ORCO GERMANY S.A.

Société Anonyme

Consolidated financial statements

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Report of the Réviseur d'Entreprises Agréé

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For the year ended as at 31 December 2011

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To the Shareholders of
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REPORT OF THE REVISEUR D'ENTREPRISES AGREE

Following our appointment by the General Meeting of the Shareholders on July 25, 2011, we have audited the accompanying consolidated financial statements of Orco Germany, Société Anonyme (hereafter "Orco Germany", the "Company", "OG" or the "Group"), which comprise the consolidated statement of financial position as at 31 December 2011, the consolidated statements of income statement, comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Responsibility of the Board of Directors' 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 in the European Union and for such internal control as the Board of Directors determines is necessary to enable the preparation of 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 *réviseur d'entreprises agréé's* judgment including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the *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.

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, Société Anonyme as of December 31, 2011, and of its consolidated financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Emphasis of Matter

Going concern of the Group

Without qualifying our opinion, we draw attention to note 2.1.1 in the consolidated financial statements which describes the basis upon which the Board of Directors has determined that it is appropriate to prepare the consolidated financial statements on a going concern basis.

As at December 31, 2011, the Group has substantial outstanding debt service obligations, and a significant amount of short term financing. The short term liabilities amount to EUR 507 million, and include: financial debt in relation to the GSG portfolio amounting to EUR 300 Million due in mid-April 2012 and bonds issued by OG amounting to EUR 98 Million due at the end of May 2012.

During 2011, the Group initiated a project to restructure the bonds issued by Orco Property Group Société Anonyme (hereafter "Orco Property Group", "OPG") main shareholder of OG and OG, which culminated with the signature of a joint agreement by the OPG and OG bondholders on 17 April 2012. Further to the approvals of the general meetings of the bondholders of OPG and OG, and the *Tribunal de Commerce de Paris*, the finalisation of this project is subject to the completion of the following two major steps, which are still pending at the date of issue of the consolidated financial statements:

i) the drafting of the different securities notes that need to be issued after approval by the *Commission de Surveillance du Secteur Financier* and;

ii) the approval by the general meeting of the shareholders of OPG of the issuance of the new shares in consideration for the OPG bonds .

The Group's ability to continue in operation as a going concern is primarily dependent upon the completion of the aforementioned steps in relation to the OG bonds restructure.

The matters described above, together with the other elements described in note 2.1.1 in the consolidated financial statements and the following paragraph of this report, are indicative of the existence of material uncertainties that may cast significant doubt about the Group's ability to continue as a going concern.

Going concern of certain subsidiaries

Without qualifying our opinion, we draw attention to note 2.1.1 in the consolidated financial statements which describes the fact that the Board of Directors and the management are actively working on negotiating with the financing banks in order to either prolong the short term loans or solve the covenants breaches that result in their classification as current.
GSG and its financing bank have signed a standstill agreement which defers the repayment obligation related to the 15 April 2012 maturity of the financial debt carried on the consolidated statement of financial position for an amount of EUR 300 million relating to the financing of GSG portfolio to June 15, 2012. The Group is currently using this period to advance in its refinancing negotiations with a number of other credit institutions. Should such negotiations be unsuccessful, the current financing bank would have the possibility to exercise its pledge on the Group's shares in GSG, and consequently the Board would have to present the assets and liabilities stemming from GSG on a basis other than that of a going concern. Pending the completion of such negotiations, the Board of Directors has determined that there is a reasonable expectation that the group can continue its operations in the foreseeable future and consequently that it is still appropriate to continue to record the relevant GSG assets and liabilities at their going concern value. The significant contribution of GSG in the consolidated statement of financial position as of December 31, 2011, and the impact of the use of a basis other than a going concern basis would have on the consolidated financial statements are disclosed in note 2.1.1.
The Company is currently also negotiating the sale of Sky Office, and intends to use the proceeds to repay the relevant short-term financing.

Deloitte.

Report on other legal and regulatory requirements

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

The section of the consolidated management report relating to the corporate governance includes the information required by the law of 19 December 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended with respect to the corporate governance statement except for the description of internal controls and risk management relative to financial information processing.

For Deloitte Audit, *Cabinet de révision agréé*

Christiane Chadoeuf, *Réviseur d'entreprises agréé*
Partner

June 8, 2012

ORCO Germany – 2011

Annual Management Report

As of 31 December 2011

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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 uniformly 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 NYSE Euronext, Paris, Prague, 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 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. The organisational restructuring of the Group has been completed in 2011 with the vertical integration of the company both:

- with its main subsidiary ORCO-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 new top management of ORCO Germany is now located in Paris.

Going forward, the Group will focus on asset managing its 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, thus producing additional income. Non-core assets were disposed of and opportunities, mainly in our key business park segment, may now be seized based upon a case by case decision.

1.2. Business segments

Property Investments

Property Investments (previously named Asset Management) is the core segment of ORCO Germany and comprises investments in commercial properties, in particular through acquisition and asset management of rental properties and property portfolios. As part of its core segment, ORCO Germany is focused on the long-term value creation and generation of cash-flows of these properties.

The investment portfolio comprises 850,851 sqm of lettable area.

With the acquisition of GSG in 2007, ORCO Germany became one of the largest owners of commercial real estate in Berlin. ORCO-GSG is the backbone of ORCO Germany's investment activities with around 815,131 sqm of total lettable area. By the end of 2011 ORCO Germany's total lettable area amounted to 850,851 sqm comprising besides the ORCO-GSG properties, properties like Gebauer Höfe and Kurfürstendamm 102.

Development

The Development segment deals with the 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.

Following ORCO Germany's decision to focus on Property Investments, the Development business line has been progressively ran-down.

While the Development segment comprises premium assets like Sky Office in Düsseldorf and Hochwald in Kleinmachnow near Berlin, the development activity mostly focuses on developing or redeveloping GSG land or properties (ex Lubarser Str.) or OG's (Gebauer Hof) which are classified as Investment Properties.

2. Economic and Market environment

2.1. Financial market environment[1]

In 2012 net credit margins are expected, referring to CB Richard Ellis, to significantly increase above the historic level to pay adequate interest on the equity capital rates and conditions imposed by Basel III and the European Banking Authority (EBA). Margins of less than 150 bps above the respective individual refinancing cost of the respective banks for loans issued with average credit quality should become increasingly rare in the long run.

In the first half year in particular, new lending business of all banks will be granted more selectively to customers and restricted to especially higher quality properties. In addition to the general caution being exercised by banks – caused by the EBA stress test (requiring 9% common equity as at 30. June 2012) and the extremely high proportion of maturing bank bonds in Q1/2012 - there is a withdrawal of substantial lenders such as the Eurohypo and Westdeutsche Immobilienbank from the supply side.

In this context, the refinancing of the GSG loan remains a challenging process. In April 2012 GSG Asset GmbH & Co. Verwaltungs KG, a subsidiary of ORCO Germany S.A ORCO-GSG and Royal Bank of Scotland signed a standstill agreement which terminates on 15 June 2012. For further details please refers to part 5.1. Subsequent closing events.

2.2. Relevant real estate market environment

Berlin

Economy[2]

Berlin´s economy showed repeatedly a solid growth trend. According to preliminary results of the Investitionsbank (IBB) price-adjusted GDP rose by 2.5% in 2011. After the increase of 2.7% GDP in 2010 Berlin's economic performance stabilized on a significant higher level than in 2008, the pre economic crisis year. After two extremely robust years in a row, the overall economic dynamic is expected to slow down. From today's perspective the Berlin's gross domestic product is likely to increase in 2012 by 1.5%.

Once again the number of employees increased in Berlin. In December 2011 the Federal Employment Agency reported a decrease in the unemployment rate by 0.5% points (compared to the previous year) to 12.3% in December 2011. Despite this decline the unemployment rate still remained on a significant higher level than the German average of 6.6% in December 2011. Berlin outperformed German average regarding creation of new jobs since 2006.

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

[2] Data taken from IBB: http://www.ibb.de and www.Arbeitsagentur.de

Office Market[3]

Take-up in the office-market area of Berlin in 2011 with 558,000 sqm, exceeded the respective previous year figures by 9% or 50.000 sqm. Since take-up remained stable on a high level and completion rates of speculative office space were rather low, vacancy rates decreased from 9.8% (December 2010) to 9.3% (December 2011). The achievable prime rent at the end of the year remained unchanged at €22.00 per sqm/month and thus 4.8% above the previous year's figures.

Prognosis

The positive development of the Berlin office market is expected to continue in 2012. Although demand will slow-down on account of the expected lower rate of economic growth, solid take-up rates in 2012 might be achieved. As completion rates will further remain on a lower level, the occupancy rate is likely to decrease. Prime rents are expected to continue their steady increase in 2012.

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 Schönefeld in 2012.

Düsseldorf[3]

Economy

Referring to the NRW.Bank.ifo[4] survey companies assessed the current market situation more positively compared to the previous four months. However companies remain sceptical about prospects for 2012.

Unemployment rate decreased by 0,7% points year on year to 7.5% (relating to the entire workforce) in December 2011 but still remained 0.9% points above the German average unemployment rate of 6.6%.

Office Market

The Dusseldorf office market (including surrounding districts) showed an overall take-up of 368,100 sqm, which resulted in (Vodafone lease completion of 86,000 sqm included in 2010), 6% less than in the previous year. The achievable prime rent in the market area rose by approximately 2% to €23.5 per sqm/per month whereas the weighted average rent fell by 7% to €12.93 per sqm/per month. The vacancy rate remained unchanged at 10.4%.

Prognosis

The gap between prime rents and average weighted rents remains immense and will probably not change in the near future as prime rents will continue to rise in the medium term. Further successful lettings will have a major impact on the development of vacancy rates in the medium term since the projected speculative completion level is significantly above average values of the past. The stable demand for high quality space on the Düsseldorf market will ensure, however, that vacancy will not increase dramatically.

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

[4] Data taken from NRW.Bank.ifo Business climate December 2011 survey

3. Group earnings performance

3.1 The Stock of ORCO Germany S.A. on 31 December 2011

ISIN	LU0251710041
Market Cap	[42,089,660 EUR] (31 December 2011)
Segment	Prime Standard
Number of shares	48,771,333
Stock Exchange	Frankfurt Stock Exchange
Free float	8.1%

3.2. Key figures

	December 2011	December 2010	change
Revenues (in k €)	63.765	150.898	(87.132)
Operating Result (in k €)	55.278	62.426	(7.148)
Net profit attributable to the Equity holders of the Company (in k €)	21.277	5.596	15.681
Adjusted EBITDA (in k €)	26.650	32.555	(5.905)

	31 December 2011	31 December 2010
Total Assets (in k €)	796.234	867.407
Equity (in k €)	69.810	49.910
Liabilities (in k €)	726.424	817.497

3.3. Overview of major events in 2011

2011 ended for ORCO Germany with a consolidated profit attributable to the Group of €21.3 million (€5.6 million for 2010). The diluted earnings per share moved from €0.11 in 2010 to €0.44 in 2011. The positive result was mainly influenced by gains realized on the disposal of assets (especially the sale of the land plot Leipziger Platz), lower employee benefits, savings achieved on other operating expenses due to the ongoing optimization of cost structures and lower interest expenses reflecting the volume of asset sales conducted in 2010 and 2011.

In 2011 no development sales were accomplished whereas in 2010 the Healthcare portfolio, H2 Office and Ministergärten were disposed of leading to total revenues of €85.8 million. Hence total revenues decreased by 57.7% to end up at €63.8 million.

Adjusted EBITDA is the recurring operational cash result calculated by deduction from the operating result of non-cash items and non-recurring items (Net gain or loss on fair value adjustments – Amortisation, impairments and provisions – Net gain or loss on the sale of abandoned developments – Net gain or loss on disposal of assets) and the net results on sale of assets or subsidiaries compared to 2010 decreased by 18.1% to end up at €26.7 million. Primarily losses in shrinking development sales effected the adjusted EBITDA of the development segment leading to a decline in the adjusted EBITDA of -€7.0 million YoY, whereas the Investment segment increased its performance by €1.1 million.

Net gains achieved on the disposal of assets (€9.9 million) strongly contributed to the positive result attained in 2011. The main part (€9.2 million) originated from the sale of the plot of land on Leipziger Platz in the centre of Berlin with more than 22.000 sqm in February 2011. Additional net gains (€0.7 million) were mainly brought forward by the sale of the two Berlin based assets Invalidenstraße 112, contracted on 28 April 2011 (€0.4 million), and Brunnenstraße 156, contracted on 14 June 2011 (€0.3 million).

As at 31 December 2011 the portfolio values increased by €13.1 million (+€25.6 million valuation gains in 2010) in comparison to the year end 2010 especially realized on assets sold and better perfoming GSG assets.

Lower valuation gains led to an operating result (EBIT) of €55.3 million down -€7.1 million in comparison to the previous year.

In the reporting period asset sales were contracted totalling €142.0 million (thereof €122.5 million transferred) mainly comprising non cash producing assets.

In order to build a sustainable free cash flow producing business, the initiated reorganisation efforts, cost cuttings and savings of headquarter costs reflected a significant drop of 12.3% in operating expenses from €34.7 million in 2010 to €30.4 million in 2011.

Most of the loans of ORCO Germany were hedged in a phase of high interests. In a significantly worsened financing environment ORCO Germany continues working on refinancing its current €300 million GSG loan, maturing by mid of June after the signing of a standstill agreement (For further details please refers to part 5.1. Subsequent closing events) which will support the target of interests being covered by the adjusted EBITDA.

Over 2011, the restructuring of the management of ORCO Germany was pursued. The appointment of Jean-François Ott and Nicolas Tommasini as CEO and deputy CEO of ORCO Germany S.A. as of November 2010 and the departure of the former CEO, Rainer Bormann, together with other corporate executives, was followed by a significant renewal of the management team aimed at focusing resources on operations and property management while additional corporate functions were being performed by the mother company ORCO Property Group S.A..

Oliver Schlink, new CFO of ORCO-GSG, coming from Deutsche Annington and Sebastian Blecke new COO of ORCO-GSG coming from Sirius brought in their long term experience to ORCO Germany in order to improve the operational performance of ORCO GSG and the Group's portfolio.

3.4. Turnover

The total turnover 2011 amounted to €63.8 million compared to €150.9 million recognized in 2010. Rents generated on the ORCO-GSG portfolio represented the main part of commercial investment revenues (92.4%). Repeatedly ORCO-GSG could compensate major move outs and improve rental revenues.

REVENUES (in k €)			
	December 2011	December 2010	% change
Commercial Investment Properties	55 533	56 727	-2,1%
therof total GSG	51 307	50 283	2,0%
therof rental income GSG	*43 539*	*42 579*	*2,3%*
Dev elopment	8 232	94 171	-91,3%
TOTAL	**63 765**	**150 898**	**-57,7%**

3.4.1. Property Investments Segment

ORCO Germany's leasing income decreased from €56.7 million in 2010 to €55.5 million in 2011 due to sales of non strategic assets conducted in 2010/2011.

ORCO-GSG's Berlin business parks revenues increased YoY by 2.0% to €51.3 million including service charges to tenants (vs. €50.3 million in December/2010). Therein the rental income of ORCO-GSG increased by 2.3%. According to the strategy to dispose of non cash-generating assets, ORCO GSG now represents 80.9 % of total revenues (33.3% in 2010).

The increase of rental income of ORCO-GSG is based on a significant increase of the average commercial rental income per sqm of 3.1% (from €4.86 in December 2010 to €5.01 in December 2011) in addition to an occupancy rate increase recognized of 0.6% to 77.8% in December 2011.

The total net take-up since take-over in July 2007 amounted to 59,909 sqm leading to an increase in the occupancy rate from 70.4% to 77.8% (68.8% to 78.0% on commercial spaces).

Top performer in 2011 was the asset Pankstraße 8-10 in Berlin-Pankow in the region east with a net-take up recorded in 2011 of 4,207 sqm. Main contributor to the net-take up was a new contract comprising approximately 2,220 m² with an approved institution for handicapped people offering a large range of services. The occupancy rate thus increased almost by 10% from 69.4% (end of 2010) to 79.0% (end of 2011).

Two out of five top performers were located in the region North-Northwest. Thus second best performer in 2011 was the asset Gustav-Meyer-Allee 25 in Berlin-Mitte with a net-take up achieved in 2011 of 3,171 sqm, mainly backed by expansions from existing tenants. Main contributor to the net-take up was an existing tenant, a manufacturer of surface analysis components and systems, who rented additional 1,865 sqm. The occupancy rate consequently increased from 90.4% (end of 2010) to 93.4% (end of 2011).

Third best performer was the asset Schwedenstraße, also in Berlin-Mitte, with a net-take up of 2,800 sqm. Amongst others one contract with approximately 1,645 sqm was signed with the Beuth-Hochschule für Technik (University of Applied Sciences). The space will be used for the Architecture Master`s programme. The second

contract comprises approximately 700 sqm for a beauty company that will develop and market their high quality products in the premises. The occupancy rate increased from 71.5% up to 86.9%.

Followed by the asset Wilhelm-von-Siemens-Straße 23 in Berlin-Tempelhof, in the region middle south-west with a net-take up of 1,883 sqm. Several spaces were rented. For example an experienced manufacturer of linear machining centres rented 460 sqm or a manufacturer of van interior systems rented 370 sqm. Altogether the occupancy rate increased yoy from 58.5% up to 67.9%.

The overall net-take up is expected to further benefit from already signed contracts in 2011 becoming effective in 2012.

Among others an existing tenant, a provider of free online web browser games in the asset Schlesische Straße 27 in Berlin-Kreuzberg rented additional 1,000 sqm. Another existing tenant, a retailer of teaching material rented 975 sqm in the asset Plauener Straße in Berlin-Lichtenberg. A specialist for web portals, communities and web 2.0 rented 230 sqm in the asset Prinzessinnenstraße in Berlin-Kreuzberg.

	2011 31.12	2010 31.12.	2009 31.12.	2008 31.12.	2007 Takeover 30.06.
Net commercialrents (€/sqm)	5,01	4,86	4,80	4,66	4,49
Total occupancyrate (%)	77,8%	77,2%	76,2%	74,6%	70,5%

The company nearly fully achieved to reach the targeted occupancy rate of 78.0% by end of 2011.

