

# Q1 2011

## About ORCO Germany

ORCO Germany is a real estate company that has its registered seat in Luxembourg and that is listed in the Prime Standard on the Regulated Market of Frankfurt Stock Exchange. The ORCO Germany Group, which operates under the uniform registered trademark ORCO Germany, has been pursuing its activities in Germany since 2004 and concentrates on investment in commercial properties and project development.

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, Budapest and Warsaw stock exchanges. It operates primarily in the Czech Republic, Hungary, Poland, Russia, Croatia, the Slovak Republic and Germany.

ORCO Germany was listed on the Open Market in 2006. It was transferred to the Prime Standard at the Frankfurt Stock Exchange on 13<sup>th</sup> November 2007.

The Group is organised into two main segments determined in accordance with the type of activity:

➤ Asset Management

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

➤ Development

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

Development activities have mainly been concentrated on the markets of Berlin and North Rhine-Westphalia.

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

## Highlights and events

- The net result of €2.2 million improved by €9.4 million compared to -€7.2 million in Q1/2010. The main drivers were lower interest charges as a consequence of asset disposals executed and valuation gains realized on derivative instruments.
- The operating result improved by €0.8 million to €7.6 million mainly thanks to following effects:
  1. Gains from disposal of assets increased to €0.5 million driven by the sale of ORCO Leipziger Platz GmbH (holding the asset Leipziger Platz) in February 2011; the major part of the financial impact was already taken forward in the fiscal year 2010 in terms of revaluation gains realized.
  2. Revenues were up 2.0% YoY from €16.9 million to €17.2 million with slightly higher rental revenues from completed Development projects (€0.1 million) as well as higher revenues achieved from Asset Management activities (€0.2 million). GSG managed to increase the average commercial rent from 4.86€ per sqm to 4.89€ per sqm whereas the occupancy rate decreased from 77.2% in December 2010 to 76.3% in March 2011.

	2011 today		2010			2009			2008		2007 Takeover
	31.03.	31.12.	30.09.	30.06.	31.03.	31.12.	30.09.	30.06.	31.03.	31.12.	30.06.
Net commercial rents/sqm	4,89	4,86	4,85	4,82	4,82	4,80	4,78	4,76	4,72	4,66	4,49
Total occupancy rate (%)	76,3%	77,2%	77,2%	77,1%	76,8%	76,2%	75,6%	75,1%	75,0%	74,6%	70,5%

**THE STOCK OF ORCO GERMANY S.A. AS OF 31 March 2011**

ISIN	LU0251710041
Market Cap	[46,576,623] (31 March 2011)
Segment	Prime Standard
Number of shares	48,771,333
Stock Exchange	Frankfurt Stock Exchange

**Key Figures (in k €)**

	Q1/2011	Q1/2010	Variation(%)
<b>Revenues</b> (in k €)	17.205	16.862	+2,0%
<b>Operating Result</b> (in k €)	7.604	6.829	+11,4%
<b>Adjusted EBITDA</b> (in k €)	8.027	7.061	+13,7%
<b>Net Profit</b> (in k €)	2.189	-7.230	-

	31.03.2011	31.12.2010
<b>Total Assets</b> (in k €)	796.183	867.407
<b>Equity</b> (in k €)	52.692	49.910
<b>Liabilities</b> (in k €)	743.491	817.498

## Interim Management Report for the period 01<sup>st</sup> January to 31<sup>st</sup> March 2011

ORCO Germany S.A.'s Board of Directors has approved on the 25<sup>th</sup> of May 2011 the Group consolidated financial information as at the 31<sup>st</sup> March 2011 (established in respect of the annual consolidated financial statement's accounting principles). All shown figures are given in thousand Euros if not explicitly mentioned.

