Consolidated Financial Statements as at December 31, 2012

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Board of Directors

Colin Kingsnorth	Director since 8 March 2012
Nicholas Paul James	
Gualtiero Tamburini	
Rob Turner	Director since 12 November 2012
Claudio Ricci	Director since 25 February 2013
Michael Andrew Haxby	Director since 25 May 2012

Rob Turner	Director since 13 May 2011 till 25 May 2012
Andrew Morrison Shepherd	Director since 3 December 2009 till 8 March 2012
Ian Wright	Director since 2 April 2010 since till 12 November 2012
Luca Saporiti	Director since 22 October 2010 till 29 January 2013

Company and shareholder's registration

Spazio Investment N.V. is a Public Limited Liability Company (*"Naamloze Vennootschap"*) organized under the laws of the Netherlands, having its corporate seat in Amsterdam, The Netherlands: The Company's Head Office is at the following address:

Dam 7f – 6th floor

1012 JS Amsterdam

The Netherlands

Tel. (+31) 020.488.95.85 – Fax (+31) 020.488.95.83

Trade Register no 34237136

FINANCIAL HIGHLIGHTS

- Total portfolio open market value ("OMV") provided by Patrigest S.p.A. as at 31 December 2012 of Euro 372 m (Euro 426.8 m as at 31 December 2011) including a 5.3% devaluation (net of sales of the period, incl. capex) compared with last OMV by CB Richard Ellis (as at 31 December 2011);

- NAV per share of Euro 7.2 (Euro 8.1 as at 31 December 2011);

- Rental income for the year of Euro 20.9 m (2011 Euro 28.6 m);

- Net loss for the year of Euro 19.5 m (2011 loss of Euro 33.7 m);

- Total portfolio Loan to Value of 60.9% (59.5% as at 31 December 2011);

- Completed asset sales of Euro 33.9 m (variance on OMV -10.2%) of which Investment property disposals totalling Euro 32.4 m (at an average discount to OMV of 10.5% and at a negative average gross exit yield of 18.1%) and Development Projects disposals totalling Euro 1.5 m (at an average discount to fund historical cost of 3.3%).

RESULTS FOR THE YEAR ENDED 31 DECEMBER, 2012

Net loss for the year was Euro 19.5 m compared with net loss of Euro 33.7 m in 2011. The net loss in 2012 primarily reflected a fall in asset values of approx Euro 20.7 m (of which Euro 20.8 m devaluation for investment properties partially off-set with the positive effect of Euro 0.1 m for inventories) and a net loss on sales of Euro 0.9 m during the year. Rental income in 2012 decreased to Euro 20.9 m (from Euro 28.6 m) mainly due to sales of yielding assets.

Spazio Investment N.V.'s Net Asset Value per share of Euro 7.2 dropped by 10.6% (equal to Euro 0.9 per share) compared to Net Asset Value at 31 December 2011. This primarily results from the net loss of Euro 19.5 m (Euro per share 0.8) and to the equity distribution of Euro 0.1 m (Euro per share 0.01) during the year.

No share premium distributions have been approved during the year 2012.

On 26 March 2012 Spazio Industriale Fund terminated and released towards the Company and the ultimate shareholder the commitment on the Euro 20 million distributed in September 2011, after the receiving of the Provincial Tax Committee judgement that has declared the end of the litigation procedures in favour of the Fund. According to the indemnity agreement between the Fund and the Company, the amount on the escrow account, pledged in favour of the Fund and opened with an independent Escrow Agent (Intertrust), has been released to the Shareholders.

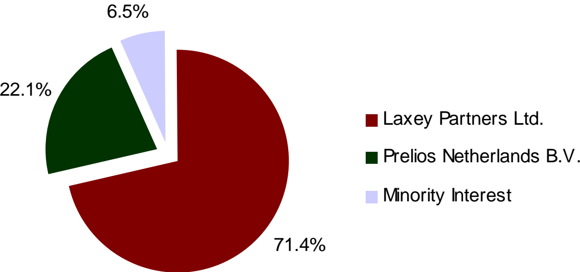
Following the competitive bid for the potential replacement of the current Spazio Industriale Fund Manager, on 29 February 2012 a partial amendment and restatement of the agreements was signed in order to reduce the current annual fees (both at the level of Spazio Industriale Fund and the Company).

On 19 September 2012 the Company resolved to replace the Spazio Industriale Fund Manager (Prelios SGR) in favour of Idea Fimit SGR, subject to discussion with Bank of Italy and Fund bank for seeking subsequent approval to this decision.

On 2 October 2012 the Company communicated the termination of the existing Corporate Management Agreement and Office Facilities Services Agreement with Prelios Netherlands B.V., providing six month as termination period. The termination of these mandates is linked to the previous acceptance of an offer from Idea Fimit SGR to become the new Spazio Industriale Fund Manager from 2013.

SPAZIO INVESTMENT N.V. SHAREHOLDERS

Spazio Investment N.V. is held as follows: TEI (71.40%), Prelios Netherlands B.V. (22.07%), whilst the remaining 6.53% is held by minority shareholders.



DEVELOPMENTS 2012 AND FUTURE OUTLOOK

According to the Nomisma report1 (the Italian economic research institute in the real estate market): *"The crisis is still affecting the Italian real estate market. The expectations of a weak recovery by the end of this year clashed against actual figures. We thought that after four years of steady downturn the real estate market was holding, but, instead, it plummeted again unexpectedly. The values recorded in 2011, i.e. 600,000 residential purchase and sale transactions and about €4.2 billion corporate investments, are not even comparable to those reached today by the Italian real estate market. Trends are far surprising if we consider the persistent expressions of interest by potential investors and, more generally, the size of our economy. Today, in fact, still over one million households are looking to purchase a house, hence witnessing the existence of a bond irrespective of the crisis opportunistic behaviour, a need that has been gradually compressed during the recession years. The gap between the current level of corporate investments and the potential target seems equally significant, especially in relation to the signs of stabilization of the public finance framework and recovered credibility at international level, as a consequence of the reduced spread".* In this respect, it should be recalled that Italy collected only 1.6% of the real estate investments made at continental level, a value that seems highly improbable in a context of a restored sentiment of normality. *"Therefore, we need to investigate the reasons that make Italy lag behind, in an attempt to outline future scenarios which should neither be based on cycle width - which, in the presence of structural changes, unveils a moderate predictive capacity - nor on instrumental optimistic statements having the purpose to orient expectations, leveraging on a self-realising rationale. In order to understand the reasons for the current*

[1] Source: Nomisma: Observatory on the Real Estate Market - November 2012

deadlock, however, it is necessary to reflect on the role played by some factors – in particular the credit trend –in fostering an expansion cycle of unusual intensity and length, as well as on the effects deriving from the changed macroeconomic framework. After one decade, it is possible to state that the most recent sector boom was the result of stabilizing financial conditions connected with the adoption of the European single currency and of the gradual finalization standardizing process across all EU countries, that the domestic market had not known before. Due to the dimensional change in the reference context and to the competition triggered among leading banking groups, credit became an incredible flywheel for real estate growth, following a trend which at that time seemed a natural transition to more mature and evolved operating practices. The almost exclusive focus on debt stock related to the real estate sector, inevitably tied to low values, led to underestimate phenomena that later turned out to be disrupting. The "dependence on credit", which the real estate market has gradually developed in the cycle ascending phase, is, consequently, the key background factor to understand the relevance of the current deleveraging also in Countries, like Italy, where the real estate industry exposure to the banking sector is definitely limited. The excess of support, though concentrated in a restricted period of time, turned out to be a trap from which today Italian banks are still trying to escape, in a context in which the massive wide spreading of ownership and the uncertain interest in the real estate sector of institutional investors substantially limit the possible actions to undertake.
The relentless transformation into non-performing loans of a not negligible part of loans, associated with the evolution of the prudential regulation imposing banks to hold more equity than in the past for real estate investments caused a structural review of allocation strategies." However, Nomisma continues, *"the brave defence of no longer sustainable positions and, consequently, the reduced indispensable support to finance demand results in a significantly limited number of potential investors, with inevitable repercussions due to the illiquidity of the properties to be divested. Considering the massive exposure to the sector and, in particular, to construction companies (the inventory of which is reaching a size that only the lack of detailed references allows to underestimate), the credit selectivity policy adopted by banks does not seem to be in any case the most effective tool to protect them. Only a targeted and gradual relief process, bringing values towards more balanced levels compatible with a reduced finalization, may prevent the sector from moving back with self-reflecting repercussions in general, which, in fact, current tendencies seem to favour.*
The situation on the corporate side seems even worse, where investments plummeted and the low demand seems almost solely interested in the prime asset segment. The constant foreign capital drain, the wait-and-see attitude of domestic institutional operators, that may be related to the persistent recession perspectives, as well as the prohibitive terms of access to financial leverage fostered a substantial downsizing of the market, the actual value of which will hardly exceed 2 billion euro". The Nomisma report continues by pointing out the still existing gap between demand and supply. *"As regards the purchase and sale and lease markets in the 13 major cities*[2]*, with special reference to demand/supply, prices, sale time, discounts and rents, the following has been observed:*

- *An increasingly weak and low* ***demand*** *is accompanied by a growing* ***supply,*** *also generated by the new constructions, planned in a situation that was completely different from the present one, placed on a market characterised by high selectivity and low solvency.*
  In the second semester of 2012 the dichotomic trend of supply and demand further worsened, in particular in the residential segment as well as in the retail and warehouse segment. Conversely, in the office sector the supply increase slowed down also as a result of some development projects envisaged in the major markets and of properties on sale for a long time withheld. On the other hand, the office demand recorded a new downturn, on top of the plunge experienced in the past few years.

[2] The 13 major cities are: Bari, Bologna, Cagliari, Catania, Florence, Genoa, Milan, Naples, Padua, Palermo, Rome, Turin and Venice

- *The effects of the economic situation on* ***values*** *were obviously negative, though limited if compared to the decline in the levels of activity.*
  The fall on a half-year basis reached nearly 2% for purchases and sales and slightly below that for leases. With the decline recorded during the year (on average equal to 4%), the downturn versus the peak values of the growth period reached 12/12.5% in the residential and office sectors and 10% in the commercial sector.

- *In a framework of persistently weak demand on one hand and of growing demand for a long time on the other, we observe in the semester a new and more marked increase in* ***purchase and sale and lease transaction time****, which reached almost everywhere levels never recorded in over two decades of market monitoring.*

- *Despite prices have been decreasing for 9-10 semesters according to segments, we continue to record a rigidity of initial requests, which risks to further penalize the outlook of the entire sector. The increased* ***discounts****, associated with the low drop in market values, witness that sale income expectations substantially do not change.*

- *In relation to* ***leases,*** *no significant differences are recorded with respect to the purchase and sale market, with the only, still weak, exception represented by the stability of lease demand and of the contracts stipulated in the residential sector, though on the modest levels reached at the end of 2011.*

- *Also* ***rents*** *follow a downturn not very much different from prices so much that the average annual gross yield from leases has been stable for many semesters. We have to go back by 8-10 years to find again yields 1% higher than the current ones, which on average are equal to 4.8% for residential properties, 7.2% for retail properties and 4.9% for office properties."*

The analysis carried out by Nomisma on the expectations of real estate agents on the market trend in different segments shows a general worsening3. *"The analysis of the real estate agents' expectations on the trend of the industrial market is surveyed on an annual basis, it is not possible to observe any slight improvement during the year. With respect to the survey of 12 months ago, operators' expectations further decrease, both with reference to the number of transactions and the values involved, reaching in both cases the lowest value since this market was monitored for the first time".*

Total portfolio open market value ("OMV") as at 31 December 2012 of Euro 372 m including a 5.3% devaluation of the portfolio compared with last year OMV. The occupancy ratio of Investment Portfolio at year-end dropped from 93.5% to 79.2%, mainly due to the lease termination with "Primacomunicazione" and to the overall impact of yielding assets sales (e.g. SMA and Prada S.p.A.).
Despite the increased impact of vacancy, The Fund net operating income from portfolio management at year end is approximately 1.6 times the aggregate amount of interest expenses and financing fees. As the management expect that this ratio in 2013 will be in this range again, the board of directors are of the opinion that the Company will be able to fulfill the commitments for the next twelve months, including the interest payments. We are currently in full compliance with all of our banking covenants and the Board carefully monitors all existing banking arrangements. Full disclosure on how the financial covenants are calculated and their level as at 31 December 2012 is set out in the Note 11 of the

[3]Source: Nomisma : Observatory on the Real Estate Market – November 2012

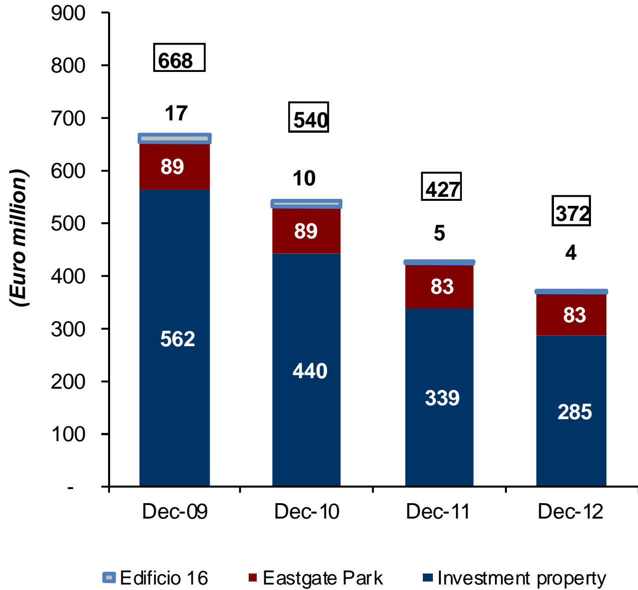
accounts. Additionally, we draw your attention to the paragraph ‘Going concern assumption’ in this Director’s report.
We should consider that in October 2013 the financing contract will be renegotiated, and the Derivative “Collar”, that boosted the cost of debt, will expire as well.

Update new business plan/strategy

During the next few months, Prelios SGR will hand over the Fund to the new fund manager IdeaFimit SGR S.p.A. The notice period expired on 31 March 2013.
The Fund regulation has been modified in order to allow the SGR to continue the routine activities for the ordinary management of the properties, as well as the activities for the divestment of the properties owned by the Fund, in line with the approved Business Plan which envisages the following strategic objectives: (i) the divestment of the properties owned by the Fund to accelerate the return on equity for the unit holder; (ii) the suspension of the activity for the acquisition of new properties; (iii) the completion of the existing projects for real estate asset development activities and (iv) special attention to the vacant properties in relation to their marketing and re-conversion.
Such strategy guidelines, together with the Business Plan, may be revised by the new SGR once the Fund management has been handed over.

