Annual Management Report

2010

Orco Germany

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1. Group overview

1.1. Business and Group structure

1.1.1. Description of business model

Orco Germany S.A. (the "Company", and together with its subsidiaries, hereafter "the Group") 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 properties.

1.1.2. Group structure

Orco Germany S.A. is a real estate company that has its registered seat in the Grand-Duchy of Luxembourg and that is listed on the Prime Standard of the Regulated Market of Frankfurt Stock Exchange. The Orco Germany Group, which operates under the uniform registered trademark Orco Germany, has been pursuing its activities in Germany since 2004.

Orco Germany S.A. is a subsidiary of Orco Property Group. Established in 1991, Orco Property Group has its registered seat in the Grand-Duchy of Luxembourg and is listed on the Euronext Paris, Prague, Budapest and Warsaw stock exchanges. It operates primarily in the Czech Republic, Hungary, Poland, Russia, Croatia, the Slovak Republic and Germany.

Orco Germany was listed on the Open Market of the Frankfurt Stock Exchange in 2006. It was transferred to the Prime Standard of the Frankfurt Stock Exchange on 13 November 2007.

1.1.3. Group strategy

End of 2008, Orco Germany has started its transition from an expanding cash-requiring developer/investor active in most German regions into a Berlin focused positive cash flow-generating investor capable of seizing development opportunities. In 2009 the restructuring efforts initiated by the closing of branches were expanded to the headquarters and in 2010 to the core business of Orco-GSG. End of 2010, the organisation restructuring of the Group has been completed with the vertical integration of the company both:

- with its main subsidiary GSG on key execution functions such as operational finance, leasing, property management etc.
- with its mother company Orco Property Group for all corporate functions (finance, consolidation, legal, HR, etc.) and top management. With the departure of Rainer Bormann and most of the Group top management, the top management of Orco Germany is now located in Paris.

Going forward, the Group will focus on commercial investments with a geographic focus on Berlin where it enjoys a strong positioning. Additional services to tenants like the high-speed network and IT services "Hofnetz" have been fostered[1], thus producing additional income. Non-core assets, mainly residential apartment blocks, were disposed of, and opportunities, mainly in our key business park segment may now be seized based upon a case by case decision.

[1] by the year end 2010 already more than 980 tenants were using the possibilities the new "Hofnetz" is offering

1.2. Business segments

Asset Management

Asset Management 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 856,000 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 815,000 sqm of total lettable area. Orco Germany's total lettable area for commercial tenants amounts to 838,000 sqm. Other properties besides Gebauer Höfe, include smaller properties like Kudamm 102 or Invaliden Str. in Berlin.

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 activities have mainly been concentrated on the markets of Berlin and North Rhine-Westphalia. Development assets include Hüttenstr. in Dusseldorf, Elbloft plot in Hamburg, Hakeburg and Hochwald in Berlin.

Following ORCO Germany's decision to mainly focus on Asset Management, the Development business line has been progressively ran-down although opportunistic development chances will be seized in a case by case study.

2. Economic and Market environment

2.1. Economic environment

2.2. Relevant real estate market environment

Germany

Economy

The export economy recovered considerably, due to the recovery on worldwide demand. Furthermore the market signs indicate that the domestic demand is also on the upswing. The ifo (institute for economic research) business climate index, evaluating the business sentiment, rose slightly to 109.9 points in December 2010 (94.5 points in December 2009).

Berlin

Economy[2]

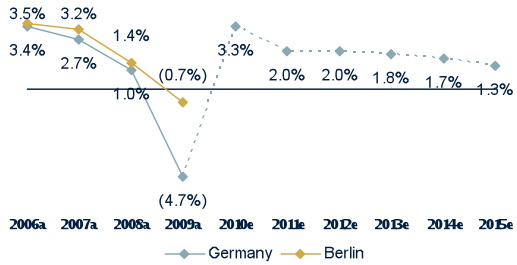
In its current economic report, Investitionsbank Berlin (IBB forecasts economic growth (after -0.7% in 2009) of 3.0% GDP in 2010) and assumes that Berlin's economic recovery will continue gather pace in 2011. Berlin was not only less affected from the worldwide downturn, but the Germany capital city is set to benefit from the strong Germany economic recovery. For the first time in some 15 years, the Berlin

[2] data taken from IBB: http://www.ibb.de

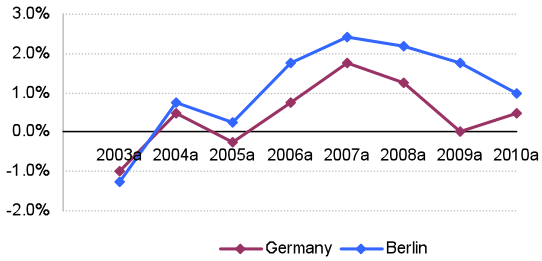
market seems to appear to investors as one of the most attractive markets in Europe across products: residential prices increase and the appetite of investors for commercial products has renewed[3].

Berlin outperformed Germany in the previous years both on GDP growth as on job creation.

GDP Growth Berlin vs. Germany[4]



Change in No. of employed Berlin vs. Germany



Office Market[5]

Take-up in the office-market area of Berlin in 2010 with 510,000 sqm, exceeds the respective previous year figure's by 24% or 100.000 sqm. Still, year-on-year, the vacancy rate increased by 0.3% to 9.8% or by 1.73 million sqm. The achievable prime rent in Berlin increased by 5% to €21.00 per sqm/month.

Prognosis

In 2011, the office market demand is expected to remain high while it may not reach the quite exceptional take-up level of 2010. However, the limited future office space supply and the reduced level of premium office space makes further increases in prime rents likely. The office vacancy rate is expected to slightly reduce.

ORCO Germany believes in the short, mid and long term attractiveness of Berlin to be enhanced by key infrastructural projects such as the opening of the new international airport in Schönefeld in 2012.

Dusseldorf[3]

Economy

In a context of strong Germany growth, the ifo business climate index for North Rhine-Westphalia has steadily improved.

Office Market

After very low levels in 2009, lettings in 2010 bounced back to 391,800 sqm, which means a rise of 77% compared to 2009. This figure includes the deal with Vodafone of approx. 86,000 sqm, announced shortly before Easter, which drove take-ups high above their normal level. Vacancy was 976,800 sqm in December 2010, which corresponds to a vacancy rate of 11.0%. Year-on-year the vacancy rate increased by 0.9%. The achievable prime rent in Düsseldorf remained at €23.00 per sqm/month.

[3] http://www.engelvoelkers.com/de/images/marktberichte/gewerbe/de/2010-2011/WGH-Berlin-2010-2011.pdf

[4] Statistics Authority Berlin-Brandenburg

[5] data taken from CB Richard Ellis: http://www.cbre.eu/de_de/research/research_publications

Prognosis

As in Berlin, the take-up in 2011 may reach the level of 2010. The tendency of rising vacancy rates may continue, despite a decreasing future supply. The prime rents are expected to remain stable at the current level and could rise in the long term.

Financial market environment[6]

The latest bank lending survey showed a slight easing of lending regulations for companies for the first time since the beginning of the financial crisis. The ifo credit constraint indicator pointed towards a clear easing in bank lendings for 2010. Nevertheless, it is expected that new financing deals for property investments will remain limited and that margins – particularly in the case of LTVs above the 60% mark – may spread slightly due to banks' equity capital requirements. Low interest rates will allow for borrowers to extend current loans with existing lenders, whilst refinancing by other banks might become difficult to achieve due to the increased equity capital requirements for new deals. In this context, it is expected to be challenging to be able to fully refinance the GSG loan by its maturity end April 2012.

3. Group earnings performance

3.1 The Stock of Orco Germany S.A. on 31 December 2010

ISIN	LU0251710041
Market Cap	24,385,666 € (31 December 2010)
Segment	Prime Standard
Number of shares	48,771,333
Stock Exchange	Frankfurt Stock Exchange
Free float	12.56%

[6] data taken from CB Richard Ellis: http://www.cbre.eu/de_de/research/research_publications

3.2. Key figures

	December 2010	December 2009	change (in k €)
Revenues (in k €)	150 898	72 018	78 880
Operating Result (in k €)	62 426	-69 680	132 106
Net Profit (in k €)	5 584	-105 442	111 026
Adjusted EBITDA (in k €)	32 555	18 628	13 927

	31 December 2010	31 December 2009	change (in k €)
Total Assets (in k €)	867 407	971 238	-103 831
Equity (in k €)	49 910	44 328	5 582
Liabilities (in k €)	817 497	926 910	-109 412

3.3. Overview of major events in 2010

The safeguard plan of Orco Germany's parent company Orco Property Group was approved on 19 May 2010 by the Commercial Court of Paris (*Tribunal de Commerce de Paris*). This decision puts an end to the observation period that began to the benefit of Orco Property Group on 25 March 2009. The safeguard procedure has allowed Orco Property Group, among others, to restructure its corporate bond debt. Orco Property Group's safeguard procedure had not been applicable to Orco Germany. As such, Orco Germany bond debt remains due in May 2012.

2010 ended for Orco Germany with a consolidated gain attributable to the Group of €5.6 million (€-105.5 million in 2009).The diluted earnings per share moved from €-2.16 (December 2009) to €0.11 in 2010. The main drivers for the improved performance consisted especially in fair value profits realized on Leipziger Platz (€+20.7) and on investment properties thanks to increasing rental revenues. The progress achieved on the disposal of non-strategic assets positively impacted profits whilst restructuring efforts stressed results.

Revenues increased by 109.5% to end up at €150.9 million. Mainly thanks to several asset sales conducted like the Healthcare portfolio, H2 Office and Ministergärten development revenues (sold in 2009 but fully closed in 2010) were boosted to €94.2 million (€ 78.3 million above 2009). The total Asset Management revenues increased from € 56.2 million to € 56.7 million. Although several non-strategic income producing assets were disposed of, GSG could compensate losses in rental income.

The adjusted EBITDA (Net gain or loss on fair value adjustments – Amortisation, impairments and provisions – Correction of costs of goods sold being the reversal of past non cash 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 or subsidiaries) increased by 75% in comparison to 2009 to end up at €32.6 million, mainly thanks to a positive margin on development sales and also improving GSG performance.

All investment properties and inventories were evaluated by the independent valuer DTZ as at 31 December 2010. The corresponding revaluation gains added up to €25.6 million.

The operating result (EBIT) increased by €132.1 million to €62.4 million (€-69.7 million in 2009) mainly thanks to:

- Changes in amortization, impairments and provisions (€3.9 million versus €-26.2 million in 2009)
- Fair value profits recognized on investment properties (€25.6 million versus €-54.9 million in 2009)

The announced plan to dispose €230 million non strategic, mainly non cash producing assets, is progressing according to plan. In 2010 the Group managed to sell and transfer 15 properties and two remaining residential units worth €151.5 million at non distressed prices. The total sales price exceeded the corresponding loans (€97.6 million) by €53.1 million. These non-strategic asset sales will help to further strengthen the Group's liquidity and back the Company's strategic refocussing.

In order to build a sustainable free cash flow producing business, the restructuring program was accelerated. Reorganisation, cost cutting and redundancies led to the closure of all branches outside of Berlin. In the short term, restructuring costs of approximately €2.0 million exceeded the expected mid term savings. By the year 2011 the initiated restructuring program is expected to provoke substantial savings boosting the company's profitability.

Asset / Project Closed Transactions	Date of Transfer	Sales price (million €)
Helberger	Q1/2010	11.0
Wasserstrasse	Q1/2010	8.2
Geneststrasse 6	Q1/2010	1.8
H2O	Q2/2010	32.8
Kurfürstendamm 103/104	Q2/2010	8.0
Lütticherstrasse 49	Q2/2010	1.0
Sewo (Oranienburg)	Q2/2010	11.7
Alpha (Rostock)	Q2/2010	9.9
Epsilon (Gütersloh)	Q2/2010	11.5
HC Trudering	Q2/2010	1.9
Max-Planck Straße	Q3/2010	5.5
Brunnenstraße 27	Q3/2010	1.7
Danzigerstrasse 73-77	Q3/2010	5.5
Cumberland	Q3/2010	28.7
Quaterwest (2 remaining residential units)	Q1/2010	1.2
Ministergärten	Q4/2010	11.1
Total		**151.5**

In line with Orco Germany's announcement to reduce debts and to strengthen its equity basis, the total amount of liabilities decreased by €109.4 million from €926.9 million (31 December 2009) to €817.5 million (31 December 2010). As at 31 December 2010, the non-current liabilities amounted to €538.0 million, the current liabilities amounted to €279.5 million, the liabilities held for sale amounted to € 66.0 million and the deferred tax liabilities amounted to €88.3 million.

The net gains realized in 2010 of €5.6 million increased ORCO Germany's equity from €44.3 million to €49.9 million.

3.4. Revenue

In 2010, revenues amounted to € 150.9 million compared to € 72.0 million in 2009, mainly driven by development revenues of €94.2 million, including € 85.8 million revenues from sales of non-strategic development projects, comprising among others the Health Care Portfolio, H2 Office and Ministergärten.

ORCO Germany's core business GSG did well in a challenging market and managed to increase rental revenues slightly up to €56.7 million.

3.4.1. Asset Management Segment

Orco Germany's leasing income increased from €56.2 million in 2009 to €56.7 million in 2010 based upon the increased rental income achieved by ORCO-GSG more than compensating the loss of rental income originated from the sale of non-strategic assets.

Orco-GSG with its 815,000 sqm of lettable area contributed €50.3 million to leasing income (compared to €47.6 million in 2009). Orco-GSG's leasing income increased by 5.7%. It generated an EPRA gross rental income of EUR 33.6 Million in 2010 to be compared with a potential ERV of EUR 42.7 Million.[7]

In 2010, ORCO-GSG managed to increase the occupancy rate by 1.0% to 77.2% and succeeded to elevate the average net rental income per sqm from €4.80 to €4.86. The net take-up in 2010 amounted to 7,606 sqm (sale of Geneststraße excluded; 55,118 sqm since take-over in July 2007) compared to 14,717 sqm recognized in 2009. A breakdown of the net leasing result shows that the overall economic difficulties translate in a decrease of new lettings compared to the same period last year (-10.084 sqm). This could almost be compensated by a better performance in retaining existing tenants (+2.973 sqm)

The western part of the portfolio is now close to full stabilized occupancy. The assets located in the eastern part of Berlin are suffering from a challenging market but represents the best upside potential of the portfolio.

It is then logical that in 2010, the region East proved top concerning net-take up with more than 8,000 sqm, followed by the region Middle-Southwest with approximately 2,800 sqm.

Two out of five top performers were from the region East. Top performer in 2010 was the asset Plauener Straße in Berlin-Lichtenberg with a net-take up as per 31st December 2010 of 3,214 sqm backed by ORCO GSG's efforts taken to foster letting of the eastern assets and to retain existing tenants. Amongst others an existing tenant running an online-shop for outdoor articles rented app. 1.470 sqm in addition. A young successful start-up business rented approximately 750 sqm, producing chocolate bars that the client has created on its own via internet. The occupancy rate for commercial space consequently increased from 41.6% (2009) to currently 47.8% (2010).

[7] In terms of EPRA standards, the GSG portfolio presents a specific maturity of lease profile. A significant part of the contracts do not include an expiry date and are short term contracts which are automatically renewed. We conservatively assumed an average length of lease of 1.5 years. The average dwell time is at 5.8 years.

Second best performing asset was Schwedenstraße in Berlin-Mitte with 2,709 sqm, ending up with an occupancy rate of 74.2% (2010) compared to 59.4% (2009). The major contribution to this progress was the 1,800 sqm commercial space rented to an educational training company.

The asset Wolfener Straße 36 in Berlin-Marzahn, region East contributed more than 2,400 sqm. The occupancy rate increased from 72.3% (2009) to 78.5% (2010). New tenants from a wide range of sectors were attracted to the modern multifunctional light industrial space. Amongst others, approximately 500 sqm were rented to a start-up company that has specialized in converting normal vehicles into disabled- and senior-friendly ones.

	2010				2009				2008	2007
	today 31.12.	30.09.	30.06.	31.03.	31.12.	30.09.	30.06.	31.03.	31.12.	Takeover 30.06.
Net commercial rents/sqm	4,86	4,85	4,82	4,82	4,80	4,78	4,76	4,72	4,66	4,49
Total occupancy rate (%)	77,2%	77,2%	77,1%	76,9%	76,2%	75,6%	75,1%	75,0%	74,6%	70,5%

3.4.2. Development Segment

Incline in line with strategy of disposing non strategic development projects

Development revenues increased from €15.8 million to €94.2 million in 2010 and were mainly composed of the sale of the Healthcare portfolio (leading to €40.5 million revenues), H2 Office in Duisburg (€32.8 million), Ministergärten in Berlin (€11.1 million) and rents recognized on development projects mainly Sky Office and H2 Office totalling €7.1 million. The sales conducted were in line with Orco Germany's strategy to dispose of non strategic development assets.

H2-Office, a modern architectural building consisting of 6 floor levels, is located in the most attractive office location in Duisburg, the inner harbour. 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. The sales price realised was €32.8 million generating a gain of € 3.8 million compared to DTZ valuation at € 29.0 million. The Company has an earn-out option for the leasing of further spaces of up to € 3 million related to the leasing performance achieved.

The Healthcare portfolio (Gütersloh, Rostock, Oranienburg, Trudering and one inventory holding company) was transferred in the first half year 2010 except the healthcare project Danzigerstrasse which was transferred in the third quarter 2010. The transaction volume for these assets amounted to €40.5 million (€1.9 m respectively 5.0% above DTZ Valuation at year end 2009) compared to bank liabilities of €27.0 million.