In 2011 ORCO-GSG sold three assets in Berlin - all of them have a transfer date in 2012. The biggest sale was the disposal of the residential unit Bergfried- / Ritterstraße in Berlin-Kreuzberg 29% above the latest valuation. In addition the company sold the small commercial property Kurfürstenstrasse 13-14 at a price 28% above latest valuation. At the end of the year ORCO-GSG also sold a land plot in Ackerstraße, which was not needed for further developments.

3.4.2. Development Segment

Revenues declined in line with strategy and only represented 12.6% of total revenues

The development revenues amounted to €8.2 million in 2011 in comparison to €94.2 million in 2010.

As at 31 December 2011 the development portfolio primarily included the project Sky Office in Düsseldorf, where letting activities were fostered accompanied by partly finalized interior works for leased out spaces. The occupancy rate as of 31 December 2011 of 75% was accompanied by a gross rental income of €6.1 million.

In November 2011 a lease contract with lawyers and insolvency trustee Andres Schneider was signed. After the reporting period ORCO Germany signed additional three contracts in 2012 with well-known companies like REWE Food Ingredients, the international consultancy Heidrick & Struggles as well as Elégance, a global fashion company. The exclusively mandated brokerage firm Jones Lang LaSalle acted as consultant. The further increase in occupancy rates as well as the quality of the tenants attracted fortified Sky Office as a unique premium building. The new leases comprise approximately 5,500 sqm of first-class office space resulting in an occupancy rate of 88%.

3.5. Net result from Fair value adjustments on Investment properties

The portfolio valuation accomplished by DTZ as of 31 December 2011 showed fair values above the level of the year-end 2010 value.

Fair value adjustments amounted to €13.1 million (+1.8% on GSG properties) versus €25.6 million in 2010 and were primarily driven by better performing GSG Assets. The main contributors to the recorded fair value gains (+19.8 million) were Gustav-Meyer Allee (+€1.1 million), Helmholzstrasse (+€2.3 million) and Lübarserstrasse (+€1.5 million).

Successfully contracted sales above respective fair values with final transfers after the reporting period like Kurfürstenstrasse 13-14 (+€0.5 million), Kurfürstendamm 102 (+€0.5 million), Hüttenstraße (+€1.9 million) and Bergfried-Ritterstrasse (+€0.8 million) further contributed to this positive result.

Valuation losses of €6.7 million were mainly recognized on Wupperstrasse 9 (€1.2 million), Wolfenerstr 32-34 (€1.2 million), Wolfenerstrasse 36 (€1.8 million) and Lobeckerstrasse 39 (€0.8 million).

3.6. Adjusted EBITDA

In 2011 the adjusted EBITDA was €26.7 million, down 18.1% from €32.5 million in 2010 driven especially by decreased development revenues (YoY -€85.9 million).

The two business lines of ORCO Germany contributed as follows:

- The adjusted EBITDA of the Property Investments segment, mainly consisting of ORCO-GSG, increased slightly by €1.1 million respectively 4.0% to €28.7 million compared to €27.5 million in 2010. The increase in total revenues of GSG (+€1.0 million) could not compensate the rental revenue losses recorded by the sale of Investment assets (-€2.2 million). In addition net results on disposal of assets decreased by -€0.9 million. Lower overhead costs (+€3.2 million) outweigh both effects showing the positive effects of cost reduction.
- The adjusted EBITDA of the development segment declined to -€1.9 million compared to €5.0 million in 2010. Sky Office, the main contributor of the revenues amounting to €8.2 million, is also the main contributor of the adjusted EBITDA with an EBITDA of €6.7 million. Revenues and adjusted EBITDA in

2010 were characterized by the sale of the major part of ORCO Germany's development portfolio. Reductions in other operating expenses could not compensate the drastic decrease in development revenues

3.7. Amortization, impairments and provisions

In 2011 amortization, impairments and provisions positively impacted the P&L by +€5.7 million in comparison to +€3.9 million recorded in the corresponding period 2010.

A provision regarding the Bar neighbour agreement (escrow account of EUR 9.7 million as at 31 December 2011) related to the project Leipziger Platz has been recorded following the deal for EUR 5.6 million and decreased to EUR 1.0 million as at 31 December 2011. There is no cash impact from this operation.

3.8 Net gain/loss on disposal of assets

During 2011, in the framework of the restructuring plan, assets and activities have been sold for a total consideration of EUR 122.7 million generating a consolidated net gain of EUR 9.9 million

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. The total purchase price for this sales transaction amounted to €113.5 million, positively impacting the P&L by €9.2 million. Based upon the signed sales contract additional €30 million as part of the agreed total purchase price, are expected to inflow after the finalization of the project.

In line with the strategy to dispose of non strategic assets Invalidenstraße 112 was sold for €5.6 million on 28 April 2011 and transferred on 07 June 2011 exceeding the net book value (€5.2 million) by €0.4 million.

On 14 June 2011 Brunnenstraße 156 was sold for €3.7 million and transferred on 11 August 2011 exceeding the net book value (€3.4 million) by €0.3 million.

Asset disposal	Description	Date of Sale	Date of transfer	Sales price (m. €)	Value (mio €, 12/2010)	% of capital margin vs DTZ
Leipziger Platz	land plot in Berlin	01.02.2011	Q1 /2011	113,5	113,5	0%
Invalidenstraße 112	office in Berlin	28.04.2011	07.06.2011	5,6	5,2	8%
Brunnenstraße 156	office in Berlin	14.06.2011	09.08.2011	3,7	3,4	8%
Kurfürstendam m 102	office in Berlin	05.08.2011	16.02.2012	6,3	5,6	13%
Kurfürstenstrasse 13,14	GSG office in Berlin	01.09.2011	01.03.2012	2,4	1,9	28%
Hüttenstrasse	office in Düsseldorf	29.09.2011	Q1 /2012	6,5	4,6	40%
Bergfried-Ritterstraße	GSG asset in Berlin	08.11.2011	01.02.2012	3,7	2,8	29%
Ackerstraße 83-84	GSG plot in Berlin	29.12.2012	06.03.2012	0,6	0,3	142%
Sold until end of Q.4 2011				142,3	137,3	4%
Transferred until end of Q.4 2011				122,8	122,1	1%

3.9. Operating result

The reporting period closed with a positive cumulated operating result of €55.3 million vs. €62.4 million in 2010.

The cumulated operating result was primarily composed of:

- Fair value gains on investment property amounts to €13.1 million versus fair value gains of €25.6 million in 2010.
- Other operating income of €0.7 million versus €2.1 million consisting primarily of write-offs of liabilities for previous years.
- Gains on disposal of assets amounted to €9.9 million versus €0.4 million in 2010.
- Impairments, amortisation and provisions amounted to €5.7 million in comparison to €3.9 million in 2010.
- As a result of the initiated restructuring plan salaries and social security costs decreased from €8.8 million in 2010 to €6.7 million in 2011. 2010 was influenced by a provision of €0.8 million for employee related restructuring measures. Excluding this special effect net savings of €1.2 million or 17.8% reflected the effective staff reduction achieved.
- Other operating expenses of €30.4 million vs. €34.7 million for 2010, which mainly comprised:
  - Maintenance expenses increased by €1.2 million compared to 2010 mainly related to 2010 initiated projects which were finalized in the first quarter 2011. According to already initiated assigned maintenance works in Q4/2011 expenses are not expected to increase as much as in the previous quarters.
  - Costs for leases and rents were significantly reduced by €0.6 million to €0.6 million on account of branch closures, showing their full impact.
  - Costs for utility supplies decreased by €1.3 million to €13.0 million primarily driven by the discontinuation of supplies for sold assets and the spin-off of the former service company TSM GmbH by mid of 2010.

- Consultancy costs decreased significantly by €1.9 million to €4.1 million. Costs for consultancies in 2010 were mainly determined by corporate consultants accompanying the restructuring process (€1.3 million), whereas transaction costs (€0.4 milion) for the sale of Leipziger Platz in February 2011 were accounted in other operating income reducing the proceeds from sales transaction. Auditing costs amounting to €0.6 million were effectively reduced by changing the auditing company in 2011.
- Taxes other than income taxes decreased from €5.2 million in 2010 to €2.5 million. Ground taxes, representing the main part, were effectively reduced through asset sales conducted in 2010.

k €	December 2011	December 2010	Variance
Leases and rents	(556)	(1.193)	636
Building Maintenance	(5.618)	(3.671)	(1.948)
Communication and IT Maintenance	(590)	(723)	133
Utilities Supplies	(13.026)	(14.305)	1.279
Commissions, fees, consultancy, audit	(4.085)	(6.009)	1.924
Insurance	(784)	(960)	176
Cars expenses and car leases	(90)	(103)	13
Travel Expenses and representation costs	(146)	(141)	(5)
Advertising and Marketing	(687)	(617)	(70)
Administration Costs	(2.227)	(1.651)	(576)
Taxes other than income tax	(2.487)	(5.192)	2.704
Other operating expenses	(101)	(103)	2
Total other operating Expenses	**(30.397)**	**(34.667)**	**4.270**

3.10. Financial result

The net financial result amounted to -€24.4 million compared to -€45.4 million in 2010.

The financial result comprised interest expenses of -€33.1 million (versus €41.0 million in 2010), interest income of +€2.2 million and other net financial results of +€6.4 million.

The interest expenses over 2011 amounted to €33.1 million to be compared to a total adjusted EBITDA of €26.7 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. Further asset disposals (producing more interests than revenues) and cost reductions shall improve this key ratio.

Most of the loans of ORCO Germany were hedged in a phase of high interest rates. In a significantly worsened financing environment since August 2011 ORCO Germany continues working on refinancing its current €300 million GSG loan, maturing mid of April 2012 which will support the target of interests being covered by the adjusted EBITDA.

Loan redemptions deduced from the sale of assets in 2010/2011 until the end of the reporting period resulted in a significant drop of €8.0 million in interest expenses compared to the pre-year figures.

As a result of the Sky Office loan prolongation at the end of 2011 € 2 million from the complete loan of €100 million were redeemed.

The assets sold and transferred in 2011 (Leipziger Platz, Invalidenstraße 112 and Brunnenstraße 156) will lead to yearly reductions in interest expenses of approximately €4.3 million and support the goal of deleveraging.

Total financial assets amounted to €26.3 million mainly comprising the net present value of receivables maturing in 2015 for Leipziger Platz (€25.1 million). The recurrent increase in net present value until maturing of the receivables led to a positive result in interest income of €1.3 million in 2011. Therefore Interest income increased from €0.4 million in 2010 to €2.2 million in 2011.

After finalization of the project in 2015 the top up of € 30 million is foreseen as an additional part of the contracted sales price.

The other net financial result amounted to +€6.5 million (vs. -€4.8 million in 2010) and was mainly driven by:

- Change in fair value (€10.7 million) resulting mainly from the revaluation of interest rate derivatives on ORCO-GSG €+10.3 million, on Gebauer Höfe (€+0.4 million) Interest swaps were accounted for at fair value and contracted to prevent fluctuations in interest rates
- Loss on embedded derivative bonds -€4.3 million

In 2011 the cost of debt after hedging amounted to 4.92%. Excluding the bond, the costs of debt (after hedging) were 5.13%. Variable loans accounted for 81% of which 76% were hedged against interest rate changes through derivative instruments, i.e. cap, collar and swaps.

3.11. Income Taxes

Total income taxes amounting to -€9.6 million (-€11.4 million in 2010) were composed of current income taxes of -€2.6 million and deferred taxes of -€6.9 million.

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

3.12. Net result

ORCO Germany closed 2011 with a net gain of €21.3 million compared to a net gain of €5.6 million in the corresponding 2010 period.

3.13. Outlook

For the fiscal year 2012 the refinancing of the € 300 million GSG loan will form the predominant goal in a distressed financial market. Discussions with the existing bank and potentially interested banks are held with the aim to secure the portfolio refinancing. There exists a certain risk that this target might not be met until the maturity date of the loan.

The Company will continue on a further improvement of its operational performance in the property business line while taking further efforts of deleveraging by means of restructuring the OG bonds and disposing of the unique landmark building Sky Office in Düsseldorf.
In addition GSG will continue to dispose assets which are not judged as of strategic importance. The scale of the disposal program depends on achieved sales prices as well as the according tax impact which can be material given the low tax book values.
Furthermore ORCO-GSG is lining up development potentials on its existing assets (such as Lubarser Str, Gebauer Hof).

Mid of 2012 will mark the end of certain obligations out of the 2007 privatisation contract with the city of Berlin such as prior to 30 June 2009 to not give notice to the employees employed by GSG or its subsidiaries at the transfer date for operational cause, to invest within a period of five years after the transfer date an amount of € 5 million to support small and medium size enterprises, which are already tenants of GSG, and further € 5 million to support future start up companies as tenants of GSG. ORCO-GSG expects no significant effects out of a potential audit conducted by the city of Berlin since the company always acted within the restrictions and the spirit of the agreement.

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 2011.

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 € 142.5 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 2011, amounted to € 113.6 million versus € 96.8 million as at 31 December 2010. The NAV per share amounted to € 2.33 (versus € 1.98 in 2010).

Net Asset Value (in k €)		
	31 December 2011	31 December 2010
Equity attributable to owners of the Company	**69.598**	**49.876**
Fair value adjustments on assets held for sale	-	-
Fair value adjustments on investment portfolio	-	554
Fair value adjustments on hotels and own occupied buildings	-	(0)
Fair value adjustments on inventories	(2.086)	-
Deferred taxes on revaluations	87.406	89.651
Goodwills	(43.285)	(43.285)
Own equity instruments	1.961	-
EPRA Net asset value	**113.594**	**96.796**
Net asset value per share	**2,33**	**1,98**
Existing shares	48.771.333	48.771.333

In comparison to 2010 the NAV increased by 17.4 % from € 1.98 to € 2.33 especially thanks to the Group's increased net result.

4.3. Assets and resources

The total assets of ORCO Germany as at 31 December 2011 amounted to € 796.2 million compared to € 867.4 million as at 31 December 2010. Mainly due to sold investment properties, the assets decreased by 8.2%.

The investment property as the most important non-current asset was valued as at 31 December 2011 at € 492.0 million (versus € 508.2 million in December 2010). In 2011, ORCO Germany disposed of Brunnenstrasse 156 and Invalidenstrasse 112 with a net book value of € 8.6 million. The revaluation of investment property resulted in an increase in investment property of € 13.1 million. Assets worth € 19.5 million were transferred to the position Assets held for sale due to already signed sales contract in 2011 with upcoming transfers in 2012.

Inventories are the most important current asset and are valued on 31 December 2011 at € 144.2 million (versus € 142.3 million in 2010). The increase in book value mainly stems from the newly redeveloped residential site "Am Hochwald" in Kleinmachnow near Berlin.

4.4. Equity and debt

As at 31 December 2011, equity of ORCO Germany reached of € 69.8 million (versus € 49.9 million in 2010), thereof € 69.6 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 and the sale of Leipziger Platz.

Liabilities as at 31 December 2011 amounted to € 726.4 million compared to € 817.5 million as at 31 December 2010 mainly due to the shift of the GSG Loan to current liabilities amounting to 300 million maturing in mid of April 2012 and the loan redemption for sold assets.

The current liabilities (< 1 year) amounted to €590.0 million. The total amount of financial debt (incl. financial debts, bonds and held for sale activities) increased since December 2010 from € 200.6 million to € 507.4 million of which bank loans amounted to € 409.6 million. This rise was mainly related to the shift of the GSG Loan to current liabilities and the redemption of the Loan for the sold site Leipziger Platz of € 66.0 million.

Loan redemptions 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
Subtotal	**97,6**

Loan redemptions in 2011	
Leipziger Platz	66,0
Invalidenstraße 112	4,7
Brunnenstraße 156	2,0
Gebauer Höfe	2,2
partial loan redemption Sky Office	2,0
Subtotal	**76,9**
Total 2010 and 2011	**174,5**

As a result of the Sky Office loan prolongation at the end of 2011 € 2 millions from the extended loan were redeemed.

Assets sales in 2011 allowed repaying related bank loans of € 72.7 million.

4.5. LTV

The loan to value ratio has reached the level of 78.0% as at 31 December 2011 compared to 79.0% in 2010. 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.

In EUR Thousand	December 2011	December 2010
Non current liabilities		
Financial debts	37,878	325,776
Current liabilities		
Financial debts	398,860	134,602
Liabilities held for sale	10,745	66,000
Current assets		
Current financial assets	(27)	(30)
Cash and cash equivalents	(14,797)	(17,939)
Net debt	**432,659**	**508,409**
Investment property	491,989	508,158
Own-occupied buildings	2,911	2,338
Financial assets at fair value through profit or loss	1,216	214
Non current loans and receivables	25,051	
Inventories	144,269	142,276
Assets held for sale	19,489	112,674
Revaluation gains /(losses) on projects and prop.	(2,012)	554
Fair value of portfolio	**682,914**	**766,214**
Loan to value before bonds	**63.4%**	**66.4%**
Bonds	97,777	94,192
Accrued interests on bonds	2,328	2,328
Loan to value	**78.0%**	**79.0%**

For this reason ORCO Property Group is accomplishing the substitution of the OG bond debt of EUR 129.1 Million due on 30 May 2012 into bonds convertible in shares ("OCA") issued by OPG (see subsequent closing events). This transaction will reduce the LTV of the ORCO Property Group from c. 70% to c. 60% and the LTV of ORCO Germany from c. 78.0% to c. 63%.

5. Other reporting requirements

5.1. Subsequent closing events

ORCO Germany signed three lease contracts for Sky Office in the first quarter of 2012 with three exlusive companies. The new leases comprise approximately 5,500 sqm of first-class office space resulting in an occupancy rate of about 88%.

The residential ORCO-GSG asset Bergfried-Ritterstrasse, which was sold in 2011 for a sales price of €3.7 million, was transferred on 01 February 2012. The commercial ORCO-GSG asset Kurfürstenstraße, which was sold in 2011 for sales price of €2.4 million was transferred on 01 March 2012. In addition the ORCO-GSG land plot Ackerstraße which was sold in 2011 for a sales price of €0.6 million was transferred on 06 March 2012 . Furthermore Kurfürstendamm 102, likewise sold in 2011 for a sales price of €6.3 million, was transferred on 16 February 2012.

