ORCO Germany – 2012

Annual Management Report

As of 31 December 2012

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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 Regulated Market of the Frankfurt Stock Exchange. Effective 28 December 2012, the shares of ORCO Germany S.A. moved from the Prime Standard segment to the General Standard segment. 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 is listed on the Regulated Market of the Frankfurt Stock Exchange since 2006. On 28th of December 2012, ORCO Germany changed its market segment from the Prime Standard to the General Standard.

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 asset management 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 located in Paris.

The Group focuses on asset managing its commercial investments in Berlin where it enjoys a leading positioning among SMEs. Additional services to tenants like the high-speed network and IT services "Hofnetz" are continuously expanded, thus producing additional income.

Non-core assets not fitting with current strategy have mostly been disposed of and the Company does not plan further sales except on an opportunistic basis. The Company keeps a long term holding view and a focus on rental income with diversified tenants.

The Group is monitoring acquisition opportunities, mainly in our key business park segment, which would be seized based upon a case by case study.

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.

With the acquisition of GSG in 2007, ORCO Germany became one of the largest owners of commercial real estate in Berlin. ORCO-GSG together with Gebauer Höfe is forming the backbone of ORCO Germany's investment activities with around 839,847 sqm of total lettable area.

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. With the accomplished sale of Sky Office in Düsseldorf ORCO Germany focuses primarily on Berlin.

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

Going forward development activities will mostly focus on developing or redeveloping ORCO-GSG land or properties as well as Gebauer Höfe which are classified as investment properties.

2. Economic and Market environment

2.1. Financial market environment[1]

In 2013 and going forward banks will remain the fundamental lenders acting on the property investment market while former market participants like Eurohypo, Westdeutsche Immobilienbank, foreign banks and CMBS lenders focusing on opportunistic transactions have retreated or are wound down and are not fully replaced by the entry of insurance companies into the commercial lending business. New lending business of all banks will be granted more selectively to customers and restricted to especially higher quality properties. It is expected that uncertainty will continue to linger on the system and bank loans will remain scare due to the equity requirements set forth by the European central bank launching additional regulations complicating the interbank and customer lending process. Fundamentally the banks will continue to downsize the share of their risk assets in terms of loans and securities. It is expected that despite the creditworthiness of the German real estate market only investors with high equity capital and proven competence will have access to long term bank loans. Nevertheless low interest rates and solid distribution yields will positively impact the investment performance in respect of German commercial properties. Pfandbrief bonds will continue to be an important stilt of the German market while the issuance of corporate bonds and entries into the capital market will form key elements for companies to deal with future investments.

2.2. Relevant real estate market environment

Germany

Economy[2]

In turbulent European market circumstances Germany's economy showed a robust trend. The gross domestic product increased by 0.7% compared to 2011 while the unemployment rate decreased to 6.8%. The economic upswing was mainly dedicated to the first half year 2012 thus in the second half year the economic climate weakened. For 2013 it is expected that Germany will experience a slight GDP growth while the employment rate is expected to slightly reduce.

Real estate

Capital continues to flow from domestic sources (66%), the US, Far East, and Scandinavia. Sovereigns are slowly becoming more active with increased volume but restricted by lack of trophy assets. Core product is in strong demand while value add opportunities are being targeted more by private equity (e.g. Cerberus and Apollo) with a potential 3-5 year hold period. Sovereigns as a whole though are not that active given a lack of volume and preference for trophy assets. The risk of capital flight upon the return of economic growth remains low given the likelihood of being able to grow rents at a higher rate and maintaining the yield spread to the bund.

Berlin

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

[2] Data taken from DTZ Research (Property Times - Berlin Q4 2012) http://www.dtz.com

Economic, demographic and real estate environment[2]

For the first time since 2010, the economy is growing at an above average pace. Berlin´s economy showed a solid growth trend slightly above the German average. According to DTZ research, the unemployment rate decreased from 12.3% by year end 2011 to 11.6% by end of 2012 with a slight increase expected in a short term run for 2013.

There has been a stable upward trend in terms of population, economic output and employment for a number of years. This canbe attributed to the city's varied industry structure,which has a promising future, as wellas its attractiveness for residents and visitorsand its growing importance as a German and European center for politics, culture, scienceand tourism. Although Berlin still has the highest unemploymentrate of all German federal states, it is making progress. In the period from March2011 to March 2012, the number of employed persons increased by 3.4%, a higher rate than elsewhere in the country
New construction activity – which remains modest – is also concentrated in the city center.Friedrichshain-Kreuzberg, Pankow and Mitte saw the largest number of building permits in 2011, while Spandau, Neukölln and Marzahn-Hellersdorf brought up the rear. As building lots in the city center are becoming increasingly scarce, however, new construction is likely to focus increasingly on areas outside the city center over the coming years.

The number of employees in Berlin and the Metropolitan Region is also increasing. One main driver is strong private and international large-scale capital flow into the city, almost exclusively in real estate and in the Internet start-up industry, as shown by the large investment from Google and Groupon.
This economic boom has demographic and employment effect. From 2006-2011, the number of employees increased from 2006 to 2011 by almost 17% according to Thomas Daily Berlin report, which is the largest increase among all A-sites Germany Once more, Berlin is more populous than in the 1990s. An estimated 30-35,000 people are moving to Berlin every year.

Also, the affluent suburbs within the outer ring road have continuously grown in the last two decades and population growth continues. There is a trend of re-urbanization following the previous de-urbanization. Berlin still attracts the surrounding region. The population growth of the Berlin city centre is the result of national or international immigration.

However, the city still has enormous land reserves. According to national statistics, the city has 100km² of land plus 160 km ² of forest; therefore the price of land in comparison to other German cities remains low. Berlin infrastructure was originally designed for around 6-7 million residents and now counts for only half of this number of residents. No other European city has such urban opportunities, with two abandoned city airports and such a good infrastructure.

Office Market[2]

Berlin is currently one of the healthiest commercial real estate market in Europe. The economic recovery started in the last five years and jobs for office workers increased by 13%, while office space only increased by 1%. The 'Mitte' (city centre) office market is one of the most attractive in Germany, as demand is strong for quality areas. Prime rents in the European office markets in 2012 increased only in Berlin and Dusseldorf.

Take-up in the office-market area of Berlin in 2012 with 621,700 sqm, exceeded the respective previous year figures by 12% or 65.000 sqm determining the highest result achieved in the past few years. Net take-ups were primarily driven by the demand of spaces above 5.000 sqm and spaces between 1.000 to 3.000 sqm in central locations especially in the eastern central locations. The completion rates of speculative office space were rather low, vacancy rates YoY further decreased by 4.000 sqm to 7.8%. The achievable prime rent at the end of the year slightly elevated by EUR 0.75 per sqm/month to EUR 22.25 per sqm/month.

The positive development of the Berlin office market and the reduction in attractive spaces as well as the low number of spaces being completed and accessing the market in 2013 will lead to further slightly increasing achievable prime rents and a continuation of a reduction in vacant spaces is expected to continue in 2013.
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.

Residential market

An estimated 30-35,000 people are moving to Berlin every year although less than 4,000 apartments p.a. are being built, leading to a 15,000 unit p.a. shortage. As a result, vacancy dwindles. The vacant housing of a decade ago stood at 100,000 houses. According to the Association of Berlin-Brandenburg Housing Companies (BBU), managers of 40% of total apartment stock in Berlin, their vacancy decreased to 3% in 2012.

As another consequence, rent increased. The rent for new leases increased by almost a fifth compared with the first half of 2009. Asking rents are in the top ten percent of the most expensive apartments have increased by 15.9 percent to an average of 13.95 Euro according to Thomas Daily.

According to Jones Lang LaSalle, Berlin sale prices rose the most among the main 1A German cities but also had the lowest basis. Despite this recent price increase, Berlin remains by far the cheapest city in this group.

The result of this new dynamic for Berlin is strong migrations within the city. Low income earners are pulled out of the center to the periphery where the housing stock deteriorates. The downtown area will increasingly homogenize with islands of upscale or even luxury living places. A study by the German Institute of Urban Affairs shows that Berlin is already the most segregated German city between the rich and poor. This process has accelerated in recent years.

An interesting statistic for residential real estate is that the average Berlin household is peculiarly small: the smallest in Germany (1.7 persons per household in Berlin vs. 2.01 in Germany overall) and among the smallest in Europe, reflecting the strong student presence and young single population.

Retail market

Berlin is also Germany's largest retail location in terms of area and turnover. However, in terms of per capita purchasing power, Berlin is the lowest of the main German cities, comparable to Duisburg or Erfurt. Retailers are flourishing and expanding following a boom in tourism. A new A+ retail location is developing around Leipziger Platz [NB: thanks to Orco's original project in which Orco keeps a 39 M € interest], between Potsdamer Platz and Friedrichstrasse.

Berlin remains the single most important expansion goal the stores according to Jones Lang LaSalle. In the first half of the year, more than 60 contracts for a total of 36,000 m² of retail space have been concluded in the A+ district alone. By comparison, Munich had contract for only about 13,300 m², and Frankfurt 7,400 m².

3. Group earnings performance

3.1. Key figures

	31 December 2012	31 December 2011	change
Revenues (in k €)	181 032	63 765	117 267
Operating Result (in k €)	19 212	55 278	(36 066)
Net profit attributable to the Equity holders of the Company (in k €)	(15 773)	21 277	(37 050)
Adjusted EBITDA (in k €)	27 510	26 651	859

	31 December 2012	31 December 2011
Total Assets (in k €)	634 805	792 235
Equity (in k €)	158 142	65 810
Liabilities (in k €)	476 663	726 425

3.2. Overview of major events in 2012

- Increase in equity of EUR 92.3 million stemming from the bond restructuring and the resulting gross capital increase of EUR 109.1 million subscribed by ORCO Property Group in exchange of 84.5% of the bonds it acquired.

- The Sky Office building sale contract signed on the 17th of October to Allianz for EUR 117.3 million was closed on the 30th of November 2012.

- ORCO-GSG closed a new loan agreement with a five years duration totalling EUR 269.6 million substituting the previous loan engagement with the Royal Bank of Scotland with a club of German banks in Q4 2012, leading to approx. 200 bp or EUR 6 million of annual decrease of interest charge.

- The operating result of EUR 19.2 million decreased by EUR 36.1 million compared to +EUR 55.3 million in 2011. The necessity to take additional impairments caused by the sale of the Sky Office building (- EUR 24.2 million) particularly contributed to the negative operating result and could not fully be counterbalanced. Furthermore the establishment of a provision during 2012 for a potential litigation regarding the neighbourhood agreement in terms of the past executed sale of Leipziger Platz (- EUR 4.0 million) impacted results without triggering any cash implication.

- Year on year ORCO-GSG managed to increase the average commercial net rent from 5.01 EUR per sqm to 5.18 EUR per sqm and raised the overall occupancy rate from 77.8% in December 2011 to 80.2% thus increasing total revenues YoY by EUR 1.6 million or 3.1%. Without consideration of the processed asset sales the rental income increased like for like by 4.7% while total revenues inclined by 4.3%.

- Sale of assets (excluding Sky) amounted to EUR 22.8 million, and at an average price of more than 20% above previous valuation

- Interest expenses YoY decreased by 28.7% or EUR 9.5 million as a consequence of loan redemptions upon sales of non-strategic assets, partial loan repayments on the ORCO-GSG loan and the maturity of ORCO-GSG 's swap closed in an environment of even higher interest rates.

- Year on year, LTV ratio decreased from 78.0% as of December 2011 down to 58.4% as of December 2012 following the restructuration of the corporate bond debt. The remaining EUR 20 Million of bonds acquired by Orco Property Group will be capitalized into 28 Million of new OG shares effectively reducing the LTV ratio down to 54.7%.

- Progress on disposals of non-strategic assets, while fair values were already elevated almost in line by the time the signed sales contract was available.

3.3. Turnover

The total turnover in the 2012 amounted to EUR 181.0 million compared to EUR 63.8 million recognized in 2011 primarily driven by the sale of Sky Office generating revenues of EUR 117.3 million. Rents generated on the ORCO-GSG portfolio represented the main part of commercial investment revenues (93.9%). Repeatedly ORCO-GSG could overcompensate major move outs by acquiring new tenants and consequently improve rental revenues.

REVENUES (in k €)			
	December 2012	**December 2011**	**% change**
Commercial Investment Properties	56.337	55.533	1,4%
therof total GSG	52.916	51.307	3,1%
therof rental income GSG	*45.148*	*43.539*	*3,7%*
Development	124.696	8.232	1414,8%
TOTAL	**181.033**	**63.765**	**183,9%**

3.3.1. Property Investments Segment

ORCO Germany's Property Investments business line recognized increased revenues of EUR 56.3 million up EUR 0.8 million from EUR 55.5 million YoY thanks to ORCO-GSG's operational performance overcompensating decreasing leasing income due to the accomplished sales of non-strategic assets.

ORCO-GSG's Berlin business parks revenues increased YoY by 3.1% to EUR 52.9 million including service charges to tenants (vs. EUR 51.3 million in 2011). Therein the rental income of ORCO-GSG increased by 3.7%. Like-for-like (i.e. excluding the effects of the asset sales) the increase recorded in rental income by ORCO-GSG was higher at 4.7%.

The increase of rental income of ORCO-GSG was driven by a significant increase of the average commercial net rental income per sqm of 3.4% (from EUR 5.01 in December 2011 to EUR 5.18 in December 2012) in addition to a commercial occupancy rate increase recognized of 2.4% to 80.2% in December 2012. For both KPIs these numbers are on an all-time high.

In 2012 service spaces forming part of the current area leased have been included for the first time as leased areas. Previously they were only included in the total lettable area, decreasing the actual occupancy rate. As a consequence, 7.281 sqm or 1.05% of total leasable area positively impacted the occupancy rate as one off effect. 6.396 sqm of the total service spaces attributed to the commercial occupancy increase.

The eastern asset performed especially well over 2012. Among the five top performing assets, without consideration of the effect arising from integrating service spaces, four were located in the eastern parts of Berlin whereof especially the assets Döbelnerstrasse and Plauenerstrasse recorded outstanding results with associated positive prospects expected for 2013.

Beneath the top five performing assets in 2012 the western asset Wilhelm von Siemensstrasse did best thanks to fostered leasing activities a net-take up of 2.960 sqm could be recognized driving up the occupancy rate on commercial spaces from 68.5% to 86.5%.

Second best performing asset Plauenerstrasse in Berlin-Lichtenberg was located in the eastern parts of Berlin with a commercial net-take up achieved of 2,2551 sqm increasing the commercial occupancy rate consequently from 49.6% at the end of 2011 to 53.4% over 2012.

Third best performing asset was the asset Döbelnerstrasse in Berlin-Hellersdorf in the region east with a net-take up recorded of 2,056 sqm. Main contributor to the net-take up was a new contract signed with a medical supply store comprising approximately 1,407 sqm. The commercial occupancy rate thus increased by 12.8% from 69.3% (end of 2011) to 82.1% in 2012.

Fourth and fifth best performing assets were as well located in the eastern parts of Berlin. The asset Wolfenerstrasse 36 (+1,926 sqm) and the asset Wolfenerstrasse 32-34 (+1,788 sqm) completed the successful performance recognized in the eastern parts of the portfolio. Respective occupancy rates increased from 69.8% to 76.8% (Wolfenerstrasse 36) while on the asset Wolfenerstrasse 32-34 the occupancy went up from 38.7% to 42.2% offering additional lease out potentials over 2013.

The Group pursue the improvement of the operating performance of the assets located in the Kreutzberg area. Over the year 2012, Occupancy rate increased from 88.4% up to 89.3% as of December 2012 and commercial rent from EUR 5.42 up to EUR 5.68 as of December 2012.

It remains Management's top target to further improve the operational performance of its Berlin based portfolio over the upcoming months.

	2012 31.12.	2011 31.12.	2010 31.12.	2009 31.12.	2008 31.12.	2007 Takeover 30.06.
Net commercial rents (€/sqm)	5,20	5,01	4,86	4,80	4,66	4,49
Commercial occupancy rate (%)	80,9%	78,0%	77,2%	76,0%	73,5%	68,8%
Total occupancy rate - all uses (%)	80,2%	77,8%	77,2%	76,2%	74,6%	70,5%

In 2012 ORCO-GSG transferred assets and land plots in Berlin worth EUR 22.8 million. The biggest transfers were the disposal of the residential unit Bergfried- / Ritterstrasse in Berlin-Kreuzberg at a sales price of EUR 3.7 million, the small commercial property Kurfürstenstrasse 13-14 for EUR 2.4 million and the asset Ackerstrasse 93 for EUR 1.9 million.
Respective book values were already elevated according to the concluded sales prices by year end 2011.

Furthermore three minor land plots in Ackerstrasse 81, Ackerstrasse 83-84 and Geneststrasse, which were not determined for further developments, were transferred involving sales revenues of EUR 1.0 million.

The sales of the land plot Kurfürstenstrasse 11 (sales price of EUR 0.6 million) and the asset Skalitzerstrasse 127/128 (sales price of EUR 1.4 million) were contracted in 2012 with final transfers aimed at by beginning of 2013. Since the buyer of Skalitzerstrasse 127/128 has not been able to pay on time ORCO-GSG will unwind the sale and continue to manage the asset. The sale of Kurfürstenstrasse 11 has been closed on 1st of January 2013.

For all transferred assets and land plots the sales prices remained on average 20% above the underlying valuation of 2010 while book values were already adapted correspondingly in 2011.

3.3.2. Development Segment

Revenues are mainly related to the sale accomplished on the Sky Office building

The development revenues amounted to EUR 124.7 million in 2012 in comparison to EUR 8.2 million in 2011.

In 2012 the development portfolio revenues primarily included rents and service charge income from the project Sky Office in Düsseldorf representing revenues of EUR 4.3 million and additional sales revenues of EUR 117.3 million. The Sky Office building was sold on 17th of October 2012 with a final transfer executed on 30th of November 2012. Additional revenues of EUR 1.7 million resulted from transfers executed on plots of land sold on the Hochwald project. The Company expects that all remaining sales and transfers to be processed to the purchasers with regard to the Hochwald project will be accomplished until end of Q.1 2013 positively impacting cash balances since no loan is applicable anymore.

