

# Meinl European Land Limited

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## **euro adhoc: Meinl European Land Ltd. / Mergers - Acquisitions - Takeovers / MEINL EUROPEAN LAND LIMITED RESTRUCTURING AND EUR800 MILLION INVESTMENT BY CPI/GAZIT HOLDINGS LIMITED**

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### Company Information

20.03.2008

St. Helier, Jersey, 20 March 2008. In September 2007, the Board of Directors of Meinl European Land Limited ("MEL" or the "Company"), the central and eastern European focused property owner and developer, began the process of a strategic review, the purpose of which was to identify and implement improvements to the Company's management, corporate governance and reporting arrangements and processes, as well as a review of the Company's capital structure and financing.

As a result of this process, which involved the examination of third party proposals and other alternatives, MEL and CPI/Gazit Holdings Limited ("CPI/Gazit"), a joint venture between Gazit-Globe Ltd ("Gazit"), a multinational real estate investment company listed on the Tel Aviv Stock Exchange (TASE:GLOB), and CPI Capital Partners Europe LP (and its parallel funds), a real estate fund advised by Citi Property Investors, a business unit of Citibank International plc ("CPI") today announce that they have signed an agreement by which CPI/Gazit will make a strategic investment of up to EUR800 million in the Company. In addition, a transformation of MEL's governance and management structure will take place.

The Company has been engaged in discussions with strategic investors since the beginning of 2007. The signed agreement with CPI/Gazit entails a significant restructuring and repositioning of the Company enabling it to internalise management, to adopt international best practice corporate governance arrangements, and focus on building out its development pipeline. In the face of market illiquidity and increased volatility in international debt and equity markets, the funding flexibility and strengthened balance sheet provided by this cash infusion will allow the Company to pursue growth opportunities that would not otherwise be available.

Highlights of the transaction are as follows:

- EUR800 million of underwritten new investment in MEL comprising a subscription for EUR500 million of convertible securities and in connection with a capital increase a EUR300 million rights issue to MEL certificate holders, which will be underwritten by CPI/Gazit.
- The management of MEL will be internalised through the termination of the Meinl European Real Estate ("MERE") management contract (with a one year orderly handover) and the recruitment of a new executive team. All other contractual and operational ties with Meinl Bank and its affiliates will be severed. The internalisation of the Company's management will align MEL-investor and management interests.
- Gazit and CPI will receive board representation and the board will be reconstituted with a majority of independent directors. The board will comprise a number of well respected international real estate experts and be chaired by Chaim Katzman, the current chairman of Gazit-Globe.
- Simplification of MEL's ownership structure - upon closing, all partly paid shares in the Company and the shares underlying the repurchased certificates will be cancelled.

- CPI/Gazit's commitment to make its cash injection is not subject to any financing contingency. It will be funded from both parties' internal cash resources and committed lines of credit of Gazit and funds of CPI Capital Partners Europe LP.
- The transaction is subject to regulatory and MEL-investor approval and receipt of MEL's 2007 audited financial statements, as well as other customary conditions.

In addition:

- This strategic partnership will allow the Company and its certificate holders to benefit from Gazit's and CPI's financial and operating strength and public market corporate expertise. Gazit has 20 years' experience of developing, owning and managing shopping centres across the world.
- In line with industry best practice and to reflect the value placed on the MEL's operational management and employees, a reward package will be put in place to incentivise staff and ensure that project profitability is the key driver of all efforts.
- The Company will endeavour to regain its investment grade rating as soon as possible.

Commenting on the deal, Georg Kucian, Chairman of MEL, said: "The proposed transaction represents a very positive outcome for certificate holders. The introduction of new capital will enable MEL to accelerate its expansion in Eastern Europe, while the adoption of strong corporate governance measures and management restructuring will help regenerate confidence in the Company. We are pleased to have Gazit and CPI as investors in MEL and believe they will be able to make a material contribution to the continuing development of the Company."