As at 31 December 2010 the development portfolio primarily includes the project Sky Office in Düsseldorf, where letting activities were enforced and with every new lease contract closed interior works for unrented spaces were gradually accomplished. As at 31 December 2010 the occupancy rate was 71% generating a gross rental income of € 6.9 million. The Company intends to dispose of Sky Office within 2011 once the occupancy rate of the building is further increased.

Regarding the remaining smaller assets Elboffice, Hüttenstrasse, Hakeburg, Hochwald and Kurfürstendamm several options are currently evaluated including the sales option.

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

The values appraised by the Group management with the support of the independent valuer DTZ on 31 December 2010 substantially improved on account of valuation gains recognized on Leipziger Platz based upon the expected sale to be finalized in the first quarter 2011.

Asset values improved by €80.5 million constituting in valuation profits of €25.6 million in December 2010 (€-54.9 million for December 2009). Fair value adjustments are related to those assets allocated in investment property.

Decisive revaluation profits were recorded especially on Leipziger Platz (€20.7 million), Gebauer Höfe (€1.1 million), Blücherstr. 22 (€1.7 million), Geneststr. 5-6 (€3.4 million), Lubarserstr. (€1.5 million), Schwedenstraße (€1.2 million) and Wolfenerstr. 32-34 (€2.7 million).

Pivotal revaluation losses were recorded primarily on Gustav Meyer Allee (€-4.5 million), Helmholzstraße (€-2.5 million), Reuchlinstraße (€-2.5 million), Wolfenerstraße 36 (€-1.6 million), Voltastraße (€-3.5 million) and Elb Office (€-0.8 million).

Taking the entire GSG portfolio as a whole, as of December 2010, the value was estimated to € 449.4 million (including € 0.9 million of landbank) compared to € 444.2 million as at December 2009 or € 442.5 million on a like for like basis taking into consideration the sale of Geneststrasse 6 during Q1 2010, valued at € 1.7 million end of 2009. The stability in the valuation of the portfolio on a year on year basis hides a marginal improvement of the portfolio fundamentals described above Management of GSG is now focusing its efforts on the Eastern assets of the portfolio where lies the better part of the growth potential of the portfolio. Management considers there is a substantial potential in value accretion with further improvements of occupancy, rent and costs control.

Ongoing development projects and properties under construction are allocated in inventories and valued at cost decreased by depreciation and impairment. They are not subject to fair value adjustments.

The 2010 impairments, amortisations and provisions (€3.9 million) mainly resulted from a write back on other current assets (€5.7 million) relating to a profit and loss transfer agreement with the Company Deutsche Annington, revaluation gains realized on Sky Office (€2.4 million) and were negatively influenced by effects on amortisations and provisions (€-4.2 million).

3.6 Adjusted EBITDA

In 2010 the adjusted EBITDA was €32.6 million, up 75% from €18.6 million in 2009 while revenues increased from €72.0 million to €150.9 million in 2010. It testifies the improving profitability of the Group. The two business lines of Orco Germany contributed as follows:

- The adjusted EBITDA of the asset management segment, mainly consisting of Orco-GSG, increased by 30% to €27.5 million compared to €21.2 million (December 2009). Other operating expenses 2010 were diluted by special effects and are expected to decrease in the mid term run thanks to restructuring measures taken.
- The adjusted EBITDA of the development segment rose to €5.0 million compared to €-2.6 million in 2009. The four health care properties transferred in the first three quarters of 2010 contributed € 3.0 million, the sale recognized on H2 Office €3.3 million and the sale of Ministergärten €1.9 million.

Orco Germany's strategic refocusing on the profitable Asset Management will lead to an EBITDA covering the interest expenses once the restructuring measures taken will show their full impact.

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.

In 2010, the methodology of segment reporting has been revised as follows:

- Costs from asset and development managements are allocated to the relevant business line, suppressing as a result any intra-segment transaction.
- In the context of simplification of the SPV's structure, some projects have been transferred to multi projects SPV's. As a result, the Group allocates the projects on the appropiate segment, whereas the allocation was previously done at the SPV level.

2009 comparatives have been represented on that basis.

3.7. Operating results

2010 closed with a positive operating result of €62.4 million vs. €-69.7 million in December 2009 reflecting fair value profits and improving EBITDA, emphasizing the positive dynamics of the Group and the market in which it operates.

The cumulated operating result 2010 was mainly composed of:

- Asset management revenues of €56.7 million in 2010 versus €56.2 million in 2009. H2 Office, the Health Care projects and Ministergärten were transferred and created sales revenues of €85.8 million while corresponding costs of goods sold amounted to €75.8 million.
- Fair value profits recognized on investment properties amounting to €25.6 million compared to €-54.9 million.
- Impairments, amortisation and provisions amounting to €+3.9 million in comparison to €-26.2 million as at December 2009 (mainly dedicated to Sky Office (€-15.0 million) and H2 Office (€-3.8 million)).
- Other operating income of €2.1 million (mainly resulting from cancellations of provisions especially on a legal settlement fixed (€0.9 million) and cancellations of provisions referring to former years (€ 1.1 million). Asset sales of 65.9 were conducted slightly above the level of the corresponding net book values of €65.5 million leading to €0.4 million profit.
- Staff costs totalling €-8.8 million as at December 2010 compared to €-9.5 million as at December 2009. The current period was effected by a provision (€-0.3 million) settled for further restructuring measures and severance payments of €-0.5 million. After the finalization of the restructuring measures the sustainable staff costs are expected to strongly decrease.
- Other operating expenses increased from €-30.8 million in 2009 to €-34.7 million in 2010. One-off charges (€-5 million) led to higher operating expenses exceeding savings achieved by the restructuring process.

	December 2010 (k€)	December 2009 (k€)	Deviation (k€)
Communication and IT Maintenance	- 723	- 876	153
Insurance	- 960	-1 134	174
Cars expenses and car leases	- 103	- 102	- 1
Travel Expenses and representation costs	- 141	- 152	12
Advertising and Marketing	- 617	-2 112	1 495
Administration Costs	-1 644	-2 573	929
Other operating expenses	- 111	- 586	475
recurring operating expenses	**-4 298**	**-7 535**	**3 237**
Leases and rents	-1 193	- 933	- 260
Building Maintenance	-3 671	-2 487	-1 183
Commissions, fees, consultancy, audit	-6 009	-4 036	-1 972
Taxes other than income tax	-5 192	-3 014	-2 178
Utilities Supplies	-14 305	-12 784	-1 521
expenses influenced by special effects	**-30 369**	**-23 255**	**-7 114**
Total other operating expenses	**-34 667**	**-30 790**	**-3 877**

The €5 million one-off charges are detailed as follows :

- Leasing and rents: Releases of provision in 2009 for the closing of the branch in Essen of €0.3 million. The full impact of branch closures will substantially reduce the operating expenses within the next few years.
- Commission, fees, consultancy: One off effects for the engagement of corporate consultants accompanying the restructuring process (€1.3 million) and legal advisory costs linked to asset sales and headquarter restructuring (€0.7 million).
- Administration costs: For the first time asset and property management services to tenants on Sky Office resulted in additional costs of approximately € 0.6 million.
- Taxes other than income taxes: Subsequent claim for VAT regarding 2007 of € 0.6 million and the establishment of provisions (€ 0.4 million) regarding pending claims for further VAT payments for 2007.
- Utilities supplies: In 2010 the utility costs for Sky Office, planned to be sold in 2011, overcompensated the utility costs for 2009 by €1.1 million based upon higher occupancy of the building.

3.8. Financial result

In the fiscal year 2010 the net financial result amounted to €-45.4 million compared to €-45.5 million in 2009.

The financial result comprised interest expenses of €-41.0 million (versus €-35.6 million in December 2009) and constant interest income of €0.4 million. In 2009 interest expenses were positively impacted by the capitalization of interests on Sky Office during its construction phase (€5.1 million) and H2 Office (€1.0 million). The interest expenses 2010 were reduced by asset sales conducted (€0.7 million) and were lower than in 2009 excluding the effect on the capitalization of interest expenses in 2009.

The amount of bank loans was mainly reduced by repayments of loans conducted on assets sold (€97.6 million).

The other net financial results amounted to €-4.8 million (vs. €-10.3 million in December 2009) and was mainly driven by:

- Financial charges of €-3.3 million (vs. €2.8 million in 2009) mainly composed of costs for cancellation of swaps on Ku´damm 103 and Brunnenstr. 25 (€1.5 million) and equity bridge renegotiation fees charged mainly for Sky Office (€1.0 million) and H2 Office (€0.3 million).
- Losse on trading investments (€-1.6 million) mainly caused by the revaluation of embedded derivative on bonds €-10.7 million and interest rate derivatives €9.8 million (i.e. swaps/collars/caps).

In 2009, the other net financial result was severely affected by losses on trading investments (€-6.7 million) due to decreasing interest rates.

In 2010 the cost of debt after hedging amounted to 4.72%. Excluding the bond, the cost of debt (after hedging) were 4.28%. Variable loans accounted for 87% of which 82% were hedged against interest rates changes through derivative instruments, i.e. cap, collar and swaps.

The net interest expenses over 2010 amounted to €41.0 million to be compared to a total adjusted EBITDA of €32.6 million. It is a management priority to achieve a full coverage of interest expenses by adjusted EBITDA once the initiated restructuring measures show their full impact.

Most of the loans of Orco Germany were hedged in a phase of high interests. These loans, especially the loan for GSG, will expire in the upcoming years. Orco Germany expects to conclude a new loan agreement on a lower interest level, which will support interest coverage by the adjusted EBITDA.

3.9. Tax

Total income taxes amounted to €-11.4 million compared to €+9.7 million in December 2009. In 2010, current income taxes of €-0.1 million were compensated by deferred tax expenses of €-11.3 million.

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

3.10. Net result

The consolidated result of €5.6 million in 2010 increased by €111.0 million from €-105.4 million in December 2009.

3.11. Outlook 2011

In 2011, the Group plans to continue non strategic asset disposals, such as for example Invalidenstrasse or Brunnenstrasse and may also dispose of non strategic GSG assets (e.g. Residential-only asset).

The Group is also working on the redevelopment of its existing assets, like Gebauer Höfe or GSG plots like Lübarserstrasse, or Helmholtzstrasse. A decision on whether to sell or develop leveraged development assets like Hüttenstrasse, Hakeburg or Hochwald shall be taken during the first half of the year.

After two years of major restructuring, GSG shall continue its transformation into an ‘asset management’ platform, extracting more value from the properties it manages.

Besides the corporate bond due in May 2012, the financial priority for the year remains the refinancing of the € 300 million loan on GSG, maturing in April 2012, which remains challenging in the current conservative context among banks.

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 2010.

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 € 150.5 million leading to a reduction in debt.

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 2010, amounted to € 96.8 million versus € 87.3 million as at 31 December 2009. The NAV per share amounted to € 1.98 (versus € 1.79 in 2009).

Net Asset Value (in k €)		
	31 December 2010	31 December 2009
Equity attributable to owners of the Company	**49.877**	**44.283**
Fair value adjustments on hotels and own occupied buildings	554	167
Fair value adjustments on inventories	0	3.934
Deferred taxes on revaluations	89.651	82.270
Goodwills	-43.285	-43.285
Own equity instruments	0	-24
Net asset value	**96.797**	**87.345**
Net asset value per share	**1,98**	**1,79**
Existing shares	48.771.333	48.771.333

In comparison to 2009 the NAV increased by 10.6 % from € 1.79 to € 1.98 especially thanks to the Group's increased net result.

4.3. Assets and resources

The total assets of ORCO Germany as at 31 December 2010 amounted to € 867.4 million compared to € 971.2 million as at 31 December 2009. Mainly due to sold investment properties, the assets decreased by 10.7%.

The investment property as the most important non-current asset was valued as at 31 December 2010 at € 508.2 million (versus € 633.3 million in December 2009). In 2010, ORCO Germany invested € 8.2 million in investment property (versus € 3.6 million in 2009), desinvested € 46.2 million (versus € 44.4 million in 2009). The

revaluation of investment property resulted in an increase in investment property of € 25.6 million (versus decrease by € 54.9 million in 2009).

Inventories are the most important current asset and are valued at 31 December 2010 at € 142.3 million (versus € 216.3 million in 2009). This variation mainly stems from sales like of Ministergärten (€ 9.2 million), H2 Office (€ 29.5 million), Gütersloh (€ 10.3 million), Rostock/Tschaikowskistrasse (€ 8.7 million) and Oranienburg (€10.6 million). Impairments on inventories have been calculated on the basis of the valuation by DTZ, they amounted to a net amount of €+ 2.1 million.

4.4. Equity and debt

As at 31 December 2010 ORCO Germany has an equity of € 49.9 million (versus € 44.3 million in 2009), thereof € 49.9 million were attributable to the owners of the Company. The increase in equity was caused by the positive net result, mainly driven by revaluation gains.

The liabilities as at 31 December 2010 amounted to € 817.5 million compared to € 926.9 million as at 31 December 2009. The portion of non-current liabilities (i.e. with a maturity longer than 1 year) increased from 59.2% at year-end 2009 to 65.8 % at year-end 2010 due to the sales of assets. The current liabilities (< 1 year) amounted to €279.5 million. The total amount of financial debt (incl. financial debts, bonds and held for sale activities) decreased since December 2009 from € 719.1 million to € 620.6 million of which bank loans amounted to € 526.4 million (versus € 628.7 million in 2009). This drop was mainly related to the progress achieved on ORCO Germany´s non-strategic asset disposal program. Assets sales allowed repaying related bank loans of € 97.6 million.

Loan redemption in 2010	amount (in million €)
Brunnenstraße 27	1,1
Cumberland (NL Berlin)	20,0
Danziger Straße 73-77	5,5
GSG	1,1
H²Office	24,2
Helberger (NL Frankfurt)	8,5
Kurfürstendamm 103-104	4,8
Lütticher Straße 49	0,9
Max-Planck-Str. 24	3,0
Wasserstraße 6a,7,8	7,0
Tschaikowskistr. 33, Rostock	6,9
Bernauer Str., Oranienburg	7,0
Neuenkirchener Str. 85, Gütersloh	7,6
Total	**97,6**

Loans expiring in 2011	
Hakeburg	1,3
Hochwald	0,8
Leipziger Platz (senior loan)	56,0
Leipziger Platz (junior loan)	10,0
Skyoffice	94,7
Total	**162,8**

Leipziger Platz is already repaid at 01 February 2011

4.5. LTV

The loan to value ratio reached 79.0% as at 31 December 2010 and fell below the LTV of December 2009 by 0.8 points. Management acknowledges that such ratio reflects some continuing 'overleverage' of the Group and presents substantial refinancing risks. It is a management priority to continue reducing its LTV ratio over the coming quarters by improving profitability, and raising values on the one hand, and reinforcing its equity basis, possibly through increases of capital, on the other hand.

Loan to Value (in k €)		31 December 2010	31 December 2009
Non current liabilities			
	Financial debts	325 776	360 890
Current liabilities			
	Financial debts	134 602	252 383
	Liabilities linked to assets held for sale	66 000	15 474
Current assets			
	Current financial assets	- 30	- 29
	Cash and cash equivalents	-17 939	-22 494
Net debt		**508 409**	**606 224**
	Investment property	508 158	633 257
	Owner-occupied buildings	2 338	2 362
	Financial assets at fair value through profit or loss	214	249
	Inventories	142 276	216 317
	Assets held for sale	112 674	19 360
	Revaluation gains on projects and properties	554	4 101
Fair value of portfolio		**766 214**	**875 646**
Loan to value before bonds		**66,4%**	**69,2%**
	Bonds	94 192	90 374
	Accrued interests on bonds	2 328	2 330
Loan to value		**79,0%**	**79,8%**

5. Annual Statutory financial status

As of December 2010 the total assets of the Group mother company, Orco Germany S.A amounted to € 172.6 million compared to € 190.8 million as of December 2009. As of December 2010 the Company is presenting a negative net asset position amounting to € 7.3 million including a loss brought forward of € 158.2 million vs a positive net asset position amounting to € 26.4 million as of December 2009. Therefore, under the requirements of Article 100 of the Luxembourg law dated 19 August 1915 as amended, the Board of Directors need to submit to the General Meeting of Shareholders the possible dissolution of the Company.

For the year 2010, the Company reports a loss of € 33.7 Million mainly due to € 30.5 Million of other interest payable and similar charges, compared to a loss of € 106.9 million for the year 2009. One of the major elements leading to the recognition of such loss in 2010 is the need to accrue a provision of € 25.0 Million for the repayment premium linked to the bonds to be repaid or refinanced in April 2012.

6. Other reporting requirements

6.1. Subsequent closing events

On 1 February 2011, ORCO Immobilien GmbH, a subsidiary of ORCO Germany S.A., closed the sale of ORCO Leipziger Platz GmbH, holding the Wertheim project on Leipziger Platz in Berlin valued as at December 2009 by DTZ at € 84 million. The net sales price amounts to € 89 million, plus an additional payment of € 30 million payable after finalizing of the project.

On 15 March 2011, Viterra Baupartner GmbH, an indirect subsidiary of the Company, declared having acquired 1,900,000 shares of the Company or 3.89% of total voting rights, together with 1,150,000 warrants of the Company (potentially giving access to 2.36% of the Company) (see Note 28 Events after balance sheet date of the consolidated financial statements).

6.2. 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.

6.3. Management / Board of Directors

Management of the Company

The Board of Directors of Orco Germany S.A. held a meeting on 11 November 2010 in Paris and resolved to elect a new management of the Company.

