ORCO

FINANCIAL INFORMATION 2012

Including the

Unaudited Consolidated financial statements

As at and for the year ended 31 December 2012

ORCO PROPERTY GROUP

ORCO PROPERTY GROUP S.A. • Société Anonyme • 42 rue de la vallée, L2661 Luxembourg
R.C.S. Luxembourg - B 44.996

SUMMARY

PROPERTY GROUP
Unaudited Financial Statements

Management Report as at 31 December 2012

Unaudited Financial Statements

ORCO Property Group ('the Group' or 'ORCO') is a real estate investor and developer established in Central and Eastern Europe since 1991, currently owning and managing assets of approximately EUR 1.3 billion. The Group has a strong local presence in its main markets, namely Prague, Berlin, Warsaw as well as offices in Budapest, Moscow and Hvar (Croatia).

1 Message from the management

Dear shareholders,

2012 was a turning point in the recent history of our group. We have successfully completed the financial restructuring and deleveraging plan presented in our previous annual report. While the overall values have decreased, the performance of our assets, particularly the rental ones, has been improving alongside the global profitability of the Group. Such performance validates our strategic focus on investment properties and on Berlin, arguably one of the most buoyant markets in Europe. There, we are one of the largest commercial real estate landlords and we are convinced we will generate strong potential upside both from asset management and development.

Massive deleverage

We have executed one of the largest debt to equity swap in Europe, converting some EUR 678 Million of corporate bond liabilities in new shares issued at EUR 6.61 and issuing a new note with a face value of EUR 73 Million, more adapted to our cash flow profile. This massive transaction, equivalent to a new equity raise at a premium to the prevailing share price, validates the value of our portfolio, strengthens our balance sheet and improves the attractiveness of our equity story.

We have refinanced our Berlin "GSG" portfolio and thereby secured one of our most important and promising portfolio of rental assets. The portfolio has been refinanced for EUR 270 million at a margin of 200bps, a notably lower margin than our previous financing, thus allowing for an interest charge saving of approximately EUR 6 Million per year. With a stabilized debt structure and given the very favorable environment in Berlin, we can now focus on extracting the full value potential of the assets, both from rental uplift and new developments. As a reminder, the current valuation of GSG assets is at an average of EUR 600 per sqm only, excluding most development capacity on existing plots.

We have also further reduced our leverage through selective asset sales and created value from active asset management and thanks to the progresses made on our on-going development projects. As a result, our overall LTV was reduced from 70% to 52%.

Property investments

In 2012, we have strengthened our yielding commercial portfolio, increasing revenues and occupancy, despite contrasting trends between Berlin and the rest of the portfolio, due to the difficult financing and investment market in Central Europe. We continue to believe that Central European cities like Warsaw will remain strong and among the most dynamic European markets, which should have a positive impact on the operating cash flow of our assets going forward.

Our strategy for property investments is to continue the focus on active asset management, to further grow the overall size and value of our portfolio via selective investments in cash generating opportunities, on key developments with preleases, and to possibly allow arbitrage with mature assets. Our asset management performance in Berlin has allowed us to identify new opportunities, including taking third parties assets under management, conducting selective arbitrage, opportunistic acquisitions of properties with upside potential and the development of our large land bank in Berlin.

Development

Our Development division encountered another year of losses in 2012, mostly resulting from impairment on our development assets and the accelerated sale of the Sky office building at a loss in order to ensure a timely refinancing of our GSG Berlin assets. Other properties 'held for development' suffered value decrease due to lack of investment. So did the Bubny site is due to the delayed master planning initiation, in a context of overall market slow down which could impact the absorption of the production. However, in early 2013, Bubny site saw key progress in the master planning steps and we are now within weeks of closing our Unibail Rodamco joint venture transaction, for what will become the leading shopping center of Central Prague. On the Zlota project, we are accelerating investments to complete it by year end and generate more than EUR 65 million of net cash from the end of 2014.

We have changed the focus of our Development division from a strategic independent business into a key value creation tool for our Property Investments business line. For instance, we have identified several empty plots and buildings to be redeveloped in Berlin into commercial or mixed used projects, for which we have started a new investment program, seeking permits in the coming months to crystalize the embedded value.

While in Berlin we are confident we can launch construction with limited equity due to the more favorable financing markets, we will face more challenges with our Central European 'held for development' assets, which will require a substantially higher equity contribution in order to complete ongoing projects and maintain or create further value. The profitability of the Development business line will therefore remain dependent on the Group ability to be able to invest in those assets or entering partnerships.

Increased profitability

Improving the yields of our current investment properties, generating new income from our land bank, reducing overheads and interest expenses are paving the path towards our increased profitability. Our Adjusted EBITDA increased by some 20% YoY to EUR 37 Million driven by the continuous improvement of profitability of our property investment business line.

1 Against EUR 2,30 as of March 22

New corporate governance

Our shareholder base has significantly evolved over the last twelve months, with the arrival of new international institutional and strategic investors. As a result, we have reshuffled and rebalanced our board, comprised of both professional investors and independent directors.

In 2012, we are proud to have accomplished a major financial restructuring of our Group and anchored the return to operational profitability. We have a clear and simple real estate strategy to create value through building and managing investment properties, using our investment and development expertise in the region. We have a stable shareholder base and a sound corporate governance. As we are seeing over the last months a pick-up of leasing activity for new premises in our 4 main Orco cities of Berlin, Prague, Warsaw and Budapest, we remain confident in the strong fundamentals and the long term attractiveness of these markets against the Global real estate markets. We believe our Group is now poised for a stable recovery and brighter future.

Jean-François Ott,	Nicolas Tommasini
President & CEO	Deputy CEO, CFO

2 2012 and post-closing key events

2.1 Berlin GSG refinancing process finalized

In December 2012, Gewerbesiedlungs-Gesellschaft mbH (GSG), a subsidiary of ORCO, fully repaid the outstanding loan granted by The Royal Bank of Scotland plc. (RBS) amounting to EUR 281.9 Million. This was made possible by drawing down on a new loan with a total commitment of EUR 269.6 Million granted by a consortium of five German banks led by DG HYP and including Coreal Credit Bank AG, Düsseldorfer Hypothekenbank AG, HSH Nordbank AG and Investitionsbank Berlin. The new loan has a term of five years and an interest rate that is 2 percentage points lower than the initial RBS loan. The agreement stipulates a mortgage collateralization of the loan, a minimum capital expenditure spending commitment as well as quarterly amortization, which will reduce GSG`s LTV. As of December 2012, the LTV of the portfolio stands at 58%.

2.2 Debt reduction by equitizing OG and OPG bonds

EUR 678 Million of bonds issued by the Group have been fully restructured in 2012 by the issuance of new shares and New Notes.

ORCO Germany (OG) is a fully consolidated subsidiary of OPG. OG deleveraging has been completed with 84.5% of OG bonds (EUR 109 Million including interest and redemption premium) transferred to OPG in exchange for convertible bonds ("OCA") issued by OPG. The OCA were equitized through the issue of 26 Million new OPG shares in two tranches. The remaining EUR 20 Million of OG bonds have been exchanged against New Notes issued by OPG in early October. The difference between the book value of the OG bonds and the OCA generated a EUR 31 Million net non-cash financial gain. OG equity increased by EUR 107 Million as of 30 September 2012. The 84.5% of the OG bonds acquired by the OPG group were contributed to OG and converted into approximately 153 Million shares of OG at the end of September 2012. As a result, the Group now directly or indirectly holds 98% of OG compared to 92% as of December 2011.

OPG deleveraging has been completed with 89.9% of the OPG Safeguard bonds being converted into 65 Million new OPG shares on 3 September 2012. 91.2% of the remaining Safeguard bonds were exchanged against New Notes in early October 2012.

In total, the New Notes were issued with a face value of EUR 73.1 Million. The New Notes mature on 28 February 2018 and bear annual interest consisting of a combination of cash interest (5%-4%) and payment-in-kind interest (5%-3%), the percentages varying annually depending on the total outstanding principal amount of the New Notes. The principal will be repaid in four annual payments in 2015, 2016, 2017 and 2018. The New Notes will benefit from a 25% cash sweep from net sales proceeds on selected assets, which will correspondingly reduce the amount of the subsequent repayment installment[2].

Following the finalization of both the OG and OPG bond restructuring, OPG's share capital has increased from 17.1 Million in December 2011 to approximately 107.8 Million shares and equity has accordingly been re-enforced by EUR 292 Million.

Restructuring of OG and OPG bonds by issuance of new OPG shares:

Exchange of 84.5% of OG bonds:

On 9 May 2012, bondholders exchanged 84.5% of the bonds issued by OG into convertible bonds ("OCA", or *obligations convertibles en actions*) issued by OPG, which were in turn fully repaid with 26 million new OPG shares. OPG then converted these acquired OG bonds into 141,724,871 new OG shares on 27 September 2012 at a price of EUR 0.712 per share. The OCA were converted in two tranches:

- The first tranche has been automatically redeemed a few days after their issuance in OPG shares at the agreed price.
- The second tranche has been converted into OPG shares at the agreed price in September 2012.

The OCA is in fact a bond redeemable in shares. The fair value of the equity instrument is determined by the difference between the fair value of the bonds issued and the net present value of the liability part. The fair value of the bond is determined with reference to the market price on the OCA issuance date of the OPG shares to be issued upon conversion of the OCA. The difference between the book value of the 84.5% of the OG bonds and the OCA, amounting to EUR 31.3 million, is recognized directly in financial income net of EUR 1.8 million of restructuring costs (portion attributable to the OG bond exchange into

2 For more information on the terms of the New Notes, please refer to http://www.orcogroup.com/investors/bondholders/bondholders-prospectuses.

OCA). The liability part of the first tranche of the OCA at issuance is close to zero as there will never be any cash payment. This transaction results in the recognition at issuance of an increase of the consolidated equity of EUR 76.0 million represented by 26,209,613 new OPG shares at EUR 2.90 per share on 9 May 2012.

Conversion of 89.9% of OPG Bonds as at September 3rd 2012 into New Shares:

As a result of the approval of all bondholders' general assemblies, 89.9% of the OPG bonds have been automatically converted into 64,577,483 OPG shares on 3 September 2012 with a market price of EUR 1.90 per share, i.e. a capital increase of EUR 122.7 million. As of 3 September 2012, the book value of the converted bonds amounted to EUR 190.7 million. The result on the conversion amounts to a net gain immediately recognized in equity of EUR 58.2 million, corresponding to the difference between the book value of the OPG bonds converted and the market value of the shares issued net of EUR 9.8 million of restructuring costs (portion attributable to the OPG bond conversion).

Restructuring of OG and OPG bonds by issuance of New Notes

The OG and OPG bonds that remained after the exchange against OCA and the conversion into OPG shares were proposed to be exchanged against New Notes. The main terms are listed in Note 19 of Consolidated Financial Statements. As at 4 October 2012, 93.4% of the remaining bonds have been exchanged against New Notes of EUR 73.1 million in nominal value. As of the date of exchange, the book value of the exchanged bonds amounted to EUR 41.0 million. The exchanged bonds have been derecognized against the fair value of the New Notes as the respective net present values of future cash flows differ by more than 10%. The fair value of the New Notes is estimated (on the basis on the market price over the one-month period after issuance) at 77.3% of the nominal value. The net result on the transaction is a loss of EUR 15.2 million.

The remaining EUR 20 million of OG bonds acquired by OPG through the exchange against New Notes are eliminated in the consolidated accounts as intercompany liability, as they will be converted into 28 million new OG shares. Such conversion and OG increase of capital are expected to take place in the first half of 2013.

This last issuance will mark the successful completion of the Group bond restructuring, EUR 411 million in nominal of OPG bonds (EUR 549 million in remaining Safeguard payments) and EUR 100 million in nominal of OG bond debt (EUR 129 million including interest and redemption premium).

2.3 Sale of Sky Office

The sale of the Sky Office building to Allianz closed in December 2012 for EUR 117 Million. The cancellation of the sales negotiations in September conducted the Group to recognize an impairment of EUR 24.3 million in order to adjust the book value to the realizable value under distressed conditions. The timely closing of the Sky Office transaction was necessary as sales proceeds, together with refinancing, were ensured full repayment of GSG's RBS facility. The transaction induced a mandatory prepayment ('cash sweep') on the New Notes of 25% of the net proceeds in the amount of EUR 420,000, which was executed on 28 February 2013.

2.4 Sale of Radio Free Europe Building in Prague

The Radio Free Europe office building in Prague was sold in May 2012 to a subsidiary of the L88 Companies (www.l88llc.com), an American owned business, for an overall transaction value of USD 94 Million, in line with the DTZ valuation as of December 2011 after taking into account all taxes on the transaction.

Upon closing, L88 delivered USD 80 Million in cash, USD 2 Million in concessions, plus a USD 12 Million note convertible into a 20% stake in the parent company of the entity acquiring the building in the event it is not fully repaid before end of 2019. In addition, the parties have entered into a strategic alliance for the development and construction of a broad based building platform for the U.S. Department of State.

2.5 Initiation of Bubny master plan change

Orco owns 24 hectares of the Bubny area and intends to develop a mixed-use area consisting of residential and commercial units, offices and shops as well as educational, medical, and cultural facilities. In addition, a modern train terminal next to Vltavská metro station is planned and large green spaces will be incorporated.

The Prague city council unanimously approved the initiation of the Bubny Master Plan change on 22 May 2012. Subsequently, on 24 January 2013, the Prague City Assembly granted the City of Prague the authority to restart the procedure required to change the Bubny Master Plan.

Both decisions are major steps in the process of obtaining a new master plan for the entire Bubny development area, which is now largely a technical and bureaucratic process. A new valid Master Plan is expected by mid-2014. Given the new Master Plan conditions, the Company expects to close in April of this year its joint venture (JV) transaction with Unibail Rodamco on a slightly smaller plot in the southwest of Bubny, and marginally modified terms. The transaction will allow repayment of most of the remaining Bubny loan facility.

2.6 Sale of stakes in two Office Sub-funds of Endurance Real Estate

The Group has sold its units in the Office Sub-funds of the Endurance Real Estate Fund to J&T Banka in two transactions executed in February 2013 and March 2013 for a total sale price of EUR 9.9 Million. This is in line with the value in the financial statements and the calculation of the NAV as of the end of December 2012. The Endurance Real Estate Fund is a privately held closed end property fund, composed of three sub-funds, managed by the Endurance Real Estate Management Company, a subsidiary of ORCO. ORCO continues to hold units only in the Residential Sub-fund.

2.7 Towards the selective launch of new opportunistic development projects

The Group has been focusing on development activity in its pipe line of commercial and residential developments in Berlin. While the 2 first projects are expected to start reconstruction in 2013, 19 additional projects are subject to permitting, with development schedules spanning from 2014 to 2018. For more information, see section 5.2.2.5

Central Europe has also seen renewed development activity. In the first half of 2012, the Company launched Mezihori, a new residential project of 138 units in Prague with an expected turnover of EUR 18.5 Million. The project was launched with very limited cash as the Company paid for first construction work with the Pivovar Vrchlabi land and project[3]. The Company has also obtained a financing agreement under which the first drawdowns are possible when at least 35% of the flats have been pre-sold. At the date of this report, 55% of the project units have been pre-sold and the first drawdowns were executed in Q4 2012.

The Group has a further pipeline of residential projects in the Czech Republic, which could be launched over the coming 12-18 months subject to successful pre-sales as for Mezihori, starting with the next phase of the Kosic project, phase 3b, with an expected turnover of EUR 28.5 Million over the next 3 years.

2.8 Request for arbitration against the State Property Management Agency of the Republic of Croatia

On 28 December 2012, Orco filed a request for arbitration against the State Property Management Agency of the Republic of Croatia, also known as AUDIO, which is the legal successor of the Croatian Privatization Fund ("State"). Orco filed its request stating numerous breaches by the State of its contractual public private partnership obligations since 2005. Orco's preliminary damages estimates as a result of the State's alleged breaches exceed EUR 32 million.

The claims relate to underlying title disputes to properties on the Island of Hvar in Croatia held by the Croatian company Suncani Hvar d.d., which is listed on the Zagreb Stock Exchange, of which Orco owns approximately 56.6% and the State approximately 31.7% of the shares. The State will provide its response to Orco's claims shortly.

Both Orco and the State are focused on the continuing success of both operations and refinancing of Suncani Hvar and do not anticipate these parallel arbitration proceedings impacting this commitment in any way. Legal teams from both sides will work on the arbitration, while the finance, operations and hotel teams will continue to make Suncani Hvar and the Island of Hvar the leading tourist destination in Croatia.

3 Group strategy and objectives

3.1 Strategy update and 2013 outlook.

Our real estate strategy going forward is to create value through building and managing investment properties based on the Group’s long term experience as a real estate investor with full development capabilities in Berlin and main Central European capital cities. The Company has rebuilt the following growth strategy:

- Further improvement of the operational performance of the Property Investments portfolio through continuing active asset management. Bringing Property Investments to operational maturity through increase of occupancy and rent represents a strong upside potential to the current portfolio value and offers a renewed acquisition capacity to the Group.

- We have changed the focus of our Development division from a strategic independent business into a key value creation tool for our Investment. We have started our investment program to extract the significant potential upside of our Berlin portfolio (over 55,000 SQM of potential through plot development or redevelopment of existing income producing assets to improve cash generation. This can take the form of fit out of existing shell & core space, usage conversion or redevelopment of older spaces, or development of adjacent plots with preleases,

- In Prague, the Group has already secured future growth potential with strategic ownerships encompassing the land bank of Bubny (24 ha in Prague 7), Kosic 3b, Benice or Praga

- Continue cost reductions and improvements of organization and processes which shall also fuel the improvement of profitability.

- Position the Group for further growth through the initiation of new partnerships, and seizing market opportunities, particularly in Berlin, while providing superior shareholder returns. This may be done by leveraging on our asset management platform and entering into third party management contracts or conducting selective arbitrage with acquisitions of properties with upside potential.

- Continue the deleverage of the balance sheet in order to ensure a stable cash generation base to cover the debt service

For more strategic insight, please refer to the management message on chapter 1.

Over 2013, the Group expects to achieve revenues between EUR 155 Million and EUR 165 Million. No revenues related to pre-sales on Zlota 44 are expected to be recognized before 2014.

4 Market environment

4.1 Main macro-drivers

Global macro-economic conditions (mainly GDP growth) impact office and retail take-up and rents, retail turnover, purchasing power and fundamental demand for housing.

The financing market is driven by the stability of financial players (mainly banks but also private equity providers) together with the volume of activity, both of which are important sources of support for the investment market.

3 The project was sold in for EUR 2.2 Million (compared to EUR 1.6 Million DTZ as of December 2011)

Cross-border investment activities are the main source of liquidity for retail and office markets and pricing.

Interest rates and inflation expectations influence the ability of both private and corporate buyers to obtain affordable financing and give indications of real estate spreads and risk premiums.

Forex movements impact revenues and costs of corporations as well as the relative attractiveness of countries in terms of investment or tourism.

4.2 Global macro-economic conditions

European property markets faced a very difficult economic environment in 2012 with fears of a euro breakup in the first half, and flat or falling economic growth almost everywhere across the continent by the year end. The weak economic backdrop weighed heavily on real estate markets. Investor caution continued to drive market polarization, with a strong concentration in acquisitions of prime assets in core markets.

Amid the generally gloomy economic statistics, there are small but perceptible signs of improving confidence and diminished uncertainty beginning in 2013, as concerns about a euro zone breakup have receded since the middle of 2012. However, it takes time for improved confidence to be realized in investment decisions.

Overall, 2013 is likely to be another year of contraction for the Eurozone as a whole, but with some upturn in the second half of the year and positive growth numbers only in 2014.

2011 – 2014 CEE Historic and prospective GDP growth

GDP growth (%)	2011	2012	2013 (f)	2014 (f)
EU (27)	1.5	-0.3	0.1	1.6
Czech Republic	1.9	-1.3	0.0	1.9
Germany	3	0.7	0.5	2
Hungary	1.6	-1.7	-0.1	1.3
Poland	4.3	2.0	1.2	2.2
Slovakia	3.2	2.0	1.1	2.9
Croatia (f)	0	-1.9	-0.4	1

Source: EUROSTAT

The **German** economy, driven by foreign trade, proved resilient in 2012 with GDP growth of 0.7%. The annual average unemployment rate sank to 6.8%. Economic experts believe that Germany will profit from the anticipated improvement in underlying global conditions and will achieve slight economic growth in 2013.

Poland's economy entered a downward path after two years of relatively strong growth. GDP growth reached 2% in 2012 compared to 4.3% in 2011, and is expected to fall to 1.2% in 2013. However, a rebound is expected in 2014 with 2.2% growth. Apart from external factors, the slowdown was driven mainly by a deterioration in domestic demand and narrowing dynamics in domestic investments.

The **Czech** economy has been in recession since late 2011 and is estimated to contract by 1.3% in 2012. The main factor behind the stagnation is weak domestic demand rather than external demand. The first signs of recovery are expected only in the second half of 2013.

Hungary's GDP contracted by 1.7% in 2012. The weak domestic demand was the main cause of the negative economic performance. In 2013, internal demand will remain depressed due to the fiscal austerity measures implemented by the Hungarian government, leaving external demand as the primary engine for growth. However, as the economic performance of Germany, the main export market of the country, is also negatively affected by the ongoing Eurozone debt crisis, it is likely that the slowdown of external demand will further penalize the 2013 potential for GDP growth.

Slovakia proved resilient in 2012 with GDP growth of 2% year on year due to strong external demand for its industrial products. Slovakia's economy is expected to grow by 1.1% in 2013.

Croatia's GDP is estimated to contract by 1.9% in 2012. Negative growth of around 0.4% is predicted for 2013.

4.3 European investment activity and lending market[4]

2012 has been one of the quietest years in European real estate lending history. There has been limited new lending activity in general, apart from the core markets in Western Europe.

In 2013 and going forward, banks will remain the fundamental lenders acting in the property investment market while former market participants like Eurohypo and CMBS lenders focusing on opportunistic transactions have retreated or are wound down and have not been fully replaced by the entry of insurance companies into the commercial lending business. New lending business of all banks will be granted more selectively to customers and restricted to higher quality properties. It is expected that uncertainty will continue to linger in the system and bank loans will remain scarce due to the equity requirements set by the European central bank, with additional regulations complicating the interbank and customer lending process. Fundamentally, banks will continue to downsize the share of their risk assets in terms of loans and securities. It is expected that only investors with high equity capital and proven competence will have access to long term bank loans.

4 *CBRE* European Capital Markets Q4 2012

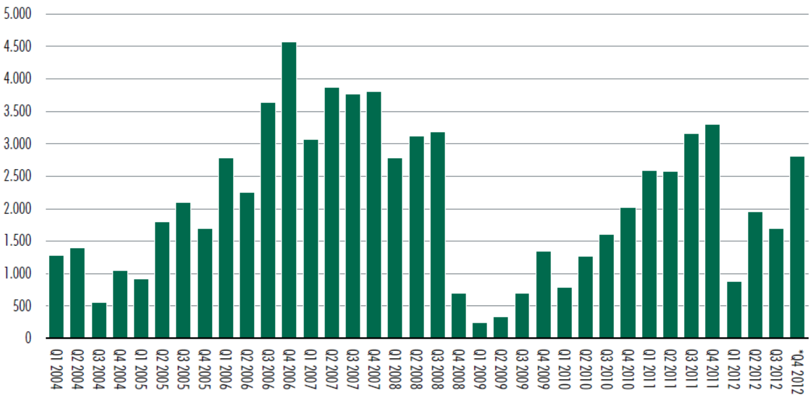
Nevertheless, low interest rates and solid distribution yields will positively impact the investment performance in the best markets such as Germany. 2013 is expected to be a more active year. The French and German markets are seeing more alternative lenders closing deals, with institutional lenders becoming more active. This is a reflection of a more stable economic outlook and the diminishing threat of euro zone breakup.

Despite the cautious lending market, **Europe** remains attractive for a wide range of investors applying different strategies across markets and sectors. Total European investment reached EUR 44.8 billion in Q4 2012, increased by 53% compared to Q3 2012 and 25% compared to Q4 2011. For 2012 as a whole, investment activity reached EUR 127.2 billion compared to EUR 120.3 billion in 2011.

The **German** market was of particular interest in Q4 2012. Over EUR 1 billion of assets in eastern Germany were purchased by US private equity firms. Both the relatively opportunistic nature of the buyers and the diversity of the assets acquired suggest that investor interest may have begun to return to the market for secondary commercial property. The market remains robust. Pfandbrief bonds will continue to be the essential footing of the German financing market while the issuance of corporate bonds and entries into the capital market will form key elements for companies to deal with future investments.

However there was a slowdown in **CEE** in 2012. Total investment volume reached EUR 7.4 billion, which was approximately 35% lower than 2011. Although Q4 2012 proved to be the most active quarter for Poland since 2006, this failed to compensate for weak turnover during the first three quarters.

CEE investment turnover (euro million)



2013 outlook[3]

There is no imminent prospect of the property market returning to the levels of 2006-2007. However, the total value of transactions recorded over Q4 2012 of EUR 44.8 billion was the highest since Q4 2007. This signals that Europe's major markets are now operating at a good level of liquidity relative to historical standards.

In Germany, an increased level of interest in non-prime property is expected as a result of the high price differential between prime and non-prime property.

4.4 Interest rates and inflation expectations[5]

Eurozone interest rates in 2012 remained at historic low levels. The ECB decided, at its meeting of March 2013, that the interest rate on main refinancing operations will remain unchanged at 0.75%, as inflation rates have declined below 2% in February. Medium to longer-term inflation expectations for the euro area remain in line with the aim of maintaining inflation rates below, but close to, 2%. According to the ECB, economic activity should gradually recover later in 2013, supported by the accommodating monetary policy, the improvement in financial market confidence and strengthening of global demand.

The poor performance of the **Czech** economy and the diminished outlook made the Czech National Bank (CNB) cut its interest rates to an all-time low level of 0.05%. The CNB's forecast indicates that no policy rate hike is to be expected before 2014. The inflation rate remains above target at around 3.4%. According to the CNB, it is not a serious concern as it is driven mainly by administrative measures, in particular increased VAT and increased global commodity prices.

The National Bank of **Hungary** lowered its interest rate for the seventh consecutive month in February 2013 by 25 basis points to 5.25. Annual inflation rate declined from 5% in December 2012, the highest in the European Union, to 3.7% in January 2013, the lowest in 16 months.

In November 2012 the National Bank of **Poland** (NBP) started easing monetary policy by cutting interest rates by 25 basis points. In 2013, interest rates are expected to decrease from 4.75% to 3.5%. At the same time, inflation in Poland declined significantly to 3.4% year on year in October 2012. According to the projections of the NBP, inflation will gradually decline, reaching the target of 2.5% in the second quarter of 2013.

4.5 Cross-border investment activities[6]

Over 2012, cross-border investment posted its highest annual total since 2008. Foreign investment in 2012 comprised about 41% of total investment activity, up approximately 4% from 2011 and 7% from 2010. The boost in foreign investment over Q4 2012 was largely driven by notable increases in activity from buyers originating in the USA, Germany and the Nordic countries.

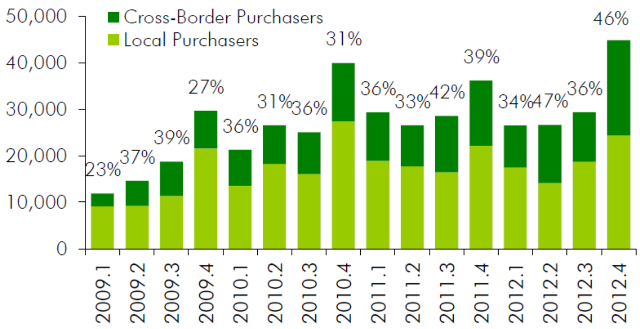
5 *ECB and Economic outlook KBC December 2012*
6 *CBRE European Capital Markets Q4 2012*

Berlin, with a turnover of more than EUR 4 billion, was the third most liquid market in 2012, behind London and Paris.

The **CEE** region registered a robust investment total in Q4 2012. However, following a relative absence of investment in Q2 and Q3, the 2012 annual total is approximately 40% less than that recorded in 2011. Poland posted in Q4 2012 its highest quarterly level of investment since 2006.

The share of cross-border purchases is expected to continue rising in 2013.

Cross-Border investment in Europe (euro Million)



Source: CBRE

4.6 FOREX movements

CEE currencies versus the euro appreciated as of December 2012 compared to December 2011. In particular, the Hungarian forint appreciated by 7.4% and the Polish złoty by 8.3%. The Czech koruna remained relatively stable in 2012 and is expected to maintain a steady pattern in 2013.

Currency/Eur		Avg. Rate 2010	Avg. Rate 2011	Avg. Rate 2012	% of Var y-o-y	Closing Rate Dec. 2010	Closing Rate Dec. 2011	Closing Rate Dec. 2012	% of Var y-o-y	Forecast Dec. 2013
CZK	Czech Koruna	25.3	24.6	25.1	2.2%	25.1	25.8	25.1	-2.5%	25.1
HRK	Kuna	7.3	7.4	7.5	1.1%	7.4	7.5	7.5	0.1%	7.6
HUF	Forint	276.8	279.4	289.4	3.6%	278.8	314.6	291.3	-7.4%	295.0
PLN	Zloty	4.0	4.1	4.2	1.6%	4.0	4.5	4.1	-8.3%	4.0
RUR	Ruble	40.2	40.9	39.9	-2.3%	40.3	41.8	40.3	-3.4%	40.0
USD	US Dollar	1.3	1.4	1.3	-7.7%	1.3	1.3	1.3	2.0%	1.2

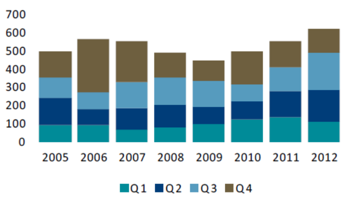
Source forecast: ERSTE; KBC

4.7 Selected market focus

4.7.1 Berlin office market[7].

The Berlin office market ended 2012 with a take-up of 621,700 SQM and has exceeded the previous year by almost 65,000 SQM, or 12%. It is also by far the highest result in recent years.

Take-up Berlin by quarters, 000s sq m



Around two-thirds of annual take-up focused on central office locations in 2012. Central office locations in East Berlin predominated, with a take-up of almost 263,000 SQM and thus attracted more than double the demand of the central office locations in West Berlin.

At the end of 2012, the vacancy rate decreased slightly to 7.8%.

Rents in Berlin are moderate in comparison to the other top German locations. The prime rent is EUR 22.25/SQM/month. Higher rents are also achievable for smaller spaces and in individual cases. For the majority of newly-concluded leases, rents of EUR 10 to 14.99/SQM/month were agreed in 2012. In total, this rent class had a take-up of 42% of the volume of newly leased spaces.

The Group believes in the short, mid and long term attractiveness of Berlin to be enhanced by key infrastructural projects such as the opening of the new international airport Schönefeld.

Berlin is currently one of the healthiest commercial real estate market in Europe. The economic recovery started in the last five years and jobs for office workers increased by 13%, while office space only increased by 1%. The 'Mitte' (city centre) office market is one of the most attractive in Germany, as demand is strong for quality areas. Prime rents in the European office markets in 2012 increased only in Berlin and Dusseldorf.

The positive development of the Berlin office market and the reduction in attractive spaces as well as the low number of spaces being completed and accessing the market in 2013 will lead to further slightly increasing achievable prime rents and a continuation of a reduction in vacant spaces is expected to continue in 2013.

7 DTZ Property Times Berlin Q4 2012

4.7.2 Berlin residential market[8].

The Berlin residential market is experiencing the strongest growth in rents and purchase prices in more than 20 years. On average, rents for listed apartments are more than 13% higher than in 2011 with a marked gap between the inner city and suburbs. There has been a stable upward trend in terms of population, economic output and employment for a number of years.

An estimated 30-35,000 people are moving to Berlin every year although less than 4,000 apartments p.a. are being built, leading to a 15,000 unit p.a. shortage. As a result, vacancy dwindles. The vacant housing of a decade ago stood at 100,000 houses. According to the Association of Berlin-Brandenburg Housing Companies (BBU), managers of 40% of total apartment stock in Berlin, their vacancy decreased to 3% in 2012.

As another consequence, rent increased. The rent for new leases increased by almost a fifth compared with the first half of 2009. Asking rents are in the top ten percent of the most expensive apartments have increased by 15.9 percent to an average of 13.95 Euro according to Thomas Daily.

According to Jones Lang LaSalle, Berlin sale prices rose the most among the main 1A German cities but also had the lowest basis. Despite this recent price increase, Berlin remains by far the cheapest city in this group.

The result of this new dynamic for Berlin is strong migrations within the city. Low income earners are pulled out of the center to the periphery where the housing stock deteriorates. The downtown area will increasingly homogenize with islands of upscale or even luxury living places. A study by the German Institute of Urban Affairs shows that Berlin is already the most segregated German city between the rich and poor. This process has accelerated in recent years.

An interesting statistic for residential real estate is that the average Berlin household is peculiarly small: the smallest in Germany (1.7 persons per household in Berlin vs. 2.01 in Germany overall) and among the smallest in Europe, reflecting the strong student presence and young single population.

Strong demand drove rents for owner-occupied apartments up by almost 20% to EUR 2,258/SQM/month while rents for apartment buildings rose 17.4% to EUR 1,349 /SQM/month. In addition, the average basic rent rose by 13.8% to EUR 7.5/SQM/month.

On one hand, the ownership rate is still very low and the demand for rental units is still high. On the other hand, the growth in housing stock was moderate over the past years. New apartments resulting from redevelopment of existing buildings are becoming increasingly important.

4.7.3 Berlin retail market

Berlin is also Germany's largest retail location in terms of area and turnover. However, in terms of per capita purchasing power, Berlin is the lowest of the main German cities, comparable to Duisburg or Erfurt. Retailers are flourishing and expanding following a boom in tourism. A new A+ retail location is developing around Leipziger Platz, an Orco's original project in which the Group keeps a 39 M € interest, between Potsdamer Platz and Friedrichstrasse.

