

## MANAGEMENT REPORT

to the Annual General Meeting of Shareholders on 22 April 2011

Ladies and Gentlemen,

We have the honour of presenting to you the Management Report of your company's 100th financial year and of submitting for your approval the Annual Accounts as at 31 December 2010, along with our proposals for the allocation of profits.

The consolidated results for 2010 amount to -1.60 million euro, compared with 7.32 million euro in 2009.

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

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**The turnover** amounts to 10.74 million euros. This turnover mainly comprises the CROWNE PLAZA hotel activity (8.71 million euros) and the balance of the sales related to the MEDIA GARDENS project (0.89 million euros).

**The operating income** amounts to 3.48 million euros and is essentially derived from the sale of our SOUTH CITY OFFICE FONSNY and SOUTH CITY OFFICE BROODTHAERS holdings (€ 9.03 million euros) and the result recorded at the end of the first half of the year in connection with the PRESIDENT project (€1.27 million euros).

The **net financial result** amounts to 4.44 million euros impacted by the financial charges related to the successful bond issue of 18 January 2010.

Account taken, on the one hand, of the positive operating income derived thanks to the commercialisation of projects from our portfolio and, on the other, the net financial result, ATENOR's **net income** recorded a slight loss of €1.60 million euros.

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

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As at 2010 December 31, the group has a net financial indebtedness of 46.99 million euro compared with a net financial indebtedness of 71.57 million euro as at 31 December 2009. The bond issue made it possible to reinforce the structure of ATENOR'S balance sheet and devote the resources available to the furtherance of the projects in our portfolio in an economic climate in which the financial markets remained troubled.

### ***Own shares***

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During 2010, ATENOR GROUP acquired 33.580 own shares. As at 31 December 2010, ATENOR GROUP held 154,452 own shares acquired at an average price of 40.60 euro for a total amount of 6.27 million euros. These shares are intended to cover the 2007, 2008, 2009 and 2010 stock option plans.

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

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Within a context of the slow recovery of the real estate market, we continued cautiously with the development of the projects in our portfolio and also made a targeted acquisition.

In addition, we are continuing with the analysis of various files in keeping with our strategy and the very strict criteria that we set ourselves regarding new acquisitions.

Below, we comment on each of our projects classified according to their degree of advancement.

## **SOUTH CITY**

<b>Location</b>	Rue Fonsny, Brussels Capital Region, Belgium
<b>Project</b>	Real estate project: offices, shops and hotel
<b>Size</b>	40,010 m <sup>2</sup>

After the sale of the company SOUTH CITY OFFICE FONSNY to the companies L'INTEGRALE and OGEO, last December, we sold the company SOUTH CITY OFFICE BROODTHAERS to the international insurance group ALLIANZ at very favourable market conditions bearing in mind the quality of the two tenants SMALS and SNCB Holding.

The company SOUTH CITY HOTEL, which already had a 20 year operating agreement with the Rezidor group, will complete work on the hotel in the near future enabling the operator to open the hotel on 1<sup>st</sup> March.

## **MEDIA GARDENS (IDM A and IDM)**

<b>Location</b>	Chaussée de Louvain, Brussels, Belgium
<b>Project</b>	Residential housing units
<b>Size</b>	± 28,700 m <sup>2</sup>

Thanks to the success of the commercialisation by OPTIMA FINANCIAL PLANNERS In 2009 for the first part of the MEDIA GARDENS project, I.D.M. sa, a 100% subsidiary of ATENOR GROUP, received in 2010 the entire net proceeds of these sales amounting to 13.7 million euros.

During the course of 2010, ATENOR GROUP continued the construction of the second part of the MEDIA GARDENS project with a view to delivery of same in May 2011 (block of 75 apartments, which is 6,947 m<sup>2</sup> entirely sold to the SICAFI (fixed capital real estate investment trust) Aedifica).

## **UP-SITE**

<b>Location</b>	Between the canal, the place des Armateurs and the quai de Willebroek, Brussels capital region, Belgium.
<b>Project</b>	A combination of housing, shop and office units.
<b>Size</b>	± 80,000 m <sup>2</sup>

ATENOR GROUP obtained planning permission for the UP-site project in June 2010 and immediately began construction work consolidated by the signing of ad hoc financing. This mixed urban project located next to the canal in Brussels concerns 30,000 m<sup>2</sup> of offices, 13,000m<sup>2</sup> of which have already found occupants (27 year lease signed by SMALS and acquisition signed by UNIZO and SVMB), and over 47,000 m<sup>2</sup> of housing units. The future 140-meter high (42 floor) residential tower has already established itself as a landmark in this district which is being entirely redeveloped.

## **HERMES BUSINESS CAMPUS (Romania)**

<b>Situation</b>	Bld Dimitri Pompeiu, 2 <sup>nd</sup> District, Bucharest, Romania
<b>Project</b>	Construction of office buildings
<b>Size</b>	73,644 m <sup>2</sup>

The urban planning permit for this Romanian project was obtained in 2010.