OG Bonds

During April and May 2012, Orco Property Group ("OPG"), ORCO Germany's mother company, initiated the execution of the total bond deleverage of the ORCO Germany as approved by general assembly of 7 May 2012. OPG acquired 84,5% of ORCO Germany total bond liability (bonds registered under ISIN code XS0302623953) or EUR 109 million which shall be equitized in ORCO Germany shares over the coming weeks. The remaining approximately 15% bonds not held by OPG can be then exchanged into EUR 20 million of ''new notes'' to be issued by OPG, the main terms of which were described in OPG's 18 April 2012 press release.

The conversion of the totality of OG bonds after exchange of the remaining bonds with OPG New Notes into OG shares, to be executed over the coming weeks, will reduce OG's leverage ratio from 78% to 63%.

Jean-Francois OTT, President & CEO of OPG stated: "The deleveraging of OG paves the way for the refinancing of our GSG asset in Berlin this spring. GSG, with its low risk - high upside potential, shall remain at the heart of the OPG investment strategy. This conversion in OPG shares, following the MSREF transaction, strengthens the Group's equity and its value creation capacity, and opens new equitization possibilities for the OPG bondholders".

GSG Loan

In April 2012 GSG Asset GmbH & Co. Verwaltungs KG, a subsidiary of ORCO Germany S.A ORCO-GSG and Royal Bank of Scotland signed a standstill agreement which terminates on 15 June 2012. The assets sales, together with the ORCO-GSG cash generation led to a reimbursement of ORCO-GSG outstanding bank debt by EUR 14 million from EUR 300 Milllion to EUR 286 million. Thanks to execution of the OG deleverage, the negotiations on the refinancing of the existing bank loan have substantially progressed and Management remains confident in successfully reimbursing the existing loan over the coming months.

5.2 Financial Risks Exposure

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

5.3. Corporate Governance

Principles

Good corporate governance improves transparency and the quality of reporting, enables effective management control, safeguards shareholder interests and serves as an important tool to build corporate culture. ORCO Germany is dedicated to acting in the best interests of its shareholders and stakeholders. The Company is committed to continually and progressively implement industry best practices with respect to corporate governance and has been adjusting and improving its internal practices in order to meet evolving standards. The Company aims to communicate regularly to its shareholders and stakeholders regarding corporate governance and to provide regular updates on its website.

Management of the Company

On 11 November 2010 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 on 01 February 2011, 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.

Dr. Christian Schede resigned from the Company's Board of Directors on 10 October 2011. Dr. Schede was elected to the Company's Board of Directors by the Annual General Meeting held on 15 April 2011 as the nominee of MSREF V Turtle B.V. Further to the completion of the exit of MSREF V Turtle B.V. from its positions in the Company, Dr. Schede resigned.

Board of Directors of the Company

The Company is administrated and supervised by a Board of Directors made up of a maximum of 6 members, which are appointed by the general meeting of shareholders for a period of office not exceeding six years. They are eligible for re-election and may be removed at any time by decision of the general meeting of shareholders by simple majority vote.

- The Board of Directors is responsible, without being exhaustive, has the following tasks and competencies:Setting the objectives and management policies of the Company
- Preparing the annual operating and financing plans
- Managing the Company's business affairs and performing all the acts and operations relating to the coporate purpose that do not fall within the duties attributed to other bodies of the Company
- Representing the Company in or out of court,
- Acquiring, selling real estates
- Incorporating companies
- Adopting resolutions regarding issuance of bonds

As at 31 December 2011, the Board of Directors consisted of the following 4 members holding their assemblies in Paris:

- Ott&Co S.A., represented by Jean-Francois Ott
- Brad Taylor
- Ales Vobruba

- Nicolas Tommasini

Committees of the Board of Directors

As being a subsidiary 88% owned by Orco Property Group ("OPG") who has elected the Ten Principles and their Recommendations of the Luxembourg Stock Exchange as a reference for its Corporate Governance Rules, all important issues of the Company are screened by the Committees created by the OPG Board of Directors meeting held on 7 September 2009 and which are the following:

- Audit Committee. The OPG Audit Committee reviews the Company's accounting policies and the communication of financial information and in particular, the auditing process, the Company's reporting procedures by business lines, risk factors and risk control procedures, work of external auditors. It examines consolidated accounts, verifies the valuations of real estate assets made by DTZ, markes bonds to market and audits reports;The Audit Committee has therefore invited persons whose collaboration deemed to be advantageous to assist it in its work and to attend its meetings.

  In 2011, the Audit Committee held 6 meetings with 100% average attendance rate.

- Remuneration, Appointment and Related Party Transaction Committee. The role of the Remuneration Committee is among other things to submit proposals regarding the remuneration of executive managers, to define objective performance criteria respecting the policy fixed by the company regarding the variable part of the remuneration of top management (including bonus and share allocations, share options or any other right to acquire shares) and that the remuneration of non-executive directors remains proportional to their responsibilities and the time devoted to their functions.

  In 2011, the OPG Remuneration, Appointment and Related Party Transaction Committee held 3 meetings with 100% average attendance rate.

- Strategic and Organizational Committee which replaces since May 2011 the Restructuring Committee and the Investment and Development Committee. The Strategic and Organizational Committee presents the status of major decisions and actions on costs savings and on major investment projects.

In 2011, the Strategic and Organizational Committee held 4 meetings with 96% average attendance rate

The implementation of decisions taken by these committees enhances the Company's transparency and corporate governance.

5.4. Directors' compensation

Please see Note 25 of the consolidated financial statements.

5.5. Other information

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

6. Shareholding

6.1. Share capital

Share capital as at 31 December 2011 amounted to €60,964,660 represented by 48,771,333 shares without designation of a nominal value 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 2011 and 2010 no changes in capital took place.

To the best knowledge of the Company the capital ownership of ORCO Germany as at 31 December 2011 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	42,915,089	87.99%	87.99%
Viterra Baupartner	1,900,000	3.90%	3.90%
Other	3,956,244	8.11%	8.11%
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 3.90% of total voting rights, together with 1.150.000 warrants of the Company (potentially giving access to 2.36% of the Company).

ORCO Germany has been notified on 26 September 2011 by Morgan Stanley, that its affiliate, Morgan Stanley Real Estate Fund V Turtle B.V., disposed on 22 September 2011 of all 14,100,000 shares (ISIN LU0251710041) it held in ORCO Germany. All 14,100,000 shares in ORCO Germany were transferred by Morgan Stanley Real Estate Fund V Turtle B.V. to ORCO Property Group and related shareholders agreements were terminated.

ORCO Germany has been notified on 27 September 2011 by ORCO Property Group, that it acquired 14,100,000 shares in ORCO Germany on 22 September 2011. ORCO Property Group now holds 42,915,089, i.e. 87.99% shares in ORCO Germany (or 91.56% after eliminating the treasury shares owned by ORCO Germany). ORCO Property Group also holds 550,000 ORCO Germany warrants (ISIN XS0302626899), giving access to 550,000 ORCO Germany shares, if exercised.

To the best knowledge of the Company, as at 31 December 2011, no shareholder holds more than 10% of the share capital of ORCO Germany S.A. except ORCO Property Group.

6.2. 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.

6.3. Treasury shares

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).

ORCO GERMANY S.A.

Société anonyme

Consolidated financial statements

For the year ended 31 December 2011

Orco Germany's Board of Directors has approved on 24 May 2012 the consolidated financial statements for 2011. 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 2011	December 2010
Revenue	**5**	**63,765**	150,898
Sale of goods		**1,140**	85,754
Rent		**53,164**	53,906
Services		**9,461**	11,238
Net gain /(loss) from fair value adjustments on investment property	5/8	13,095	25,561
Other operating income		656	2,096
Net result on disposal of assets	5/8/10/13	9,866	370
Cost of goods sold	5/12	(626)	(77,009)
Employee benefits	16/19	(6,746)	(8,756)
Amortisation, impairments and provisions	5/9/12	5,665	3,933
Other operating expenses	19	(30,397)	(34,667)
Operating result		**55,278**	**62,426**
Interest expenses	15.4	(33,051)	(41,018)
Interest income	15.4	2,170	365
Other net financial results	20	6,456	(4,789)
Financial result		**(24,425)**	**(45,442)**
Profit before income taxes		**30,853**	**16,984**
Income taxes	18	(9,562)	(11,400)
Net profit for the period		**21,291**	**5,584**
Total profit/(loss) attributable to:			
non controlling interests		14	(12)
owners of the Company		**21,277**	**5,596**
Basic earnings in EUR par share	21	0.45	0.11
Diluted earnings in EUR per share	21	0.45	0.11

Consolidated statement of comprehensive income

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

	Year ended 31 December	
	2011	2010
Profit/(loss) for the period	**21,291**	5,584
Other comprehensive income/(loss)		
Currency translation differences	-	(2)
Total comprehensive income/(loss) for the period	**21,291**	5,582
Total comprehensive income/(loss) for the period attributable to:		
-owners of the Company	21,277	5,594
-non controlling interests	14	(12)

Consolidated Statement of financial position

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

Assets

	Note	31 December 2011	31 December 2010
NON-CURRENT ASSETS		**573,946**	**562,790**
Intangible assets	7	**50,522**	**50,528**
Investment property	8	**491,989**	**508,158**
Property, plant and equipment		**5,168**	**3,890**
Hotels and owner-occupied buildings	9	2,911	2,338
Fixtures and fittings	11	2,257	1,552
Financial assets at fair value through profit or loss	3	**1,216**	**214**
Non current loans and receivables	3	**25,051**	**0**
Deferred tax assets		**0**	**0**
CURRENT ASSETS		**222,289**	**304,617**
Inventories	12	144,269	142,276
Trade receivables	3	21,931	11,120
Other current assets		21,776	20,578
Current financial assets		27	30
Cash and cash equivalents	14	14,797	17,939
Assets held for sale	10	19,489	112,674
TOTAL		**796,235**	**867,407**

Equity and liabilities

		31 December 2011	31 December 2010
EQUITY		**69,810**	**49,910**
Equity attributable to owners of the Company	22	**69,598**	**49,877**
Non controlling interests		**212**	**33**
LIABILITIES		**726,425**	**817,497**
Non-current liabilities		**136,384**	**538,025**
Bonds	15	0	94,192
Financial debts	15	37,878	325,776
Provisions & other long term liabilities	16	10,207	10,394
Derivative instruments	15	0	19,323
Deferred tax liabilities	18	88,299	88,340
Current liabilities		**590,041**	**279,472**
Current bonds	15/17	97,777	0
Financial debts	15	398,860	134,602
Trade payables	17	4,465	2,629
Advance payments	17	20,097	17,590
Derivative instruments	15	29,842	18,668
Other current liabilities	17	28,255	39,983
Liabilities linked to assets held for sale	10/17	10,745	66,000
TOTAL		**796,235**	**867,407**

Consolidated statement of changes in equity

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

	Share capital	Share premium	Treasury shares	Translation reserve	Other reserves	Equity attributable to owners of the Company	Non controlling interests	Equity
Balance at 31 December 2009	**60,964**	**123,658**		**5**	**(140,344)**	**44,283**	**45**	**44,328**
loss for the period :								
Translation differences				(2)		(2)		(2)
loss of the period					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**
Profit for the period :								
Translation differences						-		-
Net result of the period					21,276	21,276	14	21,290
Total comprehensive income				**-**	**21,276**	**21,276**	**14**	**21,290**
Changes in Non controlling interest				(3)	(9)	(12)	165	153
Own equity instruments			(1,543)			(1,543)		(1,543)
Balance at 31 December 2011	**60,964**	**123,658**	**(1,543)**	**-**	**(113,481)**	**-** **69,598**	**212**	**69,810**

Consolidated cash flow statement

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

	31 December 2011	31 December 2010
Operating result	**55,278**	**62,426**
Net (gain) /loss from fair value adjustments on investment property	(13,095)	(25,561)
Amortisation, impairments and provisions	(5,665)	(3,933)
Net result on disposal of assets	(9,866)	(370)
Adjusted operating profit	**26,652**	**32,562**
Financial result	-	13
Income tax paid	(1,378)	1,010
Financial result and income taxes paid	**(1,378)**	**1,023**
Changes in operating assets and liabilities	**(6,382)**	**44,283**
NET CASH FROM/ (USED IN) OPERATING ACTIVITIES	**18,892**	**77,868**
Capital expenditures and tangible assets acquisitions	(680)	(8,208)
Proceeds from sales of non current tangible assets (*)	95,625	65,903
NET CASH FROM INVESTING ACTIVITIES	**94,945**	**57,695**
Proceeds from borrowings	50	146
Financial result / Net interest paid	(34,235)	(37,231)
Repayments of borrowings	(82,794)	(103,035)
NET CASH USED IN FINANCING ACTIVITIES	**(116,979)**	**(140,120)**
NET DECREASE IN CASH	**(3,142)**	**(4,557)**
Cash and cash equivalents at the beginning of the year	17,939	22,494
Exchange difference on cash and cash equivalents	-	2
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (**)	**14,797**	**17,939**

(*) Proceeds from sales of non-current tangible assets comprise mostly proceeds from sale of assets held for sale Note 10.

(**) Cash and cash equivalent referred to the note 14.

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 42 rue de la Vallée-L-2661 Luxembourg

As at 31 December 2011, the Company is 87.99% owned directly 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 42 rue de la Vallée-L-2661 Luxembourg

The consolidated financial statements have been approved for issue by the Board of Directors on 24 May 2012.

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 is carried at fair value and financial assets and financial liabilities (including derivative instruments) at fair value through income statement.

2.1. Basis of preparation and Going concern

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

2.1.1. Going concern

In determining the appropriate basis of preparation of the consolidated financial statements, the Directors are required to consider whether the Group can continue in operational existence for the foreseeable future. The Group's financial risks including foreign exchange risk, fair value risk, cash flow risk, interest rate risk, price risk, credit risk and liquidity risk are outlined in note 3. While the valuation of certain investment properties and residential developments further decreased, the economic situation worsened over the course of 2011, and the availability of financing facilities strongly tightened, the Group has made progress in the implementation of its restructuring plans and is putting in place major long term financing restructuring allowing the same conclusion on the going concern.

With the worsening economic and financing conditions since mid of 2011, the OG cash flow forecast for 2012 demonstrated the need for the management to be successful in equitizing the bonds issued in 2007 and conclude the refinancing of Gewerbesiedlungs-Gesellschaft mbH ("GSG)", its major rental assets' portfolio, for an amount of EUR 286 Million after the repayments of April and May 2012. The refinancing discussions initiated early 2011 were put on hold over the last quarter of 2011 as no refinancing was seen as possible without a restructuring of the bonds issued by the Company. The short term liabilities amount to EUR 507 million, i.e. an increase of EUR 307 million[1] compared to December 2010, and include: GSG for EUR 300 Million[2] due mid April 2012, the bonds issued by Orco Germany SA ("OG") for EUR 98 Million[3] due end of May 2012 and the bank loan financing Sky Office for EUR 96 Million. While bonds partial equitization is in final implementation stage there remain material uncertainties linked to the restructuring of the refinancing of GSG.

Negotiations with OG and OPG bondholders started as early as the summer 2011 and culminated with the signature on 17 April 2012 of a joint agreement on all bonds issued by both companies. General meetings, held end of April and beginning of May have all duly and overwhelmingly voted in favour of the restructuring. The request for modification of OPG Safeguard plan has been circularized to all the Safeguard creditors to approve or not the new terms (the ones not approving will continue to be served under the 19 May 2010 approved repayment schedule). The Paris Commercial Court approved on 21 May 2012 OPG's request to modify its Safeguard plan in order to implement the bond restructuring plan.

[1] Mainly due to the transfer from long term to short term of loans that have become due within 12 months

[2] As at 31 December 2011

[3] IFRS net present value as at December 2011 of the 100 Million nominal bond issued by OG excluding the repayment premium and the accrued interests.

As a result of the approval of all bondholders' general assemblies, only one scenario of the joint agreement is applicable, i.e. approximately 90% of the OPG bonds will be converted into approximately 65 million OPG shares and the remaining OPG bonds can be exchanged for EUR 55.2 million in newly issued OPG bonds (the "New Notes").

As at the date of publication of this report, approximately 85% of the OG bonds have already been converted into OPG issued bonds convertible into shares which were themselves partially repaid with 18 million OPG shares, bringing the total number of OPG shares issued to 35 million. The remaining OG bonds can be exchanged for EUR 20 million in New Notes. After this last transaction and the conversion by OPG of the OG bonds into OG shares, the Company will no longer have any bond liability.

The EUR 75.3 million New Notes to be issued by OPG upon the voluntary exchange of the remainder of the OPG and OG bonds will have a maturity in 2018 and will bear an annual interest consisting of a combination of cash interest (decreasing from 5% to 4% upon repayment of at least 50% of the principal) and payment-in-kind interest (decreasing in steps from 5% to 3% upon repayment of 50% and 75% of the principal). The principal will be repaid in four annual payments in 2015, 2016, 2017 and 2018. The total amount of New Notes will therefore be EUR 75.2 million, all of them bearing the same characteristics and rights. The New Notes will benefit from a 25% cash sweep from net sale proceeds on selected assets, which will correspondingly reduce the subsequent annual repayment. This cash sweep is seen as essential to give flexibility to the Group in the implementation of its asset sales program under the current very challenging economic conditions.

Assuming 100% participation in the New Notes offer, OG's share capital will increase from 49 million shares as of the date of publication of this report to 230 million shares. Based on December 2011 audited figures and with an assumption of 100% participation in the New Notes offer, OG's NAV will be an estimated EUR 1.0 per share. The Joint Agreement on the restructuring of OPG and OG bonds, besides ensuring the going concern of the Group, allows the Group to lower its LTV to approximately 63% and provides the platform for the Group to maximize the potential value of its portfolio.

Following the approval by the general meetings and by the Tribunal de Commerce de Paris, the two major steps for the finalization of this bonds' restructuring are now the drafting of the different securities notes that need to be issued after approval by the CSSF (for the listing of the new Company shares, the new OG shares and for the public exchange offer into the New Notes of the non-converted bonds) and the holding of the OPG shareholders' general assembly to be convened by the end of June to approve the issuance of the new shares in consideration for the OPG bonds. The issuance of the new OPG shares in consideration of the OG bonds is made under the authorized capital. The below conclusion is based on the assumption that these two remaining steps are fully achieved.

The bonds that would not be presented to the public exchange offer into new notes (15% of the OG bonds) will be repayable in 2050 and bear an annual interest of 0.5%.

