

# MANAGEMENT REPORT

## to the Annual General Meeting of Shareholders on 27 April 2012

Ladies and Gentlemen,

We have the honour of presenting to you the Management Report of your company's 101st financial year and of submitting for your approval the Annual Accounts as at 31 December 2011, along with our proposals for the allocation of profits.

The consolidated results for 2011 amount to 11.32 million euro, compared with -1.60 million euro in 2010.

### ***Turnover, revenue from the ordinary activities and operational profit (loss)***

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**The turnover** amounts to 36.46 million euro. This turnover mainly comprises (26.23 million euro) the turnover connected with the transfers of the first two blocks of offices in the UP-site mixed complex, one to ETHIAS group and the other to UNIZO. The balance is split between the turnover resulting from the hotel activities of the CROWNE PLAZA hotel (8.37 million euro) and the rent received (0.69 million euro) after the acquisition of the company (I.P.I.) which holds the CITY DOCKS project in Anderlecht.

**The operating result** amounts to 13.51 million euro, compared with 3.48 million euro the previous year. This result is explained by the sale of the MEDIA GARDENS (IDM A) project to AEDIFICA, the transfer of a first block of offices to the ETHIAS group in the course of the first half of the year and the transfer of a second block of offices to UNIZO (Auxilio and Theseum) in the course of the second half of the year. To these results, the recovery of the balance of the claim on the RDC (2.3 million euro) is added.

The **net financial result** amounts to -3.09 million euro, which is primarily due to the financial charges related to the bond issue.

Taking the information above into account, the net result of the financial year increased in comparison with last year, i.e. 11.32 million euro in comparison with a loss of 1.60 million euro.

### ***Net financial indebtedness***

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As at 31 December 2011, the group has a net financial indebtedness of 93.55 million euro, compared with a net financial indebtedness of 46.99 million euro as at 31 December 2010.

The group's indebtedness consists, on the one hand, of the long-term debt of 107.11 million euro (compared to 99.67 million euro on 31 December 2010) and, on the other hand, a net positive cash position of 13.56 million euro.

While maintaining a comparable indebtedness, the liquidities generated by the transfers described in the preceding paragraphs made it possible to make new investments in Luxembourg (the Les Brasseries de Neudorf project) and in Brussels (the CITY DOCKS and TREBEL projects) while continuing the works connected with the projects under development.

### ***Own shares***

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During 2011, ATENOR GROUP acquired 3,061 own shares. As at 31 December 2011, ATENOR GROUP held 157,513 own shares acquired at an average price of 40.46 euro for a total amount of 6.37 million euro. These shares are intended to cover the 2007 to 2011 stock option plans.

### ***Projects in our portfolio***

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The quality of the projects in the portfolio, and especially the excellent location of each one of them, is one of the major advantages that are allowing ATENOR to go through these years of crises without financial difficulties.

The portfolio currently includes 10 projects under development with a total of approximately 500,000 m<sup>2</sup>.

More specifically, the projects experienced the following developments:

#### **SOUTH CITY - South Station, Brussels**

After the provisional acceptance of the construction works on 1 February 2011 and the opening on 1 March 2011 under the PARK INN brand, the hotel generated satisfactory operating results as from its opening. On the other hand, the difficult macro-financial context did not make it possible to sell the company that holds the building and the operating contract before the end of the 2011 financial year.

### **MEDIA GARDENS (IDM A)** - Meiser area, Brussels

We remind you that in the first half of 2011 ATENOR GROUP sold the securities of the company IDM A, owner of a building containing 75 apartments, shops and car parks, to the residential sicafi AEDIFICA, with a 9-month rental guarantee expiring in February 2012. Since a provision was made for the entire amount of the guarantee at the time of the delivery of the building in May 2011, the excellent response of the rental market for this building allowed us to reclaim € 337,000 of this rental guarantee on 31 December 2011, thereby increasing the results of this development by that amount.