After demolition work and preparation of the site, infrastructure work began during the last quarter of 2010 and is expected to be completed in September 2011. At the same time, an invitation to tender was issued for the infrastructure work of one of the project's three blocks and closed with a large number of favourable responses from the budgetary point of view. Analysis of these proposals will continue during the period.

In spite of the economic situation in this country, the launch of the commercialisation of the first phase of this project confirmed the intrinsic qualities of the project, although it has not been possible at this stage to predict when these commercial approaches will materialize.

### **VACI GREENS (Hungary)**

<b>Location</b>	Vaci ut, 13 <sup>th</sup> District, Budapest, Hungary
<b>Project</b>	Construction of office buildings
<b>Size</b>	Phase 1 - 56,000 m <sup>2</sup>

The urban planning permit for construction of a first block of offices allowing for the development of 15,400m<sup>2</sup> was obtained in July 2010. The infrastructure work began after the signing of a contracting contract with CFE Hungary.

The rental market seems to be showing signs of recovery and, in spite of the economic situation in this country, we found the intrinsic qualities of the launch of the commercialisation of the first phase encouraging although at this stage, as with the Romanian market, it is not possible to predict when these commercial approaches will take shape.

We are about to finalise the second acquisition phase of this project whose development may also be phased.

### **EUROPA**

<b>Location</b>	Rue de la Loi and chaussée d'Etterbeek, Brussels capital region, Belgium
<b>Project</b>	A combination of shop and office units.
<b>Size</b>	± 30,000 m <sup>2</sup>
<b>Architect</b>	Archi+I

After numerous discussions with the regional and communal authorities on the application for an urban planning permit made in December 2009, to our great satisfaction, we have learned that a Government Decree relating to the introduction of the implementation of the urban landscape law project, PUL, was published on 16 December 2010. The coordination meetings with the authorities concerned will take place during the 2011 period to determine new parameters of the volume of our construction.

### **VICTOR**

<b>Location</b>	Rue Blérot – Place Victor Horta, Brussels, Belgium
<b>Project</b>	A combination of shop and office units.
<b>Architects</b>	Atelier de Portzamparc (Paris) and Bureau d'Architecture M. & J-M. Jaspers – J. Eyers & Partners

In partnership (50/50) with CFE, we applied for an urban planning permit in December 2010. Consultation with the competent authorities and major players in the district is under way. Our architectural scheme for this location has always been densification for obvious reasons of mobility and the reinforcement of the use of public transport.

### **PORT DU BON DIEU**

<b>Situation</b>	Area known as "Port du Bon Dieu", Namur, Belgium
<b>Project</b>	Housing programme
<b>Size</b>	± 30,000 m <sup>2</sup>
<b>Architects</b>	Montois Partners Architects & l'Atelier de l'Arbre d'Or
<b>Owner</b>	Namur Waterfront

In June 2008, ATENOR created the company NAMUR WATERFRONT to use it for a project located just outside the city of Namur, on the left bank of the Meuse River. This area is of strategic value in terms of access and mobility given that it is situated not far from the railway station, the city centre and all its facilities. ATENOR has carried out studies for the construction of a residential complex of approximately 12,000 m<sup>2</sup> featuring the most pertinent ecological elements. Following a Region-City agreement, a regional development plan (SAR) is soon expected to be adopted, permitting submission of an application for an urban planning permit.

## **TREBEL**

<b>Location</b>	Corner of rue Belliard and rue de Trèves in Brussels, Belgium.
<b>Project</b>	Office building
<b>Size</b>	± 17,700 m <sup>2</sup>

Finally, ATENOR GROUP has made a new acquisition in the European district of Brussels. Reflection is under way with a view to proposing a project for this plot of land situated along rue Belliard and rue de Trèves in keeping with the changing environment.

### ***OPA Westland Shopping Center***

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The public offer on the Westland Shopping Center 1980 was countered by a public offer issued by the AGEAS group.

### ***Event after the closing date***

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On 1<sup>st</sup> February 2011 Atenor Group issued a total of 53,200 options on own shares intended for members of the Management and the staff.

### ***Prospects for the full year 2011***

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In view of the quality of its diversified portfolio and its cash situation, ATENOR GROUP is in a good position to pursue the development of its projects in a market showing the first signs of recovery. The construction and delivery of pre-sold, pre-leased properties in particular is expected to contribute positively to the 2011 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.

As at 1<sup>st</sup> February 2011 Atenor Group issued a second tranche of 53,200 options on own shares intended for members of the Management and the 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 of the 30 days preceding the issue date.

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

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The financial information of 2010 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 K€ 10.519.

Apart from the operations reflected in the consolidated accounts, the 2010 profits/losses are explained by the covering of the general and structural costs connected with the projects under development.

Your Board proposes you to approve the annual accounts as at 31 December 2010 and allocate the corporate financial year's profit of Atenor Group s.a. as follows:

Profit for the year	K€	10.519
Profit carried forward	K€	44.069
<b>Profit to be allocated</b>	<b>K€</b>	<b>54.588</b>
Directors' entitlements	K€	170
Capital remuneration	K€	10.077
<b>Profit to be carried forward</b>	<b>K€</b>	<b>44.341</b>

### ***Proposed dividend***

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The Board of Directors will propose to the General Assembly of 22 April 2011 the payment, for the financial year 2010, 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 (15%) of 1.70 euro per share accompanied by a VVPR strip.