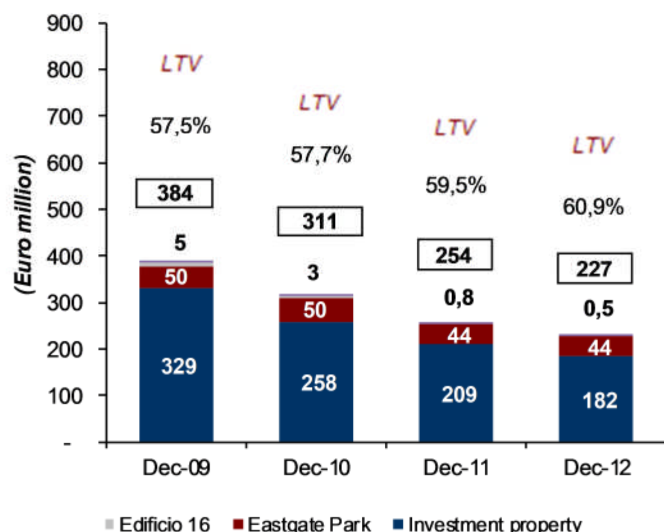
FINANCIAL SNAPSHOT

Open Market Value



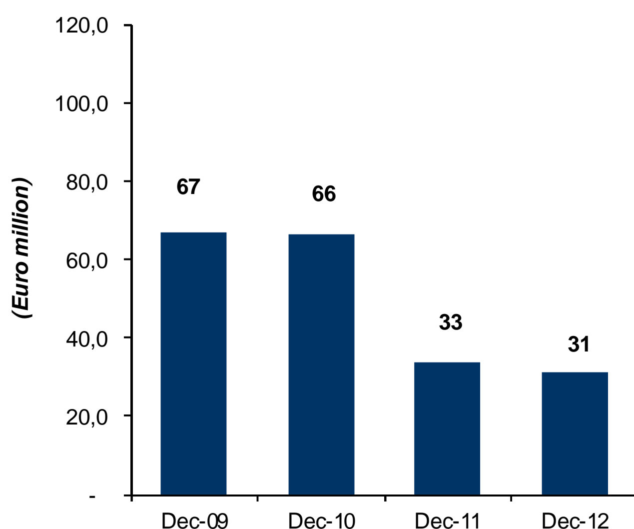
Open Market Value of Euro 372 m is composed of Euro 284.7 m of Investment Property and Euro 87.3 m of development projects. The overall devaluation on a yearly basis was 5.3% of which 6.8% (equal to Euro 20.8 m) on Investment property partially off-set with the positive effect of Development Projects of 0.2 % (equal to Euro 0.1 m).
In addition to ordinary devaluation, based upon the external valuations by Patrigest S.p.A., an extra devaluation of Euro 0.4 m was posted in order to reflect the accepted proposals on IP at an exit price lower than OMV, and an write-down on Inventories of approx Euro 1.1 m was accounted for mainly due to the approval of a commercial policy by the SGR Board of Directors, which envisages the right to sell the first 20% of portions with an average discount of 24% solely for the "Speculative Buildings".
Due to such devaluations, Balance sheet as at December 31, 2012, shows Investment Property for an amount of Euro 284.3 m, and Inventories (development projects) for an amount of Euro 84.3 m.
External appraisal of the entire Company’s Portfolio is conducted by Patrigest S.p.A. on a quarterly basis. Yielding assets are predominantly valued on the basis of the Discounted Cash Flow (DCF) methodology which is considered the most appropriate valuation technique for this type of assets, whereas Development Projects are valued based on the Transformation method. In order to determine the Fair Value of Spazio Investment N.V.’s properties, Patrigest S.p.A. has conducted site visits to each of the assets in the Portfolio.

Debt



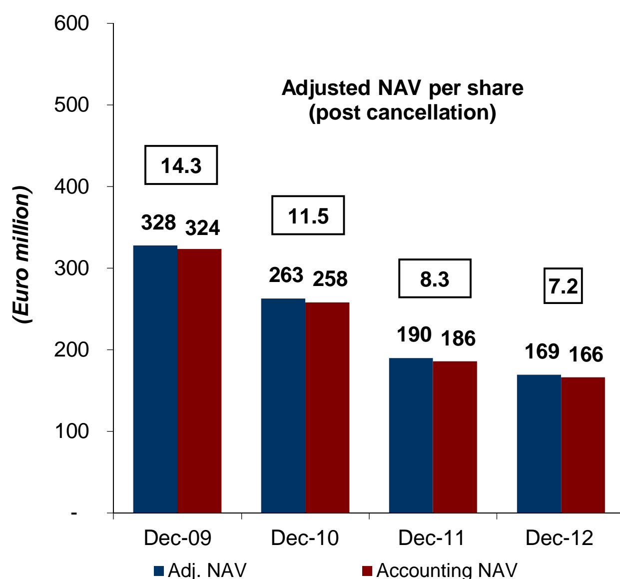
The Company is currently in full compliance with all of its banking covenants and the Board is carefully monitoring the existing banking arrangements; we draw your attention to the paragraph 'Going concern assumption' in this Director's report. Full disclosure on how the financial covenants are calculated and their level as at 31 December 2012 is set out in Note 11 of the accounts.

Cash



The total Cash balance at the end of 2012 is Euro 31.3 m, decreased by approximately Euro 2.2 m, if compared to the end of previous year.

Net Asset Value



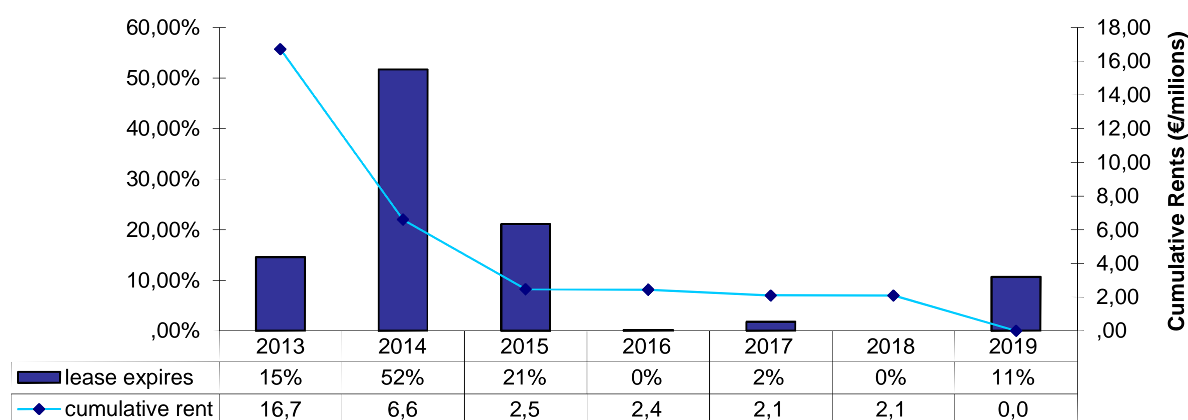
Spazio Investment's Adjusted NAV per share of Euro 7.2 dropped approximately 10.6% compared to Adjusted NAV per share at 31 December 2011, mainly due to the net loss of Euro 19.5 m.

Note:
Accounting NAV is calculated taking into account IP at OMV and Development Projects at devaluated book value (IAS 2).
Adjusted NAV is calculated taking into account both Investment Properties and Development Projects at OMV.
Adjusted NAV per Share is based on outstanding shares of 22,945,847

REAL ESTATE ASSETS

Covering 952,300 sq m, the Company's portfolio is one of the largest in the Italian industrial real estate market. Independently valued at Euro 372 m with annualised passing rents of Euro 19.6 m at December 2012, it comprises 154 income producing assets with high-quality tenants, many of them leaders in their sector; 18 vacant assets (equivalent to a GLA of 68,309 sq m) with conversion potential; and two high-profile development projects (Eastgate Park and Edificio 16) with around 468 thousand sq m of buildings covering.

First Term Lease Expires by % of Current Rent Roll



	2013	2014	2015	2016	2017	2018	2019
lease expires	15%	52%	21%	0%	2%	0%	11%
cumulative rent	16,7	6,6	2,5	2,4	2,1	2,1	0,0

Tenant	Annual Rent	% on Total	Tenant Main Business
Telecom Italia S.p.A.	11.404.638	48,1%	TLC
Alstom Power	2.907.959	12,3%	Light Industrial
Prada S.p.A.	1.628.800	6,9%	Fashion Cloths
RAI	1.043.948	4,4%	Nationsl Television
ACC (Elettromeccanica S.p.a.)	1.005.843	4,2%	Light Industrial
Pasini (Rental Guarantee)	609.809	2,6%	Real Estate Developer
ABB	478.430	2,0%	Light Industrial
Partner SRL	370.696	1,6%	Logistics
AGENZIA DELLE DOGANE	100.000	0,4%	Logistics
Doris Diner	34.299	0,1%	Bar/Restaurant
Wind	8.290	0,0%	TLC - Antennas
Total	**19.592.712**	**82,6%**	

REVIEW OF ACQUISITIONS AND DISPOSALS IN THE FULL YEAR 2012

In line with Spazio Investment N.V.'s strategy, no acquisitions were made in 2012.

Spazio Investment N.V. has completed Euro 34 m of disposals in 2012, out of which Euro 32.4 m of investment properties and Euro 1.5 m of Development Properties. Details are summarized below:

Asset/Portfolio	#	Gross Sale Proceeds (GSP)	Exit Yield	OMV Sold	Fund Hist. Cost (FHC)	GSP - FHC	Variance on OMV
		€/000	%	€/000	€/000	€/000	€/000
2012 Executed Sales							
Sub Total Telecom	18	7.628	8,2%	8.750	6.783	844	-12,8%
Sub Total non TI	4	24.805	4,2%	27.501	32.826	(8.020)	-9,8%
Ed-16	11	1.135	-	1.021	1.115	20	11,1%
EgP	2	405	-	577	650	(245)	-29,8%
Total 2012 Executed Sales	**35**	**33.973**		**37.849**	**41.374**	**(7.401)**	**-10,2%**

GOING CONCERN ASSUMPTION

The current economic crisis has resulted in, among other things, a low level of transactions and capital market funding in the Italian Real Estate Market. Management has reviewed the effects of this difficult situation in the real estate market on its financial position and results. The review included mainly its impact on the valuation of assets, liquidity and financing. The loan facilities amounting to Euro 226.6 million per 31 December 2012 have an initial duration of seven years (starting as from 26 September 2006) with a possibility to extend for another three years.
The conditions for extension of the Portogruaro loan will not be met in 2013 and the conditions to extend the Jumbo loan could be met using available cash to pay down the loan to the LTV level required. The extension of the financing in 2013 is a material uncertainty for the company's ability to continue as a going concern. The uncertainty mainly relates to the ability of management to come to an agreement with the banks on the condition to extend the loans. Currently management has drafted with the bank a term sheet which is subject to approval by the credit committees of the bank. Management concludes that there is a material uncertainty regarding the Company's ability to continue as a going concern but they have a reasonable expectation that the Company will continue in operational existence for at least the next twelve months after signing of these financial statements. As a result, management continues to adopt the assumption of going concern of accounting in preparing the Company's statutory accounts for the year ended December 31, 2012.
Based upon the review of the budgets and associated cash flow forecasts for the next twelve months, management note that the cash flow for this period is sufficient to cover the interest payments and the other commitments for that period (excluding the possible loan repayment obligation).

RISK ASSESSMENT

During 2012 Spazio Investment N.V.'s portfolio experienced an overall fall in asset values of 5.3% as explained before. This fall in asset values in 2012 did not cause any breach of our loan-to-value covenants and the Board will continue to monitor the existing banking arrangements and financial position of the Company in the prospect of any possible further decline in asset values going forward.
In addition to the alert on asset valuation and its potential impact on banking arrangements, there could be a risk related to the ISCR covenant deriving from the accelerated sale of the high yielding assets of the portfolio and the remaining in place of the collar derivatives with a high outstanding and slow decreasing notional amount.

CONTINGENCIES AND GUARANTEES

By letter dated 21 December 2009, the Guardia di Finanza – Nucleo di Polizia Tributario di Milano (Italian Tax Police) started a fiscal audit to the Company.
On 30 October 2012 the Italian tax Authority served at Company's premises tax assessments on fiscal years 2006 and 2007 (two fiscal years with respect to the four years, including 2008 and 2009, reported in the initial tax police report), as follow:

- Euro 437,882 for Corporate Income Tax (IRES) and Euro 69,663 for Regional Business Tax (IRAP) due for FY 2006, increased by penalties for omitted tax return amounting to 120% of additional IRES and IRAP (Euro 611,118), plus accrued interest until Oct 31st, 2012;
- Euro 7,667,686 for Corporate Income Tax (IRES) and Euro 1,219,859 for Regional Business Tax (IRAP) due for FY 2007, increased by penalties for omitted tax return

amounting to 120% of additional IRES and IRAP (Euro 10,667,118), plus accrued interest.

The Company and its executives, with the external tax advisors' support, started an intensive analysis on these two deeds of assessment in order to investigate the possible actions and alternatives.

In case of acceptance of the deeds of assessment by the Company, the amount to pay should have been Euro 12,649,276, considering a reduction of the penalties to 1/6, with the risk of the extension of the dispute for the subsequent years. Considering the advice received by external tax advisor, the management of the Company filed a request of settlement in December 2012 in order to explore a possible reduction of the taxable base and therefore reach a final settlement with a further reduction of the assessed taxes.

On 15 January 2013 the external tax advisor, on behalf of the Company, filed with the Italian Tax Authority a defence paper aimed at counteracting the allegations contained in the Tax Police Report concerning the fiscal years 2008 and 2009.

The Company, with its tax consultants, has initiated an out-of-court settlement proceeding, which ended in tax authorities admitting a material tax miscalculation for FY 2007, namely the inclusion of Euro 10,633,154 of taxable income (an erroneously deemed realization gain on Spazio fund units), the rest remaining unchanged. Despite the admission, the tax assessment notice for FY 2007 has not been amended.

On March 21st 2013, separate appeals have been notified to the tax authorities against the 2006 and 2007 assessment notices. On April 12th 2013, the appeals together with documentary evidence of its place of effective management situated in The Netherlands have been filed with the Milan lower tax court (Commissione Tributaria Provinciale).

The risk that the claim can lead to future tax liabilities for the Company at present is considered possible but not probable based on the opinion of the company's external tax lawyer and the assessment of the Board of Directors, therefore no provision has been recognized in this Report.

According the Decree no. 70 approved on 5 May 2011, published on the Official Gazette on 13 May 2011 (Decree) and converted into Law no. 106/2011 published on the Official Gazette on 12 July 2011 (Act) envisaged relevant changes in the taxation of real estate investment funds initially already included in art. 32 of Legislative Decree 78/2010. The Decree introduced a 5% substitutive tax to be calculated on the average value of the units held resulting from the periodical reports drafted in 2010. Such tax shall be paid in June 2012 by those unit holders who at 31 December 2010 had a Fund holding over 5% and who are not defined as "Qualified or Eligible Investors".

The Company, together with its major shareholder and external tax advisors, investigated whether this might have an impact on the Company. The Company, supported with the analysis provided by its major shareholder and external tax advisors, considers itself as an Eligible Participant and so excluded from the payment of the 5% tax on NAV. Full disclosure on the tax issues is set out in the note 25 to the accounts.

SUBSEQUENT EVENTS

The Company is still waiting the approval of the replacement of the Spazio Industriale Fund Manager in favour of Idea Fimit SGR by Bank of Italy and Fund banks.

No other relevant events have happened from 1 January 2013 up to date.

The board proposes to carry forward the loss of Euro 19,450,423 for the year 1st January 2012 to 31st December 2012.

