Orco Germany S.A.
Société Anonyme

Annual Report
as at December 31, 2009

40, Parc d'Activités de Capellen
L-8308 Capellen
R.C.S. Luxembourg: B 102.254

ANNUAL MANAGEMENT REPORT

2009

ORCO GERMANY

1. Group overview

1.1. Business and Group structure

1.1.1. Description of business model

ORCO Germany is a real estate group founded in 2004 with a portfolio located in Germany and mainly in Berlin. It invests in, manages, develops and leases out commercial property.

1.1.2. Group structure

ORCO Germany comprises of ORCO Germany S.A. and its subsidiaries (the "Group"). ORCO Germany S.A. is a limited liability company registered in Luxembourg. As at 31 December 2009, there were 44 subsidiaries fully or proportionally consolidated in ORCO Germany Group. These subsidiaries/joint ventures are mostly limited liability companies under German Law.

As at 31 December 2009, the Company is owned at 58.1% by ORCO Property Group S.A., Luxembourg, and at 28.9% by MSREF V Turtle B.V. Its shares have been listed on the Open Market of the Frankfurt Stock Exchange since May 2006. Since November 2007 ORCO Germany S.A. is listed on the Prime Standard Market.

Signed agreement to decrease Group indebtedness

In the framework of the financial and operational restructuring plan of the Group, an agreement has been reached between the two main shareholders of the Group on the conversion of the Orco Property Group shareholder loan into equity.

This operation was made possible thanks to an agreement signed by ORCO Germany S.A., MSREF V Turtle B.V (an investment vehicle managed by Morgan Stanley currently owning 28.91% of ORCO Germany S.A.) and ORCO Property Group S.A. on August 26, 2009. ORCO Property Group S.A obtained an agreement on the future conversion of its EUR 17.6 Million shareholder loan to ORCO Germany S.A. into 10,991,750 new shares, set to increase the control of Orco Property Group S.A. from 58.10% to a 65% stake in the Group. This agreement was presented and approved at the Extraordinary General Meeting of ORCO Germany S.A. held at the end of October 2009. The agreement, which grants a short term option to minority shareholders of ORCO Germany to subscribe at the same price, is subject to the issuance of a prospectus and is awaiting regulatory approval expected end of April 2010.

1.1.3. Group strategy

In 2008 ORCO Germany has started its transition from an expanding cash-requiring developer/investor active in most German regions into a focused positive cash flow-generating investor capable of seizing development opportunities.

Going forward, the Group will focus on commercial investments with a strong geographic focus on Berlin where it enjoys a strong positioning. Additional services like the high-speed glass fibre network "Hofnetz" have been launched to attract new tenants and improve the loyalty of existing customers, and to generate additional income. Non-core assets, mainly residential apartment blocks, were disposed of, opportunities in project development will only be taken based upon a case by case decision.

This shift is accompanied by an operational restructuring of the Group leading to increased efficiencies. This effort was started in 2008 by closing the branch office in Essen, followed in 2009 by closing of branch offices like Hamburg, Munich and Frankfurt. The impact of these restructuring measures initiated, do strongly decrease personnel and operational costs and will show its full impact in 2010.

1.2. Business segments

Commercial Investment Property

Commercial Investment Property is the core segment of ORCO Germany and comprises investments in commercial properties, in particular through acquisition and rental of properties and property portfolios. As part of its core segment, ORCO Germany is interested in long-term ownership of the properties.

The investment portfolio comprises 878,000 sqm of lettable area.

With the acquisition of GSG in 2007, ORCO Germany became the largest owner of commercial real estate in Berlin. ORCO-GSG is the backbone of ORCO Germany's investment activities with around 819,000 sqm of total lettable area. ORCO Germany's total lettable area for commercial tenants amounts to 805,000 sqm.

In 2009, the occupancy rate of ORCO-GSG assets increased by 1.6% to 76.2%. Despite the economic crisis GSG generated a positive net take-up of 14,718 sqm. The corresponding gross letting activities decreased by 8.5% to 64,260 sqm in December 2009. According to CB Richard Ellis, Berlin's office space take-up fell by around 11% during that period reaching 411,300 sqm.

Despite the challenging environment ORCO-GSG was able to increase the average rent per sqm for commercial space from EUR 6.07 in December 2008 to EUR 6.27 in December 2009. The average gross rent (rental revenue and revenues for non usage-bound recoverables) for new leases for commercial space rose by 15.2% to EUR 6.92 per sqm since takeover.

Residential investment, once the main focus of investments of ORCO Germany, has lost its importance: most of these assets were disposed of up to the year end 2009 and the last buildings will be sold in 2010.

Development

The segment Development comprises development of predominant commercial projects. This includes property acquisition, planning and obtaining building rights, project implementation and sale/rental of the realised projects to investors and tenants.

Development is done case by case and concentrates on the German core markets of Berlin and North Rhine-Westphalia with the exception of the Health Care activity, where projects are realised Germany-wide.

Despite the difficult market environment, the Group was able to complete 2 commercial and 3 Health care projects with a volume of approximately EUR 195 million and lettable area of 67,000 sqm leading to the fact that at the end of 2009 all development projects under construction had either been finished or were close to be completed.

Construction works on Health Care projects in Rostock/Tschaikowskistraße and Oranienburg/Bernauer Straße were finished in June 2009. Both projects were handed over to the tenants at the beginning of July. Subsequently Gütersloh/Neuenkirchstraße was finished and successfully handed over in October. All these health care projects are fully leased to operators. Construction works on the site Berlin (Danzigerstrasse) are progressing and will be completed within 2010.

Construction works for the project Sky Office were completed (except partial interior works for upcoming lessees). Sky Office is a high-rise office building which comprises 23 upper floor levels and four underground levels for car parking. Restaurants and a conference centre are located on the ground floor. The project costs were on budget. The handover to the main tenants was executed on time in the first weeks of August. In 2009 ORCO Germany succeeded in increasing the occupancy level from 61.5% to 67.0% although only 221,300 sqm of office space was let in Düsseldorf, which, according to CB Richard Ellis, equates to a fall of almost 47% compared to last year.

At the year end 2009 the project H2-Office in Duisburg was close to completion (only exterior work and interior work for upcoming lessees missing). H2-Office is located in the most attractive office location in Duisburg, the inner harbour. H2-Office shows similar modern architecture and consists of 6 floor levels. It was constructed under consideration of the highest environmental standards and is equipped with geothermic heating and cooling, photovoltaic systems, a green roof and rainwater collection. Thanks to these innovations H2-Office received a certificate in Gold for sustainable construction by the German sustainable building council earning the best mark (1.26) ever given to a commercial building in Germany.

2. Market environment

2.1. Economic environment

The year 2009 was marked by the financial crisis with its impact to all different economic sectors. The recovery is expected to remain fragile but to slow down in the second half year of 2010 as the growth impact of fiscal and monetary measures wane.

According to the current mood indicators, primarily the ifo business climate index, the mood in Germany's economy continues to brighten after a very difficult year 2009. Although a slight economic upswing can be assumed the economic perspective seems to be uncertain for the near future. Forecasts assume a 1.4% growth in economic performance in 2010, following a minus of 5.0% in 2009.
In contrast to many other German cities Berlin did not face such a large scale hit. Berlin in comparison to several other German cities is catching up especially in terms of many districts having been modernized and despite the given economic situation major projects have been completed. Due to the fact that Berlin has a very good infrastructure and attracts people from all over the world it is expected a further increase in population companies to settle in Berlin.
Especially in Berlin it is to be observed that market has come back to normal and the demand for spaces increases while interest remain at a very low level.

The labour market in Berlin remained most robust through the end of 2009 (according to the Bundesagentur für Arbeit the rate of unemployment for Berlin increased slightly to 13.5% in Dec. 2009 versus 12.9% in Dec 2008). In the light of the cyclical environment, the unemployment trend has remained unusually favourable. Reduction in employment is being substantially alleviated by the use of alternative working time schemes.

The acute phase of the financial crisis has past and a global economic recovery is underway although this remains fragile the Pfandbriefe market show growing signs of a sweeping recovery. By beginning of February 2010 two large volume Pfandbriefe were issued in Germany and very well received by investors in Germany and abroad. It is expected within the course of 2010 that the positive trend will endure.*[1]

2.2. Development of the relevant real estate markets

The Berlin office market wasn't as severely hit by the economic crisis as other big cities. With 411,300 sqm the take-up was 11% lower than in 2008 and 9% under the average take-up of the last seven years*[2]. Public Services took control of the market, compensating for the 27% reduction in take-up by private industry. Office vacancy space rose by only 1% to 1.67 million sqm (vacancy rate 9.5%) while prime rent fell by 9% to 20.00 EUR/sqm over the last twelve months and the weighted average rent by 14% to 10.64 EUR/sqm. This contrasts with the development of the Group's portfolio where both raises in occupancy and higher rental prices were achieved.

1.19 billion EUR of transaction volume were registered in the Investment market throughout the year. The prime yield for office properties remained stable at last year's level at 5.50%.

The office rental market in Düsseldorf was significantly more affected than the Berlin market. With 221,300 m² the take-up was 46.7% less than in 2008 and 29% under the average take-up of the last seven years*. Prime rents remained stable at 22.50 EUR/sqm and the weighted average rent went up to 13.58 EUR/sqm. The volume of vacant spaces rose to 875.700 sqm, producing a vacancy rate of 10.1% referring to a total stock of 8.7 million sqm.

In Düsseldorf the annual investment volume was around EUR 800 million. The prime yield fell by 10 basis points to 5.20%.*[2]

*[1 und] *[2] according to CB Richard Ellis Market View Q4/2009

3. Group earnings performance

3.1. Overview of major events in 2009

ORCO Germany's major shareholder ORCO Property Group S.A. decided in March 2009 to apply for the company to benefit from a "Procédure de Sauvegarde", a French legal provision that enables a company to pursue operations while protecting its business from creditors' claims for a limited period of time in order to allow the management to complete its restructuring plan both financially and operationally.

Despite this situation and the turbulent market circumstances ORCO Germany successfully managed to convince banks to cooperate on the finalization of construction works on 6 development projects Sky Office, H2 Office, Ministergärten and three Health Care projects in 2009. The completion of those projects implies a significant de-risking of the Group's business.

Even though 2009 ends with a consolidated loss attributable to the Group of EUR 105.5 million (EUR-121.4 million in 2008), the fourth quarter marks a turning point as the loss recorded for the first three quarters of 2009 was higher at EUR 108.2 million. The diluted loss per share moved from EUR 2.48 (2008) to EUR 2.16 (2009). The main drivers of the losses are impairments and revaluation losses.

Revenues decreased by 7.1% to end up at EUR 72.0 million. Development revenues decreased by 27.6%, leasing revenues by 1.0% due to asset sales which led to a lower revenue base.

The adjusted EBITDA (i.e. operating result without net result from fair value adjustments on investment property, amortization, impairments and provisions as well as correction on cost of goods sold) rose by 16.0% in comparison to Q3/2009 and by 19.2% in comparison to 2008 to a total of EUR 18.6 million.

After a sharp fall of the Net Asset Value per share from EUR 3.12 (2008) to 1.61 (September 2009), the NAV rose by 7,5% during the last quarter of the year to EUR 1.79 leading to an improvement of the Equity position by 7.3% from EUR 41.3 million (Q3/2009) to EUR 44.3 million.

All investment properties and inventories were evaluated by the independent valuer DTZ as at 31 December 2009. Like most of the real estate companies worldwide ORCO Germany had to face high revaluation losses on investment properties. They added up to EUR 54.9 million. Amortization, impairments and provisions decreased to EUR 26.2 million from EUR 39.7 million in 2008.

The operating result (EBIT) remained significantly negative (EUR–69.7 million) due to fair value adjustments on investment property and amortization, impairments and provision but improved compared to 2008 (EUR -80.9 million) thanks to

- decreased amortization, impairments and provisions (EUR -26.2 million versus EUR -39.7 million in 2008)
- a strong reduction in other operating expenses (EUR -30.8 million versus EUR -40.1million in 2008) and
- declined employee benefits (EUR -9.5 versus EUR -13.3 million in 2008)

In line with the strategy of focussing on commercial real estate and in order to strengthen ORCO Germany´s liquidity, disposals of non-strategic assets took place and generated revenues of EUR 46.6 million.

In 2009, ORCO Germany continued its restructuring process accompanied by an ambitious cost-savings program. Staff reduction and the closure of branches in Hamburg, Frankfurt and Munich led to reduced employee benefits of EUR 3.8 million compared to 2008. Other operating expenses were effectively reduced by 23%, falling from EUR 40.1 million to EUR 30.8 million.

3.2. Turnover

3.2.1. Letting

ORCO Germany's investment portfolio decreased by 44,000 sqm to 878,000 sqm lettable area due to the sale of non-strategic assets. Despite those sales, the turnover only decreased slightly to EUR 54.8 million (EUR 55.3 million in 2008). ORCO-GSG's turnover contribution increased by 2.1% from 2008 to 2009 to reach EUR 47.7 million.

Despite the financial crisis the occupancy rate of ORCO-GSG increased during 2009 by 1.6% to 76.2% and since takeover in June 07 by 6%. Whereas the first half year closed only with a slightly positive occupancy rate development of +0.2%, the leasing results in the third and fourth quarter show a considerable increase of +1.4%.

These figures show that ORCO-GSG has strengthened its position in Berlin as the leading provider of office and multifunctional light industrial space. Being a strong partner of the Berlin economy as well as of its tenants the enhanced cooperation not only with brokers but also with local authorities and institutions helped to increase letting.

Furthermore, the focus on special sectors in acquiring new tenants like the creative industries or future technologies shows success. For example in Kreuzberg, the asset Prinzessinnenstraße – with a vacancy rate of approximately 47% in the beginning of 2009 – was transformed from a more production orientated location into a new hot spot for the creative industries and thus vacancy was markedly reduced to 29% by the end of 2009. The world-wide active and renowned Miami Ad School, a school for design, was located in the asset Feurigstraße and has already signalled to expand in 2010.

Another illustration of successful cooperation with local authorities is the new Cleantech-Business Park (Wolfenerstraße, GSG) that will start operations in 2011, bringing new businesses to an area where GSG has its highest vacancy rate of 47%.

3.2.2. Development

Development revenues decreased by 25% to EUR 19.6 million from EUR 26.6 million in 2008 and were mainly composed of sale of land banks of EUR 5.8 million, sale of residential units for EUR 2.9 million and of rents amounting to EUR 2.4 million on completed office projects.

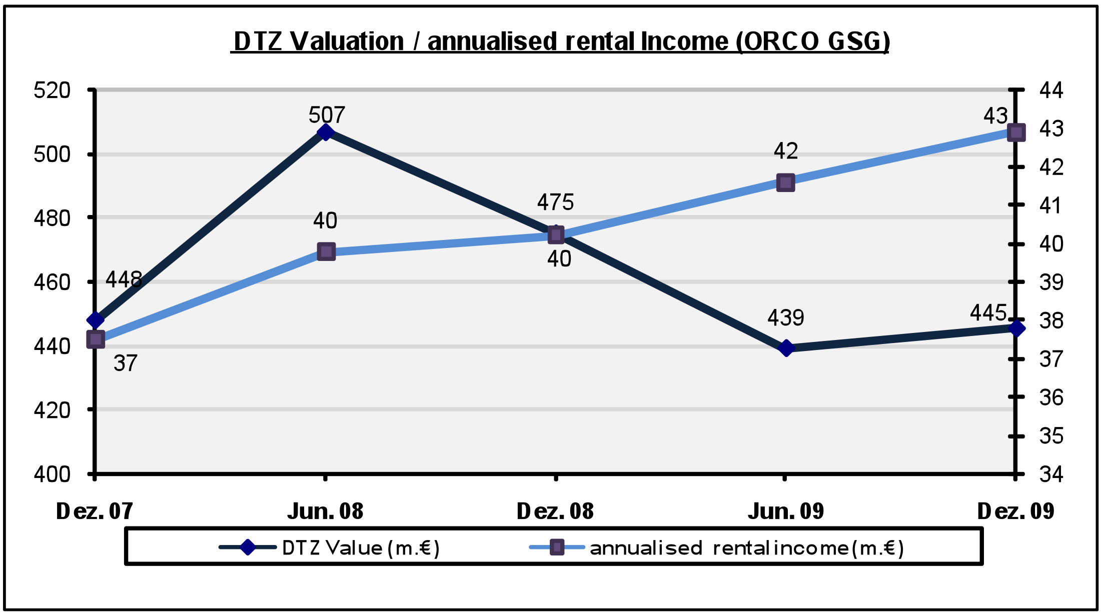
In 2009 all remaining residential development units (8 units) were delivered and the biggest development project of ORCO Germany Sky Office and three health care/senior home projects (Rostock, Oranienburg and Gütersloh) were completed and successfully handed over to the tenants.

3.2.3. Total

The consolidated turnover for the year ended 31 December 2009 amounts to EUR 72.0 million versus EUR 77.5 million for the year ended 31 December 2008. Due to the strategy of focusing on the core business of investment portfolio the turnover in 2009 was mainly driven by rental revenues (76.0% versus 68.1% in 2008) leading to a lower exposure to the more volatile and loss making development business.

3.3. Net result from Fair value adjustments on investment properties and Amortisation, Impairments and Provisions

As in 2008, the gross revaluation loss on investment property has resulted from more conservative assumptions taken by the independent valuers regarding cap and discount rates and is not due to poor operating performance.



The revaluation loss amounted to EUR -54.9 million versus EUR -51.3 million in 2008 and only recognizes the revaluation of those assets that are allocated in investment property. Ongoing development projects and properties under construction are allocated in inventories and therefore valued at cost and decreased by depreciation and impairment. They are not subject to fair value adjustments.

The most important contributors to the revaluation profits were the ORCO-GSG properties Gustav-Meyer-Allee (EUR 3.3 million), Helmholzstraße (EUR 2.3 million), and Schlesische Straße (EUR 1.3 million).

The main contributors of revaluation losses were Leipziger Platz (EUR –12.8 million) and ORCO GSG (EUR -26.4 million) (among which: Plauener Straße (EUR –7.3 million) and Wolfener Str. (EUR -6.5 million)).

Amortisation, impairments and provisions amounted to EUR 26.2 million are mainly explained by the revaluation of Sky Office (EUR -15.0 million) and H2 Office (EUR -3.8 million).

3.4. Adjusted EBITDA rises by 19.2%

In 2009 the adjusted EBITDA (i.e. operating result excluding net result from fair value adjustments on investment property, amortization, impairments and provisions as well as correction on cost of goods sold) was EUR 18.6 million, up 19.2% from EUR 15.6 million in 2008 while revenues decreased from EUR 77.5 million to EUR 72.0 million in 2009.

The two business lines of ORCO Germany contributed as follows:

- The adjusted EBITDA of the commercial investment property segment, mainly consisting of ORCO-GSG, increased by 4.2% to EUR 23.8 million versus EUR 23.7 million in 2008.
- The adjusted EBITDA of the development activity remained negative although improving: EUR –5.2 million compared to EUR –8.1 million in 2008.

ORCO Germany strategic refocusing on the profitable investment business should lead to an EBITDA improvement going forward.

3.5. Operating result improving but still significantly negative due to revaluation losses and impairments

In 2009 ORCO Germany recorded an operating loss of EUR 69.7 million compared to an operating loss of EUR 80.9 million in 2008

The operating result was mainly determined by:

- Revaluation losses on investment property of EUR –54.9 million versus revaluation losses of EUR -51.3 million in 2008.
- Amortization, Impairments and provisions of EUR –26.2 million versus EUR –39.7 million in 2008 mainly due to the revaluation of Sky Office and H2 Office.
- A decrease in employee benefits by 28.8% from EUR 13.3 million in 2008 to EUR 9.5 million in 2009 mainly attributable to the initiated restructuring process comprising staff reduction and the closure of branch offices.
- Savings achieved on other operating expenses of 23.2% from EUR -40.1 million in 2008 to EUR -30.8 million in 2009 mainly driven by marketing costs and representation costs (variation EUR -2.1 million YoY), Administration costs (variation EUR -2.3 million YoY), other operating expenses (variation EUR -2.1 million YoY).

3.6. Financial result

The net financial result for 2009 amounted to EUR –45.5 million versus EUR –53.2 million in 2008. The financial result contained interest expenses of EUR -35.6 million (versus EUR -34.3 million in 2008) and interest income of EUR 0.4 million (versus EUR 2.0 million in 2008). The amount of debt was reduced by repayments of loans on sold assets and raised by draw–downs of credit lines for development activities (mainly for Sky Office).

The other net financial results showed a loss of EUR –10.3 million (versus EUR –20.9 million in 2008), mainly due to losses on trading investments and revaluation of financial assets (i.e. interest rate swaps/collar/cap) of EUR -6.7 million. Interest rate swaps were originally contracted to prevent fluctuations in interest rates.

The cost of debt after hedging amounted to 5.02%. Excluding the bond, the cost of debt (after hedging) were 5.23%. Variable loans accounted for 87% of which 74% were hedged against interest rates changes through derivative instruments, i.e. cap, collar and swaps.

3.7. Tax

Total income tax amounted to EUR 9.7 million versus EUR 12.4 million in 2008. Current Income tax expenses of EUR –3.5 million were compensated by deferred taxes of EUR 13.2 million.

Deferred taxes represent mainly the impact of revaluation differences between local GAAP and IFRS on tax calculation not leading to payments or reimbursements.

3.8. Net result

ORCO Germany closed the consolidated financial statements as at 31 December 2009 with a net loss of EUR 105.5 million compared to a net loss of EUR 121.7 million in 2008.

4. Group financial position

4.1. Assets and portfolio valuation

4.1.1. Acquisitions

In order to preserve liquidity no acquisition of land banks or buildings were done in 2009.

4.1.2. Disposals

In line with ORCO Germany's strategy to dispose of non strategic assets and focus on commercial assets ORCO Germany sold non-core assets with sales revenues of EUR 46.6 million leading to a reduction in debt and an improvement in liquidity.

4.2. Net asset value

The method of net asset value calculation is based on portfolio valuation and gives the real estate approach of the net asset value (NAV).

The NAV as at 31 December 2009 amounted to EUR 87.3 million versus EUR 152.0 million as at 31 December 2008. Therefore the NAV per share amounted to EUR 1.79 (versus EUR 3.12 in 2008).