### **UP-SITE** - Canal area, Brussels

The construction of this emblematic project progressed over the course of the year according to schedule; on the commercial level strong advance signs were sent to the market concerning the profound metamorphosis that this district is going to experience. Even before the launch of marketing of apartments in the Tower, the first feedback from the market received throughout 2011 confirmed for us the unique positioning of this project on the Brussels residential market.

The sale to Ethias in the first half of the year of the office building rented to Smals and the closing of the sale of the B3 office building to Unizo in the second half of the year, as explained above, contributed to the results.

### **HERMES BUSINESS CAMPUS** - Bld Dimitri Pompeiu, Bucharest

The HERMES BUSINESS CAMPUS infrastructure works were completed in the course of the year 2011. We postponed the beginning of the construction of the superstructure, in order to await clear signs of the recovery of the property market for offices. The year 2011 ended on a take-up on the market for offices in Bucharest of 200,000 m<sup>2</sup>, amounting to approximately 10% of the total of the market.

### **VACI GREENS** - Vaci Corridor, Budapest

The infrastructure works of the first phase of the project were finished in the course of the year 2011. We seized the possibility of applying for a modified urban planning permit that would make it possible to increase the lettable area of the project by nearly 10%, which led us to postpone the construction of the superstructure. The superstructure works will be launched at the appropriate time, depending on the evolution of the prospects of the rental market. The take-up on the market for offices in Budapest amounted to nearly 400,000 m<sup>2</sup>, an increase of 28% in comparison with 2010.

### **BRUSSELS EUROPA** - Rue de la Loi, Brussels

ATENOR recently relaunched the studies for the development of an ambitious mixed urban project in line with the conditions of the government order of 16 December 2010 and the new RRUZ (regional zoned planning regulation) dating from the beginning of 2012, both concerning the new urban landscape expected for the Rue de la Loi (PUL). ATENOR will submit a new application for a permit as soon as possible.

In parallel, we terminated the hotel activity, thereby complying with the so-called "Loi Renault" procedure. The costs of closing the hotel weighed on the results for 2011, but were nonetheless compensated by the operating results, which were still positive before the closing.

### **VICTOR** - South Station, Brussels

While the application for an urban planning permit submitted in 2010 followed its course, especially through the public enquiry relating to the impact study's specifications and the set-up of the supervisory committee, the authorised demolition works began at the end of 2011.

### **PORT DU BON DIEU** - Namur

The building permit application for the construction of one hundred apartments at the remarkable location of the Port du Bon Dieu was submitted in September 2011. The public authorities however wanted an explicit agreement between ATENOR and the other major owner of the site, the SPGE, prior to the issuing of the permit. Contacts are ongoing.

### **TREBEL** - Rue Belliard, Brussels

The building permit application was submitted in September 2011 and concerns a project of approximately 30,000m<sup>2</sup> of offices. TREBEL was retained by the European Parliament in view of an acquisition for the accommodation of their administration. This selection procedure should lead logically to a future sale under the suspensive condition of obtaining permits, generating results only when the building is delivered, i.e. in 2016.

### **CITY DOCKS - Canal area, Brussels**

In February 2011, ATENOR acquired the company IMMOBILIERE DE LA PETITE ILE (IPI), owner of a 5.4-ha plot in Anderlecht. This plot is included in a PPAS (regional land development plan) being studied by the municipal authorities and could be covered by the new demographic PPAS currently being drawn up.

ATENOR has drawn up an initial sketch demonstrating that it is possible to develop a highly mixed project, combining urban industrial and residential functions, as well as others.

In parallel, IPI benefited from the rental revenues paid by the current industrial occupant.

### **LES BRASSERIES DE NEUDORF - Luxembourg**

In September 2011 ATENOR acquired the company HF Immobilier, the owner of the site of the former breweries Henri Funck located in the Rue de Neudorf in Luxembourg City. The final months of 2011 were devoted to the development, with our architect, of a draft Special Development Plan (Plan d'Aménagement Particulier) with a view to the submission in 2012 of an application for an urban planning permit which would consist of ± 11,000 m<sup>2</sup> of residences and commercial spaces.

### **Other developments**

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Within the scope of the on-going judicial procedure regarding liquidity companies ("société de liquidités"), the Council Chamber of Brussels decided late September to refer thirteen companies and natural persons to the Penal Court, amongst which ATENOR and its CEO. Such a decision to refer, against which an appeal has been lodged, does not in any way prejudice any culpability.

On the other hand, in February 2012 the Council chambers in Turnhout dismissed the charges with respect to ATENOR and its directors in a similar case involving the sale of ENTERPRISES MIGEOTTE s.a.

As ATENOR has stated since the beginning of these cases and has repeatedly stated in its annual reports, ATENOR and its management, feel that they have not committed any fraud or infraction and are confident that their good faith will be acknowledged in court.

### **Events after the closing date**

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On 13 January 2012 Atenor Group issued a total of 50,000 options on own shares intended for members of the Management and the staff.

### **Prospects for the full year 2012**

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With regard to the uncertainties in the market trends, ATENOR is starting the year 2012 with prudence. The delivery of the office buildings sold in 2011 as well as the sale of the first apartments of the UP-site tower will contribute to the results.

### **Stock Option Plans**

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Background: the Board of Directors of 3 March 2009 approved a new Stock Option Plan for three years. Therefore as at 2 February 2010 Atenor Group issued a first tranche of 50,000 options on own shares intended for members of the Management and the staff. These options can be exercised during the periods from 11 March to 11 April 2014 and from 2 to 30 September 2014 at the unit price of € 36.18, i.e. the average closing price of the quotes of the 30 days preceding the issue date.

On 1 February 2011, Atenor Group issued a second tranche of 53,200 options on own shares intended for members of Management and staff. These options can be exercised during the periods from 10 March to 10 April 2015 and from 2 to 30 September 2015 at the unit price of € 33.40, i.e. the average closing price of the quotes for the 30 days preceding the issue date.

On 13 January 2012 Atenor Group issued a third tranche of 50,000 options on own shares intended for members of the management and staff. These options can be exercised during the periods from 10 March to 8 April 2016 and from 2 to 30 September 2016 at the unit price of 23.46 euro corresponding to the average listing on the stock exchange for the 30 days prior to issue.

### **Application of the International Accounting Standards (IFRS)**

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The financial information of 2011 has now been agreed and published in accordance with the IFRS standards as adopted in the European Union.

### ***Allocation of profits (Corporate results of Atenor Group s.a.)***

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ATENOR GROUP s.a.'s statutory annual accounts show a corporate profit for the tax year of € 13.303.828,28.

Apart from the operations reflected in the consolidated accounts, the 2011 profits/losses 2011 is explained by the sale of long leases and of subsidiaries related to our projects, management of general and structural expenses and financial charges primarily related to our bond issue.

Your Board proposes you to approve the annual accounts as at 31 December 2011 and allocate the corporate financial year's profit of Atenor Group s.a. as follows:

Profit for the year	K€	13 303 828.28
Profit carried forward	K€	44 341 169.65
<b>Profit to be allocated</b>	<b>K€</b>	<b>57 644 997.93</b>
Directors' entitlements	K€	205 000.00
Capital remuneration	K€	9 761 796.00
<b>Profit to be carried forward</b>	<b>K€</b>	<b>47 678 201.93</b>

(\*) suspension of the entitlement to dividend on own shares

### ***Proposed dividend***

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The Board of Directors will propose to the General Assembly of 27 April 2012 the payment, for the financial year 2011, of a dividend of 2.00 euro; i.e. a dividend net of withholding (25%) of 1.50 euro per share and a dividend net of withholding (21%) of 1.58 euro per share accompanied by a VVPR strip.

Subject to approval by the General Assembly, the dividend will be paid as of 4 May 2012 (\*).

