Investors**”) who may participate in the Offering are natural persons, excluding U.S. persons as defined in Regulation S, whereas institutional investors (the “**Institutional Investors**”) are qualified investors within the meaning of Article 2(1)(e) of the Prospectus Directive, also excluding U.S. persons as defined in Regulation S. There will be no public offering outside of the Republic of Poland. In particular, there will be no public offering in the Netherlands.

The Prospectus has been filed with, and was approved on 18 November 2010, by the AFM, which is the competent authority for the purpose of the relevant implementing measures of the Prospectus Directive in the Netherlands. Pursuant to Article 5:6 paragraph 1 under (a) of the Dutch Act on Financial Supervision, The Netherlands are the home member state of the Issuer and the AFM is solely authorised to approve this Prospectus. The Issuer will be authorised to carry out the Public Offering in the Republic of Poland once the PFSC, which is the competent authority for the purposes of the relevant implementing measures of the Prospectus Directive in the Republic of Poland, has informed the Issuer that the AFM has provided it with a certificate of approval of this Prospectus.

For further information about the selling restrictions with respect to the Offer Shares please refer to “*Selling Restrictions*” and with respect to the rights pertaining to the Shares please refer to “*Description of Share Capital and Corporate Governance*”.

The Offer Shares are being offered at the Offer Price (identical for the New Shares and the Sale Shares) which will be determined through a book-building process and expressed in PLN.

The final number of the Offer Shares (including the final number of the New Shares and the final number of the Sale Shares) allotted to the investors will be set by the Issuer and the Selling Shareholder in agreement with the Joint Global Coordinators after the Offer Price is set. In any case the final number of the Offer Shares will not be higher than 35,535,000. When determining the final number of the Offer Shares, the Issuer and the Selling Shareholder will in the first instance seek to ensure that the proceeds from the placement of the New Shares total approximately EUR 100 million and the Sale Shares will be sold only if all New Shares are sold. Taking the aforementioned into account, prospective investors should consider that the Issuer and the Selling Shareholder reserve the right to decrease - prior to the Pricing Date - the number of the Offer Shares allotted to investors, in particular in order to ensure that the gross proceeds from the issuance of the New Shares will be approximately EUR 100 million. Any such decrease will be announced in a press release.

Prospective investors should consider that the Issuer and the Selling Shareholder reserve the right to decrease, prior to the Pricing Date, the number of Shares allotted to investors in order to ensure that the gross proceeds from the issuance of the New Shares will be approximately EUR 100 million. Any such decrease will be announced in a press release.

Pursuant to a resolution of the Shareholders’ Meeting on 16 November, the authority to resolve to issue the New Shares and to exclude pre-emptive rights in respect of the New Shares has been delegated to the Board. On 16 November the Shareholders’ Meeting has authorised the Board to take any and all actions in connection with the Offering. The issuance of the New Shares is scheduled to occur upon the Board’s execution of a resolution to that effect shortly prior to delivery and listing of the Shares, as outlined below.

The Issuer’s Board approved on 16 November to issue the New Shares and excluded the pre-emptive rights of the Issuer’s shareholders in respect of the New Shares as of the date of the resolution. The Board further

approved: (i) the required application to the AFM for approval of this Prospectus and its further notification to the PFSC for the purposes of conducting the public offering in the Republic of Poland; (ii) the entering by the Issuer, the Selling Shareholder and the Managers into an underwriting agreement in respect of the Offering; (iii) depositing the Shares, including the Offer Shares with the NDS in preparation of the listing on the WSE; (iv) the listing of all of the Shares, including the Offer Shares on the WSE; and (v) the making of all other filings necessary or desirable in connection with this Offering.

The Board further selected a pricing committee and delegated to it authority to determine, jointly with the Selling Shareholder, the final terms on which the Offer Shares will be offered, including: (i) the final number of Offer Shares, composed of (ii) the final number of New Shares and (iii) the final number of Sale Shares, (iv) the final Offer Price and (v) the terms and conditions of the underwriting agreement. Upon the decision of the pricing committee, the Shareholders' Meeting will authorise the issue of the New Shares.

Timetable of the Offering

The timetable below lists key dates relating to the Offering. All times and dates referred to in this timetable are based on Warsaw local time and may be adjusted by the Issuer and the Selling Shareholder acting jointly in agreement with the Joint Global Coordinators. Should the dates set out in the timetable be adjusted, the Issuer will notify the AFM and the PFSC, and publish such fact in a manner compliant with applicable regulations, as well as market practices in The Netherlands and in the Republic of Poland.

22 November 2010 to 29 November 2010	Offer period for Retail Investors
22 November 2010 to 30 November 2010	Book-building and offer period for Institutional Investors (until 6 p.m. Warsaw time on 30 November 2010)
Not later than 1 December 2010	Determination and announcement of the Offer Price and the final number of the Offer Shares (" Pricing Date ") and allotment of the Offer Shares (" Allotment Date ")
3 December 2010	Payment for the Offer Shares by the Institutional Investors
On or about 8 December 2010	Delivery of the Offer Shares to investors and closing of the Offering (" Settlement Date ")
On or about 9 December 2010	Commencement of trading on the WSE (" Listing Date ")

Purchase by the Selling Shareholder, the members of the Board and Management

To the best of the Issuer's knowledge, neither the Selling Shareholder, nor any member of the Board or of the Senior Management intend to purchase any Offer Shares in the Offering. Neither the Issuer, nor the Selling Shareholder is in possession of any information whether anyone intends to subscribe for more than 5% of the Offer Shares in this Offering.

Cancellation of the Offering

The Issuer and the Selling Shareholder, acting jointly, may cancel the Offering and/or modify its terms and dates at any time before the opening of the Offering, without disclosing any reason for doing so. Information on the cancellation or modification of the terms of the Offering will be made publicly available through a supplement to the Prospectus.

The Issuer and the Selling Shareholder, acting jointly, may also cancel, suspend or extend the Offering at any time after the opening of the Offer Period (but not after the New Shares have been issued and the Sale Shares have been sold to investors), if they consider proceeding with the Offering impracticable or inadvisable. Such reasons may include, but are not limited to: (i) suspension or material limitation in trading in securities generally on the WSE, as well as any other official stock exchange in the US or the European Union;

(ii) sudden and material adverse change in the economic or political situation in the Republic of Poland and any other jurisdictions in which the Company operates or worldwide; (iii) a material loss or interference with the Company's business; (iv) an insufficient, in the opinion of the Issuer, or the Joint Global Coordinators, expected free float of the Shares on the WSE; (v) any change or development in or affecting the general affairs, management, financial position, shareholders' equity or results of the Company's operations or the operations of its subsidiaries in a material adverse way (vi) an unsatisfactory level of demand for the Offer Shares in the book-building process or (vii) failure of the conversion of the Shareholder's Loan. In such event, subscription orders for the Offer Shares that have been made will be disregarded, and any subscription payments made will be returned without interest or any other compensation, net of transfer costs.

Supplements to the Prospectus

In accordance with the relevant regulations in force in the Netherlands and the Republic of Poland applicable to public share offerings and admission of securities to trading on a regulated market and taking into account that the public offering of the Offer Shares will take place only in the Republic of Poland, any significant new factor, material mistake or inaccuracy relating to the information included in this Prospectus which is capable of affecting the assessment of the Shares and which arises or becomes known between the date of approval of this Prospectus and the Listing Date will be communicated through a supplement to this Prospectus. If a supplement is published not later than on the Allotment Date, Investors who have placed their subscription orders before publication of the supplement shall have a right to withdraw their subscriptions within two business days from its publication. In such case and if necessary the Settlement Date will be adjusted in order to enable the investors to withdraw their subscriptions.

Determination of the Offer Price and the final number of the Offer Shares

The Offer Price will not be set at higher than PLN 21.50 per one Offer Share (EUR 5.50 per one Offer Share based on the EUR/PLN exchange rate of 3.9150, quoted by the ECB on 5 November 2010) (the "**Maximum Price**") and will be the same for the New Shares and the Sale Shares.

During the Offer Period, a book-building process amongst Institutional Investors invited by the Managers will take place, during which such Institutional Investors interested in subscribing for the Offer Shares will indicate the number of the Offer Shares they will be willing to acquire and the price, not higher than the Maximum Price, which they will be willing to pay. Retail Investors will not participate in the book-building process.

Prior to the start of the book-building, the Issuer may set, after consulting with the Selling Shareholder and the Managers, an indicative price range for the Offering (the "**Price Range**"), which may be subject to change. The Price Range will not be announced publicly but will serve as guidance to Institutional Investors for the purposes of book-building.

The Offer Price will be determined jointly by the Issuer and the Selling Shareholders in agreement with the Joint Global Coordinators and will not be higher than the Maximum Price. The Offer Price will be determined based on the following criteria and rules:

- (i) size and price sensitivity of demand from the Institutional Investors as gauged during the book-building process; and
- (ii) the current and anticipated situation on the Polish and international capital markets.

The Issuer will announce the Offer Price in a manner compliant with applicable regulations, as well as market practices in The Netherlands and in the Republic of Poland. More specifically, the Offer Price will be filed with the AFM, the PFSC and publicised in the same manner as this Prospectus, as well as in manner described in art. 56 § 1 of the Polish Public Offering Act.

Placement of Subscription Orders

The Offer Shares may be acquired by Retail Investors and Institutional Investors and there is no fixed split of the Offer Shares that will be allocated to each category of investors. However, the Issuer and the Selling

Shareholder intend to allocate up to approximately 15% of the final number of the Offer Shares to Retail Investors, unless there is not sufficient demand to allocate the remaining Offer Shares to Institutional Investors at the set Offer Price, and vice versa, in which case this proportion may be altered by the Issuer and the Selling Shareholder, acting in agreement with the Joint Global Coordinators. Such an alteration, if any, will be announced together with and in the same manner as the Offer Price and the final number of Offer Shares.

Retail Investors will place their subscriptions at the Maximum Price, indicating the number of the Offer Shares they are willing to buy. Institutional Investors should contact the Managers to discuss technical details of placing subscription orders for the Offer Shares.

For information on detailed rules governing placing of subscription orders by Retail Investors, in particular: (i) the documents required if a subscription order is placed by a statutory representative, proxy or any other person acting on behalf of an investor, and (ii) the possibility of placing subscription orders and deposit requests in a form other than the written form (e.g. via Internet), the Retail Investors should contact a customer service point of the brokerage house accepting orders for the Offer Shares from Retail Investors at which they intend to place their subscription order.

A list of customer service points at investment firms accepting subscription orders from the Retail Investors will be published on the Issuer's website and in the same manner as this Prospectus.

Subscription orders from the Institutional Investors will be accepted only by the Joint Global Coordinators or the Polish Manager (as defined below). For information on detailed rules governing placing of subscription orders, in particular: (i) the documents required if an order is placed by a statutory representative, proxy or any other person acting on behalf of an investor, and (ii) a possibility of placing orders and deposit instructions in a non-written form, Institutional Investors should contact the Joint Global Coordinators or the Polish Manager.

Investors have the right to place multiple subscription orders. Subscription orders for a number of Offer Shares greater than the total number of the Offer Shares shall be considered to be orders for all Offer Shares. The subscription order placed by an investor must be given in respect of at least one Offer Share. Orders may be withdrawn (and a new order placed in their stead) until the end of the Offer Period.

Institutional Investors which manage assets on behalf of third parties may submit a combined order in favour of their customers, attaching a list of such customers.

Subscription orders will be accepted only from those prospective investors who at the time of placing their orders, will have opened securities accounts with entities of their choice, licensed to provide such services within the territory of the Republic of Poland, unless otherwise agreed with the Managers.

Purchase orders for Offer Shares must be placed by Retail Investors using the purchase order forms made available at the offices of the investment firms accepting purchase orders for the Offer Shares. All the consequences of filing an incorrect or incomplete purchase orders will be borne by the Retail Investor person filing such order.

Based on the accepted orders placed by Retail Investors, the investment firms will place purchase orders for the Offer Shares on the WSE. The responsibility for the proper delivery of orders to the WSE will be borne by the investment firms accepting the orders.

Notwithstanding that orders may be withdrawn until the end of the Offer Period, each order for the Offer Shares is otherwise unconditional, cannot contain any objections and is binding on the person who filed it until the allotment of the Sale Shares in the Offering or until the date of cancellation of the Offering.

By placing subscription orders, each of the prospective investors will be deemed to (i) have read the Prospectus, (ii) accepted the terms of the Offering, (iii) consented to being allotted a lower number of Shares than the number specified in such investor's subscription orders, or to not being allotted any Shares at all, pursuant to the terms and conditions set forth in the Prospectus.

Payment for the Offer Shares

Subscription orders placed by the Retail Investors must be paid in full when placed, on a penalty of their order being deemed null and void, unless regulations of a brokerage house accepting such an order provide otherwise, in which case the subscription must be paid in full not later than at the end of the Offer Period. The amount of the payment should be equal to the multiple of the number of Offer Shares for which the investor is placing the subscription order and the Maximum Price increased by the brokerage commission, if any, of the investment firm accepting the purchase order.

Institutional Investors placing subscription orders should pay for the Offer Shares in a manner agreed with the Joint Global Coordinators. If an order is not paid up in full, it shall be valid for the number of Shares corresponding to the amount paid by the investor, ignoring fractional entitlements. Payments should be transferred to such account as indicated by an entity accepting subscription order for the Offer Shares.

There is no Paying Agent for the purpose of the Offering.

Allotment of the Offer Shares

The allotment of the Offer Shares to Retail Investors will be completed through the WSE on the basis of a separate agreement entered into between the Issuer, the Selling Shareholder and the WSE, in accordance with the duly filed and paid for purchase orders.

The total number of the Offer Shares allotted to the Retail Investors and the Institutional Investors will be determined by the Issuer and the Selling Shareholder, in agreement with the Joint Global Coordinators, and at their discretion. The minimum allotment in the Offer will be one Offer Share, regardless of how and through whom the subscription order has been placed (without prejudice to the possibility to allocate no Shares at all to certain investors participating in the Offering).

In the case of an over-subscription, the Offer Shares shall be allotted to the Retail Investors participating in the Offering *pro rata* to the size of each order placed. Fractional allocations (after the proportional reduction, if any) will be rounded down to the nearest integer value, and the remaining Offer Shares will be allocated to the Retail Investors who subscribed for the largest number of the Offer Shares.

Retail Investors participating in the Offering who have not been allotted any Offer Shares or whose subscriptions have been reduced will receive reimbursements of the payment made upon placing the subscription order in accordance with instructions provided by each Retail Investor as required under the procedures applicable in the brokerage house in which the subscription order was placed. The reimbursement will take place within 14 days from the Allotment Date or from the date of the announcement on the cancellation of the Offering. The excess payments shall be returned without any reimbursements for costs incurred by the investors in the course of subscribing for the Offer Shares and net of all transfer expenses and without interest.

Offer Shares shall be allotted to the Institutional Investors participating in the Offering, subject to the payment for the Offer Shares they subscribed for in accordance with the provisions set forth in this Prospectus, in the first instance to those Institutional Investors who have been invited by the Managers to participate in the book-building and will be included in the allotment list prepared by the Issuer and the Selling Shareholder based upon the recommendation and with the agreement of the Joint Global Coordinators (the “**Allotment List**”). The allocation of the Offer Shares to particular Institutional Investors participating in the Offering will be determined by the Joint Global Coordinators, at their discretion, subject to the consent of the Issuer and the Selling Shareholder.

Institutional Investors participating in the Offering will be notified about their allocations of the Offer Shares by the Joint Global Coordinators. Retail Investors participating in the Offering will receive relevant notifications in accordance with the regulations of their brokerage accounts.

There will be no reimbursements to the Institutional Investors participating in the Offering as their payments will reflect the exact value of the Offer Shares allocated to them.

Registration and settlement

In accordance with applicable Polish regulations, all Shares of the Issuer, including the Offer Shares, will be electronically registered with and will be cleared through Krajowy Depozyt Papierów Wartościowych S.A. (National Depository for Securities or the “**NDS**”) with its seat at ul. Książęca 4, 00-498 Warsaw, Republic of Poland, which is the Polish central clearinghouse and depository for securities. All Shares will be in book entry form and, therefore, shareholders may only hold them through their respective investment accounts opened with and maintained by investment firms and custodians that are NDS participants.

Delivery of the Offer Shares to the investment account of a given investor will be through the facilities of the NDS in accordance with standard NDS procedures applicable to settlement of public offerings of shares. Delivery of the Offer Shares is expected to take place on or around 8 December 2010, barring unforeseen circumstances.

As of the date of this Prospectus, all of the Sale Shares of the Issuer have been assigned ISIN code NL0009590074 and the Issuer believes that the same code shall be assigned to the New Shares, once they are issued.

Listing of the Shares

As of the date of this Prospectus, the Shares of the Issuer are not listed on any regulated or equivalent market. The Issuer intends to make an application to the Warsaw Stock Exchange for the admission of all of the Shares (including the Offer Shares) for listing on the main market in the continuous trading system. Trading in the Shares is expected to commence on or about 9 December 2010.

Any dealings in the Offer Share prior to the start of trading on the WSE will be at the sole risk of investors concerned. In particular, as such transactions are not carried out on a regulated market they are likely to result – depending on the particular circumstances of each transaction and the parties to it – in a stamp duty or a similar tax being assessed.

Investors trading on the WSE should consider that since the Issuer is incorporated under the laws of the Netherlands, no court registration process is needed in order to validly issue the New Shares. Consequently, the Offer Shares, including the New Shares, will be eligible for listing on the WSE upon payment of investors subject to completion of necessary registration procedures at the NDS, on par with all other Shares of the Issuer, and the Issuer will not be seeking to apply for listing of temporary share receipts, such as “rights to shares” within the meaning of the Trading in Financial Instruments act.

No entity has a commitment of any kind to act in secondary trading in the Shares or provide liquidity through bid and offer rates.

Listing Agent

The Issuer has appointed ING Securities S.A. (the “**Polish Manager**”) to act as the intermediary with respect to the Offer Shares for the purposes of the Offering and admission of the Shares to trading on the main market of the WSE.

PLACING AND UNDERWRITING

Underwriting agreement

On or about the date of this Prospectus, the Issuer and the Selling Shareholder, *inter alios*, will execute a conditional underwriting agreement (the “**Underwriting Agreement**”) with Deutsche Bank AG, London Branch and ING Bank N.V., London Branch (the “**Underwriters**”). Pursuant to the Underwriting Agreement, each of the Underwriters has agreed, severally but not jointly, subject to the satisfaction of certain conditions as stated below, to procure the purchase of the Offer Shares by Institutional Investors who will be designated by the Underwriters, failing which, to purchase the Offer Shares themselves. The underwriting commitments of the Underwriters are summarised below:

Deutsche Bank AG, London Branch, Winchester House, 1 Great Winchester Street, London EC2N 2DB England	50%
ING Bank N.V., London Branch, 60 London Wall, London EC2M 5TQ, England	50%
Total	100%

The Underwriting Agreement contains standard conditions precedent and conditions subsequent which are customary in the underwriting agreements executed in transactions similar to the Offering, including conditions related to the occurrence of any specific *force majeure* events, the occurrence of any material adverse change in the Issuer’s business or in the financial markets or the economy (in the Republic of Poland or abroad), as well as conditions related to the conversion of the Shareholder’s Loan having occurred in the manner as agreed between the Issuer and the Selling Shareholder, the representations and warranties made by, *inter alios*, the Issuer and the Selling Shareholder in the Underwriting Agreement being true, complete and accurate, as well as the execution of a pricing agreement, which will define the Offer Price and the final number of the Offer Shares to be offered in the Offering, as well as the number of the Offer Shares designated for allotment to the Retail Investors and the Institutional Investors (the “**Pricing Agreement**”). It is expected that the Pricing Agreement will be executed upon completion of the book-building process and the determination of the Offer Price and the final number of the Offer Shares to be offered in the Offering, as well as the number of the Offer Shares assigned for the various categories of Investors.

The Underwriting Agreement will become null and void and the Offering will be cancelled if the Shareholder’s Loan is not converted into equity.

The Underwriting Agreement is governed by English law and contains such representations and warranties of the Issuer and the Selling Shareholder as are customary in international offerings similar to the Offering. In the Underwriting Agreement, the Selling Shareholder and the Issuer, *inter alios*, have agreed to indemnify and hold harmless the Underwriters and other specified persons against certain liabilities.

The Underwriting Agreement contains standard covenants by the Underwriters with respect to selling restrictions and in compliance with the law in the jurisdiction where such action will be taken. The Underwriting Agreement also provides that the Issuer and the Selling Shareholder will be subject to lock-up restrictions. For information related to the lock-up arrangements, see “*Placing and Underwriting — Lock-up Agreements.*”

Over-allotment Option

The Selling Shareholder has granted to the Underwriters an option exercisable for up to 30 days following the Listing Date to purchase and/or borrow up to 4,635,000 Over-Allotment Shares, the maximum number of which is equal to 15% of the original aggregate number of Offer Shares being offered in the Offering (before any exercise of the Over-Allotment option), solely to cover over-allotments, if any, made in connection with the Offering and short positions resulting from stabilisation transactions.

Stabilisation

In connection with the Offering, ING Bank N.V. as stabilisation manager or its affiliates or agents may engage in transactions on the WSE with the aim of supporting the market price of the Shares at a level higher than that which might otherwise prevail for a period of 30 calendar days following of the Listing Date. Such stabilisation, if commenced, shall be conducted in accordance with the rules set out in the European

Commission Regulation (EC) No. 2273/2003 of December 22 2003 implementing Directive 2003/6/EC of the European Parliament and of the Council as regards exemption for buy-back programmes and stabilisation of financial instruments (the “**Stabilisation Regulation**”).

No assurance can be given that stabilisation transactions will actually be effected as there is no obligation on the stabilisation manager or its affiliates or agents to undertake stabilisation transactions. If such stabilisation is commenced, it may be discontinued at any time without prior notice and must be brought to an end 30 days after the Listing Date. The stabilisation transactions, if any, may result in a market price of the Shares that is higher than the price that would otherwise prevail. Stabilisation of the Shares will not, in any circumstance, be executed above the Offer Price.

If ING Bank N.V. borrows any Shares pursuant to the Underwriting Agreement it will be required to return equivalent securities to the Selling Shareholder by no later than the 30 day after the Listing Date. Should a short position arise as a result of such over-allocation or borrowing, ING Bank N.V. may close such short position by exercising the Over-allotment Option (in whole or in part) or by open-market purchases or by a combination of both.

ING Bank N.V. will disclose details of any stabilisation transactions effected by it to the Issuer no later than the end of the seventh daily market session following the date of execution of such transactions, including (i) whether or not stabilisation was undertaken, (ii) the date on which stabilisation started, (iii) the date on which stabilisation last occurred and (iv) the price range within which stabilisation was carried out, for each of the dates during which stabilisation transactions were carried out. This information shall be subsequently disclosed to the public in the Republic of Poland and the AFM and the PFSC will be also be notified about this fact.

Lock-up arrangements

The Selling Shareholder

Pursuant to the Underwriting Agreement, the Selling Shareholder agreed that, except for the Sale Shares that will be effectively sold in the Offering, it will not in the period of 365 days from the Listing Date, without prior written consent of the Underwriters acting on behalf of the Managers, offer, pledge, allot, issue, sell, contract to sell, sell any option or contract to purchase, purchase any option to sell, grant any option, right exercisable or exchangeable for Shares or enter into any swap or other arrangement that transfers to another, in whole or in part, directly or indirectly, the economic consequence of ownership of Shares, whether any such transaction described above is to be settled by delivery of Shares or such other securities, in cash or otherwise, or announce an intention to effect any such transaction.

The Issuer

Pursuant to the Underwriting Agreement, the Issuer agreed, except for the issue of the New Shares in the Offering, that it will not in the period of 180 days from the Listing Date, without the prior written consent of the Underwriters acting on behalf of the Managers: (i) exercise an authorisation pursuant to its Articles of Association to increase its capital; (ii) submit a proposal for a capital increase to any meeting of the shareholders for resolution; or (iii) offer, pledge, allot, issue, sell, contract to sell, sell any option or contract to purchase, purchase any option to sell, grant any option, right exercisable or exchangeable for Shares or enter into any swap or other arrangement that transfers to another, in whole or in part, directly or indirectly, the economic consequence of ownership of Shares, whether any such transaction described above is to be settled by delivery of Shares or such other securities, in cash or otherwise, or announce an intention to effect any such transaction.

Commissions payable to the Managers

The Issuer and the Selling Shareholder have agreed to pay all commissions and expenses in connection with the Offering. However, the investors will bear their own costs connected with the evaluation and participation in the Offering. In particular, Retail Investors will pay customary brokerage fees when placing subscription orders for the Offer Shares.

Other relationships with the Managers

The Managers and their respective affiliates have engaged in, and may in the future engage in, investment or commercial banking or other financial services and other commercial dealings with the Selling Shareholder, any entities with respect to which the Selling Shareholder is a controlling party, and with the Issuer and its affiliates, including, as is currently the case in respect of Deutsche Bank AG, the provision of loans and/or other debt instruments to the Issuer and/or its affiliates. The Managers and their respective affiliates have received, and may in the future receive, customary fees and commissions for these transactions and services.

The Managers or their related parties may acquire financial instruments issued by the Selling Shareholder, the Issuer, their related parties, or financial instruments related to the financial instruments issued by any of the above entities, in particular under the Underwriting Agreement. In connection with the Offering, each of the Managers or their affiliates may also, acting as an investor for its own account, purchase the Offer Shares in the Offering, and then either hold them or sell them, or otherwise dispose of them. Each of the Managers will deliver information about the purchase of the Offer Shares or performance of the transactions described above exclusively if the obligation to disclose such information is based on general binding laws or regulations.

SELLING RESTRICTIONS

No Public Offering outside of Poland

No action has been or will be taken by the Issuer, the Selling Shareholder or the Managers in any jurisdiction other than Poland that would permit a public offering of the Offer Shares, or the possession or distribution of this Prospectus or any other offering material relating to the Issuer or the Offer Shares, in any jurisdiction where action for that purpose is required. Accordingly, the Offer Shares may not be offered or sold, directly or indirectly, and neither this Prospectus nor any other offering material or advertisements in connection with the Offer Shares may be distributed or published, in or from any country or jurisdiction, except in compliance with any applicable rules and regulations of any such country or jurisdiction. The distribution of this Prospectus and the offer of the Offer Shares in certain jurisdictions may be restricted by law and, therefore, persons into whose possession this Prospectus comes should inform themselves about and observe any such restrictions, including those in the paragraphs that follow. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdictions.

United States of America and its Territories

The Offer Shares have not been and will not be registered under the Securities Act and the Offer Shares may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from, or in a transaction not subject to the registration requirements of, the Securities Act. Each Underwriter has agreed that: (a) it has not solicited and will not solicit offers for, or offer or sell, Shares by means of any general solicitation or advertising in the United States or otherwise in any manner involving a public offerings within the meaning of Section 4(2) of the Securities Act; (b) none of it, its affiliates or any person acting on its or their behalf, has engaged or will engage in any directed selling efforts (within the meaning of Regulation S) with respect to the Shares; and (c) such Underwriter, or any person acting on its behalf, will offer or sell or solicit offers for the Shares as part of their initial distribution only in offshore transactions within the meaning and meeting the requirements of Rule 903 under the Securities Act.

European Economic Area

In relation to each member state of the European Economic Area which has implemented the Prospectus Directive (each, a “**Relevant Member State**”) an offer to the public of any Shares which are the subject of the International Offering may not be made in that Relevant Member State other than offers contemplated by this Prospectus in that Relevant Member State after this Prospectus has been approved by the competent authority in that Relevant Member State and published and passported in accordance with the Prospectus Directive as implemented in that Relevant Member State. Notwithstanding the foregoing, an offer to the public in that Relevant Member State of any Shares’ may also be made at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

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

provided that no such offer of Shares shall result in a requirement for the publication by the Issuer or any Manager of a Prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an “offer to the public” in relation to Shares in any Relevant Member State means the communication in any form and by any means of sufficient information

on the terms of the offer and any Shares to be offered so as to enable an investor to decide to purchase or subscribe for any Offer Shares, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, and the expression (“**Prospectus Directive**”) means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

United Kingdom

Each Manager has represented, warranted and agreed that (i) it has not made and will not make an offer of any Shares to the public in the United Kingdom prior to the publication of a Prospectus in relation to the Offer Shares and the Offering that has been approved by the United Kingdom Financial Services Authority (the “**FSA**”) or where appropriate, approved in another Member State and notified to the FSA, all in accordance with the Prospectus Directive, except that it may make an offer of the Shares to persons who fall within the definition of (“**Qualified Investor**”) as that term is defined in section 86(1) of the Financial Services and Markets Act 2000 (the “**FSMA**”) or otherwise in circumstances which do not require the publication by the Issuer of a Prospectus pursuant to section 85(1) of the FSMA; (ii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Shares in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and (iii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Shares in, from or otherwise involving the United Kingdom.

Israel

This document does not constitute a prospectus under the Israeli Securities Law, 5728-1968, and has not been filed with or approved by the Israel Securities Authority. In Israel, this Prospectus is being distributed only to, and is directed only at, investors listed in the first addendum, or the “Addendum”, to the Israeli Securities Law, consisting primarily of joint investment funds, provident funds, insurance companies, banks, portfolio managers, investment advisors, members of the Tel Aviv Stock Exchange purchasing for their own account, underwriters purchasing for their own account, venture capital funds and corporations with shareholders equity in excess of NIS 250 million, each as defined in the Addendum, collectively referred to as “institutional investors”. Institutional investors may be required to submit written confirmation that they fall within the scope of the Addendum. In addition, the Issuer may distribute and direct this Prospectus in Israel, at our sole discretion, to investors who do not qualify as institutional investors, provided that the number of such investors in Israel shall be no greater than 35 in any twelve-month period.

Canada

This Prospectus is not, and under no circumstances is to be construed as, a prospectus, an advertisement or a public offering of the securities described herein in any province or territory of Canada. No securities commission or similar authority in Canada has reviewed or in any way passed upon this document or the merits of the securities described herein, and any representation to the contrary is an offence.

Russia

The Shares have not been offered or sold or transferred or otherwise disposed of, and will not be offered or sold or transferred or otherwise disposed of (as part of their initial distribution or at any time thereafter) to, or for the benefit of, any persons (including legal entities) resident, incorporated, established or having their usual residence in the Russian Federation, or to any person located within the territory of the Russian Federation, unless and to the extent otherwise permitted under Russian law.

Russian securities laws permit the offering, public offering, placement and circulation (including public circulation) of the Shares in Russia only upon fulfilment of certain procedures (which, *inter alia*, may include registration of the offering memorandum with the Russian regulator) provided for under Russian law, some of which are yet to be developed by the Federal Service for Financial Markets of the Russian

Federation. Neither the issue of the Shares nor a Russian securities prospectus (*prospect tsennih bumag*) in respect of the Shares has been, or is intended to be, registered with the Federal Service for Financial Markets of the Russian Federation. The information provided in this Prospectus is not an offer, advertisement, or invitations to make offers, sell, exchange or otherwise transfer the Shares in the Russian Federation or to or for the benefit of any Russian person or entity.

INDEPENDENT AUDITORS

KPMG Accountants N.V., the Netherlands (“**KPMG Netherlands**”), independent auditors, with their address at Laan van Langerhuize 1, 1186 DS Amstelveen, the Netherlands, have audited the consolidated financial statements of the Issuer as at and for the financial years ended 31 December 2007, 2008 and 2009 and reviewed the condensed consolidated interim financial statements as at and for the nine-month periods ended 30 September 2009 and 2010. KPMG Netherlands have given, and have not withdrawn, their written consent to the inclusion of their reports and the reference to themselves herein in the form and context in which they are included.

KPMG Netherlands has no interest in the Issuer. The signatory of the independent auditors’ report on the audited consolidated financial statements as at and for the years ended 31 December 2007, 2008 and 2009 of the Issuer and the review report on the condensed consolidated interim financial statements as at and for the nine-month periods ended 30 September 2009 and 2010 is a member of Royal NIVRA (*‘het Koninklijk Nederlands Instituut van Registeraccountants’*).

GENERAL INFORMATION

Prospectus

This Prospectus constitutes a Prospectus within the meaning of article 5:2 of the Dutch Act on Financial Supervision (“*Wet op het financieel toezicht*”) for the purpose of giving the information with regard to the Issuer and the Offer Shares it and the Selling Shareholder intends to offer pursuant to this Prospectus which is necessary to enable prospective investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Issuer. The Prospectus Directive has been implemented in the Netherlands as at 1 July 2005.

This Prospectus constitutes a Prospectus in the form of a single document within the meaning of article 3 of the Prospectus Directive. This Prospectus has been filed with, and was approved on [●] by, the AFM (the Netherlands Authority for the Financial Markets), which is the Dutch competent authority for the purposes of relevant implementing measures of the Prospectus Directive in the Netherlands. Under the Prospectus Directive and the Act on Public Offers, this Prospectus, once approved by the competent authority of one member state of the European Union (“**home member state**”) may be used for making a public offering and admission of securities to listing and trading on a regulated market in another member state of the European Union (“**host member state**”), *provided that* the competent authority of the home member state provides the competent authority of the host member state with a certificate of approval of the Prospectus.

For the purposes of the public offering in Poland, the Issuer will publish a Polish translation of this Prospectus, including a translation of the summary of the Prospectus. The Issuer is responsible solely for the accuracy of the Polish translation of the summary of this Prospectus, or for omission of any information therein.

The Prospectus will be made available through the Issuer’s website at www.afi-europe.eu and at the offices of the Issuer, Keizersgracht 604, 1017 EP Amsterdam, The Netherlands.

The Issuer

The Issuer was incorporated in the Netherlands on 4 April 2006 by a notarial deed of incorporation as a private company with limited liability under the laws of the Netherlands (*‘besloten vennootschap’* or “*B.V.*”) under the name AIIP Fin B.V. and registered with the Dutch Trade Registry under number 34218161. Shortly after its incorporation in 2006 as a private limited liability company (*besloten vennootschap*) under the name AIIP Fin B.V., the Issuer was converted into a public limited liability company (*naamloze vennootschap*) and changed its name to AFI Europe N.V. The Articles of Association have been amended and restated entirely prior to the listing, pursuant to a resolution of the Shareholders’ Meeting executed on 4 November. The Issuer’s registered office is at Keizersgracht 604, 1017 EP Amsterdam, The Netherlands. The Issuer can be contacted through its website and by telephone under number: (+31) 0204218928 / 0204270146. The contents of the Issuer’s website are expressly not incorporated by reference into this Prospectus.

Shares in Book Entry Form

The Issuer’s Shares are bearer shares and will be in book entry form. The Shares will be registered with the NDS, the central securities depository of Poland. No individual share certificates will be issued.

Documents available for inspection

The following documents will be available for inspection free of charge at the Issuer’s specified office address during normal business hours from the date of this Prospectus for a period of one year:

- (i) the Articles of Association;
- (ii) the Issuer’s combined financial statements as at and for the years ended 31 December 2007, 2008 and 2009;
- (iii) the Issuer’s interim financial statements as at and for the nine-month periods ended 30 September 2010 and 30 September 2009;
- (iv) copies of corporate resolutions mentioned in the preceding section; and

- (v) copies of third party source publications cited in this Prospectus.

Moreover, the following documents will be available through the Issuer's website:

- (i) this Prospectus, together with its summary translated into the Polish language;
- (ii) the Polish-language version of this Prospectus;
- (iii) the current Articles of Association;
- (iv) copies of the documents required to be published on the Issuer's website pursuant to the Dutch Corporate Governance Code and the WSE Corporate Governance Rules; and
- (v) the statement of the Issuer's compliance or non-compliance with the WSE Corporate Governance Rules.

RESPONSIBILITY STATEMENT

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

AFI EUROPE N.V.

On behalf of the Issuer

Avraham Barzilay

Member of the Board

Izzy Cohen

Member of the Board

Ariel Goldstein

Member of the Board

ANNEX 1 – DEFINITIONS

ACB	Airport City Belgrade
Act on Public Offerings	The Polish Act of 29 July 2005 on Public Offerings and Conditions governing the Admission of Financial Instruments to Trading on Organized Markets and on Listed Companies
Activity Demarcation Agreement	A demarcation agreement between AFI Properties and the Issuer which delineates certain activities of AFI Properties
Activity Demarcation Undertaking	An undertaking from Africa Israel Investments delineating certain activities of Africa Israel Investments
Act on Trading in Financial Instruments	The Polish Act of 29 July 2005 on Trading in Financial Instruments
Add on Factor	Rental income for the common areas
Admission	Admission of the Shares to trading on the WSE
AFI	AFI Europe N.V.
AFI Group	AFI Israel Investments and its subsidiaries from time to time
AFI Properties	Africa Israel Properties Ltd.
AFIE CR	AFI Europe Czech Republic s.r.o.
AFM	The Netherlands Authority for the Financial Markets (<i>Stichting Autoriteit Financiële Markten</i>)
Africa Israel Investments	Africa Israel Investments Ltd.
AIIP	Africa Israel International Properties (2002) Ltd.
Allotment Date	The date on which the Offer Shares will be allotted to investors that placed their subscription orders in the Offering
Allotment List	A list of Institutional Investors to whom the Offer shares were allocated, prepared by the Issuer and the Selling Shareholder based upon the recommendation and with the agreement of the Joint Lead Managers
Annual Audited Financial Statements	Consolidated financial statements for years ended 31 December 2007, 2008 and 2009 audited by KPMG Accountants N.V., the Netherlands
Articles of Association	The articles of association of the Issuer
BGN	The lawful currency of Bulgaria
BMI	Business Monitor International
Board	The board of directors (<i>raad van bestuur</i>) of the Issuer
BPV	Business Park Varna

C&W	Cushman & Wakefield
CBRE	CB Richard Ellis
CEE	Central Eastern Europe
CIL	Controceni Investments Limited
Cinema City	Cinema City Romania S.R.L.
Commercial Register	The Trade Register (<i>‘handelsregister’</i>) of the Dutch Chamber of Commerce
Company	AFI Europe N.V., a limited liability company (<i>‘naamloze vennootschap’</i>) incorporated under the laws of the Netherlands registered with the Commercial Register under number 34218161, and its subsidiaries from time to time
Corporate Governance Policy	An internal corporate governance policy adopted by the Board
Current Report	Current Report – information disclosed in a manner described in Art. 56 of the act on Public Offerings
CZK	The lawful currency of the Czech Republic
Directors	The directors (<i>bestuurders</i>) of the Issuer
Domestic Institutional Investors	Legal persons and unincorporated organizations, that are Polish residents within the meaning of the Foreign Exchange Act
Domestic Retail Investors	Individual investors (natural persons) who are residents of Poland within the meaning of the Foreign Exchange Law of 27 July 2002
DTZ Report	The DTZ Report as of 30 September 2010 included in the Prospectus as Annex II
Dutch Act on Financial Supervision or AFS	The Dutch Act on Financial Supervision (<i>Wet op het financieel toezicht</i>)
Dutch Civil Code	The Dutch Civil Code (<i>Burgerlijk Wetboek</i>)
Dutch Companies	AFI Properties Berlin B.V., AFI Properties Logistics B.V., AFI Properties Development B.V. and AFI Properties B.V.
Dutch Corporate Governance Code	The Dutch Corporate Governance Code (<i>Code Frijns</i>)
Dutch Private Individual	A Dutch Individual who holds shares that are not attributable to an enterprise from which it derives profits as an entrepreneur or pursuant to a co entitlement to the net worth of such enterprise other than as an entrepreneur or a shareholder
Dutch Resident Corporate Entities	Corporate entities (<i>lichamen</i>), including associations which are taxed as corporate entities, that are resident or deemed to be resident in the Netherlands for purposes of Dutch taxation and who invest in shares

Dutch Resident Individuals	Individuals who are resident or deemed to be resident in the Netherlands and, with respect to personal income tax taxation, individuals who opt to be taxed as a resident of the Netherlands for purposes of Dutch taxation and who invest in shares
EEA or European Economic Area	Zone of economic cooperation between members states of the European Union and the European Free Trade Association (EFTA)
EIU	Economist Intelligence Unit
EU	The European Union
ESOP	Employee Share Option Plan, a share option plan for members of the Board, members of management and employees of the Company, as intended to be presented by the Board to the Shareholders' Meeting prior to the Offering
EUR of Euro	The lawful currency of the European Economic and Monetary Union
Eurostat	Statistical office providing statistical information for the EU, EU candidate countries and EFTA countries
Extraordinary Shareholders' Meeting	The extraordinary general meeting of shareholders of the Issuer
Flora Sen	Flora Sen s.r.o.
FSA	The United Kingdom Financial Services Authority
FSMA	Financial Services and Markets Act 2000
German Portfolio	a portfolio of 35 let properties located in various cities in Germany
GLA	Gross leasable area
GSA	Gross sellable area
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
IIL	Intrastar International Ltd.
IMT	Industrija Masina I Traktora
Institutional Investors	Foreign institutional investors and domestic institutional investors
Institutional Offering	The International Offering and the Polish Institutional Offering
Interim IFRS Financial Statements	Consolidated financial statements for nine months ended 30 September 2010 reviewed by KPMG Accountants N.V., the Netherlands
International Offering	A private placement for institutional investors outside the United States (excluding the Republic of Poland) in reliance on Regulation S under the U.S. Securities Act

Israeli Institutional Investor	Israeli investors listed in the First Supplement to the Israeli Securities Law 5728-1968, primarily institutional-type investors
Issuer	AFI Europe N.V., a limited liability company (<i>naamloze vennootschap</i>) incorporated under the laws of the Netherlands registered with the Trade Registry of the Chamber of Commerce under number 34218161
JLL	Jones Lang Lasalle
Joint Bookrunners	Deutsche Bank AG, London Branch and ING Bank N.V., London Branch
Joint Global Coordinators	Deutsche Bank AG, London Branch and ING Bank N.V. , London Branch
Joint Lead Managers	Deutsche Bank AG, London Branch and ING Bank N.V. , London Branch
KG	Each of the German GMBH & Co. KG's
KNF	The Polish Financial Supervision Authority (<i>Komisja Nadzoru Finansowego</i>)
KPMG Netherlands	KPMG Accountants N.V., the Netherlands
Listing Agent	ING Securities S.A.
Listing Date	First day of trading on the WSE
Listing Rules	The listing rules adopted by the WSE
Managers	The Joint Lead Managers and the Polish Manager
Market Rent	As defined in Practice Statement 3.3 of the Red Book; the estimated amount for which a property, or space within a property, should lease (let) on the date of valuation between a willing lessor and a willing lessee on appropriate lease terms in an arm's-length transaction after proper marketing wherein the parties had acted knowledgeable, prudently, and without compulsion
Maximum Price	PLN 21.50 per one Offer Share (EUR 5.50 per one Offer Share based on the EUR/PLN exchange rate of 3.9150, quoted by the ECB on 5 November 2010).
Member State	Any member state of the EEA
Mortgage Registers	Land and mortgage registers
NDS	Krajowy Depozyt Papierów Wartościowych S.A. (<i>National Depository for Securities</i>)
New Shares	Up to 23,800,000 new ordinary shares of AFI Europe N.V. with a nominal value of EUR 0.01 per share
NIS	The lawful currency of the state of Israel
NTP	National Technological Park s.r.o.