NET ASSET VALUE

EUR thousand	December 2009	December 2008
Equity holders balance	**44,283**	**149,764**
Fair value adjustment on Own occupied buildings	167	-
Fair value adjustments on invest. portfolio	-	525
Fair value adjustments on inventories	3,934	–48,479
Deferred taxes on revaluations	82,270	93,948
Goodwill	-43,285	–43,734
Own equity instruments	-24	-
Net asset value	**87,344**	**152,024**
Net asset value per share	1.79	3.12
Number of shares	**48,771**	**48,771**

In comparison to the third quarter 2009 the NAV rose by 11.2% from EUR 1.61 to EUR 1.79 strengthening ORCO Germany's equity component.

4.3. Assets and resources

The total assets of ORCO Germany as at 31 December 2009 amounted to EUR 971.2 million compared to EUR 1,042.9 million as at 31 December 2008. Mainly due to the revaluation of investment property and sold investment properties, the assets decreased by 6.9%.

The assets are composed of non-current assets of 71% and current assets of 29%.

The investment property as the most important non-current asset was valued as at 31 December 2009 at EUR 633.3 million (versus EUR 741.0 million in December 2008). In 2009, ORCO Germany invested EUR 3.6 million in investment property (versus EUR 40.9 million in 2008), disinvested EUR 44.4 million (versus EUR 18.9 million in 2008). The revaluation of investment property resulted in a decrease in investment property of EUR 54.9 million (versus decrease by EUR 51.3 million in 2008). EUR 19.4 million were transferred to Assets held for sale, for which the sales contracts were signed in 2009 with the handover and delivery in 2010.

Inventories are the most important current asset and are valued at 31 December 2009 at EUR 216.3 million (versus EUR 171.9 million in 2008). This variation is mainly due to the development of Sky Office (EUR 47.5 million), H2 Office (EUR 21.0 million), Gütersloh (EUR 5.7 million) and Rostock (EUR 4.2 million) .Impairments on inventories have been calculated on the basis of the valuation by DTZ, they amounted to EUR –17.5 million.

4.4. Equity and debt

As at 31 December 2009 ORCO Germany has an equity of EUR 44.33 million (versus EUR 149.8 million in 2008), thereof EUR 44.28 million were attributable to the owners of the Company. The decrease in equity was caused by the negative net result, mainly driven by revaluation loss on investment properties and impairments on inventories.

The liabilities as at 31 December 2009 amounted to EUR 926.9 million compared to EUR 893.1 million as at 31 December 2008. The portion of non-current liabilities (i.e. with a maturity longer than 1 year) decreased from 72.7% at year-end 2008 to 58.9% at year-end 2009 due to the transfer of bank loans to current liabilities. The long-term debt (> 5 years) amounted to EUR 31.8 million, intermediate-term debt (1–5 years) to EUR 419.4 million and the short-term debt (< 1 year) amount to EUR 267.9 million. The total amount of financial debt (incl. financial debts, bonds and held for sale activities) increased since December 2008 from EUR 672.4 million to EUR 719.1 million of which bank loans amounted to EUR 596.1 million (versus EUR 572.6 million in 2008). This rise was mainly related to draw-downs for the further construction of Sky Office, H2 Office and the Health Care projects in Rostock, Oranienburg and Gütersloh.

Assets sales allowed repaying related bank loans of EUR 28.8 million.

5. Other reporting requirements

5.1. Subsequent closing events

In addition to the transfer of non-strategic assets, ORCO Germany was further able to sell two assets in the fourth quarter 2009 with a transfer date in the first half year of 2010. The sales of these assets will be accounted for in 2010. Wasserstrasse in Düsseldorf and Helberger in Frankfurt were sold for EUR 8.2 million respectively EUR 11.0 million and basically on market level.

5.2. Financial Risks Exposure

For a thorough description of the principal risks and uncertainties please see at Note 3 Financial risk management of the consolidated financial statements.

5.3. Directors' compensation

See Note 26 of the consolidated financial statements.

5.4. Other information

- The Group does not provide any activities in research and development.
- The Company does not have any branch.

6. Shareholding

6.1. Share capital

Share capital as at 31 December 2009 amounted to EUR 60,964,166.25 represented by 48,771,333 shares of EUR 1.25 each, all of the same class and entirely paid.

The Company's shares are either registered or bearer, as the shareholder wishes, unless prohibited by law. Currently all the Company's shares are bearer shares.

In 2009 and 2008 no changes in capital took place.

To the best knowledge of the Company the capital ownership of ORCO Germany as at 31 December 2009 is as follows (one share giving the right to one vote):

Shareholders	Shares	% of capital
ORCO Property Group S.A.	28,336,889	58.10
MSREF V Turtle B.V.	14,100,000	28.91
Kraaft S.A.	2.235.203	4.58
Others	4.099.241	8.41
Total	48,771,333	100.00

To the best knowledge of the Company and as at 31 December 2009 no shareholder holds more than 10% of the share capital of ORCO Germany S.A. except ORCO Property Group S.A. and MSREF V Turtle B.V.

As at 31 December 2009 one voting trust agreement existed. On 15 May 2007 ORCO Property Group, the Company and MSREF V Turtle B.V. entered into a Shareholder Agreement constituting a voting trust agreement between ORCO Property Group and MSREF V Turtle B.V. as follows:

- Upon request, ORCO Property Group and MSREF V Turtle B.V. each may appoint one representative of the Board of Directors of the Company.
- No resolutions are passed against the vote of either ORCO Property Group or MSREF V Turtle B.V. in respect of increases in the share capital of the Company without giving either MSREF V Turtle B.V. or ORCO Property Group the right to subscribe to such new shares.
- No resolutions are passed against the vote of either ORCO Property Group or MSREF V Turtle B.V. in respect of granting certain loans by the Company and entities controlled by it to ORCO Property Group and entities controlled by it.
- No resolutions are passed against the vote of either ORCO Property Group or MSREF V Turtle B.V. in respect of granting security by the Company and entities controlled by it to ORCO Property Group and entities controlled by it.
- No resolutions are passed against the vote of either ORCO Property Group or MSREF V Turtle B.V. in respect of granting certain loans by ORCO Property Group and entities controlled by it to the Company and entities controlled by it.

- No resolution are passed against the vote of either ORCO Property Group or MSREF V Turtle B.V. in respect of the execution of a transaction by the Company and entities controlled by it with ORCO Property Group and entities controlled by it, provided that the transaction relates to an exchange of values or to the creation of rights and obligations in an amount of EUR 10 million more per each individual transaction.

6.2. Stock subscription rights

On 21 February 2006, the Board of Directors issued 2,800,000 share subscription rights to all existing shareholders of the Company at this date (proportionally to their ownership of shares in the Company) without consideration. Three share subscription rights gave the owner thereof the right to subscribe to one share of the Company for an issue price of EUR 4.63 per share. The share subscription rights were exercisable during a three-year period ending on 21 February 2009. 364,000 subscription rights were exercised in 2007 and, consequently, 121,333 new shares have been issued. No subscription rights were exercised in 2008 and 2009.

6.3. Authorised capital

The corporate share capital may be increased from its present amount to EUR 173,647,722.5 (subject to the Warrant Anti Dilution Protection) (the "Authorised Share Capital"), as the case may be by the creation and the issue of new shares, entitling to the same rights and advantages as the existing shares. Out of the Authorised Share Capital an amount of up to EUR 23,647,722.50 (represented by 18,918,178 shares shall be reserved for, and may not be used for any other purpose, (the "Reserved Authorised Share Capital") the concomitant issue of (i) 7,926,428 Warrants and (ii) the Conversion Shares .

Subject to the Reserved Authorised Share Capital and the provisions of article 5.2.3 of the Articles of Association of the Company, the Board of Directors is fully authorized and appointed:

- to render effective such increase of capital as a whole at once, by successive portions or by continuous issues of new shares, to be paid up in cash, by contribution in kind, by conversion of shareholders' claims (other than the OPG Claims), or following approval of the Annual General Meeting of shareholders, by incorporation of profits or reserves into capital;

- to determine the place and the date of the issue or of the successive issues, the terms and conditions of subscription and payment of the additional shares,

- to suppress or limit the preferential subscription right of the shareholders with respect to the above issue of supplementary shares against payment in cash or by contribution in kind.

Such authorization is valid for a period ending on 19th March 2012 and may be renewed by a general meeting of shareholders with respect to the shares of the Authorized Capital which at that time has not yet been issued, subject however to the Reserved Authorised Share Capital and the provisions of article 5.2.3 of the Articles of Association of the Company.

The Reserved Authorised Share Capital shall be expressly reserved and only be available for the concomitant issue of:

- 7,926,428 warrants giving the holder thereof the right to subscribe to one (1) share of the Company (each a "Warrant Share") for an issue price of EUR 1.60 per share (being EUR 1.25 accounting par and EUR 0.35 share premium) and having the main terms as approved by the general meeting at qualified majority (the “Warrants”) on October 30, 2009 (and the Warrant Shares upon exercise of the Warrants), such Warrants only to be issued to holders of shares of the Company, other than Orco Property Group S.A., on the close of business (18:00 CET) on the day prior to October 30, 2009.

- up to 10,991,750 shares of an accounting par of EUR 1.25 and an issue price of EUR 1.60 per share (being EUR 1.25 accounting par and EUR 0.35 share premium) (the “Conversion Shares”) to Orco Property Group S.A. (“OPG”) against contribution in kind by OPG to the Company of claims against the Company held by OPG in a total aggregate face amount of EUR 17,586,800 (principal and interest) and all and any rights relating thereto (the “OPG Claims”).

Warrant Anti Dilution Protection: New Securities may only be issued by the Company during the Exercise Period if each Warrantholder is given the right to subscribe for a portion of the New Securities at same time and upon the same terms and conditions so that following the issue of the New Securities and exercise of all such subscription right the Warrantholders' Fully Diluted Shareholding remains unchanged. No issue of New Securities may be made against contributions other than cash.

For the purpose hereof,

“Warrantholders’ Fully Diluted Shareholding” means, for any Warrantholder, the proportion of such holder’s participation in shares of the Company (calculated on a fully diluted basis as if all of its Warrants were exercised or converted into shares of the Company, even where such conversion is not yet exercisable or has not yet occurred) relative to the total participation of all of the holders of shares of the Company and/or Warrants in the voting rights of the Company (calculated on a fully diluted basis as if all of the Warrants are exercised or converted into shares of the Company, even where such conversion right is not yet exercisable or has not yet occurred);

“New Securities” means any shares (except the Conversion Shares and the Bond Rights), or other equity securities or warrants, options, bonds or other rights to subscribe for the foregoing issued while the Warrants are in issue; and

“Bond Rights” means the redeemable warrants issued in relation with and attached to the EUR 100,100,052 five year bonds issued by the Company in May 2007 (and shares to be issued upon due exercise thereof subject to the terms of the bonds and related redeemable warrants) (XS0302623953-030260395// XS0302626889-030262689).

The Board of Directors is authorised with respect to the Reserve Authorised Share Capital (and the issue of the Warrants, the Warrant Shares and the Conversion Shares) (i) to determine accessory terms of the Warrants as may be appropriate provided that the main terms determined by the general meeting may not be adversely impacted thereby and to take such steps and actions, including the preparation of a prospectus, to implement the issue of the Warrants (and upon exercise thereof, the issue of the Warrant Shares) and (ii) to take such steps and actions to implement the issue of the Conversion Shares; provided that the issue of the Warrants and the issue of the Conversion Shares are one dependant on the other and may only happen at the same time.

As a consequence of each duly made increase of capital in accordance with and subject to the provisions of article 5.2 of the Articles of Association of the Company, and duly recorded documented in notarial form, paragraph 5.1 of the Articles of Association of the Company will be amended such as to correspond to the increase so rendered effective; such modification will be documented in notarial form.

6.4. Treasury shares

As at 31 December 2009 the Company does not hold any of its own shares (none held as at 31 December 2008).

7. Report pursuant to Directive 2004/25/EC

In reference to the Luxembourg law of 19 May 2006 the Board of Directors especially states on the following points:

(a) The structure of their capital, including securities which are not admitted to trading on a regulated market in a Member State, where appropriate with an indication of the different classes of shares and, for each class of shares, the rights and obligations attaching to it and the percentage of total share capital that it represents; the share capital of ORCO Germany S.A. is represented by only one class of shares which are all admitted for trading on the Prime Market of the Frankfurt Stock Exchange.

(b) Any restrictions on the transfer of securities, such as limitations on the holding of securities or the need to obtain the approval of the Company or other holders of securities, without prejudice to Article 46 of Directive 2001/34/EC; there is no restriction on the transfer of securities.

(c) Significant direct and indirect shareholdings (including indirect shareholdings through pyramid structures and cross-shareholdings) within the meaning of Article 85 of Directive 2001/34/EC; refer to paragraph 6 above on shareholding.

(d) The holders of any securities with special control rights and a description of those rights; not applicable.

(e) The system of control of any employee share scheme where the control rights are not exercised directly by the employees; not applicable, ORCO Germany S.A. has no employee share scheme.

(f) Any restrictions on voting rights, such as limitations of the voting rights of holders of a given percentage or number of votes, deadlines for exercising voting rights, or systems whereby, with the Company's cooperation, the financial rights attaching to securities are separated from the holding of securities; there is no restriction on voting rights.

(g) Any agreements between shareholders which are known to the Company and may result in restrictions on the transfer of securities and/or voting rights within the meaning of Directive 2001/34/EC; refer to paragraph 6 above on shareholding.

(h) The rules governing the appointment and replacement of board members and the amendment of the Articles of Association; see Articles of Incorporation, Board members are appointed by the shareholders, Articles of Association can be modified by the shareholders through an extraordinary general meeting respecting the quorum foreseen by the Luxembourg corporate law.

(i) The powers of Board members and in particular the power to issue or buy back shares: refer to paragraph 6.3 above on "authorised capital".

(j) Any significant agreements to which the Company is a party and which take effect, alter or terminate upon a change of control of the Company following a takeover bid, and the effects thereof, except where their nature is such that their disclosure would be seriously prejudicial to the Company; this exception shall not apply where the Company is specifically obliged to disclose such information on the basis of other legal requirements; not applicable.

(k) Any agreements between the Company and its board members or employees providing for compensation if they resign or are made redundant without valid reason or if their employment ceases because of a takeover bid; there is no compensation scheme for Board members or employees providing for compensation if they resign or are made redundant without valid reason or if their employment ceases because of a takeover bid.

Orco Germany S.A.
Société Anonyme

Consolidated financial statements
as at December 31, 2009

40, Parc d'Activités de Capellen
L-8308 Capellen
R.C.S. Luxembourg: B 102.254

PricewaterhouseCoopers
Société à responsabilité limitée
Réviseur d'entreprises
400, route d'Esch
B.P. 1443
L-1014 Luxembourg
Telephone +352 494848-1
Facsimile +352 494848-2900
www.pwc.com/lu
info@lu.pwc.com

Independent Auditor's report

To the Shareholders of
Orco Germany S.A.

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Orco Germany S.A. and its subsidiaries (the "Group"), which comprise the consolidated balance sheet as at December 31, 2009, and the consolidated statement of comprehensive income, the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Board of Directors' responsibility for the consolidated financial statements

The Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted by the "Institut des Réviseurs d'Entreprises". Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the Auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the Auditor considers internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these accompanying consolidated financial statements give a true and fair view of the consolidated financial position of Orco Germany S.A. and its subsidiaries as of December 31, 2009, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2.1 to the consolidated financial statements which indicates that the Group has substantial outstanding debts service obligation and capital requirements. The Group has experienced significant losses during the year ended December 31, 2009 and the operations of the Group have been significantly affected, and will continue to be affected for the foreseeable future, by the volatility in real estate market. These conditions, along with other matters as set forth in Note 2.1, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

In the event that the financial restructuring is not successful, Orco Germany S.A.'s ability to continue as a going concern would not be assured. The consolidated financial statements would have to be prepared on a break-up basis of accounting having impacts on the valuation and on the classification of assets and liabilities, the amounts of which cannot be measured at present.

Report on other legal and regulatory requirements

The annual management report, which is the responsibility of the Board of Directors, is in accordance with the consolidated financial statements.

PricewaterhouseCoopers S.à r.l.
Réviseur d'entreprises
Represented by

Luxembourg, April 30, 2010

Marc Minet

ORCO GERMANY S.A.

Consolidated financial statements

Orco Germany's Board of Directors has approved on 29 April 2010 the consolidated financial statements for 2009. All the figures in this report are presented in thousands of euros, except if explicitly stated.

Consolidated income statement

The accompanying notes form an integral part of these consolidated financial statements.

	Note	31 December 2009	31 December 2008
Revenue	5	**72,018**	**77,513**
Net loss from fair value adjustments on investment property	8	-54,907	-51,322
Other operating income		933	3,199
Net result on disposal	13	-1,563	1,008
Cost of goods sold	12	-19,756	-18,235
Employee benefits	19	-9,456	-13,281
Amortization, impairments and provisions	9, 12, 16	-26,160	-39,708
Other operating expenses	20	-30,789	-40,083
Operating result		**-69,680**	**-80,909**
Interest expenses	15	-35,578	-34,267
Interest income	15	446	1,963
Other net financial results	21	-10,343	-20,883
Financial result		**-45,475**	**-53,187**
Loss before income taxes		**-115,155**	**-134,096**
Income taxes	18	9,713	12,353
Net loss for the year		**-105,442**	**-121,743**
Total loss attributable to:			
non-controlling interests		40	-323
owners of the Company		**-105,482**	**-121,420**
Basic earningsper share (in EUR)	22	-2.16	-2.49
Diluted earnings per share (in EUR)	22	-2.16	-2.48

Consolidated statement of comprehensive income

The accompanying notes form an integral part of these consolidated financial statements.

	Year ended 31 December	
	2009	**2008**
Net loss for the year:	**-105,442**	**-121,743**
Other comprehensive income		
Currency translation differences	1	5
Total comprehensive income for the year	**-105,441**	**-121,738**
Total comprehensive income attributable to:		
- owners of the Company	-105,481	-121,415
- non-controlling interests	40	-323

Consolidated balance sheet

The accompanying notes form an integral part of these consolidated financial statements.

Assets

	Note	31 December 2009	31 December 2008
NON-CURRENT ASSETS		**689,764**	**808,449**
Intangible assets	7	**50,672**	**51,172**
Investment property	8	**633,257**	**741,050**
Property, plant and equipment		**5,205**	**14,166**
Own-occupied buildings	9	2,362	10,912
Fixtures and fittings	11	2,843	3,254
Financial assets at fair value through profit or loss		**249**	**489**
Deferred tax assets	18	**381**	**1,572**
CURRENT ASSETS		**262,114**	**234,465**
Inventories	12	216,317	171,868
Trade receivables		10,997	9,959
Other receivables		12,246	17,832
Derivative Instruments	15	31	31
Current Financial Assets		29	136
Cash and cash equivalents	14	22,494	34,639
ASSETS HELD FOR SALE	10	**19,360**	**-**
TOTAL		**971,238**	**1,042,914**

Equity and liabilities

	Note	31 December 2009	31 December 2008
EQUITY		**44,328**	**149,769**
Equity attributable to Owners of the Company		**44,283**	**149,764**
Non-controlling interests		**45**	**5**
LIABILITIES		**926,910**	**893,145**
Non-current liabilities		**548,554**	**649,145**
Bonds	15	90,374	86,793
Financial debts	15	360,890	448,705
Provisions & other long term liabilities	16	10,421	12,096
Derivative Instruments	15	8,587	8,031
Deferred tax liabilities	18	78,282	93,520
Current liabilities		**362,882**	**244,000**
Financial debts	15, 17	252,383	136,901
Trade payables	17	10,737	16,977
Advance payments	17	27,477	28,070
Derivative Instruments	15	28,514	22,329
Other current liabilities		43,771	39,723
Liabilities held for sale	10, 15, 17	**15,474**	**-**
TOTAL		**971,238**	**1,042,914**

Consolidated statement of changes in equity

The accompanying notes form an integral part of these consolidated financial statements.

	Share capital	Share premium	Translation reserve	Other reserves	Equity attributable to owners of the Company	Non-controlling interests	Equity
Balance at 1 Januray 2008	60,964	123,658	-1	86,558	271,179	328	271,507
Gains/(losses) for the year :							
Translation differences			5		5		5
Loss for the year				-121,420	-121,420	-323	-121,743
Balance at 31 December 2008	60,964	123,658	4	-34,862	149,764	5	149,769
Gains/(losses) for the year :							
Translation differences			1		1		1
Loss for the year				-105,482	-105,482	40	-105,442
Balance at 31 December 2009	60,964	123,658	5	-140,344	44,283	45	44,328

Consolidated cash flow statement

The accompanying notes form an integral part of these consolidated financial statements.

	31 December 2009	31 December 2008
Operating result	**-69,680**	**-80,909**
Net loss from fair value adjustments on investment property	54,907	51,322
Amortisation, impairments & provisions	26,160	39,708
Gains / losses on disposal of investments	1,561	-932
Adjusted operating profit	**12,948**	**9,189**
Financial result	5	-2,144
Income tax paid	-3,949	-240
Financial result and income taxes paid	**-3,944**	**-2,384**
Changes in operating assets and liabilities	**-47,827**	**-41,529**
NET CASH USED IN OPERATING ACTIVITIES	-38,823	-34,724
Capital expenditures and tangible assets acquisitions	-5,576	-41,288
Proceeds from sales of non current tangible assets	42,832	19,782
Purchase of intangible assets	-59	-160
Purchase of financial assets	-	2,665
Net interest paid	-40,958	-36,556
NET CASH USED IN INVESTING ACTIVITIES	-3,761	-55,557
Proceeds from borrowings	65,734	70,174
Repayments of borrowings	-35,296	-40,072
NET CASH FROM FINANCING ACTIVITIES	30,438	30,102
NET INCREASE / DECREASE IN CASH	**-12,146**	**-60,179**
Cash and cash equivalents at the beginning of the year	34,639	94,821
Exchange difference on cash and cash equivalents	1	-3
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**22,494**	**34,639**

Notes to the consolidated financial statements

1. General information

Orco Germany S.A., société anonyme (the "Company") and its subsidiaries (together the "Group") is a real estate group with a portfolio located in Germany. It is principally involved in leasing out investment properties under operating leases as well as in the development of properties for its own portfolio or intended to be sold in the ordinary course of business.

The Company is a limited liability company incorporated for an unlimited term and registered in Luxembourg. The address of its registered office is 40, Parc d'activités Capellen, L-8308 Capellen.

As at 31 December 2009, the Company is 58.10% owned by Orco Property Group S.A. ("OPG"), Luxembourg, and its shares were listed on the Open Market of the Frankfurt Stock Exchange since May 2006. They are now listed on the Prime Market since November 2007.