Amsterdam, 2nd May 2013

The Board of Directors:

Colin Kingsnorth

Nicholas Paul James

Gualtiero Tamburini

Rob Turner

Michael Andrew Haxby

Claudio Ricci

(since Claudio Ricci has been appointed on February 25, 2013, he was not managing director during the year 2012 and he has got no responsibility for the carried out policy during that year 2012)

Consolidated Balance sheet

(in Euro)

Note	ASSETS	31.12.2012	31.12.2011
	NON-CURRENT ASSETS		
1	Investment in participating interest	9.410	9.420
2	Investment property	284.315.000	335.393.726
	TOTAL NON-CURRENT ASSETS	**284.324.410**	**335.403.146**
	CURRENT ASSETS		
3	Inventories	84.252.475	83.809.021
4	Trade receivables	2.223.559	3.168.541
5	Other receivables	299.864	388.787
	Tax receivables	80.490	-
7	Cash and cash equivalents	31.339.478	33.565.410
	TOTAL CURRENT ASSETS	**118.195.866**	**120.931.759**
	TOTAL ASSETS	**402.520.276**	**456.334.905**
	EQUITY		
8	Share capital	4.589.189	4.589.189
9	Share premium	172.888.179	173.030.362
10	Retained earnings	(11.371.034)	8.079.389
	TOTAL EQUITY	**166.106.334**	**185.698.940**
	LIABILITIES		
	NON-CURRENT LIABILITIES		
11	Bank borrowings and payables to other financial institutions	**182.881.771**	**253.784.001**
	CURRENT LIABILITIES		
11	Bank borrowings and payables to other financial institutions	43.759.681	35.717
12	Trade payables	3.171.774	4.231.777
13	Other payables	2.117.773	5.223.058
14	Tax payables	48.712	200.849
6	Derivative financial instruments	4.434.231	7.160.563
	TOTAL CURRENT LIABILITIES	**53.532.171**	**16.851.964**
	TOTAL LIABILITIES AND EQUITY	**402.520.276**	**456.334.905**

The notes on page 22 to page 65 are an integral part of these consolidated financial statements.

Consolidated Income statement

(in Euro)

Note		01.01.2012 - 31.12.2012	01.01.2011 - 31.12.2011
15	Rental income	20.860.573	28.646.999
16	Net (loss) from fair value adjustment on investment property	(20.831.324)	(26.349.847)
17	Net (loss) on disposal properties	(803.000)	(2.522.150)
18	Net profit / (loss) on disposal inventories	(53.204)	89.434
19	Other operating income	447.259	1.160.902
20	Realised and unrealised gain from fair value adjustment on financial assets	2.726.332	4.942.671
21	Management fees	(1.802.930)	(4.986.189)
22	Other costs	(9.930.053)	(19.066.400)
	OPERATING RESULT BEFORE FINANCING COSTS	**(9.386.347)**	**(18.084.580)**
23	Financial income	325.808	462.380
24	Financial expenses	(10.389.884)	(16.120.406)
	RESULT BEFORE TAX	**(19.450.423)**	**(33.742.606)**
25	Tax expense	-	-
	RESULT FOR THE PERIOD	**(19.450.423)**	**(33.742.606)**
	Basic and diluted earnings per share (Euro)	**(0,85)**	**(1,47)**

The notes on page 22 to page 65 are an integral part of these consolidated financial statements.

Condensed consolidated statement of comprehensive income

(in Euro)

	01.01.2012 - 31.12.2012	01.01.2011 - 31.12.2011
Net income (loss) for the year recognized in the income statement	(19.450.423)	(33.742.606)
TOTAL COMPREHENSIVE (LOSS) FOR THE YEAR	**(19.450.423)**	**(33.742.606)**

The notes on page 22 to page 65 are an integral part of these consolidated financial statements.

Consolidated Cash flow statement

(in Euro)

Cash Flow Statement

(in euro)

	Note	01.01.2012 - 31.12.2012	01.01.2011 - 31.12.2011
Result for the year		**(19.450.423)**	**(33.742.606)**
Adjustments for non-cash items:			
- Financial expenses	24	10.389.884	16.120.406
- Financial income	23	(325.808)	(462.380)
- Change in fair value of investment property	16	20.831.324	26.349.847
- Unrealised gain on assets held for trading / derivatives	20	(2.726.332)	(4.942.671)
- Inventory write-downs	3	(1.262.962)	7.726.091
Changes in working capital:			
- Change in trade receivables/payables		(115.021)	(2.321.311)
- Change in other and tax receivables/payables		(3.335.489)	(1.378.520)
- Change in other and tax receivables/payables (VAT)		86.510	(292.167)
Investment in inventories	3	(773.596)	(1.334.049)
Disposal in inventories	3	1.593.104	4.933.566
Net cash flow generated / (absorbed) from operating activities (A)		**4.911.191**	**10.656.206**
Acquisition and capital expenditure of investment property	2	(2.988.474)	(1.587.897)
Acquisition cost plus additions to properties disposed	2	33.235.876	70.525.384
Interest received		172.485	459.326
Acquisition of derivatives	6	-	(57.000)
Net cash flow generated / (absorbed) from investing activities (B)		**30.419.887**	**69.339.813**
Interest paid	11	(4.468.940)	(6.893.464)
Distribution of share premium reserve	9	(142.183)	(38.955.535)
Proceeds of borrowings and payables to banks and other financial institutions	11	(32.945.887)	(66.802.512)
Net cash flow generated / (absorbed) from financing activities (C)		**(37.557.010)**	**(112.651.511)**
Total net cash flow generated / (absorbed) in the year (D=A+B+C)		**(2.225.932)**	**(32.655.492)**
Cash and cash equivalents at the beginning of the year (E)		**33.565.410**	**66.220.902**
Cash and cash equivalents at the end of the year (D+E)		**31.339.478**	**33.565.410**

The notes on page 22 to page 65 are an integral part of these consolidated financial statements.

Consolidated Statement of changes in equity

(in Euro)

	note	Share capital	Share premium	Retained earnings	Equity
Equity at 31 December 2011		**4.589.189**	**173.030.362**	**8.079.389**	**185.698.940**
Share premium distribution	9	-	(142.183)	-	(142.183)
Result of the year	10	-	-	(19.450.423)	(19.450.423)
Equity at 31 December 2012		**4.589.189**	**172.888.179**	**(11.371.034)**	**166.106.334**

	note	Share capital	Share premium	Retained earnings	Equity
Equity at 31 December 2010		**4.589.189**	**211.985.897**	**41.821.995**	**258.397.081**
Share premium distribution		-	(38.955.535)	-	(38.955.535)
Result of the year		-	-	(33.742.606)	(33.742.606)
Equity at 31 December 2011		**4.589.189**	**173.030.362**	**8.079.389**	**185.698.940**

The notes on page 22 to page 65 are an integral part of these consolidated financial statements.

Introduction

Spazio Investment N.V. (the “Company”, formerly Spazio Industriale Investments I B.V.), incorporated on 22 November 2005, is a Public Limited Company with limited liability (naamloze venootschap) domiciled in Amsterdam, the Netherlands. The address of the registered office is Royal Damcenter, Dam 7f, 1012 JS Amsterdam, The Netherlands.

The principal activity of the Company is holding of investments in subsidiaries and associates.

The Company totally owns the units of the close-ended real estate investment fund “Spazio Industriale – Fondo Comune di Investimento Immobiliare di Tipo Chiuso” (the “Fund”). The Fund invests in real estate and operates in the development of land and buildings under renovation. The Fund hold a participation in the Consorzio Eastgate Park oriented to manage the area named “Eastgate Park”.

The consolidated financial statements were authorised for issue by the board of directors on 2nd May 2013.

Going concern assumption

The current economic crisis has resulted in, among other things, a low level of transactions and capital market funding in the Italian Real Estate Market. Management has reviewed the effects of this difficult situation in the real estate market on its financial position and results. The review included mainly its impact on the valuation of assets, liquidity and financing. The loan facilities amounting to Euro 226.6 million per 31 December 2012 have an initial duration of seven years (starting as from 26 September 2006) with a possibility to extend for another three years.

The conditions for extension of the Portogruaro loan will not be met in 2013 and the conditions to extend the Jumbo loan could be met using available cash to pay down the loan to the LTV level required. The extension of the financing in 2013 is a material uncertainty for the company's ability to continue as a going concern. The uncertainty mainly relates to the ability of management to come to an agreement with the banks on the condition to extend the loans. Currently management has drafted with the bank a term sheet which is subject to approval by the credit committees of the bank. Management concludes that there is a material uncertainty regarding the Company’s ability to continue as a going concern but they have a reasonable expectation that the Company will continue in operational existence for at least the next twelve months after signing of these financial statements. As a result, management continues to adopt the assumption of going concern of accounting in preparing the Company’s statutory accounts for the year ended December 31, 2012.

Based upon the review of the budgets and associated cash flow forecasts for the next twelve months, management note that the cash flow for this period is sufficient to cover the interest payments and the other commitments for that period (excluding the possible loan repayment obligation).

Significant Accounting Policies

The principal accounting policies used in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied, unless otherwise stated.

Basis of preparation

Pursuant to Regulation 1606 issued by the European Parliament and the European Commission in July 2002, the consolidated financial statements at 31 December 2012 of Spazio Investment N.V. have been prepared on the basis of the current International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and endorsed by the European Union ("IFRS"). The IFRS also include all the revised international accounting standards ("IAS") and all the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), previously named the Standing Interpretations Committee ("SIC").

The comparative figures in the consolidated income statement and the consolidated cash flow statement for the year from 1 January 2012 up to 31 December 2012 refer to the year 2011.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates described in the paragraph "Accounting estimates and assumptions". It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

The profit and loss account included in the Company financial statements is presented in abbreviated form in accordance with article 2:402 of the Dutch Civil Code.

The functional currency is the Euro. All values indicated in the Notes to these consolidated financial statements are expressed in Euro unless specified otherwise. All transactions and balance sheet positions are in Euro.

International accounting standards and interpretations endorsed by the EU and effective from 1 January 2012

- Amendments to IFRS 7 – Financial Instruments: Disclosures – Transfers of Financial Assets. These amendments seek to improve financial statement disclosure and consequently improve the transparency and comparability of transactions involving the transfer of financial assets (e.g. securitizations), including the possible effects of risks for which the transferor remains liable.

The application of these amendments has not had any material quantitative impact on the Spazio Investment N.V. consolidated financial statements.

International accounting standards and/or interpretations issued but not yet in force and/or not yet endorsed

As required by IAS 8 ("Accounting policies, changes in accounting estimates and errors"), below is a brief description of new accounting standards or interpretations that have been issued but are not yet in force or not yet endorsed by the European Union.

The Company has adopted none of these standards or interpretations in advance of their effective date.

- Amendments to IAS 1 – Presentation of Financial Statements– presentation of the other components recognised in equity

The main amendments to IAS 1 concern the new way to present other components recognised in equity on the Comprehensive Statement of Income: the other components recognised in equity will have to be grouped between those that may be recycled in future on the Income Statement and those for which this possibility is not envisaged.

The following are examples of reclassification on the Income Statement: translation exchange differences, fair value adjustment of cash flow hedge derivatives, fair value adjustment of available-for-sale equity investments. The actuarial gains / losses for defined benefit pension plans are an example of items not subject to reclassification in the Income Statement.

These amendments were endorsed by the European Union in June 2012 (UE Regulation 475/2012) and are applicable from 1 January 2013. Future application of these amendments will have no impact on the Spazio Investment N.V. consolidated financial statements.

- Amendments to IFRS 1 – First-time adoption of IFRSs: Severe hyperinflation and removal of fixed dates for first-time adopters

  The main changes introduced can be summarized as follows:

  - the amendment proposes guidance on how an entity should resume presenting financial statements in accordance with IFRSs after a period when the entity was unable to comply with IFRSs because its functional currency was subject to severe hyperinflation;
  - the amendment removes Fixed Dates for First-time Adopters. As a result, entities adopting IFRSs for the first time would not have to restate derecognition transactions that occurred before the date of transition to IFRSs.

  These amendments were endorsed by the European Union in December 2012 (UE Regulation 1255/2012) and are applicable from 1 January 2013. Future application of these amendments will have no impact on the Spazio Investment N.V. annual report.

- Amendments to IFRS 7 – Financial Instruments: Disclosures – First-time Application of IFRS 9

  These amendments introduce the obligation of providing additional quantitative information upon transition to IFRS 9 in order to clarify the effects of first-time adoption of IFRS 9 on the classification and measurement of financial instruments.

  These amendments, which will come into force on 1 January 2015, have not yet been endorsed by the European Union. The impact of future application of these amendments cannot be quantified at this time.

- Amendments to IFRS 7 - Financial Instruments: Disclosures – Offsetting of Financial Assets and Liabilities

  These amendments introduce the obligation of providing full disclosure in the notes of financial assets and liabilities offset on the basis of a statutory right to offsetting (e.g. net and gross amounts, guarantees granted and held).

  These amendments were endorsed by the European Union in December 2012 (UE Regulation 1256/2012) and are applicable from 1 January 2013. Future application of these amendments will have no impact on the Spazio Investment N.V. consolidated financial statements.

- IFRS 9 – Financial Instruments

  IFRS 9 represents the completion of the first of three stages of the planned replacement of IAS 39 Financial Instruments: Recognition and Measurement, with the main aim to reduce its complexity. In the version issued by IASB in November

2009 the scope of application of IFRS 9 has been restricted to financial assets only. In October 2010 the IASB added to IFRS 9 the requirements for the classification and measurement of financial liabilities, hence completing the first stage of the project.

In November 2012 the IASB has published for public comment proposals for limited changes to the classification and measurement requirements for financial instruments under IFRS 9: Financial Instruments in order to clarify a narrow range of application questions and reduce key differences with the US Financial Accounting Standards Board's (FASB).

The second and the third stages of the project were concerned with impairment of financial instruments and hedge accounting and culminated in the issue of two Exposure Drafts in November 2009 and in December 2010 respectively. The issue of the final standards was planned for the third quarter of 2011, but has not occurred yet.

A new Exposure Draft on the impairment of financial instruments and the new standard for hedge accounting is expected to be issued in the first quarter of 2013.

The main changes introduced by IFRS 9 can be summarized as follows:

- financial assets can be classified in only two categories - at fair value or at amortized cost. The categories of loans and receivables, available-for-sale financial assets and financial assets held to maturity are therefore eliminated. Classification within the two categories is made on the basis of the entity's business model and on the basis of the features of the cash flows generated by the assets themselves. Financial assets are measured at their amortized cost if both the following requisites are met: the entity's business model envisages that financial assets are held to collect their cash flows (thus, substantially, not to make trading profits) and the characteristics of the cash flows of the assets correspond only to payment of principal and interest. Otherwise financial assets must be measured at fair value;
- the accounting rules for embedded derivatives have been simplified: separate accounting for the embedded derivative and the "host" financial asset is no longer required;
- all equity instruments – both listed and unlisted - must be measured at fair value. IAS 39 stated instead that, if fair value could not be determined reliably, unlisted equity instruments had to be measured at cost;
- the entity has the option of presenting in net equity any changes in the fair value of equity instruments not held for trading, while for those held for trading this option is not forbidden. This designation is permitted at the moment of initial recognition, may be adopted for a single security and is irrevocable. If this option is taken, the fair value changes of such instrument can never be reclassified from equity to profit or loss. Dividends instead continue to be recognized through profit or loss;
- IFRS 9 does not allow reclassifications between the two categories of financial assets except in rare cases in which there is a change in the entity's business model. In this case the effects of the reclassification are applied prospectively;
- the disclosure required in the notes has been adapted to the classification and to the measurement rules introduced by IFRS 9.

It is possible not to implement the principle in the comparative period retrospectively to the date of first application of the IFRS 9, except in the case in which a series of specific additional information is provided.

As for financial liabilities, the IASB substantially confirmed the provisions of IAS 39, except for the requirements relating to the fair value option. In case of adoption of the fair value option for the financial liabilities, the change in fair value attributable to the change in the issuer's credit risk shall be recognised in the statement of comprehensive income and not in the income statement.

