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PLAZA CENTERS N.V.

(incorporated and registered in The Netherlands
with company registration number 33248324)

Admission of 292,346,087 Ordinary Shares

to trading on the Warsaw Stock Exchange

This document, which comprises a prospectus relating to the Company, has been approved by and filed with the Netherlands Authority for the Financial Markets (the Stichting Autoriteit Financiele Markten ("AFM")). The Company has requested that the AFM provide the competent authority in Poland, the Polish Financial Supervision Commission ("PFSC"), with a certificate of approval attesting that the prospectus has been drawn up in accordance with the Wft and related regulations which implement Directive 2003/71/EC (the "Prospectus Directive") in Dutch law ("Notification"). The Company may request that the AFM provide the Notification to competent authorities in additional Member States within the European Economic Area.

The Ordinary Shares have not been and will not be approved or disapproved by the U.S. Securities and Exchange Commission, any state securities commission in the United States or any other United States regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the accuracy or adequacy of this document. Any representation to the contrary is a criminal offence in the United States.

The Company and its Directors, whose names appear in Part V of this document, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Company and its Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts stated in it and does not omit anything likely to affect the import of such information.

The Ordinary Shares of the Company are admitted to the official list of the UK Listing Authority, and are listed on the London Stock Exchange plc under the symbol "PLAZ". In addition, an application will be made to the Warsaw Stock Exchange ("WSE") for the whole of the Ordinary Shares in issue to be admitted to trading on its main market for listed securities (the "Admission"). It is expected that Admission will become effective and that dealings in the Ordinary Shares on the WSE will commence by 25 October 2007.

Although the whole text of this document should be read, the attention of persons receiving this document is drawn, in particular, to the section headed "Risk Factors" contained in Part II of this document. All statements regarding the Group's business, financial position and prospects should be viewed in light of the risk factors set out in Part II of this document.

This document does not constitute an offer to sell or an invitation to subscribe for, or the solicitation of an offer to buy or to subscribe for, Ordinary Shares in any jurisdiction in which such an offer, invitation or solicitation is unlawful and this document is not for distribution in or into the Prohibited Territories. Securities may not be offered or sold in the United States unless they are registered under the U.S. Securities Act or exempt from such registration. The Ordinary Shares have not been and will not be registered under the Securities Act, the securities laws of any state of the United States or under any of the applicable securities laws of the other Prohibited Territories and, unless an exemption under such laws is available, may not be offered for sale or subscription or sold or subscribed directly or indirectly within the United States (as defined in Regulation S) or the Prohibited Territories for the account or benefit of any national, resident or citizen of the United States or the Prohibited Territories.

The distribution of this document in other jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of such jurisdictions. For a description of these and certain further restrictions on offers, sales and transfers of the Ordinary Shares and the distribution of this document, see Part IX – "Additional Information".

IMPORTANT INFORMATION ABOUT THIS DOCUMENT

Prospective investors should rely only on the information contained in this document. No person has been authorised to give any information or make any representations other than as contained in this document and, if given or made, such information or representations must not be relied on as having been authorised by or on behalf of the Company. The delivery of this document shall not, under any circumstances, create any implication that there has been no change in the business affairs of the Company or of the Group since the date of this document or that the information contained herein is correct as at any time subsequent to its date.

The contents of this document are not intended to be nor should they be construed as legal, financial or tax advice, and therefore prospective investors must not treat the contents of this document as advice relating to legal, taxation, investment or any other matters. Prospective investors must inform themselves as to: (a) the legal requirements within their own countries for the purchase, holding, transfer, redemption or other disposal of Ordinary Shares; (b) any foreign exchange restrictions applicable to the purchase, holding, transfer, redemption or other disposal of Ordinary Shares which they might encounter; and (c) the income and other tax consequences which may apply in their own countries as a result of the purchase, holding, transfer, redemption or other disposal of Ordinary Shares. Prospective investors must rely upon their own representatives, including their own legal advisers and accountants, as to legal, tax, investment or any other related matters concerning the Company and an investment therein.

The information contained in this document has been provided by the Company and other sources identified herein. This document should not be considered as a recommendation by either the Company that any recipient of this document should subscribe for or purchase the Ordinary Shares.

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This document is for purposes for the Admission only and does not constitute a prospectus for an offer of the Company's Ordinary Shares.

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PART I - Summary

The following summary should be read as an introduction to the Prospectus. Certain terms used in this document are defined in the section headed "Definitions". Following the implementation of the relevant provisions of the Prospectus Directive (Directive 2003/71/EC) in each member state of the European Economic Area ("EEA"), civil liability attaches to the Company and the Directors who are responsible for the summary including any translation of the summary, but only if the summary is misleading, inaccurate or inconsistent when read together with other parts of the Prospectus. Where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the EEA states, have to bear the costs of translating the Prospectus before legal proceedings are initiated.

1. Overview

The Group is a leading emerging markets developer of shopping and entertainment centres, focusing on constructing new centres and, where there is significant redevelopment potential, redeveloping existing centres, in both capital cities and important regional centres. The Group has been present in CEE since 1996 and was the first to develop western-style shopping and entertainment centres in Hungary. The Group has pioneered this concept throughout CEE whilst building a strong track record of successfully developing, letting and selling shopping and entertainment centres. The Group has recently extended its area of operations beyond CEE into India and will consider other development opportunities in Asia.

The Company is an indirect subsidiary of Elbit Medical Imaging Ltd., an Israeli public company whose shares are traded on both the Tel Aviv Stock Exchange in Israel and the NASDAQ Global Market in the United States. Elbit Medical Imaging Ltd., acting through its subsidiary company Elscint Ltd., has acquired and developed ten hotels and an apartment hotel in five countries over the last 12 years. These countries include The Netherlands (2), Belgium (1), the United Kingdom (4), the South Africa (1) and Romania (1 hotel and 1 apartment hotel). Additionally, Elscint Ltd. is currently developing a hotel in Bucharest, Romania. Typically each hotel or apartment hotel comprises hotel rooms and/or apartments, business suites, a health and fitness centre, a business centre, conference rooms and a conference hall. Each hotel is usually managed and operated, by the Park Plaza Group (other than the apartment hotel in Romania, which is self-operated, and the current development in Romania, which will be operated by Radisson). The Company is a member of the Europe Israel Group of companies, which is controlled by its founder, Mr Mordechay Zisser.

The Group has been present in real estate development in emerging markets for over eleven years, initially pursuing shopping and entertainment centre development projects in Hungary and subsequently expanding into Poland, the Czech Republic, Greece, Latvia, Romania and, more recently, India. To date, the Group has developed, let and sold/forward sold 26 shopping and entertainment centres and one office project. Twenty one of these centres were acquired by Klépierre, the second largest shopping centre owner/operator in Europe, which owns more than 230 shopping centres in ten countries. Additional four shopping and entertainment centres were sold to the Dawnay Day Group, one of the leading UK institutional property investors which, as at 30 June 2007, had combined gross assets in excess of USD 4 billion. A shopping centre was forward sold to active Asset Investment Management ("aAIM"), one of the UK's fastest growing commercial property investments groups, on 7 August 2007.

The Group's developments

The Group is currently in the process of developing eighteen shopping and entertainment centre projects, which are under various stages of development:

- Arena Plaza – a centre with a planned GLA of approximately 66,000m^2 in Budapest, Hungary, where construction has commenced and which is scheduled to open in the fourth quarter of 2007;
- Suwałki Plaza – a project in the preliminary planning and development stage, to be constructed on an area of a land in a prime location in Suwałki, Poland, with a planned GLA of approximately 21,000m^2. Construction is due to commence in the first quarter of 2008 and the centre is scheduled to open in the third quarter of 2009;
- Łódź Plaza – a project in the preliminary planning and development stage, to be constructed on an area of land in a prime location in Łódź, Poland, with a planned GLA of approximately 29,000m^2. The Group is currently determining the nature and extent of the proposed project;
- Toruń – a project in the preliminary planning and development stage, to be located in Toruń, Poland, with a planned GLA of approximately 33,000m^2. Construction is due to commence in the third quarter of 2009 and the centre is scheduled to open in first quarter of 2011;
- Zgorzelec – a project in the preliminary planning and development stage, to be located in Zgorzelec, Poland, with a planned GLA of approximately 16,000m^2. Construction is due to commence in the first quarter of 2008 and the centre is scheduled to open in the third quarter of 2009;
- Liberec Plaza – being constructed on an area of land in a prime location in Liberec, Czech Republic, with a planned GLA of approximately 17,000m^2. the centre is scheduled to open in the fourth quarter of 2008;
- Opava Plaza – a project in the preliminary planning and development stage, to be constructed on an area of land in a prime location in Opava, Czech Republic, with a planned GLA of approximately 14,000m^2. Construction is due to commence in the second quarter of 2008 and the centre is scheduled to open in the first quarter of 2010;
- Plzeň Plaza – a centre with a planned GLA of approximately 20,000m^2 in Plzeň, Czech Republic. the centre is scheduled to open in the fourth quarter of 2007;
- Riga Plaza – a centre with a planned GLA of approximately 49,000m^2 in Riga, Latvia, in which the Group holds a 50% interest. Construction commenced in the first quarter of 2007 and the centre is scheduled to open in the third quarter of 2009;
- Koregaon Park – a project in construction stage, constructed on a plot of land of approximately six acres in Koregaon Park, an up-market area of Pune, Maharashtra State, India, where together with its joint-venture partner, it plans to construct a mixed-use scheme with a total area of approximately 107,000m^2 that will comprised of a shopping centre with an estimated area of approximately 75,000m^2 and an office building of approximately 32,000m^2. The Construction is already in progress and the centre is scheduled to open in fourth quarter of 2009;
- Kharadi – a 14 acre plot of land in the Kharadi district of Pune, Maharashtra State, India, on which Plaza and its joint-venture partner intend to build a project totalling 225,000m^2, (inclusive of underground parking facility) which will include a shopping centre with the total area of approximately 120,000m^2, an office complex with an area of 81,000m^2, and a serviced apartment facility with an area of approximately 24,000m^2. Construction is due to commence in 2008;
- Trivandrum - a project in the preliminary planning and development stage, to be constructed on an area of land in Trivandrum, the capital city of State of Kerala in India, with a planned built area of approximately 195,000m^2 which will include shopping mall and office space together with a serviced apartment facility.

Construction is due to commence in 2008 and the project is scheduled to open in early 2010;

- Casa Radio – a complex with a planned gross area of approximately 360,000m^2, located in central Bucharest in Romania, and which includes a shopping centre with an area of 135,000m^2, a leisure centre and two 135 metre tall towers each with an area of 53,000m^2. The construction is already in progress and the centre is scheduled to open in 2011-2012;
- Timisoara – a project in the preliminary planning and development stage, to be constructed alongside a major road leading to the city center of Timisoara in West Romania, with a planned GLA of approximately 39,500m^2. Additionally, the site provides the option to develop approximately 20,000m^2 of additional residential and office building space. Construction is due to commence in second quarter of 2008 and the centre is scheduled to open in third quarter of 2009;
- Miercurea Ciuc – a project in the preliminary planning and development stage, to be constructed on an area of land in the town of Miercurea Ciuc, in Central Romania, with a planned GLA of approximately 12,000m^2. Construction is due to commence in 2008 and the centre is scheduled to open in 2009;
- Iasi – a project in the preliminary planning and development stage, to be constructed on an area of land in the town of Iasi, in northeast Romania, with a planned GLA of approximately 37,000m^2 for shopping and entertainment centre and 15,000m^2 for offices. Additionally, the site provides the option to develop approximately 70,000m^2 of residential accommodation. Construction is due to commence in 2008 and the centre is scheduled to open in first quarter of 2010;
- Belgrade – a project in the preliminary planning and development stage, to be constructed on an area of land in Belgrade, Serbia, with a planned gross built area of approximately 100,000m^2 for a shopping, entertainment and business centre;
- Slatina – a project in the preliminary planning and development stage, to be constructed on an area of land in Slatina, in southern Romania, with a planned gross built area of approximately 25,000m^2 for shopping and entertainment centre. Additionally, the site provides the option to develop approximately 10,000m^2 of residential accommodation.

In addition, the Company has entered into an agreement with Klépierre to build an extension to the Duna Plaza shopping and entertainment centre owned by Klépierre with a planned GLA of approximately 15,000m^2, construction of which is anticipated to commence in 2008, assuming Klépierre assembles the required land and requisite building permits are obtained. Moreover, the Company is planning to build a retail and residential extension to the Arena Plaza in Budapest, Hungary, that will comprise approximately 53,000m^2 gross and approximately 13,500m^2 rentable retail area arranged on three floors and approximately 84 residential units extending to some 6,000m^2. The expected completion is in 2010.

The Group is negotiating to acquire a pipeline of additional sites for shopping and entertainment development projects in Poland, the Czech Republic, Slovakia, Romania, Ukraine, Russia, Serbia, Georgia and India and is also actively assessing other cities within those countries where there is a realistic prospect of developing shopping and entertainment centres.

The Group also owns a 50% shareholding in a special purpose company (Ercorner Gazdagsági Szolgáltato Kft) which has a 60% interest in a development consortium known as “Dream Island”. The Dream Island consortium has final planning approvals to develop an area of land with a GLA of approximately 347,000m^2 (without parking) owned by the consortium, which is located on Obuda Island in the Danube River in central Budapest, as a business and leisure resort. The current plan envisages a resort comprising eight to ten four

and five-star hotels, four apartment hotels, a convention centre, a casino, a 3,500 seat opera house, a 1,500 seat theatre, a marina (with an anchorage for 300 vessels), a shopping and entertainment centre, a Roman cultural museum, and parking facilities for approximately 5,500 vehicles.

In accordance with its strategy to acquire operating shopping centres that show significant redevelopment potential for refurbishment and subsequent sale, in September 2007, the Company bought through a Hungarian company (Plasi Invest 2007 Kft.) which is held 70% along with a third party who holds the remaining 30%, a 50% stake in SBI Hungary Kft., a company which holds the Uj Udvar shopping center in the third district of Budapest, Hungary. Subsequently Plaza's interest in the asset is 35%. The aim of the group is to refurbish and improve the existing shopping centre in order to appreciate its value. The asset value according to which the purchase was made was EUR 11 million (100% of the asset). The shopping centre is currently active and has approximately 12,000m^2 of GLA and approximately 14,000m^2 of parking areas.

The Group has also leveraged its emerging markets expertise to expand beyond CEE and has invested in several projects in India, which it believes has a number of attractive characteristics: (i) the significant economic growth the country has experienced over the last five years, which is expected to continue in the coming decade; (ii) the rapid growth in household income, which is a similar trend to that the Group experienced in CEE when it commenced operations; (iii) the Group's experience in emerging markets with similar complex legal and regulatory environments to India; (iv) the interest from major retailers in the areas being considered by the Group; (v) the undeveloped retail industry in India, which is expected to enter a period of exponential growth; and (vi) the lack of local expertise and hence competition in the development of shopping and entertainment centres.

Furthermore, the Group will examine other countries in CEE and Asia that meet the Group's development criteria with a view to identifying further opportunities in this sector.

In addition, the Group owns three other properties that are a mixture of offices and development sites for residential or office use in Prague, Budapest and Athens.

The Group's portfolio has been valued by King Sturge LLP ("King Sturge"), as at 30 June 2007, at EUR906,585,000 (assuming the completion of construction and leasing). The full valuation report has been set forth in Part VIII – Valuer's Report.

The shopping and entertainment centre product offering

The Group has generally built shopping and entertainment centres of between 8,000 and 70,000m^2 (GLA), but would develop larger shopping and entertainment centres if its development criteria were met. The Group builds shopping and entertainment centres whose size, tenant mix and design are dictated by market demand, and that take into account particular factors such as the size of the local catchment area (generally a minimum of 50,000 people), the socio-economic status of the population, any competing shopping and entertainment centres in the locality, local retail demand (whether for fashion, grocery/local convenience stores or entertainment) and the location of the site (whether city centre or suburban).

Each centre comprises two principal elements: shopping and entertainment.

The shopping element comprises large retail anchor tenants (such as Tesco, Carrefour, Match, New Yorker, H&M, Zara and C&A). These anchor tenants form the basis of the shopping areas around which smaller boutiques, international brands such as Hugo Boss, Mango, Aldo, Peek&Cloppenburg, Sephora, Reserved, House and Esprit, and local retailers create a carefully balanced tenant mix to meet local demand. Leases with anchor tenants generally run for a term of ten to 15 years, with an option to extend. Leases with semi-anchor tenants are usually for a term of five to ten years, while standard units will be leased for three to five years.

The entertainment facilities typically include a multiplex cinema complex of between four and 12 screens, depending on the size of the centre, and, where appropriate, an IMAX auditorium. The entertainment areas also include a gaming area comprising a video games arcade, bowling alley, electronic gaming machines, billiards, discotheque, bar and a children's playground. Mulan B.V., trading as Fantasy Park (a subsidiary of Dreamland Entertainment N.V., which is a subsidiary of the Company), operates the gaming area and Cinema City International N.V. operates the multiplex cinemas (except in Riga and in four of the previously owned Hungarian centres). Each entertainment area also includes a food court offering a wide range of food outlets together with coffee shops and restaurants.

2. Competitive strengths

Pioneer in introducing western-style shopping and entertainment centres to the CEE region and India

The Group has been active in emerging markets since 1996, when it opened the first western-style shopping and entertainment centre in Hungary and began to implement its vision of offering western-style retail and entertainment facilities to a growing middle class and an increasingly affluent consumer base. Over the past ten years, the Group has expanded its operations in Central Europe and eastwards into Poland, Greece, the Czech Republic, Latvia and Romania, and more recently India, and has proven its ability to anticipate and adapt to market trends and deliver innovative large scale projects.

Highly skilled management team

In its eleven years of operation, the Group's highly qualified real estate professionals and local management teams have accumulated extensive knowledge of local markets and demonstrated a proven ability to source strategic development sites, design attractive and innovative projects that meet the demands of the local market and obtain planning and building permissions expeditiously. The Group runs a highly efficient construction process in order to minimise costs – the Group has completed the vast majority of its developments within the construction timeframe of between nine and 18 months and without budget overruns. The Directors believe that it is this efficiency and quality of execution together with the Company's local knowledge and infrastructure that has given the Group its competitive advantage in each of its principal markets.

Productive relationships with both leading international and local retailers

The Group has productive relationships with recognised international retailers – such as Tesco, H&M, Zara, C&A – and local retailers. The strength of such relationships is demonstrated by the Company's track record of signing up tenants, with 80% to 100% of each shopping and entertainment centre developed by the Group having been let within the first year after opening and at least 80% of each shopping center having been pre-let during the construction period. In addition, through its exclusive relationship with Cinema City International N.V. and its own indirect subsidiary Mulan B.V., trading as Fantasy Park, the Group has strong relationships with the occupiers of the entertainment space in the centres.

Strong relationships with premier property investors and operators and the ability to attract buyers early in the development process

The Company's strong track record in successfully pre-selling its centres is demonstrated by the sale of developments to Klépierre, Europe's second largest shopping centre operator, and Dawnay Day, one of the UK's leading institutional property investors. By agreeing the sale of a shopping and entertainment centre during the development phase, the Company locks in yields and achieves enhanced cash visibility. The Company's disposals to date have generated returns upon realisation of between 40% and 60% on equity invested, and the Company will target the same returns in the future. The Group also has continuing relationships with leading institutional property developers and strategic buyers.

Strong brand name

Due to the Group's reputation for successful property development, "Plaza Centers" has become a widely recognised brand name. Following the acquisition of the shopping and entertainment centres by Klépierre and Dawnay Day, the purchasers continue to use, under licence granted to them by the Group, the "Plaza Centers" Community and Hungarian trade marks.

Clearly identified pipeline of new growth opportunities targeting attractive returns in fast growing emerging markets

The Group, with its strong track record as a leading developer of shopping and entertainment centres in the fast growing CEE market, is well positioned to leverage the significant retail demand resulting from the rapidly growing incomes and increasingly westernised tastes and habits of emerging markets. The Group has a clear and focused growth pipeline across CEE and India. The Group is currently negotiating terms on 7 projects and analysing 9 additional towns and cities suitable for potential development projects. The Group aims to commence the development of four to five shopping and entertainment centres each year.

Flexible product mix tailored to local market demand

The Group has pioneered the development of western-style shopping and entertainment centres in both capital cities and other key regional centres in CEE. Furthermore, the Group is able to design and deliver shopping and entertainment centres based on a comprehensive demographic analysis within each of its markets. Each project is tailored to the demand of the local market in terms of the retail/entertainment offering, tenant mix, design and lettable area so as to exploit the local market to the maximum effect.

Listed on the London Stock Exchange

The Ordinary Shares have been traded on the main list of the LSE since 1 November 2006. In its initial public offering, the Company attracted international investors and raised approximately £166 million. Following its listing on the LSE, the Company believes that the listing of its Ordinary Shares on the LSE has facilitated access to international financial investors and augmented the Company's reputation and standing.

3. Summary financial information

Balance sheet

	As of December 31,			As of June 30,	
	2004	**2005**	**2006**	**2006**	**2007**
				(unaudited)	
		EUR'000		EUR'000	
Non-current assets	274,756	43,074	60,919	60,237	44,514
Investment property under construction	74,666	—	—	—	—
Investment property	175,884	26,354	26,654	26,655	12,970
Other non-current assets	24,206	16,720	34,265	33,582	31,544
Current assets	**32,153**	**168,030**	**413,978**	**149,821**	**495,611**
Trading properties	—	104,717	159,961	98,018	263,594
Cash and cash equivalents	9,836	46,699	212,683	19,108	176,057
Other current assets	22,317	16,614	41,334	32,695	55,960
Total assets	**306,909**	**211,104**	**474,897**	**210,058**	**540,125**
Current liabilities	**(40,752)**	**(84,375)**	**(90,181)**	**(76,459)**	**(124,052)**
Short term bank loans	(25,179)	(53,403)	(51,201)	(41,884)	(74,068)
Other current liabilities	(15,573)	(30,972)	(38,980)	(34,575)	(49,984)
Net current assets/(liabilities)	**(8,599)**	**83,655**	**323,797**	**73,362**	**371,559**
Non-current liabilities	**(200,316)**	**(30,722)**	**(20,039)**	**(31,966)**	**(20,965)**
Bank loans	(113,781)	(17,244)	(5,875)	(16,014)	(5,668)
Other non-current liabilities	**(86,535)**	**(13,478)**	**(14,164)**	(15,952)	(15,297)
Total liabilities	**(241,068)**	**(115,097)**	**110,220**	**(108,425)**	**(145,017)**
Net assets	65,841	96,007	364,677	101,633	395,108
Share premium	—	—	248,860	—	248,860
Retained earnings	68,887	98,229	112,949	103,888	135,495
Other reserves and equity	(3,046)	(2,222)	(2,868)	(2,255)	10,003
Total shareholders' equity attributable to equity holders of the company	**65,841**	**96,007**	**364,677**	**101,633**	**394,358**
Minority Interest	—	—	—	—	750
Total Equity	**65,841**	**96,007**	**364,677**	**101,633**	**395,108**

Income statement

	Year ended December 31,			Six months ended June 30,	
	2004	2005	2006	2006	2007
				(unaudited)	
		EUR'000		EUR'000	
Revenues	46,193	14,955	60,219	51,653	94,571
Gain from sale of investment property (net)	3,451	1,089	13,715	6,539	2,471
Changes in fair value of investment property	19,832	39,726	257	293	—
	69,476	**55,770**	**74,191**	**58,485**	**97,042**
Cost of operations	16,564	6,613	50,034	46,993	69,131
Gross profit	**52,912**	**49,157**	**24,157**	**11,492**	**27,911**
Administrative expenses	10,394	6,572	8,173	4,315	8,191
Other income/(expenditure)	439	161	(170)	(143)	(315)
Net finance income/(expenses)	40	(7,585)	664	(581)	3,272
Share in profit (loss) of associate	518	40	150	40	(33)
Profit before tax	**43,515**	**35,201**	**16,328**	**6,493**	**22,644**
Income tax expenses	(7,180)	(5,859)	(1,608)	834	93
Net profit after tax	**36,335**	**29,342**	**14,720**	**5,659**	**22,551**
Attributable to:					
Equity holders of the Company:	36,335	29,342	14,720	5,659	22,546
Minority interest	-	-	-	-	5
	36,335	**29,342**	**14,720**	**5,659**	**22,551**

Cash flow statement

	Year ended December 31,			Six months ended June 30,	
	2004	2005	2006	2006	2007
				(unaudited)	
		EUR'000		EUR'000	
Net cash (used in)/from operating activities	12,026	(26,277)	(98,664)	(27,155)	(102,456)
Net cash (used in)/from investing activities	45,564	42,528	16,972	(12,918)	9,408
Net cash (used in)/from financing activities	(55,767)	20,612	247,676	12,482	56,230
Increase/(decrease) in cash and cash equivalents during the period	1,823	36,863	165,984	(27,951)	(36,626)

4. Dividend policy and dividends

The payment of dividends is dependent on the financial performance and condition of the Group, the Company's financial position and the capital and anticipated working capital requirements of the Group. Subject to mandatory provisions of Dutch laws, the dividend policy will reflect the long-term earnings and cash flow potential of the Group, taking into account the Group's capital requirements, while at the same time maintaining an appropriate level of dividend cover.

Subject to all of these factors, and where it is otherwise appropriate to do so, the Directors intend to make distributions out of the annual net profits (after deduction of all directly related costs) derived from transactions for the sale of projects developed by the Group during any financial year. Dividends are expected to be paid at the rate of 25% on the first EUR30 million of such annual net profits, and thereafter at the rate of between 20% and 25%, as determined by the Directors, on any additional annual net profits which exceed EUR30 million. The dividends will be paid on or about 31 March on the basis of the aggregate of the annual net profits accumulated during the preceding financial year. For risks

relating to and taxation of dividends, please refer respectively to Part II – "Risk Factors" and paragraph 6 of Part IX – "Additional Information".

The Company has not paid a dividend with respect to the financial years ended 31 December 2004, 2005 and 2006, respectively.

5. Risk factors

Risks relating to the construction and development of real estate

- The Group develops real estate and is subject to construction and development risks; as such the Group may be subject to increases in operating and other expenses

Risks relating to the Group's business

- The Group may be subject to risks relating to its co-investments because ownership and control of such investments are shared with third parties
- Where the Group acquires existing properties, it may take on additional costs and liabilities associated with existing lease obligations
- The Group is dependent upon securing suitable locations for development and attracting third parties to enter into lease agreements
- The Group may not be as successful in identifying suitable development sites outside of its traditional areas of operation
- Zoning restrictions and local opposition can delay or preclude construction
- The Group faces significant governmental risks relating to planning, archaeological and environmental permits
- The Group's business is impacted by general economic conditions in the regions in which it operates, in particular local real estate prices and rental levels
- Real estate developments are relatively illiquid
- The Group may incur environmental liabilities
- The Group may suffer material losses in excess of insurance proceeds in operating a shopping and entertainment centre

Risks relating to the Group's structure

- Because the Company is a holding company, its ability to pay dividends depends upon the ability of its subsidiaries to pay dividends and advance funds
- If the Company is characterised as a passive foreign investment company for U.S. federal income tax purposes, U.S. holders of Ordinary Shares may suffer adverse tax consequences
- Changes in tax laws or their interpretation could affect the Company's financial condition or prospects and the cash flows available to the Company
- After the Admission, the Controlling Shareholder will continue to control a significant shareholding of the Company and its interests may conflict with the interests of other Shareholders

Risks relating to financing

- The Group will borrow to fund its future growth and expects to have a relatively high level of gearing
- The Group is subject to interest rate risk and exposed to changes in foreign currency exchange rates

Risks relating to the Ordinary Shares

- Investors will be exposed to market risk and the price of Ordinary Shares may be affected by liquidity and trading factors
- Sales, or the real or perceived possibility of sales, of a significant number of shares in the public market could adversely affect prevailing market prices for the Ordinary Shares
- US Shareholders may not be able to exercise pre-emptive rights for the Ordinary Shares

Risks relating to listing on the Warsaw Stock Exchange

- The Company may be unable to list its Ordinary Shares on the WSE
- Trading in the Ordinary Shares on the WSE may be suspended
- The Ordinary Shares may be excluded from trading on the WSE
- The marketability of the Ordinary Shares may decline and the market price of the Ordinary Shares may fluctuate and decline below the current market price
- The price of the Ordinary Shares on the WSE may fluctuate due to changes of foreign currency exchange rates.

Risks relating to the Depositary Interests

- DI Holders must rely on the Depositary to exercise their rights
- DI Holders do not have the rights attaching to the underlying shares and must rely on the Depositary or any custodian to either exercise those rights for their benefit or authorise them to exercise those rights for their own benefit

Risks relating to the Exercise of Rights by Holders of Ordinary Shares Listed on the Warsaw Stock Exchange

- Differences in availability of public information and reporting and rights of shareholders
- Holders of the Ordinary Shares listed on the WSE must rely on the Polish NDS, Euroclear and the Depositary to exercise their rights

Risks relating to geography

- The Group is subject to various risks related to its operations in Central and Eastern Europe and India including economic and political instability, political and criminal corruption and the lack of experience and unpredictability of the civil justice system
- Directors, officers and employees of the Group who are Israeli citizens are obliged to perform annual military reserve duty in Israel
- The Group may be faced with restitution claims by former land owners due to historic land expropriations
- The Group may not replicate its success in emerging markets in CEE in India and Asia
- The Group is subject to various risks related to its operations in Asia, including hostilities and political instability due to changes in the policies of the Government of India

6. The WSE Listing

The Ordinary Shares of the Company are admitted to the official list of the UK Listing Authority, and are listed on the London Stock Exchange plc under the symbol “PLAZ”.

Application will be made to the Warsaw Stock Exchange for the whole of the Ordinary Shares in issue to be admitted to trading on the main market of the WSE.

7. Management

The Company's Directors are:

Mr Mordechay Zisser, Chairman

Mr Ran Shtarkman, President and Chief Executive Officer

Mr Shimon Yitzhaki, Non-executive Director

Mr Edward Paap, Non-executive Director

Mr Marius van Eibergen Santhagens, Independent Non-executive Director

Mr Marco Wichers, Independent Non-executive Director

The Company's senior managers are:

Mr Roy Linden, Chief Financial Officer

Mr Avihu Shur, Chief Engineer

Mr Uri Shetrit, Chief Architect

Mr Uzi Eli, Legal Counsel and Compliance Officer

Mr Luc Ronsmans, Netherlands, Romania and Greece Country Director

Mr Tal Ben Yehuda, Czech Republic, Slovakia and Baltic States Country Director

Mr Eli Mazor, Poland Country Director

Mr Yoram Barak, India Country Director

Mr Ze'ev Ben Zvi Klein, Regional Marketing Director

8. Lock-up arrangements

The Company, the Controlling Shareholder and each of Mordechay Zisser, Ran Shtarkman and Shimon Yitzhaki have agreed that they shall not, and shall procure that no person connected with them, directly or indirectly, shall, subject to certain exceptions, sell, grant options over or otherwise dispose of Ordinary Shares for a designated lock-up period of six months following Admission.

PART II - Risk Factors

Any investment in the Ordinary Shares is subject to a number of risks. Before making any investment decision, prospective investors should consider carefully the factors and risks attaching to an investment in the Ordinary Shares, together with all other information contained in this document, including, in particular, the risk factors described below. The information below does not purport to be exhaustive. Additional risks and uncertainties not presently known to the Group, or that the Group currently deems immaterial, may also have an adverse effect on its business. Investors should consider carefully whether an investment in the Ordinary Shares is suitable for them in the light of the information in this document and their personal circumstances.

Risks relating to the construction and development of real estate

The Group develops real estate and is subject to construction and development risks

As part of its business, the Group develops real estate, which subjects it to the general risks associated with construction and development projects. The Group's development and construction activities may involve the following risks:

- the Group may be unable to proceed with a development because it cannot obtain financing on favourable terms;
- the Group may incur construction costs for a development that exceeds its original estimates due to increased material, construction input index, labour or other costs, which could make completion of the development uneconomical because it may not be able to increase rents or the sale price to offset the increase in such costs;
- the Group may be unable to obtain, or face delays in obtaining required land-use, building, occupancy, environmental and other governmental permits and authorisations, which could result in increased costs deriving from delays in construction and operation and could result in the Group abandoning its activities entirely with respect to a development;
- the Group may be unable to complete the construction, leasing or sale of a development on schedule, which could result in increased debt servicing, construction or renovation costs and which could allow competitors to enter into lease agreements with tenants that the Group was targeting or open a shopping and entertainment centre or other development ahead of the Group, which may have a negative effect on the ability of the Group to sell the completed development;
- the Group may lease developed shopping and entertainment centres or other developments at below expected rental rates or sell at a price which is below what was expected. Currently, the Group does not have any expectations that it will not be able to lease a development at expected rental rates or sell a development for the expected price. However, this situation may arise in the future;
- occupancy rates and rents at newly completed or renovated shopping and entertainment centres or other developments may fluctuate depending on a number of factors, including market and economic conditions, and may result in the Group's disposal of the shopping and entertainment centre or other development not being profitable;
- the Group may experience difficulties in finding suitable sites for development in an increasingly competitive market, either at all or at viable prices;
- the Group may take on additional development and construction risks outside its traditional area of expertise in developing shopping and entertainment centres when it

develops hotels, residential apartments or offices as part of integrated large scale business and leisure projects, such as the Dream Island development in Budapest, Hungary, the Casa Radio development in Bucharest, Romania or large projects in India;

- the Group may encounter unforeseen construction delays due to factors beyond its control, such as delays caused by previously unknown soil contamination or the discovery of archaeological findings, which may have a significant impact on development budgets and schedules, and which may in turn have a detrimental effect on the viability or marketability of the development. In particular, with respect to the Company's property at Helios Plaza, Athens, Greece, the site is situated in an archaeological area where historical artefacts are very likely to be found during initial ground works;
- arbitrary changes in enabling legislation, such as zoning and environmental laws, after site acquisition may cause serious delays or frustrate the development entirely; and
- with respect to the Company's property at Dream Island, Budapest, Hungary, some occupational tenants may enjoy enhanced occupational rights which may require the Company to make additional ex gratia payments to them in order to obtain vacant possession before the contractual expiry of such occupational tenants' lease terms.

The occurrence of one or more of these factors could adversely affect the Group's business, financial condition and results of operations.

The Group may be subject to increases in operating and other expenses

The Group's operating and other expenses could increase without a corresponding increase in turnover. Factors which could increase operating and other expenses include:

- increases in the rate of inflation and currency fluctuation;
- increases in real estate, commercial, corporate and turnover taxes and other statutory charges;
- changes in laws, regulations or government policies (including those relating to health, safety and environmental compliance) that increase the costs of compliance with such laws, regulations or policies;
- increases in insurance premiums;
- unforeseen increases in the costs of developing and selling shopping and entertainment centres and other developments;
- defects and findings affecting the developments that need to be rectified such as soil contamination and archaeological findings;
- failure to perform by subcontractors or increases in operating costs;
- a shortage of suitably qualified and experienced building contractors in the local market, resulting in higher construction costs which may not be offset by rentals in a weaker retail market; and
- disputes with building contractors or other third parties.

Such increases could have a material adverse effect on the Company's financial position and its ability to make distributions to its Shareholders.

Recent projects

The Company has recently added to its portfolio the Casa Radio project in Romania. The nature of the development and exploitation rights granted to the joint venture company in relation to the Casa Radio site in Bucharest are for a period of only 49 years, and in the event

that this term is not extended, the rights in relation to the site would revert to the Government of Romania. Furthermore, these rights are subject to termination under certain circumstances by the Romanian government, and any termination prior to the expiration of such rights could have a material adverse effect on the Company.

Risk relating to the Group's business

The Group may be subject to risk relating to its co-investments

Some of the Group's projects (at the date of this document, Riga Plaza, the Dream Island development and the Casa Radio development and three projects in India) are held through joint venture arrangements with third parties meaning that ownership and control of such assets is shared with third parties. In addition, it is currently prohibited for foreign companies to directly acquire control real estate in India. As a result, these arrangements involve risks that are not present with projects in which the Group owns a controlling interest, including:

- the possibility that the Group's joint venture partner might at any time have economic or other business interests that are inconsistent with the Group's business interests;
- the possibility that the Group's joint venture partner may be in a position to take action contrary to the Group's instructions or requests, or contrary to the Group's policies or objectives, or frustrate the execution of acts which the Group believes to be in the best interests of any particular project;
- the possibility that the Group's joint venture partner may have different objectives from the Group, including with respect to the appropriate timing and pricing of any sale or refinancing of a development and whether to enter into agreements with potential contractors, tenants or purchasers;
- the possibility that the Group's joint venture partner might become bankrupt or insolvent; and
- the possibility that the Group may be required to provide finance to make up any shortfall due to the Group's joint venture partner failing to provide such equity finance or to furnish collaterals to the financing banks.

Disputes or disagreements with any of the Group's joint venture partners could result in significant delays and increased costs associated with the development of the Group's properties. Even when the Group 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 joint venture partner or other third party approval. If the Group is unable to reach or maintain agreement with the joint venture partner or other third party on the matters relating to the operation of its business, its financial condition and the results of its operations may be materially adversely affected.

The Group may take on additional costs and liabilities associated with existing lease obligations

The Group may in future acquire development sites or existing shopping and entertainment centres that have existing tenants. In so doing, the Group may acquire lease liabilities and obligations in connection with such acquisitions. As a consequence, the Group's earnings may be adversely affected to the extent that the Group is obliged to give continued occupation to tenants with lease payments below the then market rate for the refurbished or redeveloped centre. In addition, the Group may incur costs in obtaining vacant possession of a site where there are existing tenants who have protected occupation rights, and the Group is required to pay compensation to evict such tenants. The Group may also be obliged to relocate existing tenants, which could delay the development of the site and add to the cost of development. The logistics and commercial centre on the Prague III site has current occupational tenants who will need to vacate the centre before it can be redeveloped by the Group. This may delay

the redevelopment of the site and add to the cost of the project. It is also unclear in respect of some of the leases the extent of the demise, which may result in the invalidity of the lease. In addition, part of the Prague III site is held by the Group on a short lease from the Municipality. Before developing the Prague III site, the Group will need to negotiate with the Municipality to obtain a longer-term interest in that part of the site. There is also a risk that the Municipality could terminate the lease on three months' notice and require the Group to remove the current logistics and commercial centre (which is built partly on the land leased from the Municipality).

The Group is dependent on attracting third parties to enter into lease agreements

The Group is dependent on its ability to attract third parties to enter into new leases on favourable terms in order to receive a profitable price for each shopping and entertainment centre or other development. The Group may find it more difficult to attract third parties to enter into leases during periods when market rents are increasing or when general consumer activity is decreasing, or if there is competition for tenants from competing centres. For example, one of the shopping and entertainment centres developed and formerly owned by the Group, Savaria Plaza, had vacancy levels up to 40% due to significant competition. In respect of shopping and entertainment centres the Group seeks agreements in principle with anchor tenants (such as the operators of cinemas, supermarkets, department stores and electrical appliance stores), either generally or on a property-by-property basis, prior to entering into a formal lease. The termination of a lease or an agreement for lease by any anchor tenant may adversely affect a shopping and entertainment centre and the price obtainable for it. The failure of an anchor tenant to abide by these agreements may cause delays, or result in a decline in rental income (temporary or long term), the effect of which the Group may not be able to offset due to difficulties in finding a suitable replacement anchor tenant. Furthermore, the tenants or operators of units comprising part of a development may be unable to obtain the necessary governmental permits or licences which are necessary for the operation of their respective businesses (for example, the inability of the operator of the proposed casino to be constructed as part of the Dream Island development to obtain a gaming licence either due to over-allotment or due to its failure to qualify or comply with the applicable legal requirements, or the inability of the hypermarket operator at Arena Plaza to obtain the requisite sanitary and hygiene permits). Where such operations are delayed or not permitted due to lack of necessary permits, a negative impact on the attractiveness of the project and on revenues may result.

The Group may not be able to secure suitable locations for development

The choice of suitable locations for the construction of shopping and entertainment centres or other developments is an important factor in the success of individual projects. Ideally for shopping and entertainment centres, these sites should be located: (i) within or near to the city centre, with well-developed transportation infrastructures (road and rail) in close proximity to facilitate customer access; or (ii) within local areas with sufficient population to support the centre. If the Group is not able to find sites in the target cities which meet these criteria, either at all or at viable prices, this may materially adversely affect the Group's business and results of operations.

If the Group finds and acquires a location that is suitable for the development of a shopping and entertainment centre, the suitability of that location may be adversely affected by external factors such as a competing shopping centre opening within the same catchment area. In the event that the suitability of a location is adversely affected, the development of a shopping and entertainment centre by the Group may be delayed or abandoned. In such circumstances, there is no guarantee that the Group will be able to use the site for an alternative development or be able sell the site.

The Group may not be as successful in identifying suitable development sites outside of its traditional areas of operation

Historically, most of the properties developed by the Group have been in Budapest and other locations in Hungary. The Group is not actively investigating any further development opportunities for shopping and entertainment centres in Hungary beyond those currently under development that satisfy the Company's investment criteria as it believes that more attractive development opportunities exist in other countries. Therefore, the Company's future success will depend in large part on its ability to identify locations and develop centres in these other countries where the Group may have less experience and less market knowledge than in Hungary. As a result, the Company may not be as successful in the identification and development of future projects as it has been to date in Hungary.

The Group may face competition in acquiring sites

In each country the Group will face competition from other property developers for sites that the Group has identified for the development of projects, including shopping and entertainment centres. In particular, when seeking to acquire development sites for shopping and entertainment centres in CEE in the past the Group has faced competition from Globe Trade Centre SA, ECE Projektmanagement GmbH and TriGranit Holding Limited. Furthermore, strong competition from other developers not only affects the availability of suitable sites but also the cost at which they may be acquired.

Zoning restrictions and local opposition can delay or preclude construction

Sites that meet the Group's criteria must be zoned for commercial activities of the type contained in shopping and entertainment centres and other developments. In instances where the existing zoning is not suitable or in which the zoning has yet to be determined, the Group will apply for the required zoning classifications. This procedure may be protracted, particularly in countries where the bureaucracy is cumbersome and inefficient, and the Group cannot be certain that the process of obtaining proper zoning will be completed with sufficient speed to enable the shopping and entertainment centre to open ahead of the competition, or at all. Opposition by local residents to zoning and/or building permit applications may also cause considerable delays. In addition, arbitrary changes to applicable zoning may jeopardise projects which have already commenced, such as the Ministerial Decision which has revoked the permission to build a shopping and entertainment centre on the Group's site in Athens, Greece. Therefore, if the Group does not receive zoning approvals or if the procedures for the receipt of such zoning approvals are delayed, the Group's costs will increase, which will have an adverse effect on the Group's business.

Building permits have in the past contained, and may in the future contain, conditions that the Group must satisfy in order to develop a shopping and entertainment centre. Such conditions may require the Group to contribute to local infrastructure or alter a planned development to include additional landscaping or planted areas. If the Group is obliged to maintain certain areas of the project site as "green areas" this may reduce lettable areas, which in turn may reduce potential rental revenues on the one hand and increase development costs on the other.

- With respect to the Company's property at Helios Plaza, Athens, Greece, the zoning permission under which the Company was to redevelop the property as a shopping and entertainment centre was reversed. At present, the Company does not have the benefit of a current zoning permission permitting its development as a shopping and entertainment centre. The Company is currently considering various options for this property.
- With respect to the Company's property at Arena Plaza, Budapest, Hungary, the zoning permission permitting the construction of the centre will no longer be effective if the centre is not completed and an occupancy permit applied for by 15 August 2007. If the occupancy permit is not obtained, the centre will not be able to open.

- With respect to the proposed extension to the Company's property at Arena Plaza, Budapest, Hungary, the current zoning does not allow sufficient retail or residential elements to enable the Company to construct the scheme which it currently proposes.
- With respect to the Company's property at Riga Plaza, Riga, Latvia, the Group's development at this site may be limited due to the location of the site in the historic centre of Riga. Such limitations may prevent the Company from developing the site as currently envisaged or cause delays to the project.

The Group depends on contractors and subcontractors to construct its centres

The Group relies on subcontractors for all of its construction and development activities. If the Group cannot enter into subcontracting arrangements on terms acceptable to it or at all, the Group will incur additional costs which will have an adverse effect on its business. The competition for the services of quality contractors and subcontractors may cause delays in construction, thus exposing the Group to a loss of its competitive advantage. Subcontracting arrangements may be on less favourable terms than would otherwise be available, which may result in increased development and construction costs. By relying on subcontractors, the Group becomes subject to a number of risks relating to these entities, such as quality of performance, varied work ethics, performance delays, construction defects and the financial stability of the subcontractors. A shortage of workers would have a detrimental effect on the Group and its subcontractors and, as a result, on the Group's ability to conclude the construction phase on time and within budget. The Group generally requires its subcontractors to provide bank guarantees in its favour to financially secure their performance. In the event the subcontractor fails to perform, the bank guarantees provide for a monetary payment to the Group. The guarantees do not, however, oblige the subcontractors to complete the project and may not adequately cover the Group's costs of completing the project or the Group's lost profits during the period while alternative means of completing the project are sought.

Delays in the completion of construction projects could affect the Group's success

An important element in the success of the Group's shopping and entertainment centre projects is the short construction time (generally 8 to 18 months from the receipt of building permits, depending on the size of the project), and the Group's ability to open the centres ahead of its competition, particularly in cities which do not have shopping and entertainment centres of the type constructed by the Group.

This makes the Group subject to a number of risks relating to these activities. Such risks include:

- delays in obtaining zoning and other approvals;
- the unavailability of materials and labour;
- the abilities of subcontractors to complete work competently and on schedule;
- the surface and subsurface condition of the land underlying the project;
- environmental uncertainties;
- extraordinary circumstances or "acts of God"; and
- ordinary risks of construction that may hinder and/or delay the successful completion of a particular project.

In addition, under the Group's development contracts with local municipalities, the Group has deadlines for most of its projects (subject to limited exceptions). If construction of a project does not proceed in accordance with the Group's schedule, it may in some instances be required to pay penalties to the vendor (usually local municipalities) based on the extent of the delay and in isolated instances to forfeit rights in the land. The failure to complete a

particular project on schedule or on budget may have a material adverse effect on the Group's business, prospects, results of operations or financial condition.

The Group may be held liable for design or construction defects of third party contractors

The Group relies on the quality and timely performance of construction activities by third party contractors. Claims may be asserted against the Group by local government and zoning authorities or by third parties for personal injury and design or construction defects. These claims may not be covered by the professional liability insurance of the contractors or of the architects and consultants. These claims may give rise to significant liabilities.

The Group may be affected by shortages in raw materials and employees

The building industry may from time to time experience fluctuating prices and shortages in the supply of raw materials as well as shortages of labour and other materials. The inability to obtain sufficient amounts of raw materials and to retain efficient employees on terms acceptable to the Group may result in delay in the construction of the project and increase the budget of the project and, consequently, may have a material adverse effect on the results of the Group's operations.

The Group's results of operations may be affected by retail climates and tenant bankruptcies

Bankruptcy filings by retailers are normal in the course of the Group's operations. The Group continually re-leases vacant spaces arising out of tenant terminations. Pressures that affect consumer confidence, job growth, energy costs and income gains can affect retail sales growth, and a continuing soft economic cycle may impact the Group's ability to find new tenants for property vacancies that result from store closings or bankruptcies.

The Group is dependent on the presence of anchor tenants

The Group relies on the presence of "anchor" tenants in its entertainment and commercial centres. Anchor stores in entertainment and commercial centres play an important part in generating customer traffic and making a centre a desirable location for other tenants. The failure of an anchor store to renew its lease, the termination of an anchor store's lease, or the bankruptcy or economic decline of an anchor tenant can have a material adverse effect on the economic performance of the centres. There can be no assurance that if the anchor stores were to close or fail to renew their leases, the Group would be able to replace such anchor tenants in a timely manner or that it could do so without incurring material additional costs and adverse economic effects. The expiration of an anchor lease at an entertainment and commercial centre may make the refinancing of such a centre difficult. Furthermore, the deterioration of the Company's relationships with any of its anchor tenants may negatively impact on the Company's ability to secure anchor tenants for its future projects.

The Group may be unable to meet the conditions in the framework agreements with Klépierre and aAIM

Whilst the Group has agreed to sell one shopping and entertainment centre currently under development upon completion to Klépierre (i.e. Plzen Plaza), such sale is subject to certain conditions. If the Group fails to meet the conditions, Klépierre will not be obliged to acquire the centre. The Group has also forward sold the Arena Plaza to aAIM, subject to certain conditions. There can be no guarantee that the Group will meet the conditions and factors outside of its control may affect its ability to do so, in which case the Group will need to procure different buyers for these centres, and no assurance can be given that the Company will be successful in procuring such buyers or be able to sell the centres on equally favourable terms. Furthermore, whilst the Group believes that pre-selling shopping and entertainment centres reduces risk for the Group, the Group might have been able to obtain a higher price for a shopping and entertainment centre if it had not been sold until it was completed and fully let.

The Group's business is impacted by general economic conditions in the regions where it operates

If an economic recession occurs, the demand and rents for shopping and entertainment centres may decline and adversely affect the Group's financial condition, results and prospects. Furthermore, economic recession may detrimentally affect the ability of the Group (where it has retained a development) to collect rent from tenants, which could negatively impact cash flow and debt service reserve covenants under its financing facilities.

The Group's financial performance is dependent on local real estate prices and rental levels

The success of an investment in the Ordinary Shares is dependent, in part, on real estate prices and rental levels in the countries in which the Company operates remaining stable or rising at corresponding levels. There is no guarantee that this will be the case. There is also no guarantee that the Group will be able to sell or let the centres and other developments that it develops at profitable prices. The Group's financial performance depends, amongst other things, on the economic situation in the markets in which it operates. There can be no guarantee that the real estate markets in these countries will continue to develop, or develop at the rate anticipated by the Group, or that the market trends anticipated by the Group will materialise.

Real estate valuation is inherently subjective and uncertain

The valuation of real estate and real estate related assets is inherently subjective. As a result, valuations are subject to uncertainty. Moreover, all real estate valuations, including the King Sturge valuation report in Part VIII of this Document, are made on the basis of assumptions which may not prove to reflect the accurate fair market value of the portfolio. In particular, the valuation report assumes that all necessary planning and other consents in relation to the Group's development assets have been obtained. There is a risk that not all such consents will be obtained in the timeframe anticipated by the Group, if at all. A failure to obtain, or a delay in obtaining, such consents is likely to have a negative impact on the value of the relevant asset. In addition, the value of development assets contained in the valuation report are affected by the estimated cost of developing such assets. The estimated costs of development have been derived from King Sturge's market knowledge and information provided by the Group, which King Sturge has relied on as accurate. Changes in the actual costs of development compared to the costs assumed in the valuation report may have a significant impact on the value of the relevant asset. Accordingly, there is no assurance that the valuations of the Group's sites will reflect actual sale prices even where any such sales occur shortly after the relevant valuation date. Also, while the level of pre-letting is assured, this level may not be achieved in practice.

Real estate developments are relatively illiquid

Projects such as those that the Group develops are relatively illiquid. Such illiquidity may affect the Group's ability to dispose of or liquidate part of its projects in a timely fashion and at satisfactory prices in response to changes in the economic environment, the real estate market or other conditions. This could have an adverse effect on the Group's financial condition and results, with a consequential adverse effect on the market value of the Ordinary Shares or on the Company's ability to make distributions to its Shareholders.

The Group may incur environmental liabilities

The Group may be liable for the costs of removal, investigation or remediation of hazardous or toxic substances located on or in a site owned or leased by it, regardless of whether a member of the Group was responsible for the presence of such hazardous or toxic substances. The costs of any required removal, investigation or remediation of such substances may be substantial and/or may result in significant budget overruns and critical delays in construction schedules. The presence of such substances, or the failure to remediate such substances

properly, may also adversely affect the Group's ability to sell or lease the development or to borrow using the real estate as security. Additionally, any future sale of the development will be generally subject to indemnities to be provided by the Group to the purchaser against such environmental liabilities. Accordingly, the Group may continue to face potential environmental liabilities with respect to a particular property even after such property has been sold. Laws and regulations, as may be amended over time, may also impose liability for the release of certain materials into the air or water from a property, including asbestos, and such release can form the basis for liability to third persons for personal injury or other damages. Other laws and regulations can limit the development of, and impose liability for, the disturbance of wetlands or the habitats of threatened or endangered species. Any environmental issue may significantly increase the cost of a development and/or cause delays, which could have a material adverse effect on the profitability of that development and the results of operations of the Group.

There is an increasing awareness of environmental issues in Central and Eastern Europe. This may be of critical importance in areas previously occupied by the Soviet Army, where soil pollution may be prevalent. The Group generally insists upon receiving an environmental report as a condition for purchase, or alternatively, conducts environmental tests during its due diligence investigations. Also, some countries such as Poland and the Czech Republic require that a developer carries out an environmental report on the land before building permit applications are considered. Nevertheless, the Group cannot be certain that all sites acquired will be free of environmental pollution. If a property that the Group acquires turns out to be polluted, such a finding will adversely affect the Group's ability to construct, develop and operate a shopping and entertainment centre on such property, and may cause the Group to suffer expenses incurred in cleaning up the polluted site which may be significant.

With respect to the Company's property at Dream Island, Budapest, Hungary, the historical use of the property as a shipyard has caused some contamination issues. In addition, part of the former shipyard is on a flood plain.

When developing shopping and entertainment centres in Poland in the past, the Group's Polish subsidiaries may have collected hazardous waste without the requisite licence/permit or may have failed to agree with a third party with the requisite licence/permit to collect such waste. As a result, the Group may incur penalties for such breaches.

The Group may suffer material losses in excess of insurance proceeds in operating a shopping and entertainment centre

The Group's properties could, in the event the Group operates a shopping and entertainment centre after practical completion of the development, suffer physical damage caused by fire or other causes, resulting in losses which may not be fully compensated by insurance. In addition, there are certain types of losses, generally of a catastrophic nature, such as earthquakes, floods, terrorism or acts of war, that may be uninsurable or are not economically insurable. Inflation, changes in building codes and ordinances, environmental considerations and other factors, including terrorism or acts of war, also might result in insurance proceeds being insufficient to repair or replace a property if it is damaged or destroyed. Under such circumstances, the insurance proceeds may be inadequate to restore the Group's economic position with respect to the affected developments. Should an uninsured loss or a loss in excess of insured limits occur, the Group could lose capital invested in the affected developments as well as anticipated profits from that shopping and entertainment centre. In addition, the Group could be liable to repair damage caused by uninsured risks. The Group would also remain liable for any debt or other financial obligation related to that centre. No assurance can be given that material losses in excess of insurance proceeds will not occur in the future.

Risks relating to the Group's structure

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

Because the Company conducts its business through its subsidiaries, its ability to pay dividends to Shareholders depends on the earnings and cash flow of its subsidiaries and their ability to pay the Company dividends and to advance funds to it. Other contractual and legal restrictions applicable to the Company's subsidiaries could also limit its ability to obtain cash from them. The Company's right to participate in any distribution of its subsidiaries' assets upon their liquidation, reorganisation or insolvency would generally be subject to prior claims of the subsidiaries' creditors, including lenders and trade creditors.

The Company's assets could be deemed to be "plan assets" that are subject to the requirements of ERISA or Section 4975 of the United States Internal Revenue Code

If 25% or more of the Ordinary Shares (calculated in accordance with the United States Employee Retirement Income Security Act of 1974, as amended ("ERISA")) or any other class of equity interest in the Company's business are owned, directly or indirectly, by pension plans or other benefit plan investors (meaning employee benefit plans subject to ERISA's fiduciary rules, plans subject to Section 4975 of the United States Internal Revenue Code (the "Code") and entities whose underlying assets are deemed to include assets of any such plans), the Company's assets could be deemed to be "plan assets" subject to the constraints of ERISA or Section 4975 of the Code. Accordingly, no Benefit Plan Investor that is subject to Title I of ERISA or Section 4975 of the Code will be permitted to acquire Ordinary Shares. Because it is difficult to monitor the Ordinary Shares, there can be no assurance the Ordinary Shares would not be acquired by Benefit Plan Investors subject to Title I of ERISA or Section 4975 of the Code and therefore the Company's assets may be deemed to be "plan assets" that are subject to ERISA or Section 4975 of the Code. Any Benefit Plan Investor that is subject to Title I of ERISA or Section 4975 of the Code that acquires Ordinary Shares will be subject to the compulsory transfer provisions contained in the Articles.

Changes in tax laws or their interpretation could affect the Company's financial condition or prospects and the cash flows available to the Company

Relief from taxation available to the 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 Group could be relevant. 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 Company 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 is that currently available, or potentially available, and its value depends on the individual circumstances of Shareholders. The tax positions taken by the 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 shopping and entertainment centres or in which its centres are managed, income attributable to or effectively connected with such permanent establishment or trade or business may be subject to tax.

Elbit Medical Imaging Ltd. controls a significant shareholding of the Company and its interests may conflict with the interests of other Shareholders

The Controlling Shareholder indirectly holds approximately 68% of the Company's Ordinary Shares. Through its holdings, the Controlling Shareholder will continue to be able to exert

significant influence over, or in some cases block, certain matters that must be decided by a vote of the general meeting of Shareholders, including the election of directors. To the extent that the interests of the Controlling Shareholder may differ from the interests of other Shareholders, such other Shareholders may be disadvantaged by any actions that the Controlling Shareholder may seek to pursue. For further information, see "Controlling Shareholder" and "Related Party Transactions".

Non-corporate U.S. holders may not be entitled to reduced U.S. federal income tax rates on dividends they receive

For taxable years beginning on or before 31 December 2010, dividends paid to non-corporate U.S. Holders with respect to shares of certain non-U.S. corporations may be subject to reduced U.S. federal income tax rates not exceeding 15% if certain conditions are met. Because the Ordinary Shares will not be readily tradable on an established securities market in the United States and, it is unlikely that the Company will be entitled to the benefits of the income tax treaty between The Netherlands and the United States, distributions made with respect to the Ordinary Shares that are paid out of the Company's current or accumulated earnings and profits, as determined under United States federal income tax principles, will likely not be entitled to the reduced rates. See "Annex A – United States Federal Income Tax Considerations – Distributions paid on the Ordinary Shares".

Financing risks

The Group will borrow to fund its future growth and expects to have a relatively high level of gearing

The Group intends to use debt financing for its developments and acquisitions. The Group anticipates total future debt gearing of up to approximately 80% to 85% of the aggregate value of each asset. It is not certain that borrowing facilities will be able to be secured at levels or on terms acceptable to the Company, or on a non-recourse basis. Any amounts that are secured under a bank facility are likely to rank ahead of Shareholders' entitlements and equity participations are always subordinated. Shareholders may not recover their initial investment. Should any fall in the underlying asset value or revenues result in the Company or another member of the Group breaching financial covenants given to any lender, the Company or that member of the Group may be required to repay such borrowings in whole or in part (on full recourse loans), together with any related costs, or sell the relevant development on unfavourable terms to fund such repayment. Additionally, where an unanticipated and significant increase in construction costs occurs, the Group may be required to inject further equity capital so as to ensure the completion of the project in terms of cost overrun guarantees which are generally given under non-recourse loans.

The Group is subject to interest rate risk

To the extent that the Group incurs floating rate indebtedness, changes in interest rates may increase its cost of borrowing, impacting on its profitability and having an adverse effect on the Company's ability to pay dividends to Shareholders. Currently the Group does not hedge against interest rate fluctuations, unless obliged to do so by the lending banks if interest rates exceed certain levels.

The Group is exposed to changes in foreign currency exchange rates

The Group is exposed to risks deriving from changes in foreign currency exchange rates as some of its purchases of construction materials and services are conducted in local currencies, or are affected by them. Its rental revenues may also be denominated in local currencies.

The Company is also exposed to foreign currency exchange risk in connection with the issuance of the unsecured non-convertible debentures that were denominated in New Israeli Shekels.

The Group seeks to minimise these risks by ensuring that its principal liabilities (financing and construction) and its principal sources of revenue (sale proceeds and rentals) are all denominated in the same currency (namely the euro), or are linked to the rate of exchange of the local currency and the euro. In order to limit the foreign currency exchange risk in connection with the debentures the Company has hedged the future payments to correlate with the Euro under certain swap arrangements. If the Company is not successful in fully hedging its interests rate exchange exposure, changes in currency exchange rates relative to the euro may adversely affect the Group's profits and cash flows. A devaluation of the local currencies in relation to the euro, or vice versa, may adversely affect the Group's profitability.

The Group has significant capital needs and additional financing may not be available

The sector in which the Group competes is capital intensive. The Group requires substantial up-front expenditures for land acquisition, development and construction costs as well as certain investments in research and development. In addition, following construction capital expenditures are necessary to maintain the centres in good condition. Accordingly, the Group requires substantial amounts of cash and construction financing from banks for its operations. The Group cannot be certain that such external financing would be available on favourable terms or 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 Group 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 Group is not successful in obtaining financing to fund its planned projects and other expenditures, its ability to undertake additional development projects may be limited and its future profits and results of operations could be materially adversely affected. The Group's inability to obtain financing may affect its ability to construct or acquire additional centres, which could have a material adverse affect on its results of operations.

The structure and specific provisions of any financing arrangements could give rise to additional risk

The use of borrowings also presents the risk that the Group may be unable to service interest payments and principal repayments or comply with other requirements of its loans, rendering borrowings immediately repayable in whole or in part, together with any attendant cost, and the Group might be forced to sell some of its assets to meet such obligations, with the risk that borrowings will not be able to be refinanced or that the terms of such refinancing may be less favourable than the existing terms of borrowing. For example, a decline in the real estate market may result in a breach of any loan to value and/or debt service cover ratios specified in the Group's banking arrangements, thereby causing an event of default with the result that the lenders could enforce their security and take possession of the underlying assets. Adverse changes to the market values of the portfolio of the Group could cause the amount of refinancing proceeds to be insufficient to fully repay its existing debt upon maturity and the Group may be unable to fund payment of such shortfall.

The Company may be required to refinance its borrowings from time to time. A number of factors (including changes in interest rates, conditions in the banking market and general economic conditions that are beyond the Company's control) may make it difficult for the Company to obtain such new finance on attractive terms or even at all. If the Company's borrowings become more expensive then the Company's profits will be adversely affected.

Risks relating to the Ordinary Shares

Investors will be exposed to market risk and the price of Ordinary Shares may be affected by liquidity and trading factors

Investors should consider carefully whether investment in the Company is suitable for them, in view of the risk factors outlined above and the information contained in this document, their personal circumstances and the financial resources available to them.

There has been no prior trading market for the Ordinary Shares on the WSE. It is possible that an active trading market on the WSE may not develop and continue following Admission. Even if an active trading market develops, the market price for the Ordinary Shares may fall below the current market price. If an active trading market on the WSE is not developed or maintained, the liquidity and trading price of the Ordinary Shares could be adversely affected.

The price at which the Ordinary Shares are listed on the WSE and the LSE and the price which investors may realise for their Ordinary Shares will be influenced by a large number of factors, some specific to the Company and its operations and some which may affect the listed real estate sector or companies listed on either the LSE or the WSE generally and which are outside the Company's control. It is possible that a general downturn on one of the markets on which the Ordinary Shares are listed will affect the price on the other market. Other factors could include the performance of the Company, large purchases or sales of the Ordinary Shares, legislative changes in the insurance and pension fund industry environment, changes in the real estate industry environment, general economic, political or regulatory conditions, revisions in securities analysts' estimates or failure to meet such estimates or changes in market sentiment towards the Ordinary Shares. Any of these events could result in a material decline in the market price of the Ordinary Shares.

Sales, or the real or perceived possibility of sales, of a significant number of shares in the public market could adversely affect prevailing market prices for the Company's Ordinary Shares

The Controlling Shareholder holds approximately 68% of the Company's Ordinary Shares. The Controlling Shareholder may sell the Ordinary Shares it owns at any time after the expiration of a six-month period from the date of the Admission. In addition, other Shareholders, including directors, officers, key employees or their affiliates, may sell Ordinary Shares, including Ordinary Shares obtained by holders of options under the Company's Share Option Scheme. The Company cannot predict the effect, if any, that market sales of the Company's Ordinary Shares, or the availability of the Ordinary Shares for future sale, will have on the market price of its Ordinary Shares, and the availability of Ordinary Shares that are eligible for public sale could adversely affect the price of the Company's Ordinary Shares.

US Shareholders may not be able to exercise pre-emptive rights for the Ordinary Shares

In the case of an increase in the issued share capital of the Company, existing Shareholders (which, in this case, does not include DI Holders) will be entitled to pre-emption rights unless waived by a resolution of the competent body of the Company. The holders of the Ordinary Shares listed on the WSE will have to transmit instructions regarding whether they want to exercise their pre-emptive rights to the Polish NDS, which will transmit such instructions to Euroclear. which in turn will instruct the Depositary accordingly. Pursuant to the Deed Poll, the Depositary must exercise these rights for the benefit of those DI Holders who request it to do so in respect of the Ordinary Shares underlying their DIs. To the extent that pre-emption rights are not waived, US Shareholders may not be able to exercise their rights in relation to their Ordinary Shares unless a registration statement under the Securities Act is effective with respect to such rights or an exemption from the registration requirements thereunder is available. The Company intends to evaluate, at the time of any potential rights offering, the costs and potential liabilities associated with any such registration statement, as well as the indirect benefits of enabling the US Shareholders to exercise the pre-emption rights attaching to their Ordinary Shares and any other factors it considers appropriate at the time; and then to make a decision as to whether to file such a registration statement. There can be no assurance that any registration statement would be filed to enable the exercise of such US Shareholders' pre-emption rights and a distribution of proceeds thereof. If US Shareholders are not able to receive, trade, or exercise pre-emption rights granted in respect of their Ordinary Shares in any rights offering by the Company, then they may not receive the economic benefit of those rights. In addition, their proportional ownership interests in the Company will be diluted.

If the Company is characterised as a passive foreign investment company for U.S. federal income tax purposes, U.S. holders of Ordinary Shares may suffer adverse tax consequences

Generally, if for any taxable year, after applying certain look-through rules, 75% or more of the Company's gross income is passive income, or at least 50% of its assets are held for the production of, or produce, passive income, the Company will be characterised as a passive foreign investment company ("PFIC"), for U.S. federal income tax purposes. A determination that the Company is a PFIC could cause its U.S. Shareholders to suffer adverse tax consequences, including having gains realised on the sale of the Ordinary Shares taxed at ordinary income rates, rather than capital gains rates, and could have an adverse effect on the price and marketability of the Ordinary Shares. See discussion at "Annex A – United States Federal Income Tax Considerations – Passive Foreign Investment Company considerations".

Risks relating to listing on the Warsaw Stock Exchange

The Company may be unable to list its Ordinary Shares on the WSE

The admission of the Ordinary Shares to trading on the WSE requires that the Polish Financial Supervisory Commission (the "PFSC") receive a certificate from the AFM confirming that this Prospectus has been approved in the Netherlands, that the Polish National Depositary for Securities (the "NDS") register the Ordinary Shares and that the management board of the WSE approves that the Ordinary Shares are listed and traded on the WSE. The Company intends to take all the necessary steps to ensure that the Ordinary 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 Ordinary Shares will be admitted to trading on the WSE on the date expected or at all.

Trading in the Ordinary 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 Company or of the PFSC in the case of the latter if (i) investors' interests, or (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 Ordinary Shares will not be suspended. However, currently the Company has no reasons to believe that such a suspension may occur. Any suspension of trading would adversely affect the Company's share price.

The Ordinary 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 company's securities can be excluded from trading on the WSE. This 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 PFSC's request 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 Ordinary Shares.

If a company listed on the WSE fails to fulfil certain requirements under applicable laws, in particular, the requirements referred to in Art. 96 of the Act on 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. There can be no assurance that such a situation will not occur in relation to the Ordinary Shares, however, currently there is no reason to believe that such a situation will occur in the future.

The marketability of the Ordinary Shares may decline and the market price of the Ordinary Shares may fluctuate and decline below the current market price

The Company cannot assure that the marketability of the Ordinary Shares will improve or remain consistent. The market price of the Ordinary Shares at the time of the Admission may not be indicative of the market price for the Ordinary Shares thereafter. The market price of the Ordinary Shares may fluctuate widely, depending on many factors beyond the Company's control. These factors include, amongst other things, actual or anticipated variations in operating results and earnings by the Company 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 Ordinary Shares is also subject to fluctuations in response to further issuance of shares by the Company, sales of Ordinary Shares by the Company's major shareholders as well as directors, officers or key employees of their respective affiliates, including issuances and sales in connection with the Company's Share Option Scheme, the liquidity of trading in the Ordinary Shares and capital reduction or purchases of Ordinary Shares by the Company as well as investor perception. As a result of these or other factors, the Company cannot assure that the public trading market price of the Ordinary Shares will not decline below the current market price.

The Ordinary Shares have not been listed on the WSE and therefore no assurance can be given regarding the future development of such market. If a market for the Ordinary Shares develops on the WSE, the Ordinary Shares could trade on prices that may be higher or lower than the current market price, depending on many factors. Therefore, there can be no assurance as to the liquidity of any trading in the Ordinary Shares or that an active market for the Ordinary Shares on the WSE will develop.

The Price of Ordinary Shares on the WSE may fluctuate due to changes of foreign currency exchange rates

On the LSE the Ordinary Shares are traded in GBP, but on the WSE the Ordinary Shares will be traded in PLN. Therefore, the price of Ordinary Shares on the WSE may be subject to fluctuations resulting from the changes in the GBP/PLN exchange rate.

Risks relating to the Depositary Interests

DI Holders must rely on the Depositary to exercise their rights

DI Holders do not have the rights attaching to the underlying shares and must rely on the Depositary or any custodian to either exercise those rights for their benefit or authorise them to exercise those rights for their own benefit.

DI Holders do not have the rights which Dutch law and the Articles confer on Shareholders of the Company, such as voting rights. In respect of the shares underlying the DIs those rights vest in the Depositary or any custodian. Consequently, if the DI Holders want to exercise any of those rights they must rely on the Depositary or any custodian to either exercise those rights for their benefit or authorise them to exercise those rights for their own benefit. Pursuant to the Deed Poll pursuant to which the DIs are created, the Depositary and any custodian must pass on to, and so far as it is reasonably able, exercise on behalf of the relevant DI Holders all rights and entitlements which it receives or is entitled to in respect of the underlying shares and which are capable of being passed on or exercised. However, there can be no assurance that all such rights and entitlements will at all times be duly and timely passed on or exercised.

Risks relating to the Exercise of Rights by Holders of Shares Listed on the Warsaw Stock Exchange

Differences in availability of public information and reporting and rights of shareholders

The disclosure requirements applicable to Dutch public companies with shares listed on the LSE differ in certain respects from those applicable to public companies in other countries, including Poland. As a result, such public companies, including the Company, may disclose less information or at different dates than public companies in certain other countries, including Poland. In particular, the Company is not required to publish quarterly results.

The rights of holders of the Ordinary Shares are governed by Dutch law and the Company's organization documents. These rights differ in certain respects from the rights of shareholders in corporations organized under the laws of Poland. Moreover, to exercise certain of their shareholder rights, the Shareholders will have to comply with certain requirements of Dutch, English or Polish law. Therefore, there can be no assurance that shareholders intending to exercise their corporate rights, including voting rights and pre-emptive rights, will be able to do so in a timely manner, if at all, and without incurring additional costs. Please see paragraph 5 of Part IX - "*Additional Information -- Memorandum and Articles of association*" for further information.

Holders of the Ordinary Shares listed on the WSE must rely on the Polish NDS, Euroclear and the Depositary to exercise their rights

The Holders of the Ordinary Shares listed on the WSE will have to rely on the Polish NDS, Euroclear and the Depositary to either exercise those rights for their benefit or authorise them to exercise those rights for their own benefit.

If the Holders of the Ordinary Shares listed on the WSE want to exercise any of the rights attaching to such Ordinary Shares they must rely on the Polish NDS to transmit their instructions to Euroclear, which will in turn pass on instruction so the Depositary or any custodian to either exercise those rights for their benefit or authorise them to exercise those rights for their own benefit. Likewise, the Depositary will pass on entitlements to such Holders through Euroclear and the Polish NDS. There can be no assurance that all such rights and entitlements will at all times be duly and timely passed on or exercised.

Geographical risks

The Group is subject to various risks related to its operations in CEE, including economic and political instability, political and criminal corruption and the lack of experience and unpredictability of the civil justice system

Many of the CEE countries in which the Group operates or intends to operate are countries that until the last two decades were allied with the former Soviet Union under a communist economic system, and they are still subject to various risks, which may include 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. These risks could be harmful to the Group and are very difficult to quantify or predict. Although many governments of CEE countries have liberalised policies on international trade, foreign ownership and development, investment, and currency repatriation to increase both international trade and investment, such policies might change unexpectedly. The Group will be affected by the rules and regulations regarding foreign ownership of real and personal property. Such rules may change quickly and dramatically and thus may have an adverse impact on ownership and may result in a loss of its property or assets without legal recourse. Domestic and international laws and regulations, whether existing today or in the future, could adversely affect the Group's ability to market and sell the shopping and entertainment centres developed by it and could impair its profitability.

With respect to the Group's operations in Romania, any foreign company or litigant may encounter difficulties in prevailing in any dispute with, or enforcing any judgment against, the Romanian government or any of officers or directors under the Romanian legal system. The joint venture in relation to the Casa Radio site in Bucharest is governed by the public-private partnership laws of Romania pursuant to which no projects have yet been implemented in Romania. There is a risk that the legal structure of this partnership may be challenged in the future and that the development and exploitation rights to be granted by the Government of Romania to the joint venture company are more restrictive than currently anticipated, leading to the Group being unable to obtain the development profits it has predicted for the project. Furthermore, third parties could challenge the Romanian government's decision, following the failure of the original partners to fulfil their obligations under the 2003 contract award, neither to put the contract out to tender nor to carry out a new site valuation. A successful challenge on either count could result in the Company having to enter a new tender process, with associated costs and uncertainties.

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 Group's ability to repatriate investment loans or to remit dividends. Many emerging 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.

Directors, officers and employees of the Group who are Israeli citizens are obligated to perform annual military reserve duty in Israel

Directors, officers and employees of the Group who are male adult citizens and permanent residents of Israel under the age of 40 are, unless exempt, obliged to perform annual military reserve duty and are subject to being called to active duty at any time under emergency circumstances. The volatile security situation in the Middle East may cause a sharp increase in the army reserve obligations of such directors, officers and employees. Although the Group has operated effectively under these requirements in the past, it cannot assess the full impact of these requirements on its workforce or business if conditions should change, and it cannot predict the effect of any increase or reduction of these requirements.

Expropriation of land (general)

While the Group makes every effort to conduct thorough and reliable due diligence investigations, in some countries where former communist regimes carried out extensive land expropriations in the past, the Group may be faced with restitution claims by former land owners in respect of project sites acquired by it. If upheld, these claims would jeopardise the integrity of its title to the land and its ability to develop the land.

In relation to the Casa Radio site in Bucharest, although the statutory time limits for restitution claims has elapsed, the Company has not received official notification from the authorities as to whether any restitution claims were lodged within time. Furthermore, should a third party claiming to have ownership rights to the site subsequently bring an action for restitution, the Romanian courts have the discretion to allow such time-barred actions to proceed, which may cause the development to be delayed and the costs associated with the project to increase.

Expropriation of land (historical monuments) and protected buildings

With respect to part of the Company's property at Dream Island, Budapest, Hungary, there is a risk that the Hungarian State may expropriate Hadrian's Palace, a historical monument. Whilst Hadrian's Palace and the surrounding land is currently in the private ownership of the Company, with an option granted to the Hungarian State to purchase it during a five-year

option period, this is a technical breach of cultural legislation which requires all historical monuments to be owned by the Hungarian State. If the Hungarian State decides to expropriate Hadrian's Palace, there is no guarantee that the compensation which the Company would receive would equal the option price payable for such land under the terms of the option agreement.

In addition, there are ten properties surrounding Hadrian's Palace that are subject to special rules restricting their development and appearance on account of their proximity to a cultural monument. Such restrictions may delay the proposed scheme or require it to be substantially amended.

Two of the existing buildings on the Suwałki Plaza site in Poland are under the protection of the conservator of monumental buildings (*Konswerwator Zabytków*). As the buildings are recorded in the register of public monuments (*Rejestr Zabytków*) all works to such buildings will need to be agreed and accepted by the public monument conservator. There can be no guarantee that the public monument conservator will agree to any works to these buildings, or that such works will be favourable to the development of a shopping and entertainment centre. Agreeing in advance any works with the public monument conservator may cause considerable delay to this project.

Acquiring sites in India and other countries in Asia

Whilst the Directors believe that the skills and experiences acquired through sourcing sites, and developing and selling shopping and entertainment centres in emerging markets in CEE can be applied successfully to projects in India and other countries in Asia, this cannot be guaranteed. The differences between emerging markets in CEE and emerging markets in India and other countries in Asia, such as differing legal structures, requirements and business cultures and restrictions on foreign ownership and control of real estate projects, may mean that the success of the Group in developing and selling shopping and entertainment centres in CEE may not be replicated in India and Asia.

Hostilities in India and other countries in Asia

India has from time to time experienced instances of hostilities with neighbouring countries, including Pakistan and China. Military activity or terrorist attacks in the future could influence the Indian economy by disrupting communications and making travel more difficult and such political tensions could create a greater perception that companies operating in India are usually involved in higher degrees of risk. Events of this nature in the future, as well as social and civil unrest within other countries in Asia, could influence the Indian economy and could have a material adverse effect on the Company's financial condition and results of operations. In addition, India has from time to time experienced social and civil unrest due to religious strife.

Changes in the policies of the Government of India or political instability

Since 1991, successive Indian governments have pursued policies of economic liberalisation, including significantly relaxing restrictions on the private sector and significantly reducing the roles of the state governments in the Indian economy as producers, consumers and regulators. The current Government of India, formed in May 2004, has announced policies and taken initiatives that support the continued economic liberalisation pursued by previous governments. However, this trend of liberalisation may not continue in the future. The rate of economic liberalisation could change, and specific laws and policies affecting the civil infrastructure industry, foreign investment, currency exchange and other matters affecting investment in the Company's securities could change as well. A significant change in India's economic liberalisation and deregulation policies could adversely affect business and economic conditions in India generally, as well as the Company's business.

The current Indian government is a coalition of several parties. The withdrawal of one or more of these parties from the coalition could result in political instability. Any such

instability could delay the progress of the Indian economy and could have a material adverse effect on the Group.

Reliance on EMI

Whilst the Directors believe that taking advantage of EMI's local knowledge and experience to source sites in India will be the most expeditious and cost-efficient way of acquiring suitable sites in India, this cannot be guaranteed. Currently, the Group's management capacity in India is limited and therefore the Group to a significant extent relies on EMI to source sites on its behalf. If EMI is unable to source suitable sites on behalf of the Group, the Group will not be able to extend its areas of operations as currently intended. The failure of the Group to extend its areas of operation may have a material adverse effect on the financial condition of the Group and its results.

PART III - Information on the Group

1. Overview, competitive strengths and development strategy

Background

The Group is a leading emerging markets developer of shopping and entertainment centres, focusing on constructing new centres and, where there is significant redevelopment potential, redeveloping existing centres, in both capital cities and important regional centres. The Group has been present in CEE since 1996 and was the first to develop western-style shopping and entertainment centres in Hungary. The Group has pioneered this concept throughout CEE whilst building a strong track record of successfully developing, letting and selling shopping and entertainment centres. The Group has recently extended its area of operations beyond CEE into India and will consider other development opportunities in Asia.

The Company is an indirect subsidiary of Elbit Medical Imaging Ltd., an Israeli public company whose shares are traded on both the Tel Aviv Stock Exchange in Israel and the NASDAQ Global Market in the United States. Elbit Medical Imaging Ltd., acting through its subsidiary company Elscint Ltd., has acquired and developed ten hotels and an apartment hotel in five countries over the last 12 years. These countries include The Netherlands (2), Belgium (1), the United Kingdom (4), the South Africa (1) and Romania (1 hotel and 1 apartment hotel). Additionally, Elscint Ltd. is currently developing a hotel in Bucharest, Romania. Typically each hotel or apartment hotel comprises hotel rooms and/or apartments, business suites, a health and fitness centre, a business centre, conference rooms and a conference hall. Each hotel is usually managed and operated, by the Park Plaza Group (other than the apartment hotel in Romania, which is self-operated, and the current development in Romania, which will be operated by Radisson). The Company is a member of the Europe Israel Group of companies, which is controlled by its founder, Mr Mordechay Zisser.

The Group has been present in real estate development in emerging markets for over ten years, initially pursuing shopping and entertainment centre development projects in Hungary and subsequently expanding into Poland, the Czech Republic, Greece, Latvia, Romania and, more recently, India. To date, the Group has developed, let and sold/forward sold 26 shopping and entertainment centres and one office project. Twenty one of these centres were acquired by Klépierre, the second largest shopping centre owner/operator in Europe, which owns more than 230 shopping centres in ten countries. Additional four shopping and entertainment centres were sold to the Dawnay Day Group, one of the leading UK institutional property investors which, as at 30 June 2007, had combined gross assets in excess of USD 4 billion. A shopping center was forward sold to active Asset Investment Management ("aAIM"), one of the UK's fastest growing commercial property investment groups, on 7 August 2007.

The Group's developments

The Group is currently in the process of developing eighteen shopping and entertainment centre projects, which are under various stages of development:

- Arena Plaza – a centre with a planned GLA of approximately 66,000m^2 in Budapest, Hungary, where construction has commenced and which is scheduled to open in the fourth quarter of 2007;
- Suwałki Plaza – a project in the preliminary planning and development stage, to be constructed on an area of a land in a prime location in Suwałki, Poland, with a planned GLA of approximately 21,000m^2. Construction is due to commence in the first quarter of 2008 and the centre is scheduled to open in the third quarter of 2009;
- Łódź Plaza – a project in the preliminary planning and development stage, to be constructed on an area of land in a prime location in Łódź, Poland, with a planned

GLA of approximately 29,000m^2. The Group is currently determining the nature and extent of the proposed project;

- Toruń – a project in the preliminary planning and development stage, to be located in Toruń, Poland, with a planned GLA of approximately 33,000m^2. Construction is due to commence in the third quarter of 2009 and the centre is scheduled to open in first quarter of 2011;
- Zgorzelec – a project in the preliminary planning and development stage, to be located in Zgorzelec, Poland, with a planned GLA of approximately 16,000m^2. Construction is due to commence in the first quarter of 2008 and the centre is scheduled to open in the third quarter of 2009;
- Liberec Plaza – being constructed on an area of land in a prime location in Liberec, Czech Republic, with a planned GLA of approximately 17,000m^2. the centre is scheduled to open in the fourth quarter of 2008;
- Opava Plaza – a project in the preliminary planning and development stage, to be constructed on an area of land in a prime location in Opava, Czech Republic, with a planned GLA of approximately 14,000m^2. Construction is due to commence in the second quarter of 2008 and the centre is scheduled to open in the first quarter of 2010;
- Plzeň Plaza – a centre with a planned GLA of approximately 20,000m^2 in Plzeň, Czech Republic. the centre is scheduled to open in the fourth quarter of 2007;
- Riga Plaza – a centre with a planned GLA of approximately 49,000m^2 in Riga, Latvia, in which the Group holds a 50% interest. Construction commenced in the first quarter of 2007 and the centre is scheduled to open in the third quarter of 2009;
- Koregaon Park – a project in construction stage, constructed on a plot of land of approximately six acres in Koregaon Park, an up-market area of Pune, Maharashtra State, India, where together with its joint-venture partner, it plans to construct a mixed-use scheme with a total area of approximately 107,000m^2 that will comprised of a shopping centre with an estimated area of approximately 75,000m^2 and an office building of approximately 32,000m^2. The Construction is already in progress and the centre is scheduled to open in fourth quarter of 2009;
- Kharadi – a 14 acre plot of land in the Kharadi district of Pune, Maharashtra State, India, on which Plaza and its joint-venture partner intend to build a project totalling 225,000m^2, (inclusive of underground parking facility) which will include a shopping centre with the total area of approximately 120,000m^2, an office complex with an area of 81,000m^2, and a serviced apartment facility with an area of approximately 24,000m^2. Construction is due to commence in 2008;
- Trivandrum - a project in the preliminary planning and development stage, to be constructed on an area of land in Trivandrum, the capital city of State of Kerala in India, with a planned built area of approximately 195,000m^2 which will include shopping mall and office space together with a serviced apartment facility. Construction is due to commence in 2008 and the project is scheduled to open in 2010;
- Casa Radio – a complex with a planned gross area of approximately 360,000m^2, located in central Bucharest in Romania, and which includes a shopping centre with an area of 135,000m^2 and a leisure centre and two 135 metre tall towers each with an area of 53,000m^2. The construction is already in progress and the centre is scheduled to open in 2011-2012;
- Timisoara – a project in the preliminary planning and development stage, to be constructed alongside a major road leading to the city center of Timisoara in West Romania, with a planned GLA of approximately 39,500m^2. Additionally, the site

provides the option to develop approximately 20,000m^2 of additional residential and office building space. Construction is due to commence in second quarter of 2008 and the centre is scheduled to open in third quarter of 2009;

- Miercurea Ciuc – a project in the preliminary planning and development stage, to be constructed on an area of land in the town of Miercurea Ciuc, in Central Romania, with a planned GLA of approximately 12,000m^2. Construction is due to commence in 2008 and the centre is scheduled to open in 2009;
- Iasi – a project in the preliminary planning and development stage, to be constructed on an area of land in the town of Iasi, in northeast Romania, with a planned GLA of approximately 37,000m^2 for shopping and entertainment centre and 15,000m^2 for offices. Additionally, the site provides the option to develop approximately 70,000m^2 of residential accommodation. Construction is due to commence in 2008 and the centre is scheduled to open in first quarter of 2010;
- Belgrade – a project in the preliminary planning and development stage, to be constructed on an area of land in Belgrade, Serbia, with a planned gross built area of approximately 100,000m^2 for a shopping, entertainment and business centre;
- Slatina – a project in the preliminary planning and development stage, to be constructed on an area of land in Slatina, in southern Romania, with a planned gross built area of approximately 25,000m^2 for a shopping and entertainment centre. Additionally, the site provides the option to develop approximately 10,000m^2 of residential accommodation.

In addition, the Company has entered into an agreement with Klépierre to build an extension to the Duna Plaza shopping and entertainment centre owned by Klépierre with a planned GLA of approximately 15,000m^2, construction of which is anticipated to commence in 2008, assuming Klépierre assembles the required land and requisite building permits are obtained. Moreover, the Company is planning to build a retail and residential extension to the Arena Plaza in Budapest, Hungary, that will comprise approximately 53,000m^2 gross and approximately 13,500m^2 rentable retail area arranged on three floors and approximately 84 residential units extending to approximately 6,000m^2. The expected completion is in 2010.

The Group is negotiating to acquire a pipeline of additional sites for shopping and entertainment development projects in Poland, the Czech Republic, Slovakia, Romania, Ukraine, Russia, Serbia, Georgia and India and is also actively assessing other cities within those countries where there is a realistic prospect of developing shopping and entertainment centres.

The Group also owns a 50% shareholding in a special purpose company (Ercorner Gazdagsági Szolgáltato Kft) which has a 60% interest in a development consortium known as "Dream Island". The Dream Island consortium has final planning approvals to develop an area of land with a GLA of approximately 347,000m^2 (without parking) owned by the consortium, which is located on Obuda Island in the Danube River in central Budapest, as a business and leisure resort. The current plan envisages a resort comprising eight to ten four and five-star hotels, four apartment hotels, a convention centre, a casino, a 3,500 seat opera house, a 1,500 seat theatre, a marina (with an anchorage for 300 vessels), a shopping and entertainment centre, a Roman cultural museum, and parking facilities for approximately 5,500 vehicles.

The Group has also leveraged its emerging markets expertise to expand beyond CEE and has invested in several projects in India, which it believes has a number of attractive characteristics: (i) the significant economic growth the country has experienced over the last five years, which is expected to continue in the coming decade; (ii) the rapid growth in household income, which is a similar trend to that the Group experienced in CEE when it commenced operations; (iii) the Group's experience in emerging markets with similar complex legal and regulatory environments to India; (iv) the interest from major retailers in

the areas being considered by the Group; (v) the undeveloped retail industry in India, which is expected to enter a period of exponential growth; and (vi) the lack of local expertise and hence competition in the development of shopping and entertainment centres.

Furthermore, the Group will examine other countries in CEE and Asia that meet the Group's development criteria with a view to identifying further opportunities in this sector.

In addition, the Group owns three other properties that are a mixture of offices and development sites for residential or office use in Prague, Budapest and Athens.

The Group's portfolio has been valued by King Sturge LLP ("King Sturge"), as at 30 June 2007, at EUR906,585,000 (assuming the completion of construction and leasing). The full valuation report has been set forth in Part VIII – Valuer's Report.

The shopping and entertainment centre product offering

The Group has generally built shopping and entertainment centres of between 8,000 and 70,000m^2 (GLA), but would develop larger shopping and entertainment centres if its development criteria were met. The Group builds shopping and entertainment centres whose size, tenant mix and design are dictated by market demand, and that take into account particular factors such as the size of the local catchment area (generally a minimum of 50,000 people), the socio-economic status of the population, any competing shopping and entertainment centres in the locality, local retail demand (whether for fashion, grocery/local convenience stores or entertainment) and the location of the site (whether city centre or suburban).

Each centre comprises two principal elements: shopping and entertainment.

The shopping element comprises large retail anchor tenants (such as Tesco, Carrefour, Match, New Yorker, H&M, Zara and C&A). These anchor tenants form the basis of the shopping areas around which smaller boutiques, international brands such as Hugo Boss, Mango, Aldo, Peek&Cloppenburg, Sephora, Reserved, House and Esprit, and local retailers create a carefully balanced tenant mix to meet local demand. Leases with anchor tenants generally run for a term of ten to 15 years, with an option to extend. Leases with semi-anchor tenants are usually for a term of five to ten years, while standard units will be leased for three to five years.

The entertainment facilities typically include a multiplex cinema complex of between four and 12 screens, depending on the size of the centre, and, where appropriate, an IMAX auditorium. The entertainment areas also include a gaming area comprising a video games arcade, bowling alley, electronic gaming machines, billiards, discotheque, bar and a children's playground. Mulan B.V., trading as Fantasy Park (a subsidiary of Dreamland Entertainment N.V., which is a subsidiary of the Company), operates the gaming area and Cinema City International N.V. operates the multiplex cinemas (except in Riga and in four of the previously owned Hungarian centres). Each entertainment area also includes a food court offering a wide range of food outlets together with coffee shops and restaurants.

Competitive strengths

Pioneer in introducing western-style shopping and entertainment centres to the CEE region and India

The Group has been active in emerging markets since 1996, when it opened the first western-style shopping and entertainment centre in Hungary and began to implement its vision of offering western-style retail and entertainment facilities to a growing middle class and an increasingly affluent consumer base. Over the past ten years, the Group has expanded its operations in Central Europe and eastwards into Poland, the Czech Republic, Greece, Latvia and Romania, and more recently India, and has proven its ability to anticipate and adapt to market trends and deliver innovative large scale projects.

Highly skilled management team

In its ten years of operation, the Group's highly qualified real estate professionals and local management teams have accumulated extensive knowledge of local markets and demonstrated a proven ability to source strategic development sites, design attractive and innovative projects that meet the demands of the local market and obtain planning and building permissions expeditiously. The Group runs a highly efficient construction process in order to minimise costs – the Group has completed the vast majority of its developments within the construction timeframe of between nine and 18 months and without budget overruns. The Directors believe that it is this efficiency and quality of execution together with the Company's local knowledge and infrastructure that has given the Group its competitive advantage in each of its principal markets.

Productive relationships with both leading international and local retailers

The Group has productive relationships with recognised international retailers – such as Tesco, H&M, Zara, C&A – and local retailers. The strength of such relationships is demonstrated by the Company's track record of signing up tenants, with 80% to 100% of each shopping and entertainment centre developed by the Group having been let within the first year after opening and at least 80% of each shopping center having been pre-let during the construction period. In addition, through its exclusive relationship with Cinema City International N.V. and its own indirect subsidiary Mulan B.V., trading as Fantasy Park, the Group has strong relationships with the occupiers of the entertainment space in the centres.

