

Interim Management Statement

Valuation Update

As previously reported in the Company's interim results, published on 28 August 2009, the valuation of the property portfolio as at 30 June 2009 was €657 million (31 December 2008: €700 million), representing a like-for-like fall of 6.1% for the half year. The next valuation will be carried out as at 31 December 2009. Details of the basis for valuation are provided within the interim results.

On the whole, the European investment and occupational property markets remain weak and are seeing limited transaction activity. Whilst there has been more positive news of late, any value improvement is currently limited to prime assets offering highly secure income in strong locations – principally within the UK and Paris. The remainder of the market may see further declines over the course of the year and the outlook for 2010 is uncertain.

Potential Sales

The Company recently announced that it was in negotiations with regard to a potential sale of the IZD Tower although there could be no certainty that a sale would be completed. A letter of intent has been entered into with the potential purchaser who is currently undertaking due diligence. In the event IZD Tower is sold to this purchaser it will be at a discount to the net book value of this asset as at 30 June 2009.

Additionally, the Company is pleased to announce that its Montpellier investment is also under offer, although the sale remains subject to due diligence and contract.

The Company will make further announcements in relation to both of the above sales if and when terms have been agreed.

Refinancing

Credit committee approved terms have been agreed with Lloyds Bank Group (“LBG”) to refinance all of the loans that the Company has with them (currently totalling €321 million), including those that mature in December 2009 and to amend the covenants associated with the Company's Cross Currency Swap (“CCS”). The refinancing remains subject to contract and documentation, which is ongoing, and consequently its outcome cannot be guaranteed. The Company will make further announcements in relation to the refinancing as appropriate.

In the event that the refinancing is not completed the Company may be unable to meet its December 2009 maturities and may then be in breach of both its loan to value (“LTV”) and CCS covenants under the existing financing agreements.

Derivative Contracts

As at 30 September 2009, the value of the Company's interest rate swaps was a liability of €10.1 million (€10.1 million as at 30 June 2009).

At the same date the Company's CCS represented a liability of €55.6 million (€44.2 million as at 30 June 2009). The existing covenants that apply to the CCS are set out in the half-yearly report.

Offer Period

The Board announced in August that the Company had received a preliminary expression of interest from a third party and subsequently confirmed that no offer was forthcoming and the interest from the third party had terminated. The Company is therefore no longer in an offer period.

Asset Commentary

In recent months the Company has seen vacancies increase at Europort, the Company's Frankfurt property. Whilst active management and marketing initiatives are being undertaken to improve the quality of the accommodation and draw new tenants to the estate, the property has seen vacancy levels rise from 3% to around 25% over the year to date and this is expected to rise further through 2010. As a consequence of this, the Company expects to see a substantial value decline in this asset at the year end. We will report on portfolio values as at 31st December 2009 during January 2010.

The Company continues to engage in discussions with IBM, the tenant at Nice, which occupies on a lease that is subject to a break option in December 2012 and expiry in December 2015.

At the IZD Tower in Vienna the US Embassy has confirmed that it wishes to exercise an option to extend its lease for a further five years, taking the expiry date to October 2015.

The value of the Company's Dusseldorf hotel was adversely impacted in June due to weak trading information released by the sole tenant, NH Hoteles ("NH"). In September NH announced an integration of its business with Hesperia Hotels (further details available at www.nh-hotels.com), which would appear to be beneficial in terms of the tenant's covenant.

Important Notice

It remains the case that whilst the Group can use its cash resources to defend individual loans against breach of LTV covenants (and thus to defend against a breach of the cross default), these cash resources are not sufficient to remedy LTV covenant breaches if the decline in property values exceeds a certain level. As well as marketing properties for sale, the Group is presently in discussions with LBG to consider the possible impact of declining values on its various covenants and is exploring the possibility of an early refinancing of its loans, particularly those that mature in December 2009.

It should be noted that the prospect of devaluation across the European property market, the limited headroom under the Group's financial covenants, limited free cash reserves and the low volume of transactions in the investment market combine to raise material uncertainty which may cast significant doubt as to the Group's ability to continue as a going concern, and its prospects over the next twelve months.

The refinancing will assist the Company in managing these risks in relation to the LBG debt and CCS liability.