Offer Period	For Retail Investors the offer period commencing on 22 November 2010 and expected to end on 29 November 2010 and for the Institutional Investors the offer period commencing 22 November 2010 and expected to end at 6 pm Warsaw time on 30 November 2010
Offer Price	The issue price of New Shares and sale price of Sale Shares in the Offering, to be established through book building, not higher than the Maximum Price
Offer Shares	New Shares and Sale Shares
Offering	The offering of New Shares and Sale Shares by way of a public offering in Poland and private placement in certain jurisdictions outside Poland
Over-allotment Option	An option granted by the Selling Shareholder to the Managers exercisable for up to [30] days following the Allotment Date, to purchase up to an additional 4,635,000 Over-allotment Shares, solely to cover over-allotments, if any, made in connection with the Offering and short positions resulting from stabilisation transactions
Over-allotment Shares	Up to 4,635,000 existing ordinary shares pursuant to the Over-allotment Option
Palace Cotroceni	AFI Palace Cotroceni
PFSC	The Polish Financial Supervision Authority (<i>Komisja Nadzoru Finansowego</i>)
PLN	The lawful currency of the Republic of Poland
Polish Corporate Governance Code	The Good Practices of the Companies Listed on the WSE (2010) adopted by the WSE
Polish Individuals	Individuals, residing within the territory of the Republic of Poland
Polish Institutional Offering	Public offering to institutional investors in the Republic of Poland
Polish Manager	ING Securities S.A.
Premier	Premier Solutions & Team S.R.L.
Prevezon	Prevezon Holdings Ltd.
Price Range	A price range, if any, for the Offering, announced by the Issuer and the Selling Shareholders upon consultation with Managers, within which the Offer Price will be set. Top end of the Price Range will not be higher than the Maximum Price
Pricing Date	The date on which the Offer Price will be determined by the Issuer, with the agreement of the Joint Lead Managers
Pricing Agreement	An agreement defining the Offer Price and the final number of the Offer Shares to be offered in the Offering, as well as the number of the Offer Shares designated for allotment to the Retail Investors and the Institutional Investors

Primary Insiders	Members of the Board, supervisory board, proxies or attorneys-in-fact of the Issuer, its employees, qualified auditors or other persons related to the Issuer under any contract of mandate or any legal relationship of a similar nature
ProDelta	ProDelta Prague B.V.
Pro-Mot	Pro-Mot Hungária Kft.
Prospectus	This Prospectus constituting a prospectus in the meaning of the Prospectus Directive prepared in connection with the public offering of the Offer Shares and admission of the Shares to listing on the WSE
Prospectus Directive	Directive 2003/71/EC
Public Offering	The Polish Institutional Offering and the Retail Offering
Qualified investor	Investors as defined in section 86(1) of the FMSA
Real	A chain of hypermarkets in Romania of a company named real,- hypermarket Romania S.R.L.
Real Estate Companies	JLL, CBRE, C&W, BMI and REAS
Regulation S	The United States Regulation S promulgated under the United States Securities Act of 193 governing offers and sales made outside the United states without registration under the US Securities Act
Related Persons	Persons designated in a regulation promulgated under the AFS as related persons
Relationship Agreement	The relationship agreement between the Issuer and AFI Properties
Relevant Member State	Each member state of the European Economic Area which has implemented the Prospectus Directive
Retail Investors	Individuals, corporate entities (legal persons) and non-corporate entities other than individuals, except for US persons, as defined in Regulation S, to whom the Offering within the territory of Poland is addressed
Retail Offering	Public offering to Retail Investors in the Republic of Poland
Rizetta	Rizetta Limited of Ireland
RON	The lawful currency of Romania
Sale Shares	Up to 7,100,000 existing ordinary shares of AFI Europe N.V. of nominal value EUR 0.01 each, held by the Selling Shareholder and offered in the Offering
SBI	SBI Real Estate Development B.V.
SEE	South Eastern Europe
Selling Shareholder	Africa Israel International Properties (2002) Ltd.
Senior Management	The senior members of the management team of the Company

Settlement Date	The date of settlement of the Offering in which Offer Shares are delivered to the Investors against payment of the Offer Price
Shareholder	A holder of Shares
Shareholder's Loan	The loan between AFI Europe N.V., as borrower, and AFI Properties, as lender, under the terms of the agreement dated 21 December 2008
Shareholders' Meeting	The general meeting of shareholders of the Issuer
Shares	The ordinary shares of AFI Europe N.V. with nominal value of EUR 0.01 each, which shares
Stabilisation Regulation	The rules set out in the European Commission Regulation (EC) No. 2273/2003 of 22 December 2003 implementing Directive 2003/6/EC of the European Parliament and of the Council as regards exemption for buy-back programmes and stabilisation of financial instruments
Stabilising Manager	ING Bank N.V., London Branch
Summary Annual Financial Information	Summary consolidated financial and operating data for the Issuer as at and for the three years ended 31 December 2007, 2008 and 2009
Summary Interim Financial Information	Summary consolidated financial and operating data for the Issuer as at and for each of the nine-month periods ended 30 September 2009 and 30 September 2010
Telenor	Telenor d.o.o.
Trading Act	The Polish Act on Trading in Financial Instrument
Transparency Directive	Directive 2004/109/EC
U.S. persons	U.S. persons as defined in Regulation S under the U.S. Securities Act
Underwriters	Deutsche Bank AG, London Branch and ING Bank N.V., London Branch
Underwriting Agreement	The underwriting agreement to be entered into, <i>inter alios</i> , by the Issuer, the Selling Shareholder and the Underwriters
US Securities Act	The U.S. Securities Act of 1933, as amended from time to time
Weighted average	An average weighted by GLA
WSE	The Warsaw Stock Exchange
WSE Corporate Governance Rules	Polish Principles of Corporate Governance contained in the "Best Practice in Public Companies in 2005" approved by the WSE

ANNEX 2 - VALUATION REPORT – DTZ



Report and valuation

as at 30 September 2010

for

AFI Europe NV

ING Bank NV

Deutsche Bank AG

in respect of:

Project Windmill

Private and Confidential

DTZ Debenham Tie Leung
48 Warwick Street
LONDON
W1B 5NL

17 November 2010



Project Windmill
 Date of valuation 30 September 2010
 Date of report 17 November 2010

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AFI Europe N.V.
Keizersgracht 604
1017 EP Amsterdam
The Netherlands

Email: paul.wolfenden@dtz.com
Direct tel: +44 (0)20 3296 4422
Direct fax: +44 (0)20 3296 4431

ING Bank N.V., London Branch
60 London Wall
London EC2M 5TQ
United Kingdom

Your ref:
Our ref: sc.pw.0823.1110.rep

17 November 2010

Deutsche Bank AG, London Branch
Winchester House
1 Great Winchester Street
London EC2N 2DB
United Kingdom

Dear Sirs

Valuation Report for Project Windmill

1. Introduction

In accordance with the instructions received from AFI Europe NV (the "Company") we have inspected the properties that comprise the above portfolio owned by the Company and referred to in the attached schedule (the "Schedule"), in order to advise you of our opinion of the Market Value of the freehold and leasehold interests in each of the properties (where relevant) (the "Properties" and each a "Property").

The Properties are held by the Company for investment or development purposes.

The effective date of valuation is 30 September 2010.

2. Inspections

The Properties were inspected during August and September 2010.

DTZ

48 Warwick Street
London W1B 5NL, England
Tel: +44 (0)20 3296 3000
Fax: +44 (0)20 3296 3200
www.dtz.com/uk

A list of directors' names is open to inspection at the above address
DTZ Debenham Tie Leung Limited Registered in England No 2757768
Registered office 125 Old Broad Street London EC2N 2BQ





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3. Compliance with RICS Valuation Standards and The Prospectus Rules

We confirm that the valuations have been made in accordance with the appropriate sections of the current Practice Statements ("PS"), and United Kingdom Practice Statements ("UKPS") contained within the RICS Valuation Standards, 6th Edition (the "Red Book"). This is an internationally accepted basis of valuation.

The valuations have also been undertaken in accordance with the Polish Real Estate Act, dated August 21, 1997 as well as the Polish Code of Ethics for Real Estate Valuers and paragraphs 128-130 of the Recommendations for the Consistent Implementation of the European Commission's Regulation on Prospectuses No. 809/2004, dated January 2005 and published by the Committee of European Securities Regulators (the "CESR Recommendations").

4. Status of valuer and conflicts of interest

We confirm that we have sufficient current knowledge of the relevant markets, and the skills and understanding to undertake these valuations competently. We also confirm that where more than one valuer has contributed to the valuations the requirements of PS 1.5.4 of the Red Book have been satisfied. Finally, we confirm that we have undertaken the valuations acting as External Valuers, qualified for the purpose of the valuation, and acting as an independent expert as provided for in the CESR Recommendations.

We have previously provided valuation reports for financial reporting purposes to the Company in respect of the Properties, with the exception of those Properties located in Germany, but do not consider that this constitutes a conflict of interest, coming within our normal course of business.

We also have an historic and ongoing business relationship with both ING Bank NV and Deutsche Bank AG (underwriters to the Offer) but do not consider that this constitutes a conflict of interest either, also coming within our normal course of business.

5. Purpose of the valuation

We understand that the this valuation report (the "Valuation Report") is required for inclusion in the offer document to be used in connection with the initial public offering that the Company is contemplating in the fourth quarter of 2010 and on which investors will rely in making their decision to invest in the Company (the "Offer Document").

We also understand that the Valuation Report will be relied upon by ING Bank NV and Deutsche Bank AG in relation to their obligations as financial advisers and Joint Lead Managers in connection with the Admission and Offer.



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6. Disclosures required under the provisions of PS 1.8 and UKPS 5.3

6.1 Relationship with the Company

Paul Wolfenden FRICS has not previously been the signatory of Valuation Reports provided to the Company for the same purpose as the purpose of this Valuation Report. DTZ Debenham Tie Leung has not previously carried out this valuation instruction for the Company but has been carrying out valuation instructions in respect of a number of the Properties for financial reporting purposes periodically since May 2006.

6.2 Fee income from the Company

DTZ Debenham Tie Leung is a wholly owned subsidiary of DTZ Holdings plc (the "DTZ Group"). In the DTZ Group's financial year to 30 April 2010, the proportion of total fees payable by the Company to the total fee income of the DTZ Group was immaterial, i.e. less than 5%.

7. Report format

The Schedule attached to this Valuation Report comprises brief details of the Properties and our valuations.

8. Basis of valuation

Our opinion of the Market Value of each Property has been primarily derived using comparable recent market transactions on arm's length terms.

8.1 Market Value

The value of each of the properties has been assessed in accordance with the relevant parts of the current RICS Valuation Standards. In particular, we have assessed Market Value in accordance with PS 3.2. Under these provisions, the term "Market Value" means "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

In undertaking our valuations on the basis of Market Value we have applied the conceptual framework which has been settled by the International Valuation Standards Committee and which is included in PS 3.2.

We have also been instructed to provide an opinion of Market Rent for each of the assets. Market Rent is defined in Practice Statement 3.3 of the Red Book. Under PS 3.3 the term "Market Rent" means 'the estimated amount for which a property, or space within a property, should lease (let) on the date of valuation between a willing lessor and a willing lessee on



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appropriate lease terms in an arm's-length transaction after proper marketing wherein the parties had acted knowledgeably, prudently and without compulsion.'

8.2 Taxation and costs

We have not made any adjustments to reflect any liability to taxation that may arise on disposals, nor for any costs associated with disposals incurred by the owner. No allowance has been made to reflect any liability to repay any government or other grants, taxation allowance or lottery funding that may arise on disposals.

We have made deductions to reflect purchasers' acquisition costs where it is in accordance with local market practice to do so.

9. VAT

The capital valuations and rentals included in the Valuation Report are net of value added tax at the prevailing rate.

10. Assumptions and sources of information

An Assumption is stated in the Glossary to the Red Book to be a "supposition taken to be true" ("Assumption"). Assumptions are facts, conditions or situations affecting the subject of, or approach to, a valuation that, by agreement, need not be verified by a valuer as part of the valuation process. In undertaking our valuations, we have made a number of Assumptions and have relied on certain sources of information. Where appropriate, the Company has confirmed that our Assumptions are correct so far as they are aware. In the event that any of these Assumptions prove to be incorrect then our valuations should be reviewed. The Assumptions we have made for the purposes of our valuations are referred to below:-

10.1 Title

We have not had access to the title deeds of any of the Properties but have had access to and have read the legal due diligence reports in respect of the Properties dated between July and September 2010 and prepared by:

- Vyšanská, Majer s.r.o. (in respect of Czech Republic);
- Musat Asociatii (in respect of Romania);
- Inter Alia Ltd. (in respect of Bulgaria);
- CMS Cameron McKenna (in respect of Poland);
- Taylor Wessing (in respect of Germany);
- Karanovic & Nikolic (in respect of Serbia);
- Sorainen (in respect of Latvia);
- CMS Cameron McKenna (in respect of Hungary);

Unless otherwise advised, we have made an Assumption that the Company is possessed of good and marketable freehold or leasehold title in each case and that the Properties are free from rights of way or easements, restrictive covenants, disputes or onerous or unusual



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outgoings. We have also assumed that the properties are free from mortgages, charges or other encumbrances.

10.2 Condition of structure and services, deleterious materials, plant and machinery and goodwill

We have not been provided with any technical or environmental reports prepared in respect of the Properties and have therefore assumed that they are free from defect or environmental issue that could affect value. We have been provided with a limited number of schedules detailing historic incurred running costs and budgeted estimates prepared by the Company.

Due regard has been paid to the apparent state of repair and condition of each of the properties, but condition surveys have not been undertaken, nor have woodwork or other parts of the structures which are covered, unexposed or inaccessible, been inspected. Therefore, we are unable to report that the properties are structurally sound or free from any defects. We have made an Assumption that the properties are free from any rot, infestation, adverse toxic chemical treatments, and structural or design defects other than such as may have been advised in any of the due diligence reports.

We have not arranged for investigations to be made to determine whether high alumina cement concrete, calcium chloride additive or any other deleterious materials have been used in the construction or any alterations, and therefore we cannot confirm that the properties are free from risk in this regard. For the purposes of these valuations, we have made an Assumption that any such investigation would not reveal the presence of such materials in any adverse condition.

We have not carried out an asbestos inspection in completing the valuation inspection of the Properties. We have not made an enquiry of the existence of any plan for the management of asbestos. Where relevant, we have made an Assumption that an effective management plan is in place, which does not require any immediate expenditure, or pose a significant risk to health, or breach local health and safety regulations. We advise that such enquiries be undertaken by a lawyer during normal pre-contract enquiries.

No mining, geological or other investigations have been undertaken to certify that the sites are free from any defect as to foundations. We have made an Assumption that the load bearing qualities of the sites of the properties are sufficient to support the buildings constructed (or to be constructed) thereon. We have also made an Assumption that there are no services on, or crossing the sites in a position which would inhibit development or make it unduly expensive, and that there are no abnormal ground conditions, nor archaeological remains present, which might adversely affect the present or future occupation, development or value of any of the properties.

No tests have been carried out as to electrical, electronic, heating, plant and machinery, equipment or any other services nor have the drains been tested. However, we have made an Assumption that all services, including gas, water, electricity and sewerage, are provided and are functioning satisfactorily.

No allowance has been made in these valuations for any items of plant or machinery not forming part of the service installations of the buildings. We have specifically excluded all



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items of plant, machinery and equipment installed wholly or primarily in connection with the occupants' businesses. We have also excluded furniture and furnishings, fixtures, fittings, vehicles, stock and loose tools. Further, no account has been taken in our valuations of any business goodwill that may arise from the present occupation of any of the properties.

It is a condition of DTZ Debenham Tie Leung Limited or any related company, or any qualified employee, providing advice and opinions as to value, that the client and/or third parties (whether notified to us or not) accept that the Valuation Report in no way relates to, or gives warranties as to, the condition of the structure, foundations, soil and services.

10.3 Environmental matters

We have made enquiries, so far as reasonably possible, to establish the risk of flooding at the Properties and the potential existence of contamination arising out of previous or present uses of the sites and any adjoining sites and we have received and read various environmental reports relating to the Properties.

Our enquiries, inspections and the environmental reports provided have provided no evidence that there is a significant risk of contamination in respect of any of the Properties. Accordingly, we have made the Assumption that no contamination or other adverse environmental matters exist in relation to the Properties sufficient to affect value. Other than as referred to above, we have not made any investigations into past or present uses, either of the Properties or any neighbouring land to establish whether there is any contamination or potential for contamination to the subject Properties. Commensurate with our Assumptions set out above we have made no allowance in these valuations for any effect in respect of actual or potential contamination of land or buildings. A purchaser in the market might, in practice, undertake further investigations than those undertaken by us. If it is subsequently established that contamination exists at any of the properties or on any neighbouring land or that any of the premises have been, or are being, put to any contaminative use then this might reduce the values now reported.

10.4 Areas

The Company has provided us with the floor areas of the Properties that are relevant to our valuation. We have relied on these areas and have not checked them on site. We have made an Assumption that the floor areas supplied to us have been calculated in accordance with local market practice.

10.5 Statutory requirements and planning

We have had regard to the Legal Reports from which we understand that the appropriate planning consents exist for the current use of each Property and that no Property is subject to any enforcement action.

Where possible, we have made enquiries with a view to identifying any highway or development proposals which are likely to impact on the value of any Property. In this regard, we are not aware of any.



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10.6 Leasing

We have not been provided with copies of occupational leases but have been provided with tenancy schedules by the Company. We have relied upon these in preparing our valuations and we have assumed that the leases are free from any onerous or unusual conditions or covenants which may affect value.

We have not undertaken investigations into the financial strength of the tenants. Unless we have become aware by general knowledge, or we have been specifically advised to the contrary we have made an Assumption that the tenants are financially in a position to meet their obligations. Unless otherwise advised we have also made an Assumption that there are no material arrears of rent or service charges, breaches of covenants, current or anticipated tenant disputes.

However, our valuations reflect the type of tenants actually in occupation or responsible for meeting lease commitments, or likely to be in occupation, and the market's general perception of their creditworthiness.

We have also made an Assumption that wherever rent reviews or lease renewals are pending or impending, with anticipated reversionary increases, all notices have been served validly within the appropriate time limits.

10.7 Information

We have made an Assumption that the information the Company and its professional advisers have supplied to us in respect of the properties is both full and correct.

It follows that we have made an Assumption that details of all matters likely to affect value within their collective knowledge such as prospective lettings, rent reviews, outstanding requirements under legislation and planning decisions have been made available to us and that the information is up to date.

11. Properties in the course of development or requiring refurbishment

Unless otherwise referred to in the Valuation Report, we have relied upon information relating to construction and associated costs in respect of both the work completed and the work necessary for completion, together with a completion date, as advised by the Company or their professional advisers.

Unless otherwise referred to in the Valuation Report, our valuation of the completed building has been based on an Assumption that all works of construction have been satisfactorily carried out in accordance with the building contract and specifications, current local market standards and any relevant codes of practice. We have also made an Assumption that a duty of care and all appropriate warranties will be available from the professional team and contractors, which will be assignable to third parties.



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12. Valuation

We are of the opinion that the aggregate of the Market Values as at 30 September 2010 of the freehold and leasehold interests in the properties described in the Schedule, subject to the Assumptions, and comments in this Valuation Report are:

Total including Broadway Palace as Freehold:

€1,419,008,500

(One Billion, Four Hundred and Nineteen Million, Eight Thousand Five Hundred Euros)

Total including Broadway Palace as Leasehold:

€1,404,428,500

(One Billion, Four Hundred and Four Million, Four Hundred and Twenty Eight Thousand Five Hundred Euros)

This is sub-divided by country as follows:

Bulgaria:	€116,450,000
Czech Republic with:	
Broadway Palace as Freehold:	€370,890,500
Broadway Palace as Leasehold:	€356,310,500
Germany:	€96,490,000
Hungary:	€35,525,000
Latvia:	€30,675,000
Poland:	€96,875,000
Romania:	€517,973,000
Serbia:	€154,130,000

In calculating the total aggregate Market Value in Euros, we have adopted the relevant exchange rates from the European Central Bank as at 30 September 2010.

We can confirm that there has been no material change in value between the date of valuation and the date of this report.



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13. Confidentiality and disclosure

The contents of this Valuation Report and Schedule may be used only for the specific purpose to which they refer. Consequently, and in accordance with current practice, no responsibility is accepted to any party in respect of the whole or any part of their contents other than in connection with the Purpose of this Valuation Report. Before this Valuation Report, or any part thereof, is reproduced or referred to, in any document, circular or statement, and before its contents, or any part thereof, are disclosed orally or otherwise to a third party, the valuer's written approval as to the form and context of such publication or disclosure must first be obtained. For the avoidance of doubt such approval is required whether or not DTZ Debenham Tie Leung Limited is referred to by name and whether or not the contents of our Valuation Report are combined with others.

Yours faithfully

Paul Wolfenden
Chartered Surveyor
International Director
For and on behalf of DTZ Debenham Tie Leung Limited



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Property Address	Description, Age and Tenure	Existing Tenancies	Rental Income	Market Rent	Market Value €
Palace Flora - Vínohradská 151, Prague 3, Czech Republic	<p>The Property comprises a shopping mall with multiplex cinema, restaurants and office accommodation, completed in May 2003. There are approximately 130 shops located on three floors. The fourth floor comprises a food court and a cinema multiplex.</p> <p>The Property occupies a generally rectangular sloping site of 11,500 square metres. The Property appears slightly elevated from the road and has a visible glassed façade and a flat roof. Internally there are marble effect tiles on the retail floors, glassed railings and a glassed atrium roof.</p> <p>Public transport accessibility is secured by metro station Flora with direct access to Flora Palace. There are also a number of bus and tram lines, with stops located in front of the Property. The vehicular access into the garages is via Jičínská street.</p> <p>Palace Flora is located in Prague 3 in the exclusive Vínohrady district. The Property is approximately 2 kilometres from the historical city centre in a predominantly residential area. Over the past 10 years this part of city has become a prime locality for new development and reconstruction and as such a number of international companies are now located in this area.</p> <p>Freehold.</p>	<p>The Property is leased to a number of different tenants.</p> <p>As at the date of valuation the shopping centre is 91% let. The vacant floor space equates to a total area of 3,464 square metres.</p>	<p>€11,366,683 per annum</p> <p>The above includes €180,000 of turnover rent.</p>	<p>€12,632,272 per annum</p> <p>The above includes €180,000 of turnover rent.</p>	<p>€170,000,000</p>



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Property Address	Description, Age and Tenure	Existing Tenancies	Rental Income	Market Rent	Market Value €
Broadway Place - Na Příkopě 31, Prague 1, Czech Republic	<p>The Property comprises a 1930's building situated on a plot of 2,254 square metres, offering a total net lettable area of 8,933.74 square metres. The Property provides approximately 5,711 square metres of office accommodation, retail premises of 1,189.74 square metres, storage and ancillary space of approximately 232 square metres, together with a theatre of 1,700 square metres.</p> <p>The property is divided into 3 separate office buildings with the ground floor adjoins the retail arcade connecting Na Příkopě and Celetná Streets. Each building has 6 floors with exception of building B which has 5 floors, with a floor plate of 340 square metres.</p> <p>Broadway Palace is located in the centre of Prague in the district of Prague 1 on Na Příkopě Street, near to Wenceslas Square which is the centre of the main retail and tourist area of Prague.</p> <p>Leasehold - The Property is held leasehold with a current ground rent of €976,000 p.a.</p>	<p>The Property is multi let to a number of different tenants.</p> <p>As at the date of valuation the Broadway Palace was 84.80% let. The vacant floor space comprises of approximately 1,119 square metres of office accommodation, 106 square metres of retail space, 32 square metres of storage and technical room of 101 square metres.</p>	<p>€1,679,562 per annum</p>	<p>€1,826,859 per annum</p>	<p>Freehold – € 22,000,000</p> <p>Leasehold - €7,420,000</p>



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Property Address	Description, Age and Tenure	Existing Tenancies	Rental Income	Market Rent	Market Value €
Evropská Business Centre - Evropská 115, Prague 6, Czech Republic	<p>The Property is situated on a 5,327 square metre site and comprises two rectangular shaped office buildings.</p> <p>Building A is located on the access road and is of brick construction under a tiled pitched roof. The building provides 1,643 square metres of office accommodation of with suspended ceilings, perimeter trunking, air conditioning and is serviced by a lift.</p> <p>Building B, which faces Evropská, is located to the rear of building A and is of 1930's brick construction under a flat roof. The building provides office accommodation on ground and three upper floors, extending to 3,149.54 square metres. The specification of the office accommodation includes perimeter trunking, suspended ceilings with recess fluorescent lighting. This Property benefits from air conditioning and 50 car parking spaces in total on the site.</p> <p>Evropská Business Centre is located on Evropská Street, the main arterial route from Ruzyně Airport.</p> <p>Freehold</p>	<p>The Property is leased to a number of different tenants.</p> <p>As at the date of valuation Evropská Business Centre was 70.60% let. The vacant floor area comprises approximately 1,408 square metres of office accommodation and 38 square metres of storage.</p>	€485,004 per annum	€673,152 per annum	€7,200,000



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Property Address	Description, Age and Tenure	Existing Tenancies	Rental Income	Market Rent	Market Value €
Classic 7 Business Park Phase 1 - Building C, E/F, N, Holesovice, Prague 7, Czech Republic	<p>The Property comprises a new office building and a restored 1910 flower mill that was converted into a high quality office accommodation. Our valuation consists of Buildings C, E/F and N.</p> <p>Internally, the buildings have been entirely reconstructed to offer a high standard of open-plan office accommodation with floor plates of 1,500 square metres. The specification of the office space includes full air-conditioning, optic vertical cables, carpeted raised floors, 24 hour reception and a C.C.T.V. System.</p> <p>The Classic 7 Business Park is located in Prague 7, close to the Holešovice Marina. The Property is easily accessible by car and also public transport, with tram lines and metro stations in proximity.</p> <p>Freehold.</p>	<p>The Property is leased to a number of different tenants. As at the date of valuation the Property was 74% let.</p> <p>The vacant floor space comprised approximately 4,491 square metres of office accommodation and approximately 224 square metres of storage.</p>	€2,257,383 per annum	€2,820,253 per annum	€33,200,000



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Property Address	Description, Age and Tenure	Existing Tenancies	Rental Income	Market Rent	Market Value €
Palace Pardubice - Masarykovo Náměstí 2799, Pardubice, Czech Republic	<p>The Property was completed in November 2008 and the first contemporary shopping mall. The shopping centre is set over two floors with over 85 shops and is adjacent to a Tesco Supermarket.</p> <p>Palace Pardubice is located in the centre of Pardubice on Masaryk square, at the crossroad of the Palackého and Hradecká streets, a short distance from the historic centre. The Property is easily accessible by away of public transport from Prague.</p> <p>Freehold.</p>	<p>The Property is leased to a number of different tenants, including international brands, a multiplex cinema, restaurants and cafés.</p> <p>As at the date of valuation the shopping centre was 94% let. The vacant floor space equates to a total area of 1,283 square metres.</p>	€4,744,200 per annum	€5,344,950 per annum	€68,000,000



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Property Address	Description, Age and Tenure	Existing Tenancies	Rental Income	Market Rent	Market Value €
D8 European Park, Phase I - Kozomin-Uzice, Czech Republic	<p>D8 European Park is a logistic warehouse constructed of steel portal frames with heat insulating concrete panels around the loading docks. The Property benefits from good security with an entrance gate and gatehouse and was built on a 50,000 square metre site.</p> <p>D8 European Park is situated at Exit 9 of the D8 motorway linking Prague and Dresden and is situated approximately 14 kilometres from Prague. Regional population centres are located in the direct vicinity of the park, providing a large pool of labour.</p> <p>The location has emerged as a logistics hub further emphasized by the investment of Tesco into a new distribution centre which exceeds 100,000 square metres and is located in proximity to the subject Property.</p> <p>Freehold.</p>	<p>The Property is leased to a number of different tenants.</p> <p>As at the date of valuation the D8 Park was 58% let with vacant office accommodation amounting to approximately 8,769 square metres.</p>	€484,555 per annum	€803,280 per annum	€68,350,000



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Property Address	Description, Age and Tenure	Existing Tenancies	Rental Income	Market Rent	Market Value €
Tulipa Rokytka Phase 1- Ocelářská, Prague 9, Czech Republic	<p>Tulipa Rokytka is a large two stage residential development. Stage one is called Tulipa Rokytka I and comprised two residential towers.</p> <p>The unsold apartments are located in Building 1. The total net area of the apartments is 154 square metres, which includes terraces and cellars. There is also 1 car parking space available with the apartments.</p> <p>Tulipa Rokytka is located within developing area in Prague 7 at Ocelářská Street. The Property is situated at the bank of the River Rokytka with Rokytka, Podvíní and Vysočany Park in close vicinity. The metro stations Českomoravská and Vysočanská are located few minutes of the property. Tram and bus stops, and the railway station Praha-Libeň are within easy reach. Car access is good with a quick links to the centre and the city ring.</p> <p>Freehold.</p>	As at the date of our valuation a total of 2 residential apartments as well as 2 car parks remain unsold.	Nil	Nil	€365,500



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Property Address	Description, Age and Tenure	Existing Tenancies	Rental Income	Market Rent	Market Value €
Tulipa Modřanská Phase 1 - Generála Šišky, Prague 4, Czech Republic	<p>Tulipa Modřanská Rokle I. is a residential development that includes a total of 120 apartment units with a total net lettable area of 8,349.60 square metres, 1,717.40 square metres of terraces, 3,018 square metres of garden space and 363.90 square metres of cellars.</p> <p>The Property is located in Prague 4 within an attractive part of Modřany District in the close neighbourhood of natural park. Prague city centre is easily accessible by car as well as by public transportation such as tram and bus with station located in near vicinity. In addition a Praha Modřany train station is located nearby.</p> <p>Freehold.</p>	As at the date of our valuation a total of 41 residential apartments as well as 45 car parks remain unsold.	Nil	Nil	€7,100,000



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Property Address	Description, Age and Tenure	Existing Tenancies	Rental Income	Market Rent	Market Value €
Tulipa Rokytka Phase 2 - Ocelářská, Prague 9, Czech Republic	<p>The subject Property comprises the second stage of Tulipa Rokytka which will be constructed on a 4,929 square metres site. The site is flat with a steep bank giving access to the site from the road.</p> <p>Adjacent to the site is the constructed Rokytka phase I which consists of 172 apartments. We have been advised that once developed this site will contain two residential building which have a total lettable area of 6,937 square metres in addition to 101 car parking spaces.</p> <p>Tulipa Rokytka is located within developing area in Prague 7 at Ocelářská Street. The Property is situated at the bank of the River Rokytka with Rokytka, Podviní and Vysočany Park in close vicinity. The metro stations Českomoravská and Vysočanská are located few minutes of the property. Tram and bus stops, and the railway station Praha-Libeň are within easy reach. Car access is good with a quick links to the centre and the city ring.</p> <p>Freehold</p>	Nil	Nil	Nil	€1,950,000



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Property Address	Description, Age and Tenure	Existing Tenancies	Rental Income	Market Rent	Market Value €
Tulipa Modřanská Phase 2 - Generála Šišky, Prague 4, Czech Republic	<p>The Property comprises a parcel of undeveloped land and forms 2nd phase of Modřanská rokle. The size of this land totals 14,947 square metres. We understand that planning permission has not been obtained for this site and there are no plans to start construction. We have not been provided with proposed plans for the development of this site.</p> <p>The Property is located in Prague 4 within an attractive part of Modřany District in the close neighbourhood of natural park. Prague city centre is easily accessible by car as well as by public transportation such as tram and bus with station located in near vicinity. In addition a Praha Modřany train station is located nearby.</p> <p>Freehold</p>	Nil	Nil	Nil	€2,000,000



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Property Address	Description, Age and Tenure	Existing Tenancies	Rental Income	Market Rent	Market Value €
Tulipa Vokovice - Ke Dvoru Prague 6, Czech Republic	<p>The Property consists of a site designated for a residential development that already comprises a part of former farmhouse build in 1781, originally called "Křhanovský dvůr" which is currently in derelict state. Archaeological investigations have been already carried out on the site and we were informed that the old buildings were listed.</p> <p>The site is situated in the sub-district of Vokovice, approximately 2.5 kilometres from Dejvice road island and 5 kilometres from Prague city centre. The Property benefits from good vehicular access provided by Evropská Street to the airport and ring road, with connection to the city centre provided by tram stop located approximately 100 metres, and Metro stop.</p> <p>We understand that AFI Group intend to redevelop the land into apartments totalling 8,700 square metres which will include the existing historical buildings. There will also be 155 car parking spaces.</p> <p>Freehold.</p>	Nil	Nil	Nil	€3,000,000



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Property Address	Description, Age and Tenure	Existing Tenancies	Rental Income	Market Rent	Market Value €
Tulipa City (ICKD) - Vysocany, Kolbenova St, Prague 9, Czech Republic	<p>The Property comprises a total land area of 150,673 square metres. The land is generally flat in contour; it steepens on the northern edge and also near the railway. The site is irregular in shape. There are a few buildings situated on the land (gatehouse, substation building and fenced warehouse areas), on the northern and eastern edge lies an area of natural greenery. Currently AFI Group gain income from storage and a car sales yard on the site. The surrounding consists of remaining industrial buildings of CKD.</p> <p>We understand that AFI Group intend to redevelop the land over three phases. Phase 1 will have a total lettable area of 50,811 square metres and will comprise office and storage accommodation with ground floor retail. Phase 2 will have a total lettable area of 28,200 square metres and will comprise retail and residential accommodation with Phase 3 having a total lettable area of 50,811 square metres and will mirror Phase 1.</p> <p>We have been advised that there is no planning permission for the above proposed development, AFI Group are currently submitting their plans to the municipality.</p> <p>The subject land is located in the area between Kolbenova St and rail road Praha 9 – Vysocany. It is a former industrial area of CKD, which was demolished a few years ago. The land is easily accessible from the adjacent street Kolbenova by tram or subway stations 'Kolbenova.</p> <p>Freehold.</p>	Nil	Nil	Nil	€28,245,000



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Property Address	Description, Age and Tenure	Existing Tenancies	Rental Income	Market Rent	Market Value €
Tulipa Karlín, Pernerova St, Karlín, Praha 8, Czech Republic	<p>The Property comprises a plot of land, designated for an office development. There is currently no planning permission in place.</p> <p>The plot is generally flat in contour, however towards the southern edge, the land raises slightly. The surrounding area consists of residential apartment blocks and offices. A small chapel is situated on the plot No. 401/96, it is a one storey vacant building that is built on the slope of the hill. The building is in fair condition and the year of construction is unknown.</p> <p>The subject land is located in the area between Pernerova St and the railway corridor in Prague 8 – Karlín. This area is a former industrial/storage area, which was demolished a few years ago. The nearest metro station is located approximately 500 metres away; similarly the tram stop (Křizikova) is also located 500 metres from the land plot.</p> <p>Freehold.</p>	Nil	Nil	Nil	€11,800,000



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Property Address	Description, Age and Tenure	Existing Tenancies	Rental Income	Market Rent	Market Value €
D8 European Park Phase 2 - Phase II, Kozomin-Uzice, Czech Republic	<p>The total area of the development site is 154,714 square metres adjacent to an industrial warehouse – D8 European Park, developed by the Company in previous years. We understand that planning permission has not been obtained for this second part of the development and there are no plans to start construction. We have not been provided with proposed plans for the development of this site.</p> <p>D8 European Park II is situated at Exit 9 of the D8 motorway linking Prague and Dresden and is situated at approximately 14 kilometres from Prague. Regional population centres are located in the direct vicinity of the park, providing a large pool of labour.</p> <p>The location has emerged as a logistics hub further emphasized by the investment of Tesco into a new distribution centre which exceeds 100,000 square metres and is located in proximity to the subject Property.</p> <p>Freehold.</p>	Nil	Nil	Nil	€3,750,000



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Property Address	Description, Age and Tenure	Existing Tenancies	Rental Income	Market Rent	Market Value €
Classic Business Park Phase 2 - Jankovcova Str, Holesovice, Prague 7, Czech Republic	<p>The Property comprises a 11,470 square metres plot of development land. This is made up of three parcels of land; 1st phase 4,556 square metres, 2nd phase 3,164 square metres, 3rd phase 3,750 square metres which are designated primarily for office use.</p> <p>We understand that planning permission has been obtained the first two phases and not for the 3rd phase. We understand that the 1st phase is due to start within the next year.</p> <p>The Classic 7 Business Park (land) is located in Prague 7, close to the Holešovice marina, between the street, Uranie'and, Jankovcova'. The Property is easily accessible by car and also public transport, with tram lines in close vicinity and metro stations circa 15 minutes by foot.</p> <p>Freehold.</p>	Nil	Nil	Nil	€3,930,000



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Property Address	Description, Age and Tenure	Existing Tenancies	Rental Income	Market Rent	Market Value €
Cotroceni Park Shopping Mall - , Blvd Vasile Milea nr. 4, sector 6, Bucuresti, Romania	<p>The subject Property is located in the western part of Bucharest, at the junction between Timisoara and Vasile Milea Blvd. The site is situated on the western side of Vasile Milea Blvd. and on the northern side of Timisoara Blvd. 200m to the north there is Iuliu Maniu Blvd, the main artery in the western Bucharest which leads toward A1 Highway to Pitesti.</p> <p>The surrounding area comprises blocks of flats, student hostels, industrial sites and office buildings. Cotroceni Palace, Military Academy, Apaca textile factory, Leu students complex and the Vodafone building are major landmarks in the neighbourhood. Also, Polytechnics Institute is located in proximity.</p> <p>The subject property is part of a larger land holding of 117,694 square metres. The site is generally level in contour. A former industrial producing machinery factory was located on the site, UMEB, was demolished to allow the site to be redeveloped into an integrated mixed retail/office/hotel/residential scheme. We have been advised that the Property which consists of a shopping centre only occupies 85,840 square metres of the overall site.</p> <p>AFI Palace Cotroceni was opened in October 2009 and is of concrete framed structure, concrete beams and columns with sandwich panel walls, flat concrete structure roof covered by sandwich panels with skylights and a big glass dome of 4,500 square metres over the central court; the windows are double glazed. The layout is classical with commercial galleries on ground floor and food court and mountain area located in the central part. The finishes are typical for</p>	<p>The shopping mall is leased to approximately 300 tenants for various periods of 1, 3, 5 or 10 years. We have been provided with details of a new lease to H&M commencing in March 2011 for 1,938 square metres of space.</p> <p>At the date of valuation the property was 92.06% let.</p>	<p>€ 24,709,262 per annum</p> <p>The above includes €1,200,000 of turnover rent.</p>	<p>€ 30,995,976 per annum</p> <p>The above includes €1,200,000 of turnover rent.</p>	<p>€350,000,000</p>



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Property Address	Description, Age and Tenure	Existing Tenancies	Rental Income	Market Rent	Market Value €
	a shopping unit: ceramic tiled floors plastered and painted gypsum boards partitioning; the spaces are provided with fluorescent spotlights, air ventilation, smoke detectors and sprinklers. Freehold.				
Pipera - Tarla 26, Parcela 455/25 and 455/26 Voluntari, Ilfov County, Romania	<p>The subject property is situated in Tunari, in the northern periphery of Bucharest. Tunari commune is situated in the southern part of Romania, in Ilfov County, approximately 7 km north of Bucharest and 5 km east of Otopeni town.</p> <p>The area is mainly residential with numerous newly built independent villas or residential compounds. Also, numerous undeveloped plots of land are available in the neighborhood.</p> <p>According to the documentation that we have been provided with, an area of 12,500 square metres will be affected by the construction of the future highway.</p> <p>According to the information provided by the Company, the land will be allocated for the future development to provide 274,840 square metres of residential and 2,500 square metres of commercial accommodation.</p> <p>Freehold.</p>	Nil	Nil	Nil	€10,500,000



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Property Address	Description, Age and Tenure	Existing Tenancies	Rental Income	Market Rent	Market Value €
Arad Europe Logistics - Str. Aurel Vlaicu nr. 14, Arad, Arad County, Romania	<p>The property is situated on the north of the city centre, on Calea Aurel Vlaicu, having an area of 80,860 square metres.</p> <p>Aurel Vlaicu road is a major transportation artery of the city, running east-west, from Drapelului square, where the new orthodox cathedral of the city has been built, towards the western egress point of the city; and further west to Nadlac and the Hungarian border.</p> <p>The subject property is located between the railway station and the bus station. The subject location is mixed, however dominated by the large industrial platforms of Arad: UTA and ASTRA. Another industrial platform, IMAR located circa 200m west of the subject is currently under demolition.</p> <p>The subject property consists of a land plot, part of the former IMAR factory, on which a new shopping mall will be constructed; currently all former buildings have been demolished. The remaining IMAR site is industrial.</p> <p>We have been provided with the building permit no. 303 dated 19.03.2008 indicating that the construction of a shopping mall (B+GF+1F), a car parking (B+GF+3F), and an office building (B+GF+10F) are permitted. According to this document, the total footprint of the buildings on site will be of 35,989sqm, while the total built area above ground (gross external area) will be 116,621 square metres. However, the client provided us information regarding the project that will be developed on the site. According to this information, the shopping mall will have a total built area (gross external area) of</p>	Nil	Nil	Nil	€18,500,000



