

ORCO Germany - Q3 2011

Interim Report as of 30 September 2011

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1. Group overview

1.1. Business and Group structure

1.1.1. Description of business model

ORCO Germany S.A. (the "Company", and together with its subsidiaries, hereafter "the Group") is a real estate group founded in 2004 with a portfolio located in Germany and mainly in Berlin. It invests in, manages, develops and leases out commercial properties.

1.1.2. Group structure

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

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

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

1.1.3. Group strategy

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

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

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

1.2. Business segments

Property Investment

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

The investment portfolio comprises 852,000 sqm of lettable area.

With the acquisition of GSG in 2007, ORCO Germany became one of the largest owners of commercial real estate in Berlin. ORCO-GSG is the backbone of ORCO Germany's investment activities with around 815,000 sqm of total lettable area. ORCO Germany's total lettable area for commercial tenants amounts to 834,000 sqm comprising besides the ORCO-GSG properties, properties like Gebauer Höfe and Kurfüstendamm 102. In addition ORCO Germany owns further 18,000 sqm with residential, storage and other usage.

Development

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

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

Following ORCO Germany's decision to focus on Property investment, the Development business line has been progressively ran-down as projects were completed and no new projects started.

The Development segment is composed of the premium asset Sky Office in Düsseldorf and includes Hochwald in Kleinmachnow near Berlin.

2. Group earnings performance

2.1 The Stock of ORCO Germany S.A. on 30 September 2011

ISIN	LU0251710041
Market Cap	[35,603,073 EUR] (30 September 2011)
Segment	Prime Standard
Number of shares	48,771,333
Stock Exchange	Frankfurt Stock Exchange
Free float	8.1%

2.2. Key figures

	September 2011	September 2010	change (in k €)
Revenues (in k €)	47 204	120 897	-73 693
Operating Result (in k €)	44 295	46 291	-1 996
Net Profit (in k €)	16 401	6 097	10 305
Adjusted EBITDA (in k €)	21 770	25 134	-3 364

	30 September 2011	31 December 2010
Total Assets (in k €)	787 659	867 407
Equity (in k €)	64 782	49 909
Liabilities (in k €)	722 877	817 498

2.3. Overview of major events in the first nine months 2011

ORCO Germany's third quarter 2011 ended with a consolidated profit attributable to the Group of €16.4 million (€6.1 million for 2010). The diluted earnings per share moved from €0.13 (first three quarter 2010) to €0.34. The main drivers of the positive result consisted of gains on disposal of assets resulting from the sale of the land plot Leipziger Platz, lower employee benefits, savings achieved on other operating expenses due to the ongoing optimization of cost structures and lower interest expenses reflecting the volume of asset sales conducted in 2010 and 2011.

In 2011 no development sales were realized whereas in 2010 the Healthcare portfolio and H2 Office were disposed of leading to total revenues of €79.1 million. Hence total revenues decreased by 61.0% to end up at €47.2 million.

The adjusted EBITDA (Net gain or loss on fair value adjustments – Amortisation, impairments and provisions – Correction of costs of goods sold being the reversal of past non cash valuation adjustments and impairments – Net gain or loss on the sale of abandoned developments included in inventories – Net gain or loss on disposal of assets or subsidiaries) decreased by 13.4% to end up at €21.8 million in comparison to the first nine months 2010. Primarily losses in shrinking development sales were responsible for the decline in EBITDA (€-2.8 million YoY), whereas the Investment segment decreased only slightly by €0.5 million.

Net gains achieved on the disposal of assets (€12.3 million) strongly contributed to the positive result attained in the first three quarters 2011. The main part (€11.6 million) originated from the sale of the plot of land on Leipziger Platz in the centre of Berlin with more than 22.000 sqm in February 2011. Additional net gains (€0.7 million) were mainly brought forward by the sale of the two Berlin based assets Invalidenstraße 112, contracted on 28 April 2011 (€0.4 million), and Brunnenstraße 156, contracted on 14 June 2011 (€0.3 million).

As at 30 September 2011 management estimated that the portfolio values increased slightly in comparison to the valuation elevated by DTZ at the year end 2010 especially in regard to the contracted and realized prices of assets sold. In the first nine months 2011 revaluation gains added up to €4.0 million versus gains of €23.8 million accounted for in the corresponding period 2010.

Lower valuation gains led to an operating result (EBIT) of €44.3 million down €-2.0 million in comparison to the first nine months 2010.

In the reporting period asset sales were contracted totalling €137.7 million (thereof €122.5 million transferred) mainly non cash producing assets. In the single third quarter 2011 ORCO Germany successfully managed to contract sales with final transfers targeted in the upcoming months on Kurfürstendamm 102 (€6.3 million) and Hüttenstrasse 5a (€ 6.5 million) as well as Kurfürstenstrasse 13-14 (€2.4 million). Furthermore after the reporting period the residential ORCO-GSG asset Bergfried-Ritterstrasse was sold for a sales price of €3.7 million.

In order to build a sustainable free cash flow producing business, the initiated reorganisation efforts, cost cuttings and savings of headquarter costs reflected a significant drop of 13.2% in operating expenses from €24.1 million in 2010 to €21.0 million in 2011.

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

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

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

2.4. Market overview

In Germany, the investment market registered strong level of activity over the first nine months of the year 2011 with an amount of EUR 16.8 Billion of transactions, an increase of 37% compared to the same period in 2010. In Dusseldorf, office market fundamentals are persistently strong with a take up reaching 270,500 sqm over the same period according to CBRE, and should overtake the ten year average of 319,000 sqm. Prime office rents remain unchanged compared to Q2 2011 at a level of EUR 23.00/sqm/month and prime yield are at 5.1%, a 10 bps decrease y-o-y.

The Berlin office market is showing strong fundamentals with a gross take up totaling 410,000 sqm over the first 9 months of the year and brokers are expecting gross take up to exceed again 100,000 sqm over Q4 2011. As a consequence, the vacancy rate further decreased to 8.4% (vs 8.5% in Q2 2011) and the trend is expected to continue over Q4 2011.

2.5. Turnover

The total turnover for the first nine months 2011 amounted to €47.2 million compared to €120.9 million recognized for the corresponding period in 2010. Rents generated on the ORCO-GSG portfolio represented the main part of rental revenues (92.5%). Despite some major move outs recognized in the first quarter, ORCO-GSG could compensate and improve rental revenues.

REVENUES (in k €)			
	September 2011	September 2010	% change
Commercial Investment Properties	41 129	41 808	-1,6%
therof total GSG	38 034	37 674	1,0%
therof rental income GSG	32 475	31 803	2,1%
Development	6 075	79 090	-92,3%
TOTAL	47 204	120 898	-61,0%

2.5.1. Property Investment Segment

ORCO Germany's leasing income decreased from €41.8 million in the first nine month 2010 to €41.1 million in the corresponding period 2011 due to sales of non strategic assets conducted in 2010/2011.

ORCO-GSG's Berlin business parks revenues increased YoY by 1.0% to €38.0 million including service charges to tenants (vs. €37.7 million in September/2010). Therein the rental income of ORCO-GSG increased by 2.1%. According to the strategy to dispose of non cash-generating assets, ORCO GSG now represents 80.6 % of total revenues (31.2% in 2010).

The increase of rental income of ORCO-GSG is based on a significant increase of average commercial rental income per sqm of 2.7% (from €4.85 in September 2010 to €4.98 in September 2011) while the occupancy was nearly unchanged at 77.0% (compared to 77.2% in September 2010).

The total net take-up since take-over in July 2007 increased to 53,393 sqm leading to an increase in occupancy rate from 70.4% to 77.0%.

In the first nine months of 2011, the Berlin region North-West proved top, concerning the net-take up with almost 4,012 sqm.

Three out of five top performers were located in the region North-West. Top performer in the first nine months was the asset Gustav-Meyer-Allee in Berlin-Mitte with more than 4,336 sqm where amongst others an existing tenant, producing PC-based measurement technology, rented additional 1,515 sqm. The occupancy rate increased from app. 90% (as at Dec. 2010) to currently app. 93%.

Second best performing was the asset Reuchlinstraße in Berlin-Mitte with a current net-take up of 1,706 sqm, reaching an occupancy rate of 91.4% compared to 88% as at Dec. 2010, proving ORCO's ability to retain existing tenants.

Third best performing asset Pankstraße in Berlin-Pankow recorded a net-take-up of 1,684 sqm. About 600 sqm were leased to an existing tenant developing/producing electronic devices for various railway technology applications. The occupancy rate reached 73.2% (compared to 69.4% as per Dec. 2010).

The negative net-take-up recognized in the reporting period could especially be traced back to the asset Zossenerstrasse in Berlin-Kreuzberg, where a travelling agency moved out in the third quarter (-2,700 sqm) and two major move outs of educational institutions recognized on the asset Geneststraße in Berlin-Tempelhof/Schöneberg comprising together more than 3,455 sqm. Since both assets are in a good location ORCO-GSG expects to re-rent the vacant spaces in the near future at higher rents.

	2011	2010	2009	2008	2007 Takeover
	30.09	31.12.	31.12.	31.12.	30.06.
Net commercial rents (€/sqm)	4,98	4,86	4,80	4,66	4,49
Total occupancy rate (%)	77,0%	77,2%	76,2%	74,6%	70,5%

The company is targeting to reach an occupancy rate of 78.0% at year end.

2.5.2. Development Segment

Revenues declined in line with strategy and only represented 13.2% of total revenues

The development revenues amounted to €6.1 million in the first nine months of 2011 in comparison to €79.1 million in the respective period of 2010.

As at 30 September 2011 the development portfolio primarily included the project Sky Office in Düsseldorf, where letting activities were fostered accompanied by the finalization of interior works for leased out spaces. The occupancy rate of 72% was accompanied by a gross rental income of €5.4 million.

After the reporting period a lease contract (1.434 sqm) was signed on 28 October 2011 bringing the occupancy rate to 76.3%.

2.6. Net result from Fair value adjustments on Investment properties

In the first nine months 2011, the internal valuation processed showed fair values slightly above the level of the year-end 2010 values elevated by DTZ.

Fair value gains amounted to €4.0 million (+0.8% on investment properties) versus €23.8 million (in Q3 2010) and were primarily driven by successfully contracted sales above respective fair values with final transfers in the upcoming months like Kurfürstenstrasse 13-14 (+€0.5 million), Kurfürstendamm 102 (+€0.7 million), Hüttenstraße (+€1.9 million) and Bergfried-Ritterstrasse (+€0.8 million). Furthermore valuation gains were recognized on Franklinstraße 27 (+€0.7 million), whereas valuation losses on the ORCO-GSG property Wupperstraße 9 in Berlin-Steglitz (€-0.6 million) were recorded.

2.7. Adjusted EBITDA

In the first nine month 2011 the adjusted EBITDA was €21.8 million, down 13.4% from €25.1 million in the first nine month 2010 driven especially by decreased development revenues (YoY €-73.0 million).

The two business lines of ORCO Germany contributed as follows:

- The adjusted EBITDA of the property Investment segment, mainly consisting of ORCO-GSG, decreased slightly by 2.5% to €21.5 million compared to €22.0 million (Q31/2010). The increase in total revenues of GSG (+€0.4 million) could not compensate the rental revenue losses recorded by the sale of Investment assets (€-0.7 million). In addition higher allocations of overhead costs decreased the adjusted EBITDA of the investment segment.
- The adjusted EBITDA of the development segment declined to €0.3 million compared to €3.1 million (Q31/2010). Sky Office (€5.4 million) represented the main part of the revenues (€6.0 million) respectively the adjusted EBITDA, whereas revenues and adjusted EBITDA in 2010 were characterized by the sale of the major part of ORCO Germany's development portfolio.

2.8. Amortization, impairments and provisions

In the first three quarters 2011 amortization, impairments and provisions positively impacted the P&L by +€6.3 million in comparison to negative effects of €-2.7 million recorded in the corresponding period 2010.