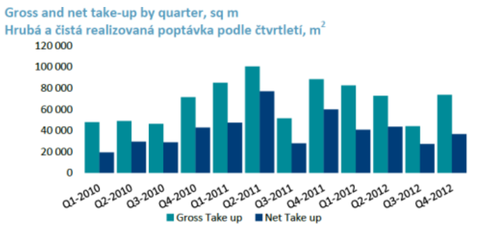
Berlin remains the single most important expansion goal the stores according to Jones Lang LaSalle. In the first half of the year, more than 60 contracts for a total of 36,000 m² of retail space have been concluded in the A+ district alone. By comparison, Munich had contract for only about 13,300 m², and Frankfurt 7,400 m².

4.7.4 Prague office market [9]

Gross take-up totaled 73,700 SQM in Q4 2012, a 67% increase on Q3 2012 but a 17% decrease on an annual basis. Net take-up reached 36,700 SQM in Q4 2012, 34% more than in Q3 but 39% less than in Q4 2011. Renegotiations had a share of 43% in 2012.

Total office stock reached almost 2.9 Million SQM in Q4 2012, made up of 70% A class and 30% B class properties. Total annual supply reached 98,100 SQM, 2% less than the previous year. Approximately 12% of Prague office stock was green building certified at the end of 2012.

The vacancy rate increased slightly in Q4 2012 to 12% from 11.8% in Q3. Prague 9 has the highest vacancy rate of 32%, followed by Prague 7 with 29.5%. The lowest vacancy rates are now in Prague 4 (6.5%) and Prague 10 (6.6%).



Prime headline rents in the city center remained stable during Q4 2012 at EUR 20-21/SQM/month. Rents remained at EUR 15-17.5 in the inner city and at EUR 13-14.5 in the outer city.

The vacancy rate is not expected to increase significantly during 2013. DTZ predicts the vacancy rate to oscillate between 12-13%.

Prime headline rents are also forecasted to remain stable in 2013.

New supply is predicted to reach 92,500 SQM in 2013, about 6% less than in 2012. It is also 40% below the 10-year annual average. Around 92% of the projects under construction are pre-certified or will be applying for a green building certification.

4.7.5 Prague residential market[10]

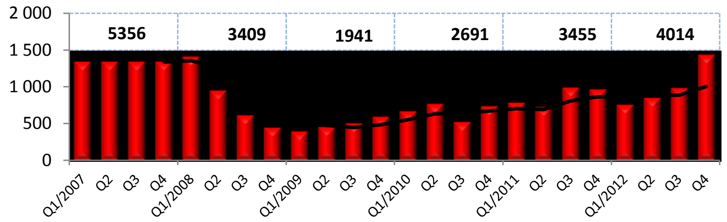
With 1,433 units sold, Q4 2012 registered an increase of 46% compared to the previous quarter and marked a new maximum after the crisis. The massive increase was driven by very inexpensive flats in projects in Prague 10.

8 GSW Housing Market Report 2013
9 DTZ Property Times Prague Office Q4 2012
10 Source : Development companies reports and the Czech Statistic Office

Apartment sales for the year 2012 were 16% higher than in 2011. The growth was supported by falling mortgage rates and, in the second half of the year, by lower prices.

Demand in 2013 will be affected by higher VAT (from 14% to 15% for the reduced rate and from 20% to 21% for the standard rate) but the number of new apartment sales could remain similar to 2012. As in 2012, demand will be driven primarily by aggressive pricing and cheap mortgages. The return of investment purchases could also contribute, as more people are buying apartments as part of their retirement planning and/or rental income.

Apartments sold - Prague



Outstanding supply (i.e. all unsold apartments on offer) has declined in Q4 2012, which corresponds to higher demand in the same quarter. This trend is expected to persist in the following quarters as the number of apartment starts in Prague has declined by about 9% in 2012 compared to 2011 according to Czech Statistics Office.

The completed unsold stock increased by 15%. However, almost half of this outstanding supply are units completed during 2012. Completed apartment stock aged more than 1 year ago decreased by 14%.

4.7.6 Czech retail market[11]

Total modern retail stock in the Czech Republic exceeded 3 Million SQM. Total annual supply in 2012 reached 141,000 SQM. This is 2.5 times higher than in 2011, but still remains 38% below the 10-year annual average.

Consumer expenditure is predicted to decline further by 3% in 2012 and 0.6% in 2013. The consumer confidence balance indicator recorded annual drops of about 27% in October and November 2012.

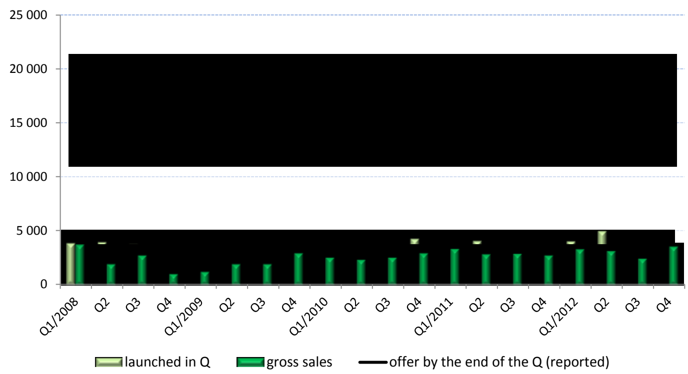
Rents on the prime high streets of Prague remain stable at around EUR 170/SQM/month with selected units being leased for even higher rents. Prime shopping center rents in Prague for a unit of 50-100 SQM range between EUR 70 and 80/SQM/month.

4.7.7 Warsaw residential market[12]

In Q4 2012, some 3,500 units were sold compared to 2,400 units sold in Q3 2012 due to the expiring government program “Family’s own home”, the diversity of the supply and price flexibility. At the same time, 3,600 units were launched to the market. As a result, the outstanding supply did not change significantly and remained at 20,600.

The average sale price for all units introduced to the market in Q4 2012 was significantly higher than that of the preceding quarter and amounted to PLN 7,710/SQM. This increase was mostly related to the structure of new supply. In Q4 2012, for the first time in 2012, two projects from the luxury apartment segment were introduced. In addition, Q4 2012 saw more expensive projects in the lower-middle segment.

In 2013, the gradual economic slowdown as well as the expiration of the “Family’s own home” program will most likely result in a decrease in transactions and prices in the middle market segment are likely to decline, although not in the luxury segment. Market improvement can be expected towards the end of 2013 along with faster growth of the Polish economy.



11 DTZ Property Times Czech Republic Retail Q4 2012

12 REAS Residential Market in Poland Q4 2012

4.7.8 Budapest office market[13]

Two office schemes were completed in Q4 2012, both located in the Váci utca corridor sub-market, totaling 20,600 SQM. With these completions, the annual new supply in 2012 was the lowest ever in recent history.

The annual take-up level remained high; a total of 345,000 SQM, 13% below the 2011 level, but the second highest in recent history. However, the share of net take-up decreased from 58% in 2008 to 32% registered at the end of 2012.

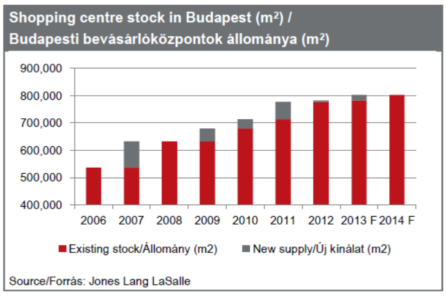
The overall vacancy rate decreased slightly in Q4 2012, but stands at 21%, showing a slight increase compared to 2011 due to the high share of renewals and low net take-up levels. This was reflected in the negative annual net absorption figure for 2012, a total of 26,150 SQM. Central locations have faced the highest increase in vacancy during the last 5 years due to high completion levels.

Prime rental rates in central locations ranged between EUR 14 and EUR 16/SQM/month. Headline rental levels of other grade A office buildings were between EUR 10.5 and EUR 12.5/SQM/month, although net effective rents continue to decrease due to increased incentivisation of tenants.

Development activity is expected to remain low in the forthcoming years, as only a few projects are under construction.

4.7.9 Budapest retail market[14]

The total shopping center stock of Budapest increased to 777,800 SQM in 29 assets. Only one new shopping center was opened in Budapest during Q4 2012. Shopping center density is equal to 457 SQM per 1,000 inhabitants.



The annual volume of new completions reflects a decrease in development activity as a result of depressed retail sales and domestic consumption. It is also negatively affected by the commercial development ban.

Between January and November 2012, retail sales dropped by 2% year on year in Hungary. During 2012, several new brands entered the Hungarian market and the presence of the luxury and high end brands expanded.

Typical shopping center rents range between EUR 20 and 60/SQM/month in Budapest while downtown high street rents at Váci utca are around EUR 60 to 90/SQM/month, although availability is high.

During 2013, only one new shopping center will open in Hungary. The new project would bring a much needed change to the Hungarian high street and increase the number of luxury retailers. It is expected that it will accommodate several luxury brands, which have not previously been active on the Hungarian market.

5 Portfolio: Gross Asset Value and operational performance

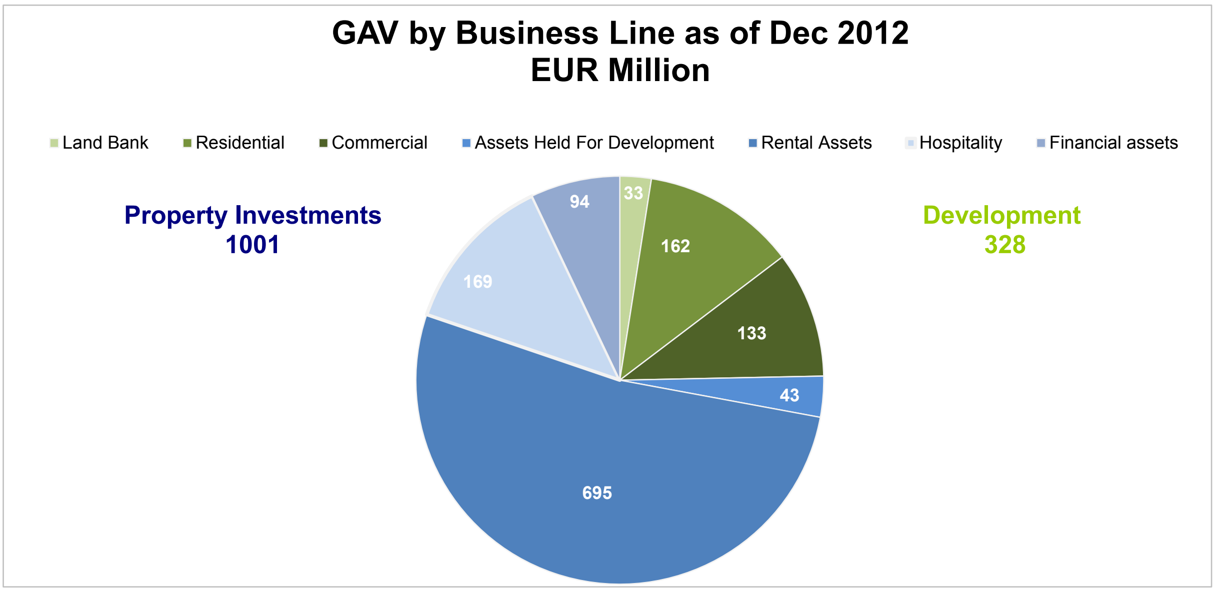
5.1 Total portfolio evolution

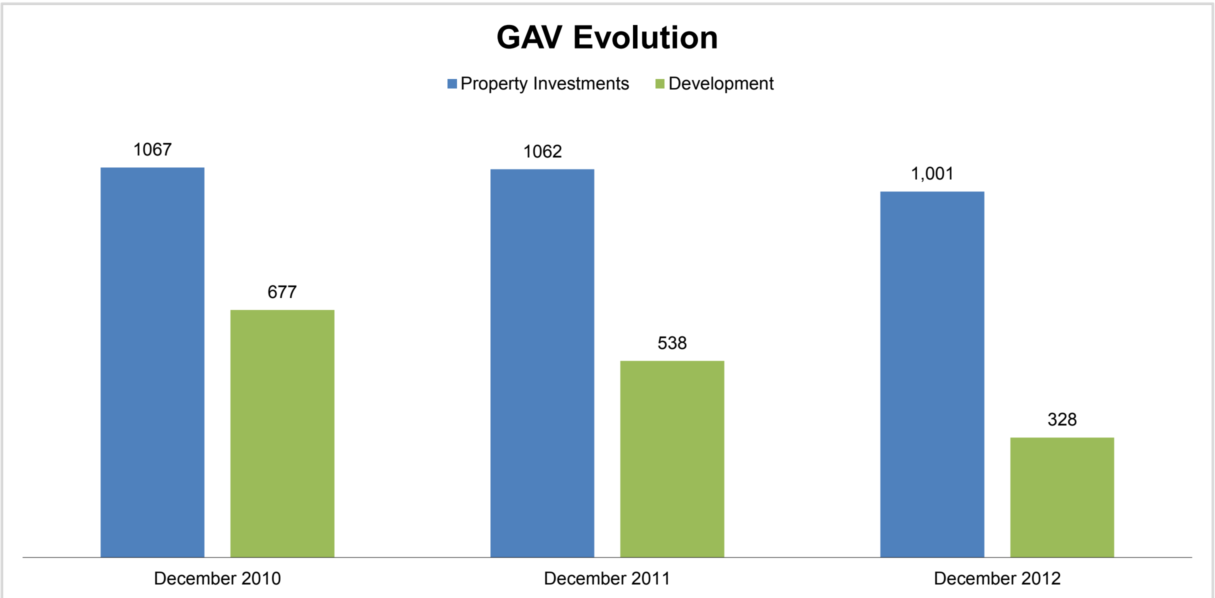
The Gross Asset Value ("GAV") corresponds to the sum of fair value of all real estate assets held by the Group on the basis of the scope of consolidation and real estate financial investments, including holdings in real estate funds, loans and receivables from third parties active in real estate and shares in non-consolidated real estate companies.

On the basis of a review of the real estate portfolio by the independent appraiser and the fair value of the real estate financial investments, the GAV decreased from EUR 1,600 Million as of December 2011 to EUR 1,329 Million as of December 2012. The GAV breaks down to 75% Property Investments and 25% projects or land bank for the Development business line. As of December 2012, the Group introduced a new category labeled "Assets Held for Development". It encompasses assets that were previously part of the rental portfolio which the Group is planning to fully redevelop in order to bring them to full operating performance.

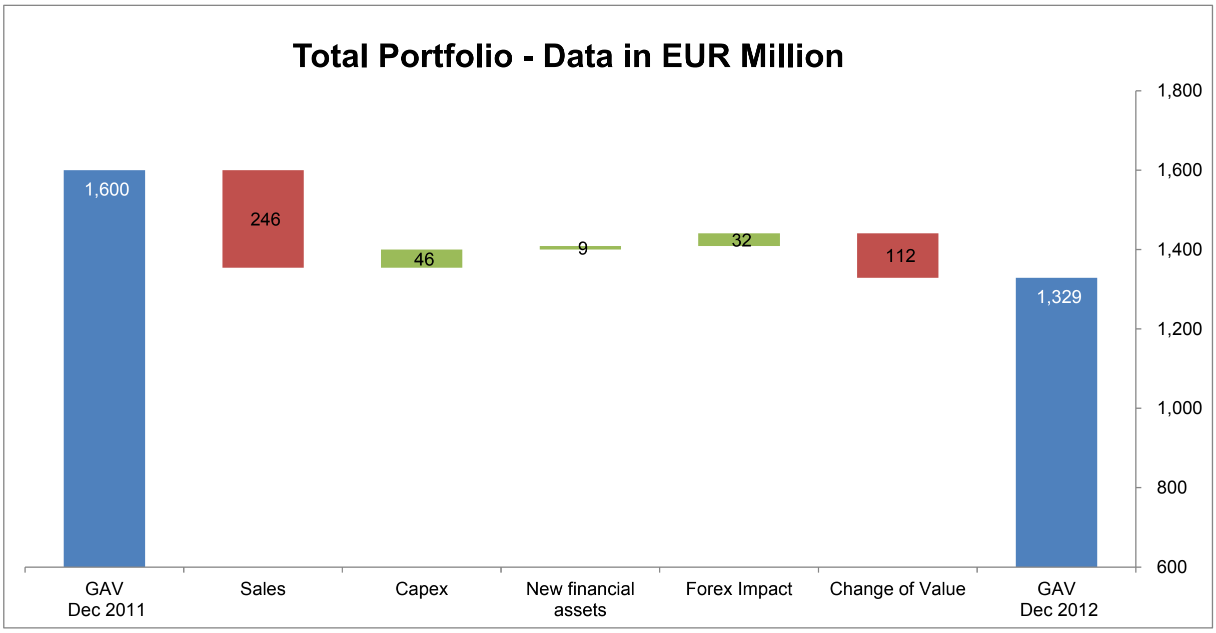
13 DTZ Property times Budapest Office Q4 2012

14 JLL Budapest City Report Q4 2012





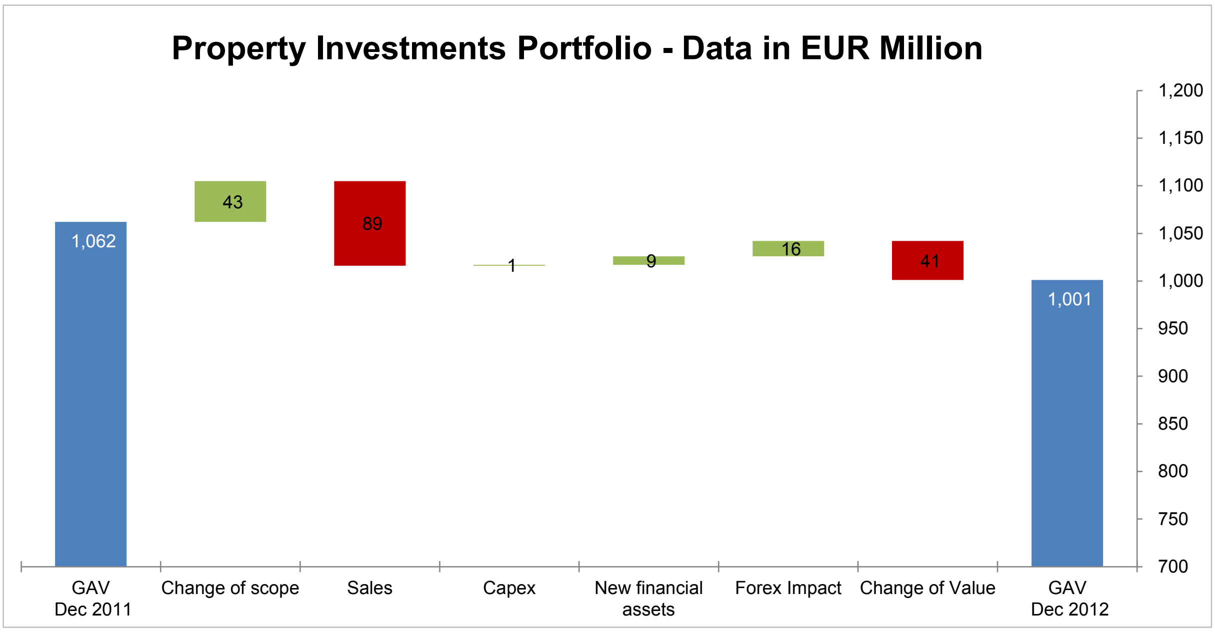
The EUR 271 Million variation results from asset and development sales amounting to EUR 246 Million, additional investment in projects under construction and permitting of land bank amounting to EUR 46 Million, a net positive exchange rate impact of EUR 32 Million and negative changes post exchange rate in market value of EUR 112 Million . Over the year 2012, financial assets increased by EUR 9 Million with the addition of the Radio Free Europe transaction receivable.



5.2 Property Investments evolution

5.2.1 Gross Asset Value

As of December 2012, the GAV of the Group's Property Investments business line represented EUR 1,001 Million in value (70% rental assets, 17% hospitality assets, 9% financial assets and 4% Assets held for development). Assets held for development encompass a group of assets rented on a short-term basis, which the Group is planning to fully redevelop.



The EUR 61 Million decrease of the portfolio's gross asset value encompasses:

- EUR 43 Million increase due to the transfer from Development of the shopping center Vaci 1 completed end of 2011, partly compensated by the transfer to Development of the Berlin asset Naunynstrasse 68.
- EUR 89 Million decrease due to asset sales closed during the year 2012 which includes the disposal of Radio Free Europe and assets in Berlin and Düsseldorf.
- EUR 9 Million of new financial assets generated by the sale of Radio Free Europe.

- EUR 1 Million of investments.
- EUR 16 Million of positive currency conversion impact due to the weakening of Euro against the Central European currencies and in particular the Hungarian Forint and the Polish Zloty.
- EUR 41 Million of net decrease post forex impact in market value, mainly driven by a decrease of EUR 14 Million in the Hospitality segment and EUR 11 Million of the Assets held for development sub-portfolio and EUR 18 Million of decrease in the value of financial assets.

After correcting for sales of assets and investments and the addition of new assets, the fair value of the Property Investments portfolio has decreased by EUR 25 Million or -2.5% Y-o-Y.

5.2.2 Rental assets and Assets held for development

5.2.2.1 Valuation change of rental assets

As of December 2012, the rental assets' value is estimated at EUR 695 Million. In December 2011, the GAV of rental assets amounted to EUR 775 Million. The EUR 80 Million change is composed of:

- EUR 9 Million of decrease due to transfers to other portfolio categories encompassing the conversion of the GSG asset Naunynstrasse in Kreuzberg into a residential development project, and the transfer of EUR 52 Million of assets to the Assets held for development category, partly compensated by the transfer from commercial development to rental assets of the shopping center Vaci 1.
- EUR 84 Million of asset disposals, of which main contributors are the disposal of Radio Free Europe and a few non-core assets in Germany.
- EUR 1 Million increase due to investments.
- EUR 10 Million of positive forex impact.
- EUR 2 Million of positive net change in market value after forex impact.

Over the year 2012, on a like for like basis the valuation of the rental portfolio increased slightly by EUR 12 Million or +1.8% (in comparison with December 2011 valuation).

In Berlin, the rental portfolio's valuation increased by EUR 17.4 Million (+3.6% like for like) over the year. The main drivers of this increase are improvements in occupancy together with the inclusion in the valuation of a part of the extension potential on the Berlin rental asset portfolio on which the Management has been working over the past 18 months. As of December 2012, the external appraiser included in the valuation scope of the Berlin portfolio 15,315 SQM of additional plots for a total additional value of EUR 3.2 Million. The Group currently estimates the total additional land plot size at 19,635 SQM and the potential resulting GFA at over 55,500 SQM. In the meantime, the valuation rates decreased only marginally by 13 bps for the discount rate and 8 bps for the capitalization rate.

In Central Europe, the valuation of the portfolio expressed in Euros decreased (-2.9% or -EUR 5.7 Million on a like for like basis). The main drivers of this decrease are the difficult operating environment of the portfolio in Budapest (-EUR 4.9 Million) while valuation rates decreased slightly (-14 bps Y-o-Y for the average exit capitalization rates and -17 bps Y-o-Y for the average discount rate) and the declining valuation context in Luxembourg (-EUR 1.5 Million) mainly due to a 40 bps increase Y-o-Y in rates. These decreases are partially compensated by the increase in value of the assets held in the Czech Republic (+EUR 1.5 Million) as a result of their improved occupancy and rents while valuation rates rose by 22 bps Y-o-Y for the average exit capitalization rate and 56 bps for the average discount rate.

5.2.2.2 Valuation change of Assets Held for Development

As of December 2012, the Assets held for Development portfolio's value is estimated at EUR 43 Million. In December 2011 the GAV of these assets amounted to EUR 52 Million. The EUR 9 Million change is composed of:

- EUR 2 Million of positive foreign exchange impact.
- EUR 11 Million of negative change after forex impact in market value.

The Assets Held for Development portfolio has been created to group together assets requiring full redevelopment according to the Group's criteria. It encompasses the assets Bubenska and Stribro in the Czech Republic, the Szervita complex and Vaci 190 in Hungary and Dunaj in Slovakia. The Group is actively planning the turnaround of these assets.

5.2.2.3 Business review

The Group rental portfolio encompasses assets focusing on commercial buildings.

Portfolio per Country	GLA (SQM)				Occupancy (%)				Average Rent EUR/SQM			
	Dec. 2012*	Sept. 2012*	June 2012*	Dec 2011*	Dec. 2012*	Sept. 2012*	June 2012*	Dec 2011*	Dec. 2012*	Sept 2012*	June 2012*	Dec 2011*
Prague, Czech Republic*	130,049	130,049	130,049	129,925	81.7%	78.5%	80.6%	74.2%	5.46	5.52	5.21	4.95
Budapest, Hungary**	40,143	40,132	40,257	29,598	11.4%	11.2%	16.6%	15.3%	24.12	20.54	14.93	13.58
Warsaw, Poland	36,598	36,598	36,598	36,630	81.9%	81.9%	81.9%	94.9%	3.02	3.32	3.21	2.81
Bratislava, Slovakia	8,220	8,220	8,220	8,220	52.9%	53.2%	51.8%	40.6%	5.98	5.60	5.78	6.60
Capellen, Luxembourg	7,695	7,695	7,744	7,744	86.3%	86.3%	86.3%	85.9%	23.34	21.98	22.83	22.29
Berlin, Germany***	839,847	839,018	839,931	850,852	80.7%	80.0%	79.3%	78.1%	4.88	4.83	4.83	4.79
Portfolio Data	**1,062,553**	**1,061,713**	**1,062,798**	**1,062,969**	**78.1%**	**77.1%**	**77.0%**	**76.2%**	**5.15**	**5.09**	**5.05**	**4.92**

Those figures are pro forma after disposal of Radio Free Europe.
*: The leasable area of Bubenska is 17,575 sqm meanwhile potential GLA of the asset is increased to 30,549 sqm.
** : Vaci I is included in the portfolio of asset in Hungary starting January 2012 and included in the figures presented for 2012.
***: Assets part of GSG and other office assets in Berlin are now presented on the same line. Dec 2011 average rent have been restated to integrate all areas rented at that date.

Over the 2012, the Group improved the operational performance of the rental portfolio. Adjusting pro forma for the disposal of Radio Free Europe, the occupancy rate increases from 76.2% as of December 2011 up to 78.1% together with an increase of the average rent from EUR 4.92 as of December 2011 up to EUR 5.15 as of December 2012. As of December 2011, including Radio Free Europe, total GLA in the Czech Republic amounted to 154,217 SQM, with an occupancy rate of 76.3% and an average rent of EUR 7.81 per SQM.

- In Berlin, by far Orco's largest market, the Group continues to improve the operational performance of the rental portfolio. Year on year the total occupancy rate of the portfolio increased by 260 bps while average rent increased significantly from EUR 4.79 per SQM up to EUR 4.88 per SQM.

  Over the year 2012, the Group reviewed the calculation of its key performance indicators, the occupancy rate and the average rent adopting a conservative stance with the integration of all the non-generating rent areas in the calculation of the average rent.

  The German portfolio of assets recognized an increased revenues of EUR 56.3 Million up EUR 0.8 million from EUR 55.5 Million Y-o-Y thanks to ORCO-GSG's operational performance overcompensating decreasing leasing income due to the accomplished sales of non-strategic assets.

  The eastern asset performed especially well over 2012. Of the top five performing assets, four were located in the eastern parts of Berlin, of which the assets Döbelnerstrasse and Plauenerstrasse recorded particularly outstanding results with associated positive prospects expected for 2013.

  The best performing asset in 2012 was Wilhelm von Siemensstrasse owing to fostered leasing activities with a net-take up of 2.960 SQM driving the occupancy rate on commercial spaces from 68.5% to 86.5%.

  The second best performing asset was Plauenerstrasse in Berlin-Lichtenberg, located in the eastern part of Berlin with a commercial net take-up achieved of 2,2551 SQM, consequently increasing the commercial occupancy rate from 49.6% at the end of 2011 to 53.4% at the end of 2012.

  The third best performing asset was Döbelnerstrasse situated in Berlin-Hellersdorf in the eastern region with a net take-up recorded of 2,056 SQM. The main contributor to the net take-up was a new contract signed with a medical supply store comprising approximately 1,407 SQM. Thus, the commercial occupancy rate increased by 12.8% from 69.3% at the end of 2011 to 82.1% at the end of2012.

  The fourth and fifth best performing assets were also located in the eastern part of Berlin. The asset Wolfenerstrasse 36 (+1,926 SQM) and the asset Wolfenerstrasse 32-34 (+1,788 SQM) completed the successful performance recognized in the eastern parts of the portfolio. Respective occupancy rates increased from 69.8% to 76.8% (Wolfenerstrasse 36) while on the asset Wolfenerstrasse 32-34 the occupancy went up from 38.7% to 42.2% offering additional lease out potentials over 2013.

  The Group has pursued the improvement of the operating performance of the assets located in the Kreutzberg area. Over the year 2012, Occupancy rate increased from 88.4% up to 89.3% as of December 2012 and commercial rent from EUR 5.42 per SQM up to EUR 5.68 per SQM as of December 2012.

  In 2012 ORCO-GSG transferred assets and land plots in Berlin worth EUR 22.8 Million. The largest transfers were the disposal of the residential unit Bergfried- / Ritterstrasse in Berlin-Kreuzberg at a sale price of EUR 3.7 Million, the small commercial property Kurfürstenstrasse 13-14 for EUR 2.4 Million and the asset Ackerstrasse 93 for EUR 1.9 Million.

  Furthermore, three minor land plots in Ackerstrasse 81, Ackerstrasse 83-84 and Geneststrasse, which were not determined for further developments, were transferred involving sale revenues of EUR 1.0 Million.

  The sales of the land plot Kurfürstenstrasse 11 (sale price of EUR 0.6 Million) and the asset Skalitzerstrasse 127/128 (sale price of EUR 1.4 Million) were contracted in 2012 with final transfers aimed at the beginning of 2013. Because the purchaser of Skalitzerstrasse 127/128 was unable to fulfill its payment obligations, ORCO-GSG will unwind the sale and continue to manage the asset. The sale of Kurfürstenstrasse 11 has been closed on 1st of January 2013.

For all transferred assets and land plots the sale prices remained on average 20% above the underlying valuation of 2010 while book values were already adapted correspondingly in 2011.

Over the year 2013, the Group expects to pursue the growth of the Berlin portfolio through active asset management and through the development of the land bank identified which encompasses over 55,500 SQM GFA according to company's estimates.

- In Prague, the Group proceeded with the disposal of the mature asset Radio Free Europe at a price in line with DTZ valuation as of December 2011 and 16% above DTZ valuation as of December 2010, confirming the strong value potential identified by the Group. While the office market vacancy rate observed in Prague remained unchanged year on year at a level of 12%, the Group continued improving the operating performance of the portfolio and is getting closer to market average. Main office assets of the portfolio significantly improved their occupancy rate namely Na Porici with an increase of 20% Y-o-Y or 76% of occupancy as of December 2012 and Hradcanska with an increase of +33% Y-o-Y up to 67% of occupancy as of December 2012 and short term leasing of Bubenska ahead of redevelopment, with an increase of +16% Y-o-Y or 76% of occupancy as of December 2012. The Logistic platform of Stribro confirmed the overall improvement performance with a Y-o-Y net take up of 3,626 SQM bringing the occupancy rate up to 56%. Average rent improved likewise from EUR 4.95 as of end of December 2011 up to EUR 5.46 as of end of December 2012.

- In Budapest, the current high level of vacancy of 21% together with a negative annual net absorption of 26,146 SQM creates strong adverse market conditions. The office market remains extremely challenging. As a consequence, class B office asset Vaci 188 remains empty and the Group is cautiously planning the redevelopment of current class C assets such as Szervita office and Vaci 190. The average rent greatly increased over the year 2012 from EUR 13.58 per SQM up to EUR 24.12 per SQM, mainly due to the first tenants of the prime retail asset Vaci I.

- In Warsaw, the decrease of occupancy rate is due to the departure of a key tenant from the logistic platform of Marki lowering the occupancy rate from 94.9% as of December 2012 down to 81.9% as of December 2012. The asset is currently reviewed for redevelopment together with its important land bank potential.

- In Bratislava, the company pursued its strategy of increase of occupancy with minimal investment level. Consequently, the occupancy increased by 33% Y-o-Y up to 52.9% as of December 2012.

5.2.2.4 EPRA indicators

5.2.2.4.1 Valuation data

Asset Class	Location	Market Value of Property Dec 2012 EUR Million	Valuation Movement EUR Million Y-o-Y	Net Initial Yield EPRA (%)	Reversion (%)
	Prague	84.6	-2.0	4%	76%
	Budapest	35.3	-3.7	0%	362%
	Luxembourg	23.1	-1.6	7%	9%
	Warsaw	5.6	-0.2	6%	15%
Office		**148.5**	**-7.4**	**4%**	**90%**
	Prague	22.2	-0.3	10%	6%
	Warsaw	4.2	-0.3	14%	13%
Logistics		**26.4**	**-0.6**	**10%**	**8%**
	Bratislava	10.1	-3.8	3%	201%
	Budapest	42.1	-2.4	-1%	248%
Retail		**52.2**	**-6.2**	**0%**	**237%**
	Berlin	503.2	15.3	7%	23%
Mixed Commercial		**503.2**	**15.3**	**7%**	**23%**
Portfolio Total		**730.4**	**1.0**	**6%**	**37%**

This table and the following include all assets considered as rental in the portfolio of the Group. They exclude:

- The last units of the Vinohrady portfolio located in Prague, which is composed of residential assets. These assets are currently unoccupied and being sold on a unit by unit basis as the decrease in value of this specific portfolio reflects the decrease of the inventory of units.
- The value of the development land attached to the logistic asset of Marki and the additional land plots attached to GSG, included in the valuation for the first time for the closing of June 2012, as they do not generate rents. We distinguished these outlets from the rest of the portfolio as they do not directly match the EPRA scope and definitions.

"Market value" is the net market value estimated by our independent expert at year end. This market value is used for the Gross Asset Value calculation.

"EPRA NIY" or EPRA Net Initial Yield is based upon the figures provided by the external appraiser as of December 2012 in terms of yield. Net Initial Yield is based on the current gross market value of the assets.

"Reversion" is the estimated change in rent at review, based on today's market rents expressed as a percentage of the contractual rents passing at the measurement date (but assuming all current lease incentives have expired).

These figures are indicators of the current operating performance of the assets; they are not the basis of the valuation of the assets. They should not be mistaken with valuation yield measure such as "equivalent yield" which are market based figures and are the basis of the valuation of the assets under the capitalization approach.

