



Meinl
European
Land



Annual Report 2003

Key Figures

| | 1999 | 2000 | 2001 | 2002 | 2003 |
|-------------------------|--------|-------|-------|-------|--------|
| Income EUR 000's | | | | | |
| Revenues | 6,275 | 6,262 | 7,486 | 7,990 | 11,941 |
| EBITDA | 3,600 | 4,091 | 5,001 | 5,524 | 7,845 |
| EBIT | 1,987 | 2,345 | 3,178 | 3,659 | 5,157 |
| Profit before taxation | -975 | -296 | 649 | 755 | -312 |
| Profit after taxation | -1,057 | -269 | 449 | 353 | 713 |

| | Profitability in % | | | | |
|---------------|---------------------------|------|------|------|------|
| EBITDA margin | 57,4 | 65,3 | 66,8 | 69,1 | 65,7 |
| EBIT margin | 31,7 | 37,4 | 42,5 | 45,8 | 43,2 |

| | 2003 | |
|-----------------------|-------------|--|
| Share in EUR | | |
| Market Capitalisation | 157,182,000 | |
| Authorised Shares | 20,400,000 | |
| Issued Shares | 13,000,001 | |
| Share Price * | 12.09 | |
| Nominal Value/Share | 5.00 | |
| Revenues/Share | 0.92 | |
| Profit/Share ** | 0.10 | |

* Share Price as at 30 December 2003

** weighted with average number of shares outstanding

| | Hungary | Czech Republic | Total |
|-----------------------------|------------|----------------|-------------|
| Number of Properties | 45 | 87 | 132 |
| Lettable area in sq.m | 70,321 | 267,176 | 337,497 |
| Proportion of Total in % | 20.8 | 79.2 | |
| Occupancy level in % | 100.0 | 95.6 | 96.8 |
| Portfolio Book value EUR | 58,272,000 | 134,183,000 | 192,455,000 |
| Portfolio Market value* EUR | 63,175,000 | 160,332,652 | 223,507,652 |

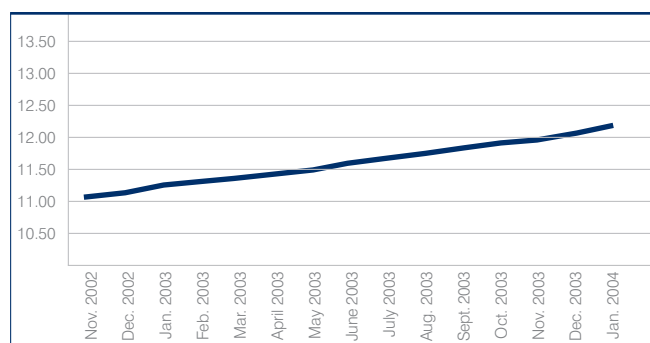
* Independent valuation in spring 2003 and at the time of acquisition

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Performance

Vienna Stock Exchange daily market price since issue date

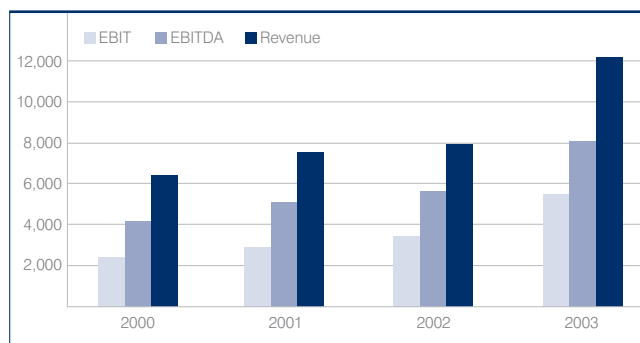


| | |
|--|-----------|
| Issue price | EUR 11.10 |
| Year-end market price, 31 st December, 2002 | EUR 11.18 |
| Year-end market price, 31 st December, 2003 | EUR 12.09 |

Since the first trading day on the Vienna Stock Exchange in November 2002 the share price of Meinl European Land has increased steadily. Over the past 13 months, the share price has gained 8 % on an annualised basis. In October 2003 the shares have been admitted to trading and listing in the First Market Segment ("Amtlicher Handel") of the Vienna Stock Exchange, giving additional liquidity and standing to the shares. The number of shares outstanding has increased from 4.5 million at the time of the initial listing to 13 million at the end of 2003.

Profitability: EBIT/EBITDA/Revenue

in EUR 000's

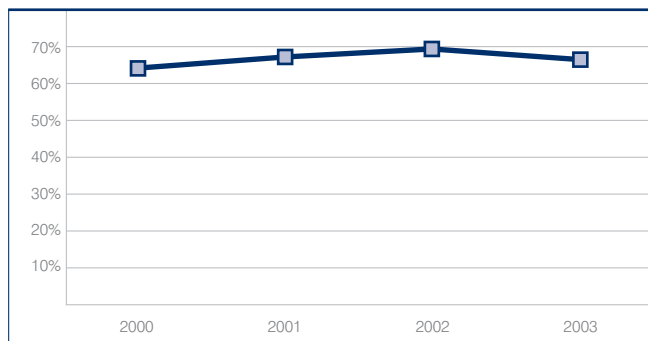


Meinl European Lands' performance figures show an overall favourable trend. As a result of the strong expansion over the last two years, rental income has almost doubled (non-annualised) against the year before; EBITDA and EBIT show a similar development. On an annualised basis the properties acquired in the course of 2003 would make an even more significant contribution to results, which will for the first time show, to the full extent, in 2004.

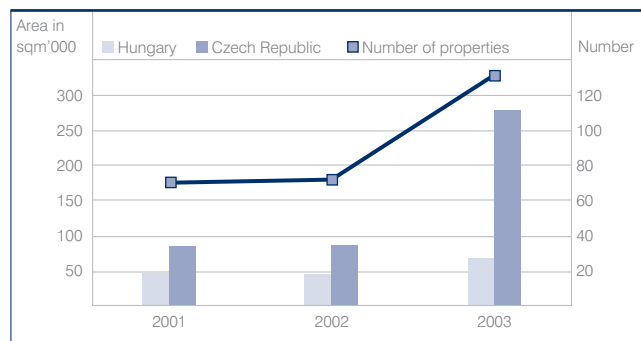
Financial Highlights

Profitability: EBITDA margin

in %

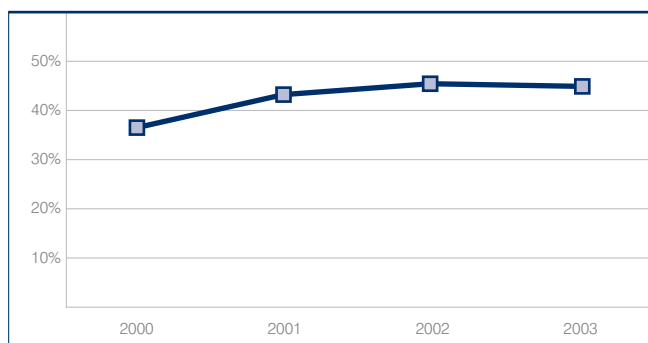


Volume Growth



Profitability: EBIT margin

in %



As of year-end 2003, the portfolio of Meinl European Land consisted of 132 properties with a total lettable area of close to 340,000 sq.m., a doubling of the lettable area in just a year:

In the Czech Republic, the company acquired 62 new properties with a lettable area of almost 180.000 sq.m., generating an average yield well above 9 %.

In Hungary, the company was successful in its acquisition of a major shopping center in Budapest, also at a yield in excess of 9 %.

In order to make these investments, Meinl European Land has turned to the capital markets, raising equity as well as additional debt. As a consequence of two rights issues and the placing of bonds, the funding basis has also nearly doubled in 2003.



Statement of the Board of Directors

Dear Shareholders,

The year 2003 has again been a year of dynamic forward development for Meinl European Land, with promising new investments and a strong inflow of new capital. In this report we would like to inform you about the major events in 2003.

Over the last year we have doubled our property portfolio to a total of 132 properties with a lettable area of 340.000 sq.m. in Hungary and the Czech Republic. These properties have reached a book value of almost EUR 200 million and generate on average yields of more than 9 %, significantly above the level in Western Europe.

We are able to achieve these yields based on a careful selection process: before we take a final decision about any property, it has to be evaluated according to multiple criteria by our experienced professional staff.

Apart from looking at the purchase price, we compare rents paid in the target property to rents paid in the neighbourhood, we evaluate the occupancy rate and the term structure of the leases, and we rate our tenants. Fortunately, major European retailers count among our tenants in the majority of our properties as long term and reliable partners. Likewise, we pay attention to a long term and sustainable relationship with our local tenants, who occupy approximately one third of lettable areas in our properties

The acquisition of new properties has been financed mostly with the proceeds from raising new capital, equity and debt. Following the complete placement of all the shares previously authorised by the Board of Directors, Meinl European Land has placed two times 3 million new shares and has increased its share capital to EUR 65 million nominal value in two rights issues in October and December 2003. At the same time as the first rights issue, the shares of Meinl European Land have been admitted to the First Market Segment ("Amtlicher Handel") of the Vienna Stock Exchange. In addition, we issued secured bonds in July 2003 with a total nominal value of EUR 50 million. The bonds are also listed on the First Market Segment of the Vienna Stock Exchange.

Even though Meinl European Land is able to move quickly on acquisitions, the due diligence process and the careful screening of potential targets is time consuming. Raising new debt capital has also increased interest payments significantly. As it is not always possible to acquire new properties at the same time as raising new financing, interest expense has grown, while cash yields from new properties started to come in only later. This factor has had a negative effect on results in 2003, which will be reversed in the future as yields on the capital invested in property of around 9 % will surpass interest payments at rates of 6 %.

The steps taken in 2003 will help us to support our continuing development, the expansion of our business and to thrive on a strong financial basis in the years to come. We appreciate your decision to embark on this way together with us.

The Board of Directors
11th May 2004



Developments in 2003



Meinl European Land has continued on its growth path in 2003. The most important steps and developments of the last year are listed as follows:

April – Acquisition of two Hypermarkets

The acquisition of two hypermarkets in the Czech Republic, a total investment volume of EUR 22 million and an annual rental income of EUR 2.1 million, adds retail group Spar as a new tenant to Meinl European Land's tenant portfolio.

July – Issue of Bonds with EUR 50 million nominal value

The company issued secured bonds due 2013 with a total nominal value of EUR 50 million. The bonds are split in two tranches, a fixed interest rate and a floating interest rate tranche. The bonds have been offered exclusively to institutional investors and were fully placed within a few weeks. The proceeds from the bond issue will be used for further acquisitions, maintaining a financing structure of 60:40 debt to equity ratio. The bonds were admitted to trading and listing on the Vienna Stock Exchange in December.

September – Acquisition of a Shopping Center in the Czech Republic

A highly attractive purchase was the acquisition of a small shopping center in Brno in an auction process with a yield of 14 %. German retailer Rewe, already a tenant in the company's portfolio, adds a new shop format in this location.

October – Rights Issue and Listing in the First Market Segment („Amtlicher Handel“)

Meinl European Land issued 3 million new shares in October, increasing its share capital to EUR 50 million nominal value and raising proceeds of approximately EUR 33 million to be used for the acquisition of further properties. At the same time, the shares

of Meinl European Land were admitted to listing in the First Market Segment („Amtlicher Handel“) of the Vienna Stock Exchange. This upgrading to the top market segment has increased the liquidity in and the standing of the shares.

November – Acquisition of a Shopping Center in Hungary

In November, Meinl European Land acquired one of the major shopping centers in Budapest with a total lettable area of 23,900 sq.m. for a total investment volume of EUR 34 million and with an annual rental income of EUR 3.2 million. In addition to an attractive yield, this property is the company's first major shopping center investment in Hungary.

November – Acquisition of a portfolio of 59 properties

The purchase of the shares of Alfa Real Estate s.r.o, a former subsidiary of Julius Meinl that owns a portfolio of 59 retail properties in the Czech Republic, was a significant boost to expansion. This acquisition increases Meinl European Land's portfolio to 132 properties, adding average yields in excess of 9 %. The anchor tenant is Julius Meinl which leases 40 of these properties and occupies around two thirds of the total areas.

December – Further Rights Issue

Meinl European Land issued yet another 3 million new shares in December, bringing its share capital to EUR 65 million nominal value and raising proceeds of approximately EUR 33 million to be used for more acquisitions. Consequently, 13 million issued and outstanding shares were listed in the First Market Segment of the Vienna Stock Exchange at year-end 2003.

Budapest, Hungary

One of the most significant acquisitions in 2003 was a shopping center in the North-East of Budapest, in the residential district of Obuda, where high rise apartment buildings border free standing single family homes. Meinl European Land took ownership of this property in November and rounded off its portfolio with its first shopping center in Hungary.

The shopping center 'Eurocenter' covers a total lettable area of 23,500 sq.m. rented out to 69 tenants. The anchor tenant is an 'Interspar' hypermarket with around 10,500 sq.m. on a long term lease to Spar group. Other important tenants are a post office, banks, a drugstore and an electronics retailer. The Eurocenter also has a multi-screen movie theatre, which together with the foodcourt provides for good customer flow until late in the evening.