Strong relationships with premier property investors and operators and the ability to attract buyers early in the development process

The Company's strong track record in successfully pre-selling its centres is demonstrated by the sale of developments to Klépierre, Europe's second largest shopping centre operator, and Dawnay Day, one of the UK's leading institutional property investors. By agreeing the sale of a shopping and entertainment centre during the development phase, the Company locks in yields and achieves enhanced cash visibility. The Company's disposals to date have generated returns upon realisation of between 40% and 60% on equity invested, and the Company will target the same returns in the future. The Group also has continuing relationships with leading institutional property developers and strategic buyers.

Strong brand name

Due to the Group's reputation for successful property development, "Plaza Centers" has become a widely recognised brand name. Following the acquisition of the shopping and entertainment centres by Klépierre and Dawnay Day, the purchasers continue to use, under licence granted to them by the Group, the "Plaza Centers" Community and Hungarian trade marks.

Clearly identified pipeline of new growth opportunities targeting attractive returns in fast growing emerging markets

The Group, with its strong track record as a leading developer of shopping and entertainment centres in the fast growing CEE market, is well positioned to leverage the significant retail demand resulting from the rapidly growing incomes and increasingly westernised tastes and habits of emerging markets. The Group has a clear and focused growth pipeline across CEE and India. The Group is currently negotiating terms on 10 projects and analysing 19 additional towns and cities suitable for potential development projects. The Group aims to commence the development of four to five shopping and entertainment centres each year.

Flexible product mix tailored to local market demand

The Group has pioneered the development of western-style shopping and entertainment centres in both capital cities and other key regional centres in CEE. Furthermore, the Group is able to design and deliver shopping and entertainment centres based on a comprehensive

demographic analysis within each of its markets. Each project is tailored to the demand of the local market in terms of the retail/entertainment offering, tenant mix, design and lettable area so as to exploit the local market to the maximum effect.

Listed on the London Stock Exchange

The Ordinary Shares have been traded on the main list of the LSE since 1 November 2006. In its initial public offering, the Company attracted international investors and raised approximately £166 million. Following its listing on the LSE, the Company believes that the listing of its Ordinary Shares on the LSE has facilitated access to international financial investors and augmented the Company's reputation and standing.

Business strategy

The Group's development strategy is to:

- develop four to five modern western-style shopping and entertainment centres per year in the capital and regional cities of selected countries, primarily in CEE (focusing in the medium term on Poland, the Czech Republic, Slovakia, Ukraine, Russia and Romania) and India (focusing on large cities within Southern India) in the medium and long term;
- acquire operating shopping centres that show significant redevelopment potential (either as individual assets or as portfolios) for refurbishment and subsequent resale;
- pre-sell, where prevailing market and economic conditions are favourable, the centres prior to, or shortly after, commencement of construction or redevelopment; and
- where the opportunity exists in CEE and India, extend its developments beyond shopping and entertainment centres by leveraging its strengths and drawing upon the experience and skills of the Group's executive management team and the Europe Israel Group to participate in residential, hotel, office and other development schemes where such developments form part of integrated large scale business and leisure developments, such as Dream Island and Casa Radio.

The Group will also assess and consider specific development opportunities that satisfy the Group's development parameters and investment criteria in countries not previously targeted by the Group.

Whilst the Group's current strategy in CEE is to dispose of a shopping and entertainment centre upon completion, if economic conditions, including property yields, change such that retaining and operating a shopping and entertainment centre on completion is likely to be more profitable to the Group than disposing of it, the Group will consider retaining and operating the completed shopping and entertainment centre until economic conditions warrant a profitable sale. Currently, the Group is considering initially holding its Indian developments, once completed, because it is attracted by the high potential cashflows and the hope that the market will continue to re-rate such assets.

Development criteria

The Group continues to evaluate new countries and potential development sites and to monitor existing countries and development sites using the following criteria. Information on the Group.

Selection of target countries

Initially, in order to assess whether the conditions in a target country are compatible with its development criteria, the Group conducts a general survey of the economic, political, fiscal and legal environment of a target country. These surveys are conducted by the Company's

experienced in-house economists with the support of professional advisers based in, and familiar with, local jurisdictions.

In this regard, the Group examines the following variables, using recognised and reliable reporting sources and data bases (such as Standard & Poor's, Global Retail Development Index, indices and market studies):

- country risk (Standard & Poor's);
- Gross Domestic Product (GDP) per capita;
- unemployment rates (subject to geographical fluctuations);
- economic growth rates;
- ratio of retail sales per capita, applying consumer trends in the local environment;
- maturity of the political system and level of political stability;
- business risks (such as high crime rates and corruption);
- existing shopping centres and entertainment facilities, market saturation in targeted cities, and isolation of potential target cities;
- foreign investment legislation and controls;
- currency system, exchange control restrictions, and possible limitations on the up-streaming of revenues (money-out);
- sophistication of the local banking system and access to construction loan financing;
- integrity and efficiency of the local court systems and land registries;
- restrictions on land ownership or usage; and
- the efficiency of the regimes for obtaining building and operating permits.

Once it has been established that the preliminary investigations are, on balance, positive and that a favourable environment exists for development by the Company in the relevant target country, an area manager is appointed in order to lead the Company's operations in that country. The area manager assists with the establishment of a local branch and supervises the start-up of operations. As development progresses, managers for the local development, finance, marketing and engineering departments are recruited or appointed from within the Company to join the project team.

Site evaluation and selection in CEE

The area manager, and subsequently a dedicated development manager, identifies suitable sites for development in the target cities earmarked by the Company following its initial investigation. Usually, the Company prefers to develop its first project in the capital city of the target country. Thereafter, it is the area or development manager's responsibility to identify sites first in regional cities and also in provincial cities with populations exceeding approximately 50,000 residents.

Sites are actively sourced from local brokers, municipalities, commercial institutions (such as chambers of commerce) and searches conducted by the Company. The Company utilises its local expertise and knowledge to identify, negotiate and acquire, from local land owners, suitable development sites. The Company often initiates discussions for the acquisition of development sites, where the land owner has not considered the development potential of a site. In assessing the suitability of potential sites, the area or development manager examines the following factors:

- area of the site (relative to the population density of the identified catchment area and the optimum size of the shopping and entertainment centre required to service the catchment area);
- analysis of the local particulars of the immediate catchment area (such as number of residents and age mix, unemployment levels, average salaries and education levels);
- compatibility of applicable zoning and town planning schemes to commercial retail and entertainment activities;
- proximity to the city centre or to other recognised and popular concentrations of commercial and retail activities;
- proximity to public transportation systems (bus, tram and rail);
- proximity to, and visibility from, major vehicular access routes and city arteries, and determination of access routes (or, conversely, identification of potential access problems);
- existence of operating shopping centres and entertainment facilities which draw their patronage from the same catchment area; and
- preliminary legal due diligence on property title and the nature of legal rights to be acquired (freehold, long-term leasehold, usufruct).

Upon the recommendation of the area manager that a sufficient number of the above criteria have been met, a representative of the Company's marketing team joins the project team in order to prepare a schedule of indicative rental prices. The marketing manager typically consults with the Company's anchor tenants and a leading international property consultancy firm is instructed to carry out an analysis of local demand so as to assess the degree of interest in leasing space in the potential development.

At this stage, the Company's management assesses the findings of the project team. The existence of a shopping centre in proximity to the proposed site that draws its patronage substantially from the same catchment area is a factor which is generally, but not always, decisive in disqualifying the potential site from further consideration. In the absence of a source of direct competition, or where competition is assessed to be ineffective or marginal, management considers the remaining data assembled in order to carry out a suitability assessment.

Site evaluation and selection in India

The Company has the benefit of an agreement with EMI, whereby EMI sources sites in India which are suitable for the development of shopping and entertainment centres on behalf of the Company (a "suitable site"). EMI has a team, run by one of its directors, Abraham (Rami) Goren, dedicated to sourcing sites in India (both those which are suitable for the development of shopping and entertainment centres and those suitable for office or residential developments) and good local connections with land owners and construction companies. Once EMI has acquired a suitable site, EMI is obliged to offer the site to the Company. The Company then has a reasonable length of time to evaluate the site before it must confirm to EMI whether it wishes to acquire it. In assessing the suitability of a potential site, EMI evaluates the site in the same way as the Company evaluates sites it has sourced in CEE, taking into account the factors set out above. For each site offered to it by EMI, the Company reviews the results of the associated site evaluation undertaken by EMI before a decision is taken by the Board on whether or not to proceed. The Company also surveys anchor tenants and analyses existing shopping centres in proximity to the proposed site, as it does with sites in CEE. If the Company confirms to EMI that it wishes to acquire the site, EMI is obliged to sell the site to the Company for the price it paid plus EMI's direct costs (to cover EMI's costs of sourcing and acquiring the site), capped at 5% of the price of the site.

EMI transfers those sites that the Company has confirmed it wishes to acquire to the Company with such rights, permissions and permits as are existing at the time of the transfer to the Company. So far as is reasonably practicable, EMI requires the seller of the suitable site to obtain requisite permissions or permits for development before it acquires a site. The Company may refuse to acquire a site from EMI in its absolute discretion.

Where EMI sources a site that is suitable for the development of a shopping and entertainment centre and residential or office units, provided the predominant development will be a shopping and entertainment centre, EMI remains obliged to offer the site to the Company. Any site which is predominately a residential or office development will not be offered to the Company, but the Company will be offered the opportunity to develop a shopping and entertainment centre, where appropriate, on those sites not offered to the Company which EMI is developing.

The Directors believe that taking advantage of EMI's local knowledge and experience to source sites in India will be the most expeditious and cost-efficient way of acquiring suitable sites in India.

Project development

Having made a decision in principle to proceed, the project progresses as follows:

- the engineering department of the Company prepares a preliminary concept design, calculates construction areas, makes initial cost estimates and prepares traffic and parking solutions. Local architects are also selected and the nature and scope of their mandate agreed;
- the marketing department of the Company determines a projected tenant mix and estimates forecasted rental incomes;
- the finance department of the Company, on the basis of the preliminary data presented by the engineering and marketing departments of the Company, prepares a preliminary feasibility study of the project and initiates contact with banking institutions with a view to assessing financing options. Where a project is the first development by the Group in a target country, advice is sought from local and international tax advisers in order to establish the optimum tax planning structure; and
- the legal representatives of the Company commence negotiations for the signing of a preliminary agreement (such as heads of terms or a letter of intent) in order to agree the terms for the site acquisition, and make initial transaction tax assessments (as well as corporate planning structures for the first project in each country).

Senior management analyses and considers the information relating to each project with the departmental heads so as to determine whether to proceed with the project.

Where a positive decision is reached, the project moves into the active development stage where the allocation of responsibilities between the various departments is as follows:

Legal Representatives:

- conduct legal due diligence on the site (and, where a share transaction is relevant, on the company to be acquired);
- prepare and negotiate project agreements (such as agreements with architects, contractors and consultants), the loan documentation and ancillary documentation;
- finalise the execution of the acquisition agreement; and
- provide ongoing transactional legal support services to the other departments.

Engineering Department:

- conducts technical due diligence on the site (zoning, soil compatibility testing, environmental surveys etc.);
- processes building permit applications;
- supervises final planning and design by the architects;
- prepares tender packages;
- analyses tender bids, assists management in bid selection, negotiates construction contracts;
- assists in final project costing; and
- supervises construction and completion, budget and time schedule adherence.

Finance Department/Economists:

- where a share transaction is under consideration, conduct financial, tax and accounting due diligence on the legal entity to be acquired prior to the execution of the acquisition agreements;
- prepare a final feasibility study;
- secure construction and investment loan financing; and
- administer the project management operations.

Marketing Department:

- engages external letting agents (where required);
- supervises pre-letting of the project in accordance with predetermined tenant mix, rental grids and target incomes; and
- finalises standard form and anchor leases.

The above criteria relate to the selection of target countries, site evaluation and selection and project development in respect of country and potential development sites. However, such criteria are also applied (and modified where necessary) to existing shopping centres which the Group has identified as having redevelopment potential. Where a site has development potential greater than a shopping and entertainment centre, or where it becomes no longer possible or feasible to develop a shopping and entertainment centre on a site, the Group will consider developing the site for alternative uses, such as office or residential.

Construction agreements

The Group concludes construction agreements with reputable contractors with proven financial and professional capabilities and a strong track record of completing projects of similar scope on time and within budget. Construction contracts are concluded after a tender process, following negotiations with at least two contractors placing the most attractive bids. Suitability of bids is judged not only on the basis of the tender price offered, but also taking into consideration additional factors such as ability to mobilize expeditiously, financial resources and stability, experience and professional standards.

The Group generally concludes construction agreements on a lump-sum turn-key basis (although in some circumstances it may conclude separate agreements in respect of the various construction disciplines under a dedicated project manager). While the specific provisions of any individual construction contract are subject to negotiation, applicable laws and building regulations (which often vary from jurisdiction to jurisdiction), the principal provisions of a typical construction agreement may be summarised as follows:

- lump-sum turn-key contract;
- interim payments on account of lump-sum price, either monthly or linked to milestones;
- predetermined construction schedule, with interim milestone dates for attainment;
- contractual penalties for failure to complete construction works within the agreed timetable, with interim penalties where milestones are not attained. Penalties will generally be ratcheted where delays persist;
- authority of project manager clearly defined;
- approval of subcontractors by the Group, and right to appoint nominated subcontractors by the Group;
- agreed mechanism for approval of variations from agreed plans and designs;
- contractor's claims generally subject to materiality test, and subject to pre-agreed unit rates;
- provisions governing quality of materials and equipment;
- benchmark project defined;
- contractors' all risk insurance policy mandated, with minimum coverage specified;
- step-in right on abandonment, non-performance or critical delay;
- termination rights for default or non-performance;
- 10% performance bond;
- 5% maintenance guarantee for 12 months following practical completion (or alternatively retention moneys);
- provisions governing snag list preparation and execution;
- customary force majeure provisions;
- contractor indemnity for third party injury and damage to materials and equipment; and
- dispute resolution provisions.

Lease agreements

For ease of administration and processing, the Group uses standard form lease agreements which are adapted to incorporate relevant local laws and regulations. Agreed deviations from the standard form are recorded in a schedule annexed to the lease agreement.

The principal provisions of the standard form lease agreements used by the Group in its various projects (used for semi-anchors and ordinary tenants) usually include the following (subject to applicable laws):

- description of the leased premises;
- provisions governing measurement of premises following completion of construction;
- date of delivery of premises for fit-out works prior to opening;
- purpose of lease (business to be conducted) and exclusivity provisions where relevant;
- period of lease, and options if agreed;

- rentals (either as fixed rentals or as a percentage of turnover, or a combination of both, exclusive of VAT where applicable), together with linkage, step-up and indexation provisions;
- cash deposit or bank guarantee equal to three months' rental and one month's service charge to be paid as a condition for handover and retained until 60 days after vacation and which may be applied to cover outstanding rents and service charges;
- service charges, municipal rates, turnover taxes etc. are borne by the tenant;
- obligation to conclude service agreement with the management company designated by the Group;
- provisions governing and regulating the execution of fit-out works by the tenant during the final construction period and lead-in to opening. Where tenant improvements are to be performed by the Group, the agreement will also contain the relevant provisions;
- principal undertakings by tenant include to open on time; to obtain all permits and licences required for the conduct of its business; the uninterrupted operation of business throughout the life of the lease during prescribed business hours; to abide by by-laws published from time to time by the management company; to maintain insurance policies of the type and extent approved by the owner; to vacate at the conclusion of the lease period; and
- owner's right to evict for non-payment, and penalties at daily escalating rates for refusal to vacate.

In some jurisdictions, such as the Czech Republic, the applicable law does not permit the execution of a lease agreement in respect of premises which are under construction. Accordingly, the Group will sign a "Future Lease Agreement" with the tenant, which is in effect an undertaking to enter into a lease agreement in agreed form once construction of the shopping and entertainment centre has been completed and the leased premises are capable of measurement and clear identification.

Agreements with anchor tenants generally include most or all of the above provisions, but are not standard form.

Bank financing

The Group seeks externally sourced bank financing (in the form of construction loans) for individual projects. The Company's debt financing for each project usually falls within the following parameters:

- 80:20 debt to equity ratio (60:40 in India). In some instances, the Group has been successful in achieving higher debt ratios. The land acquisition costs count towards the Group's equity contribution;
- construction loans are usually taken out for a period of two years, subject to the period of construction (investment loans, if needed are taken out for between ten and 15 years);
- interest rate margins range between 1.35% and 2.00% depending on the particular project;
- debt service reserve is generally 1.15;
- repayment terms will generally indicate a grace period on repayment of principal (but not interest) during, and in most instances for up to 12 months after, the end of the construction period. After operations commence, repayment of principal and interest

are generally effected on a quarterly basis, with a bullet payment upon loan maturity of up to 40% of the principal sum;

- with few exceptions, construction loans are taken out on a strictly non-recourse basis. Generally, the only additional security given by the Group are a cost-overrun guarantee, and a guarantee to complete the construction of the project; and
- security requirements vary from country to country and from bank to bank, but would in all instances include: a first ranking mortgage on the property; a pledge on the shares held in the borrower; the subordination of shareholders' loans; a pledge on the borrower's bank accounts; and the assignment of the income in favour of the relevant Bank.

In those countries where the Group has established operations, it generally establishes long-term financing relationships with leading banks in that country. For example, in Hungary, the majority of the Group's projects were financed by MKB Nyrt Bank and by OTP Bank plc. These relationships have in some instances extended beyond the borders of the relevant country, for instance financing a Polish project taken with debt from a Hungarian bank.

In those cases where the completed projects have not been pre-sold, or where divestment does not take place at commencement of operation, the Group generally seeks to refinance the project as soon as practical after opening.

2. Completed shopping and entertainment centre developments

Shopping and entertainment centres sold to Klépierre in 2004 had an aggregate gross asset value of EUR278 million and produced an average net yield of approximately 9.3%:

Name	City	Country	GLA (m^2)	Acquirer
Alba Plaza	Székesfehérvár	Hungary	14,981	Klépierre
Csepel Plaza	Budapest	Hungary	13,565	Klépierre
Debrecen Plaza	Debrecen	Hungary	14,624	Klépierre
Duna Plaza	Budapest	Hungary	35,915	Klépierre
Győr Plaza	Győr	Hungary	15,085	Klépierre
Kanizsa Plaza	Nagykanizsa	Hungary	5,947	Klépierre
Kaposvár Plaza	Kaposvár	Hungary	8,296	Klépierre
Miskolc Plaza	Miskolc	Hungary	14,647	Klépierre
Nyír Plaza	Nyiregyháza	Hungary	13,775	Klépierre
Szeged Plaza	Szeged	Hungary	15,842	Klépierre
Szolnok Plaza	Szolnok	Hungary	6,815	Klépierre
Zala Plaza	Zalaegerszeg	Hungary	7,405	Klépierre
Total			**166,897**	

Shopping and entertainment centres sold to Dawnay Day in 2005 had an aggregate gross asset value of EUR54.4 million and produced an average net yield of approximately 9.2%:

Name	City	Country	GLA (m^2)	Acquirer
Balaton Plaza	Veszprém	Hungary	9,155	Dawnay Day
Pécs Plaza	Pécs	Hungary	15,356	Dawnay Day
Savaria Plaza	Szombathely	Hungary	8,235	Dawnay Day
Sopron Plaza	Sopron	Hungary	14,128	Dawnay Day
Total			**46,874**	

The shopping and entertainment centre which is subject to a forward sale agreement with aAIM – transaction is expected to be completed in the fourth quarter of 2007 has a gross asset value of approximately EUR380 million and is expected to produce a gross yield of approximately 5.9%:

Name	City	Country	GLA (m^2)	Acquirer
Arena Plaza	Budapest	Hungary	66,000	aAIM

Shopping and entertainment centres sold to Klépierre in 2005 had an aggregate gross asset value of EUR204 million and produced an average net yield of approximately 8.4%:

Name	City	Country	GLA (m^2)	Acquirer
Kraków Plaza	Kraków	Poland	30,209	Klépierre
Poznań Plaza	Poznań	Poland	29,522	Klépierre
Ruda Śląska Plaza	Ruda Śląska	Poland	14,452	Klépierre
Sadyba Best Mall	Warsaw	Poland	24,078	Klépierre
Total			**98,261**	

Shopping and entertainment centres sold to Klépierre in 2006 (Novo), in 2007 (Rybnik, Sosnowiec and 50% of Lublin) and to be sold in 2007/8 (Plzen) had an aggregate gross asset value of EUR237 million and produced an average net yield of approximately 6.9%:

Name	City	Country	GLA (m^2)	Acquirer
Rybnik Plaza	Rybnik	Poland	18,127	Klépierre
Sosnowiec Plaza	Sosnowiec	Poland	12,860	Klépierre
Lublin Plaza	Lublin	Poland	25,738	Klépierre
Novo Plaza	Prague	Czech Republic	26,417	Klépierre
Plzen Plaza	Plzen	Czech Republic	20,000	Klépierre
Total			**103,142**	

Hungary

The Group was the first to develop western-style shopping and entertainment centres in Hungary. Over an eight-year period commencing in 1996, the Group established a portfolio of 16 developments in Hungary, two in the capital city Budapest and the remaining 14 in regional cities with populations in excess of 50,000. Each shopping and entertainment centre within the portfolio was constructed within the projected timescale and within budget.

Capitalising on the significant yield compression in the CEE commercial property market and the very strong demand for retail assets in particular, the Company took advantage of opportunities in 2004 and 2005 to sell its portfolio of developed shopping and entertainment centres, together with its subsidiary companies that had managed them. On 30 July 2004, the Group finalised the sale of 12 shopping and entertainment centres in Hungary to Klépierre. At the same time Ségécé S.C.S, a French subsidiary of Klépierre ("Ségécé"), acquired 50% of the equity and voting rights of Plaza Centers Magyarország Kft., an indirect subsidiary of the Company that operated the Company's shopping and entertainment centres in Hungary, including those which were acquired by Klépierre. The remaining 50% of the equity and voting rights in Plaza Centers Magyarország Kft. were subsequently acquired by Ségécé in July 2005. A summary of the agreement with Klépierre is set out in paragraph 11.1 of Part IX of this document.

The gross asset value of the sale to Klépierre was EUR278,400,000, producing a net yield of 9.3%.

On 21 April 2005, the Company finalised the sale of the remaining four shopping and entertainment centres in Hungary to Plantridge Limited, part of the Dawnay Day Group. A summary of the agreement with Dawnay Day is set out in paragraph 11.1 of Part IX of this document.

The gross asset value of the sale to the Dawnay Day Group was EUR54,400,000, producing a net yield of approximately 9.2%.

Poland

On 29 July 2005, the Company entered into an agreement with Klépierre that provided for Klépierre to acquire the Group's four operational shopping and entertainment centres in Poland. At the same time Ségécé acquired Plaza Centers Management Poland Sp. z o.o., a Polish subsidiary of the Company which operated the Polish shopping and entertainment centres which were acquired by Klépierre, together with the remaining 50% of the Hungarian management company. A summary of the agreement with Klépierre is set out in paragraph 11.1 of Part IX – "Additional Information".

The gross asset value of the sale to Klépierre was EUR204,000,000, producing a net yield of approximately 8.4%.

On 7 May 2007, the Company completed the handover to Klépierre of two shopping and entertainment centres in Poland, namely – Rybnik Plaza and Sosnowiec Plaza.

On 27 July 2007, the Company completed the handover to Klépierre of Lublin Plaza shopping and entertainment centre, 50% of which was held by the Group.

The gross asset value of the sale to Klépierre of Rybnik, Sosnowiec and Lublin (50%) was approximately EUR129,000,000.

Czech Republic

Also under the agreement entered into on 29 July 2005 with Klépierre, the Group sold Novo Plaza, which was completed in March 2006 and was sold and delivered on 30 June 2006. A summary of the agreement with Klépierre is set out in paragraph 11.1 of Part IX – "Additional Information".

The gross asset value of the sale to Klépierre EUR50M, producing a net yield of approximately 7.9%.

3. Current developments

Shopping and entertainment centres owned by the Group

Project	City	Ownership (%)	GLA (m^2)	Market value on completion (EURm) (1)	Market value of the land and project (EURm) (1)	Expected completion	Pre-sold
Hungary							
Arena Plaza	Budapest	100	66,000	400.6	322.0	Q4 2007	aAIM
Poland							
Łódź Plaza	Łódź	100	29,000	128.0	14.1	—	No
Suwałki Plaza	Suwałki	100	21,000	39.5	11.3	Q3 2009	No
Toruń Plaza	Toruń	100	33,000	89.2	18.0	Q1 2011	No
Zgorzelec Plaza	Zgorzelec	100	16,000	38.3	6.5	Q3 2009	No
Czech Republic							
Plzen Plaza(2)	Plzen	100	20,000	61.8	29.0	Q4 2007	Klépierre
Liberec Plaza	Liberec	100	17,000	69.2	30.0	Q4 2008	No
Opava Plaza	Opava	100	14,000	43.8	14.0	Q1 2010	No
Latvia							
Riga Plaza(3)	Riga	50	49,000	75.0	23.0	Q3 2009	No
Romania							
Timisoara Plaza	Timisoara	100	39,500	162.0	22.7	Q3 2009	No
Miercurea Ciuc Plaza	Miercurea Ciuc	100	12,000	19.2	4.4	2009	No
Slatina project(4)	Slatina	100	25,000				No
Iasi Plaza(4)	Iasi	100	52,000			Q1 2010	No
Total			**389,500**	**1126.6**	**495.0**	—	—

(1) Value as per King Sturge valuation reports as at 30 June 2007.

(2) Subject to minimum occupancy of 70% and dependent on Plaza's ability to obtain necessary permits.

(3) Market value reflect the value of the entire project.

(4) Acquired after 30 June 2007 and, therefore, not subject to valuation by King Sturge.

Under the agreement entered into with Klépierre on 29 July 2005, the Company sold to Klépierre one further shopping and entertainment centre in Czech Republic, i.e. Plzen Plaza, for the aggregate price of approximately EUR54.8 million. In August 2007 the Company forward sold to aAIM one shopping and entertainment centre in Hungary, i.e. Arena Plaza, for the aggregate price of EUR380 million.

Hungary

The Group is currently developing one shopping and entertainment centre in Hungary, which is in the construction stage:

Arena Plaza, Budapest

The Arena Plaza will be one of the largest shopping and entertainment centres in Central and Eastern Europe, with approximately 66,000m² GLA. The site is prominently located in the heart of Budapest on Kerepesi Street in the 8th District, one of the most densely populated residential districts in Budapest. The total population of Budapest is now approximately 1.7 million. The site is also situated adjacent to one of the major roads into Budapest and close to the Keleti railway station. Keleti Station is one of Budapest's main international train stations and has the highest footfall of all stations in Budapest. Arena Plaza will also include the first IMAX cinema auditorium in Budapest and in Hungary and is targeting a leading international hypermarket operator (Tesco) (for an area of approximately 10,500m²), IT Cinema, IMAX 3D theatre, Peek & Cloppenburg, Zara, Hervis, Electro World, Hennes & Mauritz and C&A. The skeleton of Arena Plaza has been completed and construction is in an advanced stage and on schedule. There is significant tenant interest, with over 92% pre-let. On 7 August 2007, the Company concluded an agreement with aAIM pursuant to which within one month from the opening of Arena Plaza it will be sold to aAIM with an estimated gross asset value of EUR380 million subject to adjustment of up to EUR400 million.

In addition, in accordance with its strategy to acquire operating shopping centres that show significant redevelopment potential for refurbishment and subsequent sale, in September 2007, the Company bought through a Hungarian company (Plasi Invest 2007 Kft.) which is held 70% along with a third party who holds the remaining 30%, a 50% stake in SBI Hungary Kft., a company which holds the Uj Udvar shopping center in the third district of Budapest, Hungary. Subsequently Plaza's interest in the asset is 35%. The aim of the group is to refurbish and improve the existing shopping centre in order to appreciate its value. The asset value according to which the purchase was made was EUR 11 million (100% of the asset). The shopping centre is currently active and has approximately 12,000m^2 of GLA and approximately 14,000m^2 of parking areas.

Poland

The Group is currently developing four shopping and entertainment centres in Poland, which are all in the construction stage:

Suwałki Plaza, Suwałki

Suwałki Plaza is located in Suwałki, a city of 69,000 inhabitants located in north-east Poland, 30km from the Lithuanian border. Suwałki is crossed by expressway E67(8), which links Augustów with the Lithuanian border. The expressway is to be part of a larger road network called "Via Baltica". The creation of the Suwałki Special Economic Zone, which encourages investors into Suwałki by offering tax reliefs and employment advantages, is offering new opportunities for trade and commerce, and Suwałki is becoming a tourist destination. The site is located in the main commercial and residential district of the city and is fronted by ul. Utrata, an important arterial route to the east. The site is also located on the junction of ul. Utrata and Podchorskiego, which links directly into the city centre. The PKS bus terminal and main railway station are located approximately 1km from the site. Suwałki Plaza will be a two-floor (ground and first floor) shopping and entertainment centre with a GLA of

approximately 21,000m^2 (anchored by a supermarket, a department store, a multiscreen cinema, and a bowling and entertainment area operated by Mulan B.V., trading as Fantasy Park (a subsidiary of Dreamland Entertainment N.V., which is a wholly-owned subsidiary of the Company)). Construction is due to commence in the first quarter of 2008 and the centre is scheduled to open in the third quarter of 2009.

Łódź Plaza, Łódź

Additionally, the Group owns part of a development site and has a usufruct over the remaining part of the site, located in the centre of Łódź, which may be suitable for use as a residential area. The city of Łódź, which is the administrative capital of the Łódzkie region, is situated in the centre of Poland approximately 140 km south-west of Warsaw, and, with a population of 774,000, it is the second most populous city in Poland. The site is located in the central university district, within 500m of the popular Piotrkowska pedestrian street. The site is also located in close proximity to large high density housing estates. The Group is currently exploring the possibilities of developing this site as a residential area.

Toruń Plaza, Toruń

Toruń Plaza is located in Toruń, a city of 204,000 inhabitants located in the centre of Poland. The site is located in crossroads of Broniewskiego and Szosa Okrężna street. Toruń is one of the most beautiful cities of Poland. Picturesquely located on both banks of the Vistula River, at a site of intersection of ancient trade routes, it has been propagating its traditional economy and openness to the world for nearly 800 years. The gothic buildings of Toruń's Old Town, which won the designation of World Heritage Site from UNESCO in 1997, present proof of Toruń's centuries-old economic, cultural and intellectual ties with the leading cities of Europe associated in the Hanseatic League. Torun Plaza will be a two-floor (ground and first floor) shopping and entertainment centre with a GLA of approximately 33,000m^2 (anchored by a supermarket, a department store, DIY, cinema complex, and a bowling and entertainment area. The centre is scheduled to open in the first quarter of 2011.

Zgorzelec Plaza, Zgorzelec

Zgorzelec Plaza is located in Zgorzelec, a city of 35,000 inhabitants located in south-west Poland, near the German border. On the German side lies the city of Goerlitz with population of 58,000. Zgorzelec is located in the Lower Silesia voivodship. Its location near the international A-4 road and proximity to Germany and Czech Republic contributes to the character of the town and its economic attractiveness. Thanks to two road border crossings, among which – the highway one Zgorzelec/Ludwigsdorf is the largest of such kind in Poland, and the restored Old-town Bridge, which connected the old towns of Zgorzelec and Görlitz – Zgorzelec is called the 'gate' between Western Europe and Poland. There is also a railway border crossing here. Żarska Wieś, located appproximately 7 kilometres from Zgorzelec, opened a logistics terminal in spring 2001. In nearby Zawidów there is a road and a railway (freight) border crossing with the Czech Republic. After the completion of the freight border crossing with Germany in Radomierzyce, the track Zgorzelec-Bogatynia, which is presently being modernized gained the publicity. The nearest international airports are situated in Wrocław, Dresden and Prague. In Görlitz and Jelenia Góra there are local airports for small sports and passenger aeroplanes.

The site is located at the crossroads of Armii Krajowej, Krańcowa and Słowiańska. The site is located within five minutes walking distance from railway station and 20 minutes from the bus station. Zgorzelec Plaza will be a two-floor (ground and first floor) shopping and entertainment centre with a GLA of approximately 16,000m^2 (anchored by a supermarket, a department store, and a bowling and entertainment area. Construction is due to commence in the first quarter of 2008 and the centre is scheduled to open in the third quarter of 2009.

Czech Republic

The Group is currently developing three shopping and entertainment centres in the Czech Republic:

Plzeň Plaza, Plzeň

Plzeň Plaza is located a few minutes' walk from the main square in the centre of Plzeň, a city located in Western Bohemia, at the intersection of Přemyslova and Jízdecka roads, one of the busiest in Plzeň. Plzeň is the capital city of the Plzeň region. Plzeň makes up approximately two-thirds of the GDP of the Western Bohemia Region. Plzeň Plaza is located within a few minutes of the main square of Plzeň.

Plzeň Plaza is easily accessible from all parts of the city and surrounding towns because of its efficient road infrastructure. Plzeň Plaza is also well served by adjacent public transport links. The project is situated on the intersection of a major road leading from Plzeň to Germany with tram, bus and trolleybus lines within 100m. The centre's primary catchment area will be made up of the 163,000 inhabitants of Plzeň and residents of neighbouring areas. Plzeň Plaza will be a three-floor shopping and entertainment centre with a GLA of approximately 20,000m^2, anchored by a supermarket on the ground floor, a ten-screen cinema, and a bowling and entertainment area. Plzeň Plaza is scheduled for completion in the fourth quarter of 2007.

Under the agreement entered into between the Company and Klépierre on 29 July 2005, Klépierre agreed to acquire Plzeň Plaza upon completion, subject to the fulfilment of certain conditions including practical completion, minimum occupancy levels and the necessary permits.

Liberec Plaza, Liberec

The Group has a site in Liberec, on which it is intending to develop a shopping and entertainment centre. Liberec Plaza is located in the centre of Liberec, a city in the north of the Czech Republic, close to the border with Germany and Poland, with a population of 98,000 inhabitants and catchment area of approximately 350,000 inhabitants. The site is situated 20m from the main square. The planned mixed use centre will comprise approximately 17,000m^2 GLA, and will include an anchor supermarket, a cinema complex, fashion retailers, a food court and restaurants. The centre will also include a residential area of 924m^2 and 590m^2 of office space. The project is currently in the planning and development stage. The centre is scheduled to open in the fourth quarter of 2008.

Opava Plaza, Opava

Opava Plaza is located in Opava, a city in the north-east of the Czech Republic, close to Ostrava, with a population of 65,000 inhabitants and catchment area of 150,000 inhabitants. The site, which has an area of 8,700m^2, is located 50m from the city centre. The planned shopping and entertainment centre will compromise approximately 14,000m^2 GLA and will include an anchor supermarket, a cinema complex, fashion retailers, a food court and restaurants. The centre will also include a leisure and gaming area of approximately 950m^2. Construction is due to commence in the second quarter of 2008 and the centre is scheduled to open in the first quarter of 2010.

Latvia

The Group is currently developing one shopping and entertainment centre in Latvia:

Riga Plaza, Riga

Riga Plaza is located on the west coast of the Daugava River, south-west of Riga's city centre. Riga, the capital of Latvia and the largest city in the Baltic States, has a population of approximately 740,000. Riga Plaza has excellent connections to the city centre (a three to five-minute drive), as well as outstanding Information on the Group connections to the nearby main roads. There are eight public transport stops (trolleybus and bus) located within 500m,

with the nearest public transport stop located directly in front of Riga Plaza. The primary catchment area is made up of the 350,000 inhabitants of Riga's west coast. Riga Plaza will be a three-floor shopping and entertainment centre with a GLA of approximately 49,000m^2, anchored by a hypermarket on the ground floor, an eight-screen multiplex cinema and 2,500m^2 bowling and entertainment area. The Group is negotiating with several international brand name tenants to pre-let units in Riga Plaza. Construction operations commenced in the first quarter of 2007.

In March 2004, the Group entered into a joint venture with an American capital fund with extensive experience in Latvia. Each joint venture partner holds 50% of the interest in this project. The management of the development and construction of Riga Plaza is controlled solely by the Company.

The Group is in preliminary discussions with various investors for the pre-sale of this project.

Romania

Timisoara Plaza

The Group has a plot of land with an area of 32,000m^2 in Timisoara, on which it is intending to develop a shopping and entertainment centre. Timisoara Plaza is situated to the North East of Timisoara, a city in western Romania, close to the border with Hungary with a population of 350,000 inhabitants and a catchment area of approximately 700,000 inhabitants. The site is situated on a three-way junction and enjoys excellent visibility . The planned mixed use centre will have a GLA of approximately 39,500m^2, and will include supermarket, a cinema complex, fashion retailers, a fantasy land, a food court and restaurants. The Company is negotiating for cooperation with a strategic company in order to sell residential and office building rights situated on the plot (approximately 20,000m^2 GLA). Construction is due to commence in the second quarter of 2008 and the centre is scheduled to open in the third quarter of 2009.

Mircurea Ciuc Plaza

The Group purchased a plot of land with an area of 33,000m^2 in Mircurea Ciuc, on which it is intending to develop a shopping and entertainment centre. Mircurea Ciuc Plaza is situated in the centre of Mircurea Ciuc, a city in Romania, with a population of 50,000 inhabitants and a catchment area of approximately 300,000 inhabitants. The site is situated 400 meters from the city hall. The shopping centre has a GLA of approximately 12,000m^2, and will include a supermarket, fashion retailers, a fantasy land, a food court and restaurants. Construction is due to commence in early 2008 and the centre is scheduled to open in 2009.

Iasi Plaza, Iasi

The Group purchased a 46,500m^2 plot of land in Iasi. This land will be developed as a shopping and entertainment centre, office and residential space. Iasi Plaza is situated in Iasi, a city in the northeast of Romania. The population of Iasi is 350,000 inhabitants and the catchment area is approximately 820,000 inhabitants. The shopping centre is comprised of approximately 37,000m^2 GLA, and will include an anchor supermarket, fashion retailers, a fantasy land, a food court and restaurants. The Company is negotiating for cooperation with a strategic company in order to sell rights to a residential and office building situated on the plot (approximately 70,000 m^2). There will be office spaces of 15,000m^2 GLA. Construction is due to commence in 2008 and the centre is scheduled to open in the first quarter of 2010.

Slatina, Romania

The Company has acquired a site in Slatina, in southern Romania. The site totals approximately 20,000m^2 and is located in the north west part of Slatina. Slatina is a vibrant city with around 80,000 inhabitants and is considered a major city in the county of Olt which has approximately 520,000 inhabitants. In Slatina the Company plans to build a shopping and entertainment centre with approximately 25,000m^2 of built area, plus 450 parking places.

Additionally, the site provides the option to develop approximately 10,000m^2 of additional residential accommodation, which the Company may consider selling to a third party.

Other projects

Name	City	Ownership (%)	GLA (m^2)	Market Value, on completion (EURm) [1]	Market Value of the land and project (EURm)[1]	Expected completion
Shopping and entertainment centre extension						
Duna Plaza Extension	Budapest	Development rights only	15,000	47.8	27.0	2010
Mixed use developments						
Arena Plaza Extension	Budapest	100	13,500	71.3	27.0	2010
Helios	Athens	100	35,000	95.6	30.2	—
Dream Island, Obuda	Budapest	30[2]	347,000[3]	462.1	81.2	2012
Casa Radio	Bucharest	75	360,000[3]	646.9	164.0	2011-2012
Koregaon Park	Pune	50	107,000[4]	51.7	12.8	Q4/2009
Kharadi	Pune	50	225,000[4]	76.6	17.0	2010-2011
Trivandrum	Trivandrum	50	115,000[4]	78.9	10.7	2010-2011
Total			**1,217,500**	**1530.9**	**369.9**	

(1) Based on the Valuer's Report dated 30 June 2007.
(2) Indirect (the Company has a 50% shareholding in a company which has a 60% interest in the consortium which owns the project).
(3) Total site.
(4) GBA

Name	City	Ownership (%)	GLA (m^2)	Market Value, on completion (EURm)	Market Value of the land and project (EURm)	Expected completion
Existing offices						
David House	Budapest	100	2,000	5.3	5.3	—
Palazzo ducale	Bucharest	100	700	●	●	—
Total			**2,000**	**5.3**	**5.3**	

Name	City	Ownership (%)	GLA (m^2)	Market Value, on completion (EURm)	Market Value of the land and project (EURm)	Expected completion
Residential						
Prague III	Prague	100	61,600	116.6	27.4	2010-2011
Roztoky[5]	Prague	100	14,000	●	●	2009-2010
Total			**75,600**	**116.6**	**27.4**	

(5) Acquired after 30 June 2007 and, therefore, not subject to valuation by King Sturge.

Shopping and entertainment centre project not owned by the Group

Duna Plaza extension, Budapest, Hungary

Subject to land assembly and building permits, the Group has agreed to construct an extension to the Duna Plaza shopping and entertainment centre (which was one of the shopping and entertainment centres acquired by Klépierre in 2004) with an estimated GLA of approximately 15,000m^2. The Group will be responsible for obtaining building permits for plans and designs to be approved by Klépierre, and will be responsible for the construction of the extension. It is anticipated that construction will commence in 2008, assuming building permits are obtained. The Group will also be responsible for the letting of the new units in the extension. In consideration for the construction and lease-up of the Duna Plaza Extension, Klépierre will pay to the Group an amount equivalent to the net rentals generated at completion (determined in accordance with an agreed formula) capitalised at a pre-agreed yield. In the event that Klépierre elects not to commission the construction of the extension, notwithstanding that all building permits have been obtained by December 2008, the Group will be entitled to receive EUR10,000,000 compensation for the unutilized building rights.

The planning of this extension is in the preliminary stages and is subject to the acquisition of adjacent land and adoption of zoning modifications which allow for the construction of commercial and retail facilities.

Mixed use projects owned by the Group

Arena Plaza extension, Budapest, Hungary

The Arena Plaza extension is a planned retail and residential addition to the Arena Plaza that will comprise approximately 53,000m^2 gross and approximately 13,500m^2 rentable retail area arranged on three floors. In addition, there will be approximately 84 residential units extending to approximately 6,000m^2. Centre areas and common areas will extend to approximately 12,000m^2. The development will offer a modern market place for international retail boutiques as well as local vendors and artisans. The Arena Plaza extension will occupy part of the former historic Kerepesi trotting track. The project is in the preliminary planning phase and building permissions have not yet been obtained. The current zoning for the site will need to change for planning permission for the planned project to be obtained. The Group intends to apply to receive approval for the revised and valid zoning plans in the fourth quarter of 2007 when the construction of Arena Plaza should be complete. The scheduled opening date is 2010.

Helios Plaza, Athens, Greece

The Group currently owns a plot of land measuring approximately 14,892m^2, located adjacent to the National Highway (Piraeus Avenue) in a highly visible and commercial position at the junction of two major avenues in the heart of Athens. The site is a flat cleared area irregular in shape with frontage to Piraeus Avenue of 109m and a maximum depth of 120m. The site is conveniently located in front of the ISAP metro line, which runs from Piraeus to the northern suburbs. Situated on the Athens-bound carriageway of Piraeus Avenue at its junction with the new Kifissou Flyover, which connects the Athens-Lamia National Road and the coastal road Posidonos Avenue. The flyover is a major new road link that was completed on time for the 2004 Olympic Games. Following the issue of a ministerial decision which changed the land use along the National Highway, the permitted land uses applicable to this site do not permit the construction of a shopping and entertainment centre on this site. The Company is, together with its legal counsel and professional advisers, examining alternative development opportunities for this site, including the construction of offices and the sale of the land.

Dream Island, Budapest, Hungary

The consortium owns an area of land measuring approximately 320,000m^2 located on the southern end of Obuda Island in the Danube River in central Budapest. The Consortium intends to develop the land into a large scale business and leisure resort. The proposed plan includes development of the site as a business and leisure resort including eight to ten four and five-star hotels, four apartment hotels, a convention centre, a casino, a 3,500 seat opera house, a 1,500 seat theatre, a marina (with an anchorage for 300 vessels), a Information on the Group shopping and entertainment centre, a Roman cultural museum, and parking facilities for approximately 5,500 vehicles.

On 27 April 2006, the Budapest General Assembly approved an amendment to the local town planning scheme (KSZT), within the framework of which construction rights for approximately 347,000m^2 were approved for construction of the Dream Island resort.

Following approval of the KSZT, certain formal approvals are also required. The mayor of the district of Budapest in which Obuda Island is located decided to submit the formal approvals of the KSZT by the General Assembly for ratification by way of a referendum conducted amongst the residents of the district. The referendum took place on 10 September 2006 and following the referendum, the approval of the KSZT has been ratified.

The Dream Island consortium intends to commence the construction on the southern side of the island in the late 2007, and to complete the project in five to six years, with an estimated total investment of approximately EUR1.06 billion.

Debt funding for the project will be arranged by MKB Bank Nyrt (formerly Magyar Külkereskedelmi Bank Rt.) of Budapest, a leading Hungarian commercial bank. The Group will provide project management services and involve leading international operators for the hotels, casino, convention hall and cultural centre.

As security for obtaining the planning permits, EMI has executed a corporate guarantee in favour of MKB Bank, which financed the acquisition of Ercorner Gazdagsági Szolgáltató kft.'s rights in the consortium.

The Group has a 50% shareholding in the special purpose company that has a 60% interest in the Dream Island consortium which owns the development land on Obuda Island. The remaining members of the consortium are CP Holdings Ltd., a member of the group of companies controlled by Sir Bernard Schreier (approximately 30% direct interest), MKB Bank (approximately 30% indirect interest), and a company controlled by the managing director of the consortium (approximately 10% direct interest).

Casa Radio, Bucharest, Romania

In February 2007, the company acquired a 75% interest in a Company which under public-private partnership agreement with the Government of Romania is to develop the Casa Radio (Dambovita) site in central Bucharest. The other investors include the Government of Romania, which will procure that the development company is granted the necessary development and exploitation rights in relation to the site for a 49-year period in consideration for a 15% interest in the project and additional developer which holds 10%. The Company had granted to companies connected with Sir Bernard Schreier an option to acquire 25% of its 75% interest. The option has expired but Sir Bernard Schreier claims he is still entitled to exercise the option. The valuation of this project has been made by King Sturge based on the assumption that the option has expired and that the Company holds a 75% interest in Casa Radio.

Casa Radio is located on the border of Sector 1 and Sector 6 in the city of Bucharest, which comprises a large area of the city centre as well as a high proportion of residential apartments. The city's main railway station is Gara de Nord located approximately 3km from the site and the Eroilor Metro station is located opposite on Podul Eroilor and is on Metro lines 1 and 2. The M2 Metro line which runs on a north to south axis from the north of the city to the south is located at Piata Universitate, approximately 1.75km to the east of the site. The site is also served by a number of trolley bus services. The property comprises a brownfield site covering an approximate area of 101,497m^2. The proposed scheme will comprise refurbishment of the existing building as well as the development of additional space annexed to the building and on adjoining land. The scheme will comprise a shopping and entertainment centre, offices, a hotel and an apartment hotel. The existing building framework will be refurbished and extended in order to include a hypermarket of approximately 17,000m^2 in the underground level and a shopping and entertainment centre of approximately 121,490m^2 over the ground floor, first floor, partially second floor and mezzanine. The mezzanine level between the second and third floor will host the cinema's entrances. The hotel will have its first two levels comprising the reception and public area contained within the existing building at its second and third floor adjacent to the cinema area. A convention centre area will be created at the third level as a part of the hotel. The office element will have one floor, the reception area, contained within the existing frame at the third level adjacent to the cinema. Car parking allocation totalling 99,221m^2 (2,900 spaces) will be built around the main existing building on four underground levels. Two towers of 30 floors each, one for an apartment hotel and one for offices, will be constructed.

Koregaon Park

The Company acquired a 100% shareholding from its controlling shareholder, EMI, of a subsidiary that holds a 50% interest in another Indian private limited liability company ("JV") the remaining 50% interest in JV is controlled by one of Pune's leading developers. JV owns a plot of land of approximately six acres in Koregaon Park, an up-market area of Pune, Maharashtra State, India. JV plans to construct a mixed-use scheme with a total area of approximately 107,000m^2 that will be comprised of a shopping centre with an estimated area of approximately 75,000m^2 and an office building of approximately 32,000m^2.

Kharadi

The Company is party to an agreement for the acquisition of 50% of the rights in and to an Indian company which holds 56,000m^2 of land, and an option to acquire an additional 22,000m^2, all in the Kharadi area in Pune, India. The Company intends to develop its plots of land through the construction of a project of approximately 225,000m^2 which will include a shopping centre with a total area of approximately 120,000m^2, an office complex with an area of approximately 81,000m^2 and a serviced apartment facility with an area of approximately 24,000m^2.

Trivandrum

The Group has a site in Kadakampilly village, close to the city of Trivandrum (the capital city of the State of Kerala, India), on which it is intending to develop a shopping and entertainment centre together with an office premises and a serviced apartment facility. Trivandrum is a major city in the south of the India. The city is the state capital and houses many central and state government offices, organizations and IT companies. Apart from being the political nerve centre of Kerala, it is also a major academic hub and is home to several educational institutions, with a population of 3,000,000 inhabitants. The site is situated in a favourable location due to the direct linkage to the bypass road which is adjacent to the project premises, which the Company hopes will result in a significant number of customers. The project is in the preliminary planning and development stage with a planned total area of approximately 195,000m^2 which will include a shopping mall and office space together with a serviced apartment facility.

Belgrade, Serbia

The Company won a competitive tender announced by the Government of Serbia for the development of a new shopping, entertainment and business centre on a total built up area of approximately 100,000m^2 (with over 2000 parking spaces) in Belgrade, Serbia. This project represents the Company's first step into the Serbian market and fulfils one of the Company's expansion objectives. The Belgrade market offers particular potential, with its large populated catchment area of approximately 2.5 million people. The new complex will be located on the prominent site of the former Federal Ministry of Internal Affairs, situated on the main street which runs through the centre of Belgrade. The area is home to foreign embassies, including those of the United States, Canada, Germany and Poland among others. In addition, the Serbian Government, Ministry of Finance, Belgrade chamber of commerce and Belgrade's largest public hospital are all nearby, as well as the city fair and the future railway station.

The Company will partner with a local Serbian developer for the project, which is expected to have a gross development budget of EUR150 million. The local partner will be entitled to participate in up to 15% of the project, subject to certain conditions while the project management will be rendered solely by the Company.

Office buildings owned by the Group

David House, Budapest, Hungary

The Company owns an office building located on Andrássy Boulevard, a prestigious location and one of the most sought-after streets in the centre of Budapest. Several foreign embassies are situated nearby. The building facades of all buildings on the Andrássy Boulevard, including David House, are listed in the "World Heritage" list. The building was reconstructed/refurbished by the Group during 2000-2001 in cooperation with the local monument preservation authority. Many of the original features have been retained, including the inner courtyard, staircases, stucco, ornate metalwork and fine wood carvings. The building is located on a 796m^2 plot and consists of four floors, an atrium and a basement, with a total constructed area of approximately 2,400m^2. The building is the functional headquarters of the Group.

Palazzo ducale, Bucharest, Romania

Plaza Centers has acquired recently a prestigious French style villa converted into an office building. The building is located in the centre of Bucharest and was completely renovated in 2005. The total constructed area is approximately 700m^2 built on a plot of around 600m^2 and consists of three floors, a basement and a garage. The building will become the headquarters of the Plaza Centers Group in Romania.

Office buildings sold by the Group

Duna Plaza offices, Budapest, Hungary

In May 2007 the Company sold the Duna Plaza offices with an aggregate gross asset value of EUR14.2 million, which are located on the Pest side of the Danube River in Budapest XIIIth District "Angyalföldi" fronting Váci út, a main arterial traffic corridor leading north out of the city. At the time of sale, approximately 90% of the Duna Plaza offices were let to tenants such as GE Operational Services, ITC, ERSTE Bank and Plaza Centers Magyarország (Management) Kft., a subsidiary of Klépierre.

Residential projects owned by the Group

Prague III Logistics Centre, Prague, Czech Republic

Praha Plaza s.r.o., a wholly-owned subsidiary of the Company, owns a commercial complex comprising a number of buildings located in the Prague III district, which currently operates as a logistics and commercial centre.

The buildings are located on a site totalling approximately 46,438m^2 with a current total GLA of approximately 44,300m^2 (44,300m^2 for the current warehouse buildings and potentially 61,600m^2 for the future apartments). Due to planning difficulties, it is not possible to develop a shopping and entertainment centre on this site. Accordingly, the Group is currently examining the possibilities of developing this site as a residential complex as its strategic location allows wide views across the city, and it is well connected to public transportation facilities. The Prague III district has a number of major domestic and multinational companies such as Vodafone, Český Telecom and others. The area also has an extensive range of public services including pre-schools, primary and secondary schools, health care facilities, sporting facilities and fitness centres.

The proposed development plan envisages a three-phase construction programme incorporating 880 apartments and 900 underground car parking spaces.

Roztoky, Prague

The Group has purchased 39,000m^2 of private land in Roztoky, a town attached to Prague. The company intends to develop there a residential compound. The plot includes a valid

planning permit for 81 units of family houses. Roztoky is located north-east to Prague 6 on the way to the airport, with a population of 6,500 inhabitants.

The site is located on the west side of the town, on a hill, and adjacent to a green park. The development will include: 15 row houses and 64 semi-detached units. Unit's sizes will be 150-200m^2 each and will include also a covered parking on the plot. The project is currently in the beginning of building permit process. Construction intends to start in 2008 and is anticipated to be completed in 2009-2010.

4. Pipeline projects

Poland

The Company believes that the economic conditions in Poland remain favourable to the Group's business. According to CB Richard Ellis' EU Shopping Centre Investment Report for 2004, excluding the UK, Europe's most active investment market in terms of total value of transactions was Poland at almost EUR1,300 million. The Group has identified five further cities where (subject to the availability of suitable sites) there is a realistic prospect of developing shopping and entertainment centres within the parameters of its development strategy.

	site A	site B	site C
Type	shopping and entertainment centre	shopping and entertainment centre	mix used project
Population	300,000	250,000	650,000
Plot area	36,000m^2	12,000m^2	22,000m^2
GLA	35,000m^2	25,000m^2	30,000m^2

Czech Republic

The Czech Republic, with strong macroeconomic growth supported by foreign investment and household consumption, is one of the favoured destinations for foreign investment in the CEE region. From a 12% yield five years ago, retail property in the Czech Republic, and especially in Prague, is now seen as a well-established and liquid investment market with a yield ranging from 7.5% to 8.5% on the trading of shopping centres. Retail in the Czech Republic is the most active product sector and this trend is estimated to continue in 2007 and onwards. The retail sector is currently the focus of the most aggressive buyers as centres and retail warehouses are being built all over the country in an attempt to satisfy consumer demand. The Group is currently investigating or in negotiations for the acquisition of two sites in the Czech Republic.

	site A	site B
Type	shopping and entertainment centre	shopping and entertainment centre
Population	100,000	50,000
Plot area	12,000m^2	8,000m^2
GLA	20,000m^2	12,000m^2

Slovakia

Slovakia, which has a population of 5.4 million, had until recently a pro-reform government. The newly-elected government may refine some economic and social reforms but is not expected to implement major alterations.

Robust growth of real GDP by 6.1% in 2005 increased to 8.3% in 2006, fuelled by strong private consumption, which is supported by growth in wages and in demand for credit and by the increased spending of the new government.

Interest rates have increased to 4.5% in 2006 and the monetary policy is forecast to strengthen further following the increases in energy prices and a greater inflation risk in the face of potentially looser fiscal policy.

The Slovak koruna is expected to strengthen until 2007 driven by high inflows of foreign direct investment supported by the recent reforms combined together with the deregulation of the banking and utility markets, and thereafter it is forecast to depreciate slightly. Current account deficit to GDP is expected to decline, mainly due to the opening of two new automotive plants.

Unemployment averaged 13% in 2006.

Slovakia joined the Exchange Rate Mechanism II in 2005 and is expected to adopt the EURO in 2009.

The Group is currently investigating or in negotiations for the acquisition of three sites.

	Type	Population	Plot area	GLA
Site A	mix used project	70,000	60,000m^2	48,000m^2
Site B	shopping and entertainment centre	50,000	8,000m^2	14,000m^2
Site C	shopping and entertainment centre	60,000	12,000m^2	15,000m^2

Romania

The attractiveness of the Romanian market to the Group increased in 2005, due to a steady GDP growth rate of 5%, a 60% increase in retail sales over the past two years, and signs of greater political and economic reform in anticipation of likely EU accession in 2007. In addition, new international retailers are steadily entering the retail market in Romania and existing domestic retailers are planning to expand. The Romanian business community estimates that retail sales volume will grow at 8% per year during 2005-2009. This growth should be maintained by real wage increases in the private sector due to the introduction of a 16% flat tax rate and easier access to financing sources. High demand from retailers for a limited supply of retail space is reflected by the rent and sale price increases (more than 25% in the last two years).

Existing shopping centres in the countryside (outside the Bucharest area) provide an estimated 190,000m^2 of GLA, which is an extremely low figure compared to other countries in CEE. In addition, most of the existing shopping centres comprise former department stores constructed before 1990, which have been subsequently converted in order to offer a solution to increasing consumer demand.

The Group is currently investigating or in negotiations for the acquisition of three sites.

	Type	Population	Plot area	GLA
Site A	shopping and entertainment centre	230,000	15,000m^2	21,000m^2
Site B	mix used project	210,000	35,000m^2	60,000m^2
Site C	mix used project	70,000	27,000m^2	19,000m^2

India

India is the world's largest democracy, with a population of 1,095 million people in 2005. India has seen sustained growth over the last ten years and, out of the world's largest 20 economies, had the second fastest rate of growth in 2005/2006. It achieved a GDP growth of 8.5% in 2005 and is forecast to continue benefiting from the growth in the manufacturing and services sectors, subject to the development of oil prices. Inflation averaged 4.2% in 2005 due to robust domestic demand and high oil prices. As the crude oil price is expected to fall in 2007, so do the expectations of the change in price level to 4.1%. Monetary measures in the form of increasing interest rates to control the currently rapid house price inflation are yet to feed through. The interest rate is projected to stabilise by 2007 (at 11.5%). The Indian rupee is expected to continue depreciating against the US Dollar, driven by a boom in imports and the resultant current account deficit.

The country is expected to remain an attractive destination for foreign investment, supported by attractive fundamentals and the ongoing gradual liberalisation of its trade regime. Unemployment averaged at 8.9% in 2005 and is forecast to decrease to 7.4% by 2007.

India is experiencing increasingly better relations with the United States and Pakistan, in spite of the growing demands of the latter for the self-governance of Indian-administered Kashmir.

EMI has conditionally agreed to enter into a 50 : 50 joint venture with an Indian co-investor to develop a shopping and entertainment centre, subject to site assembly and the necessary planning and building consents being obtained. It is intended that EMI's interest in the project will be transferred to the Company pursuant to the sourcing agreement which relates to India within 30 days (further details of which are set out in paragraph 12.5 of Part IX – "Additional Information"). The site is located in the western part of India, in a city which has an estimated metropolitan population of 4.5 million (2005). The city is a major industrial centre and is a well-known higher education centre with six universities and approximately 600 colleges. It is estimated that the student population exceeds 500,000. The planned shopping and entertainment centre will comprise approximately 52,500m^2 GLA, and will include an anchor supermarket, a cinema complex, fashion retailers, a food court and restaurants. The centre will also include a leisure and gaming area.

The Group is currently investigating or in negotiations for the acquisition of seven sites.

	Type	Population	Plot area
Site A	mix used project	7,000,000	300 - 400 acres
Site B	mix used project	7,000,000	100 acres
Site C	mix used project	10,000,000	120 acres
Site D	mix used project	3,000,000	18 acres
Site E	mix used project	7,000,000	22 acres
Site F	shopping and entertainment centre	5,000,000	6.8 acres
Site G	mix used project	4,000,000	82 acres

Further potential countries

In addition to actively sourcing potential development sites, the Company will evaluate any potential sites presented to it in CEE and the surrounding countries. The Company believes that the economic conditions in CEE and the surrounding countries remain favourable to the Group's business. GDP growth in CEE is likely to continue to outperform that of Western Europe, with the region benefiting from increased foreign direct investment in real estate attracted by EU membership. The expected GDP growth in 2007 for each country being analysed by the Group is set out below. Further yield compression is expected in CEE property compared to Western Europe, which should enable the Company to benefit from higher selling prices. The Company should also benefit from increasing access to attractive debt financing relative to the underlying property yields. Many emerging market countries within CEE and the surrounding countries offer significant retail demand resulting from rapidly growing incomes and increasingly westernised tastes and habits and such demand is not currently met by an equal supply of western-style shopping and entertainment centres.

The Group is analysing further countries that meet the Group's development parameters and investment criteria, such as Ukraine, Russia, Bulgaria, Turkey and Croatia.

	2007E GDP growth (%)
Latvia	10,5
India	9.0
Ukraine	7.6
Russia	6.2
Serbia	6.5
Slovakia	9.4
Czech Republic	5.4
Bulgaria	6.0
Romania	6.5
Poland	5.4

2007E GDP growth (%)	
Turkey	5.0
Hungary	2.1
Croatia	5.3
Greece	3.2

Source: Economist Intelligence Unit

Conversion Factor

All areas have been quoted in m^2 or acres. To obtain in the equivalent area in ft^2, multiply the relevant m^2 or acres figure by the Conversion Factor.

5. Dividend policy

Dividend policy

The payment of dividends is dependent on the financial performance and condition of the Group, the Company's financial position and the capital and anticipated working capital requirements of the Group. The Directors adopted a dividend policy which, subject to mandatory provisions of Dutch law (section 2:105 of the DCC), will reflect the long-term earnings and cash flow potential of the Group, taking into account the Group's capital requirements, while at the same time maintaining an appropriate level of dividend cover. It should be noted that the general meeting of Shareholders is not bound by such policy and will decide in its discretion the amount of dividend payable.

Subject to all of these factors, and where it is otherwise appropriate to do so, the Directors intend to make distributions out of the annual net profits (after deduction of all directly related costs) to be derived from transactions for the sale of projects developed by the Group during any financial year. Dividends are expected to be paid at the rate of 25% on the first EUR30 million of such annual net profits, and thereafter at the rate of between 20% and 25%, as determined by the Directors, on any additional annual net profits which exceed EUR30 million. The dividends will be paid on or about 31 March on the basis of the aggregate of the annual net profits accumulated during the preceding financial year. For risks relating to and taxation of dividends, please refer respectively to Part II – "Risk Factors" and paragraph 6 of Part IX – "Additional Information".

Provisions in the Articles

The profits of the Company will be at the disposal of the general meeting. The Company 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 the capital increased by the reserves which must be maintained by law. 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 to the number of Ordinary Shares held by such Shareholder. The Depositary has agreed to pass dividends on to the DI Holders. Similarly, Euroclear and the Polish NDS will pass dividends on to the holders of Shares listed on the Warsaw Stock Exchange. For the computation of the profit distribution, the Ordinary Shares held by the Company in its own capital must be included.

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 Company 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 Company 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 Company.

Notice of distributions, and of the dates on which they become payable, shall be published in a national daily newspaper in the United Kingdom and The Netherlands and further in such manner as the Board may deem desirable.

6. Insurance

Currently the Company has insurance in place which the Company believes is sufficient to cover its current properties. Generally, during construction the building contractor is required to take out and maintain Contractors' All Risks (CAR) insurance cover in the amounts stipulated in the construction agreement. The Company will arrange insurance for its assets on an asset by asset basis on terms considered by the Company to be appropriate and having due regard to the availability of cover, and engages the services of an experienced insurance consultant in this regard.

EMI maintains Directors & Officers' insurance cover, presently at the maximum amount of USD 40,000,000, which is renewed annually. Pursuant to the terms of this policy, all the directors and officers of subsidiary companies in which EMI holds more than 50% of the equity rights, directly or indirectly, are also insured.

7. Controlling Shareholder

The Controlling Shareholder controls 200,000,000 Ordinary Shares which represent approximately 68.4% of the Company's Share Capital. As such, the Controlling Shareholder has effective control of the Company. The Company is satisfied that it is capable of carrying on its business independently of the Controlling Shareholder and that all transactions and relationships between the Group and the Controlling Shareholder are and will continue to be at arm's length and on a normal commercial basis. To ensure that this is the case, the Company has entered into a relationship agreement with the Controlling Shareholder (a summary of which is set out in paragraph 11.3 of Part IX – "Additional Information"). In accordance with the terms of this agreement, if a conflict of interest arises between the Controlling Shareholder and the Company, the Controlling Shareholder will ensure that the non independent Directors will not vote in respect of the matter.

8. Employee share schemes

The Company has established a share option scheme for employees and officers of the Group. The terms of the Share Option Scheme are described further in paragraph 9 of Part IX – "Additional Information".

9. Taxation

The attention of investors is drawn to the information contained in paragraph 6 of Part IX – "Additional Information". If in any doubt, prospective investors should immediately seek their own taxation advice from an independent tax adviser who specialises in advising on the acquisition of shares and other securities.

PART IV - Market Overview

This market overview has been provided by King Sturge LLP at the request of the Company and covers general information on each country in which the Group operated, operates or is intending to operate as at the date of this document. Part A of this market overview includes information on the macroeconomic situation, national retail trends, the residential property market, international input and property market yields of each relevant CEE country and Part B of this market overview sets forth such information with respect to India.

Part A CEE

1. The Czech Republic

GDP 2005	$132.4 billion	CZK/EUR (2006)	28.343
GDP 2006	$142.4 billion	CZK/USD (2006)	22.609
3 month PRIBOR (June 2007)	2.93%	Inflation 2005	1.9%
Mortgage value as % of GDP	3.1%	Inflation 2006	2.5%
Gross salary pa	Euro 8,557	Interest rate (June 2007)	3.0%
Eurozone economy	by 2012		
Currency	Koruna (CZK)	Exports growth 2006	15.9%
FDI 2006	$5.9 billion	Imports growth 2006	15.2%

Source: Czech National Bank, Ministry of Finance CR, Czech Statistical Office.

Demographics

The Czech Republic holds a strategic position at the heart of Central Europe, having land borders with Germany to the north, west and southwest, Austria to the south, Poland to the north and Slovakia to the east.

Prague is the capital of the Czech Republic. Located to the west of the centre of the country, it is situated on the banks of the river Vltava. Prague is 515 km from Warsaw, 340 km from Berlin, 310 km from Vienna and 289 km from Bratislava.

According to the latest census figure (source: Czech Stastical Office, 31 March 2007) the population of the Czech Republic is 10,306,709. The country has been divided into 14 regions since 1 January 2000. As of 31 December 2006 approximately 11.5% of the total population lived in the capital, Prague (1,188,126).

Other large urban centres in the country are Brno, the second largest city in the Czech Republic with 366,680 inhabitants, followed by Ostrava with 309,098 and Plzeň with 163,392 inhabitants.

Economy

Traditionally, the Czech Republic has benefited from a strong industrial background with a particular strength in engineering, although restructuring of the economy since the collapse of communism has caused the decline in traditional industries.

The Czech economy has diversified greatly with an ever-developing service-based economy including finance, tourism, retailing and telecommunications.

The unemployment rate in the Czech Republic falls within the mid-range of values compared with other European countries with an average of 7.1%, with a long-term unemployment rate of 3.9%. This compares to 13.8% for Poland, 7.5% Hungary, Slovakia 13.4% and 7.9% for the Euro-25 region (source: Eurostat, Total Unemployment Rates, February 2007).

Unemployment in Prague is 2.8%, well below the national average (source: Czech Stastical Office, 1Q 2007), due to the large number of international companies based in the capital and the resulting skills shortages.

Following double-digit inflation in the mid to late 1990s, the average rate of consumer price inflation has come under control and has gradually fallen to levels similar to western

European levels and as of June 2007 stood at an annual rate of inflation (HICP) of 2.10%. That compares favourably with the Euro-25 of 2.20%.

The Czech economy has recovered following a prolonged recession in 1997 and 1998. GDP rose by 3.6% in 2000 and 2.5% in 2001 in response to the global dot-com boom, but economic growth slowed to 1.9% in 2002 following the terrorist attacks of September 11, 2001 and the subsequent global downturn. GDP growth picked up again in 2003 to reach an annual rate of 3.6% and accelerated to 4.6% in 2004.

The solid performance of Czech exporters which, despite slow growth in the EU, accounts for some 70% of the Czech Republic's exports and a strengthening Czech Crown, has helped to account for the high growth rates of 6.5% and 6.4% in 2005 and 2006, respectively. Strong economic growth rates in the Czech Republic are in direct contrast to larger western European countries, where economic growth has stagnated especially in Portugal (1.3%), Italy (1.9%), France (2.2%) and the UK (2.8%).

Growth has been fuelled by foreign direct investment, with $6.3 billion invested in 1999, reaching a peak in 2002 at $9.3 billion, falling back to $2.6 billion in 2003 before picking up in 2004 to reach $4.46 billion. FDI has performed exceptionally well in 2005 having registered $10.99 billion. In 2006 and following years will be large South Korean investments (by Hyundai and SungWoo) in the northern Moravia region.

According to Czech National Bank data, FDI to the Czech Republic amounted to USD 5.96 billion, EUR 4.75 billion and CZK 134.68 during 2006.

The privatisation of remaining state-held stakes in state-owned enterprises is expected to attract significant amounts of FDI, and the major inflow of greenfield projects is expected to continue. Spanish telecommunications firm, Telefonica, was the largest provider of FDI to the Czech Republic in 2005 with the purchase of the Czech Telecom assets following its privatisation. FDI is set to remain strong in 2007 with the expected privatisation of the Czech Electricity Monopoly (CEZ).

According to data released by the Czech Statistical Office real GDP grew by 5.8% y-o-y in the fourth quarter of 2006, bringing the annual growth rate to 6.1% in 2006, which was equal to 2005's yearly growth rate.

The economy grew strongly in the first half of 2007 with the forecasted real GDP growth of 5.3%. It is, however, projected that during the second half of the year the growth rate will slow somewhat due to a decrease in consumer spending.

Prague accounts for almost one quarter of the country's GDP and has attracted nearly half of all FDI despite having only one-tenth of the population.

The average real monthly gross salary in the Czech Republic grew by 5.5% in 2005 compared with 2004, reaching almost 19,030 CZK (667 EUR). However, almost two-thirds of all employees receive wages below this level. Salaries are highest in the capital, Prague, where the average gross salary is approximately 23,945 CZK (839 EUR) due to the concentration of foreign multinational companies which have opened offices to benefit from the labour pool of highly-educated and qualified workforce.

Market conditions

Retail market

Growing disposable income, increasing employment rates, an expanding consumer credit market and the strength of the Czech Koruna have all helped to boost consumer spending in the Czech Republic over the past few years. As the purchasing power of the population continues to rise in the future, this trend will continue and help develop the retail market in the Czech Republic.

The vast majority of retail spending is concentrated in Prague, and its surrounding area, benefiting from the above average incomes in this area compared with the rest of the country. However, recently shopping centres have been opening away from Prague and commercial properties been developing in regional cities.

The Czech Republic has 132m^2 of retail space per thousand inhabitants, which equates to an undersupply of approximate 20% in comparison to the EU average. In view of the further development planned, it is likely to catch up with this average within the next three years as economic growth remains strong thus pushing consumer spending.

The demand from both domestic and international retail occupiers remains strong as they further develop their networks both in Prague and outside of Prague. Retailers such as H&M, C&A, Hervis, Next, Promod, New Yorker, Sephora, Camaieu and Electro World are very active in the Czech market.

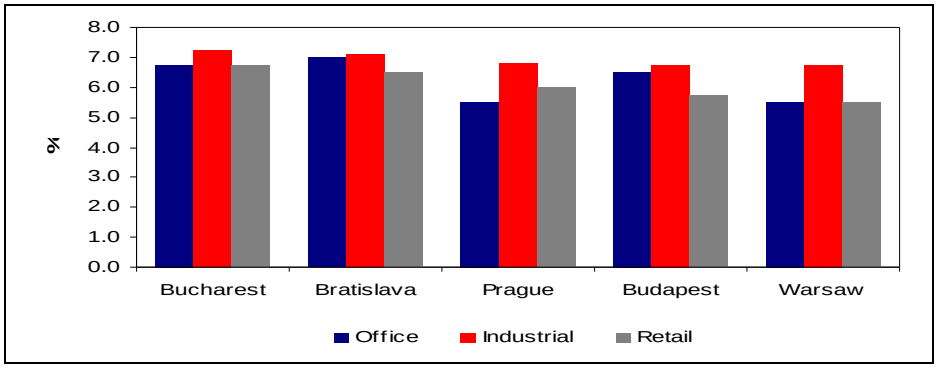
Investment market

The investment market in the Czech Republic, along with the nine other new member states, has matured rapidly over the past number of years with EU accession acting as the greatest catalyst for this process.

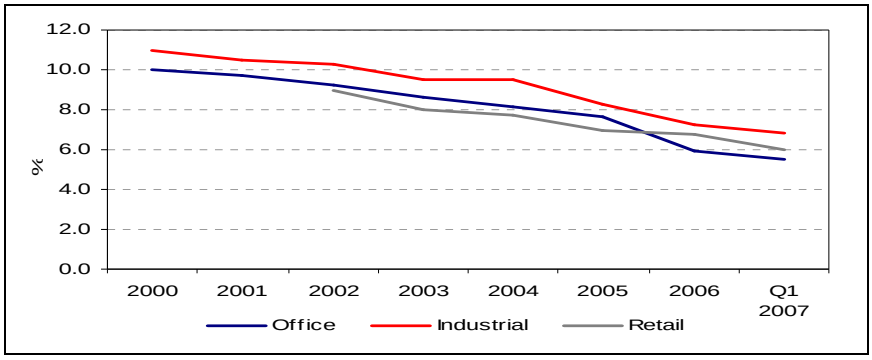
The EU accession has changed the nature of the investment market from an emerging market to a more established market where income-driven funds are more active.

Investment activity remains strong with foreign investors dominating the Czech market with the most active participants coming from Germany, Austria, U.S. and the Netherlands, as well as other important new entrants from Ireland and the UK.

The weight of money, caused by the increasingly competitive nature of the market as well as a lack of investment products, has been pushing investment yields down and, with continued strong interest in the market, there remains the prospect of further yield compression in the future. In the past 12 months net investment yields have moved in by 100 to 125 basis points. Although investment yields are not expected to move in to such an extent over the next 12 months, there is still a potential for investment yields to move in considerably. The following graph depicts the prime yields in some CEE capitals.



The continuous depression of prime investment yields is depicted in the following graph.



Investors have become less risk-adverse:

- Investors are agreeing to more complicated and sophisticated investment transactions. For example, there have been a number of forward purchases where investors have agreed to purchase schemes from developers, provided certain criteria are met concerning building specification and contracts with tenants.
- Investors are increasingly prepared to take on more risk on the letting side in respect of strength of covenants, length of leases and vacancy.
- Investors are moving out of Prague and acquiring commercial property in regional cities. In 2005, there were several transactions outside of Prague, including the purchases of the Varyadá shopping centre in Karlovy Vary by Dawnay Day, the IGY shopping centre in České Budějovice by GE Capital Real Estate, and the Olympia office centre in Olomouc by Immoeast.

The total volume of investment deals in 2005 reached 1.5 billion EUR and in terms of volume they rose by approximately 30% from 1.0 billion EUR in 2004. In 2003 the volume of investment was 0.8 billion EUR. Large transactions were registered in the final quarter of 2005 such as Galerie Vaňkovka, sold by ECE to HGA Capital for an approximately 100 million EUR.

King Sturge expects the investment market to remain strong in the future and could reach the two billion EUR mark by the end of the year as the market becomes more increasing liquid and transparent.

The following table presents the recent key deals that have taken place in the Czech Republic.

Recent investment transactions – Czech Republic

Scheme	Sector	Vendor	Purchaser	Price (in million)
The Park	Office	AIG/Lincoln	Signa Property Funds	EUR220.0
CSOB Portfolio	Various	CSOB	Group of various investors and developers	EUR111.1
Hadovka Office Park	Office	DIF	Heitman European Property Fund	EUR70.0
Trianon	Office	Hochtief	DIFA	EUR47.0
Budějovická Alej	Office	Skanska Property	ING Management Ltd (Australia)	EUR36.7
Polygon House	Office	Callas/Cecopra	Sekyra	EUR30.0
Interspar hypermarket	Retail	n/a	Meinl	EUR30.0
Sanitas	Industrial	Mayfield	Teesland	EUR23.0
Tulipán Logistics Park	Industrial	Redevco	Standard Life Insurance	EUR22.0
Ctyri Dvory, České Budějovice	Retail	Delta	Aggmore	EUR11.7

Source: King Sturge, March 2007

The table below presents the following comparable retail shopping centre investment transactions in the Czech Republic.

Date	Project	Location	Reported Yield	Sale Price (EUR)	Comments
2006 Q2	Hana Olomouc	Olomouc	6.9%	Approximately 32,500,000.	This property is a good comparison due to location; however the deal completed one year ago. Total retail area 16 000m^2.
2006 Q2	Sconto Retail Warehouse	Brno	6.9%	13,000,000	This property is a single-let retail warehouse.
2007 Q1	Grand Pardubice	Pardubice	7%	27,000,000	This is an old shopping centre located in the centre of Pardubice. The property measures approximately 27,000m^2.
2007 Q2	Palladium Prague	Prague	5.5%	N/A	This is a brand new office/retail development in the centre of Prague.
2007	Olympia Olomouc	Olomouc	**5.75% (asking)**	Bought in 2Q 2005 by Immoeast (current vendor) for 56,000,000	This property is currently being marketed as an investment. The selling agent is seeking offers in the region of 5.75%. The property is approximately 26,000m^2.
2005 Q2	Galerie Vankovka	Brno	7.4%	100,000,000	The centre is approximately 39,800m^2 and is considered to be the prime centre in Brno. The evidence is historic now and the market has moved on from this point.

The Olympia shopping centre is currently on the market, and the selling agent has indicated they are seeking offers reflecting a yield of 5.75%. This pricing seems aggressive; however there is a lack of investment quality centres available on the market. Furthermore, the agent is reporting high levels of interest and we have been verbally informed that offers have been received reflecting a lower yield than that asked.

Residential market overview

Historic background

During the 40 years of Communist rule in the former Czechoslovakia, private ownership of real estate was limited to a select few whilst the vast majority of the population lived in state owned housing. Since the collapse of the Communist regime following the Velvet Revolution of 1989, economic and legislative reforms changed the state of the residential market dramatically with rapid development with regard in particular to the quality and quantity of housing supplied as well as services provided.

Restitution

In the period after the Velvet Revolution, lack of legislation governing the ownership of real estate in the Czech Republic distorted the pricing mechanism in the housing market. Throughout the 1990s, a series of laws were passed which forced the government to hand back state-owned property to the original owners, in a process known as “Restitution”. It is estimated that in 1989 corporations had control of over 59% (i.e., 302,000) of dwellings in nearly 20,000 buildings in Prague. The historical and commercial core, Prague 1, contained the highest number of flats under control: approximately 97% or 18,628 flats.

Although restitution concerned all types of property, the main types of real estate concerned were mainly apartment blocks, constructed before the Second World War and located in central Prague.

Newly-restituted premises were often put on the open market as many owners were either living abroad and unable to manage the properties from abroad and/or were wishing to release a capital lump sum. As such, large increases in sales recorded during 1992 to 1993 most notably in Prague 1, 2, 3, 5 and 10.

However, by 1993 the supply of tenement houses exceeded demand for them and consequently led to declining prices and stagnation in the market.

Restitution also induced a boom in small commercial developments as flats were converted into office premises to satisfy increasing demand from foreign and national companies setting up and benefiting from deregulation in the non-residential sector.

The pricing chaos and distortion that characterised the real estate market in the early 1990s, finally gave way to greater price stability as the decade progressed.

The process of Restitution has been fraught with legal difficulties and injustices in some cases, however, the process is generally considered by most to have produced a more equitable and stable market.

Owner occupation

The Act on Ownership of Flats and Non-Residential Premises, approved by the parliament in March 1994, has paved the way for widespread privatisation of housing stock held by the State.

Under this law, municipalities and cooperatives are able to sell individual flats to sitting tenants thus shifting a large proportion of state owned property into the hands of private individuals. The Czech government is hoping to replicate the UK’s successful privatisation of Council owned flats into the hands of sitting tenants thus boosting the owner-occupation sector, which was a major impetus to the housing boom in the late 1980s in the UK.

It is important to note that legal regulation is inadequate in some cases and there are often pitfalls in day-to-day practice.

Rent regulation

Rent regulation is one of the largest remnants of the country's Communist past and remains a major social, economic and political issue to the present day. The prolongation of regulated rents remains an important obstacle to free market practices and market transparency in the residential market especially in Prague 1 where the highest number of regulated apartments is found.

Regulation of rents hinders the free movement of people caused by distortions to the pricing mechanism. The regulation of rents removes any incentive for tenants to move out because if they do so, they lose the right to pay a rent at a fraction of a market level.

Lack of political will on behalf of successive governments, including abuse of the system by politicians and officials, coupled with active lobbying on the part of property developers who wish to artificially increase demand for new developments, have all contributed to the continuing impasse in relation to rent deregulation in the market. However, the Czech Republic's entry into the European Union in May 2004 has reignited the argument for rent deregulation, which is starting to regain momentum having undergone heavy criticism from Western European countries as well as the mounting counter-lobby of private landlords and investors. The situation was highlighted by a recent ruling by the European Court of Human Rights in Strasbourg, which has superseded a ruling in the Polish courts and agreed with a landlord's claim that their human rights were infringed by rent regulation and having been unable to pay for basic maintenance and repairs to the building.

There is an ongoing lawsuit by around 5,000 house owners who put claims against the Czech Republic for allowing regulated rents. At the European Court of Human Rights in Strasbourg they demand payment for lost revenue. The Constitutional Court in Czech Republic has concluded at least a dozen of times that the owners of houses subjected to regulated rents have right to demand lost revenue.

Recent trends

The most important recent impact on the residential market has been the entry of the Czech Republic into the European Union in May 2004 which has made purchasing real estate in the Czech Republic by foreigners easier than before. However, certain restrictions and obstacles still remain in place, which will be gradually dismantled over the next few years, which should encourage greater volumes of investment.

Foreigners are increasingly present in buy-to-let apartments transactions as they represent a favourable investment opportunity. They mostly focus on smaller and medium-sized apartments in the Prague centre. Since the Czech Republic joined the EU in 2004 the property buying process and related rules and regulations for foreign freehold ownership of real estate have been simplified. An EU citizen is entitled to apply for a temporary residence (EU card), which enables the purchase of property in the Czech Republic under his or her own name. As for non-EU citizens, the way to buy a property is to form a limited liability company (known as "společnost s ručením omezeným," or s.r.o.).

Property prices experienced an important rise in anticipation of the Czech Republic joining the EU. Despite higher values of residential values and falling rental yields, in Prague especially, investors have not been deterred. There has been a large influx of foreign investors particularly British and Irish who have been forced to look out of their home markets where house prices are either peaking or falling and where net rental yields are between 4 to 5% and who are attracted by yields of 6% and above here.

Czechs have had 17 years of market economic practices and received training whilst working with expatriates and have learnt to do the same job for a much-reduced salary. As such, exceptionally high salaries and perks for expats, including accommodation allowances, have

now disappeared and consequently market rents have had to adjust to reflect the new situation.

Rental levels for luxury-end apartments appear to have stabilised in the centre of Prague however there is little prospect of any rental growth in the foreseeable future as vacancy rates remain relatively high. It is expected that yields on apartments will continue to fall as capital values outpace rental growth. Yields will remain lowest on prime residential apartments located in the most desired areas of Prague where prices per square metre are the highest.

Interest in home-ownership amongst Czechs has increased dramatically over the past number of years for a number of reasons including perceptions of home-ownership, increasing availability and sophistication of mortgage finance at historically low interest rates, increasing real wages and falling unemployment.

In terms of mortgage finance, banks are increasingly offering loans of up to 100% LTV to a larger and larger group of people.

Changes in the social dynamics of the Czech Republic have also affected the nature of the market. An emerging middle class and young professional population, who are moving away from their parental homes, usually a rent-controlled apartment, is helping to drive a construction boom for modern, newly-built, quality and affordable housing.

An upswing has been recorded in the family-house segment of the market too, as well as building plots for the construction of such. Surprisingly, an unsophisticated decision-making process on the part of buyers has accompanied the price boom of recent years. The outcome of this is a high volume of sales for even lower-quality products and the services connected with them.

The recession in the Czech economy in the late 1990s led to the construction of fewer new apartments, however, as the economic outlook improved moving into the millennium developer activity has picked up. The overwhelming majority of new development projects have been implemented for the purpose of direct sale. The construction of housing for rent has virtually not occurred on a commercial basis.

In the period 2005-2006 prices for houses and apartments grew at around 5% annually, and the same growth should occur for the whole of 2007. In the first five months of 2007, the growth in housing prices recorded approximately 2.42%.

Demand and supply

Demand for housing is increasing in the Czech Republic for a number of reasons:

- Increasing availability of mortgage.
- Historically low interest rates on mortgage finance.
- Falling unemployment and increasing real wages.
- Increasing foreign demand in speculation of and following EU accession as well as easier purchasing process.
- Changing social dynamics and structure.

The greatest demand for home-ownership in recent years has come from people in the 25-30 age group. At present there are about 934,000 people in this age bracket. In five years this number will drop by 19.7% and in the following two years there will be 25% fewer inhabitants in this age group in the Czech Republic than are at present.

Demand is strongest for small flats in the range of 40-70m^2 which are most suitable for young couples or single people keen to move out of their parents' homes and gain independence.

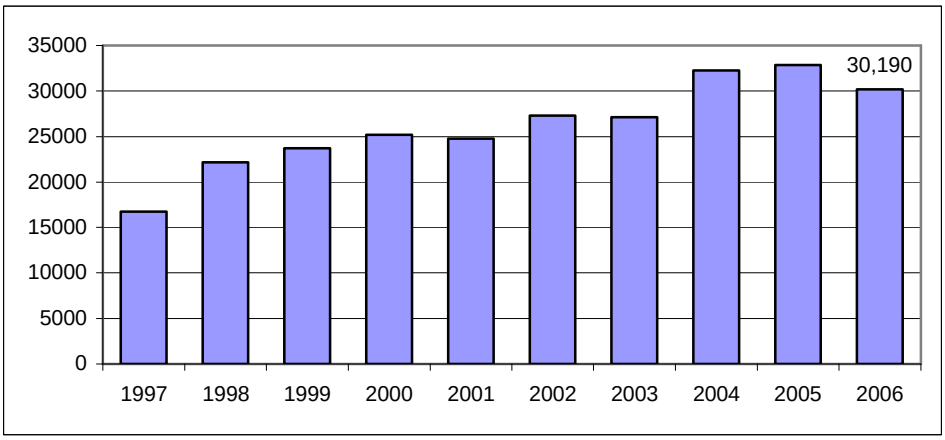
The supply of new houses and apartments is increasing in the Czech Republic for a number of reasons:

- Increasing development activity in response to increase demand.
- Favourable situation on the mortgage market (low rates and better availability).
- Currently low level of VAT (5%) on newly-constructed residential buildings.
- Under supply of housing stock – one of the lowest levels of housing per capita in the EU.
- Current lack of good quality stock.
- Relative ease of obtaining planning permission.

On the supply side, government system changes after 1989 led to the abolition of state subsidies for housing construction. This meant that housing starts and construction in progress were suddenly interrupted. The number of dwellings finished in 1993 decreased by more than 50% to a level of 3 dwellings per 1,000 inhabitants (West European countries have approximately 6 to 7 dwellings completed annually per 1,000 inhabitants). In Europe one-third of the building industry is targeted to residential housing construction. In the Czech Republic it comprises less than 10%.

The Czech statistical office estimates that there is a need to finish approximately 50,000 dwellings annually until 2010 (i.e. to reach a level of approximately 5 dwellings per 1,000 inhabitants). Other estimates show 20,000 dwellings a year will be removed from the housing market (due to age and deteriorated condition). Permits for construction of 49,777 apartment units were issued during 2006, up by 3.8% year-on-year.

Home completions in the Czech Republic 1997-2006



According to the Czech Statistical office around 30,190 dwelling units were completed in the Czech Republic a decrease of 8.1% compared to previous year.

Despite the large increases in supply over the past decade, the Czech Republic is still lagging behind in terms of accommodation when compared with western European countries. For example, in Ireland there are around 56,000 dwelling houses completed each year on average for a population of 4 million people in comparison to the 32,000 for the Czech Republic, which has a total population of 10 million people.

Future trends and projections

The Czech population will become increasingly affluent and living standards will gradually move towards the EU average. Real wages will continue to rise; as will foreign direct investment, which will help to reduce unemployment. In turn this will stimulate demand for home ownership and is likely to push residential house prices higher.

The changing perception towards owning one's home as well as increasing availability of mortgage finance will stimulate demand for acquisition of private residential property for the foreseeable future.

In terms of stock, it is estimated that approximately 45% of people from Prague live in communist-era social housing blocks known as "Panelaks" which are situated in the suburban areas of Prague and built from the 1950s until the 1980s. This type of property, despite remaining popular among residents, is becoming increasingly outdated and obsolete. While the government will provide a basic level of state subsidy for housing grants for refurbishment in certain cases it is clear that the growing trend, especially among younger generations, is to move into newly-built apartment blocks or older properties where reconstruction is a viable option.

Buyers will pay more attention to location, services, terms of sale, and the quality of the implementation of new projects. Developers are beginning to respond to these demands and it is expected that the quality of the stock brought to the market will increase over time.

The European Commission proposed to extend the exception of VAT on construction work for new residential developments at a lower rate of 5%. It is no surprise that developers are strongly lobbying the government in order to delay this increase for as long as possible. The decisions about the VAT change are expected in the beginning of 2009, and will likely come into practice in 2011. However, the government is concerned that this would severely slow down the residential market and hinder the progress made so far to bring the number of housing units per capita to Western standards.

In recent weeks the government has laid out a framework for the phasing out of regulated rents over the next six years. This will encourage regulated tenants to buy or rent property on the open market. Prague 1 has a higher number of regulated flats than any other district in Prague and it is here where price distortions are greatest and the trends are most difficult to predict. It is however safe to assume that the long-term sustainability of the area, given its centrality, aesthetic quality and proximity to services, will help to maintain price levels.

Another interesting trend that is occurring presently and will continue to in the future is the phenomenon of office reconversion. Basically, as areas of Prague such as Prague 4, 5 and 8 become more popular office locations for occupiers, office tenants will relocate from office premises currently occupied in areas such as Prague 1 and 2 in particular. We forecast an increasing tendency for landlords and developers to convert these former office premises back into their original residential state which will add new supply of luxury apartments in theses areas.

Demand for large family houses on the outskirts of Prague will also increase in the future as the level of car ownership rises in line with rises in wages as well as increasing financing opportunities and preferences among families for larger gardens. The completion of the Prague ring road and extension of the metro network will also contribute to rising land plot values and completed residential schemes in the outer suburbs of Prague.

2. Hungary

Executive summary

- Hungary joined the European Union in 2004 and is now part of a broader market that includes 490 million people, offering new opportunities to foreign investors as well as local companies.
- Hungary has population of just over 10 million, with one of the lowest unemployment rates in the region.
- GDP growth in 2006 was estimated to be 4.1%, however, significantly lower growth of 2.45% is expected in 2007 due to major fiscal reforms. The economy is expected to revert to higher growth levels after these reforms have been complemented.

- Transportation is dominated by road, particularly with the main trading partners in Germany, Austria and Italy. The Hungarian road network is of good quality in comparison to other CEE (Central and Eastern European) countries.

Office market

- The Budapest office market has entered a new development phase, with a large number of class A projects underway. Total office stock now stands at 1.7 million m^2.
- Occupier demand is robust, with take-up in 2006 exceeding that of 2005 and similar levels of activity are anticipated for 2007.
- Despite increased levels of demand, the vacancy rate is rising as a result of new developments providing occupiers with greater choice of prime space. The vacancy rate now stands at approximately 13%.
- Prime rental levels remained stable over 2006 at EUR11 to EUR16/m^2/month, but future development could put downward pressure on asking rents in areas characterised by substantial new development.

Retail market

- There is currently around 500,000m^2 of "western-style" shopping centre floorspace in Budapest. Including other retail formats (e.g. factory outlet schemes, strip malls hypermarkets/supermarkets with ancillary non-food retail units), total modern retail floorspace stock in the capital is around 630,000m^2.
- Virtually all the existing shopping centre stock was built in a short space of time between 1996 and 2002. This left the market close to saturation. However, there is now fresh impetus towards new development, with key pipeline schemes including the 65,000m^2 Arena Plaza Mall.
- Retailer demand remains strong, particularly from the international grocery and retail warehousing operators. Having established market leadership, Tesco alone plans to open 30 new stores this year, a total of 82,000m^2 of floorspace.
- Rents on the prime pitch (Váci út) show strong growth and are now around EUR120/m^2/month. This comes on the back of new international players entering the market and some degree of churn, which some designer brands relocating to nearby Andrássy út.

Industrial market

- The Hungarian total stock of modern warehousing is estimated to be more than 1 million m^2 and growing by roughly 20% annually.
- Demand for logistics space has remained the strongest in Budapest with facilities located close to main transportation corridors. On the contrary, many manufacturers are being attracted to regional cities, which offer effective labour force and lower cost.
- 2006 was characterised by a large increase of speculative developments and expansion of existing logistics parks, however development in the first half of 2007 has seen a slow-down.
- Prime rents have been falling slightly in the last few months and further downward pressure is expected during 2007. Currently, rents for prime property in the Budapest city range between EUR4.50 and EUR5.50/m^2/month and an old in-town warehouse can achieve a rent of EUR4.50/m^2/month. In Budapest suburb locations, prime rents are in the range of EUR3.60 and EUR4.50/m^2/month. Rents for prime properties in the regional distribution hubs are between EUR3.80 and EUR4.10/m^2/month.

Investment market

- The Hungarian investment market has shown a high level of activity over the last few years and although there seems to be a slight cooling recently, the investment market is expected to stay strong.
- With the weight of money entering the market and the slow feed of new supply, yields have continued their downward shift, however, compression is occurring at a much slower pace than in previous years.
- The investment market is steadily expanding along with the demand for modern properties. Prime yields in 2007 are lower than in previous years, ranging from 6.0% to 6.5% for office space, 5.5% to 6.0% for shopping centres and 6.5% to 7.0% for prime industrial property according to transactional evidence.

Introduction

Having joined the European Union in May 2004, Hungary is now part of a broader market that includes 490 million people, offering new opportunities to foreign investors as well as local companies.

Hungary has had an increasingly open investment environment over the past decade. Investment in the automotive sector, research and development, shared services operations and logistics have become the most important areas of growth. The government estimated 2006 FDI inflows at EUR6.2billion. However, FDI inflow looks to slow down this year from 2005-06 due to strong competition experienced in the region with some investors looking for cheaper locations such as Slovakia, Romania and Bulgaria.

During the process of political transition over the last ten years foreign policy has been successfully reoriented towards a Western European model. However, the end of 2006 was a turbulent time in Hungarian domestic politics. The government is likely to face more public unrest this year as further restructuring of healthcare and the public sector is planned. In addition, a new 4% “solidarity” tax on medium and high-earning individuals, which is in force from January 2007, may affect the Hungarian economy and stability this year. Despite the political situation in Hungary being somewhat “bipolar”, the current government seems stable in the short term.

Population

Hungary is a relatively small country and, as with much of the region, is coming to terms with a reducing labour force due to the ageing population and increasing productivity. Hungary has a population of just over 10 million. The capital city Budapest, with population of 1.7 million, is of a similar size to Warsaw.

Unemployment rates across CEE fell during 2006. However, Hungary, which has one of the lowest unemployment rates in the region, showed increasing unemployment due to major restructuring in the public sector. That said, unemployment is still well below the EU average, with the national unemployment rate hovering at around 7.5% although there are disparities by region. Population centres in western Hungary such as Budapest and Györ have seen much lower unemployment rates and migration from poorer locations in the east is balancing the capacity constraints.

Despite relatively high social security contributions, labour costs are low compared to EU averages and this remains significant in attracting investors. The monthly minimum wage was set at HUF62,500 in 2006, equivalent to around EUR250 per month.

Labour indicators

	Poland	Czech Republic	Hungary	Slovak Republic
Total population (in million)	38.1	10.2	10.1	5.4
Unemployment rate (%)	13.8	7.1	7.5	13.4
Minimum wage (EUR/month)	233.5	261.3	250.0	183.2
Labour costs (in EUR/month)	818.2	954.0	944.3	700.5

Source: Experian / Business Monitor / King Sturge, June 2007

Economy

Throughout the 1990s Hungary's former state-run economy was privatised, with 85% of GDP now accounted for by the private sector. The Hungarian transition economy has performed above the European Union average, mainly driven by exports and a solid investment performance. Budapest dominates the Hungarian economy, generating 35% of national GDP, and provides a good transport hub by being located at the centre of local road, rail, river and air networks.

The fiscal reforms adopted in 2006 did not largely affect economic growth in 2006, GDP stood at 4.1%, but significantly lower growth of 2.45% is expected in 2007. After a moderate rebound to 3.42% in 2008, it is expected that the Hungarian economy will return to levels between 4 and 5% over the next ten years, reaching the same levels as the Czech Republic and Poland. In addition, Hungary has performed well in terms of GDP per capita with levels of EUR14,909 per capita in 2006.

Hungary's rate of inflation has been considerably higher than in the Czech Republic and Poland, and it is expected to peak just over 8.0% in the first half of 2007, and average 6.4% over the course of the year.

The country has one of the highest levels of government debt in CEE. The Hungarian governement's new plan does not set a fixed date for the Eurozone entry, although it aims to reduce government debt to below to 3.2% of GDP by 2010. While the plan is more credible than previous projections, it seems unlikely that Hungary will be able to meet the requirements.

Key economic indicators, Hungary

	2005	2006	2007*	2008*
GDP growth (in %)	4.12	4.10	2.45	3.42
Average annual CPI (in %)	3.6	3.6	6.4	5.1

** forecast*
Source: Experian / Business Monitor / King Sturge, June 2007

Transport infrastructure

A major transportation mode for imports and exports of goods is road, particularly with the main trading partners from Germany, Austria and Italy. The road network in Hungary is of good quality and needs less improvement work than other CEE countries, even though the majority of short term investments target the extension of national motorways and expressways. The length of the Hungarian motorways is expected to double by 2015 reaching about 2,500km.

Air freight is of minor importance in Hungary. In 2005 the share of air freight on the total freight volume represented no more than 0.02%. The only international airport able to handle large amounts of freight is Budapest Ferihegi.

Hungary is landlocked with only access to the Black Sea and the North Sea only via the Danube river. However, inland waterway transportation shows great potential. Over 6% of freight is transported by inland waterways, which is marginally higher that the EU average. Easing congestion along the Vienna-Bratislava-Budapest of the Danube stretch is a priority for use of the inland waterway and plans to upgrade the Danube ports in Budapest and Györ are in preparation. Currently the Budapest Freeport handles 1.5 million tonnes of cargo each year.

Hungary is crossed by three transport corridors (corridor IV, V and VII), which all meet in Budapest. The city has benefited from its location and attracts international investors and occupiers.

Office market overview

Budapest is aiming to affirm its position as an international business location with the office market improving its appeal to international companies by increasing the supply of class A

office space available to occupiers. The property cost of occupying space in Hungary has remained relatively competitive, as has the cost of labour. These factors have combined to prompt a growing number of businesses to express their intentions to establish a presence in Budapest over the next five years, boosting the outlook for office space demand in the medium term.

As a result the Budapest office market has entered a fresh phase of new development, with a large number of class A projects underway. Occupier demand is robust, with take-up in 2006 exceeding that of 2005 and similar levels of activity anticipated for 2007. Despite increased levels of demand, the vacancy rate is rising as a result of new developments which are providing occupiers with a greater choice of prime space. Rental levels remained stable over 2006 and the first half of 2007, but future development could put downward pressure on asking rents in areas characterised by substantial new development.

Budapest

Location

Modern office stock is located on either side of the Danube in both Buda and Pest. The various office zones are as follows:

North Buda

An historic area of the city, several office parks are located in the zone including Graphisoft Park (whose occupiers include SAP, Microsoft) and Szépvölgyi Business Parks (Samsung, Sanoma, Humansoft).

Central Buda

The most exclusive residential area of Budapest, the zone has been transformed in recent years with all available plots of land acquired for commercial development, including office projects, such as Alkotas Point (Bayer, Merck, BT), Mom Park (Glaxo, Lufhtansa) and Obuda Gate (L'Oreal).

South Buda

Home to the Technical University, south Buda is attractive to occupiers with a strong research and development focus. The area is well served by the M1 and M7 motorways and connected to Pest by the Lágymányosi Bridge. Business parks in the area include Info Park (phases A,B,C,D with occupiers IBM, HP, Panasonic, T-Online, Sagem), IP West (Prometheus, Philips NXP), and Science Park (Ericson, Primagaz, HBO, AXN).

North Pest

An area of rapid development focussed along the Váci út corridor, north Pest is characterised by large class A developments including BSR, Center Point, BC 30, BC 91, BC 99, BC 140, Duna Tower (Inbev), Europe Tower, Gateway, and Kinnarps House (Mav Cargo). A number of multinational companies are located in North Pest, as are a number of public institutions.

Central Business District

Located between north and central Pest, the traditional CBD of Budapest remains the most important financial and business zone in the city. Major office buildings in the zone include Atrinova, Bank Center, East West Business Center (Volksbank, Air France KLM), Kalvin Tower, and Roosevelt ter (EON).

Central Pest

Central Pest is predominantly a residential, green area of the city with a selection of office properties including City Gate (IBM), Arena Corner, EMKE, Greenpoint 7 (Accor), Madach Trade Center, R70 (Axa, Mazars), and West End City Center.

South Pest

An area of regeneration, south Pest is emerging as a new office location with a number of development projects underway along the Danube embankment towards Lágymányosi Bridge including Millenium Towers (Vodafone, Morgan Stanley), Nepliget Center, and Haller Garden.

Outer Ring

Mainly concentrated around Budaörs to the south west, the periphery market has good transport links and can provide access to the city centre within half an hour. Business parks in the zone include Orco Business Park (General Motors, KDB Bank, Shell Gas), and Terrapark.

Market size

Total office stock in Budapest was approximately 1.7 million m^2 at end 2006. New developments underway will push office inventory to over 1.9 million m^2 by the end of 2007, and break through 2 million m^2 by end 2008. Approximately two-fifths of stock is located in Buda and three-fifths in Pest.

Supply

During 2006 approximately 140,000m^2 of new class A space was delivered to the Budapest office market in more than ten developments. At least four projects were larger than 20,000m^2 each, including IP West (Phases I & II), which provided approximately 30,000m^2 of prime office space, and Duna Tower, which accounted for a further 29,000m^2.

The amount of new space being completed from 2006 to 2008 signals a renewed phase of office development activity in the Budapest market. During 2007 it is expected that at least 180,000m^2 of class A office space development will be completed, with further projects totalling approximately 255,000m^2 forecast for completion in 2008 and onwards.

In terms of location, a large proportion of new development is concentrated along the Váci út corridor. As a main artery through north Pest, the Váci út corridor attracts developers with its pockets of land suitable for commercial development and proximity to the CBD. Major projects completed along the corridor in 2006 included Duna Tower, Center Point II and BC 30, with the B.S.R Centre, Váci 33 and Atrium Park among the developments due to complete in 2007.

Other areas experiencing increased development activity include south Pest, encompassing the Airport Corridor, and the Outer Ring. Several of the developments in south Pest are located along the River Danube including Wal l is Ingatlan's "Studium" and the Millennium Centre by TriGranit, whilst developers such as Corvin chose the Airport Corridor to develop the Corvin Promenade Office project.

Demand

Demand for office space is robust, increasing from approximately 237,000m^2 in 2005 to around 250,000m^2 in 2006. King Sturge anticipates a similar level of demand over 2007. The expansion of existing occupiers accounts for a significant amount of demand, with many looking to take advantage of the opportunities to relocate to modern, flexible office space with favourable rents and incentives. As a result approximately 70% of new space completed during 2006 was let by year end. Large pre-lease agreements were also a feature of the letting market over the year.

Demand was driven in particular by growth in business and financial services, as well as the IT and telecoms sector, although all types of office occupiers maintained healthy activity. The largest occupier deal done in 2006 was 13,017m^2 taken by E-ON Hungária at Roosevelt 7/8 Irodaház in August. August 2006 was a busy month for the Budapest market with the second and third largest deals of the year also signing, namely Ericcson Mobile taking 10,500m^2 at Science Park, and InBev committing to 6,500m^2 at the Duna Tower.

The Millennium Towers development has secured major tenants with a deal to Morgan Stanley for 5,018m^2 in November 2006, and the largest letting in the first half of 2007[1] of 11,000m^2 to CEU in April ([1]at time of writing, i.e. June 2007).

In addition to the above, Hungary is becoming a popular spot to locate call centres and other types of service centres due to its well-qualified and relatively cheap labour force. For example, Exxon Mobil, EDS, Brooks Instruments, IBM, GE and Hewlett Packard all have opened or relocated service centres (e.g. call centres, accounting, tele-banking, human resources, etc.) in the country.

Prime office developments completed recently, Budapest

Building	Location	Size (in m^2)	Developer / Investor
IP West (I& II)	South Buda (Budafoki út 91-93)	30,000	AIG Lincoln
Duna Tower	North Pest, Váci út corridor	29,000	Magnum Hungária Group
Roosevelt 7/8	South Pest (Adjacent to Chain Bridge)	24,800	BHG Roosevelt
Center Point II	North Pest, Váci út corridor	22,000	GTC
BC 30	North Pest , Váci út corridor	12,250	Ablon
Graphisoft Park S	North Buda	7,970	Graphisoft
Kinnarps House	North Pest, Váci út corridor	7,500	Kinnarps
Szépvölgyi Irodapark Montevideo u. 5.	North Buda	3,449	Proform
Castrum Ház	Outer Ring	2,681	BIF
Mérték Irodaház	Inner Pest	1,675	I&H

Source: King Sturge, June 2007

Prime office developments completed in 2007, Budapest

Building	Location	Size (in m^2)	Developer / Investor
B.S.R. Centre	North Pest	25,500	BSR Group/Accession Fund
Infopark D	South Buda	17,700	IVG
Corvin Promenade Offices	South Pest, Airport Corridor	17,500	Corvin
Váci 33	North Pest	17,400	IG Immobilien/IG Group
Atrium Park Phase I	North Pest	17,000	DB Real Estate
Office Garden Phase I	South Buda	12,800	GRT Group
Flórián Udvar	North Buda	12,000	Budapest Ingatlan Rt.
Studium	South Pest, IXth District	11,500	Wallis Ingatlan
Nepliget Center Phase I	South Pest (Könyves Kálmán Krt. 15.)	10,000	Skanska
Mester Park Phase I	South Pest, IXth District	8,310	CPB Immo
Millenáris Office Building	North Buda	8,000	Wallis Ingatlan
River Loft	North Pest	5,500	GTC
Vigadó - Vörösmarty ter I	Central Business District	5,000	CPB
Buda City Tower	Central Buda	2,800	ERFI
Lanchid Palota	Central Buda	2,800	Lánchid Palota
BJ 48	CBD	2,200	Ballymore
Nádor u. 15	CBD	2,000	Concorde Invest
Pálvölgyi Irodavillák I & II	Central Buda	1,540	TCN Projects

Source: King Sturge, June 2007

Prime office developments completed recently, Budapest

Building	Location	Size (in m^2)	Developer / Investor	Completion
Spiral Project (3 phases)	North Pest	60,000	GTC	2008
Gateway Towers	North Pest	36,300	Ablon	2008
Aréna Corner	South Pest (corner of Hungária Krt. and Kerepesi út)	27,300	Raiffeisen	2008
Hochtief Project (2 phases)	North Pest	25,000	Hochtief	2008
Europe Tower	Buda, Nepfurdo utca 24-26,	24,000	Immoeast	2006
Kristina Palace	South Buda	22,000	Terra Dom/Terrafinanz	2008
Nepliget Center Phase II & III	South Pest (Könyves Kálmán Krt. 15.)	20,000	Skanska	2008
Eiffel Square	North Pest	20,000	Convergence Capital	2008-09
Millennium City Center	South Pest (Soroksári Road)	18,500	TriGranit	2006-11
Light Corner	Central Buda, close to Moszkva tér	14,000	Skanska	2006
Atrium Park Phase II	North Pest	14,000	DB Real Estate	2007
Corvin Irodák I	South Pest	19,000	Futureal	2008
Infopark E/F	South Buda	15,400	IVG	2008

Source: King Sturge, June 2007

Office Lettings over 5,000m^2 (2006 to H1 2007)

Building	Location	Size (in m^2)	Tenant	Date
Roosevelt 7/8 Irodaház	South Pest	13,017	E-ON Hungária	Aug 2006
Millennium Towers IV	South Pest	11,000	CEU	Apr 2007
Science Park	South Buda	10,500	Ericsson Mo.	Aug 2006
Duna Tower Irodaház	North Pest	6,500	InBev	Aug 2006
Átrium Park	North Pest	6,203	Állami Autópálya Kezelõ, Nemzeti Autópálya	Feb 2007
Infopark D	South Buda	5,500	T-Online	Mar 2007
Kinnarps House	North Pest	5,400	MAV Cargo	Jul 2006
Millennium Towers ll-lll	South Pest	5,018	Morgan Stanley	Nov 2006

Source: King Sturge, June 2007

Vacancy

Despite improving levels of demand, the increased amount of class A office development in the Budapest market has pushed up the vacancy rate from 12% in 2005 to approximately 13% by year-end 2006. With further development in the pipeline, this is forecast to continue in the short term, with the level of vacancy expected to reach 14% during the course of 2007.

Rents

Prime rents in class A buildings, remained stable over 2006 and the first half of 2007. Prime rents are therefore unchanged at approximately EUR11 to EUR16/m^2/month in town and EUR10/m^2/month out of town. Asking rents for class B property in town are between EUR10 and EUR12/m^2/month.

Office rents - Budapest

Location	Range EUR/m^2/month
Class A property	11 – 16
Class B property	10 – 12

Net rents for Q1 2007 detailed. Rents assume an office of 500m^2 to 1,000m^2. Figures quoted are asking or headline rents where rents are measured on gross internal floor area with common areas rentalised. Rents exclude occupational costs such as service charges and incentives.

Source: King Sturge, June 2007

Central, in-town, areas are likely to see rental levels remain stable, whilst there is the possibility of some upward pressure on rents in the 11th and 12th districts. While the vacancy rate in the periphery and out-of-town locations is now low enough to theoretically justify increasing rents, it is still not apparent that there is sufficient demand to suggest the area is becoming truly popular. King Sturge expects that areas experiencing significant development, such as the 13th district, the Váci út corridor, south Buda and south Pest, are likely to see effective rents fall, perhaps to a range of EUR11 to EUR12/m^2/month.

In comparison to the cost of occupying class A office space in Prague, Warsaw or Bucharest, prime rents in Budapest look favourable to the international occupier. This competitive advantage to the occupier may continue to widen marginally in the short term, with continued development putting downward pressure on rents in Budapest whilst Warsaw and Prague, class A asking rents are starting to rise again.

Retail market overview

The rapid transition to a free-market economy since the 1990s has prompted a radical overhaul of the Hungarian retail sector. Although relatively small in population terms (10.1 million), the country has been the focus of heavy foreign investment from both retailers and the property community, no doubt attracted by an improving economy, increasing consumer purchasing power and a favourable geographic location at the heart of Europe.

Until 1996, there were no “western-style” shopping centres in Hungary. Reform of the planning system, which made it far less bureaucratic and centralised, prompted a major spree of new development in the late 1990s, particularly in and around Budapest. A raft of new shopping centre openings in a short space of time left the Budapest market saturated as early as 2002.

EU accession in 2004 has given some degree of fresh impetus to the sector and for first time in several years, there are significant new schemes in the pipeline, most notably the 65,000m^2 Arena Plaza on Kerepesi út. Development also continues apace in regional centres, such as Debrecen, Miskolc, Szeged and Györ.

In addition to in-town shopping centres, Hungary's retail sector is also modernising around other channels. Prompted by the demands of major international retailers such as Tesco, Auchan, Praktiker and IKEA, the retail warehousing sector continues to expand and evolve. There is also a growing trend towards strip mall development (by definition, relatively small-scale retail warehousing schemes anchored by a hypermarket/supermarket with a row of ancillary non-food retail and service units), whilst the country's first factory outlet schemes are also now fully embedded into the wider retail framework.

Retail Sales

Until the well-documented political unrest of last year, Hungary had boasted an impressive track record of retail sales growth. Over the last five years retail sales (in local currency, excluding sales tax) increased by over 50% to approach the HUF 5,000 billion mark.

The political unrest and subsequent tax increases have unsurprisingly destabilised the economy and put something of a brake on retail spending growth. Growth decelerated considerably during 2006 and in February 2007, the volume of retail sales was flat year-on-year; compared to the previous month the volume of retail sales (seasonally-adjusted) showed a marginal decline of 0.1 %.

Retail Sales 2001-06, Hungary

Year	HUF billion (exc. sales tax)	EUR billion	% Increase*
2001	3,212	7.8	13.3
2002	3,630	9.4	13.0
2003	4,023	10.9	10.8
2004	4,408	11.9	9.6
2005	4,685	12.9	6.3
2006	4,985	19.2	6.4

** increases calculated in local currency*
Source: KSH / Mintel / King Sturge

However, the general consensus amongst economists appears to be that recent events mark a temporary blip rather than the total derailment of Hungary's economic development. Tighter fiscal policy is likely to constrain consumer confidence this year and that will in turn continue to impinge upon retail spending. However, recovery is forecast to take root from 2008/09.

Retailer demand

The level of demand from overseas retailers is invariably one of the key barometers of retail market sophistication amongst emerging economies. King Sturge estimates show that international retailers already constitute around 33% of Hungarian retail sales, one of the highest proportions of any European country.

After entering the market in 1999 through its acquisition of Global TH stores, Tesco has established itself as the Hungarian market leader, primarily through organic expansion of purpose-built supermarkets and hypermarkets. Although at its annual results presentation it revealed that its Hungarian operations had been hit by the consumer slowdown, the UK operator nevertheless plans to open an additional 30 new stores in 2007-08, covering a total of 82,000m^2. Other key overseas food operators include hypermarket operator Auchan and supermarket group Cora (also trading as Match) of France, as well as the German discounters Plus, Penny Market and Lidl.

In a bid to muster a defence against the overseas players, a large proportion of the smaller, domestic players have banded together in various guises. The largest of these is CBA (2,800+ stores), which was established in 1991 as a cross between a buying group and a franchise organisation, aiming to operate as a unified sales network. Similarly, a number of regional co-operatives joined forces in 1997 to form Co-op Hungary. As the only significant

retail operator in many rural communities, the group has concentrated on modernising its store network and standardising fascia and storefit.

Selected key retailers 2005-06, Hungary

Retailer	Trading name(s)	Country of origin	Operation(s)	No of outlets	Retail sales (HUF billion)
CBA Trade	Various	Hungary	Grocery buying alliance	2,836	396
Tesco Global Aruhazak	Tesco	UK	Supermarkets/hypermarkets	87	395
Co-op Hungary	Co-op	Hungary	Food & non-food co-operative	4,487	286
Metro	Metro, Media Markt	Germany	Cash & carry, electricals	28	255
Real Hungaria	Real	Hungary	Grocery stores/supermarkets	1,840	192
Cora/Louis Delhaize	Match, Cora, Profi, Jeee, Csemege, Alfa,	France	Supermarkets/hypermarkets/ discount stores	211	174
Spar Hungary	Spar	Austria	Grocery stores/supermarkets	153	148
Auchan	Auchan	France	Hypermarkets	9	145
Tengelmann	Plus, Interfruct	Germany	Discount stores/cash & carry	179	122
Rewe	Penny Market	Germany	Discount stores	142	104
Euronics	Elektro Markt, Elektro Mega E-Markt	Hungary	Electrical stores	82	56
Praktiker	Praktiker	Germany	DIY stores	15	35
Spector	PhotoHall	Belgium	Electrical stores	300	35
Obi	Obi	Germany	DIY stores	18	31
BauMax	BauMax	Austria	DIY stores	14	28
Dm drogerie-markt	Dm drogerie-markt	Germany	Drugstores	174	24
Rossmann/A S Watson	Rossmann	Germany	Drugstores	116	22
Schwarz Group	Lidl	Germany	Discount stores	14	3

Source: Mintel / King Sturge 2007

In the non-food area, the DIY and electricals sectors have seen the greatest influx of overseas players. Key players in the DIY sector include Praktiker and Obi from Germany, BauMax from Austria and Bricostore from France. Although the local Euronics buying network remains strong in electricals, Media-Markt from Germany and DSGi of the UK (trading as Electro World) are rapidly gaining scale and market share.

The clothing market remains more fragmented, but international brands such as C&A, Marks & Spencer, H&M, Zara, Benetton, Mango, Promod, Salamander, New Yorker and Orsay are gradually becoming more commonplace, albeit largely in the prime pitch of Budapest and more upmarket shopping malls.

Retail property supply

Budapest

Budapest's prime downtown retail pitch is dominated by Váci út. Although occupancy levels remain very high, there is a considerable amount of churn. In part this is driven by luxury goods retailers and designer brands re-locating to Andrássy út, between the Oktogon and Deák tér squares. This is having the dual effect of creating fresh demand in the area for other high-end brands, whilst freeing up space on Váci út for more mainstream international brands, such as Marks & Spencer, Zara and Benetton. Other new developments/refurbishments (as outlined later) are also in the pipeline, which will help cement the city centre's position as a retail destination.

There is currently an estimated 500,000m^2 of "western style" shopping centre floorspace in Budapest, which equates to around half of all such space across Hungary. Including strip malls and other similar schemes expands this figure to around 630,000m^2.

Evolution of the Budapest shopping centre market has been rapid. The first centre (Duna Plaza) opened as recently as 1996. The following five years witnessed a spate of large scale openings, including the West End City Centre scheme, which at 50,000m^2, is currently the largest scheme in Hungary. Development has slowed somewhat since 2000 as the government has sought to avert potential oversupply. The last major new shopping centre (Árkád) opened some five years ago.

Supply Budapest

Shopping centres

Location	Scheme	Size (in m^2)	Opened	Developer
District VI	West End City Center	49,700	1999	TriGranit
District XIII	Duna Plaza	45,300	1996	Offer Brothers Group
District II	Mammut (I and II)	44,400	1998	Mammut Űzletház
District XV	Pólus Center	44,000	1996	TriGranit Polus
Budaors	Auchan Budaőrs	40,000	1998	Auchan
District XII	Campona	40,000	1999	German/Belgian CoRe Kft
District X	Árkád Center	35,000	2002	ECE Projektmanagement
District IX	Lurdy Ház	33,000	1998	Lurdy Kft
District XII	MOM Park	30,000	2001	Bajor Hazépítők
District XI	Savoya Park	30,000	2004	GRC
Dunakeszi	Auchan Dunakeszi	27,600	2001	Auchan
District XIX	Europark Shopping Centre	25,000	1997	Interspar Austria
District III	Eurocenter	23,000	2000	Real Management
Soroksar	Auchan Soroksár	19,000	2000	Auchan
District XI	Csepel Plaza	15,600	1997	Ségécé

Source: King Sturge,June 2007

Although most of the schemes were built within a relatively short space of time, the quality in terms of design, configuration and tenant line-up can vary considerably. As a general rule, the most recent schemes (e.g. Árkád, MOM Park) tend to score highest on these key criteria. Perhaps the scheme which best illustrates the evolution of shopping centre development in Hungary is Mammut in the XII District, which was built in two phases (1998 and 2001). Although only three years apart in development, the two schemes are poles apart in the quality and presentation of their retail environments.

Budapest's first strip malls opened towards the end of 2005 in Soroksár (District XXII I at the south-eastern edge of the city) and in Dunakeszi (a satellite town to the north). Occupying around 15,000 to 20,000m^2, both schemes are bolt-ons to existing Auchan hypermarkets. This has heralded the start of a major wave of strip mall development: in 2006, there were around 20 strip mall schemes completed or under construction across the country. Key developers include Family Center, Bondi, Park Center, Stop. Shop, Wal l is Group, Perla, AIG and BuyWay.

Hungary's two factory outlet centres, the GL Group Outlet and Premier Outlets Center, opened the same year (2004) and are located in the capital. The latter opened a 4,800m^2 extension in August 2006, increasing its number of tenants to 76 and its GLA to around 17,000m^2. The same summer, the scheme was also sold to UK-based Morley Fund Management for around EUR70 million.

Rest of the Country

Development in the capital levelled off from the late 1990s as the government responded to fears of market saturation by limiting the number of large centres developed within Greater Budapest. This prompted developers to assess opportunities in other towns, predominantly those of more than 100,000 inhabitants.

Supply - Rest of the Country

Key regional shopping centres, gallerias and retail parks

Location	Scheme	Size (in m^2)	Opened	Developer
Miskolc	Miskolc Plaza	35,900	2000	CDPM Kft
Gyor	Győr Árkád	35,000	2006	ECE Projektmanagement
Pécs	Pécs Árkád	32,000	2004	ECE Projektmanagement
Debrecen	Debrecen Plaza	28,600	1998	Interspar Austria
Gyor	Győr Plaza	19,800	1998	Plaza Centers
Sopron	Sopron Plaza	17,000	1999	Plaza Centers
Békéscsaba	Csaba Center	16,400	2001	Hungarian Developer
Miskolc	Szinva Park	16,000	2000	Raiffeisen
Szeged	Szeged Plaza	15,600	1997	Plaza Centers

Source: King Sturge,June 2007

October 2006 marked the opening of the Hungary's second largest shopping centre outside of Budapest in the shape of ECE's Árkád 35,000m^2 scheme in Györ (the third such branded development in the country). The scheme includes a host of key international brands, such as C&A, Zara, H&M, Intersparand Media Markt.

Supply - Pipeline

There is currently a wave of development activity around the prime pitch in downtown Budapest. Construction has begun on ING's Vőrősmarty tér mixed-use scheme, which will ultimately house flagship H&M and New Yorker outlets. Directly opposite this development, the Luxus department store is currently undergoing a complete refurbishment that is likely to see the creation of a number of smaller retail units. The Párizsi department store is undergoing a similar modernisation. The site's owner, Orco Property Group, are also planning to convert another of its key holdings, the former Budapest Stock Market building, to retail use. Construction has also started on the refurbishment of the landmark Klothild Palota and Palazzo Dorottya mixed-use developments, which will provide an additional 15,000m^2 of retail floorspace when completed in 2008.

The most significant pipeline scheme is Arena Plaza Mall. Located at the former racecourse on Kerepesi útin District VIII (near to the Eastern railway station), the development site covers a total of 180,000m^2. The developer is Plaza Centers Hungary Kft, who purchased the site from the French construction group Bouygues. Once completed (scheduled for late 2007), Arena Plaza will offer around 65,000m^2 of retail space, anchored by a 10,000m^2 hypermarket (likely to be operated by Tesco). Given the scale of centre (its developer claims that it will be the largest of its kind in Central Europe), Arena Plaza is likely to mark the last large-scale new shopping development in Budapest for some time.

Outside of the capital, a number of smaller schemes are also in the pipeline. These include the Vértes Center (15,000m^2) in Tatabánya and a 20,000m^2 shopping centre in Eger, on the site of the former Philip Morris factory.

Rental performance

Prime shopping centre rents in Budapest are typically EUR65 to EUR100/m^2/month, with service charges varying between EUR4 and EUR12/m^2/month. On the back of the development activity downtown and the occupier churn this is facilitating, rents in Budapest's prime pitch are trending upwards. Prime retail rents on Váci út (for units larger than 100m^2) are now as high as EUR120/m^2/month, up from around EUR100/m^2/month a year ago.

Although still lower than Váci út, rents on Andrássy út are currently experiencing the sharpest uplift. Prime rents on rents on Andrássy út are typically EUR40 to EUR65/m^2/month, but may reach EUR90/m^2/month for small units.

Prime rents, Hungary

City	Location	EUR/m^2/month	Trend
Budapest	Vaci út	120	Up
Budapest	Andrássy út	90	Up
Budapest	Terez Krt	60	Stable
Debrecen	Kossuth út	28	Stable
Györ	Baross út	26	Stable
Miskolc	Széchenyi István út	23	Stable

Source: King Sturge,June 2007

Industrial property market overview

Hungary has served as a logistics centre providing a gateway between Western Europe, the Balkans and East Europe. Its geographic location, combined with other factors such as being a European transport route crossed by three transport corridors, membership in the European Union, significant economic development of neighbouring countries and the presence of multinational companies, have strengthened its already strong position. In addition, further EU expansion (Romania and Bulgaria joined the EU in January 2007) may also encourage its favourable position as a distribution hub for south-eastern Europe.

In general the Hungarian industrial property market performed well during 2006 with increased demand and absorption of the new space and slight decrease in the development activity. Lease extensions and occupier expansions have been characteristic of the market during the last year. Speculative construction is slowly increasing as demand continues to rise. Developers such as ProLogis, AIG/Lincoln, Europolis, Immoeast and BILK are dominating the market.

Demand for logistics and warehousing space has remained the strongest in Budapest and in the locations easily accessible from the capital, with facilities often located close to main transportation corridors. Whilst logistics demand is expected to remain focused on the capital, many manufacturers are being attracted to regional cities which offer a ready supply labour and lower cost. Many international companies such as Audi (cars and car engines) in Györ, Sanyo (electronics) in Dorog, Benetton (clothing) in Nagyatád, Hi-Lex (car components) in Rétság and Denso (auto parts) in Székesfehérvár have relocated their production facilities from Western Europe to Hungary.

Audi has been considered one of the largest exporters in the country. Its production in Györ (located close to the Slovak border) was opened in 2001 and employs around 5,000 people. In the second half of 2006 Audi's production was expanded with a new car assembly section. The factory has attracted many subcontractors and suppliers to establish their operations in Györ. Demand for logistic space in the area is expected to increase even further with increased levels of foreign direct investment primarily directed toward the manufacturing sector.

Location

The industrial and warehousing market is largely concentrated around Budapest. As a result of the good infrastructure, the western outskirts of Budapest, especially the area between the M1, the M7 and the M0 motorways have become the main destination for the logistics occupiers in Hungary. Budaörs, Törökbálintand Biatorbágy districts have emerged as the preferred locations.

The M0 motorway, leading south of Budapest and along the railroad from Budapest to south Hungary, is another significant area for logistics. Mainly districts such as Gyál, Szigetszentmiklós and Dunaharaszi are the most sought-after locations. In addition, the Danube's Freeport of Csepel/ Mahart is situated there. The complex provides over 1 million m^2 of covered warehouse area and 76,000m^2 of open storage.

Though the focus of occupiers and investors is most significant in the south-western suburbs, development is expanding into areas further from the city and into other suburban areas such as the eastern side of Budapest, particularly around Ferihegi airport. The airport's new cargo centre should attract more occupiers to locate their operation in the area, given an increasing take-up of logistics space in Budapest in recent years.

All the three biggest logistics parks in the country are located in south and southwest suburbs of Budapest. Namely, Rozália Industrial Park, ProLogis Harbor Park and BILK, with 135,000m^2, 127,000m^2 and 110,000m^2 respectively, are all fully leased with limited space for further expansion.

Regional cities

The industrial activity in the regional cities is mainly concentrated in industrial zones, usually owned and operated by local municipalities. There are currently almost 200 industrial zones across the country. However, the development in the parks is solely based on build-to-suit projects and focused on food retailers and manufacturers.

The government has supported the investment in less developed regions and also has offered incentives to support development of regional distribution and industrial centres. Companies such as Philips, Tesco, GE Lighting and Flextronics have benefited from this.

The importance of the regional cities in industrial terms is largely based on light-industrial development. As existing capacity is exceeded and prices rise in the Budapest region, manufacturers have been pushed to regional cities such as Györ and Székesfehérvár. Increased interest is emerging in other areas such as Szeged and Debrecen, both located on the Romanian border. Low-cost workforce and cheaper land prices are driving the demand in these locations in addition to the proximity to new EU member states.

Logistics development outside the capital has tended to be concentrated in the North West area near the Slovak and Austrian borders. The regional cities of Györ (located on the M1 motorway) and Székesfehérvár (located on the M7 motorway) have seen the most logistics developments in recent years. Confirming the trend, ProLogis has started its logistics park in Hegyeshalom (located on the Austrian border). ProLogis Park Hegyeshalom is located on a 32.6 hectares site and will provide six facilities totalling 148,000m^2 of warehouse space. The first building was completed in Q1 2007 and provides approximately 20,000m^2.

Market size

The modern industrial and warehousing market in Hungary has only developed in recent years. Over the past five years, the market has been growing by roughly 20 per cent annually, showing signs of mature market and attracting more international developers and occupiers. The total stock of modern warehousing is thought to be more than 1 million m^2. However, the market is very much focused on the Budapest region, which houses more than 80% of the national stock.

Supply

2005 and 2006 were record years for new logistics supply with a large increase of speculative development. As a result of increasing vacancy, it is expected that supply in 2007 may see a significant slow-down compared with previous years, bringing the market back into equilibrium. Currently, developers are unlikely to start new buildings without securing a tenant in advance.

Most of the major international logistics developers are already present in the country. However, the logistics market is largely dominated by US developer, ProLogis, who recently acquired Parkridge along with their two developments in Hungary. ProLogis currently owns five logistics and industrial parks in Budapest and one in Hegyeshalom. Their current distribution facilities in the country cover more than 330,000m^2. Other key logistics developers include AIG/Lincoln, Europolis, Slough Estate, Rodamco, Imperial, Wallis, Agrogate and BILK.

New supply coming into the market has been characterised by expansion of existing parks such as ProLogis Park Budapest Gyál with 22,000m^2 and ProLogis Park Budapest-Sziget with 20,000m^2 completed in last six months. On the other hand developers and investors are interested in acquiring new sites and starting new logistics parks. Slough Estates (who recently changed its name to SERGO) completed their first phase of Tulipán Park and Agrogate completed the first building of 16,300m^2 in Q1 2007. In addition a number of new projects, such as Airport City by Ablon, Business & Trading Park Budapest by Imperial and Europa Center by Terra Invest, are in the planning stages.

Demand

The industrial and warehousing market in Hungary experienced a slowdown in 2006 compared to strong earlier years although the first half of 2007 appears to have been busier with healthy letting activity in all the major locations. Demand is coming from both international and domestic logistics players with a strong interest in locations easily accessible from the capital and in facilities located close to main transportation arteries. Budapest has been the main interest of investors and occupiers and has benefited from being a European transport route, crossed by three Pan-European corridors.

It is expected that the demand for the logistics space in the regional cities such as Hegyeshalom, Györ, Debrecen and Szeged will increase in the coming years, due to their strategic location, to become CEE regional distribution hubs.

Whilst logistics demand is expected to remain focused on the capital, many manufacturing occupiers, broadly driven by smaller businesses, are being tempted to towns and cities further east, which offer flexible labour force and lower costs. In addition, locations such as Györ and Székesfehérvár have now become key regional competitors to the capital.

Requirements are mainly from logistic operators and demand is driven by large 3PL's (third party logistics providers) in particular. The largest international occupiers are from the Netherlands, USA, Austria and Germany and include companies such as DHL, Exel, Frans Maas, Kuehne & Nagel, Lagermax Group, NYK Logistics, Rewico, Rudolph Logistik, Schenker, T&T Group, UPS and Wincanton. In general, international logistics companies tend to penetrate to the market by buying local partnership companies. The local companies with the largest share of the market include MAV Group (State Railways), Magyar Posta (Hungarian Post Office), Waberer Group, Masped Group, and Raaberfreight Group.

The majority of requirements are for small to medium sized units, with growing interest for more flexible space, for example, joint light-assembly and distribution units and shorter lease terms.

Key logistics and industrial parks, Budapest

Scheme	Developer / Investor	Total potential size (in m^2)	Total completed size (in m^2)	Major occupiers
Agrogate	Agrogate Group	240,000	16,300	Raksped
Airport Business Park	AIG/Lincoln, Europolis	65,500	65,500	Air-France, BAX Global, Belville Rodair, Birkart Globistics, BMW, Csemege Match, DHL, EGL, Expeditors, FedEX, Gebrüder Weiss, UPS, Wizzair, Yusen
Airport City	Ablon	52,000	8,500	-
BILK Logistic Center	BILK	210,000	110,000	Bosch Siemens, HOPI, Nippon Express, Rossmann, SCA, Schenker, Szemerey Trans
BITEP	Budaorsi ISC	100,000	100,000	Mainly small companies
Business & Trading Park Budapest	Imperial	400,000	-	-
East Gate Park	Wallis	140,000	30,000	Lear Corporation, Phoenix Pharma, Volanbusz
Euro Business Park	Immoeast, ProLogis	70,000	70,000	Cemelog, Frans Maas, General Motors, Lilly, Novartis, Schneider Paper
Europa Center	Terra Invest	65,900	-	-
IPD Dunaharaszti	IPD, Immoeast	130,000	57,000	Hungaroweiss, Weissmüller, Wincanton
M1 Business Park	AIG/Lincoln, Europolis	69,000	69,000	ADM, DHL Exel, Kuehne & Nagel, Scanfil, Stora Enso, Willi Betz
M3 Logistic Centre	M3 Logisztika	45,000	45,000	Sweet Point, Trilak, Naxoss, Babolna
M5 Logistic Centre	M5 Logisztika	59,800	44,800	Nissho, Hokshin and Taiho Corporation of Europe, Roche, Cofinec, Mitsubishi, Intertol, Tent-Tex
ProLogis Harbor Park	ProLogis	150,000	127,000	B-Fiesta, Lekkerland, Pactiv, Rewico, Ringier, Sanofi Synthelabo, Schneider Electric, TNT
ProLogis Park Budaörs	ProLogis	30,000	30,000	Geodis
ProLogis Park Budapest - Batta	ProLogis (Parkridge)	93,000	14,000	Rhenus
ProLogis Park Budapest Gyál	ProLogis	150,000	90,680	Cemelog, Diebold, Docu Guard, Geodis, Hyperimpex, Iron Mountain, Medaco, Wincanton
ProLogis Park Budapest - Sziget	ProLogis (Parkridge)	65,000	65,000	FM Logistics, Rhenus, Schneider Electric, Trans-Sped
Rozália Industrial Park	SERGO (Rodamco / Slough Estates)	135,000	135,000	Rynart, Emery Worldwide
Tulipán Park	SERGO (Slough Estates)	28,000	13,000	-
West Gate Business Park	CBP/ Immoeast	35,000	35,000	Alpine Audio, Astra Zeneca, Basys, GlaxoSmithKline,Good Year, Grundfos, Johnson&Johnson, Makro Basic, Renault Trucks, Tetra Pak, Tesco

** estimate*
Source: King Sturge,June 2007

Industrial letting transactions 2006-07, Hungary

Scheme	Location	Size (in m^2)	Type of transaction	Occupier
ProLogis Park Budapest GyálBudapest21	Budapest	21,689	Expansion	Wincanton
ProLogis Harbor Park	Budapest	8,580	Expansion	Lekkerland
Airport Business Park	Budapest	8,000	New	DHL Express
BILK	Budapest	7,500	New	Rossmann
Prologis Szigetszentmiklos	Budapest	7,050	New	Filtrono
Prologis Szigetszentmiklos	Budapest	3,555	New	NCR
Agrogate	Budapest, Herceghalom	2,700	New	Raksped
ProLogis Harbor Park	Budapest	1,784	New	B-Fiesta
West Gate Business Park	Budapest	1,268	New	Tesco
Airport Business Park	Budapest	1,080	New	Yusen

** estimate*
Source: King Sturge,June 2007

Vacancy

Development activity in the past was based on pre-lease agreements. However, the number of speculative developments in the market has increased dramatically in the last two years, pushing availability up across Hungary.

The vacancy rate in Hungary's modern industrial and logistics parks was estimated 9.7% at the beginning of 2007, which is an increase compared to previous year and almost double compared to 2004 when the vacancy rate stood at 4.8%. The majority of the available stock is newly constructed rather than secondhand space. This increasing vacancy rate is caused by the large supply of speculative space, which is exceeding pre-lease agreements in the market. In the medium term, it is expected that developers will be more cautious about new schemes, trying to avoid oversupply in the market.

Rents

The downwards pressure of a weaker economy during 2007, rapidly increasing land prices and increased availability of space has impacted on prime rents in the Hungary's prime logistics and industrial locations. It is expected that the prime rents for industrial and warehousing space may fall further during 2007. On the other hand, well-located projects in Budapest in close vicinity to a transport artery and the city centre may maintain stable prices.

Currently, rents for prime property in Budapest city range between EUR4.50 and EUR5.50/m^2/month and an old in-town warehouse can achieve a rent of EUR4.50/m^2/ month. In suburb locations in Budapest prime rents are in the range of EUR3.60 to EUR4.50/m^2/month. Rents for prime properties in the regional distribution hubs are between EUR3.80 and EUR4.10/m^2/month.

Prime industrial rents, Budapest, Hungary

Location	Range EUR/m^2/month
Budapest city	4.50-5.50
Budapest suburb areas	3.60-4.50
Regional distribution hubs	3.80-4.10

Prime net rents for Q2 2007 detailed. Rents assume a distribution warehouse of over 5,000m^2 Net rents are exclusive of VAT and service charges. Net rents are for pure industrial use on built surface areas on an overall basis, assuming the provision of office area.

Source: King Sturge,June 2007

Investment market

The CEE investment market (including Hungary) has shown a high level of activity over the last few years and although there seems to be a slight cooling recently, the investment market is expected to stay strong. Demand is high and the amount of capital in search of convenient property in the region is pushing prices up, forcing investors to lower their return expectations to secure assets.

The total investment volume for Hungary over 2006 was around EUR 750million, representing a 25% drop in activity compared to the previous year's peak. While the emergence of Romania, and to a lesser extent Bulgaria, as viable investment markets is likely to have attracted some investor interest from Hungary, the main reason for the fall in

transactional volume has been the limited amount of investment grade stock available to the market.

2006 was marred by the demonstrations against the ruling party over the performance, or alleged performance, of the economy, and the knock on effects of this on investor confidence will play a part in determining if the recent slowdown in activity will continue over 2007. However, the Government has implemented its Austerity Package aimed at getting the country's macro economics back on track.

The Hungarian market is now potentially more fragile than pre-2007. With interest rates rising and the rate of yield compression slowing, it is noticeable that investors are having to pay more attention to the risk element of possible transactions. In contrast with this position two recent trends in the market are forward purchasing developments and increased activity in the market outside of Budapest; both strategies traditionally thought of as carrying a risk premium for investors. Perhaps as much as 40% by volume of transactions occurred outside the capital during 2006, in the first half of 2007 there has been over EUR200million invested in the forward purchase of Budapest office developments.

Investment demand is principally from institutional investors, such as open-end and closed-end funds from Germany, Austria and UK, but private buying demand is also increasing, lately from Irish and Spanish investors. There are number of investment funds dedicated to CEE, such as Dawnay Day Carpathian, Aggmore and Aviva/Morley, Immorent, Immoeast and Hannover Leasing, which play an important role in the market.

There are a number of active funds currently seeking prime office properties but they are all hindered by the dearth of targets of a sufficient size and quality. The trend for forward purchasing office schemes is a direct result of the lack of available product in this sector. There are a number of recently-completed office developments reputedly coming to the market where the developers can be expected to exit considerably above their original estimates. This is despite the 250,000m^2 of new office space scheduled for completion in the next 12 to 18 months.

The relatively few office transactions, combined with the fact that of those recently-completed many were forward funding or portfolio deals, makes it less than straightforward to confidently assert or justify the prime office yield. The other CEE markets of Prague and Warsaw have seen numerous sub-6.0% transactions concluded and prime yields there are established at, or even below, the 5.5% mark. Considering the lack of transactions and the relatively weak macro economic climate in Hungary, it is reasonable to assume that investors will require around 25 to 50 basis points' discount for similar quality investment stock when it becomes available in Budapest; although it should be stressed there is no transactional evidence to support such yields yet.

The shopping centre market, as ever, attracts strong interest and remains dominated by the first wave developers who have driven growth in this sector. Interest was shown at record yield levels for a stake in the city centre, although no transaction has been concluded to our knowledge and Plaza Centers are considering an exit for the 65,000m^2 Arena Plaza Mall due for completion in Q4 2007. Opportunities in out-of-town retail are becoming more interesting as the development pipeline delivers modern space, especially in the regional market. The two major retail transactions over 2006 were the 23 store, country-wide Interfruct portfolio acquired by DawnayDay for EUR 80million and the EUR 70million Premier Outlets Center transaction completed by Morley.

The industrial and logistics sector is benefiting from two strong economic trends: firstly, Hungary is competing effectively with the rest of Europe for the higher end of the manufacturing sector, driving demand for space; and secondly, the rapid growth in both volume and sophistication of retailers is creating demand for more logistics space. The industrial investment sector has experienced considerable growth over the last 18 months with

transaction volume in 2006 double that of 2005 and EUR 120million invested in the sector in Q1 2007.

Selected Investment transactions in 2006-07

Scheme	Sector	Vendor	Purchaser	Price (in million EUR)
Science Park	Office	Sachsenfonds	Aviva Central European Property Fund (Morley)	80.0
Info Park	Office	IVG	HGA Capital	99.8
Ericsson HQ	Office	Invesco	DawnayDay Carpathian	17.0
Haller Gardens	Office	AIG Lincoln	ImmoEast	80.0
Arena Corner	Office	Raiffeisen Ingatlan	Orco	62.0
Margit Palace	Office	DCM	JP Morgan	110.0
Terra Park A & B	Office	DCM	JP Morgan	110.0
Váci út 76	Office	Hochtief	CA Immo	71.0
Praktiker portfolio	Retail		Curzon Global	75.0
Interspa - Nyiregyháza	Retail	Private developer	ING	-
Interspa - Zalaegerszeg	Retail	Private developer	ING	-
OBI XIV District	Retail	Raiffeisen Ingatlan	Orco	15.5
Interfruct portfolio	Retail	SCD Group	DawnayDay Carpathian	80.0
Premier Outlets Center	Retail	Raiffeisen / Miller	ACEPF	70.0
Auchan Logistics	Industrial	Elgan Estates	Invesco	27.5
DHL Szekesfehervar	Industrial	Private developer	Aviva Central European Property Fund (Morley)	21.0
DHLM5	Industrial	Elgan Estates	Standard Life	35.0
Rozália Park	Industrial	Rodamco	Protego	48.0
Rynart Phase IV	Industrial	Rynart	Marcol	70.0

Source: King Sturge,June 2007

Prime investment yields, Hungary

Office	5.75 – 6.25
Shopping Centre	5.75 – 6.25
Distribution warehouse	6.75 – 7.25

Source: King Sturge,June 2007

With the exception of the forward purchase office deals and the logistics sector, the first half of 2007 has been relatively slow. More recently though it has appeared that a number of sizeable deals are being readied for the second half of the year and we expect that 2007 transactional volume, if not the number of transactions, should easily match that seen in 2006.

Investment Yields

With the weight of money entering the market and the slow feed of new supply, yields have continued their downward shift. Although yields are forecasted to continue to drop in the short term, the pace of the yield compression can be expected to be more modest given that the premium with other more mature markets in Europe has narrowed.

Many transactions that take place are negotiated on an off-market basis. There is a scarcity of high-quality investment products as demand from investors has increased dramatically over the last few years.

However, the investment market is steadily increasing along with the demand for modern properties. Prime yields in 2007 are lower than in previous years, ranging from 5.75% to 6.25% for office space, 5.75% to 6.25% for shopping centres and 6.75% to 7.25% for prime industrial property according to market transactional evidence.

3. Poland

GDP 2006	$342.3 billion(1)	Inflation 2006	1%(7)
GDP 2007	$418.6 billion(f)(2)	Inflation 2007	2.2%(f)(8)
Three month WIBOR	4.81%(3)	Interest rate (June/07)	4.5%(9)
Mortgage value as % of GDP	10%(4)	FDI 2006 (24 May 2007)	$11 billion(10)
Average salary	EUR7,808(5)		
Eurozone economy	by 2010(6)	Exports growth (2006/2005)	22%(11)
Currency	Zloty (PLN)	Imports growth (2006/2005)	22%(12)

(f) Forecast

Source: (1) Business Monitor International (2) Business Monitor International (3) Reuters (4) King Sturge (5) Statistics Office Polska (6) European Central Bank (7) (8) Statistics Office Polska (9) Polish National Bank (10t (11) (12)Eurostat.

Economic overview

With a population of over 38 million, Poland is the 29th largest country in the world and the 8th largest in Europe.

The Polish economy is currently enjoying steady growth, supported by both domestic and export demand. Growth in the industrial, manufacturing and construction sectors, combined with accelerated consumer spending driven by rising wages and falling unemployment, have combined to boost the country's fundamental economic conditions in 2006.

The Polish economy is the eighth largest in the European Union and is forecast to grow at 5.9% in 2007 and 5.4% in 2008, which is significantly above the EU average.

Despite the rapid economic expansion in Poland, inflation remains very low and under control at around 1%. Interest rates also remain low and the Zloty is well supported by growing domestic demand and a declining current account deficit. Poland continues to be an attractive market for foreign investors, attracting EUR11 billion of FDI in 2007.

Since peaking in 2004 at 19%, unemployment has fallen to 14.9%. This is mostly a result of the creation of new jobs in the expanding economy and migration to European Union countries following Polish accession to the EU. Unemployment in Poland is at a considerably higher level than the EU average.

Retail overview

Since the mid-1990s Poland has experienced constant growth in retail sales, increasing threefold since 1995, driven by a mixture of rising incomes, economic growth and investment in retail infrastructure. Over the last decade the retail market has grown by a healthy 49%, with growth in retail sales expected to continue at 50% over the next decade.

With 91.9 m² of shopping space per 1,000 inhabitants (3.5 million m²), Poland is below the average for Western European countries and slightly above the average for other central European countries. A further increase in retail space in Poland is expected, although it is unlikely that the country will achieve the level of western European countries in the near future.

The average gross annual salary across the country as at the end of 2006 was PLN 29,730, although for major cities this can be considerably higher. The average monthly expenditure per household per person in Poland is PLN 690 (EUR182.34). The majority of expenditure (96%) goes towards the consumption of non-durable goods (such as food, beverages, and pharmaceutical products), semi-durable goods (clothing, books, and toys) and durable goods (cars, washing machines, refrigerators and television sets). The average disposable income (available income less other expenditures) which is designated for consumer goods and services as well as for an increase in savings is PLN 708.36.

Whilst expenditure per person is relatively small in comparison to Western Europe, a population of 38 million consumers is particularly attractive for retailers.

International brands already present include:

Germany – Metro, Obi, Rewe, Rossman, Salamander, Tally Weijl, Deichman and Orsay

USA – Deni Cler, Levi-Strauss and The Athelete's Foot

Italy – Benetton, Calzedonia, Bata, Piazza Italia and Pasha

France - Auchan, Carrefour, Casino, GoSport, Promod, Camaieu, Jacqueline Riu, Morgan, Hair Coif and L'Occitane

U.K. – Dixons, Tesco, Marks & Spencers, Top Shop, Wallis, River Island, Espirit, Carli Gry, Mothercare, Vision Express, Dorothy Perkins and BHS

Scandinavia – IKEA, KappAhl, Cubus, Vero Moda, Claire, Olsen, Duka, Synoptik and Hennes & Mauritz.

There is also a strong group of Polish retailers who are expanding both nationally and internationally, such as LLP, Artman, Kan, Carry, Redan and Empik. In terms of retail development activity there has been substantial activity outside of the capital and in smaller regional cities as is demonstrated in the tables below.

Competing schemes nearest to Suwałki Plaza:

Project	Location	GLA (m^2)	Opened/ opening	Anchors
Kaufman	Kowalskiego 2/ Pułaskiego	2,730	2002	-
Real	Pułaskiego / Reja	-	Planned	-
Plaza	Dwernickiego/ Żermoskiego/ Podhorskiego	55,650	Planned	Cinema City / Fantasy Rooms
Tesco	Bulwarowa /Kościuszki	7,000	Planned	-

Competing schemes nearest to Torun Plaza:

Project	Location	GLA (m^2)	Opened/ opening	Anchors
Bielawy	Olsztyńska 8	-	2002	Jysk, Leroy Merlin (6,050)
Galeria copernicus	Żółkiewskiego 15 / Skłodowskiej-Curie	35,000	2005	Media Markt (3500 m²), bowling centre
Galeria wnętrz amc	Lelewela 33/ Grudziądzka	14,000	Trading	-
Brico	Grudziądzka / Żwirki i Wigury	5,000	Outline planning granted	-
Jordanki	Czerwona Droga	53,000	2008	-
Irlandzka grupa inwestycyjna	Szosa Chełmińskia, na miejscu Uniwersamu	50,000	2009	-

Competing schemes nearest to Zgorzelec Plaza:

Project	Location	GLA (m^2)	Opened/ opening	Anchors
Real	ul. Słowiańska	7,500	2000	Real
Kaufland	ul. Armii Krajowej/ ul. Traugutta	4,000	2002	Kaufland, Plus, McDonald's
"Markauft" retail complex	Görlitz, Niesyer Straße	n/a	n/a	„Markauft", Multi-Möbel
Galeria słowiańska	ul. Armii Krajowej / E30	11,100	2006	Carrefour
Auchan & Castorama	ul. Armii Krajowej / E30	n/a	Early proposal	Auchan, Castorama
Galeria słowiańska	ul. Armii Krajowej / E30	n/a	2008	Leroy Merlin, Mable Agata / Abra
Extension		17,000		

Residential overview

The residential market in Poland is experiencing a period of rapid expansion. Drivers are strong domestic demand fuelled by low interest rates, growing salaries, apprehension of further price inflation and an increase in VAT on new residential property from 7% to 22% in 2010. A further source of demand is international investors buying in anticipation of capital appreciation as prices rise towards Western European levels.

Cities that have experienced the highest growth are Warsaw, Kraków and Wrocław. Between 2000 and 2005 the average price for mid-market flats in Warsaw increased by 50%. The forecast outcome for 2006 will have seen prices increase by a further 50% during the course of one year.

However, Q1 2007 has seen the situation in these cities stabilising, although price growth is still expected to be in excess of 20%. After significant increases in 2005 and 2006 price growth has slowed this year. Speculative buyers have also turned their attention to other Polish cities namely Poznań, Tri-city and Łódź which are experiencing distinct increases at the moment. From the beginning of 2007 to the end of May 2007 prices in Łódź have increased by approximately 32%.

4. Romania

GDP 2006	$121.8 billion[(1)(e)]	Inflation 2006.	4.87%[(e)(4)]
GDP 2007	$129.1 billion[(2)(f)]	Inflation 2007	3.9%[(f)(4)]
3 Month Bubor (Aug/07)	7.09%[(3)]	Mortgage Interest Rate (Jan/06)	7.5%[(4)]
Mortgage value as % of GDP	2.4%[(4)]	FDI 2006	EUR9.3 billion [(4)]
Average net salary Q2 2007.	EUR317[(1)]		
Eurozone economy .	2012[(5)]	Exports growth (2006/2005)	16.2%[(4)]
Currency	New Romanian Leu (RON)	Imports growth (2006/2005).	25.1%[(4)]

(e) Estimate

(f) Forecast

Source: (1) National Statistics Institute (INNSE), (2) The Economist Intelligence Unit, (3) National Bank of Romania, (4) UniCredit, (5) Governmental sources.

Economic overview

With a population of approximately 22 million, Romania is the second largest country in Southern and Eastern Europe and the ninth largest in Europe. It joined the European Union in January 2007 and has maintained significant progress over the past four years in stabilizing its macroeconomic situation.

Romania's GDP in 2006 was USD 121.8 billion, a 7.8% increase over 2005, the forecast for 2007 is 6%, continued growth but slightly tempered compared to the previous year. The NBR and INNSE have released final figures regarding inflation, 4.87% for 2006. Recently, in line with the economical climate, the NBR adjusted the forecast 2007 inflation rate from 3.7% to 3.9%. Romania has one of the lowest annual average unemployment rates in the CEE region with a 2006 level of 5.4% with a slightly drop expected in 2007. However, the removal of visa restrictions across Europe is now affecting local companies, which are dealing with a shortage of qualified labor.

FDI in Romania has been calculated in the first four months of 2007 at EUR1.6 billion, compared to EUR2.4 billion in the same period of 2006, indicating a fall in FDI.

Retail overview

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 1999 (the Bucharesti Mall) represented an important step for the local retail market. The success of this scheme has encouraged a number of other investors to develop similar projects. Notable schemes in Bucharest include Plaza Romania, City Mall and Baneasa Park. The development of hypermarkets has also increased, led primarily by Carrefour and Cora. New entrants in this sector are Auchan, InterSpar and Intermarché.

The current stock of shopping malls in Bucharest is approximately 150,000m^2 GLA. Whilst overall supply remains low and vacancy rates are close to zero, the supply of retail space is forecast to increase by 150% in the next few years.

Main shopping centres in Bucharest:

Scheme	GLA (m^2)	Opening date	Anchors
Bucharesti Mall	28,000	1999	M&S, Gima, Cinema City
Plaza Romania	48,000	2004	Zara, Kenvelo, Gima
City Mall	24,500	2005	Primavara, Altex, Millennium
Baneasa Feeria	65,000	2005	Carrefour, Media Galaxy, MobExpert, IKEA

Planned new shopping centres in Bucharest:

Scheme	GLA (m^2)	Opening date	Anchors
Cotroceni Park	53,000	Q4 2007	Africa Israel
Galleria	100,000	Q1 2008	GTC
Colosseum	140,000	Q3 2008	Modus
ECE	60,000	2009	ECE
Esplanada	120,000	2009	TriGranit
Sun Palace	73,000	Q2 2008	EMCT
Liberty Centre	25,000	Q1 2008	Private Developers
Titan Mall	20,000	Q1 2008	Caeleum

Countryside

Retail centres based around a hypermarket have led the way in expanding into the wider country. French chain Carrefour already operates such in Brasov, Ploiesti and Constanta and plans to open in Timisoara, Cluj-Napoca, Iasi and Craiova. Cora, Auchan and Interspar all have ambitious plans to develop schemes in the 10 largest cities in Romania and are actively acquiring development land.

An important number of malls are now planned or under construction in cities as Constanta (Trident Plaza, Trigranit, City Mall), Cluj Napoca (Iulius Mall, Pouls), Brasov (EFG), Arad (Atrium, Africa Israel, Avrig, RED, Mivan, GTC), Oradea (Mivan), Timisoara (Atrium, Sybil), Iasi (Era, Felicia, MaxiMall).

There has been also noticed a large expansion plan from retailers such as Kaufland, Spar, Interex, Plus, Penny Market and Lidl, which have already settled, started or planned to build in third tier and small cities. The main drivers of this trend are the improving economical life and the lack of modern retail in these areas.

Despite strong investor interest, the limited supply of standing retail investment product has reduced activity to date with only City Mall being sold for a yield of approximately 8.2%. The Winmarkt chain of 16 older centres belonging to New Century Holdings S.r.l. spread over 13 provincial cities is rumoured to be under offer at a yield of approximately 8.25% to Immo East Immobilien Fond. The office market witnessed the first sub-8% gross acquisition yield at the end of 2005 when Uniqa purchased Floreasca Tower shortly followed by the sale of Bucharesti Business Park to CA Immo at 7.8% and most recently the sale of Charles de Gaulle Centre at 7.25%.

Yields

The significant development in the retail sector has lead to the compression of yields and the reduced availability of existing schemes to be traded has led to important off-plan transactions. This is the case with Felicia Gallery in Iasi (ING Reim), sold at 7% to 7.25%, Sierra Sonnae bought River Plaza in Ramnicu Valcea at 7.4% and the Military Galleria was sold to Pradera at 7%.

Generally, the prime yields for office are in the region of 6.5%, the retail yields in the region of 7% and the industrial yields show approximately 7.5%.

International input

Many Western European developers have recently entered the market, which was previously dominated by Greek, Turkish and local companies. Most foreign developers come from Germany, Austria, Israel and Spain.

Investment funds from Germany, Austria and the UK are also becoming increasingly active.

The commercial investment market is adapting quickly, driven by a lack of product and intense yield compression. This in turn has led to several market trends such as joint ventures between the international players (insurance/pensions/investment funds) and reputable local or international developers, forward purchase, and added premiums paid to owners in order to avoid an open tender process. All such trends are driven primarily by the investor’s need to secure in advance future investment products.

5. Latvia

GDP 2006	$20.12 billion[1]	Inflation 2006	6.5%[e][7]
GDP 2007	$25.96 billion[f][2]	Inflation 2007	7.3%[8]
Three-month WIBOR (July 2007)	6.2%[3]	Interest rate (May 2007)	6%[9]
Mortgage value as % of GDP	N/A[4]	FDI 2006	$1.3 billion[10]
Average salary (2006)	Euro 4,228[5]		
Eurozone economy	2008-2010*[6]	Exports growth (2006/2005)	5.3%[11]
Currency	Latvian Lat (LVL)	Imports growth (2006/2005)	17.5%[12]

(f) Forecast

Source: (1) Business Monitor International (2) Business Monitor International (3) Latvian Central Bank (4) King Sturge (5) Business Monitor International (6) European Central Bank (7) (8) Statistics Office Latvia (9) Latvian Central Bank (10) Eurostat (11) (12) World Bank.

Economic overview

With a population of 2.3 million, Latvia is the smallest country in CEE. The country is aiming to join the EMU in 2008 but due to its high inflation rate, 6.7% in 2005, entry may be postponed to 2010.

Since joining NATO in 2004 and the EU in 2005 Latvia has experienced continuous annual real GDP growth with 11.9% growth in 2006 and 9.5% forecast for 2007: it has proved to be the fastest-growing economy in Europe. In addition the country has low unemployment rates compared to its neighbours, at 6.5% in 2006. Privatization is largely complete, except for some of the large state-owned utilities.

Retail overview

Riga, with a population of approximately 740,000, is the capital city and the largest industrial, administrative, cultural and tourist centre in Latvia.

The first modern shopping centres in Riga appeared in 1997 to 1998 with the market experiencing a boom in late 2003 and 2004 producing 173,000m^2 of new supply of modern retail space. Currently, there is a total of 536,000m^2 GLA of shopping centre space in Riga, including eight main shopping centres. The figure of 117.9m^2 of retail space per 1,000 inhabitants is close to the EU 25 average of 155.4m^2/capita. If all announced projects are completed this figure will reach 212.9m^2 by the end of 2007, which is comparable to the developed countries (e.g. UK, Sweden, France, Denmark and Austria.) A list of existing and planned shopping centres is given below.

Project	Location	Opened/ opening	GLA (m^2)	Anchors
Arkopole	Daugavgrivas str.	2008/09	100,000	-
Galerija azur	Rencenu str. 1	2006	20,500	3-4 anchors
Galleria	Dzirnavu str. 65	n/a	40,600	-
Alfa	Brivibas 372	Trading	60,000	Narvesen Baltija, Rimi
Mols I and II	Krasta 46	Trading	32,000	-
Origo - Central Railway	Stacijas laukums 2	Trading	30,000	Rimi
Olympia	Azenes str. 5	Trading	22,000	-
Spice	Lielirbes str. 29	Extended 2005/06	40,000	Lido, Rimi, Maxima
Centrs	Audeju str 16	2006/07	18,000	-
Domina (VEF)	Ieriku 3	Trading	67,000	-
Stockmann	Janvara 8	Trading	14,000	-

The country's retail market remains demand-driven with projects in the capital often being pre-let within the construction period. The biggest developer and operator of shopping centres in Riga is Norwegian company Linstow who pioneered the local market with "Dole" in 1997 and "Mols" in 1998. Other large projects have been carried out by Italian company PK Investments, Estonian company Merks, Finnish company Stockmann and Danish company TK Development. The largest announced and planned shopping centre in Riga is the Lithuanian company NDX Development's "Akropole" with a planned GLA of 100,000m^2.

A footfall of 70,000 to 80,000 people per week is considered normal for a shopping centre with GLA of 25,000 to 30,000m^2. Origo, which is connected with the railway station in the city centre, however, has considerably more visitors than other centres.

The big name retail brands can all be found on the market: Mexx, Esprit, Terranova, Reserved, Promod, Cubus, Body Shop, Bata, Ferre, Seppälä, Sportland, Marco Polo, Hugo Boss, Betty Barclay etc.

Well-performing local retailers are: Danija (shoes), Zaza (shoes), Zara franchise Apranga (fashion), Narvesen (magazines), Drogas (drogeria), Monton (fashion), PTA (fashion), Elkor (photography, electronics, fashion).

Average yields in the segment are buyer driven. Prime retail spots downtown are the most expensive, with some local investors even buying as low as 6% yields in anticipation of considerable capital value increases. The sale of the top centre, Domina, for approximately EUR150 million (EUR3,570/m²) and at a ground-breaking 5.5% reflected anticipated reversionary potential.

Rents have remained at a similar level in the last year with a slight increase seen on larger units.

6. Greece

GDP 2006	$308 billion	Inflation 2006	3.2%(e)
GDP 2007	4.5% increase(f)	Inflation 2007	2.6%(f)
Three-month Euribor (Aug/07)	3.5%	Interest rate (Jan/07)	4%(e)
FDI 2006	2% GDP(e)	Average salary pa	$18,000
Eurozone economy		Exports growth (2006/2007)	18.2%(e)
Currency	Euro (EUR)	Imports growth (2006/2007)	10.8%(f)

(e) Estimate
(f) Forecast
Source:Ministry of National Economy & Finance, National Statistics Service, Economist.

Economic overview

The Greek economy achieved a satisfactory growth rate of 4.3% in 2006 and is expected to grow by a similar rate in 2007. Significant developments included the reduction of corporation tax from 28% to 25%, while the lowest personal income tax rate was reduced from 22% to 20%.

Retail sales continued to grow as further shopping centre projects are completed, for example the Avenue mall extension in northern Athens (8000m²), two further Media Markt outlets and the first Electroworld opened by the Dixons/Kotsovolos Group. Another four major shopping centres are being developed in Athens, at Galatsi, Maroussi, Egaleo and Votanikos, while a 20,000m² project at Larissa in northern Greece is under construction. Leroy Merlin opened its first outlet at Athens airport next to a new Factory Outlet store and PRAKTIKER opened its ninth in Elefsina, western Athens.

Retail pipeline project	Size	Delivery
Yialou / REDS	63,000m²	2009
Vovos, Votanikos	70,000m²	2010
Sonae Charagionis Galatsi	35,000m²	2008
Lamda, Golden Hall	40,000m²	2009
Vovos, Syngrou	14,000m²	2008
Agios Kosmas	35,000m²	2010
VIOHALCO / IKEA	30,000m²	2008
Egaleo	20,000m²	2009

Yields

Continued interest from local and international investors is pushing yields down further towards 6%. Recent transactions include:

- HSBC purchasing a 50% interest in the Mall, Maroussi
- IXIS selling nine Praktiker outlets to Rockspring and Henderson
- Henderson buying Veso Mare and Ilion retail reisure centres from REDS for EUR 40.5 million

- Rockspring investing in new shopping mall being developed in Sonae Charagionis – Parthenon Plaza in Larissa – 22000m²
- Pradera's purchase of Florida One retail mall in Thessaloniki (approximately EUR 35 million)

Prognosis

GDP growth is expected to remain at over 4% as the high level of consumer spending is maintained. Government deficit is coming under control and within EU guidelines. Employment is falling from 9.1% in Q1 20007 to 8.4% in June 2007 as the tourism, shipping and food sectors continue to perform well.

Residential property: there has been a slowdown in activity and price rises due to the introduction of VAT but long-term demand is strong. Increased activity and high expectations in the second home market.

Office market: steady demand, from both public and private sector, for large-scale, affordable space with parking and access to public transport. Office parks outside the traditional locations expected to appear in coming years.

7. Slovakia

GDP 2005	SKK 1,471.1 billion(1)	Inflation 2005.	1.7%(1)
GDP 2006	SKK 1,636.3 billion(1)	Inflation 2006	2.7%(1)
GDP 2007	SKK 1,800.0 billion(1)	Inflation 2007	2.4%(e) (1)
3 month Bribor (Aug/07)	4.25%(2)	FDI (2006)	EUR 3.7 billion(1)
Average salary	EUR560(1)	Exports growth (2006/2005)	24.6%(1)
Eurozone economy .	January 2009	Imports growth (2006/2005).	24.5%(1)
Currency	Slovenian Koruna (SKK)	Unemployment rate (2Q/2007)	8.3%

(e) Estimate
Source: (1) www.trend.sk, www. statistics.sk, (2) National bank of Slovakia.

Economic overview

- Slovakia became an autonomous state in January 1993 and joined the European Union in May 2004. Slovakia plans to adopt the Euro currency on 1 January 2009 and has already entered the ERM 2 for this purpose.
- The country has successfully negotiated the difficult transition from a centrally-planned economy to that of a modern market economy. Slovakia has been highlighted by the World Bank as a country which has benefited from significant economic reforms and GDP growth is strong. The National Bank of Slovakia announced growth rates approaching 8.3% in 2006, while 7.7% is forecast by the same institution for 2007, a rate considerably above the Eurozone average of 1.9%.
- With an average gross income of EUR560 per month in 2006, Slovakia has the lowest annual salary level in Central Europe.

Market overview

On the back of social reform and investment incentives, Slovakia has become one of the fastest-growing economies in central Europe. Although the political and economic changes of the past few years have had a positive effect on underlying purchasing power, the pace of consumer spending has historically lagged behind that of GDP growth. However, forecasts from leading economic forecaster Experian Business Strategies suggest that that this trend will reverse over the next ten years and that Slovakia is poised to record one of the fastest rates of retail sales growth in Europe.

Until recently the small size of the Slovakian market relative to the Czech Republic meant that it did not attract the same level of foreign retail investment as its larger neighbour. However, as the Czech Republic market has matured international retailers and investors alike

have broadened their focus. As a result the market is maturing fast, particularly as larger international retailers are becoming increasingly dominant.

The regional differences between Bratislava and the rest of the country have intensified over the last few years. This is epitomised by the fact that most retail activity in the country is still concentrated in Bratislava, which accounts for around 11% of the country's population and nearly one third of its GDP. However, there are signs that this could be changing as more retail development takes root in the regional cities.

The retail planning environment remains favourable, with currently no size limits or restrictions on retail development in Slovakia. Planning is determined at a local level, albeit with intervention from a number of public bodies, which can make the process both bureaucratic and slow moving. Broadly speaking the planning process does not differentiate between retail, office or industrial use.

Retail sales

Retail sales growth has accelerated in Slovakia in recent years and the market is now growing considerably faster than its Czech neighbour. In 2005 retail sales amounted to EUR 10 billion and, partly boosted by a more favourable exchange rate, were estimated to have topped EUR 12 billion in 2006.

Dramatic retail sales growth is predicted. King Sturge's European Retail Property Report (2007) forecast that retail sales will accelerate by 65% over the next ten years – the highest rate in Europe outside the Baltic states. Moreover, all regions across the country will experience explosive retail sales growth, although the two NUTS2 regions of Bratislavský Kraj and Stredné Slovensko stand to lead the way.

Slovakian retail sales 2001 to 2006

Year	SKK billion	EUR billion	% increase*
2004	355.8	8.9	6.8
2005	385.8	10.0	8.4
2006(f)	414.9	12.0	7.5

Source: Mintel, Statistical Office of Slovakia, King Sturge
** increases calculated in local currency*

Retailer demand

The Slovakian retail market was rapidly privatised during the 1990s and has consolidated considerably since 2000. There are three main groups of retailers in the country: the co-operative societies (Jednota), domestic multiples and independents (mainly small shops, kiosks and a number of department stores), and international players.

The market has evolved on the back of increased foreign investment. The food market has historically been dominated by local retailers, tending to favour relatively unsophisticated cash & carry or small supermarket formats. In the face of increased international competition the co-operatives have merged large proportions of their operations under the Jednota Slovensko banner, which remains, for the moment at least, the country's largest retail group.

Retailer	Country of origin	Operation(s)	No. of outlets	Sales (SKK billion)
Jednota Slovensko	Slovakia	Co-operative	2,318	30.0
Tesco	UK	Hypermarkets	41	22.1
Metro	Germany	Cash and carries	5	13.5
Schwarz Group Slovakia	Germany	Hypermarkets and discount stores	96	13.3
Ahold	Netherlands	Supermarkets and hypermarkets	25	11.2
Billa (Rewe)	Germany	Supermarkets	81	10.0

Source: Mintel, King Sturge, (as of January 2007)

Having entered the market by buying the Prior department stores from Kmart of the US in 1996, and subsequently expanding, Tesco is now the second largest retailer in Slovakia. This is a position it is consolidating through an organic expansion rate of six new stores a year (including smaller outlets for less extensive catchment areas). However, Tesco's proposed purchase of four Carrefour stores (as a part of an international asset swap) was blocked by the

Slovak authorities in January 2007 on competition grounds. With Tesco ruling out an appeal, the destiny of the stores remains uncertain at time of print.

Other western grocery retailers actively expanding in Slovakia include Billa (part of the German Rewe group), Kaufland (the Schwarz Group from Germany), and Rema 1000 (Reitan from Norway). Aside from Carrefour, the only other significant withdrawal has come from Delhaize of Belgium, which sold its Delvita stores to Rewe in June 2005, having failed to achieve critical mass despite trading in the market for seven years.

The non-food market also has a relatively large number of foreign retailers, including IKEA, bauMax, dm-drogerie-markt, Quelle and Neckermann, as well as Datart, an electrical retailer from the Czech Republic, in which Kesa Electricals of the UK has a 60% stake. Nay is the largest domestic non-food retailer, operating a chain of electrical stores.

Supply – Bratislava

Downtown Bratislava remains dominated by traditional, independently-operated high street shops. Outlets within the main pedestrian area around the Old Town are mainly too small to meet the demands of large-format international retailers. However, a number of these units do now trade as restaurants, cafés and bars, often catering for a thriving tourist market. The main shopping area in the city centre is focused on the area from Obchodná Street to SNP Square.

Until economic reform gathered momentum in the late 1990s there were no shopping centres in Slovakia. The influx of western food retailers (Tesco, Carrefour, Ahold) has since seen the development of a string of galleria shopping centres – purpose-built retail warehousing shopping centres, anchored by a major hypermarket, typically located in edge-of-town or out-of-town locations. The hypermarket is supported by smaller ancillary retail units, often with a clothing bias. Within Bratislava the galleria shopping centres are dominated by Tesco, which has something of a stronghold in the capital.

The progress in Bratislava's retail evolution is manifest in its four main western-style shopping malls (by definition free-standing multi-level sites, either in the town-centre or destination edge-of-centre locations, with clothing-orientated retail propositions). The four key shopping malls cover around 150,000m² of floorspace. The largest of these is the Avion Shopping Park by the airport, which now covers around 60,000m² following an extension in 2006.

Avion is also significant in that it unites different channels of retailing: while comparison goods high-street retailers trade alongside a Hypernova foodstore in the main shopping centre, bulky-goods retailers (IKEA, Hornbach and Kika) occupy big-box units nearby. In general, retail warehouses in Slovakia tend to be solus sites, with the western concept of managed retail parks yet to develop. However, Avion is an example of increased clustering of retail warehouse operators.

Shopping centres, gallerias and retail parks in Bratislava

Centre name	Size ('000 m²)	Opened	Developer	Tenants
Avion Shopping Park	60.0	2002	Inter IKEA	Hypernova, Bata, Deichmann, Giga Sport, IKEA
Aupark Phase I	42.5	2002	HB Reavis Management	Terno, NAY, Intersport, Peek and Cloppensburg, T-Mobile, Orange, T-Com
Polus City Center	40.1	2000	Trigranit	Bata, Carrefour, T-Mobile, Makyta, Datart, Kenvelo
Danubia	30.0	2000	Arcol	
Soravia retail outlet		-	Soravia	Europa Mobel, McDonalds, SEGUM
Shopping Palace Phase I	55.0	1998	Hanno Soravia	Tesco, Intersport, Forstinger, Prostejov

Source: King Sturge, January 2007

Supply – Rest of the country

As is usually the case in developing Central European countries, the main focus of development has initially been in the capital. Outside Bratislava the retail property market remains more traditional, although regional expansion by the international hypermarket,

supermarket and big-box operators is increasingly driving the development of more "western-style" space in other large towns across the country.

The majority of this space takes the form of gallery shopping centres or retail warehousing units. Until last year, the only real exceptions to this were the two TK Development shopping malls in Žilina and Košice (Dubeň and Optima, respectively). However, 2006 marked a significant turning point, with the opening in quick succession of three new regional schemes, located in Nitra, Trnava and Martin. This has increased the overall provision of "western-style" shopping mall space in the regions to over 125,000m².

Supply pipeline

In 2007 and 2008 major second phases will be added to two of Bratislava's existing shopping malls. Extensions to the Aupark Centre and Soravia Shopping Palace will add around 45,000m² of new space, taking the two schemes to 58,000m² and 56,000m² respectively. Demand for space in both extensions is very strong; both of them are fully pre-let.

Construction is also under way on another major new shopping mall in Bratislava. The Yosaria Plaza, located in Ružinov, will offer 33,000m² of leasable retail space over nine floors and will house 250-300 retail/leisure units. However, the ongoing search for a development partner has delayed delivery of the scheme and as a result the centre is likely to be delivered in the spring of 2008.

Also in the pipeline is Ballymore's 230,000m² mixed-use Eurovea project. The retail element (Pribina Galleria) will provide around 55,000m² of new floorspace, significantly bringing many major international retailers (e.g. Marks & Spencer, Nike, Next) into the city centre for the first time. Construction has recently started on phase 1, with the full scheme scheduled to be on-stream by 2009. This is the same projected timeframe for J&T's River Park project. Although dominated by residential and a hotel, the high-profile scheme will include some 8,000m² of retail space at ground level.

Supply pipeline - Bratislava

Centre name	Size ('000 m²)	Opening	Developer	Tenants
Aupark Phase I and II	58.0	2007	HB Reavis Management	Terno, Nay, Peek and Cloppenburh, Bata
Palace Shopping Centre	88.0*	2008	Hanno Soravia	Tesco, Intersport, Forstinger, Prostejov
Yosaria Plaza	36.5	2008	Yosaria Plaza	H&M, Bata, C&A, Next, Mango
Eurovea	55.0	2009	Ballymore	
River Park	9.0	2009	J&T	
Bratislava Main Train Station	55.0	2010	IPR Slovakia	
Kamenné Square	40.0	2010	LORDSHIP	

Source: King Sturge, January 2007
** Floorspace figure includes Tesco site*

This year will see the opening of the largest regional retail scheme to date: the 37,500 m² Europa Shopping Centre in Banská Bystrica. HB Reavis is also planning to replicate the success of its Aupark centre by rolling out similarly branded schemes to other large regional centres. The first of these will be in Žilina, where a 24,000m² scheme is currently at the planning stage; scheduled opening is 2008/09. The developer has also acquired land in four other towns (Košice, Trenčín, Ružomberok and Piešťany). As the second-largest city in Slovakia, Košice is widely believed to be the most pressing priority.

Going forward, there will also be further regional expansion of the MAX branded shopping centres. Three existing MAX centres (Poprad, Trnava, Trenčin) were purchased by GE Commercial Real Estate from the development companies EuroMax and SlovakiaMax in 2006. A further five MAX centres (developed by EuroMax) are under construction or at the planning stage in Dunajská Streda, Žilina, Prešov, Skalica, as well as Bratislava.

The Centro Nitra is also undergoing extension, which will see floorspace expanded by 8,500m². This is expected to be completed either before the end of the year, or early in 2008.

Rental performance

Demand is high for modern retail space, as evidenced by the fact that vacancy rates in the shopping malls are virtually zero. Equally, a high proportion of pipeline floorspace is already pre-let. This has had a positive impact on shopping-centre rents, which are typically between EUR27 and EUR32/m²/month for small units (<100 m²) and between EUR8 and EUR10 m²/month for large units (>1,000 m²). The highest rental levels are achieved at Avion Shopping Park, where a prime unit may reach as much as EUR45/m²/month.

Rental levels in shopping malls are at a significant premium to the high street, where retailer demand is stymied by lack of suitably sized and configured stock. Prime high street rents in Bratislava city centre are currently around EUR25 to EUR40/m²/month.

8. Serbia

Belgrade catchment area

The population of Serbia is forecast to increase to 10.75 million by the year 2010 due to the effect of ethnic migrants returning to the country, triggering an increase in demand for consumer goods. The city of Belgrade is estimated to have a population of 2,566,000, or up to 2.75 million if some of the dormitory settlements within a 20km radius are included. At present, approximately 65% of the population are under 59 years old, with demand for goods and services likely to lean towards the service, fashion, entertainment and catering sectors.

In 2006, approximately 42% of dwellings were in private ownership, with the remainder belonging to the State and housing co-operatives. The greater majority of residential developments are undertaken by housing co-operatives rather than the private sector, but this is likely to change as the mortgage market evolves.

It is anticipated that as job opportunities in cities increase and, conversely, those in rural areas decrease, the present levels of urban migration will continue. Labour mobility is constrained by a lack of housing in the cities. However, as incomes rise with the rapid growth of the economy and the introduction of mortgage funding, more Serbs will be able to afford their own homes and expenditure on DIY and household goods is likely to increase. There is little evidence to suggest that Serbs will act differently from their western counterparts. This trend will be facilitated by increased mobility as a result of increased car ownership.

The number of cars averages two cars in every 4.2 households. Forecasting future car ownership levels in Serbia is extremely difficult, as purchases do not reflect national income levels are not reflected. It would appear that Serbs buy cars despite the significant impact on the household budget. It is estimated that the number of cars will more than double by 2007, reaching approximately 1.2 million. Any new retail development should cater for the car-borne consumer. As mobility increases, car-parking access and convenience will become increasingly important to shopping behaviour patterns.

Socio-economic data on Serbian consumption is limited. There is limited accurate data available on household expenditure, retail turnover, floor space stock and shopping behaviour patterns.

Information available indicates that average net monthly wages in Belgrade have increased over the last two years, reaching EUR270 as at the fourth quarter of 2006. Nearly 30% of households generated additional income through one or two extra jobs, though this trend is apparently on the decrease as more Serbs get better-paid jobs. This may be a contributing factor to the difficulty in accurately assessing household income.

Data available for a household's average monthly per capita expenditure (derived from a family expenditure survey undertaken by Serb Statistics) suggests that the per household expenditure is EUR5,803 per annum. The expenditure data is limited to broad sectors and it is difficult to identify retail expenditure in particular segments as opposed to expenditure on education, holidays or health. The survey indicates that the bulk of household expenditure is

on clothing and consumables, excluding alcoholic and tobacco products. Food expenditure is assessed at EUR1,340 per capita and clothing/footwear at EUR188 per capita per annum.

Recent research conducted by the Domestic Market Research Institute indicated that the majority of customers shop near their place of residence or work. There is a preference for visiting large stores where factors of convenience, time-saving and discounted prices apply. Many Serbs shop in supermarket chains such as Maxi, Tempo, Rodic, Mercator, etc. This indicates that such shopping behaviour patterns are convenience-based and primarily relate to the purchase of fresh foods.

Existing retail trade

Before the Communist collapse, the Serb retail trade bore many of the characteristics of other centrally-planned economies. Food was sold primarily through small, state-owned shops and rural co-operatives, while non-food items were channelled through state department stores and regional enterprises.

Since the mid 1990s, Serbia's economic structure has been undergoing fundamental transformation, and the private sector already dominates the commerce and construction industries. More than 60% of the country's GDP originates from the private sector. Agriculture has always been predominantly in private hands. However, the privatisation of large, mostly inefficient, state-owned enterprises has been fairly slow. The number of retail business and retail outlets has undergone significant development during the last four years. Structural reforms, together with the quickening pace of small scale privatisation, have led to the development and expansion of the entire retail network in Serbia. State retail businesses will gradually be privatised and transformed into more modern, western-style enterprises with a varied selection of goods on offer.

To accelerate the privatisation process and make it more efficient, parliament introduced a Privatisation Programme. Under this programme, businesses will be transformed into more modern, western-style enterprises, with the emphasis on a varied selection of goods. In addition, there has been a steady growth in small, new outlets. New businesses have responded to the needs of consumers and have filled market gaps that the state system had long ignored.

The food sector has seen the most activity from overseas retailers, the most notable entrants including Mercator, Veropolus and Metro, who are now beginning to turn in strong performances. There are also some larger international companies yet to appear on the market, the most obvious being IKEA, OBI, Media Markt, Baumax, Praktiker and Spar.

Foreign clothing retailers include Nike, Adidas, Reebok, Wrangler, Camel, Benetton, 4 YOU, Miss 60, Cottonfield, Sisley, New Yorker, Levi Strauss, Triumph, Morgan, Gino Rossi and Springfield. With prices of top-level consumer goods almost matching those of other European cities while incomes remain significantly lower, it is difficult for luxury brand retailers to trade satisfactorily at present. Nevertheless, there is increasing demand. There is also a market for used or imported counterfeit goods, which trade well due to lower prices.

International fast-food operators are currently limited to McDonalds and Pizza Hut. They are slow to expand and have been slow to occupy food court positions, which appear to have been taken by domestic catering operators such as Plato, Golub or BPI.

Dealerships and franchises are often established by western retailers as a low-risk method of entry. Leaders in this field are Benetton, Replay, Reebok, Yves Rocher, Levis, Mango, Adidas and Kappa. In the sportswear market are Euro sport, Elan sport, Fitex, N sport, Djak, Champion, Delta Sport and Elesse. Clothing retailers include Alta moda, Caledonia, Mango, Springfield, Euromoda, Terranova, Mona, Nicola's, Replay, Sisley, Benetton, Levi's, Diesel, Miss Sixty, Killer Loop, Chicco and Mexx. Footwear retailers include Sketchers, Distante, Baldinini, Metro, Bata, Geox and Mubb. Zara opened its first shop in Belgrade in May of 2006.

Speciality clothing and footwear such as Puma, Bata, Elesse, Adidas, Levi Strauss and other clothing retailers such as Terranova and Boss justify their own single-brand outlets. They are often company-owned to ensure control over marketing and inventories.

Retail market general overview

The retail sector is currently fragmented, with a fairly low provision of retail outlets and a very low level of retail floor space per capita. Although this situation is improving, albeit slowly, there are currently only a handful of purpose-built shopping facilities in Belgrade (Millennium and City Passage on Knez Mihajlova) and there is a clear market for a major shopping centre anchored by a good supermarket, entertainment, leisure and departmental/variety stores.

The retail market is restricted by the lack of high-quality space. There is a very limited supply of modern, retail accommodation in Belgrade with the appropriate dimensions to provide a sustainable, quality shopping environment.

Further opportunities exist in the development of district and neighbourhood shopping centres. As there is poor provision of mall-style shopping facilities, there is good potential for small to medium-sized food stores, together with a number of shops offering convenience and retail services. Out-of-town shopping malls are non-existent but there are opportunities, given the relative ease with which sites can be identified. Obtaining and securing planning consent is still a major hurdle, however.

The retail real estate market is of a rudimentary nature in general. Pricing information is sometimes limited and is not always available in a reliable and comparative form. A number of properties change hands outside of the market. Consequently, a significant number of retailers take shops with unpredictable rental levels and often in surprising locations. The situation is becoming clearer as more foreign retail groups enter the market and establish western business practices and as more developments are completed.

Retailing in Belgrade is located mostly on Knez Mihajlova street, Bulevar Kralja Aleksandra street and Terazije, or on the small side streets off this arterial walkway.

The most recent retail development in the Belgrade market was Metro Cash and Carry's second store. Located in Zemun, on the edge of Belgrade, it features approx. 8,500m^2 of retail space and was completed in the fourth quarter of 2005. The store has almost 20,000 items on offer. Around 90 per cent of the goods on display in Belgrade in this store originate from Serbian producers and distributors.

In November 2005, the District of Bezanijska kosa in Novi Beograd saw the opening of the largest foreign sales centre of a Merkur subsidiary, Merkur International. The newly-opened centre is the largest and the most modern in Serbia. The centre offers a complete range of DIY and home products, as well as gardening equipment. The property extends to 9,600m^2, arranged over two sales floors, and is constructed on a 1.4 ha plot flanking the Zagreb-Belgrade highway. The investment totalled EUR10 million.

MERCATOR, developed by the Slovenian group in New Belgrad, opened in the spring of 2003 and was the company's biggest investment abroad, worth EUR37.4 million. Covering an area of 22,400m^2, it comprises 50 shops and restaurants. It is currently the largest retail complex in the city. There is no further potential for extending this centre.

The Greek Company "VEROPULOS" invested EUR10 million in a hypermarket construction in New Belgrade, which opened in the spring of 2004. The company has a further ten centres in the pipeline, each with a planned area of 7,000m^2.

The largest project in the near future will be the Delta project - a shopping mall in Blok 67, to be called "Delta City". In March 2006, Delta Holding started construction of the first shopping mall in Serbia to have a design based on malls in other European cities. Situated on

the corner of Jurija Gagarina St. and Dr. Agostina Neta Street in Blok 67, Delta City will have a GLA of approximately 80,000m^{2}on its completion.

Delta has plans to construct a further five similar schemes, three in Belgrade (the AutoKomanda and ADA sites) and the other two in Nis and Novi Sad.

MPC are planning to develop a two-storey shopping mall next to the USCE Tower.

The USCE mall will be arranged over two retail levels and two underground levels. The GLA of retail space is estimated to be 60,000m^2. Planning exists but no financing is in place. This scheme could be one of the most attractive in the market.

Verano Invest is constructing a 33,000m^2 office/residential development at the intersection of Cvijiceva and Ruzveltova streets. The Greek supermarket chain, Veropoulos, has already bought 4,000m^2 of the ground level, for its planned "SuperVero" hypermarket. The first and second floors are reserved for an exclusive shopping centre, with planned retail space of 7,500m^2, including a food court with several cafés, bars and fast-food restaurants.

Montmontaza Group from Croatia has acquired approximately 10 ha of land in an area called Palilula, which is a former port area in the northern Stari Grad. This area is under intense redevelopment which can be, recently witnessed by the likes of Engel Group, who acquired the Belgrad Port for EUR40 million, with plans to redevelop it as a mid-market residential project. Mont Montaza plans to develop a 50,000m^2 GLA retail scheme and has instructed Gemax to commence construction.

Secondary market

There has only been sporadic retail investment in secondary cities like Nis, Cacak and Novi Sad. The most active market after Belgrade is Novi Sad.

Novi Sad has 300,000 inhabitants (298,139 according to the 2002 census). Novi Sad is a multi-ethnic city (Serbs, Hungarians, Montenegrins, Slovaks, Ruthanians, Croats, Hebrews, Romany people and others), where national communities are equally present in the political, public and cultural life.

The economy of Novi Sad has mostly recovered from the Communist period and has seen dramatic growth since 2001, with the transition from an industry-driven economy to a service-sector based economy. The privatization process of state and co-operative enterprises, as well as developments of private enterpreneurs, increased the share of privately-owned companies to over 95% in the city, with small and medium-size enterprises dominating the city's economic development.

The significance of Novi Sad as a financial centre has been proven by the presence of numerous banks, such as Vojvođanska Bank, Erste Bank, Kulska Bank, Meridian Bank, Metals Bank, NLB Continental Bank and Panonska Bank; as well as the second-largest insurance company in Serbia - DDOR Novi Sad. The city is also home to the state-owned oil company - Naftna Industrija Srbije. It is also the seat of the wheat exchange market.

Shops:

The Vojvodina Sports and Business Center is an attractive 65,000m^2 sports and recreation complex with tennis courts, swimming pools, an ice-rink, a large arena for 10,000 spectators and a small arena for 1,200 spectators, as well as an additional 20 ha of land housing the stadium of FC Vojvodina.

Fashion distributor Inditex Group introduced Zara to Novi Sad, its first store in the country, in February 2006.The store is located at "Mihla Pupina", one of the major shopping centres in the north of the country.

There are plans for Zara's further expansion in the country, according to an agreement entered into with Delta Holding, a local company with experience in the retail and real estate markets, and the operator of international fashion brands in several Eastern European countries.

The Mercator Center in Novi Sad, an investment of over EUR30 million, is due to be completed on 23 August 2007. The 36,000m^2 development will include a hypermarket, common facilities and 66 shops.

Part B India

Economic overview

Spread over an area of 3.3 million square kilometres, India has one of the world's largest territories and shares borders with countries including China, Pakistan, Myanmar, Bangladesh, and Nepal. It ranks after China as the world's second most populous country with a total population of over one billion. India's economy has experienced robust growth in the past 12 months since Q2 of 2007. The nation's gross domestic product increased at an impressive rate of 9.2 per cent per annum. This GDP growth was mainly led by fast-rising industrial production as well as growth in the services sector. In terms of purchasing power parity, India was ranked the fourth-largest economy at the end of 2004 and is likely to overtake Japan and become the third major economic power in 2007. It is further projected that India's contribution to global GDP will rise from the current 6% to 11% in 2025 and projected to be approximately 60% of the size of the US economy in the same year. The Government is preparing the upcoming budget forecast during 2007-08 which will set the stakes for meeting the targets set for the plan period 2007 to 2012.

The Indian economy is likely to grow at 9% this year but the government needs to invest heavily to upgrade the country's infrastructure to sustain this momentum. Favourable population growth, a large pool of highly-skilled workers, greater integration with the world economy and increasing domestic and foreign investment suggest that this growth momentum will be sustained in the next 10 years.

Whilst there has been considerable economic growth and inflationary pressures which are expected to subside to around 5 per cent during 2007 according to Bloomberg. The Indian economy is looking good and increasingly attracting the world's interest as a result of impressive economic performance, brought about by the liberalisation process of the past two decades.

Annual inflation, measured by a point-to-point increase in the Wholesale Price Index (WPI), declined from 5.7% in April 2005 to a low of 3.3% in August 2005. Despite an increase thereafter, WPI annual inflation was at 4.41% in June 2007.

The Fiscal Responsibility and Budget Management Act in India has resulted in declining deficits both at the central and state levels. Some deficit indicators are expected to decline by 0.7 to 0.9 per cent of GDP for the year 2006-07.

All real estate sectors, including residential, commercial, hospitality and retail have witnessed increased demand since early 2004, with supply barely matching demand across the country. This has put upwards pressure on asset valuations and resulted in declining yields in recent months. Nonetheless, yields for commercial and retail properties are still amongst the highest levels obtained globally. Current shortages across the above sectors are unlikely to be met in the short to medium term, especially as rising growth fuels sustainable demand for developed space.

National retail trend

India's favourable socio-economic factors are fuelling consumer spending. Aided by rising consumerism, availability of funds and quality retail space, the organized retail sector is expected to become a USD 35 billion opportunity by 2010.

Indian Retail Industry is standing at its point of inflexion, waiting for the boom to take place. The inception of the Indian retail industry dates back to times where retail stores were found in the village fairs, Melas or in the weekly markets. These stores were highly unorganized. Today the main retail activity is taken place at the high-street area, while the established malls

are of poor quality and design and actually resemble low-grade shopping arcades far from the western concept of shopping malls. One indicator for the current poor quality of shopping space offered today is the huge difference in rent prices between high street and existing malls (in favour of high streets), which is entirely the opposite of any existing retail market over the world. The maturity of the retail sector took place with the establishment of retail stores servicing convenience needs such as supermarkets. With financial support and the on going privatisation via the government the retail industry in India took a new shape. Outlets for Public Distribution System, Cooperative stores and Khadi stores were set up. These retail stores demanded low investments for their establishment.

The retail industry in India gathered a new dimension with the setting up of different international brand outlets, hyper or super-markets, shopping malls and departmental stores. The untapped scope of retailing has attracted superstores like Wal-Mart into India, leaving behind the kiranas that served for years. Such companies are basically IT based, serving the programming, software development and internet industry. The other important participants in the Indian retail sector are Bata, Big Bazaar, Pantaloons, Archies, Cafe Coffee Day, Landmark, Khadims, Crossword, Piramyd, and Reliance, to name a few. The future of organized retail in India looks bright, according to recent research it is projected to grow at a rate of about 37% in 2007 and at a rate of 42% in 2008.

Residential overview

The residential market is expanding countrywide. Changing demographics and urbanization, along with a larger and more mobile working population, are powering growth even further. The Indian Planning Commission has estimated that the country currently suffers from a shortage of approximately 22 million residential dwellings. Due to India's current demographics and the above reasons, this requirement for additional homes is expected to only grow in the future. The growth in the residential market has also been fuelled by the easy availability of mortgage financing and fiscal incentives prevailing for both interest-only and principal repayment of mortgages. Another key development compared to a decade ago is the growing financial consumption capacity of India's working class, who recognize quality and comfort and are willing to pay a price premium for a quality product. There are additional social reasons why this demand will only increase, such as the dated concept of the wider family living 'under one roof' gradually breaking down and leading to independent homes for the younger generation now entering the labour force.

Foreign investment

Indian real estate is undergoing fundamental changes today and a host of factors are responsible for the growth of this sector. It is estimated that the real estate sector will grow from the current USD 12 billion to a USD 50 billion industry by 2010. Going forward, the sector, which already is the nation's second largest employer (second only to agriculture), has the potential of becoming a key engine of economic growth.

The Government has played a key role and, as well as extending fiscal incentives and simplifying property acquisition, has adopted several measures to encourage foreign investment into the real estate sector. To stimulate this sector further, the Government permitted 100% FDI in the real estate sector under the automatic route, in early 2005. The automatic route now allows foreign investors to invest directly in India without obtaining prior government approval. The real estate sector, in particular, is vitally and dynamically linked to other growth drivers and this has made the sector vibrant and relatively attractive for FDI. During the fiscal year ended 2006 real estate contributed to approximately 21.2% of total FDI in India; compared to 18% a year earlier and 10.6% two years prior.

Real Estate in Pune

Effective Rents

Rental Values across most office micro-markets in Information Technology & Information Technology Enabled Service segments have been relatively stable since the last quarter, although there has been a marginal appreciation at an average of 5 to 10%. The appreciation in non-IT office segment has been more robust at an average of 8 to 15%. Base rents at Camp/Bund Garden Road are estimated to be in the range of Rs. 60 to 65/ft^2/pm (USD 16.7 to 18.1/ft^2/pa). While in the suburban area of Aundh, the estimated range of base rent is approximately Rs. 40 to 45/ft^2/pm (USD 11.1 to 12.5/ft^2/pa), the commercial spaces at Kalyani Nagar and Hadapsar are reported at Rs. 44 to 48/ft^2/pm (USD 12.2 to 13.4/ft^2/pa) and Rs. 30 to 34/ sq.ft/pm (USD 8.4 to 9.5/ft^2/pa) respectively.

Approximate base rents at prime retail spaces on MG Road range between Rs. 200 to 250/ ft^2/pm (USD 55.7 to 69.6/ft^2/pa), JM Road commands Rs. 140 to 175/ft^2/pm (USD 39.0 to 48.7/ft^2/pa) and Aundh retail rates are estimated at Rs. 110 to 130/ft^2/pm (USD 30.6 to 36.2/ft^2/pa).

There are four shopping malls in Pune at present, Pune Central, Lifestyle Mall, Gold Adlabs and Segatera, together offer approximately 500,000m^2 GLA. Three further malls are currently planned and will increase the GLA by a further 225,000m^2 GLA over the next 18 months.

Vacancy Rates

Vacancy Rates for offices in prominent Information Technology & Information Technology Enabled Service locations were:

East:

1. Kharadi – major projects are under construction

2. Hadapsar i.e. Magarpatta city and SP Infocity – 5 to 7%

3. Kalyani Nagar – Approx. 2%

4. Viman Nagar – Approx. 2% to 3%

5. Airport Road – Approx. 22%, but a major share of this is already been committed or under expression of interest, considering the same the actual vacancy will be 9%

West:

1. Hinjewadi – 3% with other major projects are under construction

2. Baner & Aundh – Approx. 2% to 5%

Likewise for non - Information Technology locations

1. Koregaon Park – No vacancy registered

2. Camp – No vacancy registered

3. CBD (Pune Station Area) – Approx. 2%

Vacancy levels at the commercial premises have witnessed significant reduction during last year. The Grade-A commercial developments at prime locations of Kalyani Nagar and Senapati Bapat Road witnessed a fall in vacancy levels from 5% to 7% to almost 2% to 3% vacancy levels; the peripheral locations such as Hadapsar and out-of-CBD location such as Bund Garden Road have also gone down to the similar range of 5% to 7%. (Source Cushman Wakefield Research).

Demand

Over the first quarter of 2007, the commercial market has witnessed an increase in demand, along with interest shown by prospective clients intending to either expand or set up new

operations in Pune, resulting in absorption of approximately 1,158,600ft^2. Demand for office space was mainly driven by Information Technology & Information Technology Enabled Service and was spread across sectors like BPO and Research Laboratories. The Information Technology & Information Technology Enabled Service sector contributed approximately 90% of the total office absorption in Pune. Cybercity Magarpatta at Hadapsar, Raheja Commerzone at Yerwada and ISH Infotech at Hinjewadi are reported to have captured the major share of office space demand during the first quarter of 2007, with absorption of 156,000ft^2, 300,000ft^2 and 140,000ft^2 respectively.

Real Estate in Trivandrum

As the Indian real estate sector moves higher on the growth curve, a number of state capitals and smaller cities such as Trivandrum, which have relatively better infrastructure and are able to support higher economic growth, have come into limelight. These emerging growth centres are characterised by low real estate costs, availability of land for development, untapped labour pool and rising quality of life. Many of these towns have industrial and tourism driven economic base that can be leveraged for growth. Anticipating the latent demand in these markets, a number of real estate developers and retailers have chalked out expansive plans to harness this opportunity.

Trivandrum represents an ideal opportunity to support this investment potential.

In February 2007 the Tejaswini building opened, the newest addition to six other buildings in the Trivandrum IT Park. With the inauguration of this facility, the IT Park now offers more than 320,000m^2 of commercial space making it amongst the largest in the country.

Investment Market

Increasing demand from the Information Technology & Information Technology Enabled Service and Business Process Outsourcing sector has led to approximately 20 to 40% increases in capital values for office space in the last 12 to 15 months across major metropolitan areas in India. Grade-A office property net yields have come down from 12 to 14 % in 2003 and currently average around 10.5 to 11% p.a. The fall in yields has resulted from decreasing interest rates and increasing appetite from investors.

This has in turn resulted from abundant liquidity options available coupled with the acceptability of real estate as a conventional class of asset.

Lower interest rates, easy availability of housing finance, escalating salaries and job prospects have been lending buoyancy to the residential sector. The net yields (after accounting for all outgoings) on residential property are currently at 4-6% p.a. However, these investments have benefited from the improving residential capital values. As such, investors can count on potential capital gains to improve their overall returns. Capital values in the residential sector have risen by about 25 to 40% p.a in the last 15 to 18 months

The retail market in India has been growing due to increasing demand from retailers, higher disposable incomes and dearth of quality space as of date. Though the net yields on retail property have registered a fall from 10 to 12% p.a. previously reported to 9 to 10.5% p.a. currently, the capital appreciation in this sector is close to 20 to 35% p.a. However, the risks associated with this sector are higher as retailers are prone to cyclical changes typical of a business cycle. Changing consumer psychology combined with increasing disposable incomes will ensure further growth of the retail sector in India.

There have been no transactions made to date with institutional buyers of real estate in Pune or Trivandrum, some transactions have occurred in Mumbai and Banglore which reference can be drawn from. We believe that were a modern shopping mall to be sold on the market it would achieve a capitalisation rate in the order of 9.75 to 10 % based on current financing paramenters.

PART V - Directors and Senior Managers

1. The Board

Executive Directors

Chairman

Mr. Mordechay Zisser (51). Mr. Zisser is the founder of the Europe Israel Group of companies and Chairman of its Board of Directors. Since the outset of his career in 1982, Mr. Zisser has developed some of the most ambitious and prestigious real estate development projects in Israel (including the city of Emmanuel, the Herzlia Marina, the Ashkelon Marina, and the Sea and Sun luxury residential project in north Tel Aviv), as well as large scale residential and hotel projects in South Africa, and the shopping and entertainment centre developments in CEE and India. The Europe Israel Group currently has interests in seven operational hotels/apartment hotels (over 1,300 rooms and 300 apartments), located in Western Europe, which have either been acquired or developed jointly with its strategic partner, the Red Sea Group of Israel. These include the Victoria Park Plaza and Riverbank Park Plaza hotels in London, the Victoria Hotel in Amsterdam, the Astrid Park Plaza hotel in Antwerp and the Centre Ville Apartment Hotel in Bucharest, Romania. The Europe Israel Group also has interests in one additional hotel projects which is currently under development in CEE, namely the Bucuresti Hotel in Bucharest, Romania. Once completed, these hotels will be managed and operated by the Radisson Group. Mr. Zisser' s term of office expires on the date of the Annual General Meeting of shareholders of the Company to be held in 2008 on which date Mr. Zisser may be re-appointed, provided that Mr. Zisser will have expressed his availability for a subsequent term of office.

President and Chief Executive Officer

Mr. Ran Shtarkman (39) CPA, MBA. Mr. Shtarkman joined the Company in 2002, and was appointed Chief Financial Officer of Plaza Centers in 2004. Mr. Shtarkman was appointed Chief Executive Officer in September 2006. Prior to his joining the Company, Mr. Shtarkman acted as CFO of SPL Software Ltd., the Finance and Administration Manager of the Israeli representative office of Continental Airlines (a publicly traded company – NYSE), and the controller of Natour Ltd. (a publicly traded company – TASE). Mr. Shtarkman's term of office expires on the date of the Annual General Meeting of shareholders of the Company to be held in 2008 on which date Mr. Shtarkman may be re-appointed, provided that Mr. Shtarkman will have expressed his availability for a subsequent term of office.

Non-executive Directors

Mr. Shimon Yitzhaki (52), CPA, President of EMI since 1999. An accountant by profession, Mr. Yitzhaki has been with the Europe Israel Group since 1985 and has held several positions within the Group, among which, an executive directorship in the Company from 12 March 2000 until 12 October 2006, where after he was appointed as a Non-executive Director of the Company. Mr. Yitzaki has been re-elected by the Annual General Meeting of Shareholders of the Company held on 30 June 2007. Pursuant to article 15.3 of the Articles, Mr. Yitzhaki shall retire and may be re-appointed on the date of the Annual General Meeting of Shareholders to be held in 2010, provided that Mr. Yitzchaki will have expressed his availability for a subsequent term of office.

Mr. Edward Paap (43) graduated from the University of Leiden as a tax lawyer with a master's degree. He spent seven years as a tax adviser at a medium sized Dutch tax advising and accounting firm, working principally in the international tax field. Since 1997 he has been acting as managing director with a trust office in Amsterdam with a large number of international clients.Mr. Paap's has been re-elected by the Annual General Meeting of Shareholders of the Company held on 30 June 2007. Pursuant to article 15.3 of the Articles,

Mr. Paap shall retire and may be re-appointed on the date of the Annual General Meeting of Shareholders to be held in 2010, provided that Mr. Paap will have expressed his availability for a subsequent term of office.

Independent Non-executive Directors

Mr. Marius van Eibergen Santhagens (56) is currently the General Manager and Owner of Leisure Investments & Finance BV, a company which specializes in structuring, financing and managing investment possibilities in the leisure industry. Prior to this he was a consultant at Beauchamp Leasing and Metro BV, and he has held various positions at Generale Bank Nederland NV (Fortis Group). Mr. van Eibergen Santhagens has been active in corporate finance and change management for more than 25 years and has been active in the leisure industry since 2000. Mr. Eibergen Santhagens's term of office expires on the date of the Annual General Meeting of shareholders of the Company to be held in 2009 on which date Mr. Van Eibergen Santhagens may be re-appointed provided that Mr. Van Eibergen Santhagens will have expressed his availability for a subsequent term of office.

Mr. Marco Wichers (48) is currently the Chief Executive Officer and owner of AMGEA Holding BV and the Chief Executive Officer of AMGEA Vastgoed Adviseurs BV (Real Estate Advisers). Between 1988 and 1995, he acted as the Chief Executive Officer of Branco International Inc. New York (a manufacturing company) and between 1983 and 1995 he acted as the Chief Executive Officer and owner of Cravat Club, Inc. New York (a manufacturing company). Mr. Wichers's term of office expires on the date of the Annual General Meeting of shareholders of the Company to be held in 2009 on which date Mr. Wichers may be re-appointed , provided that Mr. Wichers will have expressed his availability for a subsequent term of office.

2. Senior Management

Chief Financial Officer

Mr. Roy Linden (30) BBA, CPA (USA, Isr), Mr. Linden was appointed CFO of Plaza Centers in January 2007. Prior to joining the Company, he spent nearly four years at KPMG in Hungary, acting as Manager in the real estate desk, specializing in auditing, business advisory, local and international taxation for companies operating throughout the CEE region. Mr Linden also spent three years at Ernst and Young in Israel, as a senior member of an audit team specialized in High-Tech companies.

Chief Engineer

Mr. Avihu Shur (69) BSc, MSc Technion (Israel Institute of Technology – Haifa). Mr. Shur joined the Company in 2004 and was appointed as Chief Engineer and Head of Construction, with responsibility for the construction of all the Company's developments in CEE. Prior to joining the Company, Mr. Shur acted as Chief Engineer of the Herzlia Marina project in Israel, which was developed by an affiliate of the Company (1997-2004). Mr. Shur has held a series of senior engineering positions, including: Chief Engineer of Ofer Brothers Properties Ltd (1992-1997); Head of Building Department, Solel Boneh International (1988-1992); Chief Engineer of Reynolds Construction Company, New York, USA (1986-1988); and Regional Manager for Solel Boneh International in West Africa (Ivory Coast, Togo, Cameroon, Nigeria) (1978-1986).

Chief Architect

Mr. Uri Shetrit, Graduate of Harvard University's Graduate School of Design (1982, MAUD), and graduate of the Israel Institute of Technology - Technion (1980, B.Arch. and T.P.). Mr. Shetrit is in charge of the whole Group's architectural design and urban planning activities in Europe and Asia. Before becoming the Chief Architect, he was the Director of urban planning, urban design and architectural administration for the City of Jerusalem, Israel from 2000 through 2005. Mr. Shetrit is also the Principal of Uri Shetrit Architects Ltd., established in 1993. Prior to this, Mr. Shetrit collaborated with Moshe Safdie and Associates

from 1982, for over 12 years, at which time he held the positions of Associate and Principal, both in Boston and in Jerusalem. Since 2003, Mr. Shetrit is also the Chairman of the Israel National Council of Engineering and Architecture.

Legal Counsel

Mr. Uzi Eli (31), Attorney at Law (Isr.), MBA, General Counsel and Compliance Officer. Uzi Eli joined Plaza Centers as General Counsel and Compliance Officer in 2007. For the last five years, he has practiced law in two of the leading commercial legal firms in Israel. His main practice was concentrated in commercial and corporate law, providing ongoing legal services to corporate clients (mainly to Hi-Tech and Bio-Tech companies, and venture capital funds) in all aspects of corporate governance, and representation in various transactions, such as financing and M&A transactions and other wide varieties of licensing and technology transactions.

Netherlands, Romania and Greece Country Director

Mr. Luc Ronsmans (57), MBA. Mr. Ronsmans joined the Europe Israel Group in 1999. Located in Amsterdam, Mr. Ronsmans acts as Manager for European operations for both the Company and its Group affiliates (principally Elscint subsidiaries). Prior to joining the Europe Israel Group, Mr. Ronsmans was active in the banking sector, holding managerial positions with Manufacturers Hanover Bank, Continental Bank (Chicago), AnHyp Bank and Bank Naggelmachers in Belgium.

Czech Republic, Slovakia and Baltic States Country Director

Mr. Tal Ben Yehuda (38) (MSc in Business Management and Accounting). Mr. Ben Yehuda acts as Country Manager for the Czech Republic and Slovakia, having joined the Group in 2002. Prior thereto, Mr. Ben Yehuda held a series of managerial positions with companies active in Europe and Israel.

Poland Country Director

Mr. Eli Mazor (52) (Undergraduate degree in business administration). Mr. Mazor acts as Country Manager for Poland joined the Group in 2005. Prior thereto, Mr. Mazor was the Regional Marketing Manager of the Group in Poland. Prior to joining the company, Mr. Mazor acted as CEO of a shopping centre in Israel.

India Country Director

Mr. Yoram Barak (48), B.A. is the Group's India Country Director and joined the Group in 2007. Prior to his current assignment, Mr. Barak was the CEO of several real estate development and construction companies which were involved in the development of residential, commercial areas and clinic centers. Mr. Barak is a graduate of GE studies of marketing and sales for CEOs, and is a graduate of Economics and Business Administration from the Hebrew University in Jerusalem.

Regional Marketing Director

Mr. Ze'ev Ben Zvi (Klein) (59) BA, (Retired IDF colonel). Mr. Ben Zvi joined the company in 1996 as Chief Operations Officer (COO). In 1999, Mr. Ben Zvi established and was appointed as managing director of "Plaza Centers Management BV", a subsidiary of the Company, which has responsibility for the marketing of the Company's developments and, until 2005, for the management of its operational shopping and entertainment centres. Prior to joining the Company, Mr. Ben Zvi was active in the shopping centres industry in the capacity of manager of several different shopping centres in Europe and Israel.

3. Management structure

The Board

The Board, who have wide-ranging property development expertise, will have an oversight on company strategy and all project development decisions. The Board will review and approve business plans and budgets and will actively manage and monitor development risks.

Senior management

The senior management team, consisting of Mordechay Zisser, Ran Shtarkman and Avihu Shur, are experienced property development professionals with global property development expertise. The team will be responsible for sourcing development projects, developing business plans and overseeing the management of development projects.

Local country management

The local country management team, consisting of Ze'ev Ben Zvi, Eli Mazor, Yoram Barak, Alexander Lumelsky, Luc Ronsmans and Tal Ben Yahuda, all have extensive local experience. The team are responsible for cultivating connections with market to source opportunities and the day-to-day management of local operations and development projects.

4. Corporate governance

On Admission, the Company will have its shares listed on the Official List on the LSE and on the main market of the WSE but will be required to comply with the Dutch Corporate Governance Code. The Company acknowledges the importance of good corporate governance. The Company has made an effort in drawing up internal corporate governance regulations that comply, to the highest extent possible, with the Code. Where deviations from the Code have been necessary, such has been indicated below and will furthermore be indicated in the Company's annual report.

The Company currently has six Directors, two of whom are Executive Directors and four of whom are Non-executive Directors, of whom two are considered by the Board to be independent. 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 Combined Code and the Dutch Corporate Governance Code.

The Company has not applied a limited number of best practice provisions from the Dutch Corporate Governance Code, as it has not considered them to be in the interests of the Company and its stakeholders.

The best practice provisions currently not applied by the Company are:

- Best Practice Provision II.1.3 stipulates *inter alia* that the Company should have an internal risk management and control system which should in any event employ as instruments of the internal risk management and control system a code of conduct which should be published on the Company's website. Such code of conduct is not available at the date of publication of this Prospectus.
- Best Practice Provision II.2.1. stipulates that options to acquire shares should be a conditional remuneration component. The Company grants unconditional options, thereby deviating from this Best Practice Provision. The reason for this is that the Company wishes to have the same system of granting of options as is currently used by the Europe Israel Group.
- Best Practice Provision II.2.2. stipulates that if, notwithstanding Best Practice Provision II.2.1, (see above) a company grants unconditional options to board members, it shall apply performance criteria when doing so and the options should, in any event, not be exercised in the first three years after they have been granted. The Company deviates from this Best Practice Provision in respect of both the requirement

for performance criteria and from the requirements for a vesting period of three years. Under the Company's Share Option Scheme (described in paragraph 9 of Part IX), unconditional options may be granted to executive Directors and Non-executive Directors without performance criteria. The Company considers this to be appropriate given the extensive experience of the Directors who will be granted options and the fact that they have made special efforts in the growth of the Company prior to the Admission. Furthermore, options (including those of board members) will vest annually in three equal parts, whereby one-third of the options granted vest upon the lapse of one year from the date of grant, another third of the options granted vest the lapse of two years from the date of grant and the last third vest upon the lapse of three years from the date of grant.

The deviation from this corporate governance rule is due to the fact that similar vesting schedules are common in incentive plans adopted by the Europe Israel Group. The Company, as part of the Europe Israel Group, wished to adopt a similar vesting schedule to avoid material changes to the incentives granted to its employees and officers.

- Best Practice Provision II.2.5. stipulates that neither the exercise price nor the other conditions regarding granted options shall be modified during the term of the options, except in so far as is necessary because of structural changes relating to the Company or its shares, in accordance with established market practice. Pursuant to the Share Option Scheme, material conditions regarding the granted options may not be amended except in so far as prompted by structural changes relating to the Ordinary Shares in accordance with established market practice. The Company believes that it is in its best interests and in the interests of its board members and employees, to keep flexibility in the management and administration of the Share Option Plan, as described herein. In addition, as the Company will be admitted to trading on a regulated market, relatively small amendments to the conditions of options may need to be made.
- Best Practice Provision II.3.2 stipulates that a Board member shall immediately report any conflict of interest or potential conflict of interest that is of material significance to the Company and/or to him, to the chairman and to the other Board members and shall provide all relevant information, including information concerning his wife, registered partner or other life companion, foster child and relatives by blood or marriage up to the second degree. Section 17.3 of the Articles now, *inter alia*, provides that a Board member shall inform the Board of any possible direct and/or indirect conflicting interest as soon as practically possible after becoming aware of such possible conflict. It is however envisaged that Board members shall comply with the contents of Best Practice Provision II.3.2 in respect of providing the additional information as required under the Dutch Corporate Governance Code. Best Practice Provision II.3.3 stipulates that a Director shall not take part in any discussion or decision-making that involves a subject or transaction in relation to which he has a conflict of interest with the Company. Section 17.2 of the Articles stipulates that a member of the Board shall neither be counted in the quorum nor vote upon a resolution approving a transaction with the Company in which he has a material personal interest. Thus the Company does not apply Best Practice Provision II.3.3 to the extent it relates to non-material personal interests or material non-personal interests. However, the Company does intend to adopt procedures to ensure that the non-independent Directors shall not vote on matters in which they have an interest as a result of their ties with the Controlling Shareholder. Furthermore, Best Practice Provision II.3.4 stipulates, *inter alia*, that decisions to enter into transactions in which there are conflicts of interest with management board members that are of material significance to the Company and/or to the relevant Board members require the

approval of the Non-executive Directors. Such provision has not been inserted into the Articles.

- Best Practice Provision III.1.1. states that the division of duties among the Non-executive Directors must be laid down in a set of regulations which must include a paragraph dealing with the relations among the Non-executive Directors and the Executive Directors, the general meeting and the works council (where relevant). The regulations must be posted on the Company's website. A draft of such regulations is currently being discussed by the Directors and will be placed on the website immediately after the regulations have been approved.
- Best Practice Provision III.3.5 stipulates that a Non-executive Director (in terms of the Dutch Corporate Governance Code a supervisory director (*commissaris*) may be appointed to the Board for a maximum of three four-year terms. Section 15 of the Articles provides for a retirement schedule whereby Directors who have been in office for not less than three consecutive annual general meetings shall retire from office. Pursuant to section 15.6 of the Articles, such Director may be reappointed, which could result in a term of office which is longer than three four-year terms.
- Best Practice provision II.5.6 stipulates that the audit committee must not be chaired by the Chairman of the Board or by a former executive director of the Company. The Company's audit committee is chaired by Mr. Shimon Yitzhaki, who has been an executive director of the Company and thus the Company deviates from this Best Practice Provision. The Company, however, believes that given Mr. Yitzhaki's extensive financial experience, chairmanship of the audit committee is appropriate.
- Best Practice Provision III.5.1. provides that the committee rules stipulate that a maximum of one member of each committee need not be independent within the meaning of Best Practice Provision III.2.2. The Company's nomination committee is comprised of three members, two of whom, Messrs Yitzhaki and Paap, are considered to be non-independent. The Company believes that the composition of the nomination committee as currently envisaged is in the best interests of the Company, given the skills and experience of the committee members.
- Best Practice Provision III.5.11 *inter alia* provides that the remuneration committee shall not be chaired by a Non-executive Director who is either a former executive director or a member of the management board of another listed company. Since the remuneration committee is chaired by Mr Shimon Yitzhaki, who is a former executive director and serves as President of EMI, the Company deviates from this requirement. The Company is convinced that the experience of Mr Yitzhaki in this respect should be considered more important than the fact that Mr Yitzhaki is a board member of another listed company.
- Best Practice Provision III.7.1. stipulates that non-executive directors should not be granted any shares and/or rights to shares by way of remuneration. Under the Share Option Scheme, prior to Admission, options were granted to Mr. Yitzhaki, a Non-executive Director. Furthermore, the Share Option Scheme does not exclude the possibility of making further grants of options to Non-executive Directors. In particular, the Company believes that the granting of options to Mr. Yitzhaki is appropriate, given his extensive involvement in the Company to date and his special efforts made in respect of the preparation of the Company for Admission. Furthermore, the Company has retained the right to grant options to Non-executive Directors as it believes that granting such options is appropriate in order to offer future Non-executive Directors a competitive remuneration package.
- Best Practice Provision III.8.1 states that the chairman of the Board shall not also be or have been an Executive Director. Mr Zisser is Executive Chairman and the

Company considers, given Mr Zisser's extensive business experience, that this is in the best interests of the Company.

- Pursuant to Best Practice Provision III.8.4. of the Dutch Corporate Governance Code, the majority of the members of the Board shall be independent non-executives within the meaning of Best Practice Provision III.2.2. The Company currently has two Executive Directors (who are considered to be non-independents) and four Non-executive Directors out of whom two Non-executive Directors are considered to be independent, applying the criteria of Best Practice Provision III.2.2. The Non-executive Directors who are considered to be non-independent are Messrs Shimon Yitzhaki and Edward Paap. The independent Non-executive Directors are: Messrs Mark Wichers and Marius Van Eibergen Santhagens. See also page section 5 of Part IX – Additional Information for an overview of the Directors' former and current functions. Consequently, two out of the six Directors are considered to be independent. The Company believes that the experience of the non-independent Directors is of great importance to the Company.

Polish Corporate Governance

On 15 December 2004, the WSE management board and the WSE supervisory board adopted corporate governance rules of the WSE contained in the Best Practices in Public Companies in 2005 (the "WSE Corporate Governance Rules"). The WSE Corporate Governance Rules apply to companies listed on the WSE, irrespective of whether such companies are incorporated in Poland or outside of Poland. The WSE Corporate Governance Rules consist of five general principles and 48 best practice provisions relating to shareholders' meetings, management boards, supervisory boards and relations with third parties and third party institutions. The WSE Corporate Governance Rules impose on companies listed on the WSE an obligation to disclose in their annual reports, whether or not the companies comply with those principles and provisions and, if they do not comply, to explain the reasons why. Moreover, every year, each company listed on the WSE is required to announce its detailed statement on compliance or non-compliance with the WSE Corporate Governance Rules by way of a Current Report published before 1 July.

Compliance with WSE Corporate Governance Rules is voluntary. Companies listed on the WSE are required, however, to give reasons justifying non-compliance or partial compliance with any rule.

The Issuer intends, to the extent practicable, to comply with all principles of the WSE Corporate Governance Rules. However, certain principles will apply to the Company only to the extent allowed by Dutch law.

Detailed information regarding non-compliance, as well as additional explanations regarding partial compliance with certain Corporate Governance Rules of the WSE due to incompatibilities with Dutch law will be included in the full text of the Company's declaration regarding WSE Corporate Governance Rules, which will be filed with the WSE at the time of filing the application for admission to listing and will be available on the Company's website and published by way of a Current Report.

Board practices

In The Netherlands, statutory law only provides for a two-tier governance structure, i.e. a separate management board and a separate supervisory board.

Dutch statutory law does not provide for a one-tier government structure, i.e. a board consisting of executive and non-executive directors.

It is, however, well established practice in The Netherlands to have a structure in the management board (*raad van bestuur*) which is similar to a one-tier structure. Although all members of the management board are formally managing directors (*bestuurders*) the articles of association can provide that certain directors have tasks and obligations which are similar

to tasks and obligations of executive directors and certain directors which have tasks and obligations which are similar to tasks of non-executive directors. The articles of association can provide that some directors are responsible for the day-to-day management of the company and other directors are responsible for supervising the day-to-day management of the company. All responsibilities are subject to the overall responsibility of the management board.

All statutory provisions relating to the members of the management board apply in principle to all members of a "one-tier board".

The Board meets regularly throughout the year. To enable the Board to perform its duties, each Director has full access to all relevant information. If necessary, the Non-executive Directors may take independent professional advice at the Company's expense.

In line with the Dutch Corporate Governance Code and the Combined Code, the Company has established three committees: an audit committee, a remuneration committee and a nomination committee. The members of these committees are appointed from among the Non-executive Directors. The terms of reference of the committees have been supplemented with additional provisions from the Combined Code. A brief description of the terms of reference of the committees is set out below. The Board has also established an executive committee comprising the two Executive Directors and any relevant Senior Managers or other personnel who may be invited. The executive committee meets on a monthly basis to discuss, amongst others, the status of contracts, including budgets, contingencies and risk management issues.

Remuneration committee

The remuneration committee comprises three Non-executive Directors and meets at least twice each financial year. The remuneration committee is chaired by Mr. Yitzhaki and the other members are Mr. Wichers and Mr. van Eibergen Santhagens. The remuneration committee has as its remit the preparation of, amongst other matters, the decision of the Board relating to the remuneration of the Directors and any share incentive plans of the Company. Under Dutch corporate law and the Articles a general meeting of Shareholders must determine the principal guidelines of the remuneration of the Executive Directors and Non-executive Directors. In addition, a general meeting of Shareholders has to approve the granting of options and share incentive plans to Executive and Non-executive Directors. Within such guidelines the Board may determine the remuneration of the Directors. In addition, the remuneration committee prepares an annual report on the remuneration policies of the Company. No Director or manager may be involved in any decisions as to his/her own remuneration.

Nomination committee

The nomination committee comprises three Non-executive Directors and meets at least twice each financial year. The nomination committee is chaired by Mr. Paap and the other members are Mr. Yitzhaki and Mr. van Eibergen Santhagens. The committee's remit is to prepare selection criteria and appointment procedures for members of the Board and to review on a regular basis the structure, size and composition of the Board. In undertaking this role, the committee should refer to the skills, knowledge and experience required of the Board given the Company's stage of development and make recommendations to the Board as to any changes. The committee should also consider future appointments in respect of the Board's composition as well as make recommendations regarding the membership of the audit and remuneration committees.

Audit committee

The audit committee comprises three Non-executive Directors and meets at least three times each financial year. Currently, the audit committee is chaired by Mr. Yitzhaki and the other members are Mr. Wichers and Mr. van Eibergen Santhagens. The audit committee must

consider, amongst other matters: (i) the integrity of the financial statements of the Company, including its annual and interim accounts, the effectiveness of the Company's internal controls and risk management systems; (ii) auditors' reports; and (iii) the terms of appointment and remuneration of the auditor. The committee supervises and monitors, and advises the Board on, risk management and control systems and the implementation of codes of conduct. In addition, the audit committee supervises the submission by the Company of financial information and a number of other audit-related issues.

Share dealing code

The Company has adopted a share dealing code for the members of the Board and certain employees which is appropriate for a company whose shares are listed on a regulated market (particularly relating to dealing during close periods) and the Company has taken all reasonable steps to ensure compliance with such code by the members of the Board and any relevant employees. The share dealing code meets the requirements of both the Model Code set out in the Listing Rules and applicable Polish law and the market abuse chapter of the Wft, including the decree promulgated thereunder.

Controlling Shareholder

As stated in paragraph 8 of Part III – "Information on the Group", the Controlling Shareholder has effective control of the Company. The Board is satisfied that the Company is capable of carrying on its business independently of the Controlling Shareholder. To ensure that all transactions and relationships between the Group and the Controlling Shareholder are at arm's length and on a normal commercial basis, the Company has entered into a relationship agreement with the Controlling Shareholder. If a conflict of interest arises between the Controlling Shareholder and the Company, the non-independent Directors will take no part in the Board's decisions on the matter.

5. Executive Directors' service agreements, letters of appointment of the Non-executive Directors (including pension benefits) and Indemnity

A summary of the Executive Directors' service agreements and letters of appointment of the Non-executive Directors is set out in paragraph 8.10 of Part IX.

Indemnity

In order to protect the Directors against liability incurred by them in the discharge of their duties, the Company has entered or intends to enter into a deed of indemnity (the "Indemnity") with each of its Directors. The Directors are not indemnified against criminal liability, nor any liability arising out of a breach of fiduciary duty or other fraudulent conduct. The Directors must mitigate their losses in the first instance by recourse to their insurance policies. However, if a Director makes a claim under the Indemnity, the Director must follow the prescribed procedure for the conduct of claims. This includes notifying the Company as soon as practicable, not admitting liability and consulting with the Company regarding the conduct of any claim, including providing information and copies of documents which the Company may reasonably request. If payment is required, the Company will be subrogated to the Director's rights for the purposes of recovery against third parties. The Company must use its best endeavours to procure directors' and officers' liability insurance, while any Director is a director or an officer of the Company, and for six years after he ceases to hold such position.

6. Bonus arrangements

The Directors have established a performance-linked bonus policy for its senior executives and employees, whereby a certain percentage of up to 3% of the Company's net annual profits will be set aside for allocation in amounts to be determined by the Directors on the basis of their evaluation of the individual contributions of the employees. Additionally, in keeping with past practice, the Board will award ad hoc bonuses to project managers, area managers and other employees upon the successful completion and/or opening of each project.

However, the Directors will retain the ability to award discretionary bonuses to outstanding employees which are not linked to the results of the Company.

PART VI - Selected Financial Information on the Group

The table below is a summary of financial information for the Company for the periods indicated. The information has been extracted, without material adjustment from (and should be read in conjunction with) the information set out in Part XII – "Financial Information on Plaza Centers N.V." which has been prepared in accordance with IFRS. The information below is a summary only and investors are advised to read the whole of this document and not to rely on the information summarized in this Part VI.

Consolidated income statements

	Year ended December 31,			Six months ended June 30,	
	2004	**2005**	**2006**	**2006**	**2007**
				(unaudited)	
		EUR'000		EUR'000	
Revenues	46,193	14,955	60,219	51,653	94,571
Gain from the sale of investment property, net	3,451	1,089	13,715	6,539	2,471
Changes in fair value of investment property	19,832	39,726	257	293	—
	69,476	55,770	74,191	58,485	97,042
Cost of operations	16,564	6,613	50,034	46,993	69,131
Gross profit	52,912	49,157	24,157	11,492	27,911
Administrative expenses	10,394	6,572	8,173	4,315	8,191
Operating profit	42,518	42,585	15,984	7,177	19,720
Finance income	13,605	972	4,000	1,527	3,858
Finance expenses	(13,565)	(8,557)	(3,336)	(2,108)	(586)
Other income	876	394	287	26	126
Other expenses	(437)	(233)	(457)	(169)	(441)
Share in profit (loss) of associate	518	40	(150)	40	(33)
Profit before tax	**43,515**	**35,201**	**16,328**	**6,493**	22,644
Income tax expenses	7,180	5,859	1,608	834	93
Profit for the Period	**36,335**	**29,342**	**14,720**	**5,659**	22,551
Attributable to:					
Equity holders of the Company:	36,335	29,342	14,720	5,659	22,546
Minority interest	—	—	—	—	5
	36,335	29,342	14,720	5,659	22,551
Basic and diluted earnings per share attributable to the equity holders of the Company (in EURO)	20.02	16.17	0.27	3.12	0.08

Consolidated balance sheets

	As of December 31,			As of June 30,	
	2004	2005	2006	2006	2007
				(unaudited)	
		EUR'000		EUR'000	
Assets					
Current assets					
Cash and cash equivalents	9,836	46,699	212,683	19,108	176,057
Restricted bank deposits	12,947	6,164	616	6,135	9,715
Short-term deposits	1,050	2,977	6,154	11,553	—
Trade accounts receivable, net	3,169	638	1,059	552	21,551
Other accounts receivable and prepayments	5,151	4,802	29,222	5,091	12,777
Other debtors and related parties	—	2,033	4,283	9,364	11,917
Trading properties	—	104,717	159,961	98,018	263,594
	32,153	168,030	413,978	149,821	495,611
Non current assets					
Investment in associate	544	1,298	1,148	1,338	1,115
Long-term balances and deposits	12,909	2,938	2,257	2,157	2,237
Other debtors and related parties	904	3,512	22,027	21,552	18,734
Property, plant and equipment	5,156	8,210	7,550	7,721	8,444
Investment property under construction	74,666	—	—	—	—
Investment property	175,884	26,354	26,654	26,655	12,970
Restricted bank deposits	—	349	350	355	350
Other non-current assets	4,693	413	933	459	664
	274,756	43,074	60,919	60,237	44,514
Total assets	306,909	211,104	474,897	210,058	540,125
Liabilities and shareholder's equity					
Current liabilities					
Interest bearing loans from banks	25,179	53,403	51,201	41,884	74,068
Trade payables	3,267	6,532	15,703	7,378	26,300
Other liabilities	4,298	7,099	3,088	2,582	13,955
Amounts due to related parties	1,198	15,693	17,771	22,156	9,729
Creditor due to selling of investment property	6,810	1,648	2,418	2,459	—
	40,752	84,375	90,181	76,459	124,052
Non current liabilities					
Interest bearing loans from banks	113,781	17,244	5,875	16,014	5,668
Amounts due to related parties	65,488	9,133	8,474	10,824	12,967
Creditor due to selling of investment property	5,405	—	—	—	—
Other long-term liabilities	3,822	1,214	1,551	1,442	927
Deferred tax liabilities	11,820	3,131	4,139	3,686	1,403
	200,316	30,722	20,039	31,966	20,965
Share capital	18	18	2,923	18	2,923
Translation reserve	(2,883)	(2,059)	(1,895)	(2,092)	(351)
Other reserves	(181)	(181)	1,840	(181)	7,431
Share premium	—	—	248,860	—	248,860
Retained earnings	68,887	98,229	112,949	103,888	135,495
Shareholders' equity attributable to equity holders of the Company	65,841	96,007	364,677	101,633	394,358
Minority interest	—	—	—	—	750
Total equity	65,841	96,007	364,677	101,633	395,108
Total shareholders' equity and liabilities	306,909	211,104	474,897	210,058	540,125

Consolidated cash flow statements

	Year ended December 31,			Six months ended June 30,	
	2004	2005	2006	2006	2007
				(unaudited)	
		EUR'000		EUR'000	
Reconciliation of net profit to net cash from operating activities					
Profit for the period	36,335	29,342	14,720	5,659	22,546
Adjustments necessary to reflect cash flows from operating activities:					
Depreciation, amortization and impairment	3,353	868	773	439	229
Change in fair value of investment property	(19,832)	(39,726)	(257)	(293)	—
Minority Interest	—	—	—	—	5
Finance expenses (income), net	(9,075)	6,954	(510)	(488)	(836)
Loss (Gain) on sale of property plant and equipment	(582)	(69)	18	—	—
Company's share in loss (profit) of associate	(518)	(40)	150	(40)	33
Gain on sale of investment property subsidiaries	(3,451)	(1,089)	(13,715)	(6,539)	(2,471)
Gain on sale of trading property subsidiaries	—	—	(7,008)	(2,134)	(23,062)
Income tax expenses	6,765	5,793	1,009	555	93
Increase in trade accounts receivable	(751)	(2,055)	(786)	(1,602)	(788)
Increase in other accounts receivable	(316)	(1,950)	(6,087)	(1,218)	(6,639)
Payments on account for projects to be acquired	—	—	(19,401)	—	(9,099)
Increase in trading properties	—	(22,163)	(92,201)	(35,953)	(127,265)
Purchase of trading property companies (see appendix A)	—	(2,341)	1	—	(14,657)
Increase (decrease) in trade accounts payable	51	(291)	14,241	6,043	15,941
Increase in other liabilities	47	490	3,187	3,891	8,825
Net proceeds from sale of trading property subsidiaries (see Appendix B)	—	—	6,016	4,525	31,119
Share based payments	—	—	1,186	—	3,570
Net cash (used in)/from operating activities	12,026	(26,277)	(98,664)	(27,155)	(102,456)
Cash (used in)/from investing activities					
Purchase and development of property, plant and equipment (2005-2004 investment property)	(27,666)	(24,131)	(1,422)	(934)	(908)
Proceeds from sale of plant, property and equipment	3,211	204	167	54	—
Investment in associate (including loans granted)	237	(153)	(115)	(50)	—
Acquisition of subsidiaries (see Appendix A)	(6,150)	(15,408)	—	—	—
Short-term deposits, net	(520)	1,887	2,393	(8,575)	7,066
Long-term deposits decreased	7,519	13,271	1,047	1,047	185
Long-term deposits increased	(6,732)	(7,907)	(2,374)	(2,344)	(527)
Proceeds from selling investment in associate	2,379	—	—	—	—
Net proceeds from disposal of other subsidiaries (see Appendix B)	74,195	77,427	17,297	—	11,526
Long-term loans granted to partners in joint controlled company	(909)	(2,663)	(21)	(2,116)	(7,934)
Net cash (used in)/from investing activities	45,564	42,528	16,972	(12,918)	9,408
Cash (used in)/from financing activities					
Short-term loans from banks, net	555	1,164	21,001	21,675	70,576
Issuance of ordinary shares, net	—	—	234,501	—	—
Long-term loans received from banks	72,773	61,117	—	—	—
Long-term loans repaid to banks	(62,911)	(3,922)	(8,604)	(2,427)	(6,908)
Loans granted from (repaid to) related parties	(66,184)	(37,747)	778	(6,776)	(7,438)
Net cash (used in)/from financing activities	(55,767)	20,612	247,676	12,482	56,230
Increase (Decrease) in cash and cash equivalents during the period	1,823	36,863	165,984	(27,591)	(36,626)
Effect of exchange rate changes on cash	211	—	—	—	192
Cash and cash equivalents at the beginning of the	7,802	9,836	46,699	46,699	212,683

	Year ended December 31,			Six months ended June 30,	
	2004	2005	2006	2006	2007
				(unaudited)	
		EUR'000		EUR'000	
period					
Cash and cash equivalents at the end of the period	9,836	46,699	212,683	19,108	176,057
Appendix A – Acquisition of subsidiaries*					
Cash and cash equivalents of subsidiaries acquired	2	342	—	—	(14)
Working capital (excluding cash and cash equivalents)	2	(85)	6,787	—	22,695
Investment property	—	(15,401)	—	—	—
Trading property		(22,726)	(6,786)	—	(38,097)
Property under construction, fixed assets and other assets	(6,152)	—	—	—	—
Long-term loans and liabilities	—	20,463	—	—	—
Minority interest	—	—	—	—	745
Less – Cash and cash equivalents of subsidiaries acquired	(2)	(342)	—	—	14
Acquisition of subsidiaries, net of cash held	(6,150)	(17,749)	1	—	(14,657)
Appendix B – Disposal of subsidiaries					
Cash and cash equivalents of subsidiaries disposed	2,553	2,655	463	463	3,064
Working capital (excluding cash and cash equivalents)	841	3,065	37,414	43,404	52,446
Long-term deposits	219	3,588	1,047	1,047	547
Investment property and other assets	279,620	247,072	—	—	13,800
Long-term loans and liabilities	(213,610)	(178,212)	(42,600)	(42,026)	(49,681)
Net identifiable assets and liabilities disposed	(69,623)	78,168	(3,676)	(2,888)	(20,176)
Cash from sale of subsidiaries	76,748	80,082	23,776	4,988	45,709
Less – Cash and cash equivalents of subsidiaries disposed	(2,553)	(2,655)	(463)	(463)	(3,064)
	74,195	77,427	23,313	4,525	42,645

** In 2006 – trading properties company acquired.*

PART VII - Operating and Financial Review

The following review should be read in conjunction with the Financial Information set out in Part XII – "Financial Information on Plaza Centers N.V." and other information contained elsewhere in this Prospectus or incorporated by reference in this Prospectus. The review contains forward-looking statements that involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance. The actual investment performance, results of operations, financial condition, liquidity and dividend policy of the Group, as well as the development of its financing strategies, may differ materially from the impression created by the forward-looking statements contained herein as a result of certain factors including, but not limited to, those discussed in Part II – "Risk Factors".

The Financial Information set out in Part XII contains information for the year ended 31 December 2006 under IFRS. The audited financial information for the years ended 31 December 2004and 31 December 2005 are contained in Part XII of the Company's prospectus dated 27 October 2006 – "Financial Information on Plaza Centers N.V.", which are incorporated by reference in this Prospectus.

Overview

The Group is a leading emerging markets developer of shopping and entertainment centres, focusing on constructing new centres and, where there is significant redevelopment potential, redeveloping existing centres, in both capital cities and important regional centres. The Group has been present in CEE since 1996 and was the first to develop western-style shopping and entertainment centres in Hungary. The Group has pioneered this concept throughout CEE whilst building a strong track record of successfully developing, letting and selling shopping and entertainment centres. The Group has recently extended its area of operations beyond CEE into India and will consider other development opportunities in Asia. Subsequent to pursuing shopping and entertainment centre development projects in Hungary the Group has expanded into Poland and, more recently, the Czech Republic, Latvia, Romania, Serbia and Greece.

To date, the Group has developed, let and sold/forward sold 26 shopping and entertainment centres and one office project. Twenty one of these centres were acquired by Klépierre, the second largest shopping centre owner/operator in Europe, which owns more than 230 shopping centres in ten countries. Additional four shopping and entertainment centres were sold to the Dawnay Day Group, one of the leading UK institutional property investors which, as at 30 June 2007, had combined gross assets in excess of USD 4 billion. One shopping centre was forward sold to Active Asset Investment Management ("aAIM"), one of the UK's fastest growing commercial property investments groups, on 7 August 2007.

The Group is currently in the process of developing 24 shopping and entertainment centre projects and has entered into a preliminary agreement with Klépierre under which Klépierre will acquire one of them, i.e. Plzen Plaza, once it has been completed (subject to certain conditions). Another one of them, i.e Arena Plaza in Hungay, was forward sold to aAIM, as described above, and will be delivered upon completion (subjected to certain conditions as well). The Group is also negotiating to acquire additional sites for shopping and entertainment development projects in Poland, the Czech Republic, Serbia, Bulgaria, Russia, Slovakia, Latvia and Romania. The Group owns a 30% indirect shareholding in a development consortium known as "Dream Island", which owns land on Obuda Island in Budapest. Further information on the Group's current activities can be found in Part III – "Information on the Group".

Through to 31 December 2005, the Group prepared its financial information in accordance with Israeli GAAP. Currently, the Group is preparing its financial information in accordance

with IFRS, and the Financial Information presented in Part XII of this Prospectus is in accordance with IFRS.

Principal factors affecting the Group's results of operation

Property sales

The Group has made the following material sales of shopping and entertainment centres in the three years ended 31 December 2006:

A. Klépierre – July 2004 ("Klépierre 1")

In July 2004 the Group sold 12 operational shopping and entertainment centres in Hungary to Klépierre, plus 50% of the equity rights in the management company operating those centres in Hungary, to Sègècè, a subsidiary of Klépierre. The gross proceeds of the sale of the assets in this transaction was in aggregate EUR278.4 million. The transaction generated a total profit of EUR14.3 million of which EUR3.5 million was recognised in 2004 and EUR10.8 million was recognised in 2005. The Company had recorded revaluation gains from shopping and entertainment centres sold in the Klépierre 1 transaction in the amount of EUR4.7 million in 2003. The Company also recorded rental and other revenues from companies sold in the Klépierre 1 transaction in the amounts of EUR37.5 million and EUR20.4 million in 2003 and the six months ended 30 June 2004, respectively.

B. Dawnay Day

In April 2005 the Group sold its four remaining operational shopping and entertainment centres in Hungary to the Dawnay Day group. The gross proceeds of the sale of the assets in this transaction was in aggregate EUR54.4 million. Total losses of EUR1.9 million were recognised on this transaction in 2005. The Company recorded revaluation gains from shopping and entertainment centres sold in the Dawnay Day transaction in the amount of EUR0.1 million in 2003 and losses from these centres of EUR2.2 million in 2004. The Company also recorded rental and other revenues from companies sold in the Dawnay Day transaction in the amounts of EUR7.0 million, EUR8.2 million and EUR2.1 million in 2003, 2004 and 2005, respectively.

C. Klépierre – July 2005 ("Klépierre 2")

On 29 July 2005 the Group signed a definitive transaction agreement with Klépierre. The transaction comprised two stages.

Stage A

- Under Stage A, Klépierre acquired the entire equity and voting rights of the companies owning four operational shopping and entertainment centres and 100% of the equity rights in the management company operating those centres in Poland (Kraków, Ruda Ślaska, Sadyba (Warsaw) and Poznań) and the remaining 50% of the equity rights in the Hungarian management company which generated gross proceeds, in total, of approximately EUR204 million. Losses of EUR7.8 million were recognised in 2005 and a profit of EUR7.2 million was recognised at 31 December 2006 in relation to Stage A. The Company recorded revaluation losses from shopping and entertainment centres sold in Stage A in the amount of EUR2.5 million in 2003 and recorded revaluation gains from these centres of EUR19.3 million and EUR29.3 million in 2004 and the six months ended 30 June 2005, respectively. The Company also recorded rental and other revenues from companies sold in Stage A of the Klépierre 2 transaction in the amounts of EUR11.1 million, EUR11.2 million and EUR6.7 million in 2003, 2004 and the six months ended 30 June 2005, respectively.

Stage B

- Under Stage B, Klépierre acquired the entire equity and voting rights in the companies that developed two shopping and entertainment centres in Poland (Rybnik and Sosnowiec) and two in the Czech Republic (Novo Dvroska Plaza in Prague, and Pilzn Plaza in Pilzn). Klépierre was also granted an option to acquire an additional centre in Lublin, Poland, which was completed in June 2007 upon the fulfilment of certain conditions. On 27 July 2007, the Lublin Project was sold under equivalent terms and conditions to the other Stage B projects.
- The first of these projects (Novo Dvroska Plaza in Prague) was delivered to Klépierre on 30 June 2006. Revenues of EUR50.3 million and profits of EUR6.4 million were recognised in respect of this transaction in the year ended 31 December 2006.

Revaluation gains

In accordance with IAS 40 the Group has revalued its "investment properties" at each period end throughout the three years ended 31 December 2006, and recognised the resulting movement in valuation through its income statement as "gain from revaluation of investment property". Revaluation gains are not realised on "trading properties", which comprise the Group's current projects under development.

In 2006, 2005 and 2004 the Group recognised EUR0.3 million, EUR39.7 million and EUR19.8 million of revaluation gains, respectively. The significant majority of the gains recognised over these periods relate to shopping and entertainment centres subsequently sold to Klépierre and Dawnay Day. To the extent that any revaluation gains have been recognised in the income statement, the recognised gains reduce the profit on the eventual sale of investment properties, thus smoothing the movements in value over the holding period of the investment property. See "Principal accounting policies – Investment properties" and "Principal accounting policies – Trading properties" below for a discussion of the Group's valuation policies.

Cost of operations

The cost of operations of the Group consists of: property operations and maintenance expenses, salaries and related expenses. The cost of selling trading properties incurred in 2006 was EUR44.8 million compared to nil for the years ended 31 December 2005 and 2004. See "Cost of selling trading properties" below.

Property operations and maintenance expenses

These expenses relate to the Group's direct costs incurred in running the shopping and entertainment centres and other Group properties and represent the largest direct cost. These costs are incurred on owned shopping and entertainment centres that are occupied by tenants. A significant amount of these costs are re-charged to the tenant as part of the tenancy agreement. These costs are directly related to and are dependent on the active shopping and entertainment centres (those centres that have been completed and let out) and have declined as a result of the disposal of the active shopping and entertainment centres by the Group to Klépierre and the Dawnay Day group. As of 31 December 2006 the Group had no shopping and entertainment centres that had been completed and that were let out. Accordingly, the costs incurred in 2006 relate mainly to the period during which the shopping and entertainment centres were owned by the Group prior to disposal. The costs incurred in 2006 related also to the operation of Fantasy Park in Poland, together with small scale operations of the Group's Polish management company providing services to third parties and the costs incurred in the operation of the shopping and entertainment centre in Prague (Novo Dvroska Plaza) which opened in March 2006 and was sold in June 2006. The Group also incurred maintenance expenses in the operation of the Duna offices in Hungary and the logistics centre in Prague.

Salaries and related expenses

The Group's salaries and related expenses relate to costs incurred in managing the development of shopping and entertainment centres. Salaries and related expenses have reduced over the course of the three years ended 31 December 2006 as a result of the disposal of the Group's portfolio of operating shopping and entertainment centres under the three transactions described above.

Cost of selling trading properties

On 30 June 2006 the Group sold the Novo Dvroska Plaza in Prague to Klépierre. The Group recognised revenues of EUR50.3 million and profits of EUR6.4 million in respect of this transaction in the year ended 31 December 2006. A carrying value of EUR43.9 million was recognised as a related cost of operations in the same period.

On 8 May 2007, the PC sold Sosnowiec Plaza and Rybnik Plaza in Poland to Klépierre. The Group recognised revenues of EUR90 and profits of EUR22.9 were recognised as a related cost of operation.

Administrative expenses

The administrative expenses of the Group consist of two principal elements: selling and marketing expenses and general and administrative expenses. Costs with respect to both elements have reduced over the course of the three years ended 31 December 2006 as a result of the disposal of the Group's portfolio of operating shopping and entertainment centres under the three transactions described above.

Selling and marketing expenses

The Group's selling and marketing expenses consist primarily of advertising and marketing costs and doubtful debts.

Due to the fact that only two shopping and entertainment centres were opened in 2004 and 2005, the Group's selling and marketing expenses related to the completed, operational shopping and entertainment centres, rather than marketing shopping and entertainment centres to tenants prior to completion of construction. Based upon the nature of the costs and their dependency upon the number of operational shopping and entertainment centres and promotional need, these costs have decreased due to the fall in the number of shopping and entertainment centres owned by the Group. The overall decrease in selling and marketing expenses from EUR3.5 million in 2004 to EUR1.7 million to 2006 is consistent with the decline in revenues due to the reduction in number of active shopping and entertainment centres over the period.

The Group's provision for doubtful debts represents doubtful tenant debtors. The overall decline in doubtful debts from 2004 to 2006 is representative of the disposal transactions that have taken place over this period and the related reductions in tenants.

General and administrative expenses

The Group's general and administrative expenses consist primarily of salaries and related expenses, together with professional service expenses, impairment costs and travelling and office expenses.

The Group's professional service expenses relate to the fees incurred from statutory audits, legal fees, general architecture and design that are not project specific, consultancy fees and other professional services related to specific projects or issues.

The Group's travelling expenses relate to business-related travel for employees, consultants and directors both on particular projects and in the normal course of business. Travelling expenses have decreased substantially as a result of the Group's increased experience in

dealing with the management of projects off-site and the reduction in the number of projects in the Group's portfolio.

The overall decrease in general and administrative expenses from EUR6.9 million to EUR6.5 million in 2004 to 2006 is mainly attributable to a reduction in impairment costs which was offset by recording share based plan costs of EUR1.2 million as well as by management fees of EUR0.5 million incurred in 2006 payable to Elbit Medical Imaging Ltd., the indirect parent company of the Group.

Financing income/expenses

The Group's financing income consists of interest received from bank deposits and related parties and foreign exchange gains. The Group's financing expenses consist of interest on loans from related parties, interest related to bank credit and foreign exchange losses.

The finance expense on loans from related parties is dictated by the interest rate specified in the individual loan agreement, the exchange rate movements, the loan balance outstanding and in 2004 was also influenced by inflation in local countries. The interest expense on the related party loans has decreased due to the fact that a large part of the loan was repaid after the Klépierre 1 transaction, reducing total long-term loans to related parties from EUR65.5 million to EUR23.3 million.

The Group's bank loans have decreased substantially since 2004. The balances have decreased from EUR139 million in 2004 to EUR71.0 million in 2005 to EUR57.0 million in 2006. The components that affect this expense, aside from the loan balances themselves, are euro interest rates, US Dollar interest rates and foreign currency exchange rates. As of 1 January 2004, the Group ceased inflationary accounting as it changed its functional currency to the euro and therefore no income erosion was incurred since 2004. The increase in interest rates and the fluctuations in the exchange rates caused an increase in financing expenses in 2004 and 2005 and a decrease in such expenses in 2006. The investment of IPO proceeds (more than EUR 230 million) received on November 2006 into cash deposits also contributed to financial income in 2006.

Principal accounting policies

Revenues

The Group's revenue is currently generated from selling of trading properties, rental income from tenants, management fees and utilities fees, property sales and other income.

The Group recognises rental income from tenants 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.

Other revenues, including management fee income, are recognised in the accounting period in which the services are rendered by the Group, by reference to the stage of completion of the specific transaction. Revenues are assessed on the basis of the actual service provided as a proportion of the total services to be provided, and are measured at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, net of VAT and other sales related taxes.

The Group does not recognise revenue if there are significant uncertainties regarding recovery of the consideration due and associated costs.

The Group recognises revenue from the sale of trading properties and investment property when the risks and rewards of ownership have been transferred to the buyer and provided that the Group has no further substantial acts to complete under the contract. The revenue recognized is the value of the asset, as determined in the selling contract, decreased by costs directly related to the sale of the asset, if any.

Functional currency

Items included in the financial statements of each of the Group entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Group's functional currency is the local currency in the European Monetary Union – the euro, with the exception of the Indian Operation, where the functional currency is the Indian Rupee (INR). Prior to 1 April 2004, Group companies in Hungary, Poland and the Czech Republic (countries where the Group has its main activities) used the respective local currencies as their functional currency. On 1 May 2004, Hungary, Poland and the Czech Republic joined the European Union and committed to economic policy reforms which will lead to the adoption of the euro as their currency. Accordingly, the Group companies in the joining countries reassessed the settlement currency of their contracts with tenants in the shopping and entertainment centres. As a result of reviews and reassessments, and after reviewing the IFRS criteria, the Group adopted the euro as the functional currency for Group companies operating in these countries, effective 1 April 2004. The euro is the currency in which the Group determines its budgets, transactions with tenants and suppliers, and its financing activities and assesses currency exposures. The book values of non-current items included in the balance sheet of the Group companies in these countries as of 31 March 2004 were translated to euro according to the euro exchange rate for the local currencies at that date. Such values were used in the Group's financial statements for the period starting 1 April 2004. However, the change in functional currency had a significant impact on the Group's operating results and financial position since previously euro denominated monetary assets and liabilities were revalued to local currencies resulting in foreign exchange gains and losses recorded through the income statement. From 1 April 2004 foreign currency gains and losses reflect mainly revaluation of monetary assets and liabilities that are non-euro denominated.

Investment properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are stated at fair value. Generally, an external, independent valuation company values the portfolio at each year end. In the absence of an external valuation, the Group's management performs a detailed value estimation of the portfolio. 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 Group prepares the valuations by considering the aggregate of the net annual rents receivable from the properties and where relevant, associated costs. A yield which reflects the specific risks inherent in the net cash flows is then applied to the net annual rentals to arrive at the property valuation. The following table shows the range of yields applied for each type of property.

Shopping Centre Yields	**2006**	**2005**	**2004**
Hungary	8.5%	8.5%	9.3% - 11.5%
Poland	N/A	8.6% - 12.0%	9.6% - 12.0%
Czech Republic	8.8%	8.2%	8.7%

The Group's 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. 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 value is 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 immediately in the income statement. When 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 fair value model, and is not reclassified as property, plant and equipment during the redevelopment.

In line with the Group's commercial decision to focus its business more on development and sale of shopping and entertainment centres, the Group has classified its current projects under development as trading properties rather than property, plant and equipment.

Trading properties

Properties that are being constructed or developed for future use as trading properties (inventory) are classified as trading properties and 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 the estimated costs necessary to make a sale.

All costs directly associated with the purchase and construction of a property, and all subsequent capital expenditures for the development qualifying as acquisition costs are capitalised. Borrowing costs are capitalised if they are directly attributable to the acquisition or construction of a qualifying asset. Capitalisation of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. The Group may continue the capitalisation of borrowing costs until the assets are substantially ready for their intended use. The Group arrives at the capitalisation rate 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.

Expenses incurred in advance of the conclusion of an acquisition, such as legal or survey fees, are capitalized to the extent that the Group has a reasonable expectation that such project initiation costs will lead eventually to an acquisition. The Group includes project initiation costs in the development costs associated with the purchase of a property, which are recorded at cost. If the acquisition is not completed, the project initiation costs associated with the property are written off by the Group to its profit and loss account.

The Group currently owns four sites in Poland which are under development (Suwałki, Łódź, Zgorzelec, Toruń). Additional four sites at Plzeň, Liberec, Opava and Roztoky in the Czech Republic have started construction or are about to enter the construction phase and another site in Prague (Novo Dvroska Plaza) was completed and opened in March 2006. The sale of the Novo Dvroska Plaza in Prague was completed on 30 June 2006. The Group has classified the developments as trading properties. In May 2007, Rybnik Plaza and Sosnowiec Plaza (trading properties in Poland, held by companies bearing the same name) were also sold to Klépierre. In July 2007 Lublin Plaza (a 50% joint venture of the Group) was sold as well.

Key Performance Indicators ("KPIs")

The KPI most relied on by the Group is the adjusted net asset value ("NAV") of its properties. This allows the Group's management to monitor the asset growth as projects are invested in and realised through sale. This measure also monitors the revaluation gains on investment properties held by the Group.

Since the Group have performed a valuation as of June 30, 2007, the following table reconciles adjusted NAV to the net assets of the Group as reported in the consolidated balance sheet at 30 June 2007:

Adjusted NAV	EUR'000
Shareholders' equity at 30 June 2007	395,108
Total valuation uplift (see table below)	625,366
Total adjusted NAV	1,020,474

Comparison of net book value of the Group's properties at 30 June 2007 with the King Sturge valuations included in Part IX

Completed Projects	**Location**	**Share holding %**	**Net book value as at 30 June 2007 EUR'000**		**Valuation as per Part IX EUR'000**
Praha Plaza S.R.O	Czech Republic	100	12,970		24,600
Total investment property				**12,970**	**24,600**
Kerepesi 2,3,4,5	Hungary	100	85,323		300,000
Kerepesi extension	Hungary	100	—		27,000
Duna extension	Hungary	100	—		25,000
Movement S.A. (Lublin JV)	Poland	50	28,977		39,000
Plzeň Plaza	Czech Republic	100	12,537		29,010
Opava Plaza	Czech Republic	100	377		11,900
Liberec Plaza	Czech Republic	100	3,381		25,330
SIA Diksna	Latvia	50	9,319		23,000
Helios Plaza	Greece	100	22,510		30,210
Koregaon Park –Pune	India	50	8,126		12,750
Trivandrum	India	50	10,413		10,650
Kharadi	India	50	10,748		17,000
Łódź Plaza	Poland	100	5,074		16,500
Toruń Plaza	Poland	100	1,689		18,000
Suwałki Plaza	Poland	100	1,819		11,300
Casaradio	Romania	75	42,659		164,000
Timisoara	Romania	100	13,327		24,000
Ciuc	Romania	100	2,425		4,400
Other small (mainly Roztoky, Zgorzelec)		100	3,487		6,500
Total trading property				**262,191**	**795,550**
Plaza House		100		3,024	5,275
Investment in associate				3,034	81,160
Total				**281,219**	**906,585**
Total valuation uplift					**625,366**

Results of operations

The following information should be read in conjunction with the Financial Information and operating data elsewhere in this Prospectus. The Financial Information has been prepared by the Directors from audited financial information for the year ended 31 December 2006 as set out in Part XII of this Prospectus and audited financial information for the years ended 31 December 2004 as set out in Part XII of the Company's prospectus dated 27 October 2006 – "Financial Information on Plaza Centers N.V.", which are incorporated by reference in this Prospectus.

Potential investors should read the whole Prospectus (and in particular Parts XII and XIII) and not rely on the summarised data.

The table below sets out the Group's results of operations in the three and a half years ended 30 June 2007.

	Year ended December 31,			Six months ended June 30,	
	2004	**2005**	**2006**	**2006**	**2007**
				(unaudited)	
		EUR'000		EUR'000	
Revenues	46,193	14,955	60,219	51,653	94,571
Gain from the sale of investment property (net)	3,451	1,089	13,715	6,539	2,471
Gain from revaluation of investment property (net)	19,832	39,726	257	293	—
	69,476	55,770	74,191	58,485	97,042
Cost of operations	(16,564)	(6,613)	50,034	(46,993)	69,131
Gross profit	52,912	49,157	24,157	11,492	27,911
Administrative expenses	(10,394)	(6,572)	8,173	(4,315)	8,191
Operating profit	42,518	42,585	15,984	7,177	19,720
Finance income	13,605	972	4,000	1,528	3,858
Finance expenses	(13,565)	(8,557)	(3,336)	(2,108)	(586)
Other income	876	394	287	26	126
Other expenses	(437)	(233)	(457)	(169)	(441)
Share in profit of associate	518	40	(150)	40	(33)
Profit before tax	**43,515**	**35,201**	**16,328**	**6,493**	**22,644**
Income tax	(7,180)	(5,859)	1,608	(834)	(93)
Minority interest in share	—	—	—	—	(5)
Profit for the year	**36,335**	**29,342**	**14,720**	**5,659**	**22,546**
Basic and diluted earnings per share	**20,02**	**16,17**	**0,27**	**3,12**	**0,08**

Comparison of the six months period ended 30 June 2007 with the six months period ended 30 June 2006

Revenues

Revenues were EUR97.0 million in the six months period ended 30 June 2007 ("H1 2007"), compared with EUR58.5 million in the the six months period ended 30 June 2006 ("H1 2006"). The increase in revenues was principally due to the sale in 2007 of Rybnik and Sosnowiec centers (EUR90.1 million), in comparison with the sale of the Group's Novo Dvroska Plaza Centre in Prague in 2006 (EUR46 million).

Revenue gains were offset by a decrease in rental income from EUR2.8 in H1 2006 to EUR1.9 million in H1 2007. This reduction is consistent with the Group's sales of shopping and entertainment centres over this period. An increase in operation of entertainment centers revenues from EUR1.8 million in H1 2006 to EUR2.6 million in H1 2007. This is attributable to three more centers opened in Poland.

Gain from selling of investment property

The Group recorded EUR2.5 million of gains from the sale of properties in H1 2007 due to selling of the Duna Plaza Office building, comparing EUR6.5 in H1 2006, which is mainly attributable to Poznan shopping center price adjustment. Poznan shopping center was sold in 2005 as part of the Klepierre transaction.

The gain on sale of the shopping and entertainment centres was reduced as a result of the revaluation gains relating to these properties which were already recognised in the income statement in the previous periods.

Gain from revaluation of investment property

The Group recorded revaluation gains of EUR0.3 million in H1 2006 primarily attributable to the revaluation of the Duna Plaza offices in Hungary. In 2007 no revaluation of investment property was done.

Cost of operations

Cost of operations relating to the Group's shopping and entertainment centres increased to EUR69.1 million in H1 2007 from EUR47.0 million in H1 2006. The principal element of the increase was an increase to EUR66.2 million in H1 2007 from 43.9 million in H1 2006 due to cost of selling of trading properties of Rybnik and Sosnowiec in H1 2007, in comparison with selling of Novo dvorska shopping center in H1 2006. Apart from that, no significant change between the two periods was recorded.

Administrative expenses

Selling and marketing expenses were EUR8.2 million in H1 2007 compared with EUR4.3 million in H1 2006. The net decrease in selling and marketing expenses from EUR 1.2 million in H1 2006 to EUR0.9 million in H1 2007 resulted mainly from a advertising expenses decrease from EUR0.8 million in H1 2006 to EUR0.3 million in H1 2007, offset by an increase in salary and related expenses from EUR 0.4 million in H1 2006 to EUR0.6 million in H1 2007. The net decrease is attributable to in-house advertisement activity performed in 2007.

General and administrative expenses were EUR6.6 in H1 2007 compared with EUR3.1 million in H1 2006. The increase in general and administrative expenses resulted mainly from an increase in salaries and related expenses from EUR0.8 million in H1 2006 to EUR4.9 million in H1 2007 (increase chiefly due to recording of share option plan related expenses in an amount of EUR3.7 million), a decrease in professional services costs from EUR1.2 million in H1 2006 to EUR1.0 million in H1 2007, and an increase in travelling expenses from EUR0.3 million to EUR0.4 million for the same period.

Finance (expenses) income, net

Net finance income was EUR3.3 million in H1 2007 compared with net finance expenses of EUR0.6 million in H1 2006. The principal causes of the decrease in net finance costs were the repayment of bank loans of the Group's subsidiaries sold in the Klépierre 2 transaction (resulted in reduction of EUR1.7 million expenses in H1 2006 comparing to EUR1.4 million in H1 2007) and the interest received on bank deposits of IPO proceeds in H1 2007 in the amount of EUR3.0 million, comparing interest income of EUR0.3 million in H1 2006.

Other expenses, net

Other expenses, net increased from EUR0.15 million expenses in H1 2006 to EUR0.3 million expenses in H1 2007. The net increase was mainly caused by a small increase in one-off items classified as other expenses over this period.

Income taxes

Income taxes were EUR0.1 million in H1 2007 compared with EUR0.8 million in H1 2006. The net decrease in income taxes resulted from a decrease in deferred taxes from EUR0.6 million in in H1 2006 (attributable to the investment property in Prague) to nill in H1 2007.

Liquidity and capital resources

Funding structure

The Group has relied in the past primarily upon bank and related party debt to finance development and construction of the shopping and entertainment centres in 2007. The table below sets out the principal components:

	Year ended December 31,			Six months ended June 30,	
	2004	2005	2006	2006	2007
				(unaudited)	
		EUR'000		EUR'000	
Non current:					
Bank loans	113,781	17,244	5,875	16,014	5,668
Related party loans	65,488	9,133	8,474	10,824	12,967
	179,269	26,377	14,349	26,838	18,635
Current:					
Bank loans – current maturities	25,179	53,403	51,201	41,884	74,068
Related party loans	1,198	15,693	17,771	22,156	9,729
	26,377	69,096	68,972	64,040	83,797

Cash flow

The following table sets out data regarding the consolidated cash flow of the Group.

A summary of the consolidated cash flow statements for the three years ended 31 December 2004, 2005 and 2006 and the six month period ended 30 June 2007 reported under IFRS is as follows:

	Year ended December 31,			Six months ended June 30,	
	2004	2005	2006	2006	2007
				(unaudited)	
		EUR'000		EUR'000	
Net cash flows (used in) from operating activities	12,026	(26,277)	(98,664)	(27,155)	(102,456)
Net cash flows (used in) from investing activities	45,564	42,528	16,972	(12,918)	9,408
Net cash flows (used in) from financing activities	(55,767)	20,612	247,676	12,482	56,230
Net increase in cash and cash equivalents	1,823	36,863	165,984	(27,591)	(36,818)
Effect of exchange rate movements	211	—	—	—	192
Cash and cash equivalents at start of period	7,802	9,836	46,699	46,699	212,683
Cash and cash equivalents at end of period	9,836	46,699	212,683	19,108	176,057

A review of the cash flows for the three and a half years ended 30 June 2007:

(i) Operating activities

Net cash flows from operations shifted substantially from 2004 to 2006 from a positive to a negative amount due principally to lower operating activities which generate cash, less rental income, and more non-cash operating activities, such as gains from revaluation of investment properties. Also, all construction activity of the Group started after 1 July 2005 is treated as the creation of inventory as part of the trading properties, as defined in IFRS. The inclusion of

these costs as operating activities has resulted in a large negative cash flow from operations. EUR22.2 million of operating cash outflows were incurred in relation to the development of trading properties in the year ended 31 December 2005 and EUR92.2 million in the year ended 31 December 2006. In H1 2007 the total out flow due to trading property development was EUR127.2 million, comparing EUR36.0 in H1 2006. Cash inflow of EUR31.1 was recorded in H1 2007 due to selling of trading properties, comparing to EUR4.5 in H1 2006. The increase is attributable to the selling of Rybnik and Sosnowiec in 2007, comparing the selling of Novo Dvorska in 2006. The most significant shopping and entertainment centres under construction in these periods were:

- Veszprém and Kerepesi in Hungary
- Movement SA (Lublin JV), Poznań Plaza, Sosnowiec Plaza and Rybnik in Poland
- Novo Dvroska Plaza, Liberec and Plzen in the Czech Republic
- Casaradio and Timisoara in Romania
- Koregaon Park, Kharadi and Trivandrum in India
- SIA Diksna in Riga (Latvia)

A full list of the shopping and entertainment centres under construction during this period is set forth in Section 2 of Part III – "Information on the Group".

(ii) Investing activities

Net cash flows from investing activities included the following items:

- Net cash inflows from the sales of the shopping and entertainment centres and other fixed assets were EUR17.3 million, EUR77.4 million and EUR74.2 million in 2006, 2005 and 2004, respectively. Cash inflow of EUR 11.5 million was recorded in H1 2007 due to selling of Duna Plaza Offices, comparing to nill in H1 2006.
- Cash outflows in respect of the purchase and development of investment properties and plant, property and equipment were EUR27.7 million in 2004, EUR24.2 million in 2005 and were EUR1.4 million in 2006. The decrease in the year ended 31 December 2006 was in line with the Group's sale of investment properties in 2005. In both H1 2007 and H1 2006 there was no investment in investment property and total purchase of plant, property and equipment was EUR0.9 million in both periods.
- The net cash used in the acquisition of subsidiaries for the purpose of development and construction activity was nil, EUR15.4 million and EUR6.2 million in 2006, 2005 and 2004, respectively. In H1 2007 this activity is forming part of the operating activity - EUR14.7 million for the purchase of Casaradio. In H1 2006 it was nill.
- The remainder relates to other investing activities such as cash flows from deposits.

(iii) Financing activities

Net cash flows from financing activities include the following items:

- Receipt of long-term loans from banks of EUR61.1 million and EUR72.8 million in 2006, 2005 and 2004, respectively. No long term loan was taken in H1 2007.
- Receipt of short-term loans from banks of EUR21.0 million, EUR1.1 million and EUR0.6 million in 2006, 2005 and 2004, respectively. These were principally used to fund trading property development activity through the period. In H1 2007 the additions totalled EUR70.6 million, comparing EUR21.7 in H1 2006.
- Repayment of long-term loans from banks of EUR8.6 million, EUR3.9 million and EUR62.9 million in 2006, 2005 and 2004, respectively. These amounts reflect current repayments of loans as agreed with banks, and repayment due to refinancing

undertaken by the Group. In H1 2007 the repayment totalled EUR6.9 million, comparing EUR2.4 in H1 2006.

- Repayment of related party loans of EUR0.8 million received, EUR37.7 million repayment and EUR66.2 million repayment in 2006, 2005 and 2004, respectively. These related party loans were made by Elbit Ultrasound (Netherlands) B.V. to the Group in 1999 to allow the Group to develop shopping and entertainment centres in Hungary and Poland. The loans were repaid in part with the proceeds of the sales of shopping and entertainment centres during the period. In H1 2007 the repayment totalled EUR7.4 million, comparing EUR6.8 in H1 2006.

Funding and treasury policies

The Group's funding and treasury policies are dictated by management's assessment of the Group's foreign currency risk, interest rate risk, credit risk and liquidity risk.

The Group's functional currency across all its subsidiaries is the euro (with the exception of the Indian Operation, where the functional currency is the Indian Rupee (INR)) and therefore in order to avoid taking on currency risk, the Group has the policy of attempting wherever possible to pay the principal contractors and service suppliers in euros. The Group's principal loans and cash deposits are held in euros. With the exception of NIS bonds issued in July 2007, which were hedged against EUR, the Group does not use hedging instruments such as forward foreign exchange contracts or derivatives, unless required to do so by the lending banks where interest rates are high.

The following table sets forth the Group's contractual obligations over a five-year period as at 30 June 2007:

Contractual obligations	**Total**	**Less than 1 year**	**1-3 years**	**3-5 years**	**More than 5 years**
	EUR'000	EUR'000	EUR'000	EUR'000	EUR'000
Operating leases[1]	3,835	39	107	420	3,269
Related party loans[2]	22,022	9,055	12,967	—	—
Bank loans	79,736	74,068	440-	440	4,788
Construction and other contracts[3] [4]	87,000	62,000	25,000-	—	—
Total contractual obligations	192,593	145,162	38,514	860	8,057

[1] As at 30 June 2007, operating leases principally relate to leases on land and buildings.

[2] The Group has committed to repay the outstanding amount on a EUR6.9 million loan taken out by Alom Sziget 2004 Kft ("Alom Sziget"), should Alom Sziget fail to do so. Alom Sziget is currently 30% indectly owned by the Group.

[3] Subsidiaries of the Group have entered into agreements for the provision of coordination, planning and performing of supervision services over projects for the establishment of commercial centres, the development of which commenced prior to December 2002. These services are provided by subsidiaries of Control Centers Limited, or Control Centers (the ultimate parent company of the entire Group) and a related party. These project supervision agreements were concluded in accordance with a Framework Agreement approved by the shareholders of Elbit Medical Imaging Ltd. ("EMI"), the indirect parent company of the Group. In consideration for these services Control Centers is entitled to receive fees equivalent to 5% of the actual construction costs of each project (excluding the land purchase price, financing costs and general and administrative costs).

[4] On 31 May 2006, the shareholders of EMI approved a new Framework Agreement with Control Centers for the rendering of project supervision and coordination services in respect of projects the development of which commenced after January 2003, on similar terms and conditions. In addition, the new Framework Agreement allows for payment of aviation fees and expenses of Jetlink Ltd. (another subsidiary of Control Centers and a related party) at a 5% discount off standard rates, in respect of the use of an executive jet aircraft in relation to the projects being executed by the Group.

[5] The Group contracted with certain unrelated companies, to receive human resources, management and supervision services necessary to operate the Group, in consideration for fees.

[6] The Group had no material capital or other cash commitments at 30 June 2007 outside the normal course of business. The Group has available resources to meet its bank and related party loan commitments. See "Funding structure" above.

Post balance sheet events

Kharadi project – Pune, India

In February 2007, the Company indirectly acquired through a 100% subsidiary a 50% stake in an Indian limited liability company ("JV1"), which owns the freehold of approximately 14 acres of land situated in the Kharadi district of Pune, Maharashtra State, India. The remaining 50% of the stake of JV1 is held by a property developer in Pune. The consideration paid totaled EUR17.0 million, invested in the form of equity.

As of the date of the approval of these financial statements, there were no shares allocated to JV1. JV1 intends to develop its plot of land through the construction of a project totaling approximately 225,000m^2 GLA which will include:

- a shopping center with a total area of approximately 120,0000m^2;
- an office complex measuring approximately 81,000m^2; and
- a serviced apartment facility of approximately 24,000m^2.

The total investment in the project (100%) is anticipated to be approximately USD 175 million (approximately EUR133 million).

Timisoara project – Romania

In March 2007, the company acquired a site in Timisoara, West Romania, for a total consideration of EUR12.0 million. The site totals 31,800 m^2 and is located alongside a major road approaching the city center of Timisoara. The Company plans to build a multi-story shopping center of approximately 30,000 m^2 GLA, exclusive of parking area.

The Company has also secured an option to develop on the site approximately 20,000 m^2 of new mixed retail, office and residential space adjacent to the shopping center.

The total estimated development cost of the project is EUR60.0 million.

Torun project – Poland

In February 2007, the Group won a tender and signed the preliminary purchasing agreement with the Municipality of Torun, Poland for a project to be constructed on a site in Torun. The initial consideration was EUR1.7 million and the total plot price will be EUR15.8 million, to be paid in the course of the following two years. The plot size is 62,800 m^2. The building plan is with a planned GLA of approximately 33,000 m^2. Construction is due to commence in the first quarter of 2009 and the center is scheduled to open in the last quarter of 2010.

Opening and sale of Rybnik shopping center – Poland

In March 2007, the Company opened its pre-sold shopping center in Rybnik, Poland. The shopping center was sold to Klépierre on March 21, 2007.

Opening and sale of Sosnowiec shopping center – Poland

In May 2007, the Company opened its pre-sold shopping center in Sosnowiec, Poland. The shopping center was sold to Klépierre on May 7, 2007.

Trivandrum project – India

In June 2007 the Company completed a 50%:50% joint venture with a leading Indian property developer, and the JV Company has acquired a plot of land with an area of approximately 43,600m^2, situated in Trivandrum, the capital city of the State of Kerala, India.

The total cost of the land (including acquisition costs) amounted to approximately 1,060 million Rupees (approximately EUR20 million).

The Company and its partner intend to use the plot to develop a project totalling approximately 195,000m^2, which is currently intended to comprise:

- A shopping and entertainment centre with a total area of approximately 67,000m^2;
- An office complex with a total area approximately 90,500m^2;
- A hotel and apartment hotel with a total area of approximately 37,500m^2.

Selling of Duna Plaza offices

In May 2007 the Company agreed the sale of the Duna Plaza offices in Budapest, Hungary, to Klépierre for a consideration of EUR14.2 million, an increase in the value disclosed in the

Company's Admission Document at the time of its IPO. The offices are located adjacent to the Duna Plaza shopping and entertainment centre which was sold to Klépierre in July 2004. Furthermore, the Company has agreed with Klépierre to proceed with the development of the extension to the Duna Plaza Centre on an adjacent area of land, which is anticipated to be completed by 2010.

Miercurea Ciuc project

In July 2006 the Company acquired a major retail development opportunity in the town of Miercurea Ciuc, in Central Romania. With an expected investment in the region of EUR16 million, Plaza's proposals for the 34,000m^2 site at Miercurea Ciuc include the creation of a retail mall totalling some 16,000m^2, together with provision for car parking over an area of approximately 13,000m^2. The town of Miercurea Ciuc, with its catchment population of some 370,000, is the capital of Harghita County in Central Romania, and is situated approximately 270 km from Bucharest

Raising bonds in the Tel Aviv stock exchange

In July 2007 the Company agreed with Israeli institutional investors to issue an aggregate principal amount of approximately New Israeli Shekels ("NIS") 305 million (approximately EUR53.3 million) Par Value of series one of unsecured non-convertible debentures to institutional investors in Israel. The debentures are rated by Maalot - The Israel Securities Rating Company Ltd., an affiliate of Standard & Poor's - at a local rating of A+/Positive.

The debentures are re-payable in eight equal annual installments, on December 31 of each of the years 2010 to 2017, inclusive. The debentures bear an annual interest rate of 4.5%, payable in semi-annual installments on December 31 and July 1 of each of the years 2007 to 2017 (the first installment to be effected on December 31, 2007 and the last installment to be effected on December 31, 2017). Both the principal and interest of the debentures are linked to increase in the Israeli Consumer Price Index. As described more fully below, the interest rate on the Debentures will be increased so long as the debentures are not registered for trade on the Tel Aviv Stock Exchange (the "TASE").

As the Company's functional currency is the Euro, the Company will hedge the future expected payments in NIS (principal and interest) to correlate with the Euro.

The debentures also provide that the debentures will be prepaid by the Company, inter alia, at the option of the trustee or the holders of the debentures if the Company delays the publication of its financial reports for more than 60 days from the dates provided by applicable law or if the debentures cease to be rated for a period of more than 60 days.

The debentures are listed for trade on the Institutional Retzef System, which is a trading system for institutional investors in Israel. The Company may also, in its sole discretion, register the debentures for trade on the TASE. So long as the debentures are not registered for trade on the TASE, the Company has undertaken (i) to pay an additional interest at an annual rate of 0.5% until a prospectus is published for the registration of the debentures for trade on the TASE; (ii) to pay an additional interest rate at an annual rate of 0.25% in the event the rating of the debentures decreases to (BBB+) rating on a local scale by Maalot - The Israel Securities rating Company Ltd. or an equivalent rating by another rating company and (iii) to prepay the debentures at the option of the trustee or the holders of the debentures if made a special resolution on their general meeting upon the occurrence of each of the following events: (A) should the rating of the debentures in Israel decrease below the BBB+ investment level rating of Maalot - The Israel Securities Rating Co. Ltd. or other equivalent rating by another rating company; (B) if the Company is required to prepay another series of debentures issued by the Company; or (C) if the holdings of Elbit Medical Imaging Ltd., the indirect parent of the Company, fall below 25% of the Company's issued and outstanding share capital. Such undertakings would be terminated upon the registration for trade of the debentures on the TASE.

Purchase of a plot of land in a Prague suburb - Roztoky

On May 2007 the Company purchased 39,000m^2 of private land in Roztoky, a town next to Prague. The company intends to develop there a residential compound. The plot includes a valid planning permit for 81 units of family houses. Roztoky is located north-east to Prague 6 on the way to the airport, with a population of 6,500 inhabitants. The project is currently in the beginning of building permit process. Construction intends to start in 2008 and is anticipated to be completed in 2009-2010.

Agreement for the sale of Arena Plaza – Budapest, Hungary

On August 7, 2007 the Company executed a binding agreement for the sale of its Arena Plaza shopping and entertainment centre in Budapest to UK based Active Asset Investment Management ("aAIM"), one of the UK's fastest growing commercial property investment groups. The estimated consideration for the acquisition of the Arena Plaza shopping and entertainment centre is approximately EUR 400 million.

The purchase price will be finally determined on the completion of the transaction, which is expected to take place within a month of Arena Plaza's opening date, on the basis of the actual rent levels achieved being capitalized at an agreed yield. Plaza Centers will remain responsible for the letting of the centre's remaining units for a period of up to one year following the closing, and is anticipated to benefit from further price adjustments reflecting the signing of any additional leases during the two consecutive earn-out periods, which end three months and twelve months respectively following the completion.

The Company's management estimates the final transaction price based on actual rent levels will be no less than circa EUR380 million, with an overall transaction price cap of EUR400 million, as agreed with aAIM. The final expected transaction price represents a significant upside comparing to the project's estimated value upon completion at the time of the Company's Admission to trading in November 2006, which was circa EUR333 million.

Designed and developed by The Company following the acquisition of this landmark site by the Company in late 2005, Arena Plaza is Hungary's largest shopping and entertainment centre. It comprises 220 stores located throughout approximately 66,000m^2 of lettable area and is serviced by over 2,800 parking spaces. The centre is scheduled to open in the fourth quarter of 2007 whereupon, subject to the fulfilment of certain conditions, the transaction will be completed.

The profit from the sale will be recognised mainly over 2007 with adjustments in 2008 and, in part, distributed in accordance with the Company's dividend policy, announced following its listing on the London Stock Exchange last November.

Handing over of 50% stake in Lublin Plaza project – Poland

On July 30, 2007 the Company completed the sale of its 50% stake in the Lublin Plaza Shopping and Entertainment centre in Poland to Klépierre. The Company developed the Lublin Plaza project together with a 50% joint venture party, while the active management was handled solely by Plaza. Both parties agreed to sell their holdings to Klépierre.

The market value of the shopping centre, which was 100% let to international and local tenants on its opening to the public in June 2007, now totals approximately EUR78 million (on a 100% basis), compared to the estimated value of approximately EUR62 million at the time of the Company's Admission to trading.

Lublin Plaza is located in the heart of Lublin and comprises 26,000m^2 of GLA, with adjacent parking facilities for 690 vehicles. Lublin Plaza is the first shopping centre in Lublin to combine shopping with entertainment facilities

Belgrade project

Slatina project - Romania

On August 17, 2007 the Company a acquired a site in Slatina, in southern Romania ("the site").

The Slatina site totals approximately 20,000m^2 and is located in the north-western part of Slatina. The Company plans to build a shopping and entertainment centre with approximately 25,000m^2 of built area, plus 450 parking places. In addition the site comes with an option to develop approximately 10,000m^2 of residential accommodation, which the Company may consider selling to a third party. The Company's total investment in the Slatina scheme is expected to be approximately EUR24.5 million.

Capitalisation and indebtedness

The table below sets out the indebtedness of the Group as at 31 August 2007. Indebtedness in currencies other than euro has been translated at 31 August 2007 exchange rates. The financial information in this capitalisation and indebtedness section is unaudited and has been extracted from the management's underlying financial records.

	Capitalisation and indebtedness as at 31 August 2007
	EUR'000
Current bank debt	61,798
Current portion of non-current debt	469
Other current financial debt	6,175
Current financial debt	68,442
Non-current bank loans	5,742
Other non-current loans	66,656
Non-current financial indebtedness	72,398
Capital and reserves (excluding retained earnings)	
Share capital	2,923
Translation reserve	(351)
Other reserves	258,155
Total capitalisation	260,727

Set out below is an analysis of the Group's net indebtedness as at 31 August 2007. Indebtedness in currencies other than euro has been translated at 31 August 2007 exchange rates.

	Net indebtedness as at 31 August 2007
	EUR'000
Cash	169,693
Cash equivalent (short term deposits)	28,570
Liquidity	198,263
Current bank debt	61,798
Current portion of non-current debt	469
Other current financial debt	6,175
Current financial debt	68,442
Net current financial indebtedness	(129,821)
Non-current financial receivable	18,917
Non-current bank loans	5,742
Other non-current loans	66,656
Non-current financial indebtedness	72,398
Net financial indebtedness	(76,340)

Ratio analysis

Interest cover ratio

	Year ended December 31,			Six months ended June 30,	
	2004	**2005**	**2006**	**2006**	**2007**
				(unaudited)	
Financial year ended		EUR'000		EUR'000	
Operating profit	42,518	42,585	15,984	7,177	19,720
Net interest costs (excluding exchange gains and losses)	12,509	4,445	2,080	1,628	(1,402)
Interest cover	3.40	9.58	7.68	4.41	(14.07)

The Group had net interest payable throughout the period, due to long-term loans required to finance the Group development and centre operating activities.

The Group funds all projects out of project specific loans. The interest charged on these loans during the construction phase of the project is capitalised to the cost of the project and recovered by selling the completed operation. Interest on related party loans and interest charges after construction is complete are taken to the profit and loss as and when they are incurred.

Debt/equity ratio

	Year ended December 31,				Six months ended June 30,	
	2003	**2004**	**2005**	**2006**	**2006**	**2007**
					(unaudited)	
Financial year ended			EUR'000		EUR'000	
Interest bearing loans and borrowings	473,655	205,646	95,473	83,321	90,878	102,432
Restricted bank deposits	(6,029)	(12,947)	(6,164)	(616)	(6,135)	(9,715)
Cash and short-term deposits	(8,427)	(10,886)	(49,676)	(218,837)	(30,661)	(176,057)
Net debt	459,199	181,813	39,633	(136,132)	54,082	(83,340)
Shareholders' equity	22,165	65,841	96,007	364,677	101,633	395,108
Gross gearing ratio	2,137%	312%	99%	23%	89%	26%
Net gearing ratio	2,072%	276%	41%	-37,3%	53%	-21%

The Group is highly geared due to the fact that each project undertaken is approximately 80% financed by third party loans. These loans are all repaid when a completed project is disposed

of by use of the proceeds or by transferring the loan to the eventual buyer through the sale of the project company. Where the projects are not sold upon completion, the construction loans will generally be refinanced. Due to IPO proceeds received in late 2006, gearing ratios were temporarily significantly reduced.

Dividend policy and dividends

The Directors adopted a dividend policy which will reflect the long-term earnings and cash flow potential of the Group, taking into account the Group's capital requirements, while at the same time maintaining an appropriate level of dividend cover.

Subject to all of these factors, and where it is otherwise appropriate to do so, the Directors intend to make distributions out of the annual net profits (after deduction of all directly related costs) derived from transactions for the sale of projects developed by the Group during any financial year. Dividends are expected to be paid at the rate of 25% on the first EUR30 million of such annual net profits, and thereafter at the rate of between 20% and 25%, as determined by the Directors, on any additional annual net profits which exceed EUR30 million. The dividends will be paid on or about 31 March on the basis of the aggregate of the annual net profits accumulated during the preceding financial year. For risks relating to and taxation of dividends, please refer respectively to Part II – "Risk Factors" and paragraph 6 of Part IX - "Additional Information".

The Company has not paid a dividend with respect to the financial years ended 31 December 2004, 2005, and 2006, respectively.

PART VIII - Valuer's Report

Board of Directors
on behalf of Plaza Centers NV
Keizergracht 241
Amsterdam 1016EA
Netherlands

London, 20th August 2007

Dear Sirs,

Plaza Centers NV Portfolio Valuation,

Czech Republic, Greece, Hungary, India, Latvia, Poland, Romania

Introduction

1. Instructions

   1.1 In accordance with your instructions, we have inspected and valued the properties which are either owned, leased or in which Plaza Centers (''the Company'') is to acquire an interest in order to advise you of our opinion of the Market Value of the freehold, leasehold and perpetual usufruct interests (as applicable) in each property at 30 June 2007.

   1.2 Some valuations have been undertaken on the basis of restricted information and we would draw your attention to section 6 below.

   1.3 Our valuation advice has been prepared in accordance with the basis of valuation and valuation assumptions set out below and in accordance with the Appraisal and Valuation Standards, fifth edition, published by the Royal Institution of Chartered Surveyors (RICS). Valuations have also been undertaken in accordance with our standard terms and conditions.

   1.4 Details of the surveyors inspecting and preparing each property report are provided in each individual report.

2. Status of Valuer & Conflicts of Interest

   2.1 We confirm that we have undertaken the valuations acting as External Valuers as defined in the RICS Appraisal and Valuation Standards.

3. Purpose of Valuation

   3.1 We understand that this Valuation Report is required in connection with the proposed securitisation of the interest held in the Portfolio by the Company (the ''Transaction'') and that this Valuation Report will be included in a prospectus to investors in connection with the Transaction.

   3.2 Please note the basis of valuation adopted may not be appropriate for other purposes, so the Valuation should not be relied upon for any other purpose without prior consultation with us.

4. Bases of Valuation

   4.1 The value of each of the properties has been assessed in accordance with the relevant parts of the current Appraisal and Valuation Standards (the ''Red

Book'') published by the Royal Institution of Chartered Surveyors (RICS). PS 3.2 of the Red Book defines ''Market Value'' as ''The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion''.

4.2 The properties comprise freehold, leasehold and perpetual usufruct interests in both Investment Property and Property held for Development.

4.3 The Market Value of Investment Property has been determined on the assumption it would be sold subject to any existing leases.

4.4 For Property held for Development or in the course of construction, as requested by Plaza Centers, we have considered Market Value on the following bases:

a) Market Value under the Assumption that as at the date of valuation construction is complete in accordance with all necessary planning and building requirements, all required permits to operate are in place and initial lease up finished.

b) Market Value of the land and project as a) above less outstanding development costs including an allowance for an appropriate developer's profit in relation to the project's current stage.

c) Market Value as b) but disregarding the allowance for developer's profit.

4.5 In valuing on these bases it is necessary for us to adopt a number of 'special assumptions'. A Special Assumption is referred to in the Glossary in the Red Book as an Assumption that either:

- requires the valuation to be based on facts that differ materially from those that exist at the date of valuation; or
- is one that a prospective purchaser (excluding a purchaser with a special interest) could not reasonably be expected to make at the date of valuation, having regard to prevailing market circumstances.

4.6 We consider the above special assumptions may be regarded as relevant, realistic and valid in the context of a) indicating the likely value of the projects on completion, b) the likely price an investor would pay to acquire an interest in the projects in their current stage but assuming necessary permits are in place and c) their 'worth' to Plaza Centers.

4.7 We would comment, however, that where properties are without planning or building permits the site value may be lower than indicated under the above bases.

4.8 Finally, each property has been valued as an individual property and not as part of a portfolio.

5. Taxation & Costs

5.1 No allowances have been made to reflect liability to taxation or other costs associated with disposal. Nor, as is customary in Central & Eastern European markets, Greece and Cyprus, has an allowance been made in respect of purchaser's costs.

5.2 Our valuations are expressed exclusive of any VAT or similar which might become chargeable and assumes the properties are held in SPV's.

6. Assumptions and sources of information

6.1 The Glossary to the Red Book states an assumption to be a ''supposition taken to be true''. This may include information or conditions affecting the subject property or approach to a valuation that, by agreement, need not be verified by a valuer.

6.2 In undertaking our valuations, we have made a number of Assumptions and have relied on certain sources of information. Where appropriate Plaza Centers 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.

6.3 The Assumptions made for the purposes of our valuations are referred to below:

6.4 Third parties have provided us with such information as details of tenure, use, town planning consents and the like. We have assumed that the documentation supplied is correct and that our understanding of the situation is also correct.

6.5 We have made an Assumption that the Company is possessed of good and marketable freehold/leasehold title in each case and that there are no encumbrances or unduly onerous or unusual easements, restrictions, outgoings or conditions that are likely to have an adverse effect on the value of the properties. We have also assumed that the properties are free from mortgages.

6.6 We have not undertaken investigations into the financial strength of tenants. Unless we are aware through publicly available knowledge, or have been specifically advised to the contrary, we have made an Assumption that tenants are financially able to meet their obligations. Unless otherwise advised we have also made an Assumption that there are no material rent or service charge arrears.

6.7 We have not effected official searches and for the purposes of these valuations we have assumed that full planning consent exists, or established use rights are available for the proposed and existing buildings and present uses. We have further assumed that all planned and ongoing developments will be erected in accordance with required planning, building and other statutory regulations. Before our valuation is relied upon we recommend these assumptions be verified by your lawyers who we presume will be making the usual searches and enquiries.

6.8 We have not calculated areas and have relied upon areas provided by the owners, which we assume to have been calculated in accordance with local market practice.

6.9 We have not carried out structural surveys nor have we inspected those parts of the properties which are covered, unexposed or inaccessible and such parts have been assumed to be in good repair and condition. We cannot express an opinion about or advise upon the condition of uninspected parts and this report should not be taken as making any implied representation or statement about such parts. We have had regard to the general condition of the properties as observed in the course of our inspection for valuation purposes.

6.10 We have not arranged for any investigation to be carried out to determine whether or not high alumina cement, calcium chloride additive or any other potentially deleterious material has been used in the construction of the properties and we are therefore unable to report that the properties are free

from risk in this respect. For the purposes of these valuations we have assumed that such investigation would not disclose the presence of any such material in any adverse conditions.

6.11 Certain types of composite cladding panels contain combustible insulation which causes concern to some insurance companies. During the course of our inspections for valuation purposes we were not able to determine the insulation within any composite cladding panels and recommend that you obtain assurances that the panels have a suitable fire retardant quality and insurance is available.

6.12 No specialist tests have been carried out on any of the services systems and for the purpose of these valuations we have assumed that all are in reasonable working order and in compliance with any relevant statutory regulations.

6.13 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. All items of plant, machinery and equipment wholly or primarily related with the occupants' business have specifically been excluded.

6.14 We have not carried out site surveys or environmental assessments or investigated historical records to establish whether any land is, or has been, contaminated. We are not aware of the content of any environmental audit, site survey or any other investigations which may have been carried out on the properties that may draw attention to any contamination or the possibility of any contamination and we have assumed that no hazardous or potentially contaminated substances have been or are being used at the properties. Should it however be established subsequently that contamination exists at the properties or on any neighbouring land or that the premises have been or are being put to any contaminative uses, this might reduce the values now reported.

6.15 No soil bearing tests have been carried out by us and we cannot offer any opinion either as to the suitability of the sites for existing or proposed developments nor the condition of or potential liability for any embankment, river, wharf or retaining wall.

6.16 We have not made any assessment of the potential liability for flooding and for the purposes of this valuation have assumed the properties would not be subject to flooding.

Based on the facts and assumptions contained within our full valuation report and its appendices the aggregate value of the portfolio, comprising the land and projects, is **€2,759,280,000** (two billion, seven hundred fifty nine million, two hundred eighty thousand Euro).

The aggregate value of the portfolio, subject to the special assumption of completion of construction and leasing, is **€906,585,000** (ninety hundred and six million, five hundred and eighty five thousand Euro).

A summary of values by property is presented below with each property described in more detail in the full valuation report and its appendices.

Valuation Summary

Country	Project Name	Market Value, on competition	Market Value of the land and project
Hungary	Arena Plaza	€ 382,600,000	€ 300,000,000
	Arena Plaza extension	€ 71,300,000	€27,000,000
	Dream Island	€462,100,000	€81,160,000
	David House, Budapest	€ 5,275,000	€ 5,275,000
	Duna Plaza extension	€47,100,000	€ 25,000,000

Country	Project Name	Market Value, on competition	Market Value of the land and project
Poland	Torun Plaza	€89,150,000	€ 18,000,000
	Suwalki Plaza	€ 60,900,000	€ 11,300,000
	Lodz Plaza	€ 128,105,000	€ 16,500,000
	Zgorzelec Plaza	€ 41,800,000	€ 6,500,000
	Lublin Plaza	€ 39,000,000	€ 39,000,000
Czech Republic	Plzen Plaza	€ 61,800,000	€ 29,010,000
	Prague 3	€ 116,575,000	€24,600,000
	Opava Plaza	€41,600,000	€ 11,900,000
	Liberec Plaza	€63,500,000	€ 25,330,000
Romania	Miercurea Ciuc Plaza	€19,200,000	€4,400,000
	Timisoara Plaza	€104,600,000	€24,000,000
	Casa Radio Plaza	€646,900,000	€164,000^000
Latvia	Riga Plaza	€ 75,000,000	€ 23,000,000
Greece	Helios Plaza	€ 95,625,000	€ 30,210,000
India	Koreagon Park	€ 51,650,000	€12,750,000
	Kharadi Plaza	€76,600,000	€17,000,000
	Trivandrum Plaza	€78,900,000	€10,650,000
	TOTAL	**€2,759,280,000**	**€906,585,000**

Notes

- Please note both Toruń and Zgorzelec are owned by third party, non Plaza Centers related companies, albeit with preliminary purchase or pre-agreements in place. Our valuations reflect the potential value of the projects if available for development today.
- Plaza Centers have a 50% interest in the Riga Plaza development.
- Plaza Centers have a 50% interest in the Lublin Plaza development.
- All values of land and project assume full planning consent for the proposed use.
- A summary of values is presented below with each property described in more detail within the appendices attached to this Report.
- Plaza has a 50% interest in Koreagon Park, Kharadi Plaza and Trivandrum Plaza.
- Plaza has a 30% share in Dream Island.
- Plaza has a 75% share of Casa Radio.
- All the figures reflect Plaza share.

Compliance With Standards

This report has been prepared by Chartered Surveyors qualified to give valuation advice on this type of property and in this locality. This valuation has been made in accordance with the Valuation and Appraisal Standards (the Standards) published by the Royal Institution of Chartered Surveyors (RICS), subject to the Special Assumptions explained below.

We confirm that King Sturge Kft have no direct interest in the property or the parties associated with it, and are able to provide independent advice.

Confidentiality & Disclosure

The contents of this Valuation Report may be relied upon only by the addressees in connection with the Transaction described in the Purpose of this Valuation Report. No reliance may be placed upon the contents of the Valuation Report by any party who is not an addressee of this Valuation Report or by an addressee of this Valuation Report for any purpose other than in connection with the Transaction/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. Such publication or disclosure will not be permitted unless, where relevant, it incorporates the Special Assumptions referred to herein. For the avoidance of doubt such approval is required whether or not King Sturge have been referred to by name.

Yours faithfully,

King Sturge LLP

PART IX - Additional Information

1. Responsibility

The Directors, whose names, functions and addresses appear in Part V – "Directors and Senior Managers", and the Company accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors and the Company (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. The Company

1. The Company was incorporated in The Netherlands on 17 May 1993 by a notarial deed of incorporation as a private company with limited liability under the laws of The Netherlands (*besloten vennootschap met beperkte aansprakelijkheid*), under Book 2 of the DCC, with the legal and commercial name "Leystone Holding B.V." and with number 33248324. On 9 August 1994, the Company changed its name to "Shaka B.V.". On 19 December 1997, the Company changed its name to "Bea Real Estate B.V.", and on 8 June 1998 to "Plaza Centers (Europe) B.V.". On 6 October 2006, the name of the Company was changed to Plaza Centers B.V.

2. By a resolution passed on 9 October 2006 the Controlling Shareholder and Stichting L'Orage resolved to change the form of the Company to a public company with limited liability under the laws of The Netherlands (*naamloze vennootschap* or "N.V.") under the name "Plaza Centers N.V.". To that effect, the articles of association were amended and restated entirely by a notarial deed, executed on 12 October 2006.

3. The Company's registered office is at Keizersgracht 241, 1016 EA Amsterdam, The Netherlands, with telephone number +31-20-3449560.

4. The principal legislation under which the Ordinary Shares have been created and under which the Company was formed and now operates is Book 2 of the DCC. A summary of certain applicable provisions of Dutch company law is set out in Part XI – "Summary of Applicable Dutch Law".

3. Subsidiaries and investments

1. The Company is the holding company of the Group and has the following subsidiaries and branches:

Name	Country of registration or incorporation	Registered office	Principal activity	Percentage interest held by the Company
The Netherlands				
Plaza Centers Management B.V.	The Netherlands	Keizersgracht 241, 1016 EA Amsterdam	Holding Company	100%
Plaza Centers Ventures B.V.	The Netherlands	Keizersgracht 241, 1016 EA Amsterdam	Holding Company	100%
Mulan B.V. (Fantasy Park Enterprises B.V.)	The Netherlands	Keizersgracht 241, 1016 EA Amsterdam	Holding Company	98% (indirect)
Obuda B.V.	The Netherlands	Keizersgracht 241, 1016 EA Amsterdam	Holding Company	100%
Plaza Centers (Properties) B.V.	The Netherlands	Keizersgracht 241, 1016 EA Amsterdam	Holding Company	100%
Plaza Centers (Estates) B.V.	The Netherlands	Keizersgracht 241, 1016 EA Amsterdam	Holding Company	100%
Plaza Centers Logistics B.V.	The Netherlands	Keizersgracht 241, 1016 EA Amsterdam	No activity	100%
Plaza Centers Holdings B.V.	The Netherlands	Keizersgracht 241, 1016 EA Amsterdam	No activity	100%
Plaza Centers Enterprises B.V.	The Netherlands	Keizersgracht 241, 1016 EA Amsterdam	No activity	100%
Plaza Dambovita Complex B.V.	The Netherlands	Keizersgracht 241, 1016 EA Amsterdam	Holding Company	100%
Dreamland N.V.	Curaçao Netherlands Antilles	Schout Bij Nacht Dormanweg 43 Curaçao, Netherlands Antilles	Holding Company	100%
Latvia				
SIA Diksna	Latvia	Doma Square 6, Riga LV-1143 Latvia	Riga Plaza project development company	50%
Greece				
Helios Plaza SA	Greece	Municipality of N. Smimi, Attiki, Greece	Helios Plaza project development company	100%
Hungary				
Kerepesi 3 Áruház Ingatlanfejlesztő Kft.	Hungary	59 Andrássy út, Budapest	Kerepesi Project development	100%
Ercorner Gazdagsági Szolgáltató Kft.	Hungary	59 Andrássy út, Budapest	Dream Island holding company (joint venture with MKB)	50%
Álomsziget 2004 Ingatlanfejlesztő Kft. (Dream Island)	Hungary	Hajógyári sziget117 Budapest	Dream Island development company	30% (indirect)
Plaza House Ingatlanfejlesztési Kft.	Hungary	59 Andrássy út Budapest	Owns David House	100%
Kerepesi 4 Szálloda Ingatlanfejlesztő Kft.	Hungary	59 Andrássy út Budapest	No activity – holds use rights (Kerepesi)	100%
Kerepesi 5 Irodaépület Ingatlanfejlesztő Kft.	Hungary	59 Andrássy út Budapest	No activity – holds use rights (Kerepesi)	100%
HOM Ingatlanfejlesztési és Vezetési Kft. (“HOM”)	Hungary	59 Andrássy út Budapest	Management company	100%
Tatabánya Plaza Ingatlanfejlesztési Kft.	Hungary	59 Andrássy út Budapest	No activity	100%

Name	Country of registration or incorporation	Registered office	Principal activity	Percentage interest held by the Company
Szombathely 2002 Ingatlanhasznosító és Vagyonkezelő Kft.	Hungary	59 Andrássy út Budapest	No activity	100%
Plasi Investment 2007 Kft.	Hungary	Hajógyári sziget 117, Budapest,	Shopping Center	70%
Szeged 2002 Ingatlanhasznosító és Vagyonkezelő Kft.	Hungary	59 Andrássy út Budapest	Holding Company	100%
SBI Hungary Ingatlanforgalmazo es Epito Kft.	Hungary	Becsi ut 38-44 Budapest	Shopping Center	35% (Indirect)
Czech Republic				
Pilsen Plaza s.r.o.	Czech Republic	Praha 3 Strasnice K Červenému Dvoru 2132/24, PSC 130 00, Czech Republic	Pilzn Plaza development company	100%
Praha Plaza s.r.o	Czech Republic	K Červenému Dworu 24/2132, 130 00 Praha 3, Czech Republic	Real estate	100%
B1 Plaza s.r.o	Czech Republic	K Červenému Dworu 24/2132, 130 00 Praha 3, Czech Republic	Real estate	100%
Plaza Centers Czech Republic s.r.o	Czech Republic	K Červenému Dworu 24/2132, 130 00 Praha 3, Czech Republic	Real estate	100%
P4 Plaza s.r.o	Czech Republic	K Červenému Dworu 24/2132, 130 00 Praha 3, Czech Republic	Real estate	100%
Fantasy Park Czech Republic s.r.o	Czech Republic	K Červenému Dworu 24/2132, 130 00 Praha 3, Czech Republic	Entertainment, real estate	98% (indirect)
NG Plaza s.r.o	Czech Republic	K Červenému Dworu 24/2132, 130 00 Praha 3, Czech Republic	Real estate	100%
BYTY SN Plaza s.r.o	Czech Republic	K Červenému Dworu 24/2132, 130 00 Praha 3, Czech Republic	No activity	100%
Hradec Plaza s.r.o	Czech Republic	K Červenému Dworu 24/2132, 130 00 Praha 3, Czech Republic	Real estate	100%
Plaza Housing s.r.o	Czech Republic	K Červenému Dworu 24/2132, 130 00 Praha 3, Czech Republic	Real estate	100%
Plaza Station s.r.o.	Czech Republic	K Červenému Dworu 24/2132, 130 00 Praha 3, Czech Republic	Real estate	100%
Serbia				
Totally Holiday D.O.O	Serbia	Lepenicka 7, Belgrade	Real estate	100%
Plaza Centers PPM D.O.O	Serbia	Lepenicka 7, Belgrade	Real estate	100%
Poland				
Bytom Plaza Sp. z o.o.	Poland	ul. Belgijska 11/2, 02-511 Warszawa	Shopping center	100%
Częstochowa Plaza Sp. z o.o.	Poland	ul. Belgijska 11/2, 02-511 Warszawa	Shopping center	100%
Jelenia Góra Plaza Sp. z o.o.	Poland	ul. Nowowiejskiego 53/4, Poznań	No activity	100%
Katowice Plaza Sp. z o.o.	Poland	ul. Belgijska 11/2, 02-511 Warszawa	No activity	100%
Suwałki Plaza Sp. z o.o.	Poland	ul. Belgijska 11/2, 02-511 Warszawa	Shopping center	100%
Koszalin Plaza Sp. z o.o.	Poland	ul. Nowowiejskiego 53/4, Poznań	No activity	100%
Legnica Plaza Sp. z o.o.	Poland	ul. Belgijska 11/2, 02-511 Warszawa	No activity	100%
Łódź Centrum Plaza Sp. z o.o.	Poland	ul. Belgijska 11/2, 02-511 Warszawa	Holding plot	100%
Plaza Centers (Poland) Sp. z o.o	Poland	ul. Belgijska 11/2, 02-511 Warszawa	Management Company	100%

Name	Country of registration or incorporation	Registered office	Principal activity	Percentage interest held by the Company
Olsztyn Plaza Sp. z o.o.	Poland	ul. Belgijska 11/2, 02-511 Warszawa	Shopping center	100%
Radom Plaza Sp. z o.o.	Poland	ul. Belgijska 11/2, 02-511 Warszawa	No activity	100%
Hokus Pokus Rozrywka Sp. z o.o.	Poland	ul. Powsińska 31, 02-90 Warszawa	No activity	50%
Wrocław Plaza Sp. z o.o.	Poland	ul. Belgijska 11/2, 02-511 Warszawa	Shopping center	100%
Zielona Góra Plaza Sp. z o.o.	Poland	ul. Belgijska 11/2, 02-511 Warszawa	Shopping center	100%
Fantasy Park Sp. z o.o.	Poland	Al. Pokoju 44, Kraków	Entertainment centre	98% (indirect)
Fantasy Park Investments Sp. z o.o.	Poland	Al. Pokoju 44, Kraków	Entertainment centre	98% (indirect)
Białystok Plaza Sp. z o.o	Poland	ul. Nowowiejskiego53/4, Poznań	No activity	50%
Bielsko-Biała Plaza Sp. z o.o.	Poland	ul. Wenecja 3/6, Kraków	No activity (dormant company)	100%
Bydgoszcz Plaza Sp. z o.o.	Poland	ul. Nowowiejskiego 53/4, Poznań	No activity	100%
Rzeszów Plaza Sp. z o.o.	Poland	ul. Wenecja 3/6, Kraków	No activity (dormant company)	100%
Chorzów Plaza Sp. z o.o.	Poland	ul. Wenecja 3/6, Kraków	No activity (dormant company)	100%
Gdańsk Centrum Plaza Sp. z o.o.	Poland	ul. Nowowiejskiego 53/4, Poznań	No activity (dormant company)	100%
Gliwice Plaza Sp. z o.o.	Poland	ul. Wenecja 3/6, Kraków	No activity (dormant company)	100%
Gorzów Wielkopolski Plaza Sp. z o.o	Poland	ul. Nowowiejskiego53/4, Poznań	No activity (dormant company)	100%
Grudziądz Plaza Sp. z o.o	Poland	ul. Nowowiejskiego53/4, Poznań	No activity (dormant company)	100%
Plaza Centers (Poland) South Sp. z o.o.	Poland	ul. Belgijska 11/2, 02-511 Warszawa	In accordance with the information provided by the company, it is a frozen company	100%
Opole Plaza Sp. z o.o.	Poland	ul. Wenecja 3/6 Kraków	No activity (dormant company)	100%
Płock Plaza Sp. z o.o.	Poland	ul. Nowowiejskiego 53/4, Poznań	No activity (dormant company)	100%
Szczecin Plaza Sp. z o.o.	Poland	ul. Nowowiejskiego 53/4, Poznań	No activity (dormant company)	100%
Tarnów Plaza Sp. z o.o.	Poland	ul. Wenecja 3/6, Kraków	No activity (dormant company)	100%
Toruń Plaza Sp. z o.o.	Poland	ul. Nowowiejskiego 53/4, Poznań	No activity	100%
Tychy Plaza Sp. z o.o	Poland	ul. Wenecja 3/6 Kraków	No activity (dormant company)	100%
Włocławek Plaza Sp. z o.o.	Poland	ul. Nowowiejskiego 53/4, Poznań	No activity	100%
Romania				
S.C. DAMBOVITA CENTER SRL	Romania	174-176 Stribei Voda St, District 1, Bucharest	Real estate	75%
S.C. PLAZA CENTERS MANAGEMENT ROMANIA SRL	Romania	63-81 Calea Victoriei St., 1 floor, 1 room, District 1, Bucharest	Management Company	100%

Name	Country of registration or incorporation	Registered office	Principal activity	Percentage interest held by the Company
S.C. GREEN PLAZA SRL	Romania	63-81 Calea Victoriei St., 2 floor, 6 room, District 1, Bucharest	Real estate	100%
S.C. CENTRAL PLAZA SRL	Romania	63-81 Calea Victoriei St., mezanin, 5 room, District 1, Bucharest	No activity	100%
S.C. ELITE PLAZA SRL	Romania	63-81 Calea Victoriei St., 2 floor, 1 room, District 1, Bucharest	Shopping center	100%
S.C. NORTH GATE PLAZA SRL	Romania	63-81 Calea Victoriei St., 1 floor, 3 room, District 1, Bucharest	Shopping center	100%
S.C. SOUTH GATE PLAZA SRL	Romania	63-81 Calea Victoriei St., 1 floor, 4 room, District 1, Bucharest	Shopping center	100%
S.C. WEST GATE PLAZA SRL	Romania	63-81 Calea Victoriei St., 1 floor, 5 room, District 1, Bucharest	No activity	100%
S.C. EASTERN GATE PLAZA SRL	Romania	63-81 Calea Victoriei St., 1 floor, 2 room, District 1, Bucharest	No activity	100%
S.C. NORTH WEST PLAZA SRL	Romania	63-81 Calea Victoriei St., 1 floor, 7 room, District 1, Bucharest	No activity	100%
S.C. NORTH EASTERN PLAZA SRL	Romania	63-81 Calea Victoriei St., 1 floor, 6 room, District 1, Bucharest	No activity	100%
S.C. SOUTH WEST PLAZA SRL	Romania	63-81 Calea Victoriei St., 1 floor, 9 room, District 1, Bucharest	No activity	100%
S.C. SOUTH EASTERN PLAZA SRL	Romania	63-81 Calea Victoriei St., 1 floor, 8 room, District 1, Bucharest	No activity	100%
S.C. WHITE PLAZA SRL	Romania	63-81 Calea Victoriei St., 1st floor, room 12, District 1, Bucharest	No activity	100%
S.C. GOLDEN PLAZA SRL	Romania	63-81 Calea Victoriei St., 1st floor, room 13, District 1, Bucharest	No activity	100%
S.C. BLUE PLAZA SRL	Romania	63-81 Calea Victoriei St., 1st floor, room 11, District 1, Bucharest	No activity	100%
S.C. RED PLAZA SRL	Romania	63-81 Calea Victoriei St., 1st floor, room 10, District 1, Bucharest	No activity	100%
Russia				
Plaza Centers Management OOO	Russia	17 Petrovka, Building 4, office 66, Moscow	Management Company	100%
Plaza Centers Project 1 OOO	Russia	4 Pereulok Chernishevskogo, building 1, office 17, Moscow	No activity	100%
Plaza Centers Project 2 OOO	Russia	18/2 Cosmonavtov, Moscow	No activity	100%
Cyprus				
Amanati limited	Cyprus	27, Pindarou Street, Alpha Business Center	No activity	100%
Dezimark limited	Cyprus	27, Pindarou Street, Alpha Business Center	No activity	100%
Floricil limited	Cyprus	27, Pindarou Street, Alpha Business Center	No activity	100%

Name	Country of registration or incorporation	Registered office	Principal activity	Percentage interest held by the Company
PC India Holdings limited	Cyprus	27, Pindarou Street, Alpha Business Center	Holding company	100%
Spiralco Holding limited	Cyprus	27, Pindarou Street, Alpha Business Center	Holding company	100%
Xifius limited	Cyprus	27, Pindarou Street, Alpha Business Center	No activity	100%
Permindo limited	Cyprus	27, Pindarou Street, Alpha Business Center	Holding company	100%
Mirantol Trading Limited	Cyprus	Florinis, 7 Greg tower, 6th floor P.C. 1065, Nicosia	No activity	100%
Nourolet Enterprises Limited	Cyprus	Florinis, 7 Greg tower, 6th floor P.C. 1065, Nicosia	No activity	100%
Tanoli Enterprises Limited	Cyprus	Florinis, 7 Greg tower, 6th floor P.C. 1065, Nicosia	No activity	100%
India				
Atrushya developers private Ltd.	India	759/34, BHOSALE PAVILION, BHANDARKAR ROAD, PUNE - 411 004	Owns plot of land	50%
Anuttam Developers private lts.	India	759/34, BHOSALE PAVILION, BHANDARKAR ROAD, PUNE - 411 004	Holding Company	50%
P-One infrastructure private Ltd	India	31/a Gopalrao Deshmukh Marg, Mumbay 400 026	Holds plots of land	50%
HOM India infrastructure Private Limited	India	Wanghbil Road, G.B. Road, Thane - 400607	Management Company	100%
Ajanu developers private Ltd.	India	759/34, BHOSALE PAVILION, BHANDARKAR ROAD, PUNE - 411 004	Owns plot of land	50%
Agmesh developers private Ltd.	India	759/34, BHOSALE PAVILION, BHANDARKAR ROAD, PUNE - 411 004	Owns plot of land	50%
Animish developers private Ltd.	India	759/34, BHOSALE PAVILION, BHANDARKAR ROAD, PUNE - 411 004	Owns plot of land	50%
Anahat developers private Ltd.	India	759/34, BHOSALE PAVILION, BHANDARKAR ROAD, PUNE - 411 004	Owns plot of land	50%
Apratirath developers private Ltd.	India	759/34, BHOSALE PAVILION, BHANDARKAR ROAD, PUNE - 411 004	Owns plot of land	50%
Athang developers private Ltd.	India	759/34, BHOSALE PAVILION, BHANDARKAR ROAD, PUNE - 411 004	Owns plot of land	50%
Avyang developers private Ltd.	India	759/34, BHOSALE PAVILION, BHANDARKAR ROAD, PUNE - 411 004	Owns plot of land	50%
Asankhya developers private Ltd.	India	759/34, BHOSALE PAVILION, BHANDARKAR ROAD, PUNE - 411 004	Owns plot of land	50%
Apramad developers private Ltd.	India	759/34, BHOSALE PAVILION, BHANDARKAR ROAD, PUNE - 411 004	Owns plot of land	50%
Abhayang developers private Ltd.	India	759/34, BHOSALE PAVILION, BHANDARKAR ROAD, PUNE - 411 004	Owns plot of land	50%
Amartya developers private Ltd.	India	759/34, BHOSALE PAVILION, BHANDARKAR ROAD, PUNE - 411 004	Owns plot of land	50%
Atmavan developers private Ltd.	India	759/34, BHOSALE PAVILION, BHANDARKAR ROAD, PUNE - 411 004	Owns plot of land	50%

Name	Country of registration or incorporation	Registered office	Principal activity	Percentage interest held by the Company
Amrutansh developers private Ltd.	India	759/34, BHOSALE PAVILION, BHANDARKAR ROAD, PUNE - 411 004	Owns plot of land	50%
Achal developers private Ltd.	India	759/34, BHOSALE PAVILION, BHANDARKAR ROAD, PUNE - 411 004	Owns plot of land	50%
Akhula developers private Ltd.	India	759/34, BHOSALE PAVILION, BHANDARKAR ROAD, PUNE - 411 004	Owns plot of land	50%
Antarmukh developers private Ltd.	India	759/34, BHOSALE PAVILION, BHANDARKAR ROAD, PUNE - 411 004	Owns plot of land	50%
Aprameya developers private Ltd.	India	759/34, BHOSALE PAVILION, BHANDARKAR ROAD, PUNE - 411 004	Owns plot of land	50%
Amraprabhu developers private Ltd.	India	759/34, BHOSALE PAVILION, BHANDARKAR ROAD, PUNE - 411 004	Owns plot of land	50%
Ajakshya developers private Ltd.	India	759/34, BHOSALE PAVILION, BHANDARKAR ROAD, PUNE - 411 004	Owns plot of land	50%
Avyaya developers private Ltd.	India	759/34, BHOSALE PAVILION, BHANDARKAR ROAD, PUNE - 411 004	Owns plot of land	50%
Avyaja developers private Ltd.	India	759/34, BHOSALE PAVILION, BHANDARKAR ROAD, PUNE - 411 004	Owns plot of land	50%
Anantshree developers private Ltd.	India	759/34, BHOSALE PAVILION, BHANDARKAR ROAD, PUNE - 411 004	Owns plot of land	50%

4. Share capital

1. Dealings in shares prior to the Admission:

1.1 Amendment of the articles of association and issue of shares:

a) By a shareholders' resolution dated 27 September 2006, the Controlling Shareholder and Stichting L'Orage resolved to amend the Company's articles of association pertaining to the change of the name of the Company to "Plaza Centers B.V.", to convert the denomination of the share capital from Dutch guilders into the euro currency and to increase the Company's share capital to EUR 90,000 (ninety-thousand euro), divided into 9,000,000 (nine million) shares, numbered 1 up to and including 9,000,000, each with a nominal value of €0.01 (one eurocent).

b) By a shareholders' resolution, dated 27 September 2006, the Controlling Shareholder and Stichting L'Orage resolved to issue, with the exclusion of applicable pre-emption rights, 2,684,880 (two million six hundred and eighty-four thousand eight hundred and eighty) Ordinary Shares each with a nominal value of €0.01 (one eurocent) to EUN pursuant to an obligation to pay up the Ordinary Shares in cash at an issue price equal to the nominal value of the Ordinary Shares whereby it was resolved that EUN's obligation to pay for these shares be set-off against part of the amount owed by the Company to EUN under a loan agreement between the Company and EUN.

1.2 Notarial deeds to effectuate shareholders' resolutions of 27 September 2006:

a) On 6 October 2006, a notarial deed was executed whereby the Company's articles of association were amended pertaining to the change of the name of the Company to "Plaza Centers B.V.", the conversion of the denomination of the share capital from Dutch guilders into euro and the increase of the Company's authorised share capital to EUR 90,000 (ninety-thousand euro) each with a nominal value of €0.01 (one eurocent).

b) On 6 October 2006, a notarial deed was executed whereby the Company issued 2,684,880 (two million six hundred and eighty-four thousand eight hundred and eighty) Ordinary Shares to EUN, with an issue price of EUR 26,848.80 (twenty-six thousand eight hundred and forty-eight euro and eighty eurocent) (the nominal value of the Ordinary Shares). The obligation of EUN to pay up the Ordinary Shares was set off against part of the amount the Company owes to EUN under a loan agreement between them. After this issuance, the issued and paid-up capital of the Company amounted to EUR 45,000 (forty-five thousand euro).

1.3 Sale between Stichting L'Orage and EUN:

a) On 9 October 2006, a notarial deed was executed whereby Stichting L'Orage sold and transferred 45,377 (forty-five thousand three hundred and seventy-seven) Ordinary Shares to EUN, as a result whereof Stichting L'Orage remains the shareholder of 1 (one) Ordinary Share in the Company. The purchase price for the Ordinary Shares was the nominal amount of the shares, being EUR 453.77 (four hundred and fifty-three euro and seventy-seven eurocent).

1.4 Amendment of the articles of association of the Company and conversion from B.V. into N.V.:

a) By a shareholders' resolution dated 9 October 2006, the Controlling Shareholder and Stichting L'Orage resolved to change the legal form of the Company from a private limited liability company (*besloten vennootschap met beperkte aansprakelijkheid or B.V.*) into a public limited liability company (*naamloze vennootschap or N.V.*) and to amend and restate entirely the Company's articles of association.

b) On 12 October 2006, a notarial deed was executed whereby the legal form of the Company was converted from a private limited liability company into a public limited liability company and to amend and restate entirely the Company's articles of association. From the date of execution of the notarial deed, the articles of association of the Company are — save for the amount of the authorised share capital — in the form of the Articles as described in this Prospectus.

1.5 Shareholders' resolution to (i) amend the articles of association to increase the authorised share capital and (ii) issue Ordinary Shares, related agreement and auditor's statement:

a) By a shareholders' resolution dated 20 October 2006, the Controlling Shareholder and Stichting L'Orage resolved to (i) amend the Company's articles of association to increase the authorised share capital and (ii) issue 195,500,000 (one hundred and ninety-five million five hundred thousand) Ordinary Shares—under the condition precedent of the amendment to the articles of association becoming

effective — to EUN against the contribution of various loans granted by EUN to certain Polish subsidiaries of the Company. The issue price for the Ordinary Shares to be issued to EUN was EUR17,236,550.

b) On 20 October 2006, the Company and EUN entered into an agreement pertaining to the contribution of the loans granted to Polish subsidiaries as mentioned under paragraph 4.1.5.1 above.

c) An auditor's statement, dated 19 October 2006, prepared by Harmzen Accountants & Consultants, has confirmed that the value of the contribution to be made through the loans granted to Polish subsidiaries at least equals the amount payable by EUN as capital contribution for the Ordinary Shares to be acquired pursuant to the shareholders' resolution referred to under paragraph 4.1.5.1 above.

1.6 Notarial deeds to effectuate the shareholders' resolution of 20 October 2006:

a) On 24 October 2006, a notarial deed was executed whereby the Company issued 195,500,000 (one hundred and ninety-five million five hundred thousand) Ordinary Shares to EUN, the issue price of the Ordinary Shares being €0.088 per Ordinary Share, against contribution in kind, as described in paragraphs 4.1.6.1 up to and including 4.1.6.3 above.

b) On 24 October 2006, a notarial deed was executed whereby the articles of association of the Company were amended, leading to an increase of the Company's authorised share capital to EUR 10,000,000 (ten million euro), divided into 1,000,000,000 (one thousand million euro) Ordinary Shares each with a nominal value of €0.01 (one eurocent).

1.7 Shareholders' resolutions dated 29 June 2007 regarding (i) the Company's statutory accounts; (ii) election of Directors, (iii) allotment of the Company's securities, (iv) removal of pre-emption rights, and (v) amendment of the articles of association:

a) On the annual general meeting of shareholders of the Company, which was held on 29 June 2007 in Amsterdam, inter alia the following resolutions were taken by the shareholders: (i) to extend the period to draw up the Company's Dutch statutory accounts and annual report for the financial year ended 31 December 2006; (ii) to re-elect Messrs. Paap and Yitzchaki and to elect Messrs. Zisser, Shtarkman, Van Eibergen Santhagens and Wichers as Directors; (iii) to authorize the Directors, generally and unconditionally, to exercise all powers of the Company to allot equity securities in the Company up to an aggregate nominal value of nine hundred sixty-four thousand seven hundred forty-two euro (EUR 964,742), being approximately thirty-three per cent (33%) of the Company's issued ordinary share capital at the date of the convening notice of the shareholders' meeting, provided that such authority shall expire at the conclusion of the Annual General Meeting to be held in 2008 unless previously renewed, varied or revoked by the Company in general meeting, save that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired; (iv) to give a special instruction to the Directors authorizing them to remove the pre-emption rights set out in article 6 of the Articles, such power to expire at the conclusion of the next Annual General Meeting, and the

Directors may allot equity securities following an offer or agreement made before the expiry of the authority and provided that the authority is limited to the allotment of equity securities up to a maximum aggregate nominal amount of one hundred forty-six thousand one hundred seventy-three (EUR 146,173) (being equal to approximately five per cent of the issued ordinary share capital of the Company as of the date of the convening notice of the shareholders' meeting and (v) to amend the Company's articles of association. The notarial deed amending the articles of assiociation was executed on 3 August 2007.

There were no dealings in shares of the Company in 2004 and 2005.

2. Shareholders' resolution to, *inter alia*, approve the listing of the Ordinary Shares on the WSE:

By a shareholders' resolution adopted in an extraordinary meeting of shareholders held on 30 August 2007, it was *inter alia* resolved to approve the listing of the Ordinary Shares on the WSE, including, without limitation, filing with the WSE of an application to admit the Ordinary Shares to trading on the regulated market operated by the WSE, to register the Ordinary Shares with the Polish National Depositary for Securities and to conclude the agreement with the Polish National Depositary for Securities related to the settlement of the Ordinary Shares. The Board was designated by the shareholders to take all action required to complete the listing on the WSE. Furthermore, it was resolved to extend the special instruction given by the shareholders on 29 June 2007, to the Board to disapply pre-emption rights, such power to expire at the conclusion of the next annual general meeting, provided that the directors may allot equity securities following an offer or agreement made before the expiry of the authority and provided that the authority is limited to the allotment of equity securities up to a maximum aggregate nominal amount of two hundred ninety-two thousand three hundred and forty-six Euro (EUR 292,346) (being equal to approximately ten percent (10%) of the issued ordinary share capital of the Company as at 30 August 2007.

At the date of this document, the authorised and issued fully paid share capital of the Company is:

	Authorised		Issued (fully paid)	
Class of shares	**EUR**	**Amount**	**EUR**	**Amount**
Ordinary Shares	10,000,000	1,000,000,000	2,923,460.87	292,346,087

3. The following table shows the issued share capital of the Company as at the beginning and end of FY 2006:

As of 1 January 2006		As of 31 December 2006	
Issued		Issued	
Nominal Value	**Number**	**Nominal Value**	**Number**
NLG1,000.....	40	EUR0.01	292,346,087

4. The authorised share capital of the Company on incorporation was NLG200,000 (EUR90,600) made up of 200 shares of NLG1,000 (EUR453). Save as disclosed in paragraph 4.1 above, the authorised share capital of the Company has not been amended since the Company's incorporation.

In the past year (i.e. the year preceding the publication of this Prospectus), the following transactions have been carried out between the Company and members of administrative bodies, Directors, senior management or affiliated persons:

Acquiring Party	Event	No. of Ordinary Shares or rights to acquire Ordinary Shares*	Date	Issue price
EUN.....	Issue of Ordinary Shares	2,684,880	6 October 2006	EUR0.01 per Ordinary Share
EUN.....	Transfer by Stichting L'Orage of Ordinary Shares to EUN	1,815,120	9 October 2006	EUR0.01 per Ordinary Share
EUN.....	Issue of Ordinary Shares	195,500,000	24 October 2006	EUR0.088 per Ordinary Share
Public.....	Public Offering:	92,346,087		GBP180 per Ordinary Share
	• the issuance	85,714,286	1 November 2006	GBP180 per Ordinary Share
	• the greenshoe option	6,631,801	24 November 2006	GBP180 per Ordinary Share

**A description of the Share Option Scheme is provided in section 9 hereof.*

The total amount of effective cash contribution paid in connection with the transactions involving EUN as stated above was EUR453.77. The offer price was 180 pence. The share premium recorded on the flotation (net of costs) was Euro 233,578,000.

5. The 2,684,880 shares issued to EUN on 6 October 2006 and the 195,500,000 shares issued to EUN on 24 October 2006 were issued in exchange for the forgiveness of a loan and through the contribution of loans, respectively.

6. The authorised but unissued share capital of the Company is EUR7,142,857.14 representing approximately 71.4% of the authorised share capital of the Company. 26,180,602 Ordinary Shares have been reserved in connection with the exercise of the options to be issued under the Share Option Scheme, as referred to in paragraph 9 of this Part IX.

7. Other than the unsecured non-convertible debentures in an aggregate principal amount of NIS 305 million, the Company does not have in issue any securities not representing share capital.

8. Subject to certain limited exceptions, unless the approval of Shareholders in a general meeting is obtained, the Company must offer Ordinary Shares to be issued for cash to holders of Ordinary Shares on a pro rata basis. Pursuant to the Deed Poll, the Depositary must accept such offer for the benefit of those DI Holders who request it to do so. For a description of the applicable provisions from the Articles, see also paragraph 5 – "Memorandum and articles of association – Issuance of Ordinary Shares; pre-emptive rights" of this Part IX. For a description of the Deed Poll see also paragraph 18 – "CREST, Depositary Interests and the Deed Poll" of this Part IX.

9. No shares in the Company are currently in issue with a fixed date on which entitlement to a dividend arises and there are no arrangements in force whereby future dividends are waived or agreed to be waived.

10. Save as disclosed in this paragraph 4, there has been no issue of share or loan capital of the Company or any other member of the Group (other than intra-Group issues by wholly-owned subsidiaries) in the three years immediately preceding the date of this document and (other than pursuant to the initial public offer or on the exercise of the options issued under the Share Option Scheme, as referred to in paragraph 9 of this Part IX) no such issues are proposed.

11. Save as disclosed in paragraph 17 of this Part IX, no commissions, discounts, brokerages or other special terms have been granted by the Company or any other member of the Group in connection with the issue or sale of any share or loan capital of the Company or any other member of the Group in the three years immediately preceding the date of this document.

12. Save as disclosed in paragraph 8 of this Part IX, on Admission no share or loan capital of the Company or any other member of the Group will be under option or will be agreed conditionally or unconditionally to be put under option.

13. None of the Ordinary Shares have been sold or are available in whole or in part to the public in conjunction with the application for the Ordinary Shares to be admitted to the listing on the WSE.

14. The Ordinary Shares have been issued or transferred to Capita IRG Trustees Limited as nominee. Capita IRG Trustees Limited as nominee has issued DIs through CREST.

5. Memorandum and articles of association

The Company's primary constitutional document is formed by the Articles (*statuten*). The current Articles were adopted on 3 August 2007 and contain, amongst others, provisions to the following effect:

Articles of association

The following description summarises certain provisions of the Articles currently in force. This summary does not purport to be complete and is subject to, and qualified in its entirety by, reference to the Articles (which are incorporated by reference in this Prospectus and copies of which are (free of charge) available at the offices of the Company during normal business hours) as well as to the relevant provisions of Dutch law. The Articles were most recently amended on 3 August 2007 before a substitute of Mr Steven van der Waal, civil law notary in The Hague, The Netherlands.

Objects of the Company

Pursuant to section 3.1. of the Articles, the objects of the Company are:

(i) to act as a general commercial company in a variety of sectors, including but not limited to real estate development, acquisition and re-development of existing real estate assets and the purchase, development and sale of immovable properties;

(ii) to incorporate, to finance, to participate in, to manage and to supervise companies, partnerships and other enterprises;

(iii) to raise funds by way of bank loans, by way of issue of securities (bonds or notes), or by borrowing moneys in any other way, to lend moneys, to provide guarantees including guarantees for debts of other persons, and to bind the Company jointly or severally with or for others in any other way;

(iv) to acquire, to alienate, to manage, to exploit, to develop, and to commercialise in any other way real estate, securities and any other assets, including patents, permits, copyrights, trade marks, licences, secret processes or formulas, designs and other industrial and intellectual property rights;

(v) to render administrative, technical, financial, economic, commercial or managerial services to companies, partnerships and other enterprises; and

(vi) to engage in all activities, whether or not in collaboration with others, which directly and indirectly relate to those objects, all this in the broadest sense.

In relation to the subscription or acquisition by others of Ordinary Shares in its capital or of Depositary Interests thereof, the Company may not grant loans, furnish security, give a price guarantee or otherwise warrant the performance or bind itself jointly or severally in addition to or for others. This prohibition does not apply if Ordinary Shares or Depositary Interests are subscribed to or acquired by or for employees employed by the Company or a group company.

The Ordinary Shares

The Ordinary Shares are in registered form. They are only available in the form of an entry in the shareholders' register of the Company without the issuance of a share certificate. Share certificates shall not be issued.

Ordinary Shares must be transferred by way of a written instrument. The transferee may only exercise its rights as Shareholders after acknowledgement of the transfer by the Company.

Shareholders register

Subject to Dutch law and the Articles, the Company must keep a shareholders register. The shareholders register must be kept up-to-date and must be kept at the offices of the Company. The register records the names, addresses and all other information of all shareholders of which Dutch law demands recording and such other information which is desirable in the view of the Board. The requirement applies similarly to holders of a right of pledge on shares and holders of a right of usufruct on shares.

Shareholders (which, in this case, does not include DI Holders), holders of a right of pledge on Ordinary Shares and holders of right of usufruct on Ordinary Shares will, at their request, be provided free of charge with a written statement of the recording in the register with respect to Ordinary Shares entered in their name, which statement may be signed on behalf of the Company by a special representative to be designated by the Board. The Board may allow inspection of the register and provide information regarding the direct or indirect shareholding of a Shareholder provided to the Company by such Shareholder to the authorities which are charged with the supervision of and/or the performance of the trading in Ordinary Shares on the London Stock Exchange in order to comply with the requirements set by the London Stock Exchange.

Depositary Interests

Pursuant to section 7 of the Articles, the Board is authorised to make such arrangements as it may think fit in order to enable Ordinary Shares to be represented by and exchanged for Depositary Interests. The Board is authorised to request from Capita IRG Trustees Limited a list of the names of the Depositary Interest holders as well as the number of Depositary Interests held by them.

Directors

The minimum number of Directors is three (3) and the maximum number is ten (10). As long as three (3) members of the Board hold office the remaining members of the Board may continue their activities despite a vacancy on the Board. 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 Company and endeavour to facilitate the appointment of such number of members of the Board as are required to create a quorum of three (3) directors.

The Shareholders in a general meeting are entitled to appoint, suspend and dismiss members of the Board.

The office of any director shall be vacated if one of the following events takes place:

(i) the director resigns from office by means of a written notification delivered to the registered office of the Company or offered in a meeting of the Board;

(ii) the director becomes mentally ill or he becomes a patient because of his mental health pursuant to any law or applicable right;

(iii) the director is by Dutch and/or English law prevented from serving as a director;

(iv) the director is, becomes or is declared bankrupt; or

(v) the director is dismissed from office with the Company.

The general meeting may appoint directors and grant the title “executive Director” or “Non-executive Director”. Upon the granting of the title “Executive Director”, the Board may resolve that any executive director may be granted the title of chief executive officer (CEO), chief financial officer (CFO) or chief operating officer (COO).

The chairman of the Board, will be appointed by the Board amidst its members for a period of three (3) years. At the end of that period, the Board will reappoint the outgoing chairman or appoint a new chairman amidst its members at the first meeting after the lapse of the previous period of three (3) years for a further period of three (3) years.

At each annual general meeting, one-third (1⁄3) of the members of the Board (excluding any member of the Board who has been appointed since the previous annual general meeting) or, if their number is not an integral multiple of three (3), the number nearest to one-third (1⁄3) but not exceeding one-third (1⁄3) shall retire from office (but so that if there are fewer than three (3) members of the Board who are subject to retirement by rotation one shall retire); and any member of the Board who is not required to retire by rotation but who has been in office for three (3) years or more since his appointment or his last re-appointment or who would have held office at not less than three (3) consecutive annual general meetings without retiring, shall retire from office.

The Company is represented by the Board as well as by one (1) executive director. If the Company has a direct and/or indirect conflicting interest with one (1) or more members of the Board, the Company may nevertheless be represented by that/those member(s) of the Board subject to a requirement that the directors inform the Board of any possible direct or indirect conflicting interest as soon as practicably possible. The general meeting will at all times be authorised in such case to appoint one (1) or more persons to represent the Company.

The general meeting shall 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 Ordinary Shares or the right to acquire Ordinary Shares as well as changes thereto, the Board shall submit a proposal to the general meeting for its approval. The proposal includes at least how many Ordinary Shares or right to acquire Ordinary Shares may be awarded to the member of the Board and which criteria apply to award or modification.

Board meetings

The quorum for a Board meeting is fifty per cent (50%) of the Directors, with at least one Executive Director and one Non-executive Director present. The Board must hold a meeting at least once every three months. Additional meetings can be convened at the request of two members of the Board. In any meeting of the Board, each member shall be entitled to one vote and a simple majority is required to pass a resolution. In the event of an equality of votes the resolution shall 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 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.

Subject to Dutch law, the Articles and any regulation determined by the Board, the Board is in charge of the management of the Company. The Executive Directors are charged with the daily management of the Company, subject to the overall responsibility of the Board. 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 Company. If all members of the Board are absent or unable to act, the Shareholders in a general meeting will appoint a person who is temporarily to be charged with the management of the Company.

With due regard of the relevant provisions in Dutch law, the Board shall establish an Audit Committee, a Remuneration Committee and a Selection and Appointment Committee as well as such other committees as it may deem fit. The Board shall draw up a set of rules and regulations for the Audit Committee, the Remuneration Committee, the Selection and Appointment Committee as well as for such other committees as it may deem fit. 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 Committee nor as members of the Remuneration Committee or the Selection and Appointment Committee. The task of each committee shall be to prepare the resolutions of the Board and to make proposals to the Board. No committee shall have any executive power.

Indemnity

To the maximum extent permitted by law, the Company will indemnify and keep indemnified the members of the Board, the Company's officers and members of the committees of the Board from any liabilities, obligations, losses, damage, fines, proceedings, judgments, legal actions, costs, expenses or disbursements of whatever kind or nature to which he may be obliged on the basis of his position or on the basis of any action taken or omitted within the scope of his obligations, except for those that have arisen from gross negligence, wilful failing or fraud. The Board may purchase and maintain for, or for the benefit of, any person who holds or who has at any time held a relevant office insurance against any liability or expense incurred by him in relation to the Company or any subsidiary of the Company or any third party in respect of any act or omission in the actual or purported discharge of the duties of the relevant officer concerned or otherwise in connection with the holding of that relevant office.

General meeting

Pursuant to Chapter VI (sections 19 up to and including 24) of the Articles, an annual general meeting of Shareholders is to be held within six (6) months after the end of the Company's financial year. In any event, the agenda of that meeting will include the following points:

(i) the annual report;

(ii) the adoption of the annual accounts;

(iii) discharge of the members of the Board for their management in the past year; and

(iv) profit appropriation.

Extraordinary general meetings will be convened by the Board if the Board deems such necessary. Furthermore, extraordinary general meetings will be held as soon as practicable following one or more Shareholders and/or DI Holders who jointly represent (an entitlement to) at least one-tenth of the issued capital, filing a written request thereto with the Board, stating the exact matters to be considered.

The convening notice of a general meeting shall specify the matters to be discussed. The convening notice will include any matter of which the discussion has been requested in writing by one or more Shareholders and/or DI Holders representing individually or collectively at least (an entitlement to) one per cent (1%) of the issued capital, on the condition that the Company has received the request not later than the sixtieth day prior to the day of the meeting and provided that it will not prejudice the interests of the Company in any material respect.

The notice convening a general meeting should be served on the Shareholders (which, in this context, does not include DI Holders) not later than on the fifteenth day prior to the day of the meeting and shall be published by an advertisement in a national daily newspaper published in the United Kingdom and a national daily newspaper published in The Netherlands. If the notice was served later than on the fifteenth day prior to the day of the meeting or if no notice has been served, valid resolutions can only be adopted by unanimous votes in a meeting where the entire issued capital is represented. The last sentence applies accordingly to matters which were not mentioned on the agenda in the convening notice.

General meetings will be held in Amsterdam, The Netherlands or in Haarlemmermeer, The Netherlands (Schiphol Airport). If a meeting is held elsewhere, valid resolutions can only be adopted if the entire issued capital is represented.

General meeting – Rights of attendance and voting rights

All Shareholders, DI Holders which have been authorised by the Depositary to attend the general meeting and to vote on the Ordinary Shares of which the DI Holder holds the corresponding DIs, usufructuaries (*vruchtgebruikers*) and pledgees (*pandhouders*) with voting rights will be entitled to attend the general meeting, to speak and to cast a vote. Shareholders and pledgees with voting rights can only exercise the voting rights at the meeting in respect of the Ordinary Shares which are registered in their name on the day of the meeting. The Board is authorised to determine that with regard to a general meeting, Shareholders, usufructuaries and pledgees with voting rights will be treated as holders of voting rights who have these rights at the time to be set by the Board (a "Registration Date") and have as such been registered in one or more registers designated by the Board. If the Board sets a Registration Date, the notice convening the meeting shall state this date, in addition to the way in which the attendees to the meeting can exercise their voting rights.

Investors holding Shares in securities accounts opened in Poland (the "Polish Shareholders") will be able to exercise voting rights attached to the Shares. In respect of all Shares held by the Polish Shareholders, the Polish NDS will be recognized by Euroclear as the holder of the nominee account holding shares on behalf and for the benefit of the ultimate shareholders. In turn Euroclear will be entitled to instruct the Depositary to exercise rights attached to the Shares, based on instructions received from the Polish NDS. The Polish NDS will collect instructions from the securities houses acting as members of the Polish NDS and given on behalf and pursuant to instructions of the Polish Shareholders. Each Ordinary Share will give the right to cast one (1) vote. No business may be put to a general meeting unless a quorum is present. A quorum of the general meeting, as provided for in the Articles, will consist of at least three (3) Shareholders or DI Holders (which have been authorised by the Depositary to attend the general meeting and to vote on the Ordinary Shares of which the DI Holders hold the corresponding DIs) representing at least ten per cent (10%) of the issued share capital. Unless Dutch law or the Articles prescribe a greater majority, resolutions shall be adopted by a simple majority of the votes cast.

Shareholder resolutions which require supermajority

The following resolutions of the general meeting will be taken with a seventy-five per cent (75%) majority in a meeting in which at least three (3) Shareholders and/or DI Holders are present or represented, representing at least ten per cent (10%) of the issued share capital:

(i) a resolution of the general meeting to limit or exclude pre-emptive rights (*voorkeursrechten*);

(ii) the resolution to reduce the issued share capital;

The following resolutions of the general meeting will be taken upon the non-binding proposal thereto by the Board, with a seventy-five per cent (75%) majority in a meeting in which at least three (3) Shareholders and/or DI Holders are present or represented, representing at least ten per cent (10%) of the issued share capital:

(i) a resolution to amend the Articles;

(ii) a resolution to merge (*fuseren*) the Company;

(iii) a resolution to split up (*splitsing*) the Company; and

(iv) a resolution to dissolve (*ontbinden*) the Company.

Resolutions of the Board which require prior approval by the general meeting

Resolutions of the Board require the prior approval of the general meeting when these relate to an important change in the identity or character of the Company or an undertaking of the Company, including in any case:

(i) the transfer of the undertaking or practically the entire undertaking of the Company to a third party;

(ii) the entry into or termination of a long-term agreement or cooperation of the Company or a subsidiary with another legal entity or partnership or as a fully liable partner in a limited partnership, if such cooperation or termination is of far-reaching significance for the Company; and

(iii) the acquisition or divestment by the Company or a subsidiary of the Company of a participating interest in the capital of a company having a value of at least one-third (1/3) of the amount of the Company's assets according to the Company's balance sheet and explanatory notes or, if the Company prepares a consolidated balance sheet, according to its consolidated balance sheet and explanatory notes in each case in the most recent annual accounts of the Company.

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.

Financial year, annual report and annual accounts

The Company's financial year will coincide with the calendar year. Within five (5) months of the end of the financial year the Board will prepare the annual accounts. The general meeting has the right to extend the date by which the annual accounts must be completed for up to six (6) months on the basis of special circumstances.

The Company may instruct its auditors as referred to in section 2:393 DCC to audit the annual accounts prepared by the Board with the proviso that the Company will be bound to do so if such is required by Dutch law. The general meeting will be authorised to make the instruction. If the general meeting does not make such instruction, the Board will be authorised thereto. The instruction of an auditor can be revoked at any time by the general meeting and by the person who made the instruction.

The annual accounts will be submitted to the general meeting for adoption. The general meeting may resolve to discharge the members of the Board for their management in the past year. Under Dutch law, this discharge is not absolute and is not effective with regard to matters not disclosed to the Shareholders.

Amendment of the Articles, dissolution and liquidation

The general meeting may decide to amend the Articles. In addition, the general meeting may resolve to merge, split up or dissolve the Company. If a resolution to amend the Articles is included in the notice convening the general meeting, a copy of the proposal containing the proposed amendment in full in the form in which it is proposed to be adopted must be deposited simultaneously at the Company's office for inspection by any Shareholder until the end of the meeting.

In the event of dissolution of the Company, the Board will be the appointed liquidator (*vereffenaar*) unless the general meeting appoints other persons to that effect. The surplus remaining after payment of all debts will be paid to the Shareholders in proportion to their individual shareholdings.

Issuance of Ordinary Shares; pre-emptive rights

The general meeting is authorised to resolve to issue Ordinary Shares and to determine the issue price for the Ordinary Shares and the other conditions of the issue. The general meeting may delegate its authority to issue Ordinary Shares to another corporate body for a specified period not exceeding five (5) years. The designation of another corporate body as authorised to resolve to issue Ordinary Shares may be extended from time to time, upon resolution of the general meeting, for a period not exceeding five (5) years. On such designation, the number of Ordinary Shares must be specified. A designation pursuant to a resolution of the general meeting may, unless such resolution provides otherwise, not be revoked. These provisions

apply accordingly to the granting of rights to acquire Ordinary Shares (e.g. the issuance of share options) but do not apply to the issuance of Ordinary Shares if to someone who exercises an existing right to subscribe for Ordinary Shares.

Each Shareholder (but not each DI Holder) will have a pre-emptive right on any issue of Ordinary Shares for payment in cash in proportion to the aggregate amount of his Ordinary Shares. DI Holders will not have such a pre-emptive right; they must rely on the Depositary to pass on to them such a pre-emptive right or to exercise such a pre-emptive right for their benefit. The Polish Shareholders will have to rely on the Polish NDS and Euroclear to transmit instructions to the Depositary regarding the exercise of their pre-emptive right. A Shareholder will not have a pre-emptive right in respect of Ordinary Shares issued for a non-cash contribution or in respect of Ordinary Shares (or rights to acquire Ordinary Shares), issued to employees of the Company or of a Group company.

The general meeting may limit or exclude pre-emptive rights in respect of individual issues of Ordinary Shares. The pre-emptive rights may also be limited or excluded by the corporate body to which the authority to issue Ordinary Shares has been assigned (see above), pursuant to a designation of the power to limit or exclude pre-emptive rights to that body by the general meeting for a period not exceeding five (5) years. The designation may not be withdrawn unless otherwise provided for in the resolution in which the designation is made. The resolution of the general meeting to exclude pre-emptive rights is subject to a quorum requirement (see above).

Reduction of capital

The general meeting may resolve to reduce the issued capital by a withdrawal of Ordinary Shares or by a reduction of the nominal amount of the Ordinary Shares by an amendment of the Articles. The resolution of the general meeting to reduce the capital is subject to a combined majority and quorum requirement (see above).

Purchase of own Ordinary Shares by the Company

The Company may, provided that it shall have received the prior authorisation of the general meeting, acquire fully paid Ordinary Shares in its own capital for no consideration only or in the event that:

(i) the net assets less the acquisition price is not less than the sum of the paid-up (*gestort*) and called-up (*opgevraagd*) capital plus the reserves which must be maintained by law; and

(ii) the nominal amount of the Ordinary Shares in its capital which the Company acquires, hold, holds in pledge or which are held by a subsidiary does not exceed one-tenth (1⁄10) of the issued capital.

These provisions also apply to the purchase by the Company of Depositary Interests. The Board may resolve to sell the Ordinary Shares held by the Company in its own capital. The Company has no voting rights in respect of Ordinary Shares that it holds in its own capital.

When acquiring Ordinary Shares in its own capital the Company will comply with 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 exemptions for buy-back programmes and stabilisation of financial instruments.

Notification interests of shares and/or voting rights

The Articles do not contain provisions which set out an ownership threshold above which a Shareholder ownership or voting rights entitlement should be disclosed. Reference is made to the description of obligations for Shareholders pursuant to the Wft in Part XI – “Summary of Applicable Dutch Law”.

6. Taxation

The following statements are intended only as a general guide to the main UK, Dutch and Polish tax consequences which will apply to Shareholders who are either resident and ordinarily resident individuals or companies in the UK or Poland, respectively, who are beneficial owners of Ordinary Shares and who hold their Ordinary Shares as an investment. It does not purport to be a comprehensive analysis of all the tax consequences applicable to all types of shareholders and is based on current law and practice. Any person who is in any doubt as to his or her tax position, or who is subject to taxation in any jurisdiction, including the UK, should consult his or her professional advisers immediately.

UK tax

Dividends

The Company will not be obliged to make any withholding on account of UK tax on payment of any dividends. A UK Holder will be subject to income tax or corporation tax in relation to dividends received from the Company on the total of the dividend received plus any Dutch withholding tax deducted at source. Dividends received by corporate Shareholders which are not resident in the UK for UK tax purposes but carry on a trade in the UK through a permanent establishment in connection with which its Ordinary Shares are held may also be so subject to corporation tax. Credit may, however, be given for any Dutch tax withheld, provided such tax is not recoverable from the Dutch tax authorities.

An individual UK Holder who is not domiciled in the UK will be subject to UK income tax only insofar as he remits dividends to the UK. Where UK income tax applies to dividends received by an individual UK Holder, tax will be charged at a rate of up to 32.5% for higher rate taxpayers. Lower and basic rate taxpayers will pay tax on the dividends at a rate of 10%. This treatment is subject to change following announcements made by the UK Government. The effect of these changes is that from 6 April 2008, individual UK Holders will be entitled to a non-payable dividend tax credit on the dividends they receive, provided that they have less than 10% shareholding and, in total, receive less than £5,000 of dividends a year from non-UK resident companies. From 6 April 2008, such Shareholders will pay no further income tax on the dividends received from non-UK resident companies, unless they are subject to income tax at the higher rate, in which case (at current rates) they will be taxed on the dividends from the non-UK resident companies at an effective rate of 25%. Where UK corporation tax applies to corporate Shareholders, tax will be charged at a rate of up to 30%.

Capital gains

A disposal of Ordinary Shares by a UK Holder (or a corporate Shareholder not resident in the UK for UK tax purposes but which carries on a trade in the UK through a permanent establishment in connection with which its Ordinary Shares are held) may, subject to the Shareholder's own circumstances and any available exemption or relief, give rise to a chargeable gain (or allowable loss) for the purposes of UK taxation of chargeable gains. An individual UK Holder who is not domiciled in the UK may apply for UK capital gains tax to be charged only insofar as he remits the proceeds received on a disposal of Ordinary Shares to the UK.

Stamp Duty and Stamp Duty Reserve Tax

No ad valorem UK stamp duty or stamp duty reserve tax ("SDRT") will arise in respect of the issue of Depositary Interests by, or the transfer of Ordinary Shares or the surrender of Depositary Interests to, the Depositary.

No UK SDRT should be payable on the agreement to transfer Depositary Interests within CREST, provided that (i) no register of Ordinary Shares is kept in the UK by or on behalf of the Company and (ii) the central management and control of the Company is not exercised in the UK. It is not intended that any such register will be kept in the UK nor that the central

management and control of the Company will be exercised in the UK. It is not expected that an instrument subject to UK stamp duty would be created in respect of such a transfer.

The above is a summary of certain aspects of current law and practice in the UK. A Shareholder who is in any doubt as to his tax position should consult his or her professional adviser.

Dutch tax

This taxation summary solely addresses the principal Dutch tax consequences of the acquisition, the ownership and disposition of Ordinary Shares. It does not consider every aspect of taxation that may be relevant to a particular holder of Ordinary Shares under special circumstances or who is subject to special treatment under applicable law. Where in this summary English terms and expressions are used to refer to Dutch concepts, the meaning to be attributed to such terms and expressions shall be the meaning to be attributed to the equivalent Dutch concepts under Dutch tax law. This summary also assumes that the Company is organised, and that its business will be conducted, in the manner outlined in this Prospectus. A change to such organizational structure or to the manner in which the Company conducts its business may invalidate the contents of this summary, which will not be updated to reflect any such change.

This summary is based on the tax law of The Netherlands (unpublished case law not included) as it stands on the date of this Prospectus. The law upon which this summary is based is subject to change, perhaps with retroactive effect. Any such change may invalidate the contents of this summary, which will not be updated to reflect such change.

Taxes on income and capital gains

Resident holders of Ordinary Shares

General

The summary set out in this section "Taxes on income and capital gains - Resident holders of Ordinary Shares" only applies to a holder of Ordinary Shares who is a "Dutch Individual" or a "Dutch Corporate Entity".

For the purposes of this section you are a "Dutch Individual" if you satisfy the following tests:

a. you are an individual;

b. you are resident, or deemed to be resident, in The Netherlands for Dutch income tax purposes, or you have elected to be treated as a resident of The Netherlands for Dutch income tax purposes;

c. your Ordinary Shares and any benefits derived or deemed to be derived therefrom have no connection with your past, present or future employment, if any; and

d. your Ordinary Shares do not form part of a substantial interest (*aanmerkelijk belang*) or a deemed substantial interest in the Company within the meaning of Chapter 4 of the Dutch Income Tax Act 2001 (*Wet inkomstenbelasting 2001*).

Generally, if a person holds an interest in the Company, such interest forms part of a substantial interest, or a deemed substantial interest, in the Company if any one or more of the following circumstances is present:

1. Such person alone or, if he is an individual, together with his partner (partner, as defined in Article 1.2 of the Dutch Income Tax Act 2001), if any, owns, directly or indirectly, a number of shares in the Company representing five per cent. or more of the Company's total issued and outstanding capital (or the issued and outstanding capital of any class of the Ordinary Shares), or rights to acquire, directly or indirectly, shares, whether or not already issued, representing five per cent. or more of the Company's total issued and outstanding capital (or the issued and outstanding capital of any class

of the Ordinary Shares), or profit participating certificates (*winstbewijzen*) relating to five per cent. or more of the Company's annual profit or to five per cent. or more of the Company's liquidation proceeds.

2. Such person's shares, profit participating certificates or rights to acquire shares or profit participating certificates in the Company have been acquired by him or are deemed to have been acquired by him under a non-recognition provision.

3. Such person's partner or any of his relatives by blood or by marriage in the direct line (including foster-children) or of those of his partner has a substantial interest (as described under 1. and 2. above) in the Company.

A person who is entitled to the benefits from shares or profit participating certificates (for instance a holder of a right of usufruct) is deemed to be a holder of shares or profit participating certificates, as the case may be, and his entitlement to benefits is considered a share or profit participating certificate, as the case may be.

If you are an individual and a holder of Ordinary Shares and if you satisfy test b., but do not satisfy test c. and/or test d., your Dutch income tax position is not discussed in this Prospectus. If you are an individual and a holder of Ordinary Shares who does not satisfy test b., please refer to the section "Taxes on income and capital gains – Non-resident holders of Ordinary Shares."

For the purposes of this section you are a "Dutch Corporate Entity" if you satisfy the following tests:

(i) you are a corporate entity (*lichaam*), including an association that is taxable as a corporate entity, that is subject to Dutch corporation tax in respect of benefits derived from its Ordinary Shares;

(ii) you are resident, or deemed to be resident, in The Netherlands for Dutch corporation tax purposes;

(iii) you are not an entity that, although in principle subject to Dutch corporation tax, is, in whole or in part, specifically exempt from that tax; and

(iv) you are not an investment institution (*beleggingsinstelling*) as defined in article 28 of the Dutch Corporation Tax Act 1969 (*Wet op de vennootschapsbelasting 1969*).

If you are not an individual and a holder of Ordinary Shares and if you do not satisfy any one or more of these tests, with the exception of test ii., your Dutch corporation tax position is not discussed in this Prospectus. If you are not an individual, and a holder of Ordinary Shares that does not satisfy test ii., please refer to the section "Taxes on income and capital gains – Non-resident holders of Ordinary Shares".

Dutch Individuals deriving profits or deemed to be deriving profits from an enterprise

If you are a Dutch Individual and if you derive or are deemed to derive any benefits from Ordinary Shares, including any capital gain realised on the disposal thereof, that are attributable to an enterprise from which you derive profits, whether as an entrepreneur (*ondernemer*) or pursuant to a co-entitlement to the net value of an enterprise, other than as a shareholder, such benefits are generally subject to Dutch income tax at progressive rates.

Dutch Individuals deriving benefits from miscellaneous activities

If you are a Dutch Individual and if you derive or are deemed to derive any benefits from Ordinary Shares, including any gain realised on the disposal thereof, that constitute benefits from miscellaneous activities (*resultaat uit overige werkzaamheden*), such benefits are generally subject to Dutch income tax at progressive rates.

If you are a Dutch Individual you may, inter alia, derive benefits from Ordinary Shares that are taxable as benefits from miscellaneous activities if your investment activities go beyond

the activities of an active portfolio investor, for instance in the case of the use of insider knowledge (*voorkennis*) or comparable forms of special knowledge.

Other Dutch Individuals

If you are a Dutch Individual and your situation has not been discussed before in this section "Taxes on income and capital gains – Resident holders of Ordinary Shares", benefits from your Ordinary Shares are taxed as a benefit from savings and investments (*voordeel uit sparen en beleggen*). Such benefit is deemed to be 4 per cent. per annum of the average of your "yield basis" (*rendementsgrondslag*) at the beginning and at the end of the year, insofar as that average exceeds the "exempt net asset amount" (*heffingvrij vermogen*). The benefit is taxed at the rate of 30 per cent. The value of your Ordinary Shares forms part of your yield basis. Actual benefits derived from your Ordinary Shares, including any gain realised on the disposal thereof, are not as such subject to Dutch income tax.

Dutch Corporate Entities

If you are a Dutch Corporate Entity, any benefits derived or deemed to be derived by you from Ordinary Shares, including any gain realised on the disposal thereof, are generally subject to Dutch corporation tax, except to the extent that the benefits are exempt under the participation exemption as laid down in the Dutch Corporation Tax Act 1969.

Non-resident holders of Ordinary Shares

The summary set out in this section "Taxes on income and capital gains – Non-resident holders of Ordinary Shares" only applies to a holder of Ordinary Shares who is a Non-resident holder of Ordinary Shares.

For the purposes of this section, you are a "Non-resident holder of Ordinary Shares' if you satisfy the following tests:

a. you are neither resident, nor deemed to be resident, in The Netherlands for purposes of Dutch income tax or corporation tax, as the case may be, and, if you are an individual, you have not elected to be treated as a resident of The Netherlands for Dutch income tax purposes;

b. your Ordinary Shares and any benefits derived or deemed to be derived therefrom have no connection with your past, present or future employment or membership of a management board (*bestuurder*) or a supervisory board (*commissaris*);

c. your Ordinary Shares do not form part of a substantial interest or a deemed substantial interest in the Company within the meaning of Chapter 4 of the Dutch Income Tax Act 2001, unless such interest forms part of the assets of an enterprise;

d. if you are not an individual, no part of the benefits derived from your Ordinary Shares is exempt from Dutch corporation tax under the participation exemption as laid down in the Dutch Corporation Tax Act 1969; and

e. you are not an entity that is resident in a Member State of the European Union and that is not subject to a tax on profits levied there.

See the section "Taxes on income and capital gains – Resident holders of Ordinary Shares" for a description of the circumstances under which Ordinary Shares form part of a substantial interest or a deemed substantial interest in the Company.

If you are a holder of Ordinary Shares and you satisfy test a., but do not satisfy any one or more of tests b., c., d. and e., your Dutch income tax position or corporation tax position, as the case may be, is not discussed in this Prospectus.

If you are a Non-resident holder of Ordinary Shares you will not be subject to any Dutch taxes on income or capital gains (other than the dividend withholding tax described below) in respect of any benefits derived or deemed to be derived by you from Ordinary Shares, including any capital gain realised on the disposal thereof, except if

1. (i) you derive profits from an enterprise, as an entrepreneur (*ondernemer*) or pursuant to a co-entitlement to the net value of such enterprise, other than as a shareholder, if you are an individual, or other than as a holder of securities, if you are not an individual, and (ii) such enterprise is either managed in The Netherlands or carried on, in whole or in part, through a permanent establishment or a permanent representative in The Netherlands and (iii) your Ordinary Shares are attributable to such enterprise; or
2. you are an individual and you derive benefits from Ordinary Shares that are taxable as benefits from miscellaneous activities in The Netherlands.

See the section "Taxes on income and capital gains – Resident holders of Ordinary Shares" for a description of the circumstances under which the benefits derived from Ordinary Shares may be taxable as benefits from miscellaneous activities, on the understanding that such benefits will be taxable in The Netherlands only if such activities are performed or deemed to be performed in The Netherlands.

Dividend withholding tax

General

Dividends distributed by the Company are generally subject to a withholding tax imposed by The Netherlands at a rate of 15%.

The concept "dividends distributed by the Company" 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 Company to a holder of Ordinary Shares 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 Company'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 Company's articles of association.

Dutch Individuals and Dutch Corporate Entities

A Dutch Individual (other than an individual who is not resident or deemed to be resident in the Netherlands, but who has elected to be treated as a resident of the Netherlands for Dutch income tax purposes) or a Dutch Corporate Entity generally can credit Dutch dividend withholding tax against his Dutch income tax or its Dutch corporation tax liability, as the case may be, and generally is entitled to a refund in the form of a negative assessment of Dutch income tax or Dutch corporation tax, as the case may be, insofar as such dividend withholding tax, together with any other creditable domestic and/or foreign taxes, exceeds his aggregate Dutch income tax or its aggregate Dutch corporation tax liability, as the case may be, provided that, in the case of a Dutch Corporate Entity, (i) the dividends distributed by the Company in respect of which such dividend withholding tax is withheld are included in its taxable profits and (ii) it has timely and duly filed a corporation tax return. In the case of a Dutch Corporate Entity for which dividends distributed by the Company are not included in its taxable profits, the dividend withholding tax withheld thereon is refunded upon a timely and duly filed request.

Pursuant to domestic rules to avoid dividend stripping, Dutch dividend withholding tax will only be creditable by or refundable to the beneficial owner (*uiteindelijk gerechtigde*) of dividends distributed by the Company. A holder of Ordinary Shares who receives proceeds therefrom shall not be recognised as the beneficial owner of such proceeds if, in connection with the receipt of the proceeds, it has given a consideration, in the framework of a composite transaction including, without limitation, the mere acquisition of one or more dividend coupons or the creation of short-term rights of enjoyment of shares (*kortlopende genotsrechten op aandelen*), whereas it may be presumed that (i) such proceeds in whole or in part, directly or indirectly, inure to a person who would not have been entitled to an exemption from, reduction or refund of, or credit for, dividend withholding tax, or who would have been entitled to a smaller reduction or refund of, or credit for, dividend withholding tax than the actual recipient of the proceeds; and (ii) such person acquires or retains, directly or indirectly, an interest in Ordinary Shares or similar instruments, comparable to its interest in Ordinary Shares prior to the time the composite transaction was first initiated.

An individual who is not resident or deemed to be resident in The Netherlands, but who has elected to be treated as a resident of The Netherlands for Dutch income tax purposes, may be eligible for relief from Dutch dividend withholding tax on the same conditions as an individual who is a Non-resident holder of Ordinary Shares, as discussed below.

See the section "Dividend withholding tax – General" for a description of the concept "dividends distributed by the Company".

See the section "Taxes on income and capital gains – Resident holders of Ordinary Shares" for a description of the terms Dutch Individual and Dutch Corporate Entity.

Non-resident holders of Ordinary Shares

If a Non-resident holder of Ordinary Shares is resident in The Netherlands Antilles or Aruba or in a country that has concluded a double taxation treaty with The Netherlands, such holder may be eligible for a full or partial relief from the dividend withholding tax, provided such relief is timely and duly claimed. Pursuant to domestic rules to avoid dividend stripping, dividend withholding tax relief will only be available to the beneficial owner of dividends distributed by the Company. The Dutch tax authorities have taken the position that this beneficial-ownership test can also be applied to deny relief from dividend withholding tax under double tax treaties and the Tax Arrangement for the Kingdom (*Belastingregeling voor het Koninkrijk*).

In addition, a Non-resident holder of Ordinary Shares that is not an individual and that is resident in a Member State of the European Union is entitled to an exemption from dividend withholding tax, provided that the following tests are satisfied:

1. it takes one of the legal forms listed in the Annex to the EU Parent Subsidiary Directive (Directive 90/435/EEC, as amended), or a legal form designated by ministerial decree;
2. any one or more of the following threshold conditions are satisfied:
   a. at the time the dividend is distributed by the Company, it holds shares representing at least five per cent. of the Company's nominal paid up capital; or
   b. it has held shares representing at least five per cent. of the Company's nominal paid up capital for a continuous period of more than one year at any time during the four years preceding the time the dividend is distributed by the Company, provided that such period ended after 31 December 2006; or
   c. it is connected with the Company within the meaning of article 10a, paragraph 4, of the Dutch Corporation Tax Act; or
   d. an entity connected with it within the meaning of article 10a, paragraph 4, of the Dutch Corporation Tax Act holds at the time the dividend is distributed by the Company, shares representing at least five per cent. of the Company's nominal paid up capital;

3. it is subject to the tax levied in its country of residence as meant in article 2, paragraph 1, letter c, of the EU Parent Subsidiary Directive (Directive 90/435/EEC, as amended) without the possibility of an option or of being exempt; and
4. it is not considered to be resident outside the Member States of the European Union under the terms of a double taxation treaty concluded with a third State.

The exemption from dividend withholding tax is not available if pursuant to a provision for the prevention of fraud or abuse included in a double taxation treaty between The Netherlands and the country of residence of the Non-resident holder of Ordinary Shares, such holder would not be entitled to the reduction of tax on dividends provided for by such treaty. Furthermore, the exemption from dividend withholding tax will only be available to the beneficial owner of dividends distributed by the Company. If a Non-resident holder of Ordinary Shares is resident in a Member State of the European Union with which The Netherlands has concluded a double taxation treaty that provides for a reduction of tax on dividends based on the ownership of the number of voting rights, the test under 2.a. above is also satisfied if such holder owns five per cent. of the voting rights in the Company.

See the section "Dividend withholding tax – Dutch Individuals and Dutch Corporate Entities" for a description of the term beneficial owner.

See the section "Dividend withholding tax – General" for a description of the concept "dividends distributed by the Company".

See the section "Taxes on income and capital gains – Non-resident holders of Ordinary Shares" for a description of the term Non-resident holder of Ordinary Shares.

Gift and inheritance taxes

If you acquire Ordinary Shares as a gift (in form or in substance) or if you acquire or are deemed to acquire Ordinary Shares on the death of an individual, you will not be subject to Dutch gift tax or to Dutch inheritance tax, as the case may be, unless:

(i) the donor is, or the deceased was, resident or deemed to be resident in The Netherlands for purposes of gift or inheritance tax (as the case may be); or

(ii) the Ordinary Shares are or were attributable to an enterprise or part of an enterprise that the donor or deceased carried on through a permanent establishment or a permanent representative in The Netherlands at the time of the gift or of the death of the deceased; or

(iii) the donor made a gift of Ordinary 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.

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 holder of Ordinary Shares in respect of or in connection with the subscription, issue, placement, allotment, delivery of Ordinary Shares, 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 Ordinary Shares or the performance by the Company of the Company's obligations thereunder, or in respect of or in connection with the transfer of Ordinary Shares.

Polish tax

Income Earned on the Disposal of Securities by Individuals Who Are Polish Tax Residents

In accordance with Article 3, section 1 of the Personal Income Tax Act, natural persons, provided that they reside within the territory of the Republic of Poland, are liable to pay tax

on all of their income (revenue) regardless of the location of the source of revenues (unlimited tax obligation). A person residing within the territory of the Republic of Poland is any natural person 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 resident of property located in another country, the tax treaty between Poland and that country applies. According to Article 13, section 4 of the Polish-Dutch 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 Ordinary Shares earned by Polish residents is taxed in Poland according to the following rules.

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 Ordinary 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, by the end of February of the year immediately following the year in which the gains are made (or losses are incurred) by such person on the disposal of securities. There is no requirement to pay tax advances during the tax year.

An individual who obtains gains (or incurs losses) on the sale of securities is required to calculate and pay the tax due, as well as submit, 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 tax return is to be submitted to the tax office competent for the place of residence of such taxpayer on the last day of the financial year, and if such person ceased to reside in Poland before that date, to the tax office competent for the person's last place of residence within the territory of Poland.

The above regulations shall not apply if a sale of securities 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.

Income Earned on the Disposal of Securities by Individuals Who Are Not Polish Tax Residents

In accordance with Article 3, section 2a of the Personal Income Tax Act, natural persons, if they do not reside within the territory of the Republic of Poland, are liable to pay tax exclusively on income (revenue) obtained within the territory of the Republic of Poland (limited tax obligation).

Income from the disposal of shares in a foreign entity by an individual who is a Polish tax resident cannot be classified as income obtained in Poland and as a result is not taxed in Poland. In such case, the tax treaty between the Netherlands and the country of residence of the individual should be applied.

Dividends and Other Income from a Share in the Profits of Legal Persons Earned by Individuals Who Are Polish Tax Residents

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, 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, the value of the assets received in connection with the liquidation of

the legal person, income intended for a share capital increase, and income which is the equivalent of the amounts contributed to the share capital from other funds of the legal person.

Taxation of the dividend income obtained by an individual who is a Polish resident from a company resident in the Netherlands, is regulated by the provisions of the Polish-Dutch tax treaty. Pursuant to Article 12 of the treaty, dividends paid by a company resident in the Netherlands to a individual resident in Poland may be taxed in Poland. These dividends may also be taxed in the Netherlands, but the tax levied in this country cannot 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 Polish-Dutch tax treaty, Poland must grant a credit for the tax levied on dividends in Estonia.

Dividends and Other Income from a Share in the Profits of Legal Persons Earned by Individuals Who Are Not Polish Tax Residents

Dividend income paid by a Dutch company to a non-Polish tax resident is not taxed in Poland. The tax treaty between the Netherlands and the country of residence of the individual should be applied.

Income Earned on the Disposal of Securities by Corporate Persons Who Are Polish Tax Residents

In accordance with Article 3, section 1 of the Corporate Income Tax Act, taxpayers having their seat or a management board within the territory of the Republic of Poland, 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 Polish-Dutch 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 Ordinary Shares earned by Polish residents is taxed in Poland.

Gains on the disposal of securities (including the Ordinary Shares) by a legal person having their seat (management board) within Poland are subject to taxation under the general rules stipulated in the Corporate Income 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 Corporate Income 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.

Income Earned on the Disposal of Securities by Corporate Persons Who Are Not Polish Tax Residents

Foreign corporate persons taxed on the principles set forth below are legal persons, companies in organization, as well as non-corporate organizations other than partnerships, which have their registered office or management board outside the territory of the Republic of Poland. In accordance with Article 3, section 2 of the Corporate Income Tax Act, taxpayers, if they do

not reside within the territory of the Republic of Poland, are liable to pay tax exclusively on income obtained within the territory of the Republic of Poland.

Income from the disposal of shares in a Dutch entity by a legal person who is not a Polish tax resident cannot be classified as income obtained in Poland, and as a result is not taxed in Poland. The tax treaty between the Netherlands and the country of residence of the company should be applied.

Dividends and Other Income from a Share in the Profits of Legal Persons Earned by Legal Persons Who Are Polish Tax Residents

As a rule, dividend income and other income from a share in the profits of legal persons is subject to taxation at a flat rate of 19% of the income earned. However, this rule is modified by the provisions of the Polish-Dutch tax treaty, according to which dividends paid by a company resident in the Netherlands to a person resident in Poland may be taxed in Poland. These dividends may also be taxed in the Netherlands, but the tax levied in this state cannot 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 dividend in other cases.

Pursuant to Article 20, section 3 of the Corporate Income Tax Act, income (revenues) from dividends and other revenues from participation in profits generated by legal persons, are tax exempt in Poland if all of the following conditions are satisfied jointly: (i) the entity paying the dividends and other revenues from participation in profits generated by legal persons is a company which pays income tax and has its registered seat or management board within the territory of the UE; (ii) the entity receiving income (revenues) from dividends and other revenues from participation in profits generated by legal persons, as referred to in section (i), is a company liable to pay income tax in the Republic of Poland with respect to its entire income, irrespective of the place where it is generated; (iii) the company referred to in section (ii) has at least 10% direct shareholding in the shares in the share capital of the company which pays out the dividend, provided that between 1 January 2007 and 31 December 2008 the direct percentage share in the company paying the dividends or other revenues from participation in profits generated by legal persons is not less than 15%.

The exemption referred to above applies if the company gaining income (revenues) from dividends and other revenues from participation in profits generated by legal persons having their registered seat or management board within the territory of the Republic of Poland, has at least 10% shareholding in the company paying out dividends (15% until 31 December 2008) uninterruptedly for two years. The exemption also applies if the two year period of uninterrupted holding of shares in the required amount by a company generating income (revenues) from participation in profits generated by a legal person having its registered seat or management board within the territory of the Republic of Poland, ends after the date of obtaining such income (revenues). 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 pay tax, including default interest, on the income (revenues) at 19% of income (revenues) by the 20th day of the month following the month in which it was deprived of the right of exemption. Interest is calculated as of the day following the day on which the taxpayer had first exercised the right to exemption.

Dividends and Other Income from a Share in the Profits of Legal Persons Earned by Legal Persons Who Are Not Polish Tax Residents

Dividend income paid by a Dutch company to a non-Polish tax resident is not taxed in Poland. The tax treaty between the Netherlands and the country of residence of the individual should be applied. Companies subject to taxation of their entire incomes in any of the EU member states other than the Netherlands, are exempted from the taxation of dividends disbursed by companies with their registered office in Estonia. However, the application of this exemption is contingent on numerous conditions.

Transfer Tax (Tax on Civil Law Transactions)

Transfer tax applies to sale or exchange contracts, if the rights which are the subject of the transaction are to be performed within the territory of the Republic of Poland (e.g. shares in a Polish company), or if the rights are performed outside the Republic of Poland, provided that the agreement evidencing the sale or exchange is concluded in the Republic of Poland and the purchaser is a Polish resident. The rate of this tax is set at 1% of the market value of the securities which are the subject of the transfer. In certain situations, the tax authorities may adjust the taxable base. The tax should be paid within 14 days after the transaction is concluded. However, pursuant to Article 9, section 9 of the Act on Transfer Tax, the sale of securities to brokerage houses and banks conducting brokerage activities is exempt from transfer tax, as is the sale of securities performed through an agency of brokerage houses and banks conducting brokerage activities.

The sale of shares in a Dutch company by a non-Polish tax resident is not subject to transfer tax.

Taxation of Gifts and Inheritance

Polish gift or inheritance tax can only be imposed on individuals. Such tax may arise on a gift or inheritance of the Ordinary Shares where the heir or the donee is a Polish resident. The amount of tax depends on the relationship of the donor/deceased to the donee/heir.

7. Major shareholders

1. At the date of this document and on Admission, save for the interests of the Directors disclosed in paragraph 8.2 of this Part IX, the Company is aware of the following person who is or will be interested (articles 5:38 and 5:39 Wft), directly or indirectly in 5% or more of the issued share capital of the Company:

Name		Number of Ordinary Shares		Percentage of issued share capital/voting rights
Elbit Ultrasound (Netherlands) B.V.*.....		200,000,000		68.4

** One share held by Stichting L'Orage as nominee for Elbit Ultrasound (Netherlands) B.V.*

2. Save as disclosed above, the Company is not aware of any person who will, immediately following Admission, be interested (for the purposes of articles 5:38 and 5:39 Wft), directly or indirectly, in 5% or more of the issued share capital of the Company or could, directly or indirectly, jointly or severally, exercise control over the Company. All shareholders have the same voting rights.

3. The Controlling Shareholder is ultimately owned indirectly by Mr Mordechay Zisser.

4. Neither the Company nor any of the Directors is aware of any arrangements, the operation of which may at a subsequent date result in a change of control of the Company.

8. Directors and Senior Managers

1. Details of the names and functions of the Directors and Senior Managers are set out in paragraphs 1 and 2 of Part V – "Directors and Senior Managers".

2. The executive and non-executive directors of public limited liability companies incorporated under the laws of The Netherlands whose shares are listed on a regulated market within the European Union (such as the London Stock Exchange and the WSE) should, pursuant to articles 5:38 and 5:39 Wft, inform the AFM of a change in the number of shares (including depositary interests and option rights) and the number of voting rights which they have in the listed company and in issuing institutions (as defined in art. 5:48 Wft) affiliated with the listed company (see also Part XI –

"Summary of Applicable Dutch Law"). The interests (all of which are beneficial) of the Directors in the share capital of the Company are as follows:

	Number of Options
Mr Mordechay Zisser	3,907,895
Mr Ran Shtarkman	10,150,376[(1)]
Mr Shimon Yitzhaki	1,116,541[(2)]
Mr Marius van Eibergen Santhagens	—
Mr Edward Paap	—
Mr Marco Wichers	—

(1) Mr Shtarkman has received 150,000 options pursuant to his directorship and Goryan Management Limited (a company owned by Mr Shtarkman) is receiving 10,000,376 options.

(2) Mr Yitzhaki has received 150,000 options pursuant to his directorship and 966,541 pursuant to his employment with EMI.

3. The amount of remuneration paid (including any contingent or deferred compensation and share options granted pursuant to the Share Option Scheme), and benefits in kind granted to the Executive Directors by the Company and its subsidiaries for services in all capacities to the Company and its subsidiaries for the year ended 31 December 2006 was as follows:

	Salary and fees €'000	Share incentive plan* €'000	Total non-performance related remuneration €'000	Total remuneration for the year ended December 31 2006 €'000
Chairman and executive directors				
Non-performance related remuneration				
Mr Mordechay Zisser	—	313	313	313
Mr Ran Shtarkman	78	813	891	891
Total	78	1,126	1,204	1,204
Non-executive directors				
Non-performance related remuneration				
Mr Shimon Yitzhaki	—	90	90	90
Mr Marius van Eibergen Santhagens	9	—	9	9
Mr Edward Paap	9	—	9	9
Mr Marco Wichers	9	—	9	9
Total	27	90	117	117
Total – all directors 2006	105	1,216	1,321	1,321

*Accounting non-cash expenses recorded in the Company's income statement in accordance with the share option plan.

4. No Director has a related financial product referenced to the Ordinary Shares.

5. No Director has any interest in any transactions which are or were unusual in their nature or conditions or which are or were significant to the business of the Group and which were effected by any member of the Group in the current or immediately preceding financial year or which were effected during an earlier financial year and which remain in any respect outstanding or unperformed.

6. The Directors currently hold, and have during the five years preceding the date of this document held, the following directorships and/or partnerships:

Mr Mordechay Zisser of 57 Annilevitz Street Bnei Brak, Israel	*Current directorships/partnerships:*	
	Control Centers Limited Herzelia	Sea and Sun Beach Hotels Ltd.
	Marine Limited	Marina Ashkelon (Management) Ltd.
	Marina Holdings (Herzelia) Ltd.	Jetlink Ltd.
	CCB N.V.	CDPM Kft.
	Europe Israel (MMS) Limited	Vectory Investment Company Ltd.
	Asigra Inc.	BEA Holding B.V.
	Elbit Medical Imaging Ltd.	Elbit Medical Holding Ltd.
	Elbit Ultrasound Ltd.	Insightec Image Guided Treatment Ltd.
	Gamida Cell Ltd.	
	Past directorships/partnerships held during the past 5 years:	
	Miskolc Plaza Kft	Szeged Plaza Kft.

Mr Ran Shtarkman of 25 Veres Palne u Budapest, Hungary	*Current directorships/partnerships:*	
	Kerepesi 2 Szálloda Kft. Szolnok 2002 Kft.	Kerepesi 3 Irodaépület Kft. Åomsziget 2004 Kft.
	Past directorships/partnerships held during the past 5 years:	
	SPL Software Ltd.	Continental Airlines
Mr Shimon Yitzhaki of Dolev Settlement D.N.Dolev (Zip code: 71935), Israel	*Current directorships/partnerships:*	
	Control Centers Limited Herzelia Marine Limited Marina Holdings (Herzelia) Ltd. Vectory Investment Company Ltd. Bea Holding B.V. EE Eastern Europe B.V. Elbit Ultrasound Ltd. Insightec Image Guided Treatment Ltd. Plaza Centers Ventures B.V. Papagaio Food Services Limited	Sea and Sun Beach Hotels Ltd. Marina Ashkelon (Management) Ltd. Europe Israel (MMS) Limited Vectory Hi-Tech B.V. Elbit Medical Imaging Ltd. Elbit Medical Holding Ltd. Elbit Ultrasound (Netherlands) B.V. Plaza Centers Management B.V. Elscint Limited
	Past directorships/partnerships held during the past 5 years:	
	Bea Hotels N.V. Kaniza Plaza Kft.	Pecs Plaza Kft. Plaza Centers Management Kft.
Mr Marius van Eibergen Santhagens, Margrietstraat 39, 2215 HH Voorhout, The Netherlands	*Current directorships/partnerships:*	
	Leisure Investments & Finance Curaco N.V. Engel East Europe N.V.	Leisure Investments & Finance Curaco Real Estate Development N.V.
	Past directorships/partnerships held during the past 5 years:	
	Leisure Investments & Finance B.V. Santhagens Management B.V.	Leisure Investment Fund B.V. Harrier Management B.V.
Mr Edward Paap, Romerkerkweg 42 1942 EZ Beverwijk, The Netherlands	*Current directorships/partnerships:*	
	Van Doorn Management (The Netherlands) B.V. Global Business & Communications (The Netherlands) B.V. Moulen Beleggingen B.V. Keshet Investments B.V. Mask Record B.V. Istvar Consultancy B.V. Beleggingsmaatschappij Bebegre B.V. Kruiswijk Holding B.V. P.R.I.M.E. B.V. Elbit Ultrasound (Netherlands) B.V. Plaza Centers Management B.V. Obuda B.V. Vectory Hi Tech B.V. BEA Hotels Management B.V. Bucuresti Restaurant B.V. Elscint Bio. International B.V.	
	Past directorships/partnerships held during the past 5 years:	
	Van Doorn Corporate Development Group B.V. Van Doorn Management Holding B.V.	
Mr Marco Wichers of Prins Mauritslaan 65, 2582 LN The Hague, The Netherlands	*Current directorships/partnerships*:	
	—	—
	Past directorships/partnerships held during the past 5 years:	
	—	—

7. As at the date of this document, none of the Directors:

   7.1 has any convictions in relation to fraudulent offences for the previous five years;

   7.2 has been bankrupt;

7.3 was a director of a company or a partner of a partnership which suffered any bankruptcy, receivership or liquidation in the previous five years; or

7.4 has been subject to any official public incriminations and/or sanctions of such person by statutory or regulatory authorities (including designated professional bodies) or has ever been disqualified by a court from acting as a director of a company or conduct of the affairs of any company.

8. There are no outstanding loans or guarantees provided by any member of the Group for the benefit of any of the Directors; nor are there any loans or guarantees provided by any of the Directors for the benefit of any member of the Group.

9. The Directors are subject to the lock-up arrangements described in paragraph 8 of Part I – "Lock-up agreements".

10. Directors' service agreements and letters of appointment.

10.1 Executive Directors

The following agreements have been entered into between the Executive Directors and the Company:

a) a service agreement dated 26 October 2006 between (1) the Company and (2) Mordechay Zisser terminable by either party on 12 months' written notice, pursuant to which he is paid an annual salary of $300,000. This remuneration package is subject to approval of the shareholders of Elbit Medical Imaging Ltd. under the applicable provisions of Israeli Law; and

b) a services agreement dated 26 October 2006 between the Company and Goryan Management Limited, a company owned by Mr Shtarkman, pursuant to which the services of Mr Shtarkman as chief executive officer are to be provided to the Group for an initial period of three years and thereafter terminable by either party on three months' notice. Pursuant to this agreement an annual fee of $540,000 is to be paid by the Company together with provision of a company car, private medical insurance and expenses. If the Company terminates the agreement it must pay an amount equal to nine months' fees and benefits.

10.2 Non-executive Directors

The following agreements have been entered into between the Non-executive Directors and the Company:

a) a letter of appointment under which Shimon Yitzhaki has been appointed as a Non-executive Director of the Company, the appointment being for an initial period of 12 months and then terminable by either party on three months' written notice;

b) a letter of appointment under which Marius van Eibergen Santhagens has been appointed as a Non-executive Director of the Company, the appointment being for an initial period of 12 months and then terminable by either party on three months' written notice, at an annual fee of £30,000;

c) a letter of appointment under which Edward Paap has been appointed as a Non-executive Director of the Company, the appointment being for an initial period of 12 months and then terminable by either party on three months' written notice, at an annual fee of £30,000; and

d) a letter of appointment under which Marco Wichers has been appointed as a Non-executive Director of the Company, the appointment being for an initial period of 12 months and then terminable by either party on three months' written notice, at an annual fee of £30,000.

No amounts are set aside by the Group to provide pension, retirement or similar benefits to any of the Company's Executive or Non-Executive Directors.

11. There are no actual or potential conflicts of interests between any duties to the Company of the Directors and their private interests and other duties.

12. Save for payment during respective notice periods and as set out in paragraph 8.9 above, none of the agreements disclosed in paragraph 8.10 above provide for payment on termination.

9. Employee share scheme

The Share Option Scheme was adopted by the Company on 26 October 2006 and subsequently amended on 30 August 2007. At the time of adoption, 26,108,602 non-negotiable options ("Options") over Ordinary Shares were granted, the terms and conditions of which (except for the exercise price) are regulated by the Share Option Scheme. On 21 March 2007, 29 May 2007 and 30 June 2007 additional options were granted and certain options were forfeited and, as a result, as of the date of this Prospectus, a total of 29,200,174 Options were granted. Options will vest annually in three equal parts. One-third of Options granted to an Eligible Grantee (see below) will vest upon the lapse of one year after the date of grant, another third of granted Options upon the lapse of two years from the date of grant whereas the last third will vest upon the lapse of three years from the date of grant. None of the Options granted prior to Admission has vested. Options expire, unless otherwise determined by the Board, on the 5th (fifth) anniversary of the date of grant. A description of the main provisions of the Share Option Scheme is given below.

Eligibility

Grantees eligible to receive options ("Eligible Grantees"), are board members and/or employees of any company within the Company Group, which is defined in the Share Option Scheme as "The Company, its subsidiaries and companies under its control directly and/or indirectly (in any form of corporation, including companies and partnerships" for the purposes of this paragraph "Company Group"). Solely with respect to the first allocation of options that was effected on 26 October 2006, whereby a total of 26,108,602 Options were granted (see also Paragraphs 8 and 11 of Part IX), Eligible Grantees include other persons who provide similar services to a company within the Company Group (including the company in which any grantee is currently employed by or serves in) and employees, officers and directors of EMI.

Dilution

The total number of Options that may be granted under the Share Option Scheme shall be 33,834,586 which, if fully exercised, would be a maximum dilution of 5% of the Enlarged Share Capital.

Adjustments

In the event that the Company issues bonus Ordinary Shares, the record date for the distribution of which takes place after the date of grant of the relevant Options but before the exercise or expiry of the Options, the number of Ordinary Shares to which the grantee is entitled upon the exercise of the Options shall increase by the number of the Ordinary Shares that the grantee would have been entitled to as bonus shares, had he exercised the options prior to the record date for the distribution of bonus shares. The exercise price of each option shall not vary as a result of the increase in the number of Ordinary Shares to which the grantee is entitled in the wake of the distribution of the bonus shares.

If rights to acquire any securities whatsoever are offered to shareholders in the Company by way of a rights issue, the Company shall act with a view that the rights be offered on the same terms, mutatis mutandis also to holders of Options not yet exercised or expired, as though the holders of such Options have exercised their Options on the eve of the record date for the right to participate in the issuance of rights. The number of Ordinary Shares arising from the exercise of Options shall not increase as a result of the said issuance of rights.

Grant of Options

The granting of Options shall be effected by a resolution of the Board. The Share Option Scheme stipulates that 750,000 Options shall be granted in each of 2007, 2008 and 2009 under the Share Option Scheme, on the 5th (fifth) day following the date of publication of the annual financial results of the Company, to Eligible Grantees with the best performance evaluation as shall be decided by the Board upon management's recommendation. Furthermore, pursuant to the Share Option Scheme, Options may be granted to new employees and board members in accordance with their seniority ranks as applicable within the Company Group. The grant of Options to new employees shall be made on the first Quarterly Grant Date (as defined in the Share Option Scheme) following the date of signing of the employment agreement of the relevant employee and the grant of options to new board members shall take place on the date of their appointment by the general meeting. In addition, Eligible Grantees who received a higher rank during their employment with a company within the Company Group will be entitled to an additional number of Options, so as to reflect such Eligible Grantee's new rank. Such grant would be effective on the date of the first Quarterly Grant Date (as defined in the Share Option Scheme) following receipt of the higher rank.

Exercise price

The exercise price of an Option shall be the average closing price of the Ordinary Shares on the London Stock Exchange during the 5-day period to and including the date of grant. Notwithstanding the foregoing, the exercise price of Options granted pursuant to the Share Option Scheme prior to the admission to the LSE is 180 pence.

Exercise mechanism of Options

On the date of receipt by the Company of the Exercise Notice as defined in the Share Option Scheme (and where the Exercise Notice is received after the hour 13:00, on the trading day subsequent to receipt of the

Exercise Notice by the Company) (the "Exercise Day"), the Company shall allocate the Exercise Ordinary Shares as calculated in accordance with the following formula:

$$\frac{(A \times B) - (A \times C)}{D}$$

A = The number of Options which a grantee wishes to exercise that is specified in the Exercise Notice

B = The opening price in £ of the Ordinary Shares on the London Stock Exchange on the Exercise Day, provided that if the opening price exceeds 180% of the Exercise Price (without adjustments for the distribution of cash dividend) the opening price shall be set as 180% of the Exercise Price

C = Exercise Price in £ per Option

D = The opening price in £ of the Company's Share on the Stock Exchange on the Exercise Day

Fractions of shares shall be rounded up for any fraction of a share that is equal to or exceeds 0.5 and rounded down for any fraction of a share that is lower than 0.5.

Transfer of Options

An Option may not be sold, assigned, transferred, pledged, hypothecated or otherwise disposed of, except by will or the laws of descent.

Acceleration of Vesting of Options

Upon the occurrence of an event of Change of Control in the Company (which is defined in the Share Option Scheme as: "the obtaining of 50.01% of the Company's issued share capital and/or voting rights by another person or entity, other than EMI, its subsidiaries or companies under its control, directly or indirectly, and/or EMI's controlling shareholder, directly or indirectly"), the vesting of all the outstanding Options granted by the Company that were not exercised or did not expire by such date, shall be accelerated, so that on the date of such Change of Control all such Options shall be fully vested and may be exercised by the grantees.

Termination of eligibility

If the holder of an Option ceases to be an employee or director within the Company Group other than by reason of death, cause, retirement or disability following the vesting of any Options but prior to them being exercised, the Options can be exercised for a period of six months from the date of termination or the end of the Option Period. Any Options which have not vested at the termination date will lapse. Provided always that if the holder of an Option has been employed by, or a director of, the Company Group for three consecutive years, he or she will be entitled to exercise all of his or her Options, regardless of whether they have vested, in accordance with the vesting dates and all other terms of the Share Option Scheme.

If the holder of an Option ceases to be an employee or director with the Company Group by reason of death, disability or retirement following the vesting of any Options but prior to them being exercised, the Options can be exercised for a period of 12 months from the date of termination or the end of the Option Period. Any Options which have not vested at the termination date will lapse. Provided always that if the holder of an Option has been employed by, or a director of, the Company Group for three consecutive years, he or she will be entitled to exercise all of his or her Options regardless of whether they have vested in accordance with the vesting dates and all other terms of the Share Option Scheme.

If the holder of an Option ceases to be an employee or director with the Company Group for cause, such holder of an Option shall not be entitled to exercise any Options, regardless of whether they have vested.

At the request of the Underwriters, on a public offering of securities of the Company, the board may resolve that the shares received through exercise of Options may not be sold for a period not exceeding 180 days, or for such longer period as shall be recommended by the board.

Modifications of the Share Option Scheme

The Board has discretion to manage and administer the Share Option Scheme, adopt resolutions with respect to the Share Option Scheme, interpret the same and introduce changes therein, subject to the provisions of any applicable law, including but not limited to applicable market abuse laws in The Netherlands or in England.

Tax

All tax implications under any law (other than stamp duty) shall be incurred by the grantee and the grantees indemnify the Company Group for such liabilities.

10. Material contracts

1. The following are the only contracts (not being contracts entered into in the ordinary course of business) which have been entered into by members of the Group in the two

years immediately preceding the date of this document and which are, or may be, material:

Klépierre Group Transactions

- Under a Framework Transaction Agreement dated 30 July 2004 between the Company, Elbit Ultrasound (Netherlands) B.V. and their subsidiaries (the "Plaza Centers Group") and Klépierre SA and its subsidiaries (the "Klépierre Group"), the Klépierre Group acquired 100% of the share capital of the special purpose vehicles and their holding companies in the Plaza Centers Group owning 12 operational shopping centres in Hungary being Alba Plaza, Csepel Plaza, Debrecen Plaza, Duna Plaza, Gyor Plaza, Kanizsa Plaza, Kaposvar Plaza, Miskolc Plaza, Nyir Plaza, Szeged Plaza, Szolnok Plaza and Zala Plaza for a net cash consideration of approximately EUR94.1 million. The Klépierre Group also acquired 50% of the voting rights in Plaza Centers Magyarország Kft., a management company. By an addendum to this agreement dated 29 July 2005, the Klépierre Group acquired the remaining 50% of the voting rights in Plaza Centers Magyarország Kft. Plaza Centers Group also agreed to indemnify certain companies within the Klépierre Group against any damage suffered as a result of claims submitted by any of the tenants of Duna Plaza or Gyor Plaza relating to claims that the actual surface areas of the units leased to them is less than the surface area for which they have been invoiced and paid rents. The Company is prohibited for a ten-year period to own, manage, operate, control or be connected with any shopping and entertainment centre or factory outlet within an area lying within a radius of (i) 4km from Duna Plaza and Csepel Plaza in Budapest, or (ii) 10km in any other regional city in which a shopping centre (excluding Duna Plaza and Csepel Plaza) is situated. The Company is also prohibited for a ten-year period from soliciting the managers and employees of the management company. The Plaza Centers Group gave various warranties and representations concerning the establishment and operations of the special purpose vehicles and their holding companies for a period of 36 months (with the exception of (i) tax matters, which survive for a period of 60 days following the expiration of the applicable statute of limitations, and (ii) matters relating to authorisation and environment, health and safety which survive indefinitely and without limitation) and subject to a limit on liability of EUR100,000,000. The Klépierre Group also agreed, subject to certain conditions, to acquire an extension to the Duna Plaza centre which is to be constructed by the Company pursuant to the provision of a Duna Plaza Turn Key Agreement and in accordance with relevant agreed building permits, plans and designs. Under a Duna Plaza Offices Interim Agreement between the Company and the Klépierre Group dated 30 July 2004, the Company indemnifies Klépierre SA against any liabilities that arise due to the ownership, possession, operation and transfer of the Duna Plaza offices. The Plaza Centers Group retained an option to acquire back from the Klépierre Group (once a demerger of the special purpose vehicle holding the Duna Plaza shopping centre and offices has been completed), the Duna Plaza offices. It is anticipated that this option will be able to be exercised at the end of 2006. A consideration amount totalling £3,000,000 has been paid by way of a set-off against amounts due from the Klépierre Group under the Framework Transaction Agreement.

- Under a Framework Transaction Agreement dated 29 July 2005 between the Company and the Klépierre Group, the parties agreed to complete the "Stage A" Transaction Agreement referred to below together with other ancillary documentation and to complete a "Stage B" Preliminary Agreement, also referred to below. The Plaza Centers Group gave various warranties and representations concerning the establishment and operations of the special purpose vehicles and their holding companies for a period of 36 months (with the exception of (i) tax matters, which survive for a period of 60 days following the expiration of the applicable statute of limitations, and (ii) matters relating to authorisation and environment, health and

safety which survive indefinitely and without limitation) subject to a limit on liability of EUR100,000,000.

- Under a "Stage A" Transaction Agreement dated 29 July 2005 between the Company and Klépierre SA the Klépierre Group acquired 100% of the share capital of the special purpose vehicles and their holding companies in the Plaza Centers Group owning four operational shopping centres in Poland being Kraków Plaza, Poznań Plaza, Sadyba Best Mall and Ruda Ślaska Plaza together with 100% of the share capital of Plaza Centers Management Poland Sp. z o.o., a management company for a net cash consideration of approximately EUR62.9 million. The full cost of tenant improvements in respect of the lease agreements with tenants, which were concluded before closing, remain the liability of the Company up until expiry of such lease agreements. The Company assumes full development liability under the agreements with third parties for development of the Poznań Plaza. The Plaza Centers Group gave various warranties and representations concerning the establishment and operations of the special purpose vehicles and their holding companies for a period of 36 months (with the exception of (i) tax matters, which survive for a period of 60 days following the expiration of the applicable statute of limitations, and (ii) matters relating to authorisation and environment, health and safety which survive indefinitely and without limitation) subject to a limit on liability of EUR75,000,000. The Company is prohibited for a ten-year period to own, manage, operate, control or be connected with, any shopping and entertainment centres or factory outlets within an area lying within a radius of (i) 3km from the Sadyba Best Mall in Warsaw, or (ii) 10km in any other regional city in which an operational shopping centre (excluding Sadyba) is situated. The Company is also prohibited for a ten-year period from soliciting the managers and employees of Plaza Centers Management Poland Sp. z o.o. Any collection of receivables within 24 months after closing will be transferred to the Company.
- Under a "Stage B" Preliminary Agreement dated 29 July 2005 between Klépierre SA and the Company, the special purpose vehicles and their holding companies of Novo Plaza and Pilzen Plaza in the Czech Republic and Rybnik Plaza and Sosnowiec Plaza in Poland will be sold to the Klépierre Group on completion of the construction of those development projects. The Company is prohibited for a ten-year period to own, manage, operate, control or be connected with, any shopping and entertainment centres or factory outlets within an area lying within a radius of (i) 3km from Novo Plaza in Prague District IV, or (ii) 10km in any other regional city in which a development project (excluding Novo Plaza) is situated. The Company is also prohibited for a ten-year period from soliciting the managers and employees of the respective management companies. The Company undertakes to ensure that the development companies will not be held to be in breach of their obligations under certain construction loan facility agreements. The Company assumes full development liability in the event that it has been unable to obtain the necessary estoppel certificate(s) from the relevant construction contractors. Under an Option Agreement between Klépierre SA and the Company dated 29 July 2005, the Company assumed full liability for the performance of the obligations made by Movement Poland SA in favour of the Municipality of Lublin regarding the terms of a ground lease to construct a hotel and furnished Klépierre SA with a full indemnity against the failure to construct such hotel. Under the terms of the Option Agreement the Company will pay Klépierre SA various commitment penalties not to exceed EUR1.6 million.

Dawnay Day Group Transaction

- Under a Framework Transaction Agreement dated 31 January 2005 between the Company, Elbit Ultrasound (Netherlands) B.V. and their subsidiaries (the "Plaza Centers Group") and Plantridge Limited, a subsidiary of the Dawnay Day group ("Plantridge"), Plantridge acquired 100% of the share capital of the special purpose

vehicles and their holding companies in the Plaza Centers Group owning four operational shopping centres in Hungary being Balaton Plaza, Pecs Plaza, Savaria Plaza and Sopron Plaza (the "Portfolio Centres") for a net cash consideration of approximately EUR17.2 million. The written confirmation and waiver issued by Klépierre Hongerie SAS and LP7 SAS in which they unconditionally decline to exercise the rights of first offer awarded to them to acquire the Portfolio Centers was obtained prior to the consummation of the Framework Transaction Agreement. The agreement contains a post-closing reduction of the purchase price in relation to the Savaria Portfolio Center payable by the Company to Plantridge. The Plaza Centers Group gave various warranties and representations concerning the establishment and operations of the special purpose vehicles and their holding companies for a period of 36 months (with the exception of (i) tax matters, which survive for a period of 60 days following the expiration of the applicable statute of limitations, and (ii) matters relating to authorisation, legal title and environment, health and safety, which survive indefinitely and without limitation) subject to a limit on liability of EUR15 million, and agreed to license various trademarks for use in relation to those shopping centres. Under the provisions of a Letter of Undertaking from the Company to Plantridge dated 31 January 2005, the Company agrees to indemnify Plantridge in the event that the occupancy rates of the Portfolio Centres fall below 75% of the maximum rentable area. Any amounts payable under this indemnity will be equivalent to the amount by which the total rentals are reduced.

aAIM Transaction

- Under the Preliminary Agreement dated 10 July 2007 between Symmetry Arena Kft. and the Company, the special purpose vehicles and their holding company of Arena Plaza Mall will be sold to the aAim Symmetry Fund on completion of the construction of that development project. There is an overall cap on the transaction which means that the total purchase price cannot exceed EUR400 million. The Company undertakes to ensure that the development companies will not be held to be in breach of their obligations under certain construction loan facility agreements. The Company assumes full development liability in the event that it has been unable to obtain the necessary estoppel certificate(s) from the relevant construction contractors. A 21,788m2 land ("Excluded Land") had been excluded from the transaction for which the Company has right of use and development rights. To obtain the necessary permits the SPV shall provide the Company with full support. However SPV has right of use on this land for the service roads which are serving Arena Plaza Mall. On this land the Company shall obtain the building permit within 7.5 years from the date of the Preliminary Agreement and shall obtain the Temporary Occupancy permit within 5 years following the date of obtaining the Building Permit otherwise the SPV has the right to buy the Excluded Land from the Company at the market price determined by an independent international valuator.

Dream Island Agreements

- The Company and MKB Bank ("MKB") entered into a Joint Venture and Quotaholders' Agreement dated 26 February 2004. The parties agreed that the quotas in Ercorner Gazdagsági Szolgáltato Kft. ("Ercorner") are to be held 50% by the Company and 50% by MKB. In total, MKB agreed to pay to the Company EUR1,971,168 for the 50% participation in Ercorner (including the purchase price of the quota sold, and a fee for the assignment of 50% of a quotaholder loan provided earlier by the Company to Alom Sziget Kft ("Alom")). The parties agreed to set up a four-member voting committee (two members of which are to be appointed by the Company and two members of which are to be appointed by MKB), the sole responsibility of which is to determine the manner in which Ercorner will exercise its voting rights at the quotaholders' meeting of Alom. The management of Ercorner is to be carried out by two managing directors, one of whom is to be appointed by the

Company and the other is to be appointed by MKB. Certain material decisions belonging into the competence of the quotaholders' meeting of Ercorner are to be passed by a unanimous resolution of all quotaholders. Some of such decisions are also subject to a deadlock resolution mechanism. Such decisions include an increase or decrease of the registered capital, a voluntary dissolution, the introduction of a new third party quotaholder, any material change in the business activity, a capital contribution the aggregate value of which exceeds by at least 10% any quotaholder's equity (quota and loan) contribution and all decisions to be made by the voting committee. The parties agreed to make additional contributions to the equity or debt capital of Ercorner in proportion to their existing quotas. Any transfer of quotas in Ercorner (other than transfers to affiliates) is subject to a right of first offer to be made to the non-selling quotaholder. The non-selling quotaholder may choose to purchase the quota so offered or to sell its quota, together with the offered quota, to the third party purchaser. In the event of a deadlock in the decision-making process at the quotaholders' meeting of Ercorner, the proposed decision is to be submitted to a deadlock committee, composed of the president of MKB and Europe-Israel (M.M.S.) Ltd. If the deadlock committee is not able to reach a final decision, then both parties have the right to invoke a compulsory buy-out procedure. The joint venture agreement may be terminated by an aggrieved quotaholder in the case of a material breach by the other quotaholder of an important provision.

- Under a Joint Venture and Shareholders' Agreement, dated 23 April 2004, between Obuda Holdings Limited ("CPH"), ESI Associates Holding Limited ("ESI"), Alom and Ercorner, concluded for an indefinite term, the shareholders agreed that those quotas in Alom which were not owned by unrelated third parties are to be held 60% by Ercorner, 30% by CPH, and 10% by ESI. The objective of Alom is the development of a hotel, casino, convention centre and exhibition hall, entertainment and retail area, and marina complex on the land owned by Alom, located on Obuda Island. In the context of the acquisition by ESI of its business quota in Alom, each of Ercorner and CPH agreed to grant a loan to ESI to finance 20% of the purchase price payable by ESI to each of Ercorner and CPH, and to assign to ESI 80% of the principal amounts outstanding under certain loans earlier provided by MKB to Ercorner and ESI to finance the acquisition by them from APV Rt. As security for the loans, ESI agreed to create a first priority pledge in favour of MKB and a second priority pledge in favour of Ercorner and CPH jointly, in respect of its quota in Alom. Whenever the shareholders determine that the capital of Alom is, or is likely to become, insufficient for the conduct of the business, the shareholders shall make additional contributions to the capital of Alom in return for additional shares. The shareholders agreed that Alom will initially operate as a limited liability company. Alom may be converted into a company limited by shares. Prior to such conversion, the management of Alom has been agreed to be carried out by Mr Sammy Smucha; following the conversion, by a board of directors, to be composed of seven members, four of whom will be appointed by Ercorner, two of whom will be appointed by CPH and one of whom will be appointed by ESI. Any shareholder removing or replacing a director shall indemnify Alom against any loss or expense arising as a result of such removal or replacement. The shareholders agreed that against the payment of a lump-sum amount of USD 1,000,000 by CPH to Ercorner, the quotas in Alom will be transformed to carry equal voting rights. The shareholders agreed that MKB will have a right of first offer at best terms with respect to any financing facilities to be taken out by Alom. The shareholders agreed that certain material decisions will be passed with a minimum of 75% of the votes at any shareholders' meeting, including the creation of any charge over the assets of Alom, the taking out of any loan with a principal amount in excess of EUR100,000, the sale of all or substantially all of Alom's assets, the distributions of the profits of Alom and additional capital calls on the shareholders. The shareholders agreed that the prior consent of a minimum of 75%

of the members of the supervisory board (prior to conversion into a company limited by shares) or the board of directors (following conversion into a company limited by shares) will be needed for certain decisions, including the grant of loans with a principal amount exceeding EUR200,000, any capital expenditure in an amount of EUR250,000, the entering into a transaction with a related party and the entering into any agreement the aggregate value of which exceeds EUR50,000. The transfer of the quotas in Alom is subject to CPH's option right. The shareholders agreed that none of them will transfer its respective quota in Alom before the second anniversary of the date of the agreement. In the event that any of the shareholders undergoes a change of control (other than to an affiliate), such shareholder will be deemed to have offered to sell its quota in Alom to the other shareholders. The shareholders have provided each other with a tag-along right. The issue of additional shares by Alom are subject to pro rata rights of pre-emption. In the case of a default by any shareholder, the other shareholders have the right to require the defaulting shareholder to sell its quota (shares) to the non-defaulting shareholders. In the event of certain deadlock events, either Ercorner or CPH may invoke a compulsory buy-out procedure. Each shareholder has agreed that whilst it is beneficially interested in any shares or for a period of one year from the date on which it ceases to be beneficially interested, it will not solicit any key employee of Alom or tenant from the development project.

Put Option Agreement

- A put option agreement was entered into on 23 April 2004 between (1) Ercorner Gazdagsági Szolgaltato Kft ("Ercorner"), (2) Obuda Holdings Limited ("CPH") and (3) ESI Associates Holdings Limited ("ESI"). Under the agreement, CPH may, within three years of the date of the agreement, require Ercorner to purchase the whole (but not part) of the CPH Quota as at the date of the put option notice. The CPH Quota is defined as the quota held by CPH in Hajogyari Sziget Vagyonkelezo Kft (the "JV Company"), as at the date of the put option notice. The price to be paid to CPH is to be calculated by reference to a formula contained in the agreement. CPH must assign the loan awarded to it, by Magyar Kulkereskedelmi Bank Rt, to Ercorner in part satisfaction of the purchase price. Once the put option has been exercised, CPH will be released from all of its obligations to the JV Company and the project. In addition, Ercorner is required to indemnify CPH against all and any claims made against CPH. The agreement also contains restrictions on the disclosure of information.

Other Joint Venture Agreements

- On 26 May 2002, the Company entered into a Joint Venture and Shareholders' Agreement with Movement Poland SA ("Movement") and its shareholders at that time: Classic Investments B.V., Movement Holdings B.V., Mr Tomasz Berzyński and Mr Krzystof Dziadosz, for the purpose of participating through Movement in several construction projects in Lublin, Poland including a shopping centre, parking facilities, a hotel and some office buildings. The parties agreed to establish a joint venture company which would acquire the entire issued share capital in Movement. The Company gave various warranties to the other parties concerning its good standing and expertise. The result of this agreement, its first addendum dated 14 November 2003 and all deeds, agreements and other executed documents in connection with this agreement, was that the Company and Classic Or B.V. ("JV Partner") were the shareholders of Centers Classic B.V. ("Classic"), each owning 50% of its shares, and Classic owned all the shares in Movement.

- Within the framework of the 2005 sale agreement with Klépierre, the Company awarded an option to Klépierre to acquire 100% of the equity rights of Movement, subject to the acquisition by the Company of the entire interests of the JV partner in Movement, by not later than the end of November 2006 (the "first option"). In the event that the Company shall fail to acquire the JV partner's interest by that date, then

and in such event Klépierre shall automatically have an additional option to acquire the 50% of such interest in Movement which are held (indirectly) by the Company (the "second option").

- On 13 April 2007, Company and the JV Partner have agreed to Spin-Off to a subsidiary of the JV Partner (Lublin Or Sp.z o.o.), Movement's obligation with respect to Stage B Projects, which include the construction of a hotel and office buildings (or any additional or alternative developments which may be approved by the Municipality of Lublin from time to time), in consideration for EUR3.5 million (approximately USD4.6 million).
- On 27 July 2007, Classic and Klépierre Lublin Sp. z o.o. entered into an agreement for the sale of 100% of the shares of Movement, which owned the entire rights, title and interest in Lublin Plaza. The agreed selling value of the shopping center was approximately EUR78 million.
- In March 2003, the Company purchased Dreamland Entertainment N.V. ("Dreamland"), whose main activities are the operation of entertainment areas (through its Polish subsidiary) in the Company's shopping centres in Poland. The Company paid EUR4.2 million for all shares of Dreamland Entertainment N.V.
- On 19 February 2004, the Company entered into a Joint Venture and Shareholders' Agreement with Development Capital Corporation ("Development Capital Corp."), a Cayman Islands registered company. The objective of the joint venture is the development, construction, opening, management and operation of Riga Plaza, located in Riga, Latvia. The agreement governs the obligations of the parties, both prior to the acquisition of 50% of the shares in SIA Diksna ("Diksna") by the Company, and in the construction, development and maintenance of Riga Plaza, going forward. The management of Diksna shall comprise two directors, one of whom will be appointed by the Company and the other will be appointed by Development Capital Corp. Any shareholder may appoint an alternate director for each of its appointees, and each shareholder has the right to remove such alternate director. Shareholders representing more than 50% of the voting rights in Diksna are required to make a shareholders' meeting quorate. It was agreed that the Chairman of shareholders' meetings of Diksna shall be a Development Capital Corp. appointee. The Chairman does not have a casting vote. The issue of shares by Diksna are subject to pro rata rights of pre-emption. In the case of certain deadlock events, either the Company or Development Capital Corp. may invoke a compulsory buy-out procedure. Certain "material resolutions" in respect of the deadlock procedure require unanimous approval by the shareholders, for example, approval of the project timetable and budget, increasing the size of the current property by more than 20% and entering into loan agreements with banks where such loans exceed USD 1.5 million. Material resolutions are also required in other circumstances, including: the development of new projects; the introduction of new shareholders into Diksna; any change in the number of directors; and any material amendments to the articles of association of Diksna. Each party has a right of veto where it is proposed that Diksna contracts with a related party of the other shareholder. In the event that a shareholder wishes to dispose of its shareholding, it is obliged to give notice to the other non-selling shareholder. The shareholders have also provided each other with a tag-along right. The parties have agreed not to pay any dividends until all shareholders loans have been paid back to the respective shareholders. Any disputes arising under the agreement are to be decided by arbitration in London, England in accordance with the Rules of Arbitration of the London Court of International Arbitration. Whilst the agreement is governed by English law, issues which specifically relate to the operation of Development Capital Corp., the real estate owned by Development Capital Corp. and the development of Riga Plaza are governed exclusively by the laws of the Republic of Latvia. The agreement is valid and binding on the parties until: the

bankruptcy/ dissolution of Development Capital Corp.; one of the parties becomes the owner of 100% of the issued share capital of Development Capital Corp.; or by written agreement between the parties.

- EMI, Avinash Bhosale Group ("AB") and Anuttam Developers Pvt. Ltd. (the "JV Company") entered into a joint venture and shareholder agreement on 12 October 2006 (the "Agreement") relating to the development of a shopping and entertainment centre at Karegaon Park, Pune, India, subject to the necessary planning and building consents being obtained. This freehold development site is currently held by 24 separate companies in equal undivided shares (one of which is the JV Company). Twelve of these companies ("Group B Companies") have sold the development rights relating to their respective portions of the land to an affiliate of AB. The remaining 11 companies ("Group A Companies") and the JV Company retain the development rights relating to their respective portions. Under the Agreement, EMI is to subscribe for shares and convertible securities representing 50% of the JV Company, upon fulfilment of certain conditions precedent being satisfied ("First Closing") which are principally that the JV Company will acquire 100% of all the Group A and Group B Companies and conclude a development rights assignment agreement ("DRAA") with the AB affiliates, whereby the development rights to the Group B Companies' land will be irrevocably assigned to the JV Company in consideration for a cash payment by the JV Company of INR 44 crore (approximately EUR10 million), payable in instalments INR 30 crore at First Closing and INR 14 crore at Second Closing (being the date within ten days after the issue of the necessary building permits on the site).

  EMI has the right to join a substitute party to the Agreement and therefore will offer the subscription and related rights in the JV Company to the Company pursuant to the Indian sourcing agreement summarised in paragraph 12.5 below in advance of First Closing, and will assign the benefit of the Agreement to the Company.

  At First Closing, following its substitution as the subscribing party under the Agreement, the Company will subscribe for ordinary shares in consideration of a cash payment of INR 24 crore (approximately EUR5.4 million) and fully and compulsorily convertible debentures ("FCDs") (convertible into non-voting preference shares) in consideration of a further cash payment of INR 7 crore (approximately EUR1.35 million). At Second Closing, the Company will subscribe for additional FCDs in an amount of INR 14 crore (EUR3.15 million). The JV Company will use the subscription moneys received at First and Second Closing to satisfy its payment obligations under the DRAA. All other subscription moneys will be utilized by the JV Company for working capital requirements.

  Under the Agreement, shareholder parity is to be maintained and future equity investments are to be in equal shares. There is to be a board of four directors with each of the Company and AB appointing two directors, with customary quorum provisions. In the case of a deadlock a neutral party (the "Governor") who holds one share in the JV Company, will be entitled to resolve the deadlock with a casting vote. There are also anti-dilution provisions, pre-emption and tag-along provisions, as well as an arbitration clause.

  On December 1, 2006, the Company acquired a 100% shareholding from EMI in the JV Company. The Company will repay EMI its original investment of INR 310 million (approximately EUR5.4 million) in the project plus preliminary project cost which are not to exceed 5% of the investment.

- On 26 February 2007 the Company, acting through Spiralco Holdings Limited („PCE"), its wholly-owned subsidiary, acquired a 50% stake in P-One Infoport Private Limited, Ltd. ("JV"), which owns the freehold of approximately fourteen acres of land situated in the Kharadi district of Pune, Maharashtra State, India (the "Land"). Concurrently therewith PCE entered into a Shareholders Agreement with Atul

Ishwardas Chordia, Sagar Ishwardas Chordia, Sarita Sandeep Doshi, Premsagar Hotels (Private) Limited and the JV in connection with the development of a shopping and entertainment centre, together with a hotel/services apartments complex and offices on the Land ("Kharadi Plaza"). The agreement governs the obligations of the parties in connection with the construction and development of the Kharadi Plaza. The JV is responsible for the preparation of the plan and designs of the Kharadi Plaza, which shall be approved by the parties, and for the filing of all necessary documents to ensure that the required building permits are obtained. The Board of Directors of the JV must determine and approve the project budget and project timetable. Any material deviations from the approved project budget or project timetable shall require the approval of the Board of Directors of the JV. The supervision of the development, management, construction and opening of the Kharadi Plaza shall be conducted by a project manager nominated by PCE.

The agreement contains a three-year lock up on the transfer of any shares by the parties, subject to limited exceptions in connection with transfers to affiliates or transfers in the event of termination. The agreement also contains rights of first refusal provisions. Pursuant to the agreement, PCE and the other shareholders of the JV agree to provide the JV with shareholder support in relation to borrowings by the JV.

The Board of Directors of the JV constitutes four members and each PCE and the remaining shareholders have the right to nominate for appointment two directors. The chairman does not have a casting vote. In the case of certain deadlock events, a compulsory buy-out procedure may be invoked. Certain resolutions require the approval of both PCE and the remaining shareholders, for example, the determination and approval of any material amendments or modification of the project budget or project timetable, financing agreements relating to financing exceeding INR 50 milion, the sale of a majority of the equity of the Company or its assets to a third party, approval of a financing facility for the Kharadi Plaza project, selection of the executive officers of the JV, approval of the construction agreement, the mortgaging of the Land for any purpose other than for the financing of the construction of the project and the declaration of dividends or other forms of profit distributions. The agreement contains a termination clause that provides that a material breach by a party of any of the provisions of the agreement or the occurrence of an insolvency event in respect of a shareholder (the "Terminated Shareholder"), the other party shall give the Terminated Shareholder a period to rectify the termination event and, following the expiry of such period, buy-out the shares of the Terminated Shareholder.

The agreement was entered into in accordance with the laws of the Republic of India and any disputes arising thereunder are subject to arbitration in Singapore in accordance with the Indian Arbitration and Conciliation Act, 1996 and the rules of the London Court of International Arbitration.

- Mimel Insaat San Ve Tic. A.S. (the "Original Investor"), which was at the relevant time controlled by a Turkish group, and Orb Estates Plc, following a Romanian Government tender, entered into a public-private partnership agreement ("PPP Contract") with the Government of Romania ("GOR") in 2003, for the development of the "Casa Radio" or "Dambovita" Project in central Bucharest, Romania. Pursuant to the original PPP Contract, the original investors, through nominee companies, held 90% of a Romanian company incorporated to develop the Project (Dambovita Center SRL — the "Project SPV"), while the GOR held the remaining 10%. The original investors failed to fulfil their investment obligations under the PPP Contract and another Turkish group ("Vendors") acquired the 90% interest of the Original Investor in the Project SPV. The Company and the Vendors have entered into a share purchase agreement dated 11 October 2006 (the "Agreement"), pursuant to which the parties have agreed that the EMI and the Company (the "Purchaser") will acquire from the Vendors' nominee company such number of shares as equals 75% of the total

outstanding and issued shares in the Project SPV at a price of USD 23,365,000. In addition, the Purchaser will pay USD 2,000,000 as reimbursement of costs of the transaction, both sums to be paid into a completion account pending GOR approval of the Purchaser as a new investor, and of certain amendments to the PPP Contract. If such approvals are not forthcoming within 90 business days of the Agreement the Purchaser has the right to terminate the Agreement.

The transaction is governed by English Law and is subject to conditions precedent including the execution of a shareholders' agreement, the provision of audited accounts for the Project SPV as at 30 September 2006, and the passing of resolutions by the Project SPV to enable the Purchaser to make a capital contribution of USD 8,524,995 to the Project SPV, the GOR's stake in the Project SPV being increased to 15% against the contribution in kind of a 49-year exploitation right in relation to the existing buildings and the Vendors holding a 10% stake in the Project SPV against a capital contribution of USD 671,666. The GOR has not initiated a new tender process for the project and the Casa Radio site valuation derives from the original 2003 contract award.

In addition, at completion the Purchaser will be obliged to procure the repayment of certain amounts owing by the Project SPV to one of the Vendors' associates in an aggregate amount of $1,310,000, and it is indemnifying the Vendors for capital gains tax up to an amount of $1,500,000. The Project SPV may also be required to enter into a project consultancy agreement with the Vendors' associate for an aggregate consideration of up to $1,700,000 and the Company is obliged to pay one of the previous project designers $65,000. The Vendors and the Purchaser shall bear equally the cost of settling amounts due by the Project SPV in relation to historic design work.

Further to the Agreement, on 19 October 2006 the Vendors and the Purchaser entered into a shareholders agreement ("Shareholders Agreement") in relation to the Project SPV. The Shareholders Agreement, which is conditional on the amendments to the PPP Contract being approved by GOR, governs some of the obligations of the parties in relation to the Project SPV, and includes pre-emption and drag and tag along rights on the transfer of shares in the Project SPV, obligations on the Purchaser to take all necessary measures to obtain financing for the demolition and site organization works required by the PPP Contract (as amended) and for the development of the Casa Radio project, including the payment of all expenses. The board of directors of the Project SPV will comprise five directors of which the Purchaser, once it or its affiliate(s) become(s) a shareholder, has the right to appoint three members, and each of the GOR and the Vendors one director. All transactions between the Project SPV, the Purchaser and its respective affiliates shall be made on arm's length terms and the margin on loans made by members of the Purchaser's group to the Project SPV shall not exceed 1.5% above the interest rate charged by the Purchaser (or any affiliate) on loans granted to other companies within its group. The Shareholders Agreement governs the payment of dividends, and the provision of information (including in relation to tenders for the development of the Casa Radio site), to the Project SPV's shareholders. A general meeting of the shareholders of the Project SPV is required to approve the Purchaser/its affiliate(s) as a shareholder in the Project SPV, as well as amendments to the constitutional documents of the Project SPV in order to give effect to certain provisions of the Shareholders Agreement. Depending on the amendments to the constitutional documents to be agreed by the shareholders of the Project SPV, a notification might need to be filed with the Romanian antitrust authority.

2. There are no contracts (not being contracts entered into in the ordinary course of business) which have been entered into by members of the Group which contain any provision under which any member of the Group has any obligation or entitlement which is material to the Group as at the date of this document.

11. Related party transactions

The transactions described in this paragraph transactions which, as a single transaction or in their entirety, are or may be material to the Company and have been entered into by the Company or any other member of the Group during the period commencing on 1 January 2003 and up to the date of this document with a related party. Each of the transactions was concluded at arm's length.

1. On 27 October 2006, the Company entered into an agreement with Control Centers under which Control Centers may elect to provide coordination, planning, execution and supervision services in respect of the Group's projects (the "Agreement"). This agreement is concluded within the framework substantially the same as a similar agreement concluded between EMI and Control Centers, which was approved by the shareholders of EMI on 31 May 2006 under the applicable provisions of Israeli law, which supercedes an agreement between the same parties that was entered into between the parties in 2002, which was on substantially the same terms.

   The Company will receive from Control Centers (either directly or through its subsidiaries or affiliates, other than the Company and its subsidiaries) coordination, planning, execution and supervision services (the "Services") over Real Estate Projects (as defined below) of the Group and/or its affiliates in consideration for a fee equal to 5% of the actual execution costs of each project, plus value added tax. "Real Estate Projects" shall mean any real estate project intended for one or more of the following: shopping and entertainment centres, or any other shopping centre, permanent, temporary or seasonal residential projects, offices, business enterprises, warehouses, congressional centres, lecture or convention centres, hotels, guest houses, apartment hotels, leisure apartments, leisure, entertainment, sports or health centres and/or any other real estate projects decided upon for its development, construction or renovation by the Company, by itself or in participation with third parties.

   Coordination, planning and execution services include the receipt of approvals and permits relating to construction and coordination, negotiations with consultants and planners, coordination with licensing authorities and supervision of the planning process. Supervision services include locating and negotiating with suitable contractors, supervising their work and coordinating the operating activities of the real estate project prior to its completion.

   The actual execution costs are the aggregate costs incurred in connection with the Real Estate Project excluding the cost of the purchase of the land, financing costs and the consideration for Control Centers under the Agreement. Such fee will be paid in instalments upon the meeting of specified targets (receipt of planning approval or other approval similar in its nature, receipt of a building permit and completion of the Real Estate Project). 0.5% (out of the total 5%) will be paid to Control Centers upon calculation of the actual execution cost for the Real Estate Project, which shall be conducted within 90 days of the completion of the Real Estate Project. The calculation of the actual execution costs and the final payment to Control Centers will be approved by an external accountant and the audit committee of the Company and of EMI. In addition, the Company will reimburse Control Centers for all reasonable costs incurred in connection with the services rendered thereby, not to exceed a total of EUR75,000 per Real Estate Project. Neither Control Centers nor any of its subsidiaries will be required to conduct any construction works in connection with the Real Estate Projects. The construction work will be conducted by third party consultants and contractors retained by the Company after consulting with Control Centers, and their fees and costs will be paid by the Company.

   If the intended use of a Real Estate Project is changed for any reason prior to the completion of the Project, the payment to Control Centers will be calculated as a percentage of the budget for the Real Estate Project and provided that such percentage

shall not exceed the percentage determined for the next target had it continued as planned. The calculation of the payments to Control Centers will be subject to the approval of an external accountant and the approval of the Audit Committee and the Board of the Company and of EMI. Following the change of purpose of a Real Estate Project, the Company may, at its sole discretion, continue the engagement with Control Centers with respect to such Real Estate Project and in such event the Real Estate Project shall be considered as a new Real Estate Project and the provisions of the Agreement shall apply to it as if it were a new Real Estate Project.

If the development of the Real Estate Project is terminated for any reason (including the sale of the Real Estate Project), the parties will negotiate in good faith to agree the fees to be paid to Control Centers based on the budget as of the termination date, provided that Control Centers' percentage shall not exceed the percentage determined for the next target of the project had it had continued as planned. The calculation of the payments to Control Centers will be subject to the approval of an external accountant and the approval of the Audit Committee and the Board of the Company and of EMI.

2. The Company and/or its subsidiaries and/or affiliates may also purchase from Control Centers through Jet Link Ltd. up to 275 flight hours per calendar year in consideration for payments to Jet Link Ltd. in accordance with its price list, reduced by a 5% discount. The Agreement entered into on 27 October 2006 will remain in effect for a five-year term.

3. On 27 October 2006, the Company entered into an agreement, with the Controlling Shareholder (the "Relationship Agreement") pursuant to which the Controlling Shareholder undertook on behalf of itself and persons connected with it that for so long as the Controlling Shareholder holds at least 30% of the issued share capital of the Company:

   3.1 the non-independent Directors will abstain at meetings of the Board from voting on matters in which the Controlling Shareholder is interested;

   3.2 all transactions, agreements or arrangements between, any member of the Group and the Controlling Shareholder or persons connected with it will be on arm's length terms;

   3.3 neither the Controlling Shareholder nor any person connected with it will compete with the business of the Group in so far as that comprises the development of shopping and entertainment centres in Central and Eastern Europe or India or the development of the Dream Island or Casa Radio projects;

   3.4 any voting rights of the Controlling Shareholder shall be exercised in such a manner so as to procure (to the extent possible by the exercise of voting rights) that there will within three months following Admission be a majority of independent Directors on the Board, and when there are an equal number of independent and non-independent Directors, one of the non-independent Directors will at all times abstain from voting at Board meetings; and

   3.5 at any meeting of the Board at which the appointment or removal of an independent Director is to be considered, the Controlling Shareholder will either exercise its votes in a manner approved by the other independent Directors or abstain from voting.

   The Relationship Agreement also terminates in the event that the Company's issued share capital ceases to be admitted to the Official List.

4. A transitional services agreement between EMI and the Company, relating to the provision of legal and accountancy services. The services are to be provided by EMI

for a period of 24 months, unless terminated earlier by the Company on 60 days' notice, at a cost to be agreed between the parties from time to time.

5. On 13 October 2006, the Company entered into an agreement with EMI, under which EMI is obliged to offer to the Company potential real estate development sites sourced by it in India on behalf of the Company. These sites will be suitable for shopping and entertainment centre development projects as well as mixed use projects (comprising offices, residential units, congress centres and leisure facilities). The projects may also involve the acquisition and renovation of existing shopping and entertainment centres. In "Integrated Shopping Centre Projects", the shopping and entertainment centre may not be the key element of the project. Under the agreement, EMI is obliged to offer the Company the exclusive right to develop all of the shopping centre projects which EMI acquires during the 15-year term of the agreement. EMI will offer to the Company the rights that it has acquired in a site, which may include an agreement to acquire rights in a site. The Company must, within 30 days of receiving EMI's offer, indicate to EMI whether it wishes to accept or decline the offer. The Company can demand a 21-day extension to this period, and extensions thereafter by agreement. A failure to respond by the Company will be deemed to be a rejection of the offer. If the Company accepts the offer, both parties are under an obligation to do all that is necessary to facilitate the execution of the project by the Company. In the case of Integrated Shopping Centre Projects, the parties must cooperate in order to achieve a contractual structure which most effectively promotes the Company's rights. The project management must be undertaken by one, but not both, of the parties. This must be decided between the parties on the basis of which party can most effectively provide comprehensive project management services. EMI has agreed to use the same standard of care in sourcing projects for the Company that it uses in respect of the projects being developed by it. In respect of sites acquired by the Company, it has agreed to pay EMI the cost of the site paid by EMI and EMI's direct costs, subject to a cap of 5% of the cost of the site. The Company has given a number of warranties under the agreement, in terms of its corporate standing and authorisation. It has also given warranties in respect of conflicts, consents, expertise and financial resources. EMI has given the same warranties to the Company. Both parties have rights of termination in the event of a change of control by the defaulting party, material breach by the defaulting party and the occurrence of insolvency. The defaulting party has a 30-day rectification period within which to remedy its breach. The agreement contains a dispute resolution mechanism, under which any arbitration must be conducted before a sole arbitrator in London, in accordance with the Rules of Arbitration then in force of the London Court of International Arbitration.

6. The Company has entered into an agreement on 27 October 2006 with Mr Abraham (Rami) Goren who acts as the Executive Vice-Chairman of EMI with responsibility for its operations in India, under which he will be entitled to receive options (the "Options") to acquire up to 5% of the holding company through which the Company will carry on its operations in India. However, where considered appropriate and by agreement, Mr Goren will be entitled to take up a 5% interest in specific projects, in which case necessary adjustments will be made at the holding company level. The Company and Mr Goren will agree the form of the Option for each acquisition, taking into account taxation, securities laws and regulations applicable to either party or their respective affiliates, and other considerations of the respective parties. If Mr Goren exercises all of his Options (5%) at the holding company level, his right to take up interests on a project by project basis will lapse. The Options will be subject to vesting over a three-year period, with an initial vesting of 2% on award of the Options following commencement of the relevant project. This will rise by 1% on the following dates: 31 March 2007; 31 March 2008; and 31 March 2009. Therefore, this will reach a maximum amount of 5% after the three-year period. If Mr Goren elects to take up Options in a specific project which commences after any of the vesting dates specified

above, an immediate vesting will be allowed in respect of Options which would have vested as of the above dates. For example, if a project commences after 31 March 2008, Mr Goren will be entitled to an immediate vesting of 4%. The Options will also vest immediately upon: (i) Mr Goren's death, in which event all of his rights under the agreement will devolve upon his legal heirs; or (ii) Mr Goren being declared, by court order, mentally or physically incapacitated and incapable of conducting his own affairs, in which case all of his rights under the agreement will devolve upon his legal guardians appointed by court order. The Options may be exercised at any time, at a price (the "Exercise Price") calculated in accordance with the following formula:

$$\frac{[A]}{100} \times [B] + [C] = [D]$$

Where:

[A] is the total owner's net equity investment made by the Company in the projects as at the Option exercise date;

[B] is the number of vested Options to be exercised (expressed as a percentage of the total outstanding shares held by the Company in the projects);

[C] is interest at the rate of LIBOR plus 2% per annum from the date of the investment until the Option exercise date; and

[D] is the Option Exercise Price.

Mr Goren has a cash-in right to require the Company to purchase shares held by him following exercise of the Options, at a price to be determined by an independent valuer. In addition, Mr Goren has the right to pay the Exercise Price on a partial exercise of Options by way of the surrender to the Company of Options valued at the Exercise Price of the exercised Options. If the Company sells its shares in the India holding company to a third party, Mr Goren's Options will not be affected. However, if a new investor is allotted shares in the holding company, Mr Goren's options will be diluted pro-rata.

The share Option arrangement will apply to all projects sourced to the Company from EMI under the terms of the agreement described in paragraph 12.5 above. The Option arrangement is subject to approval by the shareholders of EMI under the provisions of applicable Israeli law. The agreement includes tag-along rights and rights of first refusal. The parties have given the standard representations and warranties for an agreement of this kind.

7. An agreement dated 27 October 2006, addressed to the Company from EMI, pursuant to which with effect from 1 January 2006 the Company will pay a commission to EMI in respect of all and any outstanding corporate and first demand guarantees which have been issued by EMI in favour of the Company and which remain valid and outstanding ("EMI Guarantees"). The amount of the commissions to be paid will be determined by agreement between EMI and the Company at the beginning of each financial year, and will apply to all EMI Guarantees which remain outstanding during the course of that relevant financial year. The amount of the commission payable by the Company is subject to a cap of 0.5% of the amount or value of the relevant EMI Guarantee, per annum. The commission payable is exclusive of value added tax, if applicable, and will be paid annually in arrears. In the event that an EMI Guarantee lapses, or is returned, during the course of the relevant financial year, then the commission is payable pro rata for the period during which it remained valid during that year. The Company has the right to replace the EMI Guarantees at any time, either with its own corporate guarantees or with guarantees issued by third parties. Upon the termination or return of EMI Guarantees which have been replaced, the commission is payable pro rata for the period during which it remained valid during that year.

12. Litigation

Other than as set out below, no member of the Group is or has been involved in any governmental, legal or arbitration proceedings which may have, or have had during the 12 months preceding the date of this document, a significant effect on the Group's financial position or profitability and, so far as the Directors are aware, there are no such proceedings pending or threatened against any member of the Group.

Cukierman claim

On 5 April 2006, Cukierman Real Estate Ltd. filed a summary procedure claim before the District Court of Tel Aviv against EMI and the Company. Within the framework of this claim, the District Court has been requested to order the Defendants to pay the Claimant the amount of New Israeli Shekels 10,751,920 (approximately EUR1,899,632) as an intermediary brokerage fee arising out of the sale by the Company to Klépierre S.A. of its shopping centres in Poland and Czech Republic in terms of the Agreement dated 29 July 2005. This Statement of Claim has not yet been formally served upon the Company at its registered address in Amsterdam, as required by the Israeli Civil Procedure Rules. An application for leave to defend has not yet been filed. On 8 May 2006, EMI filed a motion to strike out the claim in limine or alternatively to strike out the title "summary procedure". The Company and EMI believe, based, *inter alia*, on legal opinions, that the chances that a substantial part of the claim or the claim as a whole will be dismissed are good.

Ordinary course of business

The Company is involved from time to time in litigation arising in 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.

13. Working capital

The Directors and the Company are of the opinion (having made due and careful enquiry) that the working capital of the Group is sufficient for its present requirements, that is for at least 12 months from the date of Admission.

14. Employees

1. The following table shows the approximate number of employees of the Group for each of the following period ends:

31 December 2004	31 December 2005	31 December 2006	30 June 2007
218	95	97	108

2. The arrangements for involving the employees in the share capital of the Company are set out in paragraph 9 of this Part IX.

15. Significant change

There has been no significant change in the financial or trading position of the Group since 31 December 2006, the date to which the last consolidated audited accounts of the Group were prepared.

16. Information incorporated by reference

The Company's historical balance sheets and statements of income and cash flows and the related notes thereto as at, and for the years ended 31 December 2005 and 31 December 2004, as well as auditor's reports on the above documents, as set out in Part XII of the Company's prospectus dated 27 October 2006 – "Financial Information on Plaza Centers N.V." are incorporated hereto by reference.

The Company's Articles of Association, amended and having come into force on 3 August 2007, are incorporated hereto by reference.

17. General information

1. Presentation of financial and other information

Unless otherwise indicated, the Financial Information in this document or incorporated by reference in this Prospectus has been prepared in accordance with International Financial Reporting Standards endorsed by the European Commission ("IFRS"). IFRS differs in certain significant respects from US GAAP.

Unless otherwise indicated, the historical financial information included in this document has been derived from the Company's historical balance sheets and statements of income and cash flows and the related notes thereto as at, and for the year ended, 31 December 2006 as set out in Part XII of this document – "Financial Information on Plaza Centers N.V." and statements of income and cash flows and the related notes thereto as at, and for the years ended, 31 December 2004 as set out in Part XII of the Company's prospectus dated 27 October 2006 – "Financial Information on Plaza Centers N.V.", which are incorporated by reference in this Prospectus. The historical financial information has been prepared on a consolidated basis.

The Company prepares its consolidated financial statements in euro. Unless otherwise indicated, all references to "EUR" are to euro, all references to "$", "USD" or "US Dollars" are to the lawful currency of the United States, all references to "£" or "pounds sterling" are to the lawful currency of the United Kingdom.

2. Forward-looking statements

This document includes statements that are, or may be deemed to be, "forward-looking statements" within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "projects", "anticipates", "expects", "intends", "plans", "contemplates", "is expected to", "seeks", "may", "will" or "should" or, in each case, their negative or other variations or comparable terminology or by discussions of strategy, plans, objectives, goals, future events or intentions. These forward-looking statements relate to matters that are not historical facts. They appear in a number of places throughout this document and include, but are not limited to, statements regarding the intentions, beliefs or current expectations of the Company concerning, amongst other things, the investment objective and investment policy, financing strategies, investment performance, results of operations, financial condition, liquidity, prospects, growth, strategy and dividend policy of the Company and the markets in which it, directly and indirectly, operates. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance. The Company's actual investment performance, results of operations, financial condition, liquidity, dividend policy and the development of its financing strategies may differ materially from the impression created by the forward-looking statements contained in this document. In addition, even if the investment performance, results of operations, financial condition, liquidity and dividend policy of the Company, and the development of its financing strategies are consistent with the forward-looking statements contained in this document, those results or developments may not be indicative of results or developments in subsequent periods. Important factors that may cause these differences include, but are not limited to:

- the effects of competition in the Central and Eastern European and Indian property market;
- the saturation of the leisure and retail market in Central and Eastern Europe and India;

- the Company's ability to successfully implement its business plan in India;
- changes in demand for the Company's properties;
- the Company's ability to obtain and maintain the necessary licences and regulatory approvals;
- future changes in accounting policies;
- general economic recession affecting those areas in which the Company is active;
- changes in legislation, specifically in respect of zoning, environmental regulations, building regulations and foreign exchange controls; or
- inability to obtain project financing at all or on viable terms.

Prospective investors are advised to read this document in its entirety, and, in particular, the sections entitled "Summary", "Risk Factors", "Operating and Financial Review" and the Valuer's Report for a further discussion of the factors that could affect the Company's future performance. In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements in this document may not occur. Many of these factors are beyond the Company's control. Should one or more of these risks or uncertainties materialise, or should underlying assumptions prove incorrect, actual results may vary materially from those described in this document as anticipated, believed, estimated or expected.

These forward-looking statements speak only as at the date of this document. Subject to its legal and regulatory obligations (including under the Listing Rules, the Wft and the DCC), the Company does not intend and does not assume any obligation to update or revise any forward-looking statement contained herein to reflect any change in expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

3. Figures and percentages used in this document

   The figures and percentages in this document are approximate. In addition, certain figures and percentages have been rounded up or down. As a result, certain figures and percentages may not add up to the total.

4. The estimated costs and expenses relating to the Admission payable by the Company are estimated to amount to approximately EUR600,000 (excluding VAT).

5. There have been no interruptions to the Group's business in the 12 months preceding the date of this document which may have or have had a significant effect on the Group's financial position.

6. The financial information relating to the Company contained in this document does not comprise statutory accounts for the purposes of Section 2:361/2:392 of the DCC. Where required, statutory audited accounts of the Company and its subsidiaries relating to each financial period to which the financial information relates have been delivered to the relevant Dutch Chamber of Commerce.

7. KPMG Hungaria Kft., chartered accountants and members of the Chamber of Hungarian Auditors of Vaci út 99, H- 1139 Budapest, Hungary have been the auditors of the Group for the three financial years ended 31 December 2006 and have given unqualified audit reports on the accounts of the Group for those financial years.

8. The information sourced from the Economist Intelligence Unit has been accurately reproduced and as far as the Directors are aware and have been able to ascertain from information published by the Economist Intelligence Unit, no facts have been omitted which render the reproduced information inaccurate or misleading. Where third party

information has been used in this document the source of information has been identified.

9. Save for a registered trademark in The Netherlands for its logo, there are no patents or other intellectual property rights, licences, industrial, commercial or financial contracts or new manufacturing processes which are material to the Group's business or profitability.

10. King Sturge LLP, chartered surveyors, registered in England and Wales, of 30 Warwick Street, London (who is a member of the Royal Institution of Chartered Surveyors (RICS)), whose reports are included in this document at the request of the Company, has given and not withdrawn its written consent to the inclusion in this document of Part A of the Market Overview in Part IV and its Valuer's Report in Part VIII in the form and context in which they are included. King Sturge LLP do not have a material interest in the Company.

11. There are no environmental issues of which the Company or the Directors are aware that may affect the Company's utilisation of the tangible fixed assets.

12. The Ordinary Shares are available in uncertificated form as registered shares or DIs and settled in CREST as DIs. The record in respect of the DIs is maintained by the Depositary and a register of Shareholders is maintained by the Registrar. The official Shareholders' register is maintained by the Company in The Netherlands.

13. A description of the rights attached to the Ordinary Shares is set out in paragraph 5 of this Part IX. The Ordinary Shares are denominated in euros.

14. There have been no public takeover bids by third parties in respect of the Ordinary Shares which have occurred during either the last financial year or the current financial year.

15. All the Ordinary Shares have been registered with the UK Listing Authority and are traded on the London Stock Exchange under the symbol "PLAZ". The Ordinary Shares have the following security code ("ISIN"): NL 0000686772. Application will be made to the Warsaw Stock Exchange for the whole of the Ordinary Shares in issue to be admitted to trading on the main market of the WSE.

16. Save as set out in this document, there are no undertakings in which the Company has a proportion of the capital which are likely to have a significant effect on the assessment of the Company's assets and liabilities, financial position or profits and losses.

17. The information sourced from the CB Richard Ellis EU Shopping Centre Report for 2004 has been accurately reproduced and as far as the Directors are aware and have been able to ascertain from information published by CB Richard Ellis, no facts have been omitted which render the reproduction information inaccurate or misleading.

18. CREST, Depositary Interests and the Deed Poll, Settlement in Poland

CREST and Depositary Interests

1. Introduction

CREST is a paperless settlement system allowing securities to be transferred from one person's CREST account to another without the need to use share certificates or written instruments of transfer. Securities issued by non-UK registered companies, such as the Company, cannot be held or transferred in the CREST system. However, to enable investors to settle such securities through CREST, a depositary or custodian can hold the relevant securities and issue dematerialised DIs representing the underlying securities which are held on trust for the holders of the DIs. In respect of transactions in the Ordinary Shares on the WSE, Euroclear holds a joint DI deposit for the benefit of the holders of the Ordinary Shares listed on the WSE.

CREST members hold and transfer interests in Ordinary Shares within CREST pursuant to a DI arrangement established by the Company. The Ordinary Shares are in registered form. They are only available in the form of an entry in the shareholders' register of the Company without the issuance of a share certificate. Share certificates shall not be issued.

Pursuant to a method approved by CRESTCo, under which transactions in foreign securities may be settled through CREST, the Depositary issued DIs representing entitlements to the Ordinary Shares. The DIs are independent securities constituted under English law which may be held and transferred through CREST. The Depositary holds the Ordinary Shares on trust for the holder of DIs and this trust relationship is documented in a deed poll executed by the Depositary ("Deed Poll").

The DIs have been created pursuant to, and issued on the terms of, the Deed Poll. Prospective holders of DIs should note that under the Deed Poll they will have no rights in respect of the underlying Ordinary Shares or the DIs representing them against CRESTCo or its subsidiaries. Ordinary Shares have been transferred to the Depositary or its nominated custodian ("Custodian") and the Depositary has agreed to pass on to the holders of DIs any cash or other benefits received by it as holder of Ordinary Shares on trust for such DI Holder.

The DIs have the same security code ("ISIN") as the underlying Ordinary Shares. Participation in CREST is voluntary and Shareholders who wish to hold their Ordinary Shares in registered form may do so. They are not, however, able to settle their Ordinary Shares through CREST and will have their holding recorded on the Company's share register in The Netherlands.

Depositary Interests – Terms of the Deed Poll

Ordinary Shares have been issued or transferred to the Depositary or the Custodian and the Depositary issued DIs to participating members.

In summary, the Deed Poll contains, *inter alia*, provisions to the following effect:

The Depositary holds (itself or through the Custodian), as bare trustee, the underlying securities issued by the Company and all and any rights and other securities, property and cash attributable to the underlying securities for the time being held by the Depositary or Custodian pertaining to the DIs for the benefit of the DI Holders. The Depositary re-allocates securities or distributions allocated to the Depositary or the Custodian pro rata to the Ordinary Shares held for the respective accounts of the holders of DIs but are not required to account for fractional entitlements arising from such re-allocation.

Each DI Holder warrants, *inter alia*, that the securities in the Company transferred or issued to the Depositary or Custodian for the account of such DI Holder are free and clear of all liens, charges, encumbrances or third party interests and that such transfers or issues are not in contravention of the Company's articles of association or any contractual obligation, or applicable law or regulations binding or affecting such holder.

The Depositary and any Custodian must pass on to DI Holders, or exercise on their behalf, all rights and entitlements received by the Depositary or the Custodian in respect of the underlying securities. However, there can be no assurance that all such rights and entitlements will at all times be duly and timely passed on or exercised. Rights and entitlements to cash distributions, to information, to make choices and elections and to attend and vote at meetings must, subject to the Deed Poll, be passed on in the form which they are received, together with amendments and additional documentation necessary to effect such passing-on, or exercised in accordance with the Deed Poll. If arrangements are made which allow a DI Holder to take up rights in the Company's securities requiring further payment, the DI Holder must put the Depositary in cleared funds before the relevant payment date or other date notified by the Depositary if it wishes the Depositary to exercise such rights.

The Depositary is entitled to cancel DIs and treat the DI Holder as having requested a withdrawal of the underlying securities in certain circumstances including where a DI Holder

fails to furnish to the Depositary such certificates or representations as to material matters of fact, including his identity, as the Depositary deems appropriate.

The Deed Poll contains provisions excluding and limiting the Depositary's liability. For example, the Depositary shall not be liable to any DI Holder or any other person for liabilities in connection with the performance or non-performance of obligations under the Deed Poll or otherwise except as may result from its negligence or wilful default or fraud or that of any person for whom it is vicariously liable, provided that the Depositary shall not be liable for the negligence, wilful default or fraud of any Custodian or agent which is not a member of its group unless it has failed to exercise reasonable care in the appointment and continued use and supervision of such Custodian or agent. Furthermore, the Depositary's liability to a DI Holder will be limited to the lesser of:

(i) the value of the shares and other deposited property properly attributable to the DIs to which the liability relates; and

(ii) that proportion of £10 million which corresponds to the proportion which the amount the Depositary would otherwise be liable to pay to the DI Holder bears to the aggregate of the amounts the Depositary would otherwise be liable to pay to all such holders in respect of the same act, omission, or event or, if here are no such amounts, £10 million.

The Depositary is entitled to charge DI Holders fees and expenses for the provision of its services under the Deed Poll.

The DI Holders are required to agree and acknowledge with the Depositary that it is their responsibility to ensure that any transfer of DIs by them which is identified by the CREST system as exempt from stamp duty reserve tax is so exempt, and to notify the Depositary if this is not the case, and to pay to CRESTCo any interest, charges or penalties arising from non-payment of stamp duty reserve tax in respect of such transaction.

Each DI Holder is liable to indemnify the Depositary and any Custodian (and their agents, officers and employees) against all liabilities arising from or incurred in connection with, or arising from any act related to, the Deed Poll so far as they relate to the DIs (and any property or rights held by the Depositary or Custodian in connection with the DIs) held by that holder, other than those resulting from the wilful default, negligence or fraud of the Depositary, or the Custodian or agent if such Custodian or agent is a member of the Depositary's group or if, not being a member of the same group, the Depositary shall have failed to exercise reasonable care in the appointment and continued use of such Custodian or agent.

The Depositary is entitled to make deductions from any income or capital arising from the underlying securities, or to sell such underlying securities and make deductions from the sale proceeds there from, in order to discharge the indemnification obligations of DI Holders. The Depositary may terminate the Deed Poll by giving 30 days' notice. During such notice period holders may cancel their DIs and withdraw their deposited property and, if any DIs remain outstanding after termination, the Depositary must, among other things, deliver the deposited property in respect of the DIs to the relevant DI Holders or, at its discretion sell all or part of such deposited property. It shall, as soon as reasonably practicable, deliver the net proceeds of any such sale, after deducting any sums due to the Depositary, together with any other cash held by it under the Deed Poll pro rata to holders of DIs in respect of their DIs.

The Depositary or the Custodian may require from any holder information as to the capacity in which DIs are or were owned and the identity of any other person with or previously having any interest in such DIs and the nature of such interest and evidence or declarations of nationality or residence of the legal or beneficial owners of DIs and such information as is required for the transfer of the relevant Ordinary Shares to the DI Holders. DI Holders agree to provide such information requested and consent to the disclosure of such information by the Depositary or Custodian to the extent necessary or desirable to comply with their legal or regulatory obligations. Furthermore, to the extent that the Company's articles of association

require disclosure to the Company of, or limitations in relation to, beneficial or other ownership of the Company's securities, the DI Holders are to comply with the Company's instructions with respect thereto.

DI Holders do not have the rights which Dutch law and the Articles confer on Shareholders, such as voting rights. In respect of the shares underlying the DIs those rights vest in the Depositary or any Custodian. Consequently, if the DI Holders want to exercise any of those rights they must rely on the Depositary or any Custodian to either exercise those rights for their benefit or authorise them to exercise those rights for their own benefit.

For more information concerning CREST, Shareholders should contact their brokers or CRESTCo at 33 Cannon Street, London EC4M 5SB, United Kingdom.

Settlement in Poland

The transfers of the Ordinary Shares executed on the WSE will be settled in accordance with the principles established by the Polish National Depositary for Securities (the "Polish NDS") applicable to all companies listed on the WSE. In order to settle transactions in Ordinary Shares between the LSE and the WSE, the Polish NDS will only use its account with Euroclear. The transactions in securities executed on the WSE are settled in accordance with the T+3 principle. An Investor who wants to trade his Ordinary Shares on the WSE should transfer such Ordinary Shares to a securities account opened with an investment firm that is a participant of the Polish NDS ("Polish Broker") and instruct his foreign broker to transfer his Ordinary Shares to the account opened with his Polish Broker. In turn, if an Investor whose Ordinary Shares are deposited with a Polish Broker wants to trade them on the LSE, such Investor should transfer his Ordinary Shares to a securities account opened with an investment firm that is a participant of CREST ("Foreign Broker") and instruct his Polish Broker to transfer his Ordinary Shares to the account opened with his Foreign Broker. For information regarding the exercise of shareholders' rights by holders of Shares listed on the WSE, please see paragraph 5 of Part IX – "Additional Information – Memorandum and articles of association".

19. Transfer restrictions

The United States of America

The Ordinary Shares have not been registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act) except to (a) qualified institutional buyers in reliance on the exemption from the registration requirements of the Securities Act provided by Rule 144A and (b) persons in offshore transactions in reliance on Regulation S.

Due to the following restrictions, purchasers of Ordinary Shares in the United States are advised to consult legal counsel prior to making any offer for, resale, pledge or other transfer of the Ordinary Shares.

Each purchaser of the Ordinary Shares offered in reliance on Rule 144A or another available exemption from the registration requirements of the Securities Act (the "Rule 144A Shares") who is located in the United States will be deemed to have represented, agreed and acknowledged that it has received a copy of this document and such other information as it deems necessary to make an investment decision and that (terms used herein that are defined in Rule 144A are used herein as defined therein):

1. it is (i) a QIB, (ii) acquiring such Rule 144A Ordinary Shares for its own account or for the account of one or more QIBs with respect to whom it has the authority to make, and does make, the representations and warranties set forth herein, (iii) is not acquiring the Rule 144A Ordinary Shares with a view to further distribution of such Rule 144A Ordinary Shares and (iv) is aware and each beneficial owner of such Rule 144A Ordinary Shares has been advised that the sale of Rule 144A Ordinary Shares to it is

being made in reliance on Rule 144A or another exemption from, or transaction not subject to, the registration requirements of the Securities Act;

2. it understands that the Rule 144A Ordinary Shares have not been, and will not be, registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be reoffered, resold, pledged or otherwise transferred except (A) (i) to a person whom the purchaser and any person acting on its behalf reasonably believes is a QIB purchasing for its own account or for the account of a QIB in a transaction meeting the requirements of Rule 144A, (ii) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available) or (iii) in an "offshore transaction" in accordance with Rule 903 or Rule 904 of Regulation S, and (B) in accordance with all applicable securities laws of the states of the United States;

3. it acknowledges that the Rule 144A Ordinary Shares (whether in physical, certificated form or in uncertificated form held in CREST) offered and sold hereby are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, are being offered and sold in a transaction not involving any public offering in the United States within the meaning of the Securities Act and that no representation is made as to the availability of the exemption provided by Rule 144 for resales of Rule 144A Ordinary Shares. The purchaser understands that the Rule 144A Ordinary Shares may not be deposited into any unrestricted depositary receipt facility in respect of Rule 144A Ordinary Shares established or maintained by a depositary bank, unless and until such time as such Rule 144A Ordinary Shares are no longer restricted securities within the meaning of Rule 144(a)(3) under the Securities Act;

4. it understands that any offer, sale, pledge or other transfer of the Rule 144A Ordinary Shares made other than in compliance with the above-stated restrictions may not be recognised by the Company; and

5. the Rule 144A Ordinary Shares (to the extent they are in certificated form), unless otherwise determined by the Company in accordance with applicable law, will bear a legend substantially to the following effect:

   THE SECURITY EVIDENCED HEREBY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE US SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (A) (1) TO A PERSON WHOM THE SELLER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (2) IN AN OFFSHORE TRANSACTION COMPLYING WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, OR (3) AS PROVIDED BY RULE 144 THERE UNDER (IF AVAILABLE) AND (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT FOR THE RESALE OF THIS SECURITY. FURTHER, NO PURCHASE, SALE OR TRANSFER OF THIS SECURITY MAY BE MADE UNLESS SUCH PURCHASE, SALE OR TRANSFER WILL NOT RESULT IN THE ASSETS OF THE COMPANY CONSTITUTING "PLAN ASSETS" WITHIN THE MEANING OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("ERISA"), THAT ARE SUBJECT TO TITLE I OF ERISA OR SECTION 4975 OF THE

INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE "CODE"). EACH PURCHASER OR TRANSFEREE OF THIS SECURITY WILL BE REQUIRED TO REPRESENT OR WILL BE DEEMED TO HAVE REPRESENTED THAT IT IS NOT USING ASSETS OF A PLAN THAT IS SUBJECT TO TITLE I OF ERISA OR SECTION 4975 OF THE CODE. NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THE FOREGOING, THIS SECURITY MAY NOT BE DEPOSITED INTO ANY UNRESTRICTED DEPOSITARY RECEIPT FACILITY IN RESPECT OF ORDINARY SHARES OF THE COMPANY ESTABLISHED OR MAINTAINED BY A DEPOSITARY BANK. EACH HOLDER, BY ITS ACCEPTANCE OF THIS SECURITY, REPRESENTS THAT IT UNDERSTANDS AND AGREES TO THE FOREGOING RESTRICTIONS.

Each purchaser of the Ordinary Shares offered in reliance on Regulation S (the "Regulation S Shares") will be deemed to have represented, agreed and acknowledged as follows (terms used in this paragraph that are defined in Rule 144A or Regulation S are used herein as defined therein):

1. the purchaser is, at the time of the offer to it of Ordinary Shares and at the time the buy order originated, outside the United States for the purposes of Rule 903 under the Securities Act;
2. the purchaser is aware that the Regulation S Shares have not been and will not be registered under the Securities Act and are being offered outside the United States in reliance on Regulation S; and
3. any offer, sale, pledge or other transfer made other than in compliance with the above-stated restrictions shall not be recognised by the Company in respect of the Regulation S Shares.

In addition, until 40 days after commencement of the Offer, an offer or sale of the Ordinary Shares within the United States by a dealer (whether or not participating in the Offer) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A or pursuant to another exemption from registration under the Securities Act.

Prospective investors are hereby notified that sellers of Ordinary Shares may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

20. Available information

The Company has agreed that, for so long as any Ordinary Shares are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, it will, during any period in which it is neither subject to Section 13 or 15(d) under the Exchange Act, nor exempt from reporting under the Exchange Act pursuant to Rule 12g3-2(b) thereunder, provide to any holder or beneficial owner of such Ordinary Shares or to any prospective purchaser of such Ordinary Shares designated by such holder or beneficial owner, on the request of such holder, beneficial owner or prospective purchaser, the information required to be provided by Rule 144A(d)(4) under the Securities Act.

21. Market and industry information

The Company has obtained market data and certain industry forecasts used in this document from market research, publicly available information and industry publications. Industry publications generally state that the information they contain has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed.

22. Jurisdiction and enforcement of civil liabilities

Service of process upon the Company and upon its directors and officers and the experts named in this document, some of whom reside outside the United States or the United Kingdom, may be difficult to obtain within the United States or the United Kingdom, as the case may be. Furthermore, because the Company's principal assets and all of its directors and officers are located outside of the United States or the United Kingdom, any judgment obtained in the United States or the United Kingdom against the Company or any of its directors and officers may not be enforceable within the United States or the United Kingdom.

Foreign courts may refuse to hear a claim based on US or English law because the relevant jurisdiction may not be the most appropriate forum in which to bring the claim. Even if a foreign court agrees to hear a claim, it may determine that local law, and not US or English law, is applicable to all or part of the claim. If US or English law is found to be applicable, the content of applicable US or English law must be proved as fact, which can be a time-consuming and costly process.

The Company has been informed by its legal counsel in Israel, Gross Hodak, that there is doubt concerning the enforceability of civil liabilities under the Securities Act and the Exchange Act in original actions instituted in Israel. However, subject to specified time limitations, Israeli courts may enforce a United States or English final executory judgment in a civil matter, including a monetary or compensatory judgment, obtained after due process before a court of competent jurisdiction according to the laws of the state in which the judgment is given and the rules of private international law currently prevailing in Israel. The rules of private international law currently prevailing in Israel do not prohibit the enforcement of a judgment by Israeli courts provided that:

- the obligations under the judgment are enforceable according to the laws of the state in which it was given and the laws of the State of Israel;
- adequate service of process has been effected and the defendant has had a reasonable opportunity to be heard and to present his or her arguments and evidence;
- the judgment and the enforcement of the judgment are not contrary to the law, public policy, security or sovereignty of Israel;
- the judgment was not obtained by fraud and does not conflict with any other valid judgment in the same matter between the same parties;
- an action between the same parties in the same matter is not pending in any Israeli court at the time the lawsuit is instituted in the foreign court; and
- the foreign court recognises and enforces similar judgments of Israeli courts.

If a foreign judgment is enforced by an Israeli court, it generally will be payable in Israeli currency, which can then be converted into non-Israeli currency and transferred out of Israel. The usual practice in an action before an Israeli court to recover an amount in a non-Israeli currency is for the Israeli court to issue a judgment for the equivalent amount in Israeli currency at the rate of exchange in force on the date of the judgment, but the judgment debtor may make payment in foreign currency. Pending collection, the amount of the judgment of an Israeli court stated in Israeli currency ordinarily will be linked to the Israeli Consumer Price Index plus interest at an annual statutory rate set by Israeli regulations prevailing at the time. Judgment creditors must bear the risk of unfavourable exchange rates.

The Company has been informed by its counsel in The Netherlands that the following applies in respect of the enforcement of foreign judgments in The Netherlands:

Pursuant to section 431 of the Dutch Code of Civil Procedure (*Wetboek van Burgerlijke Rechtsvordering*), foreign judgments shall not be enforceable in The Netherlands unless by virtue of a treaty or an act.

In the absence of an applicable treaty between the United States and The Netherlands, a judgment against the Company or any of its directors and officers rendered by a United States federal or state court will not be enforced by the courts of The Netherlands. In order to obtain a judgment which is enforceable in The Netherlands, the claim must be reheard on the merits before a competent Dutch court. A binding effect of the judgment obtained in the United States should generally be obtained if proper service of process has been given and if the judgment rendered by the United States federal or state court:

- results from proceedings compatible with Dutch concepts of due process; and
- does not contravene public policy (*openbare orde*) of The Netherlands.

If the Dutch court finds that the jurisdiction of the United States federal or state court has been based on the grounds as mentioned above, the court in The Netherlands would, under current practice, give binding effect to the final judgment that has been rendered in the United States and will accordingly render judgment.

The enforcement in The Netherlands of a judgment rendered by an English court will be subject to the rules of the Council Regulation (EC) No. 44/2001.

Specific performance (*nakoming*) may not always be available under Netherlands law.

Netherlands courts may render judgments for a monetary amount in foreign currencies, but such foreign monetary amounts may be converted into euro for enforcement purposes. Foreign currency amounts claimed in a Netherlands moratorium of payments or bankruptcy will be converted into euro at the rate prevailing at the commencement thereof.

23. Documents available to the public and for inspection

1. Copies of the following documents will be available for inspection during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) for the life of this document at the registered office of the Company and at the offices of Weil, Gotshal & Manges – Paweł Rymarz Sp. k., ul. Emilii Plater 53, 00-113 Warsaw, Poland for at least one month from the date of this document:

   1.1 the Articles;

   1.2 the Deed Poll;

   1.3 the Valuation and Market Overview Reports compiled by King Sturge; and

   1.4 the audited Historical Financial Information of Plaza Centers for the financial years ended 31 December 2004, 2005 and 2006 and the unaudited financial information of Plaza Centers for the six month period ended 30 June 2007.

2. Copies of this document will be available to the public free of charge at the registered office of the Company during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) as well as in the electronic form on the Company's corporate website at www.plazacenters.com from the date of Admission and for one month thereafter.

Dated 5 October 2007

PART X - Summary of Applicable Dutch Law

1. Implementation Takeover Directive

Directive 2004/25 of the European Parliament and of the Council of the European Union (the "Council") on takeover bids (the "Takeover Directive") was adopted by the Council on 30 March 2004 and became effective on 20 May 2004. The Takeover Directive applies to all companies governed by the laws of a European Union member state of which all or some securities are admitted to trading on a regulated market in one or more member states. Pursuant to the Takeover Directive, a person holding securities in such company which, when added to any existing holdings and the holdings of persons acting in concert with him, directly or indirectly give him control over that company, is required to make a public offer to all the holders of those securities for all their holdings at an equitable price. The laws of the member state in which the company has its registered office will determine what percentage of the voting rights in that company is regarded as conferring control over the company and the method of calculation of such percentage.

Currently, there is no obligation under the Dutch law for a shareholder whose interest in a company's share capital or voting rights passes a certain threshold to launch a public offer for all or part of the outstanding shares in the share capital of the company. However, when the Takeover Directive will be fully implemented in The Netherlands, pursuant to new law published on 12 June 2007, a shareholder who has acquired a certain percentage or more of a company's ordinary shares or of a company's voting rights will be obliged to make a public offer for all issued and outstanding shares in a Company's share capital. The laws of the member state in which such company has its registered office (so for the Company Dutch law) will determine what percentage of the voting rights in that company is regarded as conferring control over the company and the method of calculation of such percentage. The Dutch legislation for the implementation of the Takeover Directive issued by the Dutch Ministry of Finance sets this threshold at 30%.

In addition, the Enterprise Chamber (*Ondernemingskamer*) of the Amsterdam Court of Appeal may, at the request of any shareholder (or holder of depositary receipts for shares) or the issuing company, order a shareholder with a shareholding of 30% or more to make a public offer. The Enterprise Chamber may also, at the request of a company, determine that such a shareholder is not required to make a public offer when the financial condition of the company and the business related to it gives rise thereto. The new legislation will enter into force on a time yet to be decided.

2. Shared authority between the Panel and the AFM in applying the national regulations implementing the Takeover Directive

As the Company was incorporated under the laws of The Netherlands, it is subject to Dutch law. However, pursuant to section 4 of the Takeover Directive which was implemented into UK law by the Takeover Directive (Interim Implementation) Regulations 2006, the English supervisory authority will be competent in respect of public takeover bids for the Company. The City Code will apply to the Company in respect of consideration and procedural matters. In relation to employee information and company law matters, the rules of the future articles 5:70 up to and including 5:83b of the Wft and the future articles 2:359a up to and including 359e of the DCC, implementing the Takeover Directive, will apply and the AFM will be the supervisory authority in respect thereof.

3. Dutch squeeze-out proceedings

Pursuant to article 2:92a DCC, a shareholder who for his own account contributes at least 95% of a company's ("Target Company") issued capital may institute proceedings against the Target Company's other shareholders jointly for the transfer of their shares to the claimant. The proceedings are held before the 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 Enterprise Chamber may grant the claim for the 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 Enterprise Chamber on the value of the shares. Once the order to transfer has become final, the acquiror shall give written notice of the price, and the date on which and the place where the price is payable to the minority shareholders whose addresses are known to him. Unless all addresses are known to him, he shall also publish the same in a daily newspaper with nationwide distribution.

In case of a public offer having been made for shares or for depositary receipts for shares, the draft legislation to implement the Takeover Directive in The Netherlands proposes to replace, for a period of three months after termination of the tender period, the rules of article 2:92a DCC with a special squeeze out procedure. Following a public offer, the offeror can initiate proceedings if he contributes at least 95% of a class of shares and represents at least 95% of the total voting rights in that class. The price offered in the public offer will in principle be deemed a reasonable price for squeeze out purposes. The Enterprise Chamber may, nevertheless, appoint one or three experts to offer an opinion on the value of the shares, prior to determining the price to be paid by the offeror.

The draft legislation also entitles the remaining minority shareholders to demand a squeeze out if the offeror has acquired at least 95% of the class of shares held by them, representing at least 95% of the total voting rights in that class. This procedure must be initiated with the Enterprise Chamber within three months after the end of the period for tendering shares in the public offer. The price for the shares is determined in accordance with the procedure described in the immediately preceding paragraph.

A shareholder who holds less than 95% of the shares ("Controlling Entity"), but in practice controls the Target Company's general meeting of shareholders, could, for instance, subscribe to additional shares in the Target Company (for example, in exchange for a contribution of part of its own business) or attempt through a legal merger with the Target Company to raise its interest to 95%. A legal merger should be approved by the general meeting of shareholders of both the Target Company and the Controlling Entity, provided that, in certain situations, the Controlling Entity can also resolve upon the merger by virtue of a board of management resolution if the Controlling Entity is a Dutch company. Depending on the circumstances, a legal merger with the Target Company might however be deemed to be unreasonably onerous.

4. Right to have items added to the agenda of general meetings

Persons holding 1% or more of the issued share capital of the Company, or in addition thereto, persons that hold securities of the Company that have a value of least 50 million euro, have the right to have items added to the agenda of general meetings, on the condition that the Company has received the request not later than 60 days prior to the day of the meeting. The Board may refuse such request if it would substantially prejudice the interests of the Company.

5. The Wft – disclosure of major shareholdings and voting rights

Holders of interests and/or voting rights in the Company may be subject to reporting obligations under Chapter 5.3. Wft. The overview below is a brief and non-exhaustive outline of the applicable provisions of Chapter 5.3. Wft. Investors should consult their legal or financial advisers in respect of the notification duty that may be imposed on them by Chapter 5.3. Wft.

Pursuant to article 5:43 Wft, each person whose holding of voting rights and/or capital interest, directly or indirectly, at the time of Admission, amounts to 5% or more must notify the AFM immediately by means of a standard form available from the AFM's website (www.afm.nl).

Pursuant to articles 5:38 and 5:39 Wft, any person who directly or indirectly acquires or disposes of an interest in the Company's capital and/or voting rights must immediately notify the AFM by means of a standard form if, as a result of this acquisition or disposal, the percentage of capital interest or voting rights held directly or indirectly meets, exceeds or falls below the following thresholds: 5%, 10%, 15%, 20%, 25%, 30%, 40%, 50%, 60%, 75% and 95%. Any person who directly or indirectly acquires or disposes of an interest in one or more of the Ordinary Shares to which special controlling rights are attached according to the Articles must immediately give written notice to the AFM.

On the basis of article 5:48 Wft, members of the Board must also immediately give written notice to the AFM by means of a standard form of all ordinary shares and voting rights in the Company held at the time of Admission. They must subsequently notify the AFM of every change in their holdings of ordinary shares and voting rights in the Company.

The Company is required to notify the AFM immediately if the Company's capital or voting rights have changed by 1% or more since its previous notification on outstanding capital and voting rights. The Company must notify the AFM of changes of less than 1% in the Company's outstanding share capital and voting rights, within eight days after the end of the calender quarter. Anyone whose direct or indirect capital and/or voting rights interest meets or passes the thresholds referred to in the previous paragraph as a result of a change in the share capital or voting rights that are outstanding must notify the AFM no later than the fourth trading day after the AFM has published the change in the Company's share capital and/or voting rights.

Pursuant to article 5:41 Wft, a person whose substantial interest (which is defined as an interest in shares and/or voting rights equal to or more than 5%) will, at midnight on 31 December in each year, have a different composition when compared to an earlier notification, due to a conversion of shares into depositary receipts or depositary receipts into shares or other depositary receipts should notify the AFM thereof within four weeks. A person whose substantial interest will, at midnight on 31 December in each year, have a different composition when compared to an earlier notification, due to the exercise of rights pursuant to an agreement for the acquisition or disposal of voting rights, should notify the AFM thereof within four weeks.

For the purpose of calculating the percentage of capital interest or voting rights, among other metrics, the following interests must be taken into account: (i) shares or depositary receipts for shares or voting rights directly held (or acquired or disposed of) by any person, (ii) shares or depositary receipts for shares or voting rights 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 (including a discretionary power of attorney), and (iii) shares or depositary receipts for shares or voting rights 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).

Special rules apply with respect to the attribution of shares or depositary receipts for shares or voting rights which are part of the property of a partnership or other community of property. A holder of a pledge or right of usufruct in respect of shares or depositary receipts for shares can also be subject to the reporting obligations of the Wft, if such person has, or can acquire, the right to vote on the shares or, in the case of depositary receipts, the underlying shares. If a pledgee or usufructuary acquires the voting rights on the shares or depositary receipts for the shares, the subject of such pledge or usufruct arrangement, this may trigger a corresponding reporting obligation for the holder of the shares or depositary receipts for the shares. In addition, the Wft states that a person is deemed to have at his disposal shares which are held by a subsidiary company and the voting rights which can be exercised by such a subsidiary company. Furthermore, the Wft states that a person is deemed to have at his disposal shares that are held for his account by a third party and the voting rights that can be cast by such

third party on his behalf. A person is deemed to have at his disposal voting rights which he can cast at his own discretion in his capacity as a proxy holder (authorised representative of the shareholder).

The Wft contains detailed rules that set out how its requirements apply to certain categories of holders, including but not limited to (managers of) investment funds, investment managers, custodians, market makers, clearing and settlement institutions, brokers and credit institutions.

The AFM keeps a register with notifications made on the basis of Chapter 5:3 Wft, which is publicly accessible. The Decree on the Disclosure of voting rights and capital interest in issuing institutions (*Besluit melding zeggenschap en kapitaalbelang in uitgevende instellingen*) promulgated under the Wft determines what should be contained in the register and the manner in which the information will be visible (see below). The AFM will inform the Company of notifications in respect of the Company made to it.

6. The Wft – Market abuse

Any dealings in or from The Netherlands in the ordinary shares, the DIs and any other securities whose value is determined by the value of the ordinary shares (including dealings by the Company itself) are subject to the provisions of Dutch law regarding insider dealing and market abuse as contained in Chapter 5:4 of the Wft.

Pursuant to article 5:60 Wft, persons who:

1. determine or co-determine the day-to-day policy of the Company;
2. supervise the conduct of management and the general course of business in the Company and the undertaking connected with it;
3. have a managing position and, thereby, have the right to make decisions which have consequences for the future development and business prospects of the Company and can have access to inside information on a regular basis; or
4. are designated in a regulation promulgated under the Wft ("Related Persons"),

   the Decree on Market Abuse Wft (*Besluit marktmisbruik Wft*) promulgated inder the Wft ("Related Persons") should, ultimately on the fifth business day after the date of the transaction, report to the AFM, transactions in the ordinary shares or in securities whose value is at least in part determined by the value of the ordinary shares, carried out or caused to be carried out for their own account. The notification may be postponed until the moment the value of the aggregated transactions reaches or exceeds an amount of five thousand euro (EUR 5,000) whereby transactions, carried out for the account of Related Persons should be added to the value of the transactions carried out by persons mentioned under (1), (2) and (3) above.

Related Persons are:

1. spouses, registered partners or life partners from the persons mentioned under (1), (2) and (3) above, or other persons who live together in a comparable manner with the persons mentioned under (1), (2) and (3) above;
2. children from persons mentioned under (1), (2) and (3) above, in respect of whom those persons hold legal custody or who are placed under guardianship and in respect of whom the persons mentioned under (1), (2) and (3) above are appointed as guardian (*bewindvoerder*);
3. other relatives by blood or affinity of the persons mentioned under (1), (2) and (3) above, who, on the date of the transaction at issue, have run a joint household with those persons for at least one year; or

4. legal persons, trusts within the meaning of article 1 sub c of the Dutch Trust office supervision act (*Wet toezicht trustkantoren*), or partnerships (*personenvennootschap*): (i) the managerial responsibility for which lies with a person mentioned under (1), (2) and (3) above or another Related Person; (ii) in which a person mentioned under (1), (2) and (3) above or another Related Person has a controlling interest; (iii) that are incorporated or set up for the benefit of a person mentioned under (1), (2) and (3) above or another Related Person; or (iv) whose economical interest essentially is equivalent to that of a person mentioned under (1), (2) and (3) above or that of another Related Person.

The Company is also required to have a code of conduct with rules as regards the possession of and transactions in shares which relate to it or in transferable securities the value of which is also determined by the value of such shares by the employees of the Company or any other company in the Group and the persons referred to in (1) and (2) above, to draw up an insider list, i.e. a list of persons working for the Company or any other company in the Group, who regularly or incidentally, may have access to inside information (*voorwetenschap*), to regularly update this list of persons and to inform persons on this list of the relevant prohibitions and sanctions in respect of inside information and market abuse.

7. Register and sanctions

The AFM keeps a register of all notifications made pursuant to the Wft, which register is for public inspection. The register does not contain information about the addresses of the natural persons who made the notification. Non-compliance with the reporting obligations under the Wft constitutes an economic offence under the Dutch Economic Offences Act (*Wet op de economische delicten*). Non-compliance may be punished with criminal fines, administrative fines, imprisonment and other sanctions. In addition, non-compliance with the reporting obligations under the chapter 5:3 Wft may lead to civil sanctions, including (i) a general suspension of voting rights in respect of ordinary shares for a period of up to three years and/or (ii) a court order prohibiting a person from (acquiring or) exercising voting rights in respect of ordinary shares for a period of up to five years, and/or publication of non-compliance.

8. Cross-border exercise of shareholders' rights

On 10 January 2006, The European Commission presented a proposal for a directive to facilitate the cross-border exercise of shareholders' rights in listed companies, through the introduction of minimum standards. The proposed directive seeks to ensure that shareholders, no matter where in the EU they reside, have timely access to complete information and simple means to exercise certain rights, notably voting rights, at a distance.

9. Implementation of the Transparency Directive

On 9 July 2007, the Dutch legislator sent a legislative proposal for the implementation of Directive 2004/109 EC (the "Transparency Directive") into Dutch Parliament. The Transparency Directive establishes requirements in relation to the disclosure of periodic and ongoing information about issuers whose securities are admitted to trading on a regulated market situated or operating within a member state of the European Union. The relevant provisions regarding the disclosure of major holdings (sections 9 up to and including 15 of the Transparency Directive) have been implemented into the Wft (see above nr. 5). The remainder of the provisions will be implemented pursuant to the current legislative proposal. Below, a brief and non-exhaustive overview is given of the provisions from the Transparency Directive that will be implemented into the Wft and the DCC. Pursuant to the legislative proposal, a company whose shares are listed on a regulated market within the European Union (i.e. the LSE and the WSE (an "Issuer") should have its annual financial information available not later than four months after the end of the relevant financial year. The annual financial information shall be kept available to the public for a term of at least five years. The proposal contains the obligation for Issuers to make public half-yearly financial reports

covering the first six months of the financial year, as soon as possible after the end of the relevant period but not later than two months thereafter. Such half-yearly financial reports should also be kept available for the public for a term of at least five years. Issuers should furthermore make public an interim statement drawn up by its management during the first six-month period of the financial year and another statement by its management during the second six-month period of the financial year. Such statement shall be made in a period between ten weeks after the beginning and six weeks before the end of the relevant six-month period. The interim statement shall provide (i) an explanation of material events and transactions that have taken place during the relevant period and their impact on the financial position of the Issuer and its controlled undertakings and (ii) a general description of the financial position and performance of the Issuer and its controlled undertakings during the relevant period. The legislative proposal furthermore contains provisions regarding the method of provision of information to holders of securities (equity and non-equity securities) that are admitted to a regulated market. Those provisions relate to an equal treatment of the holders of securities, the right of proxy voting, and the provision of electronic information. It is envisaged that the new rules implementing the Transparency Directive will come into force on 1 January 2008.

PART XI - Summary of Applicable Polish Law

1. Capital Market Regulations

The principal legal Acts governing the Polish securities market are three Acts of 29 July 2005: the Act on Public Offers, the Act on Trading in Financial Instruments; and the Act on Capital Market Supervision. The operation of the WSE is also governed by the WSE Rules.

Furthermore, on 19 September 2006 the Act of 21 July 2006 on the Supervision of the Financial Market (excluding some regulations) came into force with the principal aim of centralising the supervision of the markets constituting the financial market. The new supervision covers the capital market, the insurance market and from 1 January 2008 will also cover the banking services market. The supervising authority is the Financial Supervision Commission which beginning from 19 September 2006 took over the competencies of the Polish Securities and Exchange Commission and the Insurance and Pension Funds Supervisory Commission and as of 1 January 2008 will also replace the Banking Supervision Commission.

2. Public Offer of Securities

Subject to the exceptions provided for in the Act on Public Offers, the public offer or the admission of securities to trading on a regulated market requires the drawing up of an issue prospectus, its approval by the Financial Supervision Commission and making it available to the public.

The contents and the manner of disclosure of the prospectus is governed by the Act on Public Offers and European Commission Regulation (EC) No. 809/2004 of 29 April 2004, implementing Directive 2003/71/EC of the European Parliament and Commission regarding information contained in prospectuses and the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements.

Drawing up, approving and making publicly available an issue prospectus is not required, inter alia, in the case of a public offer directed exclusively to qualified investors or solely to investors of whom each acquires securities with a value, calculated in accordance with the issue or sale price, of at least EUR 50,000 or the equivalent of this amount in PLN, determined by applying the average exchange rate for the EUR as published by the National Bank of Poland on the date of determining such price.

The liability for damage caused by public disclosure of untrue information or the omission of information that should have been included in the documents prepared and made available in connection with a public offer of securities or in connection with seeking admission to trading on a regulated market, rests with the issuer, the underwriter, the guarantor, or the selling shareholder, as well as the person who prepared such information or participated in the preparation thereof, unless these entities, or the persons they are responsible for, are not at fault. Persons preparing the summary which forms part of the issue prospectus, or persons preparing the translation of the prospectus, are only liable for damage caused in the event that such a summary or translation is misleadingly inaccurate or inconsistent when read with other parts of the prospectus. In addition, any person who publicly proposes the acquisition of securities without the statutorily required approval of an issue prospectus, without submitting a notification including an information memorandum or without making such a document available to the public or to interested investors, is subject to a fine or imprisonment.

If the issuer, the selling shareholder or any other entity participating in a public offer for or on behalf of the issuer or the selling shareholder, violates the law relating to public offers in Poland, or where there is reasonable suspicion that such violation has occurred or may occur, the Financial Supervision Commission may order that the commencement of such public offer be withheld or that such public offer already underway be discontinued, in each case for a

period of not more than ten business days, or may proscribe the commencement or continuation of the public offer.

The securities to be admitted to trading exist in dematerialized form as of the date of their registration under the agreement with the Polish NDS. All the Ordinary Shares have been registered with the Polish NDS and are traded on the WSE. The rights attached to the dematerialized securities arise as of the moment such securities are first registered in a securities account and inure to the benefit of the account holder. Under an agreement on the transfer of securities which have been admitted to public trading, such securities are transferred as of the moment the relevant entry is made in the securities account.

3. Disclosure Requirements

An issuer whose securities are sought to be admitted to trading on a regulated market, or are admitted to trading on such a market, should simultaneously provide the following information to the Polish Financial Supervision Commission and to the WSE and, 20 minutes thereafter, also make it available to the public:

(i) inside information (any information of a precise nature relating directly or indirectly to one or more issuers of financial instruments, one or more financial instruments, or the 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);

(ii) current and interim information.

4. Insider Trading

The Act on Trading in Financial Instruments defines “inside information” as any information of a precise nature, relating, directly or indirectly, to one or more issuers of financial instruments, or acquisitions 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.

Anyone who gains inside information by virtue of membership of the governing bodies of a company, by virtue of an interest in the share capital of the company, or as a result of having access to inside information in connection with employment, or a mandate or any other contract or any legal relationship of a similar nature, is prohibited from using such information. The actions regarded as prohibited use of inside information, include:

(i) acquiring or disposing of, for their own account or for the account of a third party, any of the issuer shares, derivative rights attached thereto or other financial instruments related to such shares;

(ii) enabling or facilitating the inside information regarding one or more issuers of shares, or the issuer of any other financial instruments, to be obtained by an unauthorized person.

Under the Act on Trading in Financial Instruments, any person who uses inside information in breach of the law, may be subject to a fine or imprisonment, or both of these sanctions. The maximum fine that can be imposed is PLN 5,000,000; the length of imprisonment depends on the type of offence and can range from three months to eight years.

Additionally, according to the Act on Trading in Financial Instruments any person who obtains inside information is prohibited from:

(i) disclosing such inside information;

(ii) recommending or inducing other persons to acquire or dispose of any financial instruments affected by such inside information.

Under the Act on Trading in Financial Instruments, any person who discloses inside information or issues a recommendation or induces another person to acquire or dispose of

financial instruments to which such inside information relates will be liable to a fine of up to PLN 2,000,000 or a penalty of imprisonment for up to three years, or to both of these sanctions jointly.

5. Obligations Related to Acquisition or Disposal of Ordinary Shares in Restricted Periods

The next restriction introduced under the Act on Trading in Financial Instruments concerns only insiders who, during the restricted period, may not acquire or dispose of financial instruments, for their own account or for the account of a third party. The Act on Trading in Financial Instruments defines the restricted period as (i) the period between a primary insider gaining inside information concerning the issuer of financial instruments and the time such information is made public, (ii) in the case of an annual report – a period of two months preceding the publication of such report, or if shorter, the period between the end of the given financial year and the publication of such report, (iii) in the case of a semi-annual report - a period of one month preceding the publication of such report, or if shorter, the period between the end of the given half year and the publication of such report, (iv) in the case of a quarterly report - a period of between the end of two weeks preceding the publication of such report, or if shorter, the period between the end of the given quarter and the publication of such report.

Any insider who violates this prohibition during a restricted period, is subject to a pecuniary penalty of up to PLN 200,000 imposed by the Polish Securities and Exchange Commission by way of decision.

In addition, pursuant to Article 160 of the Act on Trading in Financial Instruments, persons who are members of the issuer's management or supervisory bodies or who are issuer's proxies, as well as persons who hold management posts in the organisational structure of the issuer and have access to inside information of the issuer are obligated to notify the Financial Supervision Commission and the issuer of any transactions executed by them for their own account, whereby they acquire or dispose of any issuer shares or financial instruments related to the issuer shares. This obligation applies also to transactions by related persons of the persons specified above, as set forth in Art. 160, paragraph 2 of the Act on Trading in Financial Instruments. Any violation of the requirements provided for in Art 160 of the Act on Trading in Financial Instruments is subject to a pecuniary penalty of up to PLN 100,000.

6. Concentration Control

Under Art. 13.1 of the Act on Competition and Consumer Protection, an intended concentration is required to be notified to the Chairman of the UOKiK (the Office for Competition and Consumer Protection) if the total global turnover of the undertakings taking part in the concentration in the financial year preceding the year in which the notification is made exceeds the equivalent of EUR 1,000,000,000 or the total turnover in the territory of the Republic of Poland of the undertakings taking part in the concentration in the financial year preceding the year in which the notification is made exceeds the equivalent of EUR 50,000,000. For the purposes of the Act on Competition and Consumer Protection, undertakings shall also mean persons who are undertakings within the meaning of the Business Activity Freedom Act of 2 July 2004, as well as individuals exercising control (as defined in the Act on Competition and Consumer Protection) over at least one other undertaking, even if such persons do not conduct business activity within the meaning of the Business Activity Freedom Act, provided that such persons take further actions which are subject to concentration control.

Under Article 13.2 of the Act on Competition and Consumer Protection, the obligation to notify the Chairman of the UOKiK of the intended concentration applies to the intention: (i) of two or more independent undertakings to merge; (ii) to acquire – through the purchase of or subscription for shares, other securities, all or part of the assets or otherwise – direct or indirect control over one or more undertakings on the part of one or more undertakings; (iii) to establish a joint venture by two or more undertakings, or (iv) to of an undertaking to

acquire a part of the assets of another undertaking (the entire enterprise or a part thereof), if the turnover generated by such assets in the territory of the Republic of Poland in any of the two financial years preceding the year in which the notification is made exceeded the equivalent of EUR 10,000,000.

The Act on Competition and Consumer Protection defines an assumption of control as all forms of direct or indirect acquisition of rights, which separately or jointly enable a decisive influence to be exerted over a specific undertaking or undertakings, while taking into account all legal and actual circumstances.

Under Art. 106.1 of the Act on Competition and Consumer Protection, the Chairman of the UOKiK may impose a fine on an undertaking, by way of a decision, of up to 10% of the revenues generated in the financial year preceding the year in which the fine is imposed, if such undertaking executed a concentration without the prior consent of the Chairman of the UOKiK.

7. Council Regulation on Concentration

The requirements regarding concentration control also arise from the Council Regulation on the control of concentration of entrepreneurs. This regulation governs the so-called concentration with a Community dimension and therefore applies to entrepreneurs and their related parties, which exceed specific thresholds of sales of goods and services. The Council Regulation on the control of concentration of entrepreneurs applies only to such concentrations which result in a permanent change in the ownership structure of the enterprise. Concentrations with a Community dimension are subject to notification of the European Commission before they are executed.

Concentrations with a Community dimension are defined as those where either:

(i) the total global turnover of all entrepreneurs taking part in the concentration amounts to more than EUR 5 billion; or

(ii) the total turnover in the European Community of each of at least two entrepreneurs taking part in the concentration amounts to more than EUR 250,000,000, unless each of the entrepreneurs taking part in the concentration achieves more than two-thirds of its total turnover in the Community in the same member state.

Concentrations with a Community dimension are also defined as those where either:

(i) the total global turnover of all entrepreneurs taking part in the concentration amounts to more than EUR 2,500,000,000; or

(ii) in each of at least three member states, the total turnover of all entrepreneurs taking part in the concentration amounts to more than EUR 100,000,000; or

(iii) in each of at least three member states, the total turnover of all entrepreneurs taking part in the concentration amounts to more than EUR 100,000,000, of which the total turnover of at least two entrepreneurs taking part in the concentration amounts to at least EUR 25,000,000; and

(iv) the total turnover in the European Community of each of at least two entrepreneurs taking part in the concentration amounts to more than EUR 100,000,000, unless each of the entrepreneurs taking part in the concentration achieves more than two-thirds of its total turnover in the Community in the same member state.

PART XII - Financial Information on Plaza Centers N.V.

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CONSOLIDATED FINANCIAL STATEMENTS AUDITED AS OF DECEMBER 31, 2006

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Plaza Centers N.V (formerly: Plaza Centers (Europe) B.V)

We have audited the accompanying consolidated financial statements of Plaza Centers N.V. (hereinafter referred to as the "Company") and its subsidiaries (the "Group") which comprise the consolidated balance sheet as at December 31, 2006, and the consolidated income statement, consolidated statement of changes in shareholders' equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU"). 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 misstatements, 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 these consolidated financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the 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 principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the 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 present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2006, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS as adopted by the EU.

23 March 2007

KPMG Hungária Kft.

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated balance sheets

	Note	December 31 2006	December 31 2005
		EUR 000'	
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	3	212,683	46,699
Restricted bank deposits	4	616	6,164
Short-term deposits	5	6,154	2,977
Trade accounts receivables, net	6	1,059	638
Other accounts receivable and prepayments	7	29,222	4,802
Other debtors and related parties	10	4,283	2,033
Trading properties	8	159,961	104,717
		413,978	168,030
NON CURRENT ASSETS			
Investment in associate	15	1,148	1,298
Long-term balances and deposits	9	2,257	2,938
Other debtors and related parties	10	22,027	3,512
Property, plant and equipment	11	7,550	8,210
Investment property	12	26,654	26,354
Restricted bank deposits	4	350	349
Other non-current assets	13	933	413
		60,919	43,074
Total assets		474,897	211,104
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Interest bearing loans from banks	16	51,201	53,403
Trade payables		15,703	6,352
Other liabilities	18	3,088	7,099
Amounts due to related parties	17	17,771	15,693
Creditor due to selling of investment property	17	2,418	1,648
		90,181	84,375
NON CURRENT LIABILITIES			
Interest bearing loans from banks	16	5,875	17,244
Amounts due to related parties	17	8,474	9,133
Other long-term liabilities	18	1,551	1,214
Deferred tax liabilities	19	4,139	3,131
		20,039	30,722
Share capital	20	2,923	18
Translation reserve	20	(1,895)	(2,059)
Other reserves	20	1,840	(181)
Share premium	20	248,860	-
Retained earnings		112,949	98,229
Shareholders' equity		364,677	96,007
Total shareholders' equity and liabilities		474,897	211,104

March 21, 2007		
Date of approval of the financial statements	**Ran Shtarkman Director, President and Chief Executive Officer**	**Shimon Yitzchaki Director and Chairman of the Audit Committee**

Consolidated income statements

	Note	For the year ended December 31 2006	2005
		EUR 000'	
Revenues	23	60,219	14,955
Gain from the sale of investment property, net	34	13,715	1,089
Changes in fair value of investment property	12	257	39,726
		74,191	55,770
Costs of operations	24	50,034	6,613
Gross profit		24,157	49,157
Administrative expenses	25	8,173	6,572
Operating profit		15,984	42,585
Finance income	26	4,000	972
Finance expenses	26	(3,336)	(8,557)
Finance income (expenses), net		664	(7,585)
Other income	27	287	394
Other expenses	27	(457)	(233)
Share in profit (loss) of associate	15	(150)	40
Profit before tax		16,328	35,201
Income tax expenses	28	1,608	5,859
Profit for the year		14,720	29,342
Basic and diluted earnings per share (in EURO)	21	0.27	16.17

Consolidated statement of changes in shareholders' equity

	Note	Share capital	Share Premium	Other capital reserves	Translation Reserve	Retained earnings	Total
				EUR 000'			
Balance at January 1, 2005		18	-	(181)	(2,883)	68,887	65,841
Transfer to income statement due to selling of investment property.....		-	-	-	824	-	824
Profit for the year.....		-	-	-	-	29,342	29,342
Balance at December 31, 2005		18	-	(181)	(2,059)	98,229	96,007
Transfer to income statement due to selling of trading property.....		-	-	-	164	-	164
Share based payment	22	-	-	2,021	-	-	2,021
Private issuance of ordinary shares to Elbit Ultrasound B.V - parent Company (in consideration of loan conversion)		1,982	15,282	-	-	-	17,264
Issuance of ordinary shares, net (*).....		923	233,578	-	-	-	234,501
Profit for the year.....		-	-	-	-	14,720	14,720
Balance at December 31, 2006		2,923	248,860	1,840	(1,895)	112,949	364,677

(*) Net of costs of issuance of ordinary shares in the amount of EUR 12.7 million.

Consolidated cash flow statements

	December	
	2006	2005
	EUR 000'	
Cash flows from operating activities		
Profit for the year	14,720	29,342
Adjustments necessary to reflect cash flows used in operating activities:		
Depreciation	773	868
Change in fair value of investment property	(257)	(39,726)
Finance expenses (income), net	(510)	6,954
Loss (Gain) on sale of property plant and equipment	18	(69)
Company's share in loss (profit) of associate	150	(40)
Gain on sale of investment property subsidiaries	(13,715)	(1,089)
Gain on sale of trading property subsidiaries	(7,008)	-
Income tax expenses	1,009	5,793
Increase in trade accounts receivable	(786)	(2,055)
Increase in other accounts receivable	(6,087)	(1,950)
Payments on account for projects to be acquired	(19,401)	-
Increase in trading properties	(92,201)	(22,163)
Purchase of trading property companies (see appendix A)	1	(2,341)
Increase (decrease) in trade accounts payable	14,241	(291)
Increase in other liabilities	3,187	490
Net proceeds from selling of trading property subsidiaries (see appendix B)	6,016	-
Share based payment	1,186	-
Net cash used in operating activities	(98,664)	(26,277)
Cash from investing activities		
Purchase and development of investment property (2006 - other assets)	(1,422)	(24,131)
Proceeds from sale of plant, property and equipment	167	204
Investment in associate	(115)	(153)
Acquisition of subsidiaries (see appendix A)	-	(15,408)
Short term deposits, net	2,393	1,887
Decrease in Long term deposits	1,047	13,271
Increase in Long term deposits	(2,374)	(7,907)
Net proceeds from disposal of other subsidiaries (see appendix B)	17,297	77,427
Long term loans granted to partners in jointly controlled company	(21)	(2,663)
Net cash provided by investing activities	16,972	42,528
Cash from financing activities		
Short term loans from banks, net	21,001	1,164
Issuance of ordinary shares, net	234,501	-
Long term loans received from banks	-	61,117
Long term loans repaid to banks	(8,604)	(3,922)
Loans granted from (repaid to) related parties	778	(37,747)
Net cash provided by financing activities	247,676	20,612
Increase in cash and cash equivalents during the year	165,984	36,863
Cash and cash equivalents at the beginning of the year	46,699	9,836
Cash and cash equivalents at the end of the year	212,683	46,699
Appendix A - Acquisition of subsidiaries (*)		
Cash and cash equivalents of subsidiaries acquired	-	342
Working capital (excluding cash and cash equivalents)	6,787	(85)
Investment property	-	(15,401)
Trading property	(6,786)	(22,726)
Long-term loans and liabilities	-	20,463
Less- Cash and cash equivalents of subsidiaries acquired	-	(342)
Acquisitions of subsidiaries, net of cash held	1	(17,749)
Appendix B - Disposal of Subsidiaries		
Cash and cash equivalents of subsidiaries disposed	463	2,655
Working capital (excluding cash and cash equivalents)	37,414	3,065
Long-term deposits	1,047	3,588
Investment property and other assets	-	247,072
Long-term loans and liabilities	(42,600)	(178,212)
Net identifiable assets and liabilities disposed	(3,676)	78,168
Cash from sale of subsidiaries	23,776	80,082
Less- Cash and cash equivalents of subsidiaries disposed	(463)	(2,655)
	23,313	77,427
Non cash movements		
Forgiveness of loans in consideration for issuance of ordinary shares (See Note 20)	17,264	-
Share option plan capitalized (See Note 22)	835	-
Interest paid	2,867	3,265
Interest received	1,857	788
Income taxes paid	13	19

(*) In 2006 - trading properties company acquired.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1:- PRINCIPAL ACTIVITIES AND OWNERSHIP

Plaza Centers N.V. (formerly: Plaza Centers (Europe) B.V) ("the Company") was incorporated and registered in the Netherlands in May 1993 as a private company by the name of Shaka B.V. In 1998, the name was changed to Bea Real Estate B.V. ("BeaRE") and in May 1999, to Plaza Centers (Europe) B.V. In September 2006 the Company changed its name to its present name, as part of the IPO reorganization (see note 32). The Company's registered office is at Keizersgracht 241, Amsterdam, the Netherlands. The Company conducts its activities in the field of establishing, operating and selling of commercial and entertainment centers in Central and Eastern Europe, and, starting 2006, India. The consolidated financial statements for each of the periods comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates and jointly controlled entities.

In line with the Group's commercial decision to focus its business more on development and sale of shopping and entertainment centres, the Group has classified its current projects under development as trading properties rather than investment properties.

On October 27, 2006 the Company announced its initial public offering ("IPO") of Ordinary Shares on the Official List of the London Stock Exchange ("LSE"). For more details on the IPO refer to note 32 of these financial statements.

The Company's immediate parent company is Elbit Ultrasound B.V. ("EUL"), which holds 68.4% of the Ordinary Shares. The ultimate parent company is Elbit Medical Imaging Limited ("EMI"), which is indirectly controlled by Mr. Mordechay Zisser. For the list of the Company's subsidiaries and affiliates, refer to note 37.

NOTE 2:- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU.

These consolidated financial statements are not intended for statutory filing purposes. The Company is required to file consolidated financial statements prepared in accordance with The Netherlands Civil Code. The Company has not yet prepared consolidated financial statements for the year ended 31 December 2006 in accordance with The Netherlands Civil Code.

The financial statements were approved by the board of directors on March 21, 2007.

b. Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention, except for investment property which is stated at fair value and liabilities for cash-settled share-based payment arrangements which are measured at fair value.

c. Functional and presentation currency

These consolidated financial statements are presented in EURO, which is the Company's functional currency. All financial information presented in EURO has been rounded to the nearest thousand, unless otherwise indicated.

d. Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis 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 underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of IFRS that have significant effect on the financial statements and estimates with a significant risk of material adjustments in the next year are discussed in Note 36.

e. Basis of consolidation

1. Subsidiaries

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power, directly or indirectly, to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

All business combinations are accounted for by applying the purchase method. On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the net identifiable assets acquired is recognized as goodwill. Any deficiency of the cost of acquisition below the fair values of the net identifiable assets acquired (i.e. discount on acquisition) is recognized directly in profit and loss in the period of acquisition.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group in the consolidated financial statements.

2. Associates

An associate is an entity over which the Group is in a position to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of the associate.

The consolidated financial statements include the Group's share of the total recognized gains and losses of associates using the equity method of accounting, from the date that significant influence commences until the date that significant influence ceases. Investments in associates are carried in the balance sheet at cost as adjusted by post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of the associate in excess of the group's interest in those associates are reduced until the

investment is brought to nil, and then further losses are only recognized if the Group has incurred a legal/constructive obligation to fund such losses.

Any excess of the cost of acquisition over the Group's share of the fair values of the net identifiable assets of the associate at the date of acquisition is recognized as goodwill. In respect of associates, the carrying amount of goodwill is included in the carrying amount of the investment in the associate. When the cost of acquisition is below the Group's share of the fair values of the net identifiable assets of the associate at the date of acquisition (i.e. discount on acquisition), the difference is recognized in the income statement in the period of acquisition.

3. Joint ventures

Entities which are jointly controlled with another party or parties through the establishment of a contractual agreement ("joint ventures"), are accounted for using the proportional consolidation method of accounting.

The financial statements of joint ventures are included in the consolidated financial statements from the date that joint control commences until the date that joint control ceases.

Where necessary, adjustments are made to the financial statements of joint ventures to bring the accounting policies used into line with those used by the Group in the consolidated financial statements.

4. Transactions eliminated on consolidation

All intra-group transactions, balances, income and expenses are eliminated on consolidation. Unrealized gains arising from transactions with joint ventures and associates 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.

5. Acquisitions from entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group's controlling shareholder's consolidated financial statements.

The components of equity of the acquired entities are added to the same components within Group equity except that any share capital of the acquired entities is recognised as part of share premium. Any cash paid for the acquisition is recognised directly in equity.

f. Foreign currency

1. Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional currency at the foreign exchange rate prevailing 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 the functional currency at foreign exchange rates prevailing at the dates the fair value was determined.

2. Financial statements of foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to EUR at foreign exchange rates prevailing at the balance sheet date. The revenues and expenses of foreign operations are translated to EUR at rates approximating to the foreign exchange rates prevailing at the dates of the transactions. Foreign exchange differences arising on retranslation are recognized directly in a separate component of equity.

The EUR is the functional currency for Group companies (with the exception of Indian companies – in which the functional currency is the Indian Rupee - INR) since it best reflects the business and results of operations of the Group companies. This is based upon the fact that the EUR is the currency in which management is determining its budgets, transactions with tenants and suppliers, and its financing activities and assesses its currency exposures.

3. Net investment in foreign operations

Exchange differences arising from the translation of the net investment in foreign operations are taken to translation reserve. These are released into the income statement upon disposal.

g. Cash and cash equivalents

Cash and cash equivalents consist of deposits in banks and short-term investments (primarily time deposits and certificates of deposit) with original maturities of three months or less.

h. Restricted bank deposits

Restricted bank deposits consist of deposits in banks that the Group has pledged to secure banking facilities for the Group and cannot be used freely for operations.

i. Trade receivables

Trade receivables do not carry interest and are recognized initially at fair value, subsequent to which they are stated at amortized cost less impairment losses. The impairment loss is based on a periodic review of all outstanding amounts, which includes an analysis of historical bad debts and customer concentrations. Bad debts are written off when identified as being no longer collectible.

j. Trading properties

Properties that are being constructed or developed for future use as trading properties (inventory) are classified as trading properties and 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 to complete construction and the estimated costs necessary to make the sale.

All costs directly associated with the purchase of trading properties and all subsequent expenditures for the development of such properties are capitalized. Cost of trading properties is determined on the basis of specific identification of their individual costs.

Borrowing costs are capitalised if they are directly attributable to the acquisition or construction of a qualifying asset. Capitalisation of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Capitalisation of borrowing costs may continue until the assets are 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.

Operating cycle

The Group is involved in long-term construction projects. Accordingly, the assets and liabilities relating to trading properties (already constructed and still under construction) that are expected to be completed during a period of up to five years from the balance sheet date, are presented as current assets and liabilities.

k. Investment property

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are stated at fair value at the balance sheet date. Generally, 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 portfolio every twelve months. In the absence of an external valuation, the Company's management makes its own estimate. 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 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 specific 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:

Yields	2006	2005	2004
Hungary	8.5%	8.5%	9.3%-10.5%
Poland	N/A(*)	8.6%-12%	9.6%-12%
Czech Republic	8.8%	8.2%	8.7%

(*) No investment property held in Poland in 2006.

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 credit-worthiness; 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 in the period in which it arises. Rental income from investment property is accounted for as described in accounting policy 2(s).

l. Investment property under construction

Property that is being constructed or developed for future use as investment property is classified as investment property under construction and stated at cost until construction or development is complete, at which time it is reclassified and subsequently accounted for as investment property. At the date of transfer, the difference between fair value and cost is recorded as income in the consolidated income statement.

All costs directly associated with the purchase and construction of a property, and all subsequent capital expenditures for the development qualifying as acquisition costs are capitalized.

Borrowing costs are capitalized if they are directly attributable to the acquisition or construction of a qualifying asset. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Capitalization of borrowing costs may continue until the assets are substantially ready for their intended use. If the resulting carrying amount exceeds its recoverable amount, an impairment loss is recognized.

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.

m. Property, plant and equipment

1. Owned assets

Items of property, plant and equipment are stated at cost or deemed cost less accumulated depreciation (see below) and impairment losses (see accounting policy O). The cost of self-constructed assets includes the cost of land, materials, direct labor and, where relevant, the initial estimate of the costs of dismantling and removing the items and restoring the site on which they are located.

Where 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.

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 the income statement as an expense as incurred.

Depreciation of items of property, plant and equipment is charged to the income statement over their estimated useful lives, using the straight-line method, on the following rates:

	%
Land – owned	0
Commercial centers – building	2 - 4
Mechanical systems in the building	7 - 10
Aircraft	3.7
Other (*)	6 - 33

(*) Consists mainly of motor vehicles, office furniture and equipment, computers, peripheral equipment, etc.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the income statement.

Depreciation methods, useful lives and residual values, are reassessed annually.

n. Other non-current assets

1. Initiation costs of commercial centers

   Expenditure on assessment and research activities, undertaken with the prospect of developing new shopping centres, are recognized in the income statement as an expense as incurred.

   Costs which are directly relating to initiation activities (prior to the conclusion of the land acquisition, etc.), are capitalized as they arise, when a property acquisition transaction is foreseen and probable, and are charged to the cost of constructing the real estate project upon execution of the transaction. When there is no longer a probable expectation of completing the transaction, the above-mentioned costs are written off to the statement of income.

2. Cost of obtaining long-term lease agreements

   Direct incremental costs related to obtaining long-term lease agreements with tenants are capitalized when they arise and charged to the statement of income over the weighted average term of the lease period.

3. Other assets

   Other assets that are acquired by the Group are stated at cost less accumulated amortization (see below) and impairment losses (see accounting policy o).

4. 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 expenditures are expensed as incurred.

5. Amortization

   Amortization is charged to the income statement on a straight-line basis over the estimated useful lives of assets from the date they are available for use. The estimated useful lives are as follows:

   - Initiation costs of commercial centers – 50 years
   - Cost of obtaining long term lease contracts – 5-15 years

o. Impairment

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

For goodwill, intangible assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date.

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.

Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

1. Calculation of recoverable amount

   A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. The recoverable amount of the Group's receivables carried at amortized cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

   The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. In assessing 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 specified 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.

2. Reversal of impairment

   An impairment loss in respect of a receivable carried at amortised cost 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 when there is an indication that the impairment loss may no longer exist and 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.

p. Trade payables

Trade payables are not interest bearing and are recognized initially at fair value, subsequent to which they are stated at amortized cost.

q. Interest-bearing 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 basis unless those costs are capitalized.

r. Provisions

A provision is recognized when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to

settle the obligation, and a reliable estimate of the amount can be made. 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, where appropriate, the risks specific to the liability. Where the Group expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

The fair value of the amount payable to employees in respect of share based payments, which may be settled in cash, is recognized as an expense, with a corresponding increase in equity (as a capital fund), over the period in which the employees become unconditionally entitled to payment. The fair value is re-measured at each reporting date and at settlement date. Any changes in the fair value of the capital fund are recognized as an additional cost in personnel expenses in the income statement.

s. Revenue recognition

Revenue from the sale of trading properties and investment property is recognized when the risks and rewards of ownership have been transferred to the buyer, provided that the Group has no further substantial acts to complete under the contract.

For sales transactions with continuing involvement by the Group in the form of a guarantee of a return on the buyer's investment for limited period or in a limited amount no revenue is recognized if the guarantee represents a significant risk to the Group or the Group cannot make a reliable estimate of likelihood and/or the future cash flows related to the guarantee.

Rental income from investment property 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.

Other revenues, including management fee income, are recognized in the accounting period in which the services are rendered, by reference to the stage of completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided, and are measured at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, net of VAT and other sales related taxes.

No revenue is recognized if there are significant uncertainties regarding recovery of the consideration due, associated costs or continuing management involvement with the assets.

t. Expenses

1. Operating 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.

2. Net financing costs

   Finance costs comprises interest payable on borrowings calculated using the effective interest rate method and foreign exchange losses.

   Finance income comprises interest receivable on funds invested, dividend income and foreign exchange gains.

   Financing costs, excluding foreign exchange differences, which do not adjust to interest rate, are capitalized to the cost of qualifying assets.

Interest income and expense are recognized in the income statement as they accrue, using the effective interest method. Dividend income is recognized in the income statement on the date the entity's right to receive payment is established.

u. Taxation

Income tax on the profit or loss for the year comprises current and deferred tax.

The tax currently payable is based on taxable profit for the year, and any adjustment to tax payable in respect of previous years. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized only to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary differences arise from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries and associates and interests in joint ventures, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is calculated at the enacted or substantially enacted tax rates at the balance sheet date that are expected to apply in the period when the liability is settled or the asset is realized.

Current and deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also recognized within equity.

v. Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and return that are different from those of segments operating in other economic environments.

The Group conducts its activities in the field of establishing, operating and selling of commercial and entertainment centers mainly in Central and Eastern Europe and, ,starting 2006, also in India.

The Group considers that it has only one business segment because its activities are subject to similar characteristics of risks and returns. Furthermore the Group also considers the Central and Eastern European region as one economic environment and countries therein to have similar characteristics and relatively common features of risks and returns.

When substantive operations are in place in India, the Group will report these as a separate geographical segment.

The majority of the Group's profits are generated at the Company, rather than the subsidiaries as profits arise when subsidiaries, most of which own properties, are sold.

w. Share capital - Ordinary shares

Incremental costs directly attributable to issue of ordinary shares and share options are recognized as a deduction from equity. Costs attributable to listing existing shares are expensed as incurred.

x. Employee benefits

1. Bonuses

The Group recognizes a liability and an expense for bonuses, which are based on agreements with employees or according to management decisions based on Group performance goals and on individual employee performance. The Group recognizes a liability where contractually obliged or where past practice has created a constructive obligation.

2. Share based payment transactions

The fair value of options granted to employees to acquire shares of the Company is recognized as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using a binomial model, taking into account the terms and conditions upon which the options were granted. The amount recognized as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting.

y. Earning Per Share

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

z. New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2006, and have not been applied in preparing these consolidated financial statements:

- IFRS 7 *Financial Instruments: Disclosures and the Amendment to IAS 1 Presentation of Financial Statements: Capital Disclosures* require extensive disclosures about the significance of financial instruments for an entity's financial position and performance, and qualitative and quantitative disclosures on the nature and extent of risks. IFRS 7 and amended IAS 1, which become mandatory for the Group's 2007 financial statements, will require extensive additional disclosures with respect to the Group's financial instruments and share capital.
- IFRS 8 Segment Reporting describes how an entity reports segment activities in its annual financial statements and relates to selected details regarding segments in interim statements. Also the standard relates to disclosure requirements regarding products and services, geographical areas and major

customers. The standard leaves determination of the segments to the entity as the segment reporting is based on elements which are under supervision of management for purpose of operating decision making. The standard will become mandatory for the Group's 2009 financial statements. Early adoption is permitted and comparative figures are required to be restated.

- IFRIC 7 *Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies* addresses the application of IAS 29 when an economy first becomes hyperinflationary and in particular the accounting for deferred tax. IFRIC 7, which becomes mandatory for the Group's 2007 financial statements, is not expected to have any impact on the consolidated financial statements.
- IFRIC 9 *Reassessment of Embedded* Derivatives requires that a reassessment of whether embedded derivative should be separated from the underlying host contract should be made only when there are changes to the contract. IFRIC 9, which becomes mandatory for the Group's 2007 financial statements, is not expected to have any impact on the consolidated financial statements.
- IFRIC 10 *Interim Financial Reporting and Impairment* prohibits the reversal of an impairment loss recognized in a previous interim period in respect of goodwill, an investment in an equity instrument or a financial asset carried at cost. IFRIC 10 will become mandatory for the Group's 2007 financial statements, and will apply to goodwill, investments in equity instruments, and financial assets carried at cost prospectively from the date that the Group first applied the measurement criteria of IAS 36 and IAS 39 respectively.
- IFRIC 11 Group and Treasury Share Transactions addresses how to apply IFRS 2 Share-based Payment to share-based payment arrangements involving an entity's own equity Instruments or equity instruments of another entity in the same group (e.g. equity instruments of its Parent). IFRIC 11 is effective for annual periods beginning on or after 1 March 2007. Earlier application is permitted. The Group believes that the adoption of IFRIC 11 is not expected to have any impact on the consolidated financial statements.
- IFRIC 12 *Service Concession Arrangements* addresses the accounting by private sector operators involved in the provision of public sector infrastructure assets and services to private sector operators. IFRIC 12 draws a distinction between two types of service concession arrangements: In one, the operator receives a financial asset, specifically an unconditional contractual right to receive cash or another financial asset from the government in return for constructing or upgrading the public sector asset. In the other, the operator receives an intangible asset – a right to charge for use of the public sector asset that it constructs or upgrades. A right to charge users is not an unconditional right to receive cash because the amounts are contingent on the extent to which the public uses the service. The Interpretation is effective for annual periods beginning on or after 1 January 2008, with early adoption permitted. The Group believes that the adoption of IFRIC 12 is not expected to have any impact on the consolidated financial statements.

The Group anticipates that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group.

NOTE 3:- CASH AND CASH EQUIVALENTS

	Interest rate as of December 31, 2006	December 31, 2006	December 31, 2005
		EUR 000'	
Bank deposits - in EUR	2.5%-3.71%	209,292	43,402
Bank deposits - in Hungarian Forints	6%	2,782	2,899
Bank deposits - in Polish Zlotys	3.5%	416	186
Bank deposits - in Czech Crowns	1.5%	64	54
Bank current accounts - in U.S. Dollar	Mainly 0%	129	48
Bank deposits - in other currencies	-	110	-
Total		212,683	46,699

NOTE 4:- RESTRICTED BANK DEPOSITS

	Interest rate as of December 31, 2006	December 31, 2006	December 31, 2005
		EUR 000'	
In EUR		-	5,552
In Polish Zloty	3.70%	616	612
Total short term		616	6,164
In EUR	0%	350	349
Total long term		350	349

The Group pledged the bank deposits to secure banking facilities received, or to secure construction activities to be performed by the group.

NOTE 5:- SHORT TERM DEPOSITS

	Interest rate as of December 31, 2006	December 31, 2006	December 31, 2005
		EUR 000'	
Bank deposits - in EUR	2.5%-3.0%	3,670	1,160
Bank deposits - in Hungarian Forints	6%	101	-
Bank deposits - in Polish Zlotys	3.5%	1,520	178
Bank deposits - in Czech Crowns	1.5%	789	1,393
Bank current accounts - in U.S. Dollar	Mainly 0%	74	246
		6,154	2,977

NOTE 6:- TRADE ACCOUNTS RECEIVABLE, NET

The balances represent amounts receivable from leases of space in commercial centers and offices less any impairment for doubtful debts.

NOTE 7:- OTHER ACCOUNTS RECEIVABLE AND PREPAYMENTS

	December 31, 2006	December 31, 2005
	EUR 000'	
Advance in respect of plot purchase (1)	19,401	-
Prepaid expenses	1,314	1,307
VAT authorities	7,561	2,694
Partners in companies under joint venture	199	377
Companies in the EMI Group and other related parties	168	284
Others	579	140
	29,222	4,802

(1) Advance payment for a purchase of plot of land in Bucharest in the amount of EUR 19.4 million (see note 32).

NOTE 8:- TRADING PROPERTIES

	December 31,	
	2006	2005
	EUR 000'	
Balance at 1 January	104,717	-
Additions during the period	98,819	44,889
Transfer from property under construction	-	59,828
Trading property sold (see note 34)	(43,574)	-
Balance at 31 December	159,962	104,717

As of December 31, 2006, The Company has trading properties in Hungary, Poland, Czech Republic, Latvia, Greece and India. The following describes the main issues in respect of some of the trading properties:

Helios Plaza trading property

In May 2000 a Greek subsidiary ("Helios") obtained a building permit for the construction of a commercial and entertainment centre on land which it owns. The book value of the investment in the land (including development and other costs) totalled, on December 31, 2006, EUR 22.6 million. Excavation works commenced in 2001, but shortly thereafter the works were suspended due to archaeological findings at the site. Final clearance issued by the competent archaeological authorities was obtained on February 2002.

However, in terms of the archaeological clearance, and in order to comply with the provisions of an environmental and traffic impact plan, Helios was required to carry out certain modifications to the architectural plans of the commercial and entertainment centre. Upon completion of the new requirements, Helios submitted an application for a revised building permit. In December 2003, the local governmental authorities placed a one year suspension (moratorium) on the issuance of all building permits and constructions along the Piraeus side of the National Highway (which includes the land owned by Helios).

In November 2004, a Ministerial Decision was issued, which changed the land uses along the National Highway (Piraeus Avenue), restricting the use of the Helios site only to office buildings and/or residential buildings and/or small size retail activities. Under the new land uses Helios may no longer build a shopping centre. During the term of such suspension Helios's building permit expired (building permits in Greece have an initial four-year term). In April 2005 Helios submitted an application to the competent authorities requesting the renewal of its building license, which was refused. Consequently, Helios filed a petition with the constitutional court for an order declaring that the refusal to re-issue the building license was unconstitutional and directing the competent authorities to re-issue the building license.

In the meantime a series of unrelated judgments by the constitutional court have been handed down which reverse the regulatory civil planning framework in Greece, namely that the civil planning powers granted to the government by a law of 2002, were declared void by reason of the fact that the law which conferred such powers on the government was declared to be unconstitutional. Given that Helios's project was affected by a Ministerial Decision issued by virtue of a law which has now been held to be void, it appears that such Ministerial Decision is unconstitutional and accordingly invalid. However, Helios has no direct means to create a practical result out of this event, since the period during which Helios is permitted to challenge the Ministerial Decision has expired, and there appears to be no direct way to compel the Civil Planning Agency to issue a new building permit on the basis of the previous permit (already expired) or an amendment that would allow Helios to construct a shopping centre. The Company is presently seeking legal advice how to proceed and to protect its interests in the circumstances which have arisen. The Company intends to again apply for the re-issuance of the building permit and/or to petition the constitutional court on additional grounds.

Considering the unclear nature of the status of the initial building permit, the application for the amended building permit and the recent legislative changes which affect the project, management is currently considering the alternative possible solutions available to the Company, in order to finalize the project as originally planned. The Company's management is also examining the possibility that substantial changes may be required to be made to the extent and nature of the project, the viability of such changes and commercial and financial implications of such changes.

Notwithstanding the aforestated, the Company's management estimates, based on external valuations obtained, that the accumulated project cost does not exceed the recoverable amount.

Łódź Plaza trading property

In August 2001, a subsidiary, located in Łódź, Poland, received a construction permit for the construction of a commercial and entertainment centre, which expired prior to December 31, 2006. Construction works in respect of this project have not commenced as at the approval date of these financial statements. The cost of investment in the land (including demolition and other development costs) amounts to EUR 5.0 million. No zoning plans exist in respect of the area surrounding the respective land. The Group is considering applying for a change of zoning to residential or office use. Once construction plans are determined, new requests will be filed for a revised building permit. The Company's management estimates that no significant additional costs will be incurred, in relation to obtaining the revised building permit, and that (based on external valuations obtained) the book value of the asset, as recorded in the financial statements, does not exceed its recoverable amount.

NOTE 9:- LONG TERM BALANCES AND DEPOSITS

	Interest rate as of December 31, 2006	December 31, 2006	2005
		EUR 000'	
Prepaid expenses - mediation fees (1)	0%	-	1,073
Long term loan to and balances with associated Company (Ercorner) (2)	6.76%	1,849	1,735
Long term deposits (3)			
In CZK	1.75%	95	130
In PLN	3.20%	313	-
		2,257	2,938

(1) 2005 - As part of the Klepierre 2 transaction (see note 32), the Company paid mediation fees. Part of these mediation fees, as they relate to stage B transaction, were deferred until the shopping centers under construction pre-sold to Klepierre are finally sold. In 2006 these prepaid expenses are presented as short term prepaid expenses.

(2) The loan to the associated company bears a fixed interest rate of 6.76% per annum as at 31 December 2006, and the previous balance sheet date. The interest is fixed, and was predetermined by both parties to the joint venture. No maturity date was determined.

(3) Long term deposits relate either to deposits deposited in connection with bank loan requirements, or deposits of tenants, reflecting amounts paid by tenants in advance, and serving as security deposits.

NOTE 10:- OTHER DEBTORS AND RELATED PARTIES

	December 31, 2006	2005
	EUR 000'	
Short term Debtor balances with:		
Klepierre group - due to selling of shopping centers	4,283	2,033
	4,283	2,033
Long term Loan and Debtor balances with:		
Related party –EMI	18,226	-
Partners in companies under joint venture	3,801	3,512
	22,027	3,512

The abovementioned balances bear no interest (with the exception of the loan granted to EMI, linked to the EUR and bearing interest at three month Libor plus a margin of 1.8%), and has no scheduled repayment date. In respect of the long term receivable from partners in companies under joint ventures, the Group estimates that repayment will be received in 2007 or 2008. For borrowings from EMI, refer to note 17.

NOTE 11:- PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Plant and equipment	Fixtures and fittings	Airplane	Total
Cost					
Balance at 1 January 2005	3,327	2,739	414	720	7,200
Additions	29	297	286	3,201	3,813
Disposals	-	(389)	(6)	-	(395)
Balance at 31 December 2005	3,356	2,647	694	3,921	10,618
Balance at 1 January 2006	3,356	2,647	694	3,921	10,618
Additions	-	139	-	-	139
Disposals	-	(44)	-	-	(44)
Balance at 31 December 2006	3,356	2,742	694	3,921	10,713
Accumulated depreciation and impairment losses					
Balance at 1 January 2005	216	1,414	414	-	2,044
Depreciation charge for the year	56	332	-	196	584
Disposals of subsidiaries	-	(220)	-	-	(220)
Balance at 31 December 2005	272	1,526	414	196	2,408
Balance at 1 January 2006	272	1,526	414	196	-
Depreciation charge for the year	62	371	-	330	763
Disposals	-	(8)	-	-	(8)
Balance at 31 December 2006	334	1,889	414	526	3,163
Carrying amounts					
At 31 December 2005	3,084	1,121	280	3,725	8,210
At 31 December 2006	3,022	853	280	3,395	7,550

NOTE 12:- INVESTMENT PROPERTY

	December 31,	
	2006	2005
	EUR 000'	
Balance at 1 January	26,354	175,884
Additions	43	34
Acquisitions in respect of business combination	-	18,209
Disposals	-	(886)
Disposals of subsidiaries	-	(249,539)
Transfer from property under construction	-	42,926
Fair value adjustments	257	39,726
Balance at 31 December	26,654	26,354

Investment property at December 31 2005 and 2006 relates to two office buildings that are leased to third parties. Generally leases contain an initial period of 5 to 10 years. Subsequent renewals are negotiated with the lessee. The contracts are denominated in, or linked, to the EUR.

Tenants are required to make rental deposits generally equal to 3 months rent at the inception of any lease contracts, and pay in advance for a 3 months period. In addition to rental fees, the Company charges the tenants with management fees, as well as utilities fees, to reimburse costs the Company incurs with the operation of the shopping center. Some tenants are referred to as anchor tenants, as they take the majority rental areas in the shopping centers. These anchor tenants usually enjoy lower rental rates.

To determine the fair value of the investment property see note 2(k).

Duna Plaza offices – included in investment property

Within the first Klepierre transaction in 2004, Klepierre acquired from the Company the entire equity rights in Duna Plaza Rt. Duna Plaza Rt is the registered and legal owner of the entire right, title and interest in and to the Duna Plaza Complex, which is comprised of Duna Plaza shopping center (the "Sold Center" or "Duna Plaza") and the Duna Plaza Offices ("DPO"). Since DPO was specifically excluded from the framework of the 2004 transaction , Klepierre and the Company have agreed to implement certain procedures to cause: (i) the registration of the DPO as a separate title unit in a condominium the rights of which shall

initially be held by Duna Plaza; (ii) thereafter to implement a de-merger of Duna Plaza in such manner that DPO will be recorded in the name of a new company to be incorporated under the de-merger ("DPO Owner"); and (iii) to cause the sale and transfer to the Company of the entire equity and voting rights of DPO Owner holding ownership of DPO (the "de-merger procedures"). The assets of Duna Plaza shall be divided in such manner that Duna Plaza shall retain the right, title and interest to the Sold Center, while DPO owner shall be recorded as the owner and holder of the right, title and interest in and to the DPO. The liabilities of Duna Plaza shall be divided in such a manner that Duna Plaza shall retain the liabilities associated with the Sold Center, while DPO Owner shall assume the liabilities associated with the DPO. The Company shall indemnify Duna Plaza for the liabilities assumed by DPO Owner.

All costs, liabilities and expenses incurred or to be incurred in respect of and/or in connection with and/or pertaining to the de-merger procedures or the implementation of the provisions of the agreement thereof, shall be at the sole cost of the Company. The carrying value of DPO is EUR 13.8 million, as of December 31, 2006.

During the period until the consummation of the de-merger procedures ("interim period") the Company shall be entitled to all rental and other revenues (excluding from the sale of utilities) which shall be received by Duna Plaza from the DPO tenants, net after deducting the aggregate amount of: (i) all those direct costs and expenses and taxes which shall be incurred and/or disbursed by Duna Plaza which directly relate to and/or connected with the ownership, operation and management of the DPO; and (ii) that proportion of the general costs and expenses taxes of the Duna Plaza Complex, which may reasonably be attributed and apportioned to the DPO. During the Interim Period, the Company shall be responsible for and shall manage and operate the DPO. Duna Plaza shall have a lien over DPO's funds, as security for payment of the DPO costs. The Company shall warrant and indemnify Klepierre for and against any cost, debt, actions, suits and liability that may arise as a result of or in connection with the ownership, possession, operation and transfer of the DPO. Following the completion of the de-merger procedures the Company shall be the owner (100%) of the DPO equity rights. The de-merger procedure was finalized on December 31, 2006, and transfer of the quota of DPO is expected in the second quarter of 2007.

NOTE 13:- OTHER NON-CURRENT ASSETS

	December 31,	
	2006	2005
	EUR 000'	
Cost of raising loans, net	-	156
Project deferred costs	933	257
Balance at 31 December	933	413

The cost of raising loans is offset against the long term bank loans. Where no loan proceeds have been drawn down, the amount of costs incurred is included in other non current assets.

Project deferred costs reflects costs the Group incurs prior to the purchase of new plots, such as tender fees, etc. The figure as of December 31, 2006 reflects mainly costs in connection with the Group's future Romanian activities.

NOTE 14:- PROPORTIONATE CONSOLIDATION

The following amounts are included in the Group's financial statements as a result of proportionate consolidation of companies:

	December 31,	
	2006	2005
	EUR 000'	
Current assets	26,916	11,011
Current liabilities	16,041	1,118
Long-term liabilities	11,734	10,328

	For the year ended December 31,	
	2006	2005
	EUR 000'	
Income	-	3,152
Expenses	399	4,276
Loss after tax	(399)	(1,124)

NOTE 15:- INVESTMENT IN ASSOCIATE

The Company owns 50% of the share capital of Ercorner Kft. ("Ercorner"). The additional 50% is held by a large commercial bank. Ercorner, through its 60% owned subsidiary, Alom Sziget 2004 Kft. ("Alom Sziget"), owns a plot of land on the Hajogyari Island located in Budapest. Ercorner is a holding company with no activity of its own, and in addition, decisions in Alom Sziget are required to be taken with a 75% majority, thus Ercorner does not hold control over Alom Sziget. In view of the above, the investment in Alom Sziget is presented according to the equity method.

	December 31,	
	2006	2005
	EUR 000'	
Composition:		
Cost of investment	740	740
Accumulative Share of gains	408	558
Total	1,148	1,298
Other information on Ercorner (100%):		
Total assets	19,161	18,071
Liabilities	16,865	15,475
Revenues	69	606
Profit (loss)	(300)	80

The bank loan which financed the purchase of Alom Sziget, was included in Ercorner books until June 2006, when the bank loan was transferred to Alom Sziget. For details on the investment refer to note 32.

NOTE 16:- INTEREST BEARING LOANS FROM BANKS

	Maturity date	December 31, 2006	December 31, 2005	Interest rate December 31, 2006
				(%)
Current maturities of long term loans				
In PLN		3,361	-	WIBOR + 1.4%
In EUR		47,840	53,188	EURIBOR + 1.65%-2.0%
In USD		-	215	N/A
Total		51,201	53,403	
Long term Credit				
In EUR	2015	5,875	14,380	EURIBOR + 1.75%
In USD		-	2,864	N/A
		-5,875	17,244	
Total loans from banks		57,076	70,647	

All loans outstanding are floating. Re-pricing is done on quarterly basis. The average effective interest rate as at December 31, 2006 and as at December 31, 2005 is 5.9%, and 5.2% p.a respectively.

Below is the repayment schedule of outstanding bank loans for each period:

	December 31,	
	2006	2005
	EUR 000'	
First year - Current Maturity	51,201	53,403
Second year	459	2,683
Third year	459	1,245
Fourth year	459	1,260
Fifth year	459	1,277
Sixth year and thereafter	4,039	10,779
Total long term	5,875	17,244
Total	57,076	70,647

NOTE 17:- LOANS AND AMOUNTS DUE TO RELATED PARTIES AND OTHERS

		December 31,	
		2006	2005
	Currency	EUR 000'	
Short term			
EMI Group- ultimate parent Company	EUR	7,655	1,563
Other related parties (2)	Mainly Indian Rupee	1,202	-
EUL- parent Company (1)	EUR	8,914	14,130
		17,771	15,693
Other	EUR	2,418	1,648
Total		20,189	17,341
Long term			
EUL- parent Company (4)	EUR	7,975	8,520
Other related parties (3)	EUR	499	613
		8,474	9,133

(1) The loans received from Elbit Ultrasound B.V. (the main shareholder) ("EUL"), bear interest at 3 months USD Libor (or 3 months EUR Euribor) plus a margin of between 1.5% and 2.0% (effective interest rate as of December 31, 2006, and December 31, 2005 is 5.3% p.a and 4.2% p.a respectively). Loans are financing trading properties of the Group.

(2) Other related parties in the short term include the liability to the Company's Indian partner in the joint venture company in India.

(3) Other related parties in the long term include liability to the Control Centres group, a group of companies which provides project management services, controlled by the ultimate parent company controlling shareholder.

(4) The loans received from Elbit Ultrasound B.V. (the main shareholder) ("EUL"), bear an interest of 3 month USD Libor (or 3 months EUR Euribor) plus a margin of between 1.5% and 2.0% (effective interest rate as of December 31, 2006, and December 31, 2005 is 5.3% p.a and 4.2% p.a respectively). Loans are expected to be repaid in the long term, as EUL has declared its intention not to demand earlier repayment.

NOTE 18:- OTHER LIABILITIES

		December 31,	
		2006	2005
		EUR 000'	
Short term			
Income in advance - short term (1)	EUR	269	4,940
Accrued expenses and commissions	EUR	1,689	1,627
Accrued bank interest	EUR	195	219
Government institutions and fees	HUF, PLN, CZK	490	195
Salaries and related expenses	HUF, PLN, CZK, USD	336	109
Other	HUF, PLN, CZK	109	9
Total		3,088	7,099
Long term			
Income in advance - long term (1)	EUR	540	145
Liability to buyer of shopping center (2)	EUR	1,011	1,069
		1,551	1,214

(1) Includes mainly advances provided by tenants and future tenants. 2005 - includes EUR 4.5 million in respect of advance payment received from a tenant in respect of a shopping centre in the Czech Republic.

(2) Estimated liability in respect of one of the Sold Centres in connection with the Dawnay Day transaction, see also note 34.

NOTE 19:- DEFERRED TAX LIABILITIES

Recognized deferred tax assets and liabilities

Deferred taxes recognized are attributable to the following:

	December 31,	
	2006	2005
	EUR 000'	
Liabilities:		
Deferred tax on excess purchase price over equity acquired - due to investment property	1,301	1,301
Investment property	3,030	1,925
Other assets	16	15
Interest-bearing loans and borrowings	26	42
Impaired receivables	(12)	(11)
Tax value of loss carry-forwards	(908)	(469)
Less: Tax losses not recognized	686	328
Net tax (assets) / liabilities	4,139	3,131

Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following item:

	December 31,	
	2006	2005
	EUR 000'	
Tax losses	6,838	4,685

The deductible temporary differences do not expire under current tax legislation. 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 there from.

As of December 31, 2006 the expiry date status of tax losses to be carried forward is as follows:

Total Tax losses carrying forward	2007	2008	2009	2010	2011	After 2011
	EUR 000'					
29,196	688	1,021	649	2,290	1,251	23,297

Tax losses are mainly due to Hungary and the Netherlands.

NOTE 20:- EQUITY

		December 31,	
		2006	2005
	Remarks	Number of shares	
Ordinary shares of par value EUR 0.01 each	See (1) below	1,000,000,000	1,815,120
Issued and fully paid:			
At the beginning of the period		1,815,120	1,815,120
Issued for forgiveness of loan to parent company	See (2) below	2,684,880	-
Issued for forgiveness of loan to parent company	See (2) below	195,500,000	-
Issued for cash to the Public	See (2) below	92,346,087	-
At the end of the period		292,346,087	1,815,120

a. The number of shares authorized as of December 31, 2005 was 40 with a EUR 453.80 par value. In September 2006 the authorized share capital was revised as follows:

   1. 40 shares of EUR 453.8 were subdivided into 1,815,120 shares of EUR 0.01.

   2. The authorized share capital was increased to 1 billion shares of EUR 0.01.

b. In the course of the last quarter of 2006 the following share capital increases occurred:

   1. 2,684,880 shares of EUR 0.01 were issued to Elbit Ultrasound B.V, the parent company of the Company, in October 2006, upon the change of the Company from

B.V status to N.V status. The capital increase was effected in exchange for the forgiveness of a loan, and the shares were issued at no share premium.

2. 195,500,000 Ordinary Shares of EUR 0.01 were issued to Elbit Ultrasound B.V in October 2006, in order to create a share capital structure which will allow the Company to initiate the IPO. The capital increase was effected through the contribution of loans, and the shares were issued with a share premium of approximately EUR 15,282,000.

3. 92,346,087 shares of EUR 0.01 were issued to the Public, in October and November 2006 (including "Green Shoe" option exercised), as a result of the IPO which took place in the London Stock Exchange ("LSE") (see also note 32). The share premium recorded on the flotation (net of IPO costs) was EUR 233,578,000.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

Capital reserve due to share option plan

Capital reserve created as a result of the Employee Share Option Plan which was introduced in October 2006 (see also note 22) was recorded and totalled EUR 2,021,000, as of December 31, 2006.

Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

Dividend policy

The payment of dividends is dependent on the financial performance and condition of the Group, the Company's financial position and the capital and anticipated working capital requirements of the Group. The distribution of dividend is based upon the statutory report's distributable results and retained earnings of the Company itself.

Subject to mandatory provisions of Dutch laws, the dividend policy will reflect the long-term earnings and cash flow potential of the Group, taking into account the Group's capital requirements, while at the same time maintaining an appropriate level of dividend cover.

Subject to all of these factors, and where it is otherwise appropriate to do so, the Directors intend to make distributions out of the annual net profits (after deduction of all directly related costs) derived from transactions for the sale of projects developed by the Group during any financial year, following the approval of the financial statements as of December 31, 2007 and onwards. Dividends are expected to be paid at the rate of 25% on the first EUR 30 million of such annual net profits, and thereafter at the rate of between 20% and 25%, as determined by the Directors, on any additional annual net profits which exceed EUR 30 million. The dividends will be paid on or about 31 March on the basis of the aggregate of the annual net profits accumulated during the preceding financial year.

No dividends have been declared or expected to be declared in respect of the year ended December 31, 2006.

NOTE 21:- EARNING PER SHARE

Profit attributable to ordinary shareholders

	December 31,	
	2006	2005
	EUR 000'	
Profit for the year	14,720	29,342
Profit attributable to ordinary shareholders	14,720	29,342

Weighted average number of ordinary shares

In thousands of shares with a EUR 0.01 par value

	December 31,	
	2006	2005
	EUR 000'	
Issued ordinary shares at 1 January	1,815	1,815
Effect of shares issued in October 6th, 2006	633	-
Effect of shares issued in October 24th, 2006	36,422	-
Effect of shares issued in November 1st, 2006	14,090	-
Effect of shares issued in November 24th, 2006	672	-
Weighted average number of ordinary shares at 31 December	53,632	1,815

Diluted earning per share is the same as basic earnings per share since the options had no dilutive effect.

NOTE 22:- EMPLOYEE SHARE OPTION PLAN

The Employee Share Option Plan was adopted by the Company on 26 October 2006. On the same date, 26,108,602 non-negotiable options ("Options") over Ordinary Shares have been granted, the terms and conditions of which (except for the exercise price) will be regulated by the Share Option Scheme. No Options vested at that date. Options will vest annually in three equal parts. One-third of Options granted to an Eligible Grantee (see below) will vest one year after the date of grant, another third of granted Options will vest two years after the date of grant and the last third will vest three years after the date of grant. Options expire, unless otherwise determined by the Board, on the 5th (fifth) anniversary of the date of grant. The total amount of options in the Share Option Plan is 33,834,586 options.

The terms and conditions of the grants are as follows, whereby all options are settled by physical delivery of shares:

Grant date/ employees entitled	Number of options	Vesting conditions	Contractual life of options
Option grant to key management' at 27 October 2006 (*)	18,824,812	Three years of service starting October 27, 2006	5 years
Option grant to employees at 27 October 2006	7,283,790	Three years of service starting October 27, 2006	5 years
Total share options	26,108,602		

(*) Including 5,424,436 options subject to the approval of the general meeting of shareholders of EMI.

The options outstanding at 31 December 2006 have an exercise price of GBP 1.80 (approximately EUR 2.68) and a weighted average contractual life of 5 years. No options were forfeited or exercised as of balance sheet date.

According to the exercise mechanism of options, on exercise date, the company shall allocate the Exercised Shares as calculated in accordance with the following formula:

$$\frac{(A \times B) - (A \times C)}{D}$$

A = The number of Options which a grantee wishes to exercise that is specified in the Exercise Notice

B = The opening price in £ of the Ordinary Shares on the London Stock Exchange on the Exercise Day, provided that if the opening price exceeds 180% of the Exercise Price (without

adjustments for the distribution of cash dividend) the opening price shall be set as 180% of the Exercise Price

C = Exercise Price in £ per Option

D = The opening price in £ of the Company's Share on the Stock Exchange on the Exercise Day

Accordingly, the maximum number of Exercised shares, if the share options are fully exercised, shall be 11,603,823 ordinary shares.

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on a binomial lattice model. The contractual life of the option (5 years) is used as an input into this model. Expectations of early exercise are incorporated into the binomial lattice model. In the binomial model, exercise patterns are reflected in the suboptimal exercise multiple. The assumed suboptimal exercise multiple is GBP 1.8 for management and Employees due to the cap of 180% of the Exercise Price (without adjustments for the distribution of cash dividend).

	Key management personnel 2006	Employees 2006
Fair value of share options and assumptions		
Fair value at measurement date (in EUR)	13,855,062	4,705,328
Exercise price	2.68	2.68
Expected volatility	25-30%	25-30%
Weighted average share price	2.75	2.75
Suboptimal exercise multiple	2.68	2.68
Expected dividends	-	-
Risk-free interest rate (based on the yield rates of the non indexed linked UK treasury bonds)	4.58%-4.94%	4.58%-4.94%

The Company has been publicly traded for a short period of time and therefore has no historical data. The public companies in the Company's industry are for the most part, more mature than the Company. In order to avoid bias and given the aforementioned circumstances, the expected volatility is based on companies in comparable stages as well as companies in the industry.

During 2006 the total employee costs due to the share options granted was EUR 2,021,000.

NOTE 23:- REVENUES

	For the year ended December 31,	
	2006	2005
	EUR 000'	
Revenue from selling trading properties (*)	51,276	-
Rental income from tenants	3,766	9,262
Management fees	284	3,013
Operation of entertainment centers	3,980	2,617
Other	913	63
Total	60,219	14,955

(*) Includes EUR 50.3 million revenues from selling the Bes Tes shopping center in Prague – see also note 34.

NOTE 24:- COST OF OPERATIONS

	For the year ended December 31,	
	2006	2005
	EUR 000'	
Direct expenses:		
Costs of sold trading properties (*)	44,804	-
Salaries and related expenses	736	1,344
Initiation costs	244	710
Municipality taxes	8	107
Property taxes	195	437
Property operations and maintenance	2,968	3,564
	48,955	6,162
Other operating expenses	915	361
	49,870	6,523
Depreciation and amortization	164	90
	50,034	6,613

(*) Includes mainly cost of asset from selling the Asset in Prague (Bes Tes shopping center – see also note 34) – EUR 43.9 million.

NOTE 25:- ADMINISTRATIVE EXPENSES

	For the year ended December 31,	
	2006	2005
	EUR 000'	
Selling and marketing expenses		
Advertising and marketing	889	943
Salaries and relating expenses	757	26
Doubtful debts	4	285
Amortization of deferred charges	1	375
	1,651	1,629
General and administrative expenses		
Salaries and related expenses (1)	2,661	1,883
Depreciation and amortization	260	306
Management fees (see note 33)	706	500
Professional services	1,611	1,108
Impairment - Other assets and debit balances	-	283
Traveling	591	200
Offices	281	336
Other	412	327
	6,522	4,943
Total	8,173	6,572

(1) In 2006 - including costs due to the share option plan in the amount of EUR 1.2 million (see note 22).

NOTE 26:- FINANCE INCOME (EXPENSES)

	For the year ended December 31,	
	2006	2005
	EUR 000'	
Interest received on bank deposits	2,000	839
Interest received from loans to related parties	595	55
Foreign exchange gains	1,405	78
Total finance income	4,000	972
Interest paid on bank loans	(3,542)	(3,475)
Interest on loans from related parties	(1,133)	(1,864)
Foreign exchange losses	-	(5,085)
Other finance expenses	(508)	(639)
	(5,183)	(11,063)
Less- Finance expenses capitalized to properties under development	1,847	2,506
Total finance expenses	(3,336)	(8,557)
Total	664	(7,585)

NOTE 27:- OTHER INCOME AND OTHER EXPENSES

	For the year ended December 31,	
	2006	2005
	EUR 000'	
a.Other income		
Gain from selling of property, plant and equipment	-	151
Gain from writing off of old suppliers	252	-
Other income	35	243
Total other income	287	394
b.Other expenses		
Demolition costs	(100)	-
Loss from selling of property, plant and equipment	-	(82)
Other expenses	(357)	(151)
Total other expenses	(457)	(233)
Total	(170)	161

NOTE 28:- INCOME TAXES

	For the year ended December 31,	
	2006	2005
	EUR 000'	
Current tax	170	67
Deferred tax	1,009	5,792
Prior year's taxes	429	-
Total	1,608	5,859

Reconciliation of statutory to effective tax rate:

	For the year ended December 31,	
	2006	2005
	EUR 000'	
Dutch statutory income tax rate	29.6%	31.5%
Profit before taxes	16,328	35,201
Tax at the Dutch statutory income tax rate	4,834	11,088
Utilization of prior-year losses for which deferred taxes had not been created in the past	(576)	(724)
Changes in tax burden as a result of differences in statutory tax rates of subsidiaries	545	(4,807)
Deferred taxes not provided for losses and other timing differences, net	1,052	864
Variances stemming from different measurement rules applied for the financial statements and those applied for income tax purposes (including exchange-rate differences)	430	568
Changes in future tax rate enacted at the balance sheet date	353	-
Non taxable income	(5,466)	(1,634)
Differences due to implementation of one tax unit with EUL (*)	-	505
Prior years taxes	429	-
Other differences, net	7	(1)
Income tax expenses	1,608	5,859

(*) The Company and its parent Company, EUL are reporting to the Dutch tax authorities as one tax unit until October 27, 2006 (IPO date), therefore certain items from EUL unit can affect the tax position of the Company.

The main tax laws imposed on the Group companies in their countries of residence:

a. The Netherlands

1. Companies resident in the Netherlands are subject to corporate income tax at the general rate of 29.6% for the fiscal year of 2006. Starting 2007 the general corporate income tax rate has been reduced to 25.5%. Under the amended rules effective January 1 2007 tax losses may be carried forward and set off against income of the immediately preceding tax year and the 9 subsequent tax years. Transitional rules apply for losses of tax years up through 2002 which may be carried forward and set off against income up through 2011.

2. Under the participation exemption rules income including dividends, capital gains and capital losses derived by Netherlands companies in respect of qualifying investments in the nominal paid up share capital of resident or non resident investee

companies, are exempt from Netherlands corporate income tax provided conditions under these rules have been satisfied. The participation exemption rules and more particularly the statutory conditions there under have been amended with effect from January 1, 2007. Such amended conditions require, among others, a minimum percentage ownership interest in the investee company and require the investee company to satisfy either of or both the newly introduced 'assets' - test and the amended 'subject to tax' - test.

b. Hungary

The corporation tax rate imposed on the income of the subsidiaries incorporated in Hungary is 16% (2005- 16%). From 2007 capital gains can be considered exempted income provided that certain criteria are fulfiled. A special solidarity tax is levied on companies starting September 1, 2006, which is 4 per cent of the accounting profit modified by certain items such as dividends received and donations. Dividends, interest and royalty paid out are not subject to withholding tax. Losses in the first three years of operation can be carried forward without limitation. Losses incurred afterwards can be carried forward for five years, subject to certain limitations. Losses arising in 2005 and later may be carried forward indefinitely, subject to certain limitations.

c. Czech Republic

The corporation tax rate imposed on the income of the subsidiaries incorporated in the Czech Republic (including capital gains) is currently 24% (2005- 26%). Tax losses can be carried forward up to seven years to offset future taxable income. Dividends paid out of net income are subject to a withholding tax of 25%, subject to the relevant double taxation treaty.

d. Poland

The corporation tax rate imposed on the income of the subsidiaries incorporated in Poland (including capital gains) is 19% (2005- 19%). Tax losses can be carried forward for the period of five years and only 50% of a loss can be offset in any one year. Dividends paid out of net income are subject to a withholding tax of 20%, subject to the relevant double taxation treaty.

e. Romania

The corporation tax rate imposed on the income of the subsidiaries incorporated in Romania (including capital gains) is currently 16% (2005- 16%). Tax losses can be carried forward and offset against taxable income of the five years following the accounting year in which they were incurred. Dividends paid out of net income to the Netherlands are not subject to any withholding tax.

f. Latvia

The corporation tax rate imposed on the income of the subsidiaries incorporated in Latvia (including capital gains) is currently 15% (2005 – 15%). Tax losses can be carried forward and be offset against taxable income of the five years following the accounting year in which they were incurred. Dividends paid out of net income are subject to a withholding tax of 10%, subject to the relevant double taxation treaty or 0 % tax could be applied if the recipient is resident in another EU country.

g. Greece

The corporation tax rate imposed on the income of the subsidiary incorporated in Greece (including capital gains) is currently 29% (2005- 32%, from 2007 onwards – 25%). Tax losses can be carried forward and offset against taxable income of the five years following the accounting year in which they were incurred.

h. India

The corporate income tax applicable to the income of the Indian subsidiaries is 33.99%. However, there will be an incidence of presumptive taxation called minimum alternative tax ("**MAT**") at the rate of 11.33% if corporate tax liability of the subsidiary, computed under the normal provisions of the Income Tax Act, 1961 (the "Act") is less than 10% of its book profits. The tax credit is allowed, which is the difference of the tax liability under MAT provisions and regular provisions, can be carried forward for set-off in the year in which tax is payable under the normal provisions under the Act. Capital gains on sale of fixed assets and real estate assets are taxed at the rate of 22.66% provided that they were held for at least 36 months prior to the sale or 33.99% if they were held for less than 36 month. Capital gains taxes on the sale of shares by an Indian company range from nil up to 33.99% depending on the nature of the assets sold and the time they were held prior to the sale thereof. Dividends paid out of these profits are taxed at an additional 16.99% called dividend distribution tax. However, such dividend is exempt from tax in India in the hands of recipient shareholders. Dividend distributions from India to Cyprus are exempt from withholding tax under specified conditions. Losses can be offset against taxable income for a period of eight years.

i. Cyprus

The taxation of companies is based on tax residence and all companies are taxed at the rate of 10%. A special levy of 10% is imposed on interest received and deemed interest income in certain cases. Dividend income and profits from the sale of shares of companies are exempt from taxation. Companies, which do not distribute 70% of their profits after tax, as defined by the relevant tax law within two years after the end of the relevant tax year, will be deemed to have distributed as dividends 70% of these profits. A special levy at 115% will be payable on such deemed dividends to the extent that the shareholders (companies and individuals) are Cyprus tax residents. The amount of deemed distribution is reduced by any actual dividends paid out of the profits of the relevant year during the following two years. This special levy is payable for the account of the shareholders.

NOTE 29:- OPERATING LEASES

The Company is a lessee of a number of plots of land and paid a total rent of EUR 0.1 million in the year ended December 31, 2006 (EUR 0.1 million for year ended December 31, 2005) under operating leases mainly in Poland and in the Czech Republic. The leases typically run for a period of 99 years. The leases in Poland which are held under perpetual usufruct are governed by the law of Management over Real Estate. Lease payments regarding perpetual use of land can be changed according to a new valuation of the plot. All leases in the Czech Republic are indexed by the inflation rate announced by the Czech Statistical Office. None of the leases includes contingent rentals.

Non-cancellable operating lease rentals are payable as follows:

	December 31,	
	2006	2005
	EUR 000'	
Less than one year	109	151
Between one and five years	895	1,114
More than five years	4,618	4,988
	5,622	6,253

NOTE 30:- FINANCIAL INSTRUMENTS

a. Currency risk

Exchange rates of local currencies in the countries in which the Group operates, against the EUR are an important factor as part of the Group's expenses may be denominated in either EUR or local currencies. The Company reports its financial statements in EUR. However, the Group has its operations in Hungary, the Czech Republic, Poland, Latvia, Romania, Greece and India, and therefore it incurs costs in various currencies.

Furthermore, the Group is exposed to foreign currency risk on leases that are denominated in a currency other than the EUR. The currencies exposed to this risk are primarily the Czech Crown and Polish Zloty.

The Group's financial results are, therefore, affected by fluctuations in the exchange rates between the EUR and such currencies. The Group does not currently engage in hedging or use any other financial arrangement to minimize exchange risk. The Management currently estimates the risk as low.

b. Cash flow and fair value interest rate risk

The Group's interest rate risk arises mainly from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group does not currently engage in hedging or use any other financial arrangement to minimize the exposure to these risks.

c. 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 in the form of a bank guarantee or deposit equal to three months of rent from tenants of shopping centers.

d. Estimation of fair values

1. Interest-bearing loans and borrowings

Fair value is calculated based on discounted expected future principal and interest cash flows. As at the balance sheet date, carrying amounts of these loans and borrowings approximate their fair value due to their short term maturity or their variable interest rates.

e. Trade and other receivables/payables

For receivables/payables with a remaining life of less than one year, the carrying value is deemed to reflect the fair value.

f. Other financial instruments

The carrying amounts of all other financial instruments (e.g. cash and cash equivalents, restricted bank deposits, other receivables / payables) approximate their fair values due to their close proximity to cash and/or short term nature.

NOTE 31:- CONTINGENT LIABILITIES AND COMMITMENTS

a. Commitments to related parties:

1. Agreement for the provision of coordination, planning and performing of supervision services over projects for the establishment of commercial centres, the initiation of which began during the term of the agreement (through December 31, 2002) by Control Centers Ltd. ("Control Centers"), a company controlled by the controlling shareholder of EMI (or companies under its control) which include the coordination and supervision of each planning arrangement of the projects that the Company initiates and conducting negotiation with consultants and designers. In consideration for these services, Control Centers, or its appointee, will be entitled to receive fees equivalent to 5% of the actual performance costs of each project (excluding the land, and including finding the appropriate piece of land, and purchase costs, general and administrative expenses and financial expenses). According to this agreement, Control Centers, or its appointee, is entitled to receive advance payments in connection with these services. In addition Control Centers will be entitled to reimbursement of direct costs incurred by Control Centers group in an amount which will not exceed USD 50 thousand per real estate project.

2. On May 31, 2006, the EMI shareholders' meeting approved the following: Approval of an agreement with Control Centers according to which the Company will receive from Control Centers (either directly or through its subsidiaries or affiliates) coordination, planning, execution and supervision services (the "Services") over real estate projects of the Company and/or its subsidiaries and/or affiliates in consideration for a fee equal to 5% of the actual execution costs (excluding land acquisition costs, financing cost and the consideration for Control Centers under the agreement) of each such project ("Supervision Fees"). The agreement will apply to real estate projects whose initiation will begin following the approval of the agreement by the Company's shareholders and to three other real estate projects which are currently under early stage of development. ("Real Estate Projects")

   The supervision fees will be paid in installments upon the meeting of milestones as stipulated in the agreement. In addition, the Company will reimburse Control Centers for all reasonable costs incurred in connection with the services rendered thereby, not to exceed a total of EUR 75 thousand per Real Estate Project.

   If the purpose of a Real Estate Project is changed for any reason prior to the completion of the project or if the development of the Real Estate Project is terminated for any reason (including the sale of the Real Estate Project), the payment to Control Centers will be calculated as a percentage of the budget for the project and provided that such percentage shall not exceed the percentage determined for the next milestone of the project had it continued as planned. The calculation of such payments to Control Centers will be subject to the approval of an independent accountant and the approval of the Audit Committee and Board of Directors. On October 27, 2006 an agreement for the provision of consultancy services for the development of real estate projects was signed between the company and Control Centers based on the abovementioned agreement.

At December 31, 2006 the financial statements include a provision for engineering supervision services supplied by a related party in the Control Centers Group in the amount of EUR 3.9 million related to seven projects under development in Poland, Czech Republic, Latvia and Greece (see also item 1 above).

In addition, the Company and/or its subsidiaries and/or affiliates may also purchase from Control Centers through Jet Link Ltd, a related party. up to 125 flight hours per calendar year in consideration for payments to Jet Link Ltd. in accordance with its price list deducted by a 5% discount. This Agreement does not derogate from a previous agreement entered into between the Company and Jet Link Ltd. for the purchase of aviation services by the Company.

3. An agreement with Jet Link Ltd. (a company controlled by the controlling shareholder of EMI) was signed on October 27, 2006, for the provision of aviation services, (up to 150 flight hours per annum) for the operations, in connection with projects abroad, in consideration for payment calculated on the basis of the price list of Jet Link Ltd., deducted by a 5% discount.

4. On October 27, 2006, the Company entered into an agreement with the Executive Vice-Chairman of EMI ("VP") who has responsibility for the Company's operations in India, under which the VP will be entitled to receive options ("the Options") to acquire up to 5% of the holding company through which the Company will carry on its operations in India. However, where considered appropriate and by agreement, the VP will be entitled to take up a 5% interest in specific projects, in which case necessary adjustments will be made at the holding company level. The Company and the VP will agree on the terms of the Option for each acquisition, taking into account taxation, securities laws and regulations applicable to either party or their respective affiliates, and other considerations of the respective parties. If the VP exercises all of his Options (5%) at the holding company level, his right to take up interests on a project by project basis will lapse. The Options will be subject to vesting over a three-year period, with an initial vesting of 2% on award of the options following commencement of the relevant project with an additional 1% on the following dates: March 31 2007, March 31 2008 and March 31 2009. If the VP elects to take up Options in a specific project which commences after any of the vesting dates specified above, an immediate vesting will be allowed in respect of Options which would have vested as of the above dates. The options may be exercised at any time, at a price equal to the Company's net equity investment made in the projects as at the Option exercise date plus interest at the rate of LIBOR plus 2% per annum from the date of the investment until the Options exercise date ("Exercise price").

   The VP has a cash-in right to require the Company to purchase shares held by him following the exercise of the Options, at a price to be determined by an independent valuer. In addition, the VP has the right to pay the Exercise Price on a partial exercise of Options by way of the surrender to the Company of Options valued at the Exercise Price of the exercised Options. The agreement includes tag-along rights and a right of first refusal.

   The share Option arrangement will apply to all projects sourced to the Company from EMI. The options' arrangement is subject to the approval of EMI's shareholders meeting.

   As of December 31, 2006, no liability is recorded in these financial statements in respect of this agreement, as its value was not significant.

5. On October 27, 2006 the Company and the Chairman of its board entered into a service agreement, pursuant to which the Chairman will be entitled to a monthly salary of $25,000 (NIS 106,000) which includes pension, retirement and similar benefits for his services as the Company's Chairman. The agreement is subject to the approval of the shareholders meeting of EMI.

6. In October 2006 the Company and EMI entered into a transitional services agreement, pursuant to which EMI will provide the Company with legal and accounting services. The services are to be provided by EMI for a period of 24 months, unless terminated earlier by the Company, at a cost to be agreed between the parties from time to time.

7. In October 2006, the Company and EMI entered into an agreement, pursuant to which with effect from 1 January 2006 the Company will pay commissions to EMI in respect of all and any outstanding corporate and first demand guarantees which have been issued by EMI in favor of the company up to 0.5% of the amount or value of the guarantee, per annum.

8. On October 13, 2006, EMI entered into an agreement with the Company, under which EMI is obliged to offer to the Company potential real estate development sites sourced by it in India. These sites will be suitable for shopping and entertainment centers development projects as well as mixed use projects (comprising offices, residential units, congress centers and leisure facilities). The projects may also involve the acquisition and renovation of existing shopping and entertainment centers. In "Integrated Shopping Center Projects", the shopping and entertainment centre may not be the key element of the project. Under the agreement, EMI is obliged to offer the Company the exclusive right to develop all of the shopping center projects which EMI acquires during the 15-year term of the agreement. The Company must, within 30 days of receiving EMI's offer, indicate to EMI whether it wishes to accept or decline the offer. In respect of sites acquired by The Company, it has agreed to pay EMI the cost of the site paid by EMI as well as direct costs, subject to a cap of 5% of the cost of the site.

b. Commitments to others

A subsidiary incorporated in Prague, Czech Rep. ("Bestes"), which was sold in June 2006 (see note 34) is a party to an agreement with a third party ("the lessee"), for the lease of commercial areas in a center constructed on property owned by Bestes, for a period of 30 years, with an option to extend the lease period for an additional 30 years, in consideration for EUR 6.9 million. Through June 30, 2006 - the entire amount of EUR 6.9 million was paid. According to the lease agreement, the lessee has the right to terminate the lease subject to fulfilment of certain conditions as stipulated in the agreement. Bestes was sold to Klepierre on June 30, 2006, however the Company remains liable to Klepierre in case the lessee terminates his contract in certain conditions. The Company's management believes that this commitment will not result in any material amount being paid by the Company.

c. Contingent liabilities

On April 5, 2006, Cukierman Real Estate Ltd. filed a summary procedure claim with the District Court of Tel-Aviv against EMI and the Company. Within the framework of this claim, the District Court has been requested to order the Defendants to pay the Plaintiff the amount of approximately EUR 2 million as an intermediary brokerage fee arising out of the sale by the Company to Klepierre S.A. of its shopping centers in Poland and Czech Republic in terms of the Agreement dated July 29, 2005. This Statement of Claim has

not yet been formally served upon the Company at its registered address in Amsterdam, as required by the Israeli Civil Procedure Rules. An application for leave to defend has not yet been filed. On May 8, 2006, EMI filed a motion to strike out the claim in limine or alternatively to strike out the title "summary procedure". This request was denied by the court, following which the Company submitted a statement of defense on January 25, 2007. The Company believes, based, inter alia, on legal opinions, that there is a fairly good chance that the entire legal action against the Company, or the majority thereof, will be denied.

The Company is involved in various legal actions arising in the ordinary course of business. While the outcome of such matters is currently not determinable, it is management's opinion that these matters will not have a material adverse effect on the Company's consolidated financial condition or results of its operations, therefore no provision was recorded.

d. Securities, guarantees and liens under bank finance agreements

In order to secure loans granted for construction or refinance of the centers, the Company has granted banks with regard to certain subsidiaries: first ranking liens on all their assets, including rights in land and the projects for which the loans were taken; liens on all of their rights, including by way of assignment of rights, pursuant to the agreements to which they are party, including general contractor contracts, long term tenants' leases and subordination of all shareholders loans to the financing bank; liens on all of the rights deriving from each material contract the borrowing company is a party, etc. Alom Sziget has a bank loan (of EUR 23 million), The Company has committed to repay 30% of the outstanding loan amount in case Alom Sziget fails to do so.

Payments to the shareholders, including dividend distribution, are subject to financial covenants and usually require the financing bank's prior approval.

Several Project Companies have undertaken not to sell, transfer or lease any substantial part of their assets without the prior consent of the financing bank. In certain events the Project Companies have undertaken not to allow, without the prior consent of the financing bank: (i) any changes in and to the holding structure of the Project Companies nor to allow for any change in their incorporation documents; (ii) execution of any significant activities, including issuance of shares, related party transactions and significant transactions not in the ordinary course of business; (iii) certain changes to the scope of the project; (iv) the assumption of certain liabilities by the Project Company in favor of third parties; (v) receipt of loans by the Project Company and/or the provision of any guarantee to third parties.

In addition, the investee companies are obliged to maintain minimum share capital of the borrowing companies in accordance with the financing agreements or the injection of further finance, in any case of variance from the budgets of the business plans; restrictions on the ratio of shareholder loans to bank loans and on the amount of the outstanding bank loans in relation to the cost of the project. In certain projects, the Company, together with other shareholders, undertook to make up amounts that are required in the event that current operations of the commercial center result in a deficit. The subsidiaries undertook to comply with certain financial ratios and minimum cash balances ("covenants"). Covenants include: Complying with ratios between timely rental income and timely loan repayments and other similar ratios, accumulating funds to pay back last part of loans, occupancy percentage, minimum rental fees, creating refurbishment funds, and reporting requirements. The Company's management is in the opinion that all group companies are in compliance with such covenants.

NOTE 32:- SIGNIFICANT ACQUISITIONS AND EVENTS (SINCE JANUARY 1, 2005)

Flotation of Plaza Centers N.V on the London Stock Exchange

On October 27, 2006 the Company announced the pricing of its initial public offering of Ordinary Shares (the "IPO" or the "Offer") on the Official List of the London Stock Exchange ("LSE"). The offer price was set at 180 Great Britain Pence per Ordinary Share (the "Offer Price"). Based upon the Offer Price, the market capitalization of the Company at the commencement of conditional dealings was GBP 514.3 million (approximately EUR 760 million). Conditional dealings commenced on the LSE under the ticker symbol PLAZ. The Offer consisted of 85.71 million new Ordinary Shares (excluding 10% over allotment option for underwriters which was exercised on November 24, 2006, in respect of 6.6 million ordinary shares). Following the Offer, the free float of the Company was approximately 30%. The admission of the Company's ordinary shares to the Official List of the United Kingdom Listing Authorities and to trading on the main market for listed securities of the LSE ("Admission") became effective and unconditional dealings commenced on 1 November 2006. Including the exercise of the over allotment ("Green Shoe") Option, the total proceeds from the IPO received by November 24, 2006 were GBP 166.2 (approximately EUR 247.2 million) from issuing 92.3 million ordinary shares.

Sadyba transaction

On May 17, 2005, the Company purchased 50% of the Sadyba shopping center (in which the Company already held 50% as a joint venture) from the Company's partner to the joint venture. The total purchase price was approximately USD 20 million (EUR 16 million). The Sadyba shopping Center was sold in July 2005 to Klepierre (see note 34).

Lublin Joint venture.

The Company entered into a JV agreement on November 2003 for the purchase of 50% of the ownership of a company registered in Lublin, Poland ("MPSA"). MPSA holds a perpetual usufruct in and to the land leased from the local municipality for a period of 99 years, and plans to construct thereon a complex, consisting of: commercial area, a hotel, offices, congress center and the like. MPSA has a right to acquire the land, upon completion of construction, at an agreed upon price (PLN 8.5 million – EUR 2 million) net (after deduction of accumulated lease fees paid until the exercise of such right). The local municipality is entitled to terminate the usufruct if and to the extent the use of the land does not correspond to the approved usage and/or in the event unauthorized delays or schedule deviations occur. Should the usufruct be so terminated, MPSA shall be entitled to demand reimbursement of its investment in the construction of the complex through termination.

In November 2004 MPSA and the local municipality amended the agreement so as to divide the project into two stages, subject to the first (construction of the congress and commercial areas) being completed by August 31, 2006. The second stage (construction of the hotel and office area) shall commence by no later than September 30, 2009 and conclude by the end of 2011. The parties are allowed, with written consent, to increase or decrease the areas provided for offices and a hotel or to change those functions. Should MPSA fail to comply with the timetable of the second stage a penalty shall be imposed thereon in the amount of PLN 2.5 million (EUR 0.6 million).

According to the JV Agreement, financing of the project to be constructed by MPSA is to be borne by both parties in equal shares, except for an initial payment of $4.0 million which is to be provided by the Company, with half of such amount to be considered as a loan to the other shareholder (the "JV Partner"). Through December 31, 2005, the Company has invested

(mainly via loans, Libor + 2.5% annually interest bearing), indirectly, in MPSA's project, EUR 8.4 million.

The Company and the JV partner are currently in dispute regarding the shareholders loan ("equity loans") required to be invested by the JV partner. The JV Partner alleges that the increase in the project budget, in comparison with the original one, was caused by the acts or omissions of the Company, and accordingly that the Company alone should bear all additional equity loans.

The Company refutes such allegation and has demanded the fulfilment of the JV Agreement on its terms as indicated above, namely all additional amounts, over the initial $4.0 million, required for the financing of the project, should be financed by the parties in equal parts. This dispute has not yet been resolved.

Within the framework of the 2005 sale agreement with Klepierre, as stated in Note 34, the Company awarded an option to Klepierre to acquire 100% of the equity rights in MPSA, subject to the acquisition by the Company of the entire interests of the JV Partner in MPSA, by not later than the end of November 2006 (the "first option"). In the event that the Company shall fail to acquire JV partner's rights by that date, then and in such event Klepierre shall automatically have an additional option to acquire the 50% of such equity rights in MPSA which are held (indirectly) by the Company (the "second option").

The exercise by Klepierre of the second option shall be subject, at all times, to (i) the JV Partner's rights of "first offer" which entitles the JV Partner to acquire the Company shares in the event that the Company is desirous of selling its shares to a third party; and to (ii) the "tag-along" rights which entitles the JV Partner to demand that Klepierre shall also acquire its shares together with the Ordinary Shares on the identical terms and conditions, pro rata. In the event that the JV Partner shall exercise its rights of first offer to acquire the Company shares, as aforesaid, then and in such event the second option shall automatically lapse and be of no further force and effect.

Until the date on which the second option would have lapsed, the Company covenants not to amend, modify, and/or terminate the JV Agreement, without the prior approval of Klepierre, and to abstain from taking any actions which may prejudice the rights and/or interests (present or future) of Klepierre under or in connection with this option.

In the event the transaction for the sale and transfer of the entire equity rights in MPSA to Klepierre shall not have been consummated for any reason or in the event that the JV Partner shall exercise its "first offer" rights, then and in such events the Company undertakes to pay to Klepierre a Commitment Penalty in the amount of EUR 1.6 million, without prejudice to the rights of Klepierre to be further indemnified in the event that such non-consummation would result from a breach by the Company of its contractual obligations. In the event that Klepierre shall have elected to exercise the second option and the acquisition by Klepierre of the Company shares cannot be fully consummated for any reason, then and in such event the Company undertakes to pay to Klepierre a Commitment Penalty in a reduced amount of EUR 0.8 million.

In the event that the JV Partner shall exercise its "tag-along" rights and in the event that Klepierre shall actually acquire both the Company shares and the JV Partner shares, then and in such event the Company shall be severally and jointly liable with the JV Partner with respect to the sale of the JV Partner shares and the Company shall grant to Klepierre the same indemnifications provisions guarantee with respect to the JV Partner's shares to the extent that the JV Partner fails or refuses to give any indemnifications.

Upon the exercise of either of the options mentioned above, the Company shall assume full liability for the performance of the obligation made by MPSA in favor of the local municipality in terms of the ground lease to construct a hotel above or adjacent to the commercial center project and shall furnish Klepierre with a full indemnity against such

liability and/or against any harm which may be suffered by Klepierre and/or by MPSA as result of the failure to construct the hotel as aforesaid.

Upon delivery and receipt of one of the options, the project shall be included as a project under development for all purposes in terms of the 2005 sale agreement with Klepierre and that the provisions of this agreement shall apply, mutatis mutandis, to the project, such as conditions for delivery, conditions for closing, methodologies for the determination of the final purchase price of the sold center as well as of the MPSA shares.

Kerepesi transaction

On November 15, 2005, the Company signed an agreement and consummated a transaction for the acquisition of a company owning 122,857 m^2 (approximately 1.35 million square feet) of land situated on Kerepesi Street in the 8th district of Budapest, the former site of the Hypodrome ("Site").

Building permits for the construction of a large shopping and entertainment center have been issued in respect of this Site, the rights to which were also acquired. The acquisition was carried out by the purchase of the entire equity rights (100%) of four companies holding all the freehold ownership and usage rights to the Site.

The purchase price of the entire equity rights represents a Site value of EUR 21 million. The financing of the Site was provided by a consortium of Hungarian Banks, and constitute approximately 90% of the above value.

Currently the Company is constructing the Arena Plaza shopping center on the site. Completion is expected in the fourth quarter of 2007.

Casaradio Project – Bucharest, Romania

On October 11, 2006, the Company entered into an agreement, according to which it will acquire 75% interest in a company ("Project SPV") which, under a public-private partnership agreement with the Government of Romania, is to develop the Casa Radio site in central Bucharest. The consummation of the transaction is subject to the fulfilment of certain conditions, including obtaining the approval of the Government of Romania to an amendment to the public-private partnership agreement. The cost of the acquisition of the interest in Project SPV amounts to approximately USD 40 million (EUR 30 million). As of the balance sheet date, an amount of USD 25.4 million (EUR 19.4 million) was deposited by the Company into an escrow account which will be released to the seller following the fulfilment of the conditions included in the agreement.

The other investors include the Government of Romania, which will assure that the development company is granted the necessary development and exploitation rights in relation to the site for a 49-year period in consideration for a 15% interest in Project SPV, and the seller which will retain a 10% interest in the Project SPV.

In November 2006 the public -private partnership agreement was approved by the Government of Romania subject to ratification by the Romanian Parliament which as of the date of the approval of these financial statements has been obtained. The transaction approval and the nomination of directors in Project SPV by the Company were adopted by the general shareholders meeting of Project SPV in February 2007. Until that date the Company could not exercises control over the Project SPV operations and accordingly, the financial statements of the Project SPV were not consolidated in the Company financial statement as of December 31, 2006 and the escrow account is presented in the consolidated balance sheet as prepayments within other accounts receivable in current assets.

The Project, which will have an estimated built area of approximately 360,000 m^2, will include shopping and entertainment center, a five star hotel, residential units and offices. The purchasers (including the Company) have undertaken to cause Project SPV to construct an office building measuring approximately 13,000m^2 for the Government of Romania at its own

cost. Project SPV intends to finance the construction of the project through bank loans. Additional finance for the Project (if needed) will be borne by the Company and the seller pro-rata to their shareholding.

Koregaon Park Project – Pune, India

On December 1, 2006, the Company acquired a 100% shareholding from EMI of a company which holds a 50% interest in an Indian private limited liability company, which owns a plot of land in Pune, India ("JV2"). The remaining 50 % interest in JV2 is controlled by another property developer. The Company will repay EMI its original investment of INR 310 million (approximately EUR 5.4 million) in the project plus preliminary development costs which are not to exceed 5% of the investment. This freehold development site is currently held by 24 separate companies in equal undivided shares (one of which is JV2). Twelve of these companies ("Group B Companies") have sold the development rights relating to their respective portions of the land to JV2. The remaining eleven companies ("Group A Companies") and JV2 retain the development rights relating to their respective portions. JV2 is 100% shareholder in each of the 23 companies.

Under the Agreement, the Company is to subscribe for shares and convertible securities representing 50% of JV2, upon fulfilment of certain conditions precedent being satisfied ("First Closing") which are principally that the JV2 will acquire 100% of all the Group A and Group B Companies and conclude a development rights assignment agreement with the affiliate of the partner, whereby the development rights to the Group B Companies' land will be irrevocably assigned to the JV2. The cash consideration payable by the JV2 is INR 440 million (EUR 7.7 million), payable in instalments whereby an amount of INR 310 million was paid at First Closing and INR 130 million (EUR 2.3 million) at Second Closing (being the date within ten days after the issue of the necessary building permits on the site).

As of December 31, 2006, the Company invested an amount of INR 310 million (EUR 5.4 million) in JV2 Company by means of shareholder equity and fully and compulsorily convertible debentures ("FCDs") bearing an annual interest of 14% and convertible into non-voting preference shares.

Ercorner

In May 2006, the Budapest General Assembly approved an amendment to the local town-planning scheme, which approves the construction plans for the Obuda island. As part of this approval, Alom Sziget has undertaken to ensure the traffic connections to, from and within the island and to develop landscape works. The additional investment required in respect of the aforementioned projects is estimated at approximately EUR 55 million.

In September 2006, Alom Sziget received from the Municipality of Budapest final formal approval for the zoning plan of the project. Upon receiving this approval and in accordance with the law in Hungary, Alom Sziget is allowed to apply for the receipt of a building permit.

Other small scale acquisitions of projects

- In August 2006 the Group signed with the municipality of Liberec, Czech Republic a lease and purchase agreement for a project to be constructed on land in Liberec city centre with a planned GLA of approximately 21,000m². Construction is due to commence in the second quarter of 2007 and the centre is scheduled to open in the third quarter of 2008.
- In July 2006 the Group signed with the municipality of Opava, Czech Republic a lease and purchase agreement for a project to be constructed on a land in Opava city centre with a planned GLA of approximately 14,200m². Construction is due to commence in the first quarter of 2008 and the centre is scheduled to open in the second quarter of 2009.
- In July 2006 the Group purchased from the municipality of Suwałki, Poland a plot of land in Suwałki city centre for a total consideration of EUR 1.45 million and with a

planned GLA of approximately 14,000m². Construction is due to commence in the third quarter of 2007 and the centre is scheduled to open in the third quarter of 2008.

- In December 2006 the Group signed a preliminary purchase agreement with a private seller for a project to be constructed on land in Zgorzelec, Poland. The total purchase price is approximately EUR 4.8 million. The plot size is 38,213m^2. The building plan is with a planned GLA of approximately 16,000. Construction is due to commence in the last quarter of 2007, and the centre is scheduled to open in the first quarter of 2009.

NOTE 33:- RELATED PARTY TRANSACTIONS

Related party transactions

The main shareholder of the Company, holding 68.4% of all issued and paid share capital of the Company as of balance sheet date, is Elbit Ultrasound B.V. ("EUL") ,incorporated in the Netherlands and the ultimate controlling party is Elbit Medical Imaging ("EMI"). EMI's indirect controlling shareholder is Mr. Mordechay Zisser. The rest of the Ordinary Shares are held by the public, starting October 27, 2006.

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

The Company has 6 directors. The annual salary cost of the directors in 2006 amounted to TEUR 105 (2005–TEUR 338) and the annual share based compensation expenses amounted to TEUR 1,216 (2005-Nil).

There are no other benefits granted to directors.

Information about related party balances as of December 31, 2005 and 2006 is disclosed in notes 10 and 17.

Trading transactions

During the year, group entities had the following trading transactions with related parties that are not members of the Group:

	For the year ended December 31	
	2006	2005
	EUR 000'	
Income		
Interest on shareholders' loan to EMI	670	-
Costs and expenses		
Charges and management fees – EMI	832	988
Interest on shareholders' loan from EUL	1,133	1,864
Selling of inactive companies to EUL	196	-
Aviation services - Jet Link (1)	643	868
Project management provision and charges -Control Centers group (1)	6,182	1,800

(1) Jet Link and Control Centers are companies under the control of the controlling shareholder of the ultimate parent company.

NOTE 34:- DISPOSAL OF SUBSIDIARIES (INVESTMENT PROPERTY AND TRADING PROPERTY)

Dawnay Day Transaction

In April 2005, a transaction was consummated between the Company and the Dawnay Day Europe group - an international fund management company based in the United Kingdom ("Purchaser") - in accordance with which the Company sold to the Purchaser the entire equity and voting rights (100%) in 4 companies owning 4 commercial and entertainment centers in certain cities in Hungary ("Sold Centers"). For the companies which were sold, refer to note 37 of these financial statements. The net cash consideration which was paid to the Company amounted to EUR 17.2 million and was determined according to the asset value of the Sold Centers (EUR 54.4 million) together with monetary and other balances, after deduction of

bank and other monetary liabilities pertaining thereto, and with the addition of a variable amount, determined based on the period that lapsed from the reference date of the transaction (January 1, 2005) through consummation thereof (in the amount of EUR 1.5 million). The Company recorded in the 2005 financial statements a loss of approximately EUR 1.9 million on this transaction. The Company undertook within the framework of the agreement to guarantee certain operational targets of one of the Sold Centers, for a period of 3 years through March 31, 2008. The loss includes management's estimation that the costs expected to materialize under this guarantee total EUR 1.9 million (out of which EUR 0.9 million was paid in the course of 2005 and 2006).

Klepierre transaction – stage A

On July 29, 2005, a transaction was consummated between the Company and Klepierre for the sale by the Company of the entire equity and voting rights (100%) of the companies owning 4 operational shopping centers in Poland ("Polish Sold Centers"), for a consideration of EUR 73.8 million (out of which EUR 10.9 million were paid to EUL to settle an existing advance), based on the Polish Sold Centers' value amounting to EUR 204 million. The value was calculated on the basis of the gross rentals of the Polish Sold Centers as at the closing, capitalized at certain agreed yields, together with monetary and other balances, after deduction of bank and other monetary liabilities pertaining thereto ("the first stage").

An adjustment of the purchase price was conducted on the basis of the gross rentals as of December 31, 2005 (in respect of one shopping center - as of a date up to July 2006), capitalized at the agreed yields.

As part of the transaction, Klepierre has also acquired the entire outstanding share capital of the Polish subsidiary (PCM Poland) of the Company which operates and manages the acquired operational shopping centers. The Company recorded in 2005 a loss of EUR 7.8 million.

The gain from the sale of investment property in 2006, recorded in the consolidated income statement (EUR 13.7 million) is comprised mainly of the following:

- Part of the proceeds of the 2005 agreements in the amount of EUR 5.4 million was subject to obtaining utilities licenses in respect of the sold centers and was deferred. Within the framework of a settlement agreement signed between the Company and Klepierre on November 16, 2006 it was agreed that the Company shall be unconditionally and irrecoverably released from its obligations to obtain such utilities licenses and that Klepierre will assume full and sole responsibility for the obtaining of these utilities permits. As a result, an additional gain of EUR 5.4 million was recorded.
- In November 2006 the Company and Klepierre concluded a final purchase price adjustment in respect of the sold centers in accordance with the provisions set forth in the sale agreement and accordingly the Company recorded an additional gain of EUR 8.2 million which is mainly due to Poznan shopping center on account of the price adjustment, based on the updated gross rentals.

Klepierre transaction – stage B

On July 29, 2005, the Company and Klepierre signed a preliminary share purchase agreement for the future acquisition by Klepierre of the entire equity and voting rights (100%) in two companies presently developing 2 shopping centers in Poland, as well as a further 2 companies developing shopping centers in the Czech Republic (one of these – Bes Tes S.R.O – was sold in June 2006 – see below), for an estimated assets value of EUR 158.4 million ("the second stage"). For the names of the companies refer to note 37. Klepierre also has an option to acquire the entire equity and voting rights held by the Company (50%) of the third company (Movement Poland) developing a shopping center in Poland, for an estimated value of EUR 62.0 million upon the fulfilment of certain conditions. Upon the exercise of the option, the construction and delivery of the shopping center will be subject to the same terms

and conditions applicable to the remaining centers. If Klepierre does not exercise the option to acquire the shares of such third Polish company, the Company will be obligated to pay a penalty in the amount of EUR 1.6 million. The consideration was determined based on forecasted gross rentals at the date of the execution of the agreement. Upon the completion and delivery of each of these centers, in accordance with certain pre-agreed parameters as determined in the preliminary agreement, and upon the fulfilment of certain pre-conditions, Klepierre will pay to the Company the purchase price of each specific center owning company which will be calculated based on gross rentals prevailing at a date close to delivery, capitalized at agreed yields. A final adjustment of the purchase price for each of these development centers will be conducted not later than 12 months following delivery, on the basis of actual gross rentals prevailing on the respective adjustment dates, capitalized at the agreed yields. In addition, a net asset value adjustment will be carried out on the basis of audited financial statements as at the delivery date.

Klepierre has furnished the Company with a bank guarantee in the amount of EUR 115.0 million for the payment of the respective purchase prices of those development centers in respect of which building permits have been issued. These bank guarantees may be exercised in accordance with an agreed mechanism provided for therein. The Company has furnished Klépierre with its corporate guarantee for the fulfilment by the Company of all its undertakings and obligations under the definitive agreements.

On June 30, 2006 the Company sold (as part of the stage B transaction with Klepierre - see above) its wholly owned subsidiary in the Czech Republic, Entertainment Plaza, which holds 99% of Bes Tes s.r.o, a Company which owns a shopping Center in Prague for a net consideration of EUR 5 million, representing a gross asset value of EUR 43.9 million. For commitments in respect of Bes Tes s.r.o, see note 31. As a result of negotiations with Klepierre on the price adjustment regarding the sale of Entertainment Plaza, the Company recorded in 2006 a gain of approximately EUR 6.5 million as a result of this transaction.

Klepierre transaction – stage B improvement of yield and additional rights

Within the framework of an agreement signed between the Company and Klepierre on November 16, 2006, Klepierre expressed its interest in principal in acquiring all the equity rights in the companies presently developing 4 shopping centers in the Czech Republic, Poland and Latvia (Liberec Plaza, Opava Plaza, Suwlaki Plaza and Riga Plaza) at an agreed upon yields ("New Development Projects"). The Company undertakes to conduct good faith negotiation with Klepierre in order to execute a preliminary agreement on substantially the same terms and conditions provided for in the Stage B agreement in respect of at least 2 of the New Development Projects ("New Preliminary Agreement"). In addition the Company undertakes that Klepierre will be awarded an option to acquire up to 5% of the equity rights in each of the companies holding the rights in the New Development Projects in respect of which its New Preliminary Agreement shall be executed. The option is subject to the consent of the financing bank which has provided a construction loan to the relevant project and it is subordinated to the financing bank under the terms of the loan agreement. The option shall be exercisable at any time following the condition precedent satisfaction date against payment of the exercise price which shall be agreed between the Company and Klepierre at the date of the execution of the relevant New Preliminary Agreement. Upon consummation of the transaction, the exercise price of the option shall be deemed to constitute a flat down payment on account of the full transaction consideration. In the event that the transaction is not consummated, the Company has a call option to reacquire the 5% shares in consideration for the amount paid by Klepierre for the option.

In addition, Klepierre agreed to reduce the capitalization rates in respect of three commercial centers included in the Stage B transaction (other than the Novo Plaza which was delivered to Klepierre in June 2006). Such reduced capitalization rates will apply only to the extend that: (i) the Company shall procure by not later than May 29 2007, that its joint venture partner in Lublin Plaza will agree to sell its 50% holding in the project to Klepierre together with the

50% held by the Company on the same terms and conditions agreed between Klepierre and the Company; (ii) a New Preliminary Agreement will be concluded between the Company and Klepierre in respect of at least 2 of the New Development Projects by not later than 90 days following the date of the agreement and that on the same date Klepierre will be awarded an option to acquire up to 5% of the equity rights in each of the companies holding the rights in the New Development Projects in respect of which the New Preliminary Agreement shall be executed; and (iii) the Company shall procure that planning permission will be obtained for the relocation of the supermarket unit in the Pilsen Plaza shopping center. Following such amended capitalization rates the estimated value of the three commercial centers wholly owned by the Company and which, as of the balance sheet date, were not yet delivered to Klepierre amount to EUR 149 million and the estimated fair value of Lublin Plaza (100%) amount to EUR 74 million.

Other small scale disposal of subsidiaries

- In August 2006 the Group sold a subsidiary in Hungary, which owns a plot of land in Pecs, Hungary for a total consideration of EUR 1.6 million. The Company recorded a gain of approximately EUR 0.7 from this transaction.

NOTE 35:- SUBSEQUENT EVENTS

Kharadi project – Pune, India

In February 2007, the Company indirectly acquired through a 100% subsidiary a 50% stake in an Indian limited liability company ("JV1"), which owns the freehold of approximately fourteen acres of land situated in the Kharadi district of Pune, Maharashtra State, India. The remaining 50% of the stake of JV1 is held by a property developer in Pune. The consideration paid totalled EUR 17 million, invested in the form of equity.

As of the date of the approval of these financial statements, there were no shares allocated to JV1.

JV1 intends to develop its plot of land through the construction of a project totalling approximately 225,000m^2 GLA which will include:

- a shopping centre with a total area of approximately 120,000m^2;
- an office complex measuring approximately 81,000m^2 and;
- a serviced apartment facility of approximately 24,000m^2.

The total investment in the project (100%) is anticipated to be approximately USD 175 million (approximately EUR 133 million).

Timisoara project – Romania

In March 2007, the Company acquired a site in Timisoara, West Romania, for a total consideration of EUR 12 million. The site totals 31,800m^2 and is located alongside a major road approaching the city centre of Timisoara. The Company plans to build a multi-story shopping centre of approximately 30,000m^2 GLA, exclusive of parking area.

The Company has also secured an option to develop on the site approximately 20,000m^2. of new mixed retail, office and residential space adjacent to the shopping centre.

The total estimated development cost of the project is EUR 60 million.

Torun Project - Poland

In February 2007, the Group won a tender and signed a preliminary purchasing agreement with the Municipality of Torun, Poland for a project to be constructed on a site in Torun. The initial consideration was EUR 1.7 million and the total plot price will be EUR 15.8 million, to be paid in the course of the following 2 years. The plot size is 62,800m^2. The building plan is

with a planned GLA of approximately 33,000m^2. Construction is due to commence in the first quarter of 2009 and the centre is scheduled to open in the last quarter of 2010.

Opening of Rybnik shopping Center - Poland

In March 2007, the Company opened its pre-sold shopping center in Rybnik, Poland. The shopping Centre is scheduled to be transferred to Klepierre on March 31, 2007.

NOTE 36:- CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Management discussed with the Audit Committee the development, selection and disclosure of the Group's critical accounting policies and estimates and the application of these policies and estimates.

a. Valuation of investment property

The financial statements include investment properties at values that are subject to considerable estimation uncertainty. The risk that an investment property will not be appropriately valued exists, since factors not known to the valuer or to the Company might affect the value of the asset.

b. Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

c. Potential penalties, guarantees issued

Penalties are part of the on-going construction activities, and result from obligations the Group takes on towards third parties, such as banks and municipalities. The Company's management is required to provide estimations about risks evolving from potential guarantees given by the Company or penalties that the Company might have to pay.

d. Expired building permits

The process of construction is long, and subject to authorization from local authorities. It may occur (such as in the Helios Project, see note 7) that building permits will expire and will cause the Company additional preparations and costs, and can cause construction to be delayed or abandoned. See note 7 for more details.

NOTE 37:- LIST OF SUBSIDIARIES AND AFFILIATES OF THE COMPANY

During the period starting January 1, 2005, the Company has owned the following companies (all subsidiaries were 100% owned by the Group at each balance sheet date presented unless otherwise indicated:

Hungary	Activity	Remarks
Directly wholly owned		
'Kerepesi 2 Hypermarket Ingatlanfejlesztő Kft.	Shopping Center	
'Kerepesi 3 Áruház Ingatlanfejlesztő Kft.	Shopping Center	
'Kerepesi 4 Szálloda Ingatlanfejlesztő Kft.	Holder of land usage rights	
'Kerepesi 5 Irodaépület Ingatlanfejlesztő Kft.	Holder of land usage rights	
HOM Ingatlanfejlesztési és Vezetési Kft. ("HOM")	Management Company	
Plaza House Ingatlanfejlesztési Kft.	Office building	
Tatabánya Plaza Ingatlanfejlesztési Kft.	Intercompany financing	
Zalaegerszeg 2002 Ingatlanhasznosító és Vagyonkezelő Kft.	Own plot of land	Sold to Dawnay Day in 2006
Szolnok 2002 Ingatlanhasznosító és Vagyonkezelő Kft.	Inactive	Sold in August 2006 to parent company
Szombathely 2002 Ingatlanhasznosító és Vagyonkezelő Kft.	Intercompany financing	
Szeged 2002 Ingatlanhasznosító és Vagyonkezelő Kft.	Inactive	
Eger House Ingatlanfejlesztési Kft.	Inactive	Sold in August 2006 to parent company
Pecs 2002 Ingatlanhasznosító és Vagyonkezelő Kft.	Holding Company of Pécs Plaza	Sold to Dawnay Day in 2005
Indirectly wholly owned (or jointly owned)		
PÉCS Plaza Ingatlanfejlesztési Kft.	Shopping Center	Sold to Dawnay Day in 2005
Plaza Centers Magyarország Kft. ("PCM")	Shopping Center	Sold to Klpeierre during 2004 and 2005
Sopron Plaza Kft.	Shopping Center	Sold to Dawnay Day in 2005
Szombathely Plaza Ingatlanfejlesztési Kft.	Shopping Center	Sold to Dawnay Day in 2005
Veszprém Plaza Ingatlanfejlesztési Kft.	Shopping Center	Sold to Dawnay Day in 2005
Ercorner Kft.	Holding Company	Jointly controlled (50% /50%) with MKB Bank and holding company of Álom Sziget 2004 Kft. , The Island project – see note 15.
Alom Sziget 2004 Kft	A Convention, hotel and Entertainment centre	Held 60% by Ercorner

Poland	Activity	Remarks
Directly wholly owned		
Bialystok Plaza Sp.zo.o.		Inactive
Bielsko-Biala Sp.zo.o		Inactive
Bytom Plaza Sp.z.o.o		Inactive
Bydgoszcz Sp.zo.o.		Inactive
Rzeszów Plaza Sp.z.o.o.		Inactive
Chorzow Plaza Sp.zo.o		Inactive
Czestochowa Plaza Sp.z.o.o.	Shopping Center	Zgorzelec project
Gdansk Centrum Sp.zo.o.		Inactive
Gdynia Plaza Sp.zo.o.		Inactive
Gliwice Plaza Sp.z.o.o.		Inactive
Gorzów Wielkopolski Plaza Sp.z.o.o.		Inactive
Grudziadz Plaza Sp.zo.o.		Inactive
Jelenia Gora Plaza Sp.zo.o.		Inactive
Katowice Plaza Sp.zo.o.		Inactive
Suwałki Plaza Sp.zo.o.	Shopping Center	
Koszalin Plaza Sp.zo.o.		Inactive
Krakow Plaza Sp.zo.o.	Shopping Center	Sold to Klepierre in 2005
Legnica Plaza Sp.zo.o.		Inactive
Lodz Centrum Plaza Sp.zo.o.	Own plot of land	
Plaza Centers (Poland) Sp.z.o.o.	Management Company	
Plaza Centers (Poland) South Sp.z.o.o.	Management Company	
Plaza Centers Management (Poland) Sp.zo.o.	Management Company	Sold to Klepierre in 2005
Olsztyn Plaza Sp.zo.o.		Inactive
Opole Plaza Sp.zo.o.		Inactive
Plock Plaza Sp.zo.o.		Inactive
Poznan Plaza Sp.zo.o.	Shopping Center	Sold to Klepierre in 2005
Radom Plaza Sp.zo.o.		Inactive
Ruda Śląska Plaza Sp.zo.o.	Shopping Center	Sold to Klepierre in 2005
Rybnik Plaza Sp.zo.o.	Shopping Center	Pre-sold to Klepierre 2005
Hokus Pokus Rozrywka Sp. zo. o.	Entertainment center	
Sadyba Center S.A.	Shopping Center	Sold to Klepierre in 2005
Sosnowiec Plaza Sp.z.o.o.	Shopping Center	Pre-sold to Klepierre 2005
Szczecín Plaza Sp.zo.o.		Inactive
Tarnow Plaza Sp.zo.o.		Inactive
Torun Plaza Sp.zo.o.		Shopping Center
Tychy Plaza Sp.zo.o.		Inactive
Wloclawek Plaza Sp.zo.o.		Inactive
Wroclaw Plaza Sp.zo.o.		Inactive
Zielona Gora Plaza Sp.zo.o.		Inactive
Indirectly owned (or joint controlled)		
Fantasy Park Sp. zo.o.	Entertainment Centre	Wholly owned by Fantasy park Enterprises B.V
Movement Poland S.A	Shopping Center	Wholly owned by Centers Classic B.V, and is the Company's Joint venture in Poland (50%/50%) - Pre-sold to Klepierre in 2005

Czech Republic	Activity	Remarks
Directly owned		
Praha Plaza S.R.O.	Logistic Center	
B1 Plaza S.R.O.	Shopping Center	Opava Project
Plaza Centers S.R.O.	Management Company	
Pilzen Plaza S.R.O.	Shopping Center	Pre-sold to Klepierre in 2005
P4 Plaza S.R.O.	Shopping Center	Liberec project
Entertainment Plaza S.R.O.	Holding Company of Bes Tes S.R.O	Sold to Klepierre in 2006
Indirectly owned		
Bes Tes S.R.O.	Shopping Center	Sold to Klepierre in 2006
Fantasy Park S.R.O	Entertainment Centre	Wholly owned by Fantasy park Enterprises B.V
Greece		
Helios Plaza S.A.	Shopping Center	
Romania		
Bucuresti Plaza Center S.R.L.	Inactive	Sold to parent company in December 2006
Obor Plaza SRL.	Inactive	
Green Plaza S.R.L.		Intercompany financing
Elite residence esplanada S.R.L	Inactive	
The Netherlands		
Directly owned		
PCM B.V	Inactive	
Indirectly owned (or joint controlled)		
Centers Classic B.V	Holding Company	Jointly controlled (50%/50%) with a partner - holding company of Movement Poland S.A
Fantasy park Enterprises B.V	Holding Company	Held 100% by Dreamland N.V, and holding company of Fantasy Park Sp.z.o.o and Fantasy Park S.R.O.
The Dutch Antilles		
Dreamland N.V	Holding Company	
Cyprus		
Amanati limited	Inactive	
Premindo limited	Holding Company	Holding company of the Anuttam developers private limited (50%)
Latvia		
SIA Diksna	Shopping Center	Jointly controlled with an American based partner.
SIA Geibi	Owns plot of land	Plot of land – 100% held by SIA Diksna. Was merged with SIA Diksna in October 2006

India	Activity	Remarks
Indirectly owned through Permindo Ltd.		
Anuttam developers private Ltd.	Holding Company in India of 23 subsidiaries (listed below), all held in connection with the Company's JV in Pune India (Koregaon Park project).	Held 50% by Permindo in a joint venture agreement
Atrushya developers private Ltd.	Owns plot of land	Wholly owned subsidiary of Anuttam
Ajanu developers private Ltd.	Owns plot of land	Wholly owned subsidiary of Anuttam
Agmesh developers private Ltd.	Owns plot of land	Wholly owned subsidiary of Anuttam
Animish developers private Ltd.	Owns plot of land	Wholly owned subsidiary of Anuttam
Anahat developers private Ltd.	Owns plot of land	Wholly owned subsidiary of Anuttam
Apratirath developers private Ltd.	Owns plot of land	Wholly owned subsidiary of Anuttam
Athang developers private Ltd.	Owns plot of land	Wholly owned subsidiary of Anuttam
Avyang developers private Ltd.	Owns plot of land	Wholly owned subsidiary of Anuttam
Asankhya developers private Ltd.	Owns plot of land	Wholly owned subsidiary of Anuttam
Apramad developers private Ltd.	Owns plot of land	Wholly owned subsidiary of Anuttam
Abhyang developers private Ltd.	Owns plot of land	Wholly owned subsidiary of Anuttam
Amartya developers private Ltd.	Owns plot of land	Wholly owned subsidiary of Anuttam
Atmavan developers private Ltd.	Owns plot of land	Wholly owned subsidiary of Anuttam
Amrutansh developers private Ltd.	Owns plot of land	Wholly owned subsidiary of Anuttam
Achal developers private Ltd.	Owns plot of land	Wholly owned subsidiary of Anuttam
Akhula developers private Ltd.	Owns plot of land	Wholly owned subsidiary of Anuttam
Antarmukh developers private Ltd.	Owns plot of land	Wholly owned subsidiary of Anuttam
Aprameya developers private Ltd.	Owns plot of land	Wholly owned subsidiary of Anuttam
Amraprabhu developers private Ltd.	Owns plot of land	Wholly owned subsidiary of Anuttam
Ajakshya developers private Ltd.	Owns plot of land	Wholly owned subsidiary of Anuttam
Avyaya developers private Ltd.	Owns plot of land	Wholly owned subsidiary of Anuttam
Avyaja developers private Ltd.	Owns plot of land	Wholly owned subsidiary of Anuttam
Anantshree developers private Ltd.	Owns plot of land	Wholly owned subsidiary of Anuttam

UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS JUNE 30, 2007

INDEPENDENT REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

To the directors of Plaza Centers N.V.

We have reviewed the accompanying consolidated condensed balance sheet of Plaza Centers N.V. ("the Company") as at June 30, 2007 and the related consolidated condensed statements of income, changes in equity and cash flows for the six-month period then ended ("the interim financial information"). Management is responsible for the preparation and presentation of the consolidated interim financial information in accordance with IAS 34, 'Interim Financial Reporting', as adopted by the EU. Our responsibility is to express a conclusion on the interim financial information based on our review.

We conducted our review in accordance with the International Standard on Review Engagements 2410 "*Review of Interim Financial Information Performed by the Independent 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 International Standards on Auditing 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.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information as at June 30, 2007, is not prepared, in all material respects, in accordance with IAS 34, "*Interim Financial Reporting*", as adopted by the EU.

Budapest, August 28, 2007

KPMG Hungária Kft.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Condensed consolidated interim balance sheet

	June 30 2007 Unaudited	December 31 2006 Audited
	€'000	
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	176,057	212,683
Restricted bank deposits	9,715	616
Short-term deposits	—	6,154
Trade accounts receivables, net	21,551	1,059
Other accounts receivable and prepayments	12,777	29,222
Other debtors and related parties	11,917	4,283
Trading properties	263,594	159,961
	495,611	413,978
NON CURRENT ASSETS		
Investment in associate	1,115	1,148
Long-term balances and deposits	2,237	2,257
Other debtors and related parties	18,734	22,027
Property, plant and equipment	8,444	7,550
Investment property	12,970	26,654
Restricted bank deposits	350	350
Other non-current assets	664	933
	44,514	60,919
Total assets	540,125	474,897
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Interest bearing loans from banks	74,068	51,201
Trade payables	26,300	15,703
Other liabilities	13,955	3,088
Amounts due to related parties	9,729	17,771
Creditor due to selling of investment property	—	2,418
	124,052	90,181
NON CURRENT LIABILITIES		
Interest bearing loans from banks	5,668	5,875
Amounts due to related parties	12,967	8,474
Other long-term liabilities	927	1,551
Deferred tax liabilities	1,403	4,139
	20,965	20,039
EQUITY		
Share capital	2,923	2,923
Translation reserve	(351)	(1,895)
Other reserves	7,431	1,840
Share premium	248,860	248,860
Retained earnings	135,495	112,949
Shareholders' equity attributable to equity holders of the Company	394,358	364,677
Minority interest	750	-
Total equity	395,108	364,677
Total shareholders' equity and liabilities	540,125	474,897

28 August 2007		
Date of approval of the financial statements	**Ran Shtarkman Director, President and Chief Executive Officer**	**Shimon Yitzchaki Director and Chairman of the Audit Committee**

Condensed consolidated interim income statement

	For the six months ended June 30	
	2007	2006
	Unaudited	Audited
	€'000	
Revenues	94,571	51,653
Gain from the sale of investment property, net	2,471	6,539
Changes in fair value of investment property	—	293
	97,042	58,485
Costs of operations	69,131	46,993
Gross profit	27,911	11,492
Administrative expenses (*)	8,191	4,315
Operating profit	19,720	7,177
Finance income	3,858	1,527
Finance expenses	(586)	(2,108)
Finance income, net	3,272	(581)
Other income	126	26
Other expenses	(441)	(169)
Share in gain (loss) of associate	(33)	40
Profit before tax	22,644	6,493
Income tax expense	93	834
Profit for the period	22,551	5,659
Attributable to:		
Equity holders of the Company	22,546	5,659
Minority interest	5	—
	22,551	5,659
Basic and diluted earnings per share attributable to the equity holders of the Company (in EURO)	0.08	3.12

(*) Including non-cash share based payments of 3,570 thousands EUR for the six month period ended June 30, 2007 (2006: Nil).

Condensed consolidated interim statement of changes in shareholders' equity

	Attributable to equity holders of the Company							
	Share capital	Share premium	Capital reserve	Translation reserve	Retained earnings	Total	Minority interest	Total equity
	€'000							
Balance at December 31, 2006 (Audited)	2,923	248,860	1,840	(1,895)	112,949	364,677	—	364,677
Foreign currency translation adjustment	—	—	—	1,544	—	1,544	—	1,544
Share based payments	—	—	—	—	—	5,591	—	5,591
First time consolidated minority interest	—	—	—	—	—	—	745	745
Profit for the period	—	—	—	—	22,546	22,546	5	22,551
Balance at June 30, 2007 (Unaudited)	**2,923**	**248,860**	**7,431**	**(351)**	**135,495**	**394,358**	**750**	**395,108**
Balance at December 31, 2005 (Audited)	18	—	(181)	(2,059)	98,229	96,007	—	96,007
Transfer to income statement due to selling of trading property	—	—	—	(33)	—	(33)	—	(33)
Net profit for the period	—	—	—	—	5,659	5,659	—	5,659
Balance at June 30, 2006 (Audited)	18	—	(181)	(2,092)	103,888	101,633	—	101,633

Condensed consolidated interim statement of cash flow

	For the six months ended June 30	
	2007	2006
	Unaudited	Audited
	€'000	
Cash flows from operating activities		
Profit for the period	22,546	5,659
Adjustments necessary to reflect cash flows used in operating activities:		
Depreciation	229	439
Change in fair value of investment property	—	(293)
Minority interest	5	—
Finance income, net	(836)	(488)
Company's share in loss (profit) of associate	33	(40)
Gain on sale of investment property subsidiaries	(2,471)	(6,539)
Gain on sale of trading property subsidiaries	(23,062)	(2,134)
Income tax expenses	93	555
Increase in trade accounts receivable	(788)	(1,602)
Increase in other accounts receivable	(6,639)	(1,218)
Payments on account for projects to be acquired	(9,099)	—
Increase in trading properties	(127,265)	(35,953)
Purchase of trading property companies (see appendix A)	(14,657)	—
Increase (decrease) in trade accounts payable	15,941	6,043
Increase in other liabilities	8,825	3,891
Net proceeds from selling of trading property subsidiaries (see appendix B)	31,119	4,525
Share based payments	3,570	—
Net cash used in operating activities	(102,456)	(27,155)
Cash from investing activities		
Purchase and development of investment property, plant and equipment	(908)	(934)
Proceeds from sale of plant, property and equipment	—	54
Investment in associate	—	(50)
Short term deposits, net	7,066	(8,575)
Decrease in long term deposits	185	1,047
Increase in long term deposits	(527)	(2,344)
Net proceeds from disposal of other subsidiaries (see appendix B)	11,526	—
Long term loans granted to partners in jointly controlled company	(7,934)	(2,116)
Net cash provided by (used for) investing activities	9,408	(12,918)
Cash from financing activities		
Short term loans from banks, net	70,576	21,675
Long term loans repaid to banks	(6,908)	(2,427)
Loans repaid to related parties	(7,438)	(6,766)
Net cash provided by financing activities	56,230	12,482
Foreign currency translation adjustment	192	—
Decrease in cash and cash equivalents during the period	(36,626)	(27,591)
Cash and cash equivalents at the beginning of the period	212,683	46,699
Cash and cash equivalents at the end of the period	176,057	19,108
Appendix A - Acquisition of subsidiaries		
Cash and cash equivalents of subsidiaries acquired	(14)	—
Working capital (excluding cash and cash equivalents)	22,695	—
Trading property	(38,097)	—
Minority interest	745	—
Less- Cash and cash equivalents of subsidiaries acquired	14	—
Acquisitions of subsidiaries, net of cash held	(14,657)	—
Appendix B - Disposal of Subsidiaries		
Cash and cash equivalents of subsidiaries disposed	3,064	463
Working capital (excluding cash and cash equivalents)	52,446	43,404
Long-term deposits	547	1,047
Investment property and other assets	13,800	—
Long-term loans and liabilities		
	(49,681)	(42,026)
Net identifiable assets and liabilities disposed	(20,176)	(2,888)
Cash from sale of subsidiaries	45,709	4,988
Less - Cash and cash equivalents of subsidiaries disposed	(3,064)	(463)
	42,645	4,525
Non cash movements		
Share option plan capitalized	2,626	—
Interest paid	1,366	1,663
Interest received	2,989	285

NOTES TO THE CONDESTED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

NOTE 1:- REPORTING ENTITY

Plaza Centers N.V. ("the Company") conducts its activities in the field of establishing, operating and selling of commercial and entertainment centres in Central and Eastern Europe, and, from 2006 in India.

In line with the Group's commercial decision to focus its business more on development and sale of shopping and entertainment centres, the Group has classified its current projects under development as trading properties rather than investment properties.

The condensed consolidated interim financial statements of the Company as at June 30, 2007 and for the six month period then ended comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interests in associates and jointly controlled entities.

The consolidated financial statements of the Group as at and for the year ended 31 December 2006 are available on the Company's' website (www.plazacenters.com) and also upon request from the Company's registered office at Keizersgracht 241, 1016EA Amsterdam, The Netherlands.

The Company has its primary listing on the London Stock Exchange.

During the six month period ended June 30, 2007 the following changes and additions occurred in the Company's holdings:

a. The Company acquired interests in an additional two joint venture projects in India through its wholly owned subsidiary, Spiralco Ltd, which acquired a 50% stake in P-one infoport private Ltd. ("P-One"), an Indian Limited liability company. P-One owns two projects: Kharadi (in Pune) and Trivandrum (in Kerala state)

b. Additional Companies acquired and activated in Romania:

   The Company completed the purchase of 75% of the Casa Radio project in Bucharest The through acquiring 75% of the shares of Dombovita S.R.L. Dombovita S.R.L has a plot and building leased for 49 years.

   The Company also activated two shelf companies, Elite residence Esplanada s.r.l and North Gate Plaza s.r.l, wholly owned by the company, to purchase two plots of land in the Cities of Timisoara and Miercurea Ciuc, respectively.

c. Sale of Rybnik and Sosnowiec shopping centers:

   The Company sold to Klepierre SA, a leading French property group, effective March 31, 2007, Rybnik Plaza Sp. z.o.o and Sosnowiec Plaza Sp.z.o.o, which own shopping centers in Rybnik and Sosnowiec, Poland, respectively.

d. Sale of Duna Plaza Offices:

   The Company sold to Klepierre, effective May 14, 2007, the Duna Plaza Offices in Budapest. The sale took place by selling Duna Plaza Irodaház Kft., a wholly owned subsidiary of the Company, which owns the offices compound.

NOTE 2:- 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, as adopted by the EU. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 December 2006.

The condensed consolidated interim financial statements were approved for issue by the board of directors on 28 August 2007.

NOTE 3:- SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements for the year ended 31 December 2006.

NOTE 4:- ESTIMATES

The preparation of interim financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates have been made in a basis consistent with the basis used in 31 December 2006 financials statements.

NOTE 5:- FINANCIAL RISK MANAGEMENT

There have been no significant changes in the Group’s financial risk management. Objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 31 December 2006.

NOTE 6:- INCOME TAX EXPENSE

Income tax expense is recognised based on management's best estimate of the weighted average annual effective income tax rate expected for the full financial year. The estimated average annual tax rate used for the six months ended June 30, 2007 was 0.3% (for the six months ended June 30, 2006: 12.8%). This change in effective tax rate was caused mainly by one-time tax expense in the Czech Republic, as well as the release of deferred tax liabilities in respect of revaluation of investment property item in 2006. Since the Company meets the participation exemption rules in the Netherlands, its effective tax rate in 2007 is almost nil.

NOTE 7:- INTEREST-BEARING LOANS FROM BANKS

The following interest-bearing loans from banks relating to trading properties were received and repaid during the six months ended June 30, 2007:

	Currency	Interest rate	Face value	Carrying amount	Year of maturity
			Thousands Euro		
Balance at 1 January 2007				**51,201**	
Received loans					
Secured bank loan	Euro	3m Euribor+1.95%	9,769	9,769	2007
Secured bank loan	Euro	3m Euribor+1.65%	11,438	11,438	2007
Secured bank loan	Euro	3m Euribor+1.95%	5,041	5,041	2007
Secured bank loan	PLN	1Y Wibor+1.4%	4,071	4,071	2007
Secured bank loan	Euro	3m Euribor+2%	9,022	9,022	2007
Secured bank loan	Euro	3m Euribor+1.65%	31,299	31,299	2022
Repayments					
Secured bank loan	Euro	3m Euribor+1.95%	24,039	24,039	2007
Secured bank loan	Euro	3m Euribor+1.95%	11,438	11,438	2007
Secured bank loan	Euro	3m Euribor+1.85%	1,540	1,540	2007
Secured bank loan	Euro	3m Euribor+2%	5,570	5,570	2007
Secured bank loan	PLN	1Y Wibor+1.4%	5,162	5,162	2007
Balance at June 30, 2007				**74,092**	

NOTE 8:- RELATED PARTIES

The Control Centers Group of companies, held by Mr. Mordechay Zisser, the main shareholder of Elbit Medical Imaging ("EMI") who is the indirect controlling shareholder of the Company, is providing project management services to various projects developed by the Company and has charged EUR 7.0 million for services provided in the first half of 2007.

Jet Link, a Company held by Mr. Mordechay Zisser, which provides aviation services for the Company has charged a total of EUR 0.5 million for services provided in the first half of 2007.

The Company estimates the liability arising from an agreement signed with the Executive Vice Chairman of EMI, as described in the annual report 2006, in an amount of EUR 674,000. A provision has been record in other liabilities – related parties and was included as administrative expenses in the consolidated income statement.

EMI has charged EUR 300 thousands for accounting and legal services provided to the Company in the first half of 2007.

NOTE 9:- EARNINGS PER SHARE

Earnings per share attributable to equity holders of the Company arise from continuing operations as follows:

	For the six month period ended June 30, 2007
Earnings per share for profit from continuing operations attributable to the equity holders of the Company (expressed in EUR cents per share)	
Basic:	7.7
Diluted:	7.7

NOTE 10:- STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS NOT YET EFFECTIVE

Since the publication of the 2006 financial statements, the following statements have been issued:

Revised IAS 23 Borrowing Costs (effective from 1 January 2009)

The revised Standard will require the capitalization of borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale.

The Group does not expect the revised Standard to have any impact on the consolidated financial statements, since it already capitalizes such borrowing costs.

NOTE 11:- SIGNIFICANT ACQUISITIONS AND TRANSACTIONS

A. Sale of Rybnik and Sosnowiec shopping centers

The Company sold, effective at March 31, 2007 Rybnik Plaza and Sosnowiec Plaza Shopping and Entertainment centres in Poland to Klepierre SA, a leading French property group. Both shopping malls which were 100% let to international and local tenants on their opening to the public in March 2007 were pre-sold to Klepierre in July 2005.

An aggregate fair value of EUR 90.1 million was agreed between the Company and Klepierre. The Company has recorded a gain from this transaction in the amount of approximately EUR 22.9 million.

B. Kharadi project – Pune, India

In February 2007, the Company indirectly entered into an agreement to acquire through a 100% subsidiary a 50% stake in P-one infoport private Ltd. ("JV1") an Indian limited liability company, which owns the freehold of approximately fourteen acres of land situated in the Kharadi district of Pune, Maharashtra State, India. The remaining 50% stake in JV1 is held by a property developer in Pune. The consideration paid totalled EUR 17 million, invested in the form of equity. The actual transfer of ownership occurred in April 2007.

JV1 intends to develop its plot of land through the construction of a project totalling approximately 2.4 million ft^2 (225,000m^2) gross built area which will include:

- a shopping centre with a total area of approximately 1.3 million ft^2 (approximately 120,000m^2);
- an office complex measuring approximately 870,000ft^2 (approximately 81,000m^2) and;
- a serviced apartment facility of approximately 260,000ft^2 (approximately 24,000m^2).

The total investment in the project (100%) is anticipated to be approximately USD 175 million (approximately EUR 133 million).

C. Timisoara project – Romania

In March 2007, the Company acquired a site in Timisoara, West Romania, for a total consideration of EUR 12.5 million. The site totals 31,800m^2. The Company plans to build a multi-story shopping centre of approximately 39,500m^2 GLA, exclusive of parking area.

The Company has also secured an option to develop on the site approximately 20,000m^2. of new mixed retail, office and residential space adjacent to the shopping centre.

The total estimated development cost of the project is EUR 92.5 million.

D. Casaradio Project – Bucharest, Romania

On October 11, 2006, the Company entered into an agreement, according to which it acquired a 75% interest in a company ("Project SPV") which under a public-private partnership agreement with the Government of Romania was to develop the Casa Radio site in central Bucharest. The consummation of the transaction is subject to the fulfilment of certain conditions, including obtaining the approval of the Government of Romania to an amendment to the public-private partnership agreement. The cost of the acquisition of the interest in Project SPV amounts to approximately USD 40 million (EUR 30 million).

The other investors include the Government of Romania, which will assure that the development company is granted the necessary development and exploitation rights in relation to the site for a 49-year period in consideration for a 15% interest in Project SPV, and the seller which will retain a 10% interest in the Project SPV.

In November 2006 the public -private partnership agreement was approved by the Government of Romania subject to ratification by the Romanian Parliament which as of the date of the approval of these financial statements has been obtained. The transaction approval and the nomination of directors in Project SPV by the Company were adopted by the general shareholders meeting of Project SPV in February 2007.

The Project, which will have an estimated built area of approximately 360,000 square meters, will include shopping and entertainment center, a five star hotel, residential units and offices. The owners (including the Company) have undertaken to cause Project SPV to construct an office building measuring approximately 13,000 square meters for the Government of Romania at its own cost.

E. Torun Project - Poland

In February 2007, the Group won a tender and signed a preliminary purchasing agreement with the Municipality of Torun, Poland for a project to be constructed on a site in Torun. The initial consideration was EUR 1.7 million and the total plot price will be EUR 12.6 million, to be paid in the course of the following 2 years. The plot size is 62,800m^2. The planned GLA is approximately 33,000m^2. Construction is due to commence in 2009 and the centre is scheduled to open in 2010.

F. Selling of Duna Plaza Offices - Hungary

The Company sold on May 2007 the Duna Plaza offices in Budapest, Hungary, to Klepierre for a consideration of EUR 14.2 million, an increase in the value disclosed in the Company's Admission Document at the time of its IPO, which was EUR 13.8 million.

G. Trivandrum project purchase - India

On June 19, 2007 the Company (through P-One, its 50% indirectly held subsidiary) entered into a joint venture with a leading Indian property developer, to acquire a plot of land with an area of approximately 10.78 acres (approximately 43,600m^2), situated in Trivandrum, the capital city of the State of Kerala, India. The total cost of the land amounted to 1,060 million Rupees (approximately EUR 20 million). The Company and its partner intend to use the plot to develop a project totalling approximately 2.1 million ft^2 (195,000m^2), which is currently intended to comprise:

- A shopping and entertainment centre with a total area of approximately 720,000 ft^2 (approximately 67,000 sq m);
- An office complex with a total area approximately 970,000 ft^2 (approximately 90,500 sq m);

- A hotel and apartment hotel with a total area of approximately 400,000 ft^2 (approximately 37,500 sq m).

H. The company purchased a plot of land in a Prague suburb

In May 2007 the Company purchased 39,000m^2 of private land in Roztoky, a town next to Prague. The company intends to develop there a residential compound. The plot includes a valid planning permit for 81 units of family houses. Construction is intended to begin in 2008 and is anticipated to be completed in 2009-2010.

NOTE 12:- EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

A. Agreement for the sale of Arena Plaza – Budapest, Hungary

On August 7, 2007 the Company executed a binding agreement for the sale of its Arena Plaza shopping and entertainment centre in Budapest to UK based Active Asset Investment Management ('aAIM').

The selling price will be finally determined on the completion of the transaction, which is expected to take place within a month of Arena Plaza's opening date, on the basis of the actual rent levels achieved capitalized at an agreed yield. The Company will remain responsible for the letting of the centre's remaining units for a period of up to one year following the closing, and is anticipated to benefit from further price adjustments reflecting the signing of any additional leases during the two consecutive earn-out periods, which end three months and twelve months respectively following the completion.

The Company's management estimates the final transaction price based on actual rent levels will be no less than approximately EUR 380 million, with an overall transaction price cap of EUR 400 million, as agreed with aAIM. The final expected transaction price represents a significant upside comparing to the project's estimated value upon completion at the time of the Company's Admission to trading in November 2006, which was approximately EUR 333 million.

B. Miercurea Ciuc project, Romania

On July 4, 2007 the Company acquired a 33,000m^2 retail development site in the city of Miercurea Ciuc, in Central Romania. Total expected investment in the project is EUR 16 million. The Company intends to build a retail mall totalling some 12,000m^2, together with provision for car parking over an area of approximately 13,000 sq m.

C. Issuance of debt securities

On July 5, 2007 the Company agreed with Israeli institutional investors to issue an aggregate principal amount of New Israeli Shekels ("NIS") 305 million (approximately EUR 53.3 million) Par Value of series one of unsecured non-convertible debentures to institutional investors in Israel. The debentures are rated by an Israeli affiliate ("Maalot") of Standard & Poor's – at a local rating of A+/Positive.

The debentures are repayable in eight equal annual installments, on December 31 of each of the years 2010 to 2017, inclusive. The debentures bear an annual interest rate of 4.5%. Interest is payable semi-annually in arrears on December 31 and July 1 of each of the years 2007 to 2017 (the first installment to be effected on December 31, 2007 and the last installment to be effected on December 31, 2017). Both the principal and interest of the debentures are linked to changes in the Israeli Consumer Price Index.

As the Company's functional currency is the Euro, the Company is hedging the future expected payments in NIS (principal and interest) to correlate with the Euro.

The debentures also provide that the debentures will be prepaid by the Company, inter alia, at the option of the trustee or the holders of the debentures if the Company delays the publication of its financial reports for more than 60 days from the dates provided by applicable law or if the debentures cease to be rated for a period of more than 60 days.

The debentures will be listed for trade on the Institutional Retzef System, which is a trading system for institutional investors in Israel. The Company may also, in its sole discretion, register the debentures for trade on the Tel Aviv Stock Exchange (the "TASE"). So long as the Debentures are not registered for trade on the TASE, the Company has undertaken (i) to pay an additional interest at an annual rate of 0.5% (namely 5%) until a prospectus is published for the registration of the debentures for trade on the TASE; (ii) to pay an additional interest rate at an annual rate of 0.25% in the event the rating of the debentures decreases to (BBB+) rating on a local scale by Maalot – The Israel Securities rating Company Ltd. or an equivalent rating by another Rating Company and (iii) to prepay the debentures at the option of the trustee or the holders of the debentures if made a special resolution on their general meeting upon the occurrence of each of the following events: (A) Should the rating of the debentures in Israel decrease below the BBB+ investment level rating of Maalot –or other equivalent rating by another rating company; (B) if the Company is required to prepay another series of debentures issued by the Company; or (C) if the holdings of Elbit Medical Imaging Ltd., the indirect parent of the Company, fall below 25% of the Company's issued and outstanding share capital. Such undertakings would be terminated upon the registration for trade of the debentures on the TASE.

D. Iasi project, Romania

On July 25, 2007 the Company acquired a retail development project in Iasi, Romania. The estimated development budget for the project is EUR 115 million. The project will see a new retail-led mixed use development built in Iasi County.

The development, which occupies a plot of 46,500m^2, will include 37,000m^2 of retail space, 15,000m^2 of office space and 46,200m^2 of parking, providing 1,400 spaces. Additionally, the terms of the acquisition provide the option to develop 70,000m^2 of residential accommodation on the site. Completion of the project is expected in 2010.

E. Handing over of 50% stake in Lublin Plaza project – Poland

On July 30, 2007 the Company completed the sale of its 50% stake in the Lublin Plaza Shopping and Entertainment centre in Poland to Klépierre. The Company developed the Lublin Plaza project together with a 50% joint venture party. Both joint venture parties agreed to sell their holdings to Klépierre.

The agreed selling value of the shopping centre, which was 100% let to international and local tenants on its opening to the public in June 2007, totals approximately EUR 78 million (on a 100% basis), compared to the estimated value of approximately EUR 62 million at the time of the Company's Admission to trading.

F. Slatina project - Romania

On August 17, 2007 the Company acquired a site in Slatina, in southern Romania.

The Slatina site totals approximately 20,000m^2 and is located in the north-western part of Slatina. The Company plans to build a shopping and entertainment centre with approximately 25,000m^2 of built area, plus 450 parking places. In addition the site comes with an option to develop approximately 10,000m^2 of residential accommodation, which the Company may consider selling to a third party.

The Company's total investment in the Slatina scheme is expected to be approximately EUR 24.5 million.

G. Belgrade project - Serbia

On August 2007 the Company won a competitive tender from the Government of Serbia for the development of a new shopping, entertainment and business centre on a total built up area of approximately 100,000m^2 (with over 2000 parking spaces) in the Centre of Belgrade, Serbia.

The Company will partner local Serbian developer for the project, which is expected to have a gross development budget of EUR 150 million. The local partner will be entitled to participate in up to 15% of the project, subject to certain conditions while the project management will be rendered solely by the Company.

Directors, Registered Office and Advisers

Directors

Mr Mordechay Zisser	(Chairman)
Mr Ran Shtarkman	(President and Chief Executive Officer)
Mr Shimon Yitzhaki	(Non-executive Director)
Mr Edward Paap	(Non-executive Director)
Mr Marius van Eibergen Santhagens	(Independent Non-executive Director)
Mr Marco Wichers	(Independent Non-executive Director)

Registered office and location of register	*Keizersgracht 241 1016 EA Amsterdam The Netherlands registered with the Amsterdam Trade Register*	LSE Sponsor	*UBS Limited 12 Finsbury Avenue London EC2M 2PP United Kingdom*
WSE Sponsor	*UniCredit CA IB Polska S.A. Warsaw Financial Center ul. Emilii Plater 53 00-113 Warsaw, Poland*		
Legal advisers to the Company as to Polish law	*Weil, Gotshal & Manges – Paweł Rymarz Spółka komandytowa Warsaw Financial Center ul. Emilii Plater 53 00-113 Warsaw, Poland*	Legal advisers to the Company as to Dutch law	*Bird & Bird Van Alkemadelaan 700 2597 AW The Hague The Netherlands*
Legal advisers to the Company as to English law	*Berwin Leighton Paisner LLP Adelaide House London Bridge London EC4R 9HA United Kingdom*		
Registrar	*Capita Limited 34 Beckenham Road Beckenham H Kent BR3 4TU*	Auditors	*KPMG Hungaria Kft. Vaci út 99- 1139 Budapest Hungary*

Definitions

The following definitions apply throughout this document, unless the context otherwise requires:

"£" or "sterling"	UK pounds sterling, the legal currency of the United Kingdom
"Act on Public Offers"	Polish Act on Public Offers and on the Terms of Introducing Financial Instruments to Organized Trading Systems and on Public Companies, dated 29 July 2005 (Dz. U. of 2005, No. 184, item 1539)
"Act on Trading in Financial Instruments"	Polish Act on Trading in Financial Instruments, dated 29 July 2005 (Dz. U. of 2005, No. 183, item 1538)
"Act on Transfer Tax"	Polish Act on Actions under the Civil Law, dated 9 September 2000 (Dz. U. of 2005, No 41, item 339, as amended)
"Act"	the (United Kingdom) Companies Act 1985 (as amended)
"Admission"	the admission of the Ordinary Shares, in issue, to trading on the Warsaw Stock Exchange
"AFM"	The Authority for the Financial Markets (*Stichting Autoriteit Financiële Markten*), being the Dutch competent supervisory authority
"Articles"	the current articles of association of the Company, a summary of which is set out in paragraph 5 of Part IX – "Additional Information"
"basis point"	one hundredth of a percentage point (0.01%)
"business day"	a day (excluding Saturdays, Sundays and public holidays in England and Wales) on which banks generally are open for the transaction of normal banking business in the City of London
"CEE" or "Central and Eastern Europe"	Hungary, Poland, Romania, the Czech Republic, Estonia, Greece, Latvia, Lithuania, Slovakia, Slovenia, Croatia, Bosnia and Herzegovina, Bulgaria, Serbia, Montenegro, Macedonia, Albania, Ukraine, Belarus and Turkey
"certificated" or "in certificated form"	not in uncertificated form (that is, not in CREST)
"City Code"	the UK City Code on Takeovers and Mergers
"Combined Code"	the code of best practice published in July 2003 by the Financial Reporting Council and including the principles of good governance appended to, but not forming part of, the Listing Rules
"Company" or "Plaza Centers"	Plaza Centers N.V. incorporated in The Netherlands with number 33248324 whose registered office is at Keizersgracht 241, 1016 EA Amsterdam, The Netherlands
"Control Centers"	Control Centers Limited, a private company which is an indirect controlling shareholder of the Company
"Controlling Shareholder" or "EMI"	Elbit Medical Imaging Ltd., the ultimate parent company of the 'Company
"Conversion Factor"	10.763915
"CPI"	consumer price index
"CREST Regulations"	the (English) Uncertificated Securities Regulations 2001 (as amended) (SI 2001/3755)
"CREST"	the computerised settlement system operated by CRESTCo which facilitates the transfer of title to shares in uncertificated form

"CRESTCo"	Euroclear UK and Ireland limited, the operator of CREST
"DCC"	Dutch Civil Code, *Burgerlijk Wetboek*
"Deed Poll"	the deed poll made by the Depositary dealing with the creation and issue of DIs in respect of the Company
"Depositary Interest" or "DI"	a dematerialised depositary interest which represents an entitlement to Ordinary Shares that can be settled electronically through and held in CREST, as issued by the Depositary which holds the underlying securities on trust, further details of which are set out on paragraph 14 of Part IX – "Additional Information"
"Depositary"	Capita IRG Trustees Limited, an English company limited by shares, number 2729260, whose registered office is at The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU and which was incorporated on 7 July 1992 and which operates under the Companies Act 1985
"DI Holders"	holders of Depositary Interests
"Directors" or "Board"	the directors of the Company from time to time and whose, at the date of this document, names are set out in paragraph 1 of Part V – "Directors and Senior Managers"
"EEA"	the European Economic Area, and an "EEA member" is a contracting party to the agreement on the EEA signed at Oporto on 2 May 1992, which as at the date of this document comprises: Austria, Belgium, Bulgaria, Cyprus, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, The Netherlands, Norway, Poland, Portugal, Romania the Slovak Republic, Slovenia, Spain, Sweden and the UK
"EMU"	European Monetary Union
"ERM"	exchange rate mechanism
"ERM-2"	second phase of monetary integration into the ERM
"EU-25"	the existing 25 members of the European Union
"EUN"	Elbit Ultrasound (Netherlands) B.V., the direct major shareholder of the Company
"EUR" or "E" or "euro"	Euro, the legal currency of the Eurozone
"Europe Israel Group"	Elbit Medical Imaging Limited and its subsidiaries, excluding the Group
"Eurozone"	the collective name given to those members of the European Union that have adopted the euro as their lawful currency in accordance with the legislation of the European Community relating to the Economic and Monetary Union, being: Austria, Belgium, Finland, France (except Pacific territories using CFP franc), Germany, Greece, Ireland, Italy, Luxembourg, The Netherlands, Portugal and Spain
"Exchange Act"	the Securities Exchange Act of 1934
"Executive Directors"	the executive members of the Board
"FDI"	foreign direct investment
"FSA"	Financial Services Authority of the United Kingdom
"FSMA"	(United Kingdom) the Financial Services and Markets Act 2000 (as amended)
"ft^2"	square feet

"FY"	financial year, and "FY 2005" means the financial year ended 31 December 2005
"GDP"	gross domestic product
"GLA"	GLA
"Group"	the Company and its Subsidiaries
"ha"	hectare
"IFRS"	International Financial Reporting Standards as endorsed by the European Commission
"IMF"	International Monetary Fund
"INR"	Indian Rupee, the legal currency of India
"IPO"	the initial public offering of the Company, completed in November 2006
"Klépierre"	Klépierre S.A.
"km"	kilometre
"LIBOR"	the London Interbank Offered Rate
"London Stock Exchange" or "LSE"	London Stock Exchange plc
"LTV"	loan to value ratio
"m^2"	square metres
"MSU"	mezzanine shopping unit
"Non-executive Directors"	the non-executive members of the Board
"Official List"	the official list of the UKLA
"Ordinary Shares"	ordinary shares with a nominal value of EUR0.01 each in the share capital of the Company
"pa"	per annum
"Panel"	the UK Panel on Takeovers and Mergers
"PFSC"	Komisja Nadzoru Finansowego (The Polish Financial Supervision Commission)
"Prohibited Territories"	Australia, the Republic of Ireland, Japan and the Republic of South Africa and their respective territories and possessions
"Prospectus Rules"	the Prospectus Rules of the UKLA made under Section 73A(4) of FSMA
"Q1", "Q2", "Q3" and "Q4"	first, second, third and fourth quarters, respectively
"QIB"	qualified institutional buyers under Rule 144A
"Registrars"	Capita Limited
"Regulation S"	Regulation S under the Securities Act
"Rule 144A"	Rule 144A of the Securities Act
"Securities Act"	the US Securities Act of 1933, as amended
"Senior Managers"	the senior managers of the Group, other than the Directors, whose names appear in paragraph 2 of Part V – "Directors and Senior Managers"

"Share Option Scheme"	the share option scheme of the Company, as described in paragraph 9 of Part IX – "Additional Information"
"Shareholders"	holders of Ordinary Shares in the Company
"Subsidiary"	as defined in section 2:24a of the Dutch Civil Code and "Subsidiaries" shall be defined accordingly
"Takeover Directive"	Directive 2004/25/EC of 21 April 2004 concerning the regulation of public takeover bids
"UK Listing Authority" or "UKLA"	the FSA acting in its capacity as the competent authority for the purposes of Part VI of FSMA
"UK" or "United Kingdom"	the United Kingdom of Great Britain and Northern Ireland
"UK Holder"	a Shareholder who is resident in the UK for UK tax purposes
"uncertificated" or "in uncertificated form"	recorded in the register as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST
"USD " or "US Dollars"	United States dollars, the legal currency of the US
"US" or "USA" or "United States"	the United States of America, its territories and possessions, any state or political subdivision of the United States of America, the District of Columbia and all other areas subject to the jurisdiction of the United States of America
"VAT"	value added tax
"Wft"	the Dutch Act on the financial supervision (*Wet op het financieel toezicht*)
"WSE"	Warsaw Stock Exchange in Warsaw, Poland

All references to the Ordinary Shares shall be deemed, where the context so permits, to be or include references to the Depositary Interests.

All references to the Depositary shall be deemed, where the context so permits, to be or include references to the custodian.

Annex A – United States Federal Income Tax Considerations

The following is a description of U.S. federal income tax consequences of an investment in the certain Ordinary Shares by U.S. Holves (defined below) who acquire their Ordinary Shares pursuant to the Offer and who hold such shares as capital assets for U.S. federal income tax purposes (generally, for investment). As used in this section, the term "U.S. Holder" means a beneficial owner of an Ordinary Share who is for U.S. federal income tax purposes:

- an individual who is a citizen or resident of the United States;
- a corporation (or an entity treated as a corporation for U.S. federal income tax purposes) created or organised in or under the laws of the United States or any political subdivision thereof or the District of Columbia;
- an estate whose income is subject to U.S. federal income taxation regardless of its source; or
- a trust if (i) the trust has elected validly to be treated as a U.S. person for U.S. federal income tax purposes or (ii) a U.S. court is able to exercise primary supervision over the trust's administration and one or more U.S. persons have the authority to control all of the trust's substantial decisions.

If a partnership (or any other entity treated as a partnership for U.S. federal income tax purposes) holds Ordinary Shares, the tax treatment of the partnership and a partner in such partnership will generally depend on the status of the partner and the activities of the partnership. Such a partner or partnership should consult its tax adviser as to its tax consequences.

This description is based on provisions of the United States Internal Revenue Code of 1986, as amended (the "Code"), existing and proposed U.S. Treasury regulations and administrative and judicial interpretations, each as available and in effect as of the date hereof. These authorities may change, possibly with retroactive effect, and are open to differing interpretations. This description does not discuss all aspects of U.S. federal income taxation that may be applicable to investors in light of their particular circumstances or to investors who are subject to special treatment under U.S. federal income tax law, including:

- insurance companies;
- dealers or traders in stocks, securities or currencies;
- financial institutions and financial services entities;
- real estate investment trusts;
- regulated investment companies;
- grantor trusts;
- persons that receive Ordinary Shares as compensation for the performance of services;
- tax-exempt organisations;
- persons that hold Ordinary Shares as a position in a straddle or as part of a hedging, conversion or other integrated instrument;
- individual retirement and other tax-deferred accounts;
- certain former citizens or long-term residents of the United States;
- persons having a functional currency other than the U.S. dollar; and
- direct, indirect or constructive owners of 10% or more, by voting power, of the Company.

This discussion also does not consider the possible application of U.S. federal gift or estate taxes, state, local or foreign taxes or the alternative minimum tax.

Internal Revenue Service Circular 230 Notice: To ensure compliance with United States Internal Revenue Service Circular 230, U.S. Holders are hereby notified that: (A) Any discussion of federal tax issues contained or referred to in this document is not intended or written to be used, and cannot be used, by U.S. Holders for the purpose of avoiding penalties that may be imposed on them under the United States Internal Revenue Code; (B) Such discussion is written in connection with the promotion or marketing by the Company of the transactions or matters addressed herein; and (C) U.S. Holders should seek advice based on their particular circumstances from an independent tax advisor.

Distributions paid on the Ordinary Shares

Subject to the discussion below under "Passive Foreign Investment Company Considerations," a U.S. Holder generally will be required to include in gross income as ordinary dividend income the amount of any distributions paid on the Ordinary Shares, including the amount of any non-U.S. taxes withheld, to the extent that those distributions are paid out of our current or accumulated earnings and profits as determined for U.S. federal income tax purposes. Distributions in excess of the Company's earnings and profits will be applied against and will reduce the U.S. Holder's tax basis in its Ordinary Shares and, to the extent they exceed that tax basis, will be treated as capital gain from a sale or exchange of those Ordinary Shares. The Company's dividends will not qualify for the dividends-received deduction applicable in some cases to U.S. corporations. Dividends paid in a currency other than the U.S. dollar, including the amount of any non-U.S. Taxes withheld generally, will be includible in the gross income of a U.S. Holder in a U.S. dollar amount calculated by reference to the spot exchange rate in effect on the date such dividend is includible in the U.S. Holder's gross income for U.S. federal income tax purposes. Any gain or loss resulting from currency exchange fluctuations during the period from the date the dividend is includible in the income of the U.S. Holder to the date that payment is converted into U.S. dollars generally will be treated as ordinary income or loss.

A non-corporate U.S. Holder's "qualified dividend income" currently is subject to tax at reduced rates not exceeding 15%, provided that such U.S. Holder meets certain requirements, including certain holding period requirements and the absence of certain risk reduction transactions with respect to the Ordinary Shares. The reduced rates that are applicable to qualified dividend income currently do not apply to tax years beginning after 31 December 2010. "Qualified dividend income" generally includes dividends paid by a non-U.S. corporation if either (a) the stock of that corporation with respect to which the dividends are paid is readily tradable on an established securities market in the United States or (b) that corporation is eligible for benefits of a comprehensive income tax treaty with the United States that includes an information exchange program and is determined to be satisfactory by the United States Secretary of the Treasury. The Ordinary Shares will not be traded on an established securities market in the United States. In addition, while the United States Internal Revenue Service (the "IRS") has determined that the Netherlands - United States Income Tax Treaty (the "Treaty") is satisfactory for this purpose, the Company believes that, based on its current operations, it is unlikely that it is eligible for the benefits of the Treaty. Therefore, it is likely that, at present, dividends paid by the Company will not qualify for the reduced rates. Dividends paid by the Company in the future may or may not qualify for the reduced rates depending on the future operations of the Company. Dividends paid by a non-U.S. corporation will not qualify for the reduced rates if such corporation is treated, for the taxable year in which the dividend is paid or the preceding taxable year, as a "passive foreign investment company" for U.S. federal income tax purposes. While the Company does not believe that it will be classified as a passive foreign investment company for U.S. federal income tax purposes for the Company's 2006 or 2007 taxable years, the Company cannot predict whether it will be a passive foreign investment company in future taxable years (see the discussion under "-Passive Foreign Investment Company Considerations" below).

Any dividend income resulting from distributions the Company pays to a U.S. Holder with respect to the Ordinary Shares generally will be treated as foreign source income for U.S. foreign tax credit purposes, which may be relevant in calculating such holder's foreign tax credit limitation. Subject to certain conditions and limitations, non-U.S. taxes withheld on dividends may be deducted from taxable income or credited against a U.S. Holder's U.S. federal income tax liability. Under certain circumstances, the Company may be permitted to remit an amount of Dutch withholding taxes to the Netherlands taxing authorities that is less than the amount of such taxes that the Company deducts and withholds from distributions to a U.S. Holder. It is not entirely clear whether the portion of any Dutch withholding taxes that are deducted and withheld by the Company with respect to a U.S. Holder, but not remitted to the Netherlands taxing authorities, will be eligible for the U.S. foreign tax credit. The limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income. For this purpose, any dividend that the Company distributes generally will constitute "passive income" or, in the case of certain U.S. Holders, "financial services income." U.S. Holders should note that the "financial services income" category has been eliminated with respect to taxable years beginning after December 31, 2006. For taxable years beginineg after December 31, 2006, the foreign tax credit limitation categories will be limited to "passive category income" and "general category income." The rules relating to the determination of foreign source income and the foreign tax credit are subject to complex limitations and restrictions, including certain holding period requirements, and the availability of a foreign tax credit depends on numerous factors. Each prospective purchaser who would be a U.S. Holder should consult with its own tax adviser to determine whether dividends received on Ordinary Shares would be foreign source income and whether and to what extent that purchaser would be entitled to the foreign tax credit.

Disposition of Ordinary Shares

Upon the sale or other disposition of Ordinary Shares, subject to the discussion below under "Passive Foreign Investment Company Considerations," a U.S. Holder generally will recognise capital gain or loss equal to the difference between the amount realised on the disposition and the holder's adjusted tax basis in its Ordinary Shares. Gain or loss recognised by a U.S. Holder on the sale or other disposition of Ordinary Shares generally will be U.S. source income or loss for U.S. foreign tax credit purposes.

The initial tax basis of a U.S. Holder's Ordinary Shares will be the United States dollar value of the purchase price determined on the date of purchase. If the Ordinary Shares are treated as traded on an "established securities market," a cash basis U.S. Holder, or, if it elects, an accrual basis U.S. Holder, will determine the dollar value of the cost of such Ordinary Shares by translating the amount paid at the spot rate of exchange on the settlement date of the purchase. If a U.S. Holder converts U.S. dollars to a non-U.S. currency and immediately uses such currency to purchase Ordinary Shares, such conversion generally will not result in taxable gain or loss to such U.S. Holder.

A cash basis U.S. Holder or electing accrual basis U.S. Holder that receives payment in a currency other than the United States dollar upon the sale or other disposition of the Ordinary Shares generally will realise an amount equal to the United States dollar value of such currency on the settlement date. Any other U.S. Holder generally will determine the amount realised on the date of sale and will have additional ordinary foreign exchange gain or loss attributable to the movement in exchange rates between the date of sale and the settlement date. In addition, any gain or loss resulting from currency exchange fluctuations during the period from the settlement date or trade date (whichever date the U.S. Holder is required to use in calculating the value of the sale proceeds) to the date that payment is converted into U.S. dollars generally will be treated as ordinary income or loss.

Gain or loss upon the disposition of the Ordinary Shares will be treated as long-term capital gain or loss if, at the time of the sale or disposition, the Ordinary Shares were held for more than one year. Long-term capital gains realised on the disposition of the Ordinary Shares by

non-corporate U.S. Holders are generally subject to a maximum rate of 15% for taxable years beginning on or before December 31, 2010 and generally subject to a maximum capital gain rate of 20% thereafter. The deductibility of capital losses by a U.S. Holder is subject to limitations.

Passive Foreign Investment Company considerations

Special U.S. federal income tax rules apply to U.S. Holders owning shares of a passive foreign investment company, referred to here as a PFIC. A non-U.S. corporation will be considered a PFIC for any taxable year in which, after applying certain look-through rules, 75% or more of its gross income consists of specified types of passive income, or 50% or more of the value, determined on the basis of a quarterly average, of its assets, consists of passive assets, which generally means assets that generate, or are held for the production of, passive income. Passive income includes interest, dividends, royalties, rents and amounts derived by reason of the investment of funds raised in the Offer. Foreign corporations whose stock is regularly traded on certain securities exchanges must use the fair market value of its assets in determining whether 50% or more of its assets are held for the production of or generate passive income. Although the law is uncertain as to how the fair market value of the foreign corporation's assets is determined, the legislative history suggests that the fair market value of the foreign corporation's assets may be determined based on its market capitalisation. If the Company were classified as a PFIC, a U.S. Holder could be subject to increased tax liability upon the sale or other disposition of Ordinary Shares or upon the receipt of amounts treated as "excess distributions." An excess distribution is defined as that portion of a distribution with respect to Ordinary Shares which exceeds 125% of the average amount received by a U.S. Holder each year in respect of such Ordinary Shares during the lesser of the U.S. Holder's holding period of such Ordinary Shares or the prior three taxable years. Each Ordinary Share acquired by a U.S. Holder is treated separately for this purpose. No distribution with respect to Ordinary Shares made by us in the first year that a U.S. Holder holds such Ordinary Shares will be treated as an excess distribution. Under these rules, the excess distribution and any gain on the disposition of Ordinary Shares would be allocated ratably over the U.S. Holder's holding period for the Ordinary Shares. The amount allocated to the current taxable year and any taxable year prior to the first taxable year in which the Company was a PFIC would be taxed as ordinary income. The amount allocated to each of the other taxable years would be subject to tax at the highest marginal rate in effect for the applicable class of taxpayer for that year, and an interest charge for the deemed deferral benefit would be imposed on the resulting tax allocated to such other taxable years. The tax liability with respect to the amount allocated to years prior to the year of the disposition or distribution cannot be offset by net operating losses. In addition, holders of stock in a PFIC may not receive a "step-up" in basis on shares acquired from a decedent.

Based upon the Company's income and assets, assuming that the Company is entitled to value its assets with reference to the market value of the Ordinary Shares, and the Company's intended use of the proceeds of the Offer, the Company does not believe that it was, or will be, a PFIC for its taxable year ending December 31, 2006, or for its current taxable year, respectively. However, because PFIC status is based on the Company's income and assets for the entire taxable year, it is not possible to determine whether the Company will have become a PFIC for the current taxable year until after the close of the year. Moreover, the Company must determine its PFIC status annually based on tests which are factual in nature, and the Company cannot determine whether it will become a PFIC in the future. While the Company intends to manage its business so as to avoid PFIC status, to the extent consistent with its other business goals, the Company cannot predict whether its business plans will allow it to avoid PFIC status or whether its business plans will change in a manner that affects its PFIC status determination. In addition, because the market price of the Ordinary Shares is likely to fluctuate after the Offer and because that market price may affect the determination of whether the Company will be considered a PFIC, the Company cannot assure prospective investors that it will not be considered a PFIC for any taxable year.

Even if the Company were to become a PFIC, the PFIC rules described above will not apply to a U.S. Holder if the U.S. Holder makes an election to treat us as a qualified electing fund, or QEF, in the first taxable year the U.S. Holder owns Ordinary Shares. However, a U.S Holder may make a QEF election only if the Company furnishes the U.S. Holder with certain tax information. The Company has not yet determined whether it will furnish the required tax information to U.S. Holders in the even that the Company becomes a PFIC. A shareholder of a QEF is required for each taxable year to include in income a pro rata share of the ordinary earnings of the QEF as ordinary income and a pro rata share of the net capital gain of the QEF as long-term capital gain, subject to a separate election to defer payment of taxes, which deferral is subject to an interest charge. The QEF election is made on a shareholder-by-shareholder basis and can be revoked only with the consent of the IRS. A shareholder makes a QEF election by attaching a completed IRS Form 8621, including the PFIC annual information statement, to a timely filed U.S. federal income tax return or, if no federal income tax return is required to be filed, by filing such form with the IRS Center in Philadelphia, Pennsylvania. Even if a QEF election is not made, a shareholder in a PFIC who is a U.S. person must file a completed IRS Form 8621 every year.

As an alternative to making the QEF election, a U.S. Holder of PFIC stock which is publicly traded may in certain circumstances avoid certain of the tax consequences generally applicable to holders of stock in a PFIC by electing to mark the stock to market annually and recognising as ordinary income or loss each year an amount equal to the difference as of the close of the taxable year between the fair market value of the PFIC stock at such time and the U.S. Holder's adjusted tax basis in the PFIC stock. Losses would be allowed only to the extent of net mark-to-market gain previously included by the U.S. Holder under the election for prior taxable years. This election is available for so long as the Ordinary Shares constitute "marketable stock," which includes stock of a PFIC that is "regularly traded" on a "qualified exchange or other market." Generally, a "qualified exchange or other market" includes a national market system established pursuant to Section 11A of the Securities Exchange Act of 1934 or a foreign securities exchange that is regulated or supervised by a governmental authority of the country in which the market is located and that has certain characteristics. A class of stock that is traded on one or more qualified exchanges or other markets is "regularly traded" on an exchange or market for any calendar year during which that class of stock is traded, other than in de minimis quantities, on at least 15 days during each calendar quarter, subject to special rules relating to an initial public offering. The Company believes that the London Stock Exchange and the WSE will constitute qualified exchanges or other markets for this purpose. However, no assurances can be provided that the Ordinary Shares will continue to trade on the London Stock Exchange or the WSE or that the Ordinary Shares will be regularly traded for this purpose.

If the Company is treated as a PFIC and the Company holds (directly or indirectly) interests in one or more entities that are treated as PFICs, the rules set forth above would apply separately to each such PFIC. Consequently, the mark-to-market election would not apply to such lower-tier PFICs. Accordingly, unless a U.S. Holder makes a separate QEF election with respect to such lower-tier entity, such entity would remain subject to the PFIC rules discussed above, and U.S. Holders would be subject to the excess distribution and disposition rules with respect to such lower-tier PFICs as if they held their proportionate shares (by value) of such PFICs directly. As stated above, the Company has not yet determined whether it will furnish the required tax information to U.S. Holders that is required in order to make a QEF election.

The rules applicable to owning shares of a PFIC are complex, and each prospective purchaser who would be a U.S. Holder should consult with its own tax adviser regarding the consequences of investing in a PFIC.

Information reporting and backup withholding

U.S. Holders (other than exempt recipients such as corporations) generally are subject to information reporting requirements with respect to dividends paid on Ordinary Shares in the

United States or by a U.S. payer or U.S. middleman and the gross proceeds from disposing of Ordinary Shares. U.S. Holders generally are also subject to backup withholding (currently 28% for taxable years through 2010) on dividends paid in the United States or by a U.S. payor or U.S. middleman on Ordinary Shares and on the gross proceeds from disposing of Ordinary Shares, unless the U.S. Holder provides an IRS Form W-9 or is otherwise exempt from backup withholding.

The amount of any backup withholding may be allowed as a credit against a holder's U.S. federal income tax liability and may entitle such holder to a refund provided that certain required information is timely furnished to the IRS.