3.4. Other operating income

In 2012 the Company recorded other operating income of EUR 4.2 million (in 2011 EUR 0.7 million) mainly composed of releases of accruals (+EUR 1.6 million) and a dissolution of property acquisition taxes from previous years (+EUR 0.2 million) in single entities dealing with guarantee items linked to former development projects. Furthermore one-off effects like a reimbursement of VAT taxes for previous periods out of the Sky Office sale (+EUR 1.1 million), cancellations of write-offs accounted for in past periods (+EUR 0.3 million) and a reimbursement of VAT dedicated to former periods in the Luxembourg based holding company inclined the other operating income.

3.5. Cost of goods sold

In 2012 costs of goods reflected the counterpart to the development revenues realized. Costs of goods sold (-EUR 118.5 million) inhabited decreases in inventories linked to the achieved development sales on Sky Office

(-EUR 117.3 million) and processed sales on the Hochwald project (-EUR 1.2 million).

3.6. Net result from Fair value adjustments on Investment properties

In 2012, the Company noted a net result from fair value adjustments on investment properties of +EUR 18.1 million exceeding YoY the pre-year's net result of +EUR 13.1 million.

Fair values gains related to ORCO-GSG properties (EUR 15.2 million) including Wupperstrasse were up primarily driven by a better performance recognized and under consideration of residential redevelopment potentials.

The main contributors to the recorded total fair value gains (+21.1 million) were Gebauer Höfe (+EUR 2.9 million) followed by the ORCO-GSG properties Zossener Strasse (+EUR 1.5 million), Helmholtz Strasse (+EUR 1.5 million), Reichenberger Strasse (+EUR 1.4 million), Köpenicker Strasse 154a-157 (+EUR 1.4 million), Schlesische Strasse (+EUR 1.3 million), Döbelner Strasse (+EUR 1.1 million) and Gneisenau Strasse 66-67 (+EUR 1.0 million).

Successfully contracted sales above respective fair values with final transfers to be processed after the reporting period like Kurfürstenstrasse 11 (+EUR 0.4 million) and Skalitzerstrasse 127-128 (+EUR 0.4 million) contributed to this positive result.

Valuation losses of EUR 3.0 million were mainly recognized on Wolfenerstr 32-34 (EUR 0.9 million), Lobeckstrasse (EUR 0.4 million), Saalmanstrasse (EUR 0.4 million) and Wupperstrasse 9 (EUR 0.9 million).

3.7. Salaries and employee benefits

In 2012 salaries and employee benefits increased YoY from -EUR 6.8 million by end of 2011 to -EUR 7.1 million. Effectively the salaries remained stable, the increase originated from a different reallocation approach on Management consulting fees from consultancy costs to salaries, although the total amount of Management fees (-EUR 0.6 million) remained in line with the 2011 fees. Only EUR 0.3 million were reallocated from consultancy costs to salaries in 2011.

3.8. Amortization, impairments and provisions

In 2012 amortization, impairments and provisions negatively impacted the P&L by EUR 26.8 million in comparison to +EUR 5.7 million recorded in the corresponding period 2011 and mainly originated from impairments taken on Sky Office (-EUR 24.3 million), an establishment of an increase for EUR 4 million of the provision on a commercial development litigation not triggering any cash effect (escrow account balance as at 31.12.2012 EUR 9.2 million) and an impairment taken on the GSG goodwill (-EUR 0.6 million), which were to some extent mitigated by releases of provisions linked especially to previous year's residential development sales in single entities dealing with subsequent guarantee items (+EUR 2.5 million).

3.9. Net gain/loss on disposal of assets

In line with ORCO Germany's strategy to dispose of non-strategic assets and focus on commercial assets ORCO Germany executed transfers of non-core assets with sales revenues of EUR 22.8 million accounted for and adhering book values totalling EUR 22.4 million accompanied by a further reduction in debt. All sales have been conducted clearly above their fair values recognized in previous years before adapting the value to the contracted sales price.

Asset disposal	Description	Date of Sale	Date of transfer	Sales price (m. €)	Value 2010 (m. €)	Sales price vs value 2010 (m. €)
Kurfürstendamm 102	office in Berlin	05.08.2011	16.02.2012	6,3	6,2	0,1
Kurfürstenstrasse 13,14	GSG office in Berlin	01.09.2011	01.03.2012	2,4	1,9	0,5
Hüttenstrasse	office in Düsseldorf	29.09.2011	22.06.2012	6,1	4,6	1,5
Bergfried-Ritterstraße	residential GSG asset in Berlin	08.11.2011	01.02.2012	3,7	2,8	0,8
Ackerstraße 83-84	GSG plot in Berlin	29.12.2011	06.03.2012	0,6	0,3	0,3
Ackerstraße 81	GSG plot in Berlin	14.03.2012	01.05.2012	0,2	0,0	0,2
Geneststraße 6	part of land of Geneststraße 5	20.08.2009	24.03.2012	0,2	0,1	0,1
Kurfürstenstrasse 11	GSG plot in Berlin	25.06.2012	01.01.2013	0,6	0,6	0,0
Elb-Office	land plot in Hamburg	17.07.2012	08.09.2012	1,5	1,8	-0,3
Ackerstrasse 93	GSG asset in Berlin	09.08.2012	26.10.2012	1,9	1,2	0,6
Skalitzerstraße 127/128	GSG asset in Berlin	16.11.2012	expected Q.1 2013	1,5	1,0	0,6
Sold in 2011				19,1	15,9	3,2
Sold in 2012				5,7	4,7	1,2
Transferred in 2012				22,8	19,0	3,8
Transfer expected for 2013				2,1	1,6	0,6

Over the full year 2012 the Company registered a net result on the disposal of assets totalling +EUR 0.5 million while the previous year's gains were primarily determined by the sale of ORCO Leipziger Platz GmbH, holding the Wertheim project on Leipziger Platz in Berlin positively impacting the P&L YoY by EUR 11.6 million.

4.0. Other operating expenses

Other operating expenses increased from -EUR 30.4 million as at December 2011 to -EUR 32.1 million as at December 2012 mainly due to higher costs recorded on consultancy expenditures (-EUR 3.8 million) mainly linked to the sale of Sky Office. Decreased taxes than income taxes (+EUR 0.7 million),utility supplies costs (+EUR 0.4 million) and administration costs (+EUR 0.5 million) were registered mainly backed by the finalization of planning works for tenant fit outs on Sky Office and its final sale. Communication and IT Maintenance increased by 0.4 million mainly driven by IT Hofnet services rendered which served to foster the attraction of new leasing tenants on one hand and on the other hand contributed to the generation of additional income, which is expected to further grow.

k €	Dec 2012	Dec 2011	Variance
Leases and rents	**(437)**	**(556)**	**119**
Building Maintenance and Utilities Supplies	**(4.882)**	**(5.618)**	**737**
Communication and IT Maintenance	**(953)**	**(590)**	**(363)**
Utilities Supplies	**(12.604)**	**(13.026)**	**422**
Commissions, fees, consultancy, audit	**(7.857)**	**(4.085)**	**(3.773)**
Insurance	**(802)**	**(784)**	**(18)**
Cars expenses and car leases	**(58)**	**(90)**	**32**
Travel Expenses and representation costs	**(96)**	**(146)**	**50**
Advertising and Marketing	**(629)**	**(687)**	**58**
Administration Costs	**(1.756)**	**(2.227)**	**470**
Taxes other than income tax	**(1.803)**	**(2.487)**	**684**
Other operating expenses	**(201)**	**(101)**	**(100)**
Total other operating Expenses	**(32.078)**	**(30.397)**	**(1.681)**

4.1. Operating result

The operating result of +EUR 19.2 million decreased by EUR 36.1 million compared to +EUR 55.3 million in 2011. The sale of the Sky Office building adhering additional impairments (-EUR 24.3 million) particularly contributed to the negative operating result. Furthermore the operating result was strongly influenced by an establishment of a provision for a potential litigation on the neighbourhood agreement settled on Leipziger Platz during 2012 (-EUR 4.0 million).

4.2. Adjusted EBITDA

Over 2012 the adjusted EBITDA was +EUR 27.5 million, exceeding previous year's adjusted EBITDA of +EUR 26.7 million.

The two business lines of ORCO Germany contributed as follows:

- The adjusted EBITDA of the Property Investments segment, mainly consisting of ORCO-GSG, slightly decreased YoY by EUR 0.7 million respectively 3.2% to EUR 27.8 million compared to EUR 28.6 million in 2011, mainly due to Sky Office operating and sales costs which could not be counterbalanced by higher revenues achieved on the GSG portfolio.
- The adjusted EBITDA of the development segment slightly improved but closed with a negative adjusted EBITDA of -EUR 0.3 million to be compared to -EUR 1.9 million in 2011, mainly determined by the negative result achieved on the sale of the Sky Office project and overhead costs related to guarantee issues not mitigated by operational revenues generated.

4.3. Financial result

The net financial result amounted to -EUR 23.1 million compared to -EUR 24.4 million YoY.

The financial result comprised interest expenses of -EUR 23.6 million (versus -EUR 33.1 million YoY), interest income of +EUR 2.1 million (versus EUR 2.2 million YoY) and other net financial results of -EUR 1.6 million (versus +EUR 6.5 million YoY).

The **interest expenses** over the full year 2012 of -EUR 23.6 million decreased by EUR 9.4 million. The two major drivers have been (i) the successful Company bonds' restructuring (+EUR 3.4 million), (ii) lower interest expenses recorded on the ORCO-GSG loan (+EUR 2.6 million) and the repaid Sky Office loan (+EUR 1.6 million) at the end of November 2012.
The Interest Coverage Ratio (ICR) of cash interests by Adjusted Ebitda amounts to 1.5.

The **other net financial result** amounted to -EUR 1.6 million (vs. +EUR 6.5 million YoY) and mainly consisted of:

- Other finance charges (-EUR 2.0 million versus -EUR 0.7 million YoY) mainly linked to advisory services related to the refinancing of the ORCO-GSG loan amounting to -EUR 1.1 million, bank fees linked to the loan prolongation on Sky Office of -EUR 0.4 million and bank charges for -EUR 0.3 million.
- Gains on trading investments (+EUR 0.4 million versus +EUR 7.3 million YoY) resulted mainly from the gains on revaluation of interest rate on derivatives on Gebauer Höfe (+EUR 0.6 million versus +EUR 0.4 million YoY) and on ORCO-GSG (+EUR 2.0 million versus +EUR 10.3 million YoY). Interest swaps were accounted for at fair value and contracted to prevent fluctuations in interest rates. Furthermore valuation losses for embedded derivative on bonds were recorded (-EUR 2.2 million versus -EUR 3.7 million YoY).

4.4. Income Taxes

Total income taxes amounting to -EUR 11.7 million (-EUR 9.6 million in 2011) were composed of current income taxes of -EUR 0.6 million and deferred taxes of -EUR 10.9 million.

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

4.5. Net result

ORCO Germany closed 2012 with a net loss of EUR 15.8 million compared to a net gain of EUR 21.3 million in 2011.

4.6. Outlook

For 2013 the Company's top priorities remain to further improve the operational performance of its portfolio while examining development potentials on existing assets with the aim to extract further value through additional space addition or conversion.

5. Group financial position

5.1. 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 2012, amounted to EUR 212.5 million versus EUR 113.6 million as at 31 December 2011. The NAV per share amounted to EUR 1.05 (versus EUR 2.33 in 2011).

Net Asset Value (in k €)	31 December 2012	31 December 2011
Equity attributable to owners of the Company	**158 235**	**69 598**
Fair value adjustments on assets held for sale		-
Fair value adjustments on investment portfolio		-
Fair value adjustments on hotels and own occupied buildings		-
Fair value adjustments on inventories	196	(2 086)
Deferred taxes on revaluations	95 838	87 406
Goodwills	(42 675)	(43 285)
Own equity instruments	893	1 961
EPRA Net asset value	**212 488**	**113 594**
Net asset value in € per share	**1,05**	**2,33**
Existing shares in million	202 027	48 771

In comparison to 2011 the NAV per share decreased by 54.9% from EUR 2.33 to EUR 1.05 due to the debt (corporate bond) restructuring achieved and respective creation of new shares, the NAV per share was strongly diluted.

The remaining EUR 20 million of OG bonds acquired by OPG through the exchange against New Notes will be converted into 28 million new OG shares. Such conversion and OG increase of capital are expected to take place in the first half of 2013. After capitalization of the remaining bond debt, the NAV per share of the Company is expected to reach EUR 1.01.

5.2. Assets and resources

The total assets of ORCO Germany as at 31 December 2012 amounted to EUR 634.8 million compared to EUR 792.2 million as at 31 December 2011. Mainly due to sale of investment properties or inventories like Sky Office, the assets decreased by 19.9%.

The investment property as the most important non-current asset was valued as at 31 December 2012 at EUR 504.7 million (versus EUR 492.0 million in December 2011). In 2012, ORCO Germany disposed of assets which were to some extent already elevated to their sales prices contracted in 2011. Especially the revaluation of investment property determined the increase in investment property of EUR 12.8 million. Assets worth

EUR 2.1 million were transferred to the position Assets held for sale due to already signed sales contracts in 2012 with targeted transfers in 2013.

Inventories were valued on 31 December 2012 at EUR 1.9 million (versus EUR 144.3 million in 2011). The strong decrease in book value mainly stemmed from the sale of Sky Office while pending transfers of sold units on the residential site “Am Hochwald” in Kleinmachnow near Berlin still remained.

5.3. Equity and debt

As at 31 December 2012, equity of ORCO Germany reached EUR 158.1 million (versus EUR 65.8 million in 2011), thereof EUR 158.2 million were attributable to the owners of the Company. The strong increase in equity was caused by the positive outcome of the corporate bond restructuring accompanied by the issuance of new shares.

Liabilities as at 31 December 2012 amounted to EUR 476.6 million compared to EUR 726.4 million as at 31 December 2011 mainly thanks to the corporate bond restructuring, the sale of Sky Office and the loan redemption for sold assets.

The current liabilities (< 1 year) in 2012 amounted to EUR 48.3 million versus EUR 590.0 million in 2011. The strong decrease was mainly related to the successful refinancing of the GSG Loan, which expired by April 2012, the corporate bond restructuring and the redemption of the loan for the sold project Sky Office.

5.4. LTV

The loan to value ratio reached the level of 58.4% as at 31 December 2012 compared to 78.0% in 2011. Management succeeded on its previously announced targeted priority to reduce its LTV ratio especially thanks to the reinforcement of its equity basis mainly driven by the restructuring of the corporate bond.

ORCO accomplished 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. This transaction materially contributed to a financially sound LTV ratio of 58.4%. After the equitization by OPG of the last tranche of bonds in mid 2013, the Global LTV will stand at 54.7% which is deemed to be at a reasonable level for a Company that is producing strong cash flows.

in k €	December 2012	December 2011
Non current liabilities		
Financial debts	294 970	37 878
Current liabilities		
Financial debts	8 015	398 860
Liabilities held for sale	0	10 745
Current assets		
Current financial assets	-34	-27
Cash and cash equivalents	-7 767	-14 797
Net debt	**295 184**	**432 659**
Investment property	504 745	491 989
Own-occupied buildings	2 893	2 911
Financial assets at fair value through profit or loss	1 222	1 216
Non current loans and receivables	26 861	25 051
Inventories	1 928	144 269
Assets held for sale	2 050	19 489
Revaluation gains /(losses) on projects and prop.	196	-2 012
Fair value of portfolio	**539 895**	**682 914**
Loan to value before bonds	54.7%	63.4%
Bonds	20 000	97 777
Accrued interests on bonds	0	2 328
Loan to value	58.4%	78.0%

6. Other reporting requirements

6.1. Subsequent closing events

The ORCO-GSG land plot Kurfürstenstrasse 11 was finally transferred on 1st of January 2013.

6.2 Financial Risks Exposure

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

6.3. 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 with 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, Mr. Nicolas Tommasini as Deputy CEO and Mr. Brad Taylor as Director of Corporate and Legal Affairs of ORCO Germany.

Mr. Ott, Mr. Tommasini and Mr. Taylor are based in Paris, and they make up the senior management and the executive committee of the Company.

Board of Directors of the Company

The Company is administered and supervised by a Board of Directors made up of a maximum of 6 members, who 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. In the event of a vacancy in the Board of Directors, the remaining members may co-opt a new member. The Board of Directors has the following tasks and competencies, without such list being exhaustive:

- 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 corporate 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
- New shares may be issued pursuant to the authorized share capital.

As at 31 December 2012, the Board of Directors consisted of the following 5 members holding their assemblies in Paris:

- Jean-Francois Ott
- Brad Taylor
- Benjamin Colas
- Ales Vobruba
- Nicolas Tommasini.

On 17 January 2013, Mr Benjamin Colas resigned from the Board of Directors.

Required information

In reference to the information required by paragraphs (a) to (k) of Article 11(1) of the Law of 19 May 2006 transposing Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004 on takeover bids, the Board of Directors states the following elements:

(a) The structure of the capital, including securities which are not admitted to trading on a regulated market in a Member State, where appropriate with an indication of the different classes of shares and, for each class of shares, the rights and obligations attaching to it and the percentage of total share capital that it represents:

The share capital of the Company is represented by only one class of shares. 48,771,333 of the shares are admitted for trading on the Regulated Market of the Frankfurt Stock Exchange. Effective 28 December 2012, the shares moved from the Prime Standard segment to the General Standard segment. The 153,256,130 shares issued on 27 September 2012 are currently not listed and not tradeable.

(b) Any restrictions on the transfer of securities, such as limitations on the holding of securities or the need to obtain the approval of the company or other holders of securities, without prejudice to Article 46 of Directive 2001/34/EC:

As written above, the 153,256,130 shares issued on 27 September 2012 are currently not listed and not tradeable. There is no restriction on the transfer of the 48,771,333 of the shares that are listed on the Frankfurt Stock Exchange.

