

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

**ANNUAL ACCOUNTS AND AUDITORS' REPORT**  
**DECEMBER 31, 2007**

40 Parc d'Activités de Capellen  
L-8303 Capellen  
R.C.S. Luxembourg B 102.254

**TABLE OF CONTENTS**

|                           | Page   |
|---------------------------|--------|
| AUDITORS' REPORT          | 1 - 2  |
| ANNUAL ACCOUNTS           |        |
| - Balance sheet           | 3      |
| - Profit and loss account | 4      |
| - Notes to the accounts   | 5 - 17 |

To the Shareholders of  
**ORCO GERMANY S.A.**  
Société Anonyme  
R.C.S. Luxembourg B 102.254

## **AUDITOR'S REPORT**

### **Report on the annual accounts**

We have audited the accompanying annual accounts of ORCO GERMANY S.A., which comprise the balance sheet as at December 31, 2007 and the profit and loss account for the year then ended, and a summary of significant accounting policies and other explanatory notes.

#### *Board of directors' responsibility for the annual accounts*

The Board of directors is responsible for the preparation and fair presentation of these annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of annual accounts that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### *Responsibility of the Auditor*

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 by the Institut des Réviseurs d'Entreprises. 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 judgement of the Auditor, 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 Auditor 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 S.A. as of December 31, 2007, and of the results of its operations for the year then ended in accordance with the Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts.

**Report on other legal and regulatory requirements**

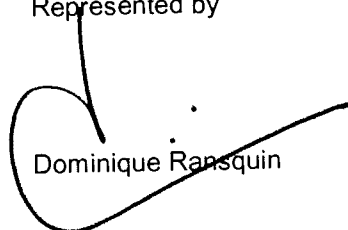
The management report, which is the responsibility of the Board of directors, is in accordance with the annual accounts.

PricewaterhouseCoopers S.à r.l.  
Réviseur d'entreprises  
Represented by



Anne-Sophie Preud'homme

H.R.T. REVISION S.A.  
Réviseur d'entreprises  
Represented by



Dominique Ransquin

Luxembourg, April 15, 2008

ORCO GERMANY S.A.  
R.C.S. Luxembourg B 102.254  
**BALANCE SHEET**  
December 31, 2007

| <b>ASSETS</b>  | <b>2007</b>                  | <b>2006</b>                  |
|--|------------------------------|------------------------------|
| <b>SUBSCRIBED CAPITAL CALLED BUT UNPAID</b> (note 7)                               | <b>302.491,79</b>            | -                            |
| <b>FIXED ASSETS</b>  | <b>314.111.458,52</b>        | <b>149.684.790,10</b>        |
| Tangible assets (note 3)   |                              |                              |
| Land and buildings   | 56.615.123,64                | 40.077.585,48                |
| Payments on account  | -                            | 1.367.388,57                 |
| Financial assets (note 4)  |                              |                              |
| Shares in affiliated undertakings  | 157.024.660,25               | 69.335.525,63                |
| Loans to affiliated undertakings   | 100.471.674,63               | 38.892.997,94                |
| Payments on account  | -                            | 11.292,48                    |
| <b>CURRENT ASSETS (due and payable within one year)</b>                            | <b>14.205.036,39</b>         | <b>4.961.028,80</b>          |
| Trade debtors  | 1.008,35                     | 34.069,31                    |
| Other debtors  | 243.640,83                   | 68.286,62                    |
| Other transferable securities (note 5)   | 847.000,00                   | -                            |
| Cash at banks and in hand  | 13.113.387,21                | 4.858.672,87                 |
| <b>PREPAYMENTS AND ACCRUED INCOME</b> (note 6)                                     | <b>1.858.994,58</b>          | <b>20.623,33</b>             |
|  | <b><u>330.477.981,28</u></b> | <b><u>154.666.442,23</u></b> |
| <b>LIABILITIES</b>   |                              |                              |
| <b>CAPITAL AND RESERVES</b> (note 7)   | <b>178.499.228,19</b>        | <b>106.863.884,65</b>        |
| Subscribed capital   | 60.964.166,25                | 43.187.500,00                |
| Share premium account  | 123.657.605,54               | 66.872.500,00                |
| Result brought forward   | (3.196.115,35)               | (284.892,48)                 |
| Loss for the financial year  | (2.926.428,25)               | (2.911.222,87)               |
| <b>PROVISIONS FOR LIABILITIES AND CHARGES</b>                                      | <b>814.066,16</b>            | -                            |
| Tax provisions (note 13)   | 122.300,00                   | -                            |
| Other provisions (note 14)   | 691.766,16                   | -                            |
| <b>CREDITORS</b>   | <b>151.135.777,56</b>        | <b>47.793.354,83</b>         |
| Bonds (note 8)   |                              |                              |
| - due and payable within one year  | 2.334.500,00                 | -                            |
| - due and payable after more than one year   | 100.100.052,00               | -                            |
| Amounts owed to credit institutions (note 9)                                       |                              |                              |
| - due and payable within one year  | 1.178.604,42                 | 1.463.465,01                 |
| - due and payable after more than one year   | 39.958.577,13                | 21.612.764,55                |
| Trade creditors (due and payable within one year)                                  | 72.018,12                    | 1.150.375,62                 |
| Amounts owed to affiliated undertakings (due and payable within one year) (note 9) | 6.722.508,14                 | 19.269.368,23                |
| Tax and social security payable (due and payable within one year)                  | 15.117,38                    | -                            |
| Other creditors (due and payable within one year) (note 9)                         | 754.400,37                   | 4.297.381,42                 |
| <b>PREPAYMENTS AND ACCRUED EXPENSES</b>  | <b>28.909,37</b>             | <b>9.202,75</b>              |
|  | <b><u>330.477.981,28</u></b> | <b><u>154.666.442,23</u></b> |