The main contributors represented cancellations of provisions for the neighbourhood agreement on Leipziger Platz (+€4.5 million), other risks referring to previous years (+€1.0 million) and releases of provisions dedicated to guarantee items on developed residential units (+€0.7 million).

2.9 Net gain/loss on disposal of assets

In the first nine months 2011 gains on disposal of assets amounted to €12.3 million.

On 1 February 2011, ORCO Immobilien GmbH, a subsidiary of ORCO Germany S.A., closed the sale of ORCO Leipziger Platz GmbH, holding the Wertheim project on Leipziger Platz in Berlin. The total purchase price for this sales transaction amounted to €113.2 million, positively impacting the P&L by €11.6 million. Based upon the signed sales contract additional €30 million as part of the agreed total purchase price, are expected to inflow after the finalization of the project.

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

On 14 June 2011 Brunnenstraße 156 was sold for €3.7 million and transferred on 10 August 2011 exceeding the net book value (€3.4 million) by €0.3 million.

2.10. Operating result

The reporting period closed with a positive cumulated operating result of €44.3 million vs. €46.3 million in September 2010.

The cumulated operating result was essentially composed of:

- Fair value gains amounting to €4.0 million versus fair value gains realized of €23.8 million (Q3 2010).
- Other operating income of €0.4 million versus €3.0 million (Q3 2010) consisting primarily of write-offs of liabilities for previous years.
- Gains on disposal of assets amounted to €12.3 million versus €-0.1 million in 2010.
- Impairments, amortisation and provisions amounted to €6.3 million in comparison to €-2.7 million in September 2010.
- As a result of the initiated restructuring plan salaries and social security costs decreased from €7.2 million (Q3 2010) to €4.8 million (Q3 2011). The first nine month 2010 were influenced by a provision of €0.8 million for employee related restructuring measures. Excluding this special effect net savings of €1.6 million or 25.0% reflected the effective staff reduction achieved.
- Other operating expenses of €21.0 million vs. €24.1 million for September 2010, which mainly comprised:

- Maintenance expenses increased by €1.8 million compared to September 2010.. According to already initiated assigned maintenance works in Q4/2011 expenses are not expected to increase as strong as in the previous quarters.
- Costs for leases and rents could significantly be reduced by €0.6 million to €0.4 million on account of branch closures, showing their full impact.
- Costs for utility supplies decreased by €1.5 million to €8.6 million primarily driven by the discontinuation of supplies for sold assets and the spin-off of the former service company TSM GmbH by mid of 2010.
- Consultancy costs decreased significantly by €0.7 million to €3.6 million. Costs for consultancies in the first nine months 2010 were mainly determined by corporate consultants accompanying the restructuring process (€1.0 million).
- Taxes other than income taxes dropped from €3.2 in 2010 by €1.2 million to €2.0 million. Ground taxes, representing the main part, were effectively reduced through asset sales conducted in 2010 by €1.2 million.

k €	September 2011	September 2010	Variance
Leases and rents	-387	-1.020	633
Building Maintenance	-3.857	-2.032	-1.825
Communication and IT Maintenance	-411	-552	141
Utilities Supplies	-8.637	-10.136	1.499
Commissions, fees, consultancy, audit	-3.632	-4.341	710
Insurance	-670	-776	106
Cars expenses and car leases	-68	-67	0
Travel Expenses and representation costs	-116	-102	-14
Advertising and Marketing	-554	-476	-78
Administration Costs	-852	-1.269	417
Taxes other than income tax	-1.993	-3.161	1.168
Other operating expenses	219	-190	409
Total other operating Expenses	-20.957	-24.123	3.166

2.11. Financial result

The net financial result amounted to €-22.2 million compared to €-32.2 million in the first three quarters 2010.

The financial result comprised interest expenses of €24.7 million (versus €31.5 million in September 2010), interest income of €1.5 million and other financial charges of €1.0 million.