Subject to approval by the General Assembly, the dividend will be paid as of 29 April 2011.

- Ex date	26 April 2011
- Record date	28 April 2011
- Payment date	29 April 2011

### ***Internal control systems and risk management***

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ATENOR has implemented the legal provisions of the law of 6 April 2010 and the recommendations of the Corporate Governance Code of 2009 concerning internal control and risk management. In this context, ATENOR has adapted its own guidelines for internal control and risk management on the basis of the general principles described in the guidelines written up by the Corporate Governance Commission.

In compliance with the legal provisions, the principal characteristics of the internal control and risk management systems within the framework of the process of establishment of the financial information can be described as follows:

#### CONTROL ENVIRONMENT

The Accounting and Financial Department is organised under the responsibility of the CFO, in such a way that it has, with a sufficient degree of security, the necessary resources and access to the financial information necessary to draw up the financial statements.

A manual of accounting principles and procedures has been written up; it rather broadly covers the different points falling under the accounting and financial organisation and procedures, among them in particular the accounting principles of the most important operations.

#### RISK MANAGEMENT

The company has defined objectives and responsibilities for the preparation of the financial information. These objectives are expressed primarily in terms of quality, compliance with companies law and accounting law, and in terms of time periods.

For these principal identified risks, the company, through people with the appropriate skills, provides for double verification of the process in such a way as to sharply reduce the probability of the occurrence of the risk.

The adoption of or the changes in accounting principles are taken into account as soon as their obligating event occurs. There is a process that makes it possible to identify the obligating event (decision, change of legislation, change of activity, etc.). These changes are the object of approval by the management body.

The risks in the process of preparing the financial information are handled in particular through regular communication of the CFO with the different people in charge, a process of generalised double verification, by a programme of tests and verifications carried out by the internal audit, under the responsibility of the Audit Committee, or by specific actions on the part of the Audit Committee or the Board of Directors.

The monitoring of the risk management procedures in the preparation of the financial information is therefore exercised continuously and matched by the Board the Directors and its Audit Committee, by the CEO and the CFO, and by the internal audit.

#### CONTROL ACTIVITY

The daily accounting operations, the monthly payments, the quarterly, half-year and annual closings and reporting at group level are all procedures that make it possible to ensure that the manual of accounting principles and procedures is correctly applied. In addition the internal audit programme, approved by the Audit Committee, provides regular verification through targeted tests of the risk areas identified by the Audit Committee.

Regular weekly inspections are organised by the Executive Committee, under the chairmanship of the CEO, to check the key processes leading to the preparation of the accounting and financial information.

The procedures for preparing the group's financial statements are applicable in all the components of the perimeter of consolidation, without exception.

#### INFORMATION AND COMMUNICATION

Procedures and information systems have been put in place to satisfy the requirements of reliability, availability and relevance of the accounting and financial information.

Detailed reporting, quarterly at a minimum, makes it possible to relate back the relevant and important accounting and financial information at the level of the Audit Committee and the Board of Directors.

There are managers, procedures and a schedule of regulatory obligations for the purposes of identifying and complying with the periodic and other obligations of informing the market.

The information systems relating to the accounting and financial information are the object of adaptations in order to change with the company's needs.

Performance and quality indicators have been defined and are the object of periodic review. Taking into consideration the procedures in place and their monitoring, the information system is judged to be sufficiently secured.

#### STEERING

The group has set up measures making it possible to ensure that the accounting principles selected that have a significant impact on the presentation of the financial statements correspond to the activity and to the environment of the company and have been formally validated by the Audit Committee and approved by the Board of Directors. The internal quarterly reporting prepared by all the members of the Executive Committee, covering all aspects of the group and of its risks, the revision of this reporting by the CEO and the CFO working cooperatively, the examination of this reporting by the Audit Committee before presentation and discussion in the Board of Directors, constitute the cornerstone of the steering measure of the system for controlling the financial information.

The preparation and presentation of the financial statements, including the balance sheet, the profit and loss accounts, the annexes and the financial situation, are therefore explained to the Board of Directors at each closing of financial statements published.

The financial information published periodically is reviewed in advance and analysed by the Audit Committee before being approved by the Board of Directors.

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

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ATENOR GROUP has holdings in companies performing **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. ATENOR GROUP, which fully and honestly cooperated in the investigations carried out by the legal and tax authorities, 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.

- 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 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 2010.
- Your Board proposes the appointment of SOGESTRA sprl represented by Ms Nadine Lemaitre in her capacity as independent Director. Her term of office with a duration of three years can be remunerated and will run out at the end of the General Assembly of 2014. Ms Lemaitre is currently in charge of the “GDF SUEZ UNIVERSITY” and is also a professor at the SOLVAY BUSINESS SCHOOL. .

La Hulpe, 25 February 2011

For the Board of Directors.