### A) Revenues

REVENUES			
	March 2011	March 2010	% change
Asset Management Segment	14 932	14 705	1,5%
therof total GSG	13 261	13 100	1,2%
<i>therof rental income GSG</i>	10 766	10 533	2,2%
Development Segment	2 272	2 157	5,3%
<b>TOTAL</b>	<b>17.204</b>	<b>16.862</b>	<b>2%</b>

#### 1) Asset Management Segment: rental income is now 87% of total revenues

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

With the acquisition of GSG in 2007, ORCO Germany became the largest owner of commercial real estate in Berlin. ORCO-GSG is the backbone of ORCO Germany's investment activities with around 815,000 sqm of total lettable area.

ORCO Germany's investment portfolio generated €14.9 million of rental income (compared to €14.7 million in March 2010). ORCO-GSG's Berlin business parks revenues increased YoY by 1.2% to €13.3 million including service charges to tenants (vs. €13.1 million in Q1/2010). Therein the rental income of GSG increased by 2.2%.

The increase of the average commercial rental income per sqm of 1.4% (from €4.82 in March 2010 to €4.89 in March 2011) overcompensated the impact of the decrease of the occupancy rate by 0.5% to 76.3%. The net take-up in the first quarter amounted to -7.219 sqm as 4 tenants over 1000 sqm moved out.

The total net take-up since take-over in July 2007 increased to 47.899 sqm leading to an increase in occupancy rate from 70.4% to 76.3%. During the same period the average rental income per sqm increased by 9.1%.

## 2) Development Segment: revenues decline in line with strategy and only represent 13% of total revenues

The development revenues amounted to €2.3 million in the first three months of 2011 in comparison to €2.2 million in the same period of 2010.

These revenues in the first quarter 2011 mainly stem from renting activities on the development project Sky-Office (+€0.6 million) overcompensating the discontinuation of revenues from development sales conducted in the course of 2010.

## B) Increase of adjusted EBITDA by 13.7% YoY and margin expansion from 42.0% to 46.7%

The adjusted EBITDA (i.e. operating result without net gain from fair value adjustments on investment property, amortization, impairments and provisions as well as correction on cost of goods sold) amounted to €8.0 million on €17.2 million of revenues (margin of 46.7%) (vs. €7.1 million in March 2010 on €16.9 million of revenues (margin of 42.0 %)).

As at 31 March 2011	Development	Asset Management	TOTAL
<b>Revenue</b>	2.272	14.932	<b>17.204</b>
Net gain or loss from fair value adjustments on investment property	0	0	<b>0</b>
Cost of goods sold	0	-19	<b>-19</b>
Amortisation, impairments and provisions	0	73	<b>73</b>
Other operating results	-591	-9.062	<b>-9.653</b>
<b>Operating result</b>	<b>1.681</b>	<b>5.924</b>	<b>7.604</b>
Net gain/(loss) from fair value adjustments on investment property	0	0	<b>0</b>
Amortisation, impairments and provisions	0	-73	<b>-73</b>
Net gain/(loss) on disposal of assets	495		<b>495</b>
<b>Adjusted EBITDA</b>	<b>2.176</b>	<b>5.851</b>	<b>8.027</b>

As at 31 March 2010	Development	Asset Management	TOTAL
<b>Revenue</b>	2.157	14.705	<b>16.862</b>
Net gain or loss from fair value adjustments on investment property	-81	58	<b>-23</b>
Cost of goods sold			
Amortisation, impairments and provisions	110	-443	<b>-333</b>
Other operating results	-2.101	-7.576	<b>-9.677</b>
<b>Operating result</b>	<b>85</b>	<b>6.744</b>	<b>6.829</b>
Net gain on fair value adjustments	0	0	0
Amortisation, impairments and provisions	-110	443	333
Past valuation on goods sold	-96	-4	-100
Net gain or loss on disposal of assets	0	0	0
<b>Adjusted EBITDA</b>	<b>-121</b>	<b>7.183</b>	<b>7.062</b>

### C) Operating result up €0.8 million YoY

The first quarter 2011 closed with a positive operating result of €7.6 million vs. €6.8 million in March 2010.