The parent company of Orco Germany S.A. ("OPG") preparing consolidated financial statements includes in its consolidated financial statements those of Orco Germany S.A.. OPG is incorporated under Luxembourg law. Consolidated financial statements of OPG can be obtained at its registered office, 40, Parc d'Activités Capellen, L-8308 Capellen.

The consolidated financial statements have been approved for issue by the Board of Directors on 29 April 2010.

The Board of Directors has the power to amend the consolidated financial statements after issue.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The consolidated financial statements are presented in thousands of euros and have been prepared under the historical cost convention except that investment property, financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss are carried at fair value.

2.1 Basis of preparation and Going concern

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

2.1.1 Going concern

In determining the appropriate basis of preparation of the consolidated financial statements, the Directors are required to consider whether the Group can continue in operational existence for the foreseeable future. The Group's financial risks including foreign exchange risk, fair value risk, cash flow risk, interest rate risk, price risk, credit risk and liquidity risk are outlined in note 3. In general, the situation is comparable to the one described in the 2008 consolidated financial statements and the economic environment in which the Group operates has stabilized.

2.1.1.1 2009 results

In the year ended December 31, 2009, Orco Germany made a loss of EUR 105.4 million (out of which EUR 105.5 million attributable to the owners of the Company). The diluted loss per share moved from EUR 2.48 as at 31 December 2008 to EUR 2.16 as at 31 December 2009. As a result of the restructuring plan, the sales of assets linked with debt repayments and the ongoing commercial developments, the loan to value has slightly deteriorated from 73.0% as at December 2008 to 79.8% as at December 2009.

2.1.1.2 "Procedure de Sauvegarde" of Orco Property Group S.A., the mother company of the Company

Beginning of 2009, the Board of Directors of Orco Property Group S.A., the parent company of the Company, has decided to apply to benefit from a Court Protection from creditors ("Procédure de Sauvegarde"). A Court Hearing was held on 25 March 2009 with the Paris Commercial Court ("Tribunal de Commerce de Paris"). On the same day, the Court rendered a judgement opening the "Procedure de Sauvegarde" (the "Sauvegarde") for Orco Property Group S.A., the Group's parent company, and Vinohrady SARL, a French subsidiary of Orco Property Group S.A., for a renewable six months period. Since then, the initial period has been prolonged twice with the last period end in June 2010. By the end of March 2010, a Plan de Sauvegarde has been circulated to all the creditors of Orco Property Group S.A. and submitted for approval before the end of the Procédure de Sauvegarde to the Court. The Board of Directors and the Management of Orco Property Group S.A. are confident that the plan prepared forms a sustainable business plan allowing Orco Property Group S.A. to repay the bonds and other debts over the coming ten years.

During the Sauvegarde period, all the liabilities prior to the judgement pronouncement are frozen. This means that, except for a Court decision to early terminate the Sauvegarde which is seen by the Management and the Board of Directors of Orco Property Group S.A. as extremely unlikely, interests on debts and bonds continue to be accrued based on contractual arrangements but Orco Property Group S.A. is exempted to repay any liabilities (nominal and interests) until the end of the Sauvegarde.

The going concern of the Group is stated on a stand alone basis, and, as such, does not rely upon the outcome of the "Procedure de Sauvegarde" of the parent Company Orco Property Group S.A..

2.1.1.3 Restructuring plan implemented by the Management

Faced with liquidity issues that may put at risk the integrity and value of its portfolio, the Management is implementing a restructuring plan focused on cash generation, restoring of the global loan to value ratio at an affordable level and preservation for its mother company Orco Germany S.A.. Therefore, the necessary actions aiming at returning to profit are implemented. The actions include: selling non core businesses, renegotiation of existing bank loans, improving margins through a cost reduction programme (reduction of opex and capex).

In line with its strategy to dispose of non strategic assets and to focus on commercial assets, the Group sold non-core assets with sales revenues of EUR 17.8 million leading to a reduction in debt and an improvement in liquidity.

Despite this situation and the turbulent market circumstances, the Management successfully managed to convince banks to cooperate on the finalization of construction works on 6 development projects: Sky Office, H2 Office, Ministergärten and three Health Care projects in 2009. The completion of those projects implies a significant decrease of the risk of the Group's business.

In 2009, the Group continued its restructuring process accompanied by an ambitious cost-savings program. Staff reduction and the closure of branches in Hamburg, Frankfurt and Munich led to reduced employee benefits of EUR 3.8 million compared to 2008. Other operating expenses were effectively reduced by 23%, falling from EUR 40.1 million to EUR 30.8 million.

An agreement has been reached on the conversion into equity of EUR 17.6 million out of the shareholder loan granted to the Company by Orco Property Group S.A. (loan initially due 31 December 2020 and bearing interest at 8%). This operation is made possible thanks to an agreement signed by the Company, MSREF V Turtle B.V. (an investment vehicle managed by Morgan Stanley currently holding 28.91% of Orco Germany S.A.) and Orco Property Group S.A. on August 26, 2009. Once all conditions precedents are met, the loan will be converted into 10,991,750 new shares of the Company at an issue price of EUR 1.60 per share, increasing the ownership of Orco Property Group S.A. in the Company from 58.10% to 65%.

2.1.1.4 Risks and uncertainties on the ability of the Group to continue as a going concern

The Group's status as a going concern depends mainly and directly on the successful achievement of the operating and financing restructuring plan and the disposal plan of non strategic assets, the nature and impact of which cannot be measured at this stage.

The financial performance of the Group is also dependent upon the wider economic environment in which the Group operates. The uncertainty of the evolution of real estate market in Germany can damage the Group's activity and especially can significantly slow down the asset sales program.

2.1.1.5 Conclusion

Upon the information made available and on the basis of the latest restructuring and asset sales achievements, the Directors estimate that a positive outcome of the restructuring plan can be expected. Should the Management not be able to implement those, the going concern would not be assured. Thus, the consolidated financial statements would have to be amended to an extent which today cannot be estimated in respect of the valuation of the assets at their liquidation value, the incorporation of any potential liability and the reclassification of non current assets and liabilities into current assets and liabilities.

Considering the situation described above, the Directors have concluded that:

1. the current circumstances present uncertainties that cast some doubt on the Group's ability to continue as a going concern;
2. considering the expected outcome of the restructuring program, and after making appropriate enquiries, there is a reasonable expectation that the Group can continue its operations in the foreseeable future and, accordingly, have formed a judgement that it is appropriate to prepare consolidated financial statements upon a going concern basis.

2.1.2 Critical accounting estimates and judgements

The preparation of consolidated financial statements requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

2.1.3 Changes in accounting policies

The accounting policies have been consistently applied by Group's entities and are consistent with those used in the previous year except for the application of the revised and new standards and interpretations applied as from 1 January 2009 described below.

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2009:

- IAS 1 (revised), 'Presentation of financial statements'. Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and the statement of comprehensive income). The Group has elected to present two statements: an income statement and a statement of comprehensive income. The consolidated financial statements have been prepared under the revised disclosure requirements.

- IFRS 8, 'Operating Segments'. The new standard replaces IAS 14 and requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. This new standard did not have any major impact on the consolidated financial statements.

- IAS 40, 'Investment property', amendment (and consequential amendment to IAS 16, 'Property, plant and equipment'). The amendments are part of the IASB's annual improvements project published in May 2008 and are effective from 1 January 2009. Property that is under construction or development for future use as investment property is brought within the scope of IAS 40. Such property is measured at fair value. The effects of adoption by the Group are disclosed in note 8.

- IAS 23 (amendment), 'Borrowing costs'. This amendment has limited impact for the Group, as the Group already applied a policy of capitalising borrowing costs on qualifying assets.

- IAS 16 (Amendment), 'Property, plant and equipment' (and consequential amendment to IAS 7, 'Statement of cash flows'). Entities whose ordinary activities comprise renting and subsequently selling assets present proceeds from the sale of those assets as revenue and should transfer the carrying amount of the asset to inventories when the asset becomes held for sale. A consequential amendment to IAS 7 states that cash flows arising from purchase, rental and sale of those assets are classified as cash flows from operating activities.

- Amendment: IFRS 7, 'Improving disclosures about financial instruments'. The IASB published amendment to IFRS 7 in March 2009. The amendment requires enhanced disclosures about fair value measurements and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a three-level fair value measurement hierarchy. In addition to that, the amendment clarifies that the maturity analysis of liabilities should include issued financial guarantee contracts at the maximum amount of the guarantee in the earliest period in which the guarantee could be called; and secondly requires disclosure of remaining contractual maturities of financial derivatives if the contractual maturities are essential for an understanding of the timing of the cash flows. The entity has to disclose a maturity analysis of financial assets it holds for managing liquidity risk, if that information is necessary to enable users of its financial statements to evaluate the nature and extent of liquidity risk. The adoption of the amendment results in additional disclosures but does not have an impact on profit or earnings per share.

The following amendments have been early adopted by the Group:

- IFRS 3 (revised), 'Business combinations' was early adopted by the Group in 2009 and applied prospectively from 1 January 2009. The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payment classified as debt subsequently re-measured through the statement of comprehensive income. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed.

- IAS 27 (revised), 'Consolidated and separate financial statements' – effective for annual reporting periods beginning on or after 1 July 2009. The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. This is already the accounting policy elected by the Group. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognized in the income statement. The Group has applied IAS 27 (revised) prospectively to transactions with non-controlling interests from 1 January 2009.

The following amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2009 but are not relevant or have a very limited impact to the Group's operations:

- IFRS 2 (amendment) 'Share-based payment'.

- IAS 32 (amendment), 'Financial instruments: presentation', and consequential amendments to IAS 1, 'Presentation of financial statements'.

- IFRIC 13, 'Customer loyalty programmes'.

- IFRIC 15, 'Agreements for the construction of real estate'.

- IFRIC 16, 'Hedges of a net investment in a foreign operation'.

- IAS 39 (amendment), 'Financial instruments: Recognition and measurement'.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2010 or later periods, but the Group has not early adopted them:

- IAS 24 (revised), 'Related party disclosures' – effective from 1 January 2011; (1)
- IFRS 9, 'Financial instruments' – effective for annual reporting periods beginning on or after 1 January 2013. IFRS 9 addresses classification and measurement of financial assets and replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value. Classification under IFRS 9 is driven by the entity's business model for managing the financial assets and the contractual characteristics of the financial assets. IFRS 9 also removes the requirement to separate embedded derivatives from financial asset hosts. It requires a hybrid contract to be classified in its entirety at either amortised cost or fair value. (1)

The following new standards, amendments to standards and interpretations have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2010 or later periods but are expected to have a very limited impact for the Group:

- IAS 1 (amendment), 'Presentation of financial statements';
- IAS 32 (amendment), 'Classification of right issues' – effective from 1 February 2010;
- IAS 39 (amendment), 'Financial instruments: Recognition and measurement – Eligible hedged items' – effective from 1 July 2009;
- IFRS 1 (amendment), 'Additional exemptions for first-time adopters' – effective from 1 January 2010 (1);
- IFRS 2 (amendment), 'Group cash-settled share-based payment transactions' – effective from 1 January 2010; (1)
- IFRS 5 (amendment), 'Non-current assets held for sale and discontinued operations' – effective from 1 July 2009;
- IFRIC 9 (amendment), 'Reassessment of embedded derivatives' and IAS 39 'Financial instruments: Recognition and measurement' – effective from 1 July 2009;
- IFRIC 14 (amendment), 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interactions' – effective from 1 January 2011; (1)
- IFRIC 17, 'Distributions of non-cash assets to owners' – effective from 1 July 2009;
- IFRIC 18, 'Transfers of assets from customers' – effective from 1 July 2009;
- IFRIC 19, 'Extinguishing financial liabilities with equity instruments' – effective from 1 July 2010. (1)

(1) *These standards and interpretations have not been yet endorsed by the European Union.*

As part of its annual improvements project published in May 2008 and April 2009, the IASB has slightly amended various standards. The improvements focused on areas of inconsistencies in IFRSs or where clarification of wording was required. Most of the amendments (not already effective for annual periods beginning on 1 January 2009) are effective for annual periods beginning on 1 January 2010, with earlier application permitted. The Group does not expect any significant impact of these amendments on its consolidated financial statements. The improvements to IFRSs published in April 2009 have not yet been endorsed by the European Union.

2.2 Consolidation

(a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Joint-ventures

The Group's interests in jointly controlled entities are accounted for by proportionate consolidation.

The Group combines its share of the joint-ventures' individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the Group's consolidated financial statements.

The Group recognises the portion of gains or losses on the sale of assets by the Group to the joint-venture that is attributable to the other joint-ventures partners. The Group does not recognise its share of profits or losses from the joint-venture that result from the Group's purchase of assets from the joint-venture until it resells the assets to an independent party. A loss on the transaction is recognized immediately if it provides evidence of a reduction in the net realisable value of current assets, or an impairment loss. Joint-ventures' accounting policies have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Executive Committee together with the Investment Committee are the chief operating decision maker.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The consolidated financial statements are presented in thousand of euro (EUR), which is the Company's functional and Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated income statement.

Translation differences on non-monetary financial assets and liabilities held at fair value through profit or loss are recognized in the consolidated income statement as part of the fair value gain or loss.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement presented are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognized as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to equity. When a foreign operation is sold, exchange differences arising from the translation of the net investment in foreign entities are recognized in the consolidated income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.5 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/joint-venture at the date of acquisition. Goodwill on acquisitions of subsidiaries and joint-ventures is included in 'intangible assets'. Separately recognized goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the acquisition from which the goodwill arose.

Negative goodwill arising on an acquisition is recognized in the consolidated income statement.

(b) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized using the straight-line method over their estimated useful lives (three to five years).

Costs associated with developing or maintaining computer software programs are recognized as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. Direct costs include the costs of software development employees and an appropriate portion of relevant overheads.

Computer software development costs recognized as assets are amortized using the straight-line method over their estimated useful lives (not exceeding three years).

(c) Trademarks

Acquired trademarks are shown at historical cost. When they have indefinite useful life, trademarks are tested annually for impairment or whether there is an indication of impairment. They are carried at cost less accumulated impairment losses.

2.6 Investment property

Property that is held for long-term rental yields or for capital appreciation or both (including the land bank), and that is not occupied by the Group, is classified as investment property.

Investment property comprises freehold land and freehold buildings.

Land held under operating lease is classified and accounted for as investment property when the definition of investment property is met. The operating lease is accounted for as if it was a finance lease.

Investment property is measured initially at its cost, including related transaction costs.

After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are performed annually by an independent expert, DTZ Debenham Tie Leung. Investment property that is being redeveloped for continuing use as investment property or for which the market has become less active continues to be measured at fair value.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognized as a liability, including finance lease liabilities in respect of land classified as investment property; others, including contingent rent payments, are not recognized in the consolidated financial statements.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the consolidated income statement during the financial period in which they are incurred.

Changes in fair values are recorded in the consolidated income statement.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes. Property that is being constructed or developed for future use as investment property is classified as investment property and stated at fair value, due to the application since the beginning of the year 2009 of the IAS 40 revised. The properties previously recognized as Properties under development as at 31 December 2008 have been transferred as at 1 January 2009 in Investment Property at their 31 December 2008 fair value.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognized in equity as a revaluation of property, plant and equipment under IAS 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognized in the consolidated income statement.

Freehold lands, for which the destination is not determined at year end, are classified under the land bank category. The destination of freehold lands remains uncertain until a project design is definitive, the building permit granted and the start of construction validated. Therefore, the transfer at fair value of the land to Property, plant and equipment or Inventories is recorded only when the building permit is granted and the start of the construction has been validated by the investment committee as it is determined as being the start of the development.

2.7 Property, plant and equipment

Own-occupied buildings and fixtures and fittings are classified as property, plant and equipment. Properties under development are classified as property, plant and equipment only if their future use is own-occupied building.

All property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

Depreciation, based on a component approach, starts off when construction or development is completed. Depreciation is calculated using the straight-line method to allocate the cost over the asset's estimated useful lives, as follows:

- Land — Nil
- Buildings — 50 to 80 years
- Fixtures and fittings — 3 to 20 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at least at each financial year-end.

An asset's carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount (note 2.9).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the consolidated income statement.

All borrowing costs are expensed except for the borrowing costs that are capitalized as part of the cost of the asset when they are directly attributable to the acquisition, construction or production of a qualifying asset.

2.8 Leases

(a) A Group company is the lessee

Finance lease

Leases of assets where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in current and non-current borrowings. The interest element of the finance cost is charged to the consolidated income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The investment properties acquired under finance leases are carried at their fair value.

(b) A Group company is the lessor

Finance lease

When assets are leased out under a finance lease, the present value of the lease payments is recognized as a receivable. The difference between the gross receivable and the present value of the receivable is recognized as unearned finance income.

Lease income is recognized over the term of the lease using the net investment method before tax, which reflects a constant periodic rate of return.

2.9 Impairment of non-financial assets

Intangible assets including goodwill and trademarks that have an indefinite useful life are not subject to systematic amortization and are tested for impairment annually or whenever there is an indication that the intangible asset may be impaired. Assets that are subject to amortization or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

2.10 Financial assets

The Group classifies its financial assets other than derivatives in the following categories: non-current loans and receivables and financial assets at fair value through profit or loss. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. Financial assets are derecognized only when the contractual rights to the cash flows from the financial asset expire or the Group transfers substantially all risks and rewards of ownership.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as trade receivables (note 2.12) and other receivables in the balance sheet. Loans and receivables are carried at amortised cost using the effective interest method. Financial assets recognized in the consolidated balance sheet as trade and other receivables are classified as loans and receivables. They are recognized initially at fair value and subsequently measured at amortised cost less provision for impairment.

Management assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets classified as loans and receivables is impaired. Impairment testing of trade receivables is described in note 2.12.

Financial assets at fair value through profit or loss include financial assets held for trading which are acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorized as held for trading. Assets in this category are classified as current assets if they are either held for trading or are expected to be realized within 12 months of the balance sheet date.

Financial assets at fair value through profit or loss (including derivatives) are initially recognized at fair value, and transaction costs are expensed in the consolidated income statement, and subsequently carried at fair value.

Regular purchases and sales of financial assets are recognized on the trade-date on which the Group commits to purchase or sale these assets.

2.11 Inventories

Properties that are being developed for future sale are classified as inventories at their cost, which is the carrying amount at the date of reclassification from investment property. They are subsequently carried at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less cost to complete redevelopment and selling expenses.

If a commercial and office development classified in Inventories becomes partially or totally rented, as a result of tenants moving in before the contemplated sale, it is not automatically reclassified as Investment Property. The finished good will be reclassified in Investment Property if it is held mainly for capital appreciation. This will be appreciated on the basis of the Investment Committee decision to hold the asset and the absence of an active search for a buyer.

All borrowing costs are expensed except for the borrowing costs that are capitalized as part of the cost of the asset when they are directly attributable to the acquisition, construction or production of a qualifying asset.

2.12 Trade receivables

Trade receivables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognized in the consolidated income statement.

2.13 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

2.14 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options classified in equity are shown in equity as a deduction, net of tax, from the proceeds in other reserves.

2.15 Borrowings

The term Borrowings covers the elements recorded under the captions Bonds and Financial debts within non-current liabilities and the caption Bonds and Financial debts within current liabilities.

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated income statement over the period of the borrowings using the effective interest method.

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non convertible bond. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion at maturity of the bonds. If applicable, the remainder of the proceeds allocated to the conversion option is recognized in equity, net of income tax effect.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.16 Trade payables

Trade payables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.17 Current and deferred income tax

The tax result for the period comprises current and deferred tax. Tax is recognized in the consolidated income statement, except to the extent that it relates to items recognized directly in other comprehensive income or in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of the tax laws enacted at the balance sheet date in the countries where the Group's subsidiaries and joint ventures operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and joint-ventures, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax on investment property

Deferred income tax is provided on all temporary differences arising on fair value of buildings and lands held by the Group as investment properties even when they are located in special purpose entities, which are themselves, in most cases, held by a Luxembourg-based company. Generally, each special purpose entity is meant to hold one specific project. Possibly, should a special purpose entity be disposed of, the gains generated from the disposal will be exempted from any tax (in accordance with the Grand-ducal regulation of 21 December 2001), if the Luxembourg-based company holds or commits itself to hold this stake for a minimum of a continuous 12-month period and, if, during this same period, the stake amounts to at least 10% of the affiliate's capital or the acquisition price amounts to at least EUR 6 million.

2.18 Provisions and post-employment obligations

Provisions for environmental restoration, site restoration and legal claims are recognized when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Where the Group, as lessee, is contractually required to restore a leased-in property to an agreed condition, prior to release by a lessor, provision is made for such costs as they are identified.

The Group has entered into defined benefit plans defined as an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The liability recognized in the consolidated balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to the consolidated income statement over the employees' expected average remaining working lives. Past-service costs are recognized immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period. For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due.

2.19 Derivative financial instruments

Derivatives are initially recognized in the consolidated balance sheet at their fair value on a date a derivative contract is entered into and are subsequently remeasured at their fair value which is generally the market value. Derivatives are presented at the balance sheet date under the caption Derivative instruments in current assets when fair value is positive or under the caption Derivative instruments in current or non-current liabilities when fair value is negative. Changes in the fair value are recognized immediately in the consolidated income statement under other net financial results.

Embedded derivatives that are not equity instruments, such as issued call options embedded in exchangeable bonds, are recognized separately in the consolidated balance sheet and changes in fair value are accounted for through the consolidated income statement.

2.20 Revenue recognition

Revenue includes rental income, service charges and management charges from properties, and income from property trading.

Rental income from operating leases is recognized in income on a straight-line basis over the lease term. When the Group provides incentives to its customers, the cost of incentives are recognized over the lease term, on a straight-line basis, as a reduction of rental income.

Service and management charges are recognized in the accounting period in which the services are rendered. When the Group is acting as an agent, the commission rather than gross income is recorded as revenue.

The amount of inventories recognized as an expense during the period, referred to as cost of goods sold, consists of those costs previously included in the measurement of inventory that has been sold during the year.

The other operating expenses include repair and maintenance costs of buildings and properties, utilities costs, marketing and representation costs, travel and mobility expenses, operating taxes and other general overhead expenses.

2.21 Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the Company's shareholders.

3. Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group financial performance. The Group uses financial instruments to mitigate certain risk exposures.

Risk management, being formalized, is carried out by the Executive Management and the Financial team. As a result of the current restructuring, the policies are under review for approval by the Board of Directors. The Financial team identifies, evaluates and mitigates financial risks in close co-operation with the Group's operating units. The Board of Directors will provide principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

(a) Market risk

(i) Foreign exchange risk

The Group mainly operates in Germany and most of its transactions are denominated in euros (EUR). Consequently, the Group's exposure to foreign exchange risk arising from currency exposures is limited. The Group does not hedge its foreign exchange risk.