(c) Significant direct and indirect shareholdings (including indirect shareholdings through pyramid structures and cross-shareholdings) within the meaning of Article 85 of Directive 2001/34/EC:

To the best of the Company's knowledge, the following table sets out information regarding the ownership of the Company's shares as of 4 March 2013.

Shareholder	Number of Shares	% of capital	% of voting rights
ORCO Property Group S.A	184,639,960	91.39%	91.39%
Brillant 1419. GmbH & Co. Verwaltungs KG	11,531,259	5.71%	5.71%
Orco Grundstück und Beteiligungs GmbH	1,900,000	0.94%	0.94%
Other	3,956,244	1.96%	1.96%
Total	**202,027,463**	**100%**	**100%**

(d) The holders of any securities with special control rights and a description of those rights:

None of the Company's principal shareholders has voting rights different from any other holders of the Company's shares.

The Company will respect the rights of its shareholders and ensure they receive equitable treatment. The Company has established a policy of active communication with the shareholders.

(e) The system of control of any employee share scheme where the control rights are not exercised directly by the employees:

This is not applicable. The Company has no employee share scheme.

(f) Any restrictions on voting rights, such as limitation on the voting rights of holders of a given percentage or number of votes, deadlines for exercising voting rights, or systems whereby, with the Company's cooperation, the financial rights attaching to securities are separated from the holding of securities:

There is no restriction on voting rights.

(g) Any agreements between shareholders which are known to the company and may result in restrictions on the transfer of securities and/or voting rights within the meaning of Directive 2001/34/EC:

To the knowledge of the Company, no shareholder agreements have been entered by and between shareholders that are in effect as of the date of this report.

(h) the rules governing the appointment and replacement of board members and the amendment of the articles of association:

The Board of Directors is made up of a maximum of 6 members, who 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. In the event of a vacancy in the Board of Directors, the remaining members may co-opt a new member. The articles of association may be modified by an extraordinary general meeting of the shareholders, deliberating with a quorum of at least half of the corporate capital and deciding by a vote of at least a two-thirds majority of the votes cast.

(i) the powers of board members, and in particular the power to issue or buy back shares:

See the beginning of this section 6.3, "Board of Directors of the Company", on page 20 of this report.

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

Pursuant to the provisions of the new ORCO-GSG loan agreement, following a change of control of the Company, the lenders have the right to terminate the loan and demand full repayment.

(k) any agreements between the company and its board members or employees providing for compensation if they resign or are made redundant without valid reason or if their employment ceases because of a takeover bid:

As at 31 December 2012, the potential termination indemnity payment to some members of the Company's management amounted to EUR 600,000 and is payable in the event of termination of their respective contracts.

6.4. Directors' compensation

Please see Note 27 of the consolidated financial statements.

6.5. Other information

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

7. Shareholding

7.1. Share capital

Share capital as at 31 December 2012 amounted to EUR 20 202 746.30, represented by 202,027,463 shares with no nominal value, but with an accounting par value of 0.10, all of the same class and fully paid.

Currently all the Company's shares are bearer shares.

At the Company's extraordinary general meeting held on 26 April 2012, the shareholders resolved to decrease the share capital of the Company from its previous amount of EUR 60,964,166.25 to EUR 4,877,133.30 without cancellation of shares, by decreasing the accounting par value of the existing shares from EUR 1.25 to EUR 0.10 per share with allocation of the reduction proceeds to a reserve.

At the same meeting, the shareholders also resolved on several items related to the restructuring of up to 148,077 bonds issued by the Company on 24 May 2007.

The shareholders approved in principle an increase of the share capital from EUR 4,877,133.30 by up to EUR 18,136,104.90 through the issuance of up to 181,361,049 new shares of the Company at an issue price of EUR 0.712 per share against the contribution in kind to the Company of OG Bonds.

On 9 May 2012, approximately 85% of the OG Bonds were exchanged for convertible bonds (Obligations Convertibles en Actions) issued by OPG. As a result of this exchange, OPG received OG Bonds, which were contributed to the Company on 27 September 2012.
As at 27 September 2012, 153,256,130 new ordinary shares of Orco Germany were issued and paid by the contribution in kind of approximately 84.5% of Orco Germany bonds. 92.48% of the issued shares were subscribed by OPG (141,724,871 shares) and 7.52% (11,531,259 shares) by its subsidiary, Brillant 1419. GmbH & Co. Verwaltungs KG. Following the issuance, the total share capital amounted to EUR 20,202,746 and the share premium to EUR 273,537,391.

To the best knowledge of the Company, the capital ownership of ORCO Germany as at 31 December 2012 is presented in the Note 6.3.

Moreover, as at 31 December 2012, no shareholder holds more than 10% of the share capital of ORCO Germany S.A. except Orco Property Group S.A..

7.2. Authorized capital

The corporate share capital may be increased from its present amount by an additional amount of EUR 84,674,387, by the creation and the issue of new shares, entitling the holder to the same rights and privileges as

the existing shares. For the terms and conditions of the authorized capital please refer to the Company's articles of association.

7.3. Treasury shares

Orco Grundstück und Beteiligungs GmbH, a subsidiary of the Company, holds 1,900,000 shares of the Company or 0.94% of the total voting rights.

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 REPORTS
AS OF 31 DECEMBER 2012

1.1. Persons responsible for the Annual Financial Report

- Mr. Jean-Francois Ott, acting as director of the Company, with professional address at 25 rue Balzac, F-75406 Paris Cedex 08, France, jfott@orcogroup.com;

- Mr. Nicolas Tommasini, acting as 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, Jean-Francois Ott and Nicolas Tommasini, declare that, to the best of our knowledge:

- the consolidated financial statements of the Company as at 31 December 2012, prepared in accordance with the 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;

- the annual accounts of Company presented in this Annual Financial Report and prepared in accordance with Luxembourg legal and regulatory requirements, give a true and fair view of the financial position of the Company, as of 31 December 2012, and of the results of its operations for the year then ended; and

- 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 Mr. Ott and M. Tommasini.

In Paris, 10 April 2013

Mr. Jean-Francois Ott
Director

Mr. Nicolas Tommasini
Director

ORCO GERMANY S.A.

Société Anonyme

Consolidated financial statements

As at and for the year ended 31 December 2012

Orco Germany's Board of Directors has approved on 28 March 2013 the consolidated financial statements for the period ended as at and for the period ended 31 December 2012. All the figures in this report are presented in thousands of Euros, except if explicitly indicated otherwise.

Consolidated income statement

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

	Note	12 months 2012	12 months 2011
Revenue	5	**181,032**	**63,765**
Sale of goods		*119,532*	*1,140*
Rent		*51,692*	*53,164*
Services		*9,809*	*9,461*
Net gain or loss from fair value adjustments on Investment Property	5/8	18,050	13,095
Other operating income		4,161	656
Net result on disposal of assets	5/8/10/13	463	9,866
Cost of goods sold	5/12	(118,544)	(626)
Employee benefits	21	(7,060)	(6,746)
Amortisation, impairments and provisions	20	(26,812)	5,665
Other operating expenses	21	(32,078)	(30,397)
Operating result		**19,212**	**55,278**
Interest expenses	16	(23,624)	(33,051)
Interest income		2,064	2,170
Other net financial results	22	(1,578)	6,456
Financial result		**(23,138)**	**(24,425)**
Share profit or loss from equity affiliates	2.1	-	1
Profit or loss before income taxes		**(3,926)**	**30,853**
Income taxes	19	(11,722)	(9,562)
Current income taxes		*(630)*	*(2,632)*
Deferred taxes		*(11,092)*	*(6,930)*
Impact of assets held for sale		-	(0)
Profit from continuing operations		**(15,648)**	**21,291**
Total profit or loss attributable to:			
Non controlling interests		125	14
Owners of the Company		**(15,773)**	**21,277**
Basic earnings in EUR per share		(0.18)	0.45
Diluted earnings in EUR per share		(0.18)	0.45

Consolidated statement of comprehensive income

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

	12 months 2012	12 months 2011
Profit /(Loss) for the period:	**(15,648)**	**21,291**
Other comprehensive income (loss):		
Total comprehensive income/(loss) for the period attributable to:	**(15,648)**	**21,291**
- owners of the Company	(15,773)	21,277
- non controlling interests	125	14

Consolidated Statement of financial position

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

ASSETS			
NON-CURRENT ASSETS		**587,735**	**573,946**
Intangible assets	7	**49,928**	**50,522**
Investment property	8	**504,745**	**491,989**
Property, plant and equipment		**4,979**	**5,168**
Hotels and owner occupied buildings	9	2,893	2,911
Fixtures and fittings	11	2,086	2,257
Investments in equity affiliates		**-**	**-**
Financial assets at fair value through profit or loss	3	**1,222**	**1,216**
Non current loans and receivables	3	**26,861**	**25,051**
CURRENT ASSETS		**47,070**	**218,289**
Inventories	12	1,928	144,269
Trade receivables	3	14,971	17,931
Other current assets	14	20,300	21,776
Derivative instruments	16	20	-
Current financial assets	3	34	27
Cash and cash equivalents	15	7,767	14,797
Assets held for sale & Discountinued operations	10	2,050	19,489
TOTAL		**634,805**	**792,235**

EQUITY & LIABILITIES			
EQUITY		**158,142**	**65,810**
Equity attributable to owners of the Company	24	**158,235**	**65,598**
Non controlling interests		**(94)**	**212**
LIABILITIES		**476,663**	**726,425**
Non-current liabilities		**428,338**	**136,384**
Bonds	16	20,000	-
Financial debts	16	294,970	37,878
Provisions & other long term liabilities	17	13,987	10,207
Deferred tax liabilities	19	99,382	88,299
Current liabilities		**48,325**	**590,040**
Current bonds	18	0	97,777
Financial debts	18	8,015	398,860
Trade payables	18	4,611	4,465
Advance payments	18	14,292	20,097
Derivative instruments	16	4,521	29,842
Other current liabilities	18	16,886	28,255
Liabilities linked to assets held for sale & Discountinued operations	10/18	-	10,745
TOTAL		**634,805**	**792,235**

Consolidated statement of changes in equity

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

	Note	Share Capital	Share Premium	Translation Reserve	Treasury Shares	Other Reserves	Equity attributable to owners of the Company	Non controlling interests	Equity
Balance at 31 December 2010		**60,964**	**123,658**	**-**	**3**	**(138,748)**	**-** **45,877**	**33**	**45,910**
Profit (loss) for the period:									
Profit /(Loss) for the period						21,276	21,276	14	21,290
Total comprehensive income		**-**	**-**	**-**	**-**	**21,276**	**21,276**	**14**	**21,290**
Changes in Non controlling interests				(3)		(9)	(12)	165	153
Own equity investments					(1,543)		(1,543)		(1,543)
Balance at 31 December 2011		**60,964**	**123,658**	**(3)**	**(1,540)**	**(117,481)**	**65,598**	**212**	**65,810**
Profit (loss) for the period:									
Profit /(Loss) for the period						(15,773)	(15,773)	127	(15,646)
Total comprehensive income		**-**	**-**	**-**	**-**	**(15,773)**	**-** **(15,773)**	**127**	**(15,646)**
Capital decrease of 26 April 2012	24	(56,087)				56,087	-		-
Capital increase of 27 september 2012	24	15,326	93,793			(1,136)	107,982		107,982
Non controlling interests' transactions	27					432	432	(432)	-
Balance at 31 December 2012		**20,203**	**217,450**	**(3)**	**(1,540)**	**(77,871)**	**158,239**	**(93)**	**158,146**

Definitions

Share Capital is the initial value for which the shareholders subscribed the shares from the issuing company.

Share Premium is an excess amount received by the company over the par value of its shares. This amount forms a part of the non-distributable reserves of the company which usually can be used only for purposes specified under corporate legislation.

Translation Reserve includes exchange differences relating to the translation of the results and net assets of the group's foreign operations from operational to the group's consolidation currency. Exchange differences previously accumulated in the translation reserve are reclassified to profit or loss on the disposal of the foreign assets and operations.

Treasury Shares are shares issued by company and controlled by itself. Treasury shares come from a repurchase or buyback from shareholders. These shares don't pay dividends, have no voting rights, and are not included in shares outstanding calculations.

Other Reserves are created from accumulated profits and losses and other equity operations, such as scope variations, variation of detention, or revaluation of assets. These reserves may be subject to the distribution of dividends.

Non-controlling interests are interests of the group's equity not attributable, directly or indirectly, to a parent. They belong to those shareholders who do not have a controlling interest in the group.

Consolidated cash flow statement

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

	31 December 2012	31 December 2011
OPERATING RESULT	**19,212**	**55,278**
Net gain / loss from fair value adjustments on investment property	(18,050)	(13,095)
Amortization, impairments and provisions	26,812	(5,665)
Net result on disposal of assets	(463)	(9,866)
Adjusted operating profit / loss	**27,511**	**26,652**
Financial result	(783)	-
Income tax paid	(658)	(1,378)
Financial result and income taxes paid	**(1,441)**	**(1,378)**
Changes in operating assets and liabilities (*)	**110,645**	**(6,382)**
NET CASH FROM /(USED IN) OPERATING ACTIVITIES	**136,715**	**18,892**
Capital expenditures and tangible assets acquisitions	(1,287)	(680)
Proceeds from sales of non current tangible assets (**)	22,818	95,625
Purchase of intangible assets	(31)	-
NET CASH FROM INVESTING ACTIVITIES	**21,500**	**94,945**
Purchase of treasury shares and change in ownership interests in subsidiaries	50	-
Proceeds from borrowings	266,274	50
Net interest paid	(18,824)	(34,235)
Repayments of borrowings	(410,793)	(82,794)
Restructuring fees	(1,953)	-
NET CASH USED IN FINANCING ACTIVITIES	**(165,246)**	**(116,979)**
NET INCREASE/(DECREASE) IN CASH	**(7,031)**	**(3,142)**
Cash and cash equivalents at the beginning of the year (***)	14,797	17,939
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (***)	**7,767**	**14,797**

(*) Changes in operating assets and liabilities include EUR 117.3 million of inventories variation related to Sky Office sale (see Note 12). Changes in operating assets and liabilities without Sky Office sale's impact amount to EUR - 6,469 million

(**) 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 2012, the Company is owned directly and indirectly at 98.02% (directly at 91.39% and indirectly at 6.66% - see Note 28) by Orco Property Group S.A. ("OPG").

As of December 27th, 2012, the company switched from market segment Prime Standard to the regulated market of Frankfurt Stock Exchange.

The parent company, OPG, includes in its consolidated financial statements those of Orco Germany S.A. The parent company 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 28 March 2013.

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 sale of Sky Office has been closed at lower price than prior year valuation in order to close the refinancing of Gewerbesiedlungs-Gesellschaft mbH ("GSG"), the economic situation in Berlin is more than resilient and is probably one of the most dynamic in Europe. The valuation of the real estate portfolio in Berlin is increasing and the sales closed there in 2012 were executed at prices much higher than prior year valuation.

As at the date of publication of this report, approximately 85% of the OG bonds have already been exchanged against OPG issued bonds converted in turn into OPG shares. Almost all of the remaining OG bonds have been exchanged for EUR 20 million in New Notes issued by OPG and will be converted into OG shares, further reducing LTV. After this last step the Company will no longer have any material bond liability. 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 Board of Directors has, as a result of the financial restructuring realized and the positive cash flow from the rental activities, concluded that it is appropriate to prepare the consolidated financial statements as at 31 December 2012 on a going concern basis.

2.1.2. Critical accounting estimates and judgments

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 2011 financial statements, except for the application of the revised and new standards and interpretations applied as from 1 January 2012 (as described below).

a) New and amended standards adopted by the Group in 2012

Amendment to IAS 12: 'Deferred Tax: Recovery of Underlying Assets' was adopted by the Group in 2012. It amends to provide a presumption that recovery of the carrying amount of an asset measured using the fair value model in IAS 40 Investment Property will normally be through sale. On the

other hand, the assets held for sale in the group are already measured at the carrying amount, and are presented separately in the balance sheet. So, there is no impact on the consolidated accounts of the group.

Amendment to IAS 1 "presentation of other comprehensive income" was adopted by the Group in 2012 without impact on the consolidated accounts of the Group.

b) The following new standard has been issued by the IASB but is not adopted by the European Union

IFRS 9, Financial Instruments. 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;

Improvement to IFRSs 2009-2011 issued on 17 May 2012 which amends the following standards

- IFRS 1 - Borrowing costs relating to qualifying assets for which the commencement date for capitalisation is before the date of transition to IFRSs
- IFRS 1 - Permit the repeated application of IFRS 1
- IAS 1 - Clarification of the requirements for comparative information
- IAS 16 - Classification of servicing equipment
- IAS 32 - Clarify that tax effect of a distribution to holders of equity instruments should be accounted for in accordance with IAS 12 Income Taxes
- IAS 34 - Clarify interim reporting of segment information for total assets in order to enhance consistency with the requirements in IFRS 8 Operating Segments

c) The following new standards, new interpretations and amendments to standards and interpretations are adopted by the European Union, not compulsory before the financial year beginning 1 January 2013 and have not been early adopted by the Group:

- 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 (rev 2011), Employee Benefits;
- Amendment to IFRS 7, Disclosures-Offsetting Financial Assets and Financial Liabilities.

The Group assessed that the potential impacts which result from the implementation of the new IFRS 10, IFRS 11 and IFRS 12 on the financial statements in the initial application period would be limited to the change in consolidation method of the sole joint arrangement, in which the Group is participating at the end of December 2012, from Proportionate Method to Equity Method, in application of IFRS 11. The contribution of this Joint Venture (JV) as at December 2012 is disclosed in Note 28 - List of the consolidated subsidiaries. The change in method will not have a significant impact on the account of the Group. The contribution of this JV to the statement of financial position and income statement would be respectively replaced by a global amount on the lines "Investments in Equity Affiliates" and "Share profit or loss from equity affiliates".

The prospective impact of the IAS 19 amendment implementation in 2013 is disclosed in Note 17.

The Group has estimated the impact of the implementation of the others new standards and amendments not early adopted as non-significant.