In comparison with previous period, the Group amended the categorization of assets. The Berlin portfolio now encompasses all the assets located in Berlin, which encompasses the GSG portfolio and the Gebauer Höfe asset. As of December 2012, the total value of the portfolio is EUR 730.4 Million to be compared with EUR 768.1 Million as of December 2011. The Group completed the disposal of Radio Free Europe (valued EUR 68 Million as of December 2011), Kudamm 102 (valued EUR 6.3 Million as of December 2011), Bergfried-Ritterstrasse (valued EUR 3.7 Million as of December 2011), Kufurstenstrasse 13-14 (valued EUR 2.4 Million as of December 2011), Ackerstrasse 93 (valued EUR 1.5 Million as of December 2011) and transferred to residential projects Naunynstrasse 68 (valued EUR 1.4 Million as of December 2011). In the meantime, the prime retail asset Vaci I was included in the retail portfolio.

The change of value on the Central Europe portfolio is the consequence of current low level of prices at local level, while the operational performance of the portfolio improved. The potential of the portfolio remains strong with a 37% due to the high vacancy rate observed in Budapest. On the Berlin portfolio, the passing rent is still 23% below the potential ERV of the portfolio, leaving strong upside value potential for further improvement of the operating performance.

5.2.2.4.2 Lease data

					Lease expiry data						Lease break data					
			Average lease length in year		Passing rent of leases expiring in : EUR Million			ERV of leases expiring in : EUR Million			Passing rent of leases breaking in : EUR Million			ERV of leases breaking in : EUR Million		
Asset Class	Location	Total Passing rent EUR Million	To expiry	To break	Yr 1	Yr 2	Yrs 3-5	Yr 1	Yr 2	Yrs 3-5	Yr 1	Yr 2	Yrs 3-5	Yr 1	Yr 2	Yrs 3-5
	Prague	4.9	3.9	3.3	1.1	0.6	1.3	1.5	0.6	1.4	1.1	0.6	2.1	1.5	0.6	2.2
	Budapest	0.9	0.3	4.7	0.2	0.0	0.1	0.0	0.0	0.1	0.0	0.0	0.1	0.0	0.0	0.1
	Luxembourg	1.9	4.8	3.2	0.0	0.0	1.3	0.0	0.0	1.4	0.0	1.9	0.0	0.0	2.0	0.0
	Warsaw	0.4	1.7	1.7	0.0	0.4	0.0	0.0	0.4	0.0	0.0	0.4	0.0	0.0	0.4	0.0
Office		**8.0**	**3.6**	**3.3**	**1.3**	**1.0**	**2.7**	**1.5**	**1.1**	**2.9**	**1.1**	**2.8**	**2.2**	**1.5**	**3.0**	**2.3**
	Prague	2.3	9.3	9.2	0.3	0.0	0.0	0.3	0.0	0.0	0.3	0.0	0.0	0.3	0.0	0.0
	Warsaw	0.7	0.9	0.8	0.5	0.1	0.0	0.5	0.1	0.0	0.5	0.1	0.0	0.5	0.1	0.0
Logistics		**3.0**	**7.5**	**7.4**	**0.8**	**0.1**	**0.0**	**0.9**	**0.1**	**0.0**	**0.8**	**0.1**	**0.0**	**0.9**	**0.1**	**0.0**
	Bratislava	0.3	1.0	0.8	0.2	0.1	0.0	0.3	0.2	0.0	0.2	0.1	0.0	0.2	0.2	0.0
	Budapest	0.9	7.6	7.6	0.0	0.0	0.2	0.0	0.0	0.2	0.0	0.0	0.2	0.0	0.0	0.2
Retail		**1.2**	**6.0**	**5.9**	**0.2**	**0.1**	**0.2**	**0.3**	**0.2**	**0.2**	**0.2**	**0.1**	**0.2**	**0.2**	**0.2**	**0.2**
	Berlin	39.8	2.2	1.8	13.3	15.4	8.9	13.7	15.7	9.0	23.8	6.6	7.7	24.4	6.7	7.8
Mixed Commercial		**39.8**	**2.2**	**1.8**	**13.3**	**15.4**	**8.9**	**13.7**	**15.7**	**9.0**	**23.8**	**6.6**	**7.7**	**24.4**	**6.7**	**7.8**
Portfolio Total		**52.0**	**2.8**	**2.4**	**15.6**	**16.7**	**11.8**	**16.3**	**17.1**	**12.1**	**25.9**	**9.7**	**10.1**	**26.9**	**10.0**	**10.2**

This table indicates details on the maturity of the leases and the rents they generate. It also incorporates indications on the reversion potential on a short and medium term basis. Estimated Rental Value (ERV) of leases indicates the market level of rent for areas with lease that are expiring. The expiring date is the date when the lease is finishing. The breaking date is the date when the tenant can decide to leave or sign an extension. In the case of "indefinite contract" the Group considered the date of birth of the lease as the potential breaking date and expiring date.

The analysis of this table requires the following comments:

- The Berlin portfolio presents a specific profile of lease maturity. A significant part of the contracts are renewable short term ones: they do not include an expiry date and are automatically renewed year on year. Following strictly the EPRA methodology we have assumed that those contracts would expire at the birthdate of the contract. As a consequence the average maturity of GSG is 2.2 years to expiry and 1.8 years to break option. Average lease length on Commercial area only is 2.91 years based on payments as of December 2012. Average length of stay of tenants stands at 5.6 years according to last survey and is increasing, illustrating the resilience and stability of a highly diversified and granular client portfolio.
- As of December 2012 we presented Gebauer Höfe and the GSG portfolio on a same line as Berlin portfolio.
- As of December 2011, the average lease length in the Czech Republic was 24.5 years due to the long term lease of Radio Free Europe. As a consequence of the disposal of the asset lease length of the portfolio in the Czech Republic is now in line with market practice.

5.2.2.4.3 Rental data

Asset Class	Location	Gross rental income over the past 12 months EUR Million	Net rental income over the past 12 months EUR Million	Lettable space sqm	Passing rent at period end EUR Million	Estimated rental value at period end EUR Million	EPRA Vacancy rate at period end %
	Prague	4.7	4.2	53,017	4.9	8.6	36%
	Budapest	0.9	0.3	29,293	0.9	4.2	85%
	Luxembourg	1.8	1.7	7,695	1.9	2.0	2%
	Warsaw	0.4	0.3	1,400	0.4	0.4	0%
Office		**7.7**	**6.6**	**91,405**	**8.0**	**15.2**	**44%**
	Prague	2.1	1.9	77,181	2.3	2.5	11%
	Warsaw	0.8	0.7	35,198	0.7	0.7	10%
Logistics		**3.0**	**2.5**	**112,378**	**3.0**	**3.2**	**11%**
	Bratislava	0.3	0.1	8,218	0.3	0.9	51%
	Budapest	0.5	0.1	10,794	0.9	3.1	78%
Retail		**0.8**	**0.1**	**19,013**	**1.2**	**4.0**	**72%**
	Berlin	38.0	36.4	837,813	39.8	49.0	17%
Mixed Commercial		**38.0**	**36.4**	**837,813**	**39.8**	**49.0**	**17%**
Portfolio Total		**49.5**	**45.6**	**1,060,609**	**52.0**	**71.4**	**26%**

The "Rental data" table presents details on the level of rents and the occupancy of the Group Portfolio for assets held as of December 2012. Gross Rental Income and the Net Rental Income are calculated according to EPRA standards. The passing rent according to EPRA terminology is the annualized cash rental income being received as at a certain date excluding the effects of straight-lining for lease incentives. The vacancy rate is based on EPRA standards which take into account the ratio of the ERV of the area to be leased compared to the total ERV of the asset.

As a consequence of its conversion into a residential project, the Berlin asset of Naunynstrasse 68 (2,100 SQM) has been excluded from the figures of the EPRA rental data.

All assets disposed during the year 2012 have been excluded from the table above, including Radio Free Europe. The figures of GRI, NRI, lettable space, passing rent, ERV and EPRA vacancy rate only include currently owned assets.

5.2.2.4.4 Like for like Net Rental Income

Asset Class	Location	NRI FY 2011 EUR Million	Disposals	Acquisitions	(Re) development	Like-for-Like	Other & Forex impact	NRI FY 2012 EUR Million
	Prague	6.6	(2.1)	-	-	1.7	(0.2)	6.0
	Budapest	0.3	-	-	-	-	-	0.3
	Luxembourg	1.8	-	-	-	(0.1)	-	1.7
	Warsaw	0.4	-	-	-	(0.1)	-	0.3
Office		**9.1**	**(2.1)**	**-**	**-**	**1.5**	**(0.2)**	**8.3**
	Prague	1.6	-	-	-	0.3	-	1.9
	Warsaw	0.6	-	-	-	0.1	-	0.7
Logistics		**2.2**	**-**	**-**	**-**	**0.4**	**-**	**2.6**
	Bratislava	(0.1)	-	-	-	0.2	-	0.1
	Budapest	-	-	0.1	-	-	-	0.1
Retail		**(0.1)**	**-**	**0.1**	**-**	**0.2**	**-**	**0.2**
	Berlin	35.0	(0.5)	-	-	2.1	-	36.6
Mixed Commercial		**35.0**	**(0.5)**	**-**	**-**	**2.1**	**-**	**36.6**
Portfolio Total		**46.2**	**(2.6)**	**0.1**	**-**	**4.2**	**(0.2)**	**47.7**

Over the year 2012, the Net Rental Income generated by the portfolio increased from EUR 46.2 Million as of December 2011 up to EUR 47.7 Million as of December 2012. The assets sold during the year 2012 such as Radio Free Europe or converted into development projects generated EUR 2.1 Million of NRI in 2012. The contribution to the NRI of asset sold decreased by EUR 2.6 Million in comparison to their contribution as for the year 2011.

As of December 2011, Vaci I, the prime retail asset of Budapest has been integrated in the rental portfolio. It is shown here as an acquisition.

On a like for like basis, the NRI of the rental portfolio increased by EUR 4.2 Million or a 9% increase. This increase is shared equally between the Berlin (+EUR 2.1 Million) and the Prague Portfolio (+EUR 2.0 Million).

5.2.2.5 Description of the portfolio

Portfolio	Central Europe	Mixed portfolio

Location :	Prague
Land Area :	6,001 sqm
Floor area :	23,210 sqm
Type of property :	office
Acquisition date :	13/12/2005
Form of Ownership :	SPV owned 100% by OPG S.A.
Occupancy rate :	76.2%

Na Porici - Palac Archa – is situated in one of the most frequented streets in the center of Prague easily accessible by public transportation as well as by automobile. It consists of five buildings and a courtyard, including two historical buildings designed by renowned architects Josef Gočár and František Marek in 1930's. The building comprises office premises, retail units on the ground floor with Archa theatre and Starbucks Café and 94 underground parking places. The property underwent major redevelopment in 2009, resulting in the achievementof a grade A specification for the premises. The occupancy rate increased from 63% in 2011 to 76% at the end of 2012.

Location :	Luxembourg
Land Area :	7,578 sqm
Floor area :	7,695 sqm
Type of property :	office
Acquisition date :	December 2007
Form of Ownership :	SPV owned 100% by OPG S.A.
Occupancy rate :	86.3%

Capellen office building is located at the entrance of Mamer-Capellen business park, an important business hub bordering Luxembourg City. The property conveniently bridges Luxembourg airport and Luxembourg City center and is easily accessible for cross-border employees. Delivered in 2005, the building is of a modern standard with a two-level underground car parking facility accommodating 296 vehicles. Occupancy rate increased from 85.6% as of December 2011 to 86.3% as of December 2012.

Location :	Oloumouc
Land Area :	71,749 sqm
Floor area :	55,583 sqm
Type of property :	logistic & light industrial
Acquisition date :	28/06/2007
Form of Ownership :	SPV owned 100% by OPG S.A.
Occupancy rate :	100%

Hlubocky Olomouc: This property comprises an existing industrial complex which was completed in 2007 and a new logistics building which has been developed in 2008. The property is located in Hlubocky u Olomouce, about 9 km from the city of Olomouc. The property is located in an industrial area situated directly within the large road network that provides access to Ostrava to the East and also Brno and Prague to the West. The property is fully leased as of December 2012. The asset is leased to single tenant with a low risk profile, Honeywell, with a 10.5 years contract maturity as of December 2012.

Location :	Warsaw
Land Area including building:	207,841 sqm
Floor area :	33,930 sqm
Type of property :	logistic & light industrial
Acquisition date :	12/12/2007
Form of Ownership :	SPV owned 100% by OPG S.A.
Occupancy rate :	81.2%

Marki is located in the eastern suburbs of Warsaw within the biggest logistic region in Poland. The property benefits from very good vehicular access and also has good transport facilities. The site currently comprises a production warehouse, constructed in the 1970's and an area of potential development land. The development land is currently occupied by a number of buildings designated for demolition. Occupancy of the buildings has been brought to 81% as of December 2012.

Location :	Budapest
Land Area :	1,264 sqm
Floor area :	6,721 sqm
Type of property :	mixed use (retail, office)
Acquisition date :	05/04/2006
Form of Ownership :	SPV owned 100% by OPG S.A.
Occupancy rate :	40.1%

Paris Department Store is located on Andrássy út, which is the most prestigious avenue in Budapest, Hungary. The property comprises a six-floor historical building, originally built in 1885 as a department store and has been classified as a national monument. It was the first building in Hungary custom built to be a modern department store. In 2007, the Group undertook refurbishment of the building and transformed it into a modern office building with retail units on the ground floor and first floor and office spaces on the top floors. The refurbishment works were finished in 2009. The retail areas on ground floor and first floors are fully leased.

Location :	Budapest
Land Area :	5,844 sqm
Floor area :	**14,882 sqm**
Type of property :	office
Acquisition date :	15/12/2005
Form of Ownership :	SPV owned 100% by OPG S.A.
Year of construction completion / major refurbishment :	2000

Vaci 188 office building is situated in the 13th district of Budapest in the Váci Ut corridor, 7 km north of Budapest city center. The building was re-purchased from the bank in mid-2011. It comprises approximately 14,882 SQM of leasable area over two basement levels, a ground floor, a mezzanine level and six upper floors. It is ideal for headquarter purpose with flexible floor plates, ample natural light and sufficient number of parking spaces: 228 underground and a further 29 above ground. The Property used to accommodate the head quarter of Budapest Bank, which moved out in July 2010.

Portfolio	Berlin portfolio	Commercial & Residential

With the acquisition of the GSG rental portfolio in 2007, ORCO Germany became one of the principal providers of office and commercial space in Berlin with more than 837 000 SQM of rental space in 42 locations. The core properties of the portfolio are situated in the central districts of Berlin: 22 within Friedrichshain-Kreuzberg with an average occupancy rate of 91% and 4 within Mitte, with an average occupancy rate of 92%.

As a partner to businesses, ORCO Germany provides services which surpass the classical concept of tenant support. Service offerings are fully flexible and scalable for tenants: premises are available in almost any size and leasing periods are flexible. Currently, over 1,600 tenants with more than 15,000 employees are taking advantage of this concept.

The portfolio offers huge potential for further growth and value creation in a strong market environment. One upside of the portfolio is the possibility to convert a total up to 86,000 SQM commercial spaces into residential apartments in the district of Friedrichshain-Kreuzberg which has seen substantial growth of rents and purchase price in the recent years.

Another upside is the possibility to extend the assets at various locations as residential space or for commercial or rental use. The total extension potential is estimated at a level of minimum 55,500 SQM GFA.

District	Number of properties	Lettable space sqm	EPRA Vacancy rate at period end %
Berlin - Charlottenburg	4	81 997	6%
Berlin - Friedrichshain Kreuzberg (1)	22	169 147	9%
Berlin - Lichtenberg	1	81 546	45%
Berlin - Marzahn Hellersdorf	3	138 066	39%
Berlin - Mitte	4	179 302	8%
Berlin - Neukölln	1	4 678	19%
Berlin - Pankow	1	43 107	17%
Berlin - Reinickendorf	2	29 579	33%
Berlin - Tempelhof Schöneberg	3	57 590	21%
Berlin - Steglitz Zehlendorf	1	52 800	0%
Total	**42**	**837 813**	**17%**

(1) Excluding Naunynstr. 68

GSG Portfolio top ten tenants	Percentage of total Gross Rental Income	
	2011	**2012**
Cumulated share	14.6%	14.6%
share of 1st tenant	3.6%	2.8%
Share of 10th tenant	0.5%	0.9%

Portfolio	Assets held for development	Mixed

The following category comprises assets held by the group for development.

Location :	Prague
Land Area :	7,990 sqm
Floor area :	**29,640 sqm**
Type of property :	office
Acquisition date :	27/02/2004
Form of Ownership :	SPV owned 100% by OPG S.A.
Year of construction completion / major refurbishment :	NA

Bubenska is an iconic office building of Prague constructed in the 1930's as the headquarters of the Prague Transportation Company. The Property is located between the eastern and western parts of Holesovice in Prague 7, a central district on the opposite bank of the Vltava River to the city centre. Nadrazi Holesovice. One of Prague's main train terminals is located nearby. The Property comprises 8 floors with 3 basement levels and a number of small retail units to the front of the property. The building is well known for the presence of a cultural center of approximately 3,000 SQM in the basement, which includes theatres, exhibition halls and dance studios. Additionally the building houses the ambulance service for Prague 7. Before redevelopment the current leasable area is 17,575 SQM and the occupancy rate of the building increased from 63% as of December 2011 up to 73% as of December 2012.

Location :	Bratislava
Land Area :	1,935 sqm
Floor area :	**8,218 sqm**
Type of property :	retail
Acquisition date :	07/03/2007
Form of Ownership :	SPV owned 100% by OPG S.A.
Year of construction completion / major refurbishment :	NA

Dunaj I and Dunaj II retail and office buildings are located on the Slovak National Uprising Square in the center of Bratislava. Dunaj1 building is a functionalistic-style building designed in 1936 by the prominent architect Christian Ludwig and was declared a cultural monument in 2002. In the 1980's the Dunaj II building (formerly Dom Odievania) was constructed directly adjoining Dunaj1. The 2 buildings contain 6 and 7 stories respectively and are structurally interconnected, allowing effective use of the premises. Occupancy as of December 2012 is at a level of 53% to be compared with 40% as of December 2011.

Location :	Budapest
Land Area :	3,290 sqm
Floor area :	**5,322 sqm**
Type of property :	office
Acquisition date :	19/04/2007
Form of Ownership :	SPV owned 100% by OPG S.A.
Year of construction completion / major refurbishment :	1972

Szervita is located on the Pest side of the river Danube in District V of Budapest among the most favored shopping high streets in the city. Public transport communications are excellent due to the proximity of metro, tram and bus lines. The assets complex encompasses a class C office building together with a 357 car park. Buildings in the immediate vicinity of the property comprise residential, retail, hospitality and office areas. The Group is reviewing the refurbishment of the asset under the condition of strong pre letting guarantees. Meanwhile the focus is on improving the operating performance of the Car park.

Location :	Budapest
Land Area :	4,583 sqm
Floor area :	**1,722 sqm**
Type of property :	office
Acquisition date :	15/12/2005
Form of Ownership :	SPV owned 100% by OPG S.A.
Year of construction completion / major refurbishment :	NA

Vaci 190 is situated in the 13th district of Budapest on the Vaci ut corridor, which runs from the city enter northwards towards Va. It lies 7 km north of Budapest city center fronting Vaci ut and Meder utca, therefore its visibility is excellent. The site/building was re-purchased from the bank in mid 2011. The building currently comprises 1,722 SQM of basic quality office accommodation on two stories. The Group plans to redevelop this 3,852 SQM land plot into a modern office building.

5.2.3 Hospitality assets

5.2.3.1 Valuation change

As of December 2012, the hospitality portfolio is estimated at EUR 169 Million. In December 2011 the GAV of hospitality assets amounted to EUR 180 Million. The EUR 11 Million change is split in:

- EUR 1 Million of asset disposal due to the sale of Cafe Pjaca part of the Suncani Hvar portfolio.
- EUR 4 Million of positive forex impact

- EUR 14 Million of negative net change in market value expressed in Euros.

Over the year 2012, on a L-f-L basis the valuation of the hospitality portfolio expressed in Euros decrease by EUR 10 Million or (-5.6% in comparison with December 2011 valuation).

Suncani Hvar Hotel 2012	Number of Assets	Number of operated rooms	Market Value Dec. 2012 EUR Million	Market Value Dec. 2011 EUR Million	Change in Market Value
Four Star Category	4	437	73	76	-4%
Two- Three Star Category	4	383	9	15	-44%
Total Suncani Hvar Hotel	**8**	**820**	**81**	**91**	**-11%**
Other Revenue	6	158	10	11	-8%
Total Suncani Hvar	**14**	**978**	**91**	**102**	**-11%**

The main drivers of the decrease in value of the Croatian portfolio in comparison with December 2011 is due to the sale of the Café Pjaca and despite the improving performance of the portfolio, the pessimistic economic prospects in the country impacting the exit yields and discount rates recorded by our valuer.

These trends are confirmed by hotel industry data which indicate the absence of significant major transaction in the CEE countries, valuations decreased slightly. The market overall grew modestly in occupancy and rates over 2012.

CEE Hotels 2012	Number of Assets	Number of rooms	Market Value Dec. 2012 EUR Million	Market Value Dec. 2011 EUR Million	Change in Market Value
Czech Republic	5	482	59	62	-5%
Poland	3	220	23	24	-5%
Hungary	3	160	13	15	-11%
Russia	1	84	41	38	8%
Slovakia	1	32	0	0	-52%
Total CEE	**13**	**978**	**136**	**139**	**-2%**

(1) All numbers are at 100%
(2) Pachtuv Palace is included

For the mainland portfolio, Russia demonstrated a positive performance leading to an increase in values while the rest of the portfolio faced a small decrease mainly due to the difficult economic environment and the lack of transactions impacting the exit yields (+74 bps Y-o-Y on average) and discount rates (+29 bps Y-o-Y on average).

5.2.3.2 Business Review

As of December 2012, the hospitality portfolio comprised a total of 1,956 operated rooms.

5.2.3.3 Main land Hospitality Portfolio

The Group owns, manages and operates (except for two of them) a portfolio of 12 boutique hotels and extended stay residences across Central and Eastern Europe capital cities in a joint venture with AIG. The portfolio is consolidated at 50%, while the Group has a 75% economic interest in cash flows. In addition to this venture, the Group fully owns the Pachtuv Palace in Prague. The properties are overall of a very good quality with little need of capital expenditures investment. A detailed description of this portfolio is to be found hereafter.

2012 offered various challenges, with a traditionally difficult first quarter and improved results for the rest of the year leading to total revenue of EUR 30.7 representing an increase of 3% compared to that of 2011 assuming a 100% detention.

Despite a difficult environment the hotels are over performing against their competitive set. As an example, the Pokrovka Hotel in Moscow, the largest contribution to the portfolio outperformed the market with a RevPar index of 112%.

The growth of revenue is explained by an increase of the transient, the leisure group and the corporate business while the MICE (meetings, incentives, conferences and exhibitions) business remains difficult. The revenue increase coupled with a continued effort in cost saving led to an increase of Gross Operating Profit (GOP) of EUR 0.6 Million or 5% compared to previous year.

2012 showed some signs of recovery for the overall hospitality market, including the CEE countries. RevPar improved in all cities where the Mamaison Hotels operate. This includes Budapest, a market that has suffered drastically from the current economic situation, with the principal Hungarian airline undergoing bankruptcy. Despite the unfavorable economic environment, the management is positive for 2013 prospects in all the countries in which we operate.

CEE Hotels 2012	Number of Assets	Number of rooms	Occupancy %	ADR (EUR)	2012 Revenues EUR Millions	GOP EUR Millions
Czech Republic	5	482	60%	82.5	12.7	5
Poland	3	220	55%	101.3	7.1	2.6
Hungary	3	160	74%	67.0	2.7	1.3
Russia	1	84	80%	211.8	7.6	3.9
Slovakia	1	32	67%	59.9	0.5	0.1
Total CEE	**13**	**978**	**62%**	**98.63**	**30.7**	**12.8**
CEE Hotels 2011	**Number of Assets**	**Number of rooms**	**Occupancy %**	**ADR (EUR)**	**2011 Revenues EUR Millions**	**GOP EUR Millions**
Czech Republic	5	482	61%	79.2	12.6	5
Poland	3	220	54%	91.3	6.6	2.3
Hungary	3	160	72,5%	70,9	2.9	1.5
Russia	1	84	74%	222.7	7.1	3.6
Slovakia	1	32	71%	66.0	0.6	0.2
Total CEE	**13**	**978**	**62%**	**95.40**	**29.9**	**12.2**

(1) All numbers are at 100%
(2) Pachtuv Palace is included
(3) Starlight is excluded from the Occupancy and ADR as it is a lease
(4) GOP excludes Group manamgement, sales and marketing fees

5.2.3.4 Sea Resort: Suncani Hvar Hotels

The Group owns a 56.6% interest in Suncani Hvar, a company listed on the Zagreb Stock Exchange, which is fully consolidated in the Group's financial statements.

Total revenues for 2012 amounts to EUR 17.2 Million, an increase of EUR 1.4 Million or 9% compared to 2011 explained by higher occupancy and pricing. The headcount and controlling restructuring of the company continued to induce improved results with an increase of GOP of EUR 1.6 Million from EUR 3.8 Million in 2011 to EUR 5.4 Million in 2012. This increase is due to higher revenue, a tight cost containment plan and adequate planning of human resources. The Organizational restructuring has shown positive results and will continue in 2013 in order to reach optimal and flexible organizational structure.

Suncani Hvar Hotel 2012	Number of Assets	Number of operated rooms	Occupancy %	ADR (EUR)	2012 Revenues EUR Millions	GOP EUR Millions *(1)*
Four Star Category	4	437	62%	147.1	13.7	7.7
Two- Three Star Category	4	383	69%	59.1	2.6	0.6
Total Suncani Hvar Hotel	**8**	**820**	**64%**	**119.58**	**16.3**	**8.3**
Other Revenue	6	158	N/A	N/A	0.9	-2.9
Total Suncani Hvar	**14**	**978**	**N/A**	**N/A**	**17.2**	**5.4**
Suncani Hvar Hotel 2011	**Number of Assets**	**Number of operated rooms**	**Occupancy %**	**ADR (EUR)**	**2011 Revenues EUR Millions**	**GOP EUR Millions *(1)***
Four Star Category	4	437	56%	137.5	11.9	5.8
Two- Three Star Category	5	523	58%	53.4	2.7	0.6
Total Suncani Hvar Hotel	**9**	**960**	**56%**	**108.11**	**14.6**	**6.4**
Other Revenue	7	NA	NA	NA	1.1	-2.6
Total Suncani Hvar	**16**	**960**	**0.6**	**108.1**	**15.7**	**3.8**

(1) GOP excludes Group manamgement, sales and marketing fees

2013 prospects continue to be positive with strong sales strategies of direct sales management and in food and beverage activities. The management team has been renewed and a service contract covering the continuity of restructuring of the sales department with an experienced hotel consultant has been agreed.

The occupancy of the hotels is based on opened days, as the business is seasonal. Most of the hotels are opened from mid of May to September or for private events. The Adriana hotel is the only hotel opened throughout the year. The groups operated on the second wing of the Dalmacjia Hotel thus impacting positively the number of rooms operated in the two to three star categories.

The Company is actively preparing for the 2013 season with an expanded offer in the entertainment and nightlife business.

In 2012, Banks offered an extension of existing loan agreement until end of December 2012 and management is continuously negotiating the long term refinancing. The goal of financial restructuring is to ensure framework for further operational improvements and strengthening the balance sheet of SHH. A new extension based on a term-sheet aimed at delivering the Company is currently being negotiated.

On 28 December 2012, Orco Property Group filed a request for arbitration against the State Property Management Agency of the Republic of Croatia. Orco filed its request alleging numerous breaches by the State of its contractual public private partnership obligations since 2005. Orco's preliminary damages estimates as a result of the State's alleged breaches exceed EUR 32 Million. The claims relate to underlying title disputes. Both shareholders have committed that this dispute shall have no consequences on operations and refinancing on which parties have the same interest.

5.2.3.5 Description of the portfolio

Portfolio	Main land portfolio	Hospitality

Czech Republic

The Riverside hotel is located on the Castle side of Vltava River and within a 15 minutes' walk from all main attractions of Prague. The hotel comprises 81 bedrooms, a light food and beverage operation with a restaurant open for breakfast and on request for private parties and banqueting. The meeting room is fully equipped and can accommodate up to 70 people. Most rooms have view over the Castle. This hotel is part of the joint venture with AIG Real Estate.

The Belgicka residence is located in Vinohrady, a lively residential area of Prague. The hotel is at 30 minutes' walk and one tube station from the city center. The residence comprises 30 fully equipped apartments with contemporary design and with no food and beverage operation. Belgicka focuses on extended stay markets. This hotel is part of the joint venture with AIG Real Estate.

The Courtyard by Marriott Flora is located in the business district of Flora in Prague and is operated by a third party. The hotel comprises 161 bedrooms of a good quality respecting the Marriott Courtyard standards. This is a full operation with a restaurant and 4 meeting rooms with a maximum seating capacity in the largest room of 185 people. This hotel is part of the joint venture with AIG Real Estate.

The Imperial hotel has 162 bedrooms located in a prime location in Ostrava next to the main district of the city. The Imperial hotel is seen as the premium hotel in the region and is highly recognized for its restaurant and banqueting facilities. The hotel consists of 2 restaurants and 7 meeting rooms that can accommodate up to 480 people. Many important events of the region are organized at the Imperial Hotel. This hotel is part of the joint venture with AIG Real Estate.

The Pachtuv Palace is a 50-rooms old Prague palace transformed into a boutique hotel owned at 100% by the Group. The hotel is located a 2 minute walk from Charles' Bridge and the main attractions of the old city. The hotel is built around two interior courtyards. All bedrooms have elegant individual decor and are of different size. The hotel was re-furbished in 2007 and can be easily redeveloped into residential units. In 2010, a restaurant area was refurbished and leased out.

Hungary

The Andrassy boutique hotel is located on Andrassy Avenue, 20 minute walk from the Opera and 10 minutes from the Budapest Baths. The 69 bedroom hotel was refurbished in 2007 and has warm contemporary design. The hotel has one meeting room and a restaurant. This hotel is part of the joint venture with AIG Real Estate.

Izabella residence is considered to have one of the highest levels of occupancy in the city. The residence is located a 15 minute walk from the Opera and the Budapest Baths. This warm residence of 38 fully-equipped apartments is in a good condition of repair and is focused on extended stay. The residence also has a fully equipped fitness center. This hotel is part of the joint venture with AIG Real Estate.

Starlight hotel is an extended stay hotel located in the heart of the city of Budapest and is leased out to a third party. It is an extended stay product and as such is fully equipped with large rooms between 40 SQM to 60 SQM. This hotel is part of the joint venture with AIG Real Estate.

Poland

The Regina is well located in the new part of the old city of Warsaw. The hotel is considered to be one of the best in the city. It comprises 61 bedrooms and suites decorated in a modern and contemporary design. The hotel has a gourmet restaurant La Rotisserie, an internal courtyard and a meeting room with up to 120 spaces. The hotel also has a swimming pool and a fitness area. This hotel is part of the joint venture with AIG Real Estate.

The Diana residence has a prime location in the heart of Warsaw on the main shopping street Chmielna. The 46 warm and cosy apartments are fully equipped and in an excellent state of repair. The residence is designed to focus on extended stay and has a full service restaurant. This hotel is part of the joint venture with AIG Real Estate.

The Park Vienna hotel is a 113-bedroom hotel well located in Biesko Biala. The hotel is a business hotel focusing on the car industry located in the region. This hotel is part of the joint venture with AIG Real Estate.

Russia

The Pokrovka suite hotel is well located on Pokrovka Road within the inner ring of Moscow, a 30 minute walk from the Red Square, in an upcoming office district. The Pokrovka suite hotel was built to respond to an extended stay demand and has fully equipped bedrooms. This hotel has a modern and contemporary design. This 84 bedrooms hotel also comprises an Algotherm spa, a restaurant and a bar. Often considered as the only current 'boutique hotel' in Moscow, this property is part of the joint venture with AIG Real Estate.

Portfolio	Suncani Hvar	Hospitality

The Amfora hotel is fully refurbished in a modern and contemporary style. The hotel has 324 bedrooms, meeting spaces for a total of 650 people, 4 restaurants, a fitness room and an outdoor swimming pool.

The Adriana hotel is a 59-bedroom hotel with the view over the old city. This hotel is considered to be one of the most prestigious hotels in the country. It has a modern and contemporary design, a ground floor restaurant and a bar on the top floor overlooking the old city. The indoor swimming pool also offers a view over the old city and a prestigious spa.

The Riva hotel is a design hotel with 54 bedrooms located on the port. This hotel is 'a place to be seen' on the Island and includes the BB club and restaurant.

Our Budget segment is made of the Dalmacija and the Palace hotel, which were slightly refurbished in 2007 and are operated as 3 stars hotels. The Pharos and the Delfin hotels are operated in the 2 stars segment. All together they represent 383 bedrooms with occupancy of 69%. The Sirena, Bodul and the Galeb properties were not operated in 2012 and are subject of future redevelopments on which the Company plans to progress during 2013.

The Palace hotel has 73 bedrooms and was partly refurbished. It has a protected façade close to the main square of Hvar. This hotel has a wonderful restaurant located on the first floor overlooking at the main square and activities from the Island.