The interest expenses over the first nine months 2011 amounted to €24.7 million to be compared to a total adjusted EBITDA of €21.8 million. It is a management priority to achieve a full coverage of interest expenses by adjusted EBITDA once the initiated restructuring measures show their full impact. Further asset disposals (producing more interests than revenues) and cost reductions shall improve this key ratio.

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

Loan redemptions deduced from the sale of assets in 2010 until the end of the reporting period resulted in a significant drop of €6.7 million in interest expenses compared to the pre-year figures.

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

Loan redemptions in 2011	
Leipziger Platz	66,0
Invalidenstraße 112	4,7
Brunnenstraße 156	2,0
Subtotal	72,7
Total 2010 and Q1-Q3/2011	170,3

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

Total financial assets amounted to €26.7 million mainly comprising the net present value of Leipziger Platz (€24.6 million). The recurrent increase in net present value until maturing of the receivables led to a positive result in interest income of €0.8 million in the first nine months 2011.

After finalization of the project in 2015 the top up of € 30 million is foreseen as an additional part of the contracted sales price. The other net financial result amounted to +€1.0 million (vs. €-1.0 million in September 2010) and was mainly driven by:

- Financial charges of €-1.4 million (vs. €-3.8 million in 2010) mainly linked to costs for the previous prolongation of the Sky Office loan (€-0.7 million) which originally matured on 30 June 2011, costs linked to the valuation of the ORCO-GSG portfolio (€-0.1 million) and provisions for consultants commissioned for the refinancing of the ORCO-GSG loan (€-0.5 million).
- Gains on trading investments (€2.6 million) resulting mainly from the revaluation of embedded derivative on bonds €-5.6 million and the gains on revaluation of interest rate derivatives on ORCO-GSG €+8.0 million, on Gebauer Höfe (€+0.3 million). Interest swaps were accounted for at fair value and contracted to prevent fluctuations in interest rates.

In the first nine months 2011 the cost of debt after hedging amounted to 4.89%. Excluding the bond, the costs of debt (after hedging) were 5.09%. Variable loans accounted for 81% of which 76% were hedged against interest rate changes through derivative instruments, i.e. cap, collar and swaps.

2.12. Income Taxes

Total income taxes amounting to €-5.7 million (€-8.0 million in 2010) were composed of current income taxes of €-1.3 million and deferred taxes of €-4.4 million.

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

2.13. Net result

ORCO Germany closed the third quarter ended 30 September 2011 with a net gain of €16.4 million compared to a net gain of €6.1 million in the corresponding 2010 period.

3. Other reporting requirements

3.1. Subsequent closing events

After the reporting period the sale of the non-core residential ORCO-GSG asset Bergfried-Ritterstrasse was contracted at a sales price of €3.7 million (€0.8 million above respective DTZ value).

Dr. Christian Schede resigned from the Company's Board of Directors of ORCO Germany S.A. on 10 October 2011. Dr. Schede was elected to the Company's Board of Directors by the Annual General Meeting held on 15 April 2011 as the nominee of MSREF V Turtle B.V. Further to the completion of the exit of MSREF V Turtle B.V. from its positions in the Company, Dr. Schede resigned. The Board of Directors and the management expressed thanks for the work Dr. Schede did for the Company.

The Board of Directors of the Company comprises following members: Ott & Co S.A., represented by Jean-François Ott, its permanent legal representative, Nicolas Tommasini, Ales Vobruba, and Brad Taylor.

3.2 Transactions on treasury shares

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

3.3 Miscellaneous

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

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

4. Consolidated financial statements

4.1 Profit & Loss Statement as at 30 September 2011

	September 11	September 10
Revenue	47 204	120 897
Net gain/loss from fair value adjustments		
on investment property	3 977	23 829
Other operating income	358	2 987
Net gain/loss on disposal of assets	12 264	- 21
Cost of goods sold	- 65	-67 409
Employee benefits	-4 771	-7 219
Amortisation, impairments and provisions	6 285	-2 651
Other operating expenses	-20 957	-24 123
Operating result	44 295	46 291
Interest expenses	-24 750	-31 458
Interest income	1 514	214
Other net financial results	1 023	- 962
Financial result	-22 213	-32 206
Profit/loss before income taxes	22 082	14 085
Income taxes	-5 680	-7 988
Net profit/loss	16 402	6 097
Total loss attributable to:		
non controlling interests	- 2	5
Attributable to the Equity holders of the Company	16 400	6 102
Basic earnings in EUR per share	0,34	0,13
Diluted earnings in EUR per share	0,34	0,13