The Group is referring to the endorsement status of the IFRS new standards new interpretations and amendments to standards and interpretations as they are published by the European Union (http://ec.europa.eu/internal_market/accounting/ias/index_en.htm).

d) Prior-Period adjustment

During the establishment of the 2012 annual financial statements it has been identified that a trade receivable linked to the sale of a commercial development in Berlin is overvalued since 2009 by EUR 4.0 million in the consolidated accounts. As the error occurred before the earliest prior period presented and in application of IAS 8.42b, the omission of neutralization of the overvaluation in the 2009 financial statements represents a prior period accounting error which must be accounted for retrospectively in the financial statements. Consequently, the Group shall adjust all comparative amounts presented in the opening balance of assets, liabilities and equity.

As the correction of the error is applied to all comparative periods affected by the omission, the 2012 year Profit and Loss is therefore unaffected by the correction of prior period adjustment. The statements and notes impacted by this prior-year adjustment are the "Consolidated statement of financial position", the "Consolidated statement of changes in equity", the note 3.1 and note 5.

Impacts of the adjustment on the "Consolidated statement of financial position"

ASSETS	BEFORE		AFTER
	31 December 2011 - Before Adj.	Impact of the adjustment	31 December 2011 - Restated
NON-CURRENT ASSETS	573,946	-	573,946
CURRENT ASSETS	222,289	(4,000)	218,289
Trade receivables	21,931	(4,000)	17,931
TOTAL	796,235	(4,000)	792,235
EQUITY & LIABILITIES			
EQUITY	69,810	(4,000)	65,810
Equity attributable to owners of the Company	69,598	(4,000)	65,598
Non controlling interests	212	-	212
LIABILITIES	726,425	-	726,425
TOTAL	796,235	(4,000)	792,235

Impacts of the adjustment on the "Consolidated statement of changes in equity"

	Other Reserves	Equity attributable to owners of the Company	Non controlling interests	Equity
Balance at 31 December 2010 - Before adjustment	(134,748)	49,877	33	49,910
Impact of the missing impairment on the 2010 Closing	*(4,000)*	*(4,000)*	-	*(4,000)*
Balance at 31 December 2010 - Restated	(138,748)	45,877	33	45,910
Balance at 31 December 2011 - Restated	(117,481)	65,598	212	65,810

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 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 Company controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Company. 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 value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration includes also 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 and acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquirer's net assets.

Inter-company transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized 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 recognizes the portion of gains or losses on the sale of assets by the Group to the joint-venture that is attributable to the joint-venture partners. The Group does not recognize 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 realizable 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.

The Group assessed the potential impacts which result from the implementation of the new IFRS 10, IFRS 11 and IFRS in Note 2.1.3.

d) Investment in Equity affiliates

Investments in entities over which the Group exercises a significant influence on operational and financial policies are accounted for under the equity method.

e) Non-current financial assets

Entities that do not represent significant investments (like dormant empty shells) or in which the Group do not have significant influence on operational and financial policies are reported under the "Non-current financial assets" (see Note 3.4) and impact the profit and loss statement only through dividends received, fair value adjustments or impairments. Where no active market exists and where no other valuation method can be used, the Non-current financial assets are maintained at historical cost, net of depreciation.

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 a Group. The Executive Committee together with the Investment Committee are the chief operating decision maker of the Group.

2.4. Foreign currency translation

(a) Functional and presentation currency

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

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- Income and expenses for each income statement presented are translated at average exchange rate (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 date of the transactions); and
- 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 licenses are capitalized 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 whenever 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 of freehold land, freehold buildings, extended stay residences, land plots held under operating lease and buildings held under finance lease.

Land plots held under operating lease is classified and accounted for as investment property when the definition of investment property is met.

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

Freehold lands for which the destination is not specified at the acquisition date are classified under Investment property as land bank. The specific destination (if any) is to be determined by the investment committee approving the acquisition. The destination of land bank plots is considered to remain uncertain until the start of the development that will trigger the transfer at fair value to inventories. The start of the development will depend on whether it is decided by the Investment Committee to perform a land development with a view to sale or a construction development with a view to sale. In the case of a construction development with a view to sell in the ordinary course of activities, the start of the development is considered to be when the project design is definitive, the building permit is granted and the start of the construction has been validated by the Investment Committee. In the case of a land development with a view to totally or partially sell the parcels in the ordinary course of activities, the start of the development is considered to be the moment at which the Group has obtained official support from state or city authorities in order to start working on the master plan modification.

If the start of a development of a freehold land with the objective to keep the asset for future rental or value accretion, the property will not be transferred. All borrowing costs are expensed except for the borrowing costs that are capitalized as part of the cost of that asset when they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalized borrowing costs include foreign exchange differences on loans subscribed for the purpose of obtaining the qualifying asset without limitation; such changes may be positive or negative.

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

2.7. Property, plant and equipment

Owner-occupied buildings and fixtures and fittings are classified as property, plant and equipment. Properties under development are classified as property, plant and equipment only if their future use is owner operated real estate assets (hotels, logistics warehouses or owner-occupied office buildings.

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 costs over the asset's estimated useful lives, as follows:

- Lands 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 that asset when they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalized borrowing costs include foreign exchange differences on loans subscribed for the purpose of obtaining the qualifying asset without limitation; such changes may be positive or negative.

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 the 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 supports substantially all the risks and rewards of the ownership are classified as finance leases. Finance leases are capitalized 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 trademark 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, 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. Impairments will be recognized if a decline in fair value of a financial asset or a group of financial assets classified as available for sale is significant or prolonged.

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 current assets in the consolidated balance sheet. Loans and receivables are carried at amortized 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 amortized 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. Financial assets carried at fair value through profit and loss (including derivatives) are initially recognized at fair value, and transaction costs are expensed in the consolidated income statement. 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.

The Group subscriptions in investment property closed end funds managed by the Group are categorized as financial assets designated at fair value at inception as they are managed and evaluated on a fair value basis in accordance with a documented risk management or investment strategy and reported to key management personnel on that basis. Regular purchases and sales of financial assets are recognized on the trade-date on which the Group commits to purchase or sale these assets.

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 or 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 goods 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 that asset when they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalized borrowing costs include foreign exchange differences on loans subscribed for the purpose of obtaining the qualifying asset without limitation; such changes may be positive or negative.

2.12. Trade receivables

Trade receivables are recognized initially at fair value and subsequently measured at amortized 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.

The shares of the Company (Orco Germany, société anonyme) held by the Group (Treasury shares) are measured at their acquisition cost and recognized as a deduction from equity. Gains and losses on disposal are taken directly to equity.

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 amortized 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 amortized 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.

It may be elected to account for a liability at fair value through profit or loss if it eliminates or significantly reduces a measurement or recognition inconsistency. In such a case the liability is initially recognized at fair value, and transaction costs are expensed in the consolidated income statement.

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 bonds 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 recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized 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 amortized 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 amortized cost using the effective interest method.

2.18. Current and deferred income tax

The tax expense 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 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 and 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 deferred income tax asset 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 entity. Generally, each special purpose entity is meant to hold one specific project or a coherent portfolio of projects. Possibly, should a special purpose entity be disposed of, the gains generated from the disposal might be exempted from any tax.

2.19. Provisions and post-employment obligations

Provisions for environmental restoration, site restoration and legal claims are recognized when:

- The Group has a present legal or constructive obligation as a result of past events;
- It is more likely than not that an outflow of resources will be required to settle the obligation; and
- The amount has been reliably estimated.

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

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

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to the consolidated income statement over the employees' expected average remaining working lives. Past-service costs are recognized immediately in 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 amortized 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 is realized by an independent actuarial. The Group offers for the subsidiaries 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 since 2011 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 and garden) in comparison with primary floor area (apartments).

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

As a result of the bond restructuring the embedded derivative bond has doesn't exist anymore as at 31.12.2012. The derivative was 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.

No sensitivity analysis has been performed.

(iii) 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 2012 the impact of a 100 basis points growth of interest rates curve would induce an increase of the interest charges for EUR 3.3 million. Before the positive impact of derivatives, the increase of interest expenses in 2011 would amount to EUR 3.2 million

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.

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

		Repricing month	Amounts
Euribormarch	Euribor + margin (from +1.4 to +3.2)	March 2013	290,298

(iv) Others 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 z in particularly a concentration of credit risks related to the project Leipziger Platz. 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 2012	Fully performing	Past due but not impaired			Impaired	BALANCE 31 December 2012
		Less than 6 months	6 months and 1 year	More than 1 year		
Trade receivables gross	**7,182**	**-**	**-**	**7,787**	**10,108**	**25,077**
Impairments at 31 December 2011					(9,769)	(9,769)
Impairments - allowance					(487)	(487)
Impairments - write-back					225	225
Impairments - transfers					(77)	(77)
Impairments -Others						-
Trade Receivable - Impairment	**-**	**-**	**-**	**-**	**(10,108)**	**(10,108)**
Total trade receivables	**7,182**	**0**	**0**	**7,787**	**0**	**14,969**
Other current assets gross	**17,714**	**0**	**631**	**-**	**595**	**18,941**
Impairments at 31 December 2011					(412)	(412)
Impairments - allowance					(270) -	
Impairments - write-back					87 -	
Impairments - transfers						-
Others						-
Other current assets - Impairment	**-**	**-**	**-**	**-**	**(595)**	**(412)**
Other current assets - Net Value (i)	**17,714**	**0**	**631**	**0**	**0**	**18,529**
Cash and cash equivalents gross	**7,767**	**-**	**-**	**-**	**-**	**7,767**
Total cash and cash equivalents	**7,767**	**-**	**-**	**-**	**-**	**7,767**
Non current loans and receivables	**26,861**	**-**	**-**	**-**	**-**	**26,861**
Non current loans and receivables	**26,861**	**-**	**-**	**-**	**-**	**26,861**

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

In 2012 the trade receivables on development entities amount to EUR 25.1 million, out of which only EUR 7.2 million are fully performing and EUR 7.7 million are related to a part of Bär litigation. EUR 2012 the Group recognized an net impairment of EUR 0.3 million.

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	**17,590**	**345**	**-**	**-**	**9,667**	**27,602**
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)**	**17,932**
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**
Non current loans and receivables	**25,050**	**-**	**-**	**-**	**-**	**25,050**
Non current loans and receivables	**25,050**	**-**	**-**	**-**	**-**	**25,050**

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

As a result of a prior-year adjustment described in Note 2, the trade receivables "full performing" have been restated by EUR 4.0 million. The total amount of trade receivables decreased after the correction from EUR 31.6 million to EUR 27.6 million.

In 2011, the Group recognized 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 doubtful credits.

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

Counterparty	Moody's Rating	S&P's Rating	Fitch's Rating	December 2012	December 2011
Deutsche Bank	A2	A+	A+	4.7	9.0
Berliner VB	-	AA-	-	2.3	1.8
LBB/Sparkasse	Aa1	-	AAA	0.6	1.3
HypoVereinsbank (HVB)	A	A+	A+	0.1	0.0
HSH Nordbank				0.0	2.1
in EUR million				7.7	14.3

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 2012 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 value from shareholder of EUR 31.8 million (EUR 41.4 million in 2011 million) due with more than 5 years is not included in the table. As at 31 December 2012, the consolidated carrying value of this loan amounts to EUR 12.5 million.

As at 31 December 2012, fixed rates bonds for EUR 20.0 million after restructuring are due more than 5 years (prolonged to 2050) and floating rate loans for EUR 287.0 million are due between 1 and 5 years (88% of the total financial debt).

At 31 December 2012	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 31.12.2012
Fixed rate loans and bonds	-		-	-	(20,000)	(20,000)	(20,000)
Floating rate loans (*)	-	(4,674)	(4,658)	(287,039)	-	(296,371)	(290,296)
Interest rate derivatives		-	-	(4,397)	-	(4,397)	(4,521)
Embedded derivatives on bonds	-	-	-	-	-	-	-
Liabilities held for sale	-	-	-	-	-	-	-
Trade payable	(2,980)	(125)	(1,505)	-	-	(4,610)	(4,611)
Other current liabilities	(7,914)	(4,138)	(2,024)	-	-	(14,076)	(17,457)
Total	(10,894)	(8,937)	(8,187)	(291,436)	(20,000)	(339,454)	(336,885)

(*) As at 31.12.2012 there are no floating rate bonds

At 31 December 2012	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 31.12.2012
Fixed rate loans and bonds	-		-	-	(20,000)	(20,000)	(20,000)
Floating rate loans and bonds	-	(4,674)	(4,658)	(287,039)	-	(296,371)	(290,296)
Interest rate derivatives		-	-	(4,397)	-	(4,397)	(4,521)
Embedded derivatives on bonds	-	-	-	-	-	-	-
Liabilities held for sale	-	-	-	-	-	-	-
Trade payable	(2,980)	(125)	(1,505)	-	-	(4,610)	(4,611)
Other current liabilities	(7,914)	(4,138)	(2,024)	-	-	(14,076)	(17,457)
Total	(10,894)	(8,937)	(8,187)	(291,436)	(20,000)	(339,454)	(336,885)

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 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)

The floating rate loans are disclosed

The difference between the book value and the future cash flows on the floating rate loans and bonds can be mainly explained by the capitalization of the refinancing fees on GSG loan as at 31 December 2012 for EUR 6.0 million (which are amortized during till the expiration of the loan)

Undrawn bank credit facilities

As at 31 December 2012 all credit lines are fully drawn

3.2. Fair value estimates

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.

An increase of 1% of the liabilities derivative instruments will lead to a decrease of EUR 0.3 million.
The fair value of the bond and bank liabilities of the Group are not publish as it is considered that there is no relevant data available for the current credit spread specific to each situation.

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 December 2012:

31 December 2012	Level 1	Level 2	Level 3	Total balance
Assets				
Financial assets at fair value through profit or loss	-	-	1,222	1,222
Total assets	**-**	**-**	**1,222**	**1,222**
Liabilities				
- Embedded derivatives on bonds	-	-	-	-
- Trading derivatives	-	4,521	-	4,521
Total liabilities	**-**	**4,521**	**-**	**4,521**

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**

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. The Group intends to maintain its "loan to value" ratio under 50%. 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 2012, the "loan to value" ratio has reached the level of 58.3% compared to 78.0% in 2011.

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 represent 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 2012	December 2011
Non current liabilities		
Financial debts	294,970	37,878
Current liabilities		
Financial debts	8,015	398,860
Liabilities held for sale	0	10,745
Current assets		
Current financial assets	(34)	(27)
Cash and cash equivalents	(7,767)	(14,797)
Net debt	**295,184**	**432,659**
Investment property	504,745	491,989
Own-occupied buildings	2,893	2,911
Financial assets at fair value through profit or loss	1,222	1,216
Non current loans and receivables	26,861	25,051
Inventories	1,928	144,269
Assets held for sale	2,050	19,489
Revaluation gains /(losses) on projects and prop.	196	(2,012)
Fair value of portfolio	**539,895**	**682,914**
Loan to value before bonds	**54.7%**	**63.4%**
Bonds	20,000	97,777
Accrued interests on bonds	0	2,328
Loan to value	**58.4%**	**78.0%**

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. During 2012 administrative and/or financial covenant breaches have been solved mainly via the refinancing of GSG portfolio. 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).

As at December 2012, the LTV ratio before bonds decreases from 63.4% to 54.6% as a result of the repayment of loans upon significant sales and decrease of the nominal value of the loan financing GSG portfolio. The LTV ratio including the bond liabilities decreases from 78% to 58.3% as a result of the bonds' restructuring as described in note 16.2.

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 2012	Loans and Receivables	Asset at fair value through profit or loss	31 December 2012
Financial assets at fair value through profit or loss	-	1,222	1,222
Current financial assets	34	-	34
Trade and other receivables	35,271	-	35,271
Non current loans and receivables	26,861	-	26,861
Cash and cash equivalent	7,767	-	7,767
Financial Assets	**69,933**	**1,222**	**71,155**
	Other financial liabilities at amortised cost	**Liabilities at fair value through profit or loss**	**TOTAL**
Financial debts and bonds	322,985	-	322,985
Derivatives	-	4,521	4,521
Trade and other payables	4,611	-	4,611
Financial Liabilities	**327,596**	**4,521**	**332,117**

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	39,707	-	39,707
Non current loans and receivables	-	25,051	25,051
Cash and cash equivalent	14,797	-	14,797
Financial Assets	**54,531**	**26,267**	**80,798**

	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**

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 judgments*

Estimates and judgments 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 assets. 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:

- 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;
- 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
- 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:

	2012		2011		2010	
Per rate type	Min	Max	Min	Max	Min	Max
Discount rate	5.5%	9.6%	5.3%	9.6%	6.5%	9.6%
Capitalization yield	NA	NA	5.4%	5.4%	NA	NA
Cap rate	5.6%	8.3%	5.3%	8.3%	5.3%	8.3%

Per asset type	Capitalization yield		Cap rate		Discount rate	
	Min	Max	Min	Max	Min	Max
Berlin Portfolio	NA	NA	5.6%	8.3%	5.5%	9.6%

As of December 2012, all the assets valued using the method of the capitalization yield have been sold.

- **Sensitivity analysis**

Figures in EUR Million

Portfolio	Discount Rate		Exit Cap Rate	
	DR - 25 bps	DR + 25 bps	ECR - 25 bps	ECR + 25 bps
Berlin Portfolio	9.43	(9.25)	9.03	(8.50)
Total	9.43	(9.25)	9.03	(8.50)

DR : Discount rate, ECR : Exit Capitalization Rate

Change of discount rate and capitalization rate would have an impact on the value of the portfolio.

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 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 an independent expert) from which the remaining development costs are deducted. The remaining development costs deriving from the project balance include the remaining construction, 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) As at 31 December 2012 there is no derivative instruments linked to bonds issued by the Company using a discount rate of 23.7% in 2011,

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 at 7.25%.

(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 judgments in applying the Group's accounting policies

a) 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 treats 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.

b) 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.

c) 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).

d) 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 amortization ("adjusted EBITDA" as defined below).

Corporate expenses are allocated on the basis of the revenue realized 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 – Amortization, 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 one hand, the Group is investing in land bank or assets for development and effectively developing them once the project presented is satisfactorily approved by the Investment Committee. Once the asset is developed it can be either sold to a third party or kept in the Group own portfolio for value 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 analyzed.