5.2.4 Financial assets

The GAV of financial assets decreased to EUR 94 Million in December 2012 from EUR 107 as of December 2011. The variation is due to:

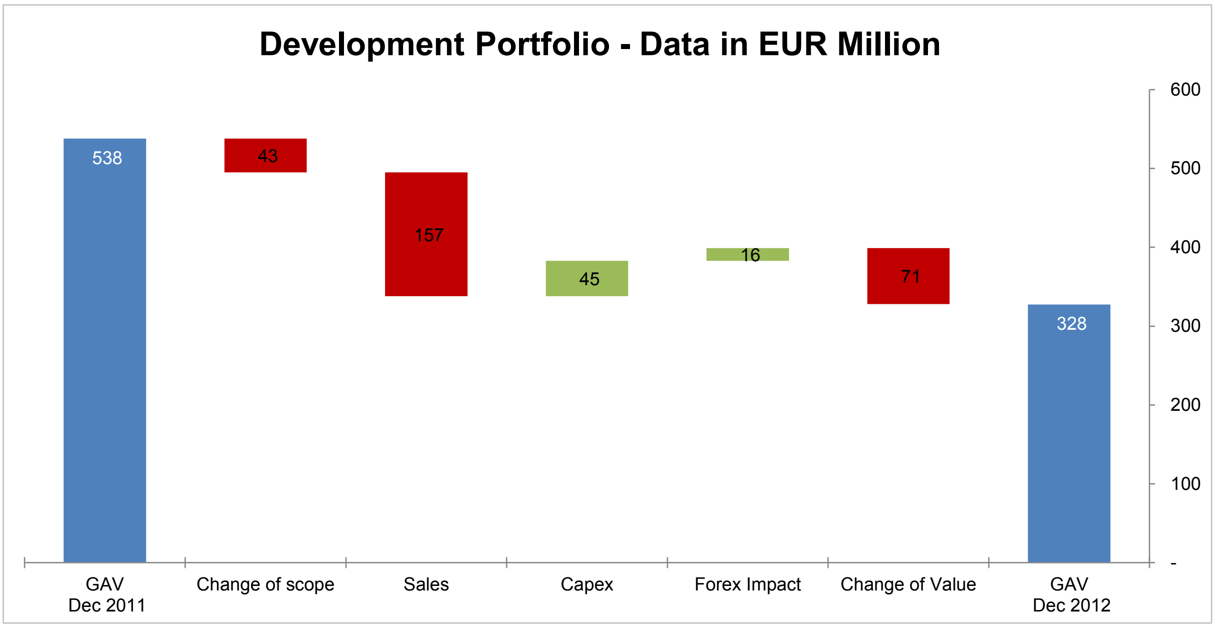
- EUR 4 Million of decrease due to the repayment of a loan granted by the Group to the endurance fund asset BB Centrum and partial repayments on the receivable relating to the Russian activities transaction.
- EUR 9 Million of increase with the addition of the Radio Free Europe USD 12 Million promissory notes.
- EUR 18 Million of decrease in value due to the impairment of the value of the Endurance fund units on the basis of the sale price of the transaction that occurred beginning of 2013 and the impairment of the 10% shares in the Russian Shopping center Filion. This impact is partially compensated by the increase in value of the PPL of the Joint venture with AIG and the addition of the actuarial interests on the Leipziger platz receivable.

5.3 Development evolution

The Group's Development portfolio consists of commercial properties, residential projects, and land plots designated as future developments, which when developed are either transferred to the Property Investments business line or sold.

5.3.1 Gross asset value

As of December 2012, the Group's development GAV amounts to EUR 328 Million (41% commercial and mixed used developments, 49% of residential developments, 10% of land bank). The development assets are mainly located in Prague the Czech Republic (58%) with key projects such as Bubny and Benice in Prague and Poland (38%) with Zlota 44 in Warsaw.



The EUR 210 Million decrease of the portfolio Gross asset value encompasses:

- EUR 43 Million decrease due to the transfer from Development of the shopping center Vaci 1 completed end of 2011 partially compensated by the launch of the conversion of the Berlin's portfolio rental asset Naunynstrasse 68 into a residential development.
- EUR 157 Million decrease of sales of completed residential units and land banks in Central Europe and of the commercial project of Sky Office in Dusseldorf (EUR 117 Million).
- EUR 45 Million of investments mainly driven by Zlota 44 in Warsaw and the launch of Mezihori in Prague.
- EUR 16 Million of positive currency conversion impact due to the weakening of Euro against the Central European currencies and in particular the Polish Zloty and the Czech Koruna.
- EUR 71 Million of net decrease in market value expressed in Euros.

The total value of the Development business line, on a like for like basis, meaning corrected for sales and investments, decreased by EUR 55 Million over 2012 (or -14% L-f-L). The main drivers of this decrease of value are the commercial projects with in particular Sky Office in Dusseldorf sold below its valuation level of December 2011 (EUR -24 Million) and Bubny (EUR -21 Million), taking into account a lower liquidity for an asset of comparable size and delay in entering master plan procedure (the official vote on initiation of master planning having occurred subsequently in January 2013).

5.3.2 Commercial

The commercial development portfolio consists of properties that the Company has developed or is developing across CEE region to keep and manage or sell. The ongoing and finished projects are office, retail or mixed-use projects but also land plots for which the Group acts as a land developer.

5.3.2.1 Valuation changes

The GAV of commercial developments decreased to EUR 133 Million in December 2012 from EUR 344 Million in December 2011. The variation is due to:

- EUR 47 Million of change of scope with the transfer of Vaci I to the Property investments portfolio and of the plots of Hochwald to residential development.
- EUR 124 Million decrease due to sales of Hüttenstrasse and Sky Office.
- EUR 5 Million of investments for Sky office and Bubny
- EUR 4 Million of positive exchange rate impact.
- EUR 49 Million of net decrease in market value expressed in Euros mainly impacted by the loss in value on the sales price of Sky Office and the decrease in value of the Bubny project.

The Sky Office Building sale contract was contracted in October 2012 to equity only buyers Allianz with a closing end of November 2012. Selling price is EUR 117.3 Million. The cancellation of the sales negotiations in September conducted the Group to recognize an impairment of EUR 24.3 million on Sky Office building in order to adjust the book value to the realizable value under distressed conditions. Indeed the pressure of the financing bank and the need to fill GSG refinancing gap did not leave the opportunity to secure an arms' length sale. The asset was valued at EUR 135.1 Million as of December 2011.

The Bubny land plot in Prague 7 is valued as of end of December 2012 by external appraiser at EUR 133.0 Million to be compared with EUR 151.3 Million as of end of December 2011. This significant decrease in value is mainly due to the absence of peer transaction on plots of similar size in the Czech Republic and delay in entering master plan procedure (the official vote on initiation of master planning having occurred subsequently in January 2013.

Project sales	Description	Kind of deal	Date of Sale	Date of transfer	Sales price EUR Million	DTZ Value (31.12.2011) EUR Million	Variation Sales price vs DTZ
Closed Transactions							
Hüttenstrasse *	Office in Düsseldorf	Asset deal	Q3 2011	Q2 2012	6.1	6.5	-6.2%
Sky Office	Office in Düsseldorf	Asset deal	Q4 2012	Q4 2012	117.3	135.1	-13.2%
Transferred in HY 2012					123.4	141.6	-12.9%
Total Commercial development sales					**123.4**	**141.6**	**-12.9%**

Hüttenstrasse * : DTZ value as of December 2011 w as based on the sales contract. Sales price has been further renegociated and decreased to EUR 6.1 Million. As of December 2010, DTZ value w as EUR 4.6 Million.

5.3.2.2 Business review

Key Project held in portfolio as of December 2012							
Committed	**Location**	**Asset type**	**Area in SQM**	**Permit status**	**Construction completion**	**Current value Dec. 2012 EUR Million**	**ERV EUR Million**
Bubny	Czech Republic, Prague	Mixed commercial	24 ha	Pending	2020	133.0	NA

As of December 2012, after sales of completed inventories such as Sky Office, the commercial development portfolio is now made of the key project of Bubny. A significant milestone in the permitting procedure of the Bubny area was obtained with the initiation of the Master Plan change being voted by Prague City Council in May 2012. The restart of the Bubny Master Plan change has been approved by the Prague City Assembly on 24 January 2013. This final decision is the effective re-start of the Master Plan change procedure which should reach completion in in the second half of 2014.

In 2011, the Group's sealed a partnership with Unibail Rodamco with the signing of an agreement for the sale of a plot of 3.7 ha to a joint venture for the conception of an anchor of circa 112,000 SQM of state of the art shopping mall. Given the new master plan conditions, the Company expects to close in April of this year its joint venture (JV) transaction with Unibail Rodamco on a slightly smaller plot of 3.2ha in the southwest of Bubny, and therefore with marginally modified terms. The transaction will allow repayment of most of the remaining loan facility.

The opening of the premium large shopping center should take place in 2017.

5.3.3 Residential

5.3.3.1 Valuation changes

The Group's opportunistic residential developments target the middle and upper market segments in Prague, Warsaw and Bratislava and starting 2013 Berlin. Since 2010, the Group refocused its strategy on key large projects such as Zlota 44 in Warsaw and Benice in Prague. As of end of December 2012, the Group starts to execute the conversion of some assets of the Berlin rental portfolio localized in the area of Kreuzberg in Berlin into much demanded residential units. The first realization is the conversion of the asset of Naunynstrasse 68.

The increase of EUR 16 Million over the year 2012 of the Gross asset value of the residential portfolio (December 2012 GAV amounting to EUR 162 Million compared to December 2011 EUR 146 Million) is driven by:

- EUR 7 Million positive impact of change in scope with the transfer of Mezihori from land bank and Naunynstrasse 68 from the rental portfolio of Berlin together with the inclusion of the land plot of Hochwald from commercial development, commercialized during the year 2012 as residential land plot units.
- EUR 20 Million of sales.
- EUR 39 Million of investments.
- EUR 10 Million of positive exchange rate impact.
- EUR 20 Million of negative change in value expressed in Euros mainly driven by EUR 11 Million of decrease in value on Zlota 44 due to the weakening of the Euro against of the polish Zloty.

Projects completed - Inventory

Over the year 2012, the completed inventories decreased as follow:

Project completed	Location	Asset type	Comments	Market value Dec 2012 EUR Million	Market value Dec 2011 EUR Million
Hradec Kralove	Hradec Kralove	Multi-dwelling houses	Sold-out	0.0	0.5
Americka 11	Prague	Multi-dwelling houses	Sold-out	0.0	0.7
Mostecka	Prague	Multi-dwelling houses		4.2	6.4
Kosik*	Prague	Multi-dwelling houses		3.0	3.9
Feliz Residence	Warsaw	Multi-dwelling houses		0.9	1.4
Klonowa Aleja	Warsaw	Multi-dwelling houses		3.8	8.1
Mokotowska	Warsaw	Multi-dwelling houses		0.7	2.4
Koliba	Bratislava	Multi-dwelling houses		3.6	11.4
Rising sun house	Hvar, Croatia	Multi-dwelling houses		1.4	1.4
Hochwald	Berlin	Residential plots		0.1	2.7
TOTAL				**17.7**	**38.7**

* The Group owns 50% of Kosik. The market value indicated is the market value of the 50% share of the Group

- Hradec Kralove and Americka 11 are now sold out
- Mostecka: the development site is located at Mostecka Street 21, approximately 150 m from Charles Bridge and in close proximity to Malostranske Square. The development is a mixed-use space with ground floors and inner courtyard being designated for retail and commercial space. In the Mala Strana neighborhood in Prague 1, the buildings consist of retail stores and restaurants on the ground floor and residential or hotel premises above. The Group redeveloped the property into a high end residential property with a very unique location and commercial units on the ground floor and the basement. The construction was completed in November 2011. The project encompasses 55 apartments marketed as shell and core during the first phase of the commercialization and currently proposes a variety of finishing options. It also includes 2 commercial units for a total area of 3,095 SQM, the main totalizing 2,603 SQM being currently under commercialization. As of December 2012, 56% of the total area is delivered. As of December 2011, 38% of the total area was delivered. The total area encompasses the commercial units.
- Kosic: for the remaining units of phase 3a, the Group slowed down on purpose the marketing of the project during the first half of the year in order to be benefit from a VAT exemption status starting August 2012. The price list has then been redesigned in order to offer more competitive prices while improving the profitability. Still competition remained strong from projects in the area. The development is located in the south-east of Prague approximately 8 km from Prague city centre, on the border of Prague 15 and Prague 11. The Property is located in a predominantly residential area with parks and playgrounds. Kosic is currently on its third phase (of four) of a joint venture contracted with GE dedicated to the development of the site into an all-inclusive residential area featuring commercial units, play grounds and sport facilities. The value indicated represents the market value of the remaining units which is owned by the Group at 50%. As of December 2012, 94% of phases I, II and IIIa are delivered. The future development of phase IIIb is currently part of the land bank portfolio and is under advanced review.
- Feliz Residence: the Property is located in Ochota district of Warsaw. The development comprises a multi-family residential scheme of 40 apartments (4,434 SQM sellable area) and basement car parking for 44 parking spaces. The 4-floor buildings are completed to a high specification and incorporate intelligent and energy saving solutions. The project is 92% delivered as of December 2012.
- Klonowa Aleja: the Property is located in the Targówek district of Warsaw, Poland. The site is developed with a residential scheme that was completed at the beginning of the year 2010 near the park Leśny Bródno. All the amenities required for a comfortable life are within reach. The development comprises 284 apartments as well as retail space and underground car parking facilities (402 parking spaces). The buildings incorporate new power saving and environmental friendly solutions. As of December 2012, 86% of the total areas are delivered.
- Mokotowska 59: the Property comprises a site of 722 SQM, located in the Sródmiescie district of Warsaw, one of the City's most prestigious and prominent locations. This seven-floor building was previously used as a printing factory facility before being extended and offered a complete refurbishment. The Group changed the Property into a building comprising 14 luxury apartments with high level features. The project is 93% delivered as of December 2012.

- Koliba - Parkville: the project is located on the Koliba hill on the North edge of Bratislava on an area of 14,300 SQM. The location benefits from excellent views of the city. The Project offers the best of contemporary residential architecture and aims at mid to high end customers. The Project consists of 10 residential buildings with 91 flats, 157 parking spaces. Construction finished in December 2008 and is 83% delivered as of December 2012 (63% as of December 2011).

- Rising Sun House: the project is located in the south east of Hvar town in a residential area with an outstanding view over the sea. 12 apartments have been realized and are offered for commercialization.

- Hochwald: located within the district of Kleinmachnow in one of the fastest growing urban areas between Berlin and Potsdam, close to Zehlendorf. The property is within the grounds of the Hakeburg Castle, which is also part of this portfolio as a rental asset. As of end of December 2012 only one unit is left for commercialization.

Projects under construction

As of December 2012, construction works were in progress on the following residential developments: Mezihori and Benice 1B in Prague and Zlota 44 in Warsaw meanwhile Naunynstrasse 68 is converted into residential units in Berlin.

Project under construction	Location	Asset type	Comments	Market value Dec 2012 EUR Million	Market value Dec 2011 EUR Million
Zlota 44	Warsaw	High rise luxury appartments		112.7	85.9
Benice	Prague	Houses	Delivery of units started	5.0	6.4
Mezihori	Prague	Multi-dwelling houses		8.0	2.7
Berlin Naunynstr. 68	Berlin, Kreutzberg	Multi-dwelling houses		1.9	1.4
TOTAL				**127.6**	**96.3**

- Złota 44 (www.zlota44tower.com) is a unique high-rise development, offering an unprecedented dimension of luxury lifestyle in midtown Warsaw. The project offers a complete range of luxury services to its residents, such as a 24h doorman and concierge services, an oversized pool, with a spa and club facilities, in addition to on-site parking and fantastic views from its floor to ceiling windows. It has been designed by world class architect Daniel Libeskind in accordance with the most exacting environmental and technological standards.

  The Złota tower, which is already perceived as iconic of modern Poland, strives to introduce a new downtown lifestyle that is without precedent in Poland. The project won the Eurobuild CEE Award in the category of Business Achievement of the Year 2011.

  The construction of the building is now 63% finished including 90% of the façade completed. The finalization of the project is expected for Q4 2013. The sales are now kept on hold by the Group. In the meantime a major kickoff event will occur in the second half 2013 to take advantage of the prime experience of the finished asset.

- Benice – Phase I: the Project Benice is a large scale residential development located in the south east of Prague, Czech Republic, in the city-section Benice about 15 kilometres from the city center. The project is located on a 66.2 ha plot divided into phases. The neighborhood is made of other luxury residential housing. The Phase IB is currently commercialized comprising 32 semi-attached and detached houses constructed to a shell and core specification with gardens and additional flats and commercial units. As of December 2012, 55% SQM produced of the project are delivered to be compared with 38% as of end of December 2011 with same calculation basis. An additional phase, Benice – Phase IC with 8 new units is currently under development. Phases II-V covering 49 ha which value is not included in the table above, will be developed at the completion of phase I and until 2021. It comprises a potential development currently estimated at 348 houses.

- Mezihori: the development was launched in March 2012 with a completion date scheduled for Summer 2013. As of mid March, 55% of the 138 units planned are contracted (46% end of December). The site is located in Prague 8, Palmovka. It comprises a land plot of 3,600 SQM with a GEFA of 19,050 SQM. The site is located approximately 3 km from Prague City centre, with the metro station of Palmovka, and two tramway stations at walking distance. Initial construction costs of the project were covered by a barter transaction with the contractor on the project Pivovar Vrchlabi and bank financing, while additional costs were financed through a bank loan. Hence the group has invested minimal equity in this project and has managed and the disposal of a difficult, non-strategic project.

- Naunynstrasse 68: well located in the extremely attractive area of Kreuzberg in Berlin, the asset encompasses 2,183 SQM of floor area dedicated to residential and office tenants. The asset is in good condition and will require minimum investments for conversion into a full residential projects. The project encompasses the creation of 20 units with areas ranging from 49 SQM up to 218 SQM. The opening of the commercialization is planned for 2013.

5.3.3.2 Business review

The Group residential developments target the middle and upper market segments in Prague, Warsaw and Bratislava and Berlin. Quality real estate offers, more resilient margin profile and the Group streamlined its residential development portfolio in order to focus its investment capacities on prime projects and locations such as Zlota 44 in Warsaw and Benice in Prague. In Berlin, the Group launched in Q4 2012 the first conversion of a rental asset in Kreuzberg, Berlin.

Amounts in units Country	New orders [2] 2011	 2012	Backlog [1] [3] Dec 2011	Production	Deliveries [4]	Forex & Pricing	Backlog [1] [3] Dec 2012
Prague, The Czech Republic	106	100	85	146	(30)	NA	201
Warsaw, Poland	65	48	354	-	(49)	NA	305
Bratislava, Slovakia	19	15	33	-	(18)	NA	15
Hvar, Croatia		-	12	-	-	NA	12
Berlin, Germany	4	8	9	20	(8)	NA	21
Total units	194	171	493	166	(105)	-	554
Amounts in EUR Million Country	**New orders [2] 2011**	** 2012**	**Backlog [1] [3] Dec 2011**	**Production**	**Deliveries [4]**	**Forex & Pricing**	**Backlog [1] [3] Dec 2012**
Prague, The Czech Republic	18.6	14.7	19.2	21.0	(5.7)	(2.1)	32.4
Warsaw, Poland	13.1	14.7	226.5	-	(6.2)	27.5	247.8
Bratislava, Slovakia	5.8	4.0	11.0	-	(5.0)	(1.8)	4.2
Hvar, Croatia		-	1.5	-	-	(0.3)	1.3
Berlin, Germany	0.9	1.7	1.8	6.9	(1.7)	-	7.0
Total in EUR Million	38.4	35.1	260.1	27.9	(18.6)	23.3	292.7

(1): Kosik at 50%
(2) :New order : the newly contracted units. Those units will be converted into revenue upon delivery
(3): Backlog : total amount of unit under contract but not yet delivered and inventory
(4): revenue generated by deliveries does not take into account the sale of the plot Pivovar Vrchlabi for EUR 2.2 Million.

Over the year 2012, the Group pursued the commercialization of inventories completed in 2010 and 2011. In the meantime, projects launched in 2012 such as Mezihori are demonstrating excellent marketing results. New order contracted over the year decreased by 12% in terms of units from 194 units valued EUR 38.4 Million down to 171 units valued EUR 35.1 Million. In the meantime, the average price per unit contracted slightly increased by 4% as a consequence of the sales on Zlota 44 in Poland during the year 2012. The pace of the sales remains high as namely 43% and 45% of the units of the opening backlog as of December 2011 and the unit produced during 2012 were sold in Prague and Bratislava. In Poland the main part of the backlog is made of the 266 units of Zlota 44 which commercialization is now on hold since the end of Q4 2012 until the sale kick off in Q3 2013.

- In Prague, the newly launched project Mezihori is the main contributor to the new sales contracted. The project is 55% pre sold as of mid March 2013 and completion work is expected in August 2013. It encompasses 138 units and its Gross Development Value amounts to EUR 18 Million. The success of the commercialization demonstrates the strong local demand for well-priced projects. Benice – Phase I, the second main contributor to the new sales contracted with the signing of 34% of its opening inventory as of December 2011 is now being expanded with 8 more houses in Phase IC. Completion of the commercialization is expected for end of 2014. Mostecka, in the center of Prague, as a completed inventory, is the main contributor in terms of units delivered and consequently revenue generated. 43% of its opening backlog is delivered in 2012. Completion of the commercialization is expected in Q1 2014 despite the larger areas of the remaining units.

- In Warsaw, the number of unit sold decreased by 26% over the year 2012 while the value per contract increased by 52% in 2012 in comparison with 2011. The pace of sales remained sustained on Klonowa, Feliz and Mokotowska with 56% of the opening inventory being contracted. Completion of the commercialization of those three projects is expected in 2013 and beginning of 2014. 2 out of last 3 units of the high end residential project of Mokotowska in Warsaw were sold and delivered in 2012 for an average price of EUR 0.7 Million per unit. The commercialization of Zlota 44 is now on hold as the grand opening of the project is expected in the second half of 2013. The Group is currently planning actively the sales kick off with specialized agencies in order to maximize the value realization upon delivery of the units. New contracted sales on Zlota 44 over 2012 are on average EUR 1 Million value per unit. In order to match the requests of the customers, a new offer of fit out have been designed.

- In Bratislava, the commercialization of Koliba slowed down during 2012 (-21 % in comparison with 2011) as the inventory is reducing. 45% of the opening backlog was delivered in 2012 and expected completion of the sales is schedule for beginning 2014.

- In Croatia, on the Island of Hvar, the commercialization of the 12 unit projects Rising Sun house is suffering from the seasonality of the activity on the Island and difficult local market conditions. The Group is studying whether selling the flats or leasing or selling the property to its subsidiary Suncani Hvar for executives' accommodation.

- In Berlin, the commercialization of the Hochwald land plots is now close to completion as 90% of the opening 2012 inventory was sold and delivered at a price level in line or above expectations. In Q4 2012, the Group launched a new residential project in Kreuzberg, Berlin, Naunynstrasse 68, previously part of the rental portfolio. After completion, the expected revenue amounts to EUR 6.9 Million upon sales of units in 2013 and 2014. The Group is actively reviewing further development potential in the Berlin portfolio which encompasses :
    - the redevelopment of some of the smaller assets of the Berlin rental portfolio located in the district Mitte and Kreuzberg into residential units and condominiums.
    - the development of circa 19,635 SQM of land plot size with a development potential of over 55,000 SQM GFA according to Group estimates.

5.3.4 Land bank and assimilated

The total GAV of the land bank and assimilated (including empty buildings and land plots to develop or redevelop classified in the IFRS financial information under investment properties or inventories) decreased from EUR 48 Million in December 2011 down to EUR 33 Million in December 2012.

This decrease of EUR 15 Million year on year is driven by:

- EUR 3 Million decrease with the change of scope of Mezihori now actively developed as a residential project.
- EUR 13 Million of disposal of assets.
- EUR 1 Million of investments.
- EUR 2 Million of positive exchange rate impact.
- EUR 2 Million of negative change in value.

The Group pursued in 2012 the rationalizing of its portfolio of land bank with the disposal or the discontinuation of non-strategic project such as Przy Parku, and Vavrenova the Czech Republic. The strategy is to sale those projects turnkey 'ready for construction' with permit and marketing concept so as to optimize the likelihood of sale and the sales price. In Germany, small land plots were sold with strong upside as part of the effort of the Group to deleverage and refinance the GSG portfolio.

The land plot of Jozefoslaw in Poland was discontinued opportunistically by the Group as part of the deleveraging strategy. In absence of short term development solution and considering the high level of debt carried by the asset, the transaction generates a positive NAV impact of EUR 1.9 Million in comparison with a decrease of the GAV of EUR 5.6 Million. The collateralized asset of Szczecin currently held with a negative NAV is planned to be discontinued in the first half 2013.

Asset	Description	Deal type	Date of Sale	Date of transfer	Sales price EUR Million	DTZ Value Dec 2011 EUR Million
Closed Transactions						
Przy Parku	Plot	Share deal	Q2 2012	Q2 2012	2.5	3.2
Ackerstrasse 83-84	Plot	Asset deal	Q4 2011	Q1 2012	0.6	0.6
Elb office	Plot	Asset deal	Q3 2012	H2 2012	1.5	1.1
Vavrenova	Plot	Asset deal	Q2 2012	Q3 2012	3.1	2.8
Ackerstraße 81	Plot	Asset deal	Q1 2012	Q2 2012	0.2	0.0
Geneststraße 6	Plot	Asset deal	Q3 2009	Q32012	0.2	0.1
Transferred in 2012					8.1	7.8
Ostrava Na Frantisku	Plot	Asset deal	Q1 2010	2012	1.5	1.5
Kufurstenstr. 11	Plot	Asset deal	Q2 2012	Q1 2013	0.6	0.2
Not Transferred in 2012					2.1	1.7
Jozefoslaw	Plot	Discontinued	Q4 2012	Q4 2012		5.6
Project discontinued					0.0	5.6
Total Land bank disposals					**10.2**	**9.5**
Total Land bank disposal & discontinued						**15.1**
Total Land bank disposal & discontinued in 2012					**8.1**	**13.4**

As of December 2012, the Group holds some 1.8 Million SQM of land plots (391 Thousands SQM zoned and 1.4 Million SQM unzoned). The potential GEFA development is currently estimated at 1.0 Million SQM. Potential GEFA is not estimated on all the land plots and should be considered here as only an indication of the potential pipeline on the short to mid-term basis.

The table below summarizes the land bank status per country and gives an estimate of the current projected GEFA. In other categories there are land plots included in the reported gross asset value of other sub group of the portfolio (rental, commercial development or residential development).

	With zoning		Without zoning		Total	
Country	Land plot area	GEFA estimated	Land plot area	GEFA estimated*	Land plot area	GEFA estimated*
The Czech Republic	130,281 sqm	137,526 sqm	353,446 sqm	78,250 sqm	483,727 sqm	215,776 sqm
Poland	69,681 sqm	59,726 sqm	35,573 sqm	47,256 sqm	105,254 sqm	106,982 sqm
Croatia	6,208 sqm	0 sqm	104,944 sqm	0 sqm	111,152 sqm	0 sqm
Germany	31,584 sqm	0 sqm	0 sqm	0 sqm	31,584 sqm	0 sqm
Sub-total land bank	237,754 sqm	197,252 sqm	493,963 sqm	125,506 sqm	731,717 sqm	322,758 sqm
The Czech Republic	0 sqm	0 sqm	916,237 sqm	600,000 sqm	916,237 sqm	600,000 sqm
Poland	131,130 sqm	0 sqm	0 sqm	0 sqm	131,130 sqm	0 sqm
Germany	22,562 sqm	55,560 sqm	0 sqm	0 sqm	22,562 sqm	55,560 sqm
Sub-total other category	153,692 sqm	55,560 sqm	916,237 sqm	600,000 sqm	1,069,929 sqm	655,560 sqm
Total	391,446 sqm	252,812 sqm	1,410,200 sqm	725,506 sqm	1,801,646 sqm	978,318 sqm

GEFA estimated*: the figure is presented here as an estimation only on the basis of the latest internal study performed. Only building permit determine the authorized GEFA. All the land plot are not systematically covered with a GEFA estimate.

Over the year 2012, in Central Europe, the main contributor to the evolution of the Group land bank is the discontinuation of Jozefoslaw (-60,687 SQM of land plot area), the disposal of Przy Parky (-4,197 SQM) in Poland.

In Germany, sales of landplots are more than compensated by the identification of 19,635 SQM of land area with an estimated GEFA of 55,560 SQM according to Group estimates in the Berlin Portfolio. The current DTZ valuation of this additional development potential is EUR 3.2 Million encompassing 15,315 SQM.

The land bank provides the support of the future pipeline of the Group. Kosic 3b, Praga or Benice 2-5 and Nupaky in Prague amounting to circa 900,000 SQM of lanbank, 49,588 of which are zoned, are currently under review to be potentially developed for residential development projects over the coming years. The plot of Bubny amounting to 240,000 SQM of land in Prague 7 is at the core of the commercial development pipeline in Central Europe.

6 E-business

2012 has been driven by a strong Internet activity. The digital strategy, launched on 2011 all over the Group, has led to more than 687 000 visitors and more than 4 Million pages viewed during the year.

The Orco application on Ipad & IPhone has been launched and gives now a direct access to opportunities inside the portfolio for commercial and residential offers. Wherever are potential clients, they could access and make research.

Google leverage continues to be one of the most important sources in term of conversion with more than 20% for Orco GSG in Berlin market and 21% of total online booking in Suncani Hvar hotels.

6.1 Property investments and development activities

The E-business website, www.orco-realestate.com, launched in September 2011, is now running for Polish and Hungarian portfolios. Any buyer who is looking for an property in Warsaw or Budapest is able to access to our offers with a lot of details (floor plans, areas, prices, neighborhood description and location details with Google maps). Many new projects have been set up during the year such as Vaci188, Benice, Epra sponsoring event with a Corporate movie.

Some website figures in 2012

Orco GSG: 32,849 SQM were let during the year via Internet with 38% of increase compared to 2011. Internet channel represents 51% of all achieved lettings, decreased from 61% in 2011 due to the push on Broker channels which represent bigger contracts.

The cost per SQM from Internet channel was EUR 5.7 in average compared to EUR 14.48 from Broker channel, demonstrating the positive trend of E-commerce strategy.

6.2 Hospitality

Suncani Hvar Hotels (SHH)

In 2012, a new website has been launched with a new marketing approach based on profile client (family, young couple, young single etc…). The aim was to help the “e-client” to choose the good hotel among SHH offers and to increase the Online booking.

- In 2012 we introduced new website, together with smartphone optimized version
- Number of visits in 2012 was 427,159 compared to 355,592 in 2011 or an increase of 20%
- Biggest growth in terms of visits was from Brazil (+37%), UK (+34%) and Norway (+23%)
- Revenue booked in 2012 was EUR 2.28 Million compared to EUR 2 Million in 2011 or an increase of 12%
- Focus was on Adwords traffic. ROI for 2012 was 7.1 compared to 5.3 in 2011 or an increase of 34%
- Revenue driven from Adwords in 2012 was EUR 646 Thousand compared to EUR 427 Thousand in 2011

Main land hospitality portfolio

The mamaison.com website had recorded 520,907 visitors and more than 2 Million page views. 5.9 % of total room nights have been sold directly via Mamaison.com in 2012 representing 9.54 % of total room revenue generated.

7 Liabilities and financial profile

7.1 Cash and cash equivalents

Cash and cash equivalents have decreased by EUR 11.9 Million in 2012 to reach EUR 25.2 Million. Restricted cash (see note 16 of the consolidated financial statements on restricted cash) increased by EUR 4.0 Million to EUR 18.2 Million compared to EUR 14.2 Million as at December 2011.

7.2 Loan to value

The calculation of the Loan to value (LTV) as of December 2012 is shown in the table below:

	December 2012	December 2011
Non current liabilities		
Financial debts	451,420	239,225
Current liabilities		
Financial debts	223,697	620,835
Current assets		
Current financial assets	(37)	(29)
Liabilities held for sale and discontinued activities	9,792	15,892
Cash and cash equivalents	(25,203)	(37,095)
Net debt	**659,670**	**838,829**
Investment property	791,881	872,316
Hotels and owner-occupied buildings	130,580	142,659
Investments in equity affiliates	8,738	17,829
Financial assets at fair value through profit or loss	17,918	28,958
Financial assets available-for-sales	9,466	-
Non current loans and receivables	64,486	66,666
Inventories	265,497	382,279
Assets held for sale and discontinued operations	6,736	24,129
Revaluation gains (losses) on projects and properties	41,848	69,521
Fair value of portfolio	**1,337,149**	**1,604,356**
Loan to value before bonds and New Notes	**49.3%**	**52.3%**
Bond&New Notes and accrued interests on New Notes	59,808	285,631
Loan to value after bonds and New Notes	**53.8%**	**70.1%**

As at December 2012, the LTV ratio including the bond liabilities decreases from 70% to 54% mainly as a result of the finalization of the bonds' restructuring as described in note 2.2. Besides the bond restructuring, and despite the negative evolution of real estate values, the Company actively continued deleveraging as shown by the decrease of the LTV before bonds and New Notes from 52% to 49%, through the sale of overleveraged assets like Sky Office and Przy Parku land plot in Poland, the discontinuation of negative net asset value operations like Jozefoslaw and partial repayment upon refinancing of GSG liabilities. Such deleveraging is expected to continue in the future as the Company targets a global LTV ratio below 50%.

7.3 Financial liabilities

Financial liabilities amount to EUR 744 Million including EUR 6667 Million relate to bank loans including the bank debt related to the project Szcecin classified as at 31.12.2012 in discontinued operations for EUR 4 Million (the bank debt is included in the financial liabilities in discontinued operations for EUR 10 Million) , EUR 59 Million relate to safeguard bonds and New Notes issued by the Company recognized initially at fair value and amortised at effective rate interest corresponding to a nominal value of EUR 73 Million, EUR 11 Million relate to loans from joint venture partners and finance leases. 32% of the bank loans still relate to non-income producing land bank and projects under construction.

Financial liabilities decrease by EUR 415.4 Million. Apart from the bonds' restructuring which decreased the Group liabilities by EUR 225.8 Million taking into account the issuance of the New Notes for EUR 55.1 Million and the actuarial interests for EUR 29.0 Million as described in note 2.2 the decrease of financial liabilities results from the repayment of bank loans upon sale of inventories and investment properties (EUR 153.9 Million), partial repayment of GSG upon refinancing (EUR 36.7 Million) and the deconsolidation of the bank financing following the bankruptcy of Jozefoslaw (EUR 5.1 Million). Regular amortization (EUR 8.2 Million), increase in capital by debt incorporation (EUR 2.9 Million) and other repayment on other borrowings (EUR 1.5 Million) This is partially compensated by new drawdowns on Zlota for EUR 6.1 Million and Mezihori for EUR 1.9 Million and by foreign exchange differences (EUR 10.8 Million).

Over 2012 the Group managed to renegotiate bank loans amounting to EUR 413 Million at the date of closing, some of the most important ones being listed below:

- GSG (EUR 284 Million) : refinancing with 5 Banks, loan expiring in December 2017.
- Bubny (EUR 20 Million) prolongation till 31.12.2013.
- Zlota (EUR 46 Million): prolongation until March 2015.
- Na Porici (EUR 38 Million) prolonged till December 2016.
- Paris Department Store (EUR 16 Million) prolonged till October 2013.
- Szervita (EUR 10 Million) prolonged until May 2013.