Commenting on the deal, Chaim Katzman, chairman of Gazit-Globe Ltd, said: "We believe MEL has enormous potential to deliver investor value, which the Company has been unable to capitalise upon. It has a portfolio of 160 high quality assets diversified across 11 countries, offering considerable mid to long term growth potential, particularly in the rationalisation, value maximisation and completion of the Company's development pipeline. The capital injection we are proposing with CPI offers certificate holders an opportunity to benefit from that potential and this deal allows the Company to take control of its management base which will serve to enhance the portfolio. It means we can start working towards a brighter future for the benefit of all investors.

"Our initial priorities are to create predictable and sustainable cash flows from the underlying assets, as well as setting out a steady growth profile through accretive developments and acquisitions. We are also committed to establishing a strong and transparent relationship with the investment community and to incentivising and rewarding our most valuable asset - our staff.

"CPI is Citi's global real estate investment platform and as our partner, will enhance financial rigour and bring reputational integrity to the governance of the Company. We embrace CPI's operational contribution given its specialist knowledge and experience in investing in real estate and entity level platforms in mature and emerging markets."

Roger Orf, head of CPI Europe added: "The transaction we are proposing will allow Meinl European Land to focus on the existing portfolio and future development of its land bank. The capital injection will have an extremely positive effect on the Company's balance sheet and, ultimately, the credit rating. It provides the Company with the ability to self finance and will improve the terms on which it can source external finance in these difficult times, all of which will help re-establish its position as a leading property owner in Central and Eastern Europe.

"We believe that Gazit brings to the transaction an outstanding team

of highly qualified and experienced professionals who understand how to manage and develop retail assets around the world and importantly have significant experience in managing listed vehicles to the highest fiduciary standards. We look forward to a long and productive relationship with Chaim and his team and the various MEL constituencies.

#### Financial details of the transaction

The EUR800 million underwritten investment will comprise the following elements:

- The Company will issue EUR500 million Subordinated Convertible Debt Securities (the "Convertible Securities") to CPI/Gazit with the following principal terms: - Maturity of seven years - Annual cash coupon of 10.75% - At the option of CPI/Gazit, the Convertible Securities are convertible into MEL certificates at a price of EUR9.00 per certificate. These are subject to standard anti-dilution provisions - MEL can force conversion at any time following 36 months after their issue date if MEL certificates trade for 60 consecutive days at a price that is greater than 135% of the conversion price - CPI/Gazit can force MEL to redeem the Convertible Securities at any time after the later of the date of completion of MEL's medium term note programme and the five year anniversary of the date of issue of the Convertible Securities.
- CPI/Gazit will in connection with a capital increase underwrite a EUR300 million rights issue of newly issued MEL certificates according to the following principal terms: - The holder of every 29.57 MEL certificates will be eligible to subscribe for six newly issued MEL certificates at an issuance price of EUR7 per certificate and two warrants for every six certificates for no additional consideration. - CPI/Gazit has the option to subscribe for up to EUR200 million of additional certificates at a price of EUR7, and one additional warrant for every 6 optional certificates for no additional consideration. The EUR200 million option is reduced by the value of any certificates taken up under the rights issue pursuant to the underwriting obligation. This option will expire six months following completion of the rights issue. - CPI/Gazit will fully underwrite the EUR300 million rights issue - CPI/Gazit will receive 30 million warrants. - All warrants have an exercise price of EUR7 and will expire four years following closing of the Transaction. - The rights issue will be conducted within six months following the approval of the transaction by MEL certificate holders.

#### Details relating to the termination of the contracts with MERE and MB

MERE and MB affiliates have various contracts with MEL, terminable on notice periods of up to six years.

To terminate these contracts, and for MERE and MB to enter into a three year non-compete and to procure 12 months of transitional consultancy services, MEL will pay a total consideration of EUR280 million, of which EUR160 million will be in cash, EUR80 million in convertible securities and EUR40 million in MEL certificates. As part of this agreement MB is required to vote in proxy with CPI/Gazit.