Foreign exchange risk arises from recognized monetary assets and liabilities and net investments in foreign operations. Loans, operating income and sales of buildings are denominated in euros (EUR). Salaries, overhead expenses, future purchase contracts in the development sector, building refurbishment and construction costs are denominated in euros (EUR).

The exchange rates against euros (EUR) used to establish these consolidated financial statements are as follows:

Currency Code	Currency	31 December 2009		31 December 2008	
		Average	Closing	Average	Closing
PLN	Polish Zloty	4.3407	4.1082	3.5321	4.1724

(ii) Price risk

The Group is exposed to equity securities and embedded derivatives on instruments issued by the Group because of investments held by the Group and classified in the consolidated balance sheet at fair value through profit or loss or as trading financial instruments. To manage its price risk arising from investments in equity securities and such embedded derivatives, the Group diversifies its portfolio or only enters these operations if they are linked to operational investments. No sensitivity analysis has been performed.

(iii) Other risks

The Group is also exposed to property price and property rentals risk but it does not pursue any speculative policy. Even though the Group's activities are focused on one geographical area - Germany - such activities are spread over several business lines (development and commercial investment property) that each undergo specific business cycles.

(b) *Credit risk*

The Group has no significant concentration of credit risk. Rental contracts are made with customers with an appropriate credit history. Cash transactions are limited to high credit-quality financial institutions. The Group has policies that limit the amount of credit exposure to any financial institution.

At 31 December 2009	Fully performing	Past due but not impaired			Impaired	Total
		Less than 6 months	between 6 months and 1 year	More than 1 year		
Trade receivables gross	10,954	17	26	-	8,623	19,620
Impairments at 31 December 2008					-3,592	-3,592
Impairments - allowance					-3,980	-3,980
Impairments - write-back					84	84
Impairments - transfers					-1,135	-1,135
Total trade receivables	**10,954**	**17**	**26**	**-**	**-**	**10,997**
Other receivables gross	11,793	-	-	-	6,544	18,337
Impairments at 31 December 2008					-1,567	-1,567
Impairments - allowance					-6,112	-6,112
Impairments - transfers					1,135	1,135
Total other receivables	**11,793**	**-**	**-**	**-**	**-**	**11,793**
Derivatives gross	31	-	-	-		31
Total derivatives	**31**	**-**	**-**	**-**	**-**	**31**
Cash and cash equivalents gross	22,494	-	-	-	-	22,494
Total cash and cash equivalents	**22,494**	**-**	**-**	**-**	**-**	**22,494**

In 2009, the trade receivables on development entities amount to EUR 13.6 million, out of which EUR 7.6 million are fully performing. On renting activities, the trade receivables amount to EUR 6.0 million, out of which EUR 3.4 million are fully performing. The main trade receivables concern GSG (EUR 5.5 million) from tenants.

In 2009, the Group recognised impairments on other receivables for EUR 6.5 million, out of which EUR 5.7 million relate to a profit and loss transfer agreement with the Company Deutsche Annigton.

The other current assets excluded in this table represent tax receivables for EUR 0.4 million.

At 31 December 2008	Fully performing	Past due but not impaired			Impaired	Total
		Less than 6 months	between 6 months and 1 year	More than 1 year		
Trade receivables gross	9,959	-	-	-	3,592	13,551
Impairments at 31 December 2007					-3,127	-3,127
Impairments - allowance					-5,800	-5,800
Impairments - write-back					1,291	1,291
Impairments - transfers					4,044	4,044
Total trade receivables	**9,959**	**-**	**-**	**-**	**-**	**9,959**
Other receivables gross	5,202	2	3	11	1,567	6,785
Impairments at 31 December 2007					-2,474	-2,474
Impairments - allowance					-334	-334
Impairments - write-back					1,191	1,191
Impairments - transfers					50	50
Total other receivables	**5,202**	**2**	**3**	**11**	**-**	**5,218**
Derivatives gross	31	-	-	-	-	31
Total derivatives	**31**	**-**	**-**	**-**	**-**	**31**
Cash and cash equivalents gross	34,639	-	-	-	-	34,639
Total cash and cash equivalents	**34,639**	**-**	**-**	**-**	**-**	**34,639**

In 2008, most of the trade receivables are fully performing (EUR 10.0 million). The main trade receivables concern GSG (EUR 5.0 million), and mainly represent receivables from tenants. EUR 3.6 million have been impaired, in application of the Group management review of the overdue receivables.

The other current assets excluded in this table represent mainly tax receivables for EUR 11.6 million and Dividend receivables for EUR 0.6 million.

The table below shows the rating and the balance of four major bank counterparties at the balance sheet date.

In Eur million	Rating Agency			December	December
Counter party	Moody's Rating	S&P's Rating	Fitch's Rating	2009	2008
Deutsche Bank	Aa1	A+	AA-	8.9	18.2
Landesbank Berlin	A1	-	AA-	-	4.9
Berliner Volksbank	-	A+	-	6.1	4.6
HypoVereinsbank	A1	A	A+	1.7	2.3
				16.7	**30.0**

In the opinion of the management, there is no significant credit risk on bank counterparties not included in the table above. The Group does not hold any collateral.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the inherent nature of its assets, the Group is subject to liquidity risk (see note 2.1 on going concern and note 3.3 for covenant breaches).

The Group management monitors the Group's liquidity risk on the basis of expected cash flows and by managing its development agenda and portfolio of investment properties (see note 2.1.1).

The table below analyses the Group's financial liabilities and net-settled derivative instruments into relevant maturity groupings based on the remaining period as from 31 December 2009 to the contractual maturity date.

As the amounts disclosed in the table represent the contractual undiscounted cash flows, these amounts will not necessarily reconcile to the amounts disclosed on the consolidated balance sheet for borrowings, derivative instruments and other payables considered as financial instruments.

The specific time buckets presented are not mandated by the standard but are based on a choice made by the management.

At 31 December 2009	Less than 1 month	Between 1 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	More than 5 years	Total
Fixed rate loans and bonds	-66,392	-13,735	-162	-108,108	0	**-188,397**
Floating rate loans	-57,833	-8,657	-120,876	-361,451	-17,278	**-566,095**
Interest rate derivatives	-2,798	-3,917	-8,626	-12,987	-186	**-28,514**
Embedded derivatives on bonds	-	-	-	-25,025	-	**-25,025**
Liabilities held for sale	-7,084	-8,525	-	-	-	**-15,609**
Total	-134,107	-34,834	-129,664	-507,571	-17,464	-823,640

At 31 December 2008	Less than 1 month	Between 1 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	More than 5 years	Total
Fixed rate loans and bonds	-65	-14,306	-204	-117,745	-5,805	**-138,125**
Floating rate loans	-43,636	-83,316	-14,937	-439,249	-45,969	**-627,107**
Interest rate derivatives	717	-3,560	-4,915	-15,357	-874	**-23,989**
Embedded derivatives on bonds	-	-	-	-25,025	-	**-25,025**
Total	-42,984	-101,182	-20,056	-597,376	-52,648	-814,246

Out of the EUR 134.1 million of liabilities due within one month as at 31 December 2009, EUR 110.1 million are loans with breaches on financial covenants.

(d) Cash flow interest rate risk

As the Group has no significant interest-bearing assets, the Group's income and operating cash inflows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises from floating rate financial debts. The Group mitigates some of its variable interest rates by entering into swap transactions.

The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial positions and cash flows. Interest costs may increase as a result of such changes. They may reduce or create losses in the event that unexpected movements arise.

As at 31 December 2009, the impact of a 100 basis points growth of interest rates curve would induce an increase of the interest charges for 2009 of EUR 4.4 million. Before the positive impact of derivatives, the increase of interest expenses in 2009 would amount to EUR 5.2 million.

As at 31 December 2008, the impact of a 100 basis points growth of interest rates curve would induce an increase of the interest charges for 2008 of EUR 0.7 million. Before the positive impact of derivatives, the increase of interest expenses in 2008 would amount to EUR 6.7 million.

Repricing on floating rate loans (including liabilities held for sale)

	Repricing month	Amounts
Euribor + margin (from +1% to +4%)	January 2010	186,014
	February 2010	1,692
	March 2010	348,118

3.2 Fair value estimation

Effective 1 January 2009, the Group adopted the amendment to IFRS 7 for financial instruments that are measured in the consolidated balance sheet at fair value. This requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

• Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

• Inputs other than quoted prices that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

• Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, trading securities and financial assets at fair value through profit or loss) is based on quoted market prices at the balance sheet date. The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows.

The following table presents the Group's assets and liabilities that are measured at fair value at 31 December 2009.

	Level 1	Level 2	Level 3	Total balance
Assets				
- Financial assets at fair value through profit or loss	-	-	249	249
- Trading derivatives	-	31	-	31
Total assets	**-**	**31**	**249**	**280**
Liabilities				
- Financial liabilities at fair value through profit or loss				
- Embedded derivatives on bonds	-	-	8,587	8,587
- Trading derivatives	-	28,514	-	28,514
Total liabilities	**-**	**28,514**	**8,587**	**37,101**

	Trading derivatives
At 31 December 2008	31
At 31 December 2009	31

	Embedded derivatives on bonds	Derivatives used for trading
At 31 December 2008	8,031	22,329
Losses recognised in profit & loss	556	6,185
At 31 December 2009	8,587	28,514

3.3 Capital risk management

The Group monitors its capital risk by reference to the loan to value ratio which is the level of net debt accepted by the Group in order to finance its portfolio of assets. Excluding contribution of GewerbeSiedlungs-Gesellschaft mbH ("GSG"), the Group's strategy was to maintain the "loan to value" ratio under 50%. With the acquisition of GSG, the Group intends to maintain its "loan to value" ratio under 60%. The Group's objectives when managing capital are to safeguard the going concern and growth of the activities. In order to maintain or adjust the capital structure, the Group may adjust dividends paid to shareholder (notably by offering the possibility to receive the dividends in shares instead of cash), issue new shares, sell totally or partially the control over some assets and activities or adjust the agenda of the developments.

As at 31 December 2009, the "loan to value" ratio has reached the level of 79.8% compared to 73.0% in 2008. The Board of Directors and the Management are taking all actions in order to get back to 60 % as soon as possible (including GSG).

The following table shows the detailed calculation of the "loan to value" ratio. Apart from the caption Revaluation gains on projects and properties, all the lines correspond to specific items indicated on the face of the consolidated balance sheet. The Revaluation gains on projects and properties represents the difference between the book value and the fair value for all the projects and properties that are not considered as Investment properties.

	December 2009	December 2008
Non current liabilities		
Financial debts	360,890	448,705
Current liabilities		
Financial debts	252,383	136,901
Liabilities held for sale	15,474	
Current assets		
Current financial assets	-29	-136
Cash and cash equivalents	-22,494	-34,639
Net debt	**606,224**	**550,831**
Investment property	633,257	741,050
Hotels and own-occupied buildings	2,362	10,912
Financial assets	249	489
Inventories	216,317	171,868
Assets held for sale	19,360	0
Revaluation gains on projects and properties	4,101	-47,954
Fair value of portfolio	**875,646**	**876,365**
Loan to value before bonds	**69.2%**	**62.9%**
Bonds	90,374	86,793
Accrued interests on bonds	2,330	2,332
Loan to value	**79.8%**	**73.0%**

Most of the administrative covenants are managed by financial managers. Reported breaches are managed at Group level. Financial covenants are directly managed at Group level. End of 2009, some loans encountered administrative and/or financial covenant breaches. Those loans, as a result, have been reclassified in current liabilities. Most covenants relate to administrative documents to be provided (audited accounts, management reports) and financial ratios to be respected on the asset level (loan to value, loan to construction and interest coverage ratio).

In some circumstances, when cross default covenants are included in bank loan agreements, breaches occurring at the level of subsidiaries could have the consequence that other bank loans granted to other entities of the Group become repayable on demand. Such cross defaults can occur also in the opposite way, meaning that breaches occurring at the level of the Company could have the consequence that bank loans granted to subsidiaries become repayable on demand. The non respect of the Loan to Value (LTV) covenants may have as consequence that the lending bank requires partial repayment of the loan in order to solve the LTV covenant breach. In 2009, the Group negotiated interests margin increases instead of partial repayment of some loans.

3.4 Financial instruments by category

The nominal value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

31 December 2009	Loans and Receivables	Assets at fair value through profit or loss	Total
Assets per balance sheet			
Financial assets at fair value through profit or loss	-	249	249
Derivative financial instruments and trading securities	-	31	31
Current financial assets	29	-	29
Trade and other receivables	23,243	-	23,243
Cash and cash equivalents	22,494	-	22,494
Total	**45,766**	**280**	**46,046**

31 December 2009	Liabilities at fair value through profit or loss	Other financial liabilities at amortised cost	Total
Liabilities per balance sheet			
Borrowings	-	703,647	703,647
Derivative	37,101	-	37,101
Total	**37,101**	**703,647**	**740,748**

31 December 2008	Loans and Receivables	Assets at fair value through profit or loss	Total
Assets per balance sheet			
Financial assets at fair value through profit or loss	-	489	489
Derivative financial instruments and trading securities	-	31	31
Current financial assets	136	-	136
Trade and other receivables	27,791	-	27,791
Cash and cash equivalents	34,639	-	34,639
Total	**62,566**	**520**	**63,086**

31 December 2008	Liabilities at fair value through profit or loss	Other financial liabilities at amortised cost	Total
Liabilities per balance sheet			
Borrowings	-	672,399	672,399
Derivative	30,360	-	30,360
Trade and other payables	16,977	-	16,977
Total	**47,337**	**672,399**	**719,736**

4. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience as adjusted for current market conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed below.

(a) Assessment of the going concern (see note 2.1.1)

(b) Estimate of fair value of investment properties

The best evidence of fair value is current prices in an active market for similar lease and other contracts. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgment, the Group considers information from a variety of sources including:

i) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;

ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

iii) discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

If information on current or recent prices is not available, the fair values of investment properties are determined using discounted cash flow valuation techniques. A cash flow period of 10 years is taken into consideration and is based on an estimate of the future potential net income generated by use of the properties. The Group uses assumptions that are mainly based on market conditions existing at each balance sheet date.

The main assumptions for discounted cash flow projections are the following:

	2009	2008
Discount rate range	8 - 10.25 %	6 - 10 %
Exit cap rate	6.5 - 8.5 %	5 - 8.5 %

The principal assumptions underlying management's estimation of fair value are those related to: the potential use of the asset, the receipt of contractual rentals; expected future market rentals; void periods; maintenance requirements; and appropriate discount rates. The fair value is based on the potential use of the properties as determined by the Group. Fair value is the highest value, determined from market evidence, by considering any other use that is financially feasible, justifiable and reasonably probable. The "highest and best-use" value results in a property's value being determined on the basis of redevelopment of the site. These valuations are regularly compared to actual market yield data, actual transactions by the Group and those reported by the market.

The expected future market rentals are determined on the basis of current market rentals for similar properties in the same location and condition.

(c) Income taxes

The Group is subject to income taxes in different jurisdictions. Significant estimates are required in determining the provision for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

As stated in note 2.17, the calculation of deferred tax on investment properties is not based on the fact that they will be realized through a share deal but through an asset deal. As a result of the Group structure, the potential capital gain may be exempted from any tax in case of share deal if certain conditions are met and hence the accumulated deferred tax liabilities may be recognized as a gain depending on the outcome of negotiations with future buyers.

(d) Determination of remaining construction costs and impairment on developments

All development projects are subject to individual financial forecasts and balances, prepared by the Group and based on the best estimate of the construction costs to be incurred as part of the projects. The costs incurred are subject to specific controls by the Group and the project balances, showing the costs incurred as well as the remaining construction costs, are updated on a regular basis. This information is used to determine the net realizable value of inventories as well as the fair value less cost to sale for the impairment test of properties under development.

For the purpose of the impairment test on developments under construction whether classified as buildings under development in property, plant and equipment or as inventories, the Group does not use the fair value but the present development value that is defined as the expected selling price (as determined by the investment properties' independent expert) from which the remaining development costs are deducted. The remaining development costs deriving from the project balance include the remaining construction, the sales and marketing costs and all direct or indirect costs that can be associated to the specific development.

(e) Estimate of fair value of financial instruments

Some financial instruments are recorded at fair value.

Valuations are performed regularly on the basis of the management best estimates of the credit risk of the Group or of the specific entity concerned in the light of existing, available and observable market data:

i) for derivative instruments linked to bonds issued by the Group using a discount rate of 55.24% (37% in 2008),

ii) by the Group's banks for the other derivatives (IRS, options and forwards).

The fair value of financial instruments reflects, among other things, current market conditions (interest rates, volatility and share price). Changes in fair values are recorded in the income statement.

(f) Impairment on own occupied

For the purpose of determining the impairment on own occupied, the Group uses the fair value as determined by the independent expert. The valuation methodology used is generally a discounted cash flow valuation technique.

(g) Impairment on goodwill

The Group is testing annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2.5. The recoverable amounts of cash have been determined based on the fair value of the buildings for which acquisitions have generated goodwill.

4.2 Critical judgements in applying the Group's accounting policies

Distinction between investment properties and owner-occupied properties

The Management determines whether a property qualifies as investment property. In making its judgment, the Management considers whether the property generates cash flows largely independently of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to property but also to other assets used in the production or supply process.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the supply of services or for administrative purposes. If these portions can be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the supply of services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Management considers each property separately in making its judgment.

Transfer between Inventories and Investment property

If a commercial and office development becomes partially rented, as a result of tenants moving in before the contemplated sale of the asset, the project is not automatically reclassified as Investment Property. A development will be reclassified as investment property only for capital appreciation and if the nature of this building has been changed and formally approved by the Investment Committee. The renting revenue on this development project is specifically disclosed in the consolidated financial statements.

Transfer between Investment property and Inventories

Freehold lands, for which the destination is not determined at year end, are classified under the land bank category. The destination of freehold lands remains uncertain until a project design is definitive, the building permit granted and start of construction validated. Therefore, the transfer at fair value of the Investment property to Inventories is recorded only when the building permit is granted and the start of the construction has been validated by the investment committee as it is determined as being the start of the development.

5. Segment reporting

5.1 Primary reporting format – business segments

The Group is organised into two main segments determined in accordance with the type of activity. While there is no change compared to previous reporting structure, the segmentation corresponds to the new Group structure. The former segment "Renting" has been renamed "Commercial Investment Properties", giving a broader definition as detailed below:

- Development business line covers all real estate assets under construction or designated as a future development in order to be sold to a third party or to be transferred to the commercial investment property line once completed.
- Commercial Investment Property business line covers all real estate assets rented out or that will be so without any major refurbishment.

Segment assets consist primarily of tangible assets, inventory and receivables. Unallocated assets comprise deferred tax assets and cash and cash equivalents. Segment liabilities include operating liabilities. Unallocated liabilities are essentially the aggregate of litigation provisions, taxation liabilities and borrowings.

Adjusted EBITDA is the recurring operational cash result calculated by deducting from the operating result non-cash and non-recurring elements (Net gain or loss on fair value adjustments – Amortisation, impairments and provisions – Correction of costs of goods sold being the reversal of previous years valuation adjustments and impairments – Net gain or loss on the sale of abandoned developments included in inventories – Net gain or loss on disposal of assets – Attribution of warrants to executive management) and the net results on sale of subsidiaries.

As at 31 December 2009	Development	Commercial Investment Properties	Intersegment activities	TOTAL
Revenue	19,642	54,778	-2,402	**72,018**
Net gain/(loss) from fair value adjustments on investment property	-20,873	-34,034	-	**-54,907**
Cost of goods sold	-19,756	-	-	**-19,756**
Amortisation, impairments and provisions	-21,604	-4,556	-	**-26,160**
Other operating results	-11,657	-31,620	2,402	**-40,875**
Operating result	**-54,248**	**-15,432**	**-**	**-69,680**
Net gain/(loss) on fair value adjustements	20,873	34,034	-	54,907
Amortisation, impairments and provisions	21,604	4,556	-	26,160
Net gain/(loss) on disposal of assets	871	680	-	1,551
Net gain / (loss) on abandonned developments	5,690	-	-	5,690
Adjusted EBITDA	**-5,210**	**23,838**	**-**	**18,628**
Segment assets	**365,356**	**595,090**	**-12,934**	**947,512**
Investment Properties	122,435	510,822		633,257
Property, plant and equipment	1,363	3,842		5,205
Inventories	209,356	6,961		216,317
Assets held for sale	11,000	8,360		19,360
Other segment assets	21,202	65,105	-12,934	73,373
Unallocated assets				23,726
Total assets				**971,238**
Segment liabilities	**64,018**	**64,783**	**-5,780**	**123,021**
Liabilities held for sale	8,474	7,000		15,474
Other segment liabilities	55,544	57,783	-5,780	107,547
Unallocated liabilities				848,217
Total liabilities				**971,238**
Cash flow elements				
Amortisations, impairments and provisions	-21,604	-4,556	-	**-26,160**
Capital expenditure	3,173	761	-	**3,934**

As at 31 December 2008	Development	Commercial Investment Properties	Intersegment activities	TOTAL
Revenue	26,621	55,344	-4,452	**77,513**
Net gain/(loss) from fair value adjustments on investment property	-56,283	4,961	-	**-51,322**
Cost of goods sold	-18,960	725	-	**-18,235**
Amortisation, impairments and provisions	-26,250	-13,458	-	**-39,708**
Other operating results	-21,482	-32,127	4,452	**-49,157**
Operating result	**-96,354**	**15,445**	**-**	**-80,909**
Net gain/(loss) on fair value adjustements	56,283	-4,961	-	51,322
Amortisation, impairments and provisions	26,250	13,458	-	39,708
Correction of cost of goods sold	265	-	-	265
Net result of asset sold	5,430	-230	-	5,200
Adjusted EBITDA	**-8,126**	**23,712**	**-**	**15,586**
Segment assets	**349,687**	**690,695**	**-36,798**	**1,003,584**
Investissement Properties	164,950	576,100		741,050
Property, plant and equipment	1,602	12,564		14,166
Inventories	155,235	16,633		171,868
Other segment assets	27,900	85,398	-36,798	76,500
Unallocated assets				39,330
Total assets				**1,042,914**
Segment liabilities	**62,519**	**47,248**	**-20,632**	**89,135**
Unallocated liabilities				953,779
Total liabilities				**1,042,914**
Cash flow elements				
Amortisations, impairments and provisions	-26,250	-13,458	-	**-39,708**
Capital expenditure	27,512	13,777	-	**41,288**

Development revenues included rent revenues for EUR 3.9 million in 2009 (EUR 3.2 million in 2008) from projects partially rented out and which are still expected to be sold.