Analysis of maturities of financial debts

in EUR Million	Less than one year	1 to 2 years	2 to 5 years	More than 5 years	Total
As at 31 December 2012	233.9	94.8	390.9	24.9	744.5
As at 31 December 2011	756.7	71.4	217.1	114.2	1,159.3
Variation	(522.8)	23.4	173.8	(89.3)	(414.8)

The sharp decrease in short term financial liabilities for 522.8 Million is mainly related to the restructuring of the OG and OPG bonds by issuance of new OPG shares and New Notes, the repayment upon sales (notably Sky) and the refinancing of the GSG loan.

The short term part of the OPG Safeguard and OG bonds decreased from EUR 119.9 Million as at 31.12.2011 to EUR 0.3 Million (corresponding to the Safeguard dividend to be paid in April 2013) as at 31.12.2012. The New Notes to be repaid within 2 and 5 years are reported for a book value of EUR 57.2 Million.

Over 2012 the current part of bank loans financing assets and development in short term has been repaid upon sale for EUR 113.6 Million .The main contributors to repayment of bank loans over the short term are Sky Office (EUR 96 Million), Ku-Damm 102 (EUR 6.4 Million), Huettenstrasse (EUR 4.3 Million), Koliba (EUR 3.5 Million), the current part of Radio Free Europe (EUR 1.6 Million) and Mostecka (EUR 0.9 Million). The non-current part one has been repaid upon sales over 2012 for EUR 40.3 Million of which the long term part of Radio Free Europe (EUR 37.7 Million) and Benice (EUR 2.7 Million).

The GSG loan which as at December 2011 was recorded in short term for EUR 300.3 Million has been partially repaid for EUR 36.7 Million and refinanced for the remaining part. The new financing amount to EUR 270.0 Million and has been closed with the 5 banks on 13th of December, as at 31.12.2012 EUR 6.0 million of refinancing fees have been capitalized. The current part amounts to EUR 7.4 Million and the long term part will be amortized annually by EUR 7.4 Million while the balance must be fully repaid in December 2017.

The decrease of the short term liabilities includes also EUR 6.3 Million of amortized bank loan.

Access to debt financing for new development projects remained difficult in 2012 except with high pre-lease or pre-sale ratios (like for Mezihori), and no major changes are expected in the short term. Banks still only accept low loan-to-value ratios for new projects, especially outside Germany, while the spread between yields and interests rates remains high.

8 EPRA Net Asset Value

Using identical calculation methodologies as in previous years, the EPRA Net Asset Value (EPRA NAV) per share as of December 2012 is EUR 4.89 compared to EUR 22.19 as at December 2011.

Triple NAV amounts to EUR 3.98 per share compared to EUR 15.85 last year and its calculation is compliant to the EPRA (European Public Real Estate Associations) “Triple Net Asset Value per share” standard methodology which is described below, and which all major publicly traded property investors apply. The market value of bonds as at December 2012 is based on a valuation report established by an independent expert.

Following to the prior-period adjustment described in the Note 2.1.3.5 of the 2012 Consolidated Financial Statements, the consolidated equity for the year 2011 has been restated to EUR 259.5 Million (previously EUR 263.2 Million), as the EPRA NAV per share (previously EUR 22.40) and the EPRA Triple Net asset value (previously EUR 16.02).

	December 2012	December 2011
Consolidated equity	**425,712**	**259,532**
Fair Value adjustment on asset held for sales	-	-
Fair value adjustments on investment portfolio	-	-
Fair value adjustments on hotels and own occupied buildings	8,967	7,399
Fair value adjustments on inventories	32,881	62,650
Deferred taxes on revaluations	95,498	83,659
Goodwills	(37,880)	(35,942)
Own equity instruments	2,341	1,074
EPRA Net asset value	**527,519**	**378,372**
Net asset value in EUR per share	4.89	22.19
Existing shares (*)	107,841	17,054
EPRA Net asset value	**527,519**	**378,372**
Effect of dilutive instruments (**)	-	32,308
Deferred taxes on revaluations	(95,498)	(83,659)
Market value of bonds (***)	(3,157)	22,338
EPRA Triple Net asset value	**428,864**	**349,359**
Triple net asset value in EUR per share	3.98	15.85
Fully diluted shares	107,841	22,043

(*) The increase of the existing shares by 90.8 million takes into account the 18.4 million of OPG shares issued with the first step of the OCA conversion, the 7.8 million OPG shares issued after the second step of the OCA conversion and the 64.6 million shares issued in conversion of the Safeguard Bonds.

(**) As the exercise price of the warrants is higher than the Net Asset Value per share as at 31 December 2012, they have no dilutive effect.

(***) As of 31 December 2012, the market value of the OPG bonds has been established on the basis of the last transaction of the year for the New Bonds and at their nominal value for the remaining Safeguard OPG bonds as they are not traded.

Over the year 2012 the consolidated equity increased by EUR 166 Million. The main drivers of this increase are the three capital increases for EUR 199 Million, the Net loss of the period for EUR 40 Million and the foreign exchange gains in CTA[15] for EUR 8 Million.

The Net loss of the period is mainly driven by the losses on real estate value, impairments and provisions for EUR 58 Million compensated by the strong improvement of the adjusted EBITDA to EUR 36 Million and the interests expenses for EUR 67 Million which are more than compensated by the one off positive gain of EUR 74 Million on the bond liabilities restructuring.

[15] *Cumulative Translation Adjustment*

9 Full Year 2012 Unaudited Financial Results

Over 2012, the Group recorded a net loss amounting to EUR 40.1 Million compared to a net loss of EUR 53.3 Million in 2011. This net loss is mainly generated by the loss on the sale of Sky Office and decrease in asset values and impairments on developments and receivables, in Central Europe. These major negative impacts were partially compensated by the decrease of operating expenses, the decrease in interest expenses, the positive evolution of foreign currencies and the net gain on the bonds restructuring.

In 2011, the Group increased its investment in Sub-fund "Office I" of Endurance Real Estate Fund (See Note 31) above 25% and obtained as a result some specific rights to block decisions at the unit holders meetings. Consequently and in application of IAS 28, this investment has been reclassified and is now presented under the Balance Sheet line "Investments in Equity Affiliates" instead of "Financial assets at fair value through Profit and Loss" and under the Profit and Loss line "Share profit or loss from equity affiliates" instead of "Other net financial results".

As described in the Note 2.1.3.4 of the Consolidated Financial Statement and in application of IAS 8, a reclassification of the "Office I" sub-fund into "*Equity affiliates*" has been retrospectively applied to December 2011. As this change in classification does not generate any adjustment in the measurement of the sub-fund in 2011, the sole impact relates to the Profit and Loss and Balance Sheet lines where the investment is now presented.

9.1 Consolidated income statement

	12 months 2012	12 months 2011
Revenue	**259,559**	**157,602**
Net gain / (loss) from fair value adjustments on investment property	(8,184)	19,560
Other operating income	9,553	1,877
Net result on disposal of assets	1,403	10,547
Cost of goods sold	(142,828)	(35,310)
Employee benefits	(30,654)	(29,607)
Amortisation, impairments and provisions	(58,454)	(20,464)
Operating expenses	(59,171)	(64,260)
Operating result	**(28,775)**	**39,945**
Interest expenses	(66,661)	(82,665)
Interest income	3,374	4,077
Foreign exchange result	8,943	(12,074)
Other net financial results	57,956	1,035
Financial result	**3,611**	**(89,626)**
Share profit or loss from equity affiliates	(9,091)	2,574
Profit/(loss) before income taxes	**(34,255)**	**(47,107)**
Income taxes	(9,151)	(5,455)
Profit from continuing operations	**(43,406)**	**(52,562)**
Profit / (loss) after tax from discountinued operations	**(1,466)**	1,105
Net profit / (loss) for the period	**(44,872)**	**(51,457)**
Total profit/(loss) attributable to:		
Non controlling interests	(4,830)	1,799
Owners of the Company	**(40,042)**	**(53,256)**

9.2 Revenue by Business line

Revenue increased year on year to EUR 259.6 Million compared to EUR 157.6 Million over the same period in 2011. The Development business line revenue increases by EUR 100.1 Million, mainly as a result of the sale of Sky Office building in Dusseldorf partially compensated by the decrease of revenues from the sale of residential development. The Property Investments business is slightly increasing by EUR 1.9 Million mainly driven by the increase of the occupancy in Berlin and by the Hospitality activity partially compensated by the loss in revenue from the sales of assets.

	Development	Property Investments	Total
YTD Revenue			
As at 31 December 2012	147,451	112,108	259,559
As at 31 December 2011	47,391	110,210	157,601
Variation	**100,060**	**1,898**	**101,958**

9.2.1 Development

9.2.1.1 Residential

Residential development sales have decreased from EUR 37.0 Million at end of 2011 to EUR 21.7 Million at end of 2012.

105 units have been delivered including 30 in Prague (-75% Y-o-Y), 49 in Warsaw (-11% Y-o-Y), 18 in Bratislava (+6% Y-o-Y) and 8 in Berlin (+100%Y-o-Y) to be compared with 198 units over the same period in 2011. The Group repositioning from mass development to specific opportunistic developments and development of its Investment Properties led to a reduced number of new residential projects launched and completed over the years 2011 and 2012. In comparison with 2011, the projects Le Mont, Michle, Nove Dvory, Radotin, in Prague were supporting the level of sales during 2011 for a total amount of EUR 6.4 Million and their commercialization was completed by end of December 2011. Reduction of current completed inventory is therefore the main driver of reduced deliveries.

The main contributors to the revenue are:

- In Prague: Mostecka (EUR 2.3 Million), Pivovar Vrchlabi (EUR 2.2 Million), Kosic (EUR 0.9 Million), Hradec Kralove (EUR 0.5 Million), Benice (EUR 1.4 Million), Americka 11 (EUR 0.5 Million) for total revenue generated in the Czech Republic of EUR 8.3 Million to be compared with EUR 23.7 Million in 2011.
- In Warsaw: Klonowa Aleja (EUR 4.1 Million), Mokotowska (EUR 1.4 Million) and Feliz Residence (EUR 0.5 Million) for total revenue generated in Poland of EUR 6.2 Million to be compared with EUR 7.7 Million in 2011.
- In Bratislava: Koliba for EUR 5.0 Million (-EUR 0.5 Million in comparison with 2011).
- Germany contributed to the residential revenue with the sales of the plots of Hochwald EUR 1.7 Million (+EUR 0.8 Million in comparison with 2011).

For projects under construction, namely Benice, Mezihori and Zlota 44 in Central Europe and Naunyntrasse 68, total backlog amounts to 457 units of which 142 are covered by a future purchase or a reservation contract. This includes 266 units in Poland (64 contracted) and 171 in the Czech Republic (78 units contracted) and 20 units in Berlin.

The total backlog of completed projects is made of 96 units, for total expected sales of EUR 17.7 Million with a retention amount due to contractor of EUR 1.0 Million, and 16 of them are covered by a future purchase or a reservation contract.

In the meantime, over H1 2012, the Group started the project Mezihori encompassing 138 units in the Palmovka area in Prague 8. With pre-sales reaching 46% as of end of December 2012, and 55% at mid-March 2013, the financing is secured and first deliveries will take place over the second half of 2013. Expected revenue of the project amounts to EUR 18.5 Million. In the second half of the year 2012, the Group decided the extension of the Benice phase I project with a phase IC representing additional expected revenue of EUR 2.5 Million and the conversion of the asset Naunyntrasse 68 in Kreuzberg with an expected revenue of EUR 6.4 Million.

The Company expects to launch a number of new projects in Prague (Kosic 3b) on existing plots and buildings and in Berlin in the area of Kreuzberg.

9.2.1.2 Commercial

Over the year 2012, the commercial development activity recorded EUR 122.7 Million of revenue. Over the same period in 2011, the revenue of the commercial development activity amounted to EUR 10.2 Million. The main contributor to commercial development revenue is the project Sky Office. Over 2012 the project generated EUR 4.3 Million of rental revenue (EUR 6.7 Million in 2011) and was sold for EUR 117.3 Million.

9.2.2 Property Investments

The Property Investments business line remains in line with 2011 with a turn over increase of EUR 1.9 Million (+1.7% y-o-y) mainly explained by the Hospitality activity and the summer season in Hvar (EUR 1.5 Million). The main key performance indicators and events impacting the business over the year are commented in part 5 of this report.

9.2.2.1 Rental

Rental and asset management generate stable revenue of EUR 78.1 Million over 2012 in comparison with EUR 78.3 Million over the same period in 2011. Over the year 2012, net loss of revenue related to the disposal of Radio Free Europe and German assets amounts to EUR 3.8 Million. This decrease of revenue have been more than compensated by the improving performance of the portfolio of assets located in the Czech Republic, particularly Bubenska, Na Porici, Hardcanska and Stribro, which revenue increased by EUR 1.1 Million or +16% Y-o-Y,and in Germany where revenue increased by EUR 2 Million or +4% Y-o-Y. In Budapest, the revenue increased by EUR 1.2 Million or +101% Y-o-Y with Vaci I being the main contributor, while other asset's revenue demonstrates a slightly negative evolution of -4% Y-o-Y. Vaci I, has been transferred upon completion to the rental portfolio as of the beginning of January 2012. In Poland, the revenue recorded over 2012 is stable in comparison with 2011 and amounts to EUR 1.6 Million. In Slovakia, the increase of occupancy on the retail center of Dunaj induces an increase of EUR 0.1 Million in 2012 or +37% Y-o-Y.

9.2.2.2 Hospitality activities

Over the year 2012, Hospitality activities generates a revenue of EUR 34.0 Million increasing by EUR 2.0 Million or +6% Y-o-Y in comparison with the revenue generated in 2011 of EUR 31.9 Million. The main contributor to this increase is the Suncani Hvar Hospitality portfolio recording an increase of revenue of EUR 1.4 Million or +9% Y-o-Y confirming the positive outlook of the summer season described in H1 2012.

Over 2012, the Mamaison hospitality portfolio generated a revenue of EUR 16.8 Million, increasing by EUR 0.6 Million or +4% Y-o-Y. The main contributors to this increase are the Pachtuv Palace in Prague increasing by EUR 0.3 Million or +12% Y-o-Y, The Hotel Pokrovka in Moscow which revenue increases by EUR 0.3 Million or +8% Y-o-Y and the Hotels Regina and Diana residence in Warsaw which both revenue increase by EUR 0.2 Million or EUR 0.4 Million together, a namely increase of 11% Y-o-Y and 19% Y-o-Y. Those increases are partly compensated by the decrease of the Vienna Hotel –EUR 0.1 Million or -18% Y-o-Y and the Imperial Hotel in the Czech Republic –EUR 0.1 Million or -6% Y-o-Y.

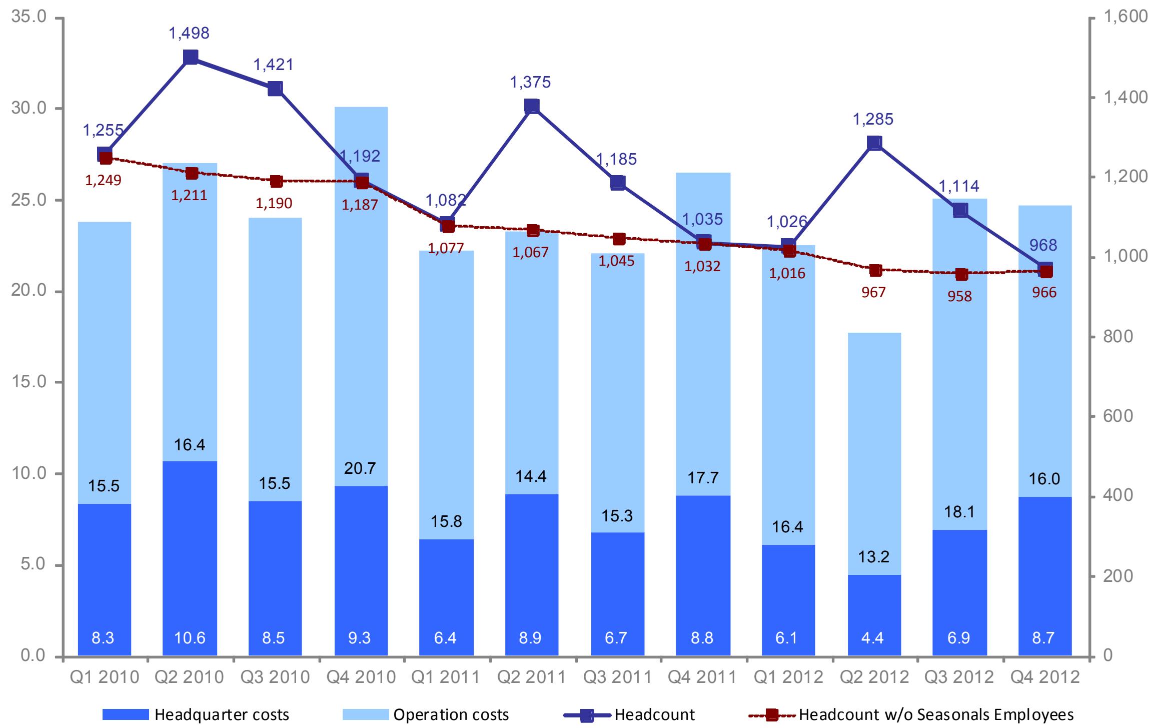
9.2.3 Operating expenses and Employee benefits

The “Operating expenses” and “Employee benefits” amount to EUR 89.8 Million compared to EUR 93.9 Million in 2011. This decrease by 4.3% is the result of the continuous cost improvements and the structure rationalization. The reduction of activity in the development and assets sold representing EUR 1.6 Million of the Building Maintenance and EUR 0.6 Million of Taxes other than income tax decreases. The employee benefits increase as a result of specific provisions for Bonus in GSG and at corporate level for the achieved financing restructuring. The increase of sales and marketing expenses reflects the increased efforts linked to the sale of Sky Office and ongoing projects like Zlota 44.

	31 December 2012	31 December 2011	Variation
Leases and rents	(2,377)	(3,176)	798
Building maintenance and utilities supplies	(26,158)	(28,148)	1,989
Marketing and representation costs	(4,737)	(4,533)	(204)
Administration costs	(19,957)	(20,565)	607
Taxes other than income tax	(3,597)	(4,754)	1,157
Hospitality specific costs	(907)	(883)	(24)
Other operating expenses	(1,439)	(2,199)	761
Employee benefits	(30,654)	(29,610)	(1,043)
Operating Expenses and Headcounts	**(89,825)**	**(93,868)**	**4,041**

Consolidated operating expenses can be split into direct asset or project costs generating revenues (‘Operation costs’) for EUR 72.1 Million (EUR 70.7 Million in 2011) and general management or services expenses (‘Headquarter costs’) including run down activities in Germany and Central Europe for EUR 17.7 Million (EUR 23.2 Million in 2011). In 2012 headquarter costs represent 19.7% of operating expenses while they were representing 24.7% in 2011.

Employee benefits represent 34.1% of the Group operating expenses and by excluding hospitality activities this proportion goes down to 22.8%. As of December 2012, total Group headcount reached 968 employees compared to the 1,035 in December 2011.



Between the start of the bond restructuring in 2008 and the final conversion of the OPG / OG bonds and the equitization in 2012, the Group has reduced headquarter operating costs by 36%.

9.2.4 Net gain or loss on disposal of assets

Investment Properties Assets were sold for a total consideration of EUR 97.6 Million generating a consolidated net gain of EUR 1.4 Million of which Przy Parku for EUR 1.3 Million and Café Placja for EUR 1.0 Million, reduced by the losses registered on the sales of Radio Free Europe for EUR 0.7 Million, Huttenstrasse for EUR 0.4 Million. The net cash inflow after repayment of the financial debts amounts to EUR 46.5 million.

9.2.5 Valuation adjustment, impairments, amortization and provisions

As at December 2012, the total of the impairments, amortizations and provisions reached EUR 58.4 Million, including EUR 46.2 Million of impairments, EUR 3.8 Million of amortizations and EUR 8.4 Million of provisions.

The net result from fair value adjustments on investment properties, as at December 2012, amounts to a net loss of EUR 8.2 Million (EUR 8.6 Million including discontinued operations) compared to a net profit of EUR 19.6 Million as at December 2011.

Valuation gains have been recognized mainly on the best located assets as in Berlin with a total increase of EUR 18.0 Million, while the buildings on weak markets with low occupancy have seen their valuation go down as in Budapest which is the highest decrease recognized in 2012 with EUR 13.9 Million.

As of December 2012, impairments on real estate assets or investments amount to EUR 43.7 Million and are mainly explained by the impairments recognized on Sky Office in Dusseldorf (EUR 24.3 Million), on the Hospitality assets which are suffering from a low investment market demand (EUR 10.1 Million) and on the residential developments in Prague (EUR 6.0 Million). The impact of fair value and impairments on real estate assets or investments are detailed by country as following:

	12 months to December 2012			12 months to December 2011		
	Revaluation	Impairment	**Total**	Revaluation	Impairment	**Total**
Germany	18,050	(24,258)	**(6,208)**	13,095	546	**13,641**
Czech Republic	(4,324)	(7,798)	**(12,122)**	8,299	(8,832)	**(533)**
Poland	(2,695)	(1,893)	**(4,589)**	5,449	(1,051)	**4,397**
Hungary	(13,948)	(558)	**(14,506)**	(5,745)	-	**(5,745)**
Slovakia	(3,837)	(2,206)	**(6,042)**	(1,978)	(0)	**(1,978)**
Luxembourg	(1,530)	-	**(1,530)**	(330)	-	**(330)**
Croatia	(327)	(7,014)	**(7,342)**	769	(6,695)	**(5,926)**
Total	(8,612)	(43,727)	(52,339)	19,560	(16,032)	3,528

The EUR 8.4 Million of provisions are mainly related to the bankruptcy procedure of the Orco Blumentaska a.s. (Project Stein) for EUR 2.1 million, an adjustment on the provision regarding the BÄR neighbor dispute on the project Leipziger Platz for EUR 4.0 million. A provision regarding the litigation with the Croatian state has been recorded for EUR 2.2 million and a provision of EUR 3.9 million related to the SV Faze II joint venture recorded to cover the onerous contract on the minimum return guarantee granted to the partner and the takeover of the 50% share not hold by the Group.

9.2.6 Operating result

The operating result consists in a loss EUR 28.8 Million compared to a profit EUR 40.0 Million in 2011.

Even though the Group continued to reduce operating and headcount costs with a saving of EUR 4.0 Million compared to December 2011, and despite the fair value of the Berlin portfolio progressing by EUR 18.1 Million, the difficult market and environment in Central Europe and especially in Hungary and the Czech Republic generated EUR 25 Million of losses in fair value. The Sky Office sold under the pressure to close the GSG refinancing gap led to EUR 24.3 Million of impairment and the conservative approach taken by the Group who led to recognizing provisions for EUR 8.4 Million.

9.2.7 Adjusted EBITDA

The adjusted EBITDA amounts to EUR 36.4 Million compared to EUR 30.3 Million in 2011, allowing the Group to cover its cash interests at 98% (i.e. interest expenses before the bonds non cash actuarial interests).

	Development	Property Investments	TOTAL
Operating Result - 12m 2012	**(53,571)**	**24,796**	**(28,775)**
Net gain or loss from fair value adjustments on investment property	(1,234)	9,418	8,184
Amortisation, impairments and provisions	43,307	15,146	58,453
Past valuation on goods sold	-	-	-
Net result on disposal of assets	(1,274)	(130)	(1,404)
Adjusted EBITDA - 12m 2012	**(12,772)**	**49,230**	**36,458**
Adjusted EBITDA - 12m 2011	**(5,203)**	**35,544**	**30,341**
Variation YoY	**(7,569)**	**13,686**	**6,117**

As a result of the sale of the Commercial project Sky office for EUR 117.3 Million, the part of the Development Business Line in the Group revenue increased from 27% in 2011 to 57% in 2012 and consequently a bigger part of the Headquarter costs was be allocated to that business line. The business line is also impacted by the decrease of the Residential sales as a result of a lower number of residential units available for sale in the Czech Republic when in the meantime the new Residential developments in Berlin are generating the firsts positive impacts for EUR 0.9 Million.

In the Property Investments business line, the Hospitality activity which is generating EUR 8.0 Million of EBITDA with as main contributors the Hvar portfolio (EUR 4.2 Million), the Pokrovka Hotel in Moscow (EUR 1.3 Million) and the Pachtuv Hotel in Prague (EUR 0.9 million). The Rental activity remains the major provider of recurring EBITDA with the GSG portfolio which reaching EUR 30.6 Million and despite the loss of EUR 3.8 Million of Rental revenues as a consequence of the assets sold over 2012 in the Czech Republic for EUR 2.7 Million (Radio Free Europe) and in Germany for EUR 1.1 Million.

Excluding the Sky Office Loss, which is related to the GSG refinancing in 2012 and cannot be considered as recurring development revenues (or expenses), the best estimate of the Adjusted EBITDA by segment, could be presented as here below.

	Development	Property Investments	TOTAL
Adjusted EBITDA - 12m 2012	(4,778)	41,773	n/a
Adjusted EBITDA - 12m 2011	(5,203)	35,544	30,341
Variation YoY	425	6,229	n/a

9.2.8 Financial result

The financial result improves from a loss of EUR 89.6 Million to a gain of EUR 3.6 Million as at 31.12.2012 mainly due to the restructuring bond debt the decrease of the interests as a result of loan repayment upon sales and development, the accounting treatment changes of the sub fund Office I valued in 2012 under the equity method whereas in 2011 at fair value and the positive impact of the currency exchange.

Over 2012, gross interest expenses recorded in the income statement reached EUR 66.7 Million compared with EUR 82.7 Million in December 2011. Out of these EUR 66.7 Million, EUR 38.1 Million have been paid cash (as shown in the cash flow statement in point 9.4). Non cash actuarial interests on bonds are decreasing by EUR 4.5 Million to EUR 29.0 Million. Interest on bank loans are decreasing by EUR 11.5 Million mainly as a result of loan repayment upon asset and development sales, repayments on GSG before finalization of the refinancing and the decrease of short term interest rates. Total or partial loan repayment upon asset and development sales account for EUR 5.3 Million in decrease of interest expenses, notably with the sales of Sky Office and Radio Free Europe.

For the first time since the crisis, the Interests Coverage Ratio (ICR)[16] of cash interests by the Adjusted Ebitda amounts to 1.0 compared to 0.8 in December 2011. Property Investments drives the improvement of the ICR from 1.1 in December 2011 to 1.6 in December 2012 explained by the increase of EUR 8.0 Million of adjusted EBITDA mainly resulting from the Radio Free Europe transaction and Endurance Fund contribution, the reduction of Hospitality costs and the decrease of interests bank loans linked to the loan redemption upon assets' sales especially in Germany. Despite the sales of assets over the year as Sky Office the ICR on the development is still negative and reaches as at 31.12.2012 -2.3 versus -0.4 as at 31.12.2011.

Other net financial results

	Dec-12	Dec-11	Changes
Change in carrying value of liabilities at amortised cost	74,092	-	74,092
Change in fair value and realised result on derivative instruments	(1,284)	3,434	(4,718)
Change in fair value and realised result on other financial assets	(12,093)	(506)	(11,587)
Other net finance losses	(2,760)	(1,893)	(867)
Total	57,955	1,035	56,920

Changes in carrying value of liabilities at amortised cost are mostly related to the restructuring of the OPG and OG bonds by issuance of New Shares and by issuance of New Notes. The net gain of EUR 74.1 Million is generated by three different steps of the restructuring:

- Exchange of 84.5 % of OG bonds: the difference between the book value of the 84.5% of the OG bonds and the OCA amounting to EUR 31.1 million is recognized directly in financial income net of EUR 2.0 million restructuring costs (portion attributable to the OG bond exchange into OCA).
- Conversion of 89.9% of OPG Bonds as at September 3rd 2012 into New Shares: the result on the conversion amounting to EUR 58.2 million and corresponding to the difference between the book value of the OPG bonds converted and the market value of the shares issued is recognized in financial income net of EUR 9.8 million restructuring costs (portion attributable to the OPG conversion).
- Restructuring of OG and OPG bonds by issuance of New Notes: the fair value of the new notes is estimated (on the basis on the market price over one month after issuance) at 77.3% of the nominal value of EUR 73.1 Million. The net result on the transaction is a loss of EUR 15.2 million.

Change in fair value and realised result on derivative instruments are mainly related to the gains on interests rate swaps more than compensated by the losses on the embedded derivatives on former OG bonds.

Change in fair value and realised result on other financial assets are mainly related to the impairment on the investment in Fillion for EUR 6.0 Million, to the significant impact of liquidity discount changes from 20% to 57% in 2012 on the investment in the Endurance Real Estate Fund for EUR 3.5 Million and the losses on the PPL reevaluation.

Other net finance losses include refinancing fees for EUR 1.4 Million and bank expenses for EUR 1.2 Million.

9.2.9 Share profit or loss from equity affiliate and discontinued operations

As of December 2012, the EUR 1.5 Million discontinued operations losses are related to the project Szczecin, in Warsaw, which is in bankruptcy procedure since April 2012.

[16] Calculation of ICR is based on cash interests (i.e. interest expenses before the bonds non cash actuarial interests) on Adjusted EBITDA

A unique investment, the Sub-fund "Office I" of Endurance Real Estate Fund, is consolidated under equity method as of December 2012. The EUR 9.1 Million of share loss from equity affiliate in the Profit and Loss results from the provision recognized into the Sub-Fund which is reflecting the net asset value as of September 2012 (year-end closing of the sub-fund) and the increase of the liquidity discount from 20% to 57%. The Group sold its units in the Office I Sub-fund to J&T Banka a.s. in February 2013 for a total sale price of EUR 8.7 Million.

9.2.10 Income taxes

As of December 2012, the income tax loss recognized in the income statement amounts to EUR 9.1 Million and is couponed of EUR 0.9 million of current income tax expenses and EUR 7.9 million of deferred income taxes expenses. The amount of current income tax paid over the period amounts to EUR 0.9 Million.

9.3 Balance sheet

Assets	31 December 2012	31 December 2011
NON-CURRENT ASSETS	**1,084,801**	**1,190,417**
Intangible assets	**47,652**	**47,783**
Investment property	**791,881**	**872,316**
Property, plant and equipment	**144,308**	**156,865**
Hotels and owner occupied buildings	130,580	142,659
Fixtures and fittings	13,728	14,206
Investments in equity affiliates	**8,738**	**17,829**
Financial assets at fair value through profit or loss	**17,918**	**28,958**
Financial assets available-for-sale	**9,466**	**-**
Non current loans and receivables	**64,486**	**66,666**
Deferred tax assets	**353**	**-**
CURRENT ASSETS	**345,069**	**511,956**
Inventories	265,497	382,279
Trade receivables	22,406	36,145
Other current assets	25,172	32,279
Derivative instruments	20	-
Current financial assets	37	29
Cash and cash equivalents	25,203	37,095
Assets held for sale	6,736	24,129
TOTAL	**1,429,871**	**1,702,373**

Equity and liabilities	31 December 2012	31 December 2011
EQUITY	**433,039**	**275,199**
Equity attributable to owners of the Company	**425,712**	**263,195**
Non controlling interests	**7,327**	**12,004**
LIABILITIES	**996,832**	**1,427,174**
Non-current liabilities	**648,350**	**509,439**
Bonds	59,193	163,380
Financial debts	451,420	239,225
Provisions & other long term liabilities	36,404	14,326
Deferred tax liabilities	101,334	92,508
Current liabilities	**348,482**	**917,735**
Current bonds	261	119,923
Financial debts	223,697	620,835
Trade payables	26,085	16,366
Advance payments	32,752	35,250
Derivative instruments	8,323	41,153
Other current liabilities	47,571	68,316
Liabilities linked to assets held for sale	9,792	15,892
TOTAL	**1,429,871**	**1,702,373**

9.4 Cash flow statement

	31 December 2012	31 December 2011
OPERATING RESULT	**(28,775)**	**39,945**
Net gain / loss from fair value adjustments on investment property	8,184	(19,560)
Amortization, impairments and provisions	58,454	20,464
Net result on disposal of assets	(1,403)	(10,547)
Adjusted operating profit / loss	**36,460**	**30,302**
Financial result	(3,559)	(481)
Income tax paid	(993)	(4,445)
Financial result and income taxes paid	**(4,552)**	**(4,926)**
Changes in operating assets and liabilities (*)	**114,480**	**14,084**
NET CASH FROM /(USED IN) OPERATING ACTIVITIES	**146,388**	**39,460**
Capital expenditures and tangible assets acquisitions	(4,062)	(14,009)
Proceeds from sales of non current tangible assets (**)	82,255	100,469
Purchase of intangible assets	(884)	(142)
Loan repayment received from joint-ventures	-	300
Deferred concideration repayment received from long-term receivables (***)	2,897	-
Dividends received from joint-ventures	-	889
Proceeds from discontinued transactions	-	12,257
NET CASH FROM INVESTING ACTIVITIES	**80,206**	**99,764**
Net issue of equity instruments to shareholders / Repayment on third party transactions	(1,525)	(3,347)
Purchase of treasury shares and change in ownership interests in subsidiaries	(882)	(1,500)
Proceeds from borrowings	275,256	40,884
Net interest paid	(38,145)	(51,194)
Repayments of borrowings	(473,578)	(138,127)
NET CASH USED IN FINANCING ACTIVITIES	**(238,874)**	**(153,284)**
NET INCREASE/(DECREASE) IN CASH	**(12,280)**	**(14,060)**
Cash and cash equivalents at the beginning of the year (****)	37,095	53,439
Cash and cash equivalents at the beginning of the year of assets reclassified to assets held for sale (*****)	-	(1,905)
Exchange difference on cash and cash equivalents	388	(380)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (****)	**25,203**	**37,094**

(*)Changes in operating assets and liabilities include EUR 117.3 million of inventories variation related to Sky Office sale (see note 14 of Consolidated Financial Statements). Changes in operating assets and liabilities without Sky Office sale's impact amount to EUR (2,820) million

(**) Proceeds from sales of non-current tangible assets comprise mostly proceeds from sales of assets held for sale (see note 11 of Consolidated Financial Statements) and sale of investment property (see note 8 of Consolidated Financial Statement).