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	34,400 square metres, while the office facility will have an area of 10,000 square metres (including here the basement). We have assumed that a corresponding building permit will be issued with no unusual delay, and the proposed scheme will be allowed. Freehold.				
Tulip Towers – Inox - Blvd Tudor Vladimirescu nr. 5, sector 5, Bucuresti, Romania	<p>The subject property is located in the South Western area of Bucharest, sector 5 in Razoare neighborhood, south of the junction between Progresului and Razoare Streets. The neighbourhood is mixed residential/industrial area with numerous houses, industrial and commercial facilities such as Vulcan, Vifor, Sphera, Eurato, Beyler, new storages/production facilities and blocks of flats.</p> <p>The major landmarks in the area are: Cotroceni Palace, AFI Palace Cotroceni Mall and The Military Academy. Further to the south there is another mall – Liberty.</p> <p>The site has a total area of 17,405.52 square metres. According to the information provided by the Company, the land will be allocated for the future development to provide 15,900 square metres of residential and 1,500 square metres of commercial accommodation.</p> <p>Freehold</p>	Nil	Nil	Nil	€18,206,000



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Property Address	Description, Age and Tenure	Existing Tenancies	Rental Income	Market Rent	Market Value €
Golden City Laromet Premier - Blvd Bucurestii Noi nr. 166, sector 1, Bucuresti	<p>The subject property is located on the east side of Bucurestii Noi Blvd, circa 10km north of the city centre. It is bordered on the west by Bucurestii Noi Blvd, on the north by Laminorului Blvd, Episcop Vulcan Street on the south and Stanilesti Street on the east. The Property has an area of 156,097 square metres.</p> <p>Bucurestii Noi Blvd is a major transportation artery of the city with two lanes two ways, running centre-north-west, linking Calea Grivitei towards Sos. Bucuresti - Targoviste. The boulevard can, at times, be extremely congested. A tram line runs along the street with stations and end line across the street of the subject site. Also a subway line is currently under construction along Bucurestii Noi Blvd.</p> <p>The area is mixed residential and old industrial facilities. Along the boulevard there are old communists blocks of flats with GF+10F and commercial units on the ground floor; old and numerous newly built houses and villas are located in the rear, in the second – third row. Amongst the most important industrial sites there are Zarea, Precizia, Textila Dacia, Contrasimex and Marmura sites. Some of them are closed whilst others are reducing activities. Other landmarks in the neighbourhood are Bazilescu Church and Park and Masca Theatre.</p> <p>According to the information provided by the Company, the land will be allocated for the future development to provide 178,000 square metres of residential, 8,000 square metres of commercial, 13,000 square metres of office and 40,000 square metres of retail (mall) accommodation.</p> <p>Freehold</p>	Nil	Nil	Nil	€83,356,000



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Magurele - Plaza Arad - Extravillan of Magurele, Ilfov County, Romania	<p>The subject site is situated in the extravillan of Magurele, in Ilfov County approximately 5 km south of Bucharest. Magurele is a small town with approximately 9,000 inhabitants located along DN6 towards Alexandria.</p> <p>The Subject Property is part of a larger undeveloped plot of land located on the eastern side of DN6. The total site area of the subject is 268,192 square metres.</p> <p>The neighborhood comprises mostly undeveloped plots of land, newly built villas or under construction, and several storages and small light industrial facilities along the main road.</p> <p>According to the information provided by the Company, the land will be allocated for the future development to provide 304,972 square metres of residential and 2,400 square metres commercial accommodation.</p> <p>Freehold</p>	Nil	Nil	Nil	€10,190,000



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Offices Cotroceni - Blvd Vasile Milea nr. 4, sector 6, Bucuresti, Romania	<p>The subject property is located in the western part of Bucharest, at the junction between Timisoara and Vasile Milea Blvd. The site is situated on the western side of Vasile Milea Blvd. and on the northern side of Timisoara Blvd. 200m to the north there is Iuliu Maniu Blvd, the main artery in the western Bucharest which leads toward A1 Highway to Pitesti.</p> <p>The surrounding area comprises blocks of flats, student hostels, industrial sites and office buildings. Apaca textile factory, Leu students complex and Vodafone building are major landmarks in the neighbourhood. Also, Polytechnics Institute is located in the proximity.</p> <p>The site is of an irregular shape with frontages of approximately 340 meters onto Vasile Milea Blvd and 200 metres to Timisoara Blvd. Due to the wide frontages, access, exposure and visibility of the property are very good. All urban utilities are available on site.</p> <p>The subject property is part of a larger land plot of 117,694 sq metres. The site is generally flat and it is fenced. A former industrial producing machinery factory was located on the site, UMEB. It was demolished and the site is to be redeveloped into an office with commercial scheme. On the site there is also the AFI Palace Cotroceni Mall.</p> <p>According to the information provided by the Company, the land allocated for the office development is 15,000 square metres and the total area of the projected constructions will be 62,221 square metres in 5 buildings.</p> <p>Freehold</p>	Nil	Nil	Nil	€17,800,000



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Property Address	Description, Age and Tenure	Existing Tenancies	Rental Income	Market Rent	Market Value €
Ploiesti – Veroskip - Str. Calonfirescu nr. 2, Ploiesti, Prahova County, Romania	<p>The subject property is located in the north-eastern part of Ploiesti, on the north-western side of Calonfirescu street, a two lane asphalted street that runs from the centre of Gheorghe Doja Blvd to the north-east. The subject is located at the junction between Calonfirescu Street and Gheorghe Doja Blvd</p> <p>The area, locally known as "Obor" is dominated by the industrial site of Flacara. Towards the centre of the city there are blocks of flats with GF+10F and small shops or bank units such as BRD, OTP Leasing and Banca Transilvania on the ground floor. Numerous old houses and small construction materials stores or car repairing and car parts stores.</p> <p>The site is irregular in shape with three frontages and as such, due to the large frontages, exposure and visibility are very good. All urban utilities are available on site.</p> <p>The site is of a level contour and currently houses the Flacara SA factory, which produces enamelled cast iron cookware, meat minces, heating stoves and kitchen accessories.</p> <p>According to the client's information, the buildings will be demolished and the site redeveloped.</p> <p>Freehold</p>	Nil	Nil	Nil	€8,367,000



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Property Address	Description, Age and Tenure	Existing Tenancies	Rental Income	Market Rent	Market Value €
Butimanu - Extravillan of Butimanu, Dambovita County, Romania	<p>The Subject Property is located in the extravillan of Butimanu, a small village in Dambovita county with approximately 2,300 inhabitants. It is situated approximately 25 km north-west of Bucharest and it lies on the eastern side of DN1A towards Ploesti.</p> <p>The total area is 210,886 square metres and according to the information provided by the Company, the land will be allocated for the future development to provide 106,303 square metres of residential and 2,500 square metres of commercial accommodation.</p>	Nil	Nil	Nil	€1,054,000



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Property Address	Description, Age and Tenure	Existing Tenancies	Rental Income	Market Rent	Market Value €
Business Park Varna, 9009 Varna Bulgaria	<p>Varna is the third largest city in Bulgaria. It is located on the Bulgarian Black Sea Coast in Northern Bulgaria.</p> <p>Business Park Varna (BPV) is a commercial complex consisting of multifunctional office buildings. Business Park Varna is located on an area of 67,430 square meters at the entrance of the city, south of Hemus Highway. It is directly accessible from I-2 highway and Zapadna obikolna (West Roundabout) Street. Its location allows for quick access to downtown Varna city and Varna International Airport. Upon completion of the project, the Park will have 8 business buildings providing about 200,000 square metres of offices, retail and, storage areas as well as more than 2,000 parking spaces.</p>				
Building 1, Business Park Varna	<p>Building 1 (B1) is located on the north side of BPV and has frontage onto the Hemus Highway. The construction of the first part of the Building 1 was started in 2005 and finished in 2006 providing GLA of approximately 12,744 square metres of commercial accommodation arranged over a basement, ground and five upper floors. The building is of an irregular rectangular shape arranged around a large atrium under a flat roof. The building has a contemporary design of predominantly glass elevations with car parking spaces and the basement level. Small retail units are situated at ground floor level and office accommodation is located on the upper floors.</p> <p>Freehold.</p>	<p>Building 1 is 71 % occupied and there are 57 individual commercial tenants in occupation.</p> <p>At the date of valuation there was 3,640 square metres of vacant commercial area (office, retail, storage & terrace).</p>	€1,070,508 per annum	€1,560,040 per annum	€ 13,000,000



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Property Address	Description, Age and Tenure	Existing Tenancies	Rental Income	Market Rent	Market Value €
Building 6, Business Park Varna	Building 6 is located on the west side of BPV. It comprises an irregular 'E' shaped office building which was constructed in October 2007. The building comprises of tinted glass structural glass curtain walls under a flat roof and provides GLA of 15,032 square metres with two underground floors for car parking. The ground floor has some commercial areas and four upper floors of designated office accommodation with four standard and two high load elevators. Freehold	Building B6 is fully let to a single tenant, E.ON.	€2,029,079 per annum	€1,902,679 per annum	€ 17,100,000
Building 8, Business Park Varna	Building 8 is located on the south side of BPV and has frontage onto the E70 (route 2). Building B8 comprises a square shaped office building around a large atrium under a flat roof which was completed in April 2009. The building comprises a mixture of structural glass and panelled curtain walls and provides GLA of 14,457 square metres with two underground floors for car parking. The ground floor has some retail and the six upper floors provide office accommodation. Freehold	Building 8 is 20 % occupied and there are 9 individual commercial tenants in occupation. At the date of valuation there was 11,633 square metres of vacant commercial area (office, retail & terrace).	€359,059 per annum	€1,823,253 per annum	€ 14,450,000
Future development land, Business Park Varna	The future development land within Business Park Varna is designated for subsequent phases of the business park which would comprise a further 5 buildings in total. These buildings will provide for future office accommodation of approximately 155,000 square metres Freehold	Nil	Nil	Nil	€ 20,000,000



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Property Address	Description, Age and Tenure	Existing Tenancies	Rental Income	Market Rent	Market Value €
Vitosha Tulip, Sofia Bulgaria	The exclusive residential neighbourhood of Vitosha Tulip comprises 144 luxury flats in a gated community with recreational and leisure facilities. The development is located approximately 50 metres west from Cherni Vrah Blvd, the main road from the city centre of Sofia to the south (about 300 metres to the north of the ring road). Freehold.	As at the date of valuation there are 116 unsold apartment units (17,435 square metres) and 138 car parking bays	Nil	Nil	€ 15,670,000
Lagera Tulip, Sofia Bulgaria	Lagera Tulip is a residential development situated in the Lagera neighbourhood and is only a couple of minutes drive from the city centre of Sofia. Phase 1 of this development is completed and comprises four modern apartment blocks with 248 units of apartments. The Lagera Tulip community is gated, and includes trade areas, underground parking, recreational facilities, children's playground and gardens. Phase 2+3 of the Lagera Tulip development will comprise the future development of a further 294 apartment. The size of the remaining undeveloped land for these future phases of the Lagera Tulip development is 9,683 square metres. Freehold	Phase 1 of this development is completed and comprises 248 units of apartments within four contiguous 10-storey blocks. As at the date of valuation there are 176 unsold apartment units (15,803 square metres), 1,727 square metres of retail space and 152 car parking bays	Nil	Nil	€ 16,300,000 (Phase 1) € 6,780,000 (Phase 2+3)



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Property Address	Description, Age and Tenure	Existing Tenancies	Rental Income	Market Rent	Market Value €
Malina Tulip, Sofia Bulgaria	<p>The Property comprises 4 regulated plots of land measuring approximately 30,449 square metre located in Malinova Dolina district of Sofia. The site is located close to the city's main traffic artery.</p> <p>The site is for future residential development (proposed 469 residential units). The site is currently undeveloped and situated in an area without ready road access.</p> <p>Freehold</p>	As at the date of valuation the local planning authority has confirmed the re-zoning of the Property for residential use with maximum site coverage of 40% and a density coefficient of 1.3.	Nil	Nil	€ 6,650,000
Plovdiv, Bulgaria	<p>The Property comprises 41 plots of undeveloped land measuring approximately 330,978 square meters located to the south east of the city of Plovdiv in southern central Bulgaria. Plovdiv is the third biggest city in Bulgaria and is located 130 kilometres southeast of the country's capital, Sofia. The Property is irregular shaped and is mainly flat with no buildings on site.</p> <p>It is anticipated that the Property will be developed into a logistics park (Plovdiv Logistic Center) with build up area of approximately 148,500 square metres.</p> <p>Freehold.</p>	As at the date of valuation the local planning authority has confirmed the re-zoning of the Property for commercial mixed use development with maximum site coverage of 60% and a density coefficient of 2.5.	Nil	Nil	€ 6,500,000



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Property Address	Description, Age and Tenure	Existing Tenancies	Rental Income	Market Rent	Market Value €
Europeski Phase 7, 8A, 8B, 10, 11 - ul. Piltza/Czerwone Maki, Kraków, Poland	<p>The subject property forms part of a "Osiedle Europejskie" residential estate and comprises ready-to-buy residential units (5,752.66 square metres) as well as vacant of 43,693 square metres land designated for future development and further extension of the estate.</p> <p>We summarise each phase as follows:</p> <p>Phase 7 – construction has been entirely completed. As at the date of our valuation 127.96 square metres of residential area remain unsold.</p> <p>Phase 8A – construction has been entirely completed. As at the date of our valuation 130.32 square metres of residential area as well as 2 parking slots remain unsold.</p> <p>Phase 8B – construction has not started yet but the developer received a building permit decision. There are to be 12,321 square metres of saleable area provided within this phase as well as 112 underground parking slots and 100 above ground parking slots.</p> <p>Phase 10&11 – construction has not started yet nor the building permit has been received. There is planned to be 32,926 square metres of saleable area provided within this phase as well as 350 underground parking slots and 289 above ground parking slots</p> <p>Equivalent of Freehold.</p>	<p>As at the date of our valuation a total of 258.28 square metres of residential area as well as 2 car parks remain unsold.</p>	Nil	Nil	€10,800,000



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Property Address	Description, Age and Tenure	Existing Tenancies	Rental Income	Market Rent	Market Value €
Europejski Phase 9 - ul. Piltza/Czerwone Maki, Kraków, Poland	<p>The subject property forms part of a "Osiedle Europejskie" residential estate and comprises ready-to-buy residential units (5,752.66 square metres) as well as vacant of 43,693 square metres land designated for future development and further extension of the estate.</p> <p>Construction of phase 9 has been entirely completed. As at the date of our valuation 4,034 square metres of residential area as well as 71 parking slots remain unsold.</p> <p>Freehold.</p>	<p>As at the date of our valuation 4,034 square metres of residential area as well as 71 car parks remain unsold.</p>	Nil	Nil	€6,800,000
Europejski Commercial Centre - ul. Bobrzyńskiego 37, Kraków, Poland	<p>The subject property is an estate shopping centre totalling 2,041 square metres of leasable area constructed on a 5,304 square metres site.</p> <p>The building forms a two storey triangular shape structure with an entrance passage facade facing ul Bobrzyńskiego and is made of glass windows and the elevation is covered with light metal panels. There is a lift that services the two floors of retail space and there is aboveground parking around the building's front entrance.</p> <p>The building is of reinforced concrete frame construction with reinforced concrete foundations and structural walls made of reinforced concrete. The roof is of steel construction and covered with trapezoid metal sheets. Internally the building is equipped with air – conditioning, mechanical ventilation, CCTV and fire and smoke detection systems.</p> <p>Freehold.</p>	<p>Carrefour are the anchor tenant within this shopping centre.</p> <p>As at the date of valuation the Property is 92% occupied with only 197 sq m situated on the first floor currently vacant.</p>	€269,259 per annum	€288,247 per annum	€3,325,000



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Property Address	Description, Age and Tenure	Existing Tenancies	Rental Income	Market Rent	Market Value €
Warsaw One Phase A1 & A2 - , ul. Przyczółkowa, Warsaw, Poland	<p>"Wilanow One" residential estate with commercial part consisting of two existing residential building and a development land designated for residential and retail uses.</p> <p>The whole property comprises three plots no 2/78, 2/79 and 2/80 extending to an aggregated area of 183,832 sq m. Plots 2/78 and 2/79 are developed with two residential buildings which form phase A1 and A2 of the proposed development. The plot no 2/80 with an area of 168,633 square metres is designated to be developed with a residential estate with retail component.</p> <p>The exiting part of Wilanów One complex consists of two buildings, A1 and A2 with usable area of approximately 14,340 square metres and 6,214 square metres respectively. The building A1 was completed in Q1 2009 and the building A2 has completed in Q1 2010. These existing buildings provide in total 275 apartments out of which 56 remain unsold. Both buildings are of a high standard equipped with air-conditioning system, wooden framed windows, balconies or terraces.</p> <p>As at the date of valuation plot no 2/80 is undeveloped. According to information received from the Client the belt of land located along ul. Przyczółkowa extending to an area of 55,123 square metres is planned to be developed with retail use scheme. The remaining part of the site is to be developed with residential estate. The Client has obtained a final building permit decision in respect of phase B1 of the development.</p> <p>Right of Perpetual Usufruct.</p>	As at the date of our valuation 56 residential apartments remain unsold.	Nil	Nil	<p>€ 11,250,000 (Phase A1+A2)</p> <p>€ 64,700,000 (Balance – Development Land)</p>



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Property Address	Description, Age and Tenure	Existing Tenancies	Rental Income € pa	Market Value €
Badstraße 66, 13357 Mitte, Berlin	<p>The Property comprises a period five-storey building of a brick construction, built in circa 1900, together with an adjoining four-storey building situated around a central courtyard.</p> <p>The Property provides a mixture of residential and commercial accommodation with a total lettable area of 1,843 square metres.</p> <p>German Equivalent of freehold.</p>	There are 14 individual residential tenants and 7 commercial tenants in occupation within the subject property. In addition to this at the date of valuation there are 2 vacant commercial units with a combined lettable area of 173 square metres.	€135,643.56 per annum	€1,530,000
Güntzelstrasse 48/ Nassauische Strasse 57, 10717 Charlottenburg, Berlin	<p>The Property comprises a five storey building of a brick construction, built in circa 1900. In addition, the property also comprises a cellar and an additional attic floor. The building is of traditional brick construction with rendered elevations, timber framed windows and a Mansard roof. The Property has a tiled facade with balconies to the front and rear.</p> <p>The Property provides a mixture of residential, storage and commercial accommodation with a total lettable area of 3,393 square metres.</p> <p>German Equivalent of freehold.</p>	There are 13 individual residential tenants and 7 commercial tenants in occupation within the subject property. In addition to this at the date of valuation there was 1 vacant commercial unit with a lettable area of 18 square metres and a total vacant residential area of 157.34 square metres.	€332,871.96 per annum	€4,610,000



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Property Address	Description, Age and Tenure	Existing Tenancies	Rental Income € pa	Market Value €
Hauptstrasse 11/ Belziger Strasse 1, 01901 Tempelhof, Berlin	<p>The Property comprises six storey structure with underground basement, built in circa 1900. The building is of traditional construction with rendered elevations, casement windows, balconies and a pitched roof.</p> <p>The Property provides a mixture of residential accommodation as well as hotel accommodation. In addition, there is commercial accommodation with a total lettable area of 3,909 square metres.</p> <p>German Equivalent of freehold.</p>	There are 13 individual residential tenants and 14 commercial tenants in occupation within the subject Property. There is an additional tenant occupying storage space.	€353,632.80 per annum	€4,070,000
Hermannstr. 151/ Kranoldstr. 13, 01906 Neuköln, Berlin	<p>The Property comprises a building of five storeys plus underground basement, built in circa 1900. The building is of traditional construction; and has rendered elevations, balconies and timber framed windows with a mansard roof. There is a small courtyard to the rear.</p> <p>The Property is located on a prominent corner site and provides a mixture of residential and commercial accommodation with a total lettable area of 1,909 square metres.</p> <p>German Equivalent of freehold.</p>	There are 23 individual residential tenants and 3 commercial tenants in occupation within the subject Property. There are an additional five parking units provided.	€120,671.04 per annum	€1,380,000



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Property Address	Description, Age and Tenure	Existing Tenancies	Rental Income € pa	Market Value €
Kantstrasse 71/ Fritschestrasse 47, 10627 Charlottenburg, Berlin	<p>The Property comprises a five storey mixed use building, built in circa 1906. The Property is of traditional construction and it has rendered elevations, timber framed windows with balconies to the front. The Property has a low pitched roof and there is a courtyard to the rear.</p> <p>The Property provides a mixture of residential, storage and commercial accommodation with a total lettable area of 3,191 square metres.</p> <p>German Equivalent of freehold.</p>	The Property is fully occupied. There are 12 residential tenants and 6 commercial tenants in occupation within the Subject Property. There is an additional miscellaneous unit.	€331,197.96 per annum	€3,930,000
Kaiserin-Augusta-Allee 84, 10589 Mitte, Berlin	<p>The Property comprises a five storey building built in circa 1912. The building is of traditional construction with rendered elevations, timber framed double glazed windows with balconies and a mansard roof. There is a courtyard garden to the rear</p> <p>The Property provides a mixture of residential and commercial accommodation with a total lettable area of 1,515.72 square metres.</p> <p>German Equivalent of freehold.</p>	The Property is fully occupied. There are 3 commercial tenants and 17 residential tenants.	€110,274.36 per annum	€1,280,000



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Property Address	Description, Age and Tenure	Existing Tenancies	Rental Income € pa	Market Value €
Karl-Marx-Strasse 146, 12043 Neukoeln, Berlin	<p>The Property which was built in circa 1900 comprises two adjoining four and five storey blocks with an additional two storey structure at the rear. The buildings are of traditional construction with rendered elevations, timber framed windows and a pitched roof. There is an inner courtyard.</p> <p>The Property provides ground floor retail with residential units above. The total lettable area of 1,250.79 square metres.</p> <p>German Equivalent of freehold.</p>	The Property is fully occupied. There are 5 commercial tenants and 14 residential tenants.	€104,939.28 per annum	€1,130,000
Kottbusser Damm 81/ Sander Strasse 1+2, 10967 Mitte, Berlin	<p>The Property was built in 1906 and comprises a five storey plus basement building. The building is of traditional construction with rendered facades, timber framed windows and a mansard roof.</p> <p>The Property is a mixed use building consisting of a owner house and transverse wings forming a courtyard and rear garden area. The Property has a total lettable area of 4577.97square metres.</p> <p>German Equivalent of freehold.</p>	<p>There are 48 individual residential tenants and 9 commercial tenants in occupation within the subject property.</p> <p>At the date of valuation there was 2 vacant commercial units with a combined lettable area of 159.82 square metres. There are a further 2 vacant residential units with a combined lettable area of 166.37 square metres.</p>	€335,971.32 per annum	€4,250,000



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Property Address	Description, Age and Tenure	Existing Tenancies	Rental Income € pa	Market Value €
Niebuhrstrasse 74, Charlottenburg10 629, Berlin	<p>The Property was constructed in circa 1910 and comprises a five storey mixed use building with rear addition. The building is of traditional construction with rendered elevations, timber casement windows, balconies to the front and a mansard roof. There is a courtyard to the rear.</p> <p>The Property is a mixed use building comprising a hotel apartments and residential accommodation. The Property has a total lettable area of 1582.68 square metres.</p> <p>German Equivalent of freehold.</p>	The Property is fully let; there are 13 individual residential tenants and 3 commercial units which are leased to a single tenant.	€132,937.44 per annum	€1,640,000
Schlossstraße 95 Steglitz- Zehlendorf 12163, Berlin	<p>The Property was constructed in 1989 and comprises a purpose built six storey building with a two storey rear addition. The building is of a concrete frame construction with mansard roof.</p> <p>The Property is used entirely for commercial purposes. The ground floor retail space has recently been upgraded. The Property has a total lettable area of 1,985.62 square metres.</p> <p>German Equivalent of freehold.</p>	<p>There are 8 commercial tenants in occupation at the subject Property. In addition to this at the date of valuation there is 1 vacant commercial unit with a lettable area of 292.76 square metres.</p> <p>There is also avacant storage unit of 29.03 square metres and 3 vacant car parks.</p>	€272,442 per annum	€4,410,000



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Property Address	Description, Age and Tenure	Existing Tenancies	Rental Income € pa	Market Value €
Schlüterstrasse 29+30, Charlottenburg 10629, Berlin	<p>The Property was constructed in circa 1902 and comprises a five storey building with underground basement. The building is of traditional construction and has rendered elevations, timber casement windows and a mansard roof</p> <p>The Property comprises mixed use accommodation with a total lettable area of 2,661.99 square metres.</p> <p>German Equivalent of freehold.</p>	<p>There are 31 individual residential tenants, 3 commercial tenants currently in occupation within the subject Property. At the date of valuation there is 1 vacant commercial units with a lettable area of 92.32 square metres.</p>	€260,174.88 per annum	€3,780,000
Schönwalder Strasse, 39+40, Spandau 13585, Berlin	<p>The Property comprises a five storey structure constructed in 1969. Construction is of concrete frame with rendered elevations and a flat roof.</p> <p>The Property provides both commercial and residential accommodation with a total lettable area of 2,219.32 square metres.</p> <p>German Equivalent of freehold.</p>	<p>There are 23 individual residential tenants, 3 commercial tenants, 1 storage tenanat and 1 other tenant who occupy the subject Property. There are also 12 let parking units. At the date of valuation there is 1 vacant residential unit which has a lettable area of 68.21 square metres.</p> <p>There are 14 vacant parking units</p>	€151,349.52 per annum	€1,770,000
Stromstrasse 58, Mitte 10551, Berlin	<p>The Property comprises a three storey plus basement building of traditional brick construction with a rendered facade under a pitched roof.</p> <p>The Property provides both residential and retail element and has a total lettable area of 574.19 square metres.</p> <p>German Equivalent of freehold.</p>	<p>At the date of valuation, the Property is fully occupied. There are 4 individual residential tenants, 3 commercial tenants and 1 other tenant who occupy the subject Property.</p>	€39,775.20 per annum	€430,000



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Property Address	Description, Age and Tenure	Existing Tenancies	Rental Income € pa	Market Value €
Stronstrasse 65-66, Mitte 10555, Berlin	<p>The Property comprises an eight storey building constructed in circa 1957. The building is of concrete frame construction with a flat roof</p> <p>The Property comprises of both residential and retail units. The apartments are provided with balconies. The Property has a total lettable area of 2,767.53 square metres.</p> <p>German Equivalent of freehold.</p>	<p>There are 51 individual residential tenants, 1 commercial tenant and 1 storage tenant who occupy the subject Property. There are also 23 let parking units. At the date of valuation there are 2 vacant residential units which have a combined lettable area of 80.14 square metres, one vacant commercial unit with 45 square metres of lettable area and an additional three vacant parking spaces.</p>	€177,826.20 per annum	€2,070,000
Amsterdamer Strasse 17, Mitte 13347, Berlin	<p>The Property comprises a five storey residential building of a concrete block construction with rendered facades and a pitched roof.</p> <p>The Property provides is predominantly residential accommodation with limited parking to the rear of the Property. The total lettable area is 2,982.91 square metres.</p> <p>German Equivalent of freehold.</p>	<p>There are 36 individual residential tenants in occupation within the subject Property. There are a further 8 let parking spaces. In addition to this at the date of valuation there are 2 vacant residential units with a combined lettable area of 140.1 square metres and three vacant parking spaces.</p>	€165,251.76 per annum	€1,960,000



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Property Address	Description, Age and Tenure	Existing Tenancies	Rental Income € pa	Market Value €
Pohlstrasse 58, Mitte 10785, Berlin	<p>The Property was originally constructed circa 1900 and was extended in 1992. The Property comprises 3 five storey buildings. The original buildings are of traditional brick construction with pitched roof and the new element of framed construction with flat roof. The buildings are set around an inner court yard.</p> <p>The Property provides accommodation residential and commercial office accommodation with the total lettable area being 4,735.61 square metres.</p> <p>German Equivalent of freehold.</p>	<p>There are 14 individual residential tenants and 7 commercial units which are occupied within the subject Property.</p> <p>There are a further 3 let parking spaces.</p> <p>In addition to this at the date of valuation there are 4 vacant commercial units with a combined lettable area of 1,158.67 square metres and 13 vacant parking spaces.</p>	€384,584.40 per annum	€5,230,000
Weichselstrasse 22, 12045 Neukoeln, Berlin	<p>The Property was built in 1960 and comprises a multi-storey building of concrete framed construction with rendered elevations under a flat roof. There is a courtyard to the rear.</p> <p>The Property comprises residential and secondary retail units. The total lettable area is 1,428.29 square metres.</p> <p>German Equivalent of freehold.</p>	<p>There are 20 individual residential tenants, 2 commercial tenants and 1 storage tenant who occupy the subject Property. There are a further 9 let parking spaces. In addition to this at the date of valuation there are 9 vacant parking units.</p>	€115,643.88 per annum	€1,260,000



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Property Address	Description, Age and Tenure	Existing Tenancies	Rental Income € pa	Market Value €
Winterfeldtstrasse 45, 10781 Templehof, Berlin	The Property is located on a corner site and comprises a six storey building constructed in circa 1900 and is of a traditional construction. The building provides residential accommodation with ground floor retail units. The total lettable area is 3,320.51 square metres. German Equivalent of freehold.	There are 25 individual residential tenants, 6 commercial tenants who are in occupation of the subject Property. In addition to this at the date of valuation there is 1 vacant commercial unit with a combined lettable area of 139.28 square metres.	€333,882.36 per annum	€4,080,000
Vierckweg 92/94, 13125 Pankow, Berlin	The Property was built in 1904 and comprises a two storey plus basement building. The building is of traditional construction with a mansard roof and rendered elevations. The Property comprises both residential and commercial accommodation and has a total lettable area of 1,056.50 square metres. German Equivalent of freehold.	There are 8 individual residential tenants who are currently in occupation within the subject Property. There are two vacant commercial units with a combined area of 607.06 square metres.	€26,279.88 per annum	€390,000
Am Stadtholz 39 / Werking 6, 33609 Bielefeld- Mitte, Bielefeld	The Property was constructed over various stages between 1928-1973. It is an Industrial Estate with multiple buildings with light Industrial occupiers. The majority of units are of concrete frame construction under an iron roof. There is ample available parking. The property provides 55,517.27 square metres of lettable area. German Equivalent of freehold.	The Property consists of a number of different elements. There are five office units, of which two are currently vacant. The two vacant units have a total lettable area of 2,280 square metres. There are 54 storage units which amount to 52,441.67 square metres. 20 units with a total area of 30,428.16 square metres are currently vacant.	€746,995.32 per annum	€10,850,000



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Property Address	Description, Age and Tenure	Existing Tenancies	Rental Income € pa	Market Value €
Ostbahnstrasse 36, 76829 Suedliche, Landau	<p>The complex was built circa 1960 and comprises 3 interconnected four to seven storey buildings. The buildings are of framed concrete construction with curtain glazed elevations and a flat roof.</p> <p>The Property currently houses a department store on the lower levels with office space above. The total lettable area is 14,005 square metres</p> <p>German Equivalent of freehold.</p>	<p>The commercial area is occupied by Kaufhoff and has a total lettable area of 10,642 sq m</p> <p>There is a further 3,363 square metres of vacant office space.</p>	€458,845.56 per annum	€5,310,000
Lavesstrasse 71, 30159 Oststadt, Hannover	<p>The Property comprises 2 mixed use buildings of four and five storeys each. They were built in 1900 and 1958 respectively. The four storey building is of concrete frame construction with the five storey building of traditional concrete, both with saddleback roofs.</p> <p>The Property provides mixed use accommodation and has a lettable area of 1568.86 square metres.</p> <p>German Equivalent of freehold.</p>	<p>The Property comprises 7 commercial tenants, all of which are fully occupied. Of the three residential units, one 210 square metre unit is vacant. There are three storage units, one of which is vacant and provides 455.61 sq m of lettable area.</p>	€84,493.56 per annum	€1,010,000



Project Windmill
Valuation Schedule Germany
Date of valuation 30 September 2010
Date of report 17 November 2010

Property Address	Description, Age and Tenure	Existing Tenancies	Rental Income € pa	Market Value €
Hildesheimer Strasse 46, 30169 Suedstadt, Hanover	<p>The Property was built in 1912 and comprises a five storey building of traditional brick construction under a steep pitched roof.</p> <p>Retail units are located on the ground floor with residential apartments above. There is a total of 1392.97 square metres of lettable area.</p> <p>German Equivalent of freehold.</p>	<p>The Property comprises 4 commercial tenants and 14 residential tenants currently in occupation within the subject property. There is one residential unit that is vacant which has a lettable area of 79 square metres.</p>	€92,009.16 per annum	€1,480,000
Böhmer Strasse 2, 30173 Suedstadt, Hanover	<p>The Property which was built in 1936 comprises a four storey building plus basement. The building is of masonry construction with rendered brick elevations and a pitched roof.</p> <p>The Property comprises both residential and commercial area and provides 1,348.80 square metres of lettable area.</p> <p>German Equivalent of freehold.</p>	<p>There are 3 commercial units and 8 residential units in the subject Property that are occupied. There is only 1 residential unit that is vacant that has a lettable area of 157.53 square metres.</p>	€85,306.32 per annum	€1,130,000
Kaiser- Friedrich- Strasse 1, 47169 Marxloh, Duisburg	<p>The Property comprises of two four to six storey buildings which was initially built in 1920 and then extended in 1953. The buildings are of concrete framed construction with rendered elevations under a flat and saddleback roof.</p> <p>The mixed use Property provides 5,412.58 square metres of lettable area.</p> <p>German Equivalent of freehold.</p>	<p>There are 10 individual residential tenants, 7 commercial tenants currently in occupation. There are 7 vacant residential units with a combined lettable floor area of 819.59 square metres and 2 vacant commercial units which have a combined area of 238.07 square metres.</p>	€323,118.96 per annum	€3,780,000



Project Windmill
Valuation Schedule Germany
Date of valuation 30 September 2010
Date of report 17 November 2010

Property Address	Description, Age and Tenure	Existing Tenancies	Rental Income € pa	Market Value €
Tuchmacher strasse 19, 15517 Oder-Spree, Fürstenwalde	The Property was built in 1850 and comprises a four storey residential building with retail units on the ground floor. The building is of traditional construction with painted rendered facades and a pitched roof. The Property provides a lettable area of 1,020.84 square metres. German Equivalent of freehold.	There are 9 individual residential tenants, 1 commercial tenant that are in occupation. There is one vacant residential unit with a lettable floor area of 46.48 square metres. The two vacant storage units amount to 57.45 square metres.	€38,487.84 per annum	€400,000
Hofkamp 9 / Wilbergstrasse 14-16, Elberfeld- Mitte 42103, Wuppertal	The Property was built in circa 1900 and comprises 3 adjoining five storey buildings situated on a corner location. The buildings are of traditional brick construction with rendered elevations and a saddleback roof. The building has ground floor retail units with residential units above. The total lettable area is 2,595.04 square metres. German Equivalent of freehold.	There are 5 individual commercial tenants and 17 individual residential tenants that currently occupy the subject Property. There are 12 vacant residential units with a lettable floor area of 819.47 square metres.	€109,219.20 per annum	€1,630,000
Claudiusstrasse 4 / Hauptstrasse 272-274, 44649 Wannae, Heme	The four storey building was built in 1920 and is of traditional construction with rendered elevations and a pitched roof. The Property is a mixed use building and provides 3,927.96 square metres of lettable area. German Equivalent of freehold.	There is only one residential unit in the Property, this is currently occupied. The storage unit, fourteen parking spaces and 3 miscellaneous units are all occupied. There are twelve commercial units, of which four are currently vacant. The total vacant units have a combined lettable area of 1,943.62 square metres.	€107,797.68 per annum	€1,610,000



Project Windmill
Valuation Schedule Germany
Date of valuation 30 September 2010
Date of report 17 November 2010

Property Address	Description, Age and Tenure	Existing Tenancies	Rental Income € pa	Market Value €
Maxstrasse 17 / Hindenburgstr. 24, 45127 Westerviertel, Essen	<p>The Property comprises two adjacent mixed use six storeys buildings. They were both built in the early 1960's and are of concrete framed construction with a flat roof. There is a small courtyard to the rear.</p> <p>The Property is predominantly residential with a small commercial area. The total lettable area is 1,434 square metres.</p> <p>German Equivalent of freehold.</p>	<p>There are 8 residential tenants in occupation at the subject Property. At the date of valuation there are 3 vacant residential units with a lettable area of 189.78 square metres. The five remaining units which include four commercial tenants are fully occupied.</p>	€66,446.88 per annum	€870,000
Hauptstraße 124- 126, 50226 Rhein-Erft-Kreis, Frechen	<p>The Property comprises a three storey shopping centre building. The Property was built in circa 1980 and is of concrete framed construction with brick elevations with a pitched roof. There is a large underground car park.</p> <p>The property provides 8,996.93 square metres of lettable area.</p> <p>German Equivalent of freehold.</p>	<p>There are 8 residential tenants located on the upper floor and 23 commercial tenants in occupation at the Property. At the date of valuation there are two vacant commercial units providing 1,919.37 square metres of lettable area.</p>	€724,900.56 per annum	€10,230,000



Project Windmill
Valuation Schedule Germany
Date of valuation 30 September 2010
Date of report 17 November 2010

Property Address	Description, Age and Tenure	Existing Tenancies	Rental Income € pa	Market Value €
Peterstasse 70 / Gasborn 1-3, 52062 Mitte, Aachen	<p>The Property comprises a six storey building and a three storey building, both with basement accommodation with one being built in 1917 and the other in circa 1960. The taller building is of concrete frame construction with flat roof, the other building is of traditional construction with saddleback roof.</p> <p>The Property provides 2,816.30 square metres of lettable area.</p> <p>German Equivalent of freehold.</p>	The Property is fully occupied by 23 individual residential tenants, 3 commercial tenants.	€290,909.40 per annum	€3,090,000
Hansemannplatz 1, 52062 Mitte, Aachen	<p>The 1960s Property comprises a twelve storey building of concrete frame construction with concrete panel facades, balconies, metal framed windows and a flat roof.</p> <p>The mixed use Property provides 4,812.84 square metres of lettable area.</p> <p>German Equivalent of freehold.</p>	<p>There are 48 individual residential tenants and 8 commercial tenants in occupation within the subject Property.</p> <p>At the date of valuation there are 4 vacant commercial units with a combined lettable area for the vacant space was 260.31 square metres.</p>	€352,152.96 per annum	€4,100,000



Project Windmill
Valuation Schedule Germany
Date of valuation 30 September 2010
Date of report 17 November 2010

Property Address	Description, Age and Tenure	Existing Tenancies	Rental Income € pa	Market Value €
Gökerstrasse 69-73, Heppens, 26384, Wilhelmshaven	<p>The Property was constructed in circa 1964 and comprises four storey and a three storey building both with basements. They are of reinforced concrete frame construction with rendered walls and flat roofs.</p> <p>The mixed use Property provides 1,644.68 square metres of lettable area.</p> <p>German Equivalent of freehold.</p>	<p>There are 12 individual residential tenants and 2 commercial tenants in occupation within the subject Property.</p> <p>At the date of valuation there are 3 vacant commercial units, 6 vacant residential units and 1 other vacant unit with a combined lettable area of 728.98 square metres</p>	€56,341.80 per annum	€870,000
Dreilindenstrasse 8, Leipzig	<p>The subject Property comprises a completely undeveloped green space which is laid to lawn and planted with three large trees. Public parking is available on the road fronting the subject.</p> <p>German Equivalent of freehold.</p>	-	-	€80,000
Teltower Damm 284-290, Berlin	<p>The Property comprises an undeveloped site. It is rectangular in shape and of a level contour.</p> <p>German Equivalent of freehold.</p>	-	-	€850,000



Project Windmill
Valuation Schedule Serbia
Date of valuation 30 September 2010
Date of report 17 November 2010

Property Address	Description, Age and Tenure	Existing Tenancies	Rental Income	Market Rent	Market Value €
Airport City Belgrade phase 1 - 88 Omladinskih Brigada, Novi Beograd, 11070, Serbia	<p>The Property comprise Building 1100 and 1200 within a six building complex forming part of the Airport City office campus development in Novi Beograd.</p> <p>The buildings are similar in construction and are divided over basement ground and six upper floors formed of concrete frames with glazed elevations. The buildings provide high quality flexible office accommodation with convenience retailing on the ground floor and ancillary storage and car parking.</p> <p>Freehold.</p>	<p>The recently completed buildings are held as multi-tenanted investments with the majority of accommodation leased, some under offer and some currently being marketed.</p> <p>The current tenants include companies such as Unicredit Bank and Glaxosmith Kline.</p> <p>Both buildings are fully let with the exception of car parking.</p>	€3,416,142 per annum	€2,995,219 per annum	€36,440,000



Project Windmill
Valuation Schedule Serbia
Date of valuation 30 September 2010
Date of report 17 November 2010

Property Address	Description, Age and Tenure	Existing Tenancies	Rental Income	Market Rent	Market Value €
Airport City Belgrade phase 2 - 88 Omladinskih Brigada, Novi Beograd, 11070, Serbia	<p>The Property comprise Building 1300 and 1400 within a six building complex forming part of the Airport City office campus development in Novi Beograd.</p> <p>The buildings are similar in construction and are divided over basement ground and six upper floors formed of concrete frames with glazed elevations. The buildings provide high quality flexible office accommodation with convenience retailing on the ground floor and ancillary storage and car parking.</p> <p>Freehold.</p>	<p>The recently completed buildings are held as multi-tenanted investments with the majority of accommodation leased, some under offer and some currently being marketed.</p> <p>The current tenants include companies such as PricewaterhouseCoopers.</p> <p>Building 1300 is fully let with the exception of some storage space. Building 1400 is 91 % occupied.</p>	€3,179,592 per annum	€2,793,367 per annum	€34,390,000



Project Windmill
Valuation Schedule Serbia
Date of valuation 30 September 2010
Date of report 17 November 2010

Property Address	Description, Age and Tenure	Existing Tenancies	Rental Income	Market Rent	Market Value €
Airport City Belgrade phase 3 - 88 Omladinskih Brigada, Novi Beograd, 11070 Serbia	<p>The Property comprise Building 1500 and 1600 within a six building complex forming part of the Airport City office campus development in Novi Beograd.</p> <p>The buildings are similar in construction and are divided over basement ground and six upper floors formed of concrete frames with glazed elevations. The buildings provide high quality flexible office accommodation with convenience retailing on the ground floor and ancillary storage and car parking.</p> <p>Freehold.</p>	<p>The recently completed buildings are held as multi-tenanted investments with the majority of accommodation leased, some under offer and some currently being marketed.</p> <p>The current tenants include companies such as Hewlett Packard and Kraft Foods.</p> <p>Building 1500 is 90% occupied with Building 1600 being 96% occupied.</p>	€3,330,504 per annum	€3,298,131 per annum	€38,620,000



Project Windmill
Valuation Schedule Serbia
Date of valuation 30 September 2010
Date of report 17 November 2010

Property Address	Description, Age and Tenure	Existing Tenancies	Rental Income	Market Rent	Market Value €
Airport City Belgrade phase 3b+Hangar- 88 Omladinskih Brigada, Novi Beograd, 11070, Serbia	<p>This property is made up of building 1700 and the hangar building located within Airport City Belgrade.</p> <p>Building 1700 is a 10 storey office building constructed in Q1 2009 to provide 10,350 sq metres of net lettable area and 163 parking spaces. The site has a total area of 8,186 square metres. We have been advised by the Company that the only remaining cost is approximately €620,000 which is required in order to finish fit-out of the remaining vacant office accommodation.</p> <p>The Hangar building is also located on site at Airport City Belgrade. The building has been converted from an old aircraft hangar into part office, part storage. The building comprises a total of approximately 3,500 square metres of lettable area that is divided between 740 square metres of office space and 2,760 square metres of storage space and ancillary space.</p>	<p>The major tenant within Building 1700 is KBC who occupy approximately 4,175 square metres of space on the lower floors of the build.</p> <p>Building 1700 is 55% occupied. The Hangar is currently only 27% occupied.</p>	€556,711 per annum	€2,108,380 per annum	€18,680,000
Airport City Belgrade undeveloped land - 88 Omladinskih Brigada, Novi Beograd, 11070, Serbia	The Property is a site with a total of 43,794 square metres. We have been advised by the Company that the plot has building rights for 108,609 square metres of gross building area based on a coefficient of 2.48.	Nil	Nil	Nil	€26,000,000



Project Windmill
Valuation Schedule Latvia
Date of valuation 30 September 2010
Date of report 17 November 2010

Property Address	Description, Age and Tenure	Existing Tenancies	Rental Income	Market Rent	Market Value €
Soleville - Riga, Latvia	<p>The Property comprises a 104,000 square metre development site in the Plavnieki suburb on the eastern side of Riga.</p> <p>We have been informed by the Company that the site is proposed for an extensive mixed use development project which will be phased over a period of 7 years. It will provide some 2,050 residential units, shops, office space, leisure premises together with health and educational facilities and ancillary car parking.</p> <p>As at the date of valuation construction of the project has been postponed with some site improvements and building piling already been constructed.</p> <p>Freehold.</p>	Nil	Nil	Nil	€17,800,000
Metropolia - Imanga, Riga, Latvia	<p>The Property comprises a recently completed residential development consisting of five residential buildings, each of 18 floors. The completed development comprises a total of 550 residential apartments.</p> <p>"Metropolia" is located in the Imanga neighbourhood which is approximately 4 kilometres from Riga city centre.</p> <p>Freehold.</p>	As at the date of valuation 157 vacant apartments and 134 car parks located throughout this development remain unsold.	Nil	Nil	€12,875,000



Project Windmill
Valuation Schedule Hungary
Date of valuation 30 September 2010
Date of report 17 November 2010

Property Address	Description, Age and Tenure	Existing Tenancies	Rental Income	Market Rent	Market Value €
Nepliget Residential Site - District X, Kobonyaiut, Budapest, Hungary	<p>The Property comprises a brownfield site of two plots that have a total area of 19,537 square metres, located in Kobonyaiut, which is the 10th district of Budapest. This location is dominated by large residential developments.</p> <p>Plot 1 has a plot land area of 10,434 square metres whilst Plot 2 is 9,103 square metres.</p> <p>We understand the project consists of two phases totalling a gross area above ground of 44,682 square metres. The net sales area is 80% of the gross, equating to 35,698 square metres.</p> <p>Freehold</p>	Nil	Nil	Nil	€4,525,000
Club Aliga - Balatonvilagos, Hungary	<p>The Property comprises a 470,256 square metres land plot on the waterfront of lake Balaton, the largest lake in this area of Europe. There is a 1.5 km stretch of private sandy beach and an operating yacht harbour alongside the middle section of the Property.</p> <p>The Property is located in a multifunctional leisure and holiday area. There is currently minimal development on site with the exception of generally obsolete function and accommodation buildings. As these were constructed in the 1960's and have had limited capital expenditure since this date they add little, if no, value to the site.</p> <p>Freehold.</p>	Nil	Nil	Nil	€31,000,000

FINANCIAL STATEMENTS

AFI Europe N.V.

**Consolidated financial statements
as at and for the years ended
December 31, 2009, 2008 and 2007
for the purpose of inclusion in a
Prospectus**

Annual Report for the year ended December 31, 2009, 2008 and 2007

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Auditor's report on historical financial statements in connection with a Prospectus

To: the Management Board of AFI Europe N.V.

AUDITOR'S REPORT

Report on the financial statements

We have audited the accompanying consolidated financial statements of AFI Europe N.V. (the "Company"), Amsterdam, which comprise the consolidated statement of financial position as at 31 December 2009, 2008 and 2007, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in shareholders' equity and the consolidated statement of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility

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

Auditor's responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of AFI Europe N.V. as at December 31, 2009, 2008 and 2007 and of its result and its cash flow for the years then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Amstelveen, November 11, 2010
KPMG ACCOUNTANTS N.V.

P. Mizrachy RA

Consolidated statement of financial position as at December 31*In thousands of Euros*

	Note	2009	2008	2007
Assets				
Investment in associate	5	24,338	26,207	35,895
Loan to associate company	5	20,744	19,093	5,595
Investment property	6	744,749	412,023	365,541
Investment property under development	7	105,827	289,259	214,715
Inventory of buildings	10	204,312	216,093	224,365
Property, plant and equipment	8	2,029	1,129	748
Deferred tax assets	9	4,355	8,395	6,498
Goodwill		1,455	1,650	9,163
Total non-current assets		1,107,809	973,849	862,520
Inventory of buildings	10	90,274	90,343	110,429
Trade and other receivables	11	33,028	37,253	34,203
Cash and cash equivalents	12	17,825	25,022	37,217
Total current assets		141,127	152,618	181,849
Total assets		1,248,936	1,126,467	1,044,369
Equity	13			
Issued capital		90	90	90
Share premium reserve		287,227	287,227	37,227
Translation reserve		(1,128)	(1,012)	331
Hedging reserve, net		(8,339)	(8,952)	(35)
Retained earnings/(losses)		(79,329)	(41,510)	33,819
Total equity attributable to equity holders of the parent		198,521	235,843	71,432
Non-controlling interest		38,085	33,895	27,862
Total equity		236,606	269,738	99,294
Liabilities				
Interest-bearing loans and borrowings	15	515,960	353,199	248,138
Interest-bearing loans and borrowings from related parties	15	248,390	235,045	474,765
Deferred tax liabilities	9	45,752	36,139	42,363
Other non-current liabilities	16	9,003	11,828	4,375
Total non-current liabilities		819,105	636,211	769,641
Interest-bearing loans and borrowings	15	108,027	107,862	68,681
Trade and other payables	17	72,553	101,335	78,218
Advances for selling inventory		12,645	11,321	28,535
Total current liabilities		193,225	220,518	175,434
Total liabilities		1,012,330	856,729	945,075
Total equity and liabilities		1,248,936	1,126,467	1,044,369

Amsterdam, November 11, 2010

Consolidated income statement for the year ended December 31*In thousands of Euros*

	Note	2009	2008	2007
Gross rental income	20	33,384	25,442	18,504
Service charge income		12,876	8,403	4,390
Service charge expenses		(14,061)	(9,273)	(5,413)
Property operating expenses	21	(1,363)	(2,867)	(812)
Net rental and related income		30,836	21,705	16,669
Proceeds from sale of properties		23,058	39,669	4,580
Carrying value of properties sold	10	(20,477)	(35,867)	(4,378)
Write-down of inventory to net realizable value	10	(18,786)	(56,753)	-
Profit/(loss) on disposal of trading property		(16,205)	(52,951)	202
Net valuation gains/(loss) on investment property	6	(22,564)	28,756	35,240
Net valuation gains/(loss) on investment property under development	7	36,690	-	-
Impairment of investment property under development		-	(10,432)	-
Administrative expenses	22	(8,810)	*(9,683)	*(4,067)
Selling and marketing expenses		(2,756)	*(2,773)	*(1,358)
Other income		7,840	8,284	1,768
Other expenses		(9,817)	(17,092)	(2,059)
Net other income/(expenses)	23	(1,977)	(8,808)	(291)
Net operating profit/(loss) before net financing Costs		15,214	(34,186)	46,395
Financial income		3,270	3,594	184
Interest expenses to Africa properties		(8,854)	*(18,265)	*(4,784)
Other financial expenses		(24,785)	*(14,243)	*(10,825)
Net financing costs	24	(30,369)	(28,914)	(15,425)
Profit/(loss) before tax		(15,155)	(63,100)	30,970
Income tax expense	25	(16,660)	3,843	(2,060)
Profit/(loss) for the year		(31,815)	(59,257)	28,910
Equity profit/(loss) from associate companies		567	(8,260)	(160)
Profit/(loss) for the year		(31,248)	(67,517)	28,750
Attributable to:				
Equity holders of the parent		(37,819)	(75,329)	14,559
Non-controlling interest		6,571	7,812	14,191
Profit/(loss) for the year		(31,248)	(67,517)	28,750
Basic and diluted earnings/(loss) per share (Euro)	14	(0.76)	**(1.51)	** 0.29

* Reclassified

** Restated – due to split and issuance of shares, see Note 13(b)

Consolidated statement of comprehensive income for the year ended December 31*In thousands of Euros*

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Foreign exchange translation differences for foreign operations	(116)	(1,343)	271
Reserves from hedge accounting	<u>613</u>	<u>(8,917)</u>	<u>(35)</u>
Net gain/(loss) recognized directly in equity	497	(10,260)	236
Profit/(loss) for the year	<u>(31,248)</u>	<u>(67,517)</u>	<u>28,750</u>
Total recognized income and expense for the year	<u>(30,751)</u>	<u>(77,777)</u>	<u>28,986</u>
Attributed to:			
Equity holders of the parent	(37,322)	(85,589)	14,795
Non-controlling interest	<u>6,571</u>	<u>7,812</u>	<u>14,191</u>
Total comprehensive income for the year	<u>(30,751)</u>	<u>(77,777)</u>	<u>28,986</u>

Consolidated statement of change in shareholders equity for the year ended December 31, 2009, 2008 and 2007*In thousands of Euros*

	Issued capital	Share premium reserve	Translation reserve	Hedging reserve	Retained earnings	Equity attributable to equity holders of the parent	Non controlling interest	Total equity
Balance at December 31, 2006	90	37,227	60	-	19,260	56,637	12,758	69,395
Non-controlling interest in fair value over carrying amount	-	-	-	-	-	-	913	913
Adjustments for translation	-	-	271	-	-	271	-	271
Reserves from hedge accounting	-	-	-	(35)	-	(35)	-	(35)
Net profit for the year	-	-	-	-	14,559	14,559	14,191	28,750
Balance at December 31, 2007	90	37,227	331	(35)	33,819	71,432	27,862	99,294
Conversion of loan to equity (Note 4C)	-	250,000	-	-	-	250,000	-	250,000
Dividend paid to the minority	-	-	-	-	-	-	(358)	(358)
Business combinations	-	-	-	-	-	-	(1,421)	(1,421)
Adjustments for translation	-	-	(1,343)	-	-	(1,343)	-	(1,343)
Reserves from hedge accounting	-	-	-	(8,917)	-	(8,917)	-	(8,917)
Net profit/(loss) for the year	-	-	-	-	(75,329)	(75,329)	7,812	(67,517)
Balance at December 31, 2008	90	287,227	(1,012)	(8,952)	(41,510)	235,843	33,895	269,738
Dividend paid to the minority	-	-	-	-	-	-	(2,381)	(2,381)
Adjustments for translation	-	-	(116)	-	-	(116)	-	(116)
Reserves from hedge accounting	-	-	-	613	-	613	-	613
Net profit/(loss) for the year	-	-	-	-	(37,819)	(37,819)	6,571	(31,248)
Balance at December 31, 2009	90	287,227	(1,128)	(8,339)	(79,329)	198,521	38,085	236,606

- (1) As at September 30, 2010, the authorized, issued and paid-up share capital of the Company comprises 90,000 ordinary shares of Euro 1 each. See also Note 13(b) for additional information regarding authorized, issued and paid-up share capital of the Company.

Consolidated statement of cash flows for the year ended December 31*In thousands of Euros*

	2009	2008	2007
Cash flows from operating activities			
Profit (loss) for the year	(31,248)	(67,517)	28,750
Adjustment for:			
Depreciation	672	663	99
Gain from disposable of subsidiary	-	(679)	-
Equity loss (gain) from associate	(567)	8,260	160
Impairment of goodwill	195	9,163	-
Write-down of inventory to net realizable value	18,786	* 56,753	-
Impairment of investment property under development	-	*10,432	-
Loss (gain) on fair value adjustment of investment property	22,564	(28,756)	(35,240)
Loss (gain) from value adjustment of investment property under development	(36,690)	-	-
Loss (gains) on sale of fixed assets	-	-	33
Net finance costs	30,369	28,914	15,425
Income tax expense	16,660	(3,843)	2,060
	<u>20,741</u>	<u>13,390</u>	<u>11,287</u>
Residential inventories on progress	(3,873)	(28,638)	(138,593)
Decrease/(increase) in trade and other receivables	4,463	(9,628)	(18,295)
Increase/(decrease) in trade and other payables	(30,979)	* 18,732	*(539)
Increase/(decrease) in advance from selling inventory	1,289	* (17,237)	* 28,535
	<u>(8,359)</u>	<u>(23,381)</u>	<u>(117,605)</u>
Income taxes paid	<u>(2,267)</u>	<u>(2,006)</u>	<u>(115)</u>
Cash flows from operating activities	<u>(10,626)</u>	<u>*(25,387)</u>	<u>*(117,720)</u>
Cash flows from investing activities			
Acquisition of newly consolidated subsidiaries	-	-	(113,752)
Acquisition of associate company	-	-	(35,975)
Loan to associate companies	(395)	(1,835)	(5,595)
Proceeds from sale of shares of subsidiary	-	2,514	-
Proceeds from associates (see also Note 5C)	2,500	-	-
Acquisition of property, plant and equipment	(1,552)	(1,044)	(529)
Investment in investment property	(2,151)	(9,145)	(113,798)
Development of investment property	(122,512)	(199,729)	(154,020)
Cash flows from investing activities	<u>(124,110)</u>	<u>(209,239)</u>	<u>(423,669)</u>
Cash flows from financing activities			
Dividend paid to the minority	(2,381)	(358)	-
Repayment of borrowings	(10,598)	(27,292)	(4,494)
Proceeds of non-current borrowings	167,497	267,365	573,309
Proceeds of current borrowings, net	(12,112)	5,937	10,761
Payment of finance lease liabilities	(926)	-	82
Interest paid	(13,849)	* (23,233)	*(13,384)
Cash flows from financing activities	<u>127,631</u>	<u>*222,419</u>	<u>*566,274</u>
Net increase in cash and cash equivalents	(7,105)	(12,207)	24,885
Cash and cash equivalents at January 1	25,022	37,217	12,093
Effect of exchange rate fluctuations on cash held	(92)	12	239
Cash and cash equivalents at December 31	<u>17,825</u>	<u>25,022</u>	<u>37,217</u>

* Reclassified

Note 1 – General

These consolidated financial statements are not the statutory financial statements of the Company. The Company has filed financial statements under Dutch law for the fiscal years dated December 31, 2009, 2008 and 2007, respectively, with the Chamber of Commerce of Amsterdam.

- A.** AFI Europe N.V. (hereinafter – “the Company”) was incorporated on April 4, 2006. By a resolution dated April 18, 2006, the Shareholder of the Company resolved to change the form of the Company to a Dutch public limited liability company (*naamloze vennootschap*) and to change its name from AIIP Fin B.V. into AFI Europe N.V. The Company is domiciled in Amsterdam, the Netherlands.

As from incorporation in 2006, the Company was a wholly-owned subsidiary of Africa Israel International Properties (2002) Ltd. (hereinafter – “AIIP 2002”) a company registered in Israel, wholly owned by Africa Israel Properties Ltd. (hereinafter – “Africa Properties”), an Israeli company listed on the Tel Aviv Stock Exchange, which is approximately 68% owned by Africa Israel Investments Ltd, the ultimate parent of the Company.

- B.** During 2008 and 2009, there was a dramatic worsening of the global financial crisis and the extent of its consequences on the world economy. As a result of that crisis, which led to the collapse of significant players in the world's credit market, there was a substantial decline in the availability of bank credit, which was immediately followed by a general slowdown in many countries worldwide, including in countries in which the Group's companies operate. The events relating to the financial crisis have an impact on the European economy in general, and on the Company in particular, including an increase in the interest rates on bank loans, stricter conditions for receipt and/or renewal of financing, and a fall in the fair values of real estate properties and land.

Subsequently, the financial crisis caused a slowdown in the sales of residential units by the Company, as well as postponement of construction of residential projects, decline in the demand for rental properties, a drop in the occupancy rates and a decrease in the rents received from rental properties. Furthermore, continuation of the crisis could lead to a significant increase in the discount rates, which would have a material impact on the results of the Company's activities.

As the global financial crisis continues to affect the Company's fields of business in the countries in which it operates, the Company continues preparing itself, and considers the measures which should be taken by it, for confronting the implications of the crisis.

In May 2010, Africa Israel Investments, the Company's ultimate parent corporation, reached an agreement with the bondholders of all series to restructure NIS 7,500,000 thousand of debt (at that date approximately EUR 1,300,000 thousand). Pursuant to this agreement, Africa Israel Investments has exchanged the existing bonds for new bonds and shares. Furthermore, as a result of this restructuring, the shareholding of Africa Israel Investments in AFI Properties was diluted to 56% (previously 70%). On 11 May 2010, Africa Israel Investments notified the public that all conditions of this debt restructuring were fulfilled and that the debt restructuring process was completed.

The Company's management believes that Africa Israel's debt settlement does not have a material adverse effect on the Company's financial position or on its projects, operations and business development plans.

Note 1 – General (cont'd)**B. (cont'd)**

Due to the credit crunch caused by the global financial crisis, and considering that the Company's current obligations exceed its current assets by approximately Euro 52.1 million, the Company is taking steps to increase its liquid assets and decrease its short-term obligations through, among other things, obtaining long-term loans collateralized by investment property, realizing assets by exploiting adequate business opportunities, and using surplus cash generated by the Company's on-going operation, as well as by a credit line extended by its parent corporation. Accordingly on June 2010 the company signed agreements with several banks for converting short term loans to long term loans in amount of approximately Euro 30 million.

Over the past few years, Africa Israel Properties Ltd. ("Africa Properties") provided the Company with shareholder loans, the aggregate outstanding amount of which, effective as of December 31, 2009, is approximately Euro 248 million.

In light of the various possible resources available to the Company, the management believes that the Company will have sufficient financial means for performing its repayment obligations in the foreseeable future.

Note 2 - Significant Accounting Policies**A. Basis of preparation**

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRSs"). The consolidated financial statements of the Company for the year ended December 31, 2009 comprise the Company and its subsidiaries (together referred to as the "Group") and the group interest in associates and jointly controlled entities.

The consolidated financial statements were authorized for issue by the Board of Directors on November 11 2010.

The financial statements are presented in Euros which is the Company's functional currency. All financial information in Euro has been rounded to the nearest thousand. They are prepared on the historical cost basis except that investment property, investment property under development, financial instruments at fair value through profit or loss are stated at their fair value as well as derivative financial instruments.

Note 2 - Significant Accounting Policies

A. Basis of preparation (cont'd)

The accounting policies have been consistently applied to the results, other income and expenses, assets, liabilities and cash flows of entities included in the consolidated financial statements and are consistent with those used in the previous years.

The preparation of the financial statements on the basis of IFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that management believes to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of IFRSs that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year, are discussed in Note 30.

The regular operating cycle of the Company generally exceeds one year and may extend for as long as two to three years. In consideration of the above, the items included in the current assets category include items that are expected to be realized within the Company's ordinary operating cycle.

Certain comparative amounts in the income statement and cash flow have been reclassified to conform with the current year's presentation as follows:

1. Selling and marketing expenses have been disclosed separately instead of inclusion in general and administrative expense as showing these expenses separately management considers more appropriate. Comparative amounts were reclassified for consistency.
2. Interest expenses to Africa Properties have been disclosed separately instead of inclusion in financial expenses as management considers more appropriate showing these expenses separately. Comparative amounts were classified for consistency.
3. Interest paid has been reclassified from cash flow from operating activities to cash flow from financing activities to reflect the sort of cash flow more appropriate.

Note 2 - Significant Accounting Policies (cont'd)**B. Changes in accounting policies****1. Presentation of financial statements**

As from January 1, 2009 the Group implemented revised IAS 1, *Presentation of Financial Statements* (hereinafter – the Standard). The Standard allows the presentation of one statement of comprehensive income (a combined income statement and of other comprehensive income) or two statements – an income statement and a separate statement of comprehensive income. The Group has chosen to present income and expense items and components of other comprehensive income in two separate statements – an income statement followed by a statement of comprehensive income. Furthermore, the Group presents a statement of changes in equity immediately after the statement of comprehensive income instead of including such statements in the notes. This statement includes changes in equity resulting from transactions with owners of the parent company in their capacity as owners (such as dividends, transactions with controlling shareholders, issuance of shares and/or options, etc.). The Standard is applied on a retrospective basis.

2. Segment reporting

As from January 1, 2009 the Group implemented IFRS 8, *Operating Segments* (hereinafter – the Standard). The Standard determines that the “management approach” should be used in segment reporting, which means that it is presented in accordance with the format of the internal reports provided to the chief operating officer of the Group. An operating segment is a component of the Group that meets three conditions as follows:

- A. it is engaged in business activities from which it may earn revenues and incur expenses;
- B. its operating results are reviewed regularly by the Group’s chief operating officer to make decisions about resources and assets to be allocated to the segment; and
- C. separate financial information is available.

3. Investment property

As from January 1, 2009 the Group implemented the amendment made to IAS 40, *Investment Property* (hereinafter – the Amendment) in the framework of the 2008 improvements to IFRSs project, pursuant to which investment property under development shall be measured in accordance with IAS 40 and not in accordance with IAS 16 Property, Plant and Equipment. The Amendment was adopted on a prospective basis.

The Group measures its investment property according to the fair value model and therefore measures its investment property under development as follows:

- A. when the fair value of the investment property under development is reliably determinable: according to fair value; or
- B. when the fair value is not reliably determinable: according to cost until the earlier completion of the development or the fair value becomes reliably determinable.

Note 2 - Significant Accounting Policies (cont'd)**B. Changes in accounting policies (cont'd)****3. Investment property (cont'd)**

As a result of the implementation of the Amendment, the difference between the carrying amount of investment property under development and its fair value as at January 1, 2009 amounting to Euro 56,593 thousand was recognized in the income statement under the item 'net valuation gains on investment property under development'. The net effect on the profit attributed to the equity holders of the Parent was Euro 24,425 thousand (net of Euro 17,130 thousand tax expense and Euro 15,038 thousand non controlling interest).

C. Basis of consolidation**(i) Subsidiaries**

Subsidiaries are those entities, which are controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial Statements from the date that control commences until the date the control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. For some entities in which the Company has a 50% interest, control exists. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(ii) Acquisition of business from companies under common control

Business combinations arising from transfers of interest in entities that are under the control of the shareholders which controls the AFI Europe N.V. Group are accounted for as if the acquisition had occurred at the beginning of the earlier of comparative period presented or, if later, at the date that common control was established.

The assets and liabilities acquired under common control are recognized at the historical carrying amounts. Any cash paid for the acquisition is recognized directly in the (invested) equity.

(iii) Jointly controlled entities

Jointly controlled entities are those entities over whose activities the group has joint control, established by contractual agreement. The consolidated financial statements include the Group's proportionate share of the entities' assets, liabilities, income and expenses with items of a similar nature on a line-by-line basis, from the date that joint control commences until the date that joint control ceases.

Note 2 - Significant Accounting Policies (cont'd)**C. Basis of consolidation (cont'd)****(iv) Associates (equity accounted investees)**

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity.

Associates are accounted for using the equity method (equity accounted investees) and are initially recognised at cost. The Group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Group's share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

(v) Transactions eliminated on consolidation

Intragroup balances and any unrealized gains and losses arising from intragroup transactions are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with jointly controlled entities are eliminated to the extent of the Group's interest in the entity. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

D. Foreign currency**(i) Foreign currency transactions**

The consolidated financial statements are presented in Euros which are the Company's functional and presentation currency. Each entity of the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are translated into Euros at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into Euros at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognized in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Euros at foreign exchange rates ruling at the dates the fair value was determined.

Foreign currency differences arising on retranslation are recognized in profit or loss except for differences arising on the translation of financial liability designated as a hedge of the net investment in a foreign operation which are recognized directly in equity.

Note 2 - Significant Accounting Policies (cont'd)**D. Foreign currency (cont'd)****(ii) Financial statements of foreign operations**

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to euros at foreign exchange rates ruling at the balance sheet date. The income and expenses of foreign operations are translated to euros at rates approximating the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on translation are recognized as a separate component of equity.

Exchange differences arising from the translation of the net investment in foreign operations are taken to the translation reserve. They are released into the income statement upon disposal.

E. Investment property

Investment property is concerns properties which are held either to earn rental income for the long term or for capital appreciation or for both. Investment properties are stated at fair value. An external, independent valuation company, having an appropriate recognized professional qualification and recent experience in the location and category of property being valued, values the property portfolio once a year. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

The valuations of completed investment properties are prepared by considering the aggregate of the net annual rents receivable from the properties and, where relevant, associated costs. A yield which reflects the risks inherent in the net cash flows is then applied to the net annual rentals to arrive at the property valuation. A table showing the range of yields applied for each type of property is included below.

The valuation of investment properties under development are prepared by the residual method or by comparison method, depending on the stage of completion.

The residual value is based on the fair value of a complete project less costs to complete and appropriate developer profit. The comparison method is based on the aggregate of the net annual rental income and where relevant associated costs. A yield which reflects the risk inherent in the net cash flows then applied to the net annual rental income.

<u>Property</u>	<u>Yield</u>		
	<u>December 31 2009</u>	<u>December 31 2008</u>	<u>December 31 2007</u>
Retail	7.42%-9%	7.1%-9.0%	5.75%-8.75%
Offices	8.5%-10.5%	9.0%-10.0%	8.0% - 8.5%
Storage	9%	9.2%	7.5%

Note 2 - Significant Accounting Policies (cont'd)**E. Investment property (cont'd)**

Valuations reflect, where appropriate, the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting of vacant accommodation and the market's general perception of their creditworthiness, the allocation of maintenance and insurance responsibilities between lessor and lessee, and the remaining economic life of the property. It has been assumed that whenever rent reviews or lease renewals are pending with anticipated reversionary increases, all notices and, where appropriate, counter notices have been served validly and within the appropriate time.

Any gain or loss arising from a change in fair value is recognized in the income statement. Rental income from investment property is accounted for as described in accounting policy O.

When an item of property, plant and equipment is transferred to investment property following a change in its use, any differences arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair values are recognized directly in equity if it is a gain. Upon disposal of the item, the gain is transferred to retained earnings. Any loss arising in this manner is recognized in the income statement immediately.

Where the Group begins to redevelop an existing investment property for continued future use as investment property, the property remains an investment property, which is measured based on the fair value model, and is not reclassified as property, plant and equipment during the redevelopment.

A property interest under operating lease is classified and accounted for as an investment property on a property-by-property basis when the Group holds it to earn rentals or for capital appreciation or both. Any such property interest under operating lease classified as an investment property is carried at fair value. Lease payments are accounted for as described in accounting policy P.

Where the Group uses part of owned property and retains the remainder to generate rental income or capital appreciation, the extent of the Group's utilization is considered to determine the classification of the property. If the Group's utilization is not substantial, this is regarded as immaterial such that the whole property is classified as an investment property and stated at fair value. If the Group uses substantial space, the whole property is classified as property, plant and equipment and recorded at cost less accumulated depreciation and impairment losses.

F. Property, plant and equipment**(i) Owned assets**

Property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses (see accounting policy J). The cost of self-constructed assets includes the cost of materials, direct labor, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads.

Where significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Note 2 - Significant Accounting Policies (cont'd)**F. Property, plant and equipment (cont'd)****(ii) Subsequent expenditure**

The Group recognizes in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognized in profit or loss as incurred.

(iii) Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of items of property, plant and equipment, and major components that are accounted for separately. Freehold land is not depreciated. The estimated useful lives are as follows:

- Equipment and computers 3-7 years
- Motor vehicles 7 years

Leasehold improvements are depreciated over the life period of the lease which does not exceed the economic useful life of the asset.

The residual value, if not insignificant, is reassessed annually.

G. Financial Instruments**(i) Non-derivative financial instruments**

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

Non-derivative financial instruments are recognized initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Financial assets at fair value through profit or loss

An instrument is classified at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Upon initial recognition attributable transaction costs are recognized in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit or loss.

Other

Other non-derivative financial instruments are measured at amortized cost using the effective interest method, less any impairment losses.

Accounting for finance income and expenses is discussed in accounting policy P(iii).

Note 2 - Significant Accounting Policies (cont'd)**G. Financial Instruments (cont'd)****(ii) Derivative financial instruments**

The Group holds derivative financial instruments to hedge its interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

Derivatives are recognized initially at fair value; attributable transaction costs are recognized in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

Fair value hedges

Changes in the fair value of a derivative hedging instrument designated as a fair value hedge are recognized in profit or loss. The hedged item also is stated at fair value in respect of the risk being hedged; the gain or loss attributable to the hedged risk is recognized in profit or loss and adjusts the carrying amount of the hedged item.

Cash flow hedges

Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognized directly in equity to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognized in profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognized in equity remains there until the forecast transaction occurs. When the hedged item is a non-financial asset, the amount recognized in equity is transferred to the carrying amount of the asset when it is recognized. In other cases the amount recognized in equity is transferred to profit or loss in the same period that the hedged item affects profit or loss.

Economic hedges

Hedge accounting is not applied to derivative instruments that economically hedge monetary assets and liabilities denominated in foreign currencies. Changes in the fair value of such derivatives are recognized in profit or loss as part of foreign currency gains and losses.

Separable embedded derivatives

Changes in the fair value of separable embedded derivatives are recognized immediately in profit or loss.

Note 2 - Significant Accounting Policies (cont'd)**H. Intangible assets****(i) Goodwill**

Goodwill (negative goodwill) arises on the acquisition of subsidiaries, associates and joint ventures.

Goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess is negative (negative goodwill), it is recognized immediately in profit or loss.

Acquisitions of non controlling interests

Goodwill arising on the acquisition of a non controlling interest in a subsidiary represents the excess of the cost of the additional investment over the carrying amount of the net assets acquired at the date of exchange.

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment.

(ii) Other intangible assets

Other intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortization and accumulated impairment losses.

(iii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(iv) Amortization

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

I. Inventory of buildings

Inventory of buildings held for sale includes property intended for sale in the ordinary course of business or in the process of construction or development for such sale. Inventory of buildings held for sale is stated at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of self-constructed inventory includes the cost of materials, direct labor, and an appropriate portion of production overheads.

Note 2 - Significant Accounting Policies (cont'd)**I. Inventory of buildings (cont'd)**

Borrowing costs are capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalization of borrowing costs commences when the activities to prepare the inventory are in progress and expenditures and borrowing costs are being incurred. Capitalization of borrowing costs continues until the inventory is substantially ready for their intended use. The capitalization rate is arrived at by reference to the actual rate payable on borrowings for development purposes or, with regard to that part of the development cost financed out of general funds, to the average rate.

J. Impairment

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

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

The recoverable amount of the Group's receivables is calculated as the present value of expected future cash flows, discounted at the original effective interest rate (i.e., the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their net selling price and their value in use. In assessing their value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss in respect of a receivable is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognized.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

K. Issued capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares, other than for a business combination, are shown as a deduction, net of tax, in equity from the proceeds. Share issue costs incurred directly in connection with a business combination are included in the cost of acquisition.

Note 2 - Significant Accounting Policies (cont'd)**L. Interest-bearing loans and borrowings**

Interest-bearing borrowings are recognized initially at fair value, less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost with any difference between cost and redemption value being recognized in the income statement over the period of the borrowings on an effective interest rate basis.

M. Capitalization of borrowing costs

Specific and non-specific borrowing costs were capitalized to qualifying assets throughout the period required for completion and construction until they are ready for their intended use. Non-specific borrowing costs are capitalized in the same manner to the same investment in qualifying assets, or portion thereof, which was not financed with specific credit by means of a rate which is the weighted-average cost of the credit sources which were not specifically capitalized. Other borrowing costs are expensed as incurred.

N. Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The carrying amount of the provision is adjusted each period to reflect the time that has passed and is recognized as a financing expense.

O. Revenue**(i) Services rendered**

Revenue from services rendered (such as project management) is recognized in the income statement in proportion to the stage of completion of the transaction at the balance sheet date. The stage of completion is assessed by reference to surveys of work performed. No revenue is recognized if there are significant uncertainties regarding recovery of the consideration due or associated costs.

(ii) Rental income

Rental income from investment property leased out under operating leases is recognized in the income statement on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

(iii) Sale of inventory of buildings

Revenue from the sale of trading properties or inventories is recognized in the income statement when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated cost and possible return of goods can be estimated reliably, there is no continuing management involvement in the goods, and the amount of revenue can be measured reliably.

Note 2 - Significant Accounting Policies (cont'd)**P. Expenses****(i) Service costs and property operating expenses**

Service costs for service contracts entered into and property operating expenses are expensed as incurred.

(ii) Lease payments

Payments made under operating leases are recognized in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognized in the income statement as an integral part of the total lease expense, over the term of the lease.

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

Minimum lease payments on finance leases are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

(iii) Finance income and finance costs

Finance income comprises interest income on funds invested including, dividend income, gains on the disposal of financial assets, changes in the fair value of financial assets at fair value through profit or loss, and gains on hedging instruments that are recognised in profit or loss. Interest Income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, dividends on preference shares classified as liabilities, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognised on financial assets, and losses on hedging instruments that are recognised in profit or loss. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

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

Note 2 - Significant Accounting Policies (cont'd)**Q. Income tax**

Income tax in profit or loss for the year comprises current and deferred tax. Income tax is recognized in the income statement except to the extent that it relates to items recognized directly to equity, in which case it is also recognized in equity.

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

Deferred tax is recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

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

R. Earnings per share

The Group presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. The Company does not have diluted earnings per share.

S. Segment reporting

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

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

Note 2 - Significant Accounting Policies (cont'd)**S. Segment reporting (cont'd)**

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly investments (other than investment property) and related revenue, loans and borrowings and related expenses, corporate assets (primarily the Company's headquarters) and head office expenses, and income tax assets and liabilities.

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

T. Employee benefits

Currently, the Group does not have significant obligations with respect to defined contribution or defined benefit pension plans.

U. New standards and interpretations not yet adopted

1. Revised IFRS 3 *Business Combinations* (2008) and Revised IAS 27 *Consolidated and Separate Financial Statements* (2008) (hereinafter – the Standards). The principal relevant revisions in the Standards are as follows:
 - a. The definition of a business has been broadened, so that more acquisitions will be treated as business combinations.
 - b. Transactions resulting in discontinuance of consolidation are to be accounted for at full fair value, so that the residual holding after discontinuance of the consolidation is remeasured on the date of discontinuing the consolidation, at fair value, through profit or loss.
 - c. Transactions resulting in the consolidation of financial statements (that were not consolidated before then) are to be accounted for at full fair value, so that the original holding before the consolidation is remeasured on the first date of consolidation, at fair value, through profit or loss.
 - d. The non controlling interest will be measured at either fair value, or at its proportionate interest in the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis. This policy is available for instruments that give rise to present ownership interest and entitle the holder to a share in net assets in the event of liquidation.
 - e. Acquisitions of additional shares or partial sales of existing shares, without the Company discontinuing consolidation of the financial statements of the companies in respect of which the transactions were performed, are to be accounted for so that all the differences deriving from the transactions are included directly in equity (including differences that in the past would have been included in profit or loss or as goodwill).
 - f. Transaction costs will be expensed as incurred.

Note 2 - Significant Accounting Policies (cont'd)**U. New standards and interpretations not yet adopted (cont'd)**

- g. Measurement at fair value of contingent considerations in business combinations with changes in estimates relating to a contingent consideration that is a financial liability being recognized in profit or loss.
- h. Goodwill is not to be adjusted in respect of the utilization of carry-forward tax losses that existed on the date of acquiring businesses.
- i. The attribution of comprehensive income to all the shareholders.

These standards shall apply to annual periods beginning on or after January 1, 2010. The principal revisions of these standards shall be applied prospectively, meaning in respect of transactions as from the initial date of implementation.

Implementation of the standard is not expected to affect the Company's financial position and results of operations.

2. Amendment to IAS 17, *Leases* – Classification of leases of land and buildings (hereinafter – the Amendment) – In accordance with the Amendment, a lease of land does not have to be classified as an operating lease in every case that ownership is not expected to pass to the lessee at the end of the lease period. In accordance with the amended standard, a land lease is to be examined according to the regular criteria for classifying a lease as a finance lease or as an operating lease.

The Amendment also provides that when a lease includes both a land component and a buildings component, the classification of each component should be based on the criteria of the standard, with the principal consideration regarding the classification of land being the fact that land normally has an indefinite useful life.

The Amendment applies to financial statements for annual periods beginning on or after January 1, 2010. The Amendment is to be implemented retrospectively, which means that the classification of land leases is to be examined on the basis of the information that was available on the date of the lease agreement, and that in the event of reclassification of the lease, the provisions of IAS 17 are to be implemented retrospectively as from the date of the lease agreement. Nevertheless, if the entity does not have the information necessary to apply the Amendment retrospectively, it should use the information available on the adoption date of the Amendment and recognize the asset and liability related to a land lease that was classified as a result of the Amendment as a finance lease according to their fair value as at that date. Any difference between the fair value of the asset and the fair value of the liability shall be recognized in retained earnings.

Implementation of the standard is not expected to affect the Company's financial position and results of operations.

3. Amendment to IAS 36, *Impairment of Assets* – Unit of accounting for goodwill impairment test (hereinafter – the Amendment) – In accordance with the Amendment, for purposes of impairment testing the largest cash-generating unit to which goodwill should be allocated is the operating segment level as defined in IFRS 8 before applying the aggregation criteria in Paragraph 12 of IFRS 8. The Amendment is to be applied prospectively for annual periods beginning on or after January 1, 2010.

Implementation of the standard is not expected to affect the Company's financial position and results of operations.

Note 2 - Significant Accounting Policies (cont'd)**U. New standards and interpretations not yet adopted (cont'd)**

4. Amendment to IAS 39, *Financial Instruments: Recognition and Measurement* – Scope exemption for business combination contracts (hereinafter – the Amendment) – The Amendment clarifies that the scope exemption in IAS 39 is restricted to forward contracts between an acquirer and a seller with respect to the sale or acquisition of a controlled entity, in a business combination at a future acquisition date. In addition, the term of the forward should not be longer than the period normally necessary for obtaining the approvals required for the transaction. The Amendment is to be applied prospectively to all unexpired contracts for annual periods beginning on or after January 1, 2010.

Implementation of the standard is not expected to affect the Company's financial position and results of operations.

5. *Items Eligible for Hedging*, amendment to IAS 39, *Financial Instruments: Recognition and Measurement* (hereinafter – the Amendment). The Amendment makes clear that an entity may designate as a hedged item changes in cash flows or fair value of a one-sided risk, meaning the risk of exposure to changes above or below a specified price or other defined variable. The Amendment also clarifies that inflationary components can be designated as a separate risk, on the condition that they form a contractually specified portion of the cash flows of an inflation-linked debenture, so that they are separately identifiable and reliably measurable, and if the other cash flows of the instruments are not affected by the inflationary component.

The Amendment is effective retrospectively for annual periods beginning on or after January 1, 2010.

Implementation of the standard is not expected to affect the Company's financial position and results of operations.