The Board of Directors appointed Mr. Jean-Francois Ott as CEO of Orco Germany S.A., Mr. Nicolas Tommasini as Deputy CEO and Mr. Brad Taylor as Director of Corporate and Legal Affairs of Orco Germany S.A. The change of the top management was a consequence of management restructuring and departure of Rainer Bormann, former CEO, not renewing his contract.

Mr. Ott, Mr. Tommasini and Mr. Taylor are based in Paris, and they form top management and the executive committee of the Company.

Board of Directors of the Company

As of 31 December 2010, the Board of Directors consisted of the following 6 members:

- Ott&Co S.A., represented by Jean-Francois Ott
- Brad Taylor
- Ulf Pleschiutschnig
- Ales Vobruba
- Rainer Bormann, resigned on 31January 2011
- Nicolas Tommasini

6.4. Directors' compensation

See Note 25 of the consolidated financial statements.

6.5. Other information

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

7. Shareholding

7.1. Share capital

Share capital as at 31 December 2010 amounted to € 60,964,166 represented by 48,771,333 shares without designation of a nominal value (accounting par value of € 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 2010 and 2009 no changes in capital took place.

To the best knowledge of the Company the capital ownership of ORCO Germany as at 31 December 2010 is as follows (one share giving the right to one vote):

Shareholders	Number of Shares	% of capital	% of voting rights
Orco Property Group S.A	28,746,544	58.94%	58.94%
MSREF V Turtle B.V.	14,100,000	28.91%	28.91%
Kraaft S.A.	2,235,203	4.58%	4.58%
Other	3,689,586	7.57%	7.98%
Total	48,771,333	100.0%	100.0%

On 15 March 2011, Viterra Baupartner GmbH, an indirect subsidiary of the Company, declared having acquired from Kraaft S.A. 1.900.000 shares of the Company or 3.89% of total voting rights, together with 1.150.000 warrants of the Company (potentially giving access to 2.36% of the Company).

To the best knowledge of the Company, as at 31 December 2010, no shareholder holds more than 10% of the share capital of Orco Germany S.A. except Orco Property Group and MSREF V Turtle B.V.

As at 31 December 2010, 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 €10 million more per each individual transaction.

7.2. 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 €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.

7.3. Authorised capital

The corporate share capital may be increased from its present amount to € 173,647,722.5, 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. For the terms and conditions of the authorized capital please refer to the Company's articles of association.

7.4. Treasury shares

As at 31 December 2010 the Company does not hold any of its own shares (none held as at 31 December 2009).

On 15 March 2011, Viterra Baupartner GmbH, an indirect subsidiary of the Company, declared having acquired from Kraaft S.A. 1.900.000 shares of the Company or 3.89% of total voting rights, together with 1.150.000 warrants of the Company (potentially giving access to 2.36% of the Company).

8. 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

Declaration Letter
Annual Financial Reports
as at 31 December 2010

1.1 Person responsible for the Annual Financial Report

- Mr. Jean François OTT, director of Orco GERMANY, with professional address at 25 rue Balzac, F-75406 Paris Cedex 08;
- Mr. Nicolas TOMMASINI, director of Orco GERMANY, with professional address at 25 rue Balzac, F-75406 Paris Cedex 08.

Tel: +33 (0) 1 40 67 67 05
Fax: +33 (0) 1 40 67 67 01
Email:

Acting as directors of ORCO GERMANY S.A., *société anonyme*, with registered office at Parc d'Activités Capellen, 40 L-8308 Capellen, RCS Luxembourg B 102.254 (« ORCO GERMANY »).

1.2 Declaration by the person responsible for Annual Financial Report

We, Jean-François OTT and Mr. Nicolas TOMMASINI, declare that, to the best of our knowledge, 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 and its subsidiaries included in the consolidation taken as a whole and that the management report includes a fair review of the development and performance of the business and the position of ORCO GREMANY 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. Jean-François OTT and Mr. Nicolas TOMMASINI.

Paris, April 1st, 2011

Jean-François OTT
Director
ORCO GERMANY

Nicolas TOMMASINI
Director
ORCO GERMANY

ORCO GERMANY S.A.

Société anonyme

Consolidated financial statements

For the year ended 31 December 2010

Orco Germany's Board of Directors has approved on 23 March 2011 the consolidated financial statements for 2010. 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	December 2010	December 2009
Revenue	5	**150,898**	**72,018**
Net gain /(loss) from fair value adjustments on investment property	8	25,561	-54,907
Other operating income		2,096	933
Net result on disposal of assets	8, 10, 13	370	-1,563
Cost of goods sold	12	-77,009	-19,756
Employee benefits	19.1	-8,756	-9,456
Amortisation, impairments and provisions	9, 12, 19.2	3,933	-26,160
Other operating expenses	19.1	-34,667	-30,789
Operating result		**62,426**	**-69,680**
Interest expenses	15	-41,018	-35,578
Interest income	15	365	446
Other net financial results	20	-4,789	-10,343
Financial result		**-45,442**	**-45,475**
Profit/(loss) before income taxes		**16,984**	**-115,155**
Income taxes	18	-11,400	9,713
Net profit/(loss) for the year		**5,584**	**-105,442**
Total profit/(loss) attributable to:			
non controlling interests		-12	40
owners of the Company		**5,596**	**-105,482**
Basic earnings per share (in EUR)	21	0.11	-2.16
Diluted earnings per share (in EUR)	21	0.11	-2.16

Consolidated statement of comprehensive income

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

	Year ended 31 December	
	2010	**2009**
Profit /(Loss) for the year:	**5,584**	**-105,442**
Other comprehensive income		
Currency translation differences	-2	1
Total comprehensive income for the year	**5,582**	**-105,441**
Total comprehensive income attributable to:		
- owners of the Company	5,594	-105,481
- non controlling interests	-12	40

Consolidated balance sheet

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

Assets	Note	31 December 2010	31 December 2009
NON-CURRENT ASSETS		**562,790**	**689,764**
Intangible assets	7	**50,528**	**50,672**
Investment property	8	**508,158**	**633,257**
Property, plant and equipment		**3,890**	**5,205**
Owner-occupied buildings	9	2,338	2,362
Fixtures and fittings	11	1,552	2,843
Financial assets at fair value through profit or loss		**214**	**249**
Deferred tax assets	18	**-**	**381**
CURRENT ASSETS		**304,617**	**281,474**
Inventories	12	142,276	216,317
Trade receivables		11,120	10,997
Other current assets		20,578	12,246
Derivative instruments	15	-	31
Current financial assets		30	29
Cash and cash equivalents	14	17,939	22,494
Assets held for sale	8, 9, 10	112,674	19,360
TOTAL		**867,407**	**971,238**

Equity and liabilities		31 December 2010	31 December 2009
EQUITY		**49,910**	**44,328**
Equity attributable to owners of the Company	22	**49,877**	**44,283**
Non controlling interests		**33**	**45**
LIABILITIES		**817,497**	**926,910**
Non-current liabilities		**538,025**	**548,554**
Bonds	15	94,192	90,374
Financial debts	15	325,776	360,890
Provisions & other long term liabilities	16	10,394	10,421
Derivative instruments	15	19,323	8,587
Deferred tax liabilities	18	88,340	78,282
Current liabilities		**279,472**	**378,356**
Financial debts	15, 17	134,602	252,383
Trade payables	17	2,629	10,737
Advance payments	17	17,590	27,477
Derivative instruments	15	18,668	28,514
Other current liabilities	17	39,983	43,771
Liabilities linked to assets held for sale	10, 17	66,000	15,474
TOTAL		**867,407**	**971,238**

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 31 December 2008	**60,964**	**123,658**	**4**	**-34,862**	**149,764**	**5**	**149,769**
Translation differences			1		1		1
Loss of the year				-105,482	-105,482	40	-105,442
Total comprehensive income			1	-105,482	-105,481	40	-105,441
Balance at 31 December 2009	**60,964**	**123,658**	**5**	**-140,344**	**44,283**	**45**	**44,328**
Translation differences			-2		-2		-2
Profit of the year				5,596	5,596	-12	5,584
Total comprehensive income			-2	5,596	5,594	-12	5,582
Balance at 31 December 2010	**60,964**	**123,658**	**3**	**-134,748**	**49,877**	**33**	**49,910**

Consolidated cash flow statement

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

	31 December 2010	31 December 2009
Operating result	**62,426**	**-69,680**
Net (gain) /loss from fair value adjustments on investment property	-25,561	54,907
Amortisation, impairments and provisions	-3,933	26,160
Net result on disposal of assets	-370	1,561
Adjusted operating profit	**32,562**	**12,948**
Financial result	13	5
Income tax paid	1,010	-3,949
Financial result and income taxes paid	**1,023**	**-3,944**
Changes in operating assets and liabilities	**44,283**	**-47,827**
NET CASH FROM/ (USED IN) OPERATING ACTIVITIES	**77,868**	**-38,823**
Capital expenditures and tangible assets acquisitions	-8,208	-5,576
Proceeds from sales of non current tangible assets	65,903	42,832
Purchase of intangible assets	-	-59
NET CASH FROM INVESTING ACTIVITIES	**57,695**	**37,197**
Proceeds from borrowings	146	65,734
Repayments of borrowings	-103,035	-35,296
Net interest paid	-37,231	-40,958
NET CASH USED IN FINANCING ACTIVITIES	**-140,120**	**-10,520**
NET DECREASE IN CASH	**-4,557**	**-12,146**
Cash and cash equivalents at the beginning of the year	22,494	34,639
Exchange difference on cash and cash equivalents	2	1
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**17,939**	**22,494**

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 2010, the Company is 58.94% owned by Orco Property Group S.A. ("OPG"), Luxembourg, and its shares are listed on the Prime Market of Frankfurt stock exchange.

The parent company, OPG, 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 23 March 2011.

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 Basis of preparation - 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, defined by the Board of Directors as the 12 months period after the balance sheet date. In general, the situation is comparable to the one described in the 2009 consolidated financial statements and the economic environment in which the Group operates has stabilized. The Group has made progress in the implementation of its restructuring plans allowing the same conclusion on the going concern.

2.1.1.1 2010 results

As at 31 December 2010, the Group made a profit of EUR 5.6 million (EUR 5.6 million attributable to the Group). The diluted loss per share moved from EUR 2.16 in 2009 to a profit of EUR 0.11 for the year 2010. 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 improved from 79.8% as at 31 December 2009 to 79.0% as at 31 December 2010. Revenues increased by 109.5% to end up at EUR 150.9 million, mainly due to the combined sales of the Healthcare portfolio and H2 Office, which boosted development revenues to EUR 94.2 million (a EUR 78.4 million increase vs 2009). The total rental revenues increased from EUR 56.2 million to EUR 56.7 million.

As at December 31, 2010, the Company presents cumulated losses exceeding more than 75% of the corporate capital. The Board of Directors need to submit to the General Meeting of Shareholders the possible dissolution of the Company as prescribed by Article 100 of the Luxembourg Law on Commercial Companies

2.1.1.2 "Procedure de Sauvergarde" of the parent Company "OPG"

Beginning of 2009, the Board of Directors of Orco Property Group S.A. („OPG"), 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 OPG, and Vinohrady S.à.r.l., a French subsidiary of OPG, for a renewable six months period. Since then, the initial period has been prolonged twice till 19 May 2010. On 19 May 2010, the Court approved the OPG's Safeguard plan. This plan combines a strategic and operational restructuring plan and a debt rescheduling plan. The rescheduling plan aims at repaying 100% of the admitted claims, including nominal, accrued interests, and interests to accrue during the Safeguard plan, over ten years as per the schedule below, with effect from 30 April 2010 and a first repayment on 30 April 2011. This repayment schedule is consistent with the OPG's business plan and reflects the necessity for the mother company to invest in its development projects and assets.

Year	2011	2012	2013	2014	2015
% of the total liability	2%	5%	5%	5%	5%

Year	2016	2017	2018	2019	2020
% of the total liability	5%	10%	14%	20%	29%

The Court appointed Maître Laurent le Guernevé as "Commissaire à l'exécution du plan" in charge of overseeing the performance of OPG in implementing the Safeguard plan. Maître Le Guernevé will more specifically be in charge of distributing among OPG's creditors the amounts that are due to them under the Safeguard plan.

The judgment approving the Safeguard plan ended the observation period opened in 25 March 2009 and allows the Company to carry out its activity as it did prior to the opening of the Safeguard Procedure.

On 10 June 2010, a third party filed an opposition with the Commercial Court of Paris regarding the 19 May 2010 judgment that approved the OPG's Safeguard plan. This third party opposition was filed by Maître François Kopf, attorney for bondholder representative for the « OBSAR 2010 » (ISIN FR0010249599), « CONVERTIBLE 2013 » (ISIN FR0010333302), and « OBSAR 2014 » (ISIN XS0291838992 and XS029184062). Regarding these three bonds, the third party opposition contests the maximum bond liability to be reimbursed within the Safeguard plan. The Court hearing was deferred until May 2011.

A cancellation of the OPG's Safeguard plan could in the worst case scenario (whose occurance probablity is estimated as low by OPG management) lead to a liquidation of OPG and a request for early redemption of the loan granted to the Company.

2.1.1.3 Restructuring plan of the Group

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, restoring of the global loan to value ratio at an affordable level. Therefore, the necessary actions to return to the Group to profit have to be 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 the Group's strategy to dispose of non strategic assets and focus on commercial properties, asset sales were closed with for total consideration of EUR 66.0 million leading to a reduction of EUR 46.4 million in debt and an improvement in liquidity during the year 2010.

In order to build a sustainable free cash flow producing business the ambitious restructuring program was accelerated. Reorganisation, cost cutting and redundancies led to the closure of all branches outside of Berlin, to the savings of headquarter costs as well as to efficiency gains in our core business Orco-GSG.

In line with Orco Germany's intention to reduce debts and to strengthen its equity basis, the total amount of liabilities decreased by EUR 109.4 million to EUR 817.5 million during the year.

2.1.1.4 Disposal of assets in 2011

The land plot at Leipziger Platz embodies the last undeveloped piece of land at the gateway between east and west in the very centre of Berlin, in the immediate vicinity of the Brandenburg Gate. The Group has owned this 2ha site since 2007, when it was purchased for EUR 75.0 Million and valued as at December 2010 by DTZ at EUR 112.7 Million.

In November 2010, ORCO Germany confirmed that it would sell the project to High Gain House Investments GmbH (HGHI), a local developer, while remaining involved in the development of the plot into a mixed project made of a shopping centre, offices and residential units for a total of 72,600 sqm NLA. On 31 January 2011, the transaction has been closed for a net sales price of EUR 89 Million (for the first three instalments), plus an additional payment of EUR 30 Million payable after finalization of the project.

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

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 Berlin could damage the Group's activity and slow down the asset sales program. It should be noted that this environment has generally been improved over the last 12 months, which is reflected in the stable fair value on the GSG assets over the year 2010 and the amount of asset sales closed.

At the end of December 2010, short-term borrowings (<1 year) are still significant and amounted to EUR 200.6 million (mainly Sky Office EUR 95 million, Wertheim EUR 66 million and GebauerHöfe EUR 29 million).

The priority for the Management is to complete the sales of mature projects like Sky Office in Düsseldorf in order to repay the bank debts maturing in 2011.

On the mid-term run, the key elements of the going concern will be the refinancing of the EUR 100 million nominal corporate bond and the EUR 300 million loan for GSG both with maturity date in May 2012 and in April 2012, respectively. The Management is looking at the best alternatives in order to refinance these debts in order to ensure the going concern of the Company on a long term basis.

The Board of Directors is in the opinion that those risks are mitigated by the reasonability of the assumptions taken in the establishment of the business plan and the expected capital increase to be completed by the shareholders, including Orco Property Group S.A. and MSREF V Turtle B.V.

2.1.1.6 Conclusion

The Board of Directors has, as a result of the restructuring in progress, concluded that there is a reasonable expectation that the Company can continue its operations in the foreseeable future and, accordingly, has formed a judgment that it is appropriate to prepare the consolidated financial statements as at 31 December 2010 on 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 definition of start of development, the classification of net interests paid in the cash flow statement and for the application of the revised and new standards and interpretations applied as from 1 January 2010 as described below.

In order to reflect in the accounting policies the new strategic development approach, the definition of the start of development for the purpose of the transfer of land bank to inventories has been expanded (see point 2.6). Where, in the previous accounting policies, the start of development was only referring the construction business with a transfer when the project design is definitive, the building permit is granted and the start of the construction has been validated by the Investment Committee, the new accounting policy addresses also the case of a land development with a view to totally or partially sell the parcels in the ordinary course of activities defining the start of the development to be the moment at which the Group has obtained official support from state or city authorities in order to start working on the master plan modification. This change has been applied retrospectively and does not affect prior years nor the current year.

Due to the restructuring plan and in order to reflect the financing of the projects, the net interests paid have been disclosed in the cash flow statement in financing activities. This change has been applied retrospectively. An amount of EUR 37.2 million has been reclassified from investing activities to financing activities in 2010 (EUR 41.0 in 2009).

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2010:

The following amendments have been early adopted by the Group in 2009:

- 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 2010 but are not relevant or have a very limited impact to the Group's operations:

- IFRIC 17, 'Distributions of non-cash assets to owners', effective for annual periods beginning on or after 1 July 2009.
  This is not currently applicable to the Group, as it has not made any non-cash distributions.