(***) Deferred consideration related to the sale of our Russian assets portfolio in 2011 recognized as a long term receivable (see note 13.3 of Consolidated Financial Statements)

(****) Cash and cash equivalent referred to the note 17 of Consolidated Financial Statements.

(*****) Opening balance of 2011 of cash and cash equivalents had to be corrected for cash of a group of Russian activities reclassified to assets held for sale (see note 6 of Consolidated Financial Statements).

9.5 Annual statutory financial information

As per Luxembourg Law dated 10 December 2010, the Group mother company, The Group Orco Property Group S.A. ("The Company") has adopted IFRS and applied IFRS 1, First-time Adoption of International Financial Reporting Standards, as of 1 January 2009.

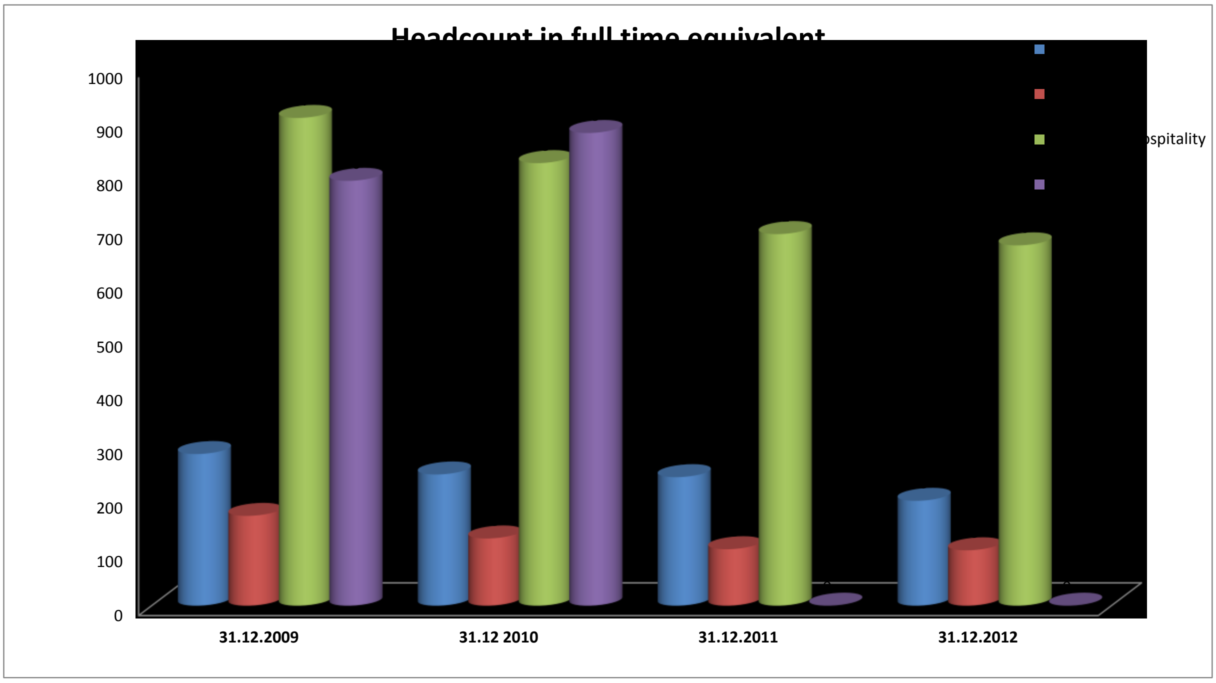
As of December 2012 the total assets of the Company amount to EUR 506.6 Million compared to EUR 475.2 Million as of December 2011. The net equity amounts as of December 2012 to EUR 364.6 Million including a loss brought forward of EUR 727.1 Million vs EUR 272.9 Million as of December 2011.

The Company reports a loss of EUR 53.8 Million mainly due the interests expenses on bonds for EUR 27.6 Million and to additional impairments on financial investments for a net total of EUR 59.2 Million, mainly composed of impairments on shares in affiliated undertakings for EUR 40.7 Million and on loans to affiliated undertakings for EUR 14.4 Million partly compensated by interests income for EUR 18.7 Million.

The subscribed share capital of the Company amounting to EUR 442.1 Million is considered as the corporate capital of the Company. The cumulated losses of the Company amounting to EUR 727.1 Million, added to its share premium and reserves which amount to EUR 649.6 Million, do represent a negative amount of EUR 77.6 Million.

10 Human resources

The methodology applied for headcount statistics is based on the conversion of the part-time employees into full time equivalent. This method includes the active and non-active employees.



As of December 2012, the total Company headcount reached 968 FTE (full time equivalent) versus 1,035 FTE in December 2011, reflecting the relative downsizing across all countries.

11 Corporate governance

11.1 Principles

Good corporate governance improves transparency and the quality of reporting, enables effective management control, safeguards shareholder interests and serves as an important tool to build corporate culture. ORCO Property Group is dedicated to acting in the best interests of its shareholders and stakeholders. Towards these ends, it is recognized that sound corporate governance is critical. The Company is committed to continually and progressively implementing industry best practices with respect to corporate governance and has been adjusting and improving its internal practices in order to meet evolving standards. The Company aims to communicate regularly to its shareholders and stakeholders regarding corporate governance and to provide regular updates on its website.

Since the Company was founded in 1991, its accounts have been audited regularly each year. After a full tender process driven by the Audit Committee, two Luxembourg auditing firms, Deloitte Audit Société à responsabilité limitée and HRT Révision S.A., were appointed by the general meeting in 2011. In addition, the Company's portfolio of assets is regularly evaluated by an independent expert, DTZ, which was appointed after a tender process in October 2011.

In 2007, the Company's board of directors (the "Board of Directors") adopted the Director's Corporate Governance Guide and continues to communicate throughout the group based on the values articulated by this guide.

As a company incorporated in Luxembourg, the Company's primary regulator is the Commission de Surveillance du Secteur Financier ("CSSF"). The Company's procedures are designed to comply with applicable regulations, in particular those dealing with market abuse. The Company also has a risk assessment procedure designed to identify and limit risk. In addition, the Company aims to implement corporate governance best practices inspired by the recommendations applicable in Luxembourg, France, the Czech Republic, and Poland.

In 2009, the Company began applying the best practices recommended by the European Public Real Estate Association (EPRA), of which it is a member, and which major listed European real estate companies follow.

In 2009 and 2010, the Company reviewed the reporting structures of leaders in the real estate development industry and started adapting those structures to its own corporate structure. As such, the Company restructured its reporting by business lines in order to optimize reporting practices in its two activities: Development and Property Investment, thereby improving reporting for internal management and external communication.

On 23 May 2012, the Board of Directors elected the Ten Principles and their Recommendations of the Luxembourg Stock Exchange as a reference for its Corporate Governance Rules.

11.2 Board of Directors

The Company is administered and supervised by a Board of Directors made up of at least three members, each of whom is required to hold at least one share of the Company.

11.2.1 Appointment of Directors

The Directors are appointed by the general meeting of shareholders for a period of office not exceeding six years. They are eligible for re-election and may be removed at any time by decision of the general meeting of shareholders by simple majority vote.
In the event of a vacancy in the office of a Director, the remaining Directors may provisionally fill such vacancy, in which case the general meeting of shareholders will hold a final election at the time of its next meeting.

However, if five Director positions become vacant, an extraordinary general meeting of shareholders will be held for the purpose of electing the Board of Directors.

Legal entities appointed as Directors must designate a representative, who must be a natural person, to attend meetings of the Board of Directors in their name. Such representative is subject to the same conditions and obligations and will incur the same liability as if he had been appointed as Director in his own name, without prejudice to the joint and several liability of the legal entity he represents. A power of attorney evidencing the fact that he is empowered to validly represent and to bind the said legal entity during his period of office must be delivered to the Company at the time the Board of Directors is appointed.

At the time of renewal of the mandate of a legal entity appointed as director, the power of attorney of the agent for such legal entity must be renewed.

In the event that the legal entity revokes the power of attorney of its representative, it must notify such dismissal to the Company without delay by registered letter, and include in such letter the identity of its new representative. The same applies in the event of the death, resignation or lengthy impediment or prevention of the permanent representative.

Any employee of the Company may be appointed Director subject to an employment contract being executed prior to appointment, and corresponding to an actual employment. The number of Directors linked to the Company by an employment contract may in no event exceed one third of the Directors in office.

11.2.2 Current Board of Directors

As of 31 December 2011 the Board of Directors consisted of:

- 5 executive members representing the management of the Company: Mr. Jean-François Ott, Mr. Nicolas Tommasini, Mr. Ales Vobruba, Mr. Gabriel Lahyani, and OTT&Co. S.A., a legal entity represented by Mr. Jean-François Ott,
- 5 independent members: Mr. Silvano Pedretti, Mr. Guy Wallier, Mr. Bernard Kleiner, Mr. Alexis Juan and Mr. Robert Coucke,
- 2 non-executive members representing shareholders: Mr. Bertrand Des Pallieres and Mr. Richard Lonsdale-Hands.

On 25 May 2012, Ott & Co, S.A. and Mr. Ales Vobruba resigned from their positions as directors and the Board of Directors coopted Mr. David Ummels and Mr. Benjamin Colas. The ordinary general meeting of the shareholders of the Company held on 28 June 2012 confirmed the election of these two directors. In addition, pursuant to a resolution proposed by Maple Leaf Macro Volatility Master Fund as a shareholder holding at least five percent of the share capital of the Company, the extraordinary general meeting held on 28 June 2012 also voted to remove Mr. Robert Coucke, Mr. Gabriel Lahyani, Mr. Richard Lonsdale-Hands and Mr. Silvano Pedretti from the Board of Directors, without replacement. On 3 January 2013, Bertrand des Pallieres resigned from the Board of Directors and on 17 January 2013, Benjamin Colas resigned from the Board of Directors.

Pursuant to requests from shareholders holding at leave five percent of the share capital of the Company, the ordinary general meeting of shareholders held on 4 February 2013 voted to remove Mr. David Ummels from the Board of Directors and elected Mr. Guy Shanon of Kingstown Capital Management, LP, Mr. Ian Cash and Mr. Alex Leicester of Alchemy Special Opportunities LLP and Mr. Radovan Vítek, Mr. Martin Němeček and Mr. Jiří Dedera of Ventures Corp. and Gamala Limited to the Board of Directors.

As of the date of this report, the Board of Directors thus comprises eleven directors, of which two are executive directors representing the management of the Company (Mr. Jean-François Ott and Mr. Nicolas Tommasini), three are independent directors (Mr. Guy Wallier, Mr. Bernard Kleiner and Mr. Alexis Juan), and six are non-executive directors representing shareholders (Mr. Guy Shanon, Mr. Ian Cash, Mr. Alex Leicester, Mr. Radovan Vítek, Mr. Martin Němeček and Mr. Jiří Dedera). The independent directors are not involved in management, are not employees or advisors with a regular salary and do not give professional services such as external audit services or legal advice. Furthermore, they are not related persons or close relatives of any management member or majority shareholder of the Company.

The Board of Directors meetings are held as often as deemed necessary or appropriate at the request of the Chairman. All members, and in particular the independent and non-executive members, are guided by the interests of the Company and its business, such interests including but not limited to the interests of the Company's shareholders and employees.

In 2012, the Board of Directors held 7 meetings with an average attendance rate of 87.5%.

11.2.3 Powers of the Board of Directors

The Board of Directors represents the shareholders and acts in the best interests of the Company. Each member, whatever his/her designation, represents the Company's shareholders.

The Board of Directors is empowered to carry out all and any acts deemed necessary or useful to accomplish the corporate purpose of the Company. All matters that are not reserved for the general meeting of shareholders by law or by the Articles of Association are within its authority.

In its relationship with third parties, the Company is bound by acts exceeding its corporate purpose, unless it can prove that the third party knew such act exceeded the Company's corporate purpose or should have known under the circumstances.

The Directors do not contract any personal obligation with regard to the commitments of the Company.

The Directors however remain responsible to the Company in accordance with common law as regards the due discharge of their duties as given and any faults committed during their period in office.

The Directors are jointly and severally liable, to the Company or to third parties if applicable, for all and any damages resulting from infractions to the provisions of the Luxembourg act of 10 August 1915 on commercial companies, as amended, or to the Articles of Association of the Company. They may only be granted discharge from such liability, with respect to infractions in which they have taken part, if no fault may be attributed to them and they have denounced such infractions before the next general meeting of shareholders as soon as they have become aware of such infractions.

11.2.4 Deliberations

The Board of Directors may only deliberate if a majority of its members are present or represented by proxy, which may be given in writing, by telegram, telex or fax. In cases of emergency the Directors may vote in writing, by telegram, telex or fax.

The decisions of the Board of Directors must be made by majority vote; in case of a tie, the Chairman of the meeting shall have the deciding vote.

Resolutions signed unanimously by the members of the Board of Directors are as valid and enforceable as those taken at the time of a duly convened and held meeting of the Board.

The Board will regularly evaluate its performance and its relationship with the Executive Management.

11.2.5 Delegations of powers to Managing Directors

The Board of Directors may delegate all or part of its powers regarding the daily management as well as the representation of the Company with regard to such daily management to one or more Directors, who need not be shareholders. Actions in the daily management of the Company include all operations carried out in relation to the corporate purpose, such as real estate acquisitions, taking ownership interests and making loans to group companies, bank financing operations without limit as to their amount, as well as any kind of investment.

Any such delegation to a member of the Board of Directors is subject to the prior approval of the general meeting of shareholders, and any delegation must be filed with the Luxembourg Trade and Companies Register in accordance with the provisions of Article 9 of the Luxembourg act of 10 August 1915 on commercial companies, as amended.

The Board of Directors designates a Secretary, who is not required to be on the Board of Directors. The Secretary is in charge of convening the meetings of the Board of Directors, keeping the register of attendance and minutes and delivering requested copies or abstracts of the minutes.

In the event of the absence or impediment of the Managing Director, the Board of Directors will designate at the time of each meeting one of its members to act as Chairman of the meeting. Barring another agreement, the most senior Director will chair the meeting.

The Managing Director and Secretary are always eligible for re-election.

The general meeting of shareholders held on 26 April 2010 granted an authorization, in accordance with Article 13 of the Company bylaws, to the Board of Directors to delegate all or part of its powers regarding the daily management of the Company to Mr. Jean-François Ott to be appointed as Managing Director of the Company until the general meeting of shareholders concerning the approval of the annual accounts of the Company relating to the accounting year ending 31 December 2012. Following this authorization, the Board of Directors meeting held on 20 May 2010 resolved to appoint Mr. Jean-Francois Ott as the Managing Director (administrateur delegue) of the Company and the Chairman of the Board of Directors until the ordinary general assembly of the Company concerning the approval of the annual accounts of the Company relating to the accounting year ending 31 December 2012.

Mr. Nicolas Tommasini has been appointed Secretary of the Board of Directors.

11.2.6 Signatory powers within the Board of Directors

The Company may be validly bound either by the joint signatures of any two Directors or by the single signature of a Managing Director.

11.2.7 Training of members of the Board of Directors

The Company has started in 2011 to provide its directors with training in governance offered either internally or by specialist external institutions. For members of the audit committee, an overview has been given of the company's organization and of its risk management systems including information on IFRS, company's accounting, financial and operational features.

11.2.8 Special commitments in relation to the election of the members of the Board of Directors

The Company is not aware of commitments that are in effect as of the date of this report by any parties relating to the election of members of the Board of Directors.

11.3 Committees of the Board of Directors

The Board of Directors meeting held on 25 May 2011 resolved to confirm the existence of the Committees created by the Board of Directors meeting held on 7 September 2009 and appointed their members to the following committees:

- Audit Committee
- Remuneration, Appointment and Related Party Transaction Committee
- Strategic and Organization Committee, which replaces since May 2011 the Restructuring Committee and the Investment and Development Committee

The implementation of decisions taken by these committees enhances the Company's transparency and corporate governance.

Independent and non-executive directors are a significant part of these committees.

11.3.1 Audit Committee

In the beginning of 2012, the Audit Committee was composed of three independent members of the Board of Directors, Mr. Bernard Kleiner (chairman), Mr. Silvano Pedretti and Mr. Alexis Juan, and one executive director, Mr. Nicolas Tommasini. Following the departure of Mr. Pedretti, the Board of Directors, at its meeting held on 16 July 2012, decided to add Mr. David Ummels to the Audit Committee. Following the departure of Mr. David Ummels on 4 February 2013, the Board of Directors, at its meeting held on 25 February 2013, decided to add Mr. Jiří Dedera to the Audit Committee. As a result, as of the date of this report, the Audit Committee is composed of two independent members (Mr. Bernard Kleiner (chairman) and Mr. Alexis Juan), one executive director (Mr. Nicolas Tommasini) and one non-executive director representing shareholders (Mr. Jiří Dedera).

The Audit Committee reviews the Company's accounting policies and the communication of financial information. In particular, the Audit Committee follows the auditing process, reviews and enhances the Company's reporting procedures by business lines, reviews risk factors and risk control procedures, analyzes the Company's group structure, assesses the work of external auditors, examines consolidated accounts, verifies the valuations of real estate assets made by DTZ, marks bonds to market and audits reports.

The Audit Committee has therefore invited persons whose collaboration is deemed to be advantageous to assist it in its work and to attend its meetings.

In 2012, the Audit Committee held 8 meetings with average attendance rate of 97%.

11.3.2 Remuneration, Appointment and Related Party Transaction Committee

In the beginning of 2012, the Remuneration, Appointment and Related Party Transaction Committee (the "Remuneration Committee") was composed of five members of the Board of Directors namely Mr. Guy Wallier (Chairman), Mr. Robert Coucke, Mr. Alexis Juan, Mr. Richard Lonsdale-Hands (these 4 being independent directors) and Mr. Jean-François Ott. Following the departure of Mr. Coucke and Mr. Lonsdale-Hands, the Board of Directors, at its meeting held on 16 July 2012, decided to add Mr. David Ummels and Mr. Benjamin Colas to the Remuneration Committee. Mr. Colas subsequently resigned from the Board of Directors and the Remuneration Committee on 17 January 2013. Following the departure of Mr. David Ummels on 4 February 2013, the Board of Directors, at its meeting held on 25 February 2013, decided to add Mr. Alex Leicester to the Remuneration Committee. The Remuneration Committee presents proposals to the Board of Directors about remuneration and incentive programs to be offered to the management and the Directors of the Company. The Remuneration Committee also deals with related party transactions.

The role of the Remuneration Committee is among other things to submit proposals to the board regarding the remuneration of executive managers, to define objective performance criteria respecting the policy fixed by the company regarding the variable part of the remuneration of top management (including bonus and share allocations, share options or any other right to acquire shares) and that the remuneration of non-executive directors remains proportional to their responsibilities and the time devoted to their functions.

In 2012, the Remuneration, Appointment and Related Party Transaction Committee held 2 meetings with an average attendance rate of 100%.

11.3.3 Strategic and Organization Committee

The members of the Strategic and Organization Committee were Mr. Alexis Juan (Chairman), Mr. Jean-Francois Ott, Mr. Nicolas Tommasini, Mr. Aleš Vobruba, Mr. Silvano Pedretti, Mr. Gabriel Lahyani, Mr. Bertrand Des Pallieres and Mr. Richard Lonsdale-Hands until the departure of Mr. Vobruba on 25 May 2012 and the departures of Mr. Pedretti and Mr. Lahyani on 28 June 2012. The Strategic and Organization Committee presents the status of major decisions and actions on costs savings and on major investment projects.

In 2012, the Strategic and Organization Committee held no meetings.

11.3.4 Management of the Company (Executive Committee)

The management of the Company is also known as the Executive Committee.

The executive management is entrusted with the day-to-day running of the company and among other things to:

- be responsible for preparing complete, timely, reliable and accurate financial reports in accordance with the accounting standards and policies of the company;
- submit an objective and comprehensible assessment of the company's financial situation to the Board of Directors;
- regularly submit proposals to the Board of Directors concerning strategy definition;
- participate in the preparation of decisions to be taken by the Board of Directors;
- supply the Board of Directors with all information necessary for the discharge of its obligations in a timely fashion;
- set up internal controls (systems for the identification, assessment, management and monitoring of financial and other risks), without prejudice to the board's monitoring role in this matter; and
- regularly account to the board for the discharge of its responsibilities.

The members of the Executive Committee meet on a regular basis to review the operating performance of the business lines and the containment of operating expenses. The Executive Committee members are also the permanent members of the management's Investment Committee which is the governing body for all management decisions and for preparation of analyses concerning the acquisition, sale or development of any real estate asset for the Board of Directors. A new procedure has been established on the basis of the business lines' management formalizing the decision chain and triggers.

As of 31 December 2012, the Company's Executive Committee consisted of the following members:

Mr. Jean-Francois Ott, born in 1965, Chief Executive Officer, with professional address at 25 rue de Balzac, F- 75406 Paris Cedex 08, France;

Mr. Nicolas Tommasini, born in 1971, CFO and Deputy Chief Executive Officer, with professional address at 25 rue de Balzac, F- 75406 Paris Cedex 08, France;

Mr. Ales Vobruba, born in 1959, Managing Director of ORCO Czech Republic and ORCO Slovakia, with professional address at Palac Archa, Na Porici 26, 110 00 Prague 1, Czech Republic;

Mr. Brad Taylor, born in 1973, General Counsel, with professional address at 25 rue de Balzac, F- 75406 Paris Cedex 08, France;

Mr. Yves Désiront, born in 1971, Chief Financial Officer Orco Property Group S.A., with professional address at 42, rue de Vallée, L-2661 Luxembourg; and

Mr. Cedric Gabilla, Deputy Head of Asset Management, with professional address at 25 rue de Balzac, F- 75406 Paris Cedex 08, France.

Jean-François Ott, born in 1965, founded Orco Property Group S.A. in 1991 and is today the Chief Executive Officer, President and Chairman of the Board of Directors. Mr. Ott served 18 months in South Korea for the French group Framatome, before starting a successful career as a derivatives trader in Paris. Based in Paris, he is responsible for Orco Property Group's strategy, business development and group finance issues as well as banking and investor relations. Mr. Ott has 18 years of experience in real estate development and business in Central Europe. He was only 26 years old when he started Orco Property Group in 1991, purchasing its first office building in Prague. Due to his long experience, seven years living in Prague as well as extensive and continuous travel in the region, Mr. Ott is well acquainted with each country, market and the main players in Central Europe. He was responsible for launching new Orco Property Group subsidiaries in Budapest, Warsaw, Bratislava, and Moscow. He was also in charge of developing new activities such as residential buildings, extended stay hotels and luxury hotels. In nearly twenty years of experience, he has acquired, developed and financed more than 100 projects. Mr. Ott is also the representative and managing director of Ott & Co. S.A., which is a member of the Board of Directors of Orco Property Group S.A. and is CEO of Orco Germany S.A. Mr. Ott graduated in finance and economics from the Political Sciences Institute and the Owner-Directors' Program at INSEAD. Mr. Ott speaks French, English and German fluently.

Nicolas Tommasini, CFO and Deputy CEO of Orco Property Group, was involved in business development in Eastern and Central Europe prior to joining Orco Property Group. Mr. Tommasini has been wtih Orco Property Group since 1997 and he has held several senior roles since then. He was, with others, responsible for the Group's international development based in Prague and first country manager of Orco Hungary in 2000. He was appointed CEO of MaMaison Residences at the end of 2002 and led MaMaison and Orco international development, notably in Germany in 2004 and 2005. In 2003 he was also named Vice President in charge of the hospitality division for Orco Property Group, and Managing Director of the Endurance Hospitality Fund, based in Prague. At the end of 2007, Mr. Tommasini was placed in charge of strategy and special projects of the Group, based in Paris. Since 2009, Mr. Tommasini serves as Deputy CEO and CFO. Mr. Tommasini manages investment and partnership transactions, oversees Orco Germany where he is Deputy CEO a member of the Board of Directors, supervises financial reporting and consolidation and Group cash management, manages local countries CFOs and heads Group legal and business planning and investor relations functions. Mr. Tommasini, a French native, holds a degree in political science from the Institut d'Etudes Politiques de Paris and an MSc in international finance from Lancaster University.

Ales Vobruba, Managing Director of Orco Czech Republic and Orco Slovakia, joined Orco Property Group in 1995. Seated in Prague, he held several senior positions within Orco Property Group in the CEE region. Currently, his main responsibilities are bank financing and development strategy within Orco Property Group as well as managing day to day operations of the Czech and Slovak offices. He also is a member of the Board of Directors of Orco Germany S.A. Before joining Orco Property Group, Mr. Vobruba worked at PZO Artia, Dopravni Stavby Olomouc and TAP / ARC (construction and advertising). Mr. Vobruba, a Czech native, studied foreign trade at VSE (economics university) in Prague.

Brad Taylor, General Counsel, has been a licensed attorney in the United States since 1998 and practiced law with Akin Gump Strauss Hauer & Feld in Houston and Greenberg Traurig in Dallas. He then worked with private equity firm Holland Park Capital in Austin before moving to Paris in 2007 to work with

Orco Property Group. Mr. Taylor obtained a Bachelor of Commerce from McGill University, a Juris Doctor from Baylor University School of Law, an MBA from INSEAD and also studied law of the European Union and International Law at Cambridge University.

Yves Désiront, Chief Financial Officer of Orco Property Group S.A., graduated as Ingénieur Commercial of I.C.H.E.C. Brussels. Mr. Désiront joined Orco Property Group in 2005 after a seven-year position as head of consolidation in Groupe Bruxelles Lambert, a Belgian holding company listed on Euronext Brussels and a three-year middle management position at Générale de Banque (Fortis). Mr. Désiront heads the Consolidation, Group Treasury Management, Controlling and Business Intelligence departments. With his teams, he is responsible for the establishment of all internal and external financial reporting. He also supports the Group CFO in his various responsibilities.

Cédric Gabilla, Deputy Head of Asset Management, supports Nicolas Tommasini, Jean-François Ott and the top management of the Orco Group in the overall asset management of the group and supervises and assists asset managers and lease managers across the organization. A French citizen, Cédric offers twelve years of experience in the real estate industry in the acquisition and asset/portfolio management fields within large international investment companies, among them, Archon Group (Goldman Sachs), GE Real Estate and Merrill Lynch, in both Paris and London. In his last assignment with Merrill Lynch, Cédric was responsible for EUR 400 Million equity under asset management across all real estate product types totaling more than 850,000 SQM. In addition to sound asset management experience, Cédric offers a solid real estate transaction background with substantial market and investment exposure on France, Germany and Central Europe.

In 2012, the Executive Committee held 4 meetings.

11.4 Description of internal controls relative to financial information processing.

The Company has organized the management of internal control by defining control environment, identifying the main risks to which it is exposed together with the level of control of these risks, and strengthening the reliability of the financial reporting and communication process.

11.4.1 Control Environment

An organization chart has been redesigned for the two business segments (Property Investment and Development) and a job description has been issued for all positions across Central Europe. There is a limited and defined power of attorney.

A senior internal auditor has been hired in 2012 with the aim to strengthen the internal audit process of the Company.

For the annual closure, the Company's Executive Management fills an individual questionnaire so that any transactions they have carried out with the company as "Related parties" can be identified.

The Audit Committee has a specific duty in terms of internal control; the role and activities of the Audit Committee are described in this Management Report.

11.5 Remuneration and benefits

11.5.1 Board of Directors

See note 31 to the consolidated financial statements.

11.5.2 Executive Committee

See note 31 to the consolidated financial statements.

11.5.3 Employee stock options

See note 27 to the consolidated financial statements.

11.6 Corporate Governance rules and regulations

In reference to the information required by paragraphs (a) to (k) of Article 11(1) of the Law of 19 May 2006 transposing Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004 on takeover bids, the Board of Directors states the following elements:

(a) The structure of the capital, including securities which are not admitted to trading on a regulated market in a Member State, where appropriate with an indication of the different classes of shares and, for each class of shares, the rights and obligations attaching to it and the percentage of total share capital that it represents:

The share capital of the Company is represented by only one class of shares which are all admitted for trading on the regulated markets of the NYSE Euronext Paris, the Prague Stock Exchange, and the Warsaw Stock Exchange.

The Company applied to delist all of its shares from the regulated market of the Budapest Stock Exchange (the "BSE") on 15 November 2011.The shares had been listed on the BSE since 2007. The last trading day of the shares on the BSE was 25 November 2011. Thereafter, the shares had continued to be listed, but not tradable, on the BSE until the "translisting" day of 1 December, 2011 when the shares were delisted and removed from the BSE product list.

(b) Any restrictions on the transfer of securities, such as limitations on the holding of securities or the need to obtain the approval of the company or other holders of securities, without prejudice to Article 46 of Directive 2001/34/EC:

There is no restriction on the transfer of securities of the Company as of 24 March 2011.

(c) Significant direct and indirect shareholdings (including indirect shareholdings through pyramid structures and cross-shareholdings) within the meaning of Article 85 of Directive 2001/34/EC:

To the best of the Company's knowledge, the following table sets out information regarding the ownership of the Company's shares as of 4 March 2013. The information collected is based on the notifications received by the Company from any shareholder crossing the thresholds of 2.5%, 5%, 10%, 15%, 20%, 33 1/3%, 50% and 66 2/3% of the aggregate voting rights in the Company.

Shareholder	Number of shares	% of capital / voting rights
*Gamala Limited	22,972,676	21.3%
Ktown, LP, Kingstown Partners Master Ltd, Kingstown Partners II, LP, and Forum Funds - Absolute Opportunity Fund - Kingstown	13,500,000	12.5%
Alchemy Special Opportunities Fund II L.P.	11,401,367	10.6%
Jean-François Ott (including Ott&Co S.A., Joho Compagnie, Ott Properties, Roxannia Enterprise Cie Ltd and Stationway Properties Limited)	9,580,007	8.9%
*Crestline Ventures Corp.	9,000,000	8.3%
**Credit Suise Securities (Europe) Ltd	(no new shareholding notification)	Between 2.5% and 5%
***August Finance Fund SPC	3,346,205	3.1%
MSREF V Turtle B.V. and Jardenne Corporation S.àr.l.	3,275,996	3.0%
Treasury shares	118,000	0.1%
All other directors and managers as a group	144,667	0.1%
Other	34,502,044	32.0%
Total	**107,840,962**	**100.0%**

*Gamala Limited and Crestline Ventures Corp. are both beneficially owned by Mr. Radovan Vitek, who holds a total of 31,972,676 shares representing 29.65% of the capital and voting rights.

**Based on the notification received on 22 May 2012, OPG believes that Credit Suisse Securities (Europe) Ltd's percentage of shareholding and voting rights remains between the notifiable thresholds of 2.5% and 5%.

***August Finance Fund SPC is an entity associated with former director David Ummels.

(d) The holders of any securities with special control rights and a description of those rights:

None of the Company's principal shareholders has voting rights different from any other holders of the Company's shares.

The Company will respect the rights of its shareholders and ensure they receive equitable treatment. The Company has established a policy of active communication with the shareholders.

To the Company's knowledge, the Company is not aware of any person who owns, directly or indirectly, or exercises control of the Company.

(e) The system of control of any employee share scheme where the control rights are not exercised directly by the employees:

This is not applicable. The Company has no employee share scheme. Nevertheless, a share option plan has been set up. Share options are granted to certain directors and senior employees. The options are granted at the market price on the date of the grant and are exercisable at that price.

(f) Any restrictions on voting rights, such as limitation on the voting rights of holders of a given percentage or number of votes, deadlines for exercising voting rights, or systems whereby, with the Company's cooperation, the financial rights attaching to securities are separated from the holding of securities:

There is no restriction on voting rights.

(g) Any agreements between shareholders which are known to the company and may result in restrictions on the transfer of securities and/or voting rights within the meaning of Directive 2001/34/EC:

To the knowledge of the Company, no shareholder agreements have been entered by and between shareholders that are in effect as of the date of this report.

(h) the rules governing the appointment and replacement of board members and the amendment of the articles of association:

See section 11.2.1 Appointment of Directors beginning on page 42 of this report.

(i) the powers of board members, and in particular the power to issue or buy back shares:

See section 11.2.3 Powers of the Board of Directors beginning on page 43 of this report.

(j) any significant agreements to which the company is a party and which take effect, alter or terminate upon a change of control of the company following a takeover bid, and the effects thereof, except where their nature is such that their disclosure would be seriously prejudicial to the company; this exception shall not apply where the company is specifically obliged to disclose such information on the basis of other legal requirements:

Pursuant to the provisions of the New Notes issued by the company on 4 October 2012, following the acquisition of 50% of the voting rights or assets of the company, holders have the right to redeem their New Notes at the current outstanding principal amount plus accrued and unpaid interest.

(k) any agreements between the company and its board members or employees providing for compensation if they resign or are made redundant without valid reason or if their employment ceases because of a takeover bid:

As at 31 December 2012, the potential termination indemnity payment to some members of the Company's management amounted to EUR 16 Million. This indemnity would become payable by the Company to the relevant management members only if the relationship between the Company and the management member is terminated by either party during the six-month period following a change of control of the Company. An additional indemnity to some members of the management amounts to EUR 2.7 Million and is payable in the event of termination.

11.7 Additional information

11.7.1 Legal form and share capital

Orco is a public limited company ("société anonyme") incorporated and existing under Luxembourg law. Its corporate capital and subscribed and fully paid-up capital of EUR 215,681,924 is represented by 107,840,962 shares without nominal value as of 4 February 2013. The accounting par value price is EUR 2 per share. The extraordinary general meeting of 4 February 2013 voted to decrease the corporate capital of the Company from EUR 442,147,944.20 to EUR 215,681,924 without cancellation of shares, by decreasing the accounting par value from its previous value of EUR 4.10 to EUR 2 per share.

11.7.2 Date of incorporation and termination

The Company was incorporated by deed drawn on 9 September 1993 by Maître Frank Baden, for an indeterminate period of time.

11.7.3 Jurisdiction and applicable laws

The Company exists under the Luxembourg Act of 10 August 1915 on commercial companies, as amended and its primary regulator is the Commission de Surveillance du Secteur Financier. In addition, as the Company's shares are listed on NYSE Euronext Paris, the Prague Stock Exchange, and the Warsaw Stock Exchange, the securities laws of the countries in which these stock exchanges are located could be applicable.