The center management, which has now been taken over by Meinl European Land as well, is also in charge for the common areas. There are seasonal attractions such as Christmas or Easter markets in the mall, contributing to additional rental income and offering further incentives for customers to pass by.

Overall, the Eurocenter's success is based on the attractiveness of the hypermarket as the anchor and a particularly well balanced tenant mix, professional center management and easy accessibility and ample parking. As a result, the Eurocenter is fully let with a long waiting list for several outlets.

The acquisition of the Eurocenter was completed in a particularly short time, even for the standards of Meinl European Land. Working with a highly professional seller and a team of experienced lawyers and accountants in the due diligence and in setting up the contracts, the transaction could be closed within six weeks after the general consensus with the seller had been reached and the decision to proceed with the purchase had been taken.



Case Study I Budapest, Hungary

Brno, Czech Republic

Another project acquired in 2003 was a small shopping center in Brno, the second largest city in the Czech Republic after Prague with more than 500,000 inhabitants. The center is located approximately two kilometres from the city centre in a residential area, adjacent to the main sports venue in Brno. Consequently, recognition of the location is extremely high.

The center covers a total net lettable area of 4,100 sq.m. with a 2,000 sq.m. supermarket as the anchor tenant. The supermarket is operated by the German retail group Rewe under a long-term lease. Rewe has been one of Meinl European Land's important tenants for several years, but only with its 'Penny Market' discount format. This is the first of Rewe's 'Billa' supermarkets to come into the company's portfolio. Moreover, there are some additional smaller retail units let to a sports shop and fashion retailers and a limited area of office space on an upper level. The center is fully occupied with a constant demand for space.

Being adjacent to the sports venue, the center benefits from ample parking areas, including underground parking, which can be accessed and used by shoppers.

What is particular about this property is the way it was acquired. The property came to the attention of Meinl European Land staff as being up for sale in a bankruptcy auction in September. A quick decision had to be taken and only limited due diligence was permitted prior to the bidding. The high frequency location, full occupancy on an extremely long term lease with a familiar tenant and a positive evaluation of the long term prospects for the location contributed to the go-ahead within just a few days. In the end, Meinl European Land submitted the winning bid and concluded the acquisition after a full review of the property in November.

Due to this process, Meinl European Land succeeded in securing this opportunity for an extremely low purchase price, approximately 35 % below the market value determined for the purpose of the auction. Consequently, Meinl European Land will be able to generate a recurrent annual yield of more than 14 % from this property.



Case Study II Brno, Czech Republic



Market Environment



Czech Republic

Economic Overview

After a short economic downswing in the second part of 2002, the Czech Republic has experienced solid economic expansion in 2003 with a demand side driven GDP growth of 3 %. Industrial investments also increased by around 3.9 %. Similar economic growth rates are expected for the Czech Republic in 2004, and a better diversification between domestic and foreign demand should provide a well balanced foundation for the upswing.

Retail Property Market

The dynamic developments of recent years on the Czech retail property market continued in 2003. The market is to an ever increasing extent controlled by international retail chains demanding a growing supply of retail properties and formats similar to those in Western European markets. In contrast, demand by local retailers continues to decrease as out-of-town malls gain in importance. As a result of these trends, total lettable area in shopping centers in Prague reached 700,000 sq.m. in 2003, up from 650,000 sq.m. in the year before and only 400,000 sq.m. just some two or three years ago. However, the growth rate has slowed down in 2003 as some major retailers are consolidating their positions.

Yet, total lettable shopping center area in Prague is still significantly below the Western European average, where lettable area per inhabitant is nearly double. Consequently, growth is expected to pick up again within the next few years.

Retail rents have been on a slight upward trend in 2003, most likely as a result of fewer new lettable areas coming online. At the same time yields have been stable but with some downward pressure as inflows of foreign money to invest in Czech property are strong. There appear to have been a few transactions below 9 % yield in prominent locations, but generally the company takes the view that acquisitions can still be made above 9 %, significantly higher than the Western European average.

Czech Republic – selected indicators

| | |
|------------|--------------------------|
| Area | 78,684 sq. km. |
| Population | 10.3 million inhabitants |

| | 2002 | 2003 | 2004 (forecast) |
|--|--------|--------|-----------------|
| GDP (real) | +2.0 % | +2.8 % | +3.1 % |
| Industrial production (real) | +4.8 % | +5.5 % | +5.0 % |
| Gross investments (real) | +0.6 % | +2.3 % | +4.0 % |
| Consumer prices (annual- \emptyset) | +1.8 % | +0.2 % | +2.9 % |
| Unemployment rate (annual- \emptyset) | 9.2 % | 10.0 % | 10.0 % |

Source: Czech National Bank

Hungary

Economic Overview

The expansion of the Hungarian economy continued in 2003 with a GDP increase of around 3 %, even though the growth rate slowed down compared to the years before. The slower expansion of the Hungarian economy emanates largely from the continued weakness of the Western European region as Hungary's main export market. A slight recovery in foreign demand in the last quarter of 2003 caused an immediate pick-up of GDP growth, and with a continued strengthening of the global economy in 2004, a robust GDP growth is predicted for the full year at a rate significantly above the moderate 0.5 % forecast for Western Europe.

Retail Property Market

Similar to the Czech Republic, the Hungarian retail property market has shown a significant transformation over the past few years. A very rapid build-up of large new shopping center areas in the early 90-ies caused a short period of oversupply, as international retail tenants were not able to expand at the same rate. However, the market has corrected and demand for new areas, particularly outside Budapest, is stable and strong again. Retail warehousing for specialty retailers of electronic goods, do-it-yourself and gardening centers are the most recent trend and a massive expansion is on its way in this segment.

Rent levels have been stable in Hungary over the last year with little pressure in either direction. Yields in Hungary have traditionally been slightly lower than in the Czech Republic, but this difference has practically disappeared. At just above 9 %, yields in properties let to high quality international retail tenants continue to make Hungary an attractive country for property investment.

Hungary – selected indicators

| | |
|------------|--------------------------|
| Area | 93,030 sq. km. |
| Population | 10.1 million inhabitants |

| | 2002 | 2003 | 2004 (forecast) |
|------------------------------|--------|--------|-----------------|
| GDP (real) | +3.3 % | +3.0 % | +3.0 % |
| Industrial production (real) | +2.8 % | +5.0 % | +6.0 % |
| Gross investments (real) | +5.8 % | +3.0 % | +4.0 % |
| Consumer prices (annual-Ø) | +5.3 % | +4.5 % | +6.1 % |
| Unemployment rate (annual-Ø) | 5.8 % | 6.0 % | 5.9 % |

Source: National Bank of Hungary

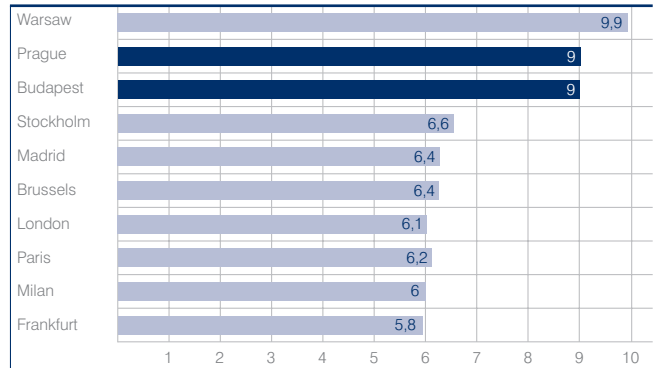
Real Estate in Eastern Europe

Real estate has always been considered one of the most solid forms of investment, but rarely is there a situation where the returns are also as attractive as they are in Central and Eastern Europe at present. The Hungarian and the Czech property markets have been booming over the last few years, offering high yields at a comparatively small risk. The risk premium priced into current yields is difficult to explain, given the stable macro-economic situation of both countries, large improvements in their infrastructure, and above all their accession to the European Union. Consequently, a further decline of yields towards Western European levels is expected: not a bad development for existing investments, but additional opportunities in these two markets may become scarce.

Reacting to this anticipated shift in yields, Meinl European Land has been scouting several other countries in the region, foremost Poland and the Slovak Republic. The general macro-economic climate has improved vastly in both countries but yields have remained higher for the time being. In addition, Romania provides interesting opportunities but a scarcity of existing properties makes it a market rather for property developers than for property investors.

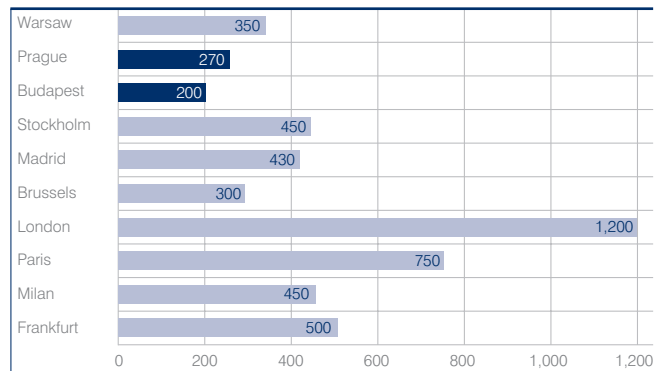
Further in the East, Russia is emerging as an attractive real estate market. In the present political climate, the economy as well as the legal system have improved greatly, providing a sufficiently secure basis for any investment in the country. Yields in Moscow can be in the range of up to 15 % even if the tenants are international retailers. Apart from Moscow, some of the large regional cities – all of them with a population well above one million – in the European part of Russia can provide interesting opportunities.

Yield 2003, in % p.a.



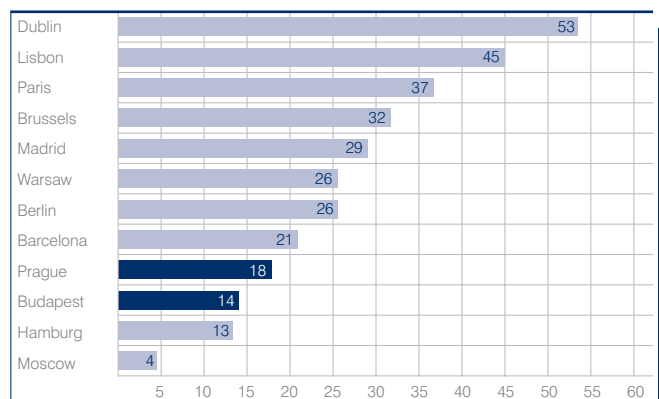
Source: Colliers International

Rent 2003 per sq. m., in EUR



Source: Jones Lang LaSalle

Gross sales area 2003 per 100 inhabitants, in sq. m.



Source: Jones Lang LaSalle



Investment Strategy

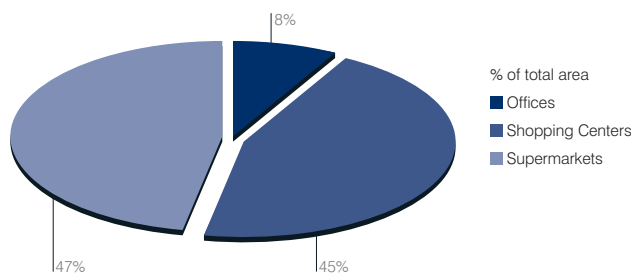


Meinl European Land's investment strategy is directed towards a constant and sustainable increase in the value of the company's properties. Hence, the composition of the property portfolio is of critical importance and every potential target project will be evaluated carefully along the following criteria:

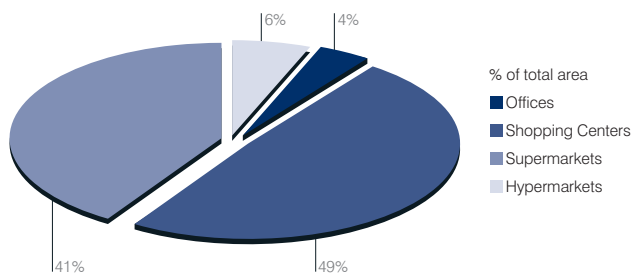
- Yield – short- and long-term
- Rental contracts – term, tenants and occupancy rate
- Location – dynamic environment, viable position in changing market conditions
- Building – modern standards

These criteria are not only applied to potential new projects; Meinl European Land regularly reviews its whole portfolio with regard to these items. In the event that individual properties no longer meet these requirements, Meinl European Land will seek to dispose of such properties and to replace them by more suitable alternatives. In 2003 Meinl European Land has sold one smaller property in Hungary and has replaced it by ones reflecting current market trends.

Property usage total 2002



Property usage total 2003



Hypermarkets / Retail Warehousing

Recent developments in the retail market suggest that major growth in retailing will come from formats such as hypermarkets and retail warehousing. Depending on location and catchment area, such properties require a floor space between 6,000 sq.m. and 15,000 sq.m. In 2003, Meinl European Land acquired several hypermarkets winning Austrian retailer Spar with its Interspar hypermarket format as partner and anchor tenant.