6. IFRS 9, *Financial Instruments* (hereinafter – the Standard). This standard is the first part of a comprehensive project to replace IAS 39 *Financial Instruments: Recognition and Measurement* (hereinafter – IAS 39) and it replaces the requirements included in IAS 39 regarding the classification and measurement of financial assets. In accordance with the Standard, there are two principal categories for measuring financial assets: amortized cost and fair value, with the basis of classification for debt instruments being the entity's business model for managing financial assets and the contractual cash flow characteristics of the financial asset. In accordance with the Standard, an investment in a debt instrument will be measured at amortized cost if the objective of the entity's business model is to hold assets in order to collect contractual cash flows and the contractual terms give rise, on specific dates, to cash flows that are solely payments of principal and interest. All other financial assets are measured at fair value through profit or loss. Furthermore, embedded derivatives are no longer separated from hybrid contracts that have a financial asset host. Instead, the entire hybrid contract is assessed for classification using the principles above. In addition, investments in equity instruments are measured at fair value with changes in fair value being recognized in profit or loss. Nevertheless, the Standard allows an entity on the initial recognition of an equity instrument not held for trading to elect irrevocably to present fair value changes in the equity instrument in other comprehensive income where no amount so recognized is ever classified to profit or loss at a later date. Dividends on equity instruments measured through other comprehensive income are recognized in profit or loss unless they clearly constitute a return on an initial investment. The Standard removes financial liabilities from its scope.

Note 2 - Significant Accounting Policies (cont'd)**U. New standards and interpretations not yet adopted (cont'd)**

The Standard is effective for annual periods beginning on or after January 1, 2013 but may be applied earlier, subject to providing disclosure and at the same time adopting other IFRS amendments as specified in the Standard. The Standard is to be applied retrospectively other than in a number of exceptions as indicated in the transitional provisions included in the Standard. In particular, if an entity adopts the Standard for reporting periods beginning before January 1, 2012 it is not required to restate prior periods.

The Company is examining the effects of adopting the standard on the financial statements and has no plans for early adoption.

Note 3 - Determination of Fair Values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Investment property (including investment property under development)

An external, independent valuation company, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the Group's investment property portfolio once a year, and upon demand in respect to which material events occurred (such as entrance of tenants, completion, significant change in rental income) as defined in the Group's policy. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

In the absence of current prices in an active market, the valuations are prepared by considering the aggregate of the estimated cash flows expected to be received from renting out the property. A yield that reflects the specific risks inherent in the net cash flows then is applied to the net annual cash flows to arrive at the property valuation.

Note 3 - Determination of Fair Values (cont'd)**Investment property (including investment property under development) (cont'd)**

The valuations of investment properties under development are prepared by the residual method or by comparison method, depends on the stage of completion.

Valuations reflect, when appropriate: the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting vacant accommodation, and the market's general perception of their creditworthiness; the allocation of maintenance and insurance responsibilities between the Group and the lessee; and the remaining economic life of the property. When rent reviews or lease renewals are pending with anticipated reversionary increases, it is assumed that all notices, and when appropriate counter-notices, have been served validly and within the appropriate time.

Inventories

The fair value of inventories acquired in a business combination is determined based on the estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. Trade and other receivables with a short duration are not discounted.

Derivatives

The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Note 4 - Significant Accounting Events in the Reported Period

- A.** As a result of the recent significant worsening of the global financial crisis and intensification of its consequences on the world economy, in general, and in Europe in particular, the Company examined the impacts of the crisis on the values of its investment property, investment property under development and other real estate properties. The said examination was mainly performed by independent outside appraisers having appropriate professional qualifications with respect to the location and type of property appraised, and on the basis of valuations performed for assets as stated.

Some of the valuations were performed based on transactions recently executed in the market with respect to real estate similar to that of the Company and in a similar location, to the extent such transactions existed, while some were performed based on discounting the cash flows expected to derive from the property and the residual method for properties under development.

Set forth below is detailed impacts of the crisis on the values of investments property, investment property under development and other real estate properties. (before taxes and non controlling interest) for the year ended December 31, 2009 and 2008:

In thousands of Euros

	<u>2009</u>	<u>2008</u>
Valuation gains/(loss) of investment property	(22,564)	28,756
Valuation gains/(loss) of investment property under development (1)	36,690	(10,432)
Impairment of inventory of buildings held for sale and land of buildings held for sale	(18,786)	(56,753)
Impairment of goodwill	(195)	(9,163)
Impairment of associate company	-	(3,209)

- (1) As described in Note 2B.3 as from January 1, 2009 the Group implemented the amendment made to IAS 40 - Investment Property. As a result of the amendment the Group recorded valuation gains of investment property under development of approximately Euro 56.5 million.

- B.** In May 2008, the Company signed an agreement to sell 30% of four subsidiaries, which are incorporated under the law of the Netherlands. Each subsidiary is a limited partner, holding 70% of the issued share capital of a subsidiary registered under the laws of Germany and having its statutory seat in Berlin (hereinafter – “the German partnerships”).

The German partnerships hold a portfolio of real properties in Germany, consisting of 35 let properties mostly located in Berlin, Hannover and other cities in Germany.

Note 4 - Significant Accounting Events in the Reported Period (cont'd)**B. (cont'd)**

The total consideration in the transaction amounts to Euro 3,074 thousand which was paid as follows:

- a. 50% of the total consideration (i.e. Euro 1,537 thousand) 7 days after the signing date of the agreement.
- b. 50% of the total consideration (i.e. Euro 1,537 thousand) 30 days after the signing date of the agreement.

The closing of the agreement was on June 30, 2008.

Immediately upon closing, the indirect percentage interest of the Company in each of the German partnerships reduced from 70% to 49%.

According to the agreement the sides to the agreement established a decision-making mechanism which allows each German partnership's ultimate shareholders (i.e. the Company, the Purchaser and the individuals holding the remaining 30% in each of the German partnerships) to participate in the decision-making process, based on their respective indirect percentage interest in the German partnerships.

Pursuant to that stated above, on the closing date, the Company's control over the German partnerships ceases, and therefore the Company no longer consolidates the German partnerships as from the closing date.

	<u>At the closing date</u> <u>Euro thousands</u>
Working capital (excluding cash and cash equivalents)	(1,889)
Investment in associate	1,531
Investment property	105,520
Deferred taxes	(1,274)
Non-current liabilities	(91,326)
Loan given	(11,663)
Non controlling interest	936
Gain from disposal of subsidiary	679
	<hr/>
Cash flows from disposal, net of cash disposed	<u>2,514</u>

Note 4 - Significant Accounting Events in the Reported Period (cont'd)

- C. The Company and Africa Israel Properties Ltd. (“**AFI Properties**”), which is the sole shareholder of Africa Israel International Properties (2002) Ltd., the Company’s sole shareholder (“**AIIP**”), entered into a shareholders loan on 21 December 2008 (the “**Shareholder’s Loan**”) to replace all loans between the Company and AFI Properties that were outstanding as per that date, being in aggregate an amount of EUR 484,856 thousand including interest on the principal of such loans. Consequently, on 22 December 2008, AFI Properties and AIIP entered into an assignment agreement pursuant to which AFI Properties sold and assigned to AIIP a claim in the amount of EUR 250,000 thousand of its receivable under the Shareholder’s Loan. Subsequently AIIP contributed this receivable as share premium on the shares in the capital of the Company. From 1 January 2009 the outstanding part of the Shareholder’s Loan bears an interest rate of three-month EURIBOR plus 2% per annum. The Company has the right to prepay all or part of the Shareholder’s Loan at any time.

In addition to the amount outstanding under the Shareholder’s Loan, AFI Properties provided to the Company a short term loan in the amount of EUR 15,214 thousand. By way of an amendment to the Shareholder’s Loan dated 30 June 2010, AFI Properties and the Company agreed that this amount shall be repaid within 12 months from the date on which the relevant funds were received by the Company.

This short- term loan shall, together with the other amount outstanding under the Shareholder’s Loan, be assigned by AFI Properties to AIIP and be contributed to the Company. As at 30 September 2010, the Company had debt in the amount of EUR 268,668 thousand to AFI Properties pursuant to the Shareholder’s Loan. In respect of the assignment of AFI Properties’ rights and obligations in relation to the Shareholder’s Loan to AIIP, and the subsequent contribution of the entire amount of the Shareholder’s Loan to capital of the Company please refer to Note 13(b).

- D. In December 2008 the Company signed an agreement for the purchase of 3.7% of the share capital of Intrastar International Ltd. (hereinafter “**Intrastar**”) from Airport City Belgrade CEO.

The purchase increased the Company’s holding in Intrastar from 50% to 53.7%.

The amount of the purchase is Euro 4.15 million and was/is to be paid in the following manner:

- (a) On January 2009 – an amount of Euro 1 million.
- (b) On each of the first, second and third anniversary of the Transaction’s initial closing date – three installments each in an amount of Euro 1 million plus 4% annual interest, accumulated from the initial closing date until the actual date of payment.
- (c) Three additional installments, each in an amount of Euro 50 thousand, payable upon occurrence of certain conditions.

Until the entire consideration will be fully paid to the seller, the shares will continue to be held by the seller and will be released to the Company gradually upon payment of each installment. Nonetheless, from the initial closing date, the Company has all rights attached to these shares (i.e. voting rights and dividend rights).

As a result of the purchase, the Company recorded goodwill in the amount of Euro 1.65 million.

Note 4 - Significant Accounting Events in the Reported Period (cont'd)

- E. In 2007, the Company completed a significant number of transactions in which it purchased real estate assets through subsidiaries (in Germany, Romania, Bulgaria, Hungary and the Czech Republic). The influence of these purchases of real estate assets on the balance sheet was as follows:

	Investment Properties	Investment Properties under development	Inventories of buildings held for sale Including lands	Total
Germany	104,500	-	-	104,500
Bulgaria	-	6,897	-	6,897
Czech Republic	-	-	35,040	35,040
Romania	-	89,829	107,533	197,362
Hungary	16,388	-	4,795	21,183
	<u>120,888</u>	<u>96,726</u>	<u>147,368</u>	<u>364,982</u>

Furthermore, the Company purchased the share capital of a number of companies (in Romania, Latvia, Bulgaria and Poland) for a total consideration of Euro 113.8 million (hereinafter – the purchase price). These purchases are considered as business combinations in accordance with International Financial Reporting Standard No. 3, “Business Combinations”, the purchase price was attributed to the fair value of the purchased tangible assets, intangible assets and liabilities as at the dates of completing the purchases, on the basis of Purchase Price Allocation (PPA) projects that were prepared by an independent appraiser.

The excess purchase price in the total amount of Euro 114.5 million was attributed to the tangible and intangible assets of the acquired companies, as follows:

In thousands of Euros

	Carrying amount on the initial date of consolidation	Excess of fair value over carrying amount	Total
Working capital (excluding cash and cash equivalents)	(36,910)	-	(36,910)
Property, plant and equipment	231	-	231
Investment property	19,386	-	19,386
Investment property under development	6,728	40,571	47,299
Inventory of buildings held for sale	48,698	82,169	130,867
Deferred taxes	(796)	(17,403)	(18,199)
Goodwill	-	9,163	9,163
Non-current liabilities	<u>(38,085)</u>	<u>-</u>	<u>(38,085)</u>
	<u>(748)</u>	<u>114,500</u>	<u>113,752</u>

Note 5 - Investment in Associate**A. Summary financial data for associate companies, not adjusted for the percentage ownership held by the Company****(1) Summary information on financial position***In thousands of Euros*

	Country	Rate of ownership	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
		%	EUR thousands					
As at December 31, 2009								
Wilanow One, SP. Z.O.O	Poland	30%	58,671	570	59,241	8,400	51,370	59,770
Germany Portfolio (*)	Germany	49%	2,379	96,805	99,184	7,090	104,769	111,859
			61,050	97,375	158,425	15,490	156,139	171,629
As at December 31, 2008								
Wilanow One, SP. Z.O.O	Poland	30%	66,555	1,397	67,952	29,891	40,138	70,029
Germany Portfolio	Germany	49%	2,302	95,770	98,072	3,201	107,933	111,134
			68,857	97,167	166,024	33,092	148,071	181,163

(*) Including 4 companies in Germany. See also Note 4B.

Note 5 - Investment in Associate (cont'd)**A. Summary financial data for affiliated companies, not adjusted for the percentage ownership held by the Company (cont'd)****(2) Summary information on operating results***In thousands of Euros*

	<u>Country</u>	<u>Rate of ownership</u> %	<u>Revenues</u>	<u>Expenses</u> EUR thousands	<u>Profit (loss) for the period</u>
For the year ended					
December 31, 2009					
Wilanow One, SP. Z.O.O	Poland	30%	18,027	14,390	3,637
Germany Portfolio (*)	Germany	49%	11,237	10,937	300
			<u>29,264</u>	<u>25,327</u>	<u>3,937</u>
For the year ended					
December 31, 2008					
Wilanow One, SP. Z.O.O	Poland	30%	987	1,525	(538)
Germany Portfolio (*)	Germany	49%	10,776	21,666	(10,890)
			<u>11,763</u>	<u>23,191</u>	<u>(11,428)</u>

(*) Including 4 companies in Germany. See also Note 4B.

B. Composition:*In thousands of Euros*

	<u>December 31</u> <u>2009</u>	<u>December 31</u> <u>2008</u>	<u>December 31</u> <u>2007</u>
Shares at cost	28,735	34,444	35,975
Company's equity in reserves and retained earnings, net	(4,397)	(5,028)	(80)
Impairment of goodwill	-	(3,209)	-
Carrying value	24,338	26,207	35,895
Loans (1)	20,744	19,093	5,595
	<u>45,082</u>	<u>45,300</u>	<u>41,490</u>

<u>(1) Loan</u>	<u>Rate</u>	<u>December 31</u> <u>2009</u>	<u>December 31</u> <u>2008</u>	<u>December 31</u> <u>2007</u>
Fixed rate loans	5.5%	14,095	12,960	-
Fixed rate loans	5%	2,933	2,803	2,682
Fixed rate loans	15%	3,716	3,330	2,913
		<u>20,744</u>	<u>19,093</u>	<u>5,595</u>

Note 5 - Investment in Associate (cont'd)**C. The movement in associates was as follows:***In thousands of Euros*

	December 31 2009	December 31 2008	December 31 2007
Balance as at beginning of the year	45,300	41,490	-
Movement during the year:			
Investments in share (see Note 4B)	-	(1,531)	35,975
Proceeds from associate	(2,500)	-	-
Investment in loans	395	11,663	3,595
Equity in earnings, net	567	(8,260)	(160)
Adjustment for translation	64	103	80
Movement in loans	1,256	1,835	2,000
Balance as at end of the year	45,082	45,300	41,490

D. Fair value

The investment in associate company includes balance in excess of the fair value which is derived from the acquisition, as follows:

In thousands of Euros

	December 31 2009	December 31 2008
Tangible assets	30,731	31,626
Total excess of fair value on carrying amount	30,731	31,626

Note 6 - Investment Property*In thousands of Euros*

	December 31 2009	December 31 2008	December 31 2007
Balance at January 1	412,023	365,541	150,075
Acquisition/Investment	2,151	-	120,888
Newly consolidated subsidiaries	-	-	19,386
Out of consolidation (see Note 4B)	-	(105,520)	-
Transfer from investment property under development	353,618	122,732	39,620
Fair value adjustments (see Note 4A)	(22,564)	28,756	35,240
Effect of movement in foreign exchange	(479)	514	332
Balance at December 31	744,749	412,023	365,541

Note 6 - Investment Property (cont'd)

Investment property relates to completed property only.

During the year ended December 31, 2009, the Company completed the construction of the following projects: (1) AFI Palace Contraceni in Romania. (2) Phase 3b of Airport City Belgrade in Serbia.

During the year ended December 31, 2008, the Company completed the construction of the following projects: (1) phase 3 of Airport City Belgrade in Serbia (2) AFI Palace Pardubice in the Czech Republic, (3) Building No. 8 of Business Park Varna. Therefore, these projects have been reclassified as investment properties.

During the year ended December 31, 2007, the Company completed the construction of the following projects: (1) phase 2 of Airport City Belgrade in Serbia (2) Building No.6 of Business Park Varna in Bulgaria (3) Building No. 1 of National Technological Park (D8 European Park) in the Czech Republic. Therefore, these projects have been reclassified as investment property.

Note 7 - Investment Property under Development

In thousands of Euros

	December 31 2009	December 31 2008	December 31 2007
Balance at January 1	289,259	214,715	52,653
Newly consolidated subsidiaries	-	-	47,299
Acquisition	-	9,145	85,250
Cost capitalized	122,512	185,941	65,676
Interest capitalized	10,984	13,788	3,457
Transfer to investment property	(353,618)	(122,732)	(39,620)
Classified to inventory	-	(1,166)	-
Valuation gains (see Note 4A)	36,690	-	-
Impairment (see Note 4A)	-	(10,432)	-
Balance at December 31	105,827	289,259	214,715

Note 8 - Property, Plant and Equipment*In thousands of Euros*

	Leasehold improvements	Equipment	Total
Cost			
Balance at January 1, 2007	9	402	411
Acquisitions	-	529	529
First consolidation	-	288	288
Disposals	-	(59)	(59)
Effect of movements in foreign exchange	-	(6)	(6)
Balance at December 31, 2007	9	1,154	1,163
Balance at January 1, 2008	9	1,154	1,163
Acquisitions	-	1,044	1,044
Disposals	-	(268)	(268)
Balance at December 31, 2008	9	1,930	1,939
Balance at January 1, 2009	9	1,930	1,939
Acquisitions	-	1,578	1,578
Disposals	(9)	(327)	(336)
Balance at December 31, 2009	-	3,181	3,181
Depreciation			
Balance at January 1, 2007	2	271	273
First consolidation	-	57	57
Depreciation charge for the year	-	99	99
Disposals	-	(26)	(26)
Effect of movement in foreign exchange	-	12	12
Balance at December 31, 2007	2	413	415
Balance at January 1, 2008	2	413	415
Depreciation charge for the year	1	662	663
Disposals	-	(268)	(268)
Balance at December 31, 2008	3	807	810
Balance at January 1, 2009	3	807	810
Depreciation charge for the year	-	672	672
Disposals	(3)	(327)	(330)
Balance at December 31, 2009	-	1,152	1,152
Carrying amount			
At December 31, 2009	-	2,029	2,029
At December 31, 2008	6	1,123	1,129
At December 31, 2007	7	741	748

Note 9 - Deferred Tax Assets and Liabilities**Recognized deferred tax assets and liabilities**

Deferred tax assets and liabilities are attributable to the following items:

In thousands of Euros

	Assets			Liabilities			Net		
	December 31 2009	December 31 2008	December 31 2007	December 31 2009	December 31 2008	December 31 2007	December 31 2009	December 31 2008	December 31 2007
Property, fixtures and fittings	(276)	(50)	(789)	-	-	-	(276)	(50)	(789)
Investment property	(2,980)	*(3,447)	-	55,989	* 37,215	* 27,064	53,009	* 33,768	* 27,064
Inventory of building held for sale	-	-	-	2,343	* 2,937	* 13,166	2,343	* 2,937	* 13,166
Hedging capital funds	(1,376)	*(319)	-	-	-	-	209	*(319)	-
Capitalization and deferred expenses	(1,783)	*(1,070)	(345)	2,141	* 1,557	* 2,035	(1,227)	* 487	1,690
Finance lease liabilities	(1,315)	(1,282)	(1,300)	-	-	-	(1,315)	(1,282)	(1,300)
Allowance for doubtful debts	(46)	(31)	(67)	-	-	-	(46)	(31)	(67)
Tax value of loss carry-forwards recognized	(10,553)	*(7,453)	*(3,997)	-	-	-	(10,553)	(7,453)	*(3,997)
Others	(914)	*(617)	-	167	* 304	98	(747)	*(313)	98
Tax (assets)/liabilities	(19,243)	*(14,269)	*(6,498)	60,640	42,013	* 42,363	41,397	27,744	35,865
Set off of tax	14,888	5,874	-	(14,888)	(5,874)	-	-	-	-
Net tax (asset) liabilities	(4,355)	(8,395)	(6,498)	45,752	36,139	42,363	41,397	27,744	35,865

* Reclassified

Note 9 - Deferred Tax Assets and Liabilities (cont'd)**Unrecognized deferred tax assets**

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

In thousands of Euros

	For the year ended December 31		
	2009	2008	2007
Tax losses carried forward	5,221	3,723	2,782

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilize the benefits therefrom.

At December 31, 2009, the Group had total tax losses carried forward and tax credit for an amount of Euro 64,824 thousand (December 31, 2008, Euro 78,254 thousand) for which a deferred tax asset is recognized of Euro 10,553 thousand (December 31, 2008, Euro 7,453 thousand).

The expiration of the tax losses, tax credit carried forward and the related deferred tax asset is as follows:

In thousands of Euros

<u>Year</u>	Deferred tax assets on losses carried forward	Tax losses carried forward
2010	5,153	31,981
2011	4,292	26,770
2012	240	1,534
2013	868	4,539
	<u>10,553</u>	<u>64,824</u>

Movement in temporary differences during the year

In thousands of Euros

	December 31 2009	December 31 2008	December 31 2007
Balance as at beginning of the year	27,744	35,865	15,252
Recognized in profit or loss	15,033	(6,746)	1,870
Recognized in other comprehensive income	(1,380)	(101)	544
Out of consolidation	-	(1,274)	-
Acquired in business combinations	-	-	18,199
Balance as at end of the year	<u>41,397</u>	<u>27,744</u>	<u>35,865</u>

Note 10 - Inventory of Buildings*In thousands of Euros*

	2009	2008	2007
At January 1	306,436	334,794	27,401
Newly consolidated subsidiaries	-	-	130,867
Land	-	-	146,955
Classified from investment property under development	-	1,166	
Construction cost	24,347	51,649	25,690
Interest capitalized (refer to policy M)	2,249	12,856	7,344
	333,032	400,465	338,257
Effect of movement in foreign exchange	817	(1,409)	915
Write-down of inventory to net realizable value	(18,786)	(56,753)	-
Carrying value of properties sold	(20,477)	(35,867)	(4,378)
At December 31	294,586	306,436	334,794

* Reclassified

In respect of the capitalization rate for the interest capitalized please refer to Notes 15 and 18.

Note 11 - Trade and Other Receivables*In thousands of Euros*

	December 31 2009	December 31 2008	December 31 2007
Restricted cash	5,170	4,778	16,359
Trade receivables due from tenants	6,197	3,656	1,575
VAT receivables	12,939	18,267	6,195
Receivable from derivatives	1,839	-	-
Deferred expenses	2,565	4,872	2,543
Trade receivables due from related parties	584	2,021	-
Trade receivables due from jointly controlled entities	102	784	702
Other trade receivables	4,873	3,369	7,254
	34,269	37,747	34,628
Allowance for doubtful debts	(1,241)	(494)	(425)
	33,028	37,253	34,203

Note 12 - Cash and Cash Equivalents*In thousands of Euros*

	December 31 2009	December 31 2008	December 31 2007
Bank balances	12,540	18,572	32,970
Call deposits	5,285	6,450	4,247
Cash and cash equivalents	17,825	25,022	37,217

All cash and cash equivalents are payable on demand.

Note 13 - Capital and Reserves

Composition of share capital:

	December 31, 2008 and 2009	
	Authorized	Issued and Outstanding
Ordinary share of Euro 1 par value each	90,000	90,000

- a. As at December 31, 2009, the authorized, issued and paid-up share capital of the Company comprises 90,000 ordinary shares of Euro 1 each.
- b. In view of the Company's plan to raise financing by way of an initial public offering of the Company's shares during Q4 2010 ("IPO"), on 4 November 2010 the Company's authorized share capital has been increased to EUR 1,221,000, divided into 122,100,000 shares with a nominal value of EUR 0.01 each.
 - (i) Simultaneously therewith each of the 90,000 shares with a nominal value of EUR 1 in the issued share capital of the Company has been converted and split into 100 shares with a nominal value of one cent (EUR 0.01), and all of them together into 9,000,000 shares.
 - (ii) Also on that date, the Company, AFI Properties and AIIP executed agreements regarding the assignment of AFI Properties' rights and obligations in relation to the Shareholder's Loan to AIIP, and the subsequent contribution of the entire amount of the Shareholder's Loan to capital of the Company, of which an amount of EUR 409,669 has been contributed by AIIP to the Company's capital against the issue of 40,966,900 shares at nominal value of EUR 0.01 each,
 - (iii) The remaining outstanding balance of the Shareholder's Loan will be contributed to share premium on those newly issued shares concurrently with and subject to all conditions of the IPO having been met. Furthermore, the Company issued to AIIP additional 43,033,100 shares with a nominal value of EUR 0.01 each, against the (partial) conversion of the relevant statutory reserve maintained by the Company, amounting to EUR 430,331. As a result, there will be no outstanding Shareholder's loan upon the completion of the IPO, and effective as of 4 November 2010 the Company's issued share capital consisted of 93,000,000 shares with a nominal value of EUR 0.01 each, all of which are held by AIIP.

Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations that are not integral to the operations of the Company.

Note 13 - Capital and Reserves (cont'd)

b. (cont'd)

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

Note 14 - Earnings Per Share**Net profit attributable to ordinary equity holders of the parent***In thousands of Euros*

	For the year ended December 31		
	2009	2008	2007
Net profit (loss) attributable to ordinary equity holders of the parent	(0.76)	(1.51)	0.29

1. The weighted average number of ordinary shares at December 31, 2009, 2008 and 2007 that was taken as a starting point for the calculation was 49,966,900.
2. Subsequent to the mentioned in Note 13.b.(i) and 13.b.(ii) above and conversion as mention the company restated its earnings per share for the year 2008 and 2007 as follows:

	Number of shares			Basic and diluted loss per share (Euro)		
	Before split and issuance of bonus shares	Difference	After split and issuance of bonus shares	Before split and issuance of bonus shares	Difference	After split and issuance of bonus shares
For the year ended September 31, 2008	90,000	49,876,900	49,966,900	(836.99)	835.48	(1.51)
For the year ended September 31, 2007	90,000	49,876,900	49,966,900	(161.77)	(161.48)	0.29

Note 15 - Interest-Bearing Loans and Borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings. For more information about the Group's exposure to interest rate and currency risk, refer to Note 18.

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

In thousands of Euros

				December 31, 2009		December 31, 2008		December 31, 2007	
Currency	Nominal interest rate	Year of maturity	Nominal value	Carrying value	Nominal value	Carrying value	Nominal value	Carrying value	
Non-current									
Secured bank loan	Euro	3M Euribor+1.4-2.5	2010-2017	483,400	497,110	343,128	332,922	139,132	137,816
Secured bank loan	PLN	1M Wibor+1.6	2010-2012	1,641	1,641	1,798	1,748	3,575	3,575
Secured bank loan	CZK	3M Pribor+1.75	2018	22,936	22,936	18,042	18,042	6,835	6,711
Secured bank loan	Euro	5.55	2014	-	-	-	-	91,326	91,326
Finance lease liabilities	CZK	13.44	2047	7,000	7,000	6,873	6,873	6,850	6,850
Loan from Africa Israel Group	Euro	3M Euribor+2	Not determined	248,390	248,390	235,045	235,045	474,765	474,765
Loan from Joint Venture partners	Euro	3M Euribor+2		-	-	-	-	4,015	4,015
Current maturity				(12,727)	(12,727)	(6,386)	(6,386)	(2,155)	(2,155)
Total non-current interest-bearing liabilities				750,640	764,350	598,500	588,244	724,343	722,903
Current									
Secured bank loan	Euro	3M Euribor+1.4-3	2010	50,577	50,577	56,966	56,966	37,662	37,645
Secured bank loan	PLN	1M Wibor+1.8	2010	10,095	10,095	14,192	14,192	6,382	6,382
Secured bank loan	CZK	1M Pribor + 1.75	2010	23,141	23,141	19,838	19,838	-	-
Current maturity				12,727	12,727	6,386	6,386	2,416	2,416
Loan from Joint Venture partners	Euro	3M Euribor+3.5	2010	11,487	11,487	10,480	10,480	22,238	22,238
Total current interest-bearing liabilities				108,027	108,027	107,862	107,862	68,698	68,681

The bank loans are secured on land and buildings with a carrying amount of Euro 605,500 thousand (2008: Euro 443,708 thousand; 2007: Euro 283,455 thousand (refer to Note 19).

Note 16 - Other Non-Current Liabilities*In thousands of Euros*

	December 31 2009	December 31 2008	December 31 2007
Deposits from tenants	3,845	3,654	2,078
Payables for derivatives instruments	-	5,794	-
Related parties payables (see Note 26)	4,223	-	-
Other payables	935	2,380	2,558
Current maturity	-	-	(261)
	9,003	11,828	4,375

Note 17 - Trade and Other Payables*In thousands of Euros*

	December 31 2009	December 31 2008	December 31 2007
Payables for land purchase	23,229	29,660	43,945
Payables for derivative instruments	13,014	4,807	-
Trade payables due to related parties	5,830	8,145	1,027
Suppliers and other trade payables	9,523	36,084	23,630
Tax payables	2,048	2,491	-
Accruals expenses and deferred income	16,143	17,436	8,248
Advances from customers	410	634	-
Others	2,356	2,078	1,368
	72,553	101,335	78,218

Note 18 - Financial Instruments

Exposure to credit, interest rate and currency risk arises in the normal course of the Group's business. The Group uses derivative financial instruments in certain loan agreements to hedge its exposure to interest rate risks arising from construction, financing and investment activities. Furthermore, the Group does not hold or issue derivative financial instruments for trading purposes.

Credit risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The Group requires collateral from its tenants (bank guarantee or cash deposits usually equal to three months rent income) in respect of lease agreements.

Note 18 - Financial Instruments (cont'd)**Credit risk (cont'd)**

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the balance date was:

In thousands of Euros

	Note	Carrying amounts		
		2009	2008	2007
Loan to associate company	5	20,744	19,093	5,595
Trade and other receivable	11	33,028	37,253	34,203
Cash and cash equivalents	12	17,825	25,022	37,217
		71,597	81,368	77,015

The maximum exposure to credit risk for trade receivables at the balance sheet date by geographic region was:

In thousands of Euros

	Carrying amounts		
	2009	2008	2007
Czech Republic	13,676	11,728	22,443
Romania	13,541	18,472	7,987
Bulgaria	4,398	5,467	3,715
Poland	7,375	9,644	7,519
Germany	14,098	13,056	1,856
Serbia	11,961	13,257	9,997
Other regions	6,548	9,744	23,498
	71,597	81,368	77,015

Impairment losses

The aging of trade receivables due from tenants at the balance sheet date was:

In thousands of Euros

	Gross 2009	Impairment 2009	Gross 2008	Impairment 2008	Gross 2007	Impairment 2007
Not past due	2,802	-	508	-	712	-
Past due 0-30 days	560	-	1,566	-	363	120
Past due 31-120 days	1,114	-	750	-	140	-
Past due 121-365 days	937	457	682	344	230	175
More than one year	784	784	150	150	130	130
	6,197	1,241	3,656	494	1,575	425

Note 18 - Financial Instruments (cont'd)**Credit risk (cont'd)**Impairment losses (cont'd)

The movement in the allowance for impairment in respect of trade receivables due from tenants during the year was as follows:

In thousands of Euros

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Balance at January 1	494	425	140
Impairment loss recognized	747	190	165
Initial consolidation	-	-	120
Out of consolidation	-	(121)	-
Balance as at December 31	<u>1,241</u>	<u>494</u>	<u>425</u>

Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

December 31, 2009

In thousands of Euros

	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>6 months or less</u>	<u>6-12 months</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>More than 5 years</u>
Non-derivative financial liabilities:							
Secured bank loans	521,687	608,966	12,272	11,191	37,908	292,400	255,195
Short-term loans	83,813	86,912	37,560	20,045	15,694	13,613	-
Finance lease liability	7,000	35,895	482	482	1,896	2,793	30,242
Loans from Africa Israel Group	248,390	284,530	-	-	-	-	284,530
Non-current liabilities	9,003	9,003	16	29	8,958	-	-
Loans from joint venture partners	11,487	11,607	11,571	-	36	-	-
Trade and other payables	<u>72,553</u>	<u>72,553</u>	<u>59,009</u>	<u>13,544</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>953,933</u>	<u>1,109,466</u>	<u>120,910</u>	<u>45,291</u>	<u>64,492</u>	<u>308,806</u>	<u>569,967</u>

Note 18 - Financial Instruments (cont'd)**Liquidity risk (cont'd)****December 31, 2008***In thousands of Euros*

	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities:							
Secured bank loans	352,712	477,880	8,699	9,828	24,411	220,500	214,442
Short-term loans	90,996	96,565	47,129	28,505	6,551	14,380	-
Finance lease liability	6,873	36,081	456	404	846	2,747	31,628
Loans from Africa Israel Group	235,045	333,619	-	-	-	-	333,619
Non-current liabilities	11,828	14,945	-	19	2,568	7,396	4,962
Loans from joint venture partners	10,480	11,887	-	-	11,887	-	-
Trade and other payables	101,335	102,966	93,043	9,923	-	-	-
	<u>809,269</u>	<u>1,073,943</u>	<u>49,327</u>	<u>48,679</u>	<u>46,263</u>	<u>245,023</u>	<u>584,651</u>

December 31, 2007*In thousands of Euros*

	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities:							
Secured bank loans	239,428	320,684	7,645	8,909	60,055	49,643	194,432
Short-term loans	66,265	67,526	46,660	20,866	-	-	-
Finance lease liability	6,850	37,458	432	432	906	2,817	32,871
Loans from Africa Israel Group	474,765	500,093	-	-	500,093	-	-
Non-current liabilities	4,636	4,909	-	-	4,909	-	-
Loans from joint venture partners	4,015	4,316	100	-	4,216	-	-
Trade and other payables	78,218	78,218	49,455	28,763	-	-	-
	<u>874,177</u>	<u>1,013,204</u>	<u>104,292</u>	<u>58,970</u>	<u>570,179</u>	<u>52,460</u>	<u>227,303</u>

Note 18 - Financial Instruments (cont'd)**Currency risk**

Exposure to currency risk

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

In thousands of Euros

	Euro	CZK	PLN	BGN	RON	Others	Total	Euro	CZK	PLN	BGN	RON	Others	Total	Euro	CZK	PLN	CSD	Others	Total	
	December 31, 2009							December 31, 2008							December 31, 2007						
Loans to investee company	20,744	-	-	-	-	-	20,744	19,093	-	-	-	-	-	19,093	5,595	-	-	-	-	5,595	
Trade receivables	12,373	922	659	1,792	10,679	6,603	33,028	14,914	6,063	452	1,472	9,440	4,912	37,253	17,370	13,199	590	-	3,044	34,203	
Cash and cash equivalents	9,170	5,604	61	472	2,157	361	17,825	12,424	2,643	2,737	2,053	3,950	1,215	25,022	31,968	2,993	842	1,010	404	37,217	
Interest-bearing loans and borrowings	(830,704)	(29,937)	(11,736)	-	-	-	(872,377)	(642,286)	(37,880)	(15,940)	-	-	-	(696,106)	(768,067)	(13,561)	(9,956)	-	-	(791,584)	
Other non current liabilities	(8,970)	(29)	-	-	-	(4)	(9,003)	(8,922)	(2,906)	-	-	-	-	(11,828)	(4,375)	-	-	-	-	(4,375)	
Trade and other payables	(57,353)	(9,289)	(532)	(3,030)	(357)	(1,992)	(72,553)	(39,118)	(25,263)	(1,701)	(9,025)	(13,732)	(12,496)	(101,335)	(60,471)	(12,455)	(3,554)	-	(1,738)	(78,218)	
Balance exposure	(854,740)	(32,729)	(11,548)	(766)	12,479	4,968	(882,336)	(643,895)	(57,343)	(14,452)	(5,500)	(342)	(6,369)	(727,901)	(777,980)	(9,824)	(12,078)	1,010	1,710	(797,162)	

Note 18 - Financial Instruments (cont'd)**Currency risk (cont'd)**

The exchange rates as per period end are presented in the following table:

	Average rate			Spot rate		
	2009	2008	2007	As at December 31		
	2009	2008	2007	2009	2008	2007
CZK (into Euros)	26.4	25.0	27.8	26.5	26.0	26.6
LEVA (into Euros)	0.7	0.7	0.7	0.7	0.7	0.7
BGN (into Euros)	1.9	1.9	1.9	1.9	1.9	1.9
RON (into Euros)	4.2	3.7	3.5	4.2	4.0	3.6
PLN (into Euros)	4.3	3.5	3.7	4.1	4.2	3.6

Sensitivity analysis

An increase as at December 31, 2009 of 10% in the exchange rate of the Euro against the following currencies would increase (decrease) the shareholders' equity and the net profit (loss) by the amounts presented below. This analysis was made based on the assumption that all the other variables, particularly the interest rates, remain fixed. The analyses for 2008 and 2007 were made based on the same assumptions.

In thousands of Euros

		Equity	Profit or loss
December 31, 2009			
	CZK	3,217	(3,273)
	PLN	(940)	(1,077)
	BGN	(95)	(95)
	RON	1,119	1,119
	Others	665	665
December 31, 2008			
	CZK	(5,935)	(5,766)
	PLN	(278)	(535)
	BGN	(550)	(550)
	RON	(34)	(34)
	Others	(637)	(637)
December 31, 2007			
	CZK	(535)	(685)
	PLN	(3,655)	-
	CSD	101	-
	Others	171	-

A decrease as at December 31, 2009 of 10% in the exchange rate of the euro against the above currencies would have the same effect but in the opposite direction, based on the assumption that all the other variables remain fixed.

Note 18 - Financial Instruments (cont'd)**Interest rate risk****Profile**

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

In thousands of Euros

	Carrying amount		
	2009	2008	2007
Fixed rate instruments			
Financial assets	20,744	19,093	5,595
Financial liabilities	(7,000)	(6,873)	(98,176)
	13,744	12,220	(92,581)
Variable rate instruments			
Financial assets	-	-	-
Financial liabilities	(865,377)	(689,233)	(693,408)
	(865,377)	(689,233)	(693,408)

Sensitivity Analysis of the Fair Value with respect to Financial Instruments bearing Fixed Interest

The Group's assets and liabilities bearing fixed interest are not measured at fair value with the differences being recorded in the statements of operations, and the Group does not use derivative financial instruments as hedging instruments in accordance with the fair value hedging model. Therefore, any change in the interest rates as at the date of the report will have no effect on the statement of operations.

Note 18 - Financial Instruments (cont'd)**Sensitivity analysis of the cash flows with respect to Financial Instruments bearing Variable Interest**

A change of 100 points in the base interest rate as at the date of the report would increase/decrease the net profit/loss by the following amounts. This analysis was made based on the assumption that all the other variables, particularly the foreign currency exchange rates, will remain fixed. The analyses for 2008 and 2007 were based on the same assumptions.

Effect in thousands of euros

	Profit or (loss)		Equity	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
December 31, 2009				
Variable rate instruments	(11,224)	11,224	(11,224)	11,224
Interest rate swap	3,331	(3,331)	4,986	(5,097)
Cash flow sensitivity (net)	<u>(7,893)</u>	<u>7,893</u>	<u>(6,238)</u>	<u>6,127</u>
December 31, 2008				
Variable rate instruments	(9,461)	9,461	(9,461)	9,461
Interest rate swap	1,668	(1,668)	7,490	(3,724)
Cash flow sensitivity (net)	<u>(7,793)</u>	<u>7,793</u>	<u>(1,971)</u>	<u>5,737</u>
December 31, 2007				
Variable rate instruments	(5,513)	5,513	(5,513)	5,513
Interest rate swap	187	(103)	1	(85)
Cash flow sensitivity (net)	<u>(5,326)</u>	<u>5,410</u>	<u>(5,512)</u>	<u>5,428</u>

Note 18 - Financial Instruments (cont'd)**Fair values****Fair values versus carrying amounts**

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

In thousands of Euros

	December 31, 2009		December 31, 2008		December 31, 2007	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets						
Loan to associate company	20,744	20,089	19,093	18,750	5,595	5,930
Cash and cash equivalents	17,825	17,825	25,022	25,022	37,217	37,217
Trade and other receivables	33,028	33,028	37,253	37,253	34,203	34,203
Secured bank loans	(521,687)	(510,821)	(352,712)	(335,886)	(239,428)	(232,647)
Finance lease liabilities	(7,000)	(7,000)	(6,873)	(6,873)	(6,850)	(6,850)
Loan from Africa Israel group	(248,390)	(248,390)	(235,045)	(235,045)	(474,765)	(474,765)
Loans from joint Venture partnership	-	-	-	-	(4,015)	(4,015)
Other non-current liabilities	(9,003)	(8,866)	(11,828)	(11,035)	(4,636)	(4,636)
Short-term loans	(95,300)	(95,300)	(101,476)	(101,476)	(66,265)	(66,265)
Trade and other payables	(72,553)	(72,553)	(101,335)	(101,335)	(78,218)	(78,218)

Interest rates used for determining fair value

The interest rates used to discount estimated cash flows, where applicable, are based on the government yield curve at the reporting date plus an adequate credit spread, and were as follows:

	2009	2008	2007
Loans and borrowings	3M Euribor+2%	3M Euribor+2%	3M Euribor+2%
Leases	13.44%	13.44%	13.44%

Derivative financial instruments

The Company uses derivative financial instruments in certain loans to hedge its exposure to interest rate risks as cash flow hedge.

	Interest receivable	Interest payable	Expiration exercise date	Amount	Fair value	Effective hedge net of tax
In thousands of Euros						
Interest rate swap *	3M Euribor	4.59%	31/12/2012	51,298	(3,644)	(2,952)
Interest rate swap	3M Euribor + 2.3%	4.70%	30/12/2010	230,000	(8,208)	(5,841)
Interest rate swap	3M Euribor + 2.125%	3.015%	30/09/2014	23,556	(533)	(480)
Interest rate swap	3M Euribor + 2.1%	3.215%	30/09/2015	26,604	(602)	(541)

* The derivative financial instrument was purchased by a proportional consolidated subsidiary, therefore the Company accounted 50% of the fair value of the derivative financial instrument in a way of proportional consolidation.

Note 19 - Contingent Liabilities

A. Securities, guarantees and pledges under bank finance agreements

In order to secure loans for construction or investment, the Company granted banks (i) first ranking pledges on the assets of certain group companies, including rights with respect to the land of certain projects for which the loans were taken; (ii) pledges on the rights of certain group companies pursuant to the agreements in which they are party, including general contractor contracts and long term tenants leases, and (iii) subordination of shareholders loans given to certain group companies to their debt towards the financing banks. In some cases the Company pledged its shares in the relevant group company in favor of the financing bank.

As a security for repayment of loans taken by two particular group companies, the Company's shares in these companies are held in trust by an escrow agent related to a bank, and their assets were pledged in favor of the bank.

Several group companies agreed not to dispose secured assets, and not to sell, transfer or lease any substantial part of their assets, without the prior consent of the financing bank. In addition, some of the group companies are not allowed, without the prior consent of the financing bank, to change the holding structure of the relevant project company, to change their incorporation documents, or to change the scope of the project.

In some of the financing agreements of the group companies, the Company is obliged to inject further financing in case it is required to complete the relevant project. The group companies agreed to comply with certain financial ratios and minimum cash balances (covenants). The major covenants are (i) compliance with ratios between periodical net rental income to periodical loan repayments and other similar ratios, (ii) ratio between outstanding loan balance to the value of the project, and (iii) reporting requirements. The group companies are in compliance with all covenants, under the respective financing agreement, except for:

- (i) A loan agreement in relation to financing the acquisition of the German Portfolio, where the "loan to value" ratio has been reduced, as a result of a decline in real properties' values throughout Germany, which led to an impairment with respect to the value of the German Portfolio's properties.
- (ii) Two loan agreements in relation to financing obtained by the subsidiaries for projects Metropolia and Soleville in Latvia, where as a result of a decline in real properties' values throughout Latvia, an impairment was made with respect to the value of projects Soleville and Metropolia, causing each of these subsidiaries to be in a situation of negative equity, thus currently failing to meet one of the covenants under its loan agreements. It is hereby clarified, however, that the bank would be entitled to demand immediate repayment of the loan based on a negative equity situation, only if such situation is not remedied within 10 days following receipt of the bank's applicable notice in this matter. Such notice of the bank has never been delivered to date, and even if it will be delivered, both project subsidiaries are in a position to timely remedy the negative equity situation before the bank's entitlement to demand immediate repayment of the loan would be triggered.

The Company holds a continuous dialogue with the relevant banks, which periodically receive financial reports of the relevant subsidiary and updated valuation reports on the relevant properties, and none of these banks has issued any request or demand in relation to the matters described above.

Note 19 - Contingent Liabilities (cont'd)**B.**

1. A claim in Serbia against Airport City Belgrade d.o.o. in which the Company's indirect interest is 53.7% ("ACB") was filed by Industrija Masina I Traktora a.d. ("IMT") for payment of EUR 0.9 million under an agreement dated 11 March 2004. In its response to the aforementioned claim, ACB argues that such payment was conditional upon the occurrence of certain conditions precedent which were not fulfilled by IMT, and that the amount payable to IMT should therefore be substantially reduced.

In the opinion of the company management and its legal advisers, the chances of the claim to be accepted are remote. No provision was recorded in respect of the claim.

2. In February 2008, a lawsuit of a total amount of approximately Euro 1.1 Million was appealed before the District Court of Tel-Aviv, Israel. The lawsuit concerns a real estate purchase agreement in Romania.

According to the Company management and its legal advisers, the chances of the claim to be accepted are remote. No provision was recorded in respect of the claim.

3. In February 2009, a claim in a total amount of approximately Euro 0.9 million was filed against the Company with the Court of the Central District, Israel, with respect to allegedly payable brokerage commissions in connection with a real estate purchase transaction in Romania and a real estate transaction in the Czech Republic.

According to the Company management and its legal advisers, the chances of the claim to be accepted are less than 50%. No provision was recorded in respect of the claim.

- C. In September 2007 Premier Solutions & Team S.R.L. ("**Premier**"), a Romanian subsidiary of the Company, purchased five plots of land with a total area of approximately 156,000 sqm in Bucuresti Noi, in the northern part of Bucharest, Romania (the "**Land**") from Laromet S.A. ("**Laromet**"). The purchase price for the Land amounted to approximately EUR 78,000,000. During the first quarter of 2009, Premier concluded with Laromet an addendum to the purchase agreement, for rescheduling the payment of the then-outstanding portion of the purchase price in the amount of EUR 22,500,000, and for postponement of the transfer of possession in relation to part of the Land. In February 2010, Premier paid to Laromet an amount of approximately EUR 7,400,000 that consisted of two contractual installments which were paid after their due date for payment under the purchase agreement. In May 2010 Premier was notified that as a result of these late payments an execution procedure would be carried out in relation to the Land, unless Premier would pay to Laromet an amount of approximately EUR 8,200,000, on account of liquidated damages that were allegedly payable pursuant to a penalty clause in the agreement. Premier believes this claim to be unjustified and has initiated litigation in respect thereof with the Romanian courts. A court hearing in this matter has been scheduled for 10 November 2010. In light of the dispute, Premier has suspended payment of an amount of approximately EUR 16,600 thousand which became payable under the Agreement, and consequently Laromet initiated an enforced execution procedure in relation to the Land. The aforementioned payment obligation was secured by a corporate guarantee issued by the Company in favour of Laromet in March 2009, and also by a mortgage over part of the Land. Premier and Laromet have been attempting to settle this dispute. Based on the status of these negotiations and the merits of the underlying claim, Premier's management and the Company's management believe that the enforced execution procedure will eventually not be completed.

Note 19 - Contingent Liabilities (cont'd)**C. (cont'd)**

Further to the above, as part of the negotiations that take place in view of a final settlement agreement to be concluded between the parties, on October 20, 2010 Premier paid to the seller an amount of EUR 2 million as an advance payment on account of Premier's payment obligations under such agreement.

Therefore, based on the estimation of the Company's management which was also based on its legal advisers regarding the matter described above, the Company's management has decided to record an adequate provision in the Company's financial statements as at September 30, 2010.

- D.** Effective as of 30 September 2010, 7 corporate guarantees with an aggregate value of approximately EUR 60 million have been issued by the Company as securities for repayment obligations of certain Subsidiaries with respect to financing obtained by each of such Subsidiaries in relation to its project.

Note 20 - Gross Rental Income

In thousands of Euros

	For the year ended December 31		
	2009	2008	2007
Czech Republic	14,811	9,235	7,956
Serbia	10,309	8,164	4,396
Romania	4,120	-	-
Bulgaria	3,839	3,808	780
Germany	-	3,905	5,210
Others	305	330	162
	33,384	25,442	18,504

The Group leases out its investment property under operating leases. The operating leases are usually for terms of 5 years or more.

Note 21 - Property Operating Expenses

In thousands of Euros

	For the year ended December 31		
	2009	2008	2007
Property insurance premium	155	396	300
Property taxes and fees	911	653	479
Other expenses	297	1,818	33
	1,363	2,867	812

Note 22 - Administrative Expenses*In thousands of Euros*

	For the year ended December 31		
	2009	2008	2007
Wages and salaries	4,286	5,230	2,226
Professional services	2,154	2,947	2,006
Depreciation	672	664	99
Legal and audit fees	1,550	2,890	1,977
Rent	586	675	471
Other administrative expenses	4115	5,727	2,357
Recharged to jointly controlled entity	-	-	(721)
Capitalized expenses directly attributed to projects under construction	(4,553)	(8,450)	(4,348)
	8,810	9,683	4,067

Note 23 - Net Other Income (Expenses)*In thousands of Euros*

	For the year ended December 31		
	2009	2008	2007
Management fees	604	318	341
Income from parking	18	-	105
Contracting work	4,928	6,112	958
Other	2,290	1,854	364
	7,840	8,284	1,768
Expenses relating parking	-	(86)	(32)
Expenses due to IPO*	-	(1,922)	(752)
Contracting work	(3,455)	(4,465)	(640)
Impairment of goodwill	(195)	(9,163)	
VAT not recoverable	-	-	(180)
Other	(6,167)	(1,456)	(455)
	(9,817)	(17,092)	(2,059)
	(1,977)	(8,808)	(291)

Note 24 - Net Financing Costs*In thousands of Euros*

	For the year ended December 31		
	2009	2008	2007
Bank interest expense	16,643	13,905	8,846
interest expenses to Africa Properties	8,854	18,265	4,784
Leasing interest	931	911	909
Net foreign exchange loss/(gain)	2,777	(2,926)	(427)
Other financing income	(3,270)	(3,594)	(184)
Commitments and other financing fees	4,434	2,353	1,497
	30,369	28,914	15,425

Note 25 - Income Tax Expense**Recognized in the income statement***In thousands of Euros*

	For the year ended December 31		
	2009	2008	2007
Current tax expense			
Current year	1,627	2,903	190
Deferred tax expense			
Origination and reversal of timing differences	15,033	(6,874)	5,215
Reduction in tax rate	-	128	(3,345)
	15,033	(6,746)	1,870
	16,660	(3,843)	2,060

- Results of operations for tax purposes of the Company are computed in accordance with Dutch tax legislation.
- Tax rates applicable to the Company and its subsidiaries are as follows:

	<u>Tax rate</u>
Netherlands	25.5%
Czech Republic	20.0%
Serbia	10.0%
Bulgaria	10.0%
Hungary	20.0%
Romania	16.0%
Latvia	15.0%

Note 25 - Income Tax Expense (cont'd)**Reconciliation of effective tax rate***In thousands of Euros*

	For the year ended December 31					
		2009		2008		2007
Profit/(loss) before Tax		(15,155)		(63,100)		30,970
Income tax using the Dutch statutory corporation tax rate	(25.5%)	(3,865)	(25.5%)	(16,090)	25.5%	7,897
Effect of tax rates in foreign jurisdictions	13%	1,960	4.3%	2,705	(15.8%)	(4,892)
Impairment of goodwill	-	50	3.7%	2,337	-	-
Non-deductible expenses	6.5%	978	0.8%	500	1.5%	473
Tax exempt income	8.7%	(1,318)	(1.3%)	(790)	(0.7%)	(213)
Impairment of real estate for which no deferred tax liability	69.8%	10,584	70%	4,401	-	-
Impact of change in tax rate	-	-	-	129	(10.8%)	(3,345)
Tax credit on investment	12.8%	1,943	(1.0%)	(589)	(2.0%)	(616)
Current year losses for which no deferred tax assets	34.5%	5,221	5.9%	3,723	9.0%	2,782
Other	7.3%	1,107	-	(169)	-	(26)
	110%	16,660	(6.1%)	(3,843)	6.7%	2,060

Note 26 - Related Parties

The parent company of the Group is Africa Israel International Properties (2002) Ltd (Israel) (AIIP 2002) which is part of Africa Israel Investments Group.

Transactions between the companies within the Group, which are related parties, have been eliminated in the consolidated financial statements and are not disclosed in this note.

Note 26 - Related Parties (cont'd)

Details of transactions between the Group and other related parties are disclosed below:

In thousands of Euros

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Management fees, net	(604)	(318)	(353)
Interest, net	8,854	18,265	4,784
	<u>8,250</u>	<u>17,947</u>	<u>4,431</u>
Balance:			
Africa Israel properties	40	40	(794)
Africa Israel investments	-	(325)	(32)
Loans from Africa Israel Group	(248,390)	(235,045)	(474,765)
Other Africa Israel's Group companies, net	(9,469)	(5,463)	(201)

- (1) In December 2008, the Company and Africa Properties signed a loan agreement, which was assigned and transferred to AIIP 2002. AIIP 2002 contributed Euro 250,000 thousand of the loan to the capital of the Company by making a share premium on its shares (see Note 4C).
- (2) As for a sign of an annex to the General Works Agreement between Cotroceni Park S.A. ("CP"), a Romanian subsidiary of the Company and Danya Cebus Rom S.R.L (Africa Israel group's company) the Project's general contractor, and a loan agreement between the Company and Danya Cebus Rom S.R.L, see Note 28- Subsequent events.
- (3) Transactions with key management personnel are included in Note 4D.
- (4) On 24 September 2010 Mr Avraham Barzilay was appointed CEO of the Company, following the resignation of Opher Linchevski for personal reasons. Over the last 10 years Mr Barzilay served as CFO of AFI Properties and as director of the Company since incorporation. He has been actively involved in the Company's project development, funding, operations and management.

Note 27 - Segment Reporting

The segment reporting format of the Company reflects the principal and material source of risks and rewards to which the Company is exposed. The reporting format includes a primary report (geographical segments) according to the main geographic source of revenues and risks, as stated above and a secondary report (business segments).

The accounting policies implemented in preparing the segment information correspond with the generally accepted accounting policies applied in the preparation of the Company's consolidated financial statements.

A. Geographical Segments

The Company has seven main geographical areas: Czech Republic, Serbia, Bulgaria, Romania, Latvia, Poland and Other Regions.

B. Business Segments

The Group comprises the following main business segments:

- Investment properties – properties which are held to earn rent income or capital appreciation or for both.
- Residential – properties intended for sale in the ordinary course of business.

Note 27 - Segment Reporting (cont'd)**A. Geographical segments***In thousands of Euros*

	For the year ended December 31, 2009							
	Czech Republic	Serbia	Bulgaria	Romania	Latvia	Poland	Other Regions	Eliminations Consolidated
Income from external customers:								
Rental income	14,811	10,309	3,839	4,120	-	234	71	- 33,384
Proceeds from sale of trading properties	10,514	-	795	-	3,755	7,994	-	- 23,058
Service charge income	6,097	3,999	1,020	1,706	-	29	25	- 12,876
Net valuation gains	(15,778)	12,475	(10,248)	27,647	-	(240)	270	- 14,126
Other	1,072	4,976	49	647	563	25	509	- 7,841
Total income	16,716	31,759	(4,545)	34,120	4,318	8,042	875	- 91,285
Segment result	(1,388)	23,067	(6,673)	25,434	(15,150)	2,190	(700)	- 26,780
Unallocated expenses								(11,566)
Profit from operations								15,214
Net financing costs								(30,369)
Taxes on income								(16,660)
Equity losses from affiliated company								567
Non controlling interest								(6,571)
Profit for the year								(37,819)

Note 27 - Segment Reporting (cont'd)**A. Geographical segments***In thousands of Euros*

	For the year ended December 31, 2008								
	Czech Republic	Serbia	Bulgaria	Romania	Latvia	Poland	Other Regions	Eliminations	Consolidated
Income from external customers:									
Rental income	9,235	8,164	3,808	-	-	266	3,969	-	25,442
Proceeds from sale of trading properties	-	-	-	-	9,187	30,482	-	-	39,669
Service charge income	4,143	2,519	982	-	-	-	759	-	8,403
Net valuation gains	13,954	16,504	-	-	-	(530)	(1,172)	-	28,756
Other	1,853	6,067	49	84	101	1	129	-	8,284
Total income	29,185	33,254	4,839	84	9,288	30,219	3,685	-	110,554
Segment result	23,239	25,217	(6,829)	(8,031)	(30,730)	(21,110)	(3,486)	-	(21,730)
Unallocated expenses									12,456
Loss from operations									(34,186)
Net financing costs									(28,914)
Taxes on income									3,843
Equity losses from affiliated company									(8,260)
Non controlling interest									(7,812)
Profit for the year									(75,329)

Note 27 - Segment Reporting (cont'd)**A. Geographical segments***In thousands of Euros*

	For the year ended December 31, 2007								
	Czech Republic	Serbia	Bulgaria	Romania	Germany	Poland	Other Regions	Eliminations	Consolidated
Income from external customers:	7,956	4,396	780	-	5,210	162	-	-	18,504
Rental income									
Proceeds from sale of trading properties	-	-	-	-	-	908	3,672	-	4,580
Service charge income	2,550	865	122	-	842	11	-	-	4,390
Valuation gains	2,124	30,254	2,271	-	591	-	-	-	35,240
Other	673	958	6	-	-	45	96	-	1,778
Total income	13,303	36,473	3,179	-	6,643	1,126	3,768	-	64,492
Segment result	9,984	34,952	2,946	(28)	4,235	82	328	165	52,664
Unallocated expenses									(6,269)
Profit from operations									46,395
Net financing costs									(15,425)
Taxes on income									(2,060)
Equity losses from affiliated company									(160)
Non controlling interest									(14,191)
Profit for the year									14,559

Note 27 - Segment Reporting (cont'd)**A. Geographical segments (cont'd)***In thousands of Euros*

	December 31, 2009								
	Czech Republic	Serbia	Romania	Bulgaria	Latvia	Poland	Other Regions	Eliminations	Consolidated
Segment assets	319,085	168,871	535,880	121,209	37,283	33,234	528,803	(499,784)	1,244,581
Unallocated assets	1,645	39	2,546	-	76	-	49	-	4,355
Total assets	320,730	168,910	538,426	121,209	37,359	33,234	528,852	(499,784)	1,248,936
Segment liabilities	252,763	88,635	475,763	130,083	54,734	11,986	329,744	(377,130)	966,578
Unallocated liabilities	15,283	7,720	15,467	4,491	2	1,958	557	274	45,752
Total liabilities	268,046	96,355	491,230	134,574	54,736	13,944	330,301	(376,856)	1,012,330
Capital expenditure	14,178	2,769	119,488	10,462	1,232	881	-	-	149,010
Depreciation	353	87	74	41	59	19	39	-	672
Impairment of goodwill	-	195	-	-	-	-	-	-	195
Write-down of inventory net realizable value	1,167	-	2,565	-	15,054	-	-	-	18,786

Note 27 - Segment Reporting (cont'd)**A. Geographical segments (cont'd)***In thousands of Euros*

	December 31, 2008								
	Czech Republic	Serbia	Romania	Bulgaria	Germany	Poland	Other Regions	Eliminations	Consolidated
Segment assets	328,418	155,728	321,156	83,862	55,592	32,641	564,018	(423,343)	1,118,072
Unallocated assets	790	2,908	2,152	2,545	-	-	-	-	8,395
Total assets	329,208	158,636	323,308	86,407	55,592	32,641	564,018	(423,343)	1,126,467
Segment liabilities	245,364	82,428	337,529	119,393	56,588	22,489	328,722	(371,923)	820,590
Unallocated liabilities	17,503	7,397	-	1,988	5	531	8,715	-	36,139
Total liabilities	262,867	89,825	337,529	121,381	56,593	23,020	337,437	(371,923)	856,729
Capital expenditure	53,400	23,880	117,576	8,548	1,885	10,489	-	-	215,778
Depreciation	366	85	70	29	60	14	40	-	664
Impairment of goodwill	-	-	-	5,875	-	2,232	1,056	-	9,163
Write-down of inventory to net realizable value	-	-	2,875	-	-	21,400	32,478	-	56,753
Impairment of investment property under development	-	-	5,916	4,516	-	-	-	-	10,432

Note 27 - Segment Reporting (cont'd)**A. Geographical segments (cont'd)***In thousands of Euros*

	December 31, 2007*								
	Czech Republic	Serbia	Romania	Bulgaria	Germany	Poland	Other Regions	Eliminations	Consolidated
Segment assets	233,658	112,608	255,286	130,595	107,418	122,969	699,995	(624,658)	1,037,871
Unallocated assets	3,374	-	3,124	-	-	-	-	-	6,498
Total assets	237,032	112,608	258,410	130,595	107,418	122,969	699,995	(624,658)	1,044,369
Segment liabilities	166,413	60,710	186,597	95,366	108,301	38,348	589,302	(342,325)	902,712
Unallocated liabilities	16,607	2,628	145	6,451	1,178	7,806	7,548	-	42,363
Total liabilities	183,020	63,338	186,742	101,817	109,479	46,154	596,850	(342,325)	945,075
Capital expenditure	28,017	23,472	100,277	75,999	104,566	4,135	16,332	-	352,798
Depreciation	42	-	4	12	4	17	20	-	99

* Reclassified

Note 27 - Segment Reporting (cont'd)**B. Business segments***In thousands of Euros*

Below is a breakdown of income by business segments:

	2009	2008	2007
Investment properties	68,227	70,885	59,912
Residential	23,058	39,669	4,580
	91,285	110,554	64,492

Below is a breakdown of assets and capital investments by business segments:

	Total segment - assets		
	2009	2008	2007
Investment properties	850,576	701,282	591,732
Residential	294,586	306,436	335,207
Others and unallocated assets	103,774	118,749	126,727
	1,248,936	1,126,467	1,053,666

	Total capital investments		
	2009	2008	2007
Investment properties	124,663	208,874	334,502
Residential	24,347	28,638	269,623
Others	1,578	1,044	762
	150,588	238,556	604,887

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise tax assets and liabilities and intercompany loans.

Note 28 - Subsequent events

1. Cotroceni Park S.A. ("CP"), a Romanian subsidiary of the Company which developed and now owns and operates the shopping mall in Bucharest known as AFI Palace Cotroceni (the "Project"), signed with the Project's general contractor on 27 March 2010, an annex to the General Works Agreement between them, pursuant to which the total price under that agreement was increased to an aggregate amount of approx. Euro 188.3 million plus VAT, out of which the remaining amount that CP is obliged to pay is Euro 4.3 million plus VAT.

On 27 March 2010 a loan agreement was executed between the Company, as borrower, and Danya Cebus Rom S.R.L., as lender, regarding the following two loans: one – in an amount of Euro 4.3 million, to be repaid until 31 March 2012 in five quarterly installments starting from 31 March 2011, and the other – in an amount of Euro 816 thousand, to be repaid within 6 months (or earlier, as provided in that loan agreement). Both loans bear interest at a rate of 3-months EURIBOR + 5.6%.

2. In September 2007 Premier Solutions & Team S.R.L. ("Premier"), a Romanian subsidiary of the Company, purchased five plots of land with a total area of approximately 156,000 sqm in Bucuresti Noi, in the northern part of Bucharest, Romania (the "Land") from Laromet S.A. ("Laromet"). The purchase price for the Land amounted to approximately EUR 78,000,000. During the first quarter of 2009, Premier concluded with Laromet an addendum to the purchase agreement, to reschedule the payment of the then-outstanding portion of the purchase price in the amount of EUR 22,500,000, and to postpone the transfer of possession in relation to part of the Land. In February 2010, Premier paid to Laromet an amount of approximately EUR 7,400,000 that consisted of two contractual installments. These installments were paid after their due date for payment under the purchase agreement. In May 2010 Laromet notified Premier that as a result of these late payments an execution procedure would be carried out in relation to the Land, unless Premier would pay to Laromet an amount of approximately EUR 8,200,00 as liquidated damages, which were allegedly payable pursuant to a penalty clause in the agreement.

On 9 November 2010 Premier and Laromet settled this of Laromet by the execution of a second addendum to the purchase agreement.

Under the terms of this settlement, Laromet and Premier agreed to terminate all legal proceedings regarding the purchase agreement. They furthermore agreed that the outstanding payment due to Laromet under the purchase agreement (approximately EUR 15,541 thousand) will be paid in 8 installments payable over a period of 2 years. In addition Premier paid to Laromet an amount of EUR 8,000 thousand for (i) settlement of the liquidated damages that were claimed by Laromet pursuant to the purchase agreement; (ii) reimbursement of expenses incurred by Laromet in relation to the dispute; (iii) and additional penalty for late payment by Premier and (iv) payment of the remaining outstanding portion of the land purchase price. Finally, Premier undertook to develop for Laromet an office building with a gross built up area of 4,000 sqm, that will be adjacent to the AFI Golden City Mall and to sell this building to Laromet together with several parking spaces for a price of approximately EUR 3,500 thousand.

Premier's obligations to Laromet have been secured by a corporate guarantee of the Company, as well as by mortgages over the part of project's land and over one of the Company's landbank properties in Bucharest. The Company's management has recorded an adequate provision in the Company's financial statements as at September 30, 2010.

Note 28 - Subsequent events**3. (cont'd)**

The Company's sole shareholder has announced its intention to approve the general terms, criteria and beneficiaries of an Employee Share Option Plan (the "**ESOP**") upon and subject to completion of the IPO, in relation to the grant of options to purchase ordinary shares of the Company representing, in the aggregate, up to a maximum of 1% of the Company's issued share capital on the completion of the Offering, on a fully diluted basis to certain members of the Company's senior management.

The options will be granted under the ESOP terms and will become exercisable (i.e. vest) in three equal portions on the second, third and fourth anniversaries of the options' granting date. Employees are only eligible to exercise their options while being employed by the Company or within three months after the termination of their employment with the Company (unless the employment of such employee is terminated as a result of injury or death). Each of the options will lapse 12 month from its respective vesting date, if it has not lapsed earlier under the rules of the ESOP. The exercise price of the options is the price payable per Share in the Offering plus 10% of such price. On exercise of the options the Company will issue or transfer to the person exercising the option such number of Shares which equals the value of the difference between the exercise price and the market price at that date ("cashless exercise"), all under the rules of the ESOP and taking into account any applicable tax obligations. To this end, the Company may purchase shares in the open market to satisfy any share entitlements upon exercise of any options issued or granted under the ESOP (in accordance with relevant rules regarding market abuse).

4. In view of the IPO (see also note 13(b)), the Company and AFI Properties also intend to sign a services agreement between them, pursuant to which AFI Properties will provide to the Company certain management services and office-related services, and the Company will reimburse AFI Properties for all costs, expense and liabilities incurred by AFI Properties for the purpose of providing such management services and the office-related services. In consideration for the services provided, the Company will pay AFI Properties a quarterly fee on a "cost plus" basis.

Note 29 - Group Entities**Significant subsidiaries and jointly controlled entities**

	Country of incorporation	12.2009	12.2008	12.2007
National Technology Parks s.r.o. (1)	Czech Republic	50.0	50.0	50.0
Adut s.r.o.	Czech Republic	63.0	63.0	63.0
Praha-Jerusalem s.r.o.	Czech Republic	100.0	100.0	63.0
M.I.C.C Prague s.r.o.	Czech Republic	64.0	64.0	64.0
Bohemia-Sen s.r.o.	Czech Republic	100.0	100.0	100.0
Tolipa City s.r.o.	Czech Republic	100.0	100.0	100.0
Broadway Creseus s.r.o.	Czech Republic	100.0	100.0	100.0
Balabenka s.r.o.	Czech Republic	100.0	100.0	100.0
Flora Sen s.r.o. (1)	Czech Republic	50.0	50.0	50.0
AFI Europa Czech Republic s.r.o	Czech Republic	100.0	100.0	100.0
Faringer Enterprises Ltd.	Cyprus	100.0	100.0	50.0
– Nofim Czech Republic s.r.o.	Czech Republic	100.0	100.0	100.0
Intrastar International Ltd.(2)(5)	British Virgin Islands	53.7	53.7	50.0
– Galway Consolidated Ltd.	British Virgin Islands	100.0	100.0	100.0
– Airport City Belgrade d.o.o. (3)	Serbia	100.0	100.0	100.0
Tulipa Modrany s.r.o.	Czech Republic	100.0	100.0	100.0
Tulipa Rokytka s.r.o.	Czech Republic	100.0	100.0	100.0
Tulipa Vokovice s.r.o.	Czech Republic	100.0	100.0	100.0
Vitosha Gardens Eood	Bulgaria	100.0	100.0	100.0
Malina Gardens Eood	Bulgaria	100.0	100.0	100.0
AFI Europe Bulgaria Eood	Bulgaria	100.0	100.0	100.0
AFI Europe Management s.r.l.	Romania	100.0	100.0	-
Controceni Park SA	Romania	98.0	98.0	98.0
Controceni Investments Ltd.	Cyprus	100.0	100.0	50.0
Europe Logistics s.r.l.	Romania	100.0	100.0	100.0
Star Estate s.r.l.	Romania	100.0	100.0	100.0
Veroskip Trading s.r.l.	Romania	100.0	100.0	-
Premier Solutions R Team s.r.l.	Romania	100.0	100.0	100.0
Tulip Management s.r.l.	Romania	100.0	100.0	100.0
Plaza Arad Imobiliar s.r.l.	Romania	100.0	100.0	100.0
Roi Management s.r.l.	Romania	100.0	100.0	100.0
King Garden s.r.l.	Romania	100.0	100.0	100.0
Premium Property Management Eood	Bulgaria	100.0	-	-
AFI Lagera Tulip Eood	Bulgaria	100.0	100.0	100.0
Plovdiv Logistic Center Eood	Bulgaria	75.0	75.0	75.0
Business Park Varna AD	Bulgaria	100.0	100.0	100.0
Novo Maar Sp. Zoo	Poland	100.0	100.0	100.0
Czerwone Maki Prosect Sp. Z.0.0	Poland	100.0	100.0	100.0
AFI Wilanow Holdings B.V.	The Netherlands	100.0	100.0	100.0
AFI Management Sp. Z.0.0	Poland	100.0	100.0	100.0
Wilanow One, Sp. Z.0.0	Poland	30.0	30.0	30.0
SIA AFI Investments	Latvia	100.0	100.0	100.0
SIA AFI Management	Latvia	100.0	100.0	100.0
– SIA A.R. Holdings	Latvia	100.0	100.0	100.0
SIA B.R. Holdings	Latvia	100.0	100.0	100.0
– SIA Anninmuizas Ipasums	Latvia	100.0	100.0	100.0
AFI Europe Hungary	Hungary	100.0	100.0	100.0
Pro-mot Hungaria Kft (1)	Hungary	50.0	50.0	50.0
Szepligat Kft.	Hungary	100.0	100.0	100.0
Akar Lake Kft.	Hungary	100.0	100.0	100.0
AFI Properties Berlin B.V. (5)	The Netherlands	70.0	70.0	100.0

Note 29 - Group Entities (cont'd)**Significant subsidiaries and jointly controlled entities**

	Country of incorporation	12.2009	12.2008	12.2007
– Margalit Grundstucks GmbH & Co. KG	Germany	70.0	70.0	70.0
AFI Properties B.V. (5)	The Netherlands	70.0	70.0	100.0
– Peerli Grundstucks GmbH & Co. KG	Germany	70.0	70.0	20.0
AFI Properties Logistics B.V. (5)	The Netherlands	70.0	70.0	100.0
– Harel Grovdsturcks GmbH & Co. KG	Germany	70.0	70.0	70.0
AFI Properties Development B.V. (5)	The Netherlands	70.0	70.0	100.0
– Margalit Teltower Damm Grundstucks GmbH & Co. KG	Germany	70.0	70.0	70.0
AFI Germany Investment GmbH	Germany	100.0	100.0	100.0
AFI Germany GmbH	Germany	100.0	100.0	100.0
AFIEM Cyprus Limited	Cyprus	100.0	100.0	100.0
AFI Europe (Israel Branch) Ltd.	Israel	100.0	100.0	-
AFI Europe Infrastructure B.V.	The Netherlands	100.0	100.0	-

- (1) Proportionally consolidated
- (2) As the Group controls these entities, the results and the balance sheet of each company were fully consolidated.
- (3) Intrastar holds 85% in Airport City Belgrade d.o.o. and Galway Consolidated Ltd. holds 15% in Airport City Belgrade d.o.o.
- (4) In December 2008, the Company increased its holding in Intrastar International Ltd. from 50% to 53.7% by purchasing additional shares against payment in the amount of Euro 4 million. As a result of the purchase, the Company recorded Euro 1.6 million goodwill.
- (5) In June 2008, the Company sold 30% of the German activities, refer to Note 4(B).

Note 30 - Accounting Estimates and Adjustments

Management discussed with the Board of Directors the development, selection and disclosure of the Group's critical accounting policies and estimates and the application of these policies and estimates.

Critical accounting estimates and assumptions

Accounting estimates and assumptions discussed in this section are considered to be the most critical to an understanding of the financial statements because they inherently involve significant judgments and uncertainties. For all of these estimates, management cautions that future events rarely develop exactly as forecast, and the best estimates routinely require adjustment.

Critical accounting judgments in applying the Group's accounting policies

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is included in the following notes:

- Note 6 Investment property
- Note 7 Investment property under development
- Note 9 Deferred tax assets and liabilities
- Note 10 Inventory of buildings held for sale
- Note 19 Contingent liabilities

AFI Europe N.V.
Unaudited Condensed
Consolidated
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for the Nine Months Ended
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Unaudited Interim Financial Statements for the nine months ended September 30, 2010

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Review Report on Condensed Consolidated Interim Financial Information

To: The Board of Directors of AFI Europe N.V.

Review report

Introduction

We have reviewed the accompanying unaudited condensed consolidated interim financial information for the nine-month period ended September 30, 2010 of AFI Europe N.V., Amsterdam (the ‘Company’), which comprises the condensed consolidated interim statement of financial position as at September 30, 2010, the condensed consolidated interim income statement, the condensed consolidated interim statement of comprehensive income, the condensed consolidated interim statement of change in shareholders’ equity and the condensed consolidated interim statement of cash flows for the nine month period then ended. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34, ‘Interim Financial Reporting’ as adopted by the European Union. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with Dutch law including standard 2410, “Review of Interim Financial Information Performed by the Auditor of the Entity”. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information as at September 30, 2010 is not prepared, in all material respects, in accordance with IAS 34, ‘Interim Financial Reporting’, as adopted by the European Union.

Amstelveen, November 11, 2010
KPMG ACCOUNTANTS N.V.

P. Mizrachy RA

Unaudited Condensed Consolidated Interim Statement of Financial Position*In thousands of Euros*

	Note	September 30 2010 (Unaudited)	September 30 2009 (Unaudited)	December 31 2009 (Audited)
Assets				
Investment in associate		14,280	26,345	24,338
Loan to associate company		22,518	20,027	20,744
Investment property		753,907	430,070	744,749
Investment property under development		103,052	429,177	105,827
Inventory of buildings		188,188	213,641	204,312
Property, plant and equipment		1,718	1,773	2,029
Deferred tax assets		6,290	9,041	4,355
Goodwill		1,455	1,650	1,455
Total non-current assets		1,091,408	1,131,724	1,107,809
Property held for sale	4(6)	14,542	-	-
Inventory of buildings		72,257	93,636	90,274
Trade and other receivables		33,095	44,573	33,028
Cash and cash equivalents		16,195	17,440	17,825
Total current assets		136,089	155,649	141,127
Total assets		1,227,497	1,287,373	1,248,936
Equity				
Issued capital		90	90	90
Share premium reserve		287,227	287,227	287,227
Translation reserve		(727)	(1,180)	(1,128)
Hedging reserve, net		(3,930)	(9,827)	(8,339)
Retained earnings (loses)		(82,665)	(41,725)	(79,329)
Total equity attributable to equity holders of the parent		199,995	234,585	198,521
Non-controlling interest		36,963	47,868	38,085
Total equity		236,958	282,453	236,606
Liabilities				
Interest-bearing loans and borrowings		542,295	500,886	515,960
Interest-bearing loans and borrowings from related parties		255,497	246,002	248,390
Deferred tax liabilities		49,397	53,919	45,752
Other non-current liabilities		6,275	7,783	9,003
Total non-current liabilities		853,464	808,590	819,105
Interest-bearing loans and borrowings		60,611	113,214	108,027
Interest-bearing loans and borrowings from related parties		18,280	-	-
Trade and other payables		54,934	74,376	72,553
Advances for selling inventory		3,250	8,740	12,645
Total current liabilities		137,075	196,330	193,225
Total liabilities		990,539	1,004,920	1,012,330

Unaudited Condensed Consolidated Interim Income Statement*In thousands of Euros*

Note	For the nine months ended September 30		For the three months ended September 30	
	2010 (Unaudited)	2009 (Unaudited)	2010 (Unaudited)	2009 (Unaudited)
Gross rental income	40,250	21,931	13,229	7,680
Service charge income	13,534	8,077	4,519	2,640
Service charge expenses	(14,922)	(8,778)	(4,872)	(2,925)
Property operating expenses	(891)	(1,131)	(300)	(341)
Net rental and related income	37,971	20,099	12,576	7,054
Proceeds from sale of properties	27,744	18,646	5,767	5,917
Carrying value of properties sold	(22,200)	(16,860)	(4,663)	(5,482)
Write-down of inventory to net realized value	(5,410)	(8,521)	(5,410)	(262)
Profit/(loss) on disposal of trading Property	134	(6,735)	(4,306)	173
Net valuation gains/(loss) on investment Property, net	4,121	(3,626)	6,206	(2,592)
Net valuation gains/(loss) on investment property under development, net	(3,476)	51,472	(3,476)	(19,448)
Administrative expenses	(7,830)	*(5,882)	(2,984)	*(1,816)
Selling and marketing expenses	(774)	*(1,201)	(289)	*(491)
Other income	2,920	6,152	1,131	959
Other expenses	(4,450)	(5,371)	(1,708)	(1,478)
Net other income/(expenses)	(1,530)	781	(577)	(519)
Net operating profit before net financing costs	28,616	54,908	7,150	(17,639)
Financial income	1,376	2,540	413	816
Interest expenses to Africa Properties	(5,222)	*(6,815)	(1,833)	*(1,896)
Other financial expenses	(25,844)	*(14,522)	(7,529)	*(4,838)
Net financing costs	(29,690)	(18,797)	(8,949)	(5,918)
Profit/(loss) before tax	(1,074)	36,111	(1,799)	(23,557)
Income tax (expense)	(2,173)	(20,114)	216	1,606
Profit/(loss) for the period	(3,247)	15,997	(1,583)	(21,951)
Equity gain/(loss) from associate companies	(166)	77	116	260
Profit /(loss) for the period	(3,413)	16,074	(1,467)	(21,691)
Attributable to:				
Equity holders of the parent	(3,336)	(215)	(817)	(21,162)
Non-controlling interest	(77)	16,289	(650)	(529)
Profit/(loss) for the period	(3,413)	16,074	(1,467)	(21,691)
Basic and diluted loss per share (Euro)	8(A) (0.07)	** (0.004)	(0.02)	** (0.52)

* Reclassified - see Note 3B regarding accounting policies.

** Restated – due to split and issuance of shares, see Note 8(A).

Unaudited Condensed Consolidated Interim Statement of Comprehensive Income*In thousands of Euros*

	For the nine months ended September 30		For the three months ended September 30	
	2010	2009	2010	2009
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Foreign exchange translation differences for foreign operations	401	(168)	371	511
Reserves from hedge accounting	3,716	(875)	2,041	1,309
Net gain/(loss) recognized directly in equity	4,117	(1,043)	2,412	1,820
Profit (loss) for the period	(3,413)	16,074	(1,467)	(21,691)
Total recognized income (expenses) for the period	704	15,031	945	(19,871)
Attributed to:				
Equity holders of the parent	1,474	(1,258)	1,702	(19,342)
Non-controlling Interest (1)	(770)	16,289	(757)	(529)
Total comprehensive income (expenses) for the period	704	15,031	945	(19,871)

- (1) Include non-controlling interest interest in loss from subsidiaries in the amount of Euro 77 thousand and 650 thousand for the nine and three months ended September 30, 2010, respectively, and non-controlling interest interest in reserves from hedge accounting in the amount of Euro 693 thousand and 107 thousand for the nine and three months ended September 30, 2010.

Unaudited Condensed Consolidated Interim Statement of Change in Equity*In thousands of Euros*

	Issued capital	Share premium reserve	Translation reserve	Hedging reserve	Retained earnings	Equity attributable to equity holders of the parent	Non-controlling interest	Total equity
Balance at January 1, 2009	90	287,227	(1,012)	(8,952)	(41,510)	235,843	33,895	269,738
Comprehensive income for the period (2)	-	-	(116)	613	(37,819)	(37,322)	6,571	(30,751)
Dividend paid to the non-controlling interest	-	-	-	-	-	-	(2,381)	(2,381)
Balance at December 31, 2009 (Audited)	<u>90</u>	<u>287,227</u>	<u>(1,128)</u>	<u>(8,339)</u>	<u>(79,329)</u>	<u>198,521</u>	<u>38,085</u>	<u>236,606</u>
Balance at January 1, 2010 (Audited)	90	287,227	(1,128)	(8,339)	(79,329)	198,521	38,085	236,606
Comprehensive income for the period (2)	-	-	401	4,409	(3,336)	1,474	(770)	704
Dividend paid to the non-controlling interest	-	-	-	-	-	-	(352)	(352)
Balance at September 30, 2010 (Unaudited)	<u>90</u>	<u>287,227</u>	<u>(727)</u>	<u>(3,930)</u>	<u>(82,665)</u>	<u>199,995</u>	<u>36,963</u>	<u>236,958</u>
Balance at January 1, 2009 (Audited)	90	287,227	(1,012)	(8,952)	(41,510)	235,843	33,895	269,738
Comprehensive income for the period (2)	-	-	(168)	(875)	(215)	(1,258)	16,289	15,031
Dividend to non-controlling interest	-	-	-	-	-	-	(2,316)	(2,316)
Balance at September 30, 2009 (Unaudited)	<u>90</u>	<u>287,227</u>	<u>(1,180)</u>	<u>(9,827)</u>	<u>(41,725)</u>	<u>234,585</u>	<u>47,868</u>	<u>282,453</u>
Balance at July 1, 2010 (Unaudited)	90	287,227	(1,098)	(6,078)	(81,848)	198,293	37,720	236,013
Comprehensive income for the period (2)	-	-	371	2,148	(817)	1,702	(757)	945
Balance at September 30, 2010 (Unaudited)	<u>90</u>	<u>287,227</u>	<u>(727)</u>	<u>(3,930)</u>	<u>(82,665)</u>	<u>199,995</u>	<u>36,963</u>	<u>236,958</u>
Balance at July 1, 2009 (Audited)	90	287,227	(1,691)	(11,136)	(20,563)	253,927	48,550	302,477
Comprehensive income for the period (2)	-	-	511	1,309	(21,162)	(19,342)	(529)	(19,871)
Dividend to non-controlling interest	-	-	-	-	-	-	(153)	(153)
Balance at September 30, 2009 (Unaudited)	<u>90</u>	<u>287,227</u>	<u>(1,180)</u>	<u>(9,827)</u>	<u>(41,725)</u>	<u>234,585</u>	<u>47,868</u>	<u>282,453</u>

(1) As at September 30, 2010, the authorized, issued and paid-up share capital of the Company comprises 90,000 ordinary shares of Euro 1 each. See also Note 8(A) for additional information regarding authorized, issued and paid-up share capital of the Company.