11.7.4 Object of business

As described in article 4 of the updated Articles of Association of the Company, its corporate purpose is the direct acquisition of real property, the holding of ownership interests and the making of loans to companies that form part of its group. Its activity may consist in carrying out investments in real estate, such as the purchase, sale, construction, valorization, management and rental of buildings, as well as in the promotion of real estate, whether on its own or through its branches.

Likewise, its activity may consist in carrying out investments in the hotel industry, such as the purchase, sale, construction, valorization, management and running of hotels on its own or through its branches.

It has as a further corporate purpose the holding of ownership interests, in any form whatsoever, in any commercial, industrial, financial or other Luxembourg or foreign companies, whether they are part of the group or not, the acquisition of all and any securities and rights by way of ownership, contribution, subscription, underwriting or purchase options, or negotiation, and in any other way, and in particular the acquisition of patents and licenses, their management and development, the granting to undertakings in which it holds a direct or indirect stake of all kinds of assistance, loans, advances or guarantees and finally all and any activities directly or indirectly relating to its corporate purpose. It may thus play a financial role or carry out a management activity in enterprises or companies it holds or owns.

The Company may likewise carry out all and any commercial, property, real estate and financial operations likely to relate directly or indirectly to the activities defined above and susceptible to promoting their fulfillment.

11.7.5 Trade register

RCS Luxembourg B 44 996.

11.7.6 Financial year

The Company's financial year begins on the first day of January and ends on the thirty-first day of December.

11.7.7 Distribution of profits and payment of dividends

Each year, at least five per cent of the net corporate profits are set aside and allocated to a reserve. Such deduction ceases being mandatory when such reserve reaches ten per cent of the corporate capital, but will resume whenever such reserve falls below ten per cent. The general meeting of shareholders determines the allocation and distribution of the net corporate profits.

Payment of dividends:

The Board of Directors is entitled to pay advances on dividends when the legal conditions listed below are fulfilled:

- an accounting statement must be established which indicates that the available funds for the distribution are sufficient;
- the amount to be distributed may not exceed the amount of revenues since the end of the last accounting year for which the accounts have been approved, increased by the reported profits and by the deduction made on the available reserves for this purpose and decreased by the reported losses and by the sums allocated to reserves in accordance with any legal and statutory provision;
- the Board of Directors' decision to distribute interim dividends can only be taken within two months after the date of the accounting statement described above;
- the distribution may not be determined less than six months after the closing date of the previous accounting year and before the approval of the annual accounts related to this accounting year;

- whenever a first interim dividend has been distributed, the decision to distribute a second one may only be taken at least three months after the decision to distribute the first one; and

- the statutory and independent auditor(s) in its (their) report to the Board of Directors confirm(s) the conditions listed above are fulfilled.

Under general Luxembourg law, the conditions for making advances on dividends are less stringent than the conditions listed above, however, the more restrictive provisions of the Company's Articles of Association will prevail as the recent changes under Luxembourg law have not yet been reflected in the Articles of Association of the Company.

When an advance distribution exceeds the amount of dividend subsequently approved by the general meeting of shareholders, such advance payment is considered an advance on future dividends.

11.7.8 Exceeding a threshold

Any shareholder who crosses a threshold limit of 2.5%, 5%, 10%, 15%, 33 1/3%, 50% or 66 2/3% of the total of the voting rights must inform the Company, which is then obliged to inform the relevant controlling authorities. Any shareholder not complying with this obligation will lose his voting rights at the next general meeting of shareholders.

11.7.9 Documents on display

Copies of the following documents may be inspected at the registered office of the Company (tel : +352 26 47 67 1), 42 rue de la Vallée, L-2661 Luxembourg, on any weekday (excluding public holidays) during normal business hours:

1. Articles of Association of the Company;

2. Audited consolidated financial statements of the Company as of and for the years ended 31 December 2012, 2011 and 2010, prepared in accordance with IFRS;

The registration document and most of the information mentioned are available on the Company's website: www.orcogroup.com.

The registration document is available on the website of Luxembourg Stock Exchange: www.bourse.lu.

11.8 External Auditors

Since June 2002, HRT Révision S.A. (cabinet de révision agréé), having its registered office at 23, Val Fleuri, L-1526 Luxembourg, is the independent auditor of the Company (réviseur d'entreprises agréé) reappointed by the ordinary general meeting of shareholders of 26 April 2010. Their appointment expires at the end of the ordinary general meeting of shareholders to be convened to approve the accounts for the financial year ended 31 December 2012. The HRT Group is an independent member of a worldwide network of audit and chartered accounting firms known as "POLARIS international", and is a member of the Luxembourg Institute of registered auditors (Institut des réviseurs d'entreprises).

The general meeting of 28 April 2011 decided to terminate the mandate of PricewaterhouseCoopers S.à r.l., having its registered office at 400 Route d'Esch, L-1471 Luxembourg, independent auditor of the Company since 2004 and a member of the Luxembourg Institute of registered auditors (Institut des réviseurs d'entreprises) and to appoint Deloitte Audit Société à responsabilité limitée, having its registered office at 560, rue de Neudorf, Luxembourg L-2220, being a member of the Luxembourg Institute of registered auditors (Institut des réviseurs d'entreprises).

12 Shareholding

12.1 Share capital and voting rights

As of 4 February 2013, the subscribed and fully paid-up capital of the Company of EUR 215,681,924 is represented by 107,840,962 shares without nominal value. The accounting par value is EUR 2 per share.

The share capital may be increased up to an amount of two hundred thirty-one Million sixteen thousand thirty euros (EUR 231,016,030) through the creation and issue of new shares without par value enjoying the same rights and privileges as existing shares.

All the shares issued by the Company are fully paid and have the same value. The shares will be either in the form of registered shares or in the form of bearer shares, as decided by the shareholder, except to the extent otherwise provided by law.

The shareholder can freely sell or transfer the shares. The shares are indivisible and the Company only recognizes one holder per share. If there are several owners per share, the Company is entitled to suspend the exercise of all rights attached to such shares until the appointment of a single person as owner of the shares. The same applies in the case of usufruct and bare ownership or security granted on the shares.

Joint owners of shares must be represented within the Company by one of them considered as sole owner or by a proxy, who in case of conflict may be legally designated by a court at the request of one of the owners.

12.2 Shareholder holding structure

To the best of the Company's knowledge, the following table sets out information regarding the ownership of the Company's shares as of 4 March 2013. The information collected is based on the notifications received by the Company from any shareholder crossing the thresholds of 2.5%, 5%, 10%, 15%, 20%, 33 1/3%, 50% and 66 2/3% of the aggregate voting rights in the Company.

Shareholder	Number of shares	% of capital / voting rights
*Gamala Limited	22,972,676	21.3%
Ktown, LP, Kingstown Partners Master Ltd, Kingstown Partners II, LP, and Forum Funds - Absolute Opportunity Fund - Kingstown	13,500,000	12.5%
Alchemy Special Opportunities Fund II L.P.	11,401,367	10.6%
Jean-François Ott (including Ott&Co S.A., Joho Compagnie, Ott Properties, Roxannia Enterprise Cie Ltd and Stationway Properties Limited)	9,580,007	8.9%
*Crestline Ventures Corp.	9,000,000	8.3%
**Credit Suise Securities (Europe) Ltd	(no new shareholding notification)	Between 2.5% and 5%
***August Finance Fund SPC	3,346,205	3.1%
MSREF V Turtle B.V. and Jardenne Corporation S.àr.l.	3,275,996	3.0%
Treasury shares	118,000	0.1%
All other directors and managers as a group	144,667	0.1%
Other	34,502,044	32.0%
Total	**107,840,962**	**100.0%**

*Gamala Limited and Crestline Ventures Corp. are both beneficially owned by Mr. Radovan Vitek, who holds a total of 31,972,676 shares representing 29.65% of the capital and voting rights.

**Based on the notification received on 22 May 2012, OPG believes that Credit Suisse Securities (Europe) Ltd's percentage of shareholding and voting rights remains between the notifiable thresholds of 2.5% and 5%.

***August Finance Fund SPC is an entity associated with director David Ummels.

12.3 General meetings of shareholders

12.3.1 Ordinary general meetings of shareholders

Shareholders at the general meetings of shareholders have the broadest powers to adopt or ratify any action relating to the Company. Directors' appointments are made in accordance with the ordinary rules of deliberating assemblies. Every shareholder is entitled to vote personally or by proxy in accordance with the provisions of the Articles of Association. Every shareholder may take part in the deliberations, with a number of votes equal to the number of shares held, without limitation. The Board of Directors is entitled to adjourn a meeting, while in session, to four weeks later on its own or upon request of a shareholder or shareholders. It must do so at the request of shareholders representing at least one-fifth of the share capital of the Company. Any such adjournment, which also applies to general meetings called for the purpose of amending the Articles of Association, will cancel any resolution passed until it is again taken up at the second general meeting. The second meeting is entitled to pass final resolutions provided that, in cases of amendment of the Articles of Association, the conditions as to quorum laid down by Article 23 of the Articles of Association are fulfilled. The annual general meeting of shareholders is held on the last Thursday of May at 2 p.m. CET time in Luxembourg at the registered office or at such other place as may be specified in the notice convening the meeting. If such day is a public holiday, the meeting will be held on the previous business day. The Board of Directors and the auditors are entitled to convene the general meeting of shareholders. They must convene the meeting if shareholders which represent one-tenth of the share capital require it by a written request, indicating the agenda proposed for such meeting. Such meeting will be held within one month of the written request. The notices for each general meeting of shareholders will contain the agenda and will be published at least thirty days prior to the meeting, in the *Mémorial C, Recueil des Sociétés et Associations* and in a Luxembourg newspaper. If all shares are in registered form, the notices may be sent by registered mail. At the annual general meeting, shareholders also receive the directors' and statutory and/or independent auditors' reports as well as the annual accounts. The annual accounts are to be filed by the directors of the Company with the Register of Commerce and Companies within one month of their approval.

12.3.2 Extraordinary general meetings of shareholders/bondholders

A resolution adopted at an extraordinary general meeting of shareholders may amend any provision of the Articles of Association. However, the nationality of the Company may be changed and the commitments of its shareholders may be increased only with the unanimous consent of all shareholders and bondholders of the Company.

The extraordinary general meeting of shareholders may not validly deliberate unless at least one half of the capital is represented and the agenda indicates the proposed amendments to the Articles, and where applicable, the text of those which concern the purposes or the form of the Company. If the first of these conditions is not satisfied, a second meeting may be convened, in the manner prescribed in the Articles of Association, by publishing at least seventeen days before the meeting, notices of such meeting in the *Mémorial C, Recueil des Sociétés et Associations* and in a Luxembourg newspaper. Such convening notice must reproduce the agenda and indicate the date and the results of the previous meeting. The second meeting will validly deliberate, regardless of the proportion of the capital that is represented. At both meetings, resolutions must be approved by at least two-thirds of the votes of the shareholders present or represented in order to be adopted.

Every shareholder is entitled to vote in person or by proxy. Each share entitles its holder to one vote. Any amendments concerning the purposes or the form of the Company must be also approved by the general meeting of all bondholders of the Company. Such meeting may not validly deliberate unless at least one half of the bonds outstanding are represented and the agenda indicates the proposed amendments. If the first of these conditions is not fulfilled, a second meeting may be convened in accordance with the conditions noted above. At the second meeting, bondholders who are not present or represented are regarded as being present and as voting for the proposals of the Board of Directors. The following requirements must be met subject to voidance of any resolutions adopted in breach thereof:

- the notice of the second meeting must contain the agenda of the first meeting and indicate the date and the minutes of that meeting
- the notice must specify the proposals of the Board of Directors on each of the items of such agenda, indicating the amendments proposed
- the notice must contain a notice to bondholders that failure to attend the meeting shall be deemed to indicate support for the proposals of the Board of Directors.

At both meetings, resolutions are validly adopted if they receive the approval of two-thirds of the votes.

12.4 Stock subscription rights

See note 27 to the consolidated financial statements.

12.5 Authorized capital not issued

The Company's Extraordinary General Meeting of 28 April 2011 granted to the Board of Directors, authorization to increase the Company's share capital in accordance with article 32-3 (5) of Luxembourg corporate law.

The Board of Directors was granted full power to proceed with the capital increases within the revised authorized capital of EUR 410,000,000 under the terms and conditions it will set, with the option of eliminating or limiting the shareholders' preferential subscription rights as to the issuance of new shares within the authorized capital.

The Board of Directors is authorized, during a period of five (5) years from the date of the general meeting of shareholders held on 28 April 2011, without prejudice to any renewals, to increase the issued capital on one or more occasions within the limits of the authorized capital. The Board of Directors is authorized to determine the conditions of any capital increase including through contributions in cash or in kind, among others, the conversion of debt into equity, by offsetting receivables, by the incorporation of reserves, issue premiums or retained earnings, with or without the issue of new shares, or following the issue and the exercise of subordinated or non-subordinated bonds, convertible into or repayable by or exchangeable for shares (whether provided in the terms at issue or subsequently provided), or following the issue of bonds with warrants or other rights to subscribe for shares attached, or through the issue of stand-alone warrants or any other instrument carrying an entitlement to, or the right to subscribe for, shares.

The extraordinary general meeting of the Company held on 28 June 2012 voted to increase the authorized share capital by EUR 63,582,861.50 to a total of EUR 473,582,861.50. The use of this additional authorized share capital is limited to the purposes of issuing (i) up to 65,000,000 new shares of the Company resulting from the substitution of the OPG Bonds into shares of the Company, (ii) up to 7,848,081 new shares of the Company resulting from the conversion of the bonds convertible into shares (the "OCA") in relation to the second payment of the OCAs and in accordance with the terms and conditions of the OCAs, (iii) 2,248,673 new shares of the Company to other creditors of the Company under the Plan de Sauvegarde and (iv) 4,995,855 new shares of the Company to the holders of warrants issued by the Company.

On 14 May 2012, the Company issued 18,361,540 new shares as a first payment on the OCA (ISIN XS0741974009) issued by the Company on 9 May 2012 against the contribution of approximately 84.5% of the Orco Germany bonds (ISIN XS0302623953). On 3 September 2012, the Company issued 64,577,483 new shares in a mandatory exchange for approximately 89.9% of its bonds. On 28 September 2012, the Company issued 7,848,073 new shares as the second and final payment on the OCA.

The Board of Directors has EUR 31,434,917.30 remaining in authorized and unissued share capital at its disposal as of 31 December 2012 (following the capital decrease voted by the extraordinary general meeting of the Company held on 4 February 2013, this amount is EUR 15,334,106). Considering that the Company's bond restructuring has been completed and items (i), (ii) and (iii) above are no longer applicable, the use of this authorized share capital is limited to the issuance of a maximum of 4,995,855 shares, solely to cover the exercise of warrants issued by the Company.

12.6 Transactions on treasury shares

As of 31 December 2012, the Company and its indirect subsidiary called ORCO Russian Retail ("ORR") own 315,915 treasury shares which can be split as follows:

	Numbers of shares	Value in EUR
Orco Property Group	9,761	20,382.22
Orco Germany	2,263	4,299,70
ORR	943,350	1,845,299.17
Total	955,374	1,869,981.09

The table hereafter summarizes the transactions realized by the Company, OG and ORR in 2012 on its own shares:

	Acquisitions / Bonds Exchange	Sales and commitments
Number of shares (% of total shares)	930,490 (0.86 %)	291,031 (0.27 %)
Total Price (EUR)	1,442,226	626,031
Average price per share (EUR)	1.550	2.151

Acquisitions in 2012:

1. On 3 September 2012 ORR received 232 OPG shares in exchange of OPG Bonds.

2. On 5 September 2012 ORR received 90,661 OPG shares in exchange of OPG Bonds.

3. On 7 September 2012 ORR received 837,334 OPG shares in exchange of OPG Bonds.

4. On 7 September 2012 OG received 2,263 OPG shares in exchange of OPG Bonds.

Total: 930,490 OPG shares

Sales and commitments in 2011:

1. On 27 June 2012, 45,000 OPG shares were transferred to Arquitectonica International Corporation in accordance with the Settlement of debt agreement dated 27 June 2012, entered into between Arquitectonica International Corporation, Bubny Development sro, Orco Property Sp zoo and the Company.

2. On 29 August 2012, 200,000 OPG shares were transferred to Lionsfeld Capital Ltd in accordance with the Consultancy Agreement dated 1 July 2011, entered into between Lionsfeld Capital Ltd and the Company.

3. On 20 December 2012 ORR sold 16,031 OPG shares.

4. On 28 December 2012 ORR sold 30,000 OPG shares.

As such, there are no other OPG shares on OPG's or its subsidiaries' accounts other than those from before 2012 that have already been declared.

Transactions on treasury shares in 2011

As of December 2011, the Company and its indirect subsidiary called ORCO Russian Retail ("ORR") own 315,915 treasury shares which can be split as follows:

	Numbers of shares	Value in EUR
Orco Property Group	9,761	65,749.77
ORR	306,154	2,490,196.30
Total	315,915	2,555,946.07

The table hereafter summarizes the transactions realized by the Company and ORR in 2011 on its own shares:

	Acquisitions	Sales and commitments
Number of shares (% of total shares)	1,068,425 (6.27 %)	841,965 (4.94 %)
Total Price (EUR)	8,694,540	6,834,374
Average price per share (EUR)	8.138	8.117

Acquisitions in 2011:

1. On 21 February 2011 ORR purchased 499,481 OPG shares.

2. On 21 February 2011 ORR purchased 124,944 OPG shares.

3. On 10 May 2011 ORR purchased 432,000 OPG shares.

4. On 24 June 2011 ORR purchased 5,000 OPG shares.

5. On 27 June 2011 ORR purchased 7,000 OPG shares.

Total: 1,068,425 OPG shares

Sales and commitments in 2011:

1. On 16 December 2010, 79,694 OPG shares were instructed to be transferred from our accounts to repay a supplier and were effectively delivered as of 19 January 2011.

2. On 1 April 2011 ORR sold 3,425 OPG shares.

3. On 4 April 2011 ORR sold 6,000 OPG shares.

4. On 6 April 2011 ORR sold 15,000 OPG shares.

5. On 11 April 2011 ORR sold 7,500 OPG shares.

6. On 12 April 2011 ORR sold 5,000 OPG shares.

7. On 13 April 2011 ORR sold 17,500 OPG shares.

8. On 14 April 2011 ORR sold 8,000 OPG shares.

9. On 18 April 2011 ORR sold 6,300 OPG shares.

10. On 19 April 2011 ORR sold 50,388 OPG shares.

11. On 20 April 2011 ORR sold 27,132 OPG shares.

12. On 21 April 2011 ORR sold 432,000 OPG shares.

13. On 21 April 2011, free attribution of 15,000 OPG shares to Yves Désiront by the Company

14. On 2 May 2011 ORR sold 7,680 OPG shares.

15. On 3 May 2011 ORR sold 5,800 OPG shares.

16. On 9 May 2011 ORR sold 2,700 OPG shares.

17. On 10 May 2011 ORR sold 8,100 OPG shares.

18. On 11 May 2011 ORR sold 3,400 OPG shares.

19. On 12 May 2011 ORR sold 2,500 OPG shares.

20. On 13 May 2011 ORR sold 11,000 OPG shares.

21. On 30 May 2011, free attribution of 15,000 OPG shares to Ogi Jaksic by the Company

22. On 1 June 2011 ORR sold 3,000 OPG shares.

23. On 2 June 2011 ORR sold 9,000 OPG shares.

24. On 3 June 2011 ORR sold 1,733 OPG shares.

25. On 6 June 2011 ORR sold 3,500 OPG shares

26. On 7 June 2011 ORR sold 2,500 OPG shares

27. On 8 June 2011 ORR sold 963 OPG shares

28. On 9 June 2011 ORR sold 4,570 OPG shares

29. On 22 July 2011, 40,000 OPG shares were transferred to Courcelette Holdings LLC. in accordance with the Service Contract dated 1 July 2011, entered into between Courcelette Holdings LLC and the Company.

30. On 29 August 2011, 47,580 OPG shares were transferred to Metrostav AS. in accordance with the Settlement of debt agreement dated 23 August 2011, entered into between Metrostav AS, Orco Development SRO and the Company.

As such, there are no other OPG shares on OPG or its subsidiaries' accounts other than those from before 2011 that have already been declared.

13 Potential risks and other reporting requirements

13.1 Subsequent closing event: See point 4 of this management report

Pursuant to requests from shareholders holding more than five percent of the share capital, the Company convened an ordinary general meeting and an extraordinary general meeting to be held on 4 February 2013.

The ordinary general meeting voted to remove David Ummels from the Board of Directors and to appoint of Mr. Guy Shanon of Kingstown Capital Management, LP, Mr. Ian Cash and Mr. Alex Leicester of Alchemy Special Opportunities LLP and Mr. Radovan Vítek, Mr. Martin Němeček and Mr. Jiří Dedera of Ventures Corp. and Gamala Limited to the Board of Directors.

The extraordinary general meeting voted to decrease the corporate capital of the Company from EUR 442,147,944.20 to EUR 215,681,924 without cancellation of shares, by decreasing the accounting par value from EUR 4.10 to EUR 2 per share in order to adapt the accounting par value to the prevailing market price for the Company's shares.

13.2 Activities in the field of research and development

Not applicable

13.3 Financial Risks Exposure

For a thorough description of the principal risks and uncertainties, see notes 2.1.1.3 and 3.1 to the year end 2012 consolidated financial statements.

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group financial performance. The Group uses financial instruments to mitigate certain risk exposures.

Risk management, being formalized, is carried out by the Group's Chief Financial Officer (CFO) and his team. As a result of the current restructuring, the policies are under review for approval by the Board of Directors. The Group's CFO identifies, evaluates and mitigates financial risks in close co-operation with the Group's operating units. The Audit Committee and the Board of Directors provide principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

13.3.1 The Group is exposed to financing risk

The Group finances the majority of its real estate developments through borrowings. Although the Company has historically enjoyed positive relationships with several banks, due to the liquidity crisis on the financial markets and to the Safeguard Procedure, the Company and its subsidiaries may be unable to obtain the requisite waivers for covenant noncompliance or extensions on short term loans that finance long term assets and projects. If the Group is unable to obtain the requisite waivers or extensions, it may have to refinance those loans with the risk that loans may not be able to be refinanced or that the terms of such refinancing may be less favorable than the existing terms of the original loans. The failure to obtain such refinancing or obtaining refinancing on less favorable terms could adversely affect the Group's business, financial condition, results of operations and prospects.

Management is particularly focused on refinancing, extending or repaying (upon sale of the financed assets) its short-term loans, which as of 31 December 2012 amount to EUR 233 Million due in or before December 2013.

13.3.2 Risk of the Company acting as guarantor of its subsidiaries under bank loans

The Company is frequently a guarantor of loans granted by various banks in different countries to the Company's various subsidiaries.

If a subsidiary is unable to meet its obligations under a particular loan agreement pursuant to which the Company has provided a guarantee, the Company may be required to reimburse the bank all amounts owed under such a loan agreement. Following the approval of the Safeguard plan, however, such subsidiary guarantees could be enforced against the Company and would be repaid according to the terms of the Safeguard plan.

13.3.3 Certain subsidiaries may be in breach of loan covenants

As of the date of this report, certain of the Company's subsidiaries are in breach of financial ratios specified in their respective loan agreements and administrative covenants and have outstanding loan for a total amount of approximately EUR 146Million]. Several of the Group's loan documents contain cross-default provisions that could be triggered. As a consequence, the lending banks may accelerate such loans which may result in a default and a forced sale of the pledged assets.

As of the date of this report, one bank is accelerating a loan related to the Szczecin project in Poland. This loan is non-recourse to the [Group]. None of the other banks are accelerating any of the breached loans, but instead are continuing to accept regular payments of principal and interest under the loan agreements. However, the acceptance of payments under the loan agreements does not constitute a modification of the various loan agreements, or a waiver of any of the covenants and the bank's rights or remedies under the loan agreements, including the right to accelerate the loan in the future after the giving of notice. There can be no assurance, however, that the various banks will agree to modify or waive any of the loan covenants and rights or remedies under the loan agreements or require partial repayment of the relevant loans.

13.3.4 The Group's financing arrangements could give rise to additional risk

When the Group acquires a property using external financing, the Group usually gives a mortgage over the acquired property and pledges the shares of the specific subsidiary acquiring the property. There can be no assurance that the registration of mortgages and pledges has been concluded in accordance with applicable local law, and a successful challenge against such mortgages or pledges may entitle the lender to demand early repayment of its loan to the Group. The Group's financing agreements contain financial covenants that could, among other things, require the Group to maintain certain financial ratios. In addition, some of the financing agreements require the prior written consent of the lender to any merger, consolidation or corporate changes of the borrower and the other obligors. Should the Group breach any representations, warranties or covenants contained in any such loan or other financing agreement, or otherwise be unable to service interest payments or principal repayments, the Group may be required immediately to repay such borrowings in whole or in part, together with any related costs. If the Group does not have sufficient cash resources or other credit facilities available to make such repayments, it may be forced to sell some or all of the properties comprising the Group's investment portfolio, or refinance those borrowings with the risk that borrowings may not be able to be refinanced or that the terms of such refinancing may be less favorable than the existing terms of borrowing.

13.3.5 Market risk

Foreign exchange risk

Currency risk is applicable generally to those business activities and development projects where different currencies are used for repayment of liabilities under the relevant financing to that of the revenues generated by the relevant property or project. The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Czech Koruna (CZK), the Polish Zloty (PLN), the Hungarian Forint (HUF) and the Croatian Kuna (HRK) and secondarily to the US Dollar (USD) and the Russian Ruble (RUB). Foreign exchange risk, as defined by IFRS 7, arises mainly from recognized monetary assets and liabilities. Currency risk is managed where possible by using the same currency for financing as that in which revenues will be generated. In the event that different currencies are used, the Group companies limit the risk, where appropriate, by using hedging instruments. Nevertheless, because the Group companies' operating costs are denominated in local currencies, fluctuations in the exchange rates of these currencies can lead to volatility in the financial statements of the Group companies. In addition, loans, operating income and - except in the development activities - sales of buildings are mainly denominated in Euro (EUR). The Group currently does not use foreign currency derivatives contracts, as salaries, overhead expenses, future purchase contracts in the development sector, building refurbishment and construction costs are mainly denominated in local currencies, but may do so in the future. The main circumstance for the Group to put in place currency derivatives is for the financing of a construction contract when the local currency operations do not generate sufficient cash and as a result that construction contract must be financed with another currency. Any loss accruing to the Group due to currency fluctuations may have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Price risk

The Group is exposed to equity risks from the Endurance Real Estate Fund and Novy Fund, which are classified in financial assets at fair value through profit or loss.

Furthermore, the Group is exposed to price risk from embedded derivatives on instruments issued by Orco Germany S.A. The derivative instruments are classified in the consolidated balance sheet under "Derivative instruments".

To manage its price risk arising from investments in equity securities and such embedded derivatives, the Group diversifies its portfolio or only enters these operations if they are linked to operational investments. No sensitivity analysis has been performed.

Interest rate risk

The Group uses floating and fixed rate debt financing to finance the purchase, development, construction and maintenance of its properties. When floating rate financing is used, the Group's costs increase if prevailing interest rate levels rise. While the Group generally seeks to control its exposure to interest rate risks by entering into interest rate swaps, not all financing arrangements are covered by such swaps and a significant increase in interest expenses would have an unfavorable effect on the Group's financial results and may have a material adverse effect on the Group's business, financial condition, results of operations and prospects. Rising interest rates could also affect the Group's ability to make new investments and could reduce the value of the properties. Conversely, hedged interests do not allow the Company to benefit from falling interest rates.

Other risks

The Group is also exposed to property price and property rentals risk but it does not pursue any speculative policy. Even though the Group's activities are focused on one geographical area – Western and Eastern Europe and Russia - such activities are spread over several business lines (residences, offices, hotels) and different countries.

13.3.6 Credit risk

The Group has no significant concentrations of credit risk. Rental contracts are made with customers with an appropriate credit history. Cash transactions are limited to high credit-quality financial institutions. The Group has policies that limit the amount of credit exposure to any financial institution. Credit risk is managed by local management and by Group management.

13.3.7 Risks associated with the implementation of the Safeguard plan

Some subsidiaries and joint ventures held by the Group require funding to continue as going concerns. The business plan is built on the capacity of the Group to generate sufficient cash from its profitable activities in order to support the assets that are currently in development or restructuring. The structure of the Group generally prevents the recourse of creditors against the Company. The Group is organized into a number of sub-holdings such as Orco Germany or Hospitality Invest, or into SPVs owning dedicated assets. In the few potential cases of recourse against the Company, it is protected by the Safeguard plan which would term out any exercise of guarantees. Therefore any existing funding problem other than mentioned above would not on its own prevent a conclusion on the going concern.

13.3.8 Risks associated with real estate and financial markets

Changes in the general economic and cyclical parameters, especially a continuation of the financial crisis, may negatively influence the Group's business activity

The Group's core business activity is mainly based on the letting and sale of real estate property. The revenues from rents and revenues from sales of real estate property investments are key figures for the Group's value and profitability. Rents and sales prices depend on economic and cyclical parameters, which the Group cannot control.

The Group's property valuations may not reflect the real value of its portfolio, and the valuation of its assets may fluctuate from one period to the next

The Group's investment property portfolio is valued at least once a year by an independent appraiser, DTZ. The Group's property assets were fully valued as of 31 December 2012. The change in the appraised value of investment properties, in each period, determined on the basis of expert valuations and adjusted to account for any acquisitions and sales of buildings and capital expenditures, is recorded in the Group's income statements. For each euro of change in the fair value of the investment properties, the net income of the Group changes by one euro. Changes in the fair value of the buildings could also affect gains from sales recorded on the income statement (which are determined by reference to the value of the buildings at the beginning of the accounting period during which the sale is realized) and the rental yield from the buildings (which is equal to the ratio of rental revenues to the fair value of the buildings). Furthermore, adverse changes in the fair value of the buildings could affect the Group's cost of debt financing, its compliance with financial covenants and its borrowing capacity.

The values determined by independent appraisers are based on numerous assumptions that may not prove correct, and also depend on trends in the relevant property markets. An example is the assumption that the Company is a "going concern", i.e., that it is not a "distressed seller" whose valuation of the property assets may not reflect potential selling prices. In addition, the figures may vary substantially between valuations. A decline in valuation may have a significant adverse impact on the Group's financial condition and results, particularly because changes in property values are reflected in the Group's consolidated net profit. Reversely, valuations may be lagging soaring market conditions, inadequately reflecting the fair property values at a later time.

The Group is also exposed to valuation risk regarding the receivables from its asset sales. Management values these receivables by assessing the credit risk attached to the counterparties for the receivables. Any change in the credit worthiness of a counterparty or in the Group's ability to collect on the receivable could have a significant adverse impact on the Group's financial position and results. At 31 December 2012, the Group had receivables of approximately EUR 73.1 Million related to asset sales.

Changing residential trends or tax policies may adversely affect sales of developments

The Group is involved in residential, commercial and retail development projects. Changing residential trends are likely to emerge within the markets in Central and Eastern Europe as they mature and, in some regions, relaxed planning policies may give rise to over-development, thereby affecting the sales potential of the Group's residential developments. Changing real estate taxes or VAT taxes may also have a notable impact on sales (such as for example a hike in sales before implementation of a tax increase followed by structurally lower sales). These factors will be considered within the investment strategy implemented by the Group but may not always be anticipated and may have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

14 Stock market performance

14.1 Shares of the Company

The Company shares (ISIN LU0122624777) are listed on Paris Stock Exchange (Euronext) since 2000, on the main market of Prague Stock Exchange since 2005 and on the main markets of Warsaw Stock Exchange. Changes in share price (COB) and volume traded in 2012 on Euronext are listed below.

Prices are in EUR/share:

Period	Low	High	Volume
Jan-12	3.21	4.06	1,510,000
Feb-12	3.80	4.95	1,557,600
Mar-12	3.65	4.35	561,100
Apr-12	3.00	4.05	576,000
May-12	2.25	3.89	1,711,300
Jun-12	2.41	3.14	890,400
Jul-12	1.82	2.64	664,600
Aug-12	1.87	2.45	2,410,300
Sep-12	1.37	2.05	16,615,000
Oct-12	1.62	3.23	40,925,900
Nov-12	2.16	2.85	10,598,600
Dec-12	2.36	2.93	4,409,500
Total annual transactions			**82,430,300**
Lowest/highest of the year	**1.37**	**4.95**	

14.2 Other financial instruments of Orco Property Group

The table below sets forth the list of financial instruments of the Company.

Name	Type	ISIN
Orco Property Group shares including : (Orco Property group SA, Orco Group OPG.WA, , Orco Property GP NPV)	Equity	LU0122624777
Bond 2007 - 2014	Fixed income	XS0291838992
Warrant 2007 - 2014	Equity	XS0290764728
Convertible bond 2006 - 2013	Fixed income	FR0010333302
Bond cum warrant 2007 -2014	Fixed income	XS0291840626
Variable rate bond 2005-2011	Fixed income	CZ0000000195
Bond 2005 - 2010	Fixed income	FR0010249599
Warrant 2005-2012 Note: Exchange offer against 2014 warrants, closed in November 2007	Equity	LU0234878881
Exchangeable bond into Hvar shares 2012	Fixed income	XS0223586420

The shares of Orco Germany S.A. and Suncani Hvar are also listed on Frankfurt Stock Exchange and Zagreb Stock Exchange respectively.

15 Corporate Responsibility

The ORCO Foundation is making a difference in people's lives in Central Europe via three areas of activity:

- Providing social programs that offer therapeutic solutions to individuals or families faced with illness or in distress
- Creating events that bring together local communities and Group employees for the benefit of the environment
- In the long-term, renovating or constructing buildings dedicated to social works, possibly a home for the elderly or a day center for at-risk youths.

The ORCO Foundation is active in the Czech Republic, Germany, Slovakia, Hungary, Poland, and Croatia with a team of 8 dedicated board members. Created in January 2008, the ORCO Foundation chooses local associations for its social programs, working with transparency and diligent follow-up on the projects it supports. The ORCO Foundation also organizes and funds its own events that occur annually such as Children for Children (Deti pro Deti) which mobilize children and families to help children with cancer.

In 19 years of presence in Central Europe, the Group has not only brought architecturally innovative and aesthetic buildings to cities in Central Europe, the Company has also actively supported charities that improve the quality of life of people in the region. The board of the Company voted in 2007 to unite its charitable activities in six countries under one roof – hence the creation of the ORCO Foundation.