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

ORCO GERMANY S.A.  
R.C.S. Luxembourg B 102.254  
**PROFIT AND LOSS ACCOUNT**  
For the year ended December 31, 2007

| <b>C H A R G E S</b>  | <b>2007</b>                 | <b>2006</b>                |
|---|-----------------------------|----------------------------|
| External charges (note 15)  | 4.924.956,30                | 1.830.975,84               |
| Staff costs (notes 12 and 17)   |                             |                            |
| Wages and salaries  | 96.927,20                   | 11.471,40                  |
| Social security costs   | 6.133,26                    | 2.241,86                   |
| Value adjustments in respect of tangible fixed assets (note 3)                          | 816.863,05                  | 320.439,45                 |
| Value adjustments in respect of transferable securities held as current assets (note 5) | 273.748,00                  | -                          |
| Value adjustments in respect of financial instruments (note 14)                         | 691.766,16                  | -                          |
| Interest payable and similar charges  |                             |                            |
| Affiliated undertakings (note 9)  | 1.194.091,69                | 1.104.070,70               |
| Other (note 11)   | 4.556.882,96                | 487.541,57                 |
| Other taxes (note 13)   | 1.089.466,90                | 1.110.820,62               |
|   | <u><b>13.650.835,52</b></u> | <u><b>4.867.561,44</b></u> |
| <b>I N C O M E</b>  |                             |                            |
| Net turnover (note 10)  | 3.287.030,42                | 1.231.468,69               |
| Other operating income  | 42.747,07                   | 4.618,46                   |
| Income from other transferable securities (note 5)                                      | 373.382,52                  | -                          |
| Other interest receivable and similar income  |                             |                            |
| Affiliated undertakings   | 5.003.075,57                | 677.722,62                 |
| Other   | 554.467,99                  | 42.528,80                  |
| Gain on disposal of properties (note 3)   | 1.463.703,70                | -                          |
| Loss for the financial year   | 2.926.428,25                | 2.911.222,87               |
|   | <u><b>13.650.835,52</b></u> | <u><b>4.867.561,44</b></u> |

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

ORCO GERMANY S.A.  
R.C.S. Luxembourg B 102.254  
**NOTES TO THE ACCOUNTS**  
December 31, 2007

**NOTE 1 - GENERAL**

ORCO GERMANY S.A. has been incorporated under the Luxembourg Companies Law on July 22, 2004.