- IFRIC 18, 'Transfers of assets from customers', effective for transfer of assets received on or after 1 July 2009. This is not relevant to the Group, as it has not received any assets from customers.
- 'An additional exemption for first-time adopters' (Amendment to IFRS 1) was issued in July 2009. The amendments are required to be applied for annual periods beginning on or after 1 January 2010. This is not relevant to the Group, as it is an existing IFRS preparer.
- Improvements to International Financial Reporting Standards 2009 were issued in April 2009. The effective dates vary standard by standard but most are effective 1 January 2010.
- IFRIC 9, 'Reassessment of embeded derivatives and IAS 39, Financial instruments: recognition and measurement', effective 1 July 2009. This is not relevant to the Group as the Group did not have any hybrid financial assets.
- IAS 1 (amendment), 'Presentation of financial statements' - effective from 1 January 2010;
- 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 2 (amendment), 'Group cash-settled share-based payment transactions' – effective from 1 January 2010;
- IFRS 5 (amendment), 'Non-current assets held for sale and discontinued operations' – effective from 1 July 2009;
- IFRIC 16, 'Hedges of a net investment in a foreign operation', effective 1 July 2009;
- IAS 36 (amendment), 'Impairment of assets', effective 1 January 2010.

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 2011 or later periods, but the Group has not early adopted them:

- IFRS 9, 'Financial instruments', issued in November 2009. This standard is the first step in the process to replace IAS 39, 'Financial instruments: recognition and measurement'. IFRS 9 introduces new requirements for classifying and measuring financial assets and is likely to affect the Group's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. However, the standard has not yet been endorsed by the EU.
- IAS 24 (revised), 'Related party disclosures', issued in November 2009. It supersedes IAS 24, 'Related party disclosures', issued in 2003. IAS 24 (revised) is mandatory for periods beginning on or after 1 January 2011. Earlier application, in whole or in part, is permitted. However, the standard has not yet been endorsed by the EU.
- 'Classification of rights issues' (Amendment to IAS 32), issued in October 2009. The amendment applies to annual periods beginning on or after 1 February 2010. Earlier application is permitted. The amendment addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities. The amendment applies retrospectively in accordance with IAS 8 'accounting policies, changes in accounting estimates and errors'. The group will apply the amendments standard from 1 January 2011.
- IFRIC 19, 'Extinguishing financial liabilities with equity instruments', effective 1 July 2010. The interpretation clarifies the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability (debt for equity swap). It requires a gain or loss to be recognized in profit and loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. If the fair value of the equity instruments issued. If the fair value of the equity instruments cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished. The Group will apply the interpretation from 1 January 2011, subject to endorsement by the EU. It is not expected to have any impact on the Group or the parent entity's financial statements.
- 'Prepayments of a minimum funding requirement' (Amendments to IFRIC 14). The amendments correct an unintended consequence of IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendments, entities are not permitted to recognise as an asset some voluntary prepayments for minimum funding contributions. This was not intended when IFRIC 14 was issued, and the amendments correct this. The amendments are effective for annual periods beginning 1 January 2011. Earlier application is permitted. The amendments should be applied retrospectively to the earliest comparative period presented.

Improvements to International Financial Reporting Standards 2010 were issued in May 2010. Amendments this year affect six standards and one IFRIC: IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 27, IAS 34 and IFRIC 13. The amendments are generally applicable for annual periods beginning after 1 January 2011. Early application is permitted.

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 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 of the Group.

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 functional currency of all Group's entities is euro. 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 consolidated 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 under "Net gain/(loss) from fair value adjustment on investment property".

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 specified at the acquisition date are classified under Investment property as land bank. The specific destination (if any) is to be determined by the investment committee approving the acquisition. The destination of land bank plots is considered to remain uncertain until the start of the development that will trigger the transfer at fair value to inventories. The start of the development will depend on whether it is decided by the Investment Committee to perform a land development with a view to sale or a construction development with a view to sale. In the case of a construction development with a view to sell in the ordinary course of activities, the start of the development is considered to be when the project design is definitive, the building permit is granted and the start of the construction has been validated by the Investment Committee. In the case of a land development with a view to totally or partially sell the parcels in the ordinary course of activities, the start of the development is considered to be the moment at which the Group has obtained official support from state or city authorities in order to start working on the master plan modification.

If the start of a development of a freehold land with the objective to keep the asset for future rental or value accretion, the property will not be transferred.

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.

2.7 Property, plant and equipment

Owner-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 owner-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

i) Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by another party, the lessor, are classified as operating leases. Payments, including prepayments, made under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statement on a straight-line basis over the period of the lease.

ii) 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

i) Operating lease

Properties leased out under operating leases are included in investment property in the consolidated balance sheet.

ii) 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: 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 subsequently carried at fair value. Transaction costs are expensed in the consolidated income statement.

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 or deemed 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 and that it is probabale that they will result in future economic benefits for the Group and such costs can be measured reliably.

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 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 Compound financial instruments

Compound financial instruments issued by the Group comprise convertible notes that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or expiry.

2.17 Trade payables

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

2.18 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 be reversed 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.

2.19 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 the consolidated income statement, 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.

2.20 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 captions "Derivatives instruments".

2.21 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.

2.22 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 of the Group, 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, as the risk is minor.

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 2010		31 December 2009	
		Average	Closing	Average	Closing
PLN	Polish Zloty	4.0044	3.9603	4.3407	4.1082

(ii) Price risk

The Group is exposed to price risk from embedded derivatives on instruments issued by Orco Germany S.A.. The derivative instruments are classified in the consolidated balance sheet under "Derivative instruments". No sensitivity analysis has been performed.

(iii) Other risks

The Group is also exposed to property price and property rental risk but it does not pursue any speculative policy. Even though the Group's activities are mainly focused on one geographical area - Germany - such activities are spread over several business lines (development and asset management) 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. Credit risk is managed by local management and by Group management.

At 31 December 2010	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	11,120	-	-	-	9,187	20,307
Impairments at 31 December 2009					-8,623	-8,623
Impairments - Scope Exit					11	11
Impairments - allowance					-1,022	-1,022
Impairments - write-back					188	188
Impairments - transfers					259	259
Total trade receivables	**11,120**	**-**	**-**	**-**	**-**	**11,120**
Other current assets gross	18,714	-	-	-	753	19,467
Impairments at 31 December 2009					-6,544	-6,544
Impairments - allowance					-27	-27
Impairments - write-back					5,704	5,704
Impairments - transfers					97	97
Others					17	17
Total other current assets	**18,714**	**-**	**-**	**-**	**-**	**18,714**
Cash and cash equivalents gross	17,939	-	-	-	-	17,939
Total cash and cash equivalents	**17,939**	**-**	**-**	**-**	**-**	**17,939**

The other current assets excluded in this table represent mainly tax receivables amounting to EUR 1.9 million.

In 2010, the trade receivables on development entities amount to EUR 11.4 million, out of which EUR 5.5 million are fully performing. On renting activities, the trade receivables amount to EUR 8.9 million, out of which EUR 5.6 million are fully performing. The main amount concerns the trade receivables on GSG's tenants (EUR 6.9 million, for which EUR 3.1 million are impaired).

In 2010, the Group recognised impairments on trade receivables for EUR 1.0 million and other current assets for EUR 0.01 million, a write back on other current assets has been registred for EUR 5.7 million relating to a profit and loss transfer agreement with the Company Deutsche Annington.

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 current assets 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 current assets	**11,793**	**-**	**-**	**-**	**-**	**11,793**
Cash and cash equivalents gross	22,494	-	-	-	-	22,494
Total cash and cash equivalents	**22,494**	**-**	**-**	**-**	**-**	**22,494**
Derivatives gross	31	-	-	-		31
Total derivatives	**31**	**-**	**-**	**-**	**-**	**31**

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.

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

In Eur million	Rating Agency			December	December
Counterparty	Moody's Rating	S&P's Rating	Fitch's Rating	2010	2009
Deutsche Bank	Aa3	A+	AA-	9.3	8.9
Berliner Volksbank	-	A+	A+	5.1	6.1
LBB/Sparkasse	Aa1	-	AAA	1.5	-
HSH Nordbank	Aa1	-	AAA	1.0	-
Helaba	Aa2	A	A+	0.4	-
HypoVereinsbank	A1	A	A+	0.2	1.7
				17.5	**16.7**

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 liquidity risk is the risk that Orco Germany might encounter difficulties raising liquid funds to meet commitments as they fall due.

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 2010 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 loan from shareholder of EUR 37.9 (EUR 39.7 million in 2009 million) due with more than 5 years are not included in the table. As at 31 December 2010, the carrying value of this loan amounts to EUR 17.6 million.

As at 31 December 2010, bonds for EUR 104.1 million and floating rate loans for EUR 304.2 million are due between 1 and 2 years.

At 31 December 2010	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 bonds	-	-4,004	-	-104,104	-	-108,108
Floating rate loans	-40,546	-101,274	-4,098	-307,654	-6,408	-459,980
Interest rate derivatives	-2,739	-3,199	-5,876	-7,517	-51	-19,382
Embedded derivatives on bonds	-	-	-	-25,025	-	-25,025
Liabilities held for sale	-	-66,000	-	-	-	-66,000
Trade payable	-526	-2,103	-	-	-	-2,629
Other current liabilities	-25,717	-12,103	-2,163	-	-	-39,983
Total excluding loan from shareholders	-69,528	-188,683	-12,137	-444,300	-6,459	-721,107

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	-	-188,397
Floating rate loans and bonds	-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
Trade payable	-2,496	-7,401	-840	-	-	-10,737
Other current liabilities	-14,138	-21,262	-8,371	-	-	-43,771
Total excluding loan from shareholders	-150,741	-63,497	-138,875	-507,571	-17,464	-878,148

(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 2010, the impact of a 100 basis points growth of interest rates curve would induce an increase of the interest charges for 2010 of EUR 0.5 million. Before the positive impact of derivatives, the increase of interest expenses in 2010 would amount to EUR 4.3 million.

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.

	Repricing month	Amounts
Euribor + margin (from +0.8 to +1.8)	January 2010	107,789
	March 2010	335,006

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 assets or liabilities 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 2010.

31 December 2010	Level 1	Level 2	Level 3	Total balance
Assets				
Financial assets at fair value through profit or loss	-	-	214	214
Total assets	**-**	**-**	**214**	**214**
Liabilities				
- Embedded derivatives on bonds	-	-	19,323	19,323
- Trading derivatives	-	18,668	-	18,668
Total liabilities	**-**	**18,668**	**19,323**	**37,991**

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**

Assets	Financial assets fair value through profit or loss	Trading derivatives
At 31 December 2009	249	31
Decrease	-35	-31
At 31 December 2010	214	-

Liabilities	Embedded derivatives on Bonds	Derivatives used for trading
At 31 December 2009	8,587	28,514
Increase	-	-
Losses recognised in profit or loss	10,736	-9,846
At 31 December 2010	19,323	18,668

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 contribution of GSG (LTV of 65.1% in 2010, 66.8% in 2009), 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 2010, the "loan to value" ratio has reached the level of 79.0% compared to 79.8% in 2009. 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.

In EUR Thousand	December 2010	December 2009
Non current liabilities		
Financial debts	325,776	360,890
Current liabilities		
Financial debts	134,602	252,383
Liabilities held for sale	66,000	15,474
Current assets		
Current financial assets	-30	-29
Cash and cash equivalents	-17,939	-22,494
Net debt	**508,409**	**606,224**
Investment property	508,158	633,257
Owner-occupied buildings	2,338	2,362
Financial assets at fair value through profit or loss	214	249
Inventories	142,276	216,317
Assets held for sale	112,674	19,360
Revaluation gains on projects and prop.	554	4,101
Fair value of portfolio	**766,214**	**875,646**
Loan to value before bonds	**66.4%**	**69.2%**
Bonds	94,192	90,374
Accrued interests on bonds	2328	2,330
Loan to value	**79.0%**	**79.8%**

The Group has external financing subject to covenants. 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 2010, some loans encountered administrative and/or financial covenant breaches (see note 15.7). Those loans, as a result, are classified or 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. Loans with breach of cross default covenants are classified or reclassified in current liabilities. 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 2010, 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.

	Loans and Receivables	Asset at fair value through profit or loss	Total
31 December 2010			
Assets per balance sheet			
Financial assets at fair value through profit	-	214	214
Current financial assets	30	-	30
Trade and other receivables	31,698	-	31,698
Cash and cash equivalent	17,939	-	17,939
Total	**49,667**	**214**	**49,881**

	Liabilities at fair value through profit or loss	Other financial liabilities at amortised cost	Total
31 December 2010			
Liabilities per balance sheet			
Financial debts and bonds	-	554,570	554,570
Derivatives	37,991	-	37,991
Trade and other payables	2,629	-	2,629
Total	**40,620**	**554,570**	**595,190**

	Loans and Receivables	Assets at fair value through profit or loss	Total
31 December 2009			
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**

	Liabilities at fair value through profit or loss	Other financial liabilities at amortised cost	Total
31 December 2009			
Liabilities per balance sheet			
Financial debts and bonds	-	703,647	703,647
Derivatives	37,101	-	37,101
Trade and other payables	10,737	-	10,737
Total	**47,838**	**703,647**	**751,485**

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:

	2010		2009	
Discount Rate	6.5%	9.6%	8.0%	10.3%
Exit Cap Rate	5.3%	8.3%	6.5%	8.5%

2010	Cap Rate		Discount Rate	
	Min	Max	Min	Max
German assets (excluding GSG)	5.3%	7.3%	6.5%	8.3%
GSG assets	6.5%	8.3%	7.0%	9.6%

The fair value of the Wertheim land plot in Berlin has been valued according to the contractual sale price of EUR 89 Million and adjusted by the net present value of an additional payment of EUR 30 million payable after finalization of the project and discounted with a rate of 7%.

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 2.18, 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 costs, 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 Company using a discount rate of 20.36% (55.24% in 2009),

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

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 consolidated income statement under "other net financial results".

(f) Impairment on owner occupied building

For the purpose of determining the impairment on owner-occupied building, the Group uses the fair value as determined by the independent expert. The valuation methodology is based on cash flow projections for the relevant property with a discount rate ranging from 9.25% to 12.50% depending of the location of the assets and its specific business risk.

(g) Impairment on goodwill and trademark

The Group is testing annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2.5 (see note 7).

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 acquisition are classified under Investment property as land bank. The destination of land bank plots is considered to remain uncertain until the start of the development that will trigger the transfer at fair value to inventories. The start of the development will depend on whether it is decided by the Investment Committee to perform a land development with a view to sale or a construction development with a view to sale. In the case of a construction development with a view to sell in the ordinary course of activities, the start of the development is considered when the project design is definitive, the building permit is granted and the start of the construction has been validated by the Investment Committee. In the case of a land development with a view to totally or partially sell the parcels in the ordinary course of activities, the start of the development is considered to be the moment at which the Group has obtained sufficient support from state or city authorities in order to start working on the master plan modification (see note 2.6).

Classification of non-current assets as held for sale

The Management determines whether a non-current asset has to be classified as held for sale when the following conditions are met:

- there is a formal decision taken by the Investment Committee to sell the asset at a price which is reasonable compared to its current fair value;

- the asset is available for immediate sale;

- the sale is highly probable and should be completed within the 12 months following the balance sheet date.

5. Segment reporting

The Investment Committee is the responsible body making decisions for all acquisitions and disposals of projects. The Investment Committee assesses the performances at a project by project basis. The performance of the operating segments based on a measure of adjusted earnings before interests, tax, depreciation and amortisation ("adjusted EBITDA" as defined below) is assessed by the Executive committee and the Investment Committee.

Corporate expenses are allocated on the basis of the revenue realised by each activity.

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 stock options and warrants to executive management and the net results on sale of subsidiaries).

End of 2009, the Group structure has been fundamentally changed in order to streamline the management lines and reflect the two main activities to which the Investment Committee is allocating the Group investment capacity on the basis of the strategy defined by the Executive Committee. On one hand the Group is investing in land bank or assets for development and effectively developing them once the project presented is satisfactorily approved by the Investment Committee. Once the asset is developed it can be either sold to a third party or kept in the Group own portfolio for value appreciation. On the other hand, the Group is actively managing its own or third parties real estate assets for operational profitability and value appreciation. These two business lines are the segments by which the operations are analysed and managed internally.

These two segments or business lines can be defined as following :

- 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 asset management line once completed.
- Asset management business line covers all real estate assets rented out assets or that will be so without any major refurbishment. A legal entity can report for more than one project, which can be classified in two different segments.

In 2010, the methodology of segment reporting has been revised as follows:

- Costs from asset and development management are allocated to the relevant business line, suppressing as a result any intra-segment transaction.
- In the context of simplification of the SPV's structure, some projects have been transferred to multi projects SPV's. As a result, the Group allocates the projects on the appropiate segment, whereas the allocation was previously done at the SPV level.

2009 comparative have been represented on that basis. The main reclassification relates mainly to SPV's with multisegment projects.

These changes lead to a decrease of development revenues of EUR 3.8 million and to an increase of development of operating result of EUR 10.5 million.

Development revenues included rent revenues for EUR 6.8 million in 2010 (EUR 3.9 million in 2009) from projects partially rented out and which are still expected to be sold (mainly Sky Office).