For detailed information on ORCO Foundation - its mission, guiding principles, team and actions, please visit the following website: www.orco-foundation.com.

16 Table of location of EPRA indicators

17 Glossary & Definitions

Adjusted EBITDA

The Adjusted EBITDA is the recurring operational cash result calculated by deduction from the operating result of non-cash items and non-recurring items (Net gain or loss on fair value adjustments – Amortizations, impairments and provisions – Net gain or loss on the sale of abandoned developments – Net gain or loss on disposal of assets) and the net results on sale of assets or subsidiaries.

Average daily rate (ADR)

ADR is calculated by dividing the room revenue by the number of rooms occupied.

EPRA

European Public Real Estate Association.

EPRA NAV per share

EPRA NAV divided by the diluted number of shares at the period end. Formula is available into the EPRA NNNAV definition.

EPRA Net Initial Yield

The annualized rental income based on the cash rents passing at the balance sheet date, less non-recoverable property operating expenses, divided by the gross market value of the property. (Calculated by the Group's external valuer).

EPRA NNNAV or EPRA Triple Net Asset Value

A company's adjusted per-share NAV.

Methodology:

The triple net NAV is an EPRA recommended performance indicator.

Starting from the NAV following adjustments are taken into consideration:

- *Effect to dilutive instruments: financial instruments issued by company are taken into account. When they have a dilutive impact on NAV, meaning when the exercise price is lower than the NAV per share. The number of shares resulting from the exercise of the dilutive instruments is added to the number of existing shares to obtain the fully diluted number of shares.*
- *Derivative instruments: the calculation includes the surplus or deficit arising from the mark to market of financial instruments which are economically effective hedges but do not qualify for hedge accounting under IFRS, including related foreign exchange differences.*
- *Market value of bonds: an estimate of the market of the bonds issued by the group. It is the difference between group share in the IFRS carrying value of the bonds and their market value.*

As part of the EPRA requirements, OPG discloses the calculation of EPRA NAV and EPRA NNNAV.

EPRA Vacancy rate

ERV of vacant space divided by ERV of the whole portfolio.

Estimated rental value (ERV)

The estimated rental value at which space would be let in the market conditions prevailing at the date of valuation. (Calculated by the Group's external appraiser).

Gross asset value (GAV)

The sum of fair value of all real estate assets held by the Group on the basis of the consolidation scope and real estate financial investments (being shares in real estate funds, loans to third parties active in real estate or shares in non-consolidated real estate companies).

Gross Lettable Area (GLA)

GLA is the floor space contained within each tenancy at each floor level by measuring from the dominant portion of the outside faces of walls, to the center line of internal common area/inter-tenancy walls.

Gross operating profit (GOP)

Total gross operating revenues (including room, food & beverage and other revenue) less gross operating expenses.

Gross rental income

Rental income from let properties after taking into account the net effects of straight-lining for lease incentives, including rent free periods. It includes turnover-based rents, surrender premiums, car parking income and other possible rental income.

Interests Cover Ratio (ICR)

The ICR is calculated by dividing the adjusted EBITDA of one period by the company's interests expenses of the same period.

Like-for-Like portfolio (L-f-L)

All properties held in portfolio since the beginning of the period, excluding those acquired, sold or included in the development program at any time during the period

Market value

The estimated amount determined by the Group's external valuer in accordance with the RICS Valuation Standards, for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing.

Net Lettable Area (NLA)

NLA (measured in square meters) is the floor space between the internal finished surfaces of permanent internal walls and the internal finished surfaces of dominant portions of the permanent outer building walls. It generally includes window frames and structural columns and excludes toilets, cupboards, plant/motor rooms and tea rooms where they are provided as standard facilities in the building. It also excludes areas dedicated as public spaces or thoroughfares such as foyers, atrium and building service areas.

Net rental income

Gross rental income less ground rents payable, service charge expenses and other non-recoverable property operation expenses.

Occupancy rate (sq.m)

The ratio of leased premises to leasable premises

Passing rent

The estimated annualised cash rental income being received as at the reporting date, excluding the net effects of straight-lining for lease incentives.

Reversion

The estimated change in rent at review, based on today' market rents expressed as a percentage of the contractual rents passing at the measurement date (but assuming all current lease incentives have expired).

Vacancy

The amount of all physically existing space empty at the end of the period.

ORCO PROPERTY GROUP S.A.

Société Anonyme

Unaudited consolidated financial statements

As at and for the year ended 31 December 2012

Orco Property Group's Board of Directors has approved on 28 March 2013 the unaudited consolidated financial statements as at and for the period ended 31 December 2012.

All the figures in this report are presented in thousands of Euros, except if explicitly indicated otherwise.

I. Consolidated income statement

The accompanying notes form an integral part of these consolidated financial statements

	Note	12 months 2012	12 months 2011
Revenue	5	**259,559**	**157,602**
Sale of goods		*142,742*	*40,150*
Rent		*66,499*	*68,488*
Hotels, Extended Stay & Restaurants		*31,421*	*30,014*
Services		*18,897*	*18,950*
Net gain or loss from fair value adjustments on Investment Property	5/8	(8,184)	19,560
Other operating income	22	9,553	1,877
Net result on disposal of assets	5/8/11/15	1,403	10,547
Cost of goods sold	5/14	(142,828)	(35,310)
Employee benefits	24	(30,654)	(29,607)
Amortisation, impairments and provisions	23	(58,454)	(20,464)
Other operating expenses	24	(59,171)	(64,260)
Operating result		**(28,775)**	**39,945**
Interest expenses	19	(66,661)	(82,665)
Interest income		3,374	4,077
Foreign exchange result		8,943	(12,074)
Other net financial results	25	57,956	1,035
Financial result		**3,611**	**(89,626)**
Share profit or loss from equity affiliates	10	(9,091)	2,574
Profit or loss before income taxes		**(34,255)**	**(47,108)**
Income taxes	26	(9,151)	(5,455)
Profit from continuing operations		**(43,406)**	**(52,563)**
Profit or loss after tax from discountinued operations	6	(1,466)	1,105
Net profit or loss for the period		**(44,872)**	**(51,458)**
Total profit or loss attributable to:			
Non controlling interests	18	(4,830)	1,799
Owners of the Company		**(40,042)**	**(53,256)**
Basic earnings in EUR per share	27	(0.78)	(3.66)
Diluted earnings in EUR per share	27	(0.78)	(3.66)

II. Consolidated statement of comprehensive income

The accompanying notes form an integral part of these consolidated financial statements.

	12 months 2012	12 months 2011
Profit /(Loss) for the period:	**(44,872)**	**(51,458)**
Other comprehensive income (loss):		
Currency translation differences	7,408	(13,492)
Total comprehensive income/(loss) for the period attributable to:	**(37,464)**	**(64,950)**
- owners of the Company	(32,359)	(66,565)
- non controlling interests	(5,105)	1,615

III. Consolidated statement of financial position

The accompanying notes form an integral part of these consolidated financial statements

ASSETS	Note	31 December 2012	31 December 2011
NON-CURRENT ASSETS		**1,084,801**	**1,190,417**
Intangible assets	7	**47,652**	**47,783**
Investment property	8	**791,881**	**872,316**
Property, plant and equipment		**144,308**	**156,865**
Hotels and owner occupied buildings	9	130,580	142,659
Fixtures and fittings	12	13,728	14,206
Investments in equity affiliates	10	**8,738**	**17,829**
Financial assets at fair value through profit or loss	13	**17,918**	**28,958**
Financial assets available-for-sale	13	**9,466**	-
Non current loans and receivables	13	**64,486**	**66,666**
Deferred tax assets	26	**353**	-
CURRENT ASSETS		**345,069**	**507,956**
Inventories	14	265,497	382,279
Trade receivables	3	22,406	32,145
Other current assets	16	25,172	32,279
Derivative instruments	3/21	20	0
Current financial assets	3	37	29
Cash and cash equivalents	17	25,203	37,095
Assets held for sale & Discountinued operations	6/11	6,736	24,129
TOTAL		**1,429,871**	**1,698,373**

EQUITY & LIABILITIES		31 December 2012	31 December 2011
EQUITY		**433,039**	**271,198**
Equity attributable to owners of the Company	28	**425,712**	**259,532**
Non controlling interests	18	**7,327**	**11,666**
LIABILITIES		**996,832**	**1,427,174**
Non-current liabilities		**648,350**	**509,439**
Bonds	19	59,193	163,380
Financial debts	19	451,420	239,225
Provisions & other long term liabilities	20	36,404	14,326
Deferred tax liabilities	26	101,334	92,508
Current liabilities		**348,482**	**917,735**
Current bonds	19	261	119,923
Financial debts	19	223,697	620,835
Trade payables	21	26,085	16,366
Advance payments	21	32,752	35,250
Derivative instruments	3/21	8,323	41,153
Other current liabilities	21	47,571	68,316
Liabilities linked to assets held for sale & Discountinued operations	6/11	9,792	15,892
TOTAL		**1,429,871**	**1,698,372**

IV. Consolidated statement of changes in equity

The accompanying notes form an integral part of these consolidated financial statements.

	Note	Share Capital	Share Premium	Translation Reserve	Treasury Shares	Other Reserves	Equity attributable to owners of the Company	Non controlling interests	Equity
Balance at 31 December 2010		**57,621**	**403,988**	**27,349**	**(20,014)**	**(168,245)**	**300,699**	**51,270**	**351,969**
Profit (loss) for the period:									
Translation differences				(13,308)			(13,308)	(184)	(13,492)
Profit /(Loss) for the period						(53,257)	(53,257)	1,799	(51,458)
Total comprehensive income		**-**	**-**	**(13,308)**	**-**	**(53,257)**	**(66,565)**	**1,615**	**(64,950)**
Capital increase		12,300	14,700			(9,240)	17,760		17,760
Own equity investments					(2,799)	(548)	(3,347)		(3,347)
Non controlling interests' transactions						10,985	10,985	(41,218)	(30,233)
Balance at 31 December 2011		**69,921**	**418,688**	**14,041**	**(22,813)**	**(220,304)**	**259,533**	**11,666**	**271,199**
Profit (loss) for the period:									
Translation differences				7,684			7,684	(275)	7,408
Profit /(Loss) for the period						(40,042)	(40,042)	(4,830)	(44,872)
Total comprehensive income		**-**	**-**	**7,684**	**-**	**(40,042)**	**(32,359)**	**(5,105)**	**(37,464)**
Capital increase of 14 May 2012	28	75,282	710			(22,744)	53,248		53,248
Capital increase of 3 September 2012	28	264,768	225,150			(367,221)	122,697		122,697
Capital increase of 28 September 2012	28	32,177	949			(10,366)	22,759		22,759
Own equity instruments	27				20,943	(23,654)	(2,711)		(2,711)
Non controlling interests' transactions	18					2,544	2,544	766	3,310
Balance at 31 December 2012		**442,148**	**645,497**	**21,724**	**(1,870)**	**(681,799)**	**425,712**	**7,327**	**433,039**

Definitions

Share Capital is the initial value for which the shareholders subscribed the shares from the issuing company.

Share Premium is an excess amount received by the company over the par value of its shares. This amount forms a part of the non-distributable reserves of the company which usually can be used only for purposes specified under corporate legislation.

Translation Reserve includes exchange differences relating to the translation of the results and net assets of the group's foreign operations from operational to the group's consolidation currency. Exchange differences previously accumulated in the translation reserve are reclassified to profit or loss on the disposal of the foreign assets and operations.

Treasury Shares are shares issued by company and controlled by itself. Treasury shares come from a repurchase or buyback from shareholders. These shares don't pay dividends, have no voting rights, and are not included in shares outstanding calculations.

Other Reserves are created from accumulated profits and losses and other equity operations, such as scope variations, variation of detention, or revaluation of assets. These reserves may be subject to the distribution of dividends.

Non-controlling interests are interests of the group's equity not attributable, directly or indirectly, to a parent. They belong to those shareholders who do not have a controlling interest in the group.

V. Consolidated statement of cash flows

The accompanying notes form an integral part of these consolidated financial statements.

	31 December 2012	31 December 2011
OPERATING RESULT	**(28,775)**	**39,945**
Net gain / loss from fair value adjustments on investment property	8,184	(19,560)
Amortization, impairments and provisions	58,454	20,464
Net result on disposal of assets	(1,403)	(10,547)
Adjusted operating profit / loss	**36,460**	**30,302**
Financial result	(3,559)	(481)
Income tax paid	(993)	(4,445)
Financial result and income taxes paid	**(4,552)**	**(4,926)**
Changes in operating assets and liabilities (*)	**114,480**	**14,084**
NET CASH FROM /(USED IN) OPERATING ACTIVITIES	**146,388**	**39,460**
Capital expenditures and tangible assets acquisitions	(4,062)	(14,009)
Proceeds from sales of non current tangible assets (**)	82,255	100,469
Purchase of intangible assets	(884)	(142)
Loan repayment received from joint-ventures	-	300
Deferred concideration repayment received from long-term receivables (***)	2,897	-
Dividends received from joint-ventures	-	889
Proceeds from discontinued transactions	-	12,257
NET CASH FROM INVESTING ACTIVITIES	**80,206**	**99,764**
Net issue of equity instruments to shareholders / Repayment on third party transactions	(1,525)	(3,347)
Purchase of treasury shares and change in ownership interests in subsidiaries	(882)	(1,500)
Proceeds from borrowings	275,256	40,884
Net interest paid	(38,145)	(51,194)
Repayments of borrowings	(473,578)	(138,127)
NET CASH USED IN FINANCING ACTIVITIES	**(238,874)**	**(153,284)**
NET INCREASE/(DECREASE) IN CASH	**(12,280)**	**(14,060)**
Cash and cash equivalents at the beginning of the year (****)	37,095	53,439
Cash and cash equivalents at the beginning of the year of assets reclassified to assets held for sale (*****)	-	(1,905)
Exchange difference on cash and cash equivalents	388	(380)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (****)	**25,203**	**37,094**

(*)Changes in operating assets and liabilities include EUR 117.3 million of inventories variation related to Sky Office sale (see Note 14). Changes in operating assets and liabilities without Sky Office sale's impact amount to EUR - 2,820 million

(**) Proceeds from sales of non-current tangible assets comprise mostly proceeds from sales of assets held for sale (Note 11) and sale of investment property (Note 8).

(***) Deferred consideration related to the sale of our Russian assets portfolio in 2011 recognized as a long term receivable (see Note 13.3)

(****) Cash and cash equivalent referred to the Note 17.

(*****) Opening balance of 2011 of cash and cash equivalents had to be corrected for cash of a group of Russian activities reclassified to assets held for sale (see Note 6).

Notes to the consolidated financial statements

1 General information

Orco Property Group, société anonyme (the "Company") and its subsidiaries (together the "Group") is a real estate group with a major portfolio of investment properties in Central and Eastern Europe. It is principally involved in leasing out investment properties under operating leases as well as in asset management, in operating hotels and extended stay hotels and is also active in the development of properties for its own portfolio or intended to be sold in the ordinary course of business.

The Company is a limited liability company incorporated for an unlimited term and registered in Luxembourg. The address of its registered office is 42, rue de la vallée, L-2661 Luxembourg.

The Company is listed on the Euronext Paris stock exchange, the Prague stock exchange and the Warsaw stock exchange.

These unaudited consolidated financial statements have been approved for issue by the Board of Directors on 28 March 2013.

2 Summary of significant accounting policies

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

The consolidated financial statements are presented in thousands of Euros and have been prepared under the historical cost convention except that investment property is carried at fair value and financial assets and financial liabilities (including derivative instruments) at fair value through income statement.

2.1 Basis of preparation and Going concern

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

2.1.1 Going concern

In determining the appropriate basis of preparation of the consolidated financial statements, the Directors are required to consider whether the Group can continue in operational existence for the foreseeable future.

The financial performance of the Group is naturally dependent upon the wider economic environment in which the Group operates. The negative macro-economic evolution generates increased uncertainty on the evolution of real estate market in Central Europe that could damage the Group's activity and is slowing down the refinancing negotiations and the asset sales program. Nevertheless, the Group's real estate and financial assets are located at 40% in Berlin that is today amongst the most attractive real estate market in Europe.

It should be noted that the financing environment has generally worsened over the last 12 months as under the pressure of new regulatory requirements, the important losses on the Greek bonds and the very low economic growth, banks financing have been limited and will continue to be over 2013.

Still the Group management has been successful in deleveraging the Group with the bonds' restructuring, stabilize its bank financing with the resolution of breaches and generate cash with asset sales:

- **OG and OPG bonds' restructuring**

  Negotiations with OG (Orco Germany SA) and OPG bondholders started as early as the summer 2011 and culminated with the signature on 17 April 2012 of a joint agreement on all bonds issued by both companies. General meetings, held end of April and beginning of May have all duly and overwhelmingly voted in favour of the restructuring. The request for modification of OPG Safeguard plan has been circularized to all the Safeguard creditors to approve or not the new terms (as none of them apart from the bondholders approved, they will continue to be served under the 19 May 2010 repayment schedule). The Paris Commercial Court approved on 21 May 2012 OPG's request to modify its Safeguard plan in order to implement the bonds' restructuring plan. As a result, the Group has successfully restructured EUR 678 million of bond liabilities (EUR 411 million in nominal OPG bonds, or EUR 549 million in remaining Safeguard payments, and EUR 100 million in nominal for OG bonds, or EUR 129 million including interests and redemption premium).

  Following the issuance of EUR 73 million of new notes on 4 October 2012 the remaining outstanding of nominal of initial OPG and OG bonds amount to EUR 4.047.395. As at 31.12.2012 the total book value of the total non-current and current OPG Safeguard and OG bond debt amounts to EUR 2 million. The debt service in 2012 will be limited to EUR 0.3 million of safeguard dividend, EUR 3.3 million of interests on the New Notes and potential cash sweep on asset sales (including EUR 0.4 million on the sale of Sky Office closed end of 2012).

- **Sale of Sky Office in Dusseldorf**

  ORCO Erste Projektentwicklungs GmbH, a subsidiary of ORCO Germany S.A., sold Sky Office in Dusseldorf on November 2012 for EUR 117 Million, allowing completion of the full refinancing of the previous facility. As a result of that sale, OPG made in February 2013 a mandatory prepayment in the amount of EUR 0.4 million ('cash sweep') on the New Notes corresponding to 25% of the net proceeds from the sale of the Sky Office building after compensation of the refinancing gap of GSG.

- **Refinancing of GSG**

  In December 2012, Gewerbesiedlungs-Gesellschaft mbH (GSG) has paid off the totality of the outstanding loan amounting to EUR 282 million. This was made possible by the drawing of a new loan with a total volume of EUR 270 million with five German banks. The new loan has a term of five years and an interest service lower by 2 percentage points than the initial RBS loan. The agreement stipulates a mortgage collateralisation of the loan, a minimum capex spending commitment as well as quarterly amortization, which will reduce the company`s LTV based on the current company valuation to approximately 55% in 2017.

- **Sale of Radio Free Europe**

  A subsidiary of Orco Property Group has sold the Radio Free Europe office building in Prague to a subsidiary of the L88 Companies (www.l88llc.com), an American owned business, for an overall transaction value of USD 94 Million, in line with DTZ valuation as of December 2011 after taking into account all taxes on the transaction. Upon closing, L88 delivered USD 80 Million in cash, USD 2 Million in concessions, plus a USD 12 Million note convertible into a 20% stake in the parent company of the entity acquiring the building in the case it would not be fully repaid before end of 2019.

- **Over 2012 the Group managed to renegotiate a total of EUR 413 Million bank loans, some of the most important ones being listed below:**

  - ✓ GSG (EUR 284 Million): refinancing with 5 Banks, loan expiring in December 2017.
  - ✓ Bubny (EUR 20 Million): prolongation until 31.12.2013.
  - ✓ Zlota 44 (EUR 45 Million): prolongation until March 2015.
  - ✓ Na Porici (EUR 38 Million): extension to December 2016.
  - ✓ Paris Department Store (EUR 16 Million): prolonged until October 2013.
  - ✓ Szervita (EUR 10 Million): prolonged until May 2013.

The short term liabilities of EUR 233 million are still high. Some material risks persist on the refinancing of specific Group assets or activities. Some assets are pledged in guarantee of short term liabilities, whether in line with initial contracted term or as a result of a breach. For all of them the Group has retained the same valuation principles than any other comparable asset even though there is a risk that refinancing talks might not have a positive achievement. Indeed, the risk is considered as remote on the basis of the constructive oral and written exchanges with financing banks at the time of the publication of this report. Particularly a risk has been identified for two assets in Poland and Hungary that present a positive EUR 7 million positive difference between the fair value of the asset and the amount of bank financing that could be lost if the banks exercise their pledges. Indeed, the Group may lose a number of its assets in case of unsuccessful refinancing but most of these assets are cash flow negative or are low net asset value contributors (if not negative). The Group may be forced to sell strategic or cash flow generating assets to be able to complete some refinancing.

Some subsidiaries and joint ventures held by the Group require funding to continue as a going concern. Some assets or subsidiaries require a successful refinancing of their bank loans. The Group business plan is built on the capacity of the Group to generate sufficient cash from its profitable activities and asset sales in order to support the activities or assets that are currently in development or restructuring. The cash flow forecast integrates some real estate asset sales but, as these are expected to be limited, the sale of financial assets like Endurance Fund units or listed subsidiaries would be important sources of funds. The OPG cash flow forecast for 2013 anticipates the capacity of the Group to finance its needs even though its situation remains fragile as indeed its investment strategy depends largely on financial asset sales in order to cover the cash needs of the major on-going developments.

The Management is confident that the steps and actions initiated are the ones that will lead to a successful refinancing of most short term loans currently under negotiation and is in the opinion that the risks are mitigated by the actions undertaken like the sale of liquid financial assets of the Company, the on-going refinancing negotiations and the continuous reduction of operating expenses. Nevertheless, there is a material uncertainty as the Group is dependent on the decisions of third parties for the closing of expected asset sales and the refinancing negotiations.

It is proposed to the Board of Directors to conclude that, as the risks and uncertainties described above included in the cash flow forecast with conservative assumptions are covered by the contemplated sale of financial assets, there is a reasonable expectation that the Company can continue its operations in the foreseeable future and, accordingly, has formed a judgment that it is appropriate to prepare the consolidated financial statements as at and for the year ended 31 December 2012 on a going concern basis. If the Company is not successful in its refinancing and sales plan, the going concern assumption might not be relevant any longer for the Group or its components. The consolidated financial statements would then need to be totally or partially amended to an extent which today cannot be estimated in respect of: the valuation of the assets at their liquidation value, the incorporation of any potential liability and the reclassification of non-current assets and liabilities into current assets and liabilities.

2.1.2 Critical accounting estimates and judgments

The preparation of consolidated financial statements requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

2.1.3 Changes in accounting policies

The accounting policies have been consistently applied by Group's entities and are consistent with those applied for its 31 December 2011 financial statements, except for the application of the revised and new standards and interpretations applied as from 1 January 2012 (as described below).

2.1.3.1 *New and amended standards adopted by the Group in 2012*

Amendment to IAS 12: 'Deferred Tax: Recovery of Underlying Assets' was adopted by the Group in 2012. It amends to provide a presumption that recovery of the carrying amount of an asset measured using the fair value model in IAS 40 Investment Property will normally be through sale. On the other hand, the assets held for sale in the group are already measured at the carrying amount, and are presented separately in the balance sheet. So, there is no impact on the consolidated accounts of the Group.

Amendment to IAS 1 "presentation of other comprehensive income" was adopted by the Group in 2012 without impact on the consolidated accounts of the Group.

2.1.3.2 *The following new standard has been issued by the IASB but is not adopted by the European Union*

IFRS 9, Financial Instruments. This standard addresses classification and measurement of financial assets and liabilities and is very likely to affect the Group's accounting treatment on financial instruments.

Improvement to IFRSs 2009-2011 issued on 17 May 2012 which amends the following standards

- IFRS 1 - Borrowing costs relating to qualifying assets for which the commencement date for capitalization is before the date of transition to IFRSs
- IFRS 1 - Permit the repeated application of IFRS 1
- IAS 1 - Clarification of the requirements for comparative information
- IAS 16 - Classification of servicing equipment
- IAS 32 - Clarify that tax effect of a distribution to holders of equity instruments should be accounted for in accordance with IAS 12 Income Taxes
- IAS 34 - Clarify interim reporting of segment information for total assets in order to enhance consistency with the requirements in IFRS 8 Operating Segments

2.1.3.3 *The following new standards, new interpretations and amendments to standards and interpretations are adopted by the European Union, not compulsory before the financial year beginning 1 January 2013 and have not been early adopted by the Group:*

- IFRS 10, Consolidated Financial Statements;
- IFRS 11 , Joint Arrangements;
- IFRS 12, Disclosure of Interests in Other Entities;
- IFRS 13, Fair Value Measurement;
- Amendments IAS 27 (as revised in 2011) - Separate Financial Statements ;
- Amendments IAS 28 (as revised in 2011) - Investments in Associates and Joint Ventures
- Amendments IAS 32 - Offsetting Financial Assets and Financial Liabilities
- Amendment to IAS 19 Employee Benefits (as revised in 2011) ("IAS 19 (Rev.2011)")
- Amendment to IFRS 7, Disclosures-Offsetting Financial Assets and Financial Liabilities.
- Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards - Government Loans
- Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters

The Group assessed that the potential impacts which result from the implementation of the new IFRS 10, IFRS 11 and IFRS 12 on the financial statements in the initial application period would be limited to the change in consolidation method of the 4 joint arrangements, in which the Group is participating at end of December 2012, from Proportionate Method to Equity Method, in application of IFRS 11. The contribution of these Joint Ventures (JV) as at December 2012 is disclosed in Note 34 - List of the consolidated subsidiaries. The contribution to the Balance Sheet and Profit and loss would be respectively replaced by a global amount of EUR 2.8 million on the line *"Investments in Equity Affiliates"* and of EUR -4.7 million on the line *"Share profit or loss from equity affiliates".*

Balance Sheet and Profit and Loss as of December 2012, with the JVs consolidated using the Equity Method

	12 months 2012
Revenue	**244,526**
Sale of goods	*140,687*
Rent	*66,039*
Hotels, Extended Stay & Restaurants	*19,303*
Services	*18,497*
Net gain or loss from fair value adjustments on Investment Property	(7,086)
Other operating income	9,469
Net result on disposal of assets	1,399
Cost of goods sold	(141,071)
Employee benefits	(26,730)
Amortisation, impairments and provisions	(50,391)
Other operating expenses	(53,610)
Operating result	**(23,540)**
Interest expenses	(63,960)
Interest income	3,371
Foreign exchange result	6,476
Other net financial results	57,220
Financial result	**3,553**
Share profit or loss from equity affiliates	(13,799)
Profit or loss before income taxes	**(33,786)**
Income taxes	(9,619)
Profit from continuing operations	**(43,406)**
Profit or loss after tax from discountinued operations	(1,466)
Net profit or loss for the period	**(44,872)**
Total profit or loss attributable to:	
Non controlling interests	(4,830)
Owners of the Company	**(40,042)**

ASSETS	31 December 2012
NON-CURRENT ASSETS	**1,035,805**
Intangible assets	**47,338**
Investment property	**782,731**
Property, plant and equipment	**101,884**
Hotels and owner occupied buildings	88,738
Fixtures and fittings	13,145
Investments in equity affiliates	**11,564**
Financial assets at fair value through profit or loss	**17,918**
Financial assets available-for-sale	9,466
Non current loans and receivables	**64,486**
Deferred tax assets	419
CURRENT ASSETS	**346,045**
Inventories	262,130
Trade receivables	21,678
Other current assets	24,549
Current financial assets	37
Cash and cash equivalents	23,624
Assets held for sale & Discountinued operations	6,736
TOTAL	**1,381,850**

EQUITY & LIABILITIES	31 December 2012
EQUITY	**483,879**
Equity attributable to owners of the Company	**476,552**
Non controlling interests	**7,327**
LIABILITIES	**897,972**
Non-current liabilities	**600,162**
Bonds	59,193
Financial debts	408,196
Provisions & other long term liabilities	32,574
Deferred tax liabilities	100,199
Current liabilities	**297,810**
Current bonds	261
Financial debts	222,879
Trade payables	25,478
Advance payments	32,554
Derivative instruments	6,446
Other current liabilities	45,928
Liabilities linked to assets held for sale & Discountinued operations	9,792
TOTAL	**1,381,850**

The prospective impact of the IAS 19 amendment implementation in 2013 is disclosed in Note 20.

The Group has estimated the impact of the implementation of the others new standards and amendments not early adopted as non-significant.

The Group is referring to the endorsement status of the IFRS new standards new interpretations and amendments to standards and interpretations as they are published by the European Union (http://ec.europa.eu/internal_market/accounting/ias/index_en.htm).

2.1.3.4 *Change in accounting policy & classification*

During the establishment of the 2012 consolidated financial statements it has been identified that an investment was not correctly classified. In 2011, the Group increased its investment in Sub-fund "Office I" of Endurance Real Estate Fund (See Note 32) above 25% and obtained as a result some specific rights to block decisions at the unit holders meetings. Consequently and in application of IAS 28, this investment has been reclassified and is now presented under the Balance Sheet line *"Investments in Equity Affiliates"* instead of *"Financial assets at fair value through Profit and Loss"* and under the Profit and Loss line *"Share profit or loss from equity affiliates"* instead of *"Other net financial results"*.

In application of IAS 8, this change in classification has been retrospectively applied to December 2011. As it was already presented at its Net Asset Value in 2011 (i.e. EUR 17.8 million, including a positive fair value adjustment though Profit and Loss of EUR 2.6 million), this change in classification does not generate any adjustment to the 2011 equity or net loss of the period.

2.1.3.5 *Prior-Period adjustment*

During the establishment of the 2012 consolidated financial statements it has been identified that a trade receivable linked to the sale of a commercial development in Berlin is overvalued since 2009 by EUR 4.0 million in the consolidated accounts. As the error occurred before the earliest prior period presented and in application of IAS 8.42b, the omission of neutralization of the overvaluation in the 2009 financial statements represents a prior period accounting error which must be accounted for retrospectively in the financial statements. Consequently, the Group shall adjust all comparative amounts presented in the opening balance of assets, liabilities and equity.

As the correction of the error is applied to all comparative periods affected by the omission, the 2012 year Profit and Loss is therefore unaffected by the correction of prior period adjustment. The statements and notes impacted by this prior-year adjustment are the "Consolidated statement of financial position", the "Consolidated statement of changes in equity", the note 3.1.2 and note 5.

Impacts of the adjustment on the "Consolidated statement of changes in equity"

	Other Reserves	Equity attributable to owners of the Company	Non controlling interests	Equity
Balance at 31 December 2010 - Before adjustment	**(165,887)**	**303,057**	**52,912**	**355,969**
Impact of the missing impairment on the 2010 Closing	*(2,358)*	*(2,358)*	*(1,642)*	*(4,000)*
Balance at 31 December 2010 - Restated	**(168,245)**	**300,699**	**51,270**	**351,969**
Impact of the 2011 change in the shareholding on Orco Germany (*)	*(1,305)*	*(1,305)*	*1,305*	*-*
Balance at 31 December 2011 - Restated	**(220,304)**	**259,533**	**11,666**	**271,199**

(*) Non controlling interests' transactions

Impacts of the adjustment on the "Consolidated statement of financial position"

ASSETS	BEFORE		AFTER
	31 December 2011 - Before Adj.	Impact of the adjustment	31 December 2011 - Restated
NON-CURRENT ASSETS	1,190,417	**-**	1,190,417
CURRENT ASSETS	511,956	**(4,000)**	507,956
Trade receivables	36,145	(4,000)	32,145
TOTAL	**1,702,373**	**(4,000)**	**1,698,373**
EQUITY & LIABILITIES			
EQUITY	275,199	**(4,001)**	271,198
Equity attributable to owners of the Company	263,195	**(3,663)**	259,532
Non controlling interests	12,004	**(338)**	11,666
LIABILITIES	1,427,174	**-**	1,427,174
TOTAL	**1,702,373**	**(4,001)**	**1,698,372**

2.2 Consolidation

2.2.1 Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration includes also the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On and acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquirer's net assets.

Inter-company transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.2.2 Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

2.2.3 Joint-ventures

The Group's interests in jointly controlled entities are accounted for by proportionate consolidation.

The Group combines its share of the joint-ventures' individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the Group's consolidated financial statements.

The Group recognizes the portion of gains or losses on the sale of assets by the Group to the joint-venture that is attributable to the joint-venture partners. The Group does not recognize its share of profits or losses from the joint-venture that result from the Group's purchase of assets from the joint-venture until it resells the assets to an independent party. A loss on the transaction is recognized immediately if it provides evidence of a reduction in the net realizable value of current assets, or an impairment loss. Joint-ventures' accounting policies have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Group assessed the potential impacts which result from the implementation of the new IFRS 10, IFRS 11 and IFRS in Note 2.1.3.

2.2.4 Investment in Equity affiliates

Investments in entities over which the Group exercises a significant influence on operational and financial policies are accounted for under the equity method.

2.2.5 Non-current financial assets

Entities that do not represent significant investments (like dormant empty shells) or in which the Group do not have significant influence on operational and financial policies are reported under the "Non-current financial assets" (see Note 13) and impact the profit and loss statement only through dividends received, fair value adjustments or impairments. Where no active market exists and where no other valuation method can be used, the Non-current financial assets are maintained at historical cost, net of depreciation.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker is the person or group that allocates resources to and assesses the performance of the operating segments of a Group. The Executive Committee together with the Investment Committee are the chief operating decision maker of the Group.

2.4 Foreign currency translation

2.4.1 Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The functional currency of all Group's entities is the local currency. The consolidated financial statements are presented in euro (EUR), which is the Group's functional and presentation currency.

2.4.2 Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated income statement.

Translation differences on non-monetary assets and liabilities held at fair value through profit or loss are recognized in the consolidated income statement as part of the fair value gain or loss.

2.4.3 Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- Income and expenses for each income statement presented are translated at average exchange rate (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the date of the transactions); and
- All resulting exchange differences are recognized as a separate component of consolidated equity.

In consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to equity. When a foreign operation is sold, exchange differences arising from the translation of the net investment in foreign entities are recognized in the consolidated income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2.5 Intangible assets

2.5.1 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/joint-venture at the date of acquisition. Goodwill on acquisitions of subsidiaries and joint-ventures is included in 'intