ATRIUM
European Real Estate

Annual Report 2008

Income statement in TEUR	2006	2007	2008
Gross rental income	96,451	120,030	134,244
Net rental income	71,530	84,461	95,250
Net operating profit/(loss)	261,158	140,043	(907,558)
Profit/(loss) before taxation	279,032	193,009	(924,379)
Profit/(loss) after taxation	220,736	154,577	(845,305)

Balance sheet in TEUR	YE 2006	YE 2007	YE 2008
Investment properties	1,688,863	1,894,412	1,762,540
Investment properties under development	105,232	781,864	726,981
Cash and cash equivalents	4,867,800	1,339,035	1,250,643
Borrowings	1,009,413	1,003,460	1,509,531
Equity	3,382,298	3,071,255	2,229,494

Cash flow statement in TEUR	YE 2006	YE 2007	YE 2008
Cash flows from operating activities	47,500	44,909	50,350

Certificates	YE 2006	YE 2007	YE 2008
Certificates outstanding	225,000,001	211,185,001	216,899,287
Earnings per share/certificate in EUR	1.066	0.636	(3.954)

Notes:
Figures for 2006 restated according to new presentation principles and change of accounting policies described in the Annual report 2007 in notes 3 and 4.

Borrowings are net of commercial paper.

Certificates outstanding are net of certificates held on behalf of the Company.

Key Indicators

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My fellow shareholders,

It is not an understatement to say that in 2008, we have seen the most fundamental shake-up and change in the global economy that most of us have ever experienced in our lifetimes. Well known blue-chip companies, particularly in the banking sector, are facing a whole host of problems. In some cases, large and well known financial institutions have disappeared. In all cases, this has had a domino effect on other sectors, including the real estate sector. Yields continue to shift outwards, financing is extremely difficult to find in any market and, where it is available, it is at rates that in most cases do not provide sufficient returns to justify the associated risk. In addition, there are continuing concerns over the resilience of the occupier market to current market conditions. This is causing further pressure on values.

It was against this back-drop that in August, following shareholder approval, CPI/Gazit Holdings Limited made a strategic investment in what was then Meinl European Land Limited. At the same time, the Company's name was changed to Atrium European Real Estate Limited. More importantly, the management structure was internalised with the creation of a new board of directors and the formation of a new, highly experienced executive management team.

Since completion, this management team, headed by and assembled under Rachel Lavine, our CEO, has been working tirelessly. They have implemented a comprehensive two-track assessment programme. They are assessing each and every standing investment, with the twin goals of improving operational efficiencies and securing income. Simultaneously, they are conducting an exhaustive review of the development pipeline, ensuring that any decisions to delay, proceed with, or reconfigure projects, are absolutely the right ones. This process is being carried out during extremely volatile market conditions. One result is that we have examined other, more efficient, uses of our cash resources, such as the bond repurchase programme we are currently undertaking.

Despite the harsh economic conditions, I remain extremely positive about our Company's future. We have a very healthy balance sheet with an enviable cash position which at the year end stood at EUR 1.25bn. This means that we are well funded and able to meet our development commitments. Importantly, it also allows us to capitalise on this economic environment by carefully taking advantage of any opportunities which may arise. I am also firmly of the belief that well located supermarket anchored shopping centres, which are tailored to suit their local environment by size, design and tenant mix, are amongst the most resilient asset classes in the real estate sector. We maintain the position that our retail tenants, most of whom sell items that are everyday necessities, such as groceries and daily services, will be less affected in difficult times than those tenants whose sales depend more on discretionary, high-end purchases.

I must also comment on the Central and Eastern European market and our place in it. At the moment, this market is suffering along with the rest of the world, with countries, such as the Ukraine and Romania facing particularly tough conditions. However, over the long run, Eastern Europe still offers great opportunity for growth. Bear in mind that the bulk of our operating properties by rental income are in the region's more established and resilient countries, such as the Czech Republic and Poland, which offer a higher degree of security for income.

We have a number of developments due for completion later this year, and we are encouraged by their progress. Many of these will be almost fully let upon opening to a range of well established national and international clients. This underlines our ability to work with foreign retailers looking for exposure across the region, as well as the strength of our relationship with domestic retailers.

It is important to recognise that the past eight months have been transformational for the Company. Management was internalised; we have rationalised the development pipeline; we commenced implementation of necessary technological infrastructure to manage a portfolio of this magnitude; we have curtailed costs in a variety of areas; and we have strengthened our balance sheet. We have accomplished a great deal since the restructuring, and we still have a lot of work ahead of us in these uncertain times. Nevertheless, we are well positioned to become the dominant retail real estate player in the Central and Eastern European market.

We are disappointed that the markets seem to ignore our strong balance sheet, cash position and many new changes we have implemented since our repositioning efforts began. However, we recognise that markets tend to periodically reward and punish short term, while disregarding the longer horizon of the business, which is always our focus.

Finally, I would like to pass on my thanks to all of our staff, partners and advisors for their hard work this year and for their commitment to the Company. Without their help we would not be in the strong position we are in today and, while we must remain vigilant, we have many reasons to be optimistic and confident of our Company's future. I also wish to thank you, our shareholders, for your continued faith and support of our Company.

Yours truly,
Chaim Katzman on behalf of the Board of Directors
23 March 2009

Group Management Report

Group Management Report

Business Activities

Financial Summary of the Year 2008

- Gross rental income increased by 12% to EUR 134m (2007: EUR 120m) with like-for-like gross rental income increase by 7% to EUR 118m (2007: EUR 110m).
- Net rental income grew by 13% to EUR 95m (2007: EUR 84m).
- The cash balance of the Group amounted to EUR 1,251m, compared to EUR 1,510m in debt of which debt of EUR 11m matures in 2009, EUR 10m in 2010, EUR 714m in 2011-2013 and EUR 775m in the year 2014 or later.
- The Group is well within its two covenants for the 2006 Eurobond issued under the Company's medium term note programme 2006 (net debt to market value is 10.8% versus a covenant of 60%, and indebtedness to total assets is 8.7% versus a covenant of 20%).
- EBITDA excluding valuation and exceptional items resulting from Master Transaction Agreement, see note 44 of the financial statements, amounted to EUR 39m (2007: EUR 10m).
- Loss before taxation amounted to EUR 924m (2007 profit before taxation: EUR 193m).
- Earnings per share amounted to EUR (3.954) (2007: EUR 0.636).
- Cash flows from operating activities amounted to EUR 50m (2007: EUR 45m).
- Net asset value per share was at EUR 10.66 (2007: EUR 15.25).
- The market value of the investment properties decreased by 7% to EUR 1,763m (2007: EUR 1,894m). Movement in 2008 is caused mainly by additions and transfers of EUR 302m and devaluation of EUR 434m.
- The development investment portfolio was impaired by EUR 231m to EUR 727m.
- The Group's development pipeline includes 34 projects represented under investment properties under development. The Group monitors its development pipeline on a continuous basis. Currently seven of these 34 projects are expected to be completed within the next few years. The Group anticipates the completion cost of these seven projects under construction not to exceed EUR 400m.
- In 2008 the Group started a restructuring programme in order to align its structure to a new business model and to the new economic situation. Approximately 100 people will be involved and all will leave before the end of 2009. A restructuring provision of EUR 3m has been created in 2008 and the Group anticipates a year payback on an annualised basis.

Business Environment

Almost universally, 2008 was a very challenging year for business across the globe. The unprecedented collapse of the global financial system has had a negative impact on many companies. The resultant lack of available credit in the market dramatically altered the way companies have been able to conduct business and the importance of a strong balance sheet has never been more pronounced. The real estate market has not been immune from the effects of this market and, in particular, has seen a sharp decrease in market values, which has resulted in a number of covenant issues for many operators, particularly for companies where a high degree of leverage was an integral to their business plan. The issue of valuations was further compounded by the fact that there have been very few transactions from which to benchmark prices and many of those that have taken place have involved sellers who, for one reason or another, are selling under duress and are therefore willing to take a price that is below the perceived or inherent value of the asset, further muddying the waters for the valuers.

For the management of Atrium European Real Estate Limited (the "Company") and its subsidiaries (together with the Company, the "Group") it has therefore been necessary and prudent to review, on an ongoing basis, the existing portfolio of standing investments and also its pipeline of development projects. It is very clear that the Group's tenants are facing the challenges of the economic crisis as well. The management believes that it should have a very close relationship with the tenants as their economic viability is crucial for the Group. The Group's shopping centres are mostly anchored by food related retailers, such as supermarkets, which are likely to be less impacted by the economic situation; the management therefore believes that food anchors lower the tenant risk. This risk is further diluted when the anchors are or part of large multinational companies such as Metro, Spar, Ahold, Praktiker and Tesco, as many of the Group's are.

Corporate Vision and Strategy

In spite of the current market turmoil, the Group's vision remains very much focused on becoming one of, if not the, leading owner, operator and developer of supermarket anchored shopping centres in Central and Eastern Europe.

The broader strategy to achieve this aim is to develop and operate shopping centres in good locations either alone or with joint venture partners, whose local knowledge and expertise is often invaluable to the process. In addition, the Group will consider the acquisition of existing shopping centres and believes that there is likely to be a number of these opportunities becoming available, as a result of the market conditions described above.

The Group invests primarily in Central and Eastern Europe, South Eastern Europe and the Commonwealth of Independent States ("CIS"). Within this self restricted area, the Group has always pursued the strategy of a broadly based portfolio where each asset is tailored to suit its local market place in terms of the design, the facilities available and its tenants. To guard against concentration risks, the portfolio is diversified geographically by country and region, by investing in a range of property types and through the selection of a broad mix of tenants. However, the objective remains to achieve a certain critical mass in each market, to ensure that the operation of the individual portfolios is not only economically viable, but as efficient as possible and synergetic.

The Group's management continues to conduct a detailed project by project assessment of all its existing standing investments and its entire development pipeline. The purpose of this re-evaluation is to ascertain the ability of each project to achieve, satisfy and maintain the investment criteria determined by the framework established by the Board of Directors. Standing investments with deficiencies in performance, which cannot be rectified by overhauling operational controls or by the development of viable extensions or refurbishments, will be disposed of at a time when the management feels the inherent value in the property can be achieved.

Developments which are found to be incompatible with the Group's development objectives will be carefully reviewed by the Group's development and design teams in order to find the best configurations for continued development in the existing market conditions. This may include redesign of the property to allow for a better utilisation of building rights, space and gross lettable area, thorough analysis and improvement of development budgets, rescheduling of construction and renegotiation of enabling agreements where appropriate.

Having assessed the Group's commitments to its development pipeline in relation to its strong cash position, the Group began to examine ways in which its resources could be used to optimise benefit in the current market. Following this, on 17 November 2008, the Company announced that it had received Board approval to begin a repurchase of its bonds issued under the guaranteed medium term note programme 2006 (the "2006 Eurobond"), believing that the acquisition of its debt at a discount to nominal value will result in a more efficient capitalisation of the Company. Since that date, the Company has acquired approximately EUR 122.6m in nominal value through the programme (EUR 79.2m of which was acquired in February 2009) and is still looking to make opportunistic purchases in the market.

Business Activities

The Group

In 2008 the Group opened six new shopping centres. Two of these were opened in Poland (Forum Koszalin and Galeria Kasztanowa in Pila), one in Slovakia (Optima Kosice), one in Russia (North Mall, St. Petersburg), one in Hungary (Godollo) and one in Turkey (Forum Trabzon). Encouragingly, these centres achieved an average occupancy rate of 96% and there are an additional seven centres and retail boxes due to open in the next few years, some of which are expected to be fully let at opening.

As of 31 December 2008, the Group has 161 properties classified as investment properties and 34 projects classified as investment properties under development (as disclosed in notes 5 and 6 in the financial statements)

Following a seven month strategic review undertaken by the Company's management team and a team of independent advisors to assess a number of options of how best to take the Group forward, on 20 March 2008 the Company entered into a Master Transaction Agreement ("MTA") with CPI/Gazit Holdings Limited ("CG Holdings") and Meinl Bank Group. Having been approved by shareholders, the MTA completed on 1 August 2008, providing a catalyst for a fundamental change in the Company's operating structure, through the internalisation of the management. Additionally, a strategic investment was made by CG Holdings under which the Company issued EUR 500m, 10.75% Subordinated Convertible Securities due in 2015. If conversion of the Subordinated Convertible Securities took place CG Holdings would receive 55,555,556 voting rights. The Company also issued 30 million Initial Warrants to CG Holdings.

As part of the MTA, the Company also issued EUR 80m of 10.75% Subordinated Convertible Securities due in 2015 to the Meinl Bank Group. An important consideration, as expressed by the Company's shareholders, was that it severed ties with the Meinl Bank Group. In order to do this, the Company paid the Meinl Bank Group a fee of EUR 160m for termination of the Management Agreement, the License Agreement and the Placement and Market Maker Agreement. More information about the MTA can be found in note 44 of the financial statements.

Upon closing, the Company changed its name to Atrium European Real Estate Limited and a new Board of Directors was appointed with a majority of independent directors. Subsequently and, in line with the new internalised structure, a new management team was appointed which operates from the Group management's office in Amsterdam.

Board of Directors

The current Board of Directors is now chaired by Chaim Katzman and comprises a number of real estate professionals namely Peter Jeffrey Baguley, Michael Bar Haim, Peter David Linneman, Simon Malcolm Radford, Shanti Sen, Thomas William Wernink, Andrew Ian Wignall, Dipak Kumar Rastogi and Rachel Lavine who was appointed as Chief Executive Officer ("CEO") on 1 August 2008. All directors of the former management team resigned from the Board of Directors.

Operational Management

Rachel Lavine, as CEO, made her first senior appointment on 1 September 2008 when Dominique Beghin joined the Company as Chief Development Officer. On 1 October 2008, Nils-Christian Hakert was appointed as Chief Operating Officer which was followed in November 2008 by the appointment of Stephan Bonk as Chief Engineer. The latest operational appointment was made after the year end, at the beginning of January 2009, when Robert Bolier joined the management team as Chief Financial Officer.

Events After the Financial Year

On 31 January 2009 the Company completed a transaction which was to replace the EUR 300m underwritten Rights Issue which had formed part of the MTA. The rationale for the new agreement centred around three main factors, the first of which was that the Company's share price, being significantly below the strike price of the rights, made it highly unlikely that investors would take up their rights and, being fully underwritten, would have resulted in considerable dilution for existing shareholders. The second factor was the uncertainty created by a letter the Company received from the Austrian Takeover Commission (see also note 43 of the financial statements) which raised the possibility that a fully back stopped rights issue may trigger a mandatory bid for the Company. The final reason was that, following an assessment of the Company's development pipeline, the management believes that the Company has sufficient cash to cover its current requirements. The Company was advised on the deal by an investment bank in order to structure a deal in a way the result would be similar for the Group as the initial proposed transaction.

Under the terms of this new agreement, the Company issued 10,300,000 new ordinary shares at a price of EUR 7 per share to CG Holdings. The shares were exchanged for EUR 72.1m of Subordinated Convertible Securities and the return of 25 million Initial Warrants the Company had issued on 1 August 2008. The transaction reduced the Company's indebtedness and cleared a potential stock overhang which might have caused further downward pressure on the Company's shares in the future. In the same transaction the Company purchased from Gazit-Globe Limited ("Gazit") EUR 103m of the 2006 Eurobond at a price of 75% for a cash consideration of EUR 77.26m which further strengthened the Company's balance sheet.

In a separate transaction, on 26 February 2009 the Company purchased an additional EUR 79.2m nominal value of bonds issued under the Company's guaranteed medium note programme 2006 as permitted by the terms of the notes.


LIFELINE
optima

Operating Activities

Operating activities

At the year end, the Group owned 161 investment properties diversified across eight countries, with a total gross lettable area ("GLA") of 1,065,047 sqm. 28 of these properties are shopping centres with GLA larger than 10,000 sqm and with more than five tenants. The remaining number of investment properties is represented either by smaller shopping centres leased to a broad range of tenants as well as a variety of other retailers ranging from DIY stores to sports shops (125) or development plots for which the Group has acquired an appropriate building permit (eight). Geographically, the Group's focus is mainly concentrated in Poland, the Czech Republic and Russia with a presence in Hungary, Romania, Slovakia, Latvia and Turkey. In 2008 six new or extended centres were opened, of which two are located in Poland, one in Slovakia, one in Russia, one in Hungary and one in Turkey.

The regional diversification of investment portfolio is presented below.

As of and for the year ended 31 December 2008:

Investment properties

Country	No of properties	Gross lettable area sqm	Market value TEUR	Valuation result TEUR	Equivalent yield (weighted average)	Occupancy
Czech Republic	98	337,197	281,719	(36,904)	8.6%	91.8%
Hungary	25	104,622	107,165	(17,178)	8.3%	79.8%
Latvia	1	20,420	45,290	(16,517)	8.0%	92.2%
Poland	19	279,685	688,596	(101,718)	8.0%	98.3%
Romania	4	26,971	70,600	(19,435)	8.7%	100.0%
Russia	8	182,230	320,640	(128,072)	12.6%	94.0%
Slovakia	3	64,837	131,134	(11,205)	7.8%	97.3%
Turkey	3	49,085	117,396	(103,004)	10.1%	98.9%
Total investment properties	**161**	**1,065,047**	**1,762,540**	**(434,032)**	**9.1%**	**93.6%**
Out of which						
Standing investments						
Czech Republic	97	337,197	281,692	(36,904)	8.6%	91.8%
Hungary	25	104,622	107,165	(17,178)	8.3%	79.8%
Latvia	1	20,420	45,290	(16,517)	8.0%	92.2%
Poland	17	279,685	623,778	(54,215)	8.0%	98.3%
Romania	2	26,971	40,000	9,598	8.7%	100.0%
Russia	7	182,230	316,840	(128,853)	12.6%	94.0%
Slovakia	3	64,837	131,134	(11,205)	7.8%	97.3%
Turkey	1	49,085	96,900	(67,042)	10.1%	98.9%
Total standing investments	**153**	**1,065,047**	**1,642,799**	**(322,316)**	**9.1%**	**93.6%**

Land

Country	No of properties	Gross lettable area sqm	Market value TEUR	Valuation result TEUR	Equivalent yield (average)	Equivalent yield (weighted average)
Czech Republic	1	–	27	–	–	–
Hungary	–	–	–	–	–	–
Latvia	–	–	–	–	–	–
Poland	2	–	64,818	(47,503)	–	–
Romania	2*	–	30,600	(29,033)	–	–
Russia	1	–	3,800	781	–	–
Slovakia	–	–	–	–	–	–
Turkey	2	–	20,496	(35,962)	–	–
Total land	**8**	**–**	**119,741**	**(111,716)**	–	–

*does not include the land plot of Militari SC Bucharest which is stated under standing investments number of properties

As of and for the year ended 31 December 2007:

Investment properties

Country	No of properties	Gross lettable area sqm	Market value TEUR	Valuation result TEUR	Equivalent yield (weighted average)	Occupancy
Czech Republic	102	345,210	321,587	(390)	7.5%	92.0%
Hungary	25	103,052	123,085	3,696	7.4%	87.0%
Latvia	1	20,420	61,580	855	6.5%	97.4%
Poland	19	221,512	670,894	84,806	6.4%	97.6%
Romania	1	10,796	45,996	6,501	7.6%	100.0%
Russia	9	153,495	485,161	14,125	10.2%	97.6%
Slovakia	3	49,963	106,996	6,485	7.0%	100.0%
Turkey	2	–	79,114	17,329	n/a	n/a
Total investment properties	**162**	**904,448**	**1,894,412**	**133,406**	**7.5%**	**94.4%**

Out of which

Standing investments

Czech Republic	101	345,210	321,560	(416)	7.5%	92.0%
Hungary	25	103,052	123,085	3,696	7.4%	87.0%
Latvia	1	20,420	61,580	855	6.5%	97.4%
Poland	15	221,512	535,362	58,462	6.4%	97.6%
Romania	1	10,796	18,521	3,256	7.6%	100.0%
Russia	6	153,495	371,802	5,260	10.2%	97.6%
Slovakia	2	49,963	103,085	4,739	7.0%	100.0%
Turkey	–	–	0	–	n/a	n/a
Total standing investments	**151**	**904,448**	**1,534,995**	**75,851**	**7.5%**	**94.4%**

Land

Country	No of properties	Gross lettable area sqm	Market value TEUR	Valuation result TEUR	Equivalent yield (average)	Equivalent yield (weighted average)
Czech Republic	1	–	26	26	–	–
Hungary	–	–	–	–	–	–
Latvia	–	–	–	–	–	–
Poland	4	–	135,532	26,344	–	–
Romania	–*	–	27,475	3,245	–	–
Russia	3	–	113,359	8,865	–	–
Slovakia	1	–	3,911	1,746	–	–
Turkey	2	–	79,114	17,329	–	–
Total land	**11**	**–**	**359,417**	**57,555**	–	–

*does not include the land plot of Militari SC Bucharest which is stated under standing investments number of properties

The market values indicated above are based on appraisals provided by Cushman & Wakefield.

Diversification of tenant base

As in previous years, the Group has made a concerted effort to diversify its portfolio by maintaining a broad spread of tenants in order to minimise the risk from default by any individual tenant.

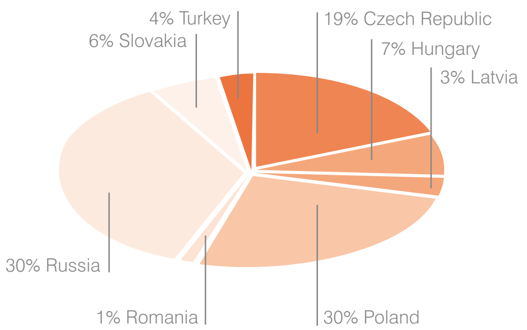
This effort has been well rewarded with a range of well known international and domestic brands and numerous local businesses being added to the tenant portfolio over the year. The result being that at the end of 2008, the Group's tenant portfolio consisted of more than 2,000 different leasing contractors who are themselves diversified by size, product and sector. However, to a large degree lease agreements are primarily concluded with international retail groups who have long histories and offer products for everyday consumption such as groceries and pharmaceutical products. International retail groups are complemented by regional retailers.

The proportion of rental income contributed by the largest tenants in percentage terms remained almost unchanged compared to the previous year. No single tenant contributes more than 6% to total gross rental income, the Austrian based Spar Group being the Group's biggest tenant in 2008.

The Group's top tenants according to annualised rental income are listed in the table below:

Tenant name	Type of business
1. SPAR	Hypermarket and supermarket chains in Central and Eastern Europe
2. AHOLD	International group of supermarkets and hypermarkets in the United States and Europe
3. METRO	International trade and retail chains in Europe and Asia
4. REWE	One of the leading companies in Europe for food trading – food stores and discount chains
5. TEHNOSILA	Russian consumer electronics and home appliance retailer
6. PRAKTIKER	German full-service supplier in the home improvement and DIY market
7. Auchan	Hypermarket and supermarket chains in Europe and Asia
8. H&M	Swedish clothing company with stores in North America, Europe and Asia
9. Alfa-Group	Russian Alfa Group Consortium
10. Kingfisher	Leading home improvement retail group in Europe and Asia

Regional distribution of gross rental income



Gross rental income

Country	2007 TEUR	2008 TEUR	2008 in %
Czech Republic	22,546	25,222	19%
Hungary	8,610	9,000	7%
Latvia	4,083	3,730	3%
Poland	30,418	40,018	30%
Romania	1,353	1,762	1%
Russia	45,666	41,195	30%
Slovakia	7,354	8,303	6%
Turkey	–	5,014	4%
Total	**120,030**	**134,244**	**100%**

During the year 2008 the Group achieved a like-for-like growth of gross rental income of more than 7% and like-for-like growth of net rental income of almost 7%. The following tables give an overview of like-for-like growth of gross and net rental income.

Like-for-like gross rental income

Country	2007 TEUR	2008 TEUR	Change TEUR	Change in %
Czech Republic	22,416	25,144	2,728	12.2%
Hungary	8,528	8,780	252	3.0%
Latvia	4,083	3,730	(353)	–8.6%
Poland	30,258	32,865	2,607	8.6%
Romania	1,353	1,414	61	4.5%
Russia	35,636	38,171	2,535	7.1%
Slovakia	7,354	7,527	173	2.3%
Like-for-like gross rental income	**109,628**	**117,631**	**8,003**	**7.3%**
Remaining gross rental income	10,402	16,613	6,211	
Total gross rental income	**120,030**	**134,244**	**14,214**	**11.8%**

The like-for-like gross rental income tables also include rental income charged in respect of the shopping centre Kazan Park House for the comparative periods, regardless of its technical operating status. If Kazan Park House was not considered as part of like-for-like, like-for-like gross rental income in Russia would be –4.7% and total like-for-like gross rental income for the Group would be 3.5%.

Like-for-like net rental income

Country	2007 TEUR	2008 TEUR	Change TEUR	Change in %
Czech Republic	18,069	18,339	270	1.5%
Hungary	7,213	6,557	(656)	–9.1%
Latvia	2,901	3,005	104	3.6%
Poland	25,145	28,770	3,625	14.4%
Romania	965	969	4	0.4%
Russia	22,344	24,436	2,092	9.4%
Slovakia	6,083	6,214	131	2.2%
Like-for-like net rental income	**82,720**	**88,290**	**5,570**	**6.7%**
Remaining net rental income	1,741	6,960	5,219	
Total net rental income	**84,461**	**95,250**	**10,789**	**12.8%**

The like-for-like net rental income tables also include rental income charged in respect of the shopping centre Kazan Park House for the comparative periods, regardless of its technical operating status. If Kazan Park House was not considered as part of like-for-like, like-for-like net rental income in Russia would be –4.2% and total like-for-like net rental income for the Group would be 1.5%.

Lease agreements

At the end of 2008 approximately 33% of the existing lease agreements had a remaining contract term of more than five years providing good forward visibility of income.

Contract terms of the lease agreements based on their length and generated gross rental income are detailed in the table below:

Lease agreements length based on their gross rental income contribution

Less than 1 year	17%
Between 1 & 5 years	47%
More than 5 years	33%
Yearly gross rental income from agreements concluded for an unlimited time period	3%

72% of the Group's lease agreements in Central and Eastern European countries are Euro denominated, diminishing the rental income exposure to local currency fluctuations. In Russia, where US dollar lease agreements have been the norm in the past, a shift towards the EUR is being observed.

A growing number of lease agreements also contain a clause that increases the rent in line with the tenant's revenue growth, enabling the Group to participate in the growth of consumer spending.

Development activities

The Group has 34 development projects, classified as investment properties under development ("IPUD"), at various stages of development spread across various countries. Seven projects are close to completion and are expected to come on line in the next few years. A further 27 projects are at early stages ranging from simply owning land to going through the various phases of obtaining building permits prior to construction. In the light of the current economic climate all these projects are in the process of being re-evaluated by the management, as many of the assumptions taken in the boom time of the real estate industry when development finance was cheap and the general economic outlook was more positive and stable, are no longer valid. These need to be reassessed in order to take into account current market conditions before a final decision on how to progress is taken.

The Group is monitoring the development pipeline continuously and anticipates the cost to complete the seven projects, on which construction has started, will not exceed EUR 400m.

Overview of investment properties

At the year end, the Group owned 161 investment properties, of which 153 were income generating properties and eight represented land plots with appropriate building permits.

The market value of investment properties as of 31 December 2008 was EUR 1,763m (2007: EUR 1,894m). During 2008, the Group added more than EUR 302m to the investment properties portfolio, either in the form of technical improvements and extensions, or by transfers between the investment properties and the investment properties under development portfolios. The Group revalued its investment properties with a decrease of EUR 434m due to the difficult economic situation (see also note 5 of the financial statements). The valuation was performed by the external valuers Cushman & Wakefield.

The strategy for the Group is to manage the investment properties through local management teams, which ensures a close relationship with our tenants. Group management is of the opinion that with more operational focus and with the expertise of the management team efficiency improvements can be obtained.

Investment properties	City, address	Gross lettable area sqm	Market value TEUR	Equivalent yield
Czech Republic		**337,197**	**281,719**	**8.64%**
CZ As, Kamenna	Aš, Kamenná 2764	927	951	9.28%
CZ Benatky nad Jizerou, Platanova	Benátky nad Jizerou, Platanová 596	1,040	884	9.25%
CZ Bilina, Litomericka	Bílina, Litoměřická 868	1,531	286	13.00%
CZ Brno, Boby	Brno, Sportovní 2a	5,080	3,454	9.00%
CZ Brno, Cerneho	Brno, Černého 2/832	3,161	214	16.00%
CZ Brno, Cornovova	Brno, Cornovova 2	1,087	638	9.08%
CZ Brno, Futurum	Brno, Vídeňská 100	16,691	38,190	7.92%
CZ Brno, Javor	Brno, nám. 28. dubna 2	4,453	2,691	10.06%
CZ Brno, Karoliny Svetle	Brno, Karolíny Světlé 2410/83	460	137	11.25%
CZ Brno, Kolarikova	Brno, Kolaříkova 1/1497	3,238	2,011	9.11%
CZ Brno, Libusina trida	Brno, Libušina tr. 17a	1,473	685	9.49%
CZ Brno, U posty	Brno, U pošty 2	1,194	670	9.00%
CZ Brno, Veveri	Brno, Veveří 40	3,022	1,243	9.25%
CZ Bystrice nad Pernstejnem, namesti TGM	Bystřice nad Pernštejnem, nam. TGM 8	1,448	642	9.03%
CZ Ceske Budejovice, Frantiska Ondricka	České Budějovice, Františka Ondříčka 1162	2,517	1,363	10.00%
CZ Domazlice, U Nemocnice	Domažlice, U Nemocnice 269	1,352	765	9.25%
CZ Duchcov, Osecka	Duchcov, Osecká 1483	889	817	9.31%
CZ Frydek Mistek, Interspar	Frýdek Místek, Hlavní třída 3274	11,390	13,980	8.11%
CZ Frydek Mistek, Ostravska	Frýdek Místek, Ostravská 152	2,733	1,018	11.50%
CZ Havirov, Moravska	Havířov, Moravská 544	2,512	587	10.52%
CZ Hodonin, R Filipa	Hodonín, R. Filipa 3410	1,011	343	10.50%
CZ Hradec Kralove, Dukla	Hradec Králové, M. Horákové 327	1,464	762	8.75%
CZ Hradec Kralove, Horicka	Hradec Králové, Hořická 1/1640	3,657	1,560	10.55%
CZ Hradec Kralove, Labe	Hradec Králové, Labská kotlina 1206/1	528	237	11.00%
CZ Hradek nad Nisou, Liberecka	Hrádek nad Nisou, Liberecká 629	1,265	805	9.51%
CZ Jihlava, Brezinova	Jihlava, Brezinova 62	4,732	2,045	9.49%
CZ Jihlava, Kollarova	Jihlava, Kollárova 17	1,484	893	9.25%
CZ Karlovy Vary, Horova	Karlovy Vary, Horova 1223	3,225	3,715	8.89%
CZ Klasterec nad Ohri, Petverska	Klášterec nad Ohří, Petverská 799	1,295	318	11.50%
CZ Liberec, Dobiasova	Liberec, Dobiášova 1008	2,196	1,922	9.41%
CZ Liberec, Hlavkova	Liberec, Hlávkova 17	2,317	494	10.50%
CZ Lovosice, Lovosice	Lovosice, Lovosice 276/8	1,002	1,285	8.93%
CZ Mlada Boleslav, Electrocity	Mladá Boleslav, Jičínská 1359	1,090	829	9.50%
CZ Mlada Boleslav, Interspar	Mladá Boleslav, Jičínská	9,104	14,180	8.15%
CZ Nachod, Ruzova	Náchod, Růžová 264	1,913	414	11.50%
CZ Nejdek, namesti Karla IV	Nejdek, nám. Karla IV 1245	1,335	1,201	9.45%
CZ Neratovice, Kojeticka	Neratovice, Kojetická 1370	1,119	972	9.53%
CZ Nove Mesto na Morave, Komenskeho	Nové Město na Moravě, Komenskeho 999	1,744	716	9.27%
CZ Novy Jicin, Generala Hlado	Nový Jičín, Generála Hlaďo 1849/25	7,100	3,814	9.49%
CZ Nymburk, Prazska	Nymburk, Pražská 2261	1,981	948	12.00%
CZ Okrisky, B Nemcove	Okříšky, B. Němcové 438	394	121	11.00%
CZ Ostrava, Belsky les	Ostrava, B. Četeny 3025/15	7,002	3,599	9.19%
CZ Ostrava, Interspar	Ostrava, Horní 283/87	14,436	19,070	7.75%
CZ Pacov, Zizkova	Pacov, Žižkova	863	965	9.06%
CZ Pardubice, Family Centrum	Pardubice, Poděbradská 296	13,332	19,570	7.86%
CZ Pardubice, Lonkova	Pardubice, Lonkova 510	3,595	999	11.00%

Overview of Investment Properties

Investment properties	City, address	Gross lettable area sqm	Market value TEUR	Equivalent yield
CZ Pelhrimov, Vysocina	Pelhřimov, Solní 530/1	3,742	2,279	9.07%
CZ Plzen, Gera	Plzeň, Lidická 732/35	1,785	986	8.78%
CZ Plzen, Gerska	Plzeň, Gerská 2030	6,315	5,720	8.03%
CZ Podebrady, Na Valech	Poděbrady, Na Valech 53	2,654	2,564	9.54%
CZ Praha, Balabenka	Praha, Českomoravská 2258/8	2,842	2,219	8.50%
CZ Praha, Bily Beranek	Praha, Nevanova 1050	2,895	999	10.79%
CZ Praha, Cerveny dvur	Praha, Strašnice	Land plot	27	N/A
CZ Praha, Cil	Praha, Topolová 1/2915	6,591	6,503	9.00%
CZ Praha, Fiserka	Praha, Matějská 2352/76	1,926	1,226	8.90%
CZ Praha, Klas	Praha, V Předpolí 21	1,209	800	8.85%
CZ Praha, Kutnohorska	Praha, Kutnohorská 371	3,534	1,682	10.16%
CZ Praha, Liben	Praha, U Libeňského pivovaru 63	6,651	5,100	9.55%
CZ Praha, Luka	Praha, Mukařovského 1985	7,704	5,570	9.18%
CZ Praha, Nisa	Praha, Mazurská 448	1,845	1,168	8.80%
CZ Praha, Novodvorska	Praha, Novodvorská 434	4,572	5,719	9.27%
CZ Praha, Paprsek	Praha, Hábova 1517	3,547	2,298	9.14%
CZ Praha, Podhajska pole	Praha, Podhajská pole 771	1,015	568	10.00%
CZ Praha, Rohoznik	Praha, Malešovská 1652	2,250	988	9.56%
CZ Praha, Setelka	Praha, U Libeňského pivovaru 2A/2229	629	620	6.50%
CZ Praha, Signal	Praha, Brandlova 1599	3,392	2,453	9.33%
CZ Praha, Slunecnice	Praha, Vojtíškova 1783	4,454	2,618	9.88%
CZ Praha, Sokolniky	Praha, Trousilova 1064	3,455	2,266	9.52%
CZ Praha, Spar	Praha, Stare Město 1352	9,383	12,290	8.00%
CZ Praha, Sturova	Praha, Štúrova 1284	3,472	2,163	9.12%
CZ Praha, Trio	Praha, Chodovická 2311	2,809	1,969	8.79%
CZ Praha, Velka Ohrada	Praha, Prusíkova 2577	9,595	4,002	9.32%
CZ Praha, Vesna	Praha, U Šalamounky 2/2664	762	493	8.75%
CZ Praha, Vinohradska	Praha, Vinohradská 90	1,898	1,899	7.25%
CZ Praha, Vltava	Praha, Obchodní náměstí 1590	3,604	2,188	9.20%
CZ Praha, Vysluni	Praha, Makovského 1179	2,508	1,478	9.37%
CZ Praha, Zdar	Praha, Donovalská 1725	2,960	1,682	9.76%
CZ Rakovnik, Dukelskych hrdinu	Rakovník, Dukelských hrdinů 2546	1,507	1,062	9.85%
CZ Rokycany, Bozeny Nemcove	Rokycany, Boženy Němcové 960	2,731	1,464	9.18%
CZ Stare Mesto, Galeria Shopping	Staré Město, Východní	3,005	3,519	8.30%
CZ Strakonice, Lidicka	Strakonice, Lidická 565	816	193	13.00%
CZ Strancice, Vsechromy	Stránčice, Všechromy 47	9,656	6,676	8.00%
CZ Tabor, Luznice	Tábor, Světlogorská 2767	6,624	1,863	9.84%
CZ Tabor, Zlata svicka	Tábor, kpt. Jaroše 2392	3,681	1,759	9.75%
CZ Trebic, Generala Fanty	Třebíč, Gen. Fanty 704	481	91	12.00%
CZ Trebic, Hrotovicka	Třebíč, Hrotovická 160	8,267	1,480	12.50%
CZ Trebic, Karlovo namesti	Třebíč, Karlovo nám. 134	2,245	694	10.50%
CZ Trebon, U Francouzu	Třeboň, U Francouzů 1180	1,347	1,214	9.12%
CZ Uhersky Brod, Slovacke namesti	Uherský Brod, Slovácké nám. 2066	1,470	471	10.50%
CZ Usti nad Labem, Horizont	Ústí nad Labem, Mírová 2861/6	2,968	654	12.08%
CZ Vestec u Prahy, Videnska	Vestec u Prahy, Vídeňská 178	5,080	4,678	8.00%
CZ Vyskov, Hranicky	Vyškov, Hraničky 34	933	428	11.25%
CZ Zdar nad Sazavou, Nadrazni	Žďár nad Sázavou, Nádražní 1142/46	1,526	828	9.43%
CZ Zdar nad Sazavou, Studentska	Žďár nad Sázavou, Studentská 2/4766	1,442	1,028	9.00%
CZ Zlin, Interspar	Zlín, Třída Tomáše Bati 671	11,484	15,880	7.95%
CZ Zlin, Prerovanka	Zlín, Křiby 4718	2,783	695	11.52%
CZ Znojmo, Videnska	Znojmo, Vídeňská 131	1,196	433	9.50%
CZ Znojmo, Videnska	Znojmo, Vídeňská 83	2,575	1,069	9.15%
Hungary		**104,622**	**107,165**	**8.29%**
HU Budapest, EuroCenter Obuda	Budapest, Bésci út. 154	21,305	39,775	7.86%
HU Budapest, Kesmark 12	Budapest, Késmárk u.	3,105	1,490	10.00%
HU Budapest, Kesmark 16+18	Budapest, Késmárk 16 and 18	26,957	5,610	11.99%
HU Budapest, Kobanya	Budapest, Sibrik Miklós u. 30	9,388	15,550	7.78%
HU Budapest, Tancsics 43–47	Budapest, Táncsics M. u. 43–47	2,242	590	10.00%
HU Debrecen, Penny	Debrecen, 4. sz. főút – István u.	880	1,030	8.65%
HU Dunafoldvar, Penny	Dunaföldvár, Dunaföldvár, 6-os foút	867	850	8.91%
HU Gardony, Penny	Gárdony, Szabadság u.	880	885	8.82%
HU Godollo	Gödöllö, Koztarsasag str. 85	4,163	4,960	8.56%
HU Gyongyos, Kenyergyar u. 9	Gyöngyös, Kenyérgyár u. 9	1,801	480	11.00%
HU Gyongyos, Penny	Gyöngyös, Kassai út	880	865	8.92%
HU Hajduboszormeny, Penny	Hajdúböszörmény, Baltazár u.	980	840	8.87%
HU Jaszbereny, Penny	Jászberény, Nagykátai út	1,075	1,070	8.97%
HU Kalocsa, Penny	Kalocsa, Széchenyi u. 10	970	960	8.98%

Investment properties	City, address	Gross lettable area sqm	Market value TEUR	Equivalent yield
HU Keszthely, Penny	Keszthely, Csapás út	1,075	1,050	8.93%
HU Koszeg, Penny	Koszeg, Rákóczi Ferenc út	880	920	8.92%
HU Nagykanizsa, Plus	Nagykanizsa, Hevesi Sándor u.	1,000	975	8.92%
HU Nyergesujfalu, Plus	Nyergesújfalu, Kossuth Lajos u.	893	890	8.85%
HU Nyiregyhaza, Tunde u.	Nyíregyháza, Tünde u.	3,000	830	10.49%
HU Paks, Penny	Paks, Táncsics Mihály út	900	990	8.97%
HU Szombathely, Family Center	Szombathely, Varasd u. 1	10,802	15,375	7.92%
HU Szombathely, Praktiker	Szombathely, Rozsnyó u. 1	7,789	8,400	7.50%
HU Tamasi, Penny	Tamási, Szabadsag u.	1,030	995	8.89%
HU Tolna, Penny	Tolna, Bajcsy Zsilinszky u-Arany J. u.	880	810	8.95%
HU Zalaegerszeg, Penny	Zalaegerszeg, Gasparich u.	880	975	8.84%
Latvia		**20,420**	**45,290**	**7.98%**
LV Riga, Galeria Azur	Riga, Rencenu str. 1	20,420	45,290	7.98%
Poland		**279,685**	**688,596**	**7.99%**
PL Bialystok, Galeria Biala	Bialystok, ul. Augustowska	36,368	81,200	7.74%
PL Bytom, CH Plejada Bytom	Bytom, ul. Dolnośląska 25	14,922	36,900	8.29%
PL Koszalin, Forum	Koszalin, Gnieznienska	54,656	119,180	7.75%
PL Lublin, FeliCity	Lublin, ul. Grygowej	Land plot	57,000	N/A
PL Olkusz, Echo	Olkusz, ul. Rabsztynska 2	7,393	12,430	8.72%
PL Pila, Galeria Kasztanowa	Pila, Al. Powstancow Wielkopolskich	12,091	33,960	7.75%
PL Pila, Echo	Piła, ul. Oginskiego 33	6,460	8,457	8.49%
PL Plock, Galeria Mosty	Plock, ul. Tysiaclecia	Land plot	7,818	N/A
PL Plock, Echo	Plock, ul. Przemyslowa 1	11,060	19,500	8.25%
PL Plock, Kaufland	Płock, ul. Lukasiewicza 17	6,261	6,088	8.99%
PL Radom, City Center	Radom, ul. Mireckiego 14	14,592	19,708	8.64%
PL Siemianowice Slaskie, Echo	Siemianowice Slaskie, ul. Jagielly 4	6,411	9,159	8.25%
PL Srem, Minimal	Srem, ul. Kolejowa 1A	2,542	2,730	9.14%
PL Swietochlowice, Echo	Swietochlowice, ul. Chorzowska 19	7,902	10,910	8.25%
PL Tczew, Echo	Tczew, ul. Kwiatowa 4	4,624	6,236	8.48%
PL Torun, Galeria Copernicus	Toruň, ul. Zolkiewsiego 15	30,202	67,370	7.69%
PL Warszawa, CH Reduta	Warszawa, Al. Jerozolimskie 148	27,743	73,770	8.57%
PL Warszawa, Targowek	Warszawa, ul. Głębocka 15	29,491	106,070	7.79%
PL Zamosc, Echo	Zamosc, ul. Wyszynskiego 13	6,967	10,110	8.23%
Romania		**26,971**	**70,600**	**8.70%**
RO Auchan	Bucharest, Iuliu Maniu boulevard	16,175	23,200	8.77%
RO Bucharest, Militari SC	Bucharest, Iuliu Maniu boulevard 536–560	10,796	33,900	8.60%
RO Arad	Arad	Land plot	7,500	N/A
RO Constanta	Constanta	Land plot	6,000	N/A
Russia		**182,230**	**320,640**	**12.60%**
RU Kazan, Park House	Kazan, Prospekt Kh.Jamasheva 46/33	48,693	69,680	12.67%
RU Moscow, Brateevo	Moscow, Proektiruemyi projezd vl.15 5396	11,339	47,410	11.54%
RU Moscow, Signalny	Moscow, Signalnyi projezd 17	5,718	20,740	11.85%
RU St. Petersburg, Severniy Mall	St. Petersburg, Engel's Avenue 33	26,671	15,960	13.90%
RU Togliatti	Togliatti, Avtozavodskoje shosse 6	26,670	59,420	12.99%
RU Volgograd, Park House	Volgograd, Bulvar 30 pobedy 21	30,430	40,390	12.90%
RU Yekaterinburg, 1	Yekaterinburg, Sulimova street 50	32,709	63,240	12.66%
RU Togliatti OBI+MediaMarkt	Togliatti	Land plot	3,800	N/A
Slovakia		**64,837**	**131,134**	**7.80%**
SK Bratislava, Saratov I	Bratislava, Saratovska 28	7,298	8,892	8.80%
SK Kosice, Optima	Košice, Moldavska cesta 32	47,132	94,780	7.64%
SK Zilina, Duben	Žilina, Vysokoškolákov 52	10,407	27,462	8.04%
Turkey		**49,085**	**117,396**	**10.06%**
TR Istanbul, Forum TEM	Istanbul, Gaziosmanpasha quarter	Land plot	14,996	N/A
TR Trabzon, Forum	Trabzon	49,085	96,900	10.06%
TR Samsun, Bus station	Samsun	Land plot	5,500	N/A
Total		**1,065,047**	**1,762,540**	**9.10%**

Overview by Region

Overview by Region

Russia

The ongoing global financial turmoil has exposed certain fragilities in the Russian financial markets. Although some progress continues to be made, this situation has meant that many retailers are revising their expansion plans and adopting a wait-and-see position, with their primary concern about the lack of availability of finance on current developments and new construction. The fall in the stock indices and share prices of publically quoted retailers led to a further lack of trust in the retail market which has caused additional negative pressure on lenders' willingness to finance retail, or any other development in the region.

In the current economic environment, where there is both a decrease in overall levels of personal income and concerns amongst consumers about unemployment, as well as a reduction in consumer lending coupled with an increasing consumer price index ("CPI"), consumer spending habits are changing. Their priority shifts to more everyday essentials and, most importantly, food. This trend underlines the importance of the Group's strategy of focusing on food retailer anchored shopping centres.

The following tables give an overview of the Group's investment properties in Russia as of 31 December 2008.

Investment properties	City, address	Gross lettable area sqm	Market value TEUR	Equivalent yield
Russia				
RU Kazan, Park House	Kazan, Prospekt Kh.Jamasheva 46/33	48,693	69,680	12.67%
RU Moscow, Brateevo	Moscow, Proektiruemyi projezd vl.15 5396	11,339	47,410	11.54%
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RU Yekaterinburg, 1	Yekaterinburg, Sulimova street 50	32,709	63,240	12.66%
RU Togliatti OBI+MediaMarkt	Togliatti	Land plot	3,800	N/A
Total Russia		**182,230**	**320,640**	**12.60%**

Russia continues to be one of the Group's main investment markets and the Group remains committed to its potential as a growth market in the medium to long term. The Group's portfolio in Russia focuses on both, large wealthy regional capitals, such as Moscow and St. Petersburg, which are relatively less affected by poor market conditions, and on smaller regional cities where the market saturation is lower.

During 2008, the Group completed the first construction phase of a shopping centre in St. Petersburg, which was opened in February 2008 and currently has a lettable area of approximately 27,000 sqm. Other shopping centres are located in Kazan, Volgograd, Yekaterinburg, Togliatti and two in Moscow. These contributed a gross rental income in 2008 of approximately EUR 41m.

Two projects currently under development will be completed in 2009, the extension to Togliatti Park House, which is due to open in April 2009, and the extension to Volgograd Park House expected to open later in 2009. The Volgograd project consists of a retail box of approximately 11,700 sqm with 375 car parking spaces. It is prelet to OBI, the leading German DIY company, under a 15 year lease agreement with options for three additional periods of five years. The Togliatti project consists of two retail boxes which are already leased to Castorama, part of Europe's leading DIY operator and Media Markt, Europe's leading consumer electronics retailer. The contracts are both for 10 years with options for a further five years.

Additionally, the Group has a substantial land bank, which in the long term offers the potential for future growth. However, while the Group's intention is to consolidate its position in the Russian retail market, the immediate focus is on improving the operational management of the standing assets with a particular emphasis on securing rental income and achieving operating efficiencies.

Poland

Of all the markets in which the Group operates, Poland has so far proved to be the most resilient to the uncertainties of the global financial markets. However, recently the Polish economy has begun to slowdown and there has been an understandable fall in export demand. This is likely to result in a weaker labour market and interest rates are unlikely to decrease as monetary policy is tight. It is expected that these two factors will have an impact on consumer demand and, whilst a supply demand imbalance remains robust, a resultant general slowdown in the completion of new projects can be expected.

The following tables give an overview of the Group's investment properties in Poland as of 31 December 2008.

Investment properties	**City, address**	**Gross lettable area sqm**	**Market value TEUR**	**Equivalent yield**
Poland				
PL Bialystok, Galeria Biala	Bialystok, ul. Augustowska	36,368	81,200	7.74%
PL Bytom, CH Plejada Bytom	Bytom, ul. Dolnośląska 25	14,922	36,900	8.29%
PL Koszalin, Forum	Koszalin, Gnieznienska	54,656	119,180	7.75%
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PL Pila, Galeria Kasztanowa	Pila, Al. Powstancow Wielkopolskich	12,091	33,960	7.75%
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PL Zamosc, Echo	Zamosc, ul. Wyszynskiego 13	6,967	10,110	8.23%
Total Poland		**279,685**	**688,596**	**7.99%**

At the end of 2008 the Group's portfolio in Poland comprised of 19 investment properties with a total market value of approximately EUR 689m. This includes 17 shopping centres with a total GLA of approximately 280,000 sqm and two land plots under development. In 2008, the Group's gross rental income in Poland amounted to EUR 40m, an increase of approximately 30% or EUR 10m compared to the previous year. Almost all rental revenue in Poland is denominated in EUR.

Apart from standing investments located across different regional cities, the Polish portfolio also includes shopping centres in Warsaw, Koszalin, Bialystok, Torun, Radom and Bytom. As in most of its investment markets, the Group concentrates its business in Poland on regional cities where the level of market saturation is still lower than in the more mature areas, such as the capital or other large agglomerations.

In November 2008, the Company completed its Forum Koszalin development, a shopping centre with a GLA of approximately 55,000 sqm. It was 99% let upon opening and is anchored by a 10,000 sqm Tesco, the UK's largest supermarket operator. Koszalin is the second largest city in the West Pomerania region of northern Poland, with a local population of more than 100,000 people, and Forum Koszalin has attracted strong tenant demand from both national and international retailers. Next to Tesco, the Group has attracted Media Markt and Castorama, demonstrating the Group's ability to provide international retailers with product across the region.

November 2008 also saw the opening of Galeria Kasztanowa in Pila, which is located in North West Poland and serves a local population of over 75,000 inhabitants. The shopping centre has a GLA of approximately 12,100 sqm, is anchored by Bomi, the Polish food retailer, and is fully occupied by a broad range of quality national tenants.

Overview by Region
Poland

Another project is in Plock that is currently under construction. Plock is a supermarket anchored, retail and leisure project with parking spaces for 700 cars and with the expected gross lettable area of approximately 18,800 sqm. Developed in two phases, it is scheduled to be opened in Q2 2009. The Group's management is pleased that a number of national and international anchors like Cinema City, H&M, and Empik have already signed contracts and it is expected that the shopping centre will be almost fully let at opening.

New markets

The Group had previously identified a number of other new markets as having potential for future growth. These were Turkey and Romania and, to a lesser degree, the Bulgarian and Ukrainian markets, where the Group also has a nascent presence. Despite the fact that the potential for short term growth in these markets and, in particular, Turkey, has declined considerably as a result of the credit crunch and general global market conditions, the Group believes that in the longer term, there will still be many opportunities to create value.

The following table gives an overview of the Group's investment properties in these regions as of 31 December 2008.

Investment properties	City, address	Gross lettable area sqm	Market value TEUR	Equivalent yield
Romania				
RO Auchan	Bucharest, Iuliu Maniu boulevard	16,175	23,200	8.77%
RO Bucharest, Militari SC	Bucharest, Iuliu Maniu boulevard 536–560	10,796	33,900	8.60%
RO Arad	Arad	Land plot	7,500	N/A
RO Constanta	Constanta	Land plot	6,000	N/A
Total Romania		**26,971**	**70,600**	**8.70%**
Turkey				
TR Istanbul, Forum TEM	Istanbul, Gaziosmanpasha quarter	Land plot	14,996	N/A
TR Trabzon, Forum	Trabzon	49,085	96,900	10.06%
TR Samsun, Bus station	Samsun	Land plot	5,500	N/A
Total Turkey		**49,085**	**117,396**	**10.06%**

Turkey

Growth in the region has slowed down and there is a sharp fall of foreign investment from the United States of America and Europe. As a result of the international financial crisis, there has been a slowdown in demand for space from retailers, which has stemmed mainly from a drop in customer demand and the depreciation of the Turkish Lira against the US Dollar and the Euro. These factors have also led to temporary rent revisions in newly opened shopping centres and lower rental levels in new developments.

The Group entered the Turkish market in 2006 when it acquired the land on which it built Forum Trabzon, which is the Group's only operating on investment in Turkey. In June 2008, Forum Trabzon was opened on the Black Sea Coast of Turkey. It has a GLA of approximately 49,000 sqm and is the largest retail development within a 300 km radius. It is home to a very strong mix of international tenants and known local groups of which notable examples are Marks & Spencer, McDonald's, Douglas, Intersport, Nike, Levi's, LaCoste, Benetton, hypermarket Migros and DIY Koctas. In line with the economic situation, the project has been experiencing difficult trading conditions since its opening.

The Group has a further eight land plots across Turkey.

Overview by Region
New Markets

Romania

At year end 2008, the Group owned one standing investment in Romania, the “Militari” retail park in Bucharest, and three development projects. Militari is the Group’s first shopping centre in Romania and is located in a densely populated area of western Bucharest. The first phase was opened in 2004, consisting of two units let to Praktiker, a German international DIY chain and Domo, a leading Romanian electronics retailer.

The second phase of Militari in Bucharest is currently under construction and will be completed in Q2 2009. The project will offer approximately 40,000 sqm of GLA in addition to the original 11,000 sqm and 2,200 car parking spaces. This extension includes a hypermarket leased to Auchan which was opened ahead of schedule in December 2008 and has contributed approximately 16,000 sqm of GLA. Other main anchors to the fully pre-let centre include Decathlon, C&A and Media Galaxy. The total investment into the project up until 31 December 2008 amounted to approximately EUR 38m.

The Group has two further land plots in Arad and Constanta totalling approximately 262,600 sqm. Building permits were recently granted for both these projects, which means that construction could proceed although the Group believes it can improve the offering and concept of the centres.

Bulgaria

The Group has one property in Bulgaria which is a land plot in the south east of Sophia. It is well located on the city ring road which is currently being enlarged and will improve the already good access to the site. It is planned that the project will comprise a three storey complex anchored by a hypermarket and a DIY store, plus a shopping mall. However, in light of the current market conditions, the Group is revisiting its plans for the project and considering the possibility of postponing the start of the construction until market conditions improve. This would also provide the opportunity to rework the plans for the centre to see if further improvements could be made.

Ukraine

The Group has a single land plot in Odessa which is well located along one of the busiest access roads to the city centre. The development plan is for a two storey shopping centre based around a hypermarket as well as several other medium anchors. The Group has continued to progress the planning process and the building permit is due to be issued in the next months, once it is confirmed that the utilities will be connected to the plot and discussions with the local municipalities regarding access improvements are concluded. The Group is currently exploring financing options for the development, which in the current economic climate is proving either difficult or prohibitively expensive. It may therefore be the case that the Group considers revisiting its plans to bring them more in line with the current market environment or postponing the start of the construction until the market settles and there are signs of improvement.

Established markets

The Czech Republic and Slovakia in particular, as well as Hungary and Latvia are not only considered to be the most established markets in Central and Eastern Europe, but are also those where market conditions are most comparable to those in Western Europe.

Czech and Slovak economies are already experiencing a slowdown and change in consumer spending as a result of the current market situation.

Hungary has been hit hard by the financial market turmoil, with the currency and stock market plunging, the bond market seizing up and many banks reporting liquidity problems. This contrasted against the falls in the Polish zloty and Czech koruna which were much less pronounced, reflecting those countries' relatively healthy macroeconomic fundamentals. The consumer environment is set to remain challenging, as many of the fiscal austerity measures are still in place and inflation continues to erode confidence.

The following tables give an overview of the Group's investment properties in these established markets as of 31 December 2008.

Investment properties	City, address	Gross lettable area sqm	Market value TEUR	Equivalent yield
Czech Republic				
CZ As, Kamenna	Aš, Kamenná 2764	927	951	9.28%
CZ Benatky nad Jizerou, Platanova	Benátky nad Jizerou, Platanová 596	1,040	884	9.25%
CZ Bilina, Litomericka	Bílina, Litoměřická 868	1,531	286	13.00%
CZ Brno, Boby	Brno, Sportovní 2a	5,080	3,454	9.00%
CZ Brno, Cerneho	Brno, Černého 2/832	3,161	214	16.00%
CZ Brno, Cornovova	Brno, Cornovova 2	1,087	638	9.08%
CZ Brno, Futurum	Brno, Vídeňská 100	16,691	38,190	7.92%
CZ Brno, Javor	Brno, nám. 28. dubna 2	4,453	2,691	10.06%
CZ Brno, Karoliny Svetle	Brno, Karolíny Světlé 2410/83	460	137	11.25%
CZ Brno, Kolarikova	Brno, Kolaříkova 1/1497	3,238	2,011	9.11%
CZ Brno, Libusina trida	Brno, Libušina tr. 17a	1,473	685	9.49%
CZ Brno, U posty	Brno, U pošty 2	1,194	670	9.00%
CZ Brno, Veveri	Brno, Veveří 40	3,022	1,243	9.25%
CZ Bystrice nad Pernstejnem, namesti TGM	Bystřice nad Pernštejnem, nam. TGM 8	1,448	642	9.03%
CZ Ceske Budejovice, Frantiska Ondricka	České Budějovice, Františka Ondříčka 1162	2,517	1,363	10.00%
CZ Domazlice, U Nemocnice	Domažlice, U Nemocnice 269	1,352	765	9.25%
CZ Duchcov, Osecka	Duchcov, Osecká 1483	889	817	9.31%
CZ Frydek Mistek, Interspar	Frýdek Místek, Hlavní třída 3274	11,390	13,980	8.11%
CZ Frydek Mistek, Ostravska	Frýdek Místek, Ostravská 152	2,733	1,018	11.50%
CZ Havirov, Moravska	Havířov, Moravská 544	2,512	587	10.52%
CZ Hodonin, R Filipa	Hodonín, R. Filipa 3410	1,011	343	10.50%
CZ Hradec Kralove, Dukla	Hradec Králové, M. Horákové 327	1,464	762	8.75%
CZ Hradec Kralove, Horicka	Hradec Králové, Hořická 1/1640	3,657	1,560	10.55%
CZ Hradec Kralove, Labe	Hradec Králové, Labská kotlina 1206/1	528	237	11.00%
CZ Hradek nad Nisou, Liberecka	Hrádek nad Nisou, Liberecká 629	1,265	805	9.51%
CZ Jihlava, Brezinova	Jihlava, Brezinova 62	4,732	2,045	9.49%
CZ Jihlava, Kollarova	Jihlava, Kollárova 17	1,484	893	9.25%
CZ Karlovy Vary, Horova	Karlovy Vary, Horova 1223	3,225	3,715	8.89%
CZ Klasterec nad Ohri, Petverska	Klášterec nad Ohří, Petverská 799	1,295	318	11.50%
CZ Liberec, Dobiasova	Liberec, Dobiášova 1008	2,196	1,922	9.41%
CZ Liberec, Hlavkova	Liberec, Hlávkova 17	2,317	494	10.50%
CZ Lovosice, Lovosice	Lovosice, Lovosice 276/8	1,002	1,285	8.93%
CZ Mlada Boleslav, Electrocity	Mladá Boleslav, Jičínská 1359	1,090	829	9.50%
CZ Mlada Boleslav, Interspar	Mladá Boleslav, Jičínská	9,104	14,180	8.15%
CZ Nachod, Ruzova	Náchod, Růžová 264	1,913	414	11.50%
CZ Nejdek, namesti Karla IV	Nejdek, nám. Karla IV 1245	1,335	1,201	9.45%
CZ Neratovice, Kojeticka	Neratovice, Kojetická 1370	1,119	972	9.53%
CZ Nove Mesto na Morave, Komenskeho	Nové Město na Moravě, Komenskeho 999	1,744	716	9.27%
CZ Novy Jicin, Generala Hlado	Nový Jičín, Generála Hlaďo 1849/25	7,100	3,814	9.49%
CZ Nymburk, Prazska	Nymburk, Pražská 2261	1,981	948	12.00%
CZ Okrisky, B Nemcove	Okříšky, B. Němcové 438	394	121	11.00%
CZ Ostrava, Belsky les	Ostrava, B. Četeny 3025/15	7,002	3,599	9.19%

Overview by Region
Established Markets

Investment properties	City, address	Gross lettable area sqm	Market value TEUR	Equivalent yield
CZ Ostrava, Interspar	Ostrava, Horní 283/87	14,436	19,070	7.75%
CZ Pacov, Zizkova	Pacov, Žižkova	863	965	9.06%
CZ Pardubice, Family Centrum	Pardubice, Poděbradská 296	13,332	19,570	7.86%
CZ Pardubice, Lonkova	Pardubice, Lonkova 510	3,595	999	11.00%
CZ Pelhrimov, Vysocina	Pelhřimov, Solní 530/1	3,742	2,279	9.07%
CZ Plzen, Gera	Plzeň, Lidická 732/35	1,785	986	8.78%
CZ Plzen, Gerska	Plzeň, Gerská 2030	6,315	5,720	8.03%
CZ Podebrady, Na Valech	Poděbrady, Na Valech 53	2,654	2,564	9.54%
CZ Praha, Balabenka	Praha, Českomoravská 2258/8	2,842	2,219	8.50%
CZ Praha, Bily Beranek	Praha, Nevanova 1050	2,895	999	10.79%
CZ Praha, Cerveny dvur	Praha, Strašnice	Land plot	27	N/A
CZ Praha, Cil	Praha, Topolová 1/2915	6,591	6,503	9.00%
CZ Praha, Fiserka	Praha, Matějská 2352/76	1,926	1,226	8.90%
CZ Praha, Klas	Praha, V Předpolí 21	1,209	800	8.85%
CZ Praha, Kutnohorska	Praha, Kutnohorská 371	3,534	1,682	10.16%
CZ Praha, Liben	Praha, U Libeňského pivovaru 63	6,651	5,100	9.55%
CZ Praha, Luka	Praha, Mukařovského 1985	7,704	5,570	9.18%
CZ Praha, Nisa	Praha, Mazurská 448	1,845	1,168	8.80%
CZ Praha, Novodvorska	Praha, Novodvorská 434	4,572	5,719	9.27%
CZ Praha, Paprsek	Praha, Hábova 1517	3,547	2,298	9.14%
CZ Praha, Podhajska pole	Praha, Podhajská pole 771	1,015	568	10.00%
CZ Praha, Rohoznik	Praha, Malešovská 1652	2,250	988	9.56%
CZ Praha, Setelka	Praha, U Libeňského pivovaru 2A/2229	629	620	6.50%
CZ Praha, Signal	Praha, Brandlova 1599	3,392	2,453	9.33%
CZ Praha, Slunecnice	Praha, Vojtíškova 1783	4,454	2,618	9.88%
CZ Praha, Sokolniky	Praha, Trousilova 1064	3,455	2,266	9.52%
CZ Praha, Spar	Praha, Stare Město 1352	9,383	12,290	8.00%
CZ Praha, Sturova	Praha, Štúrova 1284	3,472	2,163	9.12%
CZ Praha, Trio	Praha, Chodovická 2311	2,809	1,969	8.79%
CZ Praha, Velka Ohrada	Praha, Prusíkova 2577	9,595	4,002	9.32%
CZ Praha, Vesna	Praha, U Šalamounky 2/2664	762	493	8.75%
CZ Praha, Vinohradska	Praha, Vinohradská 90	1,898	1,899	7.25%
CZ Praha, Vltava	Praha, Obchodní náměstí 1590	3,604	2,188	9.20%
CZ Praha, Vysluni	Praha, Makovského 1179	2,508	1,478	9.37%
CZ Praha, Zdar	Praha, Donovalská 1725	2,960	1,682	9.76%
CZ Rakovnik, Dukelskych hrdinu	Rakovník, Dukelských hrdinů 2546	1,507	1,062	9.85%
CZ Rokycany, Bozeny Nemcove	Rokycany, Boženy Němcové 960	2,731	1,464	9.18%
CZ Stare Mesto, Galeria Shopping	Staré Město, Východní	3,005	3,519	8.30%
CZ Strakonice, Lidicka	Strakonice, Lidická 565	816	193	13.00%
CZ Strancice, Vsechromy	Stránčice, Všechromy 47	9,656	6,676	8.00%
CZ Tabor, Luznice	Tábor, Světlogorská 2767	6,624	1,863	9.84%
CZ Tabor, Zlata svicka	Tábor, kpt. Jaroše 2392	3,681	1,759	9.75%
CZ Trebic, Generala Fanty	Třebíč, Gen. Fanty 704	481	91	12.00%
CZ Trebic, Hrotovicka	Třebíč, Hrotovická 160	8,267	1,480	12.50%
CZ Trebic, Karlovo namesti	Třebíč, Karlovo nám. 134	2,245	694	10.50%
CZ Trebon, U Francouzu	Třeboň, U Francouzů 1180	1,347	1,214	9.12%
CZ Uhersky Brod, Slovacke namesti	Uherský Brod, Slovácké nám. 2066	1,470	471	10.50%
CZ Usti nad Labem, Horizont	Ústí nad Labem, Mírová 2861/6	2,968	654	12.08%
CZ Vestec u Prahy, Videnska	Vestec u Prahy, Vídeňská 178	5,080	4,678	8.00%
CZ Vyskov, Hranicky	Vyškov, Hraničky 34	933	428	11.25%
CZ Zdar nad Sazavou, Nadrazni	Ždár nad Sázavou, Nádražní 1142/46	1,526	828	9.43%
CZ Zdar nad Sazavou, Studentska	Žďár nad Sázavou, Studentská 2/4766	1,442	1,028	9.00%
CZ Zlin, Interspar	Zlín, Třída Tomáše Bati 671	11,484	15,880	7.95%
CZ Zlin, Prerovanka	Zlín, Křiby 4718	2,783	695	11.52%
CZ Znojmo, Videnska	Znojmo, Vídeňská 131	1,196	433	9.50%
CZ Znojmo, Videnska	Znojmo, Vídeňská 83	2,575	1,069	9.15%
Total Czech Republic		**337,197**	**281,719**	**8.64%**
Hungary				
HU Budapest, EuroCenter Obuda	Budapest, Bésci út. 154	21,305	39,775	7.86%
HU Budapest, Kesmark 12	Budapest, Késmárk u.	3,105	1,490	10.00%
HU Budapest, Kesmark 16+18	Budapest, Késmárk 16 and 18	26,957	5,610	11.99%
HU Budapest, Kobanya	Budapest, Sibrik Miklós u. 30	9,388	15,550	7.78%
HU Budapest, Tancsics 43–47	Budapest, Táncsics M. u. 43–47	2,242	590	10.00%
HU Debrecen, Penny	Debrecen, 4. sz. főút – István u.	880	1,030	8.65%
HU Dunafoldvar, Penny	Dunaföldvár, Dunaföldvár, 6-os foút	867	850	8.91%
HU Gardony, Penny	Gárdony, Szabadság u.	880	885	8.82%
HU Godollo	Gödöllö, Koztarsasag str. 85	4,163	4,960	8.56%

Investment properties	City, address	Gross lettable area sqm	Market value TEUR	Equivalent yield
HU Gyongyos, Kenyergyar u. 9	Gyöngyös, Kenyérgyár u. 9	1,801	480	11.00%
HU Gyongyos, Penny	Gyöngyös, Kassai út	880	865	8.92%
HU Hajduboszormeny, Penny	Hajdúböszörmény, Baltazár u.	980	840	8.87%
HU Jaszbereny, Penny	Jászberény, Nagykátai út	1,075	1,070	8.97%
HU Kalocsa, Penny	Kalocsa, Széchenyi u. 10	970	960	8.98%
HU Keszthely, Penny	Keszthely, Csapás út	1,075	1,050	8.93%
HU Koszeg, Penny	Koszeg, Rákóczi Ferenc út	880	920	8.92%
HU Nagykanizsa, Plus	Nagykanizsa, Hevesi Sándor u.	1,000	975	8.92%
HU Nyergesujfalu, Plus	Nyergesújfalu, Kossuth Lajos u.	893	890	8.85%
HU Nyiregyhaza, Tunde u.	Nyíregyháza, Tünde u.	3,000	830	10.49%
HU Paks, Penny	Paks, Táncsics Mihály út	900	990	8.97%
HU Szombathely, Family Center	Szombathely, Varasd u. 1	10,802	15,375	7.92%
HU Szombathely, Praktiker	Szombathely, Rozsnyó u. 1	7,789	8,400	7.50%
HU Tamasi, Penny	Tamási, Szabadsag u.	1,030	995	8.89%
HU Tolna, Penny	Tolna, Bajcsy Zsilinszky u-Arany J. u.	880	810	8.95%
HU Zalaegerszeg, Penny	Zalaegerszeg, Gasparich u.	880	975	8.84%
Total Hungary		**104,622**	**107,165**	**8.29%**
Latvia				
LV Riga, Galeria Azur	Riga, Rencenu str. 1	20,420	45,290	7.98%
Total Latvia		**20,420**	**45,290**	**7.98%**
Slovakia				
SK Bratislava, Saratov I	Bratislava, Saratovska 28	7,298	8,892	8.80%
SK Kosice, Optima	Košice, Moldavska cesta 32	47,132	94,780	7.64%
SK Zilina, Duben	Žilina, Vysokoškolákov 52	10,407	27,462	8.04%
Total Slovakia		**64,837**	**131,134**	**7.80%**

Czech Republic

The Czech Republic was one of the first markets in which the Group began its real estate development and investment activities, having entered the market in 1997. For several years it was the Group's largest investment market and with a total gross lettable area of approximately 337,000 sqm across a portfolio of 98 investment properties remains an important segment for the Group. The largest property in the Czech portfolio is the Futurum Brno shopping centre with a GLA of approximately 17,000 sqm which, as at 31 December 2008, had a market value of approximately EUR 38m. Apart from this large shopping centre the portfolio mainly comprises smaller supermarkets, discount markets or neighbourhood centres which are designed to suit their local environment and, with their focus on essentials, are the types of properties that generally perform well throughout more difficult market conditions. The market value of all Czech properties at the end of 2008 amounted to approximately EUR 282m, while the gross rental income for the year increased to approximately EUR 25m (2007: EUR 23m).

Overview by Region
Established Markets

Hungary

At the end of 2008 the Group owned 25 investment properties in Hungary with a total lettable area of approximately 105,000 sqm and a market value of approximately EUR 107m. The portfolio includes four shopping centres, of which the largest is the "EuroCenter Obuda" in Budapest, with a GLA of approximately 21,000 sqm, and 21 smaller supermarkets, discount markets or logistic centres. All of them contributed to a gross rental income of EUR 9m (2007: EUR 9m). In February 2008 a shopping centre in Godollo was opened with a GLA of approximately 4,000 sqm.

Slovakia

At the end of 2008 the Group's investment portfolio in Slovakia consisted of three investment properties with a market value of approximately EUR 131m and producing a gross rental income of more than EUR 8m (2007: EUR 7m). At the end of 2008 the Group opened the second phase of the Optima shopping centre in Kosice, bringing online an additional 16,000 sqm of GLA. There are approximately 145 units within the centre which has attracted a range of national and international brands including Deichmann, Intersport, Peacocks, Marks & Spencer, H&M, C&A, Reserved, Guess, Esprit and Nike.

Latvia

At the end of 2008, the Group owned one shopping centre in Latvia which is located in Riga with a total GLA of approximately 20,000 sqm. The market value of the shopping centre, which opened in 2006, was approximately EUR 45m and it produced a gross rental income of approximately EUR 4m (2007: EUR 4m).

Net Asset Value

The concept of net asset value is used to describe the value of the assets of a company less the value of its liabilities.

	31 December 2007		31 December 2008	
	TEUR	EUR per share/ certificate	TEUR	EUR per share/ certificate
Equity	3,071,255		2,229,494	
Deferred tax assets	(1,672)		(3,111)	
Deferred tax liabilities	155,584		85,338	
Net assets value	**3,225,167**	**15.25**	**2,311,721**	**10.66**
Number of outstanding certificates	211,485,001		216,899,287	

For calculation purposes including partly paid shares on a proportionate basis as at 31 December 2007. All partly paid shares were cancelled on 1 August 2008.

Net asset value is based on the audited financial statements and includes the market value of the Group's investment properties only, which has been appraised by Cushman & Wakefield. The surplus on the Group's development projects is not included in the NAV. Under IAS 40 companies are required to hold investment properties under development at cost less impairment.

With respect to the paragraph 82 of the Austrian Stock Exchange Act (§ 82 BoerseG) the directors confirm that to the best of their knowledge the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group as required by the applicable accounting standards and that the Group management report gives a true and fair view of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties the Group faces. The directors confirm to the best of their knowledge that the separate financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company as required by the applicable accounting standards and that the management report gives a true and fair view of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties the Company faces.

Statements Regarding Forward Looking Information

This Annual Report includes statements that are, or may be deemed to be, "forward looking statements". These forward looking statements can be identified by the use of forward looking terminology, including the terms "believes", "estimates", "anticipates", "expects", "intends", "may", "will" or "should" or, in each case their negative or other variations or comparable terminology. These forward looking statements include all matters that are not historical facts. They appear in a number of places throughout this Annual Report and include statements regarding the intentions, beliefs or current expectations of Atrium European Real Estate Limited (the "Company") and its subsidiaries (together with the Company, the "Group"). 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.

You should assume that the information appearing in this Annual Report is up to date only as of the date of this Annual Report. The business, financial condition, results of operations and prospects of the Company or the Group may change. Except as required by law, the Company and the Group do not undertake any obligation to update any forward looking statements, even though the situation of the Company or the Group may change in the future.

All of the information presented in this Annual Report, and particularly the forward looking statements, are qualified by these cautionary statements.

You should read this Annual Report and the documents available for inspection completely and with the understanding that actual future results of the Company or the Group may be materially different from what the Company or the Group expects.

Financial Statements

Directors' Report

The directors submit their report and the audited consolidated financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 December 2008.

Incorporation

Atrium European Real Estate Limited (the "Company"), formerly known as Meinl European Land Limited, was incorporated in Jersey, Channel Islands, on 8 December 1997.

Principal activities

The principal activity of the Group is the ownership, leasing, management and development of commercial real estate originally in the Czech Republic and Hungary. Over recent years the activities have expanded into Poland, Romania, Slovakia, Russia, Latvia, Turkey, Bulgaria, Ukraine and Georgia.

Results

The results for the year are shown in the consolidated income statement on page 39.

Dividend

The directors of the Company do not recommend the payment of a dividend for the year (2007: TEUR 0).

Directors

The directors of the Company who served during the year and up to the date of approving these financial statements are as stated on page 95.

During 2008 the following persons resigned as directors of the Company:

- Georg Josef Kucian resigned on 1 August 2008
- Heinrich Schwägler resigned on 1 August 2008
- Karel Römer resigned on 1 August 2008
- Michael Henry Richardson resigned on 5 March 2008
- Peter Byrne resigned on 5 March 2008

The following persons were appointed as directors of the Company during the year ended 31 December 2008 and subsequently:

- Chaim Katzman was appointed on 1 August 2008
- Michael Bar Haim was appointed on 1 August 2008
- Dipak Kumar Rastogi was appointed on 14 October 2008
- Shanti Sen was appointed on 1 August 2008
- Peter David Linneman was appointed on 1 August 2008
- Thomas William Wernink was appointed on 1 August 2008
- Rachel Lavine was appointed on 1 August 2008
- Joseph Frederick Azrack was appointed on 1 August 2008 and resigned on 14 October 2008
- Peter Jeffrey Baguley was appointed on 14 October 2008
- Andrew Ian Wignall was appointed on 6 March 2008
- Simon Malcolm Radford was appointed on 6 March 2008

Shares

Shares/certificates of Atrium European Real Estate Limited owned by the directors of the Company are described in note 41.

Company secretary

After the resignation of Bedell Secretaries Limited as the Company Secretary and Administrator of the Company on 29 February 2008, the Company appointed Aztec Financial Services (Jersey) Limited as its new Company Secretary and Administrator. The Company did not conclude any agreement with Aztec Financial Services (Jersey) Limited except for the agreements in connection with the above mentioned services, use of their address for the registered office of the Company and agreements with Simon Malcolm Radford, director of both Aztec Financial Services (Jersey) Limited and of the Company.

Directors' responsibilities

The directors are responsible for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards. The directors have decided to use International Financial Reporting Standards as endorsed by the EU. Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies (Jersey) Law 1991. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the Board

20 March 2009

Consolidated balance sheet at 31 December 2008

	note	2007 TEUR	2007 TEUR	2008 TEUR	2008 TEUR
Assets					
Non current assets					
Investment properties	5	1,894,412		1,762,540	
Investment properties under development	6	781,864		726,981	
Other property, plant and equipment	7	4,059		4,379	
			2,680,335		2,493,900
Goodwill	8	36,054		31,948	
Deferred tax assets	9	1,672		3,111	
Financial instruments	13	17,855		39,818	
Other assets	10	69,711		77,936	
			125,292		152,813
Current assets					
Trading properties	6	–		5,958	
Receivables from tenants	11	22,747		24,182	
Prepayments	14	53,703		31,742	
Other receivables	12	48,494		45,586	
Income tax receivable		1,214		1,985	
Financial instruments	13	79,959		22,185	
Cash and cash equivalents	15	1,339,035		1,250,643	
			1,545,152		1,382,281
Total assets			**4,350,779**		**4,028,994**
Equity and liabilities					
Equity					
Share capital	16	1,057,425		1,084,499	
Share premium	16	1,535,224		1,559,736	
Income account		494,851		(350,351)	
Currency translation		(54,193)		(86,027)	
Minority interest		37,948		21,637	
			3,071,255		2,229,494
Non current liabilities					
Long term borrowings	17	994,143		1,498,892	
Deferred tax liabilities	20	155,584		85,338	
Long term liabilities from leases	18	5,177		8,610	
Other long term liabilities	19	4,643		13,760	
			1,159,547		1,606,600
Current liabilities					
Trade and other payables	21	70,190		106,693	
Payables related to acquisitions	22	2,073		865	
Accrued expenditure	23	34,948		68,552	
Short term borrowings	17	9,317		10,639	
Provisions	24	3,316		5,367	
Income tax payable		133		784	
			119,977		192,900
Total equity and liabilities			**4,350,779**		**4,028,994**

The financial statements on pages 36 to 89 were approved and authorised for issue by the Board of Directors during the course of their meeting on 20 March 2009 and were duly signed on the Board’s behalf by Rachel Lavine, Chief Executive Officer and Chaim Katzman, Chairman.

Consolidated income statement for the year ended 31 December 2008

		2007		2008	
	note	TEUR	TEUR	TEUR	TEUR
Gross rental income	25	120,030		134,244	
Service charge income	27	31,381		55,367	
Net property expenses	28	(66,950)		(94,361)	
Net rental income			**84,461**		**95,250**
Net result on disposal of investment properties	26	(22)		613	
Revaluation of investment properties	5	133,406		(434,032)	
Other depreciation and amortisation	29	(3,407)		(236,137)	
Net administrative expenses	30	(74,395)		(56,795)	
Expenses connected with management contracts termination	31	–		(276,457)	
Net operating profit/(loss)			**140,043**		**(907,558)**
Interest income	32	134,645		58,327	
Interest expenses	32	(65,624)		(55,785)	
Other financial income and expenses	33	(16,055)		(19,363)	
Profit/(loss) before taxation			**193,009**		**(924,379)**
Taxation (charge)/credit for the year	34	(38,432)		79,074	
Profit/(loss) after taxation for the year			**154,577**		**(845,305)**
Attributable to:					
Equity holders of the parent			157,438		(845,202)
Minority interest			(2,861)		(103)
Basic & diluted earnings per share/certificate in EUR	35		0.6361		(3.9541)

Consolidated cash flow statement for the year ended 31 December 2008

	note	2007 TEUR	2008 TEUR
Cash flows from operating activities			
Profit/(loss) before taxation		193,009	(924,379)
Adjustments for:			
Depreciation and amortisation		3,407	236,137
Revaluation of investment properties		(133,406)	434,032
Foreign exchange gain		1,930	33,931
Change in provisions		2,944	2,051
Loss on disposal of investment properties and financial assets		22	454
Profit on purchase of financial liabilities		–	(16,603)
Expenses connected with termination of management contracts		–	276,457
Interest expense		65,624	55,785
Interest income		(134,645)	(58,327)
Operating cash flows before working capital changes		**(1,115)**	**39,538**
(Increase)/decrease in trade and other receivables		(4,248)	10,804
(Increase)/decrease in prepayments		2,157	(4,014)
Decrease in trade and other payables		(23,402)	(1,396)
Increase in accrued expenditures		17,408	7,566
Cash generated from operations		**(9,200)**	**52,498**
Interest paid		(80,270)	(44,818)
Interest received		134,645	45,299
Corporation taxes paid		(266)	(2,629)
Net cash generated from operating activities		**44,909**	**50,350**
Cash flows from termination of management contract		**–**	**(160,000)**
Cash flows from investing activities			
Payments to acquire investment properties, developments and trading properties		(703,895)	(433,334)
Disposals of investment properties		3,702	3,755
Prepayment for acquisition of subsidiaries		(34,500)	–
Movements in other financial assets		(29,002)	34,481
Acquisition of subsidiaries net of cash acquired		(53,453)	(1,227)
Foreign exchange losses		(5,564)	(25,847)
Net cash used in investing activities		**(822,712)**	**(422,172)**
Net cash (outflow) before financing		**(777,803)**	**(531,822)**
Cash flows from financing activities			
Proceeds from issuance of share capital		1,477,500	3
Costs arising from issuance of share capital		(102,057)	–
Purchase of certificates on behalf of the Company		(1,815,507)	(1,500)
Net decrease of bank borrowings		(2,310,898)	(7,347)
Net issue of bonds less redemption		–	452,274
Net cash used in financing activities		**(2,750,962)**	**443,430**
Net decrease in cash and cash equivalents		**(3,528,765)**	**(88,392)**
Cash and cash equivalents at beginning of year		**4,867,800**	**1,339,035**
Cash and cash equivalents at end of year	15	**1,339,035**	**1,250,643**

Consolidated statement of changes in equity for the year ended 31 December 2008

	note	Share capital TEUR	Share premium TEUR	Income account TEUR	Currency translation TEUR	Minority interest TEUR	Total equity TEUR
Balance at 1 January 2007		**1,126,500**	**1,906,213**	**337,429**	**(25,350)**	**37,506**	**3,382,298**
Exchange differences arising on translation of overseas operations		–	–	–	(33,775)	–	(33,775)
Deferred tax on items taken directly to equity	20, 34	–	–	–	4,932	–	4,932
Dividends paid	16	–	–	(16)	–	16	–
Net profit for the year		–	–	157,438	–	(2,861)	154,577
Total recognised income/(expense)		–	–	157,422	(28,843)	(2,845)	125,734
Issue of share capital		375,000	1,102,500	–	–	–	1,477,500
Cost of issuing shares		–	(102,057)	–	–	–	(102,057)
Changes in minority interest		–	–	–	–	3,287	3,287
Certificates held on behalf of the Company		(444,075)	(1,371,432)	–	–	–	(1,815,507)
Balance at 31 December 2007		**1,057,425**	**1,535,224**	**494,851**	**(54,193)**	**37,948**	**3,071,255**
Balance at 1 January 2008		**1,057,425**	**1,535,224**	**494,851**	**(54,193)**	**37,948**	**3,071,255**
Exchange differences arising on translation of overseas operations		–	–	–	(30,002)	–	(30,002)
Deferred tax on items taken directly to equity	20, 34	–	–	–	(1,832)	–	(1,832)
Net loss for the year		–	–	(845,202)	–	(103)	(845,305)
Total recognised expense		–	–	(845,202)	(31,834)	(103)	(877,139)
Issue and repayment of share capital	16	27,074	7,886	–	–	–	34,960
Equity component of Subordinated Convertible Securities issued	16	–	16,626	–	–	–	16,626
Changes in minority interest		–	–	–	–	(16,208)	(16,208)
Balance at 31 December 2008		**1,084,499**	**1,559,736**	**(350,351)**	**(86,027)**	**21,637**	**2,229,494**

Notes to the Financial Statements

1. Reporting entity

Atrium European Real Estate Limited (the "Company"), formerly known as Meinl European Land Limited, is a company incorporated and domiciled in Jersey. Its current registered office and principal place of business is 32 Commercial Street, St. Helier, Jersey, Channel Islands.

The Company changed its name from Meinl European Land Limited to Atrium European Real Estate Limited on 1 August 2008 as disclosed in note 44.

The principal activity of the Company and its subsidiaries ("the Group") is the ownership, leasing, management and development of commercial real estate.

The Group primarily operates in the Czech Republic, Hungary, Poland, Romania, Slovakia, Russia, Latvia and Turkey and also has development projects or land plots in Bulgaria, Ukraine and Georgia.

The financial statements for the year ended 31 December 2008 comprise the consolidated financial statements of the Group and unconsolidated financial statements of the Company.

The Company's unconsolidated financial statements for the year ended 31 December 2008 are disclosed in note 37.

The financial statements are presented in thousand Euro ("TEUR"), rounded to the nearest thousand, unless stated otherwise. They are prepared on the historical cost basis except for investment properties and certain financial assets, which are stated at their fair values.

The financial statements were approved and authorised for issue by the directors on 20 March 2009.

2. Significant accounting policies

Basis of preparation

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) and its interpretations issued by the International Accounting Standards Board (IASB), as endorsed by the EU.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by entities within the Group.

New standards and interpretations effective in the current period

The following standards or amendments of existing standards are effective for the year ended 31 December 2008, but are not relevant or have no material effects on the financial statements of the Group:

- IAS 39, IFRS 7 Reclassification; *Financial Instruments*;
- IFRIC 11, *IFRS 2 Group and treasury share transactions*, provides guidance on whether share-based transactions involving treasury shares or involving group entities (for example, options over a Company's shares) should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the Company and Group companies.
- IFRIC 12, *Service concession arrangements*. The interpretation is still subject to endorsement by the European Union.;
- IFRIC 13, *Customer loyalty programme*;
- IFRIC 14, *IAS 19 The limit on a defined benefit asset, minimum funding requirements and their interaction*.

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 2008, and have not been applied in preparing these consolidated financial statements:

- IFRS 2 (Amendment), *Share-based payment* (effective from 1 January 2009). The amended standard deals with vesting conditions and cancellations. It clarifies that vesting conditions are only service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. These features would need to be included in the grant date fair value for transactions with employees and others providing similar services; they would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Group will apply IFRS 2 (Amendment) from 1 January 2009. It is not expected to have a material impact on the Group's financial statements.
- IFRS 3 (Revised), *Business combinations* (effective from 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquired entity either at fair vale or at the non-controlling interest's proportionate share of the acquired entity's net assets. All acquisition-related costs should be expensed. The Group will apply IFRS 3 (Revised) prospectively to all business combinations from 1 January 2009.
- IFRS 8 *Operating segment* (effective from 1 January 2009). IFRS 8 replaces IAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is

presented on the same basis as that used for internal reporting purposes. The Group will apply IFRS 8 from 1 January 2009. The expected impact is still being assessed in detail by management, but it appears likely that it will not have any significant impact on the reported results or financial position of the Group. During 2007 the Board of Directors changed the management and internal reporting structure of the Group with the intention to better evaluate the nature and financial effect of business activities and the economic environment in which it operates considering the future application of IFRS 8.

- IAS 1 (Revised), *Presentation of financial statements* (effective from 1 January 2009). The revised standard will prohibit the presentation of items of income and expenses (i.e. 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning of the comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The Group will apply IAS 1 (Revised) from 1 January 2009.
- IAS 23 (Amendment), *Borrowing costs* (effective from 1 January 2009). It requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The principal change to the standard, which is to eliminate the previously available option to expense all borrowing costs when incurred, will have no impact on these financial statements because it has always been the Group's accounting policy to capitalise borrowing costs incurred on qualifying assets.
- IAS 27 (Revised), *Consolidated and separate financial statements*, (effective from 1 July 2009). The revision of the standard is still subject to endorsement by the European Union. The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The Group will apply IAS 27 (Revised) prospectively to transactions with non-controlling interests from 1 January 2010.
- IAS 32 (Amendment), *Financial instruments: Presentation*, and IAS 1 (Amendment), *Presentation of financial statements – Puttable financial instruments and obligations arising on liquidation* (effective from 1 January 2009). The amended standards require entities to classify puttable financial instruments and instruments, or components of instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation as equity, provided the financial instruments have particular features and meet specific conditions. The Group will apply the IAS 32 and IAS 1 (Amendment) from 1 January 2009. It is not expected to have any impact on the Group's financial statements.
- IFRIC 15, *Agreements for construction of real estates* (effective from 1 January 2009). The interpretation is still subject to endorsement by the European Union. The interpretation clarifies whether IAS 18, *Revenue*, or IAS 11, *Construction contracts*, should be applied to particular transactions. It is likely to result in IAS 18 being applied to a wider range of transactions. It is not expected to have any material impact on the Group's financial statements.
- IFRIC 16, *Hedges of a net investment in a foreign operation* (effective from 1 October 2008). The interpretation is still subject to endorsement by the European Union. IFRIC 16 clarifies the accounting treatment in respect of net investment hedging. This includes the fact that net investment hedging relates to differences in functional currency not presentation currency, and hedging instruments may be held anywhere in the Group. The requirements of IAS 21, *The effects of changes in foreign exchange rates*, do apply to the hedged item. The Group will apply IFRIC 16 from 1 January 2009.

Use of judgements and estimates

The preparation of 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.

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.

In particular, significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements can be found in note 5 Investment properties, note 6 Investment properties under development, and note 8 Goodwill.

Investment properties are stated at fair value. An external, independent international valuation company, Cushman & Wakefield, Real Estate Consultants, having an appropriate recognised professional qualification and recent experience in the respective locations and categories of properties being valued, valued the portfolio of the entire Group as at 31 December 2008. The valuation has been prepared in accordance with the appropriate sections of both the current Practice Statements, and United Kingdom Practice Statements contained within the Royal Institution of Chartered Surveyors Valuation Standards (Sixth Edition) published by the Royal Institution of Chartered Surveyors (the "Red Book").

Goodwill and investment properties under development are tested for impairment in accordance with the accounting policies outlined further in this note. The testing is performed annually or whenever there is an indication that assets may be impaired.

Basis of consolidation

Subsidiaries

Subsidiaries are all those entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Joint ventures

Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions. Joint ventures are accounted for using the equity method.

The consolidated financial statements include the Group's share of the income and expenses of equity-accounted investees after adjustment to align the accounting policies with those of the Group, from the date that joint control commences until the date that joint control ceases.

Transactions eliminated on consolidation

Intra-group balances and any realised and unrealised gains and losses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. The majority of intra-group transactions consist of management and consultancy services, interest income and interest expenses arising from loans provided within the Group.

Minority interests

Minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination (see below) and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Full consolidation

Full consolidation requires a combination of the financial statements of the Company and its subsidiaries line by line by adding together like items of assets, liabilities, equity, income and expenses and further steps in accordance to IAS 27, performed in order that the consolidated financial statements present financial information about the Group as that of a single economic entity.

Consolidation group

The Group consists of the Company and following entities:

Company name	Country	Ownership	Consolidation method
FORUM SOFIA AD	Bulgaria	80%	Full
ABERGAVENNY INVESTMENTS LIMITED	Cyprus	70%	Full
ATTILO HOLDINGS LIMITED	Cyprus	100%	Full
BROADVALE HOLDINGS LIMITED	Cyprus	100%	Full
DALMAZZIO INVESTMENTS LIMITED	Cyprus	100%	Full
DALSEN SERVICES LIMITED	Cyprus	90%	Full
DANELDEN ENTERPRISES LIMITED	Cyprus	100%	Full
ETHERLAND INVESTMENTS LIMITED	Cyprus	100%	Full
INOPOS–LE GRAND HOLDINGS LIMITED	Cyprus	100%	Full
MALL GALLERY 1 LIMITED	Cyprus	63%	Full
MALL GALLERY 2 LIMITED	Cyprus	100%	Full
MD CE HOLDING LIMITED	Cyprus	100%	Full
MD REAL ESTATE MANAGEMENT LTD	Cyprus	80%	Full
MD RUSSIA HOLDING LIMITED	Cyprus	100%	Full
MD TIME HOLDING LIMITED	Cyprus	76%	Full
NESTONIA HOLDINGS LIMITED	Cyprus	100%	Full
NOKITON INVESTMENTS LIMITED	Cyprus	51%	Full
PATTONGATE TRADING LIMITED	Cyprus	85%	Full
TRESSERUS INVESTMENTS LIMITED	Cyprus	100%	Full
Euro Mall Brno Real Estate, s.r.o.	Czech Republic	100%	Full
MANHATTAN Development a.s.	Czech Republic	100%	Full
Manhattan Real Estate Management s.r.o.	Czech Republic	100%	Full
MFM Services s.r.o.	Czech Republic	100%	Full
Rezidence Černého s.r.o.	Czech Republic	100%	Full
Veveří Centre s.r.o.	Czech Republic	100%	Full
FORAS HOLDING A/S	Denmark	100%	Full
PoloniaCo ApS	Denmark	100%	Full
OU Manhattan Properties	Estonia	100%	Full
EUROPA & Co LLC	Georgia	85%	Full
ALFA – PIAC Kft.	Hungary	100%	Full
Magnum Hungaria Invest Kft.	Hungary	100%	Full
Manhattan Development Alfa Kft.	Hungary	100%	Full
Manhattan Development Global Kft.	Hungary	100%	Full
Manhattan Development Invest Kft.	Hungary	100%	Full
Manhattan Development Kft.	Hungary	100%	Full
Manhattan Development Projekt Kft.	Hungary	100%	Full
Manhattan Development Property Kft.	Hungary	100%	Full
Manhattan Development Tanne Kft.	Hungary	100%	Full
Manhattan Real Estate Management Kft.	Hungary	100%	Full
THESIS S.P.A.	Italy	100%	Full
Atrium European Real Estate Nominees Limited	Jersey	100%	Full
Atrium Treasury Services Limited	Jersey	100%	Full
MEINL CAUCASUS AND CENTRAL ASIA FUND LP	Jersey	65%	Equity**
SIA Manhattan Real Estate Management	Latvia	100%	Full
SIA MD Galerija Azur	Latvia	100%	Full
Atrium European Cooperatief U.A.	Netherlands	100%	Full
Atrium European Management N.V.	Netherlands	100%	Full

Company name	Country	Ownership	Consolidation method
Morning Rise BV	Netherlands	85%	Full
AGROMEX DEVELOPMENT Sp. z o.o.	Poland	100%	Full
BYTOM PROPERTY Sp. z o.o.	Poland	100%	Full
CENTRUM HANDLOWE FELIN Sp. z o.o.	Poland	93.4%*	Full
CENTRUM HANDLOWE NEPTUNCITY Sp. z o.o.	Poland	65%*	Full
EURO MALL POLSKA XIX Sp. z o.o.	Poland	24%	Equity
EURO MALL POLSKA XVI Sp. z o.o.	Poland	24%	Equity
EURO MALL POLSKA XX Sp. z o.o.	Poland	24%	Equity
FORAS REDUTA PROPERTY Sp. z o.o.	Poland	100%	Full
FORAS TARGOWEK PROPERTY II Sp. z o.o.	Poland	100%	Full
FORAS TARGOWEK PROPERTY Sp. z o.o.	Poland	100%	Full
FORAS TARGOWEK Sp. z o.o.	Poland	100%	Full
GALERIA BIALYSTOK Sp. z o.o.	Poland	100%	Full
GALERIA COPERNICUS – TORUN Sp. z o.o.	Poland	100%	Full
GALERIA NA WYSPIE Sp. z o.o.	Poland	65%	Full
INVESTIM Sp. z o.o.	Poland	50.90%	Full
L.P.H. Sp. z o.o.	Poland	65%	Full
MANHATTAN DEVELOPMENT Sp. z o.o.	Poland	100%	Full
MANHATTAN REAL ESTATE MANAGEMENT Sp. z o.o.	Poland	100%	Full
MD JASTRZEBIE ZDROJ Sp. z o.o.	Poland	100%	Full
MD POLAND I Sp. z o.o.	Poland	100%	Full
MD POLAND II Sp. z o.o.	Poland	100%	Full
MD POLAND III Sp. z o.o.	Poland	100%	Full
MULTI VESTE POLAND 2 Sp. z o.o.	Poland	50.10%	Full
PROGRES 77 Sp. z o.o.	Poland	50.90%	Full
PROJEKT ECHO–35 Sp. z o.o.	Poland	100%	Full
Land Development Project SRL	Romania	100%	Full
MANHATTAN REAL ESTATE MANAGEMENT SRL	Romania	100%	Full
PROPERTY DEVELOPMENT ONE SRL	Romania	90%	Full
PROPERTY DEVELOPMENT TWO SRL	Romania	90%	Full
OOO Bugry	Russia	100%	Full
OOO Delta	Russia	76%	Full
OOO Engineerics	Russia	63%	Full
OOO Engineerics Catering	Russia	63%	Full
OOO Everest	Russia	76%	Full
OOO Foras Kislovodsk	Russia	100%	Full
OOO Foras Magnitogorsk	Russia	100%	Full
OOO Foras Sergiev Posad	Russia	100%	Full
OOO Foras Volzhsky	Russia	100%	Full
OOO Mall Management	Russia	80%	Full
OOO Mall Marketing	Russia	64%	Equity
OOO Manhattan Brateevo	Russia	100%	Full
OOO Manhattan Development	Russia	100%	Full
OOO Manhattan Real Estate Management	Russia	100%	Full
OOO Manhattan Signalny	Russia	100%	Full
OOO Manhattan Yekaterinburg	Russia	100%	Full
OOO MD Togliatti	Russia	76%	Full
OOO Retail Togliatti	Russia	100%	Full
OOO Sodruzhestvo	Russia	76%	Full
OOO Stroyremmontazh	Russia	100%	Full
OOO Zvezdnyi Gorod	Russia	76%	Full

Company name	Country	Ownership	Consolidation method
ZAO Dialog	Russia	76%	Full
ZAO Megapolis	Russia	76%	Full
ZAO Nautilus	Russia	76%	Full
ZAO Patera	Russia	100%	Full
ZAO Rubikon	Russia	76%	Full
ZAO Universal	Russia	51%	Full
ZAO Universal-Ural	Russia	51%	Full
Manhattan Development SK a.s.	Slovakia	100%	Full
Manhattan Real Estate Management Sk s.r.o.	Slovakia	100%	Full
Palm Corp s.r.o.	Slovakia	100%	Full
SLOVAK INVESTMENT GROUP, a.s.	Slovakia	100%	Full
Trettioencorp AB	Sweden	100%	Full
BALCOVA GAYRIMENKUL YATIRIM INSAAT VE TICARET A.S.	Turkey	80%	Full
MEL 1 GAYRIMENKUL GELISTIRME YATIRIM INSAAT VE TICARET A.S.	Turkey	98%	Full
MEL 2 GAYRIMENKUL GELISTIRME YATIRIM INSAAT VE TICARET A.S.	Turkey	98%	Full
MEL 3 GAYRIMENKUL GELISTIRME YATIRIM INSAAT VE TICARET A.S.	Turkey	98%	Full
MEL 4 GAYRIMENKUL GELISTIRME YATIRIM INSAAT VE TICARET A.S.	Turkey	98%	Full
MEL 5 GAYRIMENKUL GELISTIRME YATIRIM INSAAT VE TICARET A.S.	Turkey	98%	Full
MEL 6 GAYRIMENKUL GELISTIRME YATIRIM INSAAT VE TICARET A.S.	Turkey	98%	Full
MULTI TURKMALL ALTI EMLAK YATIRIM INSAAT VE TICARET A.S.	Turkey	100%	Full
TRABZON TICARET MERKEZI A.S.	Turkey	100%	Full
A.Kharkiv 1, LLC	Ukraine	99.9%	Full
A.Kharkiv 2, LLC	Ukraine	99.9%	Full
A.Kharkiv 3, LLC	Ukraine	99.9%	Full
A.Kyiv LLC	Ukraine	100%	Full
ENGINEERICS UKRAINE LLC	Ukraine	63%	Full
OJSC Ipodrom	Ukraine	90%	Full
VORONTSOVSKI VEZHI LLC	Ukraine	70%	Full

* Atrium European Real Estate Limited is entitled to 100% share of the entity’s result

** MEINL CAUCASUS AND CENTRAL ASIA FUND L.P. is a joint venture between Atrium European Real Estate Limited and the European Bank for Reconstruction and Development

Merger
The Company decided to merge two Russian group companies in 2008. Subsidiary OOO Molodost-KVK has been merged with OOO Delta and subsidiary OOO Zviezdnyi Gorod has been merged with OOO Vremya (Yekaterinburg). No mergers took place in 2007.

Foreign currency
These financial statements are presented in Euro ("EUR"), which is considered by the Group's management to be the appropriate presentation currency due to the fact that the majority of the transactions of the Group are denominated in or based on this currency.

The individual financial statements of each of the group entities use the currency of the primary economic environment in which the entity operates as its functional currency. When determining the functional currency for each entity the currency in which the entity generates rental income is the primary driver for assessing the functional currency but other cash flows are also taken into account.

The functional currency for the Group companies in Bulgaria, Czech Republic (except for MANHATTAN Development a.s.), Cyprus, Denmark, Estonia, Georgia, Hungary, Italy, Latvia, Netherlands, Poland, Romania, Slovakia, Turkey and Jersey was determined to be Euro. The local currency was determined to remain the functional currency for MANHATTAN Development a.s., all Ukrainian entities and all Russian entities except for OOO Manhattan Brateevo, OOO Manhattan Signalny, OOO Bugry, OOO Manhattan Development, OOO Manhattan Yekaterinburg, and OOO MD Togliatti where the functional currency is Euro, and OOO Everest where the functional currency is USD. Russian entities, owning investment properties under development, have the local currency as the functional currency. Once the investment properties are rented out, the functional currency will be changed based on the currency in which rents are determined or to which rents are bound and taking into account other cash flows.

As rents in OOO Manhattan Development, OOO Manhattan Yekaterinburg and OOO MD Togliatti have been determined mainly in Euro in the year 2008, the functional currency for those entities has changed from USD to EUR in 2008.

Transactions in foreign currencies on an entity basis are translated to the functional currency 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 into the functional currency at the foreign exchange rate prevailing at that date. Non monetary assets and liabilities denominated in foreign currencies 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 into the functional currency at the foreign exchange rates prevailing at the dates the fair values are determined.

On consolidation, the assets and liabilities of the Group's foreign entities with a functional currency other than Euro are translated into Euro at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period.

The exchange differences that arose from the translation of the balance sheet and income statement items from the functional to the reporting currency are presented as a separate component of equity until the disposal of the foreign entity. Exchange differences arising on items, which in substance form part of the net investment in a foreign entity, are also presented as a separate component of equity until the disposal of the net investment.

Investment properties
Investment properties comprise all properties (land or buildings – or part of a building – or both) that are held to earn rentals or for capital appreciation or for both and are not used for supply of goods or services, for administrative purposes or for sale in the ordinary course of business of the Group.

Investment properties are stated at fair value. An external, independent international valuation company, Cushman & Wakefield, Real Estate Consultants, having an appropriate recognised professional qualification and recent experience in the respective locations and categories of properties being valued, valued the portfolio of the entire Group as at 31 December 2008 and 31 December 2007. The valuation has been prepared in accordance with the appropriate sections of both the current Practice Statements, and United Kingdom Practice Statements contained within the Royal Institution of Chartered Surveyors Valuation Standards (Sixth Edition) published by the Royal Institution of Chartered Surveyors (the "Red Book").

The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing and the parties having each acted knowledgeably, prudently and without compulsion. A desktop valuation has been carried out on a quarterly basis during the years 2007 and 2008 based on the previous year end full valuation, except for the fair values as at 30 September 2008 which were also determined using a full valuation method.

Each property has been valued individually and not as part of a portfolio. 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 risks inherent in the net cash flows is then applied to the net annual rentals to arrive at the property valuation. The yield used for valuation depends on the country and the risk assessment of the asset, for details see table below.

Country	Weighted average yield 2007	Weighted average yield 2008
Russia	10.23%	12.60%
Poland	6.45%	7.99%
Czech Republic	7.51%	8.64%
Hungary	7.42%	8.29%
Slovakia	7.05%	7.80%
Latvia	6.50%	7.98%
Romania	7.65%	8.70%
Turkey	8.25%	10.06%

Valuations of standing investments 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. The calculations are based on recently observed market data as far as such data was available due to current turbulences on the real estate markets.

Any gain or loss arising from a change in fair value is recognised in the income statement. In the case of entities whose functional currency is the local currency the revaluation gain in the local currency is converted to Euro using the average foreign exchange rate. The remaining foreign exchange difference (being the difference arising from the conversion of the investment properties in the balance sheet at year end rates and the conversion of the revaluation gain using the average rate) is recognised in equity as foreign exchange difference.

When the Group begins to redevelop an existing investment property for continuous future use as investment property, the property remains investment property, which is measured at fair value.

If the Group begins to use an investment property for its administrative purposes or as part of the ordinary business activities of the Group, it is reclassified as other property, plant and equipment and its fair value at the date of reclassification is deemed to be its cost for accounting purposes.

Land plots for which a development project exists and an appropriate building permit has been granted are presented within the investment properties caption and measured at fair value. In this case, the fair value of such land was determined based on the value for which the land could be sold in the market, which was determined by Cushman & Wakefield using the residual value method. In case the appropriate building permit no longer exists, such land plots are reallocated to the investment properties under development caption.

Investment properties under development

Property that has been acquired and is being or will be developed for future use as investment property is classified as investment property under development and stated at cost less impairment losses. Upon the completion, the property is transferred to investment properties and measured at fair value. At the date of transfer, the difference between the fair value and the cost is recorded in the consolidated income statement within the caption revaluation of investment properties.

All costs directly associated with the purchase and development of a property, and all subsequent capital expenditures in this respect that qualify for acquisition costs are capitalised.

The Group applies IAS 23 and capitalises borrowing costs 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 for its intended use/sale have started and expenditures and borrowing costs are incurred. Capitalisation of borrowing costs may continue until the assets are substantially ready for their intended use. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognised. The capitalisation rate is determined by reference to the actual rate payable on borrowings for the respective development or by the average rate.

Land

Land is treated as investment properties under development (see above) unless a development project exists and a building permit has been granted. In such case, land is classified as investment properties and revalued to its fair value. The fair value of such land was determined based on the value for which the land could be sold in the market, which was determined by Cushman & Wakefield to be the fair value of the completed project less cost to complete and an appropriate developer's profit ("residual value").

For land plots which are subject to forward purchase agreements, these agreements were used as a basis for the determination of the market value of these land plots. In general, a forward purchase agreement determines the purchase price for a development project based on a pre-defined yield. For the purpose of the measurement of the fair value of these land plots, the present value of that part of the future profits of the relevant agreements, which arises from the yield compression between the contract date and the balance sheet date, is considered to be the change in the fair value of the land plot since its acquisition.

Other property, plant and equipment

Other property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Depreciation is provided in equal monthly instalments over the estimated useful life of the assets. The useful life of the assets is usually between 60 and 120 months.

Depreciation is charged on an asset from its acquisition date to the date of its disposal. Depreciation is first charged starting from the month following the month in which the asset was put in use.

Goodwill

Goodwill represents the excess of the cost of the acquisition over the fair value of the Group's share of the net identifiable assets acquired.

Goodwill is measured at cost less accumulated impairment losses. Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash-generating units to which goodwill has been allocated. Cash-generating units are defined to be equal to the geographical operating segments of the Group. The recoverable amount is the higher amount of the fair value less the cost to sell or the value in use of the cash generating unit. Determination of the value in use requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value.

Future cash flows of real estate companies are mainly derived from the cash flows of the standing investment properties and the future investment properties and are therefore reflected in the fair values of investment properties. Goodwill itself mainly arises due to recognition of deferred tax liabilities in the course of the purchase price allocation. Therefore, impairment testing is carried out by comparing the goodwill recognised to the net deferred tax liability per country.

Any excess of goodwill over deferred tax liabilities is considered as an impairment loss. Such impairment loss is recognised immediately in the income statement. An impairment loss in respect of goodwill is not reversed.

Not all acquisitions of subsidiaries can be classified as business combinations in accordance with IFRS 3. Land plots acquired via a share deal are not accounted for in accordance with IFRS 3, since no business is acquired. In cases where investment properties are acquired, these investment properties are classified as a business if the property management is either carried out by the acquired entity or if the management contract with a pre-existing external provider is taken over in the course of the acquisition.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity ("push down accounting").

Other intangible assets

Other intangible assets are defined as identifiable, non monetary assets without physical substance, which can be expected to generate future economic benefits other than goodwill. Further, based on Group policy, other intangible assets include assets with an estimated useful life greater than one year.

Other intangible assets that are acquired by the Group are measured at cost less accumulated amortisation and accumulated impairment losses.

Amortisation of other intangible assets is recorded on a straight line basis over their estimated useful lives. The useful lives of the assets are usually between 48 and 120 months.

Amortisation is charged on an asset from its acquisition date to the date of its disposal. Amortisation is first charged starting from the month following the month in which other intangible assets were put in use.

Trading properties

Properties that are being developed for future sale are classified as trading properties and are measured at the lower of cost and net realisable value. The cost of trading properties comprises all costs directly associated with the purchase and development of trading properties, and all subsequent capital expenditures incurred in bringing the trading properties to their present location and condition. Net realisable value is the fair value less the cost to sell.

Financial instruments

Categories

Financial assets of the Group are classified into the following specified categories:

- Held to maturity investments
- Loans and receivables

Financial assets of the Company are classified into the following categories:

- Held to maturity investments
- Loans and receivables
- Available for sale financial assets valued at cost less impairment

For more details see also notes 4 and 37.1.

Where the Group has the intent and ability to hold debt securities to maturity, they are classified as *held to maturity* and they are stated at amortised cost, using the effective interest rate method, less impairment losses.

Loans provided outside the Group are measured at amortised cost, less impairment.

Available for sale financial assets are represented by financial investments in subsidiaries.

Financial liabilities in both the Group and the Company are classified as *financial liabilities carried at amortised cost.*

Classes

Financial instruments of the Group and the Company are broken down into the following classes according to the characteristics of the financial instruments.

Financial Assets:

- Financial investments at cost less impairment
- Bonds
- Loans at cost less impairment
- Other financial instruments
- Receivables from tenants
- Other receivables
- Cash and cash equivalents

Financial Liabilities:

- Bonds and convertible bonds (the "Subordinated Convertible Securities")
- Loans received
- Financial liabilities from finance leases
- Other long term liabilities
- Payables related to acquisitions
- Trade and other payables
- Accrued expenditure

Financial investments are presented only by the Company, see note 37.2 and represent the Company's investments in the subsidiaries and are therefore eliminated in the consolidated financial statements. These financial investments are classified as *available for sale financial assets stated at cost less impairment*, as they are not quoted in an active market. They are recognised and derecognised on the date of the transaction with any resulting gain or loss recognised in the income statement.

Short term financial instruments represent financial instruments that are due within 12 months or less. Short term financial instruments also include an element of long term financial instruments due within 12 months. Long term financial instruments represent financial instruments due within more than 12 months.

All financial assets presented by the Company are tested for impairment in accordance with the accounting policies stated further in this note. The testing is performed annually or whenever there is an indication that assets may be impaired.

Other non current assets

Other non current assets are stated at their cost less impairment losses.

Other current assets

Other current assets are measured at their nominal value and reduced by appropriate allowances for estimated impaired amounts. Appropriate allowances are recognised in the income statement.

Cash and cash equivalents

Cash and cash equivalents are measured at cost.

Cash and cash equivalents comprise cash in hand, deposits on demand, and other short term highly liquid assets that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Impairment

At each balance sheet date, the Group and the Company reviews the carrying amounts of the Group's and the Company's assets, other than investment properties measured at fair value and deferred tax assets, to determine whether there is any indication of impairment loss. If any such indication exists, the asset's recoverable amount is estimated.

All assets that are subject to impairment are tested annually and in addition whenever there is an indication that the asset may be impaired. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement immediately.

The recoverable amounts of the Group's development projects, presented under investment properties under development, were calculated as the present value of the expected gross development value, discounted at the pre-tax discount rate and the present value of the outstanding costs to complete the investment property. The gross development value is defined as the present value of future rents which are expected to be achieved from the investment property once it is developed. The pre-tax discount rate reflects the current market assessment of the time value of money and the risk specific to the asset. The discount rates used for this purpose ranged from 7.75% to 20.00% depending on the geographical area and the project type. The discount rate of 20.00% is applied only to a development in Georgia. Furthermore, a risk factor based on the market environment, the project and the development stage, in the range from 0% to 10%, has been deducted from gross development value. The recoverable amounts for land plots where management currently does not have specific plans for development were estimated as the lower of cost or fair value per square metre.

The recoverable amounts of financial investments and intercompany loans presented only by the Company, see note 37, were based on net assets included in the consolidated financial statements of the Group.

Share capital, Share premium

Share capital consists of shares issued by the Company. The proceeds of certificates, representing shares of the Company issued and sold to investors, are recorded net of direct issue costs. If there is a difference between the realised proceeds and the nominal values of issued certificates, it is recorded as a share premium.

Currency translation

The currency translation comprises all foreign currency differences arising from:

- the translation of the financial statements of foreign entities whose functional currency is not Euro;
- the translation that forms part of an entity's net investment.

Borrowings

Borrowings are recorded at the proceeds received, net of direct issuance costs and are amortised to the settlement amount using the effective interest method. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accrual basis to the income statement using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Short term borrowings represent borrowings that are due within 12 months. Long term borrowings represent borrowings due after more than 12 months.

Convertible bonds (the "Subordinated Convertible Securities")

The Subordinated Convertible Securities are split into a financial liability and an equity instrument. The financial liability represents the Company's obligation to make scheduled payments of interest and principal that exists as long as the instrument is not converted. On initial recognition, the fair value of the liability component is the present value of the contractually determined stream of future cash flows discounted at the rate of interest applied at that time by the market to instruments of comparable credit status and providing substantially the same cash flows, on the same terms, but without conversion. The equity instrument is an embedded option to convert the liability into equity of the Company. The fair value of the option comprises its time value and its intrinsic value, if any.

Provisions

A provision is recognised in the balance sheet if, as a result of a past event, the Group has a present legal or otherwise binding obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the amount is material, 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.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

At the inception of the lease, assets held under a finance lease are recognised at their fair value or, if lower, at the present value of the minimum lease payments. Subsequently such assets are measured in analogy to other assets held under the relevant caption (e.g. investment properties – at fair value; other property, plant and equipment – amortised acquisition costs less impairment). The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Minimum lease payments are apportioned between finance charges and the reduction of the outstanding liability. The finance charge shall be allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, within the caption other financial income and expenses.

Other long term liabilities and current liabilities

Other long term liabilities and current liabilities are stated at cost.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, value added tax ("VAT") and other sales related taxes.

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease. Utility costs incurred by the Group on properties that are leased to third parties are largely reinvoiced to the lessees, and the subsequent income and expense is recognised on an accrual basis.

All other significant operating income or expenses are recognised on an accrual basis.

The gain or loss arising on the disposal of properties is determined as the difference between the sales proceeds and the carrying value of the property and is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer.

Service charge income

Service charge income includes payments received by the Group for utilities and other services provided to tenants. Generally, reinvoiceable utilities are a pass through item for the Group. The rental agreements normally specify which cost items are reinvoiceable for the Group and can be charged to tenants. There are two different categories of reinvoiceable income and expenses:

- utilities such as gas, water, electricity or telephone services which can be measured individually for each tenant. These services are invoiced and charged to tenants on an ongoing monthly basis; and

- fixed cost items such as centre management, marketing, cleaning or security services which cannot be directly measured individually for each tenant. These costs are normally calculated on a pro-rata basis per square metre occupied by each tenant and are invoiced and charged to tenants once or twice a year.

Tenants are normally required to make a security deposit and monthly prepayments for the reinvoiceable service charges. Once a year, the prepayments are netted against the actual cost and the difference is settled between the Group and the tenants. To the extent that there are vacancies in a property, the Group has to bear the cost of covering the allocated and pro-rata reinvoiceable service charges.

Interest income and expenses, Other financial income and expenses

Interest income and expenses are accounted for using the effective interest rate method.

Other financial income and expenses comprise mainly foreign currency gains and losses.

Taxation

Taxation expense comprises corporate income tax for the year and deferred tax.

The corporate income tax is based on taxable profit for the year and the average tax rate. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred tax

Deferred tax is recognised using the balance sheet liability method. Deferred tax is calculated on all temporary timing differences between the carrying amounts of an asset or liability in the consolidated financial statements and its tax base in the individual company financial statements. This calculation includes probable realisable tax benefits from existing tax losses carried forward.

Deferred tax is computed on the total amount of the revaluation adjustment for investment properties.

Future changes in tax rates are considered if the relevant legal amendment has been passed as of the balance sheet date. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also recognised in equity.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is not probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets are offset with deferred tax liabilities within one entity only if the entity has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

Earnings per share/certificate

Earnings per share/certificate are calculated by dividing profit or loss after taxation attributable to the ordinary shareholders by the weighted average number of ordinary shares/certificates outstanding during the year. Diluted earnings per share/certificate equals the basic earnings per share/certificate because the Subordinated Convertible Securities and Initial Warrants do not currently have a dilutive effect.

Partly paid shares are included in the average number of shares proportionately.

Operating segment

An operating segment is a component of the Group that is engaged in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the Group's chief operating decision makers in order to allocate resources to the segment and assess its performance, and for which discrete financial information is available.

The Group has three reportable segments:

- *The standing investment segment* includes all commercial real estate held to generate rental income or long term increases in value or for both not used for administrative purposes or for sale as part of the ordinary business activities of the Group;
- *The development segment* includes all development activities; and
- *The administration segment* is responsible for administration of companies that own investment properties and investment properties under development.

The Group's reportable segments are strategic business sectors which carry out different business activities and are managed separately.

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reliable basis. The Group evaluates performance of both the standing investment segment and the administration segment on the basis of profit or loss from operations before tax expense not including foreign exchange gains and losses. The performance of the development segment is evaluated based on expected yield on cost.

Geographical information is based on the geographical locations of the investment properties. The Group operates in the following countries: the Czech Republic, Hungary, Poland, Slovakia, Romania, Russia, Latvia, Bulgaria, Turkey, Ukraine and Georgia. Further the Group has its holding or management companies in Cyprus, Denmark, Italy, the Netherlands, Sweden and the parent company in Jersey.

3. Capital risk management

The objective of the Group is to manage, invest and develop commercial real estate in Central and Eastern Europe, South Eastern Europe and the Commonwealth of Independent States ("CIS") in order to increase their intrinsic value. In the initial phase of growth a group company (a subsidiary) mainly relies on equity, and to a smaller extent debt, as a source of financing. The Group has always applied a conservative funding strategy.

The capital structure of the Group is described in note 16.

4. Categories of financial instruments

The Group distinguishes the following categories of financial instruments as required by IFRS 7:

2008	Carrying amount TEUR	Loans and receivables TEUR	Financial liabilities at amortised cost TEUR
Financial assets			
Long term financial instruments	39,818	39,818	–
Receivables from tenants	24,182	24,182	–
Other receivables	16,098	16,098	–
Short term financial instruments	22,185	22,185	–
Cash and cash equivalents	1,250,643	1,250,643	–
Total financial assets	**1,352,926**	**1,352,926**	**–**
Financial liabilities			
Long term borrowings	1,498,892	–	1,498,892
Long term liabilities from leases	8,610	–	8,610
Other long term liabilities	13,760	–	13,760
Trade and other payables	106,693	–	106,693
Payables related to acquisitions	865	–	865
Accrued expenditure	68,552	–	68,552
Short term borrowings	10,639	–	10,639
Total financial liabilities	**1,708,011**	**–**	**1,708,011**

2007	Carrying amount TEUR	Loans and receivables TEUR	Held to maturity investments TEUR	Financial liabilities at amortised cost TEUR
Financial assets				
Long term financial instruments	17,855	1,873	15,982	–
Receivables from tenants	22,747	22,747	–	–
Other receivables	19,157	19,157	–	–
Short term financial instruments	79,959	79,959	–	–
Cash and cash equivalents	1,339,035	1,339,035	–	–
Total financial assets	**1,478,753**	**1,462,771**	**15,982**	**–**
Financial liabilities				
Long term borrowings	994,143	–	–	994,143
Long term liabilities from leases	5,177	–	–	5,177
Other long term liabilities	4,643	–	–	4,643
Trade and other payables	70,190	–	–	70,190
Payables related to acquisitions	2,073	–	–	2,073
Accrued expenditure	34,948	–	–	34,948
Short term borrowings	9,317	–	–	9,317
Total financial liabilities	**1,120,491**	**–**	**–**	**1,120,491**

Fair values of non current bonds and non current loans presented under long term financial liabilities are disclosed in note 17. The fair values of the financial assets are deemed equal to the book value. The remaining financial liabilities are stated at amortised cost which is deemed not to be significantly different from fair value. The Group has pledged cash as collateral, for more information see note 15.

5. Investment properties

The current portfolio of investment properties of the Group consists of 25 (2007: 25) properties in Hungary, 98 (2007: 102) properties in the Czech Republic, 3 (2007: 3) properties in Slovakia, 19 (2007: 19) properties in Poland, 4 (2007: 1) properties in Romania, 8 (2007: 9) properties in Russia, 3 (2007: 2) properties in Turkey and 1 (2007: 1) property in Latvia. Four (2007: 4) of the properties in the Czech Republic are refinanced on the basis of finance lease contracts.

During the reporting period ended 31 December 2008, some projects, where building permits for land plots were obtained, were reassessed and consequently the book value of relevant land plots was transferred from investment properties to investment properties under development.

	2007 TEUR	2008 TEUR
Balance as at 1 January	1,688,863	1,894,412
Additions – acquisition of new companies	43,515	–
Additions – new properties, technical improvements, extensions	75,178	216,305
Transfer from investment properties under development	33,524	156,077
Transfer to investment properties under development	–	(70,694)
Disposals	(3,724)	(2,879)
Adjustments of acquisition costs	(43,738)	–
Translation difference	(32,612)	3,351
Revaluation of investment properties	133,406	(434,032)
Balance as at 31 December	**1,894,412**	**1,762,540**
Land relating to investment properties under development	257,090	96,927
Land relating to investment properties under development subject to a forward purchase agreement	102,327	22,814
Commercial properties	1,534,995	1,642,799
Total	**1,894,412**	**1,762,540**

During 2007 a final adjustment for acquisition costs of existing investment properties had led to a gain on revaluation of TEUR 43,738. In addition, final adjustments for other costs amounting to TEUR 4,504 had been included in the 2007 financial statements either as a reduction of goodwill or as other income. These adjustments had been made in connection with the Management Agreement (see note 42).

Revaluation of investment properties:

	2007 TEUR	2008 TEUR
Land relating to investment properties under development	23,038	(80,719)
Land relating to investment properties under development subject to forward purchase agreements	34,517	(30,997)
Commercial properties	75,851	(322,316)
Total	**133,406**	**(434,032)**

Movement in number of investment properties

	2007	2008
Properties as at 1 January	157	162
Additions	4	–
Transfer from investment properties under development	5	5
Transfer to investment properties under development	–	(2)
Disposals	(4)	(4)
Balance as at 31 December	**162**	**161**

Investment properties include four properties under finance leases with a fair value of TEUR 10,838 (2007: TEUR 11,984).

As at 31 December 2008 the Group has pledged a total of 118 investment properties (2007: 99 properties) with a fair value of TEUR 978,906 (2007: TEUR 773,349) and 5 land plots with a carrying value of TEUR 19 disclosed under investment properties under development. The properties and land have been pledged in favour of bondholders and various commercial banks.

6. Investment properties under development

	2007 TEUR	2008 TEUR
Balance as at 1 January	105,232	781,864
Translation difference	(348)	(11,080)
Additions – acquisition of new companies	488,734	–
Additions – cost of land and construction	206,110	240,426
Transfer to trading properties	–	(5,612)
Transfer to investment properties	(33,524)	(156,077)
Transfer from investment properties	–	70,694
Interest capitalised	15,660	37,658
Impairment loss	–	(230,892)
Balance as at 31 December	**781,864**	**726,981**
Transfer to investment properties:		
Land	(30,183)	(52,536)
Construction costs	(3,341)	(103,541)
Total	**(33,524)**	**(156,077)**

Movement in number of Investment properties under development

	2007	2008
Properties as at 1 January	21	38
Additions	22	–
Disposals	–	(2)
Transfer from investment properties*	–	3
Transfer to investment properties**	(5)	(5)
Balance as at the end of the period* **	**38**	**34**

* includes a project which was previously treated as one project within investment properties and now development part is separated

** includes projects where land for development is revalued to fair value

*** does not include projects where land for development is revalued to fair value

The impairment loss on investment properties under development in the amount of TEUR 230,892 recognised in the financial statements as at 31 December 2008 (2007: EUR 0) was caused by the current situation in the global real estate markets.

From 2008 residential projects of TEUR 5,958 are presented under the caption trading properties, whereas in 2007 they were disclosed under investment properties under development.

7. Other property, plant and equipment

	2007 TEUR	2008 TEUR
Cars and motor vehicles	799	597
Furniture	466	809
Office equipment	1,036	1,403
Other	1,758	1,570
Total	**4,059**	**4,379**

8. Goodwill

	2007 TEUR	2008 TEUR
Cost		
As at 1 January	46,063	42,788
Adjustment of acquisition cost	(3,275)	(227)
As at 31 December	**42,788**	**42,561**
Accumulated impairment losses		
As at 1 January	(3,823)	(6,734)
Impairment losses recognised in the year	(2,911)	(3,879)
As at 31 December	**(6,734)**	**(10,613)**
Carrying amount		
As at 1 January	42,240	36,054
As at 31 December	**36,054**	**31,948**

9. Deferred tax assets

2008	Opening balance TEUR	Deferred tax credit/(charge) to income statement TEUR	Other TEUR	Closing balance TEUR
Deferred tax assets arise from the following:				
Temporary differences				
Arising on investment properties	4,087	(1,838)	–	2,249
Arising on other assets	(518)	515	–	(3)
Arising on liabilities and provisions	(2,282)	2,569	–	287
Arising on tax losses carry forward	482	232	–	714
Other temporary differences	(97)	(25)	(14)	(136)
Total deferred tax assets	**1,672**	**1,453**	**(14)**	**3,111**

2007	Opening balance TEUR	Deferred tax credit/(charge) to income statement TEUR	Other TEUR	Closing balance TEUR
Deferred tax assets arise from the following:				
Temporary differences				
Arising on investment properties	1,167	2,920	–	4,087
Arising on other assets	(228)	(290)	–	(518)
Arising on liabilities and provisions	(1,400)	(882)	–	(2,282)
Arising on tax losses carry forward	1,583	(1,101)	–	482
Other temporary differences	(338)	241	–	(97)
Total deferred tax assets	**784**	**888**	**–**	**1,672**

See also note 34.

10. Other assets

	2007 TEUR	2008 TEUR
Intangible assets	174	227
VAT receivables	67,761	66,780
Equity Fund Raising costs	–	10,117
Other assets	1,776	812
Total	**69,711**	**77,936**

Long term VAT receivables arise mainly from the development of investment properties mainly in Russia and Turkey and are not discounted. VAT receivables will be netted off with any VAT payables once payables arise or will be repaid by the relevant tax authority.

Further information about Equity Fund Raising costs is disclosed in note 45.

11. Receivables from tenants

2008 Receivables aging:	Gross	Allowances for impaired balances	Net
Within due	14,504	(1)	**14,503**
Overdue 0 – 30 days	4,319	(435)	**3,884**
Overdue 31 – 90 days	2,360	(433)	**1,927**
Overdue 91 – 180 days	1,298	(602)	**696**
Overdue 181 – 360 days	2,379	(1,470)	**909**
Overdue 361 days and more	9,331	(7,068)	**2,263**
Total	**34,191**	**(10,009)**	**24,182**

2007 Receivables aging:	Gross	Allowances for impaired balances	Net
Within due	8,281	(37)	**8,244**
Overdue 0 – 30 days	4,034	(97)	**3,937**
Overdue 31 – 90 days	1,190	(57)	**1,133**
Overdue 91 – 180 days	3,622	(650)	**2,972**
Overdue 181 – 360 days	689	(553)	**136**
Overdue 361 days and more	8,057	(1,732)	**6,325**
Total	**25,873**	**(3,126)**	**22,747**

Description of collateral held as security in relation to tenants is provided in note 40 under credit risk.

The management estimates that book value of the receivables does not significantly differ from their fair value.

In the above tables, out of the receivables shown as overdue for more than 181 days in 2008 an amount of TEUR 7,374 (2007: TEUR 8,563) is a receivable from the prior owner of two Russian entities purchased by the Group. Allowances for bad debts are calculated based on management knowledge of the business and the market on an individual basis.

The table below provides a reconciliation of changes of allowances during the year:

	2007 TEUR	2008 TEUR
At 1 January	**(3,617)**	**(3,126)**
Release of allowances	726	668
Addition to allowances	(235)	(7,551)
At 31 December	**(3,126)**	**(10,009)**

Interest income on allowances is not disclosed as all allowances are deemed to be short term and therefore not discounted.

12. Other receivables

	2007 TEUR	2008 TEUR
Accrued revenues (uninvoiced services)	394	242
Receivables from employees	119	198
Other taxes and fees receivables	1,189	435
Financial receivables (accrued interests)	5,472	8,720
Receivables from facility management services	1,494	2,268
Amounts receivable from sale of properties	–	549
Other	10,735	3,898
Allowances to financial receivables	(246)	(212)
Total other financial receivables	**19,157**	**16,098**
VAT receivable	29,337	29,488
Total other non financial receivables	**29,337**	**29,488**
Gross total	**48,740**	**45,798**
Net total	**48,494**	**45,586**

The amount in other represents various receivables, such as estimated purchase price adjustments, penalties, overpayments and reinvoiced expenses.

13. Financial instruments

	2007 TEUR	2008 TEUR
Bonds issued by financial institutions	15,982	–
Loans to third parties	51,749	32,422
Loans to associates	30,083	29,581
Total	**97,814**	**62,003**
Amount due within 12 months (included under current assets)	79,959	22,185
Amount due after more than 12 months	17,855	39,818

The carrying amount of financial instruments approximates their fair value.

14. Prepayments

	2007 TEUR	2008 TEUR
Prepaid utilities	2,073	1,830
Prepayments for constructions/developments	12,983	26,732
Prepayments for acquisition – THESIS SpA.	34,500	–
Other	4,147	3,180
Total	**53,703**	**31,742**

The above prepayment for THESIS SpA. relates to a property in St. Petersburg. The fair value of the Group's prepayments approximates their carrying amount.

15. Cash and cash equivalents

	2007 TEUR	2008 TEUR
Balances at banks and cash in hand	1,336,495	1,248,183
Cash in transit	2,540	2,460
Total	**1,339,035**	**1,250,643**

The Group held cash of TEUR 1,250,643 (2007: TEUR 1,339,035) of which TEUR 1,116,303 (2007: TEUR 1,225,390) was directly held by the Company, the remaining cash was held by the Group companies. As of 31 December 2008, cash balances at banks have been diversified to various international bank institutions. No individual bank holds deposits of more than EUR 300m.

The Group holds cash of TEUR 58,792 (2007: TEUR 31,269) as backing for guarantees and/or other restricted cash issued by various banks on the Group's behalf.

16. Equity

Share capital

As at 31 December 2008, the Company's authorised share capital amounted to EUR 5,000,002,500 divided into 1,000,000,000 ordinary shares of EUR 5.00 each and 500 special voting shares of EUR 5.00 each. Of this authorised share capital, a total of 216,899,287 ordinary shares are actually issued and outstanding, of which:

- a total of 216,899,286 ordinary shares, which are represented by outstanding certificates, are registered in the name of Oesterreichische Kontrollbank ("OeKB"); and
- one ordinary share, which is not represented by a certificate, is registered in the name of CPI/Gazit Holdings Limited.

As at 31 December 2008 a total of 500 special voting shares are issued and outstanding of which:

- 230 are held by CPI Austria Holdings Limited; and
- 270 are held by Gazit Midas Limited

The Company has also issued 30 million warrants (the "Initial Warrants") to CPI/Gazit Holdings Limited ("CG Holdings") as of 1 August 2008 in return for CG Holdings' investment in the Company, (see also note 44).

The calculation of NAV per share as of 31 December 2008 has been made based on the 216,899,287 certificates.

As at 31 December 2007, the Company's authorised share capital amounted to EUR 5,000,000,000 divided into 1,000,000,000 ordinary shares of EUR 5.00 each. Of this authorised share capital, a total of 450,000,001 ordinary shares were actually issued and outstanding, of which:

- 300,000,001 shares/certificates were represented by certificates listed on the Vienna Stock Exchange, of which one share was held by the investment manager of the Company and 88,815,000 certificates were held on behalf the Company. These certificates were purchased under the terms of the prevailing Market-Maker-Agreement, as disclosed in the capital market prospectuses, see also note 42. In accordance with IAS 32, these certificates were deducted from the underlying consolidated equity in the Group's 2007 consolidated financial statements.
- 150 million partly paid shares with a par value of EUR 5 (EUR 0.01 paid on each share), which were held by Tshela Nominees A.V.V.

The calculation of NAV per share as of 31 December 2007 has been made based on the 211,185,001 certificates that were not held on behalf of the Company and including the partly paid shares on a proportionate base. The earnings per share/certificate computation was adjusted accordingly.

During 2008 the Company:

- cancelled the 88,815,000 certificates held on behalf of the Company;
- cancelled the 150 million partly paid shares held by Tshela Nominees A.V.V.;
- issued TEUR 36,457 in the form of 5,714,286 ordinary shares (represented by certificates) as consideration to Meinl Bank Group, (see note 42).

The total change in equity due to issue and repayment of share capital consists of:

- issuance of 5,714,286 ordinary shares (represented by certificates) to Meinl Bank Group of TEUR 36,457 arising from Master Transaction Agreement;
- issuance of special voting shares of EUR 2,500 to CPI/Gazit Holdings Limited arising from Master Transaction Agreement;
- repayment of partly paid shares of TEUR 1,500;

No dividends have been paid by the Group in 2008 (2007: TEUR 16 paid by a Turkish subsidiary).

Share premium

Share premium as of 31 December 2008 amounted to TEUR 1,559,736 (2007: TEUR 1,535,224). The increase in share premium for 2008 was caused by the equity element of the Subordinated Convertible Securities in the amount of TEUR 16,626, see notes 17 and 44 and the share premium arising from 5,714,286 ordinary shares (represented by certificates) issued to the Meinl Bank Group, see note 42.

There was no share premium on the partly paid shares in issue as of 31 December 2007.

17. Borrowings

	2007 TEUR	2008 TEUR
Bonds	887,597	1,400,461
Loans	108,484	101,326
Other	7,379	7,744
Total	**1,003,460**	**1,509,531**

The borrowings are repayable as follows:

Borrowings total	2007 TEUR	2008 TEUR
Due within one year	9,317	10,639
In second year	6,812	9,784
In third to fifth year inclusive	58,217	714,307
After five years	929,114	774,801
Total	**1,003,460**	**1,509,531**
Amount due within 12 months (included under current liabilities)	9,317	10,639
Amount due after more than 12 months	994,143	1,498,892

Bonds

The Company issued Subordinated Convertible Securities in August 2008, under the Master Transaction Agreement, see note 44. The principal amount of the Subordinated Convertible Securities issued was EUR 580m with a fixed interest rate of 10.75% p.a. The holders of the Subordinated Convertible Securities are entitled to convert them into newly issued ordinary shares (represented by certificates), in whole or in part, at the option of the holders at any time after closing of the Master Transaction Agreement. The conversion rights expire on the seventh anniversary of closing. The amounts above are shown net of issuance costs, which are being amortised, over the term of the bond. The Subordinated Convertible Securities issued under the Master Transaction Agreement are unsecured.

The liability element in the amount of TEUR 552,655 of the Subordinated Convertible Securities is included within borrowings due after five years. The equity element of the Subordinated Convertible Securities was included within share premium at issuance, see note 16.

2008

Bond/Issue year	Currency	Interest rate	Maturity	Book value TEUR	Fair Value TEUR	Effective interest rate
MANHATTAN Development a.s. 2001	EUR	6.800%	2011	32,360	28,535	6.800%
Atrium European Real Estate Limited 2003	EUR	6.000%	2013	31,191	24,300	6.738%
Atrium European Real Estate Limited 2003	EUR	variable	2013	66,137	51,146	6.209%
Atrium European Real Estate Limited 2005	EUR	4.350%	2015	49,408	31,075	5.109%
Atrium European Real Estate Limited 2005	EUR	variable	2017	87,336	51,763	4.564%
Atrium European Real Estate Limited 2005	CZK	variable	2015	36,350	22,900	4.469%
Atrium European Real Estate Limited 2006	EUR	6.375%	2013	545,024	428,098	6.834%
Atrium European Real Estate Limited 2008	EUR	10.75%	2015	552,655	515,333	11.822%
Total				**1,400,461**	**1,153,150**	**8.506%**

2007

Bond/Issue year	Currency	Interest rate	Maturity	Book value TEUR	Fair Value TEUR	Effective interest rate
MANHATTAN Development a.s. 2001	EUR	6.800%	2011	32,223	34,066	6.800%
Atrium European Real Estate Limited 2003	EUR	6.000%	2013	31,063	30,550	6.682%
Atrium European Real Estate Limited 2003	EUR	variable	2013	65,650	63,656	6.182%
Atrium European Real Estate Limited 2005	EUR	4.350%	2015	49,040	41,998	5.109%
Atrium European Real Estate Limited 2005	EUR	variable	2017	87,281	75,356	4.649%
Atrium European Real Estate Limited 2005	CZK	variable	2015	36,423	33,544	4.469%
Atrium European Real Estate Limited 2006	EUR	5.375%	2013	585,917	500,580	5.876%
Total				**887,597**	**779,750**	**5.740%**

During 2008 the Company announced its intention to repurchase bonds up to a nominal value of EUR 150m. As of 31 December 2008, the Company had repurchased bonds issued in 2006 with a nominal value of TEUR 43,425 for TEUR 25,457. Net profit from the transaction was TEUR 16,603.

Commercial Papers

In January 2007, the Company repaid commercial papers issued in December 2006 with a total amount of TEUR 2,300,000. As of 31 December 2008 and 2007 no commercial papers were outstanding.

Loans

2008

Lender	Currency	Interest rate	Maturity	Book value TEUR	Fair Value TEUR	Effective interest rate
Raiffeisen Bank, Budapest	EUR	6.754%	2009	291	295	6.754%
Raiffeisen Bank, Praha	CZK	8.800%	2011	237	242	8.800%
Bank für Arbeit und Wirtschaft AG	EUR	6.800%	2011	576	545	6.800%
Bank für Arbeit und Wirtschaft AG	EUR	5.927%	2011	1,667	1,556	5.927%
Bank für Arbeit und Wirtschaft AG	EUR	6.600%	2011	15,738	15,928	6.600%
UniCredit Bank Slovakia, a.s.	EUR	variable	2017	37,483	32,782	4.553%
UniCredit Bank Slovakia, a.s.	EUR	variable	2017	17,301	15,030	4.553%
EUROHYPO AG	EUR	6.370%	2012	12,637	12,293	6.370%
EUROHYPO AG	EUR	6.070%	2012	394	383	6.070%
VOLKSBANK AG	EUR	variable	2016	4,257	3,967	7.291%
VOLKSBANK AG	EUR	6.840%	2015	3,305	3,220	6.840%
Erste bank AG	EUR	variable	2015	5,390	5,195	5.723%
ČSOB	EUR	variable	2021	2,050	1,775	4.323%
Total				**101,326**	**93,211**	**5.402%**

2007

Lender	Currency	Interest rate	Maturity	Book value TEUR	Fair Value TEUR	Effective interest rate
Raiffeisen Bank, Budapest	EUR	6.754%	2009	592	589	6.754%
Raiffeisen Bank, Praha	CZK	8.800%	2011	306	280	8.800%
Bank für Arbeit und Wirtschaft AG	EUR	6.800%	2011	807	797	6.800%
Bank für Arbeit und Wirtschaft AG	EUR	5.927%	2011	2,257	2,323	5.927%
Bank für Arbeit und Wirtschaft AG	EUR	6.600%	2011	17,469	17,403	6.600%
UniCredit Bank Slovakia, a.s.	EUR	variable	2017	39,058	41,601	5.904%
UniCredit Bank Slovakia, a.s.	EUR	variable	2017	18,023	19,196	5.904%
EUROHYPO AG	EUR	6.370%	2012	13,336	13,413	6.370%
EUROHYPO AG	EUR	6.070%	2012	416	424	6.070%
VOLKSBANK AG	EUR	variable	2016	4,754	4,693	6.791%
VOLKSBANK AG	EUR	6.840%	2015	3,325	3,271	6.840%
Erste bank AG	EUR	variable	2015	5,971	5,714	7.434%
ČSOB	EUR	variable	2021	2,170	2,445	5.534%
Total				**108,484**	**112,149**	**6.238%**

Fair value
The fair values of loans and bonds were determined by external valuators.

Breaches and defaults
Details regarding breaches and defaults are described in note 40 under liquidity risk.

18. Liabilities from financial leases

Liabilities from financial leases are mainly from leasing of four properties in the Czech Republic. The term of the leases are for 15 years and will terminate in 2013 for the property in Velka Ohrada, Prague 13, in 2014 for the properties in Luka, Prague 5 and in Nymburk, and in 2018 for the property in Klasterec nad Ohri. Lease payments are made on a monthly basis as follows:

	2007 TEUR Net Present Value	2007 TEUR Undiscounted Lease Payments	2008 TEUR Net Present Value	2008 TEUR Undiscounted Lease Payments
Due within one year	1,244	1,294	640	1,112
Due within two to five years	889	1,001	2,643	4,182
Due after five years	4,288	5,829	5,967	6,277
Total	**6,421**	**8,124**	**9,250**	**11,571**
Amount due within 12 months (shown under current liabilities)	1,244	1,294	640	1,112
Amount due after more than 12 months	5,177	6,830	8,610	10,459

All lease obligations are denominated in EUR, except for lease obligations of a property in Klasterec nad Ohri that are denominated in CZK.

The Group's obligations under finance leases are secured by the lessors' charges over the leased assets.

19. Other long term liabilities

Other long term liabilities of TEUR 13,760 (2007: TEUR 4,643) principally comprise long term deposits from tenants amounted to TEUR 12,033 (2007: TEUR 2,979) and long term retentions from construction companies amounted to TEUR 1,727 (2007: TEUR 1,664). Increase in long term deposits from tenants is partially due to new deposits secured in 2008 and partially due to reclassification from short term to long term deposits.

20. Deferred tax liabilities

2008	Opening balance TEUR	Deferred tax credit/(charge) to income statement TEUR	Other TEUR	Closing balance TEUR
Deferred tax liabilities arise from the following:				
Temporary differences				
Arising on investment properties	(153,757)	52,298	(11,207)	(112,666)
Arising on other assets	(179)	(745)	(4)	(928)
Arising on liabilities and provisions	(3,521)	9,421	(79)	5,821
Arising on tax losses carry forward	1,243	17,670	155	19,068
Other temporary differences	630	1,238	1,499	3,367
Total deferred tax liabilities	**(155,584)**	**79,882**	**(9,636)**	**(85,338)**

The amount in other comprises deferred tax liabilities accounted for directly in equity of TEUR 1,832 and foreign exchange differences arising from deferred tax liabilities accounted for in other financial income and expenses of TEUR 7,804. Foreign exchange differences relate to entities whose functional currencies do not match with the currencies in which taxes have to be paid.

2007	Opening balance TEUR	Deferred tax credit/(charge) to income statement TEUR	Other TEUR	Closing balance TEUR
Deferred tax liabilities arise from the following:				
Temporary differences				
Arising on investment properties	(122,916)	(33,697)	2,856	(153,757)
Arising on other assets	661	(823)	(17)	(179)
Arising on liabilities and provisions	(828)	(2,700)	7	(3,521)
Arising on tax losses carried forward	3,170	(1,927)	–	1,243
Other temporary differences	(326)	864	92	630
Total	**(120,239)**	**(38,283)**	**2,938**	**(155,584)**

The amount in other comprises deferred taxes accounted for directly in equity of TEUR 4,932 and foreign exchange differences arising from deferred taxes accounted for in other financial income and expenses of TEUR 1,994. Foreign exchange differences relate to entities whose functional currencies do not match with the currencies in which taxes have to be paid.

See also note 34.

21. Trade and other payables

	2007 TEUR	2008 TEUR
Payables for utilities	2,067	1,820
Payables for consultancy and audit services	2,640	3,067
Payables for rent expenses	141	258
Payables for management fee (including facility management fee)	1,178	2,690
Payables for repairs and maintenance	401	825
Payables connected with development/construction	33,304	72,428
Payables to employees	557	668
VAT payables	2,527	2,359
Other taxes and fees payables	2,983	3,724
Short term liabilities from leasing	1,244	640
Short term deposits from tenants	12,128	6,253
Payables for marketing and press monitoring	583	604
Payables for cleaning	92	561
Payables for security services	183	706
Settlements to be credited to tenants	867	496
Deferred revenue	3,444	4,049
Other	5,851	5,545
Total	**70,190**	**106,693**

Management considers that the carrying amounts of trade and other payables approximate their fair value.

Comparing to 2007, in 2008 the Group presents a lower amount of short term liabilities from tenants mainly due to partial reclassification from short term to long term liabilities, see note 19.

22. Payables related to acquisitions

	2007 TEUR	2008 TEUR
Payables related to acquisitions of:		
CENTRUM HANDLOWE FELIN Sp.z o.o.	711	711
SLOVAK INVESTMENT GROUP, a.s.	149	132
Other	1,213	22
Total	**2,073**	**865**

23. Accrued expenditure

	2007 TEUR	2008 TEUR
Accruals for utilities	1,242	1,665
Accruals for consultancy and audit services	562	2,826
Accruals for rent expenses	328	511
Accruals for management (including facility management) fee	6,195	54
Accruals for repairs and maintenance	156	215
Accruals for construction services	4,928	23,564
Accruals for interests	18,245	31,565
Accruals for bonuses	448	2,616
Other	2,844	5,536
Total	**34,948**	**68,552**

24. Provisions

	2007 TEUR	2008 TEUR
As at 1 January	372	3,316
Release of provisions	(271)	(2,898)
Addition to provisions	3,212	4,951
Currency translation	3	(2)
As at 31 December	**3,316**	**5,367**

Types of provisions	2007 TEUR	2008 TEUR
Provision for taxes	2,000	291
Provision for legal disputes	476	456
Provision for penalties paid to tenants	619	120
Provision for restructuring	–	3,000
Other	221	1,500
Total	**3,316**	**5,367**

25. Gross rental income

	2007 TEUR	2008 TEUR
Rental income	119,068	133,304
Other rental income	962	940
Total	**120,030**	**134,244**

Rental income represents income from the lease of investment properties. Other rental income comprises mainly rent of advertising areas, communication equipment and other sources.

At the beginning of 2008, certain lease agreements in Russia were renegotiated with tenants with the aim to allocate a higher proportion of the overall rent as a service charge (rather than being a fixed rent payment). This reclassification resulted in a decrease of rental income and a corresponding increase of service charge income in the Group's financial statements. For 2008 the amount which was reallocated from the rental income to the service charge income due to the renegotiation was approximately EUR 9.9m.

Rental income by geographical areas is as follows:

Country	2007 TEUR	2008 TEUR
Czech Republic	22,502	25,153
Hungary	8,562	8,994
Latvia	3,982	3,730
Poland	29,865	39,448
Romania	1,353	1,762
Russia	45,579	41,070
Slovakia	7,225	8,147
Turkey	–	5,000
Total	**119,068**	**133,304**

26. Net result on disposal of investment properties

Net result on disposal arises mainly from the sale of 4 buildings in the Czech Republic that were recorded as investment properties in 2008.

27. Service charge income

Service charge income of TEUR 55,367 (2007: TEUR 31,381) represents income from services reinvoiced to tenants and results mainly from reinvoiced utilities, marketing and repairs and maintenance. Expenses to be reinvoiced to tenants are presented under net property expenses together with other operating costs that are not reinvoiced to tenants.

At the beginning of 2008, certain lease agreements in Russia were renegotiated with tenants with the aim to allocate a higher proportion of the overall rent as a service charge (rather than being a fixed rent payment). This reclassification resulted in a decrease of rental income and a corresponding increase of service charge income in the Group's financial statements. For 2008 the amount which was reallocated from the rental income to the service charge income due to the renegotiation was approximately EUR 9.9m.

28. Net property expenses

	2007 TEUR	2008 TEUR
Other operating income	5,887	2,447
Release/(creation) of provisions	(332)	208
Utilities	(15,298)	(23,192)
Real estate tax	(10,255)	(12,361)
Direct employment costs	(9,861)	(11,146)
Repairs and maintenance	(6,299)	(8,638)
Marketing and advertising expenses	(7,729)	(8,089)
Release/(creation) of allowances to receivables	491	(4,883)
Security	(3,449)	(4,956)
Cleaning	(3,104)	(4,721)
Management fees including facility management	(187)	(3,652)
Office related expenses	(2,277)	(2,126)
Consultancy and advisory expenses	(2,385)	(2,113)
Travel and transport cost	(2,341)	(1,611)
Insurance	(858)	(1,391)
Rent	(899)	(1,228)
Other fees and taxes	(505)	(977)
Contractual penalties	(1,469)	(970)
Telecommunication and IT	(809)	(702)
Letting fee	(483)	(408)
Other	(4,788)	(3,852)
Total	**(66,950)**	**(94,361)**

29. Other depreciation and amortisation

	Note	2007 TEUR	2008 TEUR
Impairment of investment properties under development	6	–	(230,892)
Impairment of goodwill	8	(2,911)	(3,879)
Other depreciation and amortisation		(496)	(1,366)
Total		**(3,407)**	**(236,137)**

30. Net administrative expenses

	2007 TEUR	2008 TEUR
Net income from services provided to third parties	212	543
Management fees, Licence fees and Market Making fees	(58,794)	(27,323)
Non operating employment cost and directors' fees	(737)	(5,141)
Legal fees	(1,137)	(5,352)
Consultancy and other fees	(4,545)	(3,451)
Audit, audit related and review fees	(230)	(2,722)
Net creation of provisions	(4,363)	(3,201)
Marketing and advertising expenses	(412)	(864)
Impairment of financial instrument	–	(575)
Tax advisory expenses	(138)	(799)
Travel and transport cost	(32)	(257)
Net creation of allowances to receivables	(246)	(212)
Proceeds/(loss) from sale of other assets	29	(184)
Other	(4,002)	(7,257)
Total	**(74,395)**	**(56,795)**

For 2008 audit, audit related and review fees as well as tax advisory expenses include the amounts relating to subsidiaries expenses whereas these amounts were presented within net property expenses, note 28, in 2007.

31. Expenses connected with management contracts termination

Details regarding expenses connected with management contracts termination are disclosed in note 37.13 and 44.

32. Interest income and interest expenses

Interest income of TEUR 58,327 (2007: TEUR 134,645) was mainly derived from bank deposits, loans provided to the third parties and short term investments.

The Group's interest expenses of TEUR 55,785 (2007: TEUR 65,624) consist mainly of interest expenses on bonds of TEUR 40,380 (2007: TEUR 29,868), amortisation of premiums and discounts of TEUR 4,178 and interest expenses on commercial paper of TEUR 0 (2007: TEUR 20,925). The remaining amount mainly relates to interest expenses on loans.

33. Other financial income and expenses

	2007 TEUR	2008 TEUR
Foreign currency differences	(1,930)	(33,930)
Net profit from bond buy back	–	16,603
Loss on the sale of bonds	–	(684)
Net gains from financial instruments at amortised cost	(1,930)	(18,011)
Impairment of bond	(3,770)	–
Amortisation of premiums and discounts	(3,862)	–
Other financial expenses/income	(6,493)	(1,352)
Total	**(16,055)**	**(19,363)**

Other financial expenses in 2007 comprised mainly bank charges and expenses related to short term investments (made via Euro Prime Liquidity Fund B.V.). Short term investments ceased in 2007.

Starting from 2008 amortisation of premiums and discounts is presented under interest expenses, note 32.

34. Taxation

	2007 TEUR	2008 TEUR
The taxation for the year consists of:		
Corporate income tax current year charge	(1,557)	(1,937)
Deferred tax (charge)/credit	(37,395)	81,335
Tax adjustment of previous years	520	(324)
Income tax (charged)/ credited to the income statement	**(38,432)**	**79,074**
Income tax (charged)/credited to equity	**4,932**	**(1,832)**

The subsidiary companies are subject to taxes for their respective businesses in countries of their registration at the rates prevailing in these jurisdictions. Furthermore, management is not aware of any taxes due in countries other than those countries in which the Group operates. A reconciliation between the current year income tax charge and the accounting profit/(loss) before tax on the subsidiary undertakings is shown below:

	2007 TEUR	2007 %	2008 TEUR	2008 %
Profit/(loss) before taxation	193,009		(924,379)	
Income tax using the average applicable tax rates	41,883	21.7%	(123,867)	13.4%
Tax effect of non deductible expenses	4,595	2.4%	3,981	–0.4%
Tax effect of intercompany eliminations	(8,825)	–4.6%	(9,375)	1.0%
Tax effect of losses previously not recognised	151	0.1%	1,664	–0.2%
Deferred tax asset not recognised	2,821	1.5%	45,670	–4.9%
Other	(2,193)	–1.1%	2,852	0.3%
Tax expense/(credit)	**38,432**		**(79,074)**	
Effective tax rate	**20%**		**9%**	

Decline in the effective tax rate for 2008 is mainly due to an increase of the Company's expenses arising from the Master Transaction Agreement, see note 44 and unrecognised deferred tax assets occurred in 2008.

On consolidation all intercompany income and expense is eliminated. These items may be tax deductible or taxable in the jurisdictions in which they are recognised.

The Group has not recognised deferred tax assets of TEUR 62,497 (2007: TEUR 16,827) as it is not probable that future taxable profit will be available against which the Group can utilise these benefits. Unrecognised deferred tax assets in 2008 arise mainly from the revaluation and impairment losses.

Unrecognised deferred tax assets Country	2007 TEUR	2008 TEUR
Czech Republic	1,664	351
Hungary	–	661
Latvia	572	–
Poland	1,608	426
Romania	–	2,985
Russia	12,983	25,400
Slovakia	–	–
Turkey	–	25,056
Ukraine	–	2,674
Georgia	–	4,944
Total	**16,827**	**62,497**

The Group is liable for taxation on taxable profits in the following jurisdictions at the rates below:

	2007	2008
Bulgaria	10%	10%
Cyprus	10%	10%
Czech Republic	24%	21%
Denmark	25%	25%
Estonia	22%	21%
Georgia	20%	20%
Hungary	20%	20%
Italy	37%	32%
Jersey	0%	0%
Latvia	15%	15%
Netherlands	26%	20%
Poland	19%	19%
Romania	16%	16%
Russia	24%	24%
Sweden	n/a	28%
Slovakia	19%	19%
Turkey	20%	20%
Ukraine	25%	25%

In the Czech Republic, an amendment to the Tax Act was approved in 2007 which reduces the tax rate by steps during the period 2008 – 2010 to the final tax rate of 19%.

In Russia an amendment to the Tax Act was approved in 2008 which reduces the tax rate to 20% in 2009.

Deferred taxes were calculated in accordance with these tax legislation changes.

35. Earnings per share/certificate

The calculation of basic earnings per share/certificate at 31 December 2008 was based on the loss after taxation attributable to ordinary shareholders of TEUR 845,202 (profit 2007: TEUR 157,438) and weighted average number of ordinary shares/certificates outstanding of 213,755,714 (2007: 247,513,809).

The basic and diluted earnings per share/certificate are the same since the Subordinated Convertible Securities and Initial Warrants do not currently have a dilutive effect.

36. Segment reporting

36.1 Segments by business sectors in 2008

For the year ended 31 December 2008	Standing investment segment TEUR	Development segment TEUR	Administration segment TEUR	Total TEUR
Gross rental income	134,244	–	–	134,244
Service charge income	55,367	–	–	55,367
Net property expenses	(94,361)	–	–	(94,361)
Net rental income	**95,250**	**–**	**–**	**95,250**
Net result on disposal of investment properties	870	(257)	–	613
Revaluation of investment properties	(322,316)	(111,716)	–	(434,032)
Other depreciation and amortisation	(1,005)	(92)	(269)	(1,366)
Impairment loss	(3,879)	(230,892)	–	(234,771)
Expenses connected with management contracts termination	–	–	(276,457)	(276,457)
Net administrative expenses	(4,655)	(6,211)	(45,929)	(56,795)
Net operating loss	**(235,735)**	**(349,168)**	**(322,655)**	**(907,558)**
Interest income	1,263	77	56,987	58,327
Interest expense	(37,574)	(14)	(18,197)	(55,785)
Other financial income and expenses	(17,762)	(12,536)	10,935	(19,363)
Loss before taxation	**(289,808)**	**(361,641)**	**(272,930)**	**(924,379)**
Taxation credit for the year	73,485	5,583	6	79,074
Loss after taxation for the year	**(216,323)**	**(356,058)**	**(272,924)**	**(845,305)**
Investment properties	1,642,799	119,741	–	1,762,540
Investment properties under development	–	726,981	–	726,981
Segment assets	1,962,451	836,021	1,230,522	4,028,994
Segment liabilities	296,856	61,439	1,441,205	1,799,500

36.2 Segments by business sectors in 2007

For the year ended 31 December 2007	Standing investment segment TEUR	Development segment TEUR	Administration segment TEUR	Total TEUR
Gross rental income	120,030	–	–	120,030
Service charge income	31,381	–	–	31,381
Net property expenses	(60,413)	(6,537)	–	(66,950)
Net rental income	**90,998**	**(6,537)**	**–**	**84,461**
Net result on disposal of investment properties	(22)	–	–	(22)
Revaluation of investment properties	75,851	57,555	–	133,406
Other depreciation and amortisation	175	(32)	(611)	(468)
Impairment loss	(2,911)	–	(28)	(2,939)
Net administrative expenses	(4,343)	(2,901)	(67,151)	(74,395)
Net operating profit/(loss)	**159,748**	**48,085**	**(67,790)**	**140,043**
Interest income	833	308	133,504	134,645
Interest expenses	(26,437)	(9)	(39,178)	(65,624)
Other financial income and expenses	676	(1,030)	(15,701)	(16,055)
Profit before taxation	**134,820**	**47,354**	**10,835**	**193,009**
Taxation charge for the year	(32,761)	(3,950)	(1,721)	(38,432)
Profit after taxation for the year	**102,059**	**43,404**	**9,114**	**154,577**
Investment properties	1,534,995	359,417	–	1,894,412
Investment properties under development	–	781,864	–	781,864
Segment assets	1,737,965	1,279,647	1,333,167	4,350,779
Segment liabilities	218,936	104,493	956,095	1,279,524

36.3 Geographical segments in 2008

For the year ended 31 December 2008	Czech Rep. TEUR	Slovakia TEUR	Hungary TEUR	Poland TEUR	Russia TEUR	Turkey TEUR	Romania TEUR	Bulgaria TEUR	Latvia TEUR	Ukraine TEUR	Georgia TEUR	Other* TEUR	Total TEUR
Gross rental income	25,222	8,303	9,000	40,018	41,195	5,014	1,762	–	3,730	–	–	–	134,244
Service charge income	5,824	4,072	3,928	17,705	19,219	2,122	498	–	1,999	–	–	–	55,367
Net property expenses	(12,124)	(5,087)	(6,571)	(21,280)	(40,015)	(5,173)	(1,472)	–	(2,639)	–	–	–	(94,361)
Net rental income	**18,922**	**7,288**	**6,357**	**36,443**	**20,399**	**1,963**	**788**	**–**	**3,090**	**–**	–	**–**	**95,250**
Net result on disposal of investment properties	1,111	(3)	(128)	(110)	–	–	–	(257)	–	–	–	–	613
Revaluation of investment properties	(36,904)	(11,205)	(17,177)	(101,718)	(128,072)	(103,004)	(19,435)	–	(16,517)	–	–	–	(434,032)
Other depreciation and amortisation	(337)	(231)	(147)	(161)	(420)	(45)	(18)	–	–	–	–	(7)	(1,366)
Impairment loss	(3,879)	–	–	(4,741)	(128,305)	(59,301)	–	(3,130)	–	(10,695)	(24,720)	–	(234,771)
Net administrative expenses	(1,523)	(1,412)	(188)	(3,377)	(3,675)	(218)	(932)	(171)	(73)	(360)	–	(44,866)	(56,795)
Expenses connected with management contracts termination	–	–	–	–	–	–	–	–	–	–	–	(276,457)	(276,457)
Net operating loss	**(22,610)**	**(5,563)**	**(11,283)**	**(73,664)**	**(240,073)**	**(160,605)**	**(19,597)**	**(3,558)**	**(13,500)**	**(11,055)**	**(24,720)**	**(321,330)**	**(907,558)**
Interest income	71	8	65	598	507	–	112	–	4	1	–	56,961	58,327
Interest expense	(11,484)	(4,427)	(2,614)	(8,298)	(7,936)	(1,115)	(1,003)	–	(801)	–	–	(18,107)	(55,785)
Other financial income and expenses	(1,309)	(259)	(150)	(78)	(11,754)	(12,308)	(1,065)	(5)	134	(3,504)	–	10,935	(19,363)
Loss before taxation	**(35,332)**	**(10,241)**	**(13,982)**	**(81,442)**	**(259,256)**	**(174,028)**	**(21,553)**	**(3,563)**	**(14,163)**	**(14,558)**	**(24,720)**	**(271,541)**	**(924,379)**
Taxation credit/ (charge) for the year	4,598	1,574	1,512	17,923	40,554	9,818	(73)	313	2,942	–	–	(87)	79,074
Loss after taxation for the year	**(30,734)**	**(8,667)**	**(12,470)**	**(63,519)**	**(218,702)**	**(164,210)**	**(21,626)**	**(3,250)**	**(11,221)**	**(14,558)**	**(24,720)**	**(271,628)**	**(845,305)**
Investment properties	281,720	131,134	107,165	688,595	320,640	117,396	70,600	–	45,290	–	–	–	1,762,540
Investment properties under development	1,945	97	935	137,881	247,834	232,101	45,217	40,083	–	7,407	13,481	–	726,981
Segment assets	314,783	156,039	121,037	894,498	643,516	434,176	130,039	41,257	47,227	11,933	13,481	1,221,008	4,028,994
Segment liabilities	86,651	75,285	28,109	67,023	35,602	24,453	30,406	10,344	2,458	243	–	1,438,926	1,799,500

* Other comprise parent and management companies in Jersey, Netherlands, a company in Estonia and holding companies in Cyprus, Denmark and Italy

36.4 Geographical segments in 2007

For the year ended 31 December 2007	Czech Rep. TEUR	Slovakia TEUR	Hungary TEUR	Poland TEUR	Russia TEUR	Turkey TEUR	Romania TEUR	Bulgaria TEUR	Latvia TEUR	Ukraine TEUR	Georgia TEUR	Other* TEUR	Total TEUR
Gross rental income	22,546	7,354	8,610	30,418	45,666	–	1,353	–	4,083	–	–	–	120,030
Service charge income	4,785	3,353	4,713	11,511	5,082	–	339	–	1,598	–	–	–	31,381
Net property expenses	(8,257)	(3,354)	(5,855)	(17,322)	(27,993)	(249)	(856)	(283)	(2,781)	–	–	–	(66,950)
Net rental income	**19,074**	**7,353**	**7,468**	**24,607**	**22,755**	**(249)**	**836**	**(283)**	**2,900**	**–**	**–**	**–**	**84,461**
Net result on disposal of investment properties	(208)	221	(37)	2	–	–	–	–	–	–	–	–	(22)
Revaluation of investment properties	(390)	6,485	3,696	84,806	14,126	17,328	6,500	–	855	–	–	–	133,406
Other depreciation and amortisation	(282)	(133)	(126)	(162)	222	–	(12)	(1)	–	–	–	26	(468)
Impairment loss	(2,911)	–	–	–	–	–	–	–	–	–	–	(28)	(2,939)
Net administrative expenses	(9)	10	108	232	(7,334)	–	–	–	–	–	–	(67,402)	(74,395)
Net operating profit/(loss)	**15,274**	**13,936**	**11,109**	**109,485**	**29,769**	**17,079**	**7,324**	**(284)**	**3,755**	**–**	**–**	**(67,404)**	**140,043**
Interest income	109	11	61	197	531	235	2	–	4	–	–	133,495	134,645
Interest expenses	(11,901)	(2,609)	(2,313)	(4,972)	(3,996)	–	(164)	–	(509)	–	–	(39,160)	(65,624)
Other financial income and expenses	740	(195)	(259)	118	(2,035)	1,505	(23)	(4)	(201)	–	–	(15,701)	(16,055)
Profit/(loss) before taxation	**4,222**	**11,143**	**8,598**	**104,828**	**24,269**	**18,819**	**7,139**	**(288)**	**3,049**	**–**	**–**	**11,230**	**193,009**
Taxation charge for the year	(388)	(1,647)	(1,461)	(19,770)	(8,910)	(3,808)	(1,687)	–	(718)	–	–	(43)	(38,432)
Profit/(loss) after taxation for the year	**3,834**	**9,496**	**7,137**	**85,058**	**15,359**	**15,011**	**5,452**	**(288)**	**2,331**	**–**	**–**	**11,187**	**154,577**
Investment properties	321,587	106,996	123,085	670,894	485,161	79,114	45,995	–	61,580	–	–	–	1,894,412
Investment properties under development	1,733	2,692	1,014	106,349	254,149	291,948	34,650	33,513	–	20,083	35,733	–	781,864
Segment assets	354,054	126,457	143,099	850,306	835,480	464,113	82,744	33,884	63,587	23,243	35,733	1,338,079	4,350,779
Segment liabilities	32,041	10,265	13,059	124,867	55,341	18,196	46,797	4,542	2,891	254	–	971,271	1,279,524

* Other comprise parent company in Jersey, a company in Estonia and holding companies in Cyprus, Denmark and Italy

37. Parent company unconsolidated financial statements

In accordance with the Companies (Jersey) Law 1991, Atrium European Real Estate Limited (the "Company"), formerly known as Meinl European Land Limited, has prepared its unconsolidated financial statements together with additional information.

The Company changed its name from Meinl European Land Limited to Atrium European Real Estate Limited on 1 August 2008.

Significant accounting policies of the Company are the same as of the Group as described in note 2.

Company Balance Sheet of Atrium European Real Estate Limited at 31 December 2008

		2007		2008	
	note	TEUR	TEUR	TEUR	TEUR
Assets					
Non current assets					
Financial investments	37.2	111,178		–	
Other assets	37.3	33,904		10,735	
Financial instruments	37.5	15,982		2,401,966	
			161,064		**2,412,701**
Current assets					
Other receivables	37.4	–		9,380	
Financial instruments	37.5	2,270,919		16,324	
Cash and cash equivalents	37.6	1,225,390		1,116,303	
			3,496,309		**1,142,007**
Total assets			**3,657,373**		**3,554,708**
Equity and liabilities					
Equity	37.7				
Share capital		1,057,425		1,084,499	
Share premium		1,535,224		1,559,736	
Income account		172,038		(504,671)	
			2,764,687		**2,139,564**
Non current liabilities					
Long term borrowings	37.8	863,575		1,376,829	
			863,575		**1,376,829**
Current liabilities					
Provisions	37.9	1,000		1,600	
Other payables	37.10	4,101		2,729	
Accrued expenditure	37.11	24,010		33,986	
			29,111		**38,315**
Total equity and liabilities			**3,657,373**		**3,554,708**

Company Income Statement of Atrium European Real Estate Limited for the year ended 31 December 2008

		2007		2008	
	note	TEUR	TEUR	TEUR	TEUR
Net administrative expenses	37.12	(66,505)		(38,000)	
Expenses connected with management contracts termination	37.13	–		(276,457)	
Impairment of financial instruments	37.14	–		(545,169)	
Net operating loss			**(66,505)**		**(859,626)**
Interest income	37.15	228,458		244,508	
Interest expense	37.15	(70,642)		(81,002)	
Other financial income and expenses	37.16	(15,475)		19,410	
Profit/(loss) before taxation			**75,836**		**(676,710)**
Taxation charge for the year	37.17	–		–	
Profit/(loss) after taxation			**75,836**		**(676,710)**

37.1 Categories of financial instruments

The Company distinguishes the following categories of financial instruments as required by IFRS 7:

2008	Carrying amount investments TEUR	Loans and receivables TEUR	Financial liabilities at amortised cost TEUR
Financial assets			
Long term financial instruments	2,401,966	2,401,966	–
Other receivables	9,001	9,001	–
Short term financial instruments	16,324	16,324	–
Cash and cash equivalents	1,116,303	1,116,303	–
Total financial assets	**3,543,594**	**3,543,594**	**–**
Financial liabilities			
Long term borrowings	1,376,829	–	1,376,829
Other payables	2,729	–	2,729
Accrued expenditure	33,986	–	33,986
Total financial liabilities	**1,413,544**	**–**	**1,413,544**

2007	Carrying amount TEUR	Loans and receivables TEUR	Held to maturity investments TEUR	Available for sale financial assets at cost TEUR	Financial liabilities at amortised cost TEUR
Financial assets					
Financial investments	111,178	–	–	111,178	–
Long term financial instruments	15,982	–	15,982	–	–
Short term financial instruments	2,270,919	2,269,426	1,493	–	–
Cash and cash equivalents	1,225,390	1,225,390	–	–	–
Total financial assets	**3,623,469**	**3,494,816**	**17,475**	**111,178**	**–**
Financial liabilities					
Long term borrowings	863,575	–	–	–	863,575
Other payables	4,101	–	–	–	4,101
Accrued expenditure	24,010	–	–	–	24,010
Total financial liabilities	**891,686**	**–**	**–**	**–**	**891,686**

Fair values of bonds presented under long term borrowings are stated in note 17. Fair value of financial assets and remaining financial liabilities approximates the book value. Financial liabilities are stated at amortised cost. The Company has pledged some cash as collateral, for more information see note 37.6.

37.2 Financial investments

Name of subsidiary	Place of incorporation and operation	Principal activity	Ownership 2007 %	Ownership 2008 %	Carrying amount 2007 TEUR	Carrying amount 2008 TEUR
BROADVALE HOLDING LIMITED	Cyprus	Holding company	100%	100%	3	3
MALL GALLERY I LIMITED	Cyprus	Holding company	63%	63%	46,515	46,515
MALL GALLERY II LIMITED	Cyprus	Holding company	100%	100%	30,228	30,228
MD CE HOLDING LIMITED	Cyprus	Holding company	100%	100%	1	1
MD RUSSIA HOLDING LIMITED	Cyprus	Holding company	100%	100%	1	1
MD TIME HOLDING LIMITED	Cyprus	Holding company	55%	76%	23,487	46,421
Manhattan Real Estate Management, s.r.o.	Czech Republic	Management company	100%	100%	7	1,756
MFM Services s.r.o.	Czech Republic	Management company	100%	100%	7	7
Manhattan Real Estate Management Kft.	Hungary	Management company	100%	100%	530	530
Atrium European Real Estate Nominees Ltd.	Jersey	Management company	n/a	100%	n/a	–
Atrium Treasury Services Ltd.	Jersey	Management company	n/a	100%	n/a	–
MEINL CAUCASUS AND CENTRAL ASIA FUND L.P.	Jersey	Management company	65%	65%	511	1,086
SIA Manhattan Real Estate Management	Latvia	Management company	100%	100%	3	3
Atrium European Cooperatief U.A.	Netherlands	Management company	n/a	100%	n/a	2,000
MANHATTAN REAL ESTATE MANAGEMENT Sp. Z o.o.	Poland	Management company	100%	100%	355	355
Manhattan Real Estate Management SRL	Romania	Management company	n/a	100%	n/a	5
OOO Manhattan Real Estate Management	Russia	Management company	100%	100%	–	–
Manhattan Real Estate Management SK s.r.o.	Slovakia	Management company	100%	100%	5	988
TRABZON TICARET MERKEZI A.S.	Turkey	Property investment	100%	100%	9,337	9,337
BALCOVA GAYRIMENKUL A.S.	Turkey	Property investment	80%	80%	23	23
MEL 1 GAYRIMENKUL GELISTIRME A.S.	Turkey	Property investment	98%	98%	26	26
MEL 2 GAYRIMENKUL GELISTIRME A.S.	Turkey	Property investment	98%	98%	26	26
MEL 3 GAYRIMENKUL GELISTIRME A.S.	Turkey	Property investment	98%	98%	26	26
MEL 4 GAYRIMENKUL GELISTIRME A.S.	Turkey	Property investment	98%	98%	26	26
MEL 5 GAYRIMENKUL GELISTIRME A.S.	Turkey	Property investment	98%	98%	27	27
MEL 6 GAYRIMENKUL GELISTIRME A.S.	Turkey	Property investment	98%	98%	27	27
MULTI TURKMALL ALTI EMLAK A.S.	Turkey	Property investment	100%	100%	7	7
Total gross					**111,178**	**139,424**
Impairment loss					–	(139,424)
Total net					**111,178**	**–**

37.3 Other assets

Other assets of TEUR 10,735 (2007: TEUR 33,904) comprise mainly investments in subsidiaries amounting to TEUR 52,346, that were fully impaired in 2008 (2007: TEUR 33,560), the cost in connection with the Equity Fund Raising transaction which was finalised in January 2009 described in note 45, amounting to TEUR 10,117 (2007: TEUR 0), and other assets in the amount of TEUR 618 (2007: TEUR 344).

37.4 Other receivables

	2007 TEUR	2008 TEUR
Accrued interests on term deposits	–	8,629
Other receivables	–	372
Total other financial receivables	**–**	**9,001**
Other non financial receivables	–	379
Total other non financial receivables	**–**	**379**
Total	**–**	**9,380**

37.5 Financial instruments

	2007 TEUR	2008 TEUR
Bonds	17,475	1,492
Loans to third parties	48,751	22,533
Loans to associates	30,083	29,581
Amounts due from subsidiary undertakings	2,190,592	2,718,083
Impairment of amounts due from subsidiary undertakings	–	(353,399)
Total	**2,286,901**	**2,418,290**
Amount due within 12 months (included under current assets)	2,270,919	16,324
Amount due after more than 12 months	15,982	2,401,966

The balance presented as amounts due from subsidiary undertakings were presented within other receivables as at 31 December 2007. Prior year presentation was changed in 2008 in order to reflect more precisely the nature of the receivable.

The carrying amount of financial instruments is not significantly different to their fair value.

37.6 Cash and cash equivalents

	2007 TEUR	2008 TEUR
Balances at banks	1,222,964	1,115,763
Cash in transit	2,426	540
Total	**1,225,390**	**1,116,303**

As of 31 December 2008, cash balances at banks have been diversified to various international bank institutions. No individual bank holds deposits of more than EUR 300m. Deposits at Meinl Bank of TEUR 40,920 as of 31 December 2008 represent mainly guarantees and series of Mandate and Trust Agreements agreed between the Company and Meinl Bank.

In 2007, balances at bank consisted mainly of deposits at Credit Suisse of TEUR 656,473 and deposits in Meinl Bank of TEUR 562,565.

37.7 Equity

Equity of the Company is described in note 16.

37.8 Borrowings

	2007 TEUR	2008 TEUR
Loan from subsidiary	8,202	8,728
Bonds issued	855,373	1,368,101
Total	**863,575**	**1,376,829**

All borrowings are due after more than 12 months.

Further information about bonds is disclosed in note 17 and 37.14.

37.9 Provisions

	2007 TEUR	2008 TEUR
At 1 January	271	1,000
Use of provisions	(271)	(900)
Creation of provisions	1,000	1,500
At 31 December	**1,000**	**1,600**

37.10 Other payables

	2007 TEUR	2008 TEUR
Payables for consultancy and audit services	2,992	1,956
Payables related to acquisition	1,008	27
Other payables	101	746
Total	**4,101**	**2,729**

37.11 Accrued expenditure

	2007 TEUR	2008 TEUR
Accrued interest	17,909	30,382
Accrued management and directors' fee	6,101	610
Accrued consultancy and audit fees	–	1,993
Other	–	1,001
Total	**24,010**	**33,986**

37.12 Net administrative expenses

	2007 TEUR	2008 TEUR
Other operating income	203	–
Consultancy and other fees	(4,545)	(1,709)
Management fees, Licence fees and Market Making fees	(58,794)	(27,323)
Directors' fees	(434)	(454)
Legal fees	(1,059)	(4,446)
Audit fees	(123)	(1,091)
Marketing and advertising	(412)	(279)
Release/(creation) of provisions	(729)	900
Other expenses	(612)	(3,598)
Total	**(66,505)**	**(38,000)**

Further information about Management fees, Licence fees and Market Making fees is disclosed in note 42.

37.13 Expenses connected with management contracts termination

	2007 TEUR	2008 TEUR
Termination fee Meinl Bank Group	–	(160,000)
Subordinated Convertible Securities issued for Meinl Bank Group	–	(80,000)
Certificates of the Company issued for Meinl Bank Group	–	(36,457)
Total	**–**	**(276,457)**

37.14 Impairment of financial instruments

Impairment of financial instruments in 2008 of TEUR 545,169 comprise impairments of financial investments of TEUR 139,424, impairment of investments in subsidiaries presented under other assets of TEUR 52,346 and impairment of amounts due from subsidiary undertakings of TEUR 353,399.

37.15 Interest income and interest expense

	2007 TEUR	2008 TEUR
Interest income		
From loans to subsidiaries	142,020	188,289
From purchased bond	2,086	1,783
From deposits, loans to third parties and other	84,352	54,436
	228,458	**244,508**
Interest expense		
Related to issued bonds*	(47,576)	(75,435)
Related to loans from subsidiaries	(202)	(527)
Amortisation of premiums and discounts	–	(4,178)
Other	(22,864)	(862)
	(70,642)	**(81,002)**

* The Company's major interest expense in 2007 and 2008 is the interest payable on the following bonds:

1) EUR bonds issued in 1997 and repaid in 2007, interest rate of 7.1% payable on an annual basis in November of every year
2) EUR bonds issued in 2003 and due in 2013, interest rate of 6% for tranche A and SWAP 10Y EURO (30/360) for tranche B payable on an annual basis in July of every year
3) EUR bonds issued in 2005 and due in 2015, interest rate of 4.35% payable on an annual basis in August of every year
4) EUR bonds issued in 2005 and due in 2017, interest rate of SWAP 10Y EURO (30/360) payable on an annual basis in August of every year
5) CZK bonds issued in 2005 and due in 2015, interest rate of 6M Pribor + 120 basis points payable twice a year in February and in August of every year
6) EUR bonds issued in 2006 and due in 2013, interest rate of 6.375% payable on an annual basis in August of every year. Based on the Company's current credit rating an increase of the coupon of 100 basis points commenced in August 2008
7) EUR Subordinated Convertible Securities issued in 2008 and due in 2015, interest rate of 10.75% payable quarterly in February, May, August and November of every year, see also note 17.

37.16 Other financial income and expenses

	2007 TEUR	2008 TEUR
Net profit from ceased investment fund	38,717	–
Net profit from bond buy back	–	16,603
Loss on sale of bond	–	(684)
Foreign exchange differences	(44,417)	2,691
Net gains/(losses) from financial instruments at amortised cost	(5,700)	18,610
Impairment of bond	(3,770)	–
Bank charges	(2,143)	(321)
Amortisation of premiums and discounts	(3,862)	–
Other financial income	–	1,121
Total	**(15,475)**	**19,410**

Further information of bond buy back is stated in note 17.

Starting from 2008 amortisation of premiums and discounts is presented under interest expenses, note 37.15.

For the purpose of investing in short term Euro denominated debt securities the Company made an investment in a special purpose investment fund (Euro Prime Liquidity Fund B.V.) for the duration from February 2007 until September 2007. The net profit which the Company generated from this fund for the investment period was TEUR 38,717. In September 2007 the Company ceased making investments through this fund.

37.17 Taxation

The Company has exempt status for Jersey taxation purposes for the year of assessment 2008 and is therefore liable to an annual fee of GBP 600. This is included within administrative expenses in the consolidated income statement as it is not dependent on the parent company's results.

Effective 1 January 2009, Jersey's tax regime will change. The new regime will impose a general corporate income tax rate of 0%, 10% rate will apply to certain regulated financial services companies and 20% rate will apply to utilities and income from Jersey land (i.e. rents and development profits). Jersey registered companies will be treated as resident for tax purposes and will be subject to zero or ten percent standard income tax rate.

Since the company is not a regulated financial services entity, the effect of the new tax regime is limited to the change of status from exempt to liable to Jersey income tax at 0%.

37.18 Risk management

Risk management of the Company is the same as of the Group as described in note 40, except for the financial information stated below.

Credit risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

The Company's principal financial assets are cash and cash equivalents, other receivables, financial instruments and financial investments. The maximum exposure of the Company to the credit risk is the carrying amount of each class of financial assets; see also notes 4 and 37.1.

Financial assets subject to credit risk are represented mainly by financial investments and financial instruments which comprise mainly the intercompany receivables within the Group. Due to the decline in fair values of investment properties both balances have been impaired in 2008. As both balances are eliminated in the consolidated financial statements, they represent credit risk exposure only on the Company level. To mitigate the other credit risk arising from financial instruments – loans to third parties, historical data of counterparties from the business relationship are used, in particular data in relation to payment behaviour. The management regularly monitors the ageing analysis of receivables, the main tool for impairment identification. Allowances for receivables are recorded in respect of the level of recognised risks, they are individually tailored to each customer and are calculated based on management knowledge of the business and the market. The Company does not have any significant credit risk exposure to any single counterparty.

Liquidity risk

The liquidity risk of the Company is the same as of the Group as described in note 40, except for the financial information stated below.

The liquid funds, comprising cash and cash equivalents (note 37.6), amounts to TEUR 1,116,303 (2007: TEUR 1,225,390).

The table below analyses the Company's financial liabilities based on maturity, including interest payments. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Carrying amount TEUR	Total contractual cash flows TEUR	One year or less TEUR	One to two years TEUR	Two to five years TEUR	More than five years TEUR
2008						
Borrowings	1,376,829	1,944,875	106,676	105,261	853,768	879,170
Other payables and accrued expenditure	36,716	36,716	36,716	–	–	–
Total	**1,413,545**	**1,981,591**	**143,392**	**105,261**	**853,768**	**879,170**
2007						
Borrowings	863,575	1,132,956	45,252	45,252	135,757	906,695
Other payables and accrued expenditure	28,111	28,111	28,111	–	–	–
Total	**891,686**	**1,161,067**	**73,363**	**45,252**	**135,757**	**906,695**

Market risk and Price risk

Market risk and price risk of the Company is the same as of the Group as described in note 40.

Currency risk

Currency risk of the Company is the same as of the Group described in note 40, except for the financial information stated below.

The Company is mainly financed in EUR. The Company's main exposure to the currency risk arises from financial instruments representing intercompany transactions within the Group. The Company currently has 61% of financial instruments denominated in EUR (2007: 63%), 25% in USD (2007: 23%) and 14% in local currencies (2007: 14%).

The following table sets out the Company's total exposure to foreign currency risk and net exposure to foreign currencies of the financial assets and liabilities:

2008	Financial assets TEUR	Financial liabilities TEUR	Net exposure TEUR
CZK	212,316	(37,162)	175,154
HUF	69,075	–	69,075
PLN	106,291	–	106,291
SKK	1,121	–	1,121
RUB	22,804	–	22,804
USD	692,795	–	692,795

2007	Financial assets TEUR	Financial liabilities TEUR	Net exposure TEUR
CZK	212,593	(36,982)	175,611
HUF	71,061	–	71,061
PLN	67,964	–	67,964
DKK	226	–	226
SKK	5	–	5
TRY	181	–	181
LVL	3	–	3
RUB	–	–	–
USD	587,021	–	587,021

Sensitivity analysis

A 10 percentage strengthening of the Euro against the following currencies at 31 December 2008 and 2007 would have increased (decreased) profit/(loss) in the income statement by the amounts shown below. This analysis assumes that all other variables remain constant.

	2007 Loss TEUR	2008 Loss TEUR
CZK	(17,561)	(17,515)
HUF	(7,106)	(6,908)
PLN	(6,796)	(10,629)
DKK	(23)	–
SKK	(1)	(112)
RUB	–	(2,280)
TRY	(18)	–
USD	(58,702)	(69,280)

Interest rate risk

The majority of financial instruments (86% of financial liabilities and 76% of financial assets) bore interest on a fixed interest basis in 2008. As all financial instruments are measured at amortised cost in 2008, no valuation effects arise from interest rate risk fluctuations. Interest rate risk is therefore reduced to the income statement impact from interest paid and received on variable interest rate financial instruments. The carrying amounts of these instruments are stated in the table below:

Carrying amount	2007 TEUR	2008 TEUR
Variable rate instruments		
Financial assets	390,936	567,126
Financial liabilities	(197,354)	(197,823)
Total	**193,582**	**369,303**

Interest rate risk of the Company is the same as of the Group as described in note 40, except for sensitivity analysis stated below.

Sensitivity Analysis

At 31 December 2008 and 2007 it is estimated that a general increase of a one percentage point (100 basis points) in interest rates would increase the Company's interest income and subsequently increase profit by approximately TEUR 3,631 (2007: TEUR 1,865). As the Company does not use derivatives, the same is true for a one percentage point (100 basis points) decrease, which would reduce profit by approximately the same amounts. Equity would not be affected, as the Company has only financial investments measured at cost less impairment.

38. Investment in Group undertakings

During 2008, the Group purchased:

- The remaining 46% of THESIS SpA. and owns 100% of the share capital of the company as at 31 December 2008;
- 21% of MD TIME HOLDING LIMITED and owns 76% of the share capital of the company as at 31 December 2008. In two years time the purchase price of MD TIME HOLDING LIMITED shares acquired by the Company in 2008 may be adjusted according to their market value up to a maximum amount of approximately TEUR 7,838;
- 25% of MD REAL ESTATE MANAGEMENT LTD and owns 80% of the share capital of the company as at 31 December 2008; and
- remaining 2% of OOO Mall Management and therefore MD REAL ESTATE MANAGEMENT LTD owns 100% of the share capital of the company as at 31 December 2008.

Furthermore the Group established four companies, two in the Netherlands and two in Jersey.

During 2008, the Group established or acquired shares in the following subsidiaries:

Name of company	Country	Ownership	Share capital in TEUR	Date of acquisition/ establishment
ETHERLAND INVESTMENTS LIMITED	Cyprus	100%	1	6/2008
Rezidence Černého s.r.o.	Czech republic	100%	8	5/2008
Atrium European Real Estate Nominees Limited	Jersey	100%	–	12/2008
Atrium Treasury Services Limited	Jersey	100%	–	7/2008
Atrium European Cooperatief U.A.	Netherlands	100%	2,000	7/2008
Atrium European Management N.V.	Netherlands	100%	1,079,641	7/2008
Trettioencorp AB	Sweden	100%	10	11/2008
A. Kharkiv 1 LLC	Ukraine	99.9%	6	6/2008
A. Kharkiv 2 LLC	Ukraine	99.9%	6	6/2008
A. Kharkiv 3 LLC	Ukraine	99.9%	6	6/2008
A. Kyiv LLC	Ukraine	100%	7	6/2008

Details of newly acquired companies are stated below:

Cyprus, Czech Republic, Sweden	ETHERLAND INVESTMENTS LIMITED Cyprus TEUR	Rezidence Černého s.r.o. Czech Republic TEUR	Trettioencorp AB Sweden TEUR	Total TEUR
Financial investments	18	–	–	18
Receivables and other assets	1	–	–	1
Cash and cash equivalents	–	8	–	8
Trade and other liabilities	18	–	–	18
Acquired net assets	**1**	**8**	**–**	**9**
Purchase price paid	**(1)**	**(8)**	**–**	**(9)**
Cash and cash equivalent acquired	–	8	–	8
Net cash outflow arising on acquisition	**(1)**	**–**	**–**	**(1)**

Ukraine	A.Kharkiv 1, LLC TEUR	A.Kharkiv 2, LLC TEUR	A.Kharkiv 3, LLC TEUR	A.Kyiv LLC TEUR	Total TEUR
Receivables and other assets	6	6	6	–	18
Cash and cash equivalents	–	–	–	7	7
Acquired net assets	**6**	**6**	**6**	**7**	**25**
Purchase price paid	**(6)**	**(6)**	**(6)**	**(7)**	**(25)**
Cash and cash equivalent acquired	–	–	–	7	7
Net cash outflow arising on acquisition	**(6)**	**(6)**	**(6)**	**–**	**(18)**

39. Subsidiaries sold

No subsidiaries have been sold during 2008 and 2007.

40. Risk management

Group management constantly assesses and reports the risk exposures of individual companies and the Group as a whole to the Board of Directors. Together with the monthly management reporting, board meetings are held at least quarterly.

Since 2004, the Group is active in property development and is therefore exposed to certain development risks.

Development risk

Development risk is connected with the construction of investment properties. The main risks arising on development are commercial, procedural and technical risks. Examples of commercial risks are letting risks and risks connected with foreign exchange rate fluctuations. To mitigate commercial risks, before any project is started a detailed analysis of the market conditions is performed and the situation is monitored during the whole construction process. Technical risks include for example design risk, construction risk and environmental risks. Procedural and technical risks are mitigated also by a primary detail analysis. Further, the Group uses external professionals to deal with procedural actions, project design, construction and other associated matters. Although the management has implemented controls to mitigate development risk the current turbulence on the global real estate markets and latest downturn has required management to redesign and reconsider many of the projects once again.

Developments which are found to be incompatible with the Group's development objectives will be carefully reviewed by the Group's development and design teams in order to find the best configurations for continued development in the existing market conditions. This may include re-design of the property to allow for a better utilisation of building rights, space and gross lettable area, thorough analysis and improvement of development budgets, re-scheduling of construction and re-negotiation of enabling agreements where appropriate.

Credit risk

The credit risk is defined as unforeseen losses on assets if counterparties should default.

The credit worthiness of tenants is closely monitored by keeping a close watch on the accounts receivable. Rents from tenants are generally payable in advance.

The Group attempts to minimise concentration of credit risk by spreading the exposure over a large number of counterparties and customers in the countries of operation. The Group does not have any significant credit risk exposure to any single tenant counterparty.

Further, the Group holds collaterals from tenants which would reduce the financial impact on the Group of default. The collaterals are represented by the deposits from the tenants and cover rents of one to three months. In 2008 the Group has secured long term deposits from tenants amounting to TEUR 12,033 (2007: TEUR 2,979) and short term deposits amounting to TEUR 6,253 (2007: TEUR 12,128).

The table in note 11 provides an ageing analysis of receivables from tenants and gives an overview of the allowances created for doubtful balances. Financial instruments and cash and cash equivalents, neither past due nor impaired, represent 99% (2007: 99%) of total financial assets.

To minimise default risk arising from liquidity assets in 2008, investments are allowed only in liquid securities and only with counterparties with investment grade credit rating and better.

The carrying amount of financial assets represents the maximum credit exposure. For the total amount of credit exposure, please refer to the sum of financial assets in note 4.

Liquidity risk

Liquidity within the Group is managed by appropriate liquidity planning and through the adequate financing structure.

The Group's liquidity requirements arise primarily from the need to fund its development projects, property acquisitions and other capital expenditures, debt servicing costs, property management services and operating expenses. To date, these have been funded through a combination of equity funding, bond and Subordinated Convertible Securities issues and bank borrowings, and, to a lesser extent, from cash flow from operations (including rental income and service charges).

During 2008 the Group has not breached and defaulted on any of the loan and bond agreement terms, except for those stated below:

- As at 31 December 2008, Euro Mall Brno Real Estate, s.r.o. did not fulfil two covenants as stated in bank loan agreement with EUROHYPO AG. In particular, it did not fulfil the parameters regarding net rental income and lease period. On 26 February 2009 new amendment with new definition of the covenants was signed with the bank. The carrying amount of the loan as at 31 December 2008 was TEUR 13,031.
- As at 31 December 2008, Manhattan Development SK a.s. and Palm Corp s.r.o. did not fulfil two covenants as stated in bank loan agreements with Unicredit Slovakia, a.s. In particular, they did not fulfil the parameters regarding the debt service coverage ratio and used drawn funds for a purpose other than outlined in the loan agreements without approval of the bank. Management is taking steps to ensure that the both bank loans' repayment schedules will remain unchanged. The negotiations are at an advance stage and the management believes that the negotiations will be successful. The carrying amounts of the loans as at 31 December 2008 were TEUR 54,784.

The liquid funds, comprising cash and cash equivalents (note 15), amounts to TEUR 1,250,643 (2007: TEUR 1,339,035). The total net cash, calculated as cash and cash equivalents plus financial instruments (short term) less short term borrowings, amounts to TEUR 1,262,189 (2007: TEUR 1,409,677).

To spread the risk connected with potential insolvency of financial institutions, the Group deposits cash balances to various international bank institutions. Before a deposit is made management reviews the credit rating of the bank institutions and only banks with credit ratings of AA and better are selected.

The table below analyses the Group's financial liabilities based on maturity, including interest payments. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Carrying amount TEUR	Total contractual cash flows TEUR	One year or less TEUR	One to two years TEUR	Two to five years TEUR	More than five years TEUR
2008						
Borrowings	1,509,531	2,139,114	131,417	127,719	946,096	933,882
Other liabilities*	198,473	200,711	179,662	1,297	4,315	15,437
Total	**1,708,004**	**2,339,825**	**311,079**	**129,016**	**950,411**	**949,319**
2007						
Borrowings	1,003,460	1,322,382	63,515	66,748	226,019	966,100
Other liabilities*	117,031	122,991	108,504	526	5,119	8,842
Total	**1,120,491**	**1,445,373**	**172,019**	**67,274**	**231,138**	**974,942**

* Other liabilities comprise long term liabilities from leases, other long term liabilities, trade and other payables, payables related to acquisitions and accrued expenditure

Market risk

Market risk embodies the potential for both loss and gains and includes price risk, currency risk and interest rate risk.

The Group's strategy for managing market risk is driven by the Group's investment objective which is managing and administrating the existing property portfolio and identifying potentially attractive new investments in the market, conducting due diligence for acquisitions and managing all the stages of the acquisition process.

The Group's market risk is managed on a daily basis by the investment manager in accordance with policies and procedures in place that are described under individual risks.

The Group's overall market positions are monitored on a monthly basis by management.

Price risk
The Group is not materially exposed to price risk resulting from financial instruments as it does not own significant amount of financial instruments whose value would fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk).

However, the Group owns investment properties valued at fair value and considering the current turbulence in the world markets as well as a limited amount of publicly up to date available data and research relating to the real estate markets in the countries in which the Group invests, the Group is therefore exposed to the price risk resulting from movements in the Group's assets values that could significantly change during subsequent periods. The management is not at present able to assess with accuracy the extent of such changes.

Currency risk
The Group is exposed to currency risk on cash balances that are denominated in foreign currencies. Currency risks arising from investment properties and from financial instruments denominated in the functional currency do not represent currency risk as defined by IFRS 7 B23.

To eliminate the risk of transactions in foreign currencies, the Group attempts to match its incomes with its expenses in the same currency, reducing the currency volatility. Management is considering and assessing the implementation of hedging instruments for the future.

The Group is mainly financed in EUR. The Group currently has 72% of rental income denominated in EUR (2007: 49%), 8% in USD (2007: 31%) and 20% in local currencies (2007: 20%). Rental income denominated in USD is generated solely from Russia. In contrast to other countries within the Group, where the market is EUR-denominated, in Russia the market is a USD, EUR or ruble-denominated market.

The fluctuation of foreign exchange rate also has an impact on the fair value of investment properties mainly in the entities where its functional currency differs from the presentation currency.

The following tables set out the Group's total exposure to foreign currency risk and net exposure to foreign currencies of the financial assets and liabilities:

2008	Financial assets TEUR	Financial liabilities TEUR	Net exposure TEUR
CZK	13,295	(47,512)	(34,217)
HUF	6,545	(2,756)	3,789
PLN	63,829	(21,761)	42,068
DKK	277	(35)	242
SKK	5,329	(9,084)	(3,755)
RON	3,124	(13,670)	(10,546)
RUB	30,033	(19,989)	10,044
TRY	1,521	(1,417)	104
LVL	817	(438)	379
BGN	323	–	323
UAH	150	(243)	(93)
EEK	5	–	5
GEL	–	(306)	(306)
SEK	10	–	10
USD	45,008	(4,386)	40,622

2007	Financial assets TEUR	Financial liabilities TEUR	Net exposure TEUR
CZK	8,762	(46,927)	(38,165)
HUF	6,459	(3,622)	2,837
PLN	41,442	(33,869)	7,573
DKK	244	(105)	139
SKK	3,094	(3,423)	(329)
RON	137	(1,089)	(952)
RUB	46,721	(55,524)	(8,803)
TRY	3,888	(14,227)	(10,339)
LVL	1,983	(479)	1,504
BGN	–	(1,980)	(1,980)
UAH	8	(1)	7
EEK	1	–	1
GEL	208	–	208
USD	17,928	(936)	16,992

Sensitivity Analysis
The table below indicates how 10 percentage strengthening of the Euro against the below stated currencies at 31 December 2008 and 2007 would have increased (decreased) profit in the income statement. This analysis assumes that all other variables remain constant. Recording and measurement of foreign currency results follows principles stated in standard IAS 21.

The below table does not take into account potential gains and losses of investment properties measured at fair value which are sensitive to foreign exchange fluctuations (e.g. rents in Russia denominated in USD) nor does it take into account impact on any other non financial assets or liabilities.

	2007 Gain/(Loss) TEUR	2008 Gain/(Loss) TEUR
CZK	3,817	3,422
HUF	(284)	(379)
PLN	(757)	(4,207)
DKK	(14)	(24)
SKK	33	376
RON	95	1,055
RUB	880	(1,004)
TRY	1,034	(10)
LVL	(150)	(38)
BGN	198	(32)
UAH	(1)	9
EEK	–	(1)
GEL	(21)	31
SEK	–	(1)
USD	(1,699)	(4,062)

Interest rate risk

The majority of financial instruments bear interest on a fixed interest basis. As all financial instruments are measured at amortised cost in 2008, no valuation effects arise from interest rate risk fluctuations. Interest rate risk is therefore reduced to the income statement impact from interest paid and received on variable interest rate financial instruments. The carrying amounts of these instruments are stated in the table below:

Carrying amount	2007 TEUR	2008 TEUR
Variable rate instruments		
Financial assets	–	6,815
Financial liabilities	(259,330)	(256,304)
Total	**(259,330)**	**(249,489)**

The Group's interest rate risk arises from long term borrowings and management analyses its interest rate exposure on a regular basis. A large part (83%) of the Group borrowings bears a fixed interest rate. Various scenarios are simulated taking into consideration refinancing, renewal of existing position and alternative financing through bonds.

Interest rates fluctuate as a result of numerous general economic factors and are highly sensitive to governmental monetary policies, domestic and international economic and political conditions, the condition of financial markets and inflation rates. Interest rates on real estate loans are also affected by other factors specific to real estate finance and equity markets, such as changes in real estate values and overall liquidity in the real estate debt and equity financial markets. Increases in interest rates could adversely affect the Group's ability to finance or refinance additional borrowings, as the availability of financing and refinancing proceeds may be reduced to the extent that income from properties does not increase commensurately to maintain debt service coverage.

Sensitivity Analysis

In managing interest rates the Group aims to reduce the impact of short term fluctuations on the Group's earnings. Over the long term, however, permanent changes in interest rates may have an impact on profit.

At 31 December 2008 and 2007 it is estimated that a general increase of a one percentage point (100 basis points) in interest rates would increase the Group's interest expenses and subsequently reduce profit by approximately TEUR 2,557 (2007: TEUR 2,616). As the Group does not use derivatives, the same is true for a one percentage point (100 basis points) decrease, which would increase profit by approximately the same amounts. Equity would not be affected, as the Group neither has financial instruments of the available-for-sale category, nor the cash-flow hedges for interest risk.

41. Transactions with related parties

To the best of management's knowledge, during the year ended 31 December 2008, no single certificate holder of the Company held more than 5% of the listed certificates, except for Gazit Inc. and Gazit - Globe Limited ("Gazit") that held approximately 8.16% of the Company's certificates in issue as at 31 December 2008. The 150 million of partly paid shares that were held by Tshela Nominees A.V.V. as at 31 December 2007 were cancelled on 1 August 2008.

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Except as described in the following paragraphs the directors have not entered into any transactions with the Company, do not own shares or certificates of the Company and have not invested in any debt issued by the Group.

a. Heinrich Schwägler, whose resignation as a director became effective on 1 August 2008, indirectly owned as at 31 December 2008 1,000 certificates;

b. Chaim Katzman, Director and Chairman of the Board, holds through a family member 50,000 certificates in the Company as of 31 December 2008. However, Mr. Katzman through his holdings of Gazit, together with his private holdings, indirectly holds 6,799,734 certificates which represent approximately 3.1% of certificates of the Company. If the Subordinated Convertible Securities were converted into certificates, Mr. Katzman would indirectly hold 18,238,035 certificates of the Company. If the Initial Warrants were exercised, Mr. Katzman would indirectly hold 12,976,416 certificates. Thus, if the Subordinated Convertible Securities and the Initial Warrants were exercised and/or converted into certificates, Mr. Katzman would in total indirectly hold 24,414,717 certificates.

c. Dipak Rastogi, Director, has no direct shareholding in the Company as at 31 December 2008. However, Mr. Rastogi indirectly invests in Initial Warrants (as defined in note 44) and Subordinated Convertible Securities through Citigroup's programme which is assigned to his family trust. If the Subordinated Convertible Securities were converted into certificates, Mr. Rastogi's family trust would indirectly hold 144,245 certificates. If the Initial Warrants were exercised, Mr. Rastogi's family trust would indirectly hold 77,888 certificates. Thus, if the Subordinated Convertible Securities and the Initial Warrants were exercised and/or converted into certificates, Mr. Rastogi's family trust would in total indirectly hold 222,133 certificates.

d. Shanti Sen, Director, has no direct shareholding in the Company as at 31 December 2008. However, Ms. Sen holds an indirect investment in Initial Warrants and Subordinated Convertible Securities through Citigroup's programme. If the Subordinated Convertible Securities were converted into certificates, Ms. Sen would indirectly hold 7,601 certificates. If the Initial Warrants were exercised, Ms. Sen would indirectly hold 4,105 certificates. Thus, if the Subordinated Convertible Securities and the Initial Warrants were exercised and/or converted into certificates, Ms. Sen would in total indirectly hold 11,706 certificates.

As at 31 December 2008, some of the board members of the Company also have certain functions in CPI/Gazit Holdings Limited ("CG Holdings").

The remuneration of the Chairman and of the directors for the year 2008 charged to the Company arising from the directors' contracts amounted to TEUR 103 and TEUR 290 respectively. The annual remuneration of the Chairman from 1 August 2008, as approved by the remuneration committee is TEUR 250. Other out of pocket expenses relating directly to the directors performing their duties as the Board of Directors are reinvoiced to the Company.

As at 31 December 2008 CG Holdings held EUR 500m Subordinated Convertible Securities as well as 30 million Initial Warrants which are both currently convertible and exercisable respectively. If conversion of the Subordinated Convertible Securities and execution of the Initial Warrants were to have taken place in 2008 CG Holdings would have received 85,555,556 certificates. Interest expense including amortisation of premiums and discounts relating to the EUR 500m Subordinated Convertible Securities amounted to TEUR 27,163 during the year ended 31 December 2008.

After the resignation of Bedell Cristin Secretaries Limited as Administrator and Registrar of the Company on 29 February 2008, the Company appointed Aztec Financial Services (Jersey) Limited as its new Company Secretary and Administrator. The Company did not conclude any contract with Aztec Financial Services (Jersey) Limited except for the contract for services connected with serving as the Company Secretary and Administrator and director contracts with Simon Malcolm Radford for a total fee of TEUR 414.

42. Transactions with Meinl Bank Group

In 2002 the Company concluded a Management Agreement with Meinl European Real Estate Limited, a wholly owned subsidiary of Meinl Bank. Under this Management Agreement, the Board of Directors of Atrium European Real Estate Limited (formerly known as Meinl European Land Limited) subcontracted certain activities to Meinl European Real Estate Limited as the Manager. Quarterly prepayments have been made based on the management fee charged in the previous year. A final adjustment of the management fee was performed at year end based on the actual market value/investment cost per property. The Company received in 2007 a credit note in the amount of TEUR 20,299 for previous years (see note 5). The management fee charged in 2008 amounted to TEUR 8,572 (including adjustments for previous years in the amount of TEUR 1,406) (2007: TEUR 12,980). The Management Agreement was terminated on 1 August 2008 in connection with the closing of the Master Transaction Agreement (as described in note 44) as part of the Company severing ties with Meinl Bank AG.

Furthermore, a license agreement was concluded in 2005 between the Company and Meinl Bank with respect to certain trademarks and logos owned by Meinl Group, whereby the Company agreed to pay a quarterly fee of 0.075% of net equity and long term debt of the Group. The licence fee charged in 2008 amounted to TEUR 7,160 (2007: TEUR 14,345). The License Agreement was also terminated on 1 August 2008 in connection with the closing of the Master Transaction Agreement (as described in note 44) as part of the Company severing ties with Meinl Bank AG.

From time to time the Meinl Bank Group provided various investment banking services to the Group. The most significant service related to services provided under a Placement and Market-Maker-Agreement concluded between the Company and Meinl Bank. The agreement outlined the terms and conditions of services provided by Meinl Bank in connection with the issue of equity. According to the agreement, Meinl Bank was entitled to a placement fee of 6.0% of the gross proceeds of a capital increase and a guarantee commission for the underwriting of the issue in the amount of 0.75% of such gross proceeds. No fees have been charged by Meinl Bank as sole bookrunner during the twelve months to 31 December 2008 (2007: TEUR 99,731). The Placement and Market-Maker-Agreement also outlined Meinl Bank's role as market maker regarding the securities of the Company traded on the Vienna Stock Exchange. For its performance as market maker, Meinl Bank, received from the Company a maintenance fee amounting to 0.7% per annum of the market value of certificates outstanding which represent shares of the Company. The maintenance fee was payable quarterly in arrears on the basis of the certificate price on the Vienna Stock Exchange at the end of each calendar quarter. The maintenance fee charged in 2008 amounted to TEUR 11,591 (2007: TEUR 31,469). The Placement and Market Maker Agreement was terminated on 1 August 2008 in connection with the closing of the Master Transaction Agreement (as described in note 44) as part of the Company severing ties with Meinl Bank AG.

Furthermore, out of the total cash balances held by the Company with banks, a total of approximately EUR 41m were deposited with Meinl Bank at 31 December 2008 mainly in connection with certain guarantees and a series of Mandate and Trust Agreements agreed upon between the Company and Meinl Bank. For its services under these agreements Meinl Bank receives a fee of 0.125% per annum based on the amounts held under the agreements. This service fee amounted to TEUR 1,414 in 2008 (2007: TEUR 1,886).

From time to time the Company issued and subsequently repaid Commercial Paper ("CP"). Meinl Bank Group acted as a subscriber of such CP. Proceeds resulting from the issuance of CP were held in an account of the Company with Meinl Bank. The interest paid by the Company on the CP was equivalent to the interest received by the Company on the cash held. No CP was issued during the reporting period. Fees paid by the Company to Meinl Bank as handling fees amounted to TEUR 29 in 2007.

In connection with bonds issued by the Group before 2006, Meinl Bank acts as Trustee and/or Paying Agent to noteholders. For its services under these agreements Meinl Bank does not receive any compensation.

During the reporting period the Company sold bonds issued by Meinl Bank Group for TEUR 14,652.

In consideration of the Master Transaction Agreement (as described in note 44) the Company paid a termination fee in an aggregate amount of EUR 160m to the Meinl Bank Group for termination of Management Agreement, Placement and Market Maker Agreement and Licence Agreement and EUR 80m in the form of Subordinated Convertible Securities (see note 44) and TEUR 36,457 in the form of 5,714,286 ordinary shares (represented by certificates) in consideration of the Meinl Bank Group entering into the Non Compete and Transitional Service Agreements with the Company.

Following the Master Transaction Agreement (as described in note 44), as at 31 December 2008 the Company has only the following relationships with the Meinl Bank Group:

a) the Company is a party to the Transitional Services Agreement with Meinl European Real Estate Limited ("MERE"), pursuant to which MERE provides certain consulting services to the Company through to July 2009;

b) Meinl Bank AG continues to act as security trustee for the 2001 Bonds, 2003 Bonds and the bonds issued under the 2005 MTN Programme;

c) Meinl Bank AG continues to act as Trustee and Paying Agent in connection to the bonds issued before 2006;

d) a number of credit agreements in relation to certain real estate projects in three countries and the relevant Mandate and Trust Agreements;

e) certain guarantees of an aggregate book value of TEUR 36,540 issued by Meinl Bank AG for and on behalf of the Company;

f) Meinl Bank AG acted as custodian under the Depositary Agreement, although a termination notice has now been served in relation to this agreement and this agreement will terminate no later than 13 November 2009;

g) Meinl Bank Group holds Subordinated Convertible Securities issued by the Company in the amount of EUR 80m and 5,714,286 ordinary shares represented by certificates of the Company.

43. Contingencies

As of 31 December 2008, the Group was involved in the following litigations/investigations.

The subsidiary MANHATTAN Development, a.s. in the Czech Republic purchased property "Vesna Smíchov" from the liquidator of the company VAYF. The court decided that the signature of the liquidator on the purchase contract was false. The subsidiary filed an appeal against the court's decision and the court decided in favour of MANHATTAN Development, a.s. The rental in respect of this property initially deposited at court was transferred to the Company. The bankruptcy administrator VAYF filed extraordinary legal proceedings with the Supreme Court. If the proceedings are dismissed by the court, the litigation will start again. The fair value of the property was TEUR 493 in 2008.

Since the acquisition on behalf of the Company of 88,815,000 certificates was announced in August 2007, the Company has been subject to regulatory investigations in Austria and a regulatory inspection in Jersey related to the purchases of certificates and associated matters. In November 2007 the Austrian Financial Market Authority issued rulings against the then current board members of the Company imposing fines of EUR 20,000 on each director. In its rulings, the Financial Market Authority concluded that the Company had committed market manipulation by giving misleading signals in connection with the announcement of a proposal to acquire shares of the Company on 27 July 2007. The relevant board members of the Company have appealed against these rulings. In addition, concerns have been raised and action has been threatened against the Company by certain certificate holders in relation to the purchase of certificates on behalf of the Company. Any allegations in relation to this issue are denied by the Company. Further, certain of the Company's bondholders have alleged that the Company breached the conditions under its MTN Programme which allegation is strongly refuted by the Company.

The Austrian Takeover Commission ("ATC") initiated an investigation in 2008 to determine (i) whether and if so to what extent it has jurisdiction over the Company and (ii) whether it had historic jurisdiction and if so, whether in the relevant period of time when the Company was managed by Meinl European Real Estate Limited, any potential violation of the statutory obligation to make a takeover offer for all outstanding Austrian Depositary Certificates and Shares of the Company occurred in connection with the issue of partly paid shares by the Company to Tshela Nominees AVV in 2006. In a letter of September 2008 the ATC confirmed no intention to take steps in connection with the investment into the Company by the Investors. There has been no ruling or decision of the ATC on the jurisdictional issue. The Company is not aware of any potential civil law liability of the Company that could arise out of this investigation.

Following completion of the Equity Fund Raising transaction (see notes 44 and 45) the Company received a Notice of Dispute in relation to an alleged breach of the Master Transaction Agreement. Such allegation is strongly refuted by the Company.

The ultimate outcome of the above matters can not presently be determined and therefore no associated provisions have been made in these financial statements.

Except for the above mentioned litigation and investigations, the Company and/or Group were involved in no legal disputes, the outcome of which would significantly impact the Company and/or Group as at 31 December 2008.

44. Events during the period

In September 2007, the Board of Directors of the Company began the process of a strategic review, the purpose of which was to identify and implement improvements to the Company's management, corporate governance and reporting arrangements and processes, as well as a review of the Company's capital structure and financing.

As a result of this process, which involved the examination of third party proposals and other alternatives, CPI/Gazit Holdings Limited ("CG Holdings"), a joint venture between Gazit-Globe Limited ("Gazit"), a multinational real estate investment company listed on the Tel Aviv Stock Exchange, and CPI Austria Holdings Limited ("CPI Austria"), a wholly owned subsidiary of CPI Capital Partners Europe LP (and its parallel funds), a real estate fund advised by Citi Property Investors, a business unit of Citibank International plc ("CPI"), agreed to make a significant strategic investment in the Company accompanied by changes in the Company's governance and management structure. The agreement reached between the parties is recorded in a master transaction agreement (the "Master Transaction Agreement") signed on 20 March 2008. The transaction and related measures were approved by investors at the Company's extraordinary general meeting on 16 July 2008.

The principal investment terms of the transaction are set out in the Master Transaction Agreement and provide for a minimum investment of EUR 800m in the Company. Below we provide a summary of the transaction. For more detail please refer to the published Circular.

The minimum investment of EUR 800m comprises EUR 500m to be invested by CG Holdings by way of subscription of Subordinated Convertible Securities carrying a cumulative cash coupon of 10.75% per annum, payable quarterly in arrears (2.6875% of average outstanding balance during the quarter) on the last business day of each quarter, 30 million warrants to subscribe for ordinary shares of the Company (the "Initial Warrants") and a EUR 300m rights issue to holders of the ordinary shares (represented by certificates) of newly issued ordinary shares (represented by certificates) which would be backstopped by CPI Austria Holdings and Gazit (the "Rights Issue"), see note 45 for post balance sheet event. Participants in the Rights Issue would also receive warrants (on the basis of two warrants for every six certificates purchased) to subscribe for additional ordinary shares represented by certificates (the "Rights Issue Warrants").

The EUR 500m subscription amount for the Subordinated Convertible Securities and the Initial Warrants were paid on closing of the Master Transaction Agreement on 1 August 2008. It was anticipated that EUR 300m Rights Issue would be completed within six months of closing, see also note 45 for post balance sheet event.

In addition, closing of the investment was accompanied by (a) the internalisation of the management of the Company, (b) the reconstitution of the Board of Directors and introduction of a new management team, with CPI Austria Holdings and Gazit having certain consent rights over various business and operational matters of the Group as long as their total investment in the Group maintains above a certain level, (c) the change of the Company's name, (d) termination of the existing contractual arrangements with Meinl European Real Estate Limited and most of the agreements with Meinl Bank and (e) repurchase and cancellation of the Company's partly paid shares, as well as repurchase and cancellation of the ordinary shares underlying the 88,815,000 certificates acquired and held on behalf of the Company.

In November 2008 the Company announced the repurchase of up to EUR 150m nominal value of the notes issued under the Company's guaranteed medium term note programme 2006 as permitted by the terms of the notes, for further information see also description in note 17.

On 19 December 2008 the Company announced it would acquire, from Atrium European Real Estate Nominees Limited, ordinary shares of the Company that are represented by certificates which Atrium European Real Estate Nominees Limited may purchase from time to time. The maximum number of ordinary shares which may be so purchased is 50,000,000, and the maximum price which the Company is authorised to pay per ordinary share is EUR 10. Subject to this maximum price, the Company shall acquire any ordinary shares from Atrium European Real Estate Nominees Limited for the same price which Atrium European Real Estate Nominees Limited acquired the corresponding certificates. The authority contained in the resolution should expire on the date of the next annual general meeting of the Company but in any event no later than 18 months after the passing of the resolution.

45. Post balance sheet events

On 14 January 2009 the Company announced the proposed terms of a new equity fund raising ("Equity Fund Raising") which replaced the proposed EUR 300m rights issue, described in note 44 and related arrangements with CPI and Gazit (together, the "Investors") that was subsequently closed on 30 January 2009. This Equity Fund Raising raised EUR 72.1m of new equity which, together with the related arrangements, reduced the Company's aggregate indebtedness by approximately EUR 175m in principal amount and reduced the equity in relation to the outstanding warrants to subscribe for the Company's shares from 30 million to approximately 5 million. The Company issued 10,300,000 new ordinary shares to the Investors in aggregate at a price of EUR 7 per share. CPI acquired 4,738,000 shares and Gazit acquired 5,562,000 shares. The subscription price was paid by the transfer to the Company of Subordinated Convertible Securities in an aggregate principal amount of EUR 72.1m. The voting rights attached to the Company's special voting shares have been reduced proportionately to reflect the reduction in the outstanding aggregate principal amount of convertible bonds held by the Investors to EUR 427,900,000. In addition, the Investors delivered 25,066,667 existing Initial Warrants to subscribe for ordinary shares for nil consideration (out of a total of 30 million such Initial Warrants issued to the Investors on 1 August, 2008) to the Company. These 25,066,667 Initial Warrants have been cancelled. The Company has also acquired from Gazit approximately EUR 103m in nominal amount of the Company's 2006 listed medium term notes. The notes were acquired by the Company for a cash amount equal to the aggregate of the prices paid for them in the open market (including dealing costs) by Gazit (which in aggregate was EUR 77.26m) plus accrued interest on the notes to the date of purchase by the Company.

The new Equity Fund Raising and related arrangements provided the Company, in the face of difficult and unpredictable markets, with swift and certain execution of a transaction that improved the Company's balance sheet by reducing the amount of the Company's indebtedness and at the same time removed a large portion of the potential dilutive effect of the Company's Initial Warrants.

For more details of Equity Fund Raising and other information agreed between the Company and Investors, please see ad hoc news releases dated 14 and 30 January 2009.

Also subsequent to 31 December 2008 the Company repurchased an additional EUR 79.2m nominal value of the bonds issued under the Company's guaranteed medium term note programme 2006 as permitted by the terms of the notes.

The current turbulence in the world markets, especially in the real estate market, as well as a limited amount of publicly up to date available data and research relating to the real estate markets in the countries in which the Group invests, could lead to significant changes of the values of the Group's assets during subsequent periods. The management is not at present able to assess with accuracy the extent of such changes.

As announced on 13 March 2009 the Company has convened an extraordinary general meeting to be held on 6 April 2009 at which it will propose a number of amendments to the Company's Articles of Association principally designed to allow the Company to re-list its Ordinary Shares on Euronext, seek the approval of an Employee Share Option Plan and other matters.

Independent auditor's report to the members of Atrium European Real Estate Limited (formerly known as Meinl European Land Limited)

We have audited the Group and Company financial statements (the "financial statements") of Atrium European Real Estate Limited (formerly known as Meinl European Land Limited) for the year ended 31 December 2008 which comprise the Consolidated and Company Balance Sheets, the Consolidated and Company Income Statements, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Article 110 of the Companies (Jersey) Law 1991. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities on page 37, the Company's directors are responsible for preparation of the financial statements in accordance with applicable law and International Financial Reporting Standards, as endorsed by the EU.

Our responsibility is to audit the financial statements in accordance with the relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies (Jersey) Law 1991. We also report to you if, in our opinion, the Company has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

We read the Directors' Report and the Group Management Report accompanying the financial statements and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with International Financial Reporting Standards, as endorsed by the EU, of the state of the Group's and Company's affairs as at 31 December 2008 and of the Group's and Company's loss for the year then ended; and

- have been properly prepared in accordance with the Companies (Jersey) Law 1991.

Independent auditor's report to the members of Atrium European Real Estate Limited (formerly known as Meinl European Land Limited) – continued

Comment on the Group Management Report for the year ended 31 December 2008 and the Declaration of the Company's management according to para 82 BörseG

We have read the Group Management Report for the year ended 31 December 2008 in order to see if it is contradictory to the financial statements. In our opinion, the Group Management Report includes no obvious contradictions to the financial statements.

The Group Management Report for the year ended 31 December 2008 includes the declaration of the Company's management according to para 82 (4) fig 3 BörseG.

Emphasis of matter – potential litigation and ongoing investigations

On forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosures made in note 43 to the financial statements concerning the acquisition on behalf of the Company of listed certificates representing the Company's shares, the allegations against the Company and former Board members by certain certificate holders and certain bondholders and the ongoing investigations into the activities of the Company.

The ultimate outcome of the matters referred to in note 43 of the financial statements cannot presently be determined and therefore no provisions for any liabilities that may arise as a result have been provided for in the financial statements. If such liabilities were to arise they could be material to the financial statements.

KPMG Channel Islands Limited
Chartered Accountants
5 St. Andrew's Place
Charing Cross
St. Helier
Jersey
JE4 8WQ

20 March 2009

Notes:

- The maintenance and integrity of the Atrium European Real Estate Limited (formerly known as Meinl European Land Limited) website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements or audit report since they were initially presented on the website.
- Legislation in Jersey governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Personal Notes

Officers and Professional Advisors

Directors
Chaim Katzman
Michael Bar Haim
Dipak Kumar Rastogi
Shanti Sen
Dr. Peter David Linneman
Thomas William Wernink
Rachel Lavine
Peter Jeffrey Baguley
Andrew Ian Wignall
Simon Malcolm Radford

Administrator and Registrar
Aztec Financial Services (Jersey) Limited
32 Commercial Street
St. Helier
Jersey
JE4 0QH

Secretary
Aztec Financial Services (Jersey) Limited
32 Commercial Street
St. Helier
Jersey
JE4 0QH

Independent Auditors
KPMG Channel Islands Limited
Chartered Accountants
5 St. Andrew's Place
St. Helier
Jersey
JE4 8WQ

Registered Office
32 Commercial Street
St. Helier
Jersey
JE4 0QH

Contact

Atrium European Real Estate Limited
32 Commercial Street, St Helier, Jersey JE4 0QH, Channel Islands

www.aere.com
ir@aere.com