The process of endorsement of IFRS 9, which will come into force on 1 January 2013, has been suspended for the time being. In December 2011, IASB published the "Mandatory Effective Date and Transition Disclosures (Amendments to IFRS 9 and IFRS 7)", postponing the date of mandatory application of the IFRS 9 principle to the financial years starting from 1 January 2015 (the previous date of mandatory application was 1 January 2013) and keeping the possibility of early application unchanged.

At the moment the effects deriving from future application of the standard is not quantifiable in relation to the classification and measurement of financial assets; the amendments relating to financial liabilities are not applicable to the Spazio Investment N.V. consolidated financial statements.

- IFRS 10 – Consolidated financial statements

  IFRS 10, together with IFRS 11 and IFRS 12, represent the completion of the first of the two stages in the Consolidation project relating to consolidated financial statements and associated disclosures.

  In keeping with the existing standards, IFRS 10 identifies the concept of control as the key factor in establishing whether or not an entity needs to be consolidated in the consolidated financial statements. The standard provides useful guidance on assessing whether control exists in more complex circumstances. The new standard presents a model of control applicable to every type of entity that replaces the current principles. In fact, IFRS 10 supersedes the part of "IAS 27 - Consolidated and separate financial statements" that addresses consolidated financial statements and supersedes "SIC-12 – Consolidation: special purpose entities" in its entirety. Following to the issue of the new standard, IAS 27 was renamed "Separate Financial Statements" and the relevant application framework has consequently been limited to the separate financial statements.

  This standard was endorsed by the European Union in December 2012 (UE Regulation 1254/2012) and is applicable from 1 January 2014. The new standard is not applicable to the Spazio Investment N.V. consolidated financial statements.

- IFRS 11 – Joint arrangements

  The standard was issued in May 2011 and is due to apply from 1 January 2013 but has not yet been endorsed by the European Union. The new standard is not applicable to the Spazio Investment N.V. consolidated financial statements.

  IFRS 11 supersedes "IAS 31 - Interests in joint ventures" and "SIC-13 - Jointly controlled entities: non-monetary contributions by ventures" and sets out rules for financial reporting by all parties to a joint arrangement, establishing a principle-based approach under which the reporting entity recognizes in its financial statements the rights and obligations arising from the arrangement.

  The nature and substance of the contractual rights and obligations arising from the arrangement are considered when classifying a joint arrangement as either a joint operation or a joint venture; the legal form or structure of the arrangement is no longer the most significant factor in classifying the arrangement.

  The new standard no longer permits the use of proportionate consolidation for joint ventures.

This standard was endorsed by the European Union in December 2012 (UE Regulation 1254/2012) and is applicable from 1 January 2014. The new standard is not applicable to the Spazio Investment N.V. consolidated financial statements.

- IFRS 12 – Disclosure of interests in other entities

  IFRS 12 is a new standard that brings together the disclosure requirements applying to all forms of interest in other entities, including joint arrangements, associates, special purpose vehicles and other off-balance sheet vehicles. The new standard supersedes the previous disclosures required by "IAS 27 - Consolidated and separate financial statements", "IAS 31 - Interests in joint ventures" and "IAS 28 - Investments in associates". The purpose of the standard is to allow users of financial statements to assess the presence and nature of the risks associated with an interest in another entity, as well as the effect of such interest on the reporting entity's cash flows.

  This standard was endorsed by the European Union in December 2012 (UE Regulation 1254/2012) and is applicable from 1 January 2014. The future application of this standard is not expected to have a material impact on the disclosures made by the Spazio Investment N.V. consolidated financial statements.

- IFRS 13 – Fair value measurement

  The objectives of the new standard are: to clarify the definition of fair value; to set out a single framework for measuring fair value applicable to all IASs/IFRSs that require fair value to be used for measurement purposes; to provide clarifications and guidance on how to determine fair value (including in illiquid or inactive markets). The new standard does not extend the use of the controversial fair value principle, whose application is required or permitted by other standards, but provides complete and practical instructions on how to measure fair value and on the disclosures that must be made particularly in the financial statements of listed companies.

  This standard was endorsed by the European Union in December 2012 (UE Regulation 1255/2012) and is applicable from 1 January 2013. It is currently not possible to estimate the impact of the new standard's introduction on the Spazio Investment N.V. consolidated financial statements in the period of first-time application.

- Amendments to IAS 12 Income taxes - *Deferred Tax: Recovery of Underlying Assets*

  IAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40 *Investment Property*. The amendment provides a practical solution to the problem by introducing a presumption that recovery of the carrying amount will, normally be, be through sale.

  As a result of the amendments, SIC-21 *Income Taxes — Recovery of Revalued Non-Depreciable Assets* would no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC-21, which is accordingly withdrawn.

  These amendments were endorsed by the European Union in December 2012 (UE Regulation 1255/2012) and are applicable from 1 January 2013. Future application of these amendments will have no impact on the Spazio Investment N.V. consolidated financial statements.

- Amendments to IAS 19 - Employee benefits: Defined benefit plans

The amendment of IAS 19 is focused on the procedures used to account for defined benefit plans and termination benefits. The principal changes from the current standard concern:

- defined benefit plans: actuarial gains/losses (renamed “remeasurements”) must be immediately and fully recognised in the Comprehensive Statement of Income. The option that allowed not recognising actuarial gains/losses if they fell within a certain “corridor” (“corridor approach”) will no longer be allowed;
- elimination of the “expected return on plan assets” and “interest expense,” which will be replaced by a new quantity called “net interest,” calculated by applying the discount rate now used only for the gross liability to the net liability (i.e. the gross liability net of the assets servicing the plan);
- request for supplemental information to be included in the explanatory notes to the financial statements for improved illustration of the risks stemming from defined benefit plans;
- termination benefits: according to the new standard, the factor that determines the timing for recognition in the financial statements is the fact that the entity may not withdraw the offered benefit, i.e. it is irrevocable. Accordingly, termination benefits can essentially be of two types:
  - benefits connected with a broader restructuring plan, where the entity may not withdraw the offer and the employee has no alternative to accepting it; in this case, the offer is considered irrevocable when the layoff plan is notified to the affected persons;
  - individual benefits that the business may theoretically withdraw at its discretion until acceptance by the employee: in this case, the offer becomes irrevocable when the employee accepts it.

These amendments were endorsed by the European Union in June 2012 (UE Regulation 475/2012) and are applicable from 1 January 2013. The future application of these amendments is not expected to have a material impact on the Spazio Investment N.V. consolidated financial statements.

- Amendments to IAS 28 - *Investments in Associates and Joint Ventures*

  Following to the issue of IFRS 10 and IFRS 11, IASB published IAS 28 “*Investments in Associates and Joint Ventures*”, which regulates the accounting of investments in associated companies and *joint ventures*, and sets the criteria for the application of the net equity method. The pre-existing principle has been only partially amended; the main changes refer to the reduction of the investment, meaning the investment in an associated company or in a *joint venture* which does not imply the cessation for the application of the net equity method. In such circumstance the entity drafting the financial statements proportionately reclassifies the share of profits or losses recognised in the *Other Comprehensive Income* (“OCI”) under income statement, while only the transferred quota is subject to the application of IFRS 5. The same rule applies to an investment in a *joint venture* which, following to partial transfer, becomes an associated company.

  This standard was endorsed by the European Union in December 2012 (UE Regulation 1255/2012) and is applicable from 1 January 2014. No significant impact is expected on the future application of the afore-mentioned amendments.

- Amendments to IAS 32 Financial Instruments: Presentation – Offsetting of Financial Assets and Liabilities

  These amendments better clarify the significance of the requirements for offsetting financial assets and liabilities, already present in this standard, i.e.:

- the significance of currently enjoying the statutory right to offsetting financial assets and liabilities;
- the fact that in certain cases, realisation of the asset at the same time as extinguishment of the liability may be considered de facto extinguishment of a net amount.

These amendments were endorsed by the European Union in December 2012 (UE Regulation 1256/2012) and are applicable from 1 January 2014. Future application of these amendments will have no impact on the Spazio Investment N.V. consolidated financial statements.

In addition to the above described new standards and/or interpretations during 2012, the following new standards and/or interpretations have been issued:

- Amendments to IFRS 1 – Government Loans

  These amendments concern government loans received at below-market rates and allow a partial retrospective application of IFRSs during transition.

  These amendments, which are expected to come into force on 1 January 2013, have not yet been endorsed by the European Union. They will have no impact on the Spazio Investment N.V. consolidated financial statements.

- "Improvements" to IFRSs (issued by the IASB in May 2012)

  As part of the project begun in 2009, the IASB has issued a series of amendments to five current standards. The following table summarises the standards and issues addressed by these amendments:

IFRS	Subject of the amendment
IFRS 1 – First-time Adoption of International Financial Reporting Standards	• IFRS 1 applies both when IFRSs are actually adopted for the first time and after a period of suspended application of IFRSs • Treatment of financial expenses capitalised on the basis of different standards during transition to IFRSs
IAS 1 – Presentation of financial statements	Clarifications in regard to the comparative data that must be presented
IAS 16 – Property, Plant and Equipment	Classification of servicing equipment
IAS 32 – Financial Instruments: Presentation	Recognition of the tax effect of dividends paid to shareholders
IAS 34 – Interim Financial Reporting	Disclosure of all assets and liabilities of operating segments

  These amendments, which are expected to come into force on 1 January 2013, have not yet been endorsed by the European Union. It is not expected that they will have any impact on the Spazio Investment N.V. consolidated financial statements.

- Amendments to IFRS 10, IFRS 11 and IFRS 12 – Transition Guide

  These amendments clarify the transitory rules for application of IFRS 10, which have been found too burdensome. They also limit the obligation to provide restated comparative data to only the comparative period preceding first-time application of IFRS 10, 11 and 12. In regard to the disclosures required by IFRS 12 in regard to

interests held in other entities, these amendments eliminate the obligation of providing comparative information for periods prior to application of IFRS 12.

These amendments, which are expected to come into force on 1 January 2014, have not yet been endorsed by the European Union and are not applicable to the Spazio Investment N.V. consolidated financial statements.

- Amendments to IFRS 10, IFRS 12 and IAS27– Investment Entities

  These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss in accordance with IFRS 9 Financial Instruments.

  The IASB uses the term “investment entity” to refer to an entity whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both.

  These amendments, which are expected to come into force on 1 January 2014, have not yet been endorsed by the European Union and are not applicable to the Spazio Investment N.V. consolidated financial statements.

Financial statement formats

In accordance with the provisions of the revision of IAS 1 “Presentation of Financial Statements”, the financial statements at December 31, 2012 consist of the Balance Sheet, the Income Statement, the Statement of Comprehensive Income and Loss, the Statement of Changes in Net Equity, the Cash Flow Statement and the Notes to the Statements, and are accompanied by the Directors’ Report on Operations.

The Group opted for a separate income statement instead of a single comprehensive income statement.

The “Statement of Comprehensive Income and Loss” includes the result for the period and, for homogeneous categories, the revenues and costs which, on the basis of the IFRS, are accounted for directly in equity.

Consolidation area

The Consolidation is based on the financial statements of the companies in the consolidation area, which were prepared as of the reporting date on the basis of IFRS as adopted by the European Union.

Subsidiaries are those entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In Assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The consolidation area covers one subsidiary – Spazio Industriale – Fondo Comune di Investimento Immobiliare di Tipo Chiuso (“Fondo Spazio Industriale” or the “Fund”), totally owned by Spazio Investment N.V..

The Fund started its activity on 28 December 2005, the date of authorisation of the Fund by Bank of Italy. All the financial statements used are expressed in Euro.

Consolidation criteria

The consolidation criteria can be summarized as follows:

- ➢ subsidiaries are consolidated on a line-by-line basis, according to which:
- \- the assets, liabilities, costs and revenues shown in the subsidiaries' financial statements are carried in full, regardless of the interest held;
- \- the book value of equity investments is eliminated against the corresponding shares of net equity;
- \- intercompany receivables and payables, as well as intercompany expenses and revenues among the consolidated companies are eliminated, including dividends distributed within the Group;
- \- minority holdings are shown under a specific net equity item, and minority interests in the profit or loss are stated separately in the income statement;
- ➢ profits and losses resulting from transactions between consolidated companies, not involving third parties, are eliminated in proportion to the percentage held unless the transaction provides evidence of an impairment of the asset transferred;
- ➢ subsidiaries are recorded upon acquisition using the "purchase method", which entails:
- \- determination of the purchase cost in compliance with IFRS 3;
- \- determination of the fair value of the assets and liabilities acquired (both actual and contingent);
- \- recognition of the difference in profit or loss, if the cost of acquisition is less than the fair value of Group's share of the identifiable net assets of the subsidiary acquired.

Accounting standards and policies

Below is a summary of the significant accounting standards and policies applied.

Investment property

Investment properties are properties which are held to earn rental income for capital appreciation, or both.

Investment property comprises freehold land, freehold buildings, land held under operating lease and buildings held under finance lease.

Land held under operating lease is classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it were a finance lease.

Investment property is measured initially at cost, including related transaction costs. After initial recognition, investment property is carried at fair value.

The fair values are based on open market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction wherein the parties had acted knowledgeably, prudently and without compulsion.

The valuation on a quarterly basis made by an independent expert (Patrigest S.p.A.) with appropriate recognised professional qualifications is based on the most appropriate valuation method according to the type of property and to outstanding leases. Moreover, whenever relevant, any further development potential has been valuated.

The *Discounted Cash Flow method (DCF)* - based on the assumption that no rational purchaser is willing to pay for the purchase of any asset a price exceeding the current value

of the benefits that the asset will be able to generate in the future - discounts the net cash flows that may be generated within a certain period of time in order to determine the property valuation.

The *Dual Rate Discounted Cash Flow method*, primarily used for the properties leased to Telecom Italia S.p.A., considers the application of two separate discount rates: one for the discounting of the cash flows expected during the lease term, taking into account the risk of default of the tenant and the guarantees of the lease contract, and the second for the discounting of the property disposal value foreseen for the period following the release of the same property (assuming a change of use and the relevant building restructuring/reconstruction works), taking into account the typical features of the property (like location, physical and dimensional features, property use and state of maintenance), the risk factor related to a conversion operation and the city-planning risk.

The *conversion method* is used in the case of assets that may be converted or currently under conversion (like the area of Portogruaro and of Fossalta di Portogruaro). The value identified is given by the difference between the most probable market value of the converted asset and the summation of all the most probable costs of the factors involved in the asset conversion. The conversion cost criterion is often used to express opinions of economic convenience relating to works for the recovery of existing assets, but it may be also used as estimate aimed at foreseeing an estimate value valid for market operators in general. In the valuations, two variations of the conversion method have been used where the discriminant is the time factor: the *vertical conversion model* and the *DCF-conversion model*.

The *vertical conversion method* is applied in order to determine the final value of a property, assuming a re-conversion of the building into a destination of use appropriate to the context of reference, following to works for the renovation/reconstruction of the same property, without considering the time factor.

The *conversion method with DCF* is based on the discounting, at valuation date, of the cash flows generated by the real estate transaction (real estate development) within the period of time corresponding to its duration, by converting the cash flows allocated when they are generated into the net present value of the area through a DCF procedure. The cost and revenue allocation on an accrual basis allows to obtain a statement of cash flows to be discounted at valuation date at an adequate discount rate which represents the weighted average cost of capital (WACC).

The *market comparables method* has the purpose to determine the amount of money at which the property could be purchased and sold, at the time of the estimate, by and to a purchaser and a seller being both interested in the transaction, after adequate promotion and marketing, assuming that both parties act freely, prudently and in an informed manner. The comparables procedure, resulting from an in-depth market survey to which such adjustments that are deemed appropriate in relation to the inner and outer characteristics of the asset under valuation and in relation to any other factor deemed relevant shall be applied, leads to the estimate of the asset by comparing the same with assets recently purchased and sold or currently on sale, that are comparable for type, construction and location.