Some subsidiaries and joint ventures held by the Group require funding to continue as a going concern. The business plan is built on the capacity of the Group to generate sufficient cash from its profitable activities in order to support the assets that are currently in development or restructuring. The structure of the Group generally prevents the recourse of creditors against the Company. Therefore any existing funding problem other than mentioned above would not prevent on its own to conclude on the going concern.

GSG and its financing bank have signed a standstill agreement to 15 June 2012 which defers the repayment obligation related to the 15 April 2012 maturity of the EUR 300 million financing for OG's GSG portfolio. Such extension will allow the Group to further advance in its refinancing negotiations. Upon extension, GSG agreed to repay an amount of EUR 10 million of principal. The current discussions would lead to a refinancing by senior bank loan for EUR 230 to 260 million and the difference could be partially repaid with the proceeds from the sale of the Sky office building or by a Mezzanine loan.

The Board of Directors is committed to close the sale of Sky Office in order to repay the short term bank loan.

The financial performance of the Group is also dependent upon the wider economic environment in which the Group operates. The credit tightening since the summer 2011 together with the uncertainty of the evolution of real estate market in Germany could damage the Group's activity and slow down the asset sales program.

The Board of Directors has, as a result of the financial restructuring currently being implemented and considering the risks and uncertainties described above, concluded that there is a reasonable expectation that the Group 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 2011 on a going concern basis.

If the Company is not successful in its restructurings, the going concern assumption might not be relevant any longer for the Group or its components. The consolidated financial statements would then need to be totally or partially amended to an extent which today cannot be estimated in respect of : the valuation of the assets at their liquidation value, the incorporation of any potential liability and the reclassification of non-current assets and liabilities into current assets and liabilities. The major going concern risk is now considered to be at the level of GSG and not at the Group level. The GSG contribution to the Group's estimated consolidated balance sheet and income statement is very significant representing 67% of the EUR 682 Million Group gross market value of real estate investments (including the receivable on the sale of Leipzigger Platz). Would the Group not be successful in its refinancing negotiations and if the bank would then decide to exercize its pledge on the GSG shareholding, the Board should present the below contribution on a basis other than that of a going concern. In the worst scenario the contribution of GSG to the consolidated balance sheet as described below would be zero on all the lines as the bank would realize all assets for the payments of maximum all liabilities and there is no guaratnee of OG covering those liabilities.

GSG	December 2011
NON-CURRENT ASSETS	**526,994**
Intangible assets	**50,441**
Investment property	**447,479**
Property, plant and equipment	**4,023**
Hotels and owner-occupied buildings	2,911
Fixtures and fittings	1,112
Properties under development	-
Financial assets at fair value through profit or loss	**-**
Non current loans and receivables	**25,051**
Deferred tax assets	**-**
CURRENT ASSETS	**31,333**
Inventories	32
Trade receivables	4,074
Other current assets	13,571
Derivative instruments	-
Current financial assets	-
Cash and cash equivalents	6,967
Assets held for sale	6,689
TOTAL ASSETS	**558,327**
NON-CURRENT LIABILITIES	**86,063**
Bonds	-
Financial debts	127
Provisions & other long term liabilities	-
Derivative instruments	-
Deferred tax liabilities	85,937
CURRENT LIABILITIES	**325,135**
Current bonds	-
Financial debts	300,276
Trade payables	226
Advance payments	10,792
Derivative instruments	4,485
Other current liabilities	9,949
Net assets & Liabilities toward the group	(593)
Liabilities linked to assets held for sale	-
TOTAL LIABILITIES	**411,198**

In EUR Thousand

GSG	December 2011
Revenue	**51,309**
Net gain or loss from fair value adjustments on investment property	8,119
Other operating income	37
Net result on disposal of assets	0
Cost of goods sold	(57)
Employee benefits	(3,791)
Amortisation, impairments and provisions	259
Other operating expenses	(21,095)
Operating result	**34,780**
Interest expenses	(17,274)
Interest income	1,457
Foreign exchange result	0
Other net financial results	10,743
Financial result	**(5,073)**
Profit/(loss) before income taxes	**29,708**
Income taxes	(9,078)
Impact of assets held for sale	0
Net profit or loss for the period	**20,629**
Total profit/(loss) attributable to:	
non controlling interests	0
Owners of the Company	**20,629**

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 applied for its 31 December 2010 financial statements, except for the application of the revised and new standards and interpretations applied as from 1 January 2011 as described below and for some changes in the methodology for the calculation of the costs of goods sold having no impact on the comparatives.

(a) New and amended standards adopted by the Group

There is no new standard or amendment adopted by the Group in 2011.

(b) Standards, amendments and interpretations to existing standards effective in 2011

- IAS 24 (Revised): Related Party Disclosures;
- Amendment to IFRS 1: Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters;
- 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;
- Amendment to IAS 32: Classification of Rights Issues;
- Improvement to IFRS :
  - Amendment to IFRS 3: Business Combinations;
  - Amendment to IAS 1 : clarification of content of statement of changes in equity;
  - Amendment to IFRS 7: Financial Instruments – Disclosures;
  - Amendment to IAS 34: Interim Financial Reporting;
- IFRIC 14 : Prepayments of a Minimum Funding Requirement.

These principles do not differ from IFRS standards as published by IASB insofar as their application, which is compulsory for business years starting 1 January 2011, and the following amendments and interpretations, should have no significant impact on Group accounts.

(c) The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 January 2011 and have not been early adopted

- IFRS 9, Financial Instruments, initially issued in November 2009 and revised in October 2010. This standard addresses classification and measurement of financial assets and liabilities and is very likely to affect the Group's accounting treatment on financial instruments. This standard is applicable starting 1 January 2013 but can also be early-adopted. However, it has not yet been endorsed by the European Union
- IFRS 10 : Consolidated Financial Statements
- IFRS 11 : Joint Arrangements
- IFRS 12 : Disclosure of Interests in Other Entities
- IFRS 13 : Fair Value Measurement
- IAS 27 : Separate Financial Statements
- IAS 28 : Investments in Associates and Joint Ventures
- Amendment to IAS 19 : Employee Benefits
- Amendment to IAS 1 : First-time Adoption of International Financial Reporting Standards
- Amendment to IFRS 7 : Enhancing Disclosures about Transfers of Financial Assets
- Amendment to IAS 12 : Deferred Tax: Recovery of Underlying Assets

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 of OPG 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.

In 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 has the objective to keep the asset for future rental or value accretion, the property will not be transferred.

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

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

The valuation of the pension obligation by an independent actuarial is only applicable for the German entities. The Group offers as well as for the other companies benefits plans managed by the State. The Group has the obligation to pay the contributions defined in the plan regulation. They are recorded in the financial statements in payroll charges

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 re-measured at their fair value which is generally the market value. Derivatives are presented at the balance sheet date under the caption Derivative instruments in current assets when fair value is positive or under the caption Derivative instruments in current or non-current liabilities when fair value is negative. Changes in the fair value are recognized immediately in the consolidated income statement under "other net financial results".

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

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.

For each development project, the measurement of the inventory exited over the period is now based on the percentage of the total area constructed, sold during the period. Coefficients are allocated to the different type of area in order to underweight secondary floor area (balcony, terrace, garage, garden) in comparison with primary floor area (apartments). The purpose of the change of methodology is to ensure that the proportion of construction cost allocated to each unit sold is measured reliably during the project life.

The others 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 Group's Chief Financial Officer (CFO) and his team. As a result of the current restructuring, the policies are under review for approval by the Board of Directors. The Group's CFO 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 all of its transactions are denominated in euro (EUR). Consequently, the Group has no exposure to foreign exchange risk

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

(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 risks. 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 2011	Fully performing	Past due but not impaired			Impaired	BALANCE 31 December 2011
		Less than 6 months	6 months and 1 year	More than 1 year		
Trade receivables gross	**21,590**	**345**	**-**	**-**	**9,667**	**31,602**
Impairments at 31 December 2010					(9,187)	(9,187)
Impairments - Merger					2,206	2,206
Impairments - allowance					(1,527)	(1,527)
Impairments - write-back					1,607	1,607
Impairments - transfers					(2,868)	(2,868)
Impairments -Others					99	99
Trade Receivable - Impairment	**-**	**-**	**-**	**-**	**(9,670)**	**(9,670)**
Total trade receivables	**21,590**	**345**	**0**	**0**	**(3)**	**21,932**
Other current assets gross	**20,604**	**34**	**-**	**-**	**409**	**21,048**
Impairments at 31 December 2010					(757)	(757)
Impairments - transfers					345	345
Others					3	3
Other current assets - Impairment	**-**	**-**	**-**	**-**	**(409)**	**(409)**
Other current assets - Net Value (i)	**20,604**	**34**	**0**	**0**	**0**	**20,639**
Cash and cash equivalents gross	**14,797**	**-**	**-**	**-**	**-**	**14,797**
Total cash and cash equivalents	**14,797**	**-**	**-**	**-**	**-**	**14,797**

(i) The other current assets excluded in this table represent mainly tax receivables amounting to EUR 1.1 million.

In 2011, the trade receivables on development entities amount to EUR 22.2 million, out of which EUR 17.2 million are fully performing. On renting activities, the trade receivables amount to EUR 10.2 million, out of which EUR 4.3 million are fully performing. The main amount concerns the trade receivables on GSG's tenants (EUR 8.9 million, for which EUR 4.2 million are impaired).

In 2011, the Group recognised impairments on trade receivables for EUR 1.5 million, a write back has been registered for EUR 1.6 million relating partly to incoming payments on doubtfuls credits.

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.

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

Counterparty	Ratings Agency Moody's Rating	S&P's rating	Fitch's Rating	December 2011	December 2010
Deutsche Bank	Aa3	A+	A+	9.0	9.3
Berliner Volksbank	-	AA-	A+	1.8	5.1
LBB/Sparkasse	Aaa	-	A+	1.3	1.5
HSH Nordbank	Aa1	-	AAA	2.1	1.0
EuroHypo	A-	A3	A-	0.0	0.2
Helaba	Aa1	A	A+	-	0.4
in Euro million				**14.3**	**17.5**

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 the Group 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 2011 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 41.4 million (EUR 37.9 million in 2010 million) due with more than 5 years is not included in the table. As at 31 December 2011, the carrying value of this loan amounts to EUR 11.0 million.

As at 31 December 2011, fixed rates bonds for EUR 97.8 million and floating rate loans for EUR 398.9 million are due between 1 and 6 months (91% of the total financial debt).

At 31 December 2011	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	Total booked value as at 31.12.2011
Fixed rate loans and bonds	-	(97,777)	-	-	-	(97,777)	(97,777)
Floating rate	-	(396,840)		(32,051)	(4,300)	(433,191)	(436,738)
bonds floating rate	-	-	-	-	-	-	
Floating rate loans and bonds	**-**	**(396,840)**	**-**	**(32,051)**	**(4,300)**	**(433,191)**	**(436,738)**
Interest rate derivatives		(8,978)	-	(990)	(569)	(10,537)	(6,928)
Embedded derivatives on bonds	-	(25,025)	-	-	-	(25,025)	(22,914)
Liabilities held for sale	-	-	(10,745)	-	-	(10,745)	(10,745)
Trade payable	(2,537)	(770)	(1,251)	-	-	(4,558)	(4,558)
Other current liabilities	(12,217)	(4,430)	(7,024)	-	-	(23,671)	(23,671)
Total	(14,754)	(533,820)	(19,020)	(33,041)	(4,869)	(605,504)	(603,331)

Undrawn bank credit facilities

As at 31 December 2011 all credit lines are fully drawn

(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 2011 the impact of a 100 basis points growth of interest rates curve would induce an increase of the interest charges for 2011 of EUR 1.6 million. Before the positive impact of derivatives, the increase of interest expenses in 2011 would amount to EUR 7.9 million.

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.

Held for sale liabilities represent the loans in respect of Huettenstrasse and Ku-Damm 102 which are classified as held for sale.

The table below shows the amount of floating bank loans by type of floating rate and the next re-pricing months.

	Repricing month	Amounts
Euribor + margin (from +0.8 to +3.8)	January 2012	98,100
	February 2012	0
	March 2012	333,071

3.2. Fair value estimation

Fair value measurements are classified of financial instruments reported at fair value by level of the following 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 financial assets and liabilities that are measured at fair value at 31 December 2011:

31 December 2011	Level 1	Level 2	Level 3	Total balance
Assets				
Financial assets at fair value through profit or loss	-	-	1,216	1,216
Total assets	**-**	**-**	**1,216**	**1,216**
Liabilities				
- Embedded derivatives on bonds	-	-	22,914	22,914
- Trading derivatives	-	6,928	-	6,928
Total liabilities	**-**	**6,928**	**22,914**	**29,842**

Assets	Financial assets fair value through profit or loss	Trading derivatives
At 31 December 2010	214	-
Decrease	1,002	-
At 31 December 2011	1,216	-

Liabilities	Embedded derivatives on Bonds	Derivatives used for trading
At 31 December 2010	19,923	18,668
Increase	-	-
Losses recognised in profit or loss	2,991	-11,740
At 31 December 2011	22,914	6,928

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 60.9% in 2011, 65.1% in 2010), 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 2011, the "loan to value" ratio has reached the level of 78.0% compared to 79.0% in 2010. 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 2011	December 2010
Non current liabilities		
Financial debts	37,878	325,776
Current liabilities		
Financial debts	398,860	134,602
Liabilities held for sale	10,745	66,000
Current assets		
Current financial assets	(27)	(30)
Cash and cash equivalents	(14,797)	(17,939)
Net debt	**432,659**	**508,409**
Investment property	491,989	508,158
Own-occupied buildings	2,911	2,338
Financial assets at fair value through profit or loss	1,216	214
Non current loans and receivables	25,051	
Inventories	144,269	142,276
Assets held for sale	19,489	112,674
Revaluation gains /(losses) on projects and prop.	(2,012)	554
Fair value of portfolio	**682,914**	**766,214**
Loan to value before bonds	**63.4%**	**66.4%**
Bonds	97,777	94,192
Accrued interests on bonds	2,328	2,328
Loan to value	**78.0%**	**79.0%**

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 2011, 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 2011, the Group negotiated interest 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.

Financial instruments 31 December 2011	**Loans and Receivables**	**Asset at fair value through profit or loss**	**31 December 2011**
Financial assets at fair value through profit or loss	-	1,216	1,216
Current financial assets	27	-	27
Trade and other receivables	43,707	-	43,707
Non current loans and receivables	-	25,051	25,051
Cash and cash equivalent	14,797	-	14,797
Financial Assets	**58,531**	**26,267**	**84,798**

	Other financial liabilities at amortised cost	**Liabilities at fair value through profit or loss**	**TOTAL**
Financial debts and bonds	545,260	-	545,260
Derivatives	-	29,842	29,842
Trade and other payables	4,465	-	4,465
Financial Liabilities	**549,725**	**29,842**	**579,567**

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:

	2011		2010	
	Min	Max	Min	Max
Discount rate	5.3%	9.6%	6.5%	9.6%
Capitalization yield	5.4%	5.4%	NA	NA
Exit Cap Rate	5.3%	8.3%	5.3%	8.3%

	Cap Rate		Discount Rate	
	Min	Max	Min	Max
Other German assets	5.3%	8.3%	5.3%	9.6%
GSG	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 23.7% (20.4% in 2010),

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. The recoverable amounts of cash have been determined based on the deferred tax liabilities and the fair value of the buildings for which acquisitions have generated goodwill.

4.2. Critical judgements in applying the Group's accounting policies

Distinction between investment properties and owner-occupied properties

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

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

Transfer between Inventories and Investment property

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

Transfer between Investment property and Inventories

Freehold lands for which the destination is not determined at 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 performance of the operating segments based on a measure of adjusted earnings before interests, tax, depreciation and amortisation ("adjusted EBITDA" as defined below).

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

Adjusted EBITDA is the recurring operational cash result calculated by deduction from the operating result of non-cash items and non-recurring items (Net gain or loss on fair value adjustments – Amortisation, impairments and provisions – Net gain or loss on the sale of abandoned developments – Net gain or loss on disposal of assets) and the net results on sale of assets or subsidiaries.

The Group structure lies on two main activities to which the Investment Committee is allocating the Group investment capacity on the basis of the strategy defined by the Board of Directors. On the 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 developped it can be either sold to a third party or kept in the Group own portfolio for value accretion. On the other hand, the Group is actively investing in and 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.

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;
- Property Investment business line (formely called Asset Management) covers all real estate assets operated (as hotels and logistic parks) and rented out assets or that will be so without any major refurbishment.

The level of indebtedness in front of each asset in order to finance projects and operations is decided by the Investment Committee and the Board of Directors above certain thresholds. The funds allocation after draw dawn is independent from the asset pledged or leveraged. Since the segmentation by business line of the finance debt based on the pledged project is not representative of operational cash allocation, this information is not disclosed as non-relevant.

In order to maintain the accuracy of segment reporting the methodology has been revised in 2011 by allocating revenue and costs at the project level instead of the special purpose vehicles ("SPV") level. As a result of the Group restructuring, multi-project SPVs related to both Development and Property Investments are now more frequent. Before this restructuring, the allocation to segments was based on the SPV activity as they were mainly mono-segment. A project is defined as an Investment property, a hotel, owner occupied building or real estate inventory asset.