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6. Acquisitions

No business combination occurred in 2008 and in 2009.

7. Intangible assets

The intangible assets mainly include the goodwill recorded on the acquisition of GSG for EUR 43.3 million (EUR 43.3 million in 2008) and the GSG trademark for EUR 7.2 million (EUR 7.2 million in 2008).

The impairment tests carried out on the goodwill led to the recognition of EUR 0.6 million of impairment in 2009 (nil in 2008). The only goodwill recognized as at 31 December 2009 is the GSG goodwill.

The goodwill impairment test is based on the evolution of properties valuation as of December 2009 and on projected increase of occupancy rate and price per sqm over the coming years, as already showed since acquisition.

8. Investment property

Investment property	Freehold buildings	Land bank	Buildings under finance lease	TOTAL
Balance at 31 December 2007	**656,093**	**126,226**	**-**	**782,319**
Investments / acquisitions	32,869	6,099	1,963	40,931
Asset sale	-15,794	-2,974	-	-18,768
Revaluation through income statement	-36,854	-14,005	-463	-51,322
Transfers	-7,734	-4,376	-	-12,110
Balance at 31 December 2008	**628,580**	**110,970**	**1,500**	**741,050**
Investments / acquisitions	1,241	2,397	-	3,638
Asset sale	-42,886	-1,466	-	-44,352
Revaluation through income statement	-39,146	-15,761	-	-54,907
Transfers	-1,442	-9,230	-1,500	-12,172
Balance at 31 December 2009	**546,347**	**86,910**	**-**	**633,257**

- **In 2009**

58 investment properties (EUR 562.9 million) financed by bank loans in local special purpose entities are fully pledged for EUR 446.8 million.

A) Investments / acquisitions

During the year, the Group has invested EUR 3.6 million in the different projects including:

- Freehold buildings:
  - EUR 1.2 million on the commercial development in Berlin (mainly in Cumberland for EUR 0.7 million and Kollwitzstrasse for EUR 0.1 million);
- Landbank
  - EUR 2.4 million on the commercial development (mainly in Wertheim for EUR 1.8 million and Elb Loft for EUR 0.5 million).

B) Asset sale

During the period, the net book value ("NBV") of the assets sold represents EUR 44.3 million, out of which EUR 28.8 million have been used to repay the bank loan financing, with a total net loss compared to the 31 December 2008 DTZ valuations amounting to EUR 1.6 million and composed mainly of the following disposals:

- Sale of the Pappelallee 3-4 building in Berlin (NBV of EUR 5.3 million) at the sale price of EUR 4.3 million;
- Sale of the Reinhardtstraße 18 building in Berlin (NBV of EUR 8.6 million) at the sale price of EUR 8.4 million;
- Sale of Immanuelkirchstraße 3 + 4 building in Berlin (NBV of EUR 10.0 million) at the sale price of EUR 10.0 million;
- Sale of Kollwitzstraße 71 building in Berlin (NBV of EUR 3.1 million) at the sale price of EUR 3.1 million;
- Sale of Zionskirchstraße 71 in Berlin (NBV of EUR 2.4 million) at the sale price of 2.4 million;

- Sale of Grugacarree in Essen (NBV of 1.5 million) at the sale price of 1.5 million;

- Small buildings in Berlin have been sold (NBV of EUR 13.4 million) at the sale price of EUR 13.0 million.

C) Revaluation through income statement

The total amount of decrease in the fair value of the assets amounts to EUR -54.9 million (EUR -39.1 million on Freehold building and EUR -15.8 million on Land bank).

- In Freehold buildings:

- The revaluation of the projects of GewerbeSiedlungs-Gesellschaft mbH ("GSG") represents a total amount of EUR - 26.3 milion, among which Plauenerstraße (EUR -7.3 million), Wolfenerstraße 32-36 (EUR -5.5 million), Pankow (EUR -4.8 million) and Schwedenstraße (EUR -3.1 million), all located in Berlin;

- Franklinstraße 15-15A (EUR -3.1 million).

- In Land bank:

The fair value on the projects Wertheim and Helberger decreased by EUR -12.9 million and EUR -1.4 million respectively.

D) Transfers

Transfers represent mainly properties reclassified as Assets held for sale, for which the sales contracts were signed in 2009 with the handover and delivery in 2010: Helberger (EUR -11.0 million) and Wasserstraße (EUR -8.4 million).

Trudering 44, Trudering 47 and Trudering 69 have been transferred from Building under finance lease to Inventories (EUR 1.5 million).

Ku-Damm 103 (EUR 8.7 million) is transferred from Own Occupied Buildings to Investment Property. This asset will be rented to third parties as Orco Germany's headquarters have moved to another office in Berlin.

- **In 2008**

During the year, the Group has invested EUR 40.9 million in the different projects including:

Freehold buildings:

- Various residential and office buildings, among which Hüttendorf (EUR 7.9 million as acquisition), Hakeburg (EUR 3.4 million), Hochwald (EUR 1.4 million) and Hereditary Building Rights on Lubarserstraße (EUR 2.4 million), Schwedenstraße (EUR 2.0 million), Whilelm von Siemens Straße (EUR 1.8 million), Reichenberger Straße (EUR 1.7 million), Sophie-Charlotten-straße (EUR 1.5 million), Gneisenaustraße (EUR 1.2 million) and Lobeckstraße (EUR 1.0 million);
- Subsequent expenditures on previous acquisitions: Cumberland Palace and Helberger (respectively EUR 5.6 million and EUR 0.3 million).

Land Bank:

- New acquisitions: Gethsemanestraße plot in Berlin (EUR 2.9 million);
- Subsequent expenditures on previous acquisitions: Wertheim in Berlin (EUR 2.7 million).

Buildings under Finance Lease:

- Acquisition of the Healthcare project Trudering (EUR 2.0 million).

During the period, several assets have been sold, among which:

Freehold buildings (total sale price of EUR 16.7 million with total net book value of assets sold of EUR 15.5 million):

- Geneststraße 7-8 (sale price of EUR 4.1 million with a net book value of EUR 3.3 million);
- Tucholskystraße 39 (sale price of EUR 2.4 million with a net book value of EUR 2.3 million);
- Lychenerstraße (sale price of EUR 2.1 million with a net book value of EUR 1.8 million);
- Seelower Straße (sale price of EUR 1.8 million with a net book value of EUR 1.8 million);
- Benningsenstraße (sale price of EUR 1.7 million with a net book value of EUR 2.0 million);
- Wolliner Straße (sale price of EUR 1.6 million with a net book value of EUR 1.5 million);
- Zehdenickerstraße (sale price of EUR 1.5 million with a net book value of EUR 1.5 million);
- Danziger Straße 16 (sale price of EUR 1.5 million with a net book value of EUR 1.3 million).

Consolidated net book value of assets sold represents fair value as determined by DTZ as at 31 December 2007.

Land Bank:

- Gethsemanestraße plot has been sold (sale price of EUR 3.1 million with a net book value of EUR 3.0 million).

The revaluation of the assets relates mostly to the following projects:

Freehold buildings:

- The revaluation of the projects of GSG represents a total amount of EUR +28.1 milion, among which Wolfenerstraße 32-36 (EUR +6.0 million), Reuchlinstraße (EUR +4.9 million), Plauenerstraße (EUR +3.3 million), Geneststraße 5-6 (EUR +2.8 million), Schlesische Straße (EUR +2.0 million), Gustav-Meyer-Allee (EUR +1.4 million), and Helmholtzstraße (EUR +1.0 million), all located in Berlin;
- The revaluation of the other German projects represents a total amount of EUR -64.9 million, among which Cumberland palace (EUR -37.0 million), Franklinstraße 15 (EUR -7.4 million), Max Planck Straße (EUR -5.4 million), Kurfustendamm 102 (EUR -2.1 million) and Wasserstraße (EUR -1.1 million).

Land bank:

- The fair value of Helberger and Wertheim projects decreased by EUR -7.8 million and EUR -6.0 million respectively.

Buildings under Finance Lease:

- The fair value of Trudering project decreased by EUR -0.5 million.

Some projects have also been transferred from investment properties to inventories. This is the case for Danzigerstraße 73-77 (start of refurbishment) for EUR -7.1 million and H2 Office (building permit now effective) for EUR -3.9 million.

All investment properties financed by banks are pledged.

Investment property	2008 Revaluation	Fair Value 31.12.08	2009 Revaluation	Fair Value 31.12.09
GSG	27,891	468,090	-26,658	441,832
Franklinstrstraße 15	-7,370	40,350	-3,128	37,250
Cumberland Haus	-37,028	30,280	-2,959	28,000
Brunnenstraße 156 & Invalidenstraße 112	-2,035	7,070	1,210	8,280
Ku damm 103	-	-	-518	8,170
Kurfüstendamm 102	-2,067	7,770	-1,580	6,190
Max Planck Strasse	-5,350	6,620	-790	5,830
Hüttendorf	-546	7,347	-2,259	5,100
Hakeburg	-1,275	2,436	159	2,375
Brunnenstr. 27 - OG	-450	1,370	70	1,440
Lutticher Str. 49	-567	1,210	-240	970
Hochwald	-469	927	-52	910
Wasserstrasse	-1,061	9,520	-1,160	-
Wilhelm - Kuhr - Str. 86	-644	1,110	-	-
Immanuelkirchstrasse 3-4	-1,775	10,720	-730	-
Reinhardtstrasse 18	-643	8,570	-	-
Pappelallee 3-4	-456	5,290	-	-
Kollwitzstrasse 71	386	3,060	-	-
Zionkirchstrasse 7	48	2,360	-	-
Boxhagener Str 106	-280	2,130	-	-
Breite Str 15	-432	2,080	-	-
John Schehr Str 64	-332	1,980	-	-
Orco Elb Loft	-538	1,770	-	-
Prenzlauer Allee 195	-463	1,680	-180	-
Brunnenstrasse 25	-571	1,600	-	-
Berlin Gorschtr. 18	-230	1,480	-280	-
Hosemannstrasse 6-7, Berlin	-430	1,350	-51	-
Danziger Straße 219	-167	410	-	-
Freehold Building	**-36,854**	**628,580**	**-39,146**	**546,347**
Leipziger Platz	-5,946	95,320	-12,832	84,300
Orco Elb Loft	-	-	-542	1,750
GSG	-	910	-50	860
Helberger	-7,841	12,300	-1,362	-
Essen Gruga Carree	-218	2,440	-975	-
Land bank:	**-14,005**	**110,970**	**-15,761**	**86,910**
Buildings under finance lease	**-463**	**1,500**	**-**	**-**
TOTAL	**-51,322**	**741,050**	**-54,907**	**633,257**

9. Own-occupied buildings

GROSS AMOUNT	
Balance as at 31 December 2007	**13,346**
Variation	148
Transfer and other movements	-445
Balance as at 31 December 2008	**13,049**
Variation	158
Transfer and other movements	-8,868
Balance as at 31 December 2009	**4,339**
AMORTISATION AND IMPAIRMENT	
Balance as at 31 December 2007	**-250**
Impairments	-1,748
Transfer and other movements	-139
Balance as at 31 December 2008	**-2,137**
Allowance	-12
Impairments	53
Transfer	119
Balance as at 31 December 2009	**-1,977**
NET AMOUNT as at 31 December 2009	**2,362**
Net amount as at 31 December 2008	**10,912**

The building of Franklinstrasse 27 (carrying value of EUR 2.4 million), partially own occupied, is pledged within the global GSG bank loans financing. In 2009, Kufürstendamm Straße 103-104 has been transferred to Investment Properties (EUR 8.7 million), as the Orco Germany headquarters moved to an other building in Berlin.

In 2008, the main movement on own-occupied buildings is the impairment booked for Kurfürstendamm Straße 103-104 (used as Orco Germany offices) for EUR -1.7 million.

10. Assets and liabilities held for sale

As at December 31, 2009, the Group decided to sell two assets: Helberger in Frankfurt (EUR 11.0 million) and Wasserstr. in Duesseldorf (EUR 8.4 million) from its investment property portfolio (nil in 2008), as the due date of the financing of these non strategic assets is in short term (EUR 15.5 million). The delivery of both assets should be finalised beginning of 2010.

These assets have been transferred in assets held for sale.

11. Fixtures and fittings

	Gross amount	Amortisation	Net amount
Balance at 31 December 2007	**3,195**	**-413**	**2,782**
Increase	276	-401	-125
Assets sales	-29	16	-13
Transfer	610	0	610
Balance at 31 December 2008	**4,052**	**-798**	**3,254**
Increase	127	-518	-391
Assets sales	-130	110	-20
Balance at 31 December 2009	**4,049**	**-1,206**	**2,843**

No material movements occurred in 2008 and 2009.

12. Inventories

Inventories	December 2009	December 2008
Opening Balance	**171,868**	**112,508**
Development costs	80,210	98,261
Cost of goods sold, including abandoned projects	-19,756	-18,235
Net impairments	-17,505	-32,274
Transfers and other movements	1,500	11,608
Closing Balance	**216,317**	**171,868**

- **In 2009**

The Group decided to not finalize and to sell the project Fehrbelliner Hofe in Berlin for a net result of EUR - 5.6 million (NBV of EUR 10.6 million).

Development costs amounting to EUR 80.2 million, out of which EUR 66.8 million have been financed by bank loan drawdawns, have been mainly capitalized on the following projects:

- Sky Office in Düsseldorf (EUR 47.4 million);
- H2 Office in Duisburg (EUR 21.0 million);
- Neuenkirchener Straße (EUR 5.7 million);
- Tschaikowskistraße 33 (EUR 4.2 million).

Impairments have been recognized on the basis of the valuation established by DTZ in December 2009 mainly on the following properties:

- Sky Office: EUR -15.0 million
- H2 Office: EUR -3.8 million

Write back has been booked on the project Oranienburger strasse for EUR 1.3 million.

5 projects in development (EUR 64.2 million) are pledged for a total amount of EUR 51.2 million.

- **In 2008**

The variation is mainly due to the development of the Sky Office tower in Düsseldorf (EUR 59.3 million), the new Healthcare projects Bernauer Straße and Tschaikowskistraße 33 (respectively EUR 4.5 million and EUR 3.7 million), and the refurbishment of Danziger Straße 73-77 (EUR 3.4 million).

Impairments have been recognized on the basis of the valuation established by DTZ in December 2008 mainly on the following properties:

- Fehrbelliner Höfe: EUR -16.5 million;

- Sky Office : EUR -6.2 million ;

- Danziger Straße 73-77: EUR -5.3 million;

- Bernauer Straße: -1.8 million;

- Tschaikowskistraße 33: EUR -1.4 million;

- Neuenkirchener Straße: EUR -1.0 million.

Projects H2 Office has been transferred from investment properties to inventories, as building permit has been obtained in 2008 (EUR 3.9 million). Danziger Straße 73-77 has also been transferred in inventories because of its refurbishment (EUR 7.1 million).

Some of inventories are pledged for a total amount of EUR 79.4 million (EUR 18.3 million in 2007).

13. Loss on disposal of assets

During 2009, in the framework of the restructuring plan, assets and activities have been sold for a total consideration of EUR 47.8 million generating a consolidated net loss of EUR 7.3 million and a net cash inflow after financial debt repayment (EUR 28.8 million) amounting to EUR 19.0 million.

The loss mainly comes from the sale of Fehrbelliner Hofe (EUR -5.7 million) and Pappelallee 3-4 (EUR -1.0 million), in Berlin.

14. Cash and cash equivalents

As at 31 December 2009, the cash and cash equivalents consist of cash in bank for EUR 22.5 million (EUR 34.6 million in 2008).

Cash in bank include restricted cash (EUR 13.2 million – EUR 30.2 million in 2008) representing:

- cash deposited in escrow accounts pledged as collateral for development projects and lifted after sales of units (EUR 0.1 million – EUR 12.4 million in 2008).
- cash deposited in escrow accounts pledged as collateral for loans related to the acquisition of property (EUR 12.9 million – EUR 17.7 million in 2008).
- cash contribution of the joint venture (Knorrstrasse 119 GmbH & CO) amounting to EUR 0.2 million (EUR 0.1 million in 2008).

15. Borrowings, financial debts, bonds and derivatives

15.1 Borrowings movements and maturity

Borrowings movements

Non-current financial debts	Bank loans	Fixed rate bonds	Other non-current borrowings	TOTAL
Balance at 31 December 2007	**478,244**	**83,432**	**4,063**	**565,739**
Interests accumulated during the year	-	3,361	-	3,361
Issue of new loans and drawdowns	62,732	-	6,753	69,485
Repayments of loans	-7,464	-	-	-7,464
Transfers	-95,715	-	92	-95,623
Balance at 31 December 2008	**437,797**	**86,793**	**10,908**	**535,498**
Interests accumulated during the year	-	3,581	-	3,581
Issue of new loans and drawdowns	21,638	-	4,505	26,143
Repayments of loans	-28,761	-	-3,434	-32,195
Transfers	-86,889	-	5,126	-81,763
Balance at 31 December 2009	**343,785**	**90,374**	**17,105**	**451,264**

No new bonds have been issued in 2008 and in 2009.

For non-current bond movements, please refer to note 15.2.

- **In 2009**

Issue of new bank loans and drawdowns (EUR 21.6 million) are mainly related to further drawdowns for the construction of Oranienburg in Germany (EUR 7.0 million) and Healthcare projects (EUR 13.7 million).

Repayments of loans are mainly due to the reimbursements of some bank loans (EUR 28.8 million) linked to the sale of the following projects:

- Immanuelkirchstrasse 3-4 (EUR -7.2 million)
- Reinhardtstrasse (EUR -6.8 million)
- Berlin Pappelallee (EUR -2.6 million)
- Brunnenstrasse (EUR -1.5 million)
- John Schehr Strasse, Prenzlauer Allee, and Kollwitzstrasse (EUR -1.4 million each)
- Görschstrasse and Wilhelm Kuhr Strasse (EUR -1.3 million)
- Breite Strasse and Zionskirchstrasse (EUR -1.1 million each)
- Hosemannstrasse and Boxhagener Strasse (EUR -0.7 million each).

Transfers of bank loans (EUR -86.9 million) are mainly due to:

- the reclassification of the bank loan related to the Sky Office project (EUR -65.2 million) and to the H2 Office project (EUR -7.9 million) in short term whose maturity falls within 12 months of 31 December 2009;
- breaches on financial covenants for the bank loans financing the project Franklinstrasse (EUR -29.4 million), as the repayment for this loan can be requested on demand, the non-current part is reclassified as current.
- Transfers of loans classified as current in 2008 and for which the covenants are no longer in breach in 2009 (EUR +17.3 million).

Other non current loans consist mainly of equity loans from the parent (Orco Property Group) and loans from other Group companies.The issue of other non-current loans mainly represents the increase in the equity loan granted by OPG (EUR 4.3 million). The transfers relate to GSG (EUR -1.4 million) and the repayment of Orco Grundstucks (-EUR 0.6 million).

- **In 2008**

Issue of new bank loans and drawdowns (EUR 62.7 million) are mainly related to further drawdowns for the construction of the Sky Office tower (EUR 46.8 million) and H2 Office (EUR 8.0 million).

The issue of other non-current loans (EUR 6.8 million) mainly represents the increase in the equity loan granted by OPG (EUR 5.5 million).

Repayments of loans are mainly due to the reimbursements of some bank loans linked to the sale of the following projects:

- Benningsenstraße, Seelowerstraße and Lychener Straße (EUR -1.0 million each);
- Wolliner Straße (EUR -0.9 million);
- Zehdenicker Straße (EUR -0.8 million).

Transfers of bank loans (EUR -95.7 million) are due :

- to the reclassification of the bank loans related to the Wertheim and Wasserstraße projects in short term (respectively EUR -65.6 million and EUR -7.0 million). Their maturity are within 12 months as at 31 December 2008;
- to breaches on financial covenants for the bank loans financing the following projects : Reinhardtstraße (EUR -6.8 million), Brunnenstraße 156 and Invalidenstraße 112 (EUR -6.7 million at all), Danzigerstraße 73-77 (EUR -5.5 million), Prenzlauer Allee (EUR -1.4 million), Wilhelm-Kuhr-Straße and Görschstrasse 18 (EUR -1.3 million both). As the repayment for these loans can be requested at first demand, the non-current part is reclassified as current. Most of the breaches were related to the Loan to Value ratio (except for the Danziger Strasse loan). In the context of the restructuring program, the Group sold 3 out of the 7 assets in breach during the first semester 2009 (see note 29).

The long term portion of the loans financing the development projects classified as inventories amounts to EUR 79.4 million (EUR 18.3 million in 2007).

Borrowings maturity (bonds and financial debts)

The following tables describe the maturity of the Group's borrowings.

At 31 December 2009	Note	Less than one year	1 to 2 years	2 to 5 years	More than 5 years	TOTAL
Non-current						
Fixed rate bonds	**15.2**	-	-	**90,374**	-	**90,374**
Financial debts		-	**7,895**	**321,162**	**31,833**	**360,890**
Bank loans		-	7,895	321,094	14,796	343,785
Fixed rate		-	-	-	-	-
Floating rate		-	7,895	321,094	14,796	343,785
Other non-current borrowings		-	-	68	17,037	17,105
Total		-	**7,895**	**411,536**	**31,833**	**451,264**
Current						
Financial debts		**252,383**	-	-	-	**252,383**
Bank loans		252,264	-	-	-	252,264
Fixed rate		75,699	-	-	-	75,699
Floating rate		176,565	-	-	-	176,565
Other borrowings		119	-	-	-	119
Held for sale assets		**15,474**	-	-	-	**15,474**
Total		**267,857**				**267,857**
TOTAL		**267,857**	**7,895**	**411,536**	**31,833**	**719,121**

At 31 December 2008	Note	Less than one year	1 to 2 years	2 to 5 years	More than 5 years	TOTAL
Non-current						
Fixed rate bonds	**15.2**	-	-	**86,793**	-	**86,793**
Financial debts		-	**82,270**	**308,583**	**57,852**	**448,705**
Bank loans		-	82,270	307,184	48,343	437,797
Fixed rate		-	4,003	460	5,341	9,804
Floating rate		-	78,267	306,724	43,002	427,993
Other non-current borrowings		-	-	1,399	9,509	10,908
Total		-	**82,270**	**395,376**	**57,852**	**535,498**
Current						
Financial debts		**136,901**	-	-	-	**136,901**
Bank loans		134,725	-	-	-	134,725
Fixed rate		9,906	-	-	-	9,906
Floating rate		124,819	-	-	-	124,819
Other borrowings		2,176	-	-	-	2,176
Held for sale assets		-	-	-	-	-
Total		**136,901**				**136,901**
TOTAL		**136,901**	**82,270**	**395,376**	**57,852**	**672,399**

The other non-current borrowings (more than 5 years) represent equity loan granted by OPG.