The outcome of the valuations made leads to define a present value for each single property of the real estate asset portfolio.

For the purposes of such valuation, the independent expert uses the information provided in the lease contracts (rents, CPI and term of lease), if any, as well as the information on the local market in order to determine the relevant data (current rents and prices, level of supply and demand, real estate agents' expectations).

In addition, for the purposes of ascertaining the value, for each property a survey was made to verify the information received (size, property use), and the real estate situation at the date of the Report (quality, conditions, characteristics, etc.).

Any gain or loss arising from a change in fair value is recognised in the income statement.

Gains or losses arising from the disposal of investment property are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit and loss in the period of the disposal.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes. Property that is being constructed or developed for future use as investment property is classified as property, plant and equipment and stated at cost until construction or development is complete. At that time, it is reclassified and subsequently accounted for as investment property.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of property, plant and equipment under IAS 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the income statement.

Inventories

Inventories consist of land for development and buildings under renovation in the normal course of the Company’s activities, or during the construction process or development related to said activities.

Land for development and buildings under renovation are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price, less the estimated costs of completion and selling expenses. Cost includes incremental expenses and capitalisable financial charges, as described below in the “Financial expenses” note.

IAS 11 will be applied if a sales contract in relation to these projects has been signed.

Receivables and payables

Receivables are recognised initially at fair value and subsequently measured at amortized cost, using the effective interest method, less provision for impairment.

A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivables are impaired. The amount of the provision is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the income statement.

Payables are recognised initially at fair value and subsequently measured at amortized cost, using the effective interest method.

Leases

When a group company is the lessee:

(i) Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by another party, the lessor, are classified as operating leases. Payments, including prepayments, made under operating leases (net of any

incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

(ii) Finance lease

Leases of assets where the company has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in current and non-current borrowings. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The investment properties acquired under finance leases are carried at their fair value.

When a group company is the lessor:

(i) Operating lease

Properties leased out under operating leases are included in investment property in the balance sheet. Lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

(ii) Finance lease

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income.

Impairment of assets

Assets including goodwill that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstance indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Financial instruments

Derivative financial instruments

The Company uses financial instruments solely for hedging under IFRS.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value.

The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Derivatives not classified as hedges

In the case of fair value changes in derivatives not designated and qualified as hedges, these are immediately recognised to the income statement. The Group does not use the possibility of hedge accounting and all changes in the fair value of the derivative financial instruments are accounted in the profit and loss.

They are measured at fair value even if they are contracts entered into to manage interest rate fluctuations and, more in general, to manage the Group's operating risks, since the Group policy does not allow the contracting of derivatives for speculative purposes.

For 2012 the Company does not apply hedge accounting.

Determination of fair value

The fair value of financial instruments listed on an active market is based on market prices as of the reporting date. The market price used for derivatives is the bid price, while for financial liabilities the ask price is employed. The fair value of instruments not listed on an active market is determined according to valuation techniques, i.e. discounted cash flow analysis and option pricing models, based on a series of methods and assumptions relating to market conditions as of the reporting date.

Financial assets at fair value through profit and loss

Financial assets held for trading are classified as current assets and stated at fair value, with any resultant gain or loss being recognised in the income statement.

Transaction costs are directly recorded into profit and loss at trade date.

The fair value of financial assets classified as held for trading is their bid price at the balance sheet date.

Financial assets are derecognised when the rights to receive the cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and cash deposits.

Cash and cash equivalents are booked at face value.

The maturity date is less than three months.

Bank borrowings and payables to other financial institutions

Loans are initially recognised at their fair value, net of transaction costs directly attributable to the issuing of the financial liability.

They are subsequently measured at amortized cost using the effective interest rate.

The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or a shorter period where appropriate to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the company estimates cash flows considering a debt repayment schedule drawn up in line with the relevant business plan but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

Share capital

Shares are classified as equity when there is no obligation to transfer cash or other assets.

Incremental costs directly attributable to equity transactions are recognised as a deduction from the proceeds.

Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved.

Sale of assets

Revenues from the sale of assets are recorded only when all of the following conditions are satisfied:

- most of the risks and benefits linked to ownership of the assets have been transferred to the buyer;
- the effective control over the assets sold and the normal level of activities associated with the asset have ended;
- the amount of revenue can be reliably determined;
- it is probable that the economic benefits deriving from the sale will be enjoyed by the company;
- the costs sustained or to be sustained can be reliably determined.

Rental income

Gross rental income is determined based on contractual lease term entitlements and is recognized as lease services are rendered. Gross rental income does not include service charges, such as heating, electricity and security, which are directly charged to tenants. Rental income is recognized in the income statement on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income. Lease incentives are recognised on a straight-line basis over the shorter of the life of the lease or the year to the first break option. Differences that arise between the contractual lease payments and the periodic net lease income are capitalized in the balance sheet. Turnover based rents are recorded as income in the years in which they are earned.

Interest

Interest is recognised on an accrual basis considering the effective yield of the asset.

Financial expenses

Financial expenses are charged to the income statement in the period in which they are incurred unless they are directly attributable to the acquisition, construction or production of a qualifying asset, in which case they are capitalised as part of the cost of that asset. The amount of financial expenses capitalised is the actual borrowing costs incurred on the loan specifically borrowed for the purpose of obtaining the qualifying asset.

A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

The capitalisation of financial expenses ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are completed.

Tax expense

In the Netherlands, Dutch corporate tax is based on the fiscal results, taking into account the fact that certain income and expense items as reported in the profit and loss account are tax-exempt. The applicable tax rates are 20% over the first Euro 200,000 and 25% over the remainder for the year 2012. The Dutch Tax Authorities have issued a “determination agreement ATR” stating that the Italian real estate property investment Fund is to be qualified as a transparent entity. In practical terms, this means that the Fund will be transparent from a Dutch corporate income tax point of view and the Company is treated as the direct owner of the underlying assets. Consequently, all income of the Fund should be treated as income of the Company and treated accordingly. Due to the operation of the Convention for the Avoidance of Double Taxation signed on the 8 May 1990 by the Government of Italy and the Government of The Netherlands (and specifically article 24, paragraphs 1 and 2 of the Treaty) income and capital gains arising from immovable property situated in Italy is effectively exempt from corporate taxation in The Netherlands. Accordingly no deferred tax is calculated.

Segment reporting

The Group has only one line of business (“investments in light industrial properties”) and operates through the Fund exclusively in Italy. Segment reporting is therefore not required.

Financial risk management policies

The Company has no employees or executive management of its own. It relies solely on its service providers under contract to undertake all executive and operational activities relating to the property portfolio in accordance with the Board’s direction. In addition to their attendance at Board meetings, the Directors, maintain a regular dialogue with the providers. In addition the Directors can call upon the services of the internal audit function of Prelios Group to carry out periodic reviews.

Highlights of the Group’s risk management policies are discussed below.

All risk management procedures relating to the management of the Fund and risk management policies are performed by Prelios Società di Gestione del Risparmio S.p.A. on the basis of the service level agreement.

Types of financial risk

Credit risk

Credit risk represents the Group's exposure to potential losses due to default by its counterparties on their commercial and financial obligations.

Credit evaluations are performed on all tenants as a part of the due diligence on properties to be acquired; in particular only properties rented to prime tenants are considered. In addition, the exposure to credit risk is monitored on an ongoing basis by management using aging analysis.

To limit that risk, with regard to commercial counterparties, the Group has procedures in place to assess the financial solidity of its tenants, to monitor incoming payments, and to take credit recovery action should this become necessary. The aim of these procedures is to set credit limits for tenants and take appropriate actions when those limits are exceeded.

In some cases tenants are asked for guarantees, generally sureties from banks in excellent standing or personal guarantees. Collateral is requested more rarely.

As for financial counterparties, for the management of temporary excess funds or for the trading of derivative instruments, the Group does business only with intermediaries of high credit standing.

Receivables are recognised net of impairment calculated for the risk of counterparty default, which is determined in light of the available information on solvency and historical trends.

Where a debt passes its due date it is kept under constant review to determine whether a provision is necessary. In addition the provision is reviewed on a regular basis to determine whether a full write off is appropriate.

Exchange rate risk

The Group mainly operates at the Italian market level; as a consequence it has no exposure to exchange rate risk.

Positions subject to exchange rate risk are essentially comprised of a very limited number of invoices payable and do not make up a sizeable proportion of that balance. Therefore, exchange rate fluctuation has no significant effect on the income statement.

Fair value estimation

Regarding financial instruments measured at *fair value*, recent amendments to IFRS 7 requires that these instruments are classified on the basis of a hierarchy of levels that reflect the significance of the inputs used in determining fair value. The following are the levels:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 – Use of a model with inputs (other than quoted prices included in level 1) that are directly or indirectly observable market data;
- Level 3 – Use of a model with inputs that are not based on observable market data.

The following table shows an analysis of the fair values of financial instruments recognised in the balance sheet by level of the fair value hierarchy:

	Level 1	Level 2	Level 3	Total
Derivative financial instruments		(4,434,231)		(4,434,231)

Interest rate risk

Interest rate risk to which the Fund is exposed mostly originates from long-term financing. Since these are variable-interest bearing loans, the Fund is exposed to cash flow risk.

The Group manages the cash flow risk on interest rates through the use of derivative contracts. The derivatives considered are exclusively those defined as hedging instruments by IAS/IFRS: typically interest rate collars, which mitigate the cost of the cap by setting a minimum limit (floor) on interest payable.

The purchase and designation of such derivatives as hedging instruments for the purposes of IAS 39 is decided on a case-by-case basis.

Holding other conditions constant, a hypothetical 0.50 percent increase or 0.10 percente decrease in all currencies' interest rates applicable to the floating-rate assets and liabilities and interest rate derivatives to which the Fund is exposed would, over the course of a year, increase the pre-tax profit by Euro 427 thousand (Euro 1,397 thousand in 2011) or decrease the pre-tax profit by Euro 86 thousand (Euro 920 thousand in 2011), respectively. The effect on equity is the same as the effect on the pre-tax profit.

Asset devaluation risk

In 2012 the overall devaluation has decreased of 5.3%. This is due to the worsening of the macro-economic context that led an increase of interest rate also used in the independent appraisal. The market value trend of the portfolio will be carefully monitored in relation to the LTV banking covenants. The Board is committed to closely monitor Spazio Investment N.V's financial position and the compliance with all banking covenants. Cash flow from rental income, excess available cash from operations and the proceeds from sales in the pipeline could be used by Spazio Investment N.V. to repay back debt and to maintain adequate headroom against banking covenants.

Liquidity risk

The main liquidity risk refers to the Fund's ability to fulfill commitments to repay bank borrowings. In particular, principal reimbursements are linked to the property sale process, while interest payable is timed to match rental income collection and fully covered.

The main instruments the Fund uses to manage liquidity risk are financial plans and treasury plans, to allow the thorough and accurate measurement of incoming and outgoing funds.

Discrepancies between these plans and the actual data are constantly analysed.

The cash flow is monitored on a monthly basis.

Financial liabilities outstanding at 31 December 2012 had the following maturities:

	within 1 year	between 1 and 2 years	between 2 and 5 years	beyond 5 years	Total
Bank borrowings and payables to other financial institutions	226.641.452	-	-	-	226.641.452
Trade payables	3.171.774	-	-	-	3.171.774
Other payables	2.117.773	-	-	-	2.117.773
Tax payables	48.712	-	-	-	48.712

The maturities of financial liabilities outstanding at 31 December 2011 were as follows:

	within 1 year	between 1 and 2 years	between 2 and 5 years	beyond 5 years	Total
Bank borrowings and payables to other financial institutions	111.403.694	142.416.024	-	-	253.819.718
Trade payables	4.231.777	-	-	-	4.231.777
Other payables	5.223.058	-	-	-	5.223.058
Tax payables	200.849	-	-	-	200.849

Capital risk management

The Group's objectives when managing capital are to maintain its ability to continue as a going concern in order to provide returns for unitholders and benefits for other unitholders and to maintain an optimal financial structure so as to reduce the cost of capital.

Risk of vacancy

The Income Producing Portfolio generates Euro 19.6 m of yearly rent mostly deriving from these major tenants, which are principally telecommunications and utilities service suppliers (Telecom Italia S.p.A. and RAI – Radiotelevisione Italiana S.p.A.), a fashion designer (Prada S.p.A.), and providers of industrial components (ABB Cap S.p.A., Alstom Power Italia, and Centro Edilmarelli S.r.l.). Telecom Italia S.p.A. is the largest tenant, representing approximately 48.1% of the total annual passing rent of the portfolio as of 31 December 2012.

The total current vacancy for the portfolio is about 20.1% (based on Patrigest S.p.A. estimated value at 31 December 2012), mostly allocated to (i) four conversion assets, consisting of light industrial/mixed use properties that are currently vacant, totalling approximately 56,770 sq.m. of surface area and having strong redevelopment and conversion potential thanks to their location and land size, (ii) five distressed properties to be sold to end users, and (iii) Tivoli, Pavia, Turate, Segrate and five ex-Telecom assets.

The large majority of assets, especially those in the Telecom Italia S.p.A. portfolio, are located in central or semi-urban areas and, due to their location and nature, have considerable potential for alternative and more profitable uses (for most of the Telecom Italia S.p.A. assets, vacant possession could exceed the open market value based on current lease terms).

Accounting estimates and assumptions

The preparation of the financial report requires management to make estimates and assumptions that could influence the book values of certain assets, liabilities, costs and revenues, as well as the information provided on contingent assets/liabilities as of the reporting date.

The following accounting estimates are critical to this report:

(a) IAS 2 – Valuation of inventory

Inventories, which are wholly held by the Company, are booked at the lower of cost and net realisable value.

Inventories consist of land for development in the normal course of the Company's activities or during the construction process, or development related to said activities. Net realisable value is the estimated selling price, less the estimated costs of completion and selling expenses. Cost includes incremental expenses and capitalisable financial charges.

The valuation of Portogruaro depends to a large extent on the approval from the authorities for an infrastructural project in that area. This uncertainty, together with low sales, is taken into account by management in determining the cost or lower net realisable value per year end.

(b) IAS 40 – Valuation of investment property

(c) Investment properties, all of which are held by the Fund, are kept to earn rental income or for capital appreciation or both. Investment properties are stated at fair values which are based on market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction wherein the parties have acted knowledgeably, prudently and without compulsion.

(d) An external, independent expert (CB Richard Ellis Valuation S.p.A. for 2011 and Patrigest S.p.A. for 2012) with appropriate recognised professional qualification and large experience in the category of property being appraised, values the portfolio every three months. Management reviews these valuations and adjusts them where considered applicable.

(e) The valuations are prepared by considering the aggregate of the net annual rents received from the properties and where relevant, associated costs. A discount factor which reflects the specific risks inherent to the net cash flows is then applied to the net annual rents to arrive at the property valuation.

(f) Valuations reflect, where applicable, the type of tenants currently occupying the property or responsible for meeting lease commitments, the allocation of maintenance and insurance responsibilities between lessor and lessee, and the

remaining economic life of the properties. Any gain or loss arising from a change in fair value is recognised in the income statement.

(g) Gains or losses arising from the disposal of investment property are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit and loss account in the period of disposal.

(h) IAS 39 – Valuation of derivative financial instruments

The Group uses derivative financial instruments to hedge its exposure to interest rate risk. In accordance with its treasury policy, the Group does not hold derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

Derivative financial instruments are recognised initially at cost and subsequent to initial recognition are measured at fair value.