Supermarkets and Discounters for Multiformat Retailers

Most of the European retail groups run a portfolio of different store concepts, such as hypermarkets, supermarkets and discount stores. However, when entering Hungary and the Czech Republic, they initially introduced only one format, but are now trying to expand their other formats as well. With its wide portfolio of properties, Meinl European Land is able to meet market demands across all these formats.

Community Shopping Centers

In addition to these comparatively new retail formats, the company continues to operate several smaller community or neighbourhood shopping centers. While there have been some new acquisitions, the company has also been expanding and modernizing existing properties. The community shopping centers normally house a food retailer as anchor to pull customers in, but often add a sports or electronics retailer, a bank, a post office and, depending on the size and the catchment area, several other shop units. Some larger centers also have a food court and a movie theater and other entertainment facilities.





Portfolio Review



Acquisitions

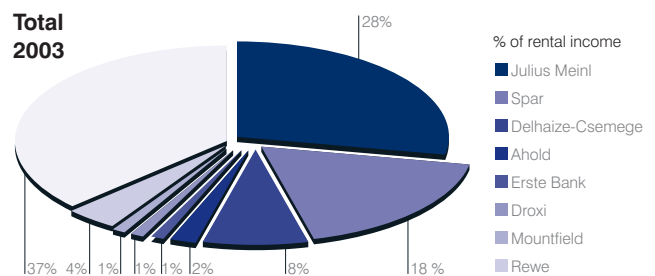
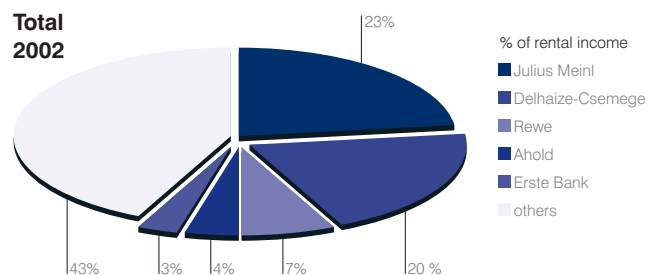
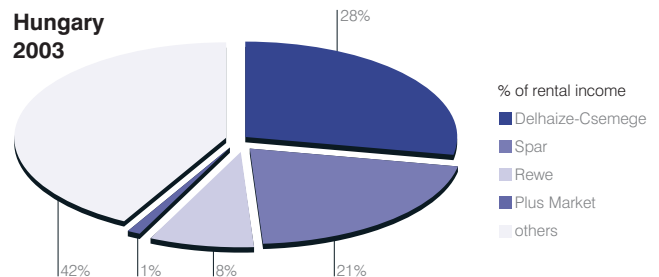
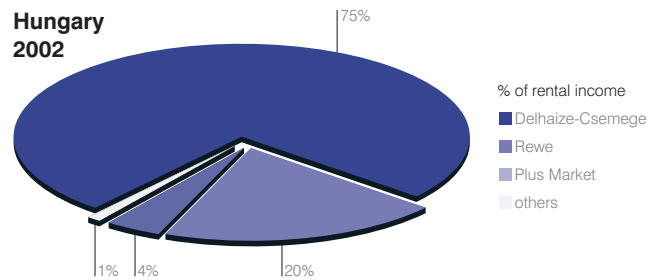
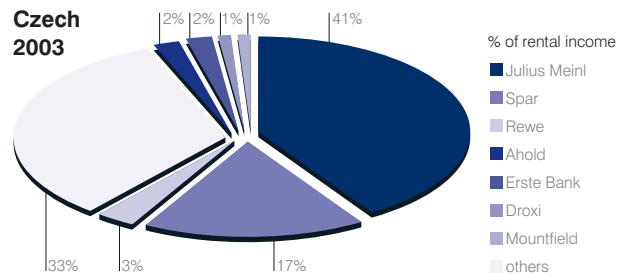
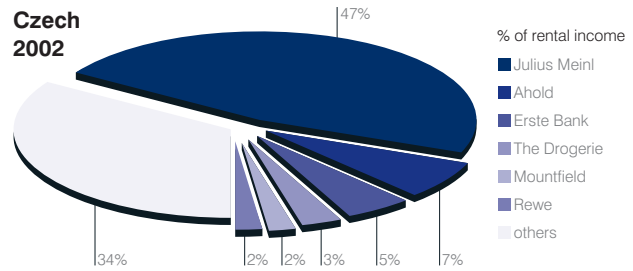
Meinl European Land has nearly doubled its property portfolio in 2003. The total numbers of properties increased from 70 at year-end 2002 to 132 year-end 2003, and the total lettable area increased from 137,000 sq.m. to almost 340,000 sq.m. over the same period. One property generating an insufficient yield was sold and 62 properties with a higher yield have been acquired. Meinl European Land plans a further expansion beyond its markets in Hungary and the Czech Republic for 2004.

The table below summarizes all acquisitions done in 2003. All of the properties acquired in 2003 generate average yields in excess of 9 %; these are yields on the upper end of the market range in both countries. In one instance, the company succeeded in securing one property at a yield of more than 14 %.

| Acquisitions | | | | | | |
|----------------------|--------------|-------------------------|-------------------------|------------------------|---------------|--|
| Location | Tenant | Investment EUR 000's | Lettable area in sqm | Rent p.a. EUR 000's | Yield in % | |
| 2 Hypermarkets | Spar | 22,620 | 19,950 | 2,115 | 9.74 | |
| Shopping Center | Rewe | 1,800 | 4,100 | 253 | 14.05 | |
| 59 Properties | Julius Meinl | 57,976 | 152,230 | 5,300 | 9.14 | |
| Total Czech Republic | | 82,396 | 176,280 | 7,668 | 9.31 | |
| Shopping Center | Spar | 34,640 | 23,880 | 3,200 | 9.24 | |
| Total Hungary | | 34,640 | 23,880 | 3,200 | 9.24 | |
| Total | | 117,036 | 200,160 | 10,868 | 9.29 | |

Tenant and property structure

In order to minimize the risks from the default of a tenant, Meinl European Land makes every effort to broaden the range of tenants and to balance its portfolio. Several smaller tenants as well as Spar as one of the mainstream retailers have been added to the tenant list in 2003 and other international retailers are likely to follow.



In Hungary, the dominant position of Delhaize-Csemege could be reduced significantly. But diversification has also progressed in the Czech Republic: with the acquisition of the Interspar hypermarkets, the company has reacted to market trends and emphasised the increasing importance of this format in its portfolio. At the same time, Spar has become an important new partner for the company. Furthermore German retailer Rewe, who has previously been a tenant only with its discount format 'Penny Market' is now also present in the portfolio with a first store from its 'Billa' supermarket line.

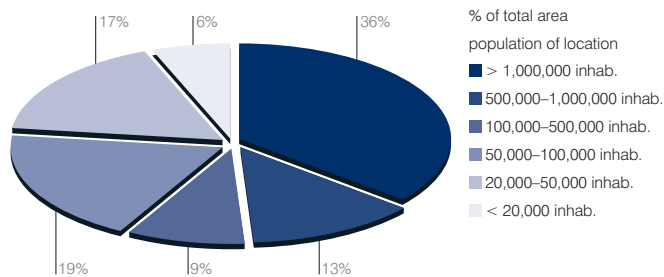
Currency Mix

In Hungary 98 % of rental income is paid in Euros, rents are indexed to Euro-zone consumer price inflation. In the Czech Republic the share of rents paid in Euros has increased by 10 % to 63 %. In total, nearly three quarters of the company's total rental income is now denominated in Euros. Almost all of the new rental contracts or new projects are nowadays Euro-based and over the next 2 to 3 years a complete shift to Euros is expected.

Property Mix

The original portfolio was largely composed of smaller, free standing retail properties. However, this composition is changing rapidly due to the rising importance of other retail formats in the portfolio: recent additions to the property mix were mostly hypermarkets and shopping centers. Both Hungary and the Czech Republic now show a more balanced mix of properties across the different categories. Changes in the market environment and in the demand patterns for certain types of real estate make the right composition of the portfolio a mission critical factor for the company.

Regional Distribution







Operational Review



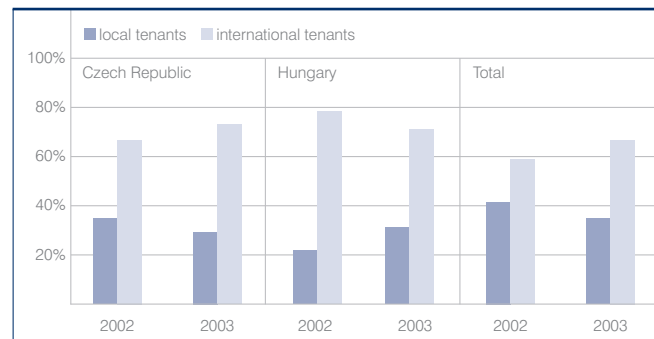
Day-to-day operations of Meinl European Land group are carried out in the two subsidiaries, Manhattan Development a.s. in Prague and Manhattan Development Kft. in Budapest. The Czech market is covered from Prague, as well as potential targets in Slovakia. The subsidiary in Budapest covers the Hungarian market as well as Romania. Both companies are staffed with property experts and have in-house legal, financial and tax expertise to cover the management of existing properties as well as the acquisition of new objects. The Board of Directors of Meinl European Land is actively involved in the strategic development of operations.

2003 – stongest growth in the history of the company

The past year has by far been the most successful in Meinl European Land's history, bringing strong growth and many important new developments. The company's share capital as well as the property assets nearly doubled compared to the previous year; at the same the diversification of the portfolio and the quality of the tenants increased substantially. Almost two thirds of the lettable areas are under lease to the biggest and most successful international retail groups. At the same time the strongest local players with a strong operating history are among the local tenants in many of the company's properties.

The occupancy level has improved further starting from an already high level. In Hungary the occupancy rate remains at 100 % with largely long term rental arrangements in place. In the Czech Republic, occupancy has increased slightly to 95.6 % reducing the amount of vacant spaces to a mere 3.2 % of all areas across the total portfolio; a very low value when compared to the sector average. This factor demonstrates that the Central Europeans markets continue to be largely unaffected by the recession in Western Europe, with free purchasing power rising and demand from retailers for sales areas remaining strong. Consequently rents are stable and occupancy rates are high in these markets.

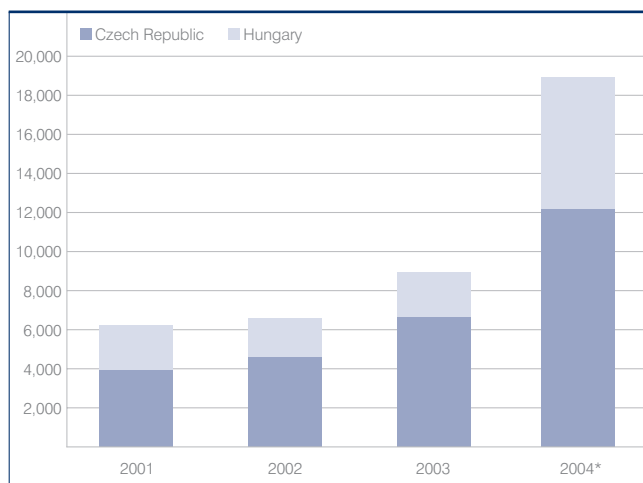
Distribution local/international tenants in % of rental income



Doubling of Portfolio

The massive expansion during the last year and the acquisition of several high profile properties with good long-term perspectives have resulted in a doubling of the portfolio, both in size as well as in the number of objects. Due to the sale of one small property and the purchase of a shopping center in Hungary, the number remained constant in that country, while total lettable area increased from 47,340 sq.m. to 70,300 sq.m. The more significant part of the expansion emanated from the Czech Republic, however. The number of properties has increased from 62 to 87 and total lettable area rose from 90,100 sq.m. to 267,200 sq.m. Across the markets, Meiri European Land therefore owned 132 retail properties with a total lettable area of almost 340,000 sq.m. at year-end 2003. The portfolio value of the investment in real estate assets on the books of the company increased from EUR 66 million at year-end 2002 to almost EUR 200 million a year later.

Rental income in EUR 000's



* Rental income 2004 projected on the basis of the rental income in December 2003, assuming no further acquisitions.

Hungarian activities increasing

While the Company has focused primarily on the Czech Republic in recent years, activities in Hungary have gained momentum in 2003. Changing market conditions and the availability of higher yielding projects have made the Hungarian property market more interesting for investment again. Following the acquisition of the Eurocenter in November 2003, several further opportunities in Hungary are under review at present. The tenant mix in Hungary has become significantly more balanced than in the years before as a consequence. While the Delhaize-Csemege group accounted for an excessive share of almost three quarters of rental income in 2002, this ratio has gone down to less than a third within a year.

Revenues up by 50 %

Due to the acquisitions of the last year, rental income increased by approx. 50 % in 2003. It has to be noted, that income from newly acquired properties will only show to the full extent in turnover and profit figures in 2004, as all of the properties purchased during the year only contributed to rental income for a few months in the second half of the year in 2003. Even when assuming that Meiri European Land would make no further acquisition in 2004, rental income would increase by another almost 100 % to EUR 18.6 million in 2004, just on the basis of properties already in the ownership of the company at year-end 2003.

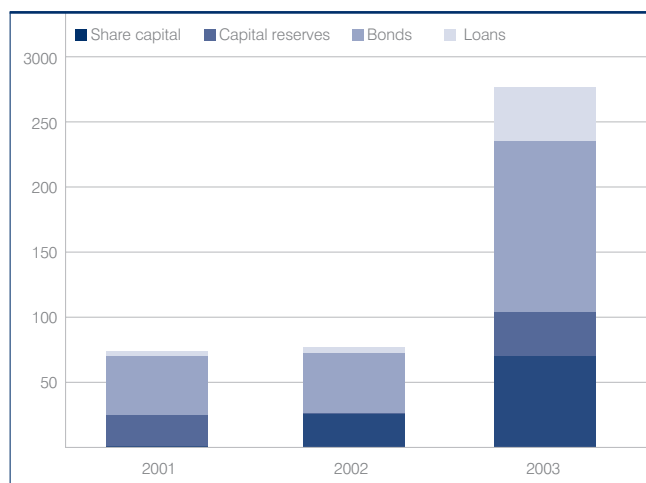
Stronger capital base to support the expansion

As a result of the capital inflows in the last year, the company has raised liquid funds of around EUR 100 million in new equity and of an additional EUR 50 million in new debt. Meinel European Land has used part of these amounts for financing additional expansion projects. Furthermore, Meinel European Land took over existing debt financing in connection with the acquisition of several properties, that have been acquired by the company in share deals, even though the company may have had enough own liquidity to fund the transactions entirely. While some of these existing financing arrangements may come with attractive terms, the company has deployed its liquid funds more slowly than anticipated. Consequently, a larger part of the equity and debt, which was raised in 2003, is still at the disposal of the company for investment.

The issue of the new bonds has led to a significant increase in interest expense, putting pressure on the results in 2003 as the higher financing costs are not matched by additional rental income from newly acquired properties.

Once the proceeds from the bond issue have been used for the purchase of new investment properties, the company will have stronger rental revenues to cover and surpass the added interest expense. From that moment onwards, the company can benefit from the leverage effect again and take advantage of assets that have been refinanced for the long term until 2013 at attractive rates.

Financing structur in EUR millions





Projects for the Future



Having expanded its activities strongly and successfully in 2003, MeInl European Land is looking ahead to grow its business further in 2004, to make additions to the portfolio and to strengthen its capital base through new funding efforts.

As far as the inflow of new funds is concerned, the company is planning to raise both, new equity and new debt, at least to the extent of the previous year. If everything is going to schedule, the portfolio consequently may well double again by year-end 2004.

Despite these growth targets, MeInl European Land will continue to follow its initial investment strategy: to focus on commercial retail properties and to evaluate all target properties on the basis of the key criteria – Yield, Rental contracts, Location and Building. During the last weeks and months, several potential investments have been reviewed and undergone the stringent evaluation process. Several interesting opportunities have opened up as a result, which should be realised in the course of 2004 or which even have been realised at the time of print of this annual report.

Apart from the Czech Republic and Hungary, countries where the company has been active in the past, the entry into new markets is expected to take place in 2004. Most attention is given to the Slovak Republic and Poland but other countries are also on the radar screen where investments are possible as long as the requirements for yield match the requirements for security in the legal system.

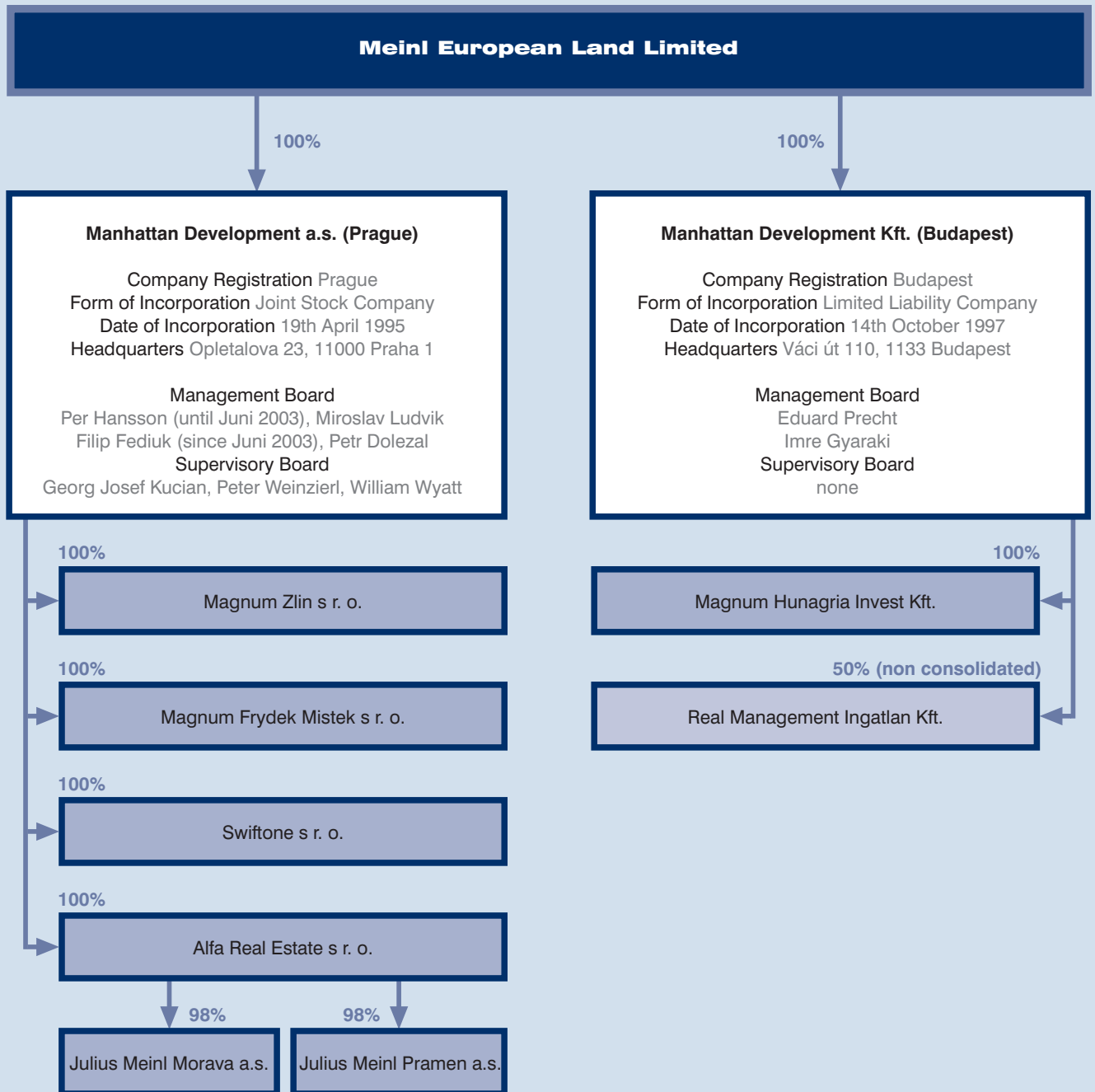
Entering into new markets will also lead the company to set up new subsidiaries and new operations in these countries in order to manage its properties efficiently and to service its tenants to the best standards.

After considering the current developments in the Russian Federation for the first time towards the end of 2003, MeInl European Land will be looking at opportunities in this market more closely in 2004. Negotiations are going on with respect to a large shopping center in Moscow at present, but also with respect to several similar properties in the regional cities above one million inhabitants in the European parts of Russia. While a final decision has not been taken, an expansion into this direction is certainly a possibility.

Financial Statements

| Company | Revenue | Profit | Assets | Liabilities | Equity | Other |
|------------|---------|--------|--------|-------------|--------|-------|
| Atlas Cop | 24567 | 8.4 | 330 | 195 | 201 | 275 |
| Electrolux | 106280 | 0.0 | 198 | 275 | 275 | 275 |
| Electrolux | 218 | 3.9 | 265 | 275 | 192 | 192 |
| Ericsson | 340 | 0.0 | 260 | 192 | 155 | 155 |
| Ericsson | 131390 | 0.1 | 191 | 153 | 156 | 150 |
| Ericsson | 102812 | 6.2 | 148 | 158 | 147 | 156 |
| Investor | 3059 | 2.0 | 155 | 152 | 156 | 156 |
| Investor | 17321 | 1.0 | 155 | 156 | 156 | 158 |
| Investor | 3500 | 5.0 | 155 | 156 | 160 | 68 |
| Procord | 12017 | 0.2 | 158 | 159 | 69.5 | 70 |
| Procord | 11384 | 8.6 | 68.5 | 68 | 70 | 70 |
| Procord | 87445 | 5.1 | 70 | 70 | 70 | 123 |
| S-E-Ba | 1300 | 0.9 | 70 | 124 | 124 | 125 |
| S-E-Ba | 7790 | 1.4 | 68.5 | 123 | 125 | 12.5 |
| S-E-Ba | 26500 | 3.5 | 123 | 125 | 12.5 | 97 |
| SHB | 24375 | 1.3 | 124 | 13 | 97 | 84 |
| SHB | 1167 | 1.2 | 12.5 | 94 | 84 | 91 |
| SHB | 1664 | 0.1 | 95 | 100 | 84 | 91 |
| SKF | 4550 | 0.1 | 95 | 84 | 91 | 220 |
| SKF | 165220 | 0.1 | 83 | 90 | 91 | 224 |
| SKF | 19106 | 0.5 | 90 | 220 | 222 | 222 |
| SKF | 19000 | 1.2 | 220 | 223 | 222 | 215 |
| Saab | 29704 | 5.4 | 220 | 250 | 217 | 380 |
| Saab | 22200 | 0.8 | 212 | 216 | 378 | 395 |
| Saab | 3600 | 1.0 | 379 | 380 | 390 | 395 |
| Sto | 5230 | 7.3 | 390 | 395 | 295 | 305 |
| Sto | 4125 | 1.3 | 300 | 305 | 290 | 295 |
| Sto | 4125 | 2.0 | 295 | 310 | 285 | 297 |
| Sto | 34320 | 1.6 | 295 | 297 | 119 | 118 |
| Tre | 227560 | 2.2 | 118 | 119 | 115 | 122 |
| Tre | 173900 | 4.3 | 120 | 118 | 125 | 126 |
| Tre | 18400 | 7.1 | 127 | 127 | 127 | 128 |
| Tre | 18400 | 4.2 | 128 | 128 | 128 | 128 |
| Tre | 18400 | 6.7 | 128 | 128 | 270 | 270 |
| Tre | 18400 | 4.2 | 265 | 265 | 265 | 270 |
| Tre | 18400 | 4.2 | 265 | 265 | 265 | 270 |

Organizational Structure



Directors' Report

The directors submit their report and the audited financial statements of the parent company and its subsidiaries for the year ended 31 December 2003.

Incorporation

The parent company was incorporated in Jersey on 8 December 1997.

Principal Activities

The principal activity of the Group is the ownership, leasing, management and development of commercial real estate in the Czech Republic and Hungary. In the future this may also include other countries across Central and Eastern Europe.

Reporting currency

Following the introduction of the Euro, the parent company adopted the Euro as its reporting currency with effect from 1 January 2002.

Results

The results for the year are shown in the consolidated income statement on page 34.

Dividend

The directors do not recommend the payment of a dividend (2002: EUR nil).

Directors

The directors of the parent company who served during the year and up to the date of approving these financial statements are as stated on page 51 with the exception of Per Hansson, who resigned from all his functions as Member of the Board of Directors and Executive Director of the company with effect from 23 June 2003.

Company secretary

The company secretary of the parent company who served during the year and up to approving these financial statements is as stated on page 51.

Directors' responsibilities

The directors are responsible for preparing financial statements for each financial year which give a true and fair view of the state of affairs of the parent company and the Group and of the profit or loss for that year. In preparing those 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 the going concern basis (unless it is inappropriate to presume that the Group will continue in business).

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the parent company and to enable them to ensure that the financial statements comply with the Companies (Jersey) Law 1991. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Independent auditors

Our auditors KPMG have indicated to the directors that their business is to transfer to a limited liability company, KPMG Channel Islands Limited. Accordingly a resolution is to be proposed at the forthcoming Annual General Meeting for the appointment of KPMG Channel Islands Limited as auditors of the company.

The Board of Directors
11th May 2004

Financial Statements

Parent company balance sheet at 31 December 2003

| | Note | EUR 000's | 2003 EUR 000's | 2002 EUR 000's |
|---|------|-----------|-------------------|-------------------|
| Assets | | | | |
| <i>Non-current assets</i> | | | | |
| Investments in group undertakings | 11 | 39,066 | | 39,066 |
| Property, plant and equipment | 10 | 1,794 | | 111 |
| | | | 40,860 | 39,177 |
| <i>Current assets</i> | | | | |
| Other receivables | 13 | 116,580 | | 22,318 |
| Cash and cash equivalents | 15 | 50,211 | | 2,920 |
| | | | 166,791 | 25,238 |
| Total assets | | | 207,651 | 64,415 |
| Equity shareholders' funds and liabilities | | | | |
| <i>Equity shareholders' funds</i> | | | | |
| Issued share capital | 18 | 65,000 | | 24,421 |
| Share premium | | 48,907 | | 1,670 |
| Accumulated losses | | (9,037) | | (7,728) |
| | | | 104,870 | 18,363 |
| <i>Non current liabilities</i> | | | | |
| Long term borrowings | 19 | | 89,376 | 44,287 |
| <i>Current liabilities</i> | | | | |
| Trade payables | | 295 | | 295 |
| Accrued expenditure | 16 | 11 | | 11 |
| Other payables | 17 | 1,932 | | 292 |
| Short term borrowings | 19 | 11,167 | | 1,167 |
| | | | 13,405 | 1,765 |
| Total equity shareholders' funds and liabilities | | | 207,651 | 64,415 |

The financial statements on pages 32 to 48 were approved by the Board of Directors on 11 May 2004 and are signed on its behalf by Michael George Best, Director

Consolidated balance sheet at 31 December 2003

| | Anhang | 2003 | | 2002 | |
|---|--------|-----------|-----------|-----------|-----------|
| | | EUR 000's | EUR 000's | EUR 000's | EUR 000's |
| Assets | | | | | |
| <i>Non-current assets</i> | | | | | |
| Land | 9 | 24,847 | | 9,913 | |
| Buildings | 9 | 166,872 | | 55,385 | |
| Assets in the course of construction | 9 | 736 | | 1,135 | |
| Furniture, equipment and motor vehicles | 9 | 1,102 | | 128 | |
| Total property, plant and equipment | | | 193,557 | | 66,561 |
| Financial investments | | 228 | | 5 | |
| Goodwill | 12 | 8,669 | | - | |
| Other assets | | 111 | | 9 | |
| | | | 202,565 | | 66,575 |
| <i>Current assets</i> | | | | | |
| Trade receivables | | 6,631 | | 372 | |
| Other receivables | 13 | 41,484 | | 745 | |
| Prepayments | 14 | 541 | | 252 | |
| Cash and cash equivalents | 15 | 58,131 | | 3,632 | |
| | | | 106,787 | | 5,001 |
| Total assets | | | 309,352 | | 71,576 |
| Equity shareholders' funds and liabilities | | | | | |
| <i>Equity shareholders' funds</i> | | | | | |
| Issued share capital | 18 | 65,000 | | 24,421 | |
| Share premium | | 48,907 | | 1,670 | |
| Accumulated losses | | (6,815) | | (7,528) | |
| Currency translation | | (3,620) | | (1,690) | |
| | | | 103,472 | | 16,873 |
| <i>Minority shares</i> | | | | | |
| | | | 993 | | - |
| <i>Non current liabilities</i> | | | | | |
| Long term borrowings | 19 | 159,338 | | 46,247 | |
| Long term liability from leasing | 20 | 8,817 | | - | |
| Deferred tax liabilities | 21 | 11,203 | | 4,879 | |
| | | | 179,358 | | 51,126 |
| <i>Current liabilities</i> | | | | | |
| Trade payables | | 1,224 | | 1,034 | |
| Accrued expenditure | 16 | 621 | | 186 | |
| Other payables | 17 | 19,059 | | 645 | |
| Provisions | | 177 | | - | |
| Short term borrowings | 19 | 4,448 | | 1,712 | |
| | | | 25,529 | | 3,577 |
| Total equity shareholders' funds and liabilities | | | 309,352 | | 71,576 |

The financial statements on pages 32 to 48 were approved by the Board of Directors on 11 May 2004 and are signed on its behalf by Michael George Best, Director

Consolidated income statement for the year ended 31 December 2003

| | Note | 2003 | | 2002 | |
|--|-------|-----------|-----------|-----------|-----------|
| | | EUR 000's | EUR 000's | EUR 000's | EUR 000's |
| Revenue | | | | | |
| Rental income | 2 | 8,950 | | 6,600 | |
| Profit on sale of property, plant and equipment | 3 | 25 | | 115 | |
| Reinvoiceable utilities | 4 | 1,115 | | 1,119 | |
| Consultancy and other operating income | 5 | 1,851 | | 156 | |
| | | | 11,941 | | 7,990 |
| Expenses | | | | | |
| Staff costs | | (540) | | (379) | |
| Reinvoiceable utilities | | (1,112) | | (1,133) | |
| Other operating expenses | 6 | (2,444) | | (954) | |
| | | | (4,096) | | (2,466) |
| Profit before interest, taxation and depreciation | | | 7,845 | 5,524 | |
| Depreciation of property, plant and equipment | | (2,539) | | (1,865) | |
| Other depreciation and amortisation | | (149) | | - | |
| | | | (2,688) | | (1,865) |
| Profit before interest and taxation | | | 5,157 | 3,659 | |
| Interest income | 7 | 382 | | 48 | |
| Interest expense | 7 | (5,764) | | (3,639) | |
| Other financial income and expenses | 8 | (87) | | 687 | |
| Profit before taxation | | | (312) | 755 | |
| Taxation charge for the year | 9, 21 | 1,025 | | (402) | |
| Profit after taxation for the year | | | 713 | 353 | |
| Basic & diluted earnings/share in EUR | | | 0.10 | 0.07 | |

Included in profit after taxation for the year is a loss of EUR 1,367,000 (2002: loss of EUR 2,267,000) arising in the parent company.

Consolidated cash flow statement for the year ended 31 December 2003

| | 2003 | | 2002 | |
|--|-----------|-----------|-----------|-----------|
| | EUR 000's | EUR 000's | EUR 000's | EUR 000's |
| Cash flows from operating activities | | | | |
| Net (loss)/profit before taxation | (312) | | 755 | |
| Adjustments for: | | | | |
| Depreciation and amortisation | 2,688 | | 1,865 | |
| Foreign exchange (gain) | (46) | | (700) | |
| Change in provisions, reserves | (284) | | - | |
| (Profit)/loss on disposal of fixed assets | (25) | | (115) | |
| Interest expense | 5,764 | | 3,639 | |
| Interest income | (381) | | (48) | |
| Operating cash flows before working capital changes | | 7,404 | | 5,396 |
| (Increase) in trade and other receivables | (6,261) | | (205) | |
| Decrease in prepayments | 550 | | 103 | |
| Increase in trade and other payables | 1,029 | | 811 | |
| (Decrease) in accrued expenditure | (532) | | (290) | |
| Cash generated from operations | | 2,190 | | 5,815 |
| Interest paid | (4,303) | | (3,629) | |
| Corporation taxes paid | (337) | | (7) | |
| Net cash generated from operating activities | | (2,450) | | 2,179 |
| Cash flows from investing activities | | | | |
| Payments to acquire tangible fixed assets | (1,508) | | (1,669) | |
| Disposals of tangible fixed assets | 239 | | 1,025 | |
| Interest received | 382 | | 56 | |
| Movements in other financial assets | - | | 8 | |
| Acquisition of subsidiaries net of cash acquired | (72,517) | | - | |
| Foreign exchange differences | (1,930) | | - | |
| Net cash used in investing activities | | (75,334) | | (580) |
| Net cash (outflow)/inflow before financing | | (77,784) | | 1,599 |
| Cash flows from financing activities | | | | |
| Proceeds from issuance of share capital | 93,782 | | 3,083 | |
| Costs arising from issuance of share capital | (5,966) | | (737) | |
| Net increase/(repayment) of bank borrowings | 2,622 | | (472) | |
| Deferred tax | (3,220) | | - | |
| Net issue of bonds less redemption | 45,089 | | (767) | |
| Net cash generated from financing activities | | 132,307 | | 1,107 |
| Effects of exchange rates on cash and cash equivalents | | (23) | | 485 |
| Net increase in cash and cash equivalents | | 54,500 | | 3,191 |
| Cash and cash equivalents at beginning of year | | 3,632 | | 441 |
| Cash and cash equivalents at end of year | | 58,132 | | 3,632 |

The financial statements on pages 32 to 48 were approved by the Board of Directors on 11 May 2004 and are signed on its behalf by Michael George Best, Director

Consolidated statement of changes in equity for the year ended 31 December 2003

| | Issued share capital EUR 000's | Share premium EUR 000's | Accumulated losses EUR 000's | Currency translation EUR 000's | Total EUR 000's |
|--|-----------------------------------|----------------------------|---------------------------------|-----------------------------------|--------------------|
| Balance at 1 January 2003 | 24,421 | 1,670 | (7,528) | (1,690) | 16,873 |
| Cost of issuing shares | - | (5,966) | - | - | (5,966) |
| Capital reserves | - | - | - | - | 1,911 |
| Exchange differences arising on translation of overseas operations | - | - | - | (1,930) | (3,842) |
| Net profit for the period | - | - | 713 | - | 713 |
| Issue of share capital | 40,579 | 53,203 | - | - | 93,783 |
| Balance at 31 December 2003 | 65,000 | 48,907 | (6,815) | (3,620) | 103,472 |
| | Issued share capital EUR 000's | Share premium EUR 000's | Accumulated losses EUR 000's | Currency translation EUR 000's | Total EUR 000's |
| Balance at 1 January 2002 | 23 | 22,985 | (7,144) | (1,067) | 14,797 |
| Cost of issuing shares | - | - | (737) | - | (737) |
| Exchange differences arising on translation of overseas operations | - | - | - | (623) | (623) |
| Net profit for the period | - | - | 353 | - | 353 |
| Bonus share issue | 22,927 | (22,927) | - | - | - |
| Issue of share capital | 1,471 | 1,612 | - | - | 3,083 |
| Balance at 31 December 2002 | 24,421 | 1,670 | (7,528) | (1,690) | 16,873 |

The financial statements on pages 32 to 48 were approved by the Board of Directors on 11 May 2004 and are signed on its behalf by Michael George Best, Director

Notes to the financial statements

1. Principal accounting policies

Meinl European Land (The "Company") is a company domiciled in Jersey. The consolidated financial statements of the Company for the year ended 31 December 2003 comprise the Company and its subsidiaries (together referred to as the "Group"). The financial statements were authorized for issue by the directors in May 2004.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB).

Basics of preparation

The financial statements are presented in Euro, rounded to the nearest thousand. They are prepared on the historical cost basis.

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

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.

Foreign currency

Following the introduction of the Euro the Group adopted the Euro as its reporting currency with effect from 1 January 2002. The Euro has been chosen as the reporting currency of the Group due to the fact that the majority of the transactions of the Group are denominated in this currency.

Transactions in foreign currencies are translated at the foreign exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies on the balance sheet date are translated into Euro at the foreign exchange rate prevailing at that date. Foreign exchange differences arising on translation are recognized in the income statement. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Euro at the foreign exchange rates prevailing at the dates the values were determined.

Exchange differences arising on items, which in substance form part of the net investment in a foreign entity, are classified within equity until the disposal of the net investment.

Financial statements of foreign subsidiaries are translated into Euro as follows:

Assets and liabilities are translated at exchange rates prevailing on the balance sheet date, with the exception of land and buildings, which are included at their original valuation on the date they were acquired. Subsequent additions are translated at the exchange rate on the date of acquisition. Profit and loss items are translated at an appropriate weighted average exchange rate for the year.

| Exchange rates | CZK/EUR | HUF/EUR |
|------------------|---------|---------|
| Income statement | 31.844 | 253.83 |
| Balance sheet | 32.405 | 263.38 |

Property, plant and equipment

Property is classified as investment property and is stated at cost less accumulated depreciation. No depreciation is provided on freehold land. Plant and equipment is stated at cost less accumulated depreciation. Assets in the course of construction are held on the balance sheet at cost until completion, at which time they are transferred to the relevant category of asset and depreciated.

Depreciation is provided in equal annual instalments over the estimated useful lives of the assets. The rates of depreciation are as follows:

| Depreciation terms | |
|---|--------------|
| Buildings | 35 years |
| Goodwill | 20 years |
| Furniture, equipment and motor vehicles | 5 – 10 years |

Depreciation is charged on an asset from its acquisition date to the date of its disposal.

Goodwill and negative goodwill

Goodwill (positive and negative) represents amounts arising on acquisition of subsidiaries, associated entities and joint ventures. In respect of acquisitions goodwill (positive or negative) represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired.

Positive goodwill is stated at cost or deemed cost less accumulated amortisation and impairment losses.

Trade and other receivables

Trade and other receivables are stated at their cost less impairment losses.

Subsidiary undertakings

The parent company's investments in subsidiary undertakings are stated at cost.

Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and balances with banks.

Borrowings

Borrowings are recognised at their principal amount less premium or discount on issue and any costs arising on issue. Any premium or discount on issue is amortised over the period of the underlying liabilities.

Issuance costs on capital

External costs incurred in relation to the issue of equity share capital, which would have otherwise been avoided, are accounted for as a deduction from equity.

Provisions

A provision is recognized in the balance sheet when the Group has a legal or otherwise binding obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect 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.

Trade and other payables

Trade and other payables are stated at their cost.

Interest receivable and payable

Interest receivable and payable is accounted for on an accruals basis.

Income

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 re-invoiced to the lessees, and the subsequent income and expense is recognised on an accruals basis. All other significant operating income or expenses are recognised on an accruals basis.

Costs of restoration

The Group is required to maintain the original condition of all investment properties. In most cases, investment properties have been let out to third parties, who have taken over this responsibility. Provisions for restoration and dilapidation costs are recognised when the responsibility for maintenance of the properties rests solely within the Group.

Taxation

The taxation charge for the current year is based on local profits, adjusted for non-taxable items, and at tax rates prevailing in the countries in which the Group companies trade.

Deferred tax liabilities and assets are recognised on differences between the cost of the subsidiaries' land and buildings and their respective fair values and for all temporary differences between balance sheet carrying amounts and the amounts attributed to the assets/liabilities for tax purposes.

Segmental analysis

The Group's activities are based around the acquisition and leasing of investment property for commercial purposes. It operates principally in two countries, the Czech Republic and Hungary, and has a Jersey incorporated parent company that has issued debt. In presenting information on the basis of geographical segments, segmental revenue is based on the geographical location of the lessees. Segment assets and liabilities are based on the geographical location of the assets and liabilities.

Earnings per share

Earnings per share are calculated by dividing profit after taxation for the year by the weighted average number of ordinary shares outstanding during the year.

2. Rental income

The Group has the following minimum lease rentals due under non-cancellable operating leases in aggregate and for each of the following periods:

| <i>Group</i> | 2003 | 2002 |
|--------------------------|-----------|-----------|
| | EUR 000's | EUR 000's |
| due within 1 year | 17,194 | 6,754 |
| due within 1 to 5 years | 66,734 | 21,201 |
| due in more than 5 years | 57,912 | 4,421 |

Approximately 74 % of rental income originate from the Czech Republic, 26 % from Hungary. In the Czech Republic, 65 % of rental income is denominated in Euros while almost the entire rental income in Hungary is denominated in Euros.

3. Profit on sale of property, plant and equipment

| <i>Group</i> | 2003 | 2002 |
|---------------------------------|-----------|-----------|
| | EUR 000's | EUR 000's |
| Profit on sale of property | 25 | 99 |
| Profit on sale of motor vehicle | - | 16 |
| total | 25 | 115 |

Manhattan Development Kft., the Hungarian subsidiary, sold one property in Dunaújváros for a total amount of EUR 305,000.

4. Reinvoiceable utilities

Reinvoiceable utilities include payments received by the Group for utilities and other services provided to tenants. Generally, reinvoiceable utilities are a pass through item for the Group and the corresponding outgoing payments are shown in a matching expense position 'reinvoiceable utilities'. The rental agreements normally specify which cost items are reinvoiceable for the Group and can be charged on 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 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 two times a year in the Czech Republic and once a year in Hungary.

Tenants are normally required to make a security deposit and monthly pre-payments for the reinvoiceable utilities. Once a year, the pre-payments 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 utilities.

5. Consultancy and other operating income

| Group | 2003 | 2002 |
|--------------------------------|-----------|-----------|
| | EUR 000's | EUR 000's |
| Insurance income | 594 | 1 |
| Value added tax | - | 2 |
| Consultancy | 38 | 122 |
| Release of bad debt provisions | 9 | 7 |
| Other | 1,110 | 24 |
| total | 1,851 | 156 |

Included in "Other operating income - Other" is a one off contribution amounting to EUR 900,000 for repairs and maintenance from one of the major tenants.

6. Other operating expenses

| Group | 2003 | 2002 |
|---------------------------------|-----------|-----------|
| | EUR 000's | EUR 000's |
| Travel and transportation costs | (77) | - |
| Telecommunication and IT costs | (57) | - |
| Consultancy and advisory fees | (248) | - |
| Audit fees | (146) | - |
| Repairs and maintenance | (789) | - |
| Insurance | (31) | - |
| Land and other rent paid | (243) | - |
| Real estate tax | (123) | - |
| Other | (730) | - |
| Unspecified | - | (954) |
| total | (2,444) | (954) |

7. Interest income and interest expense

The interest income was derived mainly from bank deposits. The parent company's major interest expense (EUR 4,437,000) is the interest payable on the bonds issued in 1997 and due in 2007 and on additional new bonds issued in 2003 and due in 2013. Interest is payable on an annual basis in November and July respectively of every year.

8. Other financial income and expenses

| Group | 2003 | 2002 |
|---|-----------|-----------|
| | EUR 000's | EUR 000's |
| Foreign exchange gains | (64) | 700 |
| Bank costs and other financial expenses | (23) | (13) |
| total | (87) | 687 |

9. Taxation

| Group | 2003 | 2002 |
|---|-----------|-----------|
| | EUR 000's | EUR 000's |
| Income tax: additional year 2002 charge | (254) | - |
| Income tax: current year charge | (269) | (228) |
| Deferred tax | 1,548 | (174) |
| total | 1,025 | (402) |

The parent company has been granted Exempt Company status in Jersey and is therefore liable to an annual fee of GBP 600. This is included as an expense in the consolidated income statement as it is not dependant on the parent company's results.

There is no taxation effect from charging costs of issuing shares to equity because these costs arose in the parent company (see above).

The subsidiary companies are subject to income taxes for their respective businesses in Hungary and the Czech Republic at the rates prevailing in these jurisdictions. In the opinion of the directors, no taxes on income or capital are due in other countries. A reconciliation between the current year income tax charge and the accounting profit before tax of the subsidiary undertakings is shown below:

| <i>Group</i> | 2002 EUR 000's | 2001 neu EUR 000's |
|--|-------------------|-----------------------|
| Tax at the domestic rates applicable to profits in the country concerned | 298 | 992 |
| Tax effect of expenses that are not deductible for tax purposes | 94 | 86 |
| Additional year 2002 charge | 254 | - |
| Deferred tax asset on losses previously not recognised | (136) | - |
| Difference in tax rates | (1,535) | (676) |
| total | (1,025) | 402 |

On consolidation of the results of the individual companies, inter-

company income and expenses are eliminated. These items may be tax deductible or taxable in the jurisdictions in which they are recognised. This has the effect of increasing the profits allocated to the subsidiaries without a corresponding increase in the tax expense.

Manhattan Development a.s., the Czech subsidiary reported a taxable loss amounting to 487,000 EUR. This loss can be offset over the next 5 years to reduce the tax base.

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

| <i>Tax rates</i> | 2003 | 2002 |
|------------------|------|------|
| Jersey | 0 % | 0 % |
| Czech Republic | 31 % | 31 % |
| Hungary | 18 % | 18 % |

In the Czech Republic, an amendment to the Tax Act has been approved which will reduce the tax rate to 24 % in steps over the next years. Deferred taxes are calculated using this new tax rate.

10. Property, plant and equipment

| <i>Group</i> | Land in EUR 000's | Buildings in EUR 000's | Assets in course of construction in EUR 000's | Furniture, equipment and motor vehicles in EUR 000's | Total in EUR 000's |
|-------------------------|----------------------|---------------------------|---|--|-----------------------|
| Cost | | | | | |
| At 1 January 2003 | 9,913 | 63,662 | 1,135 | 268 | 74,978 |
| Translation differences | - | - | (32) | (5) | (37) |
| Additions | 14,972 | 113,565 | 145 | 1,140 | 129,822 |
| Disposals | (38) | (211) | - | - | (249) |
| Reclassification | - | 512 | (512) | - | - |
| At 31 December 2003 | 24,847 | 177,528 | 736 | 1,403 | 204,514 |
| Depreciation | | | | | |
| At 1 January 2003 | - | 8,277 | - | 140 | 8,417 |
| Translation difference | - | - | - | (2) | (2) |
| Charge for the year | - | 2,415 | - | 162 | 2,577 |
| Eliminated on disposal | - | (36) | - | - | (36) |
| Reclassification | - | - | - | - | - |
| At 31 December 2003 | - | 10,656 | - | 500 | 10,756 |
| Net book value | | | | | |
| At 31 December 2003 | 24,847 | 166,872 | 736 | 1,102 | 193,557 |
| At 31 December 2002 | 9,913 | 55,385 | 1,135 | 128 | 66,561 |

All land and buildings included in the initial portfolio acquired in 1997 are shown at their initial cost. Property acquired by the Group since 1997 are shown at cost.

The fair value of the land and buildings as of 31 December 2003 is EUR 223,507,652. This valuation has been based on rental

yields and has been performed by independent valuers in both the Czech Republic and Hungary at the beginning of the year for all properties then in the possession of the company and at the time of acquisition for all properties purchased in the course of 2003. In the Czech Republic and in Hungary the valuers are qualified by the courts for valuations of real estate.

The current property portfolio consists of 45 properties in Hungary and 87 properties in the Czech Republic.

Pledged property, plant and equipment

The initial portfolio of 61 buildings, including the land on which they stand, was pledged in favour of Deutsche International Trustee Services (C.I.) Limited as trustee of the bonds issued in 1997 and listed on the Luxembourg Stock Exchange to an amount of EUR 46,016,269. Two properties in Hungary that formed part of the initial portfolio were sold during 2002 and were replaced by a property in the Czech Republic. One property from the original portfolio in Hungary was sold during 2003 and was replaced by another property in Hungary. As at 31 December 2003, 60 properties are pledged in favour of the bondholders.

A right of lien for a building and land in Praha-Liben, Czech Republic exists in favour of Raiffeisen Zentralbank Österreich AG as collateral for a loan provided to the Group.

A right of lien for four properties and land in Hungary exists in favour of Raiffeisen Bank Budapest as collateral for a loan provided to the Group.

A right of lien for a building and land in Neratovice, Czech Republic exists in favour of Raiffeisen Bank Praha as collateral for a loan provided to the Group.

A right of lien for a building and land in Frydek Mistek, Czech Republic exists in favour of Sparkasse Mühlviertel West, as collateral for a loan provided to the Group.

A right of lien for a building and land in Zlin, Czech Republic exists in favour of Erste Bank der Österreichischen Sparkasse AG as collateral for a loan provided to the Group.

A right of lien for a building and land in Budapest, Hungary exists in favour of Bank für Arbeit und Wirtschaft AG as collateral for a loan provided to the Group.

The loans are further secured by all future receivables arising from the lease agreements related to the real estate for which they were provided, except for the loan with Raiffeisen Zentralbank Österreich AG.

Property, plant and equipment includes the following properties from financing leases::

| Group | 2003 | 2002 |
|-------------------|-----------|-----------|
| | EUR 000's | EUR 000's |
| Acquisition costs | 12,122 | - |
| Depreciation | (29) | - |
| Net book value | 12,093 | - |

11. Investments in group undertakings

Investment in subsidiary undertakings by the parent company amounts to EUR 39,066,000 for the year 2003, unchanged from 2002.

| Name and place of the subsidiary | Consolidated | Ownership interest | Principal activity |
|-------------------------------------|--------------|--------------------|---------------------|
| Manhattan Development a.s., Prague | yes | 100 % | Property investment |
| Manhattan Development Kft, Budapest | yes | 100 % | Property investment |
| Julius Meisl spol z.o.o., Warsaw | no | 100 % | Dormant |

The parent company's subsidiaries themselves in turn acquired shares in the following companies during 2003:

| Name and place of the subsidiary | Consolidated | Ownership interest | Principal activity |
|---|--------------|--------------------|---------------------|
| Magnum CZ Zlin s r.o., Zlin | yes | 100 % | Property investment |
| Magnum CZ Frydek Mistek s r.o., Frydek Mistek | yes | 100 % | Property investment |
| Swiftone s r.o., Prague | yes | 100 % | Holding Company |
| Alfa Real Estate s r.o., Prague | yes | 100 % | Holding Company |
| Magnum Hungaria Invest Kft, Budapest | yes | 100 % | Property investment |
| Real Management Ingatlan Kft, Budapest | no | 50 % | Property management |

In April 2003 the Group acquired all the shares in Magnum CZ Frydek Mistek, s r.o., for a consideration of EUR 4,877,000 paid in cash. Magnum CZ Frydek Mistek, s r.o. owns one building rented to a sole tenant, Interspar a.s. The acquisition was accounted for using the purchase method of consolidation. In the nine months to 31 December 2003 this indirect subsidiary contributed EUR 113,000 to the consolidated net profit for the year.

In April 2003 the Group acquired all the shares in Magnum CZ Zlin, s r.o., for a consideration of EUR 5,508,000 paid in cash. Magnum CZ Zlin, s r.o. owns one building rented to a sole tenant, Interspar a.s. The acquisition was accounted for using the purchase method of consolidation. In the nine months to 31 December 2003 this indirect subsidiary contributed EUR 260,000 to the consolidated net profit for the year.

In November 2003 the Group acquired all the shares in Magnum Hungaria Invest Kft, for a consideration of EUR 11,815,000 paid in cash. Magnum Hungaria Invest Kft. owns one shopping centre in Budapest. The acquisition was accounted for using the purchase method of consolidation. In the one month to 31 December 2003 this indirect subsidiary contributed a net loss of EUR 152,000 to the consolidated net profit for the year.

In November 2003 the Group acquired all the shares in Alfa Real Estate, s.r.o., for a consideration of EUR 52,874,000 paid in cash. Alfa Real Estate, s.r.o. in turn owns 98 % of Julius Meisl Pramen, a.s. and 98 % of Julius Meisl Morava, a.s. These two companies together own a total of 59 properties across the Czech Republic. The acquisition was accounted for using the purchase method of consolidation. In the one month to 31 December 2003 this subsidiary contributed EUR 27,000 to the consolidated net profit for the year.

In December 2003, the Group acquired all the shares in Swiftone

s.r.o. for a consideration of EUR 6,000 paid in cash. The company is a shelf company with no business.

In December 2003, the Group acquired 50 % of Real Management Ingatlan Kft, a property management company for property owned by Magnum Hungaria Invest Kft. This company is not included in the consolidated financial statements as the net assets and the result for the one month are immaterial.

12. Goodwill

| Group | 2003 | 2002 |
|----------------|-----------|-----------|
| | EUR 000's | EUR 000's |
| At 1 January | - | - |
| Additions | 8,777 | - |
| Depreciation | (108) | - |
| At 31 December | 8,669 | - |

13. Other receivables

| | Group | | Parent Company | |
|--|-------------------|-------------------|-------------------|-------------------|
| | 2003 EUR 000's | 2002 EUR 000's | 2003 EUR 000's | 2002 EUR 000's |
| Amounts receivable from subsidiary undertakings | - | - | 98,406 | 21,791 |
| Amounts receivable on behalf of subsidiary undertakings | - | - | - | 527 |
| Amounts receivable relating to flooding repair costs | - | 327 | - | - |
| Receivable from the purchase price of Alfa Real Estate, s.r.o. | 16,894 | - | 16,894 | - |
| Amounts receivable relating to rent reduction | - | 200 | - | - |
| Deferred expenditure | 896 | - | - | - |
| Deposits for leased properties | 3,022 | - | - | - |
| Deposits for utilities | 2 | 177 | - | - |
| Receivable from Julius Meisl a.s. | 18,936 | - | - | - |
| Receivable from tenants for repair and maintenance | 900 | - | 900 | - |
| Corporation tax | 123 | 31 | - | - |
| Other | 711 | 10 | 380 | - |
| total | 41,484 | 745 | 116,580 | 22,318 |

14. Prepayments

| | Group | | Parent Company | |
|-------------------------------------|-------------------|-------------------|-------------------|-------------------|
| | 2003 EUR 000's | 2002 EUR 000's | 2003 EUR 000's | 2002 EUR 000's |
| Deposits for utilities | 519 | 141 | - | - |
| Accrued income on utilities | - | 46 | - | - |
| Insurance payment for flood damages | - | 41 | - | - |
| Other prepaid expenses | 22 | 24 | - | - |
| total | 541 | 252 | - | - |

The subsidiary in the Czech Republic has to make deposits for the utilities it estimates to be using over the next six months in some cases. Such deposited amounts are usually significantly

smaller than the deposits received from tenants, which are booked under other payables.

15. Cash and cash equivalents

| | <i>Group</i> | | <i>Parent Company</i> | |
|-------------------|--------------|-----------|-----------------------|-----------|
| | 2003 | 2002 | 2003 | 2002 |
| | EUR 000's | EUR 000's | EUR 000's | EUR 000's |
| Balances at banks | 58,131 | 3,632 | 50,211 | 2,920 |

16. Accrued expenditure

| | <i>Group</i> | | <i>Parent Company</i> | |
|--|--------------|-----------|-----------------------|-----------|
| | 2003 | 2002 | 2003 | 2002 |
| | EUR 000's | EUR 000's | EUR 000's | EUR 000's |
| Estimated payables for utilities | 185 | 159 | - | - |
| Prepaid utilities | 29 | - | - | - |
| Deferred consultancy expenses | 11 | - | - | - |
| Accrued interest on long term borrowings | 17 | 11 | - | - |
| Audit fee | 59 | 10 | 11 | 11 |
| Other | 320 | 6 | - | - |
| total | 621 | 186 | 11 | 11 |

17. Other payables

| | <i>Konzernbilanz</i> | | <i>Einzelbilanz</i> | |
|------------------------------------|----------------------|-----------|---------------------|-----------|
| | 2003 | 2002 | 2003 | 2002 |
| | EUR 000's | EUR 000's | EUR 000's | EUR 000's |
| Interest payable | 1,558 | 290 | 1,541 | 290 |
| Amounts payable to employees | 17 | 23 | - | - |
| Overpayment of debtors | 130 | - | - | - |
| Taxes and SSHI | 406 | 44 | - | - |
| Deposit for utilities from tenants | 676 | 269 | - | - |
| Other | 16,289 | 19 | 391 | 2 |
| total | 19,059 | 645 | 1,932 | 292 |

Under item "Other payables - Other" a payable from Alfa Real Estate s.r.o. to Julius Meinl International, the former parent company, repayable in March 2004 amounting to EUR 15,558,000 is included.

18. Issued share capital

| <i>Group and parent company</i> | 2003 | 2002 |
|--|-----------|-----------|
| | EUR 000's | EUR 000's |
| <i>Authorised</i> | | |
| 20,400,000 ordinary shares of EUR 5 each | 102,000 | 102,000 |
| <i>Issued and fully paid</i> | | |
| 31 December 2002: 4.884.156 ordinary shares of EUR 5 each | - | 24,421 |
| 31 December 2003: 13.000.001 ordinary shares of EUR 5 each | 65,000 | - |

The issue of 7,000,001 shares was authorised by a resolution of the Board of Directors in October 2002. Of these 7,000,001 shares, 4,884,156 were fully paid as of 31 December 2002, with the remainder being placed and sold in the market during the first half of 2003 at market prices ranging between EUR 11.10 and EUR 11.62 per share.

In September 2003 the Board of Directors resolved a further issuance of 3,000,000 new shares. The issue was underwritten at a firm price of EUR 11.85 per share. In December 2003 the Board of Directors resolved yet another issuance of 3,000,000 new shares. The issue was also underwritten at a firm price of EUR 11.85 per share.

19. Borrowings

| | <i>Group</i> | | <i>Parent Company</i> | |
|--------------|-------------------|-------------------|-----------------------|-------------------|
| | 2003 EUR 000's | 2002 EUR 000's | 2003 EUR 000's | 2002 EUR 000's |
| Loans | 39,284 | 4,805 | 10,000 | - |
| Bonds issued | 124,502 | 43,154 | 90,543 | 45,454 |
| total | 163,786 | 47,959 | 100,543 | 45,454 |

The borrowings are repayable as follows:

| <i>Group</i> | Bonds issued | Bank loans | Total |
|--|----------------|---------------|----------------|
| | EUR 000's | EUR 000's | EUR 000's |
| due within one year | 1,167 | 3,957 | 5,124 |
| due in second year | 1,167 | 4,130 | 5,297 |
| due in three to five years | 41,158 | 11,678 | 52,836 |
| due after five years | 81,010 | 19,520 | 100,530 |
| total | 124,502 | 39,285 | 163,787 |
| Amount due within 12 months (included under current liabilities) | 1,167 | 3,281 | 4,448 |
| Amount due after more than 12 months | 123,335 | 36,004 | 159,339 |

| <i>Parent Company</i> | Bonds issued | Inter-company loans | Total |
|--|---------------|---------------------|----------------|
| | EUR 000's | EUR 000's | EUR 000's |
| due within one year | 1,167 | 10,000 | 11,167 |
| due in second year | 1,167 | - | 1,167 |
| due in three to five years | 43,120 | - | 43,120 |
| due after five years | 45,089 | - | 45,089 |
| total | 90,543 | 10,000 | 100,543 |
| Amount due within 12 months (included under current liabilities) | 1,167 | 10,000 | 11,167 |
| Amount due after more than 12 months | 89,376 | - | 89,376 |

Interest bearing borrowings comprise a bond issued by the parent company in November 1997. The principal amount of the bonds placed was EUR 46,016,269 issued at 98.5 % of the principal amount, with a fixed interest rate of 7.1 %. The amounts above are shown net of issuance costs, which are being amortised over the term of the bond (until 28 November 2007).

The bonds are secured by mortgages registered on 60 properties of the Group (see note 10).

The Group has entered into three separate agreements whereby it has granted certain bondholders an opportunity free of charge to sell up to a combined EUR 1,278,000 of their bonds per year back to the issuer. The price payable for bonds sold and purchased under these agreements shall be the principal amount of the bonds plus accrued interest of 7.1 % per annum. During the year 2003 an amount of EUR 2,045,000 was repurchased by the Group under these agreements. As at 31 December 2003, EUR 6,647,000 of the bonds in issue remain subject to the above agreements.

Additional bonds were issued in July 2003. The principal amount of the bonds placed was EUR 50,000,000 issued at 97 % of the

principal amount, with a fixed interest rate of 6 % for Tranche A, and a floating interest rate of 5.5 % in the first year and adjusted to SWAP 10Y Euro (30/360) in the years thereafter for Tranche B. The company has purchased a cap at 6 % for the floating rate tranche. The amounts above are shown net of issuance costs, which are being amortized, like the cost of the cap, over the term of the bonds until 31 July 2013. As the proceeds from this bond issue are used to finance the acquisition of additional properties, the properties so acquired will then be pledged for the benefit of the bondholders.

During 1999 a EUR denominated loan (originally DEM denominated) was taken up by the Czech subsidiary, Manhattan Development a.s., for an amount of EUR 2,275,249. The loan was granted by Raiffeisen Zentralbank Osterreich AG, Vienna and is secured with a right of lien on real estate acquired with the loan to a maximum amount of EUR 2,853,009. This loan was increased by EUR 787,389 during 2001. The loan carries interest at a fixed rate of 6.235 % until March 2006 when it becomes due for repayment. As at 31 December 2003 the loan balance was EUR 1,988,924 (2002: EUR 2,244,549).

During 1999 a EUR denominated loan (originally DEM denominated) was taken up by the Hungarian subsidiary, Manhattan Development Kft., for an amount of EUR 2,392,846. The loan was granted by Raiffeisen Bank, Budapest and is secured with a right of lien over four properties. The loan is further secured by all future receivables arising from the lease agreements for the properties for which the loan was provided. The loan carries interest at a fixed rate of 6.7539 % until October 2009 when it becomes due for repayment. As at 31 December 2003 the loan balance was EUR 1,270,000 (2001: EUR 1,827,992).

During 2000 a further loan was taken up by the Czech subsidiary, Manhattan Development, a.s., for an amount of CZK 17,000,000. The loan was granted by Raiffeisen Bank Praha and is secured with a right of lien on real estate in Neratovice. The loan is further secured by all future receivables arising from the lease agreements for the properties for which the loan has been provided. The loan carries interest at a fixed rate of 8.8 % until December 2011 when it becomes due for repayment. At 31 December 2003 the loan balance is EUR 396,569 (CZK12,850,839) (2002: EUR 440,134; CZK 13,908,000).

With the acquisition of Magnum CZ Zlin, s r.o., the new subsidiary of Manhattan Development a.s., a EUR denominated loan was taken over by the Group. The loan was granted by Erste Bank AG and is secured with a right of lien on the real estate owned by Magnum CZ Zlin, s r.o. The loan carries interest at a fixed rate of 6.235 % p.a. until September 2015 when it becomes due for repayment. As at 31 December 2003 the loan balance was EUR 8,148,415.

With the acquisition of Magnum CZ Frydek Mistek, s r.o., the new subsidiary of Manhattan Development a.s., a EUR denominated loan was taken over by the Group. The loan was granted by Sparkasse Mühlviertel West and is secured with a right of lien on real estate owned by Magnum CZ Frydek Mistek, s r.o. The loan carries interest at a variable rate of SMRT + 1.75 % p.a. (in year 2003: 6.235 % p.a.) until October 2014 when it becomes due for repayment. As at 31 December 2003 the loan balance was EUR 5,218,144.

With the acquisition of Magnum Invest Kft, the new subsidiary of Manhattan Development Kft., a EUR denominated loan was taken over by the Group. The loan was granted by Bank für Arbeit und Wirtschaft AG and is secured with a right of lien on real estate owned by Magnum Invest Kft. The loan carries interest at a fixed rate of 6.235 % until March 2011 when it becomes due for repayment. As at 31 December 2003 the loan balance was EUR 23,305,205.

Fair value

In the opinion of the directors, the fair value of the bonds outstanding as at 31 December 2003 is equivalent to the principal amount. This valuation is based on the market asking price on 31 December 2003.

The fair value of other borrowings cannot reasonably be determined. However, in the opinion of the directors, the fair value of other borrowings is not significantly different to their carrying value.

20. Liabilities from financial leases

Four properties in the Czech Republic are refinanced on the basis of financial leasing contracts. The term of the lease is for 15 years in all four cases and will terminate in 2013 for the property in Velka Ohrada, Prague 13, in 2014 for the properties Luka in Prague 5 and in Nymburk and in 2018 for the property in Klasterec nad Labem. Lease payments are made on a monthly basis as follow:

| Group | 2003 | | 2002 |
|--------------------------|---------------|-------------------|-----------|
| | face value | net present value | |
| | EUR 000's | EUR 000's | EUR 000's |
| due within one year | 990 | 971 | - |
| due in two to five years | 3,857 | 3,539 | - |
| due after five years | 5,924 | 4,307 | - |
| total | 10,771 | 8,817 | - |

21. Deferred tax

| Group | 2003 | 2002 |
|---|---------------|--------------|
| | EUR 000's | EUR 000's |
| on differences regarding cost of land and buildings | 10,689 | 4,215 |
| on tax losses | 136 | - |
| Other temporary differences | 650 | 664 |
| Deferred tax liabilities | 11,203 | 4,879 |

The movement for the year in the Group's deferred tax position was as follows:

| | 2003 | 2002 |
|--|---------------|--------------|
| | EUR 000's | EUR 000's |
| Brought forward | 4,879 | 4,692 |
| Foreign exchange differences on opening balances | (18) | 13 |
| Change due to acquisition of new subsidiaries | 7,890 | - |
| (Credit)/charge to income for the year | (1,548) | 174 |
| Carried forward | 11,203 | 4,879 |

22. Related party transactions and shareholders

As a result of the capital raisings in 2003, most of the shares of Meinel European Land are in free float. The previously controlling shareholders Caledonia Investment Trust plc and Meinel Bank AG no longer held a controlling interest in Meinel European Land as at 31 December 2003. However, the company has in 2002 concluded a management agreement with Central European Property Management (Jersey) Limited, a wholly owned subsidiary of Meinel Bank AG. Under this management agreement, the Board of Directors of Meinel European Land has delegated a substantial part of the operational decisions to Central European Property Management (Jersey) Limited as the manager. Consequently, Meinel Bank AG is indirectly in a position to influence Meinel European Land's business activities.

In 2002, the company and Meinel Bank AG entered into a Placement and Market-Maker-Agreement with respect to the placement by Meinel Bank AG of new shares issued by the company. This agreement was amended in September and November 2003 to cover also the placement of the two times 3,000,000 new shares issued by the company at that time. The amendment also included an undertaking by Meinel Bank AG to underwrite the share issue. In July 2003, the company and Meinel Bank AG entered into a Placement Agreement with respect to the placement by Meinel Bank AG of bonds issued by the company.

The Group holds three current accounts with Meinel Bank AG. At 31 December 2003 an amount of EUR 50,211,533 (2002: EUR 2,920,000) on these accounts is included in cash and cash equivalents. Interest is paid at market rates.

Meinel European Land has acquired a portfolio of 59 properties in the Czech Republic in 2003 from Julius Meinel International Group, a major tenant that accounts for about one quarter of total rental income. The acquisition price was based on a market valuation by an independent valuer. As of 31 December 2003, significant amounts of payables and receivables between the buyer and the seller are still outstanding. Furthermore, Meinel European Land has the right to return certain properties to the seller within two years. In addition, Julius Meinel International Group has made a contribution to repairs and maintenance related to properties already in the possession of the company.

23. Employees

| | Group | | Parent Company | |
|--------------------------|-------|------|----------------|------|
| | 2003 | 2002 | 2003 | 2002 |
| Average number employees | 44 | 27 | - | - |

24. Cash Flows from acquisitions

The acquisition of new companies had the following effect on the Group's assets and liabilities:

| Acquisitions | 2003 in EUR 000's |
|---|----------------------|
| Property plant and equipment | 157,040 |
| Trade and other receivables | 23,571 |
| Cash and cash equivalents | 5,223 |
| Borrowings | (89,894) |
| Deferred tax liabilities | (8,131) |
| Trade payables | (18,737) |
| Net identifiable assets and liabilities | 69,072 |
| Goodwill/(negative goodwill) on acquisition | 8,668 |
| Consideration paid/(received) in cash | 77,740 |
| Cash acquired | (5,223) |
| Net cash outflow/(inflow) | 72,517 |

25. Risk management

The company perceives the default risk of major tenants as its biggest business risk. In general terms, the Board of Directors attempts to minimize this risk by expanding the tenant mix and reducing the exposure to any one single tenant.

As for exchange rate exposure, the company is to an ever increasing degree matching its income stream, primarily from rental income, to its expenses, primarily for financing costs. The inherent hedge in this strategy is, in the opinion of the Board of Directors, the best method for covering currency risks.

As for interest rate risks, the company is almost entirely refinanced on a fixed rate basis and has, in addition, entered into a cap arrangement for the floating rate tranche of its bonds. In the view of the Board of Directors, matching the income stream from long-term lease agreements to fixed refinancing costs provides the best hedge for any exposure to interest rate changes.

General risk strategy

Group management constantly assess and report the risk exposures of individual companies and the Group as a whole to the Board of Directors. Together with monthly management reporting, board meetings are held at least quarterly. The Board of Directors held six meetings in 2003 and numerous telephone conferences to discuss new projects as well as the company's activities in general.

Financial Risk

Where a property is acquired through external financing, this is achieved through mortgages on the properties held. Rental income, repayments and interest rates are fixed on both sides, for

the tenants under the respective lease agreements and for the financing. By this method, the directors believe that they have adequately managed the financial risks.

Currency risk

Financing is largely denominated in the same currency as the rental income flows from the financed properties. The Group currently has borrowings and rental income denominated in Euros and in Czech Koruna. Through this, the directors believe that they adequately manage their exposure to adverse foreign exchange fluctuations. However, the Group has a short to medium term exposure to foreign exchange fluctuations between the Euro and Czech Koruna and Hungarian Forint as the properties acquired in the Czech Republic and Hungary have been largely financed by Euros.

Market risk

The directors consider their ability to rent out premises when they assess the purchase of property. Currently, the Group has not encountered any significant difficulties in renting empty premises. The total vacancy rate for the Group is around 3 % at 31 December 2003, where 5 % is considered to be normal for the industry.

Risk policies specific to individual companies within the Group are given below.

Meinl European Land Limited

The majority of receivables and payables are in EUR and the parent company therefore has no exposure to any currency risk. The parent company pays fixed interest of 7.1 % on the bonds issued in 1997. For the bonds issued in July 2003, the parent company has to pay fixed interest of 6.0 % on the bonds of Tranche A and at present interest of 5.5 % on the bonds of Tranche B. Interest on the floating rate Tranche B will vary on the basis of SWAP 10Y Euro (30/360) but will never exceed 6 % since the company has purchased a cap. The parent company is dependent on rental income earned through its subsidiary companies to continue to meet its obligations on this debt.

Czech Republic

The subsidiaries in the Czech Republic adhere to the "General risk strategy" described above.

Financial risk

All financing is based on mortgaging the real estate. The repayment of loans matches the term of the respective lease agreements. The directors therefore believe that they have adequately managed the financial risks in this respect.

Currency risk

Rental income of the Czech subsidiaries is denominated to 65 % in EUR and 35 % in CZK. This ratio generally matches the expenditure streams of the subsidiaries, whereby operational costs are largely denominated in CZK, and financing costs are largely denominated in EUR, with the exception of the financing for one property in Neratovice where rental income and financing

costs are entirely denominated in CZK. Management monitors costs and income on a monthly basis.

Business risk

The Czech subsidiaries earn nearly 70 % of their income from two tenants, Julius Meinl a.s. (49 %) and Interspar a.s. (18 %) Should these tenants default, the subsidiaries would be dependent on support from fellow Group members in order to meet their obligation in the short term.

Market risk

Lease agreements covering the 49 % of the portfolio that is rented to Julius Meinl a.s. expire partially in 2007 in Manhattan Development a.s. and partially in 2013 in Julius Meinl Pramen a.s. and in Julius Meinl Morava a.s. Rental agreements with Interspar a.s. (18 %) will not expire before 2017. The 30 % of rental income not covered by Julius Meinl a.s. and Interspar a.s. originates from small to medium size international and national tenants. There is therefore no other single significant credit exposure on other tenants and the income stream is relatively stable. The Czech subsidiaries have less than 5 % vacant spaces in 2003, which is considered to be below the industry average.

Hungary

The subsidiaries in Hungary adhere to the "General risk strategy" described above.

Financial risk

All financing is based on mortgaging the real estate. The repayment of loans matches the term of the respective lease agreements. The directors therefore believe that they have adequately managed the financial risks in this respect.

Currency risk

Income of all the Hungarian subsidiaries is denominated in EUR, with a small exception in Magnum Invest Kft. 43 % of the subsidiaries' costs are in local currency. The proportion of costs in local currency is equivalent to approximately 7 % of the total income, which the directors believe to be an acceptable risk level.

Business risk

The company earns nearly 50 % of its income from two tenants, Delhaize-Csemege (30 %) and Spar group (19 %). Should one or both of these tenants default, the subsidiaries would be dependant on support from fellow Group members in order to meet their obligations in the short term.

Market risk

Lease agreements covering the 30 % of the portfolio that is rented to Delhaize-Csemege expire in 2007, the ones covering the 19 % rented to Spar group expire in 2015. The 20 % of rental income from other major international tenant is emanating from lease agreements expiring between 2011 and 2015. The remaining 30 % of rental income originates from small to medium size international and national tenants. There is therefore no other single significant credit exposure on other tenants and the income stream is relatively stable. The Hungarian subsidiaries have 0 % vacant spaces in 2003.

26. Segmental analysis

| | 2003 | | | | 2002 | | | |
|---|------------|-----------|-----------|-----------|------------|-----------|-----------|-----------|
| | Czech Rep. | Hungary | Jersey | Total | Czech Rep. | Hungary | Jersey | Total |
| | EUR 000's | EUR 000's | EUR 000's | EUR 000's | EUR 000's | EUR 000's | EUR 000's | EUR 000's |
| Rental income | 6,598 | 2,352 | - | 8,951 | 4,470 | 2,130 | - | 6,600 |
| Profit on sale of property, plant and equipment | (76) | 101 | - | 25 | - | 115 | - | 115 |
| Reinvoiceable utilities | 925 | 190 | - | 1,115 | 943 | 176 | - | 1,119 |
| Consultancy income | - | 38 | - | 38 | 33 | 43 | 46 | 122 |
| Other operating income | 792 | 82 | 939 | 1,813 | 7 | 27 | - | 34 |
| Total revenues | 8,240 | 2,763 | 939 | 11,942 | 5,453 | 2,491 | 46 | 7,990 |
| Profit/(loss) before taxation | 830 | 225 | (1,367) | (312) | 2,534 | 1,142 | (2,921) | 755 |
| Segment assets | 177,245 | 67,730 | 64,376 | 309,351 | 43,274 | 24,743 | 3,559 | 71,576 |
| Segment liabilities | 84,335 | 30,485 | 91,060 | 205,880 | (4,145) | (292) | (50,266) | (54,703) |
| Additions to property, plant, equipment | 93,206 | 34,791 | 1,688 | 129,685 | 1,277 | 392 | - | 1,669 |

(a) The above information reflects the consolidated position of the Group as at 31 December 2003 and 31 December 2002, and its results for the years then ended.

(b) As disclosed in the section on accounting policy, assets and liabilities are disclosed according to their geographical location.

(c) The major items of non-cash expenditure are depreciation and amortisation of the non-current assets held by the Group, the premium on the debt securities issued and the costs of placement incurred on issue of debt securities. Included within the results shown above are the following items.

| | 2003 | | | | 2002 | | | |
|---|------------|-----------|-----------|-----------|------------|-----------|-----------|-----------|
| | Czech Rep. | Hungary | Jersey | Total | Czech Rep. | Hungary | Jersey | Total |
| | EUR 000's | EUR 000's | EUR 000's | EUR 000's | EUR 000's | EUR 000's | EUR 000's | EUR 000's |
| Non-current asset depreciation | (1,688) | (846) | (5) | (2,539) | (1,177) | (688) | - | (1,865) |
| Amortisation of premium on issuance of debt | - | - | (126) | (126) | - | - | (70) | (70) |
| Amortisation of placement fee on issuance of debt | - | - | (41) | (41) | - | - | (41) | (41) |
| Depreciation of goodwill | (108) | - | - | (108) | - | - | - | - |

27. Earnings per share

Earnings per share ('EPS') are calculated by dividing the profit after taxation for the year attributable to ordinary shareholders by

the weighted average number of participating shares outstanding of 7,114,056 (2002: 4,597,216) during the year. Diluted EPS are the same as basic EPS.

Independent Auditors' Report to the members of Meinl European Land Limited

We have audited the financial statements on pages 32 to 48.

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

The directors are responsible for preparing the financial statements in accordance with applicable Jersey law and International Financial Reporting Standards. Our responsibilities, as independent auditors, are established in Jersey by law, the UK Auditing Practices Board, and by our profession's ethical guidance.

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 directors' report is not consistent with the financial statements, if 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 other information accompanying the financial statements and consider whether it is consistent with those statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the UK 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 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 of the state of affairs of the company and the Group as at 31 December 2003 and of the results of the Group for the year then ended in accordance with International Financial Reporting Standards as promulgated by the International Accounting Standards Board, and have been properly prepared in accordance with the Companies (Jersey) Law 1991.

KPMG

Chartered Accountants
26th May 2004

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professional advisors

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