(2) Net of tax

Unaudited Condensed Consolidated Interim Statement of Cash Flows*In thousands of Euros*

	For the nine months ended September 30		For the three months ended September 30	
	2010 (Unaudited)	2009 (Unaudited)	2010 (Unaudited)	2009 (Unaudited)
Cash flows from operating activities				
Profit (loss) for the period	(3,413)	16,074	(1,467)	(21,691)
Adjustment for:				
Depreciation	443	486	117	168
Loss (gain) from fair value adjustment of investment property	(4,121)	3,626	(6,206)	2,592
Loss (gain) from fair value adjustment of investment property under development	3,476	(51,472)	3,476	19,448
Write-down of inventory to net realizable value	5,410	8,521	5,410	262
Equity losses (gains) from associate	166	(77)	(116)	(260)
Net finance costs	29,690	18,797	8,949	5,918
Income tax expense	2,173	20,114	(216)	(1,606)
	<u>33,824</u>	<u>16,069</u>	<u>9,947</u>	<u>4,831</u>
Decrease/(increase) in residential inventories on progress	19,571	(3,536)	4,244	2,598
Decrease/(increase) in trade and other receivables	87	(6,964)	(1,215)	(3,545)
Increase /(Decrease) in trade and other payables	(11,209)	(32,609)	345	(536)
Decrease in advance from selling inventory	(9,688)	(2,748)	(975)	(1,044)
	<u>32,585</u>	<u>(29,788)</u>	<u>12,346</u>	<u>(2,304)</u>
Income taxes paid	(1,418)	(1,908)	(218)	(938)
Cash flows from (to) operating activities	<u>31,167</u>	<u>*(31,696)</u>	<u>12,128</u>	<u>* 1,366</u>
Cash flows from investing activities				
Loan to affiliated company	(1,775)	-	(544)	-
Acquisition of property, plant and equipment	(110)	(366)	-	(175)
Investment in investment property	(2,917)	-	(832)	-
Development of investment property under development	(501)	(101,153)	(371)	(34,083)
Cash flows from (to) investing activities	<u>(5,303)</u>	<u>(101,519)</u>	<u>(1,747)</u>	<u>(34,258)</u>
Cash flows from financing activities				
Dividend paid to the non-controlling interest	(352)	(2,317)	-	(154)
Repayment of borrowings	(13,592)	(5,311)	(2,451)	(2,772)
Proceeds of non-current borrowings	21,801	148,654	3,268	44,624
(Payment) proceeds of current borrowings, net	(10,385)	(4,947)	(2,415)	(7,393)
Payment of finance lease liabilities	511	(690)	311	(239)
Interest paid	(25,707)	*(9,674)	(8,765)	*(4,338)
Cash flows from (to) financing activities	<u>(27,724)</u>	<u>* 125,715</u>	<u>(10,052)</u>	<u>* 29,728</u>
Net increase (decrease) in cash and cash equivalents	(1,860)	(7,500)	329	(3,164)
Cash and cash equivalents at beginning of the period	17,825	25,022	15,761	20,543
Effect of exchange rate fluctuations on cash held	230	(82)	105	61
Cash and cash equivalents at the end of the period	<u>16,195</u>	<u>17,440</u>	<u>16,195</u>	<u>17,440</u>

* Reclassified - see Note 3B regarding accounting policies

Notes to the Unaudited Condensed Consolidated Interim Financial Statements

Note 1 - Reporting Entity

AFI Europe N.V. (hereinafter – “the Company”) was incorporated on April 4, 2006. By a resolution dated April 18, 2006, the Shareholder of the Company resolved to change the form of the Company to a Dutch public limited liability company (*naamloze vennootschap*) and to change its name from AIIP Fin B.V. to AFI Europe N.V. The Company is domiciled in Amsterdam, the Netherlands.

As from incorporation in 2006, the Company was a wholly-owned subsidiary of Africa Israel International Properties (2002) Ltd. (hereinafter – “AIIP 2002”) a company registered in Israel, wholly owned by Africa Israel Properties Ltd. (hereinafter – “Africa Properties”), an Israeli company listed on the Tel Aviv Stock Exchange, which is approximately 56% owned by Africa Israel Investments Ltd, the ultimate parent of the Company.

The condensed interim financial statements of the Company as at and for the nine months ended September 30, 2010 comprises the Company and its subsidiaries (together referred as the “Group”) and the Group’s interest in associates and jointly controlled entities.

Note 2 - Basis of Preparation**A. Statement of compliance**

These condensed consolidated interim financial statements have been prepared, in accordance with International Financial Reporting Standard (IFRS) IAS 34, 'Interim Financial Reporting'. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended December 31, 2009.

These consolidated interim financial statements were approved by the Board of Directors on November 11, 2010.

B. Use of estimates and judgment

The consolidated financial statements of the Group as at and for the year ended December 31, 2009 are available upon request from the Company’s registered office.

The preparation of interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

Except as described below, in preparing these condensed consolidated interim financial statements, the significant judgments made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended December 31, 2009.

Other aspects of the Group's financial risk management objectives and policies are consistent with that disclosed in the consolidated financial statements as at and for the year ended December 31, 2009.

Note 3 - Significant Accounting Policies

- A.** The accounting policies applied by the Group in these condensed consolidated financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended December 31, 2009, except for the accounting policies stated in paragraph 3C.

B. Change in classification

During the nine and three month periods ended September 30, 2010 the Company changed the income statement classification to reflect classifications more appropriately:

1. Selling and marketing expenses from general and administrative expense to selling and marketing expense to reflect it more appropriately. Comparative amounts were reclassified for consistency, which resulted in Euro 1,201 thousand and Euro 491 thousand being reclassified from general and administrative expenses to selling and marketing expenses for the nine and three month periods ended September 30, 2009, respectively.
2. Interest expenses to Africa properties from financial expenses to interest expenses to Africa properties. Comparative amounts were classified for consistency, which resulted in Euro 6,815 thousand and Euro 1,896 thousand being reclassified from financial expenses to interest expenses to Africa properties for the nine and three month periods ended September 30, 2009, respectively.
3. Interest paid from cash flows from operating activities to cash flow from financing activities. Comparative amounts were classified for consistency, which resulted in Euro 9,674 thousand and Euro 4,338 thousand being reclassified from cash flow from operating activities to cash flow from financing activities for the nine and three month periods ended September 30, 2009, respectively.

C. Initial implementation of accounting standards

1. Business combinations and transactions with non-controlling interests

As from January 1, 2010 the Group implements IFRS 3 *Business Combinations* (2008) and IAS 27 *Consolidated and Separate Financial Statements* (2008) (hereinafter – IFRS 3 and IAS 27, respectively).

The principal revisions are as follows:

- The definition of a business has been broadened, so that more acquisitions will be treated as business combinations.
- Transactions resulting in the parent company losing control over a subsidiary are to be accounted for so that the residual holding after discontinuance of the consolidation is remeasured on the date of discontinuing the consolidation, at fair value, through profit or loss.
- In business combinations achieved in stages, the difference between the fair value at the first date of consolidation and the carrying amount of the original investment at that date, is recognized in profit or loss.

Note 3 - Significant Accounting Policies (cont'd)

C. Initial implementation of accounting standards (cont'd)

1. Business combinations and transactions with non-controlling interests (cont'd)

- Non-controlling interests will be measured at the date of the business combination at either fair value, or at their proportionate interest in the identifiable assets and liabilities of the acquiree, on a transaction-by-transaction basis.
- Transactions with non-controlling interests while retaining control are accounted for as equity transactions, so that any difference between the consideration paid or received and the change in non-controlling interests is included in the share of the Company's owners in equity.
- Costs associated with the acquisition that were incurred by the acquirer in respect of the business combination are accounted for as an expense in the period they are incurred and the services are received.
- Contingent consideration is measured at fair value at the date of the business combination. Subsequent to the date of acquisition, changes in the fair value of a contingent consideration classified as a financial liability are recognized in profit or loss.
- Goodwill is not to be adjusted in respect of the utilization of carry-forward tax losses that existed on the date of the business combination.
- Profit or loss and any part of other comprehensive income are allocated to the equity holders of the Company and the non-controlling interests, even when the result is a negative balance of the non-controlling interests.
- The discounted exercise price of a put option granted by the Group to non-controlling interests is recognized as a financial liability. In subsequent periods, changes in value of the liability are recognized in profit or loss.
- On the acquisition date the acquirer recognizes a contingent liability assumed in a business combination, even if it is not included in the financial statements of the acquiree, if there is a present obligation resulting from past events and its fair value can be reliably measured.
- The definition of non-controlling interests has been broadened and includes in it additional components such as: the equity component of convertible debentures of subsidiaries, share-based payments that will be settled with equity instruments of subsidiaries and share options of subsidiaries.

Implementation of standards did not have a material effect on the Group's results of operation and financial position.

2. Leases

As from January 1, 2010 the Group implements the amendment to IAS 17, *Leases – Classification of leases of land and buildings* (hereinafter – the Amendment), which was published in the framework of the 2009 Improvements to IFRSs project.

In accordance with the Amendment, a lease of land does not have to be classified as an operating lease in every case that ownership is not expected to pass to the lessee at the end of the lease period. In accordance with the amended standard, a land lease is to be examined according to the regular criteria for classifying a lease as a finance lease or as an operating lease.

Note 3 - Significant Accounting Policies (cont'd)

C. Initial implementation of accounting standards (cont'd)

2. Leases (cont'd)

The Amendment also provides that when a lease includes both a land component and a buildings component, the classification of each component should be based on the criteria of the standard, with the principal consideration regarding the classification of land being the fact that land normally has an indefinite useful life.

Implementation of the Amendment did not have a material effect on the Group's results of operation and financial position.

3. Impairment of assets

As from January 1, 2010 the Group implements the amendment to IAS 36, *Impairment of Assets* – Unit of accounting for goodwill impairment test (hereinafter – the Amendment), which was published in the framework of the 2009 Improvements to IFRSs project. The Amendment provides that for purposes of impairment testing the largest cash-generating unit to which goodwill should be allocated is the operating segment level as defined in IFRS 8 before applying the aggregation criteria in Paragraph 12 of IFRS 8. The Amendment is applied prospectively. The Group has chosen to test goodwill for impairment in accordance with the transitional provisions of the Amendment on the regular annual testing date.

Implementation of the Amendment did not have a material effect on the Group's results of operation and financial position.

4. Business combination contracts

As from January 1, 2010 the Group implements the amendment to IAS 39, *Financial Instruments: Recognition and Measurement* – Scope exemption for business combination contracts (hereinafter – the Amendment), which was published in the framework of the 2009 Improvements to IFRSs project. The Amendment clarifies that the scope exemption in IAS 39 is restricted to forward contracts between an acquirer and a seller with respect to the sale or acquisition of a controlled entity, in a business combination at a future acquisition date. In addition, the term of the forward should not be longer than the period normally necessary for obtaining the approvals required for the transaction. The Amendment also clarifies that the aforementioned exemption does not apply to acquisitions and sales of equity accounted investees.

The Amendment is applied prospectively to all unexpired contracts as at January 1, 2010. Implementation of the Amendment did not have a material effect on the Group's results of operations and financial position.

Implementation of the Amendment did not have a material effect on the Group's results of operation and financial position.

Note 3 - Significant Accounting Policies (cont'd)**D. New standards and interpretations not yet adopted**

IFRS 9, *Financial Instruments* (hereinafter – the Standard). This standard is the first part of a comprehensive project to replace IAS 39 *Financial Instruments: Recognition and Measurement* (hereinafter – IAS 39) and it replaces the requirements included in IAS 39 regarding the classification and measurement of financial assets. In accordance with the Standard, there are two principal categories for measuring financial assets: amortized cost and fair value, with the basis of classification for debt instruments being the entity's business model for managing financial assets and the contractual cash flow characteristics of the financial asset. In accordance with the Standard, an investment in a debt instrument will be measured at amortized cost if the objective of the entity's business model is to hold assets in order to collect contractual cash flows and the contractual terms give rise, on specific dates, to cash flows that are solely payments of principal and interest. All other financial assets are measured at fair value through profit or loss. Furthermore, embedded derivatives are no longer separated from hybrid contracts that have a financial asset host. Instead, the entire hybrid contract is assessed for classification using the principles above. In addition, investments in equity instruments are measured at fair value with changes in fair value being recognized in profit or loss. Nevertheless, the Standard allows an entity on the initial recognition of an equity instrument not held for trading to elect irrevocably to present fair value changes in the equity instrument in other comprehensive income where no amount so recognized is ever classified to profit or loss at a later date. Dividends on equity instruments measured through other comprehensive income are recognized in profit or loss unless they clearly constitute a return on an initial investment. The Standard removes financial liabilities from its scope.

The Standard is effective for annual periods beginning on or after January 1, 2013 but may be applied earlier, subject to providing disclosure and at the same time adopting other IFRS amendments as specified in the Standard. The Standard is to be applied retrospectively other than in a number of exceptions as indicated in the transitional provisions included in the Standard. In particular, if an entity adopts the Standard for reporting periods beginning before January 1, 2012 it is not required to restate prior periods.

The Group is examining the effects of adopting the Standard on the financial statements and has no plans for early adopting.

Note 4 - Significant Accounting Events in the Reported Period

1. As the global financial crisis continues to affect the Company's fields of business in the countries in which it operates, the Company continues preparing itself, and considers the measures which should be taken by it, for confronting the implications of the crisis.

In May 2010, Africa Israel Investments, the Company's ultimate parent corporation, reached an agreement with the bondholders of all series to restructure NIS 7,500,000 thousand of debt (at that date approximately EUR 1,300,000 thousand). Pursuant to this agreement, Africa Israel Investments has exchanged the existing bonds for new bonds and shares. Furthermore, as a result of this restructuring, the shareholding of Africa Israel Investments in AFI Properties was diluted to 56% (previously 70%). On 11 May 2010, Africa Israel Investments notified the public that all conditions of this debt restructuring were fulfilled and that the debt restructuring process was completed.

Note 4 - Significant Accounting Events in the Reported Period (cont'd)

1. (cont'd)

Due to the credit crunch caused by the global financial crisis, and considering that the Company's current obligations exceed its current assets by approximately Euro 1 million, the Company is taking steps to increase its liquid assets and decrease its short-term obligations through, among other things, obtaining long-term loans collateralized by investment property, realizing assets by exploiting adequate business opportunities, and using surplus cash generated by the Company's on-going operation. Accordingly on June 2010 the company signed agreements with several banks for converting short term loans to long term loans in amount of approximately Euro 30 million.

Over the past few years Africa Israel Properties Ltd. ("Africa Properties") provided the Company with shareholder loans, the aggregate outstanding amount of which, effective as of September 30, 2010, is approx. Euro 268 million.

In light of the various possible resources available to the company, the management believes that the Company will have sufficient financial means for performing its repayment obligations in the foreseeable future.

2. The Company and Africa Israel Properties Ltd. ("**AFI Properties**"), which is the sole shareholder of Africa Israel International Properties (2002) Ltd., the Company's sole shareholder ("**AIIP**"), entered into a shareholders loan on 21 December 2008 (the "**Shareholder's Loan**") to replace all loans between the Company and AFI Properties that were outstanding as per that date, being in aggregate an amount of EUR 484,856 thousand including interest on the principal of such loans. Consequently, on 22 December 2008, AFI Properties and AIIP entered into an assignment agreement pursuant to which AFI Properties sold and assigned to AIIP a claim in the amount of EUR 250,000 thousand of its receivable under the Shareholder's Loan. Subsequently AIIP contributed this receivable as share premium on the shares in the capital of the Company. From 1 January 2009 the outstanding part of the Shareholder's Loan bears an interest rate of three-month EURIBOR plus 2% per annum. The Company has the right to prepay all or part of the Shareholder's Loan at any time.

In addition to the amount outstanding under the Shareholder's Loan, AFI Properties provided to the Company a short term loan in the amount of EUR 15,214 thousand. By way of an amendment to the Shareholder's Loan dated 30 June 2010, AFI Properties and the Company agreed that this amount shall be repaid within 12 months from the date on which the relevant funds were received by the Company.

This short-term loan shall, together with the other amount outstanding under the Shareholder's Loan, be assigned by AFI Properties to AIIP and be contributed to the Company. As at 30 September 2010, the Company had debt in the amount of EUR 268,668 thousand to AFI Properties pursuant to the Shareholder's Loan. In respect of the assignment of AFI Properties' rights and obligations in relation to the Shareholder's Loan to AIIP, and the subsequent contribution of the entire amount of the Shareholder's Loan to capital of the Company please refer to Note 8(A).

3. Cotroceni Park S.A. ("**CP**"), a Romanian subsidiary of the Company which developed and now owns and operates the shopping mall in Bucharest known as AFI Palace Cotroceni (the "**Project**"), signed with the Project's general contractor on 27 March 2010, an annex to the General Works Agreement between them, pursuant to which the total price under that agreement was increased to an aggregate amount of approx. Euro 188.3 million plus VAT, out of which the remaining amount that CP is obliged to pay is Euro 4.3 million plus VAT.

Note 4 - Significant Accounting Events in the Reported Period (cont'd)

3. (cont'd)

On 27 March 2010 a loan agreement was executed between the Company, as borrower, and Danya Cebus Rom S.R.L., as lender, regarding the following two loans: one – in an amount of Euro 4.3 million, to be repaid until 31 March 2012 in five quarterly installments starting from 31 March 2011, and the other – in an amount of Euro 816 thousand, to be repaid within 6 months (or earlier, as provided in that loan agreement). Both loans bear interest at a rate of 3-months EURIBOR + 5.6%.

4. On 15 September 2010 S.C. Premier Solutions & Team S.R.L (“**Premier**”), a fully owned Romanian subsidiary of the Company signed a preliminary agreement with a chain of do-it-yourself stores (the “**purchaser**”), setting out the primary terms for the sale and transfer of a plot of land of approximately 30,000 sqm by Premier to the purchaser. The plot is located on 166 Bucurestii Noi Blvd, District 1, Bucharest and is currently part of the AFI Golden City land bank property. The aggregate consideration is EUR 16,000 thousand plus VAT. The consideration is payable by the purchaser in several instalments as follows:

- (i) EUR 2,000 thousand plus VAT is payable within 8 weeks from signing the preliminary agreement, subject to the purchaser’s satisfaction with the results of its due diligence review;
- (ii) EUR 5,000 thousand plus VAT is payable upon the transfer of the plot’s ownership from Premier to the purchaser by signing an authenticated sale-purchase agreement on the earlier of 1 May 2011 or 15 days after obtaining a building permit enabling the construction of a DIY store on the plot with a built-up area of approx. 18,000 sqm; and
- (iii) 4 additional instalments of EUR 2,250 thousand plus VAT each are payable on 30 May of each of the years 2012, 2013, 2014 and 2015, according to promissory notes personally guaranteed by the purchaser’s administrator/owner and secured by Premier’s publicly registered privilege over the plot until the purchase price is paid in full.

It is hereby clarified that this transaction is conditional upon the timely settlement of the dispute between Premier and Laromet S.A., which is further described herein (see Note 6(c)), and upon the land sold to the purchaser being free and clear of all encumbrances. Furthermore, in light of the agreement between Premier and the purchaser, the plot of land which is the subject matter of such agreement has been classified by the company as “property held for sale”.

Note 5 - Income Tax Expense

The Group’s consolidated effective tax rate of continuing operation for the nine months ended September 30, 2010 was (202)% (for the nine months ended September 30, 2009: 56%). This change in effective tax rate was caused mainly by two factors:

- deferred tax assets were not recognized in the current period in respect of carryforward losses of several companies, since management does not anticipate utilization;
- increase in non-deductible expenses.

Note 6 - Contingent Liabilities

A. Securities, guarantees and pledges under bank finance agreements

In order to secure loans for construction or investment, the Company granted banks (i) first ranking pledges on the assets of certain group companies, including rights with respect to the land of certain projects for which the loans were taken; (ii) pledges on the rights of certain group companies pursuant to the agreements in which they are party, including general contractor contracts and long term tenants leases, and (iii) subordination of shareholders loans given to certain group companies to their debt towards the financing banks. In some cases the Company pledged its shares in the relevant group company in favor of the financing bank.

As a security for repayment of loans taken by two particular group companies, the Company's shares in these companies are held in trust by an escrow agent related to a bank, and their assets were pledged in favor of the bank.

Several group companies agreed not to dispose secured assets, and not to sell, transfer or lease any substantial part of their assets, without the prior consent of the financing bank. In addition, some of the group companies are not allowed, without the prior consent of the financing bank, to change the holding structure of the relevant project company, to change their incorporation documents, or to change the scope of the project.

In some of the financing agreements of the group companies, the Company is obliged to inject further financing in case it is required to complete the relevant project. The group companies agreed to comply with certain financial ratios and minimum cash balances (covenants). The major covenants are (i) compliance with ratios between periodical net rental income to periodical loan repayments and other similar ratios, (ii) ratio between outstanding loan balance to the value of the project, and (iii) reporting requirements. The group companies are in compliance with all covenants, under the respective financing agreement, except for:

- (i) A loan agreement in relation to financing the acquisition of the German Portfolio, where the "loan to value" ratio has been reduced, as a result of a decline in real properties' values throughout Germany, which led to an impairment with respect to the value of the German Portfolio's properties.
- (ii) Two loan agreements in relation to financing obtained by the subsidiaries for projects Metropolia and Soleville in Latvia, where as a result of a decline in real properties' values throughout Latvia, an impairment was made with respect to the value of projects Soleville and Metropolia, causing each of these subsidiaries to be in a situation of negative equity, thus currently failing to meet one of the covenants under its loan agreements. It is hereby clarified, however, that the bank would be entitled to demand immediate repayment of the loan based on a negative equity situation, only if such situation is not remedied within 10 days following receipt of the bank's applicable notice in this matter. Such notice of the bank has never been delivered to date, and even if it will be delivered, both project subsidiaries are in a position to timely remedy the negative equity situation before the bank's entitlement to demand immediate repayment of the loan would be triggered.

The Company holds a continuous dialogue with the relevant banks, which periodically receive financial reports of the relevant subsidiary and updated valuation reports on the relevant properties, and none of these banks has issued any request or demand in relation to the matters described above.

Note 6 - Contingent Liabilities (cont'd)**B.**

1. A claim in Serbia against Airport City Belgrade d.o.o. in which the Company's indirect interest is 53.7% ("ACB") was filed by Industrija Masina I Traktora a.d. ("IMT") for payment of EUR 0.9 million under an agreement dated 11 March 2004. In its response to the aforementioned claim, ACB argues that such payment was conditional upon the occurrence of certain conditions precedent which were not fulfilled by IMT, and that the amount payable to IMT should therefore be substantially reduced.

In the opinion of the company management and its legal advisers, the chances of the claim to be accepted are remote. No provision was recorded in respect of the claim.

2. In February 2008, a lawsuit of a total amount of approximately Euro 1.1 Million was appealed before the District Court of Tel-Aviv, Israel. The lawsuit concerns a real estate purchase agreement in Romania.

According to the Company management and its legal advisers, the chances of the claim to be accepted are remote. No provision was recorded in respect of the claim.

3. In February 2009, a claim in a total amount of approximately Euro 0.9 million was filed against the Company with the Court of the Central District, Israel, with respect to allegedly payable brokerage commissions in connection with a real estate purchase transaction in Romania and a real estate transaction in the Czech Republic.

According to the Company management and its legal advisers, the chances of the claim to be accepted are less than 50%. No provision was recorded in respect of the claim.

- C. In September 2007 Premier Solutions & Team S.R.L. ("Premier"), a Romanian subsidiary of the Company, purchased five plots of land with a total area of approximately 156,000 sqm in Bucuresti Noi, in the northern part of Bucharest, Romania (the "Land") from Laromet S.A. ("Laromet"). The purchase price for the Land amounted to approximately EUR 78,000,000. During the first quarter of 2009, Premier concluded with Laromet an addendum to the purchase agreement, to reschedule the payment of the then-outstanding portion of the purchase price in the amount of EUR 22,500,000, and to postpone the transfer of possession in relation to part of the Land. In February 2010, Premier paid to Laromet an amount of approximately EUR 7,400,000 that consisted of two contractual installments. These installments were paid after their due date for payment under the purchase agreement. In May 2010 Laromet notified Premier that as a result of these late payments an execution procedure would be carried out in relation to the Land, unless Premier would pay to Laromet an amount of approximately EUR 8,200,00 as liquidated damages, which were allegedly payable pursuant to a penalty clause in the agreement.

On 9 November 2010 Premier and Laromet settled this of Laromet by the execution of a second addendum to the purchase agreement.

Under the terms of this settlement, Laromet and Premier agreed to terminate all legal proceedings regarding the purchase agreement. They furthermore agreed that the outstanding payment due to Laromet under the purchase agreement (approximately EUR 15,541 thousand) will be paid in 8 installments payable over a period of 2 years. In addition Premier paid to Laromet an amount of EUR 8,000 thousand for (i) settlement of the liquidated damages that were claimed by Laromet pursuant to the purchase agreement; (ii) reimbursement of expenses incurred by Laromet in relation to the dispute; (iii) and additional penalty for late payment by Premier and (iv) payment of the remaining outstanding portion of the land purchase price.

Note 6 - Contingent Liabilities (cont'd)**C. (cont'd)**

Finally, Premier undertook to develop for Laromet an office building with a gross built up area of 4,000 sqm, that will be adjacent to the AFI Golden City Mall and to sell this building to Laromet together with several parking spaces for a price of approximately EUR 3,500 thousand.

Premier's obligations to Laromet have been secured by a corporate guarantee of the Company, as well as by mortgages over the part of project's land and over one of the Company's landbank properties in Bucharest. The Company's management has recorded an adequate provision in the Company's financial statements as at September 30, 2010.

- D.** Effective as of 30 September 2010, 7 corporate guarantees with an aggregate value of approximately EUR 60 million have been issued by the Company as securities for repayment obligations of certain Subsidiaries with respect to financing obtained by each of such Subsidiaries in relation to its project.

Note 7 - Related Parties

The parent company of the Group is Africa Israel International Properties (2002) Ltd (Israel) which is part of Africa Israel Investments Group.

Transactions between the companies within the Group, which are related parties, have been eliminated in the consolidated financial statements and are not disclosed in this note.

Details of transactions between the Group and other related parties are disclosed below:

In thousands of Euros

	September 30 2010 (Unaudited)	September 30 2009 (Unaudited)	December 31 2009 (Audited)
Management fees, net	599	431	604
Interest to Africa properties	(5,222)	(6,815)	(8,854)
Interest to other Africa Israel's group companies	(100)	-	-
	(4,723)	(6,384)	(8,250)
Balance:			
Africa Israel properties	(1,015)	(478)	40
Africa Israel investments	-	(371)	-
Loans from Africa properties	(268,668)	(246,002)	(248,390)
Other Africa Israel's Group companies, net	(5,361)	(7,794)	(9,469)

On 24 September 2010 Mr Avraham Barzilay was appointed CEO of the Company, following the resignation of Opher Linchevski for personal reasons. Over the last 10 years Mr Barzilay served as CFO of AFI Properties and as director of the Company since incorporation. He has been actively involved in the Company's project development, funding, operations and management.

Note 8 - Subsequent Events

- A. In view of the Company's plan to raise financing by way of an initial public offering of the Company's shares during Q4 2010 ("IPO"), on 4 November 2010 the Company's authorized share capital has been increased to EUR 1,221,000, divided into 122,100,000 shares with a nominal value of EUR 0.01 each.
1. Simultaneously therewith each of the 90,000 shares with a nominal value of EUR 1 in the issued share capital of the Company has been converted and split into 100 shares with a nominal value of one cent (EUR 0.01), and all of them together into 9,000,000 shares.
 2. Also on that date, the Company, AFI Properties and AIIP executed agreements regarding the assignment of AFI Properties' rights and obligations in relation to the Shareholder's Loan to AIIP, and the subsequent contribution of the entire amount of the Shareholder's Loan to capital of the Company, of which an amount of EUR 409,669 has been contributed by AIIP to the Company's capital against the issue of 40,966,900 shares at nominal value of EUR 0.01 each,
 3. The remaining outstanding balance of the Shareholder's Loan will be contributed to share premium on those newly issued shares concurrently with and subject to all conditions of the IPO having been met. Furthermore, the Company issued to AIIP additional 43,033,100 shares with a nominal value of EUR 0.01 each, against the (partial) conversion of the relevant statutory reserve maintained by the Company, amounting to EUR 430,331. As a result, there will be no outstanding Shareholder's loan upon the completion of the IPO, and effective as of 4 November 2010 the Company's issued share capital consisted of 93,000,000 shares with a nominal value of EUR 0.01 each, all of which are held by AIIP.

Subsequent to the mentioned in Note 8.A.1 and 8.A.2 above and conversion as mention the company restated its earnings per share for the nine and three month periods ended September 30, 2009 as follows:

	Number of shares			Basic and diluted loss per share (Euro)		
	Before split and issuance of bonus shares	Difference	After split and issuance of bonus shares	Before split and issuance of bonus shares	Difference	After split and issuance of bonus shares
For the nine month period ended September 30, 2010	90,000	49,876,900	49,966,900	(0.04)	(0.03)	(0.07)
For the nine month period ended September 30, 2009	90,000	49,876,900	49,966,900	(0.002)	(0.002)	(0.004)
For the three month period ended September 30, 2010	90,000	49,876,900	49,966,900	(0.01)	(0.01)	(0.02)
For the three month period ended September 30, 2009	90,000	49,876,900	49,966,900	(0.24)	(0.19)	(0.42)

Note 8 - Subsequent Events (cont'd)

- B. The Company's sole shareholder has announced its intention to approve the general terms, criteria and beneficiaries of an Employee Share Option Plan (the "ESOP") upon and subject to completion of the IPO, in relation to the grant of options to purchase ordinary shares of the Company representing, in the aggregate, up to a maximum of 1% of the Company's issued share capital on the completion of the Offering, on a fully diluted basis to certain members of the Company's senior management.

The options will be granted under the ESOP terms and will become exercisable (i.e. vest) in three equal portions on the second, third and fourth anniversaries of the options' granting date. Employees are only eligible to exercise their options while being employed by the Company or within three months after the termination of their employment with the Company (unless the employment of such employee is terminated as a result of injury or death). Each of the options will lapse 12 month from its respective vesting date, if it has not lapsed earlier under the rules of the ESOP. The exercise price of the options is the price payable per Share in the Offering plus 10% of such price. On exercise of the options the Company will issue or transfer to the person exercising the option such number of Shares which equals the value of the difference between the exercise price and the market price at that date ("cashless exercise"), all under the rules of the ESOP and taking into account any applicable tax obligations. To this end, the Company may purchase shares in the open market to satisfy any share entitlements upon exercise of any options issued or granted under the ESOP (in accordance with relevant rules regarding market abuse).

- C. In view of the IPO, the Company and AFI Properties also intend to sign a services agreement between them, pursuant to which AFI Properties will provide to the Company certain management services and office-related services, and the Company will reimburse AFI Properties for all costs, expense and liabilities incurred by AFI Properties for the purpose of providing such management services and the office-related services. In consideration for the services provided, the Company will pay AFI Properties a quarterly fee on a "cost plus" basis.

Note 9 - Segment Reporting

The group has seven reportable segments, these are the group's strategic business area's.

The Company has seven main geographical areas: Czech Republic, Serbia, Bulgaria, Romania, Latvia, Poland and Other Regions. For each of the strategic business area the group's CEO reviews internal management reports, on at least a quarterly basis.

The accounting policies implemented in preparing the segment information correspond with the generally accepted accounting policies applied in the preparation of the Company's consolidated financial statements.

Note 9 - Segment Reporting (cont'd)*In thousands of Euros*

	For the nine months ended September 30, 2010								
	(Unaudited)								
	Czech Republic	Serbia	Bulgaria	Romania	Latvia	Poland	Other Regions	Eliminations	Consolidated
Income from external customers:									
Rental income	11,516	8,182	2,541	17,738	-	201	72	-	40,250
Proceeds from sale of trading properties	13,768	-	4,330	-	2,857	6,789	-	-	27,744
Service charge income	4,307	3,262	736	5,181	-	26	22	-	13,534
Valuations gains (losses)	3,959	(2,573)	(1,259)	57	-	106	355	-	645
Other	4,151	811	59	201	43	362	3,635	(6,342)	2,920
Total income	37,701	9,682	6,407	23,177	2,900	7,484	4,084	(6,342)	85,093
Write down of inventory to net realized value	-	-	-	(3,910)	(1,500)	-	-	-	(5,410)
Segment result	20,658	4,732	2,203	10,692	(1,018)	3,109	(3,156)	-	37,220
Unallocated expenses									(8,604)
Profit from operations									28,616
Net financing costs									(29,690)
Taxes on income									(2,173)
Equity gain from associate companies									(166)
Non-controlling interest									77
Profit for the period									(3,336)
Segment assets	314,892	168,406	119,931	532,698	33,044	28,464	535,242	(511,470)	1,221,207

Note 9 - Segment Reporting (cont'd)*In thousands of Euros*

	For the nine months ended September 30, 2009								
	(Unaudited)								
	Czech Republic	Serbia	Bulgaria	Romania	Latvia	Poland	Other Regions	Eliminations	Consolidated
Income from external customers:									
Rental income	11,137	7,635	2,926	-	-	173	60	-	21,931
Proceeds from sale of trading properties	9,697	-	-	-	3,006	5,943	-	-	18,646
Service charge income	4,476	2,806	767	-	-	21	7	-	8,077
Valuation gains (loss)	-	34,050	(8,084)	22,558	-	(235)	(443)	-	47,846
Other	717	4,243	54	155	446	17	520	-	6,152
Total income	26,027	48,734	(4,337)	22,713	3,452	5,919	144	-	102,652
Write down of inventory to net realized value	-	-	-	-	(8,215)	-	(306)	-	(8,521)
Segment result	11,719	41,913	(5,404)	22,132	(8,430)	1,589	(1,528)	-	61,991
Unallocated expenses									(7,083)
Profit from operations									
Net financing costs									54,908
Taxes on income									(18,797)
Equity gain from associate companies									(20,114)
Non-controlling interest									77
									(16,289)
Loss for the period									(215)
Segment assets	332,433	190,074	123,251	522,503	45,061	34,202	561,788	(530,980)	1,278,332

Note 9 - Segment Reporting (cont'd)*In thousands of Euros*

	For the three months ended September 30, 2010								
	(Unaudited)								
	Czech Republic	Serbia	Bulgaria	Romania	Latvia	Poland	Other Regions	Eliminations	Consolidated
Income from external customers:									
Rental income	3,903	2,692	850	5,713	-	67	4	-	13,229
Proceeds from sale of trading properties	2,256	-	470	-	844	2,197	-	-	5,767
Service charge income	1,420	1,074	211	1,790	-	7	17	-	4,519
Valuations gains (losses)	4,694	(2,047)	(1,259)	881	-	106	355	-	2,730
Other	676	150	51	45	43	106	1,152	(1,092)	1,131
Total income	12,949	1,869	323	8,429	887	2,483	1,528	(1,092)	27,376
Write down of inventory to net realized value	-	-	-	(3,910)	(1,500)	-	-	-	(5,410)
Segment result	9,448	471	(342)	921	(1,387)	1,043	269	-	10,423
Unallocated expenses									(3,273)
Profit from operations									7,150
Net financing costs									(8,949)
Taxes on income									216
Equity gain from associate companies									116
Non-controlling interest									650
Profit for the period									(817)
Segment assets	314,892	168,406	119,931	532,698	33,044	28,464	535,242	(511,470)	1,221,207

Note 9 - Segment Reporting (cont'd)*In thousands of Euros*

	For the three months ended September 30, 2009								
	(Unaudited)								
	Czech Republic	Serbia	Bulgaria	Romania	Latvia	Poland	Other Regions	Eliminations	Consolidated
Income from external customers:									
Rental income	3,977	2,634	985	-	-	61	23	-	7,680
Proceeds from sale of trading properties	3,190	-	-	-	849	1,878	-	-	5,917
Service charge income	1,453	933	242	-	-	7	5	-	2,640
Valuation gains	-	(2,531)	(6,300)	(13,209)	-	-	-	-	(22,040)
Other	323	30	4	10	226	4	362	-	959
Total income	8,943	1,066	(5,069)	(13,199)	1,075	1,950	390	-	(4,844)
Write down of inventory to net realized value	-	-	-	-	(262)	-	-	-	(262)
Segment result	4,238	30	(5,384)	(13,539)	(514)	163	(326)	-	(15,332)
Unallocated expenses									(2,307)
Profit from operations									(17,639)
Net financing costs									(5,918)
Taxes on income									1,606
Equity gain from associate companies									260
Non-controlling interest									529
Loss for the period									(21,162)
Segment assets	332,433	190,074	123,251	522,503	45,061	34,202	561,788	(530,980)	1,278,332

Note 9 - Segment Reporting (cont'd)*In thousands of Euros*

	For the year ended December 31, 2009								
	Czech Republic	Serbia	Bulgaria	Romania	Latvia	Poland	Other Regions	Eliminations	Consolidated
Income from external customers:									
Rental income	14,811	10,309	3,839	4,120	-	234	71	-	33,384
Proceeds from sale of trading properties	10,514	-	795	-	3,755	7,994	-	-	23,058
Service charge income	6,097	3,999	1,020	1,706	-	29	25	-	12,876
Net valuation gains	(15,778)	12,475	(10,248)	27,647	-	(240)	270	-	14,126
Other	1,072	4,976	49	647	563	25	509	-	7,841
Total income	16,716	31,759	(4,545)	34,120	4,318	8,042	875	-	91,285
Write down of inventory to net realized value	(1,167)	-	-	(2,565)	(15,054)	-	-	-	(18,786)
Segment result	(1,388)	23,067	(6,673)	25,434	(15,150)	2,190	(700)	-	26,780
Unallocated expenses									(11,566)
Profit from operations									15,214
Net financing costs									(30,369)
Taxes on income									(16,660)
Equity losses from associate companies									567
Non-controlling interest									(6,571)
Profit for the year									(37,819)
Segment assets	319,085	168,871	121,209	535,880	37,283	33,234	528,803	(499,784)	1,244,581

ANNEX 3 - ARTICLES

AFI EUROPE N.V.

UNOFFICIAL ENGLISH TRANSLATION OF DRAFT ARTICLES OF ASSOCIATION

16 NOVEMBER 2010

Definitions

Article 1

In these articles of association, the following terms shall have the following meanings:

“**AFI Group**” means the Company and its Subsidiaries, collectively.

“**Annual Accounts**” means the annual accounts of the Company and, where the context so requires, the consolidated annual accounts of the Company and its Subsidiaries.

“**Articles of Association**” means the articles of association of the Company as they shall read from time to time.

“**Board of Directors**” or “**Board**” means the Board of Directors of the Company.

“**Chairman**” means the chairman of the Board of Directors.

“**Company**” means AFI Europe N.V.

“**DCC**” means the Dutch Civil Code (“*Burgerlijk Wetboek*”).

“**Director**” means a member of the Board of Directors.

“**General Meeting**” or “**General Meeting of Shareholders**” means the body of the Company consisting of the Shareholders or (as the case may be) a meeting of Shareholders (or their representatives) and other persons entitled to attend such meetings.

“**in writing**” means by letter, by fax, by e-mail, or by message which is transmitted via any other electronic means of communication, provided the relevant message is legible and reproducible.

“**Listed shares**” shares in the capital of the Company which are or shall be listed on a regulated market as described in 2:86c DCC.

“**Share**” means a share in the share capital of the Company.

“**Shareholder**” means a holder of one or more Shares.

“**Subsidiary**” means a subsidiary of the Company as set out in Article 2:24a DCC.

“**Vice Chairman**” means each Vice Chairman of the Board of Directors.

Name, corporate seat

Article 2

2.1 The name of the Company is: AFI Europe N.V.

2.2 The Company has its corporate seat in Amsterdam.

Objects

Article 3

The objects of the Company are:

- a. to incorporate, to participate in any way whatsoever in, to manage and to supervise businesses and companies;
- b. to finance businesses and companies;

- c. to borrow, to lend and to raise funds, including the issue of bonds, promissory notes or other securities or evidence of indebtedness as well as to enter into agreements in connection with aforementioned activities;
- d. to render advice and services to businesses and companies with which the Company forms a group and to third parties;
- e. to grant guarantees, to bind the company and to pledge its assets for obligations of businesses and companies with which it forms a group and on behalf of third parties;
- f. to acquire, alienate, manage and exploit registered property and items of property in general;
- g. to trade in currencies, securities and items of property in general;
- h. to develop and trade in patents, trade marks, licenses, know-how and other industrial property rights;
- i. to perform any and all activities of an industrial, financial or commercial nature;

and to do all that is connected therewith or may be conducive thereto, all to be interpreted in the broadest sense.