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 Property Investment Business line once completed;
- Property Investment business line (formerly 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 down 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.

Profit & Loss 31 December 2012	Development	Property Investments	TOTAL
Revenue	**124,696**	**56,337**	**181,033**
Sale of goods	*119,533*	*-*	***119,533***
Rent	*3,446*	*48,245*	***51,691***
Hotels, Extended Stay & Restaurants	*-*	*-*	***-***
Services	*1,717*	*8,092*	***9,809***
Net gain or loss from fair value adjustments on investment property	360	17,690	**18,050**
Cost of goods sold	(118,518)	(26)	**(118,544)**
Impairments - Allowance	(25,205)	(425)	**(25,630)**
Impairments - Write-Back	215	97	**312**
Amortization and provisions	(1,705)	212	**(1,493)**
Other operating results	(6,480)	(28,036)	**(34,516)**
Operating Result	**(26,637)**	**45,849**	**19,212**
Net gain or loss from fair value adjustments on investment property	(360)	(17,690)	**(18,050)**
Impairments - Allowance	25,205	425	**25,630**
Impairments - Write-Back	(215)	(97)	**(312)**
Amortization and provisions	1,705	(212)	**1,493**
Net result on disposal of assets	48	(511)	**(463)**
Adjusted EBITDA	**(254)**	**27,764**	**27,510**
Financial Result			**(23,138)**
Share profit or loss from equity affiliates			**-**
Profit & Loss before Income Tax			**(3,926)**

Balance Sheet & Cash Flow 31 December 2012	Development	Property Investments	TOTAL
Segment Assets	**5,188**	**515,076**	**520,264**
Investment Property	2,750	501,995	**504,745**
Property, plant and equipment	-	2,893	**2,893**
Inventories (*)	1,838	-	**1,838**
Assets held for sale	600	1,450	**2,050**
Investments in equity affiliates	-	8,738	**8,738**
Unallocated assets			*114,541*
Total Assets			**634,805**
Segment Liabilities	**-**	**-**	**-**
Liabilities linked to assets held for sale	-	-	**-**
Unallocated liabilities			*634,805*
Total Liabilities			**634,805**
Cash flow elements	**-**	**968**	**968**
Capital expenditure	-	968	**968**

Direct Operating Expenses 31 December 2012	Development	Property Investments	TOTAL
Direct operating expenses arising from investment property that :			
- generated rental income	(77)	(19,530)	**(19,607)**
- did not generated rental income	(2)	(15)	**(17)**

Profit & Loss 31 December 2011	Development	Property Investments	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 or loss from fair value adjustments on investment property	2,130	10,966	**13,096**
Cost of goods sold	(555)	(71)	**(626)**
Impairments - Allowance	(87)	(707)	**(794)**
Impairments - Write-Back	873	1,418	**2,291**
Amortization and provisions	4,557	(390)	**4,167**
Other operating results	(362)	(26,261)	**(26,623)**
Operating Result	**14,789**	**40,489**	**55,278**
Net gain or loss from fair value adjustments on investment property	(2,130)	(10,966)	**(13,096)**
Impairments - Allowance	87	707	**794**
Impairments - Write-Back	(873)	(1,418)	**(2,291)**
Amortization and provisions	(4,557)	390	**(4,167)**
Net result on disposal of assets	(9,243)	(623)	**(9,866)**
Adjusted EBITDA	**(1,927)**	**28,578**	**26,651**
Financial Result			**(24,425)**
Profit & Loss before Income Tax			**30,853**

Balance Sheet & Cash Flow 31 December 2011	Development	Property Investments	TOTAL
Segment Assets	**148,988**	**511,926**	**660,914**
Investment Property	4,090	487,899	**491,989**
Property, plant and equipment	-	5,167	**5,167**
Inventories (*)	144,269	-	**144,269**
Assets held for sale	629	18,860	**19,489**
Investments in equity affiliates			**-**
Unallocated assets			*131,320*
Total Assets			**792,234**
Segment Liabilities	**-**	**10,745**	**10,745**
Liabilities linked to assets held for sale	-	10,745	**10,745**
Unallocated liabilities			*781,489*
Total Liabilities			**792,234**
Cash flow elements	**50**	**494**	**544**
Capital expenditure	50	494	**544**

Direct Operating Expenses 31 December 2011	Development	Property Investments	TOTAL
Direct operating expenses arising from investment property that :			
- generated rental income	(63)	(19,940)	**(20,003)**
- did not generated rental income	(1,508)	(11)	**(1,519)**

(*) The only allocatable inventories are related to the real estate properties.

Prior-period adjustment: *As a result of the prior year adjustment describe in Note 2, the lines "Unallocated assets", "Total Assets", "Unallocated Liabilities" and "Total Liabilities" have been restated and reduced by EUR 4.0 million.*

- **Rent revenues**

Operational lease revenues contracted as of December 2012 - Figures in EUR Million

Asset type & location	2013	2014	2015	2016	2017	> 2017
Mixed Commercial	**36.0**	**17.1**	**10.4**	**6.5**	**2.7**	**1.9**
Germany	36.0	17.1	10.4	6.5	2.7	1.9
Total	**36.0**	**17.1**	**10.4**	**6.5**	**2.7**	**1.9**

- **General overview of the main provisions of lease agreements**

In Germany, the German Civil Code (BGB) contains a number of provisions governing the contents of lease agreements in Sections 535 and following BGB. Commercial leases which are not individually agreed are additionally reviewed under the provisions of general terms and conditions of trade in Section 305 and following BGB. Commercial leases are generally concluded for a fixed time period and usually contain a unilateral extension option for the tenant or a provision for automatic extension if neither party notifies the other to terminate the lease prior to a specified deadline before the end of the lease term. The latter case of contracts could be considered as permanent or indefinite till termination according the following regulations. The statutory and regular notification requirement for termination according Section 580 a BGB must occur at the latest at the third working day of one calendar quarter to the end of the next calendar quarter. Often this period is extended in the lease contract to longer periods. Similar periods are also used for option clauses. To fulfill the strict requirements of written form for the commercial lease contracts, all lease contracted for periods longer than one year must include all arrangements between the parties in one document signed by both parties. The rent and additional charges are paid by the tenant monthly in advance. The rents increase usually automatically through stepped rent (for example yearly by 3 %) or through stable value clauses, both ways must have been agreed in the contract beforehand.

6. *Acquisitions*

No business combination occurred in 2012 and in 2011.

7. *Intangible assets*

Intangible assets	Gross amount	Amortisation and Impairments	Net amount
Balance at 31 December 2010	**51,421**	**(893)**	**50,528**
Increase	18	-	18
Impairement	-	(23)	(23)
Balance at 31 December 2011	**51,438**	**(916)**	**50,522**
Increase	31	-	31
Impairments	-	(624)	(624)
Transfer	(51)	51	-
Balance at 31 December 2012	**51,418**	**(1,490)**	**49,929**

The intangible assets of EUR 49.9 million (EUR 50.5 million in 2011) include mainly the GSG trademark recognized as part of the business combination accounting (EUR 7.2 million) and the goodwill on acquisitions (EUR 42.7 million).

Goodwill	Gross amount	Amortisation and Impairments	Net amount
Balance at 31 December 2010	**43,816**	**(531)**	**43,285**
Balance at 31 December 2011	**43,816**	**(531)**	**43,285**
Impairments	-	(610)	(610)
Balance at 31 December 2012	**43,816**	**(1,141)**	**42,675**

The sole goodwill recognized as at 31 December 2012 (since 2009) is the GSG goodwill. 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. This amount of taxes is still above the amount of goodwill. A decrease of value of the assets by 10% would still leave deferred tax liabilities at a level above the amount of goodwill.

Some assets have been sold over the year 2012 and impairments have been recognized as a proportion in the GSG portfolio fair value of the fair value of these assets at the time of the acquisition.

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 fiber 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. No impairment is recognized on this intangible asset since as such the trademark continues to generate cash flows independently, the prospective valuation of the portfolio demonstrates the potential of the portfolio to continue to increase and the dynamic is clear with GSG beating systematically the budget in terms of occupancy and average revenues per square meters.

8. *Investment property*

The main assumptions used to calculate the fair value of the projects are disclosed in note 4.1. Even though the Group is controlling the majority of the voting rights, the operation and the strategy, the disposal of real estate assets located in entities where the Group does not hold 100% of the shares, needs the agreement of the partner.

	Freehold buildings	Extended stay hotels	Land bank	Buildings under construction	Buildings under finance lease	TOTAL
Balance at 31 December 2010	**506,138**	**-**	**2,020**	**-**	**-**	**508,158**
Investments / acquisitions	483	-	50	-	-	533
Asset sales	(8,610)	-	-	-	-	(8,610)
Revaluation through income statement	12,826	-	270	-	-	13,095
Transfers in/from asset held for sale	(18,860)	-	(629)	-	-	(19,489)
Other transfers	(4,078)	-	2,380	-	-	(1,698)
Balance at 31 December 2011	**487,899**	**-**	**4,090**	**-**	**-**	**491,989**
Investments / acquisitions	968	-	-	-	-	968
Asset sales	(1,733)	-	(1,100)	-	-	(2,833)
Revaluation through income statement	17,690	-	360	-	-	18,050
Changes in classification	(1,380)	-	-	-	-	(1,380)
Transfers in/from asset held for sale	(1,450)	-	(600)	-	-	(2,050)
Balance at 31 December 2012	**501,995**	**-**	**2,750**	**-**	**-**	**504,745**

- **In 2012**

40 investment properties (EUR 499.8 million) financed by bank loans located in special purpose entities are fully pledged for EUR 290.4 million.

a) Investments / Acquisitions

Over the year 2012, the Group has invested EUR 1.0 million in Investment Properties representing mainly capitalization on mixed retail and office in Berlin. Moreover, the Group did not proceed to any asset acquisition or any acquisition through business combinations.

b) Asset sales

As at 31 December 2012, the net book value ("NBV") of the assets sold represents EUR 2.6 million, for a total sale price of EUR 3.5 million and composed mainly of the following disposals:

- Ackerstrasse 81 and 93 in Berlin (NBV of EUR 1.5 million) at the sale price of EUR 2.0 million;
- Elb loft in Hamburg (NBV of EUR 1.1 million) at the sale price of EUR 1.5 million.

c) Revaluation through the income statement

The total amount of increase in fair value amounts to EUR 18.1 million of which EUR 17.7 million on freehold buildings and EUR 0.4 million on land banks. The movements in fair value are mainly related to the following freehold buildings:

- Gneisenaustrasse (EUR 1.0 million), Pankow (EUR 1.1 million), Schlesische Str. (EUR 1.3 million), Kopenicker Str. (EUR 1.4 million) Reichenberger Str. (EUR 1.4 million), Helmholtz Str. (EUR 1.5 million) Zossener Str. (EUR 1.6 million) and Franklinstrasse (EUR 2.9 million).

d) Transfers

Freehold Buildings – Changes in classification

The Group started in 2012 the residential development of Naunynstrasse 68 a rental property located in Berlin and as a consequence the asset has been transferred in Inventories for EUR 1.4 million.

Land banks – Transfers to Held for Sale Assets

The Group has decided to sell 2 investment properties in Germany which have been transferred in assets held for sale:

- Skalitzer Str. in Berlin for EUR 1.5 million;
- Kufurstenstrasse in Berlin for EUR 0.6 million.

- **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.

9. Owner-occupied buildings

Hotels and owner-occupied buildings	Owner-occupied Buildings
GROSS AMOUNT	
Balance as at 31 December 2010	**4,324**
Investments / acquisitions	11
Transfer	(1,226)
Balance as at 31 December 2011	**3,109**
Investments / acquisitions	-
Balance as at 31 December 2012	**3,109**
AMORTISATION AND IMPAIRMENT	
Balance as at 31 December 2010	**1,986**
Amortisations - Allowance	19
Impairments - Allowance	116
Translation differences	(1,923)
Balance as at 31 December 2011	**198**
Amortisations - Allowance	18
Balance as at 31 December 2012	**216**
NET AMOUNT	
Balance as at 31 December 2012	**2,893**
Balance as at 31 December 2011	*2,911*
Balance as at 31 December 2010	*2,338*

No movements on owner-occupied buildings occurred during 2012.

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

Assets held for sale	December 2012	December 2011
Opening Balance	19,489	112,674
Asset Sales	(19,489)	(112,674)
Transfer	2,050	19,489
Closing Balance	2,050	19,489

Liabilities linked to assets held for sale	December 2012	December 2011
Opening Balance	10,745	66,000
Asset sales	-	0
Transfer	-	10,745
Accrued interest	-	0
Repayment of loans	(10,745)	(66,000)
Closing Balance	0	10,745

- **In 2012**

As of 31 December 2012 the Group validated the sale of 2 plots of land in Berlin:

- Skalitzer valued at EUR 1.5 million;
- Kufuerstenstrasse 11 valued at EUR 0.6 million.

Over the year 2012, the Group sold 5 assets for EUR 19.5 million and repaid EUR 10.7 million of financing liabilities upon sales:

- Kurfustendamm 102 an investment properties in Berlin valued at EUR 6.3 million and financed by a liability of EUR 6.4 million fully repaid upon sale;
- Bergfried an investment properties in Berlin valued at EUR 3.7 million;
- Huttendorf an investment property in Dusseldorf valued at EUR 6.5 million and financed by a liability of EUR 4.3 million fully repaid upon sale;
- Ackerstrasse 83/84 an investment property in berlin valued at EUR 0.6 million;
- Kufurstenstrasse 13/14 an investment property in berlin valued at EUR 2.4 million;

- **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.

11. Fixtures and fittings

	Gross amount	Amortisation and Impairments	Net amount
Balance at 31 December 2010	**3,881**	**(2,329)**	**1,552**
Increase	147	-	147
Assets sales	(384)	381	(3)
Allowance - Write-back		561	561
Transfer	841	(841)	-
Balance at 31 December 2011	**4,485**	**(2,228)**	**2,257**
Increase	319	-	319
Assets sales	(114)	81	(33)
Allowance - Write-back	-	(457)	(457)
Transfer	(9)	9	-
Balance at 31 December 2012	**4,681**	**(2,595)**	**2,086**

Main increases are due to the IT hardware where GSG is an internet provider for its tenants.

12. Inventories

	December 2012	December 2011
Opening Balance	**144,269**	**142,276**
Impairments - Allowance	(24,264)	-
Impairments - Write-Back	-	663
Transfers	(2,521)	1,000
Development costs	2,988	886
Cost of goods sold	(118,544)	(555)
Closing Balance	**1,928**	**144,269**
o/w carried at deemed cost	*90*	*137,904*
o/w carried at fair value less costs	*1,838*	*6,365*

- **In 2012**

Development costs amount to EUR 3.0 million capitalized mainly on Sky Office (EUR 2.4 million) and Hochwald (EUR 0.5 million).

Cost of goods sold amounting to EUR 118.5 million have been registered mainly for EUR 117.3 million on the commercial project Sky Office (Dusseldorf) and Hochwald for EUR 1.2 million.

The cancellation of the sales negotiations in September conducted the Group to recognize an impairment of EUR 24.3 million on Sky Office building in order to adjust the book value to the realizable value under distressed conditions. Indeed the pressure of the financing bank and the need to fill GSG refinancing gap did not leave the opportunity to secure an arms' length sale.

The transfers are explained by the change in classification of Naunynstrasse previously classified under Investment Property (see Note 8) for EUR 1.4 million and by the netting of the net book value of Knorrstrasse with the prepayments following to the finalization of the asset transfer for EUR -4.3 million.

- **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.

13. Net result on disposal of assets

During 2012 assets and activities were sold for a total consideration of EUR 22.8 million generating a consolidated gain of EUR 12.0 million and net cash inflow after financial debt repayment amounting to EUR 10.7 million. The main contributors of the asset's sales are describe in the note 8 and 10.

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.

14. Other current assets

	Balance as at 31 December 2011	Variation	Impairments	Transfer	Balance as at 31 December 2012
Prepayment tax and social security	1,120	881	-	-	2,001
Operating loans	18	(18)	-	-	-
Accrued assets	15,269	(929)	-	(2)	14,338
Other current assets	5,330	(1,255)	(182)	-	3,893
Accrued interests	37	62	-	(31)	68
Total other current assets	**21,774**	**(1,258)**	**(182)**	**(33)**	**20,300**

Over 2012, the Group recognized EUR 0.2 million of impairment on trading securities.

15. Cash and cash equivalents

As at 31 December 2012, the cash and cash equivalents consist of cash in bank for EUR 7.8 million (EUR 14.8 million in 2011).

Cash in bank include restricted cash amounting to EUR 5.3 million (EUR 4.4 million in 2011) representing:

- cash deposited in accounts pledged as collateral for development projects and lifted after sales of units EUR 0.1 million (EUR 2.2 million in 2011).
- cash deposited in accounts pledged as collateral for loans related to the acquisition of property amounts to EUR 0.4 million (EUR 1.9 million in 2011).
- cash contribution of the Group's joint ventures as both parties' approval is needed or restricted entities for withdrawal amounting to EUR 4.8 million in 2012 (EUR 0.2 million in 2011).

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

16.1. Borrowings movements and maturity

Non-current financial debts	Bank loans	Other non-current borrowings	Fixed rate bonds	TOTAL
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 December 2011	**26,692**	**11,186**	**0**	**37,878**
Issue of new loans and drawdowns	264,808	1,330	-	266,138
Interests accumulated during the year	-	-	-	-
Transfers	(9,148)	102	20,000	10,954
Translation differences	-	-	-	-
Balance at 31 December 2012	**282,352**	**12,618**	**20,000**	**314,970**

No new bonds have been issued in 2011 and in 2012.

For non-current bond movements, please refer to note 16.2.

- **2012**

Issue of new bank loans and new drawdowns (EUR 264.8 million) relates to the refinancing of GSG with 5 banks the 13 December 2012 (EUR 269.6 million) , over the period refinancing fees have been capitalized for EUR 5.1 million.(amortized till the maturity of the loan)

Transfers of bank loans (-EUR 9.1 million) are mainly related to the transfer after the refinancing of GSG of the current part of the loan (-EUR 8.6 million)

As at 31.12.2012 the other non-current borrowings amounts to EUR 12.6 million (EUR 11.2 million as at December 2011) corresponding mainly to the equity loans from the parent company (Orco Property Group).