The object of the corporation 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 corporation 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 corporation 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 corporation 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 corporation 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 address of the company's registered office was transferred from 48, boulevard Grande-Duchesse Charlotte, L-1330 Luxembourg to 40 Parc d'Activités de Capellen, L-8308 Capellen by decision of an extraordinary shareholders' meeting dated December 13, 2007.

The shares of the company were listed on the Open Market of the Frankfurt Stock Exchange since May 2006 and are now listed on the Prime Standard of the Frankfurt Stock Exchange since November 2007.

**NOTE 2 - ACCOUNTING PRINCIPLES, RULES AND METHODS**

**General**

The annual accounts have been prepared in conformity with generally accepted accounting principles and in agreement with the laws and regulations in force in the Grand-Duchy of Luxembourg.

ORCO GERMANY S.A. is 56,79% owned by ORCO PROPERTY GROUP S.A., Luxembourg, which prepares consolidated accounts including the accounts of the company and of its subsidiaries. The company also prepares its own consolidated accounts.

The consolidated accounts of the company and of its parent company ORCO PROPERTY GROUP S.A. can be obtained at their registered office, 40 Parc d'Activités de Capellen, L-8308 Capellen.

ORCO GERMANY S.A.  
R.C.S. Luxembourg B 102.254  
**NOTES TO THE ACCOUNTS**  
December 31, 2007

**Valuation Methods**

Conversion of foreign currencies

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

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

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

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.

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.

The allocation of acquisition cost between lands and buildings is based on specific valuation when available. In absence of such valuation, the split is done on the basis 20% on lands and 80% on buildings which is considered as a fair allocation by the Board of directors.

Financial assets

Financial assets are valued individually at the lower of their acquisition price or nominal value (for loans) or estimated realisable value as determined by the Board of directors.

To determine the carrying value, the Board of directors refers to the last audited financial statements of the companies and any other available information and documentation.

In case of durable depreciation in value to the opinion of the Board of directors, value adjustments are recorded where the estimated realisable value is below the acquisition price or nominal value. The value adjustments are not continued if the reasons for which the value adjustments were made have ceased to apply.

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.

ORCO GERMANY S.A.  
R.C.S. Luxembourg B 102.254  
**NOTES TO THE ACCOUNTS**  
December 31, 2007

Debtors

Debtors are valued at their nominal value. A value adjustment is carried out when the estimated realisable value is lower than the nominal value.

Net turnover

In 2006, net turnover was including rental income and service charges recharged to the tenants. As from 2007, the service charges paid by the company and recharged to tenants are no longer recorded in turnover when the Company acts as an agent.

Swap agreements

Interest rate and cross-currency swap agreements are recorded off balance sheet at their market value. A value adjustment is provided for in other provisions for liabilities and charges 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 accounts under the caption "Interest payable and similar charges".

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".

Share subscription rights

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

**NOTE 3 - TANGIBLE ASSETS**

Tangible assets owned by the company consist of 17 (2006: 13) real estate properties.

All properties referred to above are located in Berlin (Germany).

For the real estate properties acquired in 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 (EUR 175.530,00 as at December 31, 2007).

ORCO GERMANY S.A.  
R.C.S. Luxembourg B 102.254  
**NOTES TO THE ACCOUNTS**  
December 31, 2007

|  | Land<br>EUR                 | Buildings<br>EUR            | Payments on<br>account<br>EUR |
|--|-----------------------------|-----------------------------|-------------------------------|
| <b>Cost</b>                              |                             |                             |                               |
| Situation as at January 1, 2007          | 16.896.762,48               | 23.557.251,85               | 1.367.388,57                  |
| Additions/Transfers                      | 3.977.217,87                | 15.937.740,93               | -                             |
| Disposals/Transfers                      | <u>(574.849,59)</u>         | <u>(2.044.235,02)</u>       | <u>(1.367.388,57)</u>         |
| Situation as at December 31, 2007        | 20.299.130,76               | 37.450.757,76               | -                             |
| <b>Depreciation</b>                      |                             |                             |                               |
| Situation as at January 1, 2007          | -                           | (376.428,85)                | -                             |
| Depreciation for the year                | -                           | (816.863,05)                | -                             |
| Disposals/Transfers                      | <u>-</u>                    | <u>58.527,02</u>            | <u>-</u>                      |
| Situation as at December 31, 2007        | -                           | (1.134.764,88)              | -                             |
| <b>Net value as at December 31, 2007</b> | <b><u>20.299.130,76</u></b> | <b><u>36.315.992,88</u></b> | <b><u>-</u></b>               |

The company sold one building in 2007 yielding a gain of EUR 1.463.703,70.  
In 2006, payments on account corresponded to accounts paid on acquisition of buildings made in 2007.