As at 31 December 2010	Development	Asset Management	TOTAL
Revenue	94,171	56,727	150,898
Net gain /(loss) from fair value adjustments on investment property	19,328	6,233	25,561
Cost of goods sold	-76,891	-118	-77,009
Amortisation, impairments and provisions	6,767	-2,834	3,933
Other operating results	-11,587	-29,370	-40,957
Operating result	**31,788**	**30,638**	**62,426**
Net gain /(loss) from fair value adjustments on investment property	-19,328	-6,233	-25,561
Amortisation, impairments and provisions	-6,767	2,834	-3,933
Past valuation on goods sold	-7	-	-7
Net gain/(loss) on disposal of assets	-666	296	-370
Adjusted EBITDA	**5,020**	**27,535**	**32,555**
Net gain /(loss) from fair value adjustments on investment property	19,328	6,233	25,561
Amortisation, impairments and provisions	6,767	-2,834	3,933
Past valuation on goods sold	7	-	7
Net gain/(loss) on disposal of assets	666	-296	370
Operating result	**31,788**	**30,638**	**62,426**
Financial result			-45,442
Profit before income tax			**16,984**

As at 31 December 2010			
Segment assets	**264,241**	**502,757**	**766,998**
Investment Properties	9,119	499,039	508,158
Property, plant and equipment	305	3,585	3,890
Inventories	142,143	133	142,276
Assets held for sale	112,674	-	112,674
Unallocated assets			100,409
Total assets			**867,407**
Segment liabilities	**167,114**	**341,681**	**508,795**
Financial Debts	101,114	341,681	442,795
Liabilities linked to assets held for sale	66,000	-	66,000
Unallocated liabilities			358,612
Total liabilities			**867,407**
Cash flow elements			
Capital expenditure	8,259	107	8,366

As at 31 december 2009 (Represented)	Development	Asset Management	TOTAL
Revenue	15,835	56,183	72,018
Net gain /(loss) from fair value adjustments on investment property	-18,614	-36,293	-54,907
Cost of goods sold	-19,688	-68	-19,756
Amortisation, impairments and provisions	-16,314	-9,846	-26,160
Other operating results	-4,996	-35,879	-40,875
Operating result	**-43,777**	**-25,903**	**-69,680**
Net gain/(loss) from fair value adjustments on investment property	18,614	36,293	54,907
Amortisation, impairments and provisions	16,314	9,846	26,160
Net gain/(loss) on abdandonned projects	5,690		5,690
Net gain/(loss) on disposal of assets	599	952	1,551
Adjusted EBITDA	**-2,560**	**21,188**	**18,628**
Net gain/(loss) from fair value adjustments on investment property	-18,614	-36,293	-54,907
Amortisation, impairments and provisions	-16,314	-9,846	-26,160
Past valuation on goods sold	-5,690	-	-5,690
Net gain/(loss) on disposal of assets	-599	-952	-1,551
Operating result	**-43,777**	**-25,903**	**-69,680**
Financial result			-45,475
Profit before income taxes			**-115,155**

As at 31 december 2009 (Represented)			
Segment assets	**359,359**	**514,780**	**874,139**
Investment Properties	131,035	502,222	633,257
Property, plant and equipment	1,363	3,842	5,205
Inventories	215,961	356	216,317
Assets held for sale	11,000	8,360	19,360
Unallocated assets			97,099
Total assets			**971,238**
Segment liabilities	**150,428**	**461,094**	**611,522**
Financial Debts	150,428	445,620	596,048
Liabilities linked to assets held for sale	-	15,474	15,474
Unallocated liabilities			359,716
Total liabilities			**971,238**
Cash flow elements			
Capital expenditure	3,256	681	3,937

6. Acquisitions

No business combination occurred in 2009 and in 2010.

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 2009) and the GSG trademark for EUR 7.2 million (EUR 7.2 million in 2009).

GSG is considered as the only Cash Generating Unit, on which a goodwill has been recognized as at 31 December 2010.

The impairment tests carried out on the goodwill did not lead to the recognition of any additionnal impairment in 2010 (EUR 0.6 million in 2009). The sole goodwill recognized as at 31 December 2010 is the GSG goodwill.

The goodwill impairment test is based on the evolution of properties valuation as of 31 December 2010 and on projected increase of occupancy rate and price per sqm over the coming years, as already showed since acquisition. The impairment test is based on a projected valuation of the portfolio considering the 5 year business plan achieved as of today (net operating income integrated for 2016 in the independent appraiser model being considered as realized in 2011) and the resulting increased attractivity of the portfolio (applying to all the properties the same discount rate being the best applied today by the independent appraiser, i.e. 7% in a range of 7.0% to 9.6% as described in note 4.1). This estimation demonstrates the potential of value creation based on the intrinsic characteristics of the portfolio and the GSG trademark.

The headroom between the resulting value and the GSG goodwill and trademark book values amounts to EUR 8.4million as at 31 December 2010. As at 31 December 2010, the impact of a 25 basis points increase on the discount rate curve would lead to a 2010 headroom decrease of EUR 2.7 million. An increase of 79 basis points on the discount rate curve would lead the cancellation of the headroom.

Since 1965, GSG has continuously developed its brand. Especially its initial role as a business promoter had a strong impact on the image of being a fair and reliable landlord. In the course, GSG managed to reinforce the brand by implementing a new corporate design, accompanied by specific marketing campaigns. The “change” into ORCO-GSG even helped to illustrate the shift to a modern service provider offering a wide range of additional products/services like the own glass fibre network or the support of start-up companies. Therefore, the implemented brand has been and will be of vital importance and the fundamental basis to market the assets, to increase occupancy and maintain the good reputation. In this context, the useful life of GSG trademark has been assessed as indefinite.

8. Investment property

Investment property	Freehold buildings	Land bank	Buildings under finance lease	TOTAL
Balance at 31 December 2008	**628,580**	**110,970**	**1,500**	**741,050**
Investments / acquisitions	1,241	2,397	-	3,638
Asset sales	-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**
Investments / acquisitions	368	7,799	-	8,167
Asset sales	-46,167	-	-	-46,167
Revaluation through income statement	5,576	19,985	-	25,561
Transfers	14	-112,674	-	-112,660
Balance at 31 December 2010	**506,138**	**2,020**	**-**	**508,158**

- **In 2010**

52 investment properties (EUR 497.6 million) financed by bank loans in local special purpose entities are fully pledged for EUR 348.0 million.

A) Investments / acquisitions

During the year, the Group has invested EUR 8.2 million in investment property reprensenting mainly capitalisation on the Wertheim land plot in Berlin (EUR 7.6 million). No new bank loan has been made to finance these investments.

B) Asset sale

During the year, the net book value (“NBV”) of the assets sold represents EUR 46.2 million, for a total sale price of EUR 46.8 million, out of which EUR 30.9 million have been used to repay the bank loan financing with a net gain compared to the December 2009 DTZ valuation amounting to EUR 0.6 million and composed mainly of the following disposals:

Freehold buildings:

- Sale of Cumberland Haus in Berlin (NBV of EUR 28.0 million) at the sale price of EUR 28.7 million.
- Sale of Kurfürstendamm 103-104 residential and commercial building in Berlin (NBV of EUR 8.2 million) at the sale price of EUR 8.0 million;
- Sale of Max-Planck strasse in Cologne (NBV of EUR 5.8 million) at the sale price of EUR 5.5 million;
- Sale of residential and commercial buildings in Berlin (NBV of EUR 4.1 million with Brunnenstrasse 27 at EUR 1.4 million, Geneststrasse 5-6 at EUR 1.7 million and Lütticher Strasse 49 at EUR 1.0 million) at the total sale price of EUR 4.5 million.

C) Revaluation through income statement

The total amount of increase in the fair value of the assets amounts to EUR 25.6 million (EUR 20.0 million on Land bank and EUR 5.6 million on Freehold buildings).

- In Freehold buildings:

The revaluation is mostly explained by the fair value increase of the projects of GewerbeSiedlungs-Gesellschaft mbH ("GSG") represents a total amount of EUR 5.6 milion which includes many projects.

- In Land bank:

The fair value on the projects Wertheim increased by EUR 20.8 million and the project Elb Loft decrease by EUR -0.8 million.

D) Transfers

The land plots of Wertheim (EUR 112.7 million) in Germany have been transferred to assets held for sale (see note 10).

- **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);
- Land bank
  - EUR 2.4 million on 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 2009 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.

	2010 Revaluation	Fair Value 31.12.10	2009 Revaluation	Fair Value 31.12.09
Freehold Buildings	**5,576**	**506,138**	**-39,146**	**546,347**
GSG	5,393	445,598	-26,658	441,832
Mixed retail & office	1,274	46,950	-4,878	73,530
Retail	0	0	-790	5,830
Office	-620	5,570	-2,980	7,160
Mixed office & residential	0	0	-448	9,610
Residential	-471	8,020	-3,392	8,385
Land bank	**19,985**	**2,020**	**-15,761**	**86,910**
Mixed development	20,725	0	-12,832	84,300
Office development	-800	1,100	-1,517	1,750
GSG	60	920	-50	860
Retail & Office	0	0	-1,362	0
TOTAL	**25,561**	**508,158**	**-54,907**	**633,257**

9. Owner-occupied buildings

Owner-occupied buildings	
GROSS AMOUNT	
Balance as at 31 December 2008	**13,049**
Variation	158
Transfer and other movements	-8,868
Balance as at 31 December 2009	**4,339**
Variation	-
Transfer and other movements	-15
Balance as at 31 December 2010	**4,324**
AMORTISATION AND IMPAIRMENT	
Balance as at 31 December 2008	**-2,137**
Allowance	-12
Impairments	53
Transfer	119
Balance as at 31 December 2009	**-1,977**
Allowance	-9
Impairments	-
Transfer	-
Balance as at 31 December 2010	**-1,986**
NET AMOUNT as at 31 December 2010	**2,338**
Net amount as at 31 December 2009	**2,362**

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 another building in Berlin.

10. Assets held for sale and liabilities linked to assets held for sale

Assets held for sale	December 2010	December 2009
Opening Balance	**19,360**	**-**
Asset Sales	-19,360	-
Transfers	112,674	19,360
Closing Balance	**112,674**	**19,360**

Liabilities linked to assets held for sale	December 2010	December 2009
Opening Balance	**15,474**	**-**
Repayments on sale	-15,474	-
Accrued interests	4	-
Transfers	65,996	15,474
Closing Balance	**66,000**	**15,474**

As at 31 December 2010, the Group decided to sell one asset: Wertheim (EUR 112.7 million) from its investment property portfolio (two assets in 2009). This asset has been transferred to held for sale. The bank debt on this asset amounts to EUR 66 million (see note 28).

Two assets located in Germany and previously recognized as held for sale as of 31 December 2009 have been sold during the year:
- The project Helberger in Franckfurt has been sold as its net book value (NBV of EUR 11.0 million for a debt of EUR 8.5 million);
- The project Wassertsr. in Dusseldorf has been sold for EUR 8.2 million (NBV of EUR 8.4 million for a debt of 7.0 million).

As at 31 December 2010, the sole project held for sale (EUR 112.7 million) is pledged for an amount of EUR 66.0 million.

11. Fixtures and fittings

	Gross amount	Amortisation and impairments	Net amount
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**
Increase	41	-1,273	-1,232
Assets sales	-209	150	-59
Balance at 31 December 2010	**3,881**	**-2,329**	**1,552**

An impairment for EUR 0.9 million has been recognized on furnitures and equipments during the year in Germany.

No other material movements occurred in 2010 and 2009.

12. Inventories

Inventories	December 2010	December 2009
Opening Balance	**216,317**	**171,868**
Development costs	383	80,210
Cost of goods sold, including abandoned projects	-77,009	-19,756
Net impairments	2,569	-17,505
Transfers and other movements	16	1,500
Closing Balance	**142,276**	**216,317**

- **In 2010**

Costs of good sold amounting to EUR 77.0 Million have been mainly registered for the following projects:

- H2 Office in Duisburg (EUR 29.0 million);
- Oranienburg (EUR 10.6 million),
- Guetersloh (EUR 10.4 million) ,
- Ministergarten (EUR 9.2 million);
- Tschaikowkistrasse (EUR 8.7 million);
- Danzigerstrasse (EUR 5.5 million).

The project in development Sky Office (EUR 137.8 million) is the main contributor in inventories and is pledged for an amount of EUR 94.8 million.

The impairment booked as at 31 December 2009, on Sky Office has been partially reversed for EUR 2.4 million.

- **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 31 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.

13. Net result on disposal of assets

During 2010, in the framework of the restructuring plan, assets and activities have been sold for a total consideration of EUR 66.0 million generating a consolidated net gain of EUR 0.4 million and a net cash inflow after financial debt repayment (EUR 46.4 million) amounting to EUR 19.6 million.

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 (EUR -5.7 million) and Pappelallee 3-4 (EUR -1.0 million), in Berlin.

14. Cash and cash equivalents

As at 31 December 2010, the cash and cash equivalents consist of cash in bank for EUR 17.9 million (EUR 22.5 million in 2009).

Cash in bank include restricted cash (EUR 6.9 million – EUR 13.2 million in 2009) representing:

- cash deposited in accounts pledged as collateral for development projects and lifted after sales of units (EUR 0.0 million – EUR 0.1 million in 2009).
- cash deposited in accounts pledged as collateral for loans related to the acquisition of property (EUR 6.7 million – EUR 12.9 million in 2009).
- cash contribution of the joint venture (Knorrstrasse 119 GmbH & CO KG) amounting to EUR 0.2 million (EUR 0.2 million in 2009).

15. Borrowings, financial debts, bonds and derivatives

15.1 Borrowings movements and maturity

Borrowings movements – non current financial liabilities

Non-current financial debts	Bank loans	Other non-current borrowings	Fixed rate bonds	TOTAL
Balance at 31 December 2008	**437,797**	**10,908**	**86,793**	**535,498**
Issue of new loans and drawdowns	21,638	4,505	-	26,143
Interests accumulated during the year	-	-	3,581	3,581
Repayments of loans	-28,761	-3,434	-	-32,195
Transfers	-86,889	5,126	-	-81,763
Balance at 31 December 2009	**343,785**	**17,105**	**90,374**	**451,264**
Issue of new loans and drawdowns	-	6	-	6
Interests accumulated during the year	-	-	3,818	3,818
Repayments of loans	-34,030	-61	-	-34,091
Transfers	-1,546	517	-	-1,029
Balance at 31 Decmber 2010	**308,209**	**17,567**	**94,192**	**419,968**

No new bonds have been issued in 2009 and in 2010.

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

- **2010**

Repayment of bank loans (EUR -34.0 million) mainly relate to the following operations :

- Asset sales related to healthcare projects (EUR -27.9 million);
- Sale of the Brunnenstr. 27 (EUR -1.1 million);
- Ku-dammstr. 103 (EUR -4.7 million);
- Sale of part of the project Genestr. 5-6 (EUR -1.0 million).

Transfers of bank loans (EUR -1.5 million) are mainly due:

- to the reclassification of the bank loan of the project Hüttenstrasse (EUR -4.3 million) in current financial liabilities, for which there is a breach on loan covenants;

- to the reclassification in long term of the loan related to the project Invalidenstr. 112, for which the 2009 loan covenant breach has been settled in 2010 (EUR +2.9 million).

As at 31 December 2010, the total carrying value of loans in breach reclassified in current liabilities due to non respected covenants amounts to EUR 37.0 million (not included in the table above because reclassified in curent financial liabilities).

Other non current loans consist mainly of equity loans from the parent company (Orco Property Group) for EUR 17.6 million.

Fair value of the bonds as at 31 December 2010

As at 31 December 2010, the fair value of the bonds, valued by Management, amounts to EUR 101.5 million .

	Carrying value of bonds	Fair value of bonds
Bonds	94,192	82,175
Derivative instruments on bonds	19,323	19,323
Bonds as at 31/12/2010	**113,515**	**101,498**

- **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).

Borrowings maturity (bonds and financial debts)

In 2010, the non-current bonds and financial debts amount to EUR 420 million (in 2009 EUR 451 million). The table below represents the carrying of the debts allocated by date of repayment.

1 December 2010	Less than one year	1 to 2 years	2 to 5 years	More than 5 years	Total
Non-current					
Fixed rate bonds	**-**	**94,192**	**-**	**-**	**94,192**
Financial debts	**-**	**302,840**	**366**	**22,570**	**325,776**
Bank loans floating rate	-	302,840	366	5,003	308,209
Other non-current borrowings	-	-	-	17,567	17,567
Total	**-**	**397,032**	**366**	**22,570**	**419,968**
Current					
Financial debts	**134,602**	**-**	**-**	**-**	**134,602**
Bank loans floating rate	134,587	-	-	-	134,587
Other borrowings	15	-	-	-	15
Liabilities linked to assets held for sale	**66,000**	**-**	**-**	**-**	**66,000**
Total	**200,602**	**-**	**-**	**-**	**200,602**
TOTAL	**200,602**	**397,032**	**366**	**22,570**	**620,570**

December 2009	Less than one year	1 to 2 years	2 to 5 years	More than 5 years	TOTAL
Non-current					
Fixed rate bonds	**-**	**-**	**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
Liabilities linked to assets held for sale	**15,474**	**-**	**-**	**-**	**15,474**
Total	**267,857**	**-**	**-**	**-**	**267,857**
TOTAL	**267,857**	**7,895**	**411,536**	**31,833**	**719,121**

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

The Group has entered into interest rate derivatives representing 100% of the non-current floating rate borrowing amounts (74.2% in 2009) and 24.9% of the current floating rate borrowing amounts (73.4% in 2009), 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 508.8. million (EUR 596.0 million as at 31 December 2009). 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
Nominal value per bond	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 Orco Germany S.A.
Nominal interest rate	4%
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
Exercise price	EUR 15.60
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 preceding 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 were 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 19.3 million (EUR 8.5 million in 2009 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 bondholders if the average market price of Orco Germany shares does not reach a certain level before the repayment date. As at December 2010, the management used a credit spread of 20% (43 % as at December 2009). This derivative is revalued at its market 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 account using the effective interest method.