As at 31 December 2011	Development	Property Investment	TOTAL
Revenue	**8,233**	**55,533**	**63,766**
Sale of goods	*1,140*	*-*	*1,140*
Rent	*5,892*	*47,271*	*53,163*
Services	*1,200*	*8,261*	*9,461*
Net gain /(loss) from fair value adjustments on investment property	2,130	10,965	13,095
Cost of goods sold	(555)	(71)	(626)
Amortisation, impairments and provisions	5,343	321	5,664
Other operating results	(461)	(26,161)	(26,622)
Operating result	**14,690**	**40,587**	**55,277**
Net gain /(loss) from fair value adjustments on investment property	(2,130)	(10,965)	(13,095)
Amortisation, impairments and provisions	(5,343)	(320)	(5,663)
Net result on disposal of assets	(9,243)	(623)	(9,866)
Adjusted EBITDA	**(2,026)**	**28,679**	**26,653**
Net gain /(loss) from fair value adjustments on investment property	2,130	10,965	13,095
Amortisation, impairments and provisions	5,343	320	5,663
Net result on disposal of assets	9,243	623	9,866
Operating result	**14,690**	**40,587**	**55,277**
Financial result			**(24,425)**
Profit before income tax			**30,852**

As at 31 December 2011	Development	Property Investment	TOTAL
Segment assets	**161,159**	**499,756**	**660,915**
Investment Properties	4,090	487,899	491,989
Property, plant and equipment	-	5,167	5,167
Inventories	144,269	-	144,269
Assets held for sale	12,800	6,689	19,489
Unallocated assets			135,321
Total assets			**796,235**
Segment liabilities	**10,745**	**-**	**10,745**
Liabilities linked to assets held for sale	10,745	-	10,745
Unallocated liabilities			785,490
Total liabilities			**796,235**
Cash flow elements			
Capital expenditure	311	380	691

As at 31 December 2010	Development	Property Investments	TOTAL
Revenue	**94,171**	**56,727**	**150,898**
Sale of goods	*85,754*	*-*	*85,754*
Rent	*5,515*	*48,391*	*53,906*
Services	*1,882*	*9,356*	*11,238*
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	Development	Property Investments	TOTAL
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

6. Acquisitions

No business combination occurred in 2010 and in 2011.

7. Intangible assets

The intangible assets of EUR 50.5 million (as in 2010) include mainly the GSG trademark recognized as part of the business combination accounting (EUR 7.2 million) and the goodwill on acquisitions (EUR 43.3 million).

The sole goodwill recognized as at 31 December 2011 (since 2009) is the GSG goodwill. The recoverable amounts of cash have been determined based on the fair value of the buildings for which acquisitions have generated goodwill. According to the impairment tests carried out on the goodwill no recognition of any additional impairment was recognized in 2011 and 2010. The main source of goodwill on the acquisition of GSG can be found in the amount of deferred tax liabilities as a result of the low tax value of the assets. Furthermore, the value of this intangible asset is also supported by the potential of value creation intrinsic to GSG portfolio. At current market valuation assumptions, the continued increase of occupancy will have a mechanical impact on the portfolio market value. The difference between current market value and potential value will be higher than the goodwill. Hence no impairment should be recognized.

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

	Freehold buildings	Extended stay hotels	Land bank	Buildings under construction	Buildings under finance lease	TOTAL
Balance at 31 December 2009	**546,347**	**-**	**86,910**	**-**	**-**	**633,257**
Scope movements	0	-	-	0	-	-
Investments / acquisitions	368	-	7,799	-	-	8,167
Asset sales	(46,167)	-	-	-	-	(46,167)
Revaluation through income statement	5,576	-	19,985	-	-	25,561
Transfers from properties under development	-	-	-	-	-	
Other transfers	14	-	(112,674)	-	-	(112,660)
Translation differences	-	-	-	-	-	-
Balance at 31 December 2010	**506,138**	**-**	**2,020**	**-**	**-**	**508,158**
Scope movements	-	-	-	-	-	-
Investments / acquisitions	483	-	50	-	-	533
Asset sales	(8,610)	-	-	-	-	(8,610)
Revaluation through income statement	12,826	-	270	-	-	13,095
Transfers from properties under development	-	-	-	-	-	-
Transfers in/from asset held for sale	(18,860)	-	(629)	-	-	(19,489)
Other transfers	(4,077)	-	2,380	-	-	(1,697)
Translation differences	-	-	-	-	-	-
Balance at 31 December 2011	**487,899**	**-**	**4,090**	**-**	**-**	**491,989**

- **In 2011**

49 investment properties (EUR 492.0million) financed by bank loans located in special purpose entities are fully pledged for EUR 300.0 million.

(a) Investments / Acquisitions

- EUR 0.5 million in Germany mainly on Kurfustendamm 102 (transferred to asset held for sale asset at the end of 2011) for EUR 0.2 million.

(b) Asset sales

During the year, the net book value ("NBV") of the assets sold represents EUR 8.6 million, for a total sale price of EUR 9.3 million with a total net gain compared to the December 2010 DTZ valuation amounting to EUR 0.7 million and composed of the following disposals:

- Invalidenstrasse in Berlin (NBV of EUR 5.2 million) at the sale price of EUR 5.6 million;
- Brunnenstrasse 156 in Berlin (NBV of EUR 3.4 million) at the sale price of EUR 3.7 million;

(c) Revaluation through the income statement

In Germany, the total amount of increase in fair value amounts to EUR 13.1 million of which EUR 12.8 million on freehold buildings and EUR 0.3 million on land banks;

(d) Transfers

Freehold buildings – Main outgoing assets:

4 investment properties in Germany which have been transferred to assets held for sale:

- Hüttenstrassen in Düsseldorf for EUR 6.5 million;
- Kurfurstendamm 102 in Berlin for EUR 6.3 million;
- Bergfriedstrasse 2,4,6 & Ritterstrasse 114 in Berlin for EUR 3.7 million;
- Kufurstenstrasse 13-14 in Berlin for EUR 2.4 million.

Land banks:

The Group is expecting to sell 1 land bank property in Germany which have been transferred in assets held for sale:

- Ackerstrasse 83-84 in Berlin for EUR 0.7 million.

- **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 representing 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

9. Owner-occupied buildings

	Owner-occupied Buildings
GROSS AMOUNT	
Balance as at 31 December 2009	**4,339**
Transfer	(15)
Balance as at 31 December 2010	**4,324**
Investments / acquisitions	11
Transfer	(1,226)
Balance as at 31 December 2011	**3,109**
AMORTISATION AND IMPAIRMENT	
Balance as at 31 December 2009	**1,977**
Allowance	9
Balance as at 31 December 2010	**1,986**
Amortisations - Allowance	19
Impairments - Allowance	116
Transfer	(1,923)
Balance as at 31 December 2011	**198**
NET AMOUNT	
Balance as at 31 December 2011	**2,911**

The building of Franklinstrasse 27 (carrying value of EUR 2.9 million), partially own occupied, is pledged within the global GSG bank loans financing. The transfer EUR for 1.9 Million is related to a decompensating of impairment from the previous years on Franklinstrasse 27.

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

Assets held for sale	December 2011	December 2010
Opening Balance	**112,674**	**19,360**
Asset Sales	-112,674	-19,360
Transfer	19,489	112,674
Closing Balance	**19,489**	**112,674**

Liabilities linked to assets held for sale	December 2011	December 2010
Opening Balance	**66,000**	**15,474**
Asset sales	-	-15,474
Transfer	10,745	65,996
Accrued interest	-	4
Repayment of loans	-66,000	-
Closing Balance	**10,745**	**66,000**

- **In 2011**

As at 31 December 2011 the Group validated the sale of following assets:

4 assets from its Berlin investment properties portfolio: Kurfustendamm 102 with a value of EUR 6.3 million and EUR 6.5 million of liabilities and Hüttenstrasse with a value of EUR 6.5 million of assets and EUR 4.3 million of liabilities, Berlin Bergfriedstrasse. 2, 4, 6 and Kurfürstenstrasse 13,14 with a value of EUR 6.7 million of assets.

Over the year 2011, EUR 66.0 million of bank loan have been repaid related to the sale of Leipziger Platz, a plot of land with a fair value of EUR 113.5 million.

- **In 2010**

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 66.0 million.

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 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**
Increase	147	0	147
Assets sales	(384)	381	(3)
Impairments - Write-back	-	561	561
Transfer	841	(841)	-
Balance at 31 December 2011	**4,485**	**(2,228)**	**2,257**

No material movements occurred in 2011 and 2010.

12. Inventories

	December 2011	December 2010
Opening Balance	**142,276**	**216,317**
Net impairments	663	2,569
Transfers	1,000	17
Scope exit	-	-
Translation differences	-	-
Development costs	886	382
Cost of goods sold	(555)	(77,009)
Closing Balance	**144,269**	**142,276**

In 2011

Development costs amount to EUR 0.9 million capitalized mainly on Sky Office (EUR 0.7 Million)

The project in development Sky Office (EUR 139.2 million) is the main contributor in inventories and is pledged for an amount of EUR 96.0 million.

Impairments have been reversed on Sky Office for EUR 0.7 Million.

Transfer corresponds to the reclassification of the land plot Hochwald from Investment Properties to Inventories.

In 2010

Costs of goods 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.

13. Net result on disposal of assets

During 2011, in the framework of the restructuring plan, assets and activities have been sold for a total consideration of EUR 122.7 million generating a consolidated net gain of EUR 9.9 million and a net cash inflow after financial debt repayment (EUR 6.7 million) amounting to EUR 11.8 million.

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 loss of EUR 0.4 million and a net cash inflow after financial debt repayment (EUR 46.4 million) amounting to EUR 19.6 million.

14. Cash and cash equivalents

As at 31 December 2011, the cash and cash equivalents consist of cash in bank for EUR 14.8 million (EUR 17.9 million in 2010).

Cash in bank include restricted cash (EUR 4.4 million – EUR 6.9 million in 2010) representing:

- cash deposited in accounts pledged as collateral for development projects and lifted after sales of units (EUR 2.2million – EUR 0.0 million in 2010).
- cash deposited in accounts pledged as collateral for loans related to the acquisition of property (EUR 1.9 million – EUR 6.7million in 2010).
- cash contribution of the joint venture (Knorrstrasse 119 GmbH & CO KG) amounting to EUR 0.2 million (EUR 0.2 million in 2010).

15. Borrowings, non-current financial debts, bonds and derivatives

15.1. Borrowings movements and maturity

Non-current financial debts	Bank loans	Other non-current borrowings	Fixed rate bonds	TOTAL
Balance at 31 December 2009	**343,785**	**17,105**	**90,374**	**451,264**
Issue of new loans and drawdowns	0	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 December 2010	**308,209**	**17,567**	**94,192**	**419,968**
Issue of new loans and drawdowns	-	50	-	50
Interests accumulated during the year	-	-	3,584	3,584
Repayments of loans	(4,965)	(7,893)	-	(12,858)
Transfers	(276,552)	1,462	(97,776)	(372,866)
Balance at 31 Decmber 2011	**26,692**	**11,186**	**-**	**37,878**

No new bonds have been issued in 2010 and in 2011

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

- **2011**

Repayment of bank loans (EUR -5.0 million) mainly relate to the following operations:

- Sale of Brunnenstrasse (EUR -2.8 million);
- Partial reimbursement of Gebauer Hofe bank loan (EUR 2.2 million)

Transfers of bank loans (EUR -276.6 million) are mainly due:

- Reclassification of bank loans, that will fall due within twelve months (+EUR 300.0 million)
- Signature of amendment related to the loan financing the building of Gebauer Hofe (-EUR 28.9 million)

Other non-current loans consist mainly of equity loans from the parent company (Orco Property Group) for EUR 11.2 million.

Fair value of the bonds as at 31 December 2011

As at 31 December 2011, the fair value of the bonds, valued by Management, amounts to EUR 118.2 million

	Carrying value of bonds	Fair Value of bonds
Bonds	97,777	95,334
Derivative instruments on bonds	22,914	22,914
Bonds as at 31/12/2011	**120,691**	**118,248**

- **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 current 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**

Borrowings maturity (bonds and financial debts)

In 2011, the non-current financial debts amount to EUR 38 million (in 2010 EUR 420 million). The table below represents the carrying of the debts allocated by date of repayment.

At 31 December 2011	Less than one year	1 to 2 years	2 to 5 years	More than 5 years	Total
Non-current					
Financial debts	-	**534**	**26,157**	**11,187**	**37,878**
Bank loans	-	534	26,157	-	26,691
Bank loans floating rate	-	534	26,157	1	26,692
Other non-current borrowings	-	-	-	11,187	11,187
Total	**-**	**534**	**26,157**	**11,186**	**37,878**
Current					
Fixed rate bonds	**97,777**	**-**	**-**	**-**	**97,777**
Convertible bonds	-		-	-	-
Non Convertible bonds	97,777		-	-	97,777
Financial debts	**398,860**	**-**	**-**	**-**	**398,860**
Bank loans	398,838	-	-	-	398,838
Bank loans fixed rate	-	-	-	-	-
Bank loans floating rate	398,838	-	-	-	398,838
Other borrowings	22	-	-	-	22
Liabilities linked to assets held for sale	**10,745**	**-**	**-**	**-**	**10,745**
Total	**507,382**	**-**	**-**	**-**	**507,382**
TOTAL	**507,382**	**534**	**26,157**	**11,186**	**545,260**

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 (100% in 2010) and 100% of the current floating rate borrowing amounts (24.9% in 2010), 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 436.3 million (EUR 508.8 million as at 31 December 2010). 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.

- **In 2010**

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**

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 22.9 million (EUR 19.3 million in 2010) 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 2011, the management used a credit spread of 22% (20 % as at December 2010). 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.

Balance at 31 December 2009	**90,374**
Interest	3,819
Balance at 31 December 2010	**94,193**
Interest	3,584
Balance at 31 December 2011	**97,778**

As at 31 December 2011, 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.

15.3. Derivative instruments

	31 December 2011	31 December 2010
Interest rate derivatives	-	-
Total current assets		-
Embedded derivatives on bonds	22,914	19,323
Total non-current liabilities	22,914	19,323
Interest rate derivatives	6,928	18,668
Total current liabilities	6,928	18,668
Net derivatives	-29,842	-37,991

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 3.2).

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 2011, the total debt covered by interest rate swaps and collars amounts to EUR 333.1 million (EUR 341.7 million in 2010). It represents 78.3% of the floating rate debt (77.2% in 2010).

15.4. Net interest expenses

	31 December 2011	31 December 2010
Interest income	2,170	365
Interest expenses	-33,051	-41,018
Net interest expenses	**-30,881**	**-40,653**

15.5. Average effective interest rates

	31 December 2011	31 December 2010
Bonds	7.73%	8.49%
Bank borrowings	5.30%	8.55%

Bank borrowings effective rate decreased from 8.55% to 5.30% mainly due to the repayment of credit lines upon assets sales.

15.6. Loans in breach of covenants

	As at 31 December 2011			As at 31 December 2010		
	Principal	Accrued Interest	Total	Principal	Accrued Interest	Total
Long term loans presented in ST						
due to Financial covenant breach	-	-	-	32,730	-	**32,730**
due to Administrative breach	-	-	-	4,300	-	**4,300**
Total LT loans presented in ST	-	-	-	37,030	-	**37,030**
Short term loans in breach						
due to Non repayment	-	-	-	621	165	**786**
Total ST loans in breach	-	-	-	621	165	**786**
Total loans linked to assets held for sale	4,300	-	**4,300**	-	-	-
Total Loans in Breach	**4,300**	**-**	**4,300**	**37,651**	**165**	**- 37,816**

During the year 2011 the breaches for the loan financing the Gebauer Hofe Office building (EUR -28.9 million) have been solved through the signature of an amendment and a partial repayment with the sale of Invalidenstrasse and Brunnenstrasse (EUR -6.7 million).

As at 31 December 2011 the outstanding amount is related to the loan financing Huettenstrasse for EUR 4.3 million which should be transferred by the end of the year 2012.

16. *Provisions and other long term liabilities*

The provisions amount to EUR 10.2 million (EUR 10.4 million in 2010) and are mainly composed of provisions to cover the Group's retirement benefit obligations.

	Opening	Scope Exit	Allowance	Write Back	Transfer	Total
Retirement Obligations	9,902		55	(752)		9,205
Other provisions	491	5,500		(4,893)	(98)	1,000
Total provisions	**10,392**	**5,500**	**55**	**-5,644**	**-98**	**10,205**

Other provisions:

A provision regarding the Bar neighbour agreement (escrow account of EUR 9.7 million as at 31 December 2011) related to the project Leipziger Platz has been recorded following the deal for EUR 5.6 million and decreased to EUR 1.0 million as at 31 December 2011. There is no cash impact from this operation.

Retirement benefit obligation:

In the Group, only Orco Projektentwicklungs GmbH (formerly Viterra Development GmbH) and Viterra Baupartner GmbH 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. Rather, the employer sets up a book reserve (accruals) in its balance sheet.

	31 December 2011	31 December 2010
Present value of unfunded obligations	9,084	9,194
Unrecognised actuarial gains	122	596
Liabilities in the balance sheet	**9,206**	**9,790**

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

	31 December 2011	31 December 2010
Beginning of the year	**9,194**	**8,661**
Current service cost	0	18
Interest cost	428	445
Actuarial gains(losses)	(122)	472
Benefits paid	(416)	(402)
End of the year	**9,084**	**9,194**

The principal actuarial assumptions used were as follows:

	31 December 2011	31 December 2010
Discount rate	4.60%	4.75%
Future salary increases	n.a	2.75%
Future pension increases	2.00%	2.00%
Corridor	10.00%	10.00%

Transition to IAS 19 (rev.2011):

Application of IAS 19, rev.2011 is compulsory for periods beginning at or after 01.01.2013.

Disclosures for periods 2011 and 2012 must be reported according to current IAS 19.

The calculation of pension expense must follow IAS 19, rev.2011 for the first time in 2013.

For the purpose of financial reporting as of 31 December 2013 the financial statement for the prior period must be restated on revised rules.

	In Euro
Expenses recognized in income statement as of December 2012	**128,839**
Current service cost	-
Interest cost	128,839
Expected disclosure as of December 2012	
Expected (gains)/losses in period 2012 (*)	12,688
Defined Benefit Obligation (DBO) (*)	2,906,688
Accumulated (gains)/losses recognised in OCI	(478,689)
Unrecognised actuarial(gains)/losses before taxes as of 1st January 2013 (**)	**(271,685)**

(*) The expected DBO as of 31 December 2012 and the resulting (gains)/losses in 2012 are estimated on the basis of the population and the assumptions of the evaluation as of 31 December 2011. They are subject to change in the course of 2012 and will be finally known on 31 December 2012.

(**) Necessary adjustment to statement of financial position with resulting changes to shareholder's equity before tax effects.