**NOTE 4 - FINANCIAL ASSETS**

|  | Shares in<br>affiliated<br>undertakings<br>EUR | Loans to<br>affiliated<br>undertakings<br>EUR | Payments<br>on<br>account<br>EUR |
|--|--|---|----------------------------------|
| <b>Cost</b>                              |  |   |                                  |
| Situation as at January 1, 2007          | 69.335.525,63                                  | 38.892.997,94                                 | 11.292,48                        |
| Additions/Transfers                      | 87.689.134,62                                  | 61.578.676,69                                 | -                                |
| Disposals/Transfers                      | <u>-</u>                                       | <u>-</u>                                      | <u>(11.292,48)</u>               |
| Situation as at December 31, 2007        | 157.024.660,25                                 | 100.471.674,63                                | -                                |
| <b>Depreciation</b>                      |  |   |                                  |
| Situation as at January 1, 2007          | -  | -   | -                                |
| Depreciation for the year                | <u>-</u>                                       | <u>-</u>                                      | <u>-</u>                         |
| Situation as at December 31, 2007        | -  | -   | -                                |
| <b>Net value as at December 31, 2007</b> | <b><u>157.024.660,25</u></b>                   | <b><u>100.471.674,63</u></b>                  | <b><u>-</u></b>                  |

ORCO GERMANY S.A.  
R.C.S. Luxembourg B 102.254  
**NOTES TO THE ACCOUNTS**  
December 31, 2007

Loans to affiliated undertakings are composed of the following:

|                                      | <b>2007</b>           | <b>2006</b>          |
|--------------------------------------|-----------------------|----------------------|
|                                      | <b>EUR</b>            | <b>EUR</b>           |
| Orco Immobilien GmbH                 | 28.608.432,33         | 10.573.213,60        |
| Orco Grundstück-u. Beteiligungs GmbH | 25.744.187,95         | 24.743.430,00        |
| Orco Berlin Invest GmbH              | 4.197.500,15          | 1.923.938,34         |
| Orco Projekt 103 GmbH                | 5.074.869,47          | 1.319.958,00         |
| Isalotta 1 GmbH                      | 892.293,31            | 332.458,00           |
| Gebäuer Höfe Liegenschaften GmbH     | 18.319.301,91         | -                    |
| Orco Leipziger Platz GmbH            | 12.076.196,78         | -                    |
| Others                               | 5.558.892,73          | -                    |
|                                      | <b>100.471.674,63</b> | <b>38.892.997,94</b> |

Loans to affiliated undertakings have no set maturity dates and are remunerated at an interest rate of 6%.

Payments on account of EUR 11.292,48 as of December 31, 2006 (2007: EUR 0) had been made to acquire the German limited corporate partnership Tucholsky Strasse 39 GmbH & Co Grundbesitz KG. This acquisition has been finalized during 2007. Payments on account have been recovered.

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

ORCO GERMANY S.A.  
R.C.S. Luxembourg B 102.254  
**NOTES TO THE ACCOUNTS**  
December 31, 2007

Undertakings in which the company holds at least 20% in their share capital are detailed as follows:

| Name of the undertaking                           | Country    | Local<br>curr. | % held | Book<br>value          | Book<br>value          | Created /<br>Acquired<br>in 2007<br>'000 EUR |
|---|------------|----------------|--------|------------------------|------------------------|--|
|   |            |                |        | 31/12/2007<br>'000 EUR | 31/12/2006<br>'000 EUR |  |
| Apple Tree Investments GmbH                       | Germany    | EUR            | 94,80% | 6.235,73               | -                      | 6.235,73                                     |
| Endurance HC Alpha Sàrl                           | Luxembourg | EUR            | 100%   | 12,50                  | -                      | 12,50  |
| Endurance HC Beta Sàrl                            | Luxembourg | EUR            | 100%   | 12,50                  | -                      | 12,50  |
| Endurance HC Gamma Sàrl                           | Luxembourg | EUR            | 100%   | 12,50                  | -                      | 12,50  |
| Gebauer Höfe Liegenschaften<br>GmbH               | Germany    | EUR            | 100%   | 27,50                  | -                      | 27,50  |
| Isalotta 1. GmbH                                  | Germany    | EUR            | 100%   | 74.764,66              | -                      | 74.764,66                                    |
| Isalotta 2. GmbH                                  | Germany    | EUR            | 100%   | 197,57                 | -                      | 197,57                                       |
| Isalotta GP GmbH & Co.<br>Verwaltungs KG          | Germany    | EUR            | 94,99% | 3.745,88               | -                      | 3.745,88                                     |
| Lora Grundbesitz GmbH, Berlin                     | Germany    | EUR            | 100%   | 204,96                 | 204,96                 | -  |
| Orco Berlin Invest GmbH, Berlin                   | Germany    | EUR            | 100%   | 19.025,00              | 19.025,00              | -  |
| Orco Dritte Beteiligungs VV GmbH                  | Germany    | EUR            | 100%   | 5,00                   | -                      | 5,00   |
| Orco Erste Beteiligungs VV GmbH                   | Germany    | EUR            | 100%   | 5,00                   | -                      | 5,00   |
| Orco Germany Investment SA                        | Luxembourg | EUR            | 100%   | 31,00                  | -                      | 31,00  |
| Orco Grundstück u. Beteiligungs<br>GmbH, Berlin   | Germany    | EUR            | 100%   | 40.027,30              | 40.027,30              | -  |
| Orco Immobilien GmbH, Berlin                      | Germany    | EUR            | 100%   | 9.325,00               | 9.325,00               | -  |
| Orco LP 12 GmbH, Berlin                           | Germany    | EUR            | 100%   | 27,30                  | 27,30                  | -  |
| Orco Projekt 103 GmbH, Berlin                     | Germany    | EUR            | 75%    | 725,97                 | 725,97                 | -  |
| Orco Vermietungs- und Service<br>GmbH             | Germany    | EUR            | 100%   | 25,00                  | -                      | 25,00  |
| Orco Zweite Beteiligungs VV GmbH                  | Germany    | EUR            | 100%   | 1,00                   | -                      | 1,00   |
| Senioren Wohnen GmbH                              | Germany    | EUR            | 94,80% | 100,00                 | -                      | 100,00                                       |
| Tucholsky Strasse 39 GmbH & Co.<br>Grundbesitz KG | Germany    | EUR            | 100%   | 2.513,29               | -                      | 2.513,29                                     |
|   |            |                |        | <u>157.024,66</u>      | <u>69.335,53</u>       | <u>87.689,13</u>                             |

In 2007, the company acquired 50% of the shares of Isalotta 1. GmbH, 50% of the shares of Isalotta 2. GmbH and 44,99% of the shares of Isalotta GP GmbH & Co. Verwaltungs KG by way of a contribution in kind made by an institutional shareholder and by the increase of its own share capital as per notary deed dated September 21, 2007 (see note 7).

The object of all affiliated companies is the investment in real estate and/or the holding of interest in real estate companies.

ORCO GERMANY S.A.  
R.C.S. Luxembourg B 102.254  
**NOTES TO THE ACCOUNTS**  
December 31, 2007

**NOTE 5 - TRANSFERABLE SECURITIES**

|  | EUR               |
|--|-------------------|
| Gross book value, at the beginning of the year | -                 |
| Additions for the year                         | 5.871.200,00      |
| Disposals for the year                         | (4.750.452,00)    |
|  | 1.120.748,00      |
| Gross book value, at the end of the year       | 1.120.748,00      |
| Value adjustment, at the beginning of the year | -                 |
| Depreciation for the year                      | (273.748,00)      |
|  | (273.748,00)      |
| Value adjustment, at the end of the year       | (273.748,00)      |
| <b>Net book value, at the end of the year</b>  | <b>847.000,00</b> |

All transferable securities held by the company at the end of the year are listed. As at December 31, 2007, the securities are valued on the basis of the latest available market price amounting to EUR 847.000,00. The realised gain on sale of securities during the year amounts to EUR 373.382,52.

**NOTE 6 - PREPAYMENTS AND ACCRUED INCOME**

Prepayments and accrued income mainly consist of issuing fees on bonds which are amortized over the bonds' life (see note 8).

|  | 2007<br>EUR         | 2006<br>EUR      |
|--|---------------------|------------------|
| Gross amount of issuing fees on the OBSAR bond issue<br>(see note 8) | 2.100.052,00        | -                |
| Amortization of issuing fees for the year (1)                        | (245.000,00)        | -                |
| Other  | 3.942,58            | 20.623,33        |
| <b>Total at the end of the year</b>                                  | <b>1.858.994,58</b> | <b>20.623,33</b> |

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

ORCO GERMANY S.A.  
R.C.S. Luxembourg B 102.254  
**NOTES TO THE ACCOUNTS**  
December 31, 2007

**NOTE 7 - CAPITAL AND RESERVES**

Share capital

Share capital amounts to EUR 60.964.166,25 (2006: EUR 43.187.500) and is represented by 48.771.333 (2006: 34.550.000) shares with a nominal value of EUR 1,25 each. Subscribed capital called but unpaid (EUR 302.491,79 as at December 31, 2007) relates to the capital increase as per notary deed dated March 3, 2007.

The authorised capital of the company amounts to EUR 150.000.000 as at December 31, 2007.

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.

Share subscription rights

On February 21, 2006, the Board of directors decided to grant without consideration 350.000 (2.800.000 after the split) share subscription rights ("*bons de souscription d'actions*", in short "BSA") to all existing shareholders at this date, proportionally to their ownership. The exercise of three share subscription rights gives right to the subscription of one new share of the company to be issued through capital increase at a strike price of EUR 4,63 per share. The share subscription rights may be exercised for a three year period ending on February 21, 2009.

364.000 share subscription rights out of a total of 2.800.000 giving right to 121.333 shares were exercised at the first capital increase that occurred in the year 2007 .

|   | Subscribed<br>capital<br>EUR | Share premium<br>account<br>EUR | Result brought<br>forward<br>EUR | Loss<br>for the financial<br>year<br>EUR |
|---|------------------------------|---------------------------------|----------------------------------|--|
| <b>Situation as at January 1, 2007</b>                          | 43.187.500,00                | 66.872.500,00                   | (284.892,48)                     | (2.911.222,87)                           |
| Allocation of results as per AGM<br>of May 3, 2007              | -                            | -                               | (2.911.222,87)                   | 2.911.222,87                             |
| Capital increase as per notary deed<br>dated March 3, 2007      | 151.666,25                   | 410.105,54                      | -                                | -  |
| Capital increase as per notary deed<br>dated May 21, 2007       | 4.375.000,00                 | 30.625.000,00                   | -                                | -  |
| Capital increase as per notary deed<br>dated September 21, 2007 | 13.250.000,00                | 25.750.000,00                   | -                                | -  |
| Loss of the year  | -                            | -                               | -                                | (2.926.428,25)                           |
| <b>Situation as at December 31, 2007</b>                        | <b>60.964.166,25</b>         | <b>123.657.605,54</b>           | <b>(3.196.115,35)</b>            | <b>(2.926.428,25)</b>                    |

ORCO GERMANY S.A.  
R.C.S. Luxembourg B 102.254  
**NOTES TO THE ACCOUNTS**  
December 31, 2007

**NOTE 8 - BONDS**

On May 30, 2007, the company issued bonds with repayable subscription warrants ("OBSAR") having the following characteristics:

**Bonds**

|                        |  |
|------------------------|--|
| Nominal amount         | EUR 100.100.052  |
| Number of bonds        | 148,077  |
| Nominal value per bond | EUR 676  |
| Issue price per bond   | EUR 676  |
| Maturity date          | 30 May 2012 (with a possibility of early redemption at the option of either the issuer or bondholders)                           |
| 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% (payable annually)  |
| ISIN                   | XS0302623953   |
| Listing                | Luxembourg Stock Exchange  |

**Warrants**

|                    |   |
|--------------------|---|
| Number of warrants | 9.328.851 (corresponding to 63 warrants/issued bond)  |
| Exercise ratio     | one warrant gives the right to one share of Orco Germany S.A.   |
| Exercise price     | EUR 16,90 or 125% of the reference share price of Orco Germany S.A., if the latter is lower than EUR 13,52 per share  |
| 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   |

ORCO GERMANY S.A.  
R.C.S. Luxembourg B 102.254  
**NOTES TO THE ACCOUNTS**  
December 31, 2007

The difference between the nominal value and the possibly higher repayment value of the above-mentioned bonds is not shown in the accounts as it is conditional and as the Board of Directors of the Company considers that the probability of realisation is currently remote.

Accrued interest unpaid on the outstanding bonds (EUR 2.334.500 as of December 31, 2007) is shown under the short term portion of the caption "bonds" in liabilities.

As at December 31, 2007, no warrant attached to the bonds ("BSAR") has been exercised.

#### **NOTE 9 - CREDITORS**

##### Amounts owed to credit institutions

The company entered into fourteen mortgage bank loans, of which eleven have a total duration of 10 years and three of 5 years, amounting initially to a total of EUR 41.504.062 (2006: 23.300.000) and to a total residual book value of EUR 41.137.181 at December 31 2007 (2006: EUR 23.076.229) to finance the acquisition of the real estate properties located in Berlin. Seven loans bear fixed interest rates and seven other loans bear variable interest rates. Interest rates applicable during 2007 range from 3,53% to 5,77% p.a. .

As at December 31, 2007, a portion of EUR 14.271.326 of amounts owed to credit institutions is payable after more than 5 years.

##### Amounts owed to affiliated undertakings

Amounts owed to affiliated undertakings mainly consist of advances received from the parent company, ORCO PROPERTY GROUP S.A., including accrued interest payable at rates of 6% and 6,5% respectively.

##### Other creditors

The decrease of the other creditors compared to December 31, 2006 is mainly due to the fact that last year the balance was including EUR 4.040.000 due on the purchase of the real estate property located Danziger Strasse 73 – 77 acquired during 2006. This balance was settled in 2007.

#### **NOTE 10 – NET TURNOVER**

The company derives its entire net turnover from Germany and from rental of its buildings. The impact of the change of accounting method concerning rental income described in note 2 is minor and consists in a reclassification between net turnover and other external charges. The net profit of the company is not impacted. According to the Board of directors of the Company, this new accounting treatment gives a better view of the actual turnover made by the company, which acts as an agent.

ORCO GERMANY S.A.  
R.C.S. Luxembourg B 102.254  
**NOTES TO THE ACCOUNTS**  
December 31, 2007

**NOTE 11 – OTHER INTEREST**

Other interest is composed of:

|  | <b>2007</b>                | <b>2006</b>              |
|--|----------------------------|--------------------------|
| Interest on loans from credit institutions | 1.817.157,10               | 487.541,47               |
| Interest on bonds                          | 2.336.819,63               | -                        |
| Amortisation of loan fees                  | 245.000,00                 | -                        |
| Other bank fees                            | 157.906,23                 | -                        |
|  | <u><b>4.556.882,96</b></u> | <u><b>487.541,47</b></u> |

**NOTE 12 - STAFF**

Average of persons employed during the year:

|           | <b>2007</b>     | <b>2006</b>     |
|-----------|-----------------|-----------------|
| Employees | 1               | 1               |
| Workers   | 1               | 2               |
|           | <u><b>2</b></u> | <u><b>3</b></u> |

**NOTE 13 - TAXES**

The company is a fully taxable company for Luxembourg income and net wealth taxes. Furthermore the company is subject to German corporate and property taxes related to its German operations.

Other taxes consist of a provision for Luxembourg net wealth tax for EUR 122.300, of German property taxes for EUR 221.549 and of the tax paid on capital increases occurred during the year for EUR 745.618.

