

| CYPRUS TAX REGIME – AN OVERVIEW |

| Why Cyprus |

- a| Member State of the European Union
- b| One of the lowest corporation tax rates in Europe
- c| Investor friendly tax authorities with ability to obtain advance tax rulings
- d | Wide treaty network and application of EU Directives
- e | Added commercial value and monetary benefits due to ability to register for VAT

| Tax incentives |

Some of the main incentives are as follows:

- a| Low corporation tax at flat rate of 12.5% on net profit
- b| Dividend income is generally exempt from corporation tax
- c| No withholding tax on payments to non-residents (dividends, interest and royalties)
- d| No capital gains tax on profit from sale of securities
- e| Non-resident entities are only taxed on their Cyprus-sourced income
- f| Profits from overseas permanent establishments are exempt from corporation tax
- g| Restructuring legislation in line with the EU Merger Directive extending to non-EU companies

Taking into consideration and acknowledging the competition targeting Cyprus from other low tax or no tax jurisdictions, we remain confident that Cyprus continues to provide a complete value proposition for foreign investors for a very large number of reasons, some of which are outlined herein below:

a| Double Taxation Treaties between Cyprus and numerous countries
Cyprus has developed a wide network of Double Tax agreements with over 40 countries, including the Russian Federation, Qatar, Romania, United Kingdom, India, etc. ensuring that the same income is not taxed in more than one country.

b| One of the lowest Corporate Tax Rate in the European Union
By imposing a flat corporate tax rate at 12.5% Cyprus has one of the lowest tax rates in the European Union. Furthermore, what is even more attractive is the exemption from taxation of both the Dividend Income and Profits from overseas permanent establishments based on certain requirements, and the exemption from withholding tax of dividends, interest and royalties paid from Cyprus.

c| Member State of the European Union
The Republic of Cyprus became a full member of the EU on May 1st, 2004. Accession to the EU was a natural choice for Cyprus, driven by its culture, civilization and history, as well as its unwavering commitment to the values of democracy, freedom and justice. EU accession has launched a new era of opportunities and responsibilities for Cyprus.

| The Participation Exemption Example |

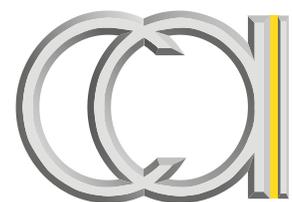
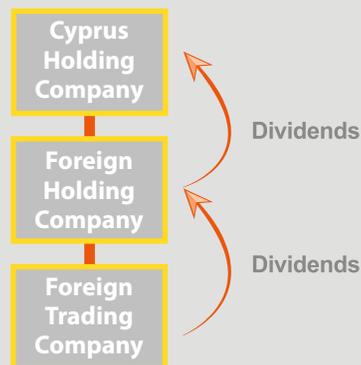
Dividends paid from one Cyprus Company to another are free from tax in Cyprus.

Dividends received from abroad are also tax exempt, but the exemption (i.e. no tax) will not apply only when:

a| More than 50% of the foreign paying company's activities result directly or indirectly in investment income, and

b| the foreign tax is significantly lower than the tax burden in Cyprus, i.e. less than 5%.

When the exemption does not apply, the dividend income is subject to special contribution for defence at the rate of 20%.



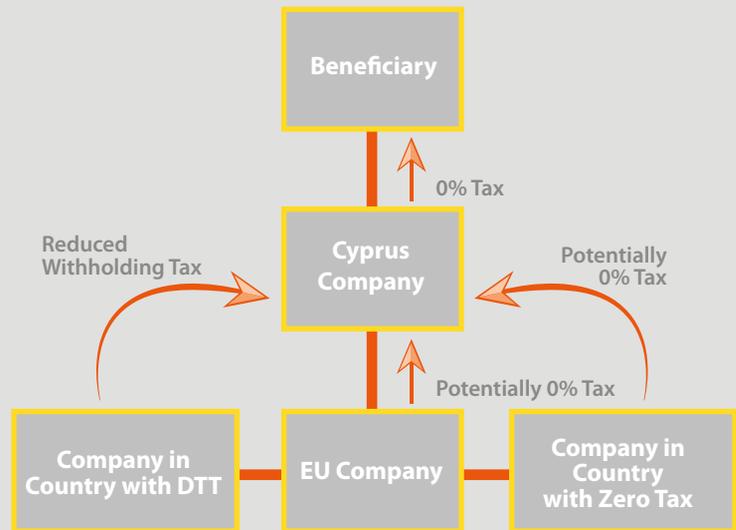


| The Cyprus Holding Company |

The Cyprus Holding Company structure, where a Cyprus company is shareholder of an overseas company, has been voted by participants in international surveys as being the best holding company regime in Europe.

The advantages of a Cyprus Holding Company are the following:

- a| Dividends received by a Cyprus Company are totally exempt from taxation. This exemption does not apply if more than 50% of the overseas company's activities result directly or indirectly in investment income and the foreign tax is significantly lower than the tax rate payable in Cyprus.
- b| Profits of a Cyprus Holding Company from the sale of securities are exempt from tax.
- c| Capital Gains Tax at 20% will be imposed, if and to the extent that profit arises from the sales of shares of a company owning Cyprus real estate. This may be overcome with the use of a two tier holding structure
- d| Dividends distributed to non-resident shareholders bear no Withholding Tax.
- e| No minimum holding period is required for dividend or capital gain exemption.
- f| Interest paid by a Cyprus Company to non-resident creditors bears no Withholding Tax.



The Cyprus holding company may be used as a "top or intermediary holding company" to invest in treaty or EU subsidiaries resulting in: foreign dividends being exempt from tax, no capital gains, no withholding taxes, access to double tax treaties and EU directives.

| The Cyprus Financing Company |

An intermediary Cyprus Finance Company can be placed in between a parent company in a European or no tax jurisdiction and subsidiary companies operating in treaty countries. The Cyprus Company will borrow money from the parent company in a European or no tax jurisdiction and lend money to the subsidiaries operating in treaty countries.

The advantages of a Cyprus Finance Company are the following:

- a| Interest income is considered to arise from the ordinary activities of the company and is subject to corporation tax after the deduction of the interest payable. Therefore, a small margin of net interest income will be taxable in Cyprus at 12.5%.
- b| Dividends distributed to non-resident shareholders bear no Withholding Tax.
- c| Interest paid to non-resident creditors bears no Withholding Tax and interest income received by the Cyprus Company from foreign countries bears low or no Withholding Tax.