17. Current financial liabilities

Current financial liabilities are presented below:

	Less than 1 month	Between 1 and 6 months	Between 6 months and 1 year	TOTAL
Financial debts & Current bonds	(0)	400,232	96,405	496,637
Trade payables	2,443	770	1,251	4,464
Advance payments	4,226	3,341	12,530	20,097
Other current liabilities	12,217	4,430	7,024	23,671
Liabilities linked to assets held for sale	-	-	10,745	10,745
31 December 2011	**18,886**	**408,773**	**127,955**	**555,614**
Other current liabilities as at December 2011				**28,255**
Not financial other current liabilities				4,584
w/o Tax and income tax				*4,496*
w/o Social & Payroll				*87*
Financial other current liabiilities	12,217	4,430	7,024	23,671

	Less than 1 month	Between 1 and 6 months	Between 6 months and 1 year	TOTAL
Financial debts & Current bonds	-	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 linked to assets held for sale	-	66,000	-	66,000
31 December 2010	**23,596**	**121,774**	**110,956**	**256,326**
Other current liabilities as at December 2010				**39,983**
Not financial other current liabilities				4,557
w/o Tax and income tax				*4,337*
w/o Social & Payroll				*220*
Financial other current liabiilities	21,239	12,103	2,163	35,505

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 4.6 million (as in 2010).

As at 31 December 2011, the movements in current loans are the following:

Current financial debts	Bank loans	Other current borrowings	Fixed rate bonds	TOTAL
Balance at 31 December 2009	**267,738**	**119**	**0**	**267,857**
Issue of new loans and drawdowns	141	0		141
Repayments of loans	(68,837)	(107)		(68,944)
Transfers	1,548	0		1,548
Balance at 31 December 2010	**200,590**	**12**	**0**	**200,602**
Issue of new loans and drawdowns	4,998	189		5,187
Repayments of loans	(69,925)	(11)		(69,936)
Transfers	273,924	(172)	97,776	371,528
Balance at 31 December 2011	**409,587**	**18**	**97,776**	**507,381**

The table includes loans linked to assets held for sale (EUR 10.7 million described in the note 10, EUR 66.0 million in 2010).

In 2011

The issuance of new loans mainly relates to further drawdowns on Sky Office credit line for EUR 1.3 million.

The repayments of loans are mainly related to the repayments of the loans financing Leipziger Platz (EUR 66.0 million) and Invalidenstrasse (EUR 3.9 million).

The transfers of bank loans and fix rate bonds from long term are mainly explained as follow:

- Reclassification of bank loans, that will fall due within twelve months (EUR 300.0 million) related to GSG
- Settlement of long term bank loan covenant breaches from 31 December 2010 which led to the reclassification of bank loans into long term debts for EUR 28.9 million related to Gebauer Hofe.

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.

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 2010	Scope variation	Change in income statement	Change in %	December 2011
Intangible assets	(2,157)	-	-	-	(2,157)
Tangible assets	(87,685)	6,400	(5,722)	-	(87,007)
Financial assets	3,369	107	1,594	-	5,070
Inventories	2,595	447	(315)	-	2,726
Current assets	(1,994)	-	(663)	-	(2,657)
Equity	36	-	0	-	36
Provisions	458	-	(475)	-	(18)
Long term debts	2,707	-	384	-	3,091
Current debts	5,096	-	(2,684)	-	2,412
Tax losses for which no deferred income tax is recognized	(10,765)		969	-	(9,796)
Total deferred taxes	**(88,342)**	**6,954**	**(6,912)**	**-**	**(88,299)**

	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**

The income tax and deferred tax rates applicable in 2011 are 30.17 % in Germany and 28.80% in Luxembourg.

In 2011, the theoretical tax rate is 30.13% (30.57% in 2010) and the effective tax rate of the period is 30.99% (2010: 67.1%). As at 31 December 2011, the income tax loss recognized in the income statement amount to a charge of EUR 9.6 million (income of EUR 11.4 million in 2010) among which EUR 2.6 million of current income tax expense (EUR 0.1 million expense in 2010) and EUR 6.9 million deferred income tax expense (EUR 11.3 million income tax benefit in 2010). Deferred income taxes expenses arising essentially from reversal of deferred tax assets made following the booking of positive revaluations and impairments booked on properties (EUR 6.0 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:

	December 2011	December 2010
Profit or Loss before tax from continued operations	**30,851**	**16,984**
Tax calculated at domestic rates applicable to profits in the respective countries	9,295	1,253
Tax effects of:		
Untaxed gains or losses	(4,956)	(1,082)
Undeductible charges and interests	5,444	3,670
Recognised loss carry forward	10,320	-
Unrecognised loss carry forward	(10,525)	7,559
Other income tax	27	-
Adjustments from previous years	(42)	-
Income tax expense recognised in profit or loss	**9,562**	**11,400**

19. Details of expenses

19.1. Other operating expenses and employee benefits

	31 December 2011	31 December 2010
Leases and rents	(556)	(1,193)
Building maintenance and utilities supplies	(18,644)	(17,421)
Marketing and representation costs	(833)	(753)
Administration costs	(7,776)	(9,311)
Taxes other than income tax	(2,487)	(5,192)
Hospitality specific costs	0	(693)
Other operating expenses	(98)	(103)
Salaries	(4,662)	(6,779)
Social security expenses	(809)	(1,115)
Pension costs	(736)	(557)
Stock options	(104)	(42)
Other employee benefits	(73)	(159)
Other personnel related charges	(364)	(103)
Total other operating expenses	**(37,142)**	**(43,420)**

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

	31 December 2011	31 December 2010
Audit services pursuant to legislation	(641)	(523)
Other audit related services	0	(259)
Other services relating to taxation	(204)	(307)
Total	(845)	(1,089)

20. Other net financial results

	12 months 2011	12 months 2010
Change in fair value and realised result on derivative instruments	6,374	(3,585)
Change in fair value and realised result on other financial assets	-	-
Other net finance gains/ (charges)	82	(1,204)
Gain (loss) on other financial results	**6,456**	**(4,789)**

- **In 2011**

Change in fair value and realized result on derivative instruments are related to:

- Loss on embedded derivatives on Bonds for EUR 4.3 million;
- Gain on interest derivatives for EUR 10.7mllion

Other finance charges consist mainly of Bank charges for EUR 0.1 million.

- **In 2010**

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).

21. Earnings per share

	31 December 2011	31 December 2010
Shares issued at the beginning of the period	48,771,333	48,771,333
Weighted average of own shares	(1,524,176)	
Weighted average outstanding shares for the purpose of calculating the basic earnings per share	**47,247,157**	**48,771,333**
Weighted average outstanding shares for the purpose of calculating the diluted earnings per share	**47,247,157**	**48,771,333**
Net profit /(loss) attributable to Equity holders of the Company	**21,277**	**5,596**
Net profit /(loss) attributable to Equity holders of the Company after assumed conversions / exercises	**21,277**	**5,596**
Basic earnings in EUR per share	0.45	0.11
Diluted earnings in EUR per share	0.45	0.11

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 2010 and 2011.

22. Equity holder's balance

	Number of shares	Capital	Share premium
Balance at 31 December 2009	48,771,333	60,694	123,658
Balance at 31 December 2010	48,771,333	60,694	123,658
Balance at 31 December 2011	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 2011 and 2010.

No dividend has been paid by the Company to its shareholders in 2011 and 2010.

Authorized capital not issued:

According to article 5 of the Articles of Association of the Company the corporate share capital may be increased from its present amount to EUR 173,647,722.50 (subject to the Warrant Anti Dilution Protection as described below) (the "Authorised Share Capital"), as the case may be by the creation and the issue of new shares, entitling to the same rights and advantages as the existing shares. Out of the Authorised Share Capital an amount of up to EUR 23,647,722.50 (represented by 18,918,178 shares) shall be reserved for, and may not be used for any other purpose, (the "Reserved Authorised Share Capital") the concomitant issue of (i) 7,926,428 Warrants (as defined below) and (ii) the Conversion Shares (as defined below).

Subject to the restrictions of the Reserved Authorised Share Capital and the provisions of article 5.2.3 of the Articles of Association of the Company the board of directors of the Company is fully authorized and appointed:

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

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

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

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

According to article 5.2.3 of the Articles of Association of the Company the Reserved Authorised Share Capital shall be expressly reserved and only be available for the concomitant issue of:

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

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

According to article 5.2.3.3 of the Articles of Association of the Company a Warrant Anti Dilution Protection with respect to the holders of the Warrants (as defined above) has been regulated as follows: New Securities (as defined below) may only be issued by the Company during the exercise period of the Warrants (as defined above) if each holder of the Warrants is given the right to subscribe for a portion of the New Securities at same time and upon the same terms and conditions so that following the issue of the New Securities and exercise of all such subscription right the Warrantholders' Fully Diluted Shareholding (as defined below) remains unchanged. No issue of New Securities may be made against contributions other than cash.

According to article 5.2.3.4 of the Articles of Association of the Company for the purpose of the Warrant Anti Dilution Protection, "Warrantholders' Fully Diluted Shareholding" means, for any holder of the Warrants, the proportion of such holder's participation in shares of the Company (calculated on a fully diluted basis as if all of its Warrants were exercised or converted into shares of the Company, even where such conversion is not yet exercisable or has not yet occurred) relative to the total participation of all of the holders of shares of the Company and/or Warrants in the voting rights of the Company (calculated on a fully diluted basis as if all of the Warrants are exercised or converted into shares of the Company, even where such conversion right is not yet exercisable or has not yet occurred); "New Securities" means any shares (except the Conversion Shares and the Bond Rights (as defined below)), or other equity securities or warrants, options, bonds or other rights to subscribe for the foregoing issued while the Warrants are in issue; and "Bond Rights" means the redeemable warrants issued in relation with and attached to the €100,100,052 five year bonds issued by the Company in May 2007 (and shares to be issued upon due exercise thereof subject to the terms of the bonds and related redeemable warrants) (XS0302623953-030260395// XS0302626889-030262689).

According to article 5.2.3.5 of the Articles of Association of the Company the Board of Directors is authorised with respect to the Reserve Authorised Share Capital (and the issue of the Warrants, the Warrant Shares and the Conversion Shares) (i) to determine accessory terms of the Warrants as may be appropriate provided that the main terms determined by the general meeting may not be adversely impacted thereby and to take such steps and actions, including the preparation of a prospectus, to implement the issue of the Warrants (and upon exercise thereof, the issue of the Warrant Shares) and (ii) to take such steps and actions to implement the issue of the Conversion Shares; provided that the issue of the Warrants and the issue of the Conversion Shares are one dependant on the other and may only happen at the same time.

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

There is no commitments for the projects as at 31 December 2011 (EUR 0 million in 2010).

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 2010) and a maturity date of 2020. This loan amounted to EUR 11.0 million as at 31 December 2011 (EUR 17.6 million in 2010). Net interest expenses related to this loan amounted to EUR 1.4 million as at 31 December 2011 (EUR 1.4 million in 2010).

- Transactions with a former management of Orco Germany S.A.

In March 2011, Viterra Baupartner GmbH, a 100% subsidiary of Orco Germany S.A. bought 1.9 million shares (presented in Treasury shares) and 1.0 million warrants of Orco Germany S.A. for 1.5 million.

- 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 2011, key management personnel received a global remuneration as short term employee benefit amounting to EUR 1.2 million (EUR 0.7 million in 2010), which do not include any remuneration to the members of the board.

26. List of the fully consolidated subsidiaries

Orco Germany S.A as mother company is owned at 91.56 % by Orco Property S.A (directly owned by OPG S.A at 87.99% and indectly at 3.89% by Viterra Baupartner GmbH, an subsidiary of Orco Germany S.A) as at 31 December 2011 (vs 58.94% as at 31 December 2010) , the list of of Orco Germany's subsidiaries is detailed as following:

Company	Country	Ccy	Activity	% Shareholding 31.12.2011	% Shareholding 31.12.2010
Apple Tree GmbH	Germany	EUR	Property investments	100.00%	94.81%
Elb Loft BAU Hamburg - Gmbh	Germany	EUR	Development	100.00%	100.00%
Endurance HC Beta sarl	Luxembourg	EUR	Development	100.00%	100.00%
Endurance HC Gamma sarl	Luxembourg	EUR	Development	100.00%	100.00%
Gebauer Höfe Liegenschaften GmbH	Germany	EUR	Property investments	100.00%	100.00%
GSG Gewerbesiedlungs-Gesellschaft mbH	Germany	EUR	Property investments	100.00%	99.75%
GSG 1. Beteiligungs GmbH	Germany	EUR	Property investments	100.00%	99.75%
GSG Asset GmbH & Co. Verwaltungs KG	Germany	EUR	Property investments	100.00%	99.75%
Isalotta GP GmbH & Co. Verwaltung KG	Germany	EUR	Property investments	94.99%	94.99%
Knorrstrasse 119 KG	Germany	EUR	Development	50.00%	50.00%
Knorrstrasse 119 Verwaltungs GmbH	Germany	EUR	Development	50.00%	50.00%
Orco Berlin Invest GmbH	Germany	EUR	Development	100.00%	100.00%
Orco Erste VV GmbH	Germany	EUR	Development	100.00%	100.00%
Orco Germany Investment S.A.	Luxembourg	EUR	Property investments	100.00%	100.00%
Orco Grundstücks- u. Bet.ges.mbH	Germany	EUR	Property investments	100.00%	100.00%
Orco Immobilien Gmbh	Germany	EUR	Management	100.00%	100.00%
Orco Leipziger Platz GmbH (sold in 2011)	Germany	EUR	Development	/	100.00%
Orco Projekt 103 GmbH (merged in Orco Immobilien Gmbh)	Germany	EUR	Property investments	/	100.00%
ORCO Projektentwicklung GmbH	Germany	EUR	Development	100.00%	100.00%
Orco Vermietungs- und Services GmbH	Germany	EUR	Property investments	100.00%	100.00%
Orco-GSG Unternehmensförderungs- und beratungs GmbH	Germany	EUR	Property investments	100.00%	99.75%
Stauffenbergstrasse Zwei GmbH (merged in ORCO Projektentwicklung GmbH)	Germany	EUR	Development	/	100.00%
Viterra Baupartner GmbH	Germany	EUR	Development	100.00%	100.00%
Orco erste PEG mbH	Germany	EUR	Development	100.00%	100.00%
Orco fünfte PEG mbH (merged in ORCO Projektentwicklung GmbH)	Germany	EUR	Development	/	100.00%
Orco Sechste Entwicklung GmbH (merged in ORCO Projektentwicklung GmbH)	Germany	EUR	Development	/	100.00%
Vivaro GmbH & Co. Grundbesitz KG	Germany	EUR	Development	94.34%	94.35%
Vivaro GmbH & Co. Zweite Grundbesitz KG	Germany	EUR	Development	94.34%	94.35%
Vivaro Vermögensverwaltung GmbH	Germany	EUR	Development	100.00%	100.00%

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:

Knorrstrasse 119 & Co. KG	December 2011	December 2010
Non-current assets	-	-
Current assets	*4,633*	*4,545*
Assets	**4,633**	**4,545**
Non-current liabilities	-	-
Current liabilities	*4,579*	*4,499*
Liabilities	**4,579**	**4,499**
Income	*22*	*13*
Expenses	*(23)*	*(18)*
Profit/(loss) after income tax	**(0)**	**(5)**

28. Events after balance sheet date

28.1. First Quarter 2012: Sales of assets and new leasing contacts

ORCO Germany signed three lease contracts for Sky Office in the first quarter of 2012 with three exclusive companies. The new leases comprise approximately 5,500 sqm of first-class office space resulting in an occupancy rate of about 88%.

In 2011 ORCO-GSG sold three assets in Berlin (all of them have a transfer date in 2012). The biggest sale was the disposal of the residential unit Bergfried / Ritterstraße in Berlin-Kreuzberg 29% above the latest valuation, at the sale price of EUR 3.7 million. In addition the company sold the small commercial property Kurfürstenstrasse 13-14 at EUR 2.4 million, a price 28% above latest valuation. At the end of the year, ORCO-GSG also sold a land plot in Ackerstraße, which was not needed for further developments, at the price of EUR 0.7 million.

28.2. 18 April 2012 - OG joint agreement

The Group announces that a joint restructuring agreement has been entered into on 17 April 2012 with bondholders representing approximately 61% of the OG bonds in nominal value.

Under the terms of this joint agreement approximately 85% of the OG bonds will be converted into approximately 26.2 million OPG shares and the remaining OG bonds can be exchanged for EUR 20 million in new OPG bonds.

The new OPG bonds to be issued by OPG upon the voluntary exchange of the remainder of the OG bonds will have a maturity in 2018 and will bear an annual interest. The principal will be repaid in four annual payments in 2015, 2016, 2017 and 2018. The new OPG bonds will benefit from a 25% cash sweep from net sale proceeds on selected assets.

Once the implementation of the Joint Agreement is complete, assuming that the terms of the Joint Agreement are approved by all OG bondholders and assuming 100% participation in the new OPG bonds offer, the OG bond debt will disapred. Based on December 2011 estimated figures, OG's NAV will be an estimated EUR 1.0 per share.

28.3. 19 April 2012 – GSG Loan: Standstill agreement

RBS and GSG have signed a standstill agreement that will be effective from 19 April to 15 June 2012 which defers the repayment obligation related to the 15 April 2012 maturity of the EUR 300 million (outstanding principal as of December 2011 against EUR 288 million as at 15th of April) financing for OG's GSG portfolio. Such extension will allow the Group to further advance in its refinancing negotiations.

28.4. May 2012 -OG general meeting

A large majority of the OG bond and OG warrant holders approve the terms of the proposed restructuring transaction during the general meetings held the 7th of May 2012. As such, the minimum OG bondholders and warrantholders approval requirement of the Joint Agreement has been satisfied. Approximately 84.5% of the OG bonds held by each bondholder will be converted into Obligations Convertibles en Actions ("OCA"). The converted OCA into new OPG shares will not be publicly tradable until a prospectus has been approved by the CSSF. OPG issued on 14 May 2012, 18,361,540 new ordinary shares as a first payment on the OCA (ISIN XS0741974009). The remaining approximately 15% bonds not held by OPG can be then exchanged into EUR 20 million of ''new notes'' to be issued by OPG, the main terms of which were described in OPG's 18 April 2012 press release.

The conversion of all the OG bonds after exchange of the remaining bonds with OPG New Notes into OG shares, to be executed over the coming weeks, will reduce the Group's leverage ratio from 78% to 63%. The OG bonds acquired by OPG will be converted into new OG shares through a capital increase which will reinforce OG's balance sheet with EUR 129.1 Million of equity.