	Bonds with repayable subscription warrants
Balance at 31 December 2008	**86,793**
Interests accumulated during the year	3,581
Balance at 31 December 2009	**90,374**
Interests accumulated during the year	3,818
Balance at 31 December 2010	**94,192**

As at 31 December 2010, the parent company OPG owned 550,000 warrants (550,000 in 2009) and Orco Germany Investments S.A., a subsidiary of the Company, owned 2,397,311 warrants (2,397,311 in 2009).

15.3 Derivative instruments

	31 December 2010	31 December 2009
Interest rate derivatives	-	31
Total Current Assets	**-**	**31**
Embedded derivatives on Bonds	19,323	8,587
Total Non-Current Liabilities	**19,323**	**8,587**
Interest rate derivatives	18,668	28,514
Total Current Liabilities	**18,668**	**28,514**
Net Derivatives	**-37,991**	**-37,070**

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

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

Interest rate derivatives mainly 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 in the OBSAR OG (see note 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 2010, the total debt covered by interest rate swaps and collars amounts to EUR 341.7 million (EUR 448.6 million in 2009). It represents 77.2% of the floating rate debt (86.0% in 2009).

15.4 Net interest expenses

	31 December 2010	31 December 2009
Interest income	365	446
Interest expenses	-41,018	-35,578
Net interest expenses	**-40,653**	**-35,132**

Capitalised interests in inventories amount to EUR 0.0 million in 2010 (EUR 6.1 million in 2009).

15.5 Average effective interest rates

	December 2010 EUR	December 2009 EUR
Bonds	8.49%	8.04%
Bank Borrowings	8.55%	2.73%

15.6 Undrawn credit facilities

The main undrawn credit facilities relate to the credit lines on Sky Office project for EUR 5.3 million (EUR 19.6 million in 2009), Hüttenstrasse for EUR 9.7 million (EUR 9.7 million in 2009) and Franklinstrasse for EUR 1.2 million (EUR 0.7 million).

15. 7. Loans in breach of covenants

	As at 31 December 2010			As at 31 December 2009		
	Principal	Accrued Interest	Total	Principal	Accrued Interest	Total
Long term loans reclassified in ST						
due to Financial covenant breach	32,730	-	**32,730**	42,490	-	**42,490**
due to Administrative breach	4,300	-	**4,300**	-	-	**-**
Total LT loans reclassified in ST	37,030	-	**37,030**	42,490	-	**42,490**
Short term loans in breach						
due to Financial covenant breach	621	165	**786**	66,521	188	**66,709**
due to Non repayment	-	-	**-**	10,000	-	**10,000**
Total ST loans in breach	621	165	**786**	76,521	188	**76,709**
Total Loans in Breach	**37,651**	**165**	**37,816**	**119,011**	**188**	**119,199**

The movements in loans with covenants breaches are mainly explained as follow:

- Renegociation of loan covenant breaches from 31 December 2009 for EUR 68.8 million out of which EUR 2.9 million led to the transfer of bank loans into long term debts (see note 15.1);
- New breaches on one bank loan covenant for EUR 4.3 million;
- Sale of assets for which the bank loan was in breach of covenants as at 31 December 2009 for EUR 16.4 million;

EUR 32.7 million on bank loans for which a loan covenants was in breach as at 31 December 2009 have not been settled as at 31 December 2010.

16. Provisions and other long term liabilities

The provisions amount to EUR 10.4 million (EUR 10.4 million in 2009) and are mainly composed of provisions to cover the Group's retirement benefit obligations. Provision for restructuring is booked in 2010 for EUR 0.3 million (none in 2009).

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 2010	31 December 2009
Present value of unfunded obligations	9,194	8,661
Unrecognised actuarial gains	596	1,136
Liabilities in the balance sheet	**9,790**	**9,797**

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

	31 December 2010	31 December 2009
Beginning of the year	**8,661**	**7,964**
Current service cost	19	26
Interest cost	444	455
Actuarial gains	472	616
Benefits paid	-402	-400
End of the year	**9,194**	**8,661**

The principal actuarial assumptions used were as follows:

	31 December 2010	31 December 2009
Discount rate	4.75%	5.25%
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 2010	Less than 1 month	Between 1 and 6 months	Between 6 months and 1 year	Total
Financial debts	-	35,580	99,022	134,602
Trade payables	526	2,103	-	2,629
Advance payments	1,831	5,988	9,771	17,590
Other current liabilities	21,239	12,103	2,163	35,505
Liabilities held for sale	-	66,000	-	66,000
Total	23,596	121,774	110,956	256,326

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
Liabilities held for sale	7,000	8,474	-	15,474
Total	142,957	53,319	148,201	344,477

The other current liabilities excluded from this table (as not being part of the IFRS definition of financial instruments) represent tax, payroll and social liabilities for EUR 4.5 million (EUR 5.3 million in 2009).

As at 31 December 2010, the movements in current loans are the following:

Current financial debts	Bank loans	Other current borrowings	TOTAL
Balance at 31 December 2008	**134,724**	**2,177**	**136,901**
Issue of new loans and drawdowns	43,942	6,912	50,854
Repayments of loans	-4,945	-1,282	-6,227
Transfers	94,017	-7,688	86,329
Balance at 31 December 2009	**267,738**	**119**	**267,857**
Issue of new loans and drawdowns	141	-	141
Repayments of loans	-68,837	-107	-68,944
Transfers	1,548	-	1,548
Balance at 31 December 2010	**200,590**	**12**	**200,602**

The table includes loans linked to assets held for sale (EUR 66.0 million, EUR 15.5 million in 2009).

In 2010

The repayment of bank loans (EUR -68.8 million) mainly related to sale of investment properties, land plots and residential development units on the following projects:

- H2 Office (EUR -24.2 million);
- Cumberland (EUR -20.0 million);
- Helberger (EUR -8.5 million);
- Wasserstr. (EUR -7.0 million);
- Max-Planck Str. (EUR -3.0 million);
- Luetticher str. (EUR -0.9 million).

The transfer of bank loans are mainly explained by the settlement of long term bank loan covenant breaches from 31 December 2009, which led to the reclassification of 1 bank loan into long term debts for EUR 2.9 million:

Finally, EUR 96.8 million of bank loans due in 2010 have been extended to 2011, following the renegotiation with the banks.

In 2009

The transfer of current financial debts are mainly explained as follow:

- Transfers of bank loans (EUR 94.0 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).

The issue of new loans mainly relates mainly to further draw downs on the Sky Office and H2 Office projects (respectively EUR 30.0 million and EUR 14.0 million).

Repayment of bank loans mainly relates to assets sales or amortisation of the bank loans for EUR 5.0 million.

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 2009	Scope variation	Change in income statement	Change in %	December 2010
Intangible assets	-2,157	-	-	-	-2,157
Tangible assets	-77,936	-	-9,749	-	-87,685
Financial assets	3,291	-	78	-	3,369
Inventories	5,559	960	-3,924	-	2,595
Current assets	-35	-	-1,959	-	-1,994
Equity	39	-	-3	-	36
Provisions	70	-	388	-	458
Long term debts	-1,776	-	4,483	-	2,707
Current debts	7,847	-	-2,751	-	5,096
Tax losses for which no deferred income tax is recognized	-12,803	-131	2,169	-	-10,765
Total deferred taxes	-77,901	829	-11,268	-	-88,340
Deferred tax assets	**381**				-
Current part	42				-
Non current part	339				-
Deferred tax liabilities	**-78,282**				**-88,340**
Current part	-2,243				-6,583
Non current part	-76,039				-81,757

	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**
Current part	0				42
Non current part	1,572				339
Deferred tax liabilities	**-93,520**				**-78,282**
Current part	-119				-2,243
Non current part	-93,401				-76,039

The income tax rates in the Group vary from 19% in Poland up to 31.4% in Germany and 30.84% in Luxembourg in 2010.

In 2010, the theoretical tax rate is 7.38% (30.17% in 2009) and the effective tax rate of the period is 67.12% (2009: 8.43%).

As at 31 December 2010, the income tax loss recognized in the income statement amount to a charge of EUR 11.4 million (income of EUR 9.7 million in 2009) among which EUR 0.1 million of current income tax expense (EUR 3.5 million expense in 2009) and EUR 11.3 million deferred income tax expense (EUR 13.2 million income tax benefit in 2009).

Deferred taxes movements are mainly due to deferred tax asset recognized on positive revaluations and impairments booked on properties (EUR -18.6 million).

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

	Income Tax Rates		Deferred Tax rates	
	2010	2009	2010	2009
Germany	30.17%	30.17%	30.17%	30.17%
Luxembourg	30.84%	30.84%	28.80%	30.84%
Poland	19.00%	19.00%	19.00%	19.00%

	December 2010	December 2009
Profit/(Loss) before tax	**16,984**	**-115,155**
Tax calculated at domestic rates applicable to profits in the respective countries	1,253	-34,732
Tax effects of:		
Untaxed gains or losses	-1,082	444
Undeductible charges and interests	3,670	1,209
Unrecognised loss carry forward	7,559	10,553
Tax losses for which no deferred income tax was recognised	0	12,813
Tax charge/(benefit)	**11,400**	**-9,713**

19. Details of expenses

19.1. Other operating expenses and employee benefits

	31 December 2010	31 December 2009
Leases and rents	-1,193	-933
Building maintenance and utilities supplies	-17,976	-15,272
Marketing and representation costs	-758	-2,264
Administration costs	-9,445	-8,721
Taxes other than income tax	-5,192	-3,014
Other operating expenses	-103	-585
Salaries	-6,779	-7,005
Social security expenses	-1,115	-1,269
Pension costs	-557	-571
Training charges	-159	-189
Employee benefits	-103	-330
Other personnel related charges	-43	-92
Total	**-43,423**	**-40,245**

Fees related to PricewaterhouseCoopers, the Group auditors and their affiliates, are set out below:

	31 December 2010	31 December 2009
Audit services pursuant to legislation	-523	-507
Other audit related services	-259	-312
Other services relating to taxation	-307	-229
Total	-1,089	-1,048

19.2. Amortisation, impairments and provisions :

	Owner occupied building	Inventories	Fixture and Fittings	Trade receivables	Other current assets	Other intangible and tangible assets	Provisions (short term)	Subtotal
Notes	*9*	*12*	*11*	*3*	*3*			
Impairment	-	-	(850)	(1,022)	(27)			(1,899)
Reversal of impairment		2,569		188	5,704			8,461
Amortisation	(9)		(426)			(272)		(707)
Provision							(1,922)	(1,922)
Subtotal	(9)	2,569	(1,276)	(834)	5,677	(272)	(1,922)	3,933

20. Other net financial results

	31 December 2010	31 December 2009
Change in fair value and realised result on derivative instruments	-3,585	-6,741
Change in fair value and realised result on other financial assets	-	4
Other net finance charges	-1,204	-3,606
Total	**-4,789**	**-10,343**

In 2010, the change in fair value on derivative instruments essentially relates to movements in fair value of interest rate swaps contracted by GSG (EUR +5.1 million) and Viterra Erste PEG GmbH (EUR +2.5 million) and to the valuation of the derivative on Bonds (EUR -10.7 million).

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).

21. Earnings per share

	31 December 2010	31 December 2009
Shares issued at the beginning of the period	48,771,333	48,771,333
Weighted average outstanding shares for the purpose of calculating the basic earnings per share	**48,771,333**	**48,771,333**
Weighted average outstanding shares for the purpose of calculating the diluted earnings per share	**48,771,333**	**48,771,333**
Net profit /(loss) attributable to Equity holders of the Company	**5,596**	**-105,482**
Net profit /(loss) attributable to Equity holders of the Company after assumed conversions / exercises	**5,596**	**-105,482**
Basic earnings in EUR per share	0.11	-2.16
Diluted earnings in EUR per share	0.11	-2.16

Basic earnings per share is calculated by dividing the profit/(loss) 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.

The warrants were not taken into account in the EPS calculation as the conversion of the warrants had an anti-dilutive impact in 2009 and 2010.

22. Equity holder's balance

	Number of shares	Capital	Share premium
Balance at 31 December 2008	48,771,333	60,694	123,658
Balance at 31 December 2009	48,771,333	60,694	123,658
Balance at 31 December 2010	48,771,333	60,694	123,658

All the shares of the Company have no par value and are fully paid.

No movements occurred on equity during the years 2010 and 2009.

No dividend has been paid by the Company to its shareholders in 2010 and 2009.

23. 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.

24. 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). There is no furter commitments for the projects as at 31 December 2010 (EUR 14.7 million in 2009).

25. 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 2009) and a maturity date of 2020. This loan amounted to EUR 17.6 million as at 31 December 2010 (EUR 17.0 million in 2009). Net interest expenses related to this loan amounted to EUR 1.4 million as at 31 December 2010 (EUR 1.3 million in 2009).

- Transactions with key management personnel

The members of the Board of Directors of the Company, the CEO, the Group Chief Financial Officer and the general secretary of Orco Germany, and the CEO of GSG are considered as the key management personnel of the Group.

In 2010, key management personnel received a global remuneration as short term employee benefit amounting to EUR 0.7 million (EUR 0.7 million in 2009), which do not include any remuneration to the members of the board.

26. List of the fully consolidated subsidiaries

Company	Country	Currency	Activity	% shareholding 31.12.2010	% shareholding 31.12.2009
An den Gärten GmbH (merged in ORCO Projektentwicklung GmbH)	Germany	EUR	Development	/	100%
Apple Tree Investments GmbH	Germany	EUR	Leasing	94.80%	94.80%
Cybernetyki Business Park Sp.z.o.o.	Poland	PLN	Development	100%	100%
Elb Loft Bau Hamburg GmbH	Germany	EUR	Development	100%	100%
Endurance HC Alpha S. à r. l. (Sold in 2010)	Luxembourg	EUR	Development	/	100%
Endurance HC Beta S. à r. l.	Luxembourg	EUR	Development	100%	100%
Endurance HC Epsilon S. à r. l. (Sold in 2010)	Luxembourg	EUR	Development	/	100%
Endurance HC Gamma S. à r. l.	Luxembourg	EUR	Development	100%	100%
Endurance HC FF&E S.à r.l. (Sold in 2010)	Luxembourg	EUR	Development	/	100%
Gebauer Höfe Liegenschaften GmbH	Germany	EUR	Leasing	100%	100%
GSG 1. Beteiligungs GmbH	Germany	EUR	Leasing	99.75%	99.75%
GSG Asset GmbH&Co Verwaltungs KG	Germany	EUR	Leasing	99.75%	99.75%
Gewerbesiedlungs-Gesellschaft mbH ("GSG")	Germany	EUR	Leasing	99.75%	99.75%
Isalotta GP GmbH & Co Verwaltungs KG	Germany	EUR	Leasing	94.99%	94.99%
Lora Grundbesitz GmbH (merged in Orco Immobilien GmbH)	Germany	EUR	Leasing	/	100%
Orco Berlin Invest GmbH	Germany	EUR	Development	100%	100%
Orco Erste W GmbH	Germany	EUR	Development	100%	100%
Orco Germany Investment S.A.	Luxembourg	EUR	Holding	100%	100%
Orco GSG Unternehmensförderungs und - beratungs GmbH	Germany	EUR	Leasing	99.75%	99.75%
Orco Grundstücks- und Beteiligungsgesellschaft mbH	Germany	EUR	Leasing	100%	100%
Orco Immobilien GmbH	Germany	EUR	Development	100%	100%
Orco Leipziger Platz GmbH	Germany	EUR	Development	100%	100%
Orco LP 12 GmbH (merged in Orco Immobilien GmbH)	Germany	EUR	Development	/	100%
Orco Projekt 103 GmbH	Germany	EUR	Leasing	100%	100%
Orco Projektentwicklung GmbH	Germany	EUR	Development	100%	100%
Orco Vermietungs- und Services GmbH	Germany	EUR	Development	100%	100%
SeWo Gesellschaft für Senioren Wohnen mbH (Sold in 2010)	Germany	EUR	Development	/	94.80%
Stauffenbergstr. Drei GmbH (merged in Orco Projektentwicklung GmbH)	Germany	EUR	Development	/	100%
Stauffenbergstr. Zwei GmbH	Germany	EUR	Development	100%	100%
TSM Berlin GmbH (Sold in 2010)	Germany	EUR	Leasing	/	100%
Tucholskystraße 39/41 GmbH & Co Grundbesitz KG (merged in ORCO Germany S.A.)	Germany	EUR	Leasing	/	100%
Viterra Baupartner GmbH	Germany	EUR	Development	100%	100%
Viterra Erste PEG mbH	Germany	EUR	Development	100%	100%
Viterra Funfte PEG mbH	Germany	EUR	Development	100%	100%
Viterra Grundstucke Verw. GmbH	Germany	EUR	Development	100%	100%
Viterra PEG Knorstrasse GmbH & Co KG	Germany	EUR	Development	100%	100%
Viterra Zweite PEG mbH (merged in ORCO Projektentwicklung GmbH)	Germany	EUR	Development	/	100%
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%	100%
Westendstr. 28 Ffm GmbH (merged in ORCO Projektentwicklung GmbH)	Germany	EUR	Development	/	94.00%

27. 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 consolidated balance sheet and income statement:

	31 December 2010	31 December 2009
Non-current assets	-	-
Current assets	4,539	4,238
Assets	**4,539**	**4,238**
Non-current liabilities	-	-
Current liabilities	4,498	4,201
Liabilities	**4,498**	**4,201**
Income	13	-
Expenses	-16	-37
Profit after income tax	**-3**	**-37**

28. Events after balance sheet date

In November 2010, ORCO Germany confirmed that it would sell the project Wertheim (classified in asset held for sale as at year end) to High Gain House Investments GmbH (HGHI), a local developer, while remaining involved in the development of the plot into a mixed project made of a shopping centre, offices and residential units for a total of 72,600 sqm NLA. On 31 January 2011, the transaction has been closed for a net sales price of EUR 89 Million (for the first three instalments), plus an additional payment of EUR 30 Million payable after finalization of the project.