The increase of current floating rate bank loans is mainly due to the transfer of Sky Office bank loan which is due to expire in 2010 (EUR 65.2 million) and the reclassification of loans previously in breach (EUR -17.3 million) that are no longer in breach as at 31 December 2009.

The Group has entered into interest rate derivatives representing 74.2% of the non-current floating rate borrowing amounts (92.6% in 2008) and 73.4% of the current floating rate borrowing amounts (60.1% in 2008), in order to limit the risk of the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Most floating interest debt instruments have a fixing period of maximum 3 months.

Bank loans include amounts secured by a mortgage on properties and/or a pledge on the shares of the companies benefiting from the loan to the value of EUR 596.0 million (EUR 572.6 million as at 31 December 2008). Orco Germany S.A. usually grants its guarantee in favour of the bank for each of the subsidiaries. The guarantees granted to financial institutions remain fully valid until complete reimbursement of credits. No partial waiver on pledge or mortgage has been scheduled.

The Group's borrowings are fully denominated in euro.

15.2 Bonds with repayable subscription warrants ("OBSAR OG")

The Group issued a bond with repayable subscription warrants ("OBSAR OG") in May 2007.

Bonds

Issuer	Orco Germany S.A.
Nominal	EUR 100,100,052
Number of bonds	148,077
Issue price per bond	at par value, EUR 676
Maturity date	30 May 2012
Redemption price	at 100% or at 125% of par, depending on the occurrence of specific external events, namely the market price of the shares of Orco Germany S.A.
Nominal interest rate	4% payable annually
ISIN	XS0302623953
Listing	Luxembourg Stock Exchange

Warrants

Number of warrants	9,328,851 (corresponding to 63 warrants/issued bond)
Exercise ratio	one warrant gives the right to one share of Orco Germany S.A.
Exercise price	EUR 16.90 or 125% of the reference share price of Orco Germany S.A. if the latter is lower than EUR 13.52 per share
Exercise period	30 May 2007 until 30 May 2014
Early repayment	from 30 May 2010, the issuer may, upon notice to the warrantholders, redeem the warrants at EUR 0.01 per warrant if the average share price exceeds 150% of the exercise price over 20 dealing days during a preceeding period of 30 consecutive dealing days
ISIN	XS0302626899
Listing	Luxembourg Stock Exchange

The funds raised with this bond have been at issuance divided into a long term debt component, an equity component and a derivative component. Furthermore, the costs linked to the issuance of the bond are deducted from the funds raised. The equity component (EUR 13.5 million reduced by EUR 3.7 million of deferred taxes), classified in other reserves, represents the market value on the date of the issuance of the subscription warrants embedded in the bond. The derivative component amounting to EUR 8.5 million (EUR 8.0 million in 2008, and EUR 2.1 million at issue) classified in non-current financial liabilities under derivative instruments, represents the market value of the redemption premium granted to the bondholder if the average market price of Orco Germany S.A. shares does not reach a certain level before the repayment date. The external valuer used a credit spread of 55.24%. This derivative is revalued at its fair value at each closing through the income statement. The difference between the debt component and the par value of the bond is taken in profit and loss accounts using the effective interest method.

Non-current bonds	Bonds with repayable subscription warrants
Balance at 31 December 2007	**83,432**
Interests accumulated during the period	3,361
Balance at 31 December 2008	**86,793**
Interests accumulated during the period	3,581
Balance at 31 December 2009	**90,374**

As at 31 December 2009, the parent company OPG owned 550,000 warrants (550,000 in 2008) and Orco Germany Investments S.A., a subsidiary of the Company, owned 2,397,311 warrants (2,397,311 in 2008).

15.3 Derivative instruments

	31 December 2009	31 December 2008
Interest rate derivatives	31	31
Total Current Assets	**31**	**31**
Embedded derivatives on Bonds	8,587	8,031
Total Non-Current Liabilities	**8,587**	**8,031**
Interest rate derivatives	28,514	22,329
Total Current Liabilities	**28,514**	**22,329**
Net Derivatives	**-37,070**	**-30,329**

Derivative instruments are presented within assets when fair value is positive, in liabilities when fair value is negative. Changes in fair value are recognized immediately in the consolidated income statement under "other net financial results" section (see note 4.1 and note 21).

Derivatives used by the Group include interest rate derivatives and embedded derivatives on bonds.

Interest rate derivatives represent interest rate swaps and collars. Interest rate swaps are agreements between two parties to exchange a series of interest payments on a common principal amount. A collar is an investment strategy that uses options to limit the possible range of positive or negative returns on an investment in an underlying asset to a specific range. Valued at their fair value, interest rate swaps and collars cover floating interest rates against fixed rates.

Embedded derivatives on bonds correspond to the derivatives embedded on the OBSAR OG (see notes 15.2).

The Group uses various types of interest rate derivative contracts to protect against unpredictable cash disbursments linked to its assets and liabilities due to fluctuations in interest rates. As at 31 December 2009, the total debt covered by interest rate swaps and collars amounts to EUR 448.6 million (EUR 487.3 million in 2008). It represents 86.0% of the floating rate debt (89.1% in 2008).

15.4 Net interest expenses

	31 December 2009	31 December 2008
Interest income	446	1,963
Interest expenses	-35,578	-34,267
Net interest expenses	**-35,132**	**-32,304**

Capitalised interests in inventories amount to EUR 6.1 million in 2009 (EUR 5.7 million in 2008).

15.5 Average effective interest rates

	December 2009 EUR	December 2008 EUR
Bonds	8.04%	8.70%
Bank Borrowings	2.73%	4.24%

15.6 Undrawn credit facilities

The main undrawn credit facilities relate to the credit lines on Sky Office project for EUR 19.6 million (EUR 34.8 million in 2008), Hüttenstrasse (EUR 9.7 million), H2 Office (EUR 5.2 million), and GSG (EUR 4.9 million) .

In addition to Sky Office, new credit lines have been contracted in 2009 for Dangziger Strasse (EUR 5.5 million) and Endurance projects (EUR 8.5 million, out of which have been drawn for EUR 7.6 million).

16. Provisions and other long term liabilities

The provisions amount to EUR 10.4 million (EUR 12.0 million in 2008) and are mainly composed of provisions to cover the Group's retirement benefit obligations. No provision for restructuring is booked in 2009 (EUR 2.2 million in 2008).

Retirement benefit obligation

In the Group, only Orco Projektentwicklungs GmbH (formerly Viterra Development GmbH) and Viterra Baupartner GmbH (acquired in 2006) have defined benefit plans. The Viterra plan is a so-called book reserve plan. The important attribute of this kind of plan is that there is no separate vehicle to accumulate assets to provide for the payment of benefits. As a consequence the employer sets up a book reserve (accruals) in its balance sheet.

	31 December 2009	31 December 2008
Present value of unfunded obligations	8,661	7,964
Unrecognised actuarial gains	1,136	1,827
Liabilities in the balance sheet	**9,797**	**9,791**

The movement in the defined obligation over the year is as follows:

	2009	2008
Beginning of the year	**7,964**	**7,934**
Current service cost	26	85
Interest cost	455	426
Actuarial gains	616	-90
Benefits paid	-400	-391
End of the year	**8,661**	**7,964**

The principal actuarial assumptions used were as follows:

	31 December 2009	31 December 2008
Discount rate	5.25%	5.85%
Future salary increases	2.75%	2.75%
Future pension increases	2.00%	2.00%
Corridor	10.00%	10.00%

17. Current financial liabilities

Current financial liabilities are presented below:

At 31 December 2009	Less than 1 month	Between 1 and 6 months	Between 6 months and 1 year	Total
Financial debts	123,126	14,154	115,103	252,383
Trade payables	2,496	7,401	840	10,737
Advance payments	1,562	2,028	23,887	27,477
Other current liabilities	8,773	21,262	8,371	38,406
Held for sale	7,000	8,474	-	15,474
Total	**142,957**	**53,319**	**148,201**	**344,477**

At 31 December 2008	Less than 1 month	Between 1 and 6 months	Between 6 months and 1 year	Total
Financial debts	44,836	70,541	21,524	136,901
Trade payables	7,778	8,637	562	16,977
Advance payments	-	196	27,874	28,070
Other current liabilities	4,652	14,739	12,338	31,729
Total	**57,266**	**94,113**	**62,298**	**213,677**

The other current liabilities excluded in this table (as not being part of the IFRS definition of financial instruments) represent tax, payroll and social liabilities for EUR 5.3 million (EUR 8.0 million in 2008).

18. Income taxes

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes of one entity relate to the same fiscal authority. All deferred taxes are assumed to be settled after more than 12 months.

	December 2008	Scope variation	Change in income statement	Change in %	December 2009
Intangible assets	-2,339	-	182	-	-2,157
Tangible assets	-93,948	-	16,012	-	-77,936
Financial assets	3,899	-	-608	-	3,291
Inventories	2,118	-	3,423	18	5,559
Current assets	-2,716	-	2,681	-	-35
Equity	37	-	2	-	39
Provisions	-353	-	423	-	70
Long term debts	-4,213	832	1,605	-	-1,776
Current debts	5,567	-	2,280	-	7,847
Tax losses for which no deferred income tax is recognized	-	-	-12,813	10	-12,803
Total deferred taxes	**-91,948**	**832**	**13,187**	**28**	**-77,901**
Deferred tax assets	1,572				381
Deferred tax liabilities	-93,520				-78,282

	December 2007	Scope variation	Change in income statement	December 2008
Intangible assets	-2,339	-	-	-2,339
Tangible assets	-109,500	-97	15,649	-93,948
Financial assets	2,844	-	1,055	3,899
Inventories	-1,917	-	4,035	2,118
Current assets	-	-	-2,716	-2,716
Provisions	-	-	-353	-353
Equity	1,362	-	-1,325	37
Long term debts	-5,190	-	977	-4,213
Current debts	-	-	5,567	5,567
Recognized loss carry forward	9,822	-	-9,822	-
Total Deferred taxes	**-104,918**	**-97**	**13,067**	**-91,948**
Deferred tax assets	6,703			1,572
Deferred tax liabilities	-111,621			-93,520

The income tax rates in the Group vary from 19% in Poland up to 30.84% in Luxembourg in 2009 (30.17% in Germany in 2008).

In 2009, the theoretical tax rate is 30.17% (30.17% in 2008) and the effective tax rate of the period is 8.43% (2008: 9.20%).

As at 31 December 2009, the income taxes recognized in the income statement amount to EUR 9.7 million (EUR 12.4 million in 2008) among which EUR -3.5 million of current income taxes (EUR -0.7 million in 2008) and EUR +13.2 million deferred income taxes (EUR 13.1 million in 2008).

Deferred taxes movements are mainly due to deferred tax asset recognized on negative revaluations and impairments booked on properties (EUR +19.4 million).

The tax on the Group's loss before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to losses of the consolidated entities as follows:

	December 2009	December 2008
Loss before tax	**-115,155**	**-134,096**
Tax calculated at domestic rates applicable to profits in the respective countries	-34,732	-40,456
Tax effects of:		
Untaxed gains or losses	444	5,621
Undeductible charges and interests	1,209	9,321
Unrecognised operating losses carry forward	10,553	9,822
Tax losses for which no deferred income tax was recognised	12,813	3,779
Adjustments from previous years	-	-440
Tax benefit	**-9,713**	**-12,353**

19. Employee Benefits

	31 December 2009	31 December 2008
Salaries	-7,005	-9,124
Social security expenses	-1,269	-1,596
Pension costs	-571	-536
Training charges	-189	-124
Employee benefits	-330	-1,441
Other personnel related charges	-92	-460
Total salaries and employee benefits	**-9,456**	**-13,281**

20. Other operating expenses

	31 December 2009	31 December 2008
Leases and rents	-933	-1,590
Building maintenance and utilities supplies	-15,272	-17,012
Marketing and representation costs	-2,264	-4,392
Administration costs	-8,721	-11,748
Taxes other than income tax	-3,014	-2,743
Other operating expenses	-585	-2,598
Total	**-30,789**	**-40,083**

21. Other net financial results

	31 December 2009	31 December 2008
Change in fair value and realised result on derivative instruments	-6,741	-18,537
Change in fair value and realised result on other financial assets	4	-386
Other net finance charges	-3,606	-1,960
Total	**-10,343**	**-20,883**

In 2009, the change in fair value of derivative instruments essentially relates to movements in fair value of interest rate swaps contracted by GSG (EUR -6.9 million), Orco Germany S.A (EUR +0.9 million), and Viterra Erste PEG GmbH (EUR +0.2 million).

In 2008, the change in fair value of derivative instruments essentially relates to movements in fair value of interest rate swaps contracted by GSG (EUR -13.2 million), Viterra Erste PEG GmbH (EUR -2.8 million) and Gebauer Höfe (EUR -2.6 million).

22. Earnings per share

	31 December 2009	31 December 2008
Shares issued at the beginning of the period	48,771,333	48,771,333
Weighted average of new shares issued	-	-
Weighted average outstanding shares for the purpose of calculating the basic earnings per share	**48,771,333**	**48,771,333**
Dilutive potential ordinary shares	-	**201,564**
Warrants	-	201,564
Weighted average outstanding shares for the purpose of calculating the diluted earnings per share	**48,771,333**	**48,972,897**
Net profit attributable to the Group	**-105,482**	**-121,420**
Effect of assumed conversions / exercises	-	**26**
Warrants	-	26
Net profit attributable to the Group after assumed conversions / exercises	**-105,482**	**-121,394**
Basic earnings in EUR per share	-2.16	-2.49
Diluted earnings in EUR per share	-2.16	-2.48

Basic earnings per share is calculated by dividing the profit attributable to the Group by the weighted average number of ordinary shares in issue during the period, excluding ordinary shares purchased by the Group and held as treasury shares.

Diluted earnings per share is calculated adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

23. Equity holder's balance

	Number of shares	Capital	Share premium
Balance at 31 December 2007	48,771,333	60,694	123,658
Balance at 31 December 2008	48,771,333	60,694	123,658
Balance at 31 December 2009	48,771,333	60,694	123,658

No movements occurred on equity during the year 2009.

No movements occurred on equity during the year 2008.

No dividend has been paid by the Company to its shareholders in 2009 and 2008.

24. Contingencies

The Group has given guarantees in the ordinary course of business (see note 15).

As at the publication of the consolidated financial statements, the Group has no litigation that would lead to any material contingent liability.

25. Capital commitments

As a developer of buildings and residential properties, the Group is committed to finalize the construction of properties in different cities (including Berlin, Hamburg and Düsseldorf). The commitments for the projects started as at 31 December 2009 amount to EUR 14.7 million (EUR 218.3 million in 2008). This does not take into account the potential investments in future projects on land bank like Wertheim in Berlin.

26. Related party transactions

- Transactions with OPG

The Company was granted an "equity loan" by OPG bearing interest at an annual fixed rate of 8% (8% in 2008) and a maturity date of 2020. This loan amounted to EUR 17.0 million as at 31 December 2009 (EUR 9.5 million in 2008). Net interest expenses related to these loans amounted to EUR 1.3 million as at 31 December 2009 (EUR 0.7 million in 2008). As explained in note 2.1.1.3, this loan will be converted into new shares of the Company, when all conditions of the agreement signed between the Company, MSREF V Turtle B.V. and OPG on August 26, 2009 will be met.

- Transactions with CEREM

On May 22, 2007, the Board of Directors of the Company approved the issue of 148,077 five year bonds with 63 redeemable warrants attached to each bond pursuant to the terms and conditions set forth in a prospectus issued on May 24, 2007 (the "Prospectus"). The main features of the bonds and warrants are described in note 15.2. The Prospectus indicated that the subscribers who did not wish to keep all the warrants which were originally upon issue attached to the bonds made their undertakings to subscribe to Bonds with Warrants subject to the repurchase of 6,219,234 Warrants at an average unit price of EUR 1.45 by Central European Real Estate Management S.A., ("CEREM"), a limited liability company ("société anonyme"), incorporated under the laws of Luxembourg and a wholly-owned subsidiary of Orco Property Group S.A.. The Prospectus provided that these warrants purchased by CEREM would then be offered at a unit price of EUR 1.45 to less than one hundred managers and business partners of Orco Germany's group. It was also provided in the Prospectus that in the event where all or part of these warrants were not purchased by these designated managers or business partners of Orco Germany's group, the unsold warrants would be repurchased at a price of EUR 1.45 per warrant either by Orco Immobilien GmbH, a private limited liability company incorporated under the laws of Germany and an Orco Germany wholly owned subsidiary or by Orco Germany itself, in order to cancel the repurchased warrants.

On May 30, 2007, 148,077 five year bonds with 63 redeemable warrants attached to each bond were issued and subscribed by investors. Shortly thereafter, in accordance with the terms and conditions of the Prospectus, CEREM purchased from investors 6,219,234 warrants for a total consideration of EUR 9,017,889 and offered to managers and business partners of Orco Germany's group the opportunity to purchase these warrants at a price of EUR 1.45 per warrant based on an allocation proposed following a resolution of the Board of Directors of Orco Germany.

As of April 29, 2010, date of approval of the accounts by the Board of Directors, Orco Germany has not been notified by CEREM about any potential unsold warrants. In consequence, the Management considers that neither Orco Germany nor Orco Immobilien GmbH have any remaining obligation to repurchase any such warrants from CEREM.

- Transactions with key management personnel

In 2009, key management personnel received a global remuneration as short term employee benefit amounting to KEUR 711 (EUR 1.0 million in 2008).

In February 2008, Orco Germany S.A. took over development projects in Kleinmachnow “Neue Hakeburg” and “Hochwald” by acquiring the majority in the companies Vivaro GmbH & Co. Grundbesitz KG and Vivaro GmbH & Co. Zweite Grundbesitz KG. The development projects have been initiated by members of the Board of Directors of Orco Germany S.A. The acquisition involves a net investment of approx. EUR 2 million on the basis of valuation report prepared by independent expert.

27. List of the fully consolidated subsidiaries

Company	Country	Currency	Activity	% of Shareholding 31.12.2009	% of Shareholding 31.12.2008
An den Gärten GmbH	Germany	EUR	Development	100.00%	100.00%
Apple Tree Investments GmbH	Germany	EUR	Leasing	94.80%	94.80%
Cybernetyki Business Park Sp. z.o.o.	Poland	PLN	Development	100.00%	100.00%
Elb Loft Bau Hamburg GmbH	Germany	EUR	Development	100.00%	100.00%
Endurance HC Alpha S.à r.l.	Luxembourg	EUR	Development	100.00%	100.00%
Endurance HC Beta S.à r.l.	Luxembourg	EUR	Development	100.00%	100.00%
Endurance HC Epsilon S.à r.l.	Luxembourg	EUR	Development	100.00%	100.00%
Endurance HC FF&E S.à r.l. (formerly Endurance HC Iota S.à r.l.)	Luxembourg	EUR	Development	100.00%	/
Endurance HC Gamma S.à r.l.	Luxembourg	EUR	Development	100.00%	100.00%
Gebauer Höfe Liegenschaften GmbH	Germany	EUR	Leasing	100.00%	100.00%
Gewerbesiedlungs-Gesellschaft mbH ("GSG")	Germany	EUR	Leasing	99.75%	99.75%
GSG 1. Beteiligungs GmbH	Germany	EUR	Leasing	99.75%	99.75%
GSG Asset GmbH & Co. Verwaltungs KG	Germany	EUR	Leasing	99.75%	99.75%
Isalotta GP GmbH & Co. Verwaltungs KG	Germany	EUR	Leasing	94.99%	94.99%
Lora Grundbesitz GmbH	Germany	EUR	Leasing	100.00%	100.00%
Orco Berlin Invest GmbH	Germany	EUR	Development	100.00%	100.00%
Orco Erste VV GmbH	Germany	EUR	Development	100.00%	/
Orco Germany Investment S.A.	Luxembourg	EUR	Holding	100.00%	100.00%
Orco Grundstücks- u. Bet. ges. mbH	Germany	EUR	Leasing	100.00%	100.00%
Orco Immobilien GmbH	Germany	EUR	Development	100.00%	100.00%
Orco Leipziger Platz GmbH	Germany	EUR	Development	100.00%	100.00%
Orco LP 12 GmbH	Germany	EUR	Development	100.00%	100.00%
Orco Projekt 103 GmbH	Germany	EUR	Leasing	100.00%	100.00%
ORCO Projektentwicklung GmbH (previously Viterra Development GmbH)	Germany	EUR	Development	100.00%	100.00%
Orco Vermietungs- und Services GmbH	Germany	EUR	Development	100.00%	100.00%
Orco-GSG Unternehmensförderungs- und beratungs GmbH	Germany	EUR	Leasing	99.75%	/
SeWo Gesellschaft für Senioren Wohnen mbH	Germany	EUR	Development	94.80%	94.80%
Stauffenbergstr. Drei GmbH	Germany	EUR	Development	100.00%	100.00%
Stauffenbergstr. Zwei GmbH	Germany	EUR	Development	100.00%	100.00%
TSM Berlin GmbH	Germany	EUR	Leasing	100.00%	/
Tucholskystr.39/41 GmbH & Co. Grundbesitz KG	Germany	EUR	Leasing	100.00%	100.00%
Viterra Baupartner GmbH	Germany	EUR	Development	100.00%	100.00%
Viterra Erste PEG mbH	Germany	EUR	Development	100.00%	100.00%
Viterra Fünfte PEG mbH	Germany	EUR	Development	100.00%	100.00%
Viterra Grundstücke Verw. GmbH	Germany	EUR	Development	100.00%	100.00%
Viterra PEG Knorrstr. GmbH & Co. KG	Germany	EUR	Development	100.00%	100.00%
Viterra Zweite PEG mbH	Germany	EUR	Development	100.00%	100.00%
Vivaro GmbH & Co. Grundbesitz KG	Germany	EUR	Development	94.34%	94.34%
Vivaro GmbH & Co. Zweite Grundbesitz KG	Germany	EUR	Development	94.34%	94.34%
Vivaro Vermögensverwaltung GmbH	Germany	EUR	Development	100.00%	100.00%
Westendstr. 28 Ffm GmbH	Germany	EUR	Development	94.00%	94.00%

28. List of the joint ventures

Knorrstrasse 119 GmbH & Co. KG

The Group has a 50% interest in a joint venture, Knorrstrasse 119 GmbH & Co. KG, which is the Idea development project for BMW. The following amounts represent the Group's 50% share of assets and liabilities, and sales and results of the joint ventures. They are included in the balance sheet and in the income statement:

	31 December 2009	31 December 2008
Non-current assets	-	-
Current assets	4,238	3,956
Assets	**4,238**	**3,956**
Non-current liabilities	-	-
Current liabilities	4,201	3,898
Liabilities	**4,201**	**3,898**
Income	-	33
Expenses	-37	-109
Profit after income tax	**-37**	**-76**

29. Events after balance sheet date

In addition to the transfer of non-strategic assets, ORCO Germany was further able to sell two assets in the fourth quarter 2009 with a transfer date in the first half year of 2010. The sales of these assets will be accounted for in 2010. Wasserstrasse in Düsseldorf and Helberger in Frankfurt were sold for EUR 8.2 million respectively EUR 11.0 million at market conditions.