The fair value of derivative financial instruments that are not traded in an active market is determined by using valuation techniques, i.e. discounted cash flow analysis and option pricing models.

Since the Group does not use the possibility of hedge accounting all changes in the fair value of the derivative financial instruments are accounted in the profit and loss.

Note 1 Investment in participating interest

This item totals Euro 9,410 (Euro 9,420 at 31 December 2011) and is relative to the participation that the Fund held in the Consorzio Eastgate Park equal to 94.10%.

During the year, the Fund sold n. 10 millesimal quotas at nominal Euro 10 to AR.CO Immobiliare S.a.s., a company which entered the Consorzio Eastgate Park following to the purchase contract of a property unit for logistics owned by the Fund.

On 21 January 2013, the Fund sold other n. 50 millesimal quotas at nominal Euro 50 to AR.CO Immobiliare S.a.s., a company which entered the Consorzio Eastgate Park following to the purchase contract of December 2012 of a property unit for logistics owned by the Fund.

According to the above mentioned sales, the participation that the fund held in the Consorzio Eastsgate Park is equal to 93.6%.

Note 2 Investment property

This item totals Euro 284,315,000 (Euro 335,393,726 at 31 December 2011) and is comprised of:

	01.01.2012- 31.12.2012	01.01.2011- 31.12.2011
Balance as at the beginning of the year	335.393.726	430.681.060
Additions:		
- Acquisitions	-	300.000
- Capital expenditure	2.988.474	1.287.897
Net gain/(loss) from fair value adjustments on investment property	(20.831.324)	(26.349.847)
- Acquisition cost plus additions to properties disposed	(33.235.876)	(70.525.384)
Balance as at the end of the year	**284.315.000**	**335.393.726**

The net loss on disposed property of Euro 803,000 (note 17), as listed in the income statement, refers to the properties sold in 2012. The balance is the difference between the sales proceeds (Euro 32,432,876) and the carrying amount (Euro 33,235,876).

Note 3 Inventories

At 31 December 2012 all properties are valued at the lower of cost, including incremental expenses and capitalisable financial charges, and net realisable value.

The movement in inventories over the year is shown in the table below:

	01.01.2012- 31.12.2012	01.01.2011- 31.12.2011
Balance as at the beginning of the year	83.809.021	95.134.629
Capitalized costs:		
- Acquisition	-	-
- Capital expenditures	83.091	511.398
- Financial expenses	690.505	822.651
- Write-downs	1.262.962	(7.726.091)
Total incremental costs in the year	*2.036.558*	*(6.392.042)*
- Costs of inventory sold	(1.593.104)	(4.933.566)
Balance as at the end of the year	**84.252.475**	**83.809.021**

Inventories consist of land for development and buildings under renovation in the normal course of the Fund's activities or during the construction process, or development related to said activities. These buildings and land are not intended for the Fund's investment property portfolio.

The higher value assigned by the independent expert to Eastgate Park at 31 December 2012 versus the previous year takes into account the following factors:

1) the value increase of an area of about 96,000 sq m following to the completion of an urban planning procedure for change of use from rural land to developable area (for industrial use);
2) the accurate identification of the development indexes to be used for each developable lot for industrial/logistic use, that are different according to whether the lots fall within the Municipality of Portogruaro or the Municipality of Fossalta di Portogruaro (in particular, increased development potential for "services" use).

In 2012 a total of 7 sale agreements were made, totalling Euro 1,539,900, for the disposal of 2 units in the renovated “Edificio 16” building along with 9 parking spaces and for the disposal of 2 units in the logistics building of “Eastgate Park”.

The net loss on disposal of inventories of Euro 53,204 (note 18), as listed in the income statement, refers to the properties sold in 2012. The balance is the difference between the sale proceeds (Euro 1,539,900) and the carrying amount (Euro 1,593,104).

Note 4 Trade receivables

	31.12.2012	31.12.2011
Trade receivables from third parties	2.223.559	3.168.541
Total	**2.223.559**	**3.168.541**

Trade receivables are broken down below:

	31.12.2012		31.12.2011	
	Non-current	Current	Non-current	Current
Trade receivables from third parties	-	10.071.933	-	8.733.005
Total gross trade receivables	**-**	**10.071.933**	**-**	**8.733.005**
Provision for doubtful accounts	-	(7.848.374)	-	(5.564.464)
Total trade receivables	**-**	**2.223.559**	**-**	**3.168.541**

Of Euro 10,071,933 in total gross trade receivables (Euro 8,733,005 at 31 December 2011), Euro 9,152,446 is past due (Euro 7,858,683 at the close of 2011).

Receivables have been written down according to the Group policies described under "Credit risk" in the section "Financial risk management policies".

Movements in the provision for doubtful accounts are shown below:

	01.01.2012-31.12.2012	01.01.2011-31.12.2011
Balance at the beginning of the year	5.564.464	3.170.973
Movement during the year	2.283.910	2.393.491
Balance as at the end of the year	**7.848.374**	**5.564.464**

The impairment charge for the year is recognised in the income statement under "Other costs" (note 22).

Trade receivables are secured by collateral in the amount of Euro 1,310,750 and by bank/personal guarantees totalling Euro 3,414,690.

The Directors consider that the carrying amount of trade receivables approximates their fair value.

Note 5 Other receivables

This item totals Euro 299,864 (Euro 388,787 at 31 December 2011) and mainly includes:

- Euro 125,000 in deferred charges referring to the bank fees;
- Euro 56,113 in deferred charges referring to the registration tax on rents (IRE).
- Euro 72,612 in deferred charges, mainly referring to insurance premium;

	31.12.2012	31.12.2011
Other receivables from Prelios Group	8.635	-
Other receivables from third parties	291.229	388.787
Total	**299.864**	**388.787**

Other receivables are broken down below:

	31.12.2012	31.12.2011
Other receivables	351.723	388.787
Total gross other receivables	**351.723**	**388.787**
Provision for doubtful accounts	(51.859)	-
Total other receivables	**299.864**	**388.787**

Movements in the provision for doubtful accounts are shown below:

	01.01.2012-31.12.2012	01.01.2011-31.12.2011
Balance at the beginning of the year	-	-
Provision	51.859	-
Balance as at the end of the year	**51.859**	**-**

The impairment charge for the period is recognised in the income statement under "Other costs" (note 22).

The Directors consider that the carrying amount of other receivables approximates their fair value.

Note 6 Derivative financial instruments

	31.12.2011	Acquisitions	Fair Value Adjustment	31.12.2012
Portogruaro derivative	108.154	-	(108.154)	-
Jumbo derivative	(7.268.717)	-	2.834.486	(4.434.231)
Total	**(7.160.563)**	**-**	**2.726.332**	**(4.434.231)**

At 31 December 2012 this item totals Euro (4,434,231) (Euro (7,160,563) at 31 December 2011), corresponding to the fair value of the four interest rate collar contracts signed.

Two of derivatives of the same notional amount and carrying the same conditions have been taken out with Intesa Sanpaolo S.p.A. and Natixis to hedge the "Jumbo Loan" as described in note 11.

The significant terms and conditions of the above-mentioned derivatives are as follows:

	Interest rate collar	Interest rate collar
Counterparty	Intesa Sanpaolo S.p.A.	Natixis
Notional for the period from 31 December 2012 to 31 March 2013	90.971.665	90.971.665
Premium paid	519.000	519.000
Effective date	29 December 2006	29 December 2006
Expiry date	30 September 2013	30 September 2013
Interest rate cap	4,35%	4,35%
Interest rate floor	3,40%	3,40%
Fair value as at 31 December 2012	(2.217.116)	(2.217.116)

The other two derivatives, of the same notional amount and carrying the same conditions, have also been taken out with Intesa Sanpaolo S.p.A. and Natixis to hedge the so-called "Portogruaro Loan" as described in note 11.

The significant terms and conditions of the above-mentioned new derivatives are as follows:

	Interest rate collar	Interest rate collar
Counterparty	Intesa Sanpaolo S.p.A.	Natixis
Notional for the period from 31 December 2012 to 31 March 2013	8.072.485	8.072.485
Premium paid	28.500	28.500
Effective date	30 September 2011	30 September 2011
Expiry date	30 September 2013	30 September 2013
Interest rate cap	1,75%	1,75%
Fair value as at 31 December 2012	-	-

The fair value has been appraised by an independent professional on the basis of market information provided by a commonly used financial information provider, such as Bloomberg or Reuters.

Note 7 Cash and cash equivalents

At 31 December 2012 this item totals Euro 31,339,478 (with respect to Euro 33,565,410 in 2011) of which Euro 17,895,533 in restricted accounts (Euro 24,271,929 in 2011), subject to the repayment of borrowings and interest due. All deposits and accounts are held by banks that have a minimal credit rating of AA, according to “Standard and Poors”.

Note 8 Share capital

Share capital is related to the Spazio Investment N.V. shares and amounts to Euro 4,589,189.

The total authorised number of ordinary shares is 50,000,000 with a par value Euro 0.20 each and 100 preferred shares of par value Euro 0.20 each.

At the Balance Sheet date, a total of 22,945,846 ordinary shares of par value Euro 0.20 each and 100 preferred shares of par value Euro 0.20 each and 1 priority share of the nominal value of Euro 0,20 are issued and fully paid.

Note 9 Share premium

As at 31 December 2012 the item, amounting to Euro 172,888,179, is related to share premium reserve, totally distributable.

The movement that took place during the year from 1 January 2012 to 31 December 2012, for a total amount of Euro 142,183, refers to the share premium distributions occurred in the year. Full disclosure is set out in the Director Report.

Note 10 Retained earnings

The balance of Euro (11,371,034) reflects:

- the initial amount at 1 January 2012, equal Euro 8,079,389;
- the movement that took place during the year from 1 January 2012 to 31 December 2012 were as follows:
- decrease equal to Euro 19,450,423 related to the result of year 2012.

Note 11 Bank borrowings and payables to other financial institutions

This item refers to bank borrowings. The main loan terms, summarised in the following table, are explained in detail below:

	31.12.2012		31.12.2011	
	Non-current	Current	Non-current	Current
Jumbo Properties loan	182.367.676	5.782	209.133.065	28.614
Area of Portogruaro loan	-	43.753.885	43.872.571	6.533
Edificio 16 loan	514.095	14	778.365	95
Bank overdraft	-	-	-	475
Total	**182.881.771**	**43.759.681**	**253.784.001**	**35.717**

The loan movements are presented in this table:

	31.12.2011	Increases	Decreases	Loan arrangement costs	Interest due	Interest paid	31.12.2012
Jumbo loan	209,161,679	-	(27,545,676)	780,287	3,519,178	(3,542,010)	182,373,458
Portogruaro loan	43,879,104	-	(305,702)	185,235	909,340	(914,092)	43,753,885
Edificio 16 loan	778,460	-	(264,344)	73	12,281	(12,361)	514,109
Total	**253,819,243**	**-**	**(28,115,722)**	**965,595**	**4,440,799**	**(4,468,463)**	**226,641,452**

At 31 December 2012, bank borrowings (current and non-current) total Euro 226,641,452 and are broken down as follows:

- Euro 182,373,458 for the property loan ("Jumbo Loan") granted on 18 October 2006 by a syndicate of banks comprising Natixis – Milan branch, Intesa Sanpaolo S.p.A., Banco di Sicilia S.p.A., MCC S.p.A. and Banca di Roma S.p.A. for Euro 183,012,367 (credit facility), stated net of Euro 644,691 in loan arrangement costs and Euro 5,782 in accrued interest at 31 December 2012;
- Euro 43,753,885 for the Portogruaro Site ("Portogruaro Loan") granted on 18 October 2006 by a syndicate of banks comprising Natixis – Milan branch, Intesa Sanpaolo S.p.A., Banco di Sicilia S.p.A., MCC S.p.A. and Banca di Roma S.p.A. for Euro 14.819.614 (tranche 1), Euro 5.668.100 (tranche 2), Euro 15.245.099 (tranche 3) and Euro 8.026.573 (tranche 5 – cash collateral), stated net of Euro 7,283 in loan arrangement costs and Euro 1,781 in accrued interest at 31 December 2012;
- Euro 514,109 for the property under renovation ("Edificio 16 Loan") granted on 18 October 2006 by a syndicate of banks comprising Natixis – Milan branch, Intesa Sanpaolo S.p.A., Banco di Sicilia S.p.A., MCC S.p.A. and Banca di Roma S.p.A. for Euro 514,107, stated net of Euro 12 in loan arrangement costs and Euro 14 in accrued interest at 31 December 2012.

Concerning the "Jumbo Loan", during the year Euro 27,545,676 has been reimbursed as a result of sales.

Concerning the "Portogruaro Loan", during the year Euro 305,702 of the cash collateral has been reimbursed.

Concerning the "Edificio 16 Loan", during the year Euro 264,344 was reimbursed as a result of sales.

The Jumbo Loan taken out on 26 September 2006, with a duration of seven years extendable through ten years, is intended to finance all the Fund's properties and future acquisitions. It can be drawn down for a maximum total of Euro 530,967,703 (Euro 402,033,831 by way of a credit facility, Euro 118,500,000 by way of revolving credit for future acquisitions and Euro 10,433,872 to finance VAT). The interest rate is equal to the three-month Euribor plus a spread that varies according to the type of credit line used (80 bps for the Facility and VAT lines, 100 bps for the Revolving line). The effective interest rate, determined in accordance with the amortised cost method, is 2.716%. This loan is secured by a mortgage and assignments of receivables relating to insurance policies, lease agreements and any hedging agreements.

It is hereby pointed out that in June 2009 the Fund and the Financing Banks closed some negotiations to make some amendments to the original loan contract (the "Amendments").
The main items of such “Amendments” to the “Jumbo Loan” are summarised below:

- introduction of a “roll-over” mechanism allowing to the Fund, up to the cap amount of Euro 33,500,000 (the “Roll-Over Amount”), the renewal of the advance payments made in relation to such line with no need for their prior repayment to Financing Banks and subsequent re-utilization thereof;
- an interest rate equal to Euribor increased by a margin of 300 bps in relation to the amounts renewed pursuant to the aforesaid “roll-over” mechanism;
- envisaging a commitment fee on the non-utilised amounts of the “Revolving Facility” equal to the one currently envisaged in the “Jumbo Loan” for non-utilised amounts below Euro 30,000,000 and equal to about 250 bps for amounts over this figure;
- cancellation of part of the “Revolving Facility” for an amount equal to Euro 55,000,000.

The Portogruaro Loan taken out on 26 September 2006, with a duration of seven years extendable through ten years, is intended to finance the development of the Portogruaro Site. It can be drawn down for a maximum total of Euro 226,000,000 (Euro 201,000,000 by way of a credit facility and Euro 25,000,000 to finance VAT). The interest rate is equal to the three-month Euribor plus a spread that varies according to the type of credit line used (150 bps for the Facility line – tranche1, 2 and 3, 80 bps for the Facility line – tranche 4 and the VAT line, 30 bps for the Facility line – tranche 5 drawn down for cash as a counterguarantee of a line granted for the issue of sureties to the municipalities of Portogruaro and Fossalta di Portogruaro for urban development costs). The effective interest rate, determined in accordance with the amortised cost method, is 3.064% for tranche 1, 2 and 3, and 1.829% for tranche 5. This loan is secured by a mortgage and assignments of receivables relating to insurance policies, lease agreements and any hedging agreements.