ORCO GERMANY S.A.
Société Anonyme
42, rue de la Vallée
L-2661 Luxembourg
R.C.S. LUXEMBOURG B 102254
(the "**Company**")

DECLARATION LETTER
ANNUAL FINANCIAL REPORT
AS AT 31 DECEMBER 2011

1.1. Persons responsible for the Annual Financial Report

- OTT&Co S.A., acting as managing director of the Company, represented by Mr. Jean-Francois Ott, permanent representative, with professional address at 25 rue Balzac, F-75406 Paris Cedex 08, France, jfott@orcogroup.com;

- Mr. Nicolas Tommasini, acting as managing director of the Company, with professional address at 25 rue Balzac, F-75406 Paris Cedex 08, France, ntommasini@orcogroup.com.

1.2. Declaration by the persons responsible for the Annual Financial Report

We, OTT & Co S.A., represented by Mr. Jean-Francois Ott, and Mr. Nicolas Tommasini, declare that, to the best of our knowledge, the consolidated financial statements of the Company as at 31 December 2011, prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union, give true and fair view of the assets, liabilities, financial position and profit of the Company and its subsidiaries included in the consolidation taken as a whole and that the management report includes a fair view of the development and performance of the business and the position of the Company and its subsidiaries included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face.

Approved by the Board of Directors and signed on its behalf by OTT&Co S.A., represented by Mr. Jean-Francois Ott Mr., and by M. Tommasini.

Paris, 7 June 2012

Mr. Brad Taylor
Director

Mr. Nicolas Tommasini
Director

ORCO GERMANY S.A.

Société Anonyme

R.C.S. Luxembourg B 102.254

ANNUAL ACCOUNTS AND REPORT
OF THE REVISEURS D'ENTREPRISES AGREES
DECEMBER 31, 2011

42, rue de la Vallée
L-2661 Luxembourg
R.C.S. Luxembourg B 102.254

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

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To the Shareholders of
ORCO GERMANY S.A.
42, rue de la Vallée
L-2661 Luxembourg

REPORT OF THE REVISEURS D'ENTREPRISES AGREES

Report on the annual accounts

We have audited the accompanying annual accounts of Orco Germany S.A. ("Orco Germany"; "OG"; the "Company"), which comprise the balance sheet as at December 31, 2011 and the profit and loss account for the year then ended, and a summary of significant accounting policies and other explanatory information.

Responsibility of the Board of Directors 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 réviseurs d'entreprises agréés

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 *réviseurs d'entreprises agréés'* judgement, 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 *réviseurs d'entreprises agréés* consider internal control relevant to the entity's preparation and fair presentation of the annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the annual accounts.

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

Opinion

In our opinion, the annual accounts give a true and fair view of the financial position of Orco Germany S.A. as of December 31, 2011, 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

Going concern of the Company

Without qualifying our opinion, we draw attention to note 2.1 to the annual accounts which describes the basis upon which the Board of Directors has determined that it is appropriate to prepare the annual accounts on a going concern basis.

As at December 31, 2011, the Company has substantial outstanding debt service obligations and capital requirements.

During 2011, the main shareholder of OG, Orco Property Group S.A. ("OPG") initiated a project to restructure the bonds issued by OPG and OG, which culminated with the signature of a joint agreement by the OPG and OG bondholders on April 17, 2012. Further to the approvals of the general meetings of the bondholders of OPG and OG, and the *Tribunal de Commerce de Paris*, the finalisation of this project is subject to the completion of the following two major steps, which are still pending at the date of issue of the annual accounts :

i) the drafting of the different securities notes that need to be issued after approval by the *Commission de Surveillance du Secteur Financier* and;
ii) the approval by the general meeting of the shareholders of OPG of the issuance of the new shares in consideration for the OPG bonds within the limits of the OPG's authorized capital.

The Company's ability to continue in operation as a going concern is primarily dependent upon the outcome of the aforementioned steps in relation to the OG bonds restructuring.

The matters described above, together with the other elements described in note 2.1 to the annual accounts are indicative of the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

Valuation of shares in/loans to affiliated undertakings

We draw attention to note 2.1 to the annual accounts, which describes the facts that:

i) GSG-Gewerbesiedlungs-GmbH ("GSG"), a 100% subsidiary of OG, and its financing bank have signed a standstill agreement which defers the repayment obligation related to the April 15, 2012 maturity of the EUR 300 million financing for OG's GSG portfolio to June 15, 2012. The Company is currently using this period to advance in its refinancing negotiations with a number of other credit institutions. Should such negotiations be unsuccessful, the current financing bank would have the possibility to exercise its pledge on the Company's shares in GSG, and consequently the Company would have to record a value adjustment against the full amount (EUR 74.8 million) of its assets that are represented by shares in GSG (note 4.1); and

ii) the Company is currently negotiating the sale of the Sky Office building, held by Orco Erste Projektentwicklungs-GmbH and intends to use the proceeds to repay the relevant external short-term financing, due in June 2012. Should such a sale be unsuccessful, the Company would have to record a value adjustment against the internal loan granted in respect of this building that is carried at EUR 5,6 million as at December 31, 2011.

Pending the completion of the aforementioned negotiations, the Board of Directors has determined that it is still appropriate and reasonable to continue to record shares in GSG and loan receivable in connection with the Sky Office building at their current carrying value in accordance with the accounting policy described in note 2.2.2. Our opinion is not qualified in respect of this matter

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.

The section of the consolidated management report relating to the corporate governance includes the information required by the law of December 19, 2002 on the commercial and companies register and on the accounting records and annual accounts of undertakings, as amended with respect to the corporate governance statement except for the description of internal controls and risk management relative to financial information processing.

For Deloitte Audit Société à responsabilité limitée,
Cabinet de révision agréé

Christiane Chadoeuf
Réviseur d'entreprises agréé
Partner

For H.R.T. Révision S.A.
Réviseurs d'entreprises agréés

Jean-Philippe Barret
Réviseur d'entreprises agréé
Partner

June 14, 2012

ORCO GERMANY S.A.
Société Anonyme
R.C.S. Luxembourg B 102.254
BALANCE SHEET
December 31, 2011

A S S E T S	**2011** **EUR**	**2010** **EUR**
FIXED ASSETS	**159,649,428**	**162,386,847**
Tangible assets (note 3)		
Land and buildings	5,759,606	5,570,000
Financial assets (note 4)		
Shares in affiliated undertakings	77,147,758	76,378,888
Loans to affiliated undertakings	76,742,064	80,437,959
CURRENT ASSETS	**11,324,785**	**9,617,261**
Stocks	10,841	10,479
Debtors (becoming due and payable after less than one year)		
Trade debtors	49,567	1,123,417
Amounts owed by affiliated undertakings (note 4.3)	9,115,263	7,609,057
Other debtors (note 23.1)	328,921	109,454
Other investments (note 5)	28,080	27,288
Cash at bank and in hand	1,792,113	737,566
PREPAYMENTS AND ACCRUED INCOME (note 6)	**175,303**	**598,526**
TOTAL ASSETS	**171,149,516**	**172,602,634**
L I A B I L I T I E S		
CAPITAL AND RESERVES (note 2.1, 7)	**(10,811,855)**	**(7,318,575)**
Subscribed capital	60,964,166	60,964,166
Share premium and similar premiums	123,657,606	123,657,606
Loss brought forward	(191,940,347)	(158,193,324)
Loss for the financial year	(3,493,280)	(33,747,023)
PROVISIONS	**824,203**	**25,711,252**
Other provisions (notes 8 and 20)	824,203	25,711,252
NON SUBORDINATED DEBTS	**181,137,168**	**154,209,957**
Debenture loans – Convertible loans (note 8)		
Becoming due and payable after less than one year	127,451,544	2,328,494
Becoming due and payable after more than one year	-	100,100,052
Amounts owed to credit institutions (note 9)		
Becoming due and payable after less than one year	4,990,000	122,000
Becoming due and payable after more than one year	-	5,490,000
Trade creditors (due and payable within one year)	808,717	777,876
Amounts owed to affiliated undertakings (note 9)		
Becoming due and payable after less than one year	1,804,568	1,363,252
Becoming due and payable after more than one year	45,159,251	43,555,877
Tax and social security (due and payable within one year)	43,009	89,595
Other creditors (due and payable within one year)	880,079	382,811
TOTAL LIABILITIES	**171,149,516**	**172,602,634**

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
Year ended December 31, 2011

C H A R G E S	**2011** **EUR**	**2010** **EUR**
Other external charges (note 11)	2,971,095	3,009,689
Staff costs (notes 12 and 22)	-	-
Value adjustments		
On tangible fixed assets (note 3)	-	665,463
On elements of current assets (note 4.3)	1,048,118	481,313
Other operating charges (note 13)	308,450	371,602
Value adjustments in respect of financial fixed assets (note 4)	13,289,358	11,322,127
Interest payable and similar charges		
Affiliated undertakings (note 14)	3,807,675	3,236,025
Other interest payable and similar charges (note 15)	4,980,834	30,523,516
Loss on disposal of properties (note 3)	-	532,962
Extraordinary charges (note 16)	13,146,218	218,027
Other taxes (note 17)	38,145	104,174
TOTAL CHARGES	**39,589,893**	**50,464,898**

INCOME		
Net turnover (note 10)	216,164	484,822
Reversal of value adjustments		
On tangible assets (note 3)	189,606	-
On elements of current assets (note 4.3)	481,313	-
Other operating income	-	106,771
Income from financial fixed assets derived from affiliated undertakings (note 4)	24,476,875	881,950
Other interests and other financial income		
Derived from affiliated undertakings (note 18)	10,618,929	12,151,761
Other interest receivable and similar income (note 19)	113,726	2,810,472
Extraordinary income	-	282,099
Loss for the financial year	3,493,280	33,747,023
TOTAL INCOME	**39,589,893**	**50,464,898**

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

NOTE 1 - GENERAL INFORMATION

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

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

The registered office of the Company is established at 42, rue de la Vallée, L-2661 Luxembourg.

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

As at December 31, 2011, ORCO GERMANY S.A. is directly owned at 88 % by ORCO PROPERTY GROUP S.A., Luxembourg ("OPG"), 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, 42, rue de la Vallée, L-2661 Luxembourg.

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.

Certain figures for the year 2010 have been reclassified to ensure comparability with 2011 figures as a consequence of the introduction of the new Luxembourg accounting plan.

In determining the appropriate basis of preparation of the standalone annual accounts, the Directors are required to consider whether the Company can continue in operational existence for the foreseeable future. The Company's going concern depends largely on the financial position of its subsidiaries (together with the Company the "Group") and investments. While the valuation of certain investment properties and residential developments further decreased, the economic situation worsened over the course of 2011, and the availability of financing facilities strongly tightened, the Group has made progress in the implementation of its restructuring plans and is putting in place major long term financing restructuring allowing the same conclusion on the going concern.

With the worsening economic and financing conditions since mid of 2011, the OG Group cash flow forecast for 2012 demonstrated the need for the management to be successful in equitizing the bonds issued in 2007 and conclude the refinancing of Gewerbesiedlungs-Gesellschaft mbH ("GSG)", OG Group major rental assets' portfolio, for an amount of EUR 286 Million after the repayments of April and May 2012. The refinancing discussions initiated early 2011 were put on hold over the last quarter of 2011 as no refinancing was seen as possible without a restructuring of the bonds issued by the Company. At the level of OG Group, the consolidated short term financial liabilities amount to EUR 507 million, i.e. an increase of EUR 307 million compared to December 2010. They include: GSG bank loan for EUR 300 Million due mid April 2012, the bonds issued by the Company for EUR 98 Million due end of May 2012 and the bank loan financing Sky Office for EUR 96 Million. While bonds partial equitization is in final implementation stage there remain material uncertainties linked to the restructuring of the GSG refinancing.

Negotiations with OG and OPG bondholders started as early as the summer 2011 and culminated with the signature on April 17, 2012 of a joint agreement on all bonds issued by both companies. General meetings of the Bondholders, held end of April and beginning of May have all duly and overwhelmingly voted in favour of the restructuring. The request for modification of OPG Safeguard plan has been circularized to all the Safeguard creditors to approve or not the new terms (the ones not approving will continue to be served under the May 19, 2010 approved repayment schedule). The Paris Commercial Court approved on May 21, 2012 OPG's request to modify its Safeguard plan in order to implement the bond restructuring plan.

As a result of the approval of all bondholders' general assemblies, only one scenario of the joint agreement is applicable, i.e. approximately 90% of the OPG bonds will be converted into approximately 65 million OPG shares and the remaining OPG bonds can be exchanged for EUR 55.2 million in newly issued OPG bonds (the "New Notes").

As at the date of publication of this report, approximately 85% of the OG bonds have already been converted into OPG issued bonds convertible into shares which were in turn partially repaid with 18 million OPG shares, bringing the total number of OPG shares issued to 35 million. The remaining OG bonds can be exchanged for EUR 20 million in New Notes. After this last transaction and the conversion by OPG of the OG bonds into OG shares, the Company will no longer have any bond liability.

The EUR 75.2 million New Notes to be issued by OPG upon the voluntary exchange of the remainder of the OPG and OG bonds will have a maturity in 2018 and will bear an annual interest consisting of a combination of cash interest (decreasing from 5% to 4% upon repayment of at least 50% of the principal) and payment-in-kind interest (decreasing in steps from 5% to 3% upon repayment of 50% and 75% of the principal). The principal will be repaid in four annual payments in 2015, 2016, 2017 and 2018. The total amount of New Notes will therefore be EUR 75.2 million, all of them bearing the same characteristics and rights. The New Notes will benefit from a 25% cash sweep from net sale proceeds on selected assets, which will correspondingly reduce the subsequent annual repayment. This cash sweep is seen as essential to give flexibility to the Group in the implementation of its asset sales program under the current very challenging economic conditions.

Assuming 100% participation in the New Notes offer, OG's share capital will increase from 49 million shares as of the date of publication of this report to 230 million shares. Based on December 2011 audited figures and with an assumption of 100% participation in the New Notes offer, OG Group NAV will be an estimated EUR 1.0 per share. The Joint Agreement on the restructuring of OPG and OG bonds, besides ensuring the going concern of the OG Group, allows the Group to lower its LTV to approximately 63% and provides the platform for the OG Group to maximize the potential value of its portfolio.

Following the approval by the general meetings of the Bondholders and by the Tribunal de Commerce de Paris, the two major steps for the finalization of this bonds' restructuring are now the drafting of the different securities notes that need to be issued after approval by the CSSF (for the listing of the OPG shares, the new OG shares and for the public exchange offer into the New Notes of the non-converted bonds) and the holding of the OPG shareholders' general assembly to be convened by the end of June to approve the issuance of the new shares in consideration for the OPG bonds. The issuance of the new OPG shares in consideration of the OG bonds is made under the authorized capital. The below conclusion is based on the assumption that these two remaining steps are fully achieved.

The bonds that would not be presented to the public exchange offer into new notes (15% of the OG bonds) will be repayable in 2050 and bear an annual interest of 0.5%.

Some subsidiaries and joint ventures held by the Company require funding to continue as a going concern. The business plan is built on the capacity of the Group to generate sufficient cash from its profitable activities in order to support the assets that are currently in development or restructuring. The structure of the Group generally prevents the recourse of creditors against the Company. Therefore any existing funding problem other than mentioned above would not prevent on its own to conclude on the going concern.

GSG and its financing bank have signed a standstill agreement to June 15, 2012 which defers the repayment obligation related to the April 15, 2012 maturity of the EUR 300 million financing for OG Group's GSG portfolio. Such extension will allow the Group to further advance in its refinancing negotiations. Upon extension, GSG agreed to repay an amount of EUR 10 million of principal. The current discussions would lead to a refinancing by senior bank loan for EUR 230 to 260 million and the difference could be partially repaid with the proceeds from the sale of the Sky office building or by a Mezzanine loan.

The Board of Directors is committed to close the sale of Sky Office in order to repay the short term bank loan.

The financial performance of the Group is also dependent upon the wider economic environment in which the Group operates. The credit tightening since the summer 2011 together with the uncertainty of the evolution of real estate market in Germany could damage the Group's activity and slow down the asset sales program.

The Board of Directors has, as a result of the financial restructuring currently being implemented and considering the risks and uncertainties described above, concluded that there is a reasonable expectation that OG Group and the company can continue their operations in the foreseeable future and, accordingly, has formed a judgment that it is appropriate to prepare the annual accounts as at December 31, 2011 on a going concern basis. The conversion into equity of the bond liabilities that will be held by OPG after the exchange transactions will also allow the Company to present a largely positive equity situation.

If the Company is not successful in its restructurings, the going concern assumption might not be relevant any longer for the Group or its components. The major going concern risk is now considered to be at the level of GSG and not at the Group level. The Company net book value of its investment in the holding structure of GSG amounts to EUR 75 Million. Would the Group not be successful in its refinancing negotiations and if the bank would then decide to exercise its pledge on the GSG shareholding, the Board should recognize an impairment on its investment in GSG-Gewerbesiedlungs-GmbH.

2.2. Significant accounting policies

2.2.1 Tangible assets

Tangible fixed assets consisting of land and buildings are recorded at historical cost less depreciation which is calculated on a linear basis at the rate of 2.5% p.a. on the buildings. Land is not depreciated.

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

The allocation of acquisition cost between 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.

2.2.2 Financial assets

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

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

2.2.3 Current debtors

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

2.2.4 Other transferable securities

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

2.2.5 Conversion of foreign currencies

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

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

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

2.2.6 Swap agreements

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

2.2.7 Prepayments and accrued income

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

2.2.8 Accruals and deferred income

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

2.2.9 Value adjustments

Value adjustments are deducted directly from the related asset.

2.2.10 Net turnover

Net turnover includes rental income.

2.2.11 Bonds and convertible bonds

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

2.2.12 Share subscription rights

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

NOTE 3 - TANGIBLE ASSETS

Tangible assets owned by the Company consist of one real estate property, located in Berlin (Germany), Kurfürstendamm.

This investment has been sold in 2012 for EUR 6,300,000: the sale contract was signed in front of the notary on August 5, 2011, with specific conditions and effect on January 1, 2012 which were fulfilled in 2012.