ORCO GERMANY S.A.
Société Anonyme

R.C.S. Luxembourg B 102.254

ANNUAL ACCOUNTS AND AUDITORS' REPORT

DECEMBER 31, 2009

40 Parc d'Activités de Capellen
L-8303 Capellen
R.C.S. Luxembourg B 102.254

ORCO GERMANY S.A.
R.C.S. Luxembourg B 102.254

TABLE OF CONTENTS

PRICEWATERHOUSECOOPERS

HRT RÉVISION

PricewaterhouseCoopers
Société à responsabilité limitée
Réviseur d'entreprises
400, route d'Esch
B.P. 1443
L-1014 Luxembourg
Telephone +352 494848-1
Facsimile +352 494848-2900
www.pwc.com/lu
info@lu.pwc.com
R.C.S. Luxembourg B 65 477 · TVA LU17564447

23, Val Fleuri
L-1526 Luxembourg

Report of the independent auditors

To the Shareholders of
Orco Germany S.A.

Report on the annual accounts

We have audited the accompanying annual accounts of Orco Germany S.A. (the "Company"), which comprise the balance sheet as at December 31, 2009 and the profit and loss account for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Board of Directors' responsibility for the annual accounts

The Board of Directors is responsible for the preparation and fair presentation of these annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of annual accounts that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted by the "Institut des Réviseurs d'Entreprises". Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the Auditor's judgment, including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the Auditor considers internal control relevant to the entity's preparation and fair presentation of the annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the annual accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these accompanying annual accounts give a true and fair view of the financial position of Orco Germany S.A. as of December 31, 2009, and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts.

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 2.1 to the annual accounts which indicates that the Company has substantial outstanding debts service obligation and capital requirements. The Company has experienced significant losses during the year ended December 31, 2009 and the operations of the Company have been significantly affected, and will continue to be affected for the foreseeable future, by the volatility in real estate market. These conditions, along with other matters as set forth in Note 2.1, indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern.

In the event that the financial restructuring is not successful, Orco Germany S.A.'s ability to continue as a going concern would not be assured. The annual accounts would have to be prepared on a break-up basis of accounting having impacts on the valuation and on the classification of assets and liabilities, the amounts of which cannot be measured at present.

PRICEWATERHOUSECOOPERS

HRT RÉVISION

Report on other legal and regulatory requirements

The annual management report, which is the responsibility of the Board of Directors, is in accordance with the annual accounts.

Luxembourg, April 30, 2010

PricewaterhouseCoopers S.à r.l.
Réviseur d'entreprises
Represented by

Marc Minet

H.R.T. RÉVISION S.A.
Réviseur d'entreprises
Represented by

Brigitte Denis

ORCO GERMANY S.A.

Société Anonyme

R.C.S. Luxembourg B 102.254

BALANCE SHEET

December 31, 2009

ASSETS	**2009 EUR**	**2008 EUR**
FIXED ASSETS	**179.049.972,13**	**288.333.113,66**
Tangible assets (note 3)		
Land and buildings	14.140.000,01	49.849.489,84
Financial assets (note 4)		
Shares in affiliated undertakings	85.616.710,29	122.045.109,29
Loans to affiliated undertakings	79.293.261,83	116.438.514,53
CURRENT ASSETS	**10.776.096,12**	**13.979.682,03**
Trade debtors	183.142,61	2.256.140,30
Amounts due by affiliated undertakings (note 4)	8.436.592,99	9.280.544,59
Other debtors	62.496,93	13.447,78
Other transferable securities (note 5)	28.800,00	136.488,96
Cash at banks and in hand	2.065.063,59	2.293.060,40
PREPAYMENTS AND ACCRUED INCOME (note 6)	**1.015.052,00**	**1.439.703,37**
TOTAL ASSETS	**190.841.120,25**	**303.752.499,06**

LIABILITIES	**2009 EUR**	**2008 EUR**
CAPITAL AND RESERVES (note 7)	**26.428.447,93**	**133.366.474,57**
Subscribed capital	60.964.166,25	60.964.166,25
Share premium account	123.657.605,54	123.657.605,54
Losses brought forward	(51.255.297,22)	(6.122.543,60)
Loss for the financial year	(106.938.026,64)	(45.132.753,62)
PROVISIONS FOR LIABILITIES AND CHARGES	**1.946.412,00**	**3.029.478,00**
Provisions for taxation (note 13)	60.000,00	244.300,00
Other provisions (note 14)	1.886.412,00	2.785.178,00
CREDITORS	**162.466.260,32**	**167.356.546,49**
Bonds (note 8)		
- due and payable within one year	2.330.495,84	2.332.497,92
- due and payable after more than one year	100.100.052,00	100.100.052,00
Amounts owed to credit institutions (note 9)		
- due and payable within one year	7.250.302,03	9.971.854,69
- due and payable after more than one year	6.230.764,57	26.044.067,51
Trade creditors (due and payable within one year)	1.205.311,59	200.727,72
Amounts owed to affiliated undertakings (note 9)		
- due and payable within one year	7.029.526,67	27.726.059,41
- due and payable after more than one year	37.872.916,00	-
Tax and social security payable (due and payable within one year)	-	736,58
Other creditors (due and payable within one year)	446.891,62	980.550,66
TOTAL LIABILITIES	**190.841.120,25**	**303.752.499,06**

The accompanying notes form an integral part of these annual accounts.

ORCO GERMANY S.A.
Société Anonyme
R.C.S. Luxembourg B 102.254

PROFIT AND LOSS ACCOUNT

December 31, 2009

C H A R G E S	**2009 EUR**	**2008 EUR**
External charges (note 15)	4.834.315,67	5.292.057,08
Staff costs (notes 12 and 17)		
Wages and salaries	54.252,02	96.777,03
Social security costs	4.458,89	6.319,24
Value adjustments in respect of tangible fixed assets (note 3)	8.104.354,87	804.237,46
Value adjustments in respect of financial assets and of transferable securities held as current assets (notes 4 and 5)	97.353.305,00	43.191.045,27
Value adjustments in respect of financial instruments (note 14)	413.223,00	2.093.411,84
Interest payable and similar charges		
Affiliated undertakings (note 9)	2.447.905,02	829.053,33
Other interest payable and similar charges (note 11)	6.306.375,49	6.553.975,28
Net loss on disposal of assets (note 3)	1.641.806,00	-
Other taxes (note 13)	276.574,03	503.745,81
TOTAL CHARGES	**121.436.569,99**	**59.370.662,34**

INCOME		
Net turnover (note 10)	1.462.332,67	3.605.177,65
Other operating income	492.751,32	267.844,22
Income from other transferable securities (note 5)	10.802,35	385.785,46
Other interest receivable and similar income		
Affiliated undertakings (note 4.2)	11.300.237,89	6.926.001,27
Other interest receivable and similar income (note 14)	53.353,12	2.168.058,31
Net gain on disposal of properties (note 3)	1.179.066,00	885.001,81
Loss for the financial year	106.938.026,64	45.132.753,62
TOTAL INCOME	**121.436.569,99**	**59.370.622,34**

The accompanying notes form an integral part of these annual accounts.

NOTE 1 - GENERAL INFORMATION

ORCO GERMANY S.A. (the "Company") has been incorporated on July 22, 2004 and organized under the laws of Luxembourg as a Société Anonyme for an unlimited period.

The object of the Company is the investment in real estate, thus as the purchase, the sale, the construction, the exploitation, the administration and the letting of real estate as well as the property development, for its own account or through the intermediary of its affiliated companies. The Company has also for object the taking of participating interests, in whatsoever form in other, either Luxembourg or foreign, companies, and the management, control and development of such participating interests. The Company may in particular acquire all types of transferable securities, either by way of contribution, subscription, option, purchase or otherwise, as well as realize them by sale, transfer, exchange or otherwise. The Company may borrow and grant any assistance, loan, advance or guarantee to companies in which it has participation or in which it has a direct or indirect interest. The Company may carry out any commercial, industrial or financial operations, as well as any transactions on real estate or on movable property, which it may deem useful to the accomplishment of its purposes.

The registered office of the Company is established at 40 Parc d'Activités de Capellen.

The shares of the Company were listed on the Open Market of the Frankfurt Stock Exchange since May 2006 and are now listed on the Prime Standard of the Frankfurt Stock Exchange since November 2007.

ORCO GERMANY S.A. is 58,1% owned by Orco Property Group S.A. ("OPG"), Luxembourg, which prepares consolidated accounts including the accounts of the Company and of its subsidiaries. The Company also prepares its own consolidated accounts.

The consolidated accounts of the Company and of its parent company Orco Property Group S.A. can be obtained at their registered office, 40 Parc d'Activités de Capellen, L-8308 Capellen.

NOTE 2 - ACCOUNTING PRINCIPLES, RULES AND METHODS

2.1. Basis of preparation and Going concern

The annual accounts are prepared in conformity with generally accepted accounting principles and in agreement with the laws and regulations in force in the Grand-Duchy of Luxembourg.

2.1.1 Going concern

In determining the appropriate basis of preparation of the annual accounts, the Directors are required to consider whether the Company can continue in operational existence for the foreseeable future.

2.1.2. 2009 results

In the year ended December 31, 2009, the Company made a loss of EUR 106,9 million. The loss for the current year has caused the Company to breach some of its banking covenants, which mean that some bank loans become repayable on demand. The total amount of bank debts that the Company might have to reimburse in 2010 amounts to EUR 7,3 Million, negotiations have been concluded or are undertaken in order to either postpone by 12 to 18 months the loan repayment or increase the construction credit lines allowing the finalization of the development.

2.1.3 "Procedure de Sauvegarde" of Orco Property Group S.A., the parent company of the Company

Beginning of 2009, the Board of Directors of Orco Property Group S.A., the parent company of the Company, has decided to apply to benefit from a Court Protection from creditors ("Procédure de Sauvegarde"). A Court Hearing was held on 25 March 2009 with the Paris Commercial Court ("Tribunal de Commerce de Paris"). On the same day, the Court rendered a judgement opening the "Procedure de Sauvegarde" (the "Sauvegarde") for Orco Property Group S.A. and Vinohrady SARL, a French subsidiary of Orco Property Group S.A., for a renewable six months period. Since then, the initial period has been prolonged twice with the last period end in June 2010. By the end of March 2010, a Plan de Sauvegarde has been circulated to all the creditors of Orco Property Group S.A. and submitted for approval before the end of the Procédure de Sauvegarde to the Court. The Board of Directors and the Management of Orco Property Group S.A. are confident that the plan prepared forms a sustainable business plan allowing Orco Property Group S.A. to repay the bonds and other debts over the coming ten years.

During the Sauvegarde period, all the liabilities prior to the judgement pronouncement are frozen. This means that, except for a Court decision to early terminate the Sauvegarde which is seen by the Management and the Board of Directors of Orco Property Group S.A. as extremely unlikely, interests on debts and bonds continue to be accrued based on contractual arrangements but Orco Property Group S.A. is exempted to repay any liabilities (nominal and interests) until the end of the Sauvegarde.

The going concern of the Company is stated on a stand alone basis, and, as such, does not rely upon the outcome of the "Procedure de Sauvegarde" of the parent company Orco Property Group S.A..

2.1.4 Restructuring plan prepared by the management

Faced with liquidity issues that may put at risk the integrity and value of its portfolio, the management team is implementing a restructuring plan focused on cash generation. Therefore, the necessary actions aiming at returning to profit are implemented. The actions include: selling non core businesses, renegotiation of existing bank loans, improving margins through a cost reduction programme.

In line with its strategy to dispose of non strategic assets and to focus on commercial assets, the Company sold non-core assets for a consideration of EUR 29.3 million leading to a reduction in debt and an improvement in liquidity.

Together with its majority shareholder, Orco Property Group S.A., and together with Grant Thornton, the Company has prepared a cash flow forecast plan which shows a treasury situation which would help the management to implement a recovery plan with the objective to finance its cash needs. The Directors are confident that the actions taken will result in a return to profit.

An agreement has been reached on the conversion into equity of EUR 17.6 million out of the shareholder loan granted to the Company by Orco Property Group S.A. (loan initially due 31 December 2020 and bearing interest at 8%). This operation is made possible thanks to an agreement signed by the Company, MSREF V Turtle B.V. (an investment vehicle managed by Morgan Stanley currently holding 28.91% of the Company) and Orco Property Group S.A. on August 26, 2009. Once all conditions precedents are met, the loan will be converted into 10,991,750 new shares of the Company at an issue price of EUR 1.60 per share, increasing the ownership of Orco Property Group S.A. in the Company from 58.10% to 65%.

2.1.5 Risks and uncertainties on the ability of the Company as a going concern

The Company's status as a going concern depends mainly and directly on the successful achievement of the operating and financing restructuring plan and the disposal plan of non strategic assets, the nature and impact of which cannot be measured at this stage.
The financial performance of the Company is also dependent upon the wider economic environment in which the Company operates. The uncertainty of the evolution of real estate market in Germany can damage the Company's activity and especially can significantly slow down the asset sales program.

2.1.6 Conclusion

Upon the information made available and on the basis of the latest restructuring and asset sales achievements, the Directors estimate that a positive outcome of the restructuring plan can be expected. Should the Management not be able to implement those, the going concern would not be assured. Thus, the annual accounts would have to be amended to an extent which today cannot be estimated in respect of the valuation of the assets at their liquidation value, the incorporation of any potential liability and the reclassification of non current assets and liabilities into current assets and liabilities.

Considering the situation described above, the Directors have concluded that:

1. the current circumstances present uncertainties that cast some doubt on the Company's ability to continue as a going concern;
2. considering the expected outcome of the restructuring program, and after making appropriate enquiries, there is a reasonable expectation that the Company can continue its operations in the foreseeable future and, accordingly, have formed a judgement that it is appropriate to prepare annual accounts upon a going concern basis.

2.2. Significant accounting policies

2.2.1 Tangible assets

Tangible fixed assets consisting of land and buildings are recorded at historical cost less depreciation which is calculated on a linear basis at the rate of 2,5% p.a. on the buildings. Land is not depreciated.

Historical costs include expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the carrying amount of the asset unless they are related to repairs and maintenance and are directly charged to the profit and loss account. For the real estate properties acquired since 2007, acquisition costs include a lump sum amount of 1% of the net cost as per notary deed of these real estate properties, which covers personnel expenses related to the acquisition of these properties invoiced by the Company's subsidiary Orco Immobilien GmbH.

The allocation of acquisition cost between lands and buildings is based on specific valuation when available. In absence of such valuation, the split is done on the basis 20% on lands and 80% on buildings which is considered as a fair allocation by the Board of directors.

Where the Company considers that a tangible asset has suffered a durable depreciation in value, an additional write-down is recorded in order to reflect this loss. These value adjustments are not continued if the reasons for which the value adjustments were made have ceased to appliy.

2.2.2. Financial assets

Financial assets are valued individually at the lower of their acquisition price or market value. Loans shown under “financial assets” are recorded at their nominal value. A value adjustment is recorded when the recovery value is lower than the nominal value.

In case of durable depreciation in value to the opinion of the Board of directors, value adjustments are made in respect of fixed assets so that they are valued at the lower figure to be attributed to them at the balance sheet date. The value adjustments are not continued if the reasons for which the value adjustments were made have ceased to apply.

2.2.3. Current debtors

Current debtors are valued at their nominal value. They are subject to value adjustments where their recovery is compromised. These value adjustments are not continued if the reasons for which the value adjustments were made have ceased to apply.

2.2.4. Other transferable securities

Other transferable securities are valued individually at the lower of purchase cost or market value. A value adjustment is recorded where the market value is lower than the purchase cost. These value adjustments are not continued if the reasons for which the value adjustments were made have ceased to apply.

2.2.5. Conversion of foreign currencies

The Company maintains its accounting records in Euro (EUR) and the balance sheet and the profit and loss account are expressed in this currency.

During the financial year, the acquisitions and sales of tangible assets and financial assets as well as income and charges in currencies other than EUR are converted into EUR at the exchange rate prevailing at the transaction dates.

At the balance sheet date, the acquisition price of the tangible and financial assets expressed in another currency than the EUR remains converted at the historical exchange rate. All other assets and liabilities expressed in a currency other than EUR are valued at the closing rate. The unrealised and realised gains or losses are accounted for in the profit and loss account.

2.2.6. Swap agreements

Interest rate and forward interest swap agreements are recorded off balance sheet at their market value. A value adjustment is provided for in the caption “other provisions” where the market value is lower than the purchase cost. The market valuation of interest rate swap agreements depends mainly on the evolution of market interest rates. The net interest receivable or payable on outstanding interest rate swap agreements accrued and unpaid is recorded in the balance sheet at year-end. Interest amounts are recorded in net in the profit and loss account under the caption “Interest payable and similar charges”.

2.2.7. Prepayments and accrued income

This asset item includes expenditure incurred during the financial year but relating to a subsequent financial year.

2.2.8. Accruals and deferred income

This liability item includes income received during the financial year but relating to a subsequent financial year.

2.2.9. Value adjustments

Value adjustments are deducted directly from the related asset.

2.2.10. Net turnover

The service charges paid by the Company and recharged to tenants are notrecorded in turnover when the Company acts as an agent.

2.2.11. Bonds and convertible bonds

Bonds and convertible bonds are recorded at their nominal value. Where the amount repayable is greater than the amount received, the difference is shown as an asset under the caption "Prepayment and accrued income" and is written off over the period of the bonds on a linear basis under the caption "Interest payable and similar charges". Financing fees linked to the issuance of those bonds are also recorded under the caption "Prepayment and accrued income" and are amortised through profit and loss account over the period of the bonds under the caption "interest payable and similar charges".

2.2.12. Share subscription rights

The Company grants share subscription rights to third party as part of its financing program. Change in fair value of those instruments is not accounted for in the annual accounts.

NOTE 3 - TANGIBLE ASSETS

Tangible assets owned by the Company consist of 4 (2008: 12) real estate properties.

All properties referred to above are located in Berlin (Germany).

2009	**Land**	**Buildings**
	EUR	**EUR**
Cost		
Situation as at January 1, 2009	18.212.725,61	33.211.229,81
Additions/Transfers	-	2.120.705,04
Disposals/Transfers	(7.385.423,95)	(23.947.625.92)
Situation as at December 31, 2009	10.827.301,66	11.384.308,93
Depreciation		
Situation as at January 1, 2009	-	(1.574.465,58)
Depreciation for the year	-	(8.104.354,87)
Disposals/Transfers	-	1.607.209,87
Situation as at December 31, 2009	-	(8.071.610,58)
Net value as at December 31, 2009	**10.827.301,66**	**3.312.698,35**

2008	**Land**	**Buildings**
	EUR	**EUR**
Cost		
Situation as at January 1, 2008	20.299.130,76	37.450.757,76
Additions/Transfers	772.627,38	3.656.380,48
Disposals/Transfers	(2.859.032,53)	(7.895.908,43)
Situation as at December 31, 2008	18.212.725,61	33.211.229,81
Depreciation		
Situation as at January 1, 2008	-	(1.134.764,88)
Depreciation for the year	-	(804.237,46)
Disposals/Transfers	-	364.536,76
Situation as at December 31, 2008	-	(1.574.465,58)
Net value as at December 31, 2008	**18.212.725,61**	**31.636.764,23**

The additions in buildings mainly consist of refurbishment expenses, namely on a building located Danziger Strasse 73 – 77, with a view to sell the building after the end of the works.

The Company sold 8 buildings in 2009 (2008: 6) yielding a net loss of EUR 462.740,00 (2008: net gain of EUR 885.001,81).

NOTE 4 - FINANCIAL ASSETS

	Shares in affiliated undertakings	Loans to affiliated undertakings
	EUR	EUR
Cost		
Situation as at January 1, 2009	156.027.442,29	124.736.521,53
Additions/Transfers	9.499,00	21.898.944,22
Disposals/Transfers	(12.500,00)	(1.129.043,92)
Situation as at December 31, 2009	156.024.441,29	145.506.421,83
Depreciation		
Situation as at January 1, 2009	(33.982.333,00)	(8.298.007,00)
Depreciation for the year	(36.425.398,00)	(57.915.153,00)
Situation as at December 31, 2009	(70.407.731,00)	(66.213.160,00)
Net value as at December 31, 2009	**85.616.710,29**	**79.293.261,83**

	Shares in affiliated undertakings	Loans to affiliated undertakings
	EUR	EUR
Cost		
Situation as at January 1, 2008	157.024.660,25	100.471.674,63
Additions/Transfers	2.738.287,74	24.264.846,90
Disposals/Transfers	(3.735.505,70)	-
Situation as at December 31, 2008	156.027.442,29	124.736.521,53
Depreciation		
Situation as at January 1, 2008	-	-
Depreciation for the year	(33.982.333,00)	(8.298.007,00)
Situation as at December 31, 2008	(33.982.333,00)	(8.298.007,00)
Net value as at December 31, 2008	**122.045.109,29**	**116.438.514,53**

4.1. Shares in affiliated undertakings

The object of all affiliated companies is the investment in real estate and/or the holding of interest in real estate companies.

During the year 2009, the Company disposed of its shares in Endurance HC Delta S.à r.l. and reclassified EUR 9.500 from the loan granted to Isalotta GP GmbH & Co. Verwaltungs KG to the value of the participation.

The Board of Directors of the Company is of the opinion that some of the participations in affiliated undertakings of the Company are permanently impaired as at December 31, 2009. Therefore, all shares in affiliated undertakings with their net equity significantly lower than their acquisition cost as at December 31, 2009, are value adjusted to the highest amount between zero and the net equity of each concerned affiliated undertaking as at December 31, 2009.

Undertakings in which the Company holds at least 20% in their share capital are detailed in the table on the following page.