It is hereby pointed out that in June 2009 the Fund and the Financing Banks closed some negotiations to make some amendments to the initial loan contract (the “Amendments”).
The main details of the "Amendments" to the "Portogruaro Loan" are summarised below; for the said loan a commitment fee was paid quarterly on the part of the loan that had not been utilised:

- cancellation of the overall amount of the “VAT Facility Tranche 1” and of the “VAT Facility Tranche 2”, equal to Euro 931,004 and Euro 24,068,996 respectively;
- cancellation of part of the Tranche 4 of the “Portogruaro Loan” for a total amount of Euro 147,500,000.

The Edificio 16 Loan taken out on 26 September 2006, with a duration of seven years extendable through ten years, is intended to finance the purchase of the property and its subsequent renovation. It can be drawn down for a maximum total of Euro 27,200,000 (Euro 26,000,000 by way of a credit facility and Euro 1,200,000 to finance VAT). The interest rate is equal to the three-month Euribor plus 80 bps. The effective interest rate, determined in accordance with the amortised cost method, is 2.334%. This loan is secured by a mortgage, an assignment of receivables arising from the sale of the land and a pledge on current accounts.

It should also be noted that the Management Company, in the name of and on behalf of the Fund, has signed an “Inter-creditor Agreement” along with other financing banks. This is designed to: (i) clarify the relationships between the Fund, and its various classes of creditors, and (ii) regulate the Fund’s payment priorities with the different classes of creditors.

The fair value of the above borrowings approximated their carrying values at the balance sheet date, since the impact of discounting is not significant. The fair values are based on cash flows discounted at a rate based on the latest applicable floating rates at the end of the year.

The Fund confirms that all the financial covenants are in compliance with the financing contracts as at 31 December 2012.

	Bank Borrowings a)	Loan arrangement costs b)	Accrued Interests c)	Outstanding Loan a+b-c	Cash Collaterals	Outstanding Loan net of Cash Coll.
Jumbo Loan (incl. Rollover Loan)	182.373.458	644.691 *	5.782	183.012.367	-	183.012.367
Portogruaro Loan	43.753.885	7.283	1.781	43.759.387	8.026.573	35.732.814
Edificio 16 Loan	514.109	12	14	514.107	-	514.107
Total	**226.641.452**	**651.986**	**7.577**	**227.285.861**	**8.026.573**	**219.259.288**

* All "Loan arrangement costs" are included in Jumbo Loan

The covenants of the Fund at 31 December 2012 are in the tables here below:

- LTV covenant: Loan to Value of Jumbo Properties, Area of Portogruaro and Edificio loans should not exceed 65%

	OMV	Outstanding Loan net of Cash Coll.	LTV	LTV Covenant
Jumbo Loan (incl. Rollover Loan)	282.817.000	183.012.367	64,7%	65,0%
Portogruaro Loan	83.300.000	35.732.814	42,9%	65,0%
Edificio 16 Loan	4.029.000	514.107	12,8%	65,0%

- Global LTV covenant: the aggregate amount of financial indebtedness incurred by the Fund should not exceed 60% of the OMV of the real estate assets and 20% of the value of the other assets

	OMV	Outstanding Loan	Global LTV	Global LTV Covenant
Jumbo Loan (incl. Rollover Loan)	282.817.000	183.012.367		
Unlevered Assets	1.848.000 (1)	-		
Portogruaro Loan	83.300.000	43.759.387		
Edificio 16 Loan	4.029.000	514.107		
Total Real Estate Assets	**371.994.000** (2)	**227.285.861**	**61,1%**	**60,0%**
Cash & Other Assets	**22.830.312** (3)	**-**	**0,0%**	**20,0%**
Fund total assets	**394.824.312** (4)	**227.285.861**		
Global LTV Covenant figures	**379.604.104** (5)	**227.285.861**	**59,9%**	**60,0%**

1. The unlevered assets are the Agrileasing portfolio.
2. "Total Real Estate Assets" of Euro 371,994,000 is the total portfolio open market value as at 31 December 2012.
3. "Cash & Other Assets" includes Euro 22,830,312 of cash and cash equivalents.
4. "Fund total assets" of Euro 394,824,312 is the amount of the total assets as per Bank of Italy financial statements.
5. The OMV of "Global LTV Covenant" is calculated as the sum of the OMV of the total Real Estate Assets (Euro 371,994,000) plus one third of the "Cash & Other Assets" (Euro 22,830,312).

- Perspective LTV covenant: in acquiring new assets, the aggregate amount of the Jumbo Properties loan (Facility line and Revolving line) should not exceed 80% of the OMV of the properties purchased and owned by the Fund;

	OMV	Outstanding Loan net of Cash Coll.	Perspective LTV	Perspective LTV Covenant
Jumbo Loan	282.817.000	183.012.367		
Jumbo Loan - Rollover Loan	-	-		
Total	**282.817.000**	**183.012.367**	**64,7%**	**80,0%**

- ISCR covenant: the Interest Service Cover Ratio (calculated as the Projected NOI divided by interest expense and fees) for the entire duration of the Facilities should not fall below 1.25x.

	01.01.2013-31.03.2013	Projected over 12 months	ISCR of the Period a/(b+c)	min ISCR
a) Projected NOI	3,3	13,1		
b) Interests	2,0	7,8		
c) Financing fees	0,1	0,3		
ISCR Covenant			**1,61x**	**1.25x**

The Company is at year-end in full compliance with all of its banking covenants and the Board is carefully monitoring the existing banking arrangements. As the conditions for extension of the Portogruaro loan will not be met in 2013, this loan is classified as current liability. We draw your attention to the paragraph 'Going concern assumption' in this Director's report.

Note 12 Trade payables

These include the following amounts due to related parties:

	31.12.2012	31.12.2011
Trade payables to Prelios Group	169.280	258.287
Trade payables to Management Company	522.472	268.117
Trade payables to Celtic Group	97.170	684.401
Trade payables to third parties	2.382.852	3.020.972
Total	**3.171.774**	**4.231.777**

At 31 December 2012, trade payables to Prelios Group, amounting to Euro 691,752 are detailed as follows:

- Euro 169,280 to the Management Company in relation to the administration and management of the Fund's current and future properties and for sales agency services;
- Euro 9,266 to Prelios Netherlands B.V. in relation to the management fees accruing at the reporting date;
- Euro 513,206 to Prelios SGR S.p.A relate to cost sustained in advance.

At 31 December 2012 trade payables to Celtic Group amounting of Euro 97,170 relate to advisory activities and agency activities at the Fund level.

At 31 December 2012 trade payables to third parties of Euro 2,050,314 mainly relate to costs for the administration and building management of the Fund's properties and Euro 332,538 costs for legal and professional services..

Note 13 Other payables

At 31 December 2012, this item totals Euro 2,117,773 and mainly consists of:

- Euro 339,970 in downpayments received against preliminary sale agreements for the Jumbo portfolio;

- Euro 14,000 in downpayments received against preliminary sale agreements for Edificio 16;
- Euro 1,310,750 in security deposits received on leases with Elettromeccanica S.p.A., Rai S.p.A. and Doris Diner S.r.l.;
- Euro 288,065 relating to the estimated indemnity due to the Prelios SGR S.p.A. upon the latter's replacement with the new Fund manager. In fact, in accordance with the Fund Regulation, the Prelios SGR S.p.A. may withdraw from the Fund's available cash on account of indemnity, within and not later than the date of its actual replacement, an amount equal to Euro 1,850,000 less the amount of the Annual Management Fee actually collected in 2012.

Note 14 Tax payables

The balance of Euro 48,712 refers to withholding taxes due to the authorities on services rendered by the Fund's consultants and wages tax in the amount of EUR 437.

Note 15 Rental income

Rental income amounts to Euro 20,860,573, including Euro 11,725,262 from Telecom Italia S.p.A..

Note 16 Net (loss) from fair value adjustment on investment property

The balance of Euro (20,831,324) is the difference between the fair value of investment property at 31 December 2012 and 31 December 2011.

The fair values are based on open market values, i.e. the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction wherein the parties have acted knowledgeably, prudently and without compulsion.

The fair value gains arise from the determination of market value on 31 December 2012 by an independent, professionally qualified appraiser.

Fair values have been appraised by an external, independent expert (Patrigest S.p.A.) with appropriate recognised professional qualifications. The fair value valuations are prepared by considering the aggregate of the net annual rents received from the properties and where relevant, associated costs. A yield which reflects the specific risks inherent to the net cash flows is then applied to the net annual rents to arrive at the property valuation. Valuations reflect, where applicable, the type of tenants currently occupying the property or responsible for meeting lease commitments, the allocation of maintenance and insurance responsibilities between lessor and lessee, and the remaining economic life of the property.

Note 17 Net (loss) on disposals properties

This item amounts to Euro (803,000) and refers to the net losses on properties sold during the year.

The balance is the difference between the proceeds of sales (Euro 32,432,876) and the carrying amount (Euro 33,235,876).

Note 18 Net (loss) / gain on disposals inventories

This item amounts to Euro (53,204).

During the year a total of 7 sale agreements were made, totalling Euro 1,539,900, for the disposal of 2 units in the renovated “Edificio 16” building along with 9 parking spaces and for the disposal of 2 units in the logistics building of “Eastgate Park”.

The balance is the difference between the sales proceeds and costs (Euro1,593,104).

Note 19 Other operating incomes

This item, amounting to Euro 447,259, mainly relates to reimbursements and recoveries.

Note 20 Realised and unrealised gain / (loss) from fair value adjustment on financial assets

The item amounts to Euro 2,726,332 and reflects the gain on fair value of the four interest rate collar contracts at 31 December 2012 (for additional details refer to note 6 above).

Note 21 Management fees

Management fees, amounting to Euro (1,802,930), relate to the Management Company’s commission (Euro 1,462,378) and to Prelios Netherlands B.V. commission (Euro 340,552).

Note 22 Other costs

In detail:

	01.01.2012 - 31.12.2012	**01.01.2011 - 31.12.2011**
Other real estate expenses	4.848.141	6.422.186
General and administrative expenses	3.675.681	3.153.655
Local property tax	2.669.193	1.764.468
Inventory (reversal) impairment charge	(1.262.962)	7.726.091
Total costs for services	**9.930.053**	**19.066.400**

“General and administrative expenses” include Euro 2,335,769 of a provision for doubtful accounts to adjust the nominal value of trade receivables to estimated realisable value.

The other real estate expenses are detailed as follow:

	01.01.2012 - 31.12.2012	01.01.2011 - 31.12.2011
Prelios agency fees	660.332	1.151.920
Celtic agency fees	414.678	1.120.998
Other costs	728.463	730.776
Maintenance	501.720	551.581
Legal expenses	431.907	671.274
Property fees	308.026	407.640
Facilities fees	299.958	257.914
Cleaning and surveillance costs	241.947	71.882
Celtic co-asset fees	236.375	0
Tax on rental contracts	212.382	362.283
Consumption costs	158.212	170.960
Marketing expenses	154.823	386.817
Local and other taxes	154.344	127.844
Appraisal fees	149.195	131.800
Insurance costs	111.865	100.746
Common changes	83.914	177.751
Total costs for services	**4.848.141**	**6.422.186**

Note 23 Financial income

Financial income amounts to Euro 325,808 and mainly relates to:

- interest on accounts of the Fund of Euro 26,515;
- interest on bank accounts of the Company of Euro 299,293.

Note 24 Financial expenses

These amount to Euro (10,389,884) and can be broken down as follows:

	01.01.2012 - 31.12.2012	01.01.2011 - 31.12.2011
Interest owed on bank loans	4.440.799	6.910.451
Loan arrangement costs	965.595	1.730.651
Bank commission on unutilised credit facilities	190.664	187.086
Interest of financial instruments	5.193.851	7.822.859
Bank fees	256.618	260.054
Other financial charges	32.862	31.956
Total	**11.080.389**	**16.943.057**
Capitalized financial expenses	(690.505)	(822.651)
Total	**10.389.884**	**16.120.406**

Note 25 Tax expense

(a) Taxation of real estate funds (Law no. 106/2011)

The Legislative Decree no. 70 approved on 5 May 2011 (the "Decree"), published on the Official Gazette on 13 May 2011 and converted into Law no. 106/2011 published on the Official Gazette on 12 July 2011 envisaged relevant changes in the taxation of real estate investment funds initially already included in art. 32 of Legislative Decree 78/2010.

The Decree envisages a "transparent" taxation for residents, starting from 2011, whereby the annual income "generated" by the real estate fund contributes to form the total income of each unitholder, proportionally to the corresponding holding, regardless of the actual distribution of dividend. Such taxation is applicable to all fund's unitholders who have a holding over 5%, except for subjects defined as "Qualified Investors" and listed below (as better specified in the subsequent Order of 16 December 2011 and in the Circular Letter 2/E of 15 February 2012):

a) Government or public entity;
b) UCITs;
c) Complementary pension schemes and compulsory pension schemes;
d) Insurance companies, limitedly to investments allocated to technical reserves;
e) Banking and financial intermediaries subject to prudential supervision;
f) Entities and assets, as above referred to, that have been incorporated in foreign countries or territories allowing an exchange of information ("white list");
g) Private entities resident in Italy that pursue exclusively social objectives;
h) Special purpose vehicles (corporate or contractual) controlled over 50% by the entities indicated hereinabove.

The tax shall be paid by the unit holder according to the terms and conditions provided for the payment of the final balance of taxes resulting from the income-tax return relating to 2011 tax period.
The Company, together with its major shareholder and external tax advisors, investigated whether this might have an impact on the Company. The Company, supported with the analysis provided by its major shareholder and external tax advisors, considers itself as an Eligible Participant and so excluded from the payment of the 5% tax on NAV.

(b) Property and mortgage tax claim

The Italian Internal Revenue Office notified Prelios SGR S.p.A. in its capacity as fund manager of Fondo Spazio Industriale:

- an amendment and liquidation notice on 28 December 2010 for property and cadastral taxes relative to the contribution made by Olivetti Multiservices S.r.l. (Telecom Group) to the Fund in December 2005. The assessment is expected to result in taxes due estimated in an amount of Euro 7 million (plus sanctions equal to Euro 7 million plus interest);
- a second amendment and liquidation notice on 25 March 2011 for property and cadastral taxes relative to the second contribution made by Olivetti Multiservice S.p.A. (Telecom Group) to the Fund in March 2006. The assessment is expected to result in taxes due estimated in an amount of Euro 2.7 million (plus sanctions equal to Euro 0.3 million and interest).

The assessors verified, based on the assumption of abuse of right, all the operations completed in that period of time by the contributing company, resulting in one single transaction, subject, therefore, to unitary taxation. The Italian Internal Revenue Office claims that the operations carried out "were intended to dodge property and cadastral taxes".

On 15 February 2011, the Prelios SGR S.p.A. applied to the Italian Internal Revenue Office for the cancellation of the procedures in self-defense (with regard to the first contribution),

subject to prior suspension of the same. On 18 February 2011, the Chairman of the Provincial Tax Committee of Milan suspended the procedures and also scheduled a hearing on 10 May 2011 for the possible confirmation of the suspension and discussions in merit. It should be noted that the Italian Internal Revenue Office requested a postponement of the hearing. The two cases were scheduled to be jointly discussed on 4 October 2011.

On 4 October 2011 the Provincial Tax Committee postponed the discussion of all the controversies to a new date. The hearing was again postponed to 20 March 2012.

Prelios SGR S.p.A., in its capacity as fund manager of Fondo Spazio Industriale, believes that it has proceeded in full compliance with the applicable tax law and has therefore availed itself of the services of a leading professional to protect the Fund's interests.

In this respect it should also be noted that the consultants in charge issued an opinion whose conclusion is that a victory of the Italian Internal Revenue Office over the Fund is unlikely in this litigation.