The transaction is executed in several instalments. The first part of the sales price of EUR 67 Million has been paid in January 2011 and has been solely used to repay the bank debt for the project. A second part was paid in February 2011. A third part is deferred to cover for project development risks overtaken by ORCO for a maximum amount of EUR 10 Million. The last additional payment will become due after finalization of the project. As the transaction was completed after year-end, it will be reflected in Q1 2011 accounts as an asset sale.

On 15 March 2011, Viterra Baupartner Gmbh, a subsidiary of the Company, declared having acquired from Kraaft S.A. (a related party) 1.900.000 shares of the Company or 3.89% of total voting rights, together with 1.150.000 warrants of the Company (potentially giving access to 2.36% of the Company).

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Audit 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 31 December 2010, 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 information.

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, and for such internal control as the Board of Directors determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Responsibility of the "Réviseur d'entreprises agréé"

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 for Luxembourg by the "Commission de Surveillance du Secteur Financier". 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 judgment of the "Réviseur d'entreprises agréé" 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 "Réviseur d'entreprises agréé" considers internal control relevant to the entity'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 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 consolidated financial statements.

pwc

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, the consolidated financial statements give a true and fair view of the consolidated financial position of Orco Germany S.A. and its subsidiaries as of 31 December 2010, 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, as at 31 December 2010, the Group still has substantial outstanding debt service obligations and capital requirements. Management has initiated a restructuring plan that assumes among other things the disposal of some assets, the renegotiation of bank loans and bonds, respectively due in April and May 2012 and the refinancing of some subsidiaries held by the Group. These matters referred to above, 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 matters referred to above would not be resolved satisfactorily, the consolidated financial statements would have to be prepared on a break-up basis of accounting with impacts on the valuation, the classification of assets and liabilities and the disclosures, the effects of which cannot be estimated at present.

Report on other legal and regulatory requirements

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

PricewaterhouseCoopers S.à r.l.
Represented by

Marc Minet

Luxembourg, 1st April, 2011

ORCO GERMANY S.A.

Société Anonyme

R.C.S. Luxembourg B 102.254

ANNUAL ACCOUNTS AND AUDIT REPORT

31 DECEMBER 2010

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

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

BALANCE SHEET

31 December 2010

A S S E T S	**2010**	**2009**
	EUR	**EUR**
FIXED ASSETS	**162,386,847**	**179,049,972**
Tangible assets (note 3)		
Land and buildings	5,570,000	14,140,000
Financial assets (note 4)		
Shares in affiliated undertakings	76,378,888	85,616,710
Loans to affiliated undertakings	80,437,959	79,293,262
CURRENT ASSETS	**9,617,261**	**10,776,096**
Inventories	10,479	-
Trade debtors	1,123,417	183,143
Amounts due by affiliated undertakings (note 4.3)	7,609,057	8,436,593
Other debtors	109,454	62,497
Other transferable securities (note 5)	27,288	28,800
Cash at banks and in hand	737,566	2,065,063
PREPAYMENTS AND ACCRUED INCOME (note 6)	**598,526**	**1,015,052**
TOTAL ASSETS	**172,602,634**	**190,841,120**
L I A B I L I T I E S		
CAPITAL AND RESERVES (note 7)	**(7,318,575)**	**26,428,448**
Subscribed capital	60,964,166	60,964,166
Share premium account	123,657,606	123,657,606
Loss brought forward	(158,193,324)	(51,255,297)
Loss for the financial year	(33,747,023)	(106,938,027)
PROVISIONS FOR LIABILITIES AND CHARGES	**25,800,507**	**1,946,412**
Provisions for taxation (note 16)	89,255	60,000
Other provisions (notes 8 and 18)	25,711,252	1,886,412
CREDITORS	**154,120,702**	**162,466,260**
Bonds (note 8)		
due and payable within one year	2,328,494	2,330,496
due and payable after more than one year	100,100,052	100,100,052
Amounts owed to credit institutions (note 9)		
due and payable within one year	122,000	7,250,302
due and payable after more than one year	5,490,000	6,230,764
Trade creditors (due and payable within one year)	777,876	1,205,311
Amounts owed to affiliated undertakings (note 9)		
due and payable within one year	1,363,252	7,029,527
due and payable after more than one year	43,555,877	37,872,916
Tax and social security payable (due and payable within one year)	340	-
Other creditors (due and payable within one year)	382,811	446,892
TOTAL LIABILITIES	**172,602,634**	**190,841,120**

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
31 December 2010

C H A R G E S	**2010**	**2009**
	EUR	**EUR**
Consumptions and charges (note 11)	3,009,689	4,250,727
Staff costs (notes 12 and 20)		
Wages and salaries	-	54,252
Social security costs	-	4,459
Value adjustments		
In respect of tangible fixed assets (note 3)	665,463	8,104,355
In respect of current assets (note 4.3)	481,313	3,005,554
Other operating charges (note 13)	371,602	791,446
Value adjustments in respect of financial assets and of transferable securities held as current assets (notes 4 and 5)	11,322,127	94,347,751
Interest payable and similar charges		
Affiliated undertakings	3,236,025	2,447,905
Other interest payable and similar charges (note 14)	30,523,516	6,719,598
Loss on disposal of properties (note 3)	532,962	1,641,806
Extraordinary charges (note 15)	218,027	12,500
Other taxes (note 16)	104,174	56,217
TOTAL CHARGES	**50,464,898**	**121,436,570**

INCOME		
Net turnover (note 10)	484,822	1,462,333
Other operating income	106,771	492,751
Income from participating interests	177,505	0
Income from securities and loans	704,445	0
Other interest receivable and similar income		0
Affiliated undertakings	12,151,761	11,300,238
Other interest receivable and similar income (note 17)	2,810,472	64,155
Gain on disposal of properties (note 3)	282,099	1,179,066
Loss for the financial year	33,747,023	106,938,027
TOTAL INCOME	**50,464,898**	**121,436,570**

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 22 July 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, L-8308 Capellen.

The shares of the Company are now listed on the Prime Market of the Frankfurt Stock Exchange.

ORCO GERMANY S.A. is 58,94% owned by ORCO PROPERTY GROUP S.A., Luxembourg, which prepares consolidated financial statements including the accounts of the Company. The Company also prepares its own consolidated financial statements.

The consolidated financial statements 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 have been prepared in accordance with Luxembourg legal and regulatory requirements. Accounting policies and valuation rules are, besides the ones laid down by the law, determined and applied by the Board of Directors.

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, defined by the Board of Directors as the 12 months period after the balance sheet date.

On a consolidated basis, the situation is comparable to prior year. The economic environment in which the Company and its subsidiaries, together the Group, operate has however stabilized. The Group has made progress in the implementation of its restructuring plans.

2.1.2 2010 results

In the year ended 31 December 2010, the Company made a loss of EUR 33.7 million (2009: 106.9 million). The total amount of debts that the Company is required to reimburse in 2011 amounts to EUR 5.0 million (2010: 18.2 million).

On a consolidated basis, in 2010, the Group made a profit of EUR 5.6 million – out of which EUR 5.6 million attributable to the Group Group (2009: a loss of EUR 105.5 million).

As at December 31, 2010, the Company has a negative capital and reserves. The Board of Directors need to submit to the General Meeting of Shareholders the possible dissolution of the Company as prescribed by Article 100 of the Luxembourg Law on Commercial Companies.

2.1.1 "Procédure de sauvegarde" of the Parent Company

Beginning of 2009, the Board of Directors of Orco Property Group S.A. („OPG"), 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 OPG, and Vinohrady S.à.r.l., a French subsidiary of OPG, for a renewable six months period. Since then, the initial period has been prolonged twice till 19 May 2010.

On 19 May 2010, the Court approved the OPG's Safeguard plan. This plan combines a strategic and operational restructuring plan and a debt rescheduling plan. The rescheduling plan aims at repaying 100% of the admitted claims, including nominal, accrued interests, and interests to accrue during the Safeguard plan, over ten years as per the schedule below, with effect from 30 April 2010 and a first repayment on 30 April 2011. This repayment schedule is consistent with the OPG's business plan and reflects the necessity for the mother company to invest in its development projects and assets.

Year	**% of the total liability**
2011	2%
2012	5%
2013	5%
2014	5%
2015	5%
2016	5%
2017	10%
2018	14%
2019	20%
2020	29%

The Court appointed Maître Laurent le Guernevé as "Commissaire à l'exécution du plan" in charge of overseeing the performance of OPG in implementing the Safeguard plan. Maître Le Guernevé will more specifically be in charge of distributing among OPG's creditors the amounts that are due to them under the Safeguard plan.

The judgment approving the Safeguard plan ended the observation period opened in 25 March 2009 and allows the Company to carry out its activity as it did prior to the opening of the Safeguard Procedure.

On 10 June 2010, a third party filed an opposition with the Commercial Court of Paris regarding the 19 May 2010 judgment that approved the OPG's Safeguard plan. This third party opposition was filed by Maître François Kopf, attorney for bondholder representative for the « OBSAR 2010 » (ISIN FR0010249599), « CONVERTIBLE 2013 » (ISIN FR0010333302), and « OBSAR 2014 » (ISIN XS0291838992 and XS029184062). Regarding these three bonds, the third party opposition contests the maximum bond liability to be reimbursed within the Safeguard plan. The Court hearing was deferred until May 2011.

A cancellation of the OPG's Safeguard plan could in the worst case scenario (whose occurance probablity is estimated as low by OPG management) lead to a liquidation of OPG and a request for early redemption of the loan granted to the Company.

2.1.2 Restructuring plan of the Group

As the Group, Orco Germany S.A., is 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, restoring of the global loan to value ratio at an affordable level. The actions include selling non-core businesses, renegotiation of existing bank loans and improving margins through a cost reduction programme (reduction of opex and capex).

In line with the Group's strategy to dispose of non strategic assets and focus on commercial properties, asset sales were closed with for total consideration of EUR 66.0 million leading to a reduction of EUR 46.4 million in the Group's debt and an improvement in liquidity during the year of 2010.

In order to build a sustainable free cash flow producing business the ambitious restructuring program was accelerated. Reorganisation, cost cutting and redundancies led to the closure of all branches outside of Berlin, to the savings of headquarter costs as well as to efficiency gains in our core business Orco-GSG.

In line with the Group's intention to reduce debts and to strengthen its equity basis, the total amount of liabilities decreased by EUR 109.4 million to EUR 817.5 million during the year.

2.1.3 Risks and uncertainties on the ability of the Company to continue as a going concern

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 Berlin could damage the Group's activity and slow down the asset sales program. It should be noted that this environment has generally been improved over the last 12 months, which is reflected in the stable fair value on the GSG assets over the year of 2010 and the amount of asset sales closed.

At the end of December 2010, short-term borrowings (<1 year) of the Group are still significant and amounted to EUR 200.6 million (mainly Sky Office EUR 95 million, Wertheim EUR 66 million and GebauerHöfe EUR 29 million).

The priority for the Management is to complete the sales of mature projects like Sky Office in Düsseldorf in order to repay the bank debts maturing in 2011.

On the mid-term run, the key elements of the going concern will be the refinancing of the EUR 100 million nominal corporate bond and the EUR 300 million loan for GSG with maturity date in May 2012 and in April 2012, respectively. The Management is looking at the best alternatives in order to refinance these debts and to ensure the going concern of the Group and the Company on a long term basis.

The Board of Directors is in the opinion that those risks are mitigated by the reasonability of the assumptions taken in the establishment of the business plan and the expected capital increase to be completed by the shareholders, including Orco Property Group S.A. and MSREF V Turtle B.V.

2.1.4 Conclusion

The Board of Directors has, as a result of the restructuring in progress, concluded that there is a reasonable expectation that the Company can continue its operations in the foreseeable future and, accordingly, has formed a judgment that it is appropriate to prepare the consolidated financial statements as at 31 December 2010 on a going concern basis.

2.2. Significant accounting policies

2.2.1 Disclosure

The Company has prepared these annual accounts in accordance with the disclosure requirements of the Luxembourg standard chart of accounts (Grand-Ducal Regulation dated 10 June 2009). Comparative numbers have been restated in accordance with these disclosure requirements, leading to the following reclassifications.

Profit and loss account for the year ended 31 December 2009 as presented in:

Annual accounts 2009		**Annual accounts 2010**	
	EUR		**EUR**
CHARGES			
External charges	4,834,316	Consumptions and charges	4,250,727
		Other operating charges	571,089
		Extraordinary charges	12,500
Value adjustments in respect of financial assets	3,005,554	Value adjustments in respect of current assets	3,005,554
Value adjustments in respect of financial instruments	413,223	Other interest payable	413,223
Other taxes	220,357	Other operating charges	220,357
INCOME			
Income from other transferable securities	10,802	Other interest receivable	10,802

2.2.2 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 land and buildings is based on specific valuation when available. In absence of such valuation, the split is done on the basis 20% on land and 80% on buildings, which is considered as a fair allocation by the Board of Directors.

2.2.3 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.

2.2.4 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.

2.2.5 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.

2.2.6 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.

2.2.7 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”.

2.2.8 Prepayments and accrued income

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

2.2.9 Accruals and deferred income

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

2.2.10 Value adjustments

Value adjustments are deducted directly from the related asset.

2.2.11 Net turnover

Net turnover includes rental income.

2.2.12 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".

2.2.13 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 1 (2009: 4) real estate property, located in Berlin (Germany), Kurfürstendamm.

During the year, the Company sold 3 buildings located Danziger Str., Brunnenstr. and Lütticher Str. (2009: 8) yielding a net loss of EUR 250,863 (2009: net loss of EUR 462,740).

2010	**Land**	**Buildings**
	EUR	**EUR**
Cost		
Situation as at 1st January 2010	10,827,302	11,384,309
Additions/Transfers	-	516,326
Disposals/Transfers	(5,067,696)	(9,828,479)
Situation as at 31 December 2010	5,759,606	2,072,156
Depreciation		
Situation as at 1st January 2010	-	(8,071,611)
Depreciation for the year	-	(665,463)
Disposals/Transfers	(189,606)	6,664,918
Situation as at 31 December 2010	(189,606)	(2,072,156)
Net value as at 31 December 2010	**5,570,000**	**-**

2009	**Land**	**Buildings**
	EUR	**EUR**
Cost		
Situation as at 1st January 2009	18,212,726	33,211,230
Additions/Transfers	-	2,120,705
Disposals/Transfers	(7,385,424)	(23,947,626)
Situation as at 31 December 2009	10,827,302	11,384,309
Depreciation		
Situation as at 1st January 2009	-	(1,574,466)
Depreciation for the year	-	(8,104,355)
Disposals/Transfers	-	1,607,210
Situation as at 31 December 2009	-	(8,071,611)
Net value as at 31 December 2009	**10,827,302**	**3,312,698**

NOTE 4 - FINANCIAL ASSETS

2010	Shares in affiliated undertakings	Loans to affiliated undertakings
	EUR	EUR
Cost		
Situation as at 1st January 2010	156,024,441	145,506,422
Additions/Transfers	-	41,797,083
Disposals/Transfers	(2,868,555)	(37,539,014)
Situation as at 31 December 2010	153,155,886	149,764,491
Depreciation		
Situation as at 1st January 2010	(70,407,731)	(66,213,160)
Release for the year	683,141	4,160,389
Depreciation for the year	(7,052,408)	(4,268,207)
Transfer from interest capitalised	-	(3,005,554)
Situation as at 31 December 2010	(76,776,998)	(69,326,532)
Net value as at 31 December 2010	**76,378,888**	**80,437,959**

2009	Shares in affiliated undertakings	Loans to affiliated undertakings
	EUR	EUR
Cost		
Situation as at 1st January 2009	156,027,442	124,736,522
Additions/Transfers	9,499	21,898,944
Disposals/Transfers	(12,500)	(1,129,044)
Situation as at 31 December 2009	156,024,441	145,506,422
Depreciation		
Situation as at 1st January 2009	(33,982,333)	(8,298,007)
Depreciation for the year	(36,425,398)	(57,915,153)
Situation as at 31 December 2009	(70,407,731)	(66,213,160)
Net value as at 31 December 2009	**85,616,710**	**79,293,262**

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 2010, the Company disposed of its healthcare activities selling Gesellschaft für Seniorenwohnen GmbH and part of the Endurance entities. Some other Endurance entities were liquidated. The assets and liabilities of Tucholskystrasse were taken over by the Company; Lora and LP12 were merged into other entities of the Group.

The Board of Directors of the Company is in the opinion that some affiliated undertakings of the Company are permanently impaired as at 31 December 2010. Therefore, all shares in affiliated undertakings with their net equity significantly lower than their acquisition cost as at 31 December 2010, are value adjusted to the highest amount between zero and the net equity of each concerned affiliated undertaking as at 31 December 2010.

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 19 December 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.