ORCO GERMANY S.A.  
R.C.S. Luxembourg B 102.254  
**NOTES TO THE ACCOUNTS**  
December 31, 2007

**NOTE 14 - INTEREST RATE SWAP AGREEMENTS**

During the year 2007, the company negotiated eight over-the-counter interest rate swap agreements with two German banks for a total nominal amount of EUR 145.803.097. 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. The total duration of each swap agreement goes from 21 to 116 months. For five out of eight swap agreements, the exchange of interest flows will only start beyond the date of December 31, 2007. The unrealised losses on six of these interest rate swaps (EUR 691.766,16 as of December 31, 2007) are accounted for as value adjustments in respect of financial instruments and provided for in other provisions for liabilities and charges. The unrealised gains on two other swap agreements (EUR 108.105,22 as of December 31, 2007) are not accounted for in accordance with the company's accounting principles.

| Instrument                 | Initial Date | Maturity Date | Nominal<br>EUR     | Unrealised<br>gain/loss as at<br>31/12/2007<br>EUR |
|----------------------------|--------------|---------------|--------------------|--|
| Interest Rate Swap         | 31/07/2007   | 31/03/2017    | 13.359.097         | - 178.287  |
| Forward Interest Rate Swap | 31/01/2008   | 31/07/2012    | 6.700.000          | 12.304   |
| Forward Interest Rate Swap | 01/10/2008   | 31/03/2015    | 13.200.000         | 95.801   |
| Forward Interest Rate Swap | 04/09/2007   | 30/06/2017    | 12.750.000         | - 30.601   |
| Forward Interest Rate Swap | 30/06/2009   | 30/06/2012    | 86.000.000         | - 344.725  |
| Forward Interest Rate Swap | 31/12/2007   | 30/06/2009    | 2.091.000          | - 26.101   |
| Forward Interest Rate Swap | 31/12/2007   | 31/12/2009    | 8.783.000          | - 31.241   |
| Forward Interest Rate Swap | 31/12/2007   | 31/05/2010    | 2.920.000          | - 80.811   |
|                            |              |               | <u>145.803.097</u> | <u>- 583.661</u>                                   |

**NOTE 15 – EXTERNAL CHARGES**

External charges are composed of:

|                                   | 2007                | 2006                |
|-----------------------------------|---------------------|---------------------|
| Maintenance cost of buildings     | 1.470.340,00        | 414.057,01          |
| Professional and operational fees | 2.390.822,82        | 1.242.749,46        |
| Other                             | 1.063.793,48        | 174.169,37          |
|                                   | <u>4.924.956,30</u> | <u>1.830.975,84</u> |

ORCO GERMANY S.A.  
R.C.S. Luxembourg B 102.254  
**NOTES TO THE ACCOUNTS**  
December 31, 2007

**NOTE 16 - OFF BALANCE SHEET COMMITMENTS**

All bank loans referred to in note 9 above are secured by mortgages on land and buildings owned by the company (see note 3), the assignment of rental income in favour of the lending bank and guarantee commitments signed by the parent company ORCO PROPERTY GROUP S.A. in favour of the company.

Furthermore, the company warranted a bank loan granted to one of its subsidiaries in 2007 for an amount of EUR 6.700.000 and pledged the shares of another subsidiary it holds to secure a bank loan of EUR 34.950.000 taken by the latter subsidiary.

As of December 31, 2007, the company has no more contractual commitment, net of payments on account already made, to buy additional real estate properties (as at December 31, 2006, such commitment amounted to EUR 14.653.000).

**NOTE 17 - REMUNERATION OF THE MEMBERS OF THE BOARD OF DIRECTORS**

The amount of the emoluments granted in respect of the financial year to the executive member of the board of directors amounts to EUR 43.333,42. The company did not grant any advances, loans or pension plans to its directors.

**NOTE 18 – SUBSEQUENT EVENTS**

At the beginning of the year 2008, the company created the following Luxembourg entities:

- Endurance HC Delta S.à r.l.
- Endurance HC Epsilon S.à r.l.
- Endurance HC Iota S.à r.l.
- Endurance HC Theta S.à r.l.
- Endurance HC Zeta S.à r.l.

and has been admitted as further limited partner of Vivaro GmbH & Co. Grundbesitz KG and of Vivaro GmbH & Co. Zweite Grundbesitz KG.

On March 14, 2008, the building Danziger Str. 16 held by Lora Grundbesitz GmbH at 100% has been sold.