In accordance with article 67 (3) (a) of the law dated December 19, 2002, the Company is not presenting the capital and reserves and the profit and loss of its subsidiaries which are included in the consolidated financial statements of the Company available on the website www.orcogroup.com.

ORCO GERMANY S.A.

Société Anonyme

R.C.S. Luxembourg B 102.254

NOTES TO THE ACCOUNTS

- continued -

December 31, 2009

Name of the undertaking	Country	Local curr.	% held	Book value 31/12/2009 '000 EUR	Book value 31/12/2008 '000 EUR	Created / Acquired in 2009 '000 EUR	Impairments in 2009 '000 EUR	Carrying value 31/12/2009 '000 EUR
Apple Tree Investments GmbH	Germany	EUR	94,80%	2.502,72	2.502,72	-	1.206,30	1.296,42
Endurance HC Alpha Sàrl	Luxembourg	EUR	100%	12,50	12,50	-	12,50	-
Endurance HC Beta Sàrl	Luxembourg	EUR	100%	12,50	12,50	-	12,50	-
Endurance HC Delta Sàrl	Luxembourg	EUR	0%	-	12,50	(12,50)	-	-
Endurance HC Epsilon Sàrl	Luxembourg	EUR	100%	12,50	12,50	-	12,50	-
Endurance HC Eta Sàrl	Luxembourg	EUR	100%	12,50	12,50	-	-	12,50
Endurance HC Gamma Sàrl	Luxembourg	EUR	100%	12,50	12,50	-	12,50	-
Endurance FF&E Sàrl (HC Iota Sàrl)	Luxembourg	EUR	100%	12,50	12,50	-	12,50	-
Endurance HC Theta Sàrl	Luxembourg	EUR	100%	12,50	12,50	-	-	12,50
Endurance HC Zeta Sàrl	Luxembourg	EUR	100%	12,50	12,50	-	-	12,50
Gebauer Höfe Liegenschaften GmbH	Germany	EUR	100%	27,50	27,50	-	27,50	-
GSG-Gewerbesiedlungsges mbH (Isalotta 1. GmbH)	Germany	EUR	100%	74.768,16	74.768,16	-	-	74.768,16
Isalotta 2. GmbH	Germany	EUR	100%	197,57	197,57	-	178,82	18,74
Isalotta GP GmbH & Co. Verwaltungs KG	Germany	EUR	94,99%	3.755,38	3.745,88	9,50	3.755,38	-
Lora Grundbesitz GmbH, Berlin	Germany	EUR	100%	204,96	204,96	-	-	204,96
Orco Berlin Invest GmbH, Berlin	Germany	EUR	100%	19.025,00	19.025,00	-	19.025,00	-
Orco Erste Beteiligungs VV GmbH	Germany	EUR	100%	25,00	25,00	-	6,36	18,64
Orco Germany Investment SA	Luxembourg	EUR	100%	31,00	31,00	-	31,00	-
Orco Grundstück u. Beteiligungs GmbH, Berlin	Germany	EUR	100%	40.027,30	40.027,30	-	33.300,62	6.726,68
Orco Immobilien GmbH, Berlin	Germany	EUR	100%	9.325,00	9.325,00	-	9.325,00	-
Orco LP 12 GmbH, Berlin	Germany	EUR	100%	27,30	27,30	-	9,81	17,49
Orco Projekt 103 GmbH, Berlin	Germany	EUR	100%	1.105,96	1.105,96	-	1.105,96	-
Orco Vermietungs- und Service GmbH	Germany	EUR	100%	25,00	25,00	-	-	25,00
Senioren Wohnen GmbH	Germany	EUR	94,80%	100,00	100,00	-	100,00	-
Tucholsky Strasse 39 GmbH & Co. Grundbesitz KG	Germany	EUR	100%	2.513,30	2.513,30	-	365,84	2.147,47
Vivaro GmbH & Co Grundbesitz KG	Germany	EUR	94,34%	1.691,17	1.691,17	-	1.341,68	349,49
Vivaro GmbH & Co Zweite Grundbesitz KG	Germany	EUR	94,34%	547,12	547,12	-	547,12	-
Vivaro Vermögensverwaltung GmbH	Germany	EUR	100%	25,00	25,00	-	18,84	6,16
				156.024,44	**156.027,44**	**3,00**	**70.407,73**	**85.616,71**

4.2. Loans to affiliated undertakings:

	2009 EUR	2008 EUR
Orco Immobilien GmbH	37.383.275,46	35.458.680,51
Orco Grundstück-u. Beteiligungs GmbH	27.810.445,92	26.623.187,95
Orco Leipziger Platz GmbH	23.272.469,06	15.816.196,78
Gebauer Höfe Liegenschaften GmbH	16.046.179,55	15.175.995,66
Orco Berlin Invest GmbH	12.803.616,63	8.482.500,15
Orco Projekt 103 GmbH	6.229.507,46	5.529.869,47
Others	21.960.927,75	17.650.091,01
Cost	145.506.421,83	124.736.521,53
Depreciation	(66.213.160,00)	(8.298.007,00)
Net value	**79.293.261,83**	**116.438.514,53**

Loans to affiliated undertakings have no set maturity dates and are remunerated at an interest rate of 8% (2008:8%).
In detail the loans have been impaired as follows:

	2009 EUR	2008 EUR
ORCO Immobilien GmbH	37.383.275,00	2.835.407,00
Gebauer Höfe Liegenschaften GmbH	10.432.294,00	929.364,00
ORCO Berlin Invest GmbH	8.405.828,00	1.287.094,00
ORCO Projekt 103 GmbH	4.388.389,00	3.179.053,00
Endurance HC entities	3.925.325,00	0,00
Gesellschaft für Seniorenwohnen GmbH	1.008.000,00	0,00
Other	670.049,00	67.089,00
Total depreciation	**66.213.160,00**	**8.298.007,00**

The Board of Directors of the Company is of the opinion that some of the loans granted to affiliated undertakings of the Company are permanently impaired as at December 31, 2009 and that the ability of these undertakings to reimburse the loans granted to them by the Company is seriously compromised. Therefore, all loans to affiliated undertakings with a negative net equity as at December 31, 2009 are value adjusted to the highest amount between zero and the net assets of each concerned affiliated undertaking as at December 31, 2009.

Impairments have also been booked on interests on loans to affiliated undertakings for EUR 3.005.554 on loan with Orco Immobilien GmbH.

NOTE 5 - TRANSFERABLE SECURITIES

	2009 EUR	2008 EUR
Gross book value, at the beginning of the year	1.320.942,23	1.120.748,00
Additions for the year		2.178.134,15
Disposals for the year	(442.858,23)	(1.977.939,92)
Gross book value, at the end of the year	878.084,00	1.320.942,23
Value adjustment, at the beginning of the year	(1.184.453,27)	(273.748,00)
Release for the year		-
Use for the year	342.369,27	-
Depreciation for the year	(7.200,00)	(910.705,27)
Value adjustment, at the end of the year	(849.284,00)	(1.184.453,27)
Net book value, at the end of the year	**28.800,00**	**136.488,96**

Transferable securities Deutsche Reit AG (2009 and 2008: 72.000 shares) held by the Company at the end of the year are listed. As at December 31, 2009, the securities are valued on the basis of the latest available market price amounting to EUR 28.800,00 (2008: EUR 136.488,96). The net realised gain on sale of securities during the year amounts to EUR 10.802,35 (2008: EUR 385.785,46) and is related to the sale of the 35.176 shares in Colonia Real Estate AG.

NOTE 6 - PREPAYMENTS AND ACCRUED INCOME

Prepayments and accrued income mainly consist of issuing fees on bonds which are amortized over the bonds' life (see note 8).

	2009 EUR	2008 EUR
Gross amount of issuing fees on the OBSAR bond issue (see note 8)	2.100.052,00	2.100.052,00
Cumulated amortization of bond issuing fees (1)	(1.085.000,00)	(665.000,00)
Other	-	4.651,37
Total at the end of the year	**1.015.052,00**	**1.439.703,37**

(1) The amortization of the bonds' issuing fees is accounted for in the profit and loss account as interest payable and similar charges (see note 11).

NOTE 7 - CAPITAL AND RESERVES

Share capital

Share capital amounts to EUR 60.964.166,25 and is represented by 48.771.333 shares with a nominal value of EUR 1,25 each fully paid in.

The authorised capital of the company amounts to EUR 173.647.722,50 as at December 31, 2009.

Legal reserve

In accordance with the commercial law, the company must appropriate to the legal reserve a minimum of 5% of the annual profit until such reserve equals 10 % of the share capital. Distribution by the way of dividends of the legal reserve is restricted.

Movements on capital and reserves

	Subscribed capital EUR	Share premium account EUR	Result brought forward EUR	Loss for the financial year EUR
Situation as at December 31, 2008	**60.964.166,25**	**123.657.605,54**	**(6.122.543,60)**	**(45.132.753,62)**
Allocation of results as per AGM of June 30, 2009	-	-	**(45.132.753,62)**	**45.132.753,62**
Loss of the year	-	-		**(106.938.026,64)**
Situation as at December 31, 2009	**60.964.166,25**	**123.657.605,54**	**(51.255.297,22)**	**(106.938.026,64)**

NOTE 8 - BONDS

On May 30, 2007, the Company issued bonds with repayable subscription warrants ("OBSAR") having the following characteristics:

Bonds

Nominal amount	EUR 100.100.052
Number of bonds	148,077
Issue price per bond	At par value EUR 676
Maturity date	30 May 2012
Redemption price	at 100% or at 125% of par, depending on the occurrence of specific external events, namely the price of the shares of Orco Germany S.A.
Nominal interest rate	4% (payable annually)
ISIN	XS0302623953
Listing	Luxembourg Stock Exchange

Warrants

Number of warrants	9.328.851 (corresponding to 63 warrants/issued bond)
Exercise ratio	one warrant gives the right to one share of Orco Germany S.A.
Exercise price	EUR 16,90 or 125% of the reference share price of Orco Germany S.A., if the latter is lower than EUR 13,52 per share
Exercise period	30 May 2007 until 30 May 2014
Early repayment	From 30 May 2010, the issuer may, upon notice to the Warrantholders, redeem the warrants at EUR 0,01 per warrant if the average share price exceeds 150% of the exercise price over 20 dealing days during a preceeding period of 30 consecutive dealing days.
ISIN	XS0302626899
Listing	Luxembourg Stock Exchange

The difference between the nominal value and the possibly higher repayment value of the above-mentioned bonds is not shown in the accounts as it is conditional and as the Board of Directors of the Company considers that the probability of realisation is currently remote.

Accrued interest unpaid on the outstanding bonds amounting to EUR 2.330.495,84 (2008: EUR 2.332.497,92) is shown under the short term portion of the caption "bonds" in liabilities.

As at December 31, 2009, no warrant attached to the bonds ("BSAR") has been exercised.

NOTE 9 - CREDITORS

9.1. Amounts owed to credit institutions

Amounts owed to credit institutions are specified in the table below:

Financed property	Lending bank	Original loan amount (in EUR)	Outstanding loan amount as at 31.12.09 (in EUR)	Annual interest rate	Maturity date
Kurfürstendamm 102	Berlin Hyp	6.100.000,00	5.734.000,00	EURIBOR 3 months + 1%	28.12.16
Brunnenstrasse 27	Berlin Hyp	1.200.000,00	1.146.000,00	EURIBOR 3 months + 1%	05.12.16
Lütticher Strasse 49	Berlin Hyp	960.500,00	928.483,33	EURIBOR 3 months + 1%	30.04.12
Danziger Strasse 73-77 (renovations)	Bayern LB	5.483.562,14	5.483.562,14	EURIBOR 3 months + 1%	on demand
Other	Various	n.a.	189.021,13	various	n.a.
	Total:	**13.744.062,14**	**13.481.066,60**		

As at December 31, 2009, a portion of EUR 4.080.000,00 (2008: EUR 13.454.322,00) of amounts owed to credit institutions is payable after more than 5 years.
Due to breaches on financial covenants, the bank loan financing Danziger Strasse 73-77 (EUR 5.483.562) has been reclassified in short term liabilities in 2008. The Company is currently negotiating the extension of the maturity of the loan until April 2010.
Other amounts owed to credit institutions are mainly composed of the interests accrued on the interest rate swap agreements (EUR 188.862,86).

9.2. Amounts owed to affiliated undertakings

Amounts owed to affiliated undertakings mainly consist of advances received from the parent company, ORCO PROPERTY GROUP S.A., including accrued interest payable at rates of 8% (2008: 8%). These loan agreements are expiring by 31st December 2020.

NOTE 10 - NET TURNOVER

The Company derives its entire net turnover from the rental of its buildings located in Germany.

NOTE 11 - OTHER INTEREST PAYABLE AND SIMILAR CHARGES

Other interest payable and charges are composed of:

	2009	**2008**
Interest due on loans from credit institutions	782.249,01	2.040.848,70
Net interest on swap transactions	885.053,83	-
Interest due on OBSAR bonds issued	4.002.000,00	4.038.303,94
Amortisation of bond issuing fees (see note 6)	420.000,00	420.000,00
Other	217.072,65	54.822,64
	6.306.375,49	**6.553.975,28**

NOTE 12 - STAFF

Average of persons employed during the year:

	2009	**2008**
Employees	1	1
Workers	1	1
	2	**2**

NOTE 13 - OTHER TAXES

The Company is a fully taxable company for Luxembourg income and net wealth taxes. Furthermore the Company is subject to German corporate and property taxes related to its German operations.

Other taxes are specified in the table below:

	2009	**2008**
Luxembourg net wealth tax provided	(70.295,80)	122.000,00
German property taxes	126.512,97	176.499,35
Irrecoverable Luxembourg value added tax	220.356,86	202.279,96
Other	-	2.966,50
	276.574,03	**503.745,81**

NOTE 14 - INTEREST RATE SWAP AGREEMENTS

Since the year 2007, the Company has negotiated over-the-counter interest rate swap agreements with two German banks. The aim of these swap agreements is to hedge the interest rate risk on current loans taken and future loans to be taken by the Company and some of its subsidiaries.

	EUR
Market valuation of the interest rate swaps, at the beginning of the year	**(2.785.178,00)**
Value of the interest rate swaps terminated during the year	1.311.989,00
Value adjustment of the year	(413.223,00)
Market valuation of the interest rate swaps, at the end of the year	**(1.886.412,00)**

The unrealised losses on these interest swap agreements are provided for in the caption other provisions. The variation during the year of the unrealised losses on interest swap agreements is recorded under value adjustments in respect of financial instruments. Unrealised gains at year-end on these interest swap agreements, if any, are not accounted for in accordance with the Company's accounting principles.

Instrument	Initial Date	Maturity Date	Nominal as at 31/12/2009 EUR	Unrealized gain/(loss) as at 31/12/2009 EUR
Interest Rate Swap	31/07/2007	31/03/2017	7.808.483	(1.000.657)
Forward Interest Rate Swap	31/01/2008	31/07/2012	6.700.000	(474.911)
Interest Rate Swap	01/10/2008	31/03/2015	5.483.567	(410.844)
				(1.886.412)

During the year 2009, the Company terminated one swap agreement by anticipation and another one matured during the year. The Company had to pay to the counterpart bank a total amount of EUR 1.333.848, which were accounted for as other interest paid and similar expense net of the existing provision of EUR 1.311.989.

NOTE 15 - EXTERNAL CHARGES

External charges are composed of:

	2009 EUR	2008 EUR
Maintenance cost of buildings	1.113.868,78	1.291.775,13
Professional and operational fees	3.720.446,89	4.000.281,95
	4.834.315,67	**5.292.057,08**

The professional and operational fees include an amount of EUR 623.516,10 (2008: EUR 1.622.008,87) corresponding to administrative and accounting fees paid to Group's entities.

NOTE 16 - OFF BALANCE SHEET COMMITMENTS

All bank loans referred to in note 9 above are secured by mortgages on land and buildings owned by the Company (see note 3), the assignment of rental income in favour of the lending bank and guarantee commitments signed by the parent Company Orco Property Group S.A. in favour of the company.

Furthermore, the Company has entered the following commitments and guarantees:

Type	Description	2009 EUR
Pledged account	Bank account pledged to Berliner Hypothekenbank to guarantee obligations under loan agreements	1.054.480
Pledged account	Bank account pledged to Bayrische Landesbank to guarantee obligations under swap agreement	948.430
Pledge of shares	To guarantee a loan granted by ABN Amro (London) to GSG Asset GmbH & Co Verwaltungs KG	302.100.347
Commitment	Committed budget on renovation works of Danziger Str.	825.000
Guarantee	To guarantee a loan granted by Landesbank Berlin to Vivaro GmbH & Co Grundbesitz KG	1.300.000
Guarantee	To guarantee a loan granted by Bayrische Landesbank to Apple Tree Investments GmbH	6.700.000
Guarantee	Patronatserklärung (general guarantee) of the commitments of SeWo Gesellschaft für Seniorenwohnen mbH.	4.000.000
Guarantee	Guarantee to Hessische LB (unlimited) for the amounts of investment costs exceeding EUR 35.3 mio on the project H2Office	Undetermined
Guarantee	Guarantee to Hessische LB (unlimited) for interest payments on the loan to Orco sechste Projektentwicklungsgesellschaft	Undetermined
Pledge of shares	To guarantee a loan granted by Eurohypo to Orco Grundstücks- und Beteiligungsgesellschaft GmbH	3.000.000
Guarantee	To guarantee a loan granted by Hypo Real Estate to Gebauer Höfe GmbH	Undetermined
Pledge of shares	To guarantee a loan granted by Eurohypo to Orco Berlin Invest GmbH	20.000.000

NOTE 17 - REMUNERATION OF THE MEMBERS OF THE BOARD OF DIRECTORS

The amount of the emoluments granted in respect of the financial year to the executive member of the Board of Directors amounts to EUR 40.000 (2008: EUR 40.000). The Company did not grant any advances, loans or pension schemes to its Directors.

NOTE 18 – RELATED PARTY TRANSACTIONS

The Company was granted an “equity loan” by OPG bearing interest at an annual fixed rate of 8% (8% in 2008) and a maturity date of 2020. This loan amounted to EUR 17.0 million as at 31 December 2009 (EUR 9.5 million in 2008). Net interest expenses related to these loans amounted to EUR 1.3 million as at 31 December 2009 (EUR 0.7 million in 2008). As explained in note 2.1.4, this loan will be converted into new shares of the Company, when all conditions of the agreement signed between the Company, MSREF V Turtle B.V. and OPG on August 26, 2009 will be met.

On May 22, 2007, the Board of Directors of the Company approved the issue of 148,077 five year bonds with 63 redeemable warrants attached to each bond pursuant to the terms and conditions set forth in a prospectus issued on May 24, 2007 (the “Prospectus”). The main features of the bonds and warrants are described in note 8. The Prospectus indicated that the subscribers who did not wish to keep all the warrants which were originally upon issue attached to the bonds made their undertakings to subscribe to Bonds with Warrants subject to the repurchase of 6,219,234 Warrants at an average unit price of EUR 1.45 by Central European Real Estate Management S.A., (“CEREM”), a limited liability company (“société anonyme”), incorporated under the laws of Luxembourg and a wholly-owned subsidiary of Orco Property Group S.A.. The Prospectus provided that these warrants purchased by CEREM would then be offered at a unit price of EUR 1.45 to less than one hundred managers and business partners of Orco Germany’s group. It was also provided in the Prospectus that in the event where all or part of these warrants were not purchased by these designated managers or business partners of Orco Germany’s group, the unsold warrants would be repurchased at a price of EUR 1.45 per warrant either by Orco Immobilien GmbH, a private limited liability company incorporated under the laws of Germany and an Orco Germany wholly owned subsidiary or by Orco Germany itself, in order to cancel the repurchased warrants.
On May 30, 2007, 148,077 five year bonds with 63 redeemable warrants attached to each bond were issued and subscribed by investors. Shortly thereafter, in accordance with the terms and conditions of the Prospectus, CEREM purchased from investors 6,219,234 warrants for a total consideration of EUR 9,017,889 and offered to managers and business partners of Orco Germany’s group the opportunity to purchase these warrants at a price of EUR 1.45 per warrant based on an allocation proposed following a resolution of the Board of Directors of Orco Germany.
As of March 29, 2010, date of approval of the accounts by the Board of Directors, Orco Germany has not been notified by CEREM about any potential unsold warrants. In consequence, the Management considers that neither Orco Germany nor Orco Immobilien GmbH have any remaining obligation to repurchase any such warrants from CEREM.

In February 2008, Orco Germany S.A. took over development projects in Kleinmachnow “Neue Hakeburg” and “Hochwald” by acquiring the majority in the companies Vivaro GmbH & Co. Grundbesitz KG and Vivaro GmbH & Co. Zweite Grundbesitz KG. The development projects have been initiated by members of the Board of Directors of Orco Germany S.A. The acquisition involves a net investment of approx. EUR 2 million on the basis of valuation report prepared by independent expert.

NOTE 19 - SUBSEQUENT EVENTS

In line with its strategy to dispose of non-strategic assets, the Company is under discussion with potential buyers for the sale of the properties Danziger Strasse 73-77, Kurfürstendamm 102 and Brunnenstrasse 27.

Declaration Letter
Annual Financial Reports
as at 31 December 2009

1.1 Persons responsible for the Annual Financial Report

- Mr. Rainer BORMANN, director of Orco Germany S.A., residing Sophie-Charlotte-Str. 20, D-14169 Berlin;

- Mr. Nicolas TOMMASINI, director of Orco Germany S.A., with professional address at 25 rue Balzac, F-75406 Paris Cedex 08.

Tel: +352 (0) 26 47 67 1
Fax: +352 (0) 26 47 67 67
Email: rbormann@orcogroup.com
ntommasini@orcogroup.com

Acting as directors of ORCO GERMANY S.A., *société anonyme*, with registered office at 40 Parc d'Activités Capellen L-8308 Capellen, RCS Luxembourg B 102254 (hereafter « ORCO GERMANY S.A. »).

1.2 Directors' responsibilities statements by the person responsible for Annual Financial Report

The directors confirm that, to the best of each person's knowledge:

(a) the consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of ORCO GERMANY S.A. and its subsidiaries included in the consolidation taken as a whole; and

(b) the Annual Management Report of the Board of Directors includes a fair review of the development and performance of the business and the position of ORCO GERMANY S.A. and its subsidiaries included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Approved by the Board of Directors and signed on its behalf by Mr. Rainer BORMANN and Mr. Nicolas TOMMASINI.

Rainer BORMANN	Nicolas TOMMASINI
Director	Director
ORCO GERMANY S.A	ORCO GERMANY S.A.
In Berlin, on 30 April 2010	In Paris, on 30 April 2010