Based on the final considerations submitted in the afore mentioned opinion, the Prelios SGR S.p.A. resolved not to proceed with allocations to the charge of the Fund and, in the latter's interest, to appeal to the Provincial Tax Committee according to the afore mentioned terms. Therefore no provision has been recognized in this Report.

On 26 March 2012 Spazio Industriale Fund terminated and released towards the Company and the ultimate shareholder the commitment above mentioned after the receiving of the Provincial Tax Committee judgement that has declared the end of the litigation procedures in favor of the Fund.

(c) Guardia di finanza fiscal audit

By letter dated 21 December 2009, the Guardia di Finanza – Nucleo di Polizia Tributario di Milano (Italian Tax Police) started a fiscal audit to the Company. On 22 March 2010 a Tax Police Report has been issued to the Company. The Italian Tax Police charges that the Company should be considered as a resident of Italy for income tax purposes. On 21 May 2010 the Company has filed with the Italian Tax Authority a defense paper aimed at counteracting the allegations contained in the Tax Police Report. On 22 April 2011 the Italian Tax Police served to the Company a questionnaire, asking to produce a list of documents for each year. On 20 May 2011 the Company answered to the above mentioned questionnaire filing the documentation requested.

On 30 October 2012 the Italian tax Authority served at Company's premises tax assessments on fiscal years 2006 and 2007 (two fiscal years with respect to the four years, including 2008 and 2009, reported in the initial tax police report), as follow:

- Euro 437,882 for Corporate Income Tax (IRES) and Euro 69,663 for Regional Business Tax (IRAP) due for FY 2006, increased by penalties for omitted tax return amounting to 120% of additional IRES and IRAP (Euro 611,118), plus accrued interest until Oct 31st, 2012;
- Euro 7,667,686 for Corporate Income Tax (IRES) and Euro 1,219,859 for Regional Business Tax (IRAP) due for FY 2007, increased by penalties for omitted tax return amounting to 120% of additional IRES and IRAP (Euro 10,667,118), plus accrued interest.

The Company and its executives, with the external tax advisors' support, started an intensive analysis on these two deeds of assessment in order to investigate the possible actions and alternatives.

In case of acceptance of the deeds of assessment by the Company, the amount to pay should have been Euro 12,649,276, considering a reduction of the penalties to 1/6, with the risk of the extension of the dispute for the subsequent years. Considering the advice received by external tax advisor, the management of the Company filed a request of settlement in December 2012 in order to explore a possible reduction of the taxable base and therefore reach a final settlement with a further reduction of the assessed taxes. On 15

January 2013 the external tax advisor, on behalf of the Company, filed with the Italian Tax Authority a defense letter aimed at counteracting the allegations contained in the Tax Police Report concerning the fiscal years 2008 and 2009.

The Company, with its tax consultants, has initiated an out-of-court settlement proceeding, which ended in tax authorities admitting a material tax miscalculation for FY 2007, namely the inclusion of Euro 10,633,154 of taxable income (an erroneously deemed realization gain on Spazio fund units), the rest remaining unchanged. Despite the admission, the tax assessment notice for FY 2007 has not been amended.

On March 21st 2013, separate appeals have been notified to the tax authorities against the 2006 and 2007 assessment notices. On April 12th 2013, the appeals together with documentary evidence of its place of effective management situated in The Netherlands have been filed with the Milan lower tax court (Commissione Tributaria Provinciale).

The risk that the claim can lead to future tax liabilities for the Company at present is considered possible but not probable based on the opinion of the company's external tax lawyer and the assessment of management, therefore no provision has been recognized in this Report.

Note 26 Earnings per share (EPS)

Basic EPS is calculated by dividing the profit attributable to the Company's shareholders by the weighted average number of ordinary shares in issue during the year.

Profit attributable to the Company's shareholders (thousands of Euro)	(19.450)
Weighted average number of ordinary shares in issue (thousands)	22.945.847
Basic and diluted EPS (Euro per share)	(0,85)

Note 27 Fund

In accordance with the Spazio Industriale Fund Regulations, the Fund resolved to reimburse in February 2012 Euro 11,056.88 per unit, for a total amount of Euro 6,225,023, in May 2012 Euro 8,881.00 per unit, for a total amount of Euro 5,000,003.

On 26 March 2012 Spazio Industriale Fund terminated and released towards the Company and the ultimate shareholder the commitment on the Euro 20 million distributed in September 2011, after the receiving of the Provincial Tax Committee judgement that has declared the end of the litigation procedures in favour of the Fund. According to the indemnity agreement between the Fund and the Company, the amount on the escrow account, pledged in favour of the Fund and opened with an independent Escrow Agent (Intertrust), have been released to the Shareholders.

Note 28 Contingencies and guarantees

The Company has contingent liabilities in respect of bank and other guarantees, and other matters arising in the ordinary course of business. It is not anticipated that any material liabilities will arise from the contingent liabilities.

We recall that further to the contract dated 30 December 2005 for the purchase of the Area by the company Portolegno S.a.s. di Iniziative Immobiliari 3 S.r.l. ("Portolegno"), controlled by Prelios S.p.A., the Fund released the same from the obligations previously undertaken vis-à-vis third parties, as listed below:

- replacement, vis-à-vis the company Portolegno, in the commitments (like City-Planning Convention and Planning Agreement) undertaken with the Municipalities of Portogruaro (Ve) and Fossalta di Portogruaro (Ve) in relation to the city-planning and building activities for the Area development. Further to such replacement, the Fund issued to the aforesaid Municipalities guarantees to secure the construction of urbanisation works for a cap amount of Euro 15.1 million, which decreased to Euro 8.0 million over the years due to releases stemming from testing activities or monetizations envisaged under the Conventions;
- undertaking of urbanisation charges on behalf of the company Zaccheo Ambiente S.a.s. di Zaccheo Sandrino & C. ("Zaccheo Ambiente") in relation to some properties owned by the latter.

It is also specified that an insurance guarantee was issued to the Municipality of Portoferraio, for a secured amount of Euro 1,156,000, expiring on 8 October 2011. The guarantee is currently undergoing renovation.

Note 29 Commitments

Spazio Investment N.V. had no commitments as of 31 December 2012.

Note 30 Events after the financial statements date

The Company is still waiting the approval of the replacement of the Spazio Industriale Fund Manager in favour of Idea Fimit SGR by Bank of Italy and Fund banks.

The Company is carefully monitoring the existing banking covenant; we draw your attention to the paragraph 'Going concern assumption' in this Director's report.

No other relevant events have happened from 1 January 2013 up to date.

Note 31 Related party transactions

Balances between the Companies Prelios Group and Celtic Group are listed below:

	31.12.2012	31.12.2011
Other receivables from Prelios Group	-	-
Trade payables to Prelios Group	169.280	258.287
Trade payables to Management Company	522.472	268.117
Other payables to Management Company	-	-
Trade payables to Celtic Group	97.170	684.401

	01.01.2012 - 31.12.2012	01.01.2011 - 31.12.2011
Management fees	1.802.930	5.285.139
Other costs	2.220.886	3.036.395

Please refer to note 12 for trade payables and to note 21 for the management fees.

All transactions are part of the Fund’s ordinary management and are settled under market conditions; there are no unusual or atypical transactions or nay with potential conflicts of interest.

Company Balance sheet

After appropriation of result

(in Euro)

Note	ASSETS	31.12.2012	31.12.2011
	Investment		
1	Investments in Group Companies	154.352.184	184.329.607
	Receivables		
2	Other receivables	72.612	68.055
	Other assets		
3	Cash at banks	12.078.462	2.436.723
	TOTAL ASSETS	**166.503.258**	**186.834.385**
	Shareholders' equity		
4	Share capital	4.589.189	4.589.189
5	Share premium	172.888.179	173.030.362
6	Legal/Revaluation reserve	17.899.582	30.378.060
7	Retained earnings	(29.270.616)	(22.298.671)
		166.106.334	**185.698.940**
	Short-term liabilities		
8	Trade payables	341.804	1.080.317
9	Other payables	55.120	55.128
	TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**166.503.258**	**186.834.385**

Company Profit and Loss account for the year from 1 January 2012 to 31 December 2012

(in Euro)

Note		01.01.2012 - 31.12.2012	01.01.2011 - 31.12.2011
	Corporate profit after tax	(698.026)	(3.393.501)
1	Result of subsidiaries after tax	(18.752.397)	(30.349.105)
	RESULT FOR THE YEAR	**(19.450.423)**	**(33.742.606)**

Notes to the Company Financial Statements as at 31 December 2012

Introduction

The description of Spazio Investment N.V.'s activities and structures, as included in the notes to the consolidated financial statements, also applied to the Company financial statements. The corporate accounts have been prepared in accordance with the financial reporting requirements of Part 9, Book 2 of the Netherlands Civil Code.

In accordance with article 2:402 of the Dutch Civil Code, the Company's profit and loss account only shows the result of subsidiaries after tax as separate item.

The consolidated financial statements of Companies publicly listed in the European Union must be prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Commission. Consequently, the consolidated financial statements of the Group for the year ending on 31 December 2012 have been prepared accordingly.

In order to harmonize the accounting principles of the Corporate accounts with the consolidated accounts the Management Board has decided to adopt the provisions of section 2:362 subsection 8 of the Netherlands Civil Code, whereby the accounting principles applied in the consolidated accounts also apply to the Company financial statements of Spazio Investment N.V.

Accounting policies

Accounting principles as described in the notes to the consolidated financial statements also apply to the Company financial statements unless indicated otherwise.

Investment in Group companies

In accordance with section 2:362 subsection 8 of the Dutch Civil Code, subsidiaries are valued at net asset value. For determining the net asset value all assets, liabilities and profits and losses are subject to the accounting principles as applied to the consolidated financial statements.

Information on the balance sheet and income statement of the Company

The following explanatory notes refer to the Company financial statements.

Note 1 Investments in Group Companies

The movements in investments in Group Companies are as follows:

	01.01.2012 - 31.12.2012	01.01.2011 - 31.12.2011
Opening balance	184.329.607	256.069.087
Subsidiary acquisition	-	-
Reimbursement of quotas	(11.225.026)	(41.390.375)
Result of subsidiaries	(18.752.397)	(30.349.105)
Dividends from subsidiaries		
Total	**154.352.184**	**184.329.607**

The Company owns 100% of an Italian fund named "Spazio Industriale – Fondo Comune di Investimento Immobiliare di Tipo Chiuso" (the "Fund").

The Fund started its activity on 28 December 2005, date of authorization of the Fund by the Bank of Italy.

The Company received a partial reimbursement of quotas from Spazio Industriale Fund's for an amount of Euro 11.2 million.

Note 2 Other receivables

This item totals Euro 72,612 and mainly refers to prepaid insurance costs.

Note 3 Cash at banks

At 31 December 2012 this item totals Euro 12,078,462 and refers to the cash and cash equivalents in current accounts with ABN-AMRO Bank in Amsterdam.

Note 4 Shareholders' equity

The movements in Shareholders' equity are as follows:

	Share capital	Share premium	Legal/Revaluation reserve	Retained earnings	Equity
Equity at 31 December 2011	**4.589.189**	**173.030.362**	**30.378.060**	**(22.298.671)**	**185.698.940**
Share premium distribution	-	(142.183)	-	-	(142.183)
Result of the year	-	-	(12.478.478)	(6.971.945)	(19.450.423)
Equity at 31 December 2012	**4.589.189**	**172.888.179**	**17.899.582**	**(29.270.616)**	**166.106.334**

Note 5 Share capital

Share capital is related to the Spazio Investment N.V. shares amounts to Euro 4,589,189 (after the cancellation of n. 4,545,450 shares equal to Euro 909,090).

The total authorized number of ordinary shares is 50,000,000 with a par value Euro 0.20 each and 100 preferred shares of a par value Euro 0.20 each.

At the Balance Sheet date, a total of 22,945,846 ordinary shares of par value Euro 0.20 each and 100 preferred shares of par value Euro 0.20 each and 1 priority share of the nominal value of Euro 0,20 are issued and fully paid.

Note 6 Share premium

At 31 December 2012 the item, amounting to Euro 172,888,179, is related to share premium reserve totally distributable.

The movement that took place during the year from 1 January 2012 to 31 December 2012 for a total amount of Euro 142,183, refers to the distributions occurred in the year.

Note 7 Legal / Revaluation reserve

Legal reserves in the Company balance sheet are reserves to be maintained by local legislation and comprise the revaluation reserve. The amount recognized by this reserve, totaling Euro 17,899,582, is not freely distributable.

- A revaluation reserve is a restricted reserve under Dutch Civil Code. A brief description of the legal reserve is as follows:

Revaluation reserve

The revaluation reserve relates to investment property and derivatives financial instruments and comprises cumulative unrealized increase/decrease in the fair value of the property (compared to initial cost price) and derivatives financial instruments, net of deferred tax. This is a legal requirement following Article 390 Book 2 of the Dutch Civil Code.

Note 8 Retained earnings

At 31 December 2012 this item is negative equal to Euro 29,270,616.

The movements that took place during the year from 1 January 2012 to 31 December 2012 were as follows:

- the decrease equal to Euro 6,971,945 related to the realized result of 2012 (that not includes fair value adjustments on derivatives, investment properties and inventories).

Note 9 Trade payables

At 31 December 2012 the item amounts to Euro 341,804 and includes an amount of Euro 9,265 due to related parties (mainly due to management fees accrued at the reporting date) and Euro 332,539 legal and professional services to third parties.

Note 10 Other payables

At 31 December 2012 the item amounts to Euro 55,120 and mainly refers to wages and tax.

Note 11 Directors' remuneration

Starting from 3rd December 2009 the members of the Board of Directors do not receive any remuneration except G. Tamburini who received Euro 60,000.

Note 12 Events after the balance sheet date

Please refer to note 30 of the consolidated financial statements for details.

Note 13 Related party transactions

Balances between the Company and companies in the latter's Group at 31 December 2012 and transactions between the same during the year then ended are listed below:

	31.12.2012	31.12.2011
Other receivables to Prelios Group	8.470	-
Trade payables to Prelios Group	9.265	238.395
Trade payables to Celtic Group	-	432.312

	01.01.2012 - 31.12.2012	01.01.2011 - 31.12.2011
Management fees	340.688	2.815.139
Other costs	35.082	33.320

Trade payables are related to management fees earned at the reporting date but not yet paid.

Note 14 Number of employees

The Company has no employees.

Amsterdam, 2nd May 2013

Board of Directors:

Colin Kingsnorth

Nicholas Paul James

Gualtiero Tamburini

Rob Turner

Michael Andrew Haxby

Claudio Ricci

(since Claudio Ricci has been appointed on February 25, 2013, he was not managing director during the year 2012 and he has got no responsibility for the carried out policy during that year 2012)

OTHER INFORMATION

Proposed appropriation of net result

According to Spazio Investment N.V. Articles of Association, the appropriation of the result for the year is decided upon at the Annual general meeting of Shareholders. The board proposes to appropriate the loss of Euro 19,450,423 for the year 1st January 2012 to 31st December 2012 as follows:

Legal/Revaluation reserve	(12.478.478)
Retained earnings	(6.971.945)
Total	**(19.450.423)**

Subsequent events

The Company is still waiting the approval of the replacement of the Spazio Industriale Fund Manager in favour of Idea Fimit SGR by Bank of Italy and Fund banks.

The Company is carefully monitoring the existing banking covenant; we draw your attention to the paragraph ‘Going concern assumption’ in this Director’s report.

No other relevant events have happened from 1 January 2013 up to date.