The cumulated operating result was mainly composed of:

- No fair value adjustments on investment properties in Q1/2011 as no valuation on the portfolio was conducted
- Impairments, amortisation and provisions amounted to €0.1 million in comparison to €-0.33 million in Q1/2010
- Net gain on the disposal of assets of €0.5 million results especially from the sale of Leipziger Platz finally accomplished on the first of February 2011.
- As a result of the successfully implemented restructuring measures salaries and social security costs amounted to €1.5 million in Q1/2011 compared to €1.8 million in Q1/2010. This 19% decrease reflected the effective staff reduction and branch office closures accomplished. On account of unforeseen severance expenses to be dealt with total staff costs only decreased by €0.1 million from € 2.0 million (in Q1/2010) to €1.9 million in Q1/2011.
- Other operating expenses of €8.5 million vs. €8.1 million for Q1 2010. The increase mainly resulted from higher one off expenses on GSG portfolio and Sky Office. Maintenance expenses increased compared to Q1 2010 on account of in 2010 initiated projects which were finalised in the first quarter 2011. We expect the maintenance expenses for the full year to be in line with the previous year expenses.

k €	Q1 -2011	Q1 -2010	Variance
Leases and rents	-132	-518	386
Building Maintenance	-1.150	-393	-757
Communication and IT Maintenance	-171	-197	26
Utilities Supplies	-4.243	-4.347	105
Commissions, fees, consultancy, audit	-1.084	-1.135	51
Insurance	-228	-297	69
Cars expenses and car leases	-23	-20	-3
Travel Expenses and representation costs	-44	-23	-21
Advertising and Marketing	-140	60	-200
Administration Costs	-580	-398	-182
Taxes other than income tax	-651	-655	4
Other operating expenses	-81	-173	92
<b>Total other operating Expenses</b>	<b>-8.526</b>	<b>-8.095</b>	<b>-430</b>

Once the initiated restructuring program is fully executed primarily consultancy and legal advice costs are expected to strongly decrease.



## D) Financial Result: Asset and Development sales conducted in 2010 showing positive impact in first quarter 2011

The net financial result for the first quarter of 2011 amounted to €-3.5 million versus €-14.0 million in March 2010.

The net financial result included interest expenses of €8.2 million versus €10.0 million in 2010. In the course of 2010 a portfolio of €151.5 million was sold comprising non strategic assets as well as development projects leading to a noticeable lower debt burden. These effects from loan redemptions achieved and the repayment of the loan on Leipziger Platz in the first quarter 2011 will further positively impact future results.

Interest income amounted to €0.4 million. € 0.3 million thereof stem from revaluation of the actualized value to be received from the buyer of Leipziger Platz.

The other net financial results amounted to €4.3 million (vs. €-4.0 million in March 2010), which was mainly composed of gains on revaluation of interest rate derivatives on ORCO GSG +€4.4 million, €0.9 million on Gebauer Höfe and -€1.2 revaluation on the corporate Bond repayment premium. Interest swaps accounted at fair value were contracted to prevent fluctuations in interest rates.

k €	Q1 / 2011	Q1 / 2010
interest expenses	-8.157	-10.026
Interest income	358	38
other net financial results	4.307	-3.997
<b>Total financial result</b>	<b>-3.493</b>	<b>-13.986</b>

## E) Net Profit / Loss

The net profit of €2.2 million as at 31<sup>st</sup> of March is composed of €4.1 million profit before tax and -€1.9 million of income tax.

Income taxes for the first three months of 2011 comprised effective income tax expenses of €+0.1 million and, deferred taxes of €-2.0 million.

## F) Cash and cash equivalents

As at 31 March 2011, Orco Germany Group's cash and cash equivalents consisted of cash in bank for €23.4 million (€17.9 million in 2010).

Thanks to the €12.8 million cash received on the sale of Leipziger Platz during the first quarter 2011, total unrestricted cash increased by € 7.8 million to €18.8 million as of 31 March 2011.