- **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 2012

	Carrying value of bonds	Fair Value of bonds
Bonds	20,000	-
Derivative instruments on bonds	-	-
Bonds as at 31/12/2012	**20,000**	**0**

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**

Borrowings maturity (bonds and financial debts)

In 2012, the non-current financial debts amount to EUR 545 million (in 2011 EUR 38 million). The table below represents the carrying amount of the debts allocated by date of repayment.

At 31 December 2012	Note	Less than one year	1 to 2 years	2 to 5 years	More than 5 years	Total
Non-convertible bonds	15.1	-	-	-	**20,000**	**20,000**
Financial debts		-	**33,582**	**248,770**	**12,610**	**294,962**
Bank loans	15.1	-	33,582	248,770	-	282,352
Bank loans fixed rate		-	-	-	-	-
Bank loans floating rate		-	33,582	248,770	-	282,352
Other non-current borrowings	15.1	-	-	-	12,610	12,610
Total		-	**33,582**	**248,770**	**32,609**	**314,961**
Non convertible bonds	17	**2**	-	-	-	**2**
Financial debts		**8,013**	-	-	-	**8,013**
Bank loans	17	7,944	-	-	-	7,944
Bank loans fixed rate		-	-	-	-	-
Bank loans floating rate		7,944	-	-	-	**7,944**
Other borrowings	17	69	-	-	-	**69**
Financial liabilities linked to discontinued activities	-	-	-	-	-	-
Total		8,015	-	-	-	**8,015**
TOTAL		**8,015**	**33,582**	**248,770**	**32,609**	**322,976**

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 2011) and 100% of the current floating rate borrowing amounts (100% in 2011), 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 290.3 million (EUR 436.3 million as at 31 December 2011).

The Group's borrowings are fully denominated in euro.

- **In 2011**

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 2011). 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.

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**

16.2. 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 2050
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% and 0.5% starting from 30 May 2012
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 warrant holders, 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

Current financial debts	Fixed Rate bonds
Balance at 31 December 2011	**97,776**
Interests	2,323
Redemption premium	25,025
Coupon capitalized in 2012	4,004
Own bonds received in connection with Capital Increase dated September 27,2012	(109,129)
Balance at 31 December 2012	**20,000**

On May 9, 2012, approximately 85% of the OG Bonds were exchanged for convertible bonds (Obligations Convertibles en Actions) to be issued by OPG. As a result of this exchange, OPG received OG Bonds, which were contributed to the Company as described in note 24.

As at September 27, 2012, as part of the capital increase, 125,130 bonds were contributed to Orco Germany by Orco Property Group and OPG related entities, representing 84.5% of the outstanding number of bonds.

As a result of the bond's restructuring these bonds held by OG's parent company have to be converted into 28 million new OG share. It is expected to occur in the first half of 2013.

As at 31 December 2012, the remaining bond debt in OG amounts to EUR 20.0 million.

The parent company OPG is holding 550,000 warrants (550,000 in 2011) ,Orco Germany Investments S.A., a subsidiary of the Company, owned 2,397,311 warrants and Orco Grundstueck GmbH owned 1,150,000 warrants.

As at December 31, 2012 and 2011, no warrant attached to the bonds ("BSAR") have been exercised.

16.3. Derivatives

	31 December 2012	31 December 2011
Interest rate derivatives	-	-
Total current assets		
Embedded derivatives on bonds	0	22,914
Total non-current liabilities	**0**	**22,914**
Interest rate derivatives	4,521	6,928
Total current liabilities	**4,521**	**6,928**
Net derivatives	**(4,521)**	**(29,842)**

Derivative instruments are presented within others current assets when their fair value is positive, within other current or non-current liabilities when their fair value is negative. Changes in the fair value are recognized immediately in the income statement under other 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.

The Group uses various types of interest rate derivative contracts to protect against unpredictable cash disbursements linked to its assets and liabilities due to fluctuations in interest rates. As at 31 December 2012, the total debt covered by interest rate swaps and collars amounts to EUR 290.3 million (EUR 333.1 million in 2011). It represents 100% of the floating rate debt (78.3% in 2011).

16.4. Net interest expenses

	31 December 2012	31 December 2011
Interest income	2,064	2,170
Interest expenses	(23,624)	(33,051)
Net interest expenses	**(21,560)**	**(30,881)**

The decrease of interests expenses by EUR 9.5 million is mainly related to the repayment of the loan financing Sky Office and the down payment upon financing on GSG.

16.5. Average effective interest rates

	31 December 2012	31 December 2011	31 December 2010
Bonds	7.90%	7.73%	8.49%
Bank borrowings	4.31%	5.30%	8.55%

Bank borrowings effective rate decreased from 5.30% to 4.31% mainly due to the repayment of credit lines upon assets sales.

16.6. Loans in breach of covenants

	As at 31 December 2012			As at 31 December 2011		
	Principal	Accrued Interest	Total	Principal	Accrued Interest	Total
Long term loans presented in short term						
due to Financial covenant breach	-	-	-	-	-	-
due to Non repayment	-	-	-	-	-	-
due to Administrative breach	-	-	-	-	-	-
due to Financial and administrative breach and/or non repayment	-	-	-	-	-	-
Total long term loans presented in short term	-	-	-	-	-	-
Short term loans in breach	-	-	-			
due to Financial covenant breach	-	-	-	-	-	-
due to Non repayment	-	-	-	-	-	-
due to Financial and administrative breach and/or non repayment	-	-	-	-	-	-
Total short term loans in breach	-	-	-	-	-	-
Total loans linked to assets held for sale	-	-	-	4,300	-	**4,300**
Total Loans in Breach	-	-	-	4,300	-	**4,300**

During the year 2012 the breaches for the loan financing Huettenstrasse for EUR 4.3 million has been fully repaid upon sale.

17. *Provisions and other long term liabilities*

The provisions amount to EUR 14.0 million (EUR 10.2 million in 2011) and are mainly composed of provisions to cover the Group's retirement benefit obligations.

	Opening	Scope Exit	Variation	Allowance	Write-Back	Transfer	FX adjust.	Total
Retirement obligations	9,205	-		99	(318)	-	-	**8,987**
Other provisions	1,000	-		4,000	-	-	-	**5,000**
Other long term liabilities	8		(8)	-	-	-	-	**0**
Total provisions and other long term liabilities	**10,214**	**-**	**(8)**	**4,099**	**(318)**	**-**	**-**	**13,987**

Other provisions

An adjustment on the provision regarding the Bar neighbour agreement (escrow account of EUR 8.7 million as at 31 December 2012) related to the project Leipziger Platz has been recorded for EUR 4.0 million over the year 2012 leading to a total provision of EUR 5.0 million.

Retirement benefit obligation

In the Group, only Orco Projektentwicklungs GmbH (formerly Viterra Development GmbH) and Orco Grundstücks 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.

Retirement benefit obligations:	31 December 2012	31 December 2011	31 December 2010
Present value of unfunded obligations	10,810	9,084	9,194
Unrecognised actuarial gains	-1,823	122	596
Liabilities in the balance sheet	**8,987**	**9,206**	**9,790**

(i) - The movement in the defined obligation over the year is as follows:

	31 December 2012	31 December 2011	31 December 2010
Beginning of the year	**9,083**	**9,194**	**8,661**
Current service cost	0	0	18
Interest cost	408	428	445
Actuarial gains(losses)	1,739	(122)	472
Benefits paid	(420)	(416)	(402)
End of the year	**10,810**	**9,084**	**9,194**

(ii) - The principal actuarial assumptions used were as follows:

	31 December 2012	31 December 2011	31 December 2010
Discount rate	3.17%	4.60%	4.75%
Future salary increases	n.a	n.a	2.75%
Future pension increases	2.00%	2.00%	2.00%
Corridor	n.a	10.00%	10.00%

(iii) - Transition to IAS 19 – 2011 amendment "Employees Benefits"

Application of IAS 19, rev.2011 is compulsory for periods beginning at or after 1st January 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.

The impact of the changes amounts to EUR 1.739 KEUR.

	In Euro
Defined benefit asset/(liability) IAS 19 (pre-amendment) as at 31 December 2011	**(9,205)**
Unrecognised past service cost as at 31 December 2011	-
Unrecognised net actuarial gain/(losses) as at 31 December 2011	123
Net defined benefit asset/(liability) IAS 19 revised 2011 as at 01 January 2012	**(9,083)**
Service cost	-
Net interest on net defined benefit liability/(asset)	(408)
Remeasurement effects recognised in OCI	(1,739)
Employer contributions	-
Benefits paid directly by the Company	419
Transfer payments	-
Acquisitions	-
Divestitures	-
Cost of termination benefits	-
Net defined benefit asset/(liability) IAS 19 revised 2011 as at 31 December 2012	**(10,810)**

	Total
Defined benefit asset/(liability) IAS 19 (pre-amendment) as at 31 December 2011	**(9,205)**
Unrecognised past service cost as at 31 December 2011	-
Unrecognised net actuarial gain/(losses) as at 31 December 2011	123
Net defined benefit asset/(liability) IAS 19 rev2011 as at 01 January 2012	**(9,083)**
Service cost	-
Net interest on net defined benefit liability/(asset)	(408)
Remeasurement effects recognised in OCI	(1,739)
Employer contributions	-
Benefits paid directly by the Company	419
Transfer payments	-
Acquisitions	-
Divestitures	-
Cost of termination benefits	-
Net defined benefit asset/(liability) IAS 19 rev2011 as at 31 December 2012	**(10,810)**

18. 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	21	3,288	4,706	8,015
Trade payables	2,980	125	1,505	4,611
Advance payments	1,902	3,305	9,085	14,292
Other current liabilities	7,827	4,138	1,453	13,418
31 December 2012	**12,730**	**10,856**	**16,749**	**40,336**
Other current liabilities as at December 2012				**16,886**
Not financial other current liabilities				3,468
w/o Tax and income tax				*2,794*
w/o Social & Payroll				*674*
Other financial current liabiilities	7,827	4,138	1,453	13,418

	Less than 1 month	Between 1 and 6 months	Between 6 months and 1 year	TOTAL
Financial debts & Current bonds	-	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	10 747
31 December 2011	**18 886**	**408 773**	**127 955**	**555 616**
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

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 3.5 million (EUR 4.6 million in 2011).

As at 31 December 2012 the movements in current loans are the following:

Current financial debts	Bank loans	Other current borrowings	TOTAL
Balance at 31 December 2010	**200,590**	**12**	**267,857**
Issue of new loans and drawdowns	4,998	189	5,187
Repayments of loans	(69,925)	(11)	(69,936)
Transfers	273,924	(172)	371,528
Balance at 31 December 2011	**409,587**	**18**	**507,381**
Issue of new loans and drawdowns	-	136	136
Repayments of loans	(410,792)	0	(410,792)
Interests	-	-	2,324
Redemption premium	-	-	25,025
Coupon capitalized in 2012	-	-	4,004
Recognition of the part of the bonds acquired by OPG	-	-	(109,129)
Transfers	9,148	(82)	(10,934)
Balance at 31 December 2012	**7,943**	**72**	**8,015**

- **In 2012**

The repayments of loans are mainly related to the refinancing of GSG for EUR 300.4 million and repayments of loans upon sales of assets and development for EUR 108.0 million of which Sky Office (EUR 96.0 million) , Ku-Damm 102 (EUR 6.5 million) and Hüttenstrasse (EUR 4.3 million).

The transfer is mainly related to the transfer of current part of the non-current loans for EUR 9.1 million of which GSG (EUR 8.6 million).

Following the bonds' restructuring the remaining part is transferred to the long term as the updated maturity is 30 May 2050.

- **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.

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.

19. 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 tax assets and liabilities relate to income taxes laid by the same taxation authority of either the taxable entity or different taxable entities where there is the intention to settle the balances on a net basis.

The capacity to recognize the deferred tax asset arising from the temporary differences detailed in the thereafter table is assessed on the level of the fiscal entity. In the case of the entity is not in position to recognize them, they are neutralized on the line "DTA derecognition".

	December 2011	Scope Variation	Variation	Other	December 2012	DTA At Closing	DTL At Closing
Intangible assets	(2,157)	-	-	-	(2,157)	-	(2,157)
Tangible assets	(87,003)	22	(6,376)	212	(93,146)	1,006	(94,152)
Financial assets	5,070	-	1,997	-	7,067	7,288	(221)
Inventories	2,726	-	1,152	(212)	3,666	5,476	(1,810)
Current assets	(2,658)	-	(797)	-	(3,455)	135	(3,590)
Equity	35	-	-	-	35	39	(3)
Provisions	(18)	(369)	(288)	-	(675)	-	(675)
Long term debts	3,091	-	(330)	-	2,762	3,888	(1,126)
Current debts	2,412	-	(1,213)	-	1,199	1,660	(461)
DTA derecognition	(10,374)	-	(4,882)	-	(15,256)	(15,256)	-
Recognized loss carry forward	578	427	(427)	-	578	578	-
Total deferred taxes	**(88,298)**	**80**	**(11,164)**	**-**	**(99,382)**	**4,814**	**(104,195)**
Deferred tax assets	-				-		
Deferred tax liabilities	(88,299)				(99,382)		

	December 2010	Scope Variation	Variation	Other	December 2011	DTA At Closing	DTL At Closing
Intangible assets	(2,157)	-	-	-	(2,157)	-	(2,157)
Tangible assets	(87,681)	6,399	(5,721)	-	(87,003)	538	(87,542)
Financial assets	3,369	108	1,594	-	5,070	5,274	(221)
Inventories	2,594	447	(315)	-	2,726	4,414	(1,688)
Current assets	(1,994)	-	(664)	-	(2,658)	61	(2,719)
Equity	35	-	-	-	35	39	(3)
Provisions	458	-	(476)	-	(18)	376	(394)
Long term debts	2,707	-	385	-	3,091	3,252	(161)
Current debts	5,096	-	(2,684)	-	2,412	2,564	(135)
DTA derecognition	-	-	-	(10,374)	(10,374)	(10,374)	-
Recognized loss carry forward	(10,766)	-	969	10,374	578	578	-
Total deferred taxes	**(88,339)**	**6,954**	**(6,912)**	**-**	**(88,298)**	**6,722**	**(95,020)**
Deferred tax assets	-				-		
Deferred tax liabilities	(88,340)				(88,299)		

The income tax and deferred tax rates applicable in 2012 (like in 2011) are 30.17 % in Germany and 28.80% in Luxembourg.

In 2012, the theoretical tax rate is -29.80% and the effective tax rate of the period is 112.02%. The income tax loss recognized in the income statement amount to EUR 11.4 million and composed of EUR 0.6 million of current income tax expenses and EUR 10.8 million of deferred income taxes expenses arising essentially from the booking of the positive revaluations booked on the properties for EUR 18.1 million.

In 2011, the theoretical tax rate is 30.13% and the effective tax rate of the period is 30.99%. As at 31 December 2011, the income tax loss recognized in the income statement amount to a charge of EUR 9.6 million among which EUR 2.6 million of current income tax expense and EUR 6.9 million deferred income tax expense. 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 Group choose to correct the presentation of the 2011 table and disclose in the "other" column the neutralized deferred tax asset arising from temporary differences at the 2011 opening in the entities which were not in position to recognize them. The neutralization of this EUR 10.4 million deferred tax asset is now presented on the line "DTA derecognition".

As at December 2012, the losses carry forward not recognized into the local statutory accounts of the Group's subsidiaries represents a tax basis of EUR 183.9 million (EUR 159.3 million in 2011).

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 2012	December 2011
Profit or Loss before tax from continued operations	**(3,926)**	**30,853**
Tax calculated at domestic rates applicable to profits in the respective countries	1,151	(9,295)
Tax effects of:		
Tax consolidation	(12)	-
Untaxed gains or losses	(2,090)	4,956
Undeductible charges and interests	(2,012)	(5,444)
Temporary differences	(9,056)	205
Other income tax	862	(27)
Remeasurement of deferred tax - Change in tax rates	0	-
Adjustments from previous years	(565)	42
Income tax expense recognised in profit or loss from continued operations	**(11,722)**	**(9,563)**

20. Amortizations, impairments and provisions

	31 December 2012	31 December 2011	Variation	Notes
Provisions for pension scheme	219	697	(478)	17
Provisions for other risks and charges	(1,241)	3,804	(5,045)	17
Total Provisions	**(1,022)**	**4,501**	**(5,523)**	
Impairment of Intangible Assets	(610)	-	(610)	7
Impairment of Tangible assets	-	(116)	116	9
Impairment of Inventories	(24,264)	663	(24,927)	12
Impairment of Trade Receivables	(262)	80	(342)	
Impairment of Other Current Assets	(182)	-	(182)	14
Total Impairments	**(25,318)**	**627**	**(25,945)**	
Amortsation of Intangible assets	(14)	(23)	9	7
Amortisations of owner-occupied buildings	(18)	(19)	1	9
Amortisation of Fixtures and Fittings	(457)	561	(1,018)	11
Total Amortisation	**(471)**	**538**	**(1,008)**	
Total Amortisation, Impairments & Provisions	**(26,812)**	**5,665**	**(32,475)**	

Over 2012, the Trade Receivables net impairments increased by a net amount of EUR 0.3 million mainly due to the impairment on GSG tenants for EUR 0.1 million

21. Details of expenses

	31 December 2012	31 December 2011	Variation
Leases and rents	(437)	(556)	119
Building maintenance and utilities supplies	(17,486)	(18,645)	1,159
Marketing and representation costs	(724)	(832)	108
Administration costs	(11,426)	(7,775)	(3,651)
Taxes other than income tax	(1,803)	(2,487)	684
Other operating expenses	(201)	(98)	(103)
Salaries	(5,618)	(4,662)	(956)
Social security expenses	(797)	(809)	12
Pension costs	(568)	(736)	169
Other employee benefits	(7)	(177)	170
Other personnel related charges	(69)	(364)	295
Total other operating expenses	**(39,138)**	**(37,142)**	**(1,994)**

Non-cancellable operating leases commitments amount as follows:

- EUR 0.3 million not later than 1 year
- EUR 0.3 million later than 1 year and not later than 5 year
- No commitments later than 5 years

Moreover, the Group expects to receive EUR 0.6 million of future sublease revenue payments under non-cancellable leases and subleases until the end of the contract.