2011	Land EUR	Buildings EUR
Cost		
Situation as at January 1, 2011	5,759,606	2,072,156
Additions/Transfers	-	-
Disposals/Transfers	-	-
Situation as at December 31, 2011	5,759,606	2,072,156
Depreciation		
Situation as at January 1, 2011	(189,606)	(2,072,156)
Reversal of impairment	189,606	-
Situation as at December 31, 2011	-	(2,072,156)
Net value as at December 31, 2011	**5,759,606**	**-**

NOTE 4 - FINANCIAL ASSETS

2011	Shares in affiliated undertakings EUR	Loans to affiliated undertakings EUR
Cost		
Situation as at January 1, 2011	153,155,886	149,764,491
Additions/Transfers	-	-
Disposals/Transfers	(25,000)	(14,089,542)
Situation as at December 31, 2011	153,130,886	135,674,949
Depreciation		
Situation as at January 1, 2011	(76,776,998)	(69,326,532)
Release for the year	843,771	23,633,104
Depreciation for the year	(49,901)	(13,239,457)
Situation as at December 31, 2011	(75,983,128)	(58,932,885)
Net value as at December 31, 2011	**77,147,758**	**76,742,064**

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 2011, the company Orco Erste VV GmbH was sold to another Group Company. In addition, the company Orco Projekt 103 GmbH was merged into Orco Immobilien GmbH.

The Board of Directors of the Company is in the opinion that some affiliated undertakings of the Company are permanently impaired as at December 31, 2011. Therefore, all shares in affiliated undertakings with their net equity significantly lower than their acquisition cost as at December 31, 2011, are value adjusted to the highest amount between zero and the net equity of each concerned affiliated undertaking as at December 31, 2011.

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

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

Name of the undertaking .	Country	Cur.	% held	Gross value 31/12/2010 EUR	Change in 2011 EUR	Gross value 31/12/2011 EUR	Impairment 31/12/2011 EUR	Carrying value 31/12/2011 EUR
Apple Tree Investments GmbH	Germany	EUR	94.80%	2,502,720		2,502,720	323,690	2,179,030
Endurance HC Beta Sàrl	Luxembourg	EUR	100.00%	12,500		12,500	12,500	-
Endurance HC Gamma Sàrl	Luxembourg	EUR	100.00%	12,500		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	197,567	-
Isalotta GP GmbH & Co. Verwaltungs KG	Germany	EUR	94.99%	3,755,384		3,755,384	3,755,384	-
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	0.00%	25,000	(25,000)	0	-	-
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%	9,377,000	1,105,963	10,482,963	10,482,963	-
Orco Projekt 103 GmbH, Berlin	Germany	EUR	0.00%	1,105,963	(1,105,963)	-	-	-
Orco Vermietungs- und Service GmbH	Germany	EUR	100.00%	25,000		25,000	25,000	-
Vivaro GmbH & Co Grundbesitz KG	Germany	EUR	94.34%	1,691,169		1,691,169	1,490,606	200,563
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	25,000	-
				153,155,886	**(25,000)**	**153,130,886**	**75,983,128**	**77,147,758**

4.2. Loans to affiliated undertakings

	2011 EUR	2010 EUR
Orco Immobilien GmbH (*)	41,896,002	41,752,480
Orco Grundstück-u. Beteiligungs GmbH	27,446,476	26,750,733
Orco Leipziger Platz GmbH	-	32,760,812
Gebauer Höfe Liegenschaften GmbH (*)	19,121,419	17,998,062
Orco erste Projektentwicklungsges. mbH	11,688,834	10,199,782
Orco Berlin Invest GmbH	9,222,536	8,880,331
Orco Projekt 103 GmbH	-	5,984,173
Orco sechste Projektentwicklungsges. mbH	-	3,000,000
Orco Projektentwicklung GmbH	5,073,176	-
Endurance HC entities	1,139,824	-
Elb Loft Bau Hamburg GmbH	346,933	-
GSG	17,200,000	-
Orco Russian Retail	1,000,000	-
Vivaro GmbH & Co Zweite Grundbesitz KG	547,298	-
Vivaro GmbH & Co Grundbesitz KG	749,589	-
Others	242,862	2,438,118
Cost	135,674,949	149,764,491
Depreciation	(58,932,885)	(69,326,532)
Net value	**76,742,064**	**80,437,959**

(*) Loans are subordinated to the bank loans located in the affiliated undertakings

Loans to affiliated undertakings have no set maturity dates and are remunerated at an interest rate of 8% or 6% (2010: 8%).

In detail, the loans have been impaired as follows:

	2011 EUR	2010 EUR
Orco Immobilien GmbH	23,756,952	40,428,060
Gebauer Höfe Liegenschaften GmbH	8,577,553	10,326,164
Orco Berlin Invest GmbH	9,222,536	8,880,331
Orco Projekt 103 GmbH	-	5,244,684
Orco Grundstück-u. Beteiligungs GmbH	8,313,489	2,737,523
Endurance HC entities	1,139,824	984,065
Orco erste Projektentwicklungsg GmbH	6,038,779	-
Orco sechste Projektentwicklungsges. mbH	-	450,014
Orco Russian Retail	1,000,000	-
Vivaro GmbH & Co Zweite Grundbesitz KG	328,481	-
Elb Loft Bau Hamburg GmbH	346,933	-
Others	208,338	275,691
Total depreciation	**58,932,885**	**69,326,532**

The Board of Directors of the Company is in the opinion that some affiliated undertakings of the Company are durably impaired as at December 31, 2011 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, 2011 are value adjusted to the highest amount between zero and the net assets of each concerned affiliated undertaking as at December 31, 2011.

4.3. Interest accrued on loans to affiliated undertakings

Interest accrued on loans to affiliated undertakings of EUR 9,115,263 (2010: 7,609,057) was subject to impairment adjustments for an amount of EUR 909,271 in 2011 (2010: EUR 481,313).

NOTE 5 - INVESTMENTS

	2011 EUR	2010 EUR
Gross book value		
Situation as at the beginning of the year	878,084	878,084
Additions	6,111,171	-
Disposals	(6,111,171)	-
Situation as at the end of the year	878,084	878,084
Value adjustment		
Situation as at the beginning of the year	(850,796)	(849,284)
Use/reversal	792	-
Additions	-	(1,512)
Situation as at the end of the year	(850,004)	(850,796)
Net book value as at the end of the year	**28,080**	**27,288**

Transferable securities Deutsche Reit AG (2011 and 2010: 72,000 shares) held by the Company at the end of the year are listed. As at December 31, 2011, the securities are valued on the basis of the latest available market price amounting to EUR 28,080 (2010: EUR 27,288).

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).

	2011 EUR	2010 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)	(1,925,000)	(1,505,000)
Other	251	3,474
Total at the end of the year	**175,303**	**598,526**

(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 15).

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 EUR	Share premium account EUR	Loss brought forward EUR	Loss for the financial year EUR
Situation as at December 31, 2010	60,964,166	123,657,606	(158,193,324)	(33,747,023)
Allocation of results as per AGM of April 15, 2011	-	-	(33,747,023)	33,747,023
Loss of the year	-	-	-	(3,493,280)
Situation as at December 31, 2011	**60,964,166**	**123,657,606**	**(191,940,347)**	**(3,493,280)**

NOTE 8 - DEBENTURE LOANS

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	May 30, 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	May 30, 2007 until May 30, 2014
Early repayment	From May 30, 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 December 31, 2010, the Company had set up a provision amounting to EUR 25,025,000 corresponding to the redemption premium on the bonds. Based on the very close maturity of the Bonds, as at December 31, 2011, the redemption premium together with the nominal value of the Bonds and the accrued interests are shown under the short-term portion of the caption "Bonds".

Accrued interest unpaid on the outstanding bonds amounts to EUR 2,326,492 (2010: EUR 2,328,494) and is shown under the short-term portion of the caption "bonds" in liabilities.

As at December 31, 2011 and 2010, no warrant attached to the bonds ("BSAR") has been exercised.

A restructuring of the bonds is currently in progress as mentioned in paragraph 24.1.

NOTE 9 - OTHER NON SUBORDINATED DEBTS

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 31.12.2011	Annual interest rate	Maturity date
		EUR	EUR		
Kurfürstendamm 102	Berlin Hyp	6,100,000	4,990,000	EURIBOR 3 months + 1%	28.12.2016

As at December 31, 2011 and as a consequence of the sale contract signed for this property, the bank loan was reclassified to short term. The loan has been repaid following the transfer of ownership that occurred in 2012, as explained in note 3.

9.2. Amounts owed to affiliated undertakings

Amounts owed to affiliated undertakings mainly consist of advances received from Orco Projektentwicklung GmbH (EUR 13,720,075), GSG Gewerbesiedlungs GmbH (EUR 18,057,902) and the parent company, Orco Property Group S.A. (EUR 11,268,635), including accrued interest payable at rates of 8% (2010: 8%).

NOTE 10 - NET TURNOVER

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

NOTE 11 - OTHER EXTERNAL CHARGES

Other external charges are composed of:

	2011 EUR	2010 EUR
Supplies, rental, maintenance and repairs	569,560	580,881
Commission and brokerage	-	66,757
Financial services	14,466	18,102
Professional fees	1,813,486	2,227,884
Insurance	61,363	54,868
Marketing	102,065	57,362
Other	410,155	3,835
	2,971,095	**3,009,689**

NOTE 12 - STAFF

The Company has no employee in 2011 and 2010.

NOTE 13 - OTHER OPERATING CHARGES

Other operating charges include:

	2011 EUR	2010 EUR
Irrecoverable German value added tax	43,157	39,634
Irrecoverable Luxembourg value added tax	239,267	288,157
Other duties and taxes	26,026	43,811
Total at the end of the year	**308,450**	**371,602**

NOTE 14 - INTEREST PAYABLE AFFILIATED UNDERTAKINGS

In 2011, interest payable mainly concerned Orco Projektentwicklung GmbH (EUR 1,198,485), GSG-Gewerbesiedlungs GmbH (EUR 1,353,375) and Orco Property Group S.A. (EUR 1,041,501).

NOTE 15 - OTHER INTEREST PAYABLE AND SIMILAR CHARGES

Other interest payable and charges are composed of:

	2011 EUR	2010 EUR
Interest due on loans from credit institutions	131,058	209,301
Net interest on swap transactions	147,919	418,378
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
Swap valuation loss	138,896	229,810
Loss on sale of bonds	133,599	-
Other	7,362	3,870
Total at the end of the year	**4,980,834**	**30,523,516**

NOTE 16 - EXTRAORDINARY CHARGES

In 2010, 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.

In 2011, the amount is mostly composed of EUR 13,137,218 which reflects losses arising from the sale of a deferred payment on the sale of the development property, Leipziger Platz. The receivable has been sold at its net present value, the loss representing the difference between the face value and the sale price.

NOTE 17 - 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:

	2011 EUR	2010 EUR
Luxembourg net wealth tax provided	-	61,158
German property taxes	37,061	48,894
Other	1,084	(5,878)
Total at the end of the year	**38,145**	**104,174**

NOTE 18 - OTHER INTEREST RECEIVABLE AFFILIATED UNDERTAKINGS

In 2011, other interest receivable affiliated undertakings mainly concerned Orco Immobilien GmbH (EUR 3,543,619), Orco Grundstück-u Bet. GmbH (EUR 2,223,302), Orco Erste PEG GmbH (EUR 921,691), Orco Berlin GmbH (EUR 748,138), GSG-Gewerbesiedlungs GmbH (EUR 908,222) and Gebauer-Höfe (EUR 1,181,232).

NOTE 19 - OTHER INTEREST RECEIVABLE AND SIMILAR INCOME

Other interest receivable and similar income are composed of:

	2011 EUR	2010 EUR
Gains on disposal of financial fixed assets	-	2,317,475
Swap realisation gain	-	474,912
Bank and other interest	30,358	18,085
Interests on bonds	82,576	-
Valuation gain on securities	792	-
Total at the end of the year	**113,726**	**2,810,472**

NOTE 20 - 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	**(685,307)**
Use of provision for interest rate swaps terminated during the year	-
Release of provision for interest rate swaps terminated during the year	-
Increase of provision for interest rate swaps (note 15)	(138,896)
Market valuation of the interest rate swaps, at the end of the year	**(824,203)**

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 31/12/2011 EUR	Unrealized gain/(loss) 31/12/2011 EUR
Interest Rate Swap	31/07/2007	31/03/2017	4,990,000	(824,203)

NOTE 21 - 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.

The Company issued one support letter for affiliated undertakings as specified in note 4.2.

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

Type	Description	2011	2010
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	299,978,273
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	892,634

NOTE 22 - 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 (2010: EUR 0). The Company did not grant any advances, loans or pension schemes to its Directors.

NOTE 23 - RELATED PARTY TRANSACTIONS

23.1. Balance Sheet

As at December 31, 2011, 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.

In the first half of 2011, two entities closely associated to Gabriel Lahyani, a member of OPG Board of Directors, acquired 8,890 bonds (ISIN: XS0302623953) issued by ORCO Germany S.A. from OG for a total of EUR 4.4 Million. As of the date of this report, an amount of EUR 227,480 is owed to OG as a consequence of this transaction and is classified as other debtors. It is expected that this debt will be paid in the course of 2012.

23.2. Profit and loss account

During 2011, the following income and charges was realised with related parties:

- Administrative and accounting fees paid to other entities of the Group of EUR 431,250 (2009: 638,850) included under consumptions and charges
- Management and consulting services paid to related parties for EUR 613,332
- 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.
- Loss of EUR 74,099 on the sales of bonds to related parties, provided that interest income for EUR 82,576 was recorded for these bonds resulting in a net gain of EUR 8,477

NOTE 24 - EVENTS AFTER BALANCE SHEET DATE

24.1. First Quarter 2012: Sales of assets and new leasing contacts

Three lease contracts were signed for Sky Office in the first quarter of 2012 with three exclusive companies. The new leases comprise approximately 5,500 sqm of first-class office space resulting in an occupancy rate of about 88%. The Group is still in the process to sell this building, for which a non binding offer was received, for an amount in line with DTZ valuation.

In 2011 ORCO-GSG sold three assets in Berlin (all of them have a transfer date in 2012). The biggest sale was the disposal of the residential unit Bergfried / Ritterstraße in Berlin-Kreuzberg 29% above the latest valuation, at the sale price of EUR 3.7 million. In addition the company sold the small commercial property Kurfürstenstrasse 13-14 at EUR 2.4 million, a price 28% above latest valuation. At the end of the year, ORCO-GSG also sold a land plot in Ackerstraße, which was not needed for further developments, at the price of EUR 0.7 million.

24.2. April 17, 2012 - OG joint agreement

The Group announces that a joint restructuring agreement has been entered into on April 17, 2012 with bondholders representing approximately 61% of the OG bonds in nominal value.

Under the terms of this joint agreement approximately 85% of the OG bonds will be converted into approximately 26.2 million OPG shares and the remaining OG bonds can be exchanged for EUR 20 million in new OPG bonds.

The new OPG bonds to be issued by OPG upon the voluntary exchange of the remainder of the OG bonds will have a maturity in 2018 and will bear an annual interest. The principal will be repaid in four annual payments in 2015, 2016, 2017 and 2018. The new OPG bonds will benefit from a 25% cash sweep from net sale proceeds on selected assets.

Once the implementation of the Joint Agreement is complete, assuming that the terms of the Joint Agreement are approved by all OG bondholders and assuming 100% participation in the new OPG bonds offer, the OG bond debt will disappear. Based on December 2011 unaudited consolidated figures, OG's NAV will be estimated at EUR 1.0 per share.

24.3. April 19, 2012 – GSG Loan: Standstill agreement

RBS and GSG have signed a standstill agreement that will be effective from April 19 to June 15, 2012 which defers the repayment obligation related to the April 15, 2012 maturity of the EUR 300 million (outstanding principal as of December 2011 against EUR 288 million as at April 15th, 2012) financing for OG's GSG portfolio. Such extension will allow the Group to further advance in its refinancing negotiations.

24.4. May 2012 - OG general meeting

A large majority of the OG bond and OG warrant holders has approved the terms of the proposed restructuring transaction during the general meetings held on May 7, 2012. As such, the minimum OG bondholders and warrant-holders approval requirement of the Joint Agreement has been satisfied. Approximately 84.5% of the OG bonds held by each bondholder will be converted into OPG Obligations Convertibles en Actions ("OCA"). The converted OCA into new OPG shares will not be publicly tradable until a prospectus has been approved by the CSSF. OPG issued, on May 14, 2012, 18,361,540 new ordinary shares as a first payment on the OCA (ISIN XS0741974009). The remaining approximately 15% bonds not held by OPG can be then exchanged into EUR 20 million of ''new notes'' to be issued by OPG, the main terms of which were described in OPG's April 18, 2012 press release.

The conversion of all the OG bonds after exchange of the remaining bonds with OPG New Notes into OG shares, to be executed over the coming weeks, will reduce the Group's leverage ratio from 78% to 63%. The OG bonds acquired by OPG will be converted into new OG shares through a capital increase which will reinforce OG's balance sheet with EUR 129.1 Million of equity.

ORCO GERMANY S.A.
Société Anonyme
42, rue de la Vallée
L-2661 Luxembourg
R.C.S. LUXEMBOURG B 102254
(the "**Company**")

DECLARATION LETTER
ANNUAL FINANCIAL REPORT
AS AT 31 DECEMBER 2011

1.1. Persons responsible for the Annual Financial Report

- OTT&Co S.A., acting as managing director of the Company, represented by Mr. Jean-Francois Ott, permanent representative, with professional address at 25 rue Balzac, F-75406 Paris Cedex 08, France, jfott@orcogroup.com;

- Mr. Nicolas Tommasini, acting as managing director of the Company, with professional address at 25 rue Balzac, F-75406 Paris Cedex 08, France, ntommasini@orcogroup.com.

1.2. Declaration by the persons responsible for the Annual Financial Report

We, OTT & Co S.A., represented by Mr. Jean-Francois Ott, and Mr. Nicolas Tommasini, declare that, to the best of our knowledge:

- the statutory financial statements of the Company as at 31 December 2011, prepared in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts, give true and fair view of the assets, liabilities, financial position and profit of the Company,
- and that the management report included in the consolidated accounts, provides a fair view of the development and performance of the business and the position of the Company and its subsidiaries included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face.

Approved by the Board of Directors and signed on its behalf by OTT&Co S.A., represented by Mr. Jean-Francois Ott Mr., and by M. Tommasini.

Paris, 14 June 2012

OTT&Co S.A., represented by
Mr. Jean–Francois Ott
Managing Director

Mr. Nicolas Tommasini
Managing Director