4.2 Balance Sheet as at 30 September 2011

Assets		
	30 September 2011	31 December 2010
NON-CURRENT ASSETS	563.659	562.790
Intangible assets	50.510	50.528
Investment property	483.178	508.158
Property, plant and equipment	4.735	3.890
Hotels and own-occupied buildings	3.039	2.338
Fixtures and fittings	1.460	1.552
Properties under development	236	0
Financial assets	26.733	214
Deferred tax assets	-1.497	0
CURRENT ASSETS	224.000	304.617
Inventories	144.202	142.276
Trade receivables	23.366	11.120
Other current assets	23.605	20.578
Current financial assets	20	30
Cash and cash equivalents	14.047	17.939
Assets held for sale	18.760	112.674
TOTAL	787.659	867.407

Equity and liabilities		
	30 September 2011	31 December 2010
EQUITY	64.782	49.910
Equity attributable to owners of the Company	64.747	49.877
Non controlling interests	35	33
LIABILITIES	722.877	817.497
Non-current liabilities	133.074	538.025
Bonds	0	94.192
Financial debts	37.823	325.776
Provisions & other long term liabilities	10.971	10.394
Derivative instruments	0	19.323
Deferred tax liabilities	84.280	88.340
Current liabilities	589.803	279.472
Current bonds	97.189	0
Financial debts	400.567	134.602
Trade payables	1.863	2.629
Advance payments	20.331	17.590
Derivative instruments	35.370	18.668
Other current liabilities	24.662	39.983
Liabilities linked to assets held for sale	9.821	66.000
TOTAL	787.659	867.407

5. Notes to the consolidated financial statements

5.1. 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.

5.2. 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 property management line once completed.
- Property 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 30 September 2011	Development	Property Management	TOTAL
Revenue	6.075	41.129	47.204
Net gain /(loss) from fair value adjustments on investment property	1.860	2.117	3.977
Cost of goods sold	-33	-32	-65
Amortisation, impairments and provisions	6.034	251	6.285
Other operating results	5.841	-18.947	-13.106
Operating result	19.777	24.518	44.295
Net gain /(loss) from fair value adjustments on investment property	-1.860	-2.117	-3.977
Amortisation, impairments and provisions	-6.034	-250	-6.284
Past valuation on goods sold	0		0
Net result on disposal of assets	-11.586	-678	-12.264
Adjusted EBITDA	297	21.473	21.770

6. Earnings per share

	September 11	September 10
Shares issued at the beginning of the period	48 771 333	48 771 333
Weighted average of new shares issued	-	-
Weighted average outstanding shares for the purpose of calculating the basic earnings per share	48 771 333	48 771 333
Dilutive potential ordinary shares	-	-
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	16 401	6 097
Effect of assumed conversions / exercises	-	-
Warrants	-	-
Net profit/loss attributable to the Group after assumed conversions / exercises	16 401	6 097
Basic earnings in EUR per share	0,34	0,13
Diluted earnings in EUR per share	0,34	0,13

7. Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk including price risk but also 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 interest rate risk and credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

At the end of September 2011, current liabilities (<1 year) were very significant and amounted to €589.8 million.

On the mid-term run the main challenge will be the refinancing of the €100 million nominal corporate bond and the €300 million loan for GSG both maturing in mid 2012.

As reported in the 2010 annual report, the going concern of the Group from spring 2012 is depending on the successful renegotiation of bank loans and bonds. While approving quarterly accounts, the Board of directors took notice of a significantly worsened financing environment which makes the ORCO GSG refinancing more complex.