Over 2012, the operating expenses increased by EUR 2.0 million. Such increase is mainly due to the administration costs (EUR 3.7 million) and salaries (EUR 1.0 million). The salaries increase as a result of specific accruals for Bonus in GSG, whereas the administration costs' variation is explained by the commissions and fees linked to sale of Sky Office and the refinancing of GSG portfolio.

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

	31 December 2012	31 December 2011
Audit fees pursuant to legislation	(397)	(641)
Other services	(2)	(204)
Total other operating expenses	**(399)**	**(845)**

22. Other net financial results

	12 months 2012	12 months 2011	Changes
Change in carrying value of liabilities at amortised cost	-	-	-
Change in fair value and realised result on derivative instruments	449	6,374	(5,925)
Change in fair value and realised result on other financial assets	-	-	-
Other net finance losses	(2,027)	82	(2,109)
Total	**(1,578)**	**6,456**	**(8,034)**

- **In 2012**

The "change in fair value and realized result on derivative instruments" is mainly related to:

- The gain on derivatives for EUR 2.6 million
- The loss recognized on the embedded bond derivative for EUR 2.2 million as a result of its conversion into a debt eligible to the bond restructuring. As of December 2012, this embedded bond does not exist anymore.

Other finance charges are mainly related to the standstill fees on GSG for EUR 1.1 million and refinancing fees on Sky Office for EUR 0.4 million and bank expenses.

- **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.

23. Earnings per share

	31 December 2012	31 December 2011
At the beginning of the period	**46,871,333**	**48,771,333**
Shares issued	48,771,333	48,771,333
Treasury shares	(1,900,000)	
Weighted average movements	**39,779,597**	**(1,524,176)**
Issue of new shares	39,779,597	
Treasury shares	-	(1,524,176)
Weighted average outstanding shares for the purpose of calculating the basic earnings per share	**86,650,930**	**47,247,157**
Weighted average outstanding shares for the purpose of calculating the diluted earnings per share	**86,650,930**	**47,247,157**
Net profit/(loss) attributable to the Equity holders of the Company	**(15,773)**	**21,277**
Net profit /(loss) attributable to the Equity holders of the Company after assumed conversions / exercises	**(15,773)**	**21,277**
Total Basic earnings in EUR per share	**(0.18)**	**0.45**
o/w continuing operations	(0.18)	0.45
o/w discontinued operations	-	-
Total Diluted earnings in EUR per share	**(0.18)**	**0.45**
o/w continuing operations	(0.18)	0.45
o/w discontinued operations	-	-

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 2011 and 2012.

As at 31 December 2012, the treasury shares of the Company represent 1,900,000 shares, there were no movements over 2012.

24. Equity holders

	Number of shares	Share Capital	Share premium
Balance at 31 December 2010	**48,771,333**	**60,964**	**123,658**
Balance at 31 December 2011	**48,771,333**	**60,964**	**123,658**
Capital decrease of 26 April 2012		(56,087)	
Capital increase of 27 September 2012	153,256,130	15,326	93,793
Balance at 31 December 2012	**202,027,463**	**20,203**	**217,450**

- **In 2012**

Share capital amounts to EUR 20,202,746 and is represented by 202,027,463 shares with a nominal value of EUR 0.10 each fully paid in.

At the Company's extraordinary general meeting held on 26 April 2012, the shareholders resolved to decrease the share capital of the Company from its previous amount of EUR 60,964,166.25 to EUR 4,877,133.30 without cancellation of shares, by decreasing the accounting par value of the existing shares from EUR 1.25 to EUR 0.10 per share with allocation of the reduction proceeds to Other Reserves.

As at 27 September 2012, 153,256,130 new ordinary shares of Orco Germany were issued and paid by the contribution in kind of approximately 84.5% of Orco Germany bonds (see note 16.2). 92.48% of issued shares were subscribed OPG (141,724,871 shares) and 7.52% (11,531,259 shares) by its subsidiary, Brillant 1419. GmbH & Co. Verwaltungs KG.

Following the issuance, the total share capital amounts to EUR 20,202,746 and the share premium to EUR 273,537,391.

Each share is entitled in the profits and corporate capital to a pro rata portion of the corporate capital it represents, as well as to voting rights and representation at general meetings of the shareholders in accordance with statutory and legal provisions.

Authorized capital not issued:

At the extraordinary general meeting of 26 April 2012, the shareholders resolved to set the existing authorized share capital to an amount of EUR 100,000,000 for a period of 5 years from the date of the General Meeting. Following the capital increase of 27 September 2012, the remaining authorized share capital is EUR 84,674,387.

According to article 5 of the Articles of Association of the Company has an authorized, but unissued share capital of EUR 84,674,387 (the "Authorized Capital").

The board of directors of the Company is authorized and empowered within the limits of the authorized capital to:

- realize any increase of the share capital or equity of the Company with or without the issuance of new shares; and
- issue bonds, preferred equity certificates, warrants, options or other instruments convertible, exchangeable or exercisable into new shares and to issue new shares further to the conversion or exercise of the above mentioned instruments.

For the avoidance doubt, any increase of the share capital or equity of the Company, as well as any issue of bonds, preferred equity certificates, warrants, options or other instruments convertible, exchangeable or exercisable into new shares decided by the Board of Directors prior to 26 April 2012 under the former authorized share capital of the Company but not realized, converted or exercised at this date remains validly approved and can be realized, issued, converted or exercised under this new authorized capital.

Such authorization will expire five years after the date of general meeting of shareholders of the Company held on 26 April 2012 and can be renewed in accordance with the applicable legal provisions.

- **In 2011**

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 "Authorized 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 Authorized 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 Authorized 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 Authorized 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 Authorized 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 Authorized 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 authorized with respect to the Reserve Authorized 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 dependent on the other and may only happen at the same time.

25. Contingencies and litigations

The Group has given guarantees in the ordinary course of business (see note 16.1).

As at 31 December 2012, it exist a contingent liability of EUR 5.9 million related to BAR Security.

26. Capital commitments

There is no commitments for the projects as at 31 December 2012 (EUR 0 million in 2011).

27. Related party transactions

Transactions with key management personnel

a) Transactions with OPG and its subsidiaries

The Company was granted an "equity loan" by OPG bearing interest at an annual fixed rate of 6% (8% in 2011) and a maturity date of 2020. This loan amounted to EUR 12.6 million as at 31 December 2012 (EUR 8.5 million in 2011). Net interest expenses related to this loan amounted to EUR 0.7 million as at 31 December 2012 (EUR 1.0 million in 2011).

Over 2012, OPG's subsidiary, Orco Prague, invoiced to GSG advisory fees amounting to EUR 1.3 million. These fees were related to negotiations and management support to GSG in refinancing of the new loan contract with DGHy.

Moreover, during the last quarter 2012, the Company sold 1,255 shares of its subsidiary Gebauer Hofe Liegenschaften GmbH to the OPG's subsidary Brilliant 1419 GmbH & Co. Verwaltungs KG for a sale price of EUR 0.1 million. As a result, this transaction led to a direct and indirect decrease of the percentage of interest of the Group in this company from 100% to 94.98% and a net increase of the consolidated reserves group share of EUR 0.4 million.

b) Remuneration of key management personnel

The members of the Board of Directors of the Company, the CEO, the Deputy CEO&CFO and the General Secretary of Orco Germany, the Managing Director of ORCO Germany subsidiaries, the CFO and COO of GSG are considered as the key management personnel of the Group.

Over 2012, key management personnel received a global remuneration of EUR 1.2 million (EUR 1.2 million as at 31 December 2011).

c) Other transactions with key management personnel

In the first half of 2011, two entities closely associated to Gabriel Lahyani, a then member of the OPG's Board of Directors acquired 8,890 bonds (ISIN: XS0302623953) of the Company from the OPG's subsidiary for a total of EUR 4.4 million. As of the date of this report, the amount of EUR 227,480 plus statutory late interest accrued thereto is owed to the Company as a consequence of this transaction. Although the OPG firmly intends to pursue full recovery of this amount, the receivable has been impaired in the 2012 accounts of the Company.

28. List of the fully consolidated subsidiaries

Orco Germany S.A as mother company is owned at 98.02 % by Orco Property Group S.A (directly owned by OPG S.A at 91.39% and by Brilliant 1419 GmbH & Co. Verwaltungs KG at 5.71%, and indirectly at 0.94% by Orco Grundstücks - u. Bet.ges. GmbH, a subsidiary of Orco Germany S.A) as at 31 December 2012 (vs 91.56% as at 31 December 2011).

The list of of Orco Germany's subsidiaries is detailed as following:

Company	Country	Ccy	Activity	% Shareholding 31.12.2012	% Shareholding 31.12.2011
Apple Tree GmbH (merged in Orco Immobilien GmbH)	Germany	EUR	Property investments	/	100.00%
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	94.98%	100.00%
GSG 1. Beteiligungs GmbH	Germany	EUR	Property investments	100.00%	100.00%
GSG Asset GmbH & Co. Verwaltungs KG	Germany	EUR	Property investments	100.00%	100.00%
GSG Gewerbesiedlungs-Gesellschaft mbH	Germany	EUR	Property investments	100.00%	100.00%
Hofnetz und IT Services GmbH	Germany	EUR	Development	100.00%	100.00%
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 PEG mbH	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 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%	100.00%
Viterra Baupartner GmbH (merged in Orco Grundstücks- u. Bet.ges.mbH)	Germany	EUR	Development	/	100.00%
Vivaro GmbH & Co. Grundbesitz KG	Germany	EUR	Development	94.34%	94.34%
Vivaro GmbH & Co. Zweite Grundbesitz KG	Germany	EUR	Development	94.34%	94.34%
Vivaro Vermögensverwaltung GmbH	Germany	EUR	Development	100.00%	100.00%

29. 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 2012	December 2011
Non-current assets	-	-
Current assets	*180*	*4,633*
Assets	**180**	**4,633**
Non-current liabilities	*(0)*	-
Current liabilities	*93*	*4,579*
Liabilities	**93**	**4,579**
Income	*83*	*22*
Expenses	*(50)*	*(23)*
Profit/(loss) after income tax	**33**	**(0)**
Operating result	*31*	*(6)*
Net Result Group Share	*33*	*(0)*

Over 2012, the project BMW was finished, so the netting of current assets with the current liabilities following the finalization of the asset transfer for EUR 4.3 million was realized.

30. Events after balance sheet date

Transfer of Kurfürstenstrasse 11

As at 1st January 2013, the GSG land plot Kurfürstenstrasse 11 was finally transferred for a sale price of EUR 0.6 million.

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To the Shareholders of
Orco Germany, Société Anonyme
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REPORT OF THE REVISEUR D'ENTREPRISES AGREE

Report on the consolidated financial statements

Following our appointment by the General Meeting of the Shareholders dated 25 July 2011, we have audited the accompanying consolidated financial statements of Orco Germany, Société Anonyme ("Orco Property Group", the "Company" or the "Group") which comprise the consolidated statement of financial position as at 31 December 2012, and the consolidated statement of comprehensive income, statement of changes in equity and consolidated statement of cash flow 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 by the European Union, and for such internal control 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.

Deloitte.

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* judgement 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 31 December 2012, and of its financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Emphasis of matter

We draw attention to note 2.1.3.d) to the consolidated financial statements which describes adjustments in relation to an impairment on a trade receivable amounting to EUR 4 million that were applied to amend certain comparative figures presented in the opening balance of assets, liabilities and equity, as a consequence of an error identified in relation to a period that precedes the earliest prior period presented. Such adjustment has no impact on the net result for any period presented.

Our opinion is not qualified in respect of this matter.

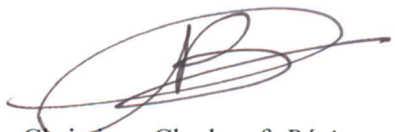
Deloitte.

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

April 10, 2013

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, 2012

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

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

BALANCE SHEET

December31, 2012

A S S E T S	**2012** **EUR**	**2011** **EUR**
FIXED ASSETS	**121,361,842**	**159,649,428**
Tangible assets (note 3)		
Land and buildings	-	5,759,606
Financial assets (note 4)		
Shares in affiliated undertakings	74,831,816	77,147,758
Loans to affiliated undertakings	45,491,574	76,742,064
Loans to participating interest	1,038,452	-
CURRENT ASSETS	**12,137,342**	**11,324,785**
Stocks	11,347	10,841
Debtors (becoming due and payable after less than one year)		
Trade debtors	21,195	49,567
Amounts owed by affiliated undertakings (note 4.3)	10,239,911	9,082,373
Other debtors	324,782	361,811
Other investments	59,081	28,080
Cash at bank and in hand	1,481,026	1,792,113
PREPAYMENTS AND ACCRUED INCOME	**10,000**	**175,303**
TOTAL ASSETS	**133,509,184**	**171,149,516**
L I A B I L I T I E S		
CAPITAL AND RESERVES (note 5)	**75,023,825**	**(10,811,855)**
Subscribed capital	20,202,746	60,964,166
Share premium and similar premiums	217,450,357	123,657,605
Other reserves	56,087,033	-
Loss brought forward	(195,433,625)	(191,940,347)
Loss for the financial year	(23,282,686)	(3,493,279)
PROVISIONS	**-**	**824,203**
Other provisions	-	824,203
NON SUBORDINATED DEBTS	**58,485,359**	**181,137,168**
Debenture loans – Convertible loans (note 6)		
Becoming due and payable after less than one year	20,010,703	127,451,544
Amounts owed to credit institutions (note 7.1)		
Becoming due and payable after less than one year	-	4,990,000
Trade creditors (due and payable within one year)	301,063	808,717
Amounts owed to affiliated undertakings (note 7.2)		
Becoming due and payable after less than one year	2,532,381	1,804,568
Becoming due and payable after more than one year	35,216,041	45,159,251
Tax and social security (due and payable within one year)	70,000	43,009
Other creditors (due and payable within one year)	355,173	880,079
TOTAL LIABILITIES	**133,509,184**	**171,149,516**

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 December31, 2012

C H A R G E S	**2012** **EUR**	**2011** **EUR**
Other external charges (note 9)	2,794,354	2,971,095
Value adjustments		
On elements of current assets (note 4.3)	-	1,048,118
Other operating charges (note 13)	137,736	308,450
Value adjustments in respect of financial fixed assets (note 4)	37,676,186	13,289,358
Interest payable and similar charges		
Affiliated undertakings (note 11)	3,466,051	3,807,675
Other interest payable and similar charges (note 12)	2,036,480	4,980,834
Extraordinary charges (note 13.1)	626,141	13,146,218
Other taxes (note 15)	8,439	38,145
TOTAL CHARGES	**46,745,387**	**39,589,893**

INCOME		
Net turnover (note 8)	30,303	216,164
Reversal of value adjustments		
On tangible assets (note 3)	-	189,606
On elements of current assets (note 4.3)	909,271	481,313
Other operating income	483,348	-
Income from financial fixed assets derived from affiliated undertakings (note 4)	10,071,321	24,476,875
Other interests and other financial income		
Derived from affiliated undertakings (note 14)	11,267,641	10,618,929
Other interest receivable and similar income	50,143	113,726
Extraordinary income(note 13.2)	650,674	-
Loss for the financial year	23,282,686	3,493,280
TOTAL INCOME	**46,745,387**	**39,589,893**

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.

As of December 27th, 2012, the company switched from market segment Prime Standard to the regulated market.

As at December 31, 2012, ORCO GERMANY S.A. is directly owned at 91.39% 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.

In determining the appropriate basis of preparation of the standalone financial statements, the Directors are required to consider whether the Company can continue in operational existence for the foreseeable future. At the level of the Company's subsidiaries, while the sale of Sky Office has been closed at lower price than prior year valuation in order to close the refinancing of Gewerbesiedlungs-Gesellschaft mbH ("GSG", a fully controlled subsidiary), the economic situation in Berlin is more than resilient and is probably one of the most dynamic in Europe. The valuation of the real estate portfolio held in Berlin by GSG is increasing and the sales closed there in 2012 were executed at prices much higher than prior year valuation.

As at the date of publication of this report, approximately 85% of the OG bonds have already been exchanged against OPG issued bonds converted in turn into OPG shares. OPG has his turn converted the OG bonds held following this exchange into OG new shares. Almost all of the remaining OG bonds have been exchanged for EUR 20 million in New Notes issued by OPG. As a consequence, the remaining OG bonds held by OPG following this exchange will be converted into OG shares, further reducing LTV. After this last step the Company will no longer have any material bond liability. The business plan is built on the capacity of the Company to generate sufficient cash from its profitable subsidiaries in order to support the ones that are currently in development or restructuring.

The Board of Directors has, as a result of the financial restructuring realized and the positive cash flow from the rental activities of its subsidiaries, concluded that it is appropriate to prepare the standalone financial statements as at 31 December 2012 on a going concern basis.

2.2. Significant accounting policies

2.2.1 Tangible assets

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

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

The allocation of acquisition cost between 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 consisted in 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.The sales price of EUR 6,300,000 deducted by net value of EUR 5,759,606 results in a gain of EUR 540,394.

2012	Land EUR	Buildings EUR
Cost		
Situation as at January 1, 2012	5,759,606	2,072,156
Disposals/Transfers	(5,759,606)	(2,072,156)
Situation as at December 31, 2012	-	-
Depreciation		
Situation as at January 1, 2012	-	(2,072,156)
Impairment/Reversal of impairment	-	2,072,156
Situation as at December 31, 2012	-	-
Net value as at December 31, 2012	**-**	**-**
Net value as at December 31, 2011	**5,759,606**	

NOTE 4 - FINANCIAL ASSETS

2012	Shares in affiliated undertakings EUR	Loans to affiliated undertakings EUR
Cost		
Situation as at January 1, 2012	153,130,886	135,674,949
Additions/Transfers	-	-
Disposals/Transfers	(81,255)	(4,828,368)
Situation as at December 31, 2012	153,049,631	130,846,581
Depreciation		
Situation as at January 1,2012	(75,983,128)	(58,932,885)
Release for the year	64,906	9,992,923
Depreciation for the year	(2,299,593)	(35,376,593)
Situation as at December 31, 2012	(78,217,815)	(84,316,555)
Net value as at December 31, 2012	**74,831,816**	**46,530,026**
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.