Share capital and Shares

Article 4

- 4.1 The authorised share capital of the Company amounts to one million two hundred twenty-one thousand euro (EUR 1,221,000.00). It is divided into one hundred twenty-two million one hundred thousand (122,100,000) Shares with a nominal value of one cent (EUR 0.01) each.
- 4.2 The Shares shall be in registered form or in bearer form, as decided in the resolution on issue of Shares, and shall be numbered consecutively from 1 onwards. The Shares are non-divisible.
- 4.3 The company shall issue share certificates for bearer Shares if at least the full amount due on such Shares has been paid. The form of the certificates for bearer Shares, the numbers thereof and the rights attached thereon are to be determined by the Board of Directors. The company may issue share certificates for registered Shares. Shareholders are not entitled to request the Company to convert a Listed Share in bearer form into a Listed Share in registered form.
- 4.4 At the written request of a shareholder, the Board of Directors may issue duplicates for share certificates, dividend coupons and/or talons that have been lost, stolen or destroyed, provided that the applicant can demonstrate his title to the lost documents to the satisfaction of the Board of Directors and, if the Board of Directors so requires, indemnify the company against any claims by third parties. All costs connected with the issue of duplicates shall be borne by the party whose documents were lost, stolen or destroyed. The issue of duplicates shall furthermore be subject to all such requirements as to be determined by the Board of Directors. The issue of duplicates shall render the original documents null and void. The duplicates issued by virtue of this paragraph must carry the word "duplicate".
- 4.5 If a share belongs to a joint interest, the persons entitled to it may exercise the rights ensuing from that share only through a person they appoint in writing.
- 4.6 Listed Shares may be issued in the form of global notes and may be deposited with a central securities depository, if required by the laws or stock exchange regulations of the jurisdiction in which the stock exchange where the Shares are listed is established. No separate certificates shall be issued to the shareholders concerned and the shareholders shall be identified in accordance with all relevant legal provisions, rules and regulations of the clearing and deposit system according to the laws of the jurisdiction governing the stock exchange on which the Shares are or shall be listed. The resolution to deposit Shares with a central securities depository shall be taken by the General Meeting.

Issue of Shares

Article 5.

- 5.1 Resolutions to issue Shares shall be adopted, with the Board of Director's approval, by the General Meeting, or by the Board of Directors if it has been designated for that purpose by the General Meeting. If the Board of Directors has been thus designated, the General Meeting may not, to the extent and for the period the designation is in effect, adopt resolutions to issue Shares.
- 5.2 The General Meeting on the proposal of the Board of Directors or, as the case may be, the Board of Directors, shall determine the price and further terms of the issue, all in accordance with the relevant provisions of these Articles of Association.
- 5.3 If the Board of Directors is designated to adopt resolutions to issue Shares, the designation shall specify the number of Shares which may be issued. The designation shall also specify its duration, which may not exceed five (5) years. The designation may be extended for periods not exceeding five (5) years. Unless such designation provides otherwise, it may not be withdrawn.
- 5.4 Within eight days of a resolution by the General Meeting to issue Shares or to designate the Board of Directors as referred to above, the Board of Directors shall file the full text of the resolution at the office of the trade register referred to in section 2:77 DCC (the "trade register"). The Board of Directors shall within eight days of each quarter inform the trade register of any issue of Shares, specifying the number of Shares issued.
- 5.5 The provisions of paragraphs 1 through 4 of this article shall apply mutatis mutandis to the granting of rights to subscribe for Shares, but shall not – with the exception of the last sentence of paragraph 4 - apply to the issue of Shares to a person exercising a previously acquired right to subscribe for Shares.
- 5.6 Listed Shares shall be issued in accordance with the provisions set out in section 2:86c DCC.
- 5.7 The Company and its Subsidiaries may not with a view to the subscription or acquisition by others of Shares in its share capital or depositary receipts for Shares, provide security, guarantee the price, give any other guarantee or assume liability, on a joint and several basis or otherwise, with or for others.
- 5.8 The Company and its Subsidiaries may not with a view to the subscription or acquisition by others of Shares in its share capital or depositary receipts for Shares, make loans, unless the Board has resolved to do so and the other legally prescribed conditions for making such loans have been complied with.
- 5.9 The Company shall maintain a non-distributable reserve in the amount of the loans granted as referred to in the preceding paragraph of this article.
- 5.10 The prohibition referred to in paragraph 5.7 and 5.8 of this article shall not apply if Shares or depositary receipts for Shares ("*certificaten van aandelen*") are subscribed or acquired by or for the account of employees of the Company or any Subsidiary.
- 5.11 The Company is not authorised to cooperate in the issue of depositary receipts for Shares.

Payment for Shares

Article 6

- 6.1 Shares shall only be issued against payment of at least their nominal value.
- 6.2 Payment must be made in cash, provided that no alternative contribution has been agreed.
- 6.3 Payment in cash may be made in a foreign currency, subject to the Company's consent.
- 6.4 Legal acts as referred to in section 2:94 subsection 2 in conjunction with section 2:94 subsection 1 DCC, may be performed by the Board, without the approval of the General Meeting.

Pre-emption right

Article 7

- 7.1 Without prejudice to the provisions of the law, each shareholder shall have a right of pre-emption to be exercised in proportion to the aggregate amount of his shareholding.

- 7.2 No pre-emptive right shall exist in respect of any issue of Shares to employees of the Company or employees of any Subsidiary or in respect of Shares which are issued against payment other than in cash.
- 7.3 Pre-emption rights may, on the proposal of the Board, be restricted or excluded by resolution of the General Meeting. In the proposal for such resolution the reasons for the proposal and the intended price of issuance must be explained in writing. If the Board has been designated as the body authorised to issue Shares, the General Meeting may also resolve to designate the Board for a period not exceeding five (5) years as the body authorised to restrict or exclude the pre-emption rights. This authorisation may from time to time be extended for a period not exceeding five (5) years. Unless otherwise provided at the time the authorisation was granted, the authorisation cannot be withdrawn.
- 7.4 The adoption of resolutions of the General Meeting as referred to in paragraph 3 of this article shall require a majority of at least two-thirds of the votes cast, if less than half of the issued share capital is represented at the meeting. The Board shall file the full text of the resolution at the office of the trade register within eight days after it has been adopted.
- 7.5 This article shall apply correspondingly to the granting of rights to subscribe for Shares, but shall not apply to an issuance of Shares to a person who exercises a previously acquired right to subscribe for Shares.

Repurchase of own Shares, alienation of own Shares and pledge on own Shares

Article 8

- 8.1 The Board may, with the authorisation of the General Meeting and without prejudice to the provisions of section 2:98 and section 2:98d DCC cause the Company to acquire fully paid up Shares in its own share capital for valuable consideration. If more than six months have lapsed since the end of the financial year without the adoption and approval of the Annual Accounts, then an acquisition in accordance with this paragraph 1 shall not be permitted. The General Meeting must specify in the authorisation the period for which such authorisation is granted, the number of Shares which may be acquired, the manner in which they may be acquired and the limits within which the price must be set. The aforementioned authorisation shall not be required if the Company acquires Shares in its own share capital for the purpose of transferring these Shares to employees of the Company or to employees of any Subsidiary pursuant to an existing scheme.
- 8.2 The Board may resolve to dispose of Shares acquired by the Company.
No pre-emption right shall exist in respect of such disposal.
- 8.3 Depositary receipts that have been issued for Shares in the share capital of the Company, shall, for the purposes of the preceding paragraphs, be treated like Shares.
- 8.4 Shares held by the Company in its own share capital shall not entitle the Company to any distribution in respect of such Shares; neither shall Shares in respect of which the Company holds depositary receipts issued for such Shares, entitle the Company to such distribution. For the computation of the amount of profit to be distributed on each Share, the Shares referred to in the preceding sentence shall not be included, unless a usufruct or pledge has been established on such Shares or on the depositary receipts issued for such Shares, for the benefit of a person other than the Company. The Company or Subsidiary of the Company cannot cast votes for Shares belonging to the Company or the Subsidiary or in respect of which either of them has a right of usufruct or pledge. The pledgee and usufructuary of Shares belonging to the Company or a Subsidiary shall also not have voting rights if the usufruct or the pledge was established by the Company or the Subsidiary. The Company or a Subsidiary may not vote on a Share in respect of which it holds the depositary receipts. When determining to what extent a certain part of the share capital is present or represented or to what extent a majority represents a certain part of the share capital, no account shall be taken of Shares which are not entitled to voting rights.
- 8.5 The Company may accept a pledge of its own Shares or depositary receipts issued therefor, but only if:

- a. the Shares to be pledged are fully paid up;
- b. the nominal amount of its own Shares and the depositary receipts issued therefor to be pledged to it and of those already held or pledged to it do not together amount to more than one-tenth of the issued share capital; and
- c. the General Meeting has approved the pledge agreement.

Reduction of share capital

Article 9

- 9.1 On the proposal of the Board, the General Meeting may resolve to reduce the issued share capital by cancelling Shares or by reducing the par value of Shares by an amendment of the Articles of Association. Such resolution shall specify the Shares to which the resolution applies and shall describe how such resolution shall be implemented.
- 9.2 Cancellation of Shares can apply to Shares which are held by the Company itself or to Shares for which the Company holds depositary receipts.
- 9.3 The General Meeting may only adopt a resolution to reduce the share capital by:
 - a. a majority of at least two-thirds of the votes cast if at the meeting less than one-half of the issued share capital is represented; or
 - b. a simple majority of the votes cast if at the meeting more than one-half of the issued share capital is represented.

The convocation notice of a meeting at which a resolution referred to in this paragraph is to be adopted shall include the purpose of the reduction of the share capital and the manner in which such reduction shall be effectuated; section 2:123 subsections 2, 3 and 4 DCC shall apply correspondingly.

Joint holding

Article 10

If Shares or depositary receipts for Shares are jointly held by two or more persons (constituting a joint holding – “*gemeenschap*”), the joint participants may only be represented vis-à-vis the Company by a person who has been designated by them in writing for that purpose. The joint participants may also designate more than one person.

If the joint holding comprises Shares, the joint participants may determine at the time of the designation of the representative or thereafter – but only unanimously – that, if a joint participant so wishes, a number of votes corresponding to his interest in the joint holding will be cast in accordance with his instructions.

Shareholders register

Article 11

- 11.1 A shareholders register shall be kept by or on behalf of the Company, in which all Shares shall be registered. The register may consist of several parts, which may be kept in different places.
- 11.2 If required for trading shares on a stock exchange or on a regulated over the counter market outside the Netherlands or if the Board of Directors resolves to do so in order to facilitate the trade of shares in one or more countries outside the Netherlands, the register may be kept partially outside the Netherlands.
- 11.3 The shareholders register shall record the names and addresses of all Shareholders, the amount paid up on each Share, the date on which they acquired the Shares, the date of acknowledgement by or giving of notice to the Company, and such further information as determined by the Board. The shareholders register shall also record the names and addresses of persons who have a right of usufruct or a right of pledge on Shares, stating the date of acquisition of such right, the date of acknowledgement by the Company or the date of service upon the Company and which rights attached to the Shares are vested in them in accordance with subsections 2, 3 and 4 of sections 2:88 and 2:89 DCC. The shareholders register shall be regularly kept up-to-date.

- 11.4 Upon request and at no cost, the Board shall provide a Shareholder or a usufructuary or pledgee of Shares with an extract from the shareholders register in respect of his right to a Share. If the Share is subject to a right of usufruct or a right of pledge, the extract shall state in whom the rights referred to in subsections 2, 3 and 4 of sections 2:88 and 2:89 DCC are vested. The Board shall hold the shareholders register at the office of the Company for inspection by Shareholders and by the pledgees and usufructuaries in whom the rights referred to in subsection 4 of sections 2:88 and 2:89 DCC are vested.
- 11.5 If, pursuant to paragraph 2 of this article 11, the register of holders of Listed Shares is kept in accordance with laws or stock exchange regulations of the jurisdiction in which the stock exchange is established, the last sentence of paragraph 4 of this article 11 shall not apply and the shareholders shall be identified in accordance with all relevant legal provisions, rules and regulations of the clearing and deposit system according to the laws of the jurisdiction governing the stock exchange on which the shares are or shall be listed. The shareholder will be entitled to obtain a certificate confirming his shareholding, issued by a member of the proper clearing and deposit system, in accordance with the laws of the jurisdiction in which the stock exchange is established.

Transfer of shares

Article 12

- 12.1 The transfer of Shares shall require a deed executed for that purpose as well as, save in the event that the Company is itself a party to the transaction, written acknowledgement by the Company of the transfer. The acknowledgement is to be made either in the transfer deed, or by a dated statement endorsed upon the transfer deed or upon a copy of or extract from that deed certified by a notary (“*notaris*”) or bailiff (“*deurwaarder*”), or in the manner as referred to below in paragraph 2 of this article. Service of notice (“*betekening*”) of the transfer deed or of the aforesaid copy or extract upon the Company shall be the equivalent of acknowledgement as stated in this paragraph.
- 12.2 The preceding paragraphs of this article shall apply mutatis mutandis to the transfer of a restricted right to a Share, provided that a pledge may also be created without acknowledgement by or service of notice (“*betekening*”) upon the Company and that section 3:239 DCC shall apply, in which case acknowledgement by or service of notice (“*betekening*”) upon the Company shall replace the announcement referred to in section 3:239 subsection 3 DCC.

Management

Article 13

The Board of Directors (“*bestuur*”) shall be entrusted with the management of the Company and shall for such purpose have all the powers within the limits of the law that are not granted by these Articles of Association to others.

The Board of Directors

Appointment and Dismissals, Term of office

Article 14

- 14.1 The Board shall consist of three (3) or more Directors of whom one or more are executive Directors and one or more are non-executive Directors. The number of executive Directors and the number of non-executive Directors shall be determined by the General Meeting. Only natural persons can be appointed as executive and non-executive Directors. The Board may appoint one of the executive Directors as the Company’s chief executive officer (CEO).
- 14.2 Executive and non-executive Directors are appointed and may be suspended or dismissed at any time by the General Meeting subject to the provisions of this article 14.
- 14.3 Unless the General Meeting resolves otherwise at the proposal of the Board of Directors, a Director shall be appointed for a maximum period of four years, provided however that unless such Director has resigned at an earlier date, his term of office shall lapse on the day of the annual General Meeting of Shareholders to be held in the fourth year after the year of his appointment. A retiring Director shall

be eligible for a re-election subject to the provisions of this article 14. The Board shall draw up a retirement schedule for the Directors.

- 14.4 Upon the occurrence of one or more vacancies the Board remains properly constituted.
- 14.5 A resolution to appoint a Director shall be adopted by a simple majority of the votes cast, in a General Meeting in which at least half of the issued share capital is represented.
- 14.6 A resolution to suspend or dismiss a Director shall be adopted by an absolute majority of the votes cast. If an absolute majority of the votes cast is in favour of the resolution to suspend or dismiss a Director, but such majority does not represent at least one-third of the issued share capital, a second meeting may be convened at which the resolution may be adopted by an absolute majority of the votes cast, without a quorum being required.
- 14.7 The Company has a policy regarding remuneration of the Directors. The policy shall be determined by the General Meeting, upon the proposal of the Board. Every change in the policy relating to the remuneration of the Directors shall be submitted to the General Meeting for approval.
- 14.8 The salary, the bonus, if any, and the other terms and conditions of employment of the executive Directors shall, with due observance of the provisions of the policy referred to in paragraph 7 of this article, be determined by the Board. The Board shall submit a proposal to the General Meeting for its approval regarding the remuneration of the executive Directors in the form of Shares or rights to acquire Shares as well as major changes thereto. The proposal should include at least the (maximum) number of Shares or rights to acquire Shares that may be awarded to the executive Directors or the formula by reference of which such number is calculated and which criteria apply to an award or a modification of such rights. The amount of the salary, the bonus, if any, and the other terms and conditions of employment of the non-executive Directors shall be determined by the General Meeting, with due observance of the provisions of the policy referred to in paragraph 7 of this article.

Representation, Conflict of Interest

Article 15

- 15.1 The Board shall have the power to represent the Company. In addition one executive Director acting jointly with one non-executive Director as well as two executive Directors acting jointly shall have the power to represent the Company. Only the Board shall have the power, without prejudice to its responsibility, to cause the Company to be represented by one or more attorneys ("*procuratiehouder*"), whether or not employed by the Company and only to the extent that a power of attorney (i) does not relate to a single or series of connected predetermined acts or transactions and (ii) has a repetitive character. These attorneys shall have such powers as shall be assigned to them on or after their appointment, by the Board of Directors, all in conformity with these Articles of Association.
- 15.2 If a Director has a personal conflict of interest with the Company with respect to a certain matter, the Company may be represented by the other Directors (in accordance with the first sentence of paragraph 15.1 of this article) in relation to such matter, unless the General Meeting appoints another person for that purpose to represent the Company. In the event that a Director has a conflict of interest vis-à-vis the Company in any other manner than as described in the first sentence of this paragraph, the Company may be represented by the other Directors (in accordance with the first sentence of paragraph 15.1 of this article).
- 15.3 A Director shall immediately report any conflict of interest or potential conflict of interest to a Director specified for that purpose by the Board. If a Director does not hold a position in a (direct or indirect) parent company of the Company (a "**Non-Connected Director**"), the Board shall decide whether such Director has a conflict of interest. If an executive Director holds a position in a (direct or indirect) parent company of the Company (a "**Connected Director**"), then any non-executive Director can decide that the executive Director has a conflict of interest with regard to a particular matter and present the reasoning for his decision to the Board. The decision of the Board (in case of a Non-Connected Director) and/or the non-executive Director (in case of a Connected Director)

regarding the conflict of interest including the reasoning for deciding as such will be recorded in the relevant minutes of the Board.

A conflicted Director shall not participate in deliberations or vote on the matter in respect of which a conflict exists.

- 15.4 Transactions in which the Company has a conflict of interest with one or more Directors require a resolution of the Board.

Article 16

- 16.1 In the event of the absence or inability to act of one or more Directors, the remaining Directors or the remaining Director will be responsible for the management of the Company. In the event of the absence or inability to act of all members of the Board, one or more persons appointed by the General Meeting for this purpose at any time shall be temporarily responsible for the management.
- 16.2 Where in these Articles of Association reference is made to Directors entitled to vote, this shall not include Directors who are absent or unable to act within the meaning of the preceding paragraph.

The Chairman

Article 17

- 17.1 The Board shall be presided over by the Chairman who shall be appointed by the Board. The Board may revoke such appointment at any time.
- 17.2 The Board may appoint one or more Vice-Chairmen from among its members for such period as the Board may decide. In the event of the absence or unavailability of the Chairman, a Vice-Chairman shall be entrusted with such of the duties of the Chairman entrusted to him by these Articles of Association and as the Board may decide.
- 17.3 If no Chairman has been appointed or if the Chairman is absent or unavailable to take the chair, a meeting of the Board shall be presided over by a Vice-Chairman or in the event of his or their absence or unavailability to take the chair, by another member of the Board or another person present designated for such purpose by the meeting.

Executive Directors, Non-Executive Directors, Corporate Secretary

Article 18

- 18.1 The day to day business of the Company and the operational management of the Company and the business enterprise connected therewith shall be conducted by the executive Directors. The executive Directors or a committee may furthermore be entrusted with such additional powers and duties as the Board may from time to time determine, subject always to the overall responsibility of the Board.
- 18.2 The non-executive Directors shall supervise the policy and the fulfilment of duties of the executive Directors and the general affairs of the Company and they shall be furthermore entrusted with such duties as are and shall be determined by or pursuant to these Articles of Association or a resolution of the Board.
- 18.3 The executive Directors shall promptly provide the non-executive Directors with all information which is required for the exercise of their duties.
- 18.4 The Board may appoint a person to act as secretary of the Company. The secretary so appointed shall have the title "Corporate Secretary". The Corporate Secretary shall have such powers as are assigned to him by the Board on or after his appointment. The Corporate Secretary may be removed from office at any time by the Board.

Meetings, Committees

Article 19

- 19.1 The Board shall meet at least four (4) times per year and whenever one of the Directors has requested a meeting. Resolutions of the Board shall be taken with a simple majority of the votes cast in a meeting where at least one half of the members of the Board in office is present or represented in

accordance with paragraph 3 of this article. Each Director has the right to cast one vote. In the event of a tie vote, the Chairman shall not have the deciding vote and the proposal shall be deemed to have been rejected.

- 19.2 Valid resolutions may only be adopted, if all Directors in office have been given notice of the meeting. The rules governing the internal proceedings of the Board shall include the convocation requirements.
- 19.3 To the extent possible, the Board meetings shall be held at the offices of the Company, or elsewhere in the Netherlands but may also take place outside the Netherlands. A Director may issue a proxy to another Director for purposes of representing such Director at a meeting of the Board. The Directors may participate in meetings by telephone conference, video conference or other audio-visual transmission systems and such participation shall count as these Directors being present at the meeting, provided that the Chairman has pre-approved such participation and all participants can simultaneously hear one another.
- 19.4 The Board of Directors may also adopt resolutions without holding a meeting, provided such resolutions are adopted in writing and all Directors entitled to vote have expressed themselves in favour of the proposal concerned. Resolutions which have accordingly been adopted shall be recorded in the minute book of the Board of Directors; the documents evidencing the adoption of such resolution shall be signed by the Corporate Secretary and kept together with the minute book.
- 19.5 Without prejudice to what is provided for in these Articles of Association, resolutions of the Board regarding a significant change in the identity or nature of the Company or the enterprise, including in any event:
 - a. the transfer of the enterprise or practically the entire enterprise to a third party;
 - b. the conclusion or cancellation of any long-lasting cooperation by the Company or a Subsidiary with any other legal person or company or as a fully liable general partner of a limited partnership or a general partnership, provided that such cooperation or the cancellation thereof is of essential importance to the Company; and
 - c. the acquisition or disposal of a participation in the capital of a company with a value of at least one-third of the sum of the assets according to the consolidated balance sheet with explanatory notes thereto for the last adopted Annual Accounts of the Company, by the Company or a Subsidiary,
 shall require the approval of the General Meeting.
- 19.6 With due observance of these Articles of Association, the Board may adopt rules governing its internal proceedings and internal company policies. Furthermore, the Directors may divide their duties among themselves, by means of a regulation or otherwise.
- 19.7 The Board may establish such committees as it may deem necessary. The Board shall draw up rules and regulations for each committee. The members of each committee shall be appointed from among the Directors. The task of each committee shall be to make proposals to the Board with due observance of its rules and regulations. The Board may at any time change the duties and composition of each committee. Each committee shall be authorised to retain the services of legal, accounting or other consultants at the expense of the Company. No committee shall have any power to represent the Company externally.

Indemnification of the members of the Board of Directors

Article 20

Unless otherwise provided by Dutch Law, the Company may, upon and subject to approval by the General Meeting, issue indemnity undertakings to current and/or former members of the Board, for:

- (i) reasonable costs of conducting a defence against claims based on acts or failures to act in the exercise of their duties or any other duties currently or previously performed by them at the request of the Company;

- (ii) any damages or fines payable by them as a result of an act or failure to act as referred to under (i);
- (iii) reasonable costs of appearing in other legal proceedings in which they are involved as current or former members of the Board, with the exception of proceedings primarily aimed at pursuing a claim on their own behalf.

There shall be no entitlement to reimbursement as referred to above if and to the extent that (i) a Dutch court has established in a final and conclusive decision that the act or failure to act of the person concerned may be characterised as wilful (“*opzettelijk*”), intentionally reckless (“*bewust roekeloos*”) or seriously culpable (“*ernstig verwijtbaar*”) conduct, unless Dutch law provides otherwise or this would, in view of the circumstances of the case, be unacceptable according to standards of reasonableness and fairness, or (ii) the costs or financial loss of the person concerned are covered by an insurance and the insurer has paid out the costs or financial loss. The Company may take out liability insurance for the benefit of the persons concerned.

General Meetings of Shareholders

Article 21

21.1 Every year a General Meeting shall be held within six months after the end of the financial year.

21.2 The agenda for this meeting shall in any case include the following items:

- a. the discussion of the Board’s written annual report concerning the Company’s affairs and the management as conducted;
- b. the adoption of the Annual Accounts;
- c. the discharge of Directors from liability for their duties over the last financial year.

These items need not be included on the agenda if the term to make the Annual Accounts and the report of the Board available has been extended under or pursuant to the law or if a proposal for such an extension is part of the agenda. At the annual General Meeting, any other items that have been put on the agenda in accordance with these Articles of Association will be dealt with.

21.3 A General Meeting shall be held whenever the Board and/or the Chairman of the Board shall deem desirable. In addition a General Meeting shall be convened as soon as one or more persons, together entitled to cast at least one-tenth of the total number of votes that may be cast, so request the Board and/or the Chairman of the Board, stating the items to be discussed.

21.4 Within three months after the Board has become aware that the shareholders’ equity of the Company has decreased to an amount equal to or less than one half of the sum of the paid up and called capital, a General Meeting shall be convened within three months to discuss any measures that may be necessary.

Place of meetings and notice

Article 22

22.1 General Meetings of Shareholders shall be held in Amsterdam.

22.2 Shareholders and other persons entitled to attend a General Meeting shall be given a notice of convocation of the General Meeting by the Board or the Chairman of the Board. If in the event as referred to in the second sentence of article 21 paragraph 3 neither the Board or the Chairman convenes the General Meeting such that the meeting is held within six (6) weeks of the request, any of the persons requesting the General Meeting shall be authorised to convene the same with due observance of what is provided with respect to such convention in these Articles of Association.

22.3 The agenda shall contain such subjects to be considered at the meeting as the person(s) convening the meeting shall decide. Furthermore, the agenda shall contain such business as one or more Shareholders, who are entitled thereto pursuant to the law have requested the Board in writing to place on the agenda, at least sixty days before the day of the convocation of the meeting. The request by the Shareholder to have an item placed on the agenda must be motivated in writing. No valid resolutions can be adopted at a meeting in respect of subjects which are not mentioned in the agenda.

- 22.4 The convocation shall be issued not later than on the forty second day prior to the date of the meeting. Without prejudice to the relevant provisions of law dealing with reduction of share capital and amendments to Articles of Association, the convocation notice shall include:
- the agenda;
 - the place, date and time of the General Meeting;
 - the procedure for participation in the General Meeting by written proxy;
 - if applicable, procedure and conditions for participation in the General Meeting and exercise of voting rights electronically; and
 - the Company's website.
- The convocation notice shall be published on the website of the Company.
- 22.5 Not later than forty-two (42) days prior to the General Meeting, the Company shall publish the following information on its website for at least one year:
- the convocation notice for the meeting, the place, date and time, agenda and the right to attend the meeting;
 - if applicable, documents to be presented to the General Meeting;
 - draft resolutions, or if no resolutions will be presented, an explanation by the Board on each item to be discussed at the shareholders' meeting;
 - if applicable, draft resolutions submitted by shareholders regarding agenda items included as requested by them, if any;
 - if applicable, a proxy form and a form for voting prior to the General Meeting by regular post;
 - the number of shares and the voting rights on the day of convocation of the meeting.
- 22.6 Written requests as referred to in paragraph 3 of this article, may be submitted electronically. Written requests as referred to in paragraph 3 of this article shall comply with conditions stipulated by the Board, which conditions shall be posted on the Company's website.

Conduct of the meeting and minutes

Article 23

- 23.1 The General Meeting shall be presided over by the Chairman or, in his absence, by a Vice-Chairman.
- In case of absence of both the Chairman and all Vice-Chairmen, the Board shall nominate another person to act as chairman of the meeting. The chairman of the meeting shall designate the secretary.
- 23.2 All issues concerning admittance to the General Meeting, the exercising of voting rights and the outcome of votes, as well as all other issues relating to the proceedings at the meeting, shall, notwithstanding the provisions of section 2:13 subsection 4 DCC, be decided by the chairman of the meeting in question.
- 23.3 Unless a notarial record ("*proces-verbaal*") is made of the business transacted at the meeting, minutes shall be taken. The minutes shall be adopted and in evidence thereof be signed by the chairman and the secretary of the meeting. The notarial record, or the minutes as the case may be, shall state the number of Shares represented at the meeting and the number of votes that may be cast, on the basis of the attendance book, referred to in article 24 paragraph 9; the attendance list, referred to in article 24 paragraph 9, shall not form part of the notarial record or the minutes and shall not be made available to a person entitled to attend meetings, unless the person entitled to attend meetings shows that he has a reasonable interest therein for the verification of the correct course of the proceedings at the meeting in question. After the execution of the notarial instrument, or after the adoption of the minutes by the chairman and the secretary of the meeting in question, as the case may be, a copy of the notarial record, or the minutes, as the case may be, shall be deposited at the office of the Company for inspection by the persons entitled to attend General Meetings of Shareholders.

- 23.4 The chairman of the meeting and the Chairman may at any time give instructions for a notarial record to be made, at the Company's expense.
- 23.5 The Company must record for every resolution adopted at a General Meeting and publish on their website not later than the fifteenth day following the day General Meeting was held:
- a. the number and percentage of shares validly voted on;
 - b. the total votes validly cast;
 - c. the number of votes in favour and against the resolution; and
 - d. the number of abstentions.

Access to the General Meeting of Shareholders

Article 24

- 24.1 All Shareholders and other persons entitled to attend and vote at General Meetings are entitled to attend the General Meetings, to address the General Meeting and to vote. Every other person entitled to attend General Meetings but not entitled to vote shall also be entitled to attend the General Meetings of Shareholders and to address such meetings, but shall however not be entitled to cast votes.
- 24.2 In order to exercise the rights mentioned in paragraph 1 of this article, the Shareholders and the other persons entitled to attend General Meetings shall notify the Company in writing of their intention to do so no later than on the day and at the place mentioned in the convocation notice. They may only exercise the said rights at the meeting for the Shares and the depositary receipts for Shares registered in their name both on the day referred to above and on the day of the meeting, unless paragraph 4 of this article applies.
- 24.3 The Company shall send an admission card for the meeting to Shareholders and other persons entitled to attend General Meetings who have notified the Company of their intention in accordance with the provisions of the preceding paragraph.
- 24.4 The persons entitled to attend meetings referred to in paragraph 1 of this article, are (i) persons who are entitled to attend meetings on the statutory registration date being the twenty-eighth day prior to the day of the meeting, hereinafter referred to as: the "registration date", and (ii) who are as such registered in a register (or one or more parts thereof) designated thereto by the Board, hereinafter to be referred to as: the "register", regardless of who the Shareholder is at the time of the General Meeting. The convocation notice shall state the registration date and the manner in which the persons entitled to attend the General Meeting may procure their registration and the way they may exercise their rights.
- 24.5 The Board may decide that persons entitled to vote may, within a period prior to the General Meeting to be set by the Board, which period cannot begin prior to the registration date, cast their votes electronically in a manner to be decided by the Board. Votes cast in accordance with the previous sentence are equal to votes cast at the meeting.
- 24.6 Shareholders and other persons entitled to attend General Meetings may be represented by written proxies or proxies submitted to the Company via electronic means.
- 24.7 In the event that the voting rights and/or the rights of attendance in accordance with paragraph 2 of this article shall be exercised by a holder of a written proxy, the proxy must have been received no later than the registration date.
- 24.8 Before being admitted to a meeting, Shareholders and other persons entitled to attend General Meetings or their representatives, must sign an attendance list, stating their names and, in the case of those who are entitled to vote, the number of votes which they are entitled to cast, and in the case of representatives, the name of the person or persons whom they are representing.
- 24.9 The Board may decide that notes of the business transacted at a General Meeting can be taken by electronic means of communication.

- 24.10 The Board may decide that each person entitled to attend General Meetings (and vote thereat) may, either in person or by written proxy, participate in that meeting and/or vote by electronic means of communication, provided that such person can be identified through electronic means of communication and furthermore provided that such person can directly take note of the business transacted at the meeting concerned. If reasonable and necessary for the identification of the shareholders and the reliability and security of the communication, the Board of Directors may attach conditions to the use of the electronic means of communication, which conditions shall be announced at the convocation of the General Meeting and shall be posted on the website of the Company.
- 24.11 Directors are authorised to attend General Meetings and as such they have an advisory vote at General Meetings. In addition, the auditor as referred to in article 27 has access to General Meeting and is authorised to address General Meetings.
- 24.12 The chairman of the meeting shall decide upon the admittance to the meeting of persons other than those aforementioned in this article 24.

Voting rights

Article 25

- 25.1 Each Share confers the right to cast one vote at a General Meeting of Shareholders. Blank votes and invalid votes shall be regarded as not having been cast.
- 25.2 Unless the law or the Articles of Association explicitly and mandatorily prescribe a larger majority, all resolutions shall be adopted by an absolute majority of votes. In a tie vote, the proposal shall have been rejected.
- 25.3 At an election of persons where more than one (1) person is proposed, the person who receives the absolute majority of votes at the first ballot shall be elected. If at the first ballot no one has received the absolute majority of votes, a second vote shall be taken between the two (2) persons who received the largest number of votes at the first ballot. If at the first ballot more than two (2) persons received the largest number of votes, an interim vote shall be taken first to decide which of those persons shall participate in the second ballot. If at the first ballot one (1) person has received the largest number of votes and the second largest number of votes is equally divided between two (2) or more persons, an interim vote shall be taken first to decide which of the latter persons shall participate in the second ballot. If the votes are equally divided at an interim ballot or second ballot, a drawing of lots shall decide, save the event there is a tie vote in an election from a binding proposal, in which event the person first named in such binding proposal is elected.
- 25.4 In a tie vote concerning other matters than an election of persons, the proposal shall have been rejected.
- 25.5 Votes in respect of matters shall be oral, votes in respect of persons by way of unsigned voting ballots. However, with the approval of the meeting, persons may be appointed by acclamation.

Financial year, Annual Accounts

Article 26

- 26.1 The financial year shall coincide with the calendar year.
- 26.2 Annually within the period set under or pursuant to the law – except for extension under or pursuant to the law - the Board shall prepare Annual Accounts and shall make these generally available. The Annual Accounts shall be accompanied by the auditor's certificate referred to in 27, by the annual report, by the additional information referred to in section 2:392, subsection 1 DCC, to the extent that the provisions of that paragraph apply to the Company as well as by the other information that, under or pursuant to the law, must be made generally available together with the Annual Accounts. The Board shall explain, in a separate chapter of the annual report, the principles of the corporate governance structure of the Company. A proposal to adopt the Annual Accounts requires a resolution of the Board. The Annual Accounts shall be signed by all members of the Board; in the event the signature of one or more of them is lacking, this shall be disclosed, stating the reasons thereof.

- 26.3 The Company shall ensure that the Annual Accounts as prepared, the annual report and the additional information referred to in paragraph 2 of this article shall be available at the office of the Company as of the date of the convocation of the General Meeting at which they are to be discussed. The Shareholders and other persons entitled to attend General Meetings may inspect the above documents at the office of the Company and obtain a copy thereof at no cost.
- 26.4 If the General Meeting has been unable to review the auditor's certificate, the Annual Accounts may not be adopted, unless the additional information referred to in paragraph 2 second sentence of this article mentions a legal ground why such certificate is lacking.
- 26.5 If the Annual Accounts are adopted in an amended form, a copy of the amended Annual Accounts shall be made available to the Shareholders and to the other persons entitled to attend General Meetings at no cost.

Auditor

Article 27

- 27.1 The Company shall give an assignment to an auditor as referred to in section 2:393 DCC to audit the Annual Accounts prepared by the Board in accordance with subsection 3 of such section. The General Meeting shall be authorised to give the assignment referred to above. If the General Meeting fails to give the assignment, then the Board shall be so authorised. The assignment given to the auditor may be revoked at any time by the General Meeting and by the corporate body which has given such assignment. The auditor shall issue a report on his audit to the Board and shall issue a certificate containing its results.
- 27.2 The Board may give assignments to the auditor or any other auditor at the expense of the Company.

Profits

Article 28

- 28.1 The Board shall determine which portion of the profits - the positive balance of the profit and loss account - shall be reserved. The profit remaining after application of the previous sentence, if any, shall be at the disposal of the General Meeting. The General Meeting may resolve to partially or totally reserve such remaining profit. A resolution to pay a dividend shall be dealt with as a separate agenda item at the General Meeting.
- 28.2 The Company can only make profit distributions to the extent its equity exceeds the paid and called up part of the capital increased with the reserves which must be maintained pursuant to the law.
- 28.3 Dividends shall be paid after the adoption of the Annual Accounts evidencing that the payment of dividends is lawful. The General Meeting shall, upon a proposal of the Board, at least determine (i) the method of payment in case payments are made in cash (ii) the date and (iii) the address or addresses on which the dividends shall be payable.
- 28.4 With due observance of paragraph 5 of this article, the Board may resolve to make a distribution on an interim basis.
- 28.5 The resolution by the Board to make an interim distribution as referred to in paragraph 4 of this article may only be adopted if an interim statement of assets and liabilities shows that the shareholders' equity exceeds the sum of the Company's issued share capital and the reserves to be maintained by law. The interim statement of assets and liabilities shall relate to the condition of the assets and liabilities on a date no earlier than the first day of the third month preceding the month in which the resolution to make an interim distribution is published. It shall be prepared on the basis of generally acceptable valuation methods. The amounts to be reserved under the law and the Articles of Association shall be included in the statement of assets and liabilities. It shall be signed by the Directors. If one or more of their signatures are missing, this absence and the reason for this absence shall be stated.
- 28.6 The General Meeting may, with due observance of paragraph 2 of this article and upon a proposal of the Board, resolve to make distributions out of a reserve which need not be kept by law.

- 28.7 Cash payments in relation to Shares if and in as far as the distributions are payable outside the Netherlands, shall be made in the currency of the foreign country where the Shares are listed and in accordance with the applicable laws and regulations of the foreign country in which the Shares of the Company have been admitted to an official listing on the stock exchange. If such currency is not the same as the legal tender in the Netherlands the amount shall be calculated against the exchange rate determined by the Board at the end of the day prior to the day on which the General Meeting shall resolve to make the distributions in accordance with paragraph 1 of this article. If and in as far as the Company on the first day on which the distribution is payable, pursuant to governmental measures or other extraordinary circumstances beyond its control is not able to pay on the place outside the Netherlands or in the relevant foreign currency, the Board is authorized to determine to that extent that the payments shall be made in Netherlands currency and on one or more places in the Netherlands. In such case the provisions of the first sentence of this paragraph shall not apply.
- 28.8 The General Meeting may upon a proposal of the Board, resolve to pay dividends or make distributions out of a reserve which need not be kept by law, wholly or partially, in the form of Shares in the capital of the Company.
- 28.9 A claim of a Shareholder to receive a distribution expires after five years.
- 28.10 For the calculation of the amount of the profit distribution, the Shares held by the Company in its own capital shall be excluded.

Liquidation

Article 29

- 29.1 The General Meeting may resolve to dissolve the Company. A resolution to dissolve the Company other than on the proposal of the Board, shall only be valid if it is adopted at the General Meeting of Shareholders in which at least three-quarters of the issued share capital is represented and with a majority of at least two-thirds of the votes cast. If the requisite capital is not represented in this meeting, no new meeting may be convened on the basis of the provisions of section 2:120 subsection 3 DCC. A resolution to dissolve the Company on the proposal of the Board shall be adopted by an absolute majority of the votes cast, irrespective of the capital present or represented at the meeting.
- 29.2 If the Company is dissolved pursuant to a resolution of the General Meeting, it shall be liquidated by the Board, if and to the extent that the General Meeting shall not appoint one or more other liquidators.
- 29.3 The General Meeting shall determine the remuneration of the liquidators.
- 29.4 The liquidation shall take place with due observance of the provisions of the law. During the liquidation period these Articles of Association shall, whenever possible, remain in full force.
- 29.5 From the balance of the assets of the Company remaining after all liabilities have been paid, payments shall be made by way of liquidation payment in accordance with the plan of distribution as referred to in paragraph 1 of this article.
- 29.6 After the Company has ceased to exist, its books and records shall remain in the custody of the person designated for that purpose by the liquidators for a period as prescribed by law.

Amendment of Articles of Association

Article 30

- 30.1 Any and all provisions of the Articles of Association may be amended by the General Meeting with due observance of the provisions of the law and the Articles of Association.
- 30.2 The General Meeting may resolve to amend the Articles of Association. A resolution to amend the Articles of Association other than on the proposal made of the Board, shall only be valid if it is adopted at the General Meeting of Shareholders in which at least three-quarters of the issued share capital is represented and with a majority of at least two-thirds of the votes cast. If the requisite capital is not represented in this meeting, no new meeting may be convened on the basis of the provisions of section 2:120 subsection 3 DCC. A resolution to amend the Articles of Association on the proposal of

the Board shall be adopted by an absolute majority of the votes cast, irrespective of the capital present or represented at the meeting.

- 30.3 If a proposal to amend the Articles of Association is to be made to the General Meeting, this must always be stated in the notice convoking the General Meeting of Shareholders at which that proposal is to be considered, and at the same time a copy of the proposal, containing the proposed amendment verbatim, must be deposited at the office of the Company and until the dissolution of that meeting must be and remain open to the inspection of every Shareholder. During the aforesaid period they may obtain copies of the proposal free of charge.

THE ISSUER

AFI EUROPE N.V.
Keizersgracht 604
1017 EP Amsterdam
The Netherlands

SELLING SHAREHOLDER

AFRICA ISRAEL INTERNATIONAL PROPERTIES (2002) LTD.
Derech Hachoshesh 4
Yehud 56470
Israel

JOINT GLOBAL COORDINATORS, JOINT LEAD MANAGERS AND JOINT BOOKRUNNERS

Deutsche Bank A.G., London Branch

Winchester House
1 Great Winchester Street
London EC2N 2DB
United Kingdom

ING Bank N.V., London Branch

60 London Wall
London EC2M 5TQ
United Kingdom

POLISH MANAGER

ING Securities S.A.
Plac Trzech Krzyży 10/14
00-499 Warsaw
Poland

CORPORATE ADVISOR TO THE ISSUER

The Hillview Group
33 Bruton Street
London W1J 6QU
United Kingdom

LEGAL ADVISORS TO THE ISSUER

As to Dutch law

Boekel De Nerée N.V.
Gustav Mahlerplein 2
1082 MA Amsterdam
The Netherlands

As to English and Polish law

Weil, Gotshal & Manges LLP
Emilii Plater 53
00-113 Warszawa
Poland

LEGAL ADVISORS TO THE LEAD MANAGERS

As to Dutch law

NautaDutilh N.V.
Strawinskylaan 1999
1077 XV Amsterdam
The Netherlands

As to English law

White & Case LLP
5 Old Broad Street
London EC2N 1DW
United Kingdom

As to Polish law

**White & Case, W. Danilowicz, W.
Jurcewicz I Wspólnicy –
Kancelaria Prawna sp.k.**
ul. Marszałkowska 142
Warszawa, 00-061
Poland

INDEPENDENT AUDITORS OF THE ISSUER

KPMG Accountants N.V.
Laan van Langerhuize 1
1186 DS Amstelveen
The Netherlands