Name of the undertaking	Country	Cur.	% held	Gross value 31/12/2009 EUR	Change in 2010 EUR	Gross value 31/12/2010 EUR	Impairment 31/12/2010 EUR	Carrying value 31/12/2010 EUR
Apple Tree Investments GmbH	Germany	EUR	94.80%	2,502,720	-	2,502,720	1,036,304	1,466,416
Endurance HC Alpha Sàrl	Luxembourg	EUR	100.00%	12,500	(12,500)	-	-	-
Endurance HC Beta Sàrl	Luxembourg	EUR	100.00%	12,500	-	12,500	12,500	-
Endurance HC Epsilon Sàrl	Luxembourg	EUR	100.00%	12,500	(12,500)	-	-	-
Endurance HC Eta Sàrl	Luxembourg	EUR	100.00%	12,500	(12,500)	-	-	-
Endurance HC Gamma Sàrl	Luxembourg	EUR	100.00%	12,500	-	12,500	12,500	-
Endurance FF&E Sàrl (HC Iota Sàrl)	Luxembourg	EUR	100.00%	12,500	(12,500)	-	-	-
Endurance HC Theta Sàrl	Luxembourg	EUR	100.00%	12,500	(12,500)	-	-	-
Endurance HC Zeta Sàrl	Luxembourg	EUR	100.00%	12,500	(12,500)	-	-	-
Gebauer Höfe Liegenschaften GmbH	Germany	EUR	100.00%	27,500	-	27,500	27,500	-
GSG-Gewerbesiedlungsges mbH (Isalotta 1. GmbH)	Germany	EUR	100.00%	74,768,165	-	74,768,165	-	74,768,165
Isalotta 2. GmbH	Germany	EUR	100.00%	197,567	-	197,567	178,830	18,737
Isalotta GP GmbH & Co. Verwaltungs KG	Germany	EUR	94.99%	3,755,384	-	3,755,384	3,755,384	-
Lora Grundbesitz GmbH, Berlin	Germany	EUR	100.00%	204,963	(204,963)	-	-	-
Orco Berlin Invest GmbH, Berlin	Germany	EUR	100.00%	19,025,000	-	19,025,000	19,025,000	-
Orco Erste Beteiligungs VV GmbH	Germany	EUR	100.00%	25,000	-	25,000	6,355	18,645
Orco Germany Investment SA	Luxembourg	EUR	100.00%	31,000	-	31,000	31,000	-
Orco Grundstück u. Beteiligungs GmbH, Berlin	Germany	EUR	100.00%	40,027,300	-	40,027,300	40,027,300	-
Orco Immobilien GmbH, Berlin	Germany	EUR	100.00%	9,325,000	52,000	9,377,000	9,377,000	-
Orco LP 12 GmbH, Berlin	Germany	EUR	100.00%	27,300	(27,300)	-	-	-
Orco Projekt 103 GmbH, Berlin	Germany	EUR	100.00%	1,105,963	-	1,105,963	1,105,963	-
Orco Vermietungs- und Service GmbH	Germany	EUR	100.00%	25,000	-	25,000	-	25,000
Ges. Für Senioren Wohnen GmbH	Germany	EUR	94.80%	100,000	(100,000)	-	-	-
Tucholsky Strasse 39 GmbH & Co. Grundbesitz KG	Germany	EUR	100.00%	2,513,292	(2,513,292)	-	-	-
Vivaro GmbH & Co Grundbesitz KG	Germany	EUR	94.34%	1,691,169	-	1,691,169	1,615,408	75,761
Vivaro GmbH & Co Zweite Grundbesitz KG	Germany	EUR	94.34%	547,118	-	547,118	547,118	-
Vivaro Vermögensverwaltung GmbH	Germany	EUR	100.00%	25,000	-	25,000	18,836	6,164
				156,024,441	**(2,868,555)**	**153,155,886**	**76,776,998**	**76,378,888**

4.2. Loans to affiliated undertakings

	2010	2009
	EUR	EUR
Orco Immobilien GmbH	41,752,480	37,383,275
Orco Grundstück-u. Beteiligungs GmbH	26,750,733	27,810,446
Orco Leipziger Platz GmbH	32,760,812	23,272,469
Gebauer Höfe Liegenschaften GmbH	17,998,062	16,046,180
Orco erste Projektentwicklungsges. mbH	10,199,782	1,671,667
Orco Berlin Invest GmbH	8,880,331	12,803,617
Orco Projekt 103 GmbH	5,984,173	6,229,507
Orco sechste Projektentwicklungsges. mbH	3,000,000	1,529,468
Others	2,438,118	18,759,793
Cost	149,764,491	145,506,422
Depreciation	(69,326,532)	(66,213,160)
Net value	**80,437,959**	**79,293,262**

Loans to affiliated undertakings have no set maturity dates and are remunerated at an interest rate of 8% (2009:8%).

In detail, the loans have been impaired as follows:

	2010	2009
	EUR	EUR
Orco Immobilien GmbH	40,428,060	37,383,275
Gebauer Höfe Liegenschaften GmbH	10,326,164	10,432,294
Orco Berlin Invest GmbH	8,880,331	8,405,828
Orco Projekt 103 GmbH	5,244,684	4,388,389
Orco Grundstück-u. Beteiligungs GmbH	2,737,523	-
Endurance HC entities	984,065	3,925,325
Ges. Für Senioren Wohnen GmbH	-	1,008,000
Orco sechste Projektentwicklungsges. mbH	450,014	450,014
Others	275,691	220,035
Total depreciation	**69,326,532**	**66,213,160**

The Board of Directors of the Company is in the opinion that some affiliated undertakings of the Company are durably impaired as at 31 December 2010 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, 2010 are value adjusted to the highest amount between zero and the net assets of each concerned affiliated undertaking as at 31 December 2010.

4.3. Interest accrued on loans to affiliated undertakings

Interest accrued on loans to affiliated undertakings of EUR 7,609,057 (2009: 8,436,593) was subject to impairment adjustments of EUR 481,313 (2009: EUR 3,005,554),

NOTE 5 - TRANSFERABLE SECURITIES

	2010	2009
	EUR	EUR
Gross book value		
Situation as at the beginning of the year	878,084	1,320,942
Additions	-	-
Disposals	-	(442,858)
Situation as at the end of the year	878,084	878,084
Value adjustment		
Situation as at the beginning of the year	(849,284)	(1,184,453)
Use	-	342,369
Additions	(1,512)	(7,200)
Situation as at the end of the year	(850,796)	(849,284)
Net book value as at the end of the year	**27,288**	**28,800**

Transferable securities Deutsche Reit AG (2010 and 2009: 72,000 shares) held by the Company at the end of the year are listed. As at 31 December 2010, the securities are valued on the basis of the latest available market price amounting to EUR 27,288 (2009: EUR 28,800). In 2009, a net gain on sale of the 35,176 shares in Colonia Real Estate AG of EUR 10,802 was realised.

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).

	2010	2009
	EUR	EUR
Gross amount of issuing fees on the OBSAR bond issue (see note 8)	2,100,052	2,100,052
Cumulated amortization of bond issuing fees (1)	(1,505,000)	(1,085,000)
Other	3,474	-
Total at the end of the year	**598,526**	**1,015,052**

(1) The amortization of the bonds' issuing fees is accounted for in the profit and loss account as other interest payable and similar charges (see note 14).

NOTE 7 - CAPITAL AND RESERVES

Share capital

Share capital amounts to EUR 60,964,166 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 173,647,723.

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.

	Subscribed capital	Share premium account	Loss brought forward	Loss for the financial year
	EUR	EUR	EUR	EUR
Situation as at 31 December 2009	60,964,166	123,657,606	(51,255,297)	(106,938,027)
Allocation of results as per AGM of 16 June 2010	-	-	(106,938,027)	106,938,027
Loss of the year	-	-	-	(33,747,023)

Situation as at 31 December 2010	**60,964,166**	**123,657,606**	**(158,193,324)**	**(33,747,023)**

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 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 15.60
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

As at 31 December 2010, the Company has set up a provision amounting to EUR 25,025,000 corresponding to the redemption premium on the bonds.

Accrued interest unpaid on the outstanding bonds amounting to EUR 2,328,494 (2009: EUR 2,330,496) is shown under the short-term portion of the caption "bonds" in liabilities.

As at 31 December 2010 and 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	Outstanding loan amount as at 31.12.2010	Annual interest rate	Maturity date
		EUR	EUR		
Kurfürstendamm 102	Berlin Hyp	6,100,000	5,612,000	EURIBOR 3 months + 1%	28.12.2016

As at 31 December 2010, a portion of EUR 5,002,000 (2009: EUR 5,124,000) of amounts owed to credit institutions is payable after more than 5 years.

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% (2009: 8%). These loan agreements are expiring by 31 December 2020.

NOTE 10 - NET TURNOVER

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

NOTE 11 - CONSUMPTIONS AND CHARGES

Consumption and charges are composed of:

	2010	2009
	EUR	EUR
Supplies, rental, maintenance and repairs	580,881	1,375,787
Commission and brokerage	66,757	81,750
Financial services	18,102	60,385
Professional fees	2,227,884	2,305,837
Insurance	54,868	73,317
Marketing	57,362	334,057
Other	3,835	19,594
	3,009,689	**4,250,727**

NOTE 12 - STAFF

Average of persons employed during the year	**2010**	**2009**
Employees	-	1
Worker	-	1
Total at the end of the year	**-**	**2**

NOTE 13 - OTHER OPERATING CHARGES

Other operating charges include:

	2010	**2009**
	EUR	**EUR**
Irrecoverable German value added tax	39,634	210,913
Irrecoverable Luxembourg value added tax	288,157	220,357
Other duties and taxes	43,811	360,176
Total at the end of the year	**371,602**	**791,446**

NOTE 14 - OTHER INTEREST PAYABLE AND SIMILAR CHARGES

Other interest payable and charges are composed of:

	2010	**2009**
	EUR	**EUR**
Interest due on loans from credit institutions	209,301	782,249
Net interest on swap transactions	418,378	885,054
Interest due on OBSAR bonds issued	4,002,000	4,002,000
Amortisation of bond issuing fees (see note 6)	420,000	420,000
Provision bond redemption	25,025,000	-
Swap realization loss	215,157	21,859
Swap valuation loss	229,810	413,223
Other	3,870	195,213
Total at the end of the year	**30,523,516**	**6,719,598**

NOTE 15 - EXTRAORDINARY CHARGES

Extraordinary charges include mainly losses arising from the disposal of financial fixed assets as well as the net results arising from the takeover of assets and liabilities of group entities.

NOTE 16 - 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:

	2010	2009
	EUR	EUR
Luxembourg net wealth tax provided	61,158	(70,296)
German property taxes	48,894	126,513
Other	(5,878)	-
Total at the end of the year	**104,174**	**56,217**

NOTE 17 - OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

Other interest receivable and similar income are composed of:

	2010	2009
	EUR	EUR
Gains on disposal of financial fixed assets	2,317,475	-
Swap realisation gain	474,912	-
Bank and other interest	18,085	53,353
Valuation gain on securities	-	10,802
Total at the end of the year	**2,810,472**	**64,155**

NOTE 18 - 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 value of the interest rate swaps, at the beginning of the year	(1,886,412)
Use of provision for interest rate swaps terminated during the year	410,843

Release of provision for interest rate swaps terminated during the year	1,020,072
Increase of provision for interest rate swaps	(229,810)
Market valuation of the interest rate swaps, at the end of the year	**(685,307)**

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	Unrealized gain/(loss)
			31/12/2010 EUR	31/12/2010 EUR
Interest Rate Swap	31/07/2007	31/03/2017	5,612,000	(685,307)

During the year 2010, the Company terminated two swap agreement by anticipation and reduced the nominal of another one. On the terminated swap agreements, the Company realized a gain of EUR 474,912 and a loss of EUR 229,810.

NOTE 19 - 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	2010	2009
Pledge of shares	Pledge of shares Isalotta 1, Isalotta 3 and Gewerbesiedlung GmbH to guarantee a loan granted by ABN Amro (London) to these entities	299,978,273	302,100,347
Guarantee	To guarantee a loan granted by Bayrische Landesbank to Apple Tree Investments GmbH	3,950,000	3,950,000
Guarantee	To guarantee a loan granted by Bayrische Landesbank to Apple Tree Investments GmbH	2,750,000	2,750,000
Guarantee	To guarantee a loan granted by Landesbank Berlin to Vivaro GmbH & Co Grundbesitz KG	1,300,000	1,300,000
Pledged account	Bank account pledged to Berliner Hypothekenbank to guarantee obligations under loan agreement Ku'damm 102	892,634	1,054,480

Type	Description	2010	2009
Guarantee	To guarantee a loan granted by Hypo Real Estate to Gebauer Höfe GmbH	undetermined	undetermined
Mortgage	Mortgage and assignment of rental income in favour of the lending bank Orco Berlin Invest	-	20,000,000
Guarantee	Patronatserklärung (general guarantee) of the commitments of SeWo Gesellschaft für Seniorenwohnen mbH.	-	4,000,000
Guarantee	To guarantee a loan granted by Eurohypo to Orco Grundstücks- und Beteiligungsgesellschaft GmbH	-	3,000,000
Pledged account	Bank account pledged to Bayrische Landesbank to guarantee obligations under swap agreement	-	948,430
Commitment	Budget on renovation works of Danziger Str.	-	825,000
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

NOTE 20 - REMUNERATION OF THE MEMBERS OF THE BOARD OF DIRECTORS

There were no emoluments granted in respect of the financial year to the executive members of the Board of Directors (2009: EUR 40,000). The Company did not grant any advances, loans or pension schemes to its Directors.

NOTE 21 - RELATED PARTY TRANSACTIONS

21.1. Balance Sheet

As at 31 December 2010, the following balances with related parties are outstanding:

- Shares in affiliated undertakings as disclosed in note 4
- Loans to affiliated undertakings as disclosed in note 4
- Affiliated debtors are disclosed separately in the balance sheet and represent mainly interest accrued on intercompany loans as well as some other financial receivables
- Affiliated creditors are disclosed separately in the balance sheet and represent interest accrued on intercompany loans.

21.2. Profit and loss account

During 2010, the following income and charges was realised with related parties:

- Administrative and accounting fees paid to other entities of the Group of EUR 638,850 (2009: 623,516) included under consumptions and charges
- Interest and similar charges to related parties are disclosed separately in the profit and loss account
- Interest and similar income from related parties are disclosed separately in the profit and loss account.

During 2010, the following transactions affected subsidiaries of the Company:

- Liquidation of the subsidiary Endurance HC Zeta S.à r.l.
- Liquidation of the subsidiary Endurance HC Theta S.à r.l.
- Takeover of the assets and liabilities of the subsidiary ORCO LP 12 GmbH
- Takeover of the assets and liabilities of the subsidiary Tucholskystr39/41 GmbH & CoGrundbesitz KG

These transactions resulted in extraordinary charges of EUR 40,064 and a release of value adjustments on financial fixed assets of EUR 7,209.

NOTE 22 - EVENTS AFTER BALANCE SHEET DATE

22.1. Leipziger Platz

The land plot at Leipziger Platz – owned by a subsidiary of the Company – embodies the last undeveloped piece of land at the gateway between east and west in the very centre of Berlin, in the immediate vicinity of the Brandenburg Gate. The Group has owned this 2ha site since 2007, when it was purchased for EUR 75.0 million and valued as in December 2009 by DTZ at EUR 84 million.

In November 2010, the Company confirmed that it would sell the project to High Gain House Investments GmbH (HGHI), a local developer, while remaining involved in the development of the plot into a mixed project made of a shopping centre, offices and residential units for a total of 72,600 sqm NLA. On 31 January 2011, the transaction has been closed for a net sales price of EUR 89 million (for the first three instalments), plus an additional payment of EUR 30 million payable after finalization of the project.

The transaction is executed in several instalments. The first part of the sales price of EUR 67 million has been paid in January 2011 and has been solely used to repay the bank debt for the project. A second part was paid in February 2011. A third part is deferred to cover for project development risks overtaken by ORCO for a maximum amount of EUR 10 million. The last additional payment will become due after finalization of the project. As the transaction was completed after year-end, it will be reflected in Q1 2011 accounts as an asset sale.

22.2. Resignation

On 31 January 2011, Mr. Rainer Bormann resigned from its function as Director of the Company with immediate effect. Mr. Borman resigned as well from its functions within other companies of the Group and a settlement agreement has been concluded.

22.3. Shares

On 15 March 2011, Viterra Baupartner Gmbh, a subsidiary of the Company, declared having acquired from Kraaft S.A. (a related party) 1,900,000 shares of the Company or 3.89% of total voting rights, together with 1,150,000 warrants of the Company (potentially giving access to 2.36% of the Company).

pwc

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Audit report

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., which comprise the balance sheet as at December 31, 2010, the profit and loss account for the year then ended and a summary of significant accounting policies and other explanatory information.

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, and for such internal control as the Board of Directors determines is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

Responsibility of the "Réviseur d'entreprises agréé"

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 for Luxembourg by the "Commission de Surveillance du Secteur Financier". 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 judgment of the "Réviseur d'entreprises agréé", 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 "Réviseur d'entreprises agréé" 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.

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Opinion

In our opinion, the annual accounts give a true and fair view of the financial position of Orco Germany S.A. as of December 31, 2010, 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, as at December 31, 2010, the Company has negative capital and reserves, substantial outstanding debts service obligation and capital requirements and has experienced significant losses for the year then ended. Management has initiated a restructuring plan that assumes among other things the renegotiation of bonds due in 2012. These matters referred to above, 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 matters referred to above would not be resolved satisfactorily, the annual accounts would have to be prepared on a break-up basis of accounting with impacts on the valuation, the classification of assets and liabilities and the disclosures, the effects of which cannot be estimated at present.

Report on other legal and regulatory requirements

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

Luxembourg, April 1st, 2011

PricewaterhouseCoopers S.à r.l.
Represented by

Marc Minet

H.R.T. RÉVISION S.A.
Represented by

Brigitte Denis