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, 2012. Therefore, all shares in affiliated undertakings with their net equity significantly lower than their acquisition cost as at December 31, 2012, are value adjusted to the highest amount between zero and the net equity of each concerned affiliated undertaking as at December 31, 2012.

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 or 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 31/12/2011 EUR	Change in 2012 EUR	Gross value 31/12/2012 EUR	Impairment 31/12/2012 EUR	Carrying value 31/12/2012 EUR
Apple Tree Investments GmbH	Germany	EUR	NA(*)	2,502,720	(2,502,720)	0	-	-
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	94,99%	27,500	(1,255)	26,245	(26,245)	-
GSG-Gewerbesiedlungsges mbH (Isalotta 1. GmbH)	Germany	EUR	94,99%	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 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%	10,482,963	2,422,720	12,905,683	(12,905,683)	-
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	(1,691,169)	-
Vivaro GmbH & Co Zweite Grundbesitz KG	Germany	EUR	94.34%	547,118		547,118	(483,467)	63,651
Vivaro Vermögensverwaltung GmbH	Germany	EUR	100.00%	25,000		25,000	(25,000)	-
				153,130,886	**(81,255)**	**153,049,631**	**(78,217,815)**	**74,831,816**

(*) Non Applicable because the entity merged into another affiliated undertaking during the year.

4.2. Loans to affiliated undertakings

	2012 EUR	2011 EUR
Orco Immobilien GmbH (*)	43,522,425	41,896,002
Orco Grundstück-u. Beteiligungs GmbH	29,723,000	27,446,476
Gebauer Höfe Liegenschaften GmbH (*)	18,302,651	19,121,419
Orco erste Projektentwicklungsges. mbH	-	11,688,834
Orco Berlin Invest GmbH	9,970,000	9,222,536
Orco Vermietungs- und Services GmbH	347,150	-
Orco Projektentwicklung GmbH	5,730,960	5,073,176
Endurance HC entities	1,276,291	1,139,824
Orco Elb Office Hamburg GmbH	411,800	346,933
Gewerbesiedlungsgesellschaft mbH	18,207,709	17,200,000
Vivaro GmbH & Co Zweite Grundbesitz KG	756,842	547,298
Vivaro GmbH & Co Grundbesitz KG	1,412,750	749,589
Others	146,551	242,862
Cost	129,808,129	134,674,949
Depreciation	(84,316,555)	(57,932,885)
Net value	**45,491,574**	**76,742,064**

(*) 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%.The loan to Orco erste Projektentwicklung GmbH was fully reimbursed after receiving cash from the sale of Sky Office in Düsseldorf in the last quarter of 2012. Therefore the impairment on loan with Orco erste Projektentwicklung GmbH was reversed in 2012.

In detail, the loans have been impaired as follows:

	2012 EUR	2011 EUR
Orco Immobilien GmbH	33,892,567	23,756,952
Gebauer Höfe Liegenschaften GmbH	5,984,779	8,577,553
Orco Berlin Invest GmbH	10,771,497	9,970,996
Orco Vermietungs- und Services GmbH	357,964	136,417
Orco Grundstück-u. Beteiligungs GmbH	31,357,872	8,313,489
Endurance HC entities	1,374,848	1,231,853
Orco erste Projektentwicklung GmbH	-	5,129,508
Vivaro GmbH & Co Zweite Grundbesitz KG	-	328,481
Orco Elb Office Hamburg GmbH	442,600	371,799
Others	134,428	115,837
Total depreciation	**84,316,555**	**57,932,885**

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, 2012 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, 2012 are value adjusted to the highest amount between zero and the net assets of each concerned affiliated undertaking as at December 31, 2012.

4.3. Interest accrued on loans to affiliated undertakings

Interest accrued on loans to affiliated undertakings of EUR 10,239,911 (2011: 9,082,373) was subjected to a reversal of impairment for an amount of EUR 909,271 in 2012 (2011: reversal of impairment amounted to EUR 481,313).

4.4. Loans to participating interest

Orco Germany S.A. has a participating interest in Orco Russian Retail S.A. A loan amounting to EUR 1,000,000 was given in 2011 and was fully impaired in the same year, but it was shown as a loan to affiliated undertaking. After the release of the impairment, the loan amount is in 2012 EUR 1,038,452.

NOTE 5 - CAPITAL AND RESERVES

Share capital

Share capital amounts to EUR 20,202,746 and is represented by 202,027,463 shares with a nominal value of EUR 0.10 each fully paid in. At the Company's extraordinary general meeting held on 26 April 2012, the shareholders resolved to decrease the share capital of the Company from its previous amount of EUR 60,964,166.25 to EUR 4,877,133.30 without cancellation of shares, by decreasing the accounting par value of the existing shares from EUR 1.25 to EUR 0.10 per share with allocation of the reduction proceeds to Other Reserves.

As at 27 September 2012, 153,256,130 new ordinary shares of Orco Germany were issued and paid by the contribution in kind of approximately 84.5% of Orco Germany bonds leading to a capital increase of EUR 15,325,613 and subsequent increase of share premium of EUR 93,792,752.

Following the issuance of new shares mentioned above, the total share capital amounts to EUR 20,202,746 and the share premium to EUR 217,450,357.

Each share is entitled in the profits and corporate capital to a pro rata portion of the corporate capital it represents, as well as to voting rights and representation at general meetings of the shareholders in accordance with statutory and legal provisions.

Authorized capital not issued:

At the extraordinary general meeting of 26 April 2012, the shareholders resolved to set the existing authorized share capital to an amount of EUR 100,000,000 for a period of 5 years from the date of the General Meeting.

According to article 5 of the Articles of Association of the Company has an authorized, but unissued share capital of EUR 84,674,387 (the "Authorized Capital").

The Board of Directors of the Company is authorized and empowered within the limits of the authorized capital to:

- realize any increase of the share capital or equity of the Company with or without the issuance of new shares; and
- issue bonds, preferred equity certificates, warrants, options or other instruments convertible, exchangeable or exercisable into new shares and to issue new shares further to the conversion or exercise of the above mentioned instruments.

For the avoidance of doubt, any increase of the share capital or equity of the Company, as well as any issue of bonds, preferred equity certificates, warrants, options or other instruments convertible, exchangeable or exercisable into new shares decided by the Board of Directors prior to 26 April 2012 under the former authorized share capital of the Company but not realized, converted or exercised at this date remains validly approved and can be realized, issued, converted or exercised under this new authorized capital.

Such authorization will expire five years after the date of general meeting of shareholders of the Company held on 26 April 2012 and can be renewed in accordance with the applicable legal provisions.

Legal reserve

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

	Subscribed capital	**Share premium account**	**Other Reserves**	**Loss brought forward**	**Loss for the financial year**
	EUR	**EUR**	**EUR**	**EUR**	**EUR**
Situation as at December 31, 2011	**60,964,166**	**123,657,605**	**-**	**(191,940,347)**	**(3,493,278)**
Allocation of the result	-	-	-	(3,493,278)	3,493,278
Decrease of capital of April 26th , 2012	(56,087,033)	-	56,087,033	-	-
Increase of capital of October 8th, 2012	15,325,613	93,792,752		-	-
Loss of the period	-	-	-	-	(23,282,686)
Situation as at December 31, 2012	**20,202,746**	**217,450,357**	**56,087,033**	**(195,433,625)**	**(23,282,686)**

NOTE 6 - 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	30 May 2050
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% until 30 May 2012, then 0.5% (payable annually).
ISIN	XS0302623953
Listing	Luxembourg Stock Exchange
Warrants	
Number of warrants	9,328,851 (corresponding to 63warrants/issued bond)
Exercise ratio	one warrant gives the right to one share of Orco Germany S.A.
Exercise price	EUR 15.60
Exercise period	30 May 2007 until 30 May 2014
Early repayment	From 30 May 2010, the issuer may, upon notice to the Warrantholders, redeem the warrants at EUR 0.01 per warrant if the average share price exceeds 150% of the exercise price over 20 dealing days during a preceding 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 "Debenture loans – Convertible loans".

Accrued interest unpaid on the outstanding bonds amounts to EUR 616,320 (2011: EUR 2,326,492) and is shown under the short-term portion of the caption "Debenture loans – Convertible loans" in liabilities.

On May 9, 2012, approximately 85% of the OG Bonds were exchanged for convertible bonds (Obligations Convertibles en Actions) to be issued by OPG. As a result of this exchange, OPG received OG Bonds, which were contributed to the Company as described below.

As at September 27, 2012, as part of the capital increase, 125,130 bonds were contributed to Orco Germany by Orco Property Group and OPG related entities, representing 84.5% of the outstanding number of bonds (See note 5)

As at December 31, 2012, the movements on the bonds are as follow (in K EUR) :

Current Financial Debts	Fixed Rate Bonds
Balance at 31 December 2011	**127,452**
Interests	1,677
Own bonds received in connection with the capital increase dated September 27, 2012 (see note 5).	(109,118)
Balance at 31 December 2012	**20,011**

As a result of the bonds' restructuring, the outstanding bonds held directly or indirectly by OG's parent company amounts to M EUR 20.0, represented by 22,947 bonds and will be converted into 28 million new OG shares. This capital increase is expected to occur in the first half of 2013.

The parent company OPG is holding 550,000 warrants, Orco Germany Investments S.A. (an affiliated undertaking) owned 2,397,311 warrants and Orco Grundstücks und Beteiligungsgesellschaft mbH (an affiliated undertaking) owned 1,150,000 warrants.

As at December 31, 2012 and 2011, no warrant attached to the bonds ("BSAR") has been exercised.

NOTE 7 - OTHER NON SUBORDINATED DEBTS

7.1. 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 31.12.2012	Annual interest rate	Maturity date
		EUR	EUR		
Kurfürstendamm 102	Berlin Hyp	6,100,000	0	EURIBOR 3 months + 1%	28.12.2016

As at December31, 2011 and as a consequence of the sale contract signed for this property, the bank loan was reclassified to short term. The 2011 outstanding loan amounting of EUR 4,990,000 has been repaid in February 2012 following the transfer of ownership that occurred in 2012, as explained in note 3.

7.2. Amounts owed to affiliated undertakings

Amounts owed to affiliated undertakings mainly consist of advances received from Orco Projektentwicklung GmbH (EUR 14,685,869, 2011: EUR 13,720,075), GSG Gewerbesiedlungs GmbH (EUR 5,165,583, 2011: EUR 18,057,902) and the parent company, Orco Property Group S.A. (EUR 14,306,303, 2011: EUR 11,268,635), including accrued interest payable at rates of 8%.

NOTE 8 - NET TURNOVER

The Company derives its net turnover from the rental of its building located in Germany which was sold in the first quarter of 2012.

NOTE 9 - OTHER EXTERNAL CHARGES

Other external charges are composed of:

	2012 EUR	2011 EUR
Supplies, rental, maintenance and repairs	28,663	569,560
Commission and brokerage	-	-
Financial services	3,018	14,466
Professional fees (*)	2,596,256	1,813,486
Insurance	(29,818)	61,363
Marketing	119,983	102,065
Other	76,252	410,155
	2,794,354	**2,971,095**

(*) A part of the fees comes from the bond restructuring.

NOTE 10 - STAFF

The Company has no employee in 2012 and 2011.

NOTE 11 - INTEREST PAYABLE AFFILIATED UNDERTAKINGS

In 2012, interest payable mainly concerned Orco Projektentwicklung GmbH (EUR 1,085,869, 2011: EUR 1,198,485), GSG-Gewerbesiedlungs GmbH (EUR 1,405,139, 2011: EUR 1,353,375) and Orco Property Group S.A. (EUR 742,023, 2011: EUR 1,041,501).

NOTE 12 - OTHER INTEREST PAYABLE AND SIMILAR CHARGES

Other interest payable and charges are composed of:

	2012 EUR	2011 EUR
Interest due on loans from credit institutions	65,296	131,058
Net interest on swap transactions	-	147,919
Interest due on OBSAR bonds issued (*)	1,677,628	4,002,000
Amortisation of bond issuing fees	175,052	420,000
Swap valuation loss	76,797	138,896
Value adjustment on transferable securities	41,707	133,599
Other	-	7,362
Total at the end of the year	**2,036,480**	**4,980,834**

(*) OBSAR were initially maturing on May 30, 2012 and bearing interest at 4% per annum. Pursuant to the change of the terms and conditions (see note 6), the new maturity is May 30, 2050 and interest rate has been lowered to 0.5% per annum.

NOTE 13 - EXTRAORDINARY CHARGES & INCOME

13.1 Extraordinary charges

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.

In 2012, the amount of EUR 626,141 contains a write-off of a receivable to GSG of an amount of EUR 400,514 and the full impairment of a receivable for EUR 225,628 related to bonds sold in 2011.

13.2 Extraordinary income

Extraordinary income (2011 : Nil) is mainly made up of a profit of EUR 540.394 arising from the sale of the Kurfürstendamm 102 property as described in the note 3.

NOTE 14 - OTHER INTEREST RECEIVABLE AFFILIATED UNDERTAKINGS

In 2012, other interest receivable affiliated undertakings mainly concerned Orco Immobilien GmbH (EUR 3,658,264, 2011: EUR 3,543,619), Orco Grundstück-u Bet. GmbH (EUR 2,389,719, 2011: EUR 2,223,302), Orco Projektentwicklung GmbH (EUR 449,930; 2011 Nil), Orco Berlin Invest GmbH (EUR 801,497, 2011: EUR 748,460), GSG-Gewerbesiedlungs GmbH (EUR 1,452,428, 2011: EUR 908,222) and Gebauer-Höfe (EUR 1,116,754, 2011: EUR 1,181,232)

NOTE 15 - OTHER TAXES

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

NOTE 16 - INTEREST RATE SWAP AGREEMENTS

Since the year 2007, the Company has negotiated an 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	**(824,203)**
Release of provision for interest rate swaps terminated during the year	824,203
Market valuation of the interest rate swaps, at the end of the year	**-**

The provision for this interest rate swap agreement was used in the first quarter of 2012 for the repayment of the bank loan for the property of Kurfürstendamm 102 after receiving cash from the buyer of this property. No new swap agreements were made within 2012.

NOTE 17 - OFF BALANCE SHEET COMMITMENTS

The Company issued a subordination of loan and a comfort letter for following affiliated companies:

- Orco Elb Office Hamburg GmbH
- Orco Immobilien GmbH
- Orco Projektentwicklung GmbH
- Orco Berlin Invest GmbH
- Orco Vermietungs- und Services GmbH
- Gebauer Höfe Liegenschaften GmbH

The company issued in 2012 the following comfort letters to GSG Asset KG for their contracting partner Techem Energy Contracting GmbH:

- Wattstrasse, limited to EUR 190,000
- Geneststrase, limited to EUR 240,000
- Zossener Strasse, limited to EUR 191,500
- Adalbertstrasse, limited to EUR 77,000
- Waldemarstrasse, limited to EUR 178,000
- Gneisenaustrasse, limited to EUR 172,000

Furthermore, the Company has entered the following commitment:

Type	Description
Pledge of shares	Pledge of shares GSG Asset GmbH & Co Verwaltungs KG to guarantee a loan granted by a group of banks to an affiliated undertaking.

In connection with the financing of some subsidiaries, the Company pledge its shares to the bank providing the loan; in 2011 the pledge was towards Royal Bank of Scotland (“RBS”) and following new financing obtained during the year, the pledge is now towards a group of five banks.

NOTE 18 - 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 (2011: EUR 0). The Company did not grant any advances, loans or pension schemes to its Directors.

NOTE 19 - RELATED PARTY TRANSACTIONS

19.1. Balance Sheet

As at December 31, 2012, the following balances with related parties are outstanding:

- Shares in affiliated undertakings as disclosed in note 4.1
- Loans to affiliated undertakings as disclosed in note 4.2 & 4.3.
- Loans to participating interest include a loan given to Orco Russian Retail S.A. to the amount of EUR 1 million plus reclassified interest receivables for prior periods to the amount of EUR 38,452.
- Amounts owed by affiliated undertakings are disclosed separately in the balance sheet and represent mainly interest accrued on intercompany loans as well as some other financial receivables
- Amounts owed to affiliated undertakings 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 225,628 is owed to Orco Germany S.A.as a consequence of this transaction and is classified as other debtors. This amount is impaired as of December 31 2012.

19.2. Profit and loss account

During 2012, the following income and charges were realised with related parties:

- Administrative and accounting fees paid to other entities of the Group of EUR 357,000 (2011: 431,250),
- Management and consulting services paid to related parties for EUR 630,000 (2011: EUR 630,000)
- Interest and similar charges to related parties are disclosed separately in the profit and loss account (Note 12)
- Interest and similar income from related parties are disclosed separately in the profit and loss account. (Note 14)
- Interest income from Orco Russian Retail S.A. is EUR 62,365 (2011: EUR 38,452).

NOTE 20 - EVENTS AFTER BALANCE SHEET DATE

No significant event has occurred after the balance sheet date.

To the Shareholders of
Orco Germany, Société Anonyme
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, Société Anonyme, which comprise the balance sheet as at 31 December 2012 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* considers internal control relevant to the entity's preparation and fair presentation of the annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the annual accounts.

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

Opinion

In our opinion, the annual accounts give a true and fair view of, the financial position of Orco Germany, Société Anonyme, as of 31 December 2012, 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.

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 management report relating to the corporate governance includes the information required by the law of 19 December 2002 on the register of commerce and companies 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

For H.R.T. Revision S.A.

Jean-Philippe Barret, *Réviseur d'entreprises agréé*
Partner

April 10, 2013