- Ex date	30 April 2012
- Record date	3 May 2012
- Payment date	4 May 2012

(\*) excluding own shares whose entitlement to dividend has been suspended

### ***Statement on Corporate Governance***

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Regarding the Corporate Governance Statement (including, among others, the remuneration report and description of systems of internal control and risk management), reference is made to Appendix 1 (see page 40 of the Annual Report).

It is an integral part of this report and is also repeated in its entirety in the annual report.

### ***Principal risks and uncertainties***

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ATENOR GROUP has holdings in companies implementing real estate projects and is also directly involved in real estate promotions.

ATENOR GROUP is faced with the risks and uncertainties inherent in this activity and, in particular, the changes in international economic trends and the markets in which the buildings are constructed, and the changes in the bases of the financial markets, such as interest rates and the volume of funds intended for investment.

The Board of Directors is attentive to the analysis and management of the various risks and uncertainties to which ATENOR GROUP and its subsidiaries are subject.

Furthermore, the Board of Directors sets out three identified risks which ATENOR GROUP faces:

- In the context of the tax dispute involving what are known as "Liquidity Companies", which could concern more than 700 companies in Belgium, major charges were brought against certain of the Group's former subsidiary companies. These companies had been sold, several years ago, to investors introduced and recommended to ATENOR GROUP by intermediaries and banking institutions of repute.

It transpired that these investors might have embezzled the liquidities of the acquired companies and failed to fulfil their tax obligations by not proceeding with any reinvestment as announced.

In certain cases, these tax disputes, which do not relate to ATENOR GROUP directly, have given rise to criminal complaints or civil proceedings, mainly against the buyers and the intervening banks but also against ATENOR and certain members of its management.

More specifically and within the scope of the on-going judicial procedure regarding « Erasmonde – American Energy », the Council Chamber of Brussels decided late September to refer thirteen companies and natural persons to the Criminal Court, amongst which ATENOR and its CEO. An appeal has been lodged against this decision.

However, on 21 February 2012 and within the scope of the « E. Migeotte / Société Générale (France) » case, the Council Chamber of Turnhout dismissed the charges with regard to ATENOR GROUP and certain of its directors in office at the time of the events.

In general, ATENOR GROUP, which fully and honestly cooperated in the investigations carried out by the legal and tax authorities, confirms that it has not committed any fraud either with regard to tax law or to company law, and is confident that its good faith will be acknowledged in all of the above mentioned files.

- As regards the PIXEL building in Luxembourg, general contractors Soludec and CIT Blaton issued a summons against ATENOR for reimbursement of penalties for which ATENOR had obtained payment by calling on bank guarantees (K€ 500).
- Within the framework of the President project, there is a dispute between Atenor Group Luxembourg and the general contractors Soludec, CIT Blaton and Van Laere. The latter claim various indemnifications, whereas Atenor also made a claim in particular for the application of late penalties. A court-ordered expert assessment is under way. Atenor Group Luxembourg has called on bank guarantees made to its benefit. It obtained payment (€ 5.055 M.) by order of the court on 18 February 2011.

ATENOR GROUP is of the opinion that the claims the Group is facing are unfounded and, consequently, no provision has been made for dealing with these disputes.

#### ***Administration – Corporate Governance***

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- Your Board proposes that you give a release from their mandate to the directors and to the auditor for the financial year closed on 31 December 2011.
- On the proposal of the Appointments and Remuneration Committee, your board proposes that you renew for a period of three years the mandates as director of Messrs Frank Donck, Luc Bertrand, Marc De Pauw, Régnier Haegelsteen, Philippe Vastapane et Charles-Louis d’Arenberg. These mandates, which could be remunerated, will expire at the end of the Ordinary General Assembly of 2015.
- On the proposal of the Audit Committee, your Board proposes renewing, for a period of three years, the mandate of the Auditor MAZARS – Company Auditors SCRL represented by Mr Philippe Gossart.

La Hulpe, 2 March 2012

For the Board of Directors.