Excluding GSG entities, Orco Germany entities disposed of €10.2 million unrestricted cash, an increase of €7 million, while GSG cash increased from €7.5 million to €8.6 million as of 31 March 2011. Since the closing of accounts as of 31 March 2011, Orco Germany cash position has been significantly reduced, notably by €9.6 million of principal repayment and interest payments (including €4.0 million of bond coupon).

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## **Outlook**

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

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

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

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

Consolidated financial statements

**Profit & Loss Statement as at March 2011**

k €	31 March 2011	31 March 2010
<b>Revenue</b>	<b>17.205</b>	<b>16.862</b>
Net loss from fair value adjustments on investment property	0	0
Other operating income	291	329
Net loss on disposal of assets	495	101
Cost of goods sold	-19	-23
Employee benefits	-1.914	-2.011
Amortisation, impairments and provisions	73	-333
Other operating expenses	-8.526	-8.096
<b>Operating result</b>	<b>7.604</b>	<b>6.829</b>
Interest expenses	-8.157	-10.026
Interest income	358	38
Other net financial results	4.307	-3.997
<b>Financial result</b>	<b>-3.493</b>	<b>-13.985</b>
<b>Profit/Loss before income taxes</b>	<b>4.111</b>	<b>-7.156</b>
Income taxes	-1.922	-74
<b>Net Profit/Net Loss for the year</b>	<b>2.189</b>	<b>-7.230</b>
<b>Total Profit/Loss attributable to:</b>		
non controlling interests	1	1
<b>owners of the Company</b>	<b>2.190</b>	<b>-7.231</b>

**Balance Sheet as at March 2011**

Assets (k €)		
	31 March 2011	31 December 2010
<b>NON-CURRENT ASSETS</b>	<b>556.674</b>	<b>562.790</b>
Intangible assets	50.520	50.528
Investment property	496.696	508.158
Property, plant and equipment	7.795	3.890
Own-occupied buildings	6.239	2.338
Fixtures and fittings	1.538	1.552
Properties under development	18	0
Financial assets	219	214
Deferred tax assets	1.444	0
<b>CURRENT ASSETS</b>	<b>230.899</b>	<b>304.617</b>
Inventories	142.508	142.276
Trade receivables	37.378	11.120
other current assets	23.876	20.578
Derivative Instruments		0
Current financial assets	3.741	30
Cash and cash equivalents	23.397	17.939
<b>Assets held for sale</b>	<b>8.610</b>	<b>112.674</b>
<b>TOTAL</b>	<b>796.183</b>	<b>867.407</b>

Equity and liabilities (k €)		
	31 March 2011	31 December 2010
<b>EQUITY</b>	<b>52.692</b>	<b>49.910</b>
Equity attributable to the owner of the Company	52.660	49.877
Non-controlling interests	32	33
<b>LIABILITIES</b>	<b>743.491</b>	<b>817.497</b>
<b>Non-current liabilities</b>	<b>448.596</b>	<b>538.025</b>
Bonds	95.182	94.192
Financial debts	322.541	325.776
Provisions & other long term liabilities	10.392	10.394
Derivative instruments	20.481	19.323
Deferred tax liabilities	85.155	88.340
<b>Current liabilities</b>	<b>203.066</b>	<b>279.472</b>
Financial debts	128.759	134.602
Trade payables	1.896	2.629
Advance payments	18.780	17.590
Derivative instruments	13.203	18.668
Other current liabilities	40.429	39.983
<b>Liabilities linked to assets held for sale</b>	<b>6.673</b>	<b>66.000</b>
<b>TOTAL</b>	<b>796.183</b>	<b>867.407</b>

## 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 mainly located in Germany. It is principally involved in leasing out investment properties under operating leases as well as in the development of properties for its own portfolio or intended to be sold in the ordinary course of business

The Company is a limited liability company incorporated for an unlimited term and registered in Luxembourg. The address of its registered office is 40, Parc d'activités Capellen, L-8308 Capellen. As at 31 March 2011, the Company is 58.94% owned by Orco Property Group S.A., Luxembourg, and its shares are listed on the Open Market of the Frankfurt Stock Exchange since May 2006, now listed on the Prime Market since November 2007.