The convertible securities and MEL certificates will be issued at the same price and upon the same terms and conditions as the rights issue and convertible securities but they will not be entitled to any warrants. A portion of this amount is subject to a staggered three year lock-up to ensure that there is an orderly management transition and thereby assist in providing the best platform for the future growth of the Company. Some of the securities will be subject to restrictions on transfer or disposal.

Following completion of the transaction, MEL will adopt a new name that has yet to be selected.

#### Improvement in governance

Upon Closing, the existing Directors of MEL will resign and a new Board of Directors will be appointed to include a majority of Independent Directors as defined under New York Stock Exchange rules and to continue to comply with Jersey regulatory requirements.

The new Board of Directors will consist of eight directors. Subject

to certain minimum total investment conditions, CPI/Gazit will have the right to name up to four members, including the chairman.

The Company is pleased to announce that a number of world class real estate experts have already agreed to join the board of directors upon closing. These include Professor Peter Linneman, the principal of Linneman Associates; Albert Sussman Professor of Real Estate, Finance, and Public Policy at the Wharton School of Business, University of Pennsylvania; and Thom Wernink, Chairman of Citycon and a non-executive director of a number of Continental European-based property and investment companies including Segro plc and a former chairman of EPRA.

The appointment of a full time chief executive officer, chief financial officer and head of acquisitions will be announced in due course, once the transaction has closed.

#### Conditions to closing and timetable

The transaction is subject to a number of conditions including:

- The obtaining of certain MEL-investor approvals
- Receipt of MEL's 2007 financial year audited financial statements
- Compliance with certain minimum balance sheet covenants
- No event occurring which would cause a material adverse effect for MEL
- Cancellation of MEL's partly paid shares and certificates controlled by MEL
- Certain other conditions that are standard for a transaction of this nature.

MEL is committed to consummating a transaction as expeditiously as possible and believes that the transaction can be closed in the second quarter of 2008.

An explanatory circular will be sent to certificate holders as soon as practicable in connection with the shareholders' meeting.

MEL, MERE and MB have entered into customary exclusivity arrangements with CPI/Gazit.

Citi and Deutsche Bank acted as joint advisor for CPI/Gazit; the Company was advised by Merrill Lynch. Skadden, Arps, Slate, Meagher & Flom (UK) LLP were legal counsel to CPI/Gazit; Linklaters LLP was legal counsel of CPI and Freshfields Bruckhaus Deringer acted as legal counsel to the Company. Meindl Bank was advised by Lazard.

#### Notes to editors:

About Gazit-Globe Ltd Gazit is a leading multinational real estate investment company with in excess of EUR8 billion of properties under control in the United States, Canada, Europe, Israel and Brazil. Gazit and its public subsidiaries are corporate governance leaders in their markets and are governed by world class Boards of Directors. Gazit actively pursues growth opportunities, both organically and through strategic and accretive acquisitions.

About Citi Property Investors CPI is a global real estate investment manager with offices in major financial centers and with more than \$12.9 billion in assets under management as of February 1, 2008. CPI employs more than 125 real estate professionals and its senior leaders have an average of more than 20 years of commercial real estate experience. CPI is the real estate investment center of Citi Alternative Investments which as of December 31, 2007 had EUR59.2 billion of un-levered assets under management.

About Meinl European Land MEL is a real estate investment and development company whose primary focus is on retail assets in central and eastern Europe. At 30 September 2007 it had 160 operating investment properties with a market value of approximately EUR1.8 billion and 34 committed development projects with an expected investment value of EUR3.4 billion. In addition, it has established a land bank of over 1.5 million sqm. The Company has been listed on the Vienna Stock Exchange since 2002 and is currently capitalised at EUR1.5 billion.

end of announcement

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