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

The consolidated financial statements have been approved for issue by the Board of Directors on 25<sup>th</sup> of May 2011.

### 2. Summary of significant accounting policies

The consolidated financial statements have been prepared in accordance with international financial reporting standards (IFRS) as adopted by the European Union. The accounting policies for the quarterly report have been consistently applied by the Group's entities and are consistent with those used in the previous year except for the application of the revised and new standards and interpretations effective as of 1 January 2011. The application of those amendments and interpretations did not result in substantial changes to the Group's accounting policies. A detailed description of the accounting policies will be included in the notes to the financial statement for 2011.

The quarterly report has been established according to IAS 34.

### 3. Segment reporting

#### Business segments

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

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

- Development business line covers all real estate assets under construction or designated as a future development in order to be sold to a third party or to be transferred to the asset management line once completed.
- Asset management business line covers all real estate assets rented out assets or that will be so without any major refurbishment. A legal entity can report for more than one project, which can be classified in two different segments.

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

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

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

As at 31 March 2011	Development	Asset Management	TOTAL
<b>Revenue</b>	2.272	14.932	<b>17.204</b>
Net gain or loss from fair value adjustments on investment property	0	0	<b>0</b>
Cost of goods sold	0	-19	<b>-19</b>
Amortisation, impairments and provisions	0	73	<b>73</b>
Other operating results	-591	-9.062	<b>-9.653</b>
<b>Operating result</b>	<b>1.681</b>	<b>5.924</b>	<b>7.604</b>
Net gain/(loss) from fair value adjustments on investment property	0	0	<b>0</b>
Amortisation, impairments and provisions	0	-73	<b>-73</b>
Net gain/(loss) on disposal of assets	495		<b>495</b>
<b>Adjusted EBITDA</b>	<b>2.176</b>	<b>5.851</b>	<b>8.027</b>

## 5. Earnings per share

	March 2011	March 2010
Shares issued at the beginning of the period	48 771 333	48 771 333
Weighted average of new shares issued	-	-
Weighted average outstanding shares for the purpose of calculating the basic earnings per share	48 771 333	48 771 333
<b>Dilutive potential ordinary shares</b>	-	-
Warrants	-	-
Weighted average outstanding shares for the purpose of calculating the diluted earnings per share	48 771 333	48 771 333
Net profit/loss attributable to the Group	2 190	-7 231
<b>Effect of assumed conversions / exercises</b>	-	-
Warrants	-	-
Net profit/loss attributable to the Group after assumed conversions / exercises	2 190	-7 231
Basic earnings in EUR per share	0,04	-0,15
Diluted earnings in EUR per share	0,04	-0,15

## 6. Credit and financial risk

The financial situation of the Company is depending on the successful implementation of the ongoing restructuring process. As outlined in the annual financial statement 2010 the achievement of both, the disposal of some asset and the renegotiation of bank loans and bonds are decisive for the successful continuation of the business.

## 7. Currency risk

The Group has no significant currency risk exposure, as the local and functional currency in almost all Group companies is the Euro.

## 8. Related party transactions

The Company was granted an "equity loan" by Orco Property Group S.A. bearing interest at an annual fixed rate of 8% (8% in 2010). This loan amounted to € 17.1 million as at 31 March 2011 (€ 17.6 million as at 31 December 2010).

## 9. Events after reporting period

On April 28, 2011 the group sold for € 5.6 million or €0.4 million above DTZ Valuation (from Dec 2010) one residential asset located at Berlin, Invalidenstraße 112.

**A) Financial Calendar**

August 31, 2011	Interim Report January up to June 2011
November 24, 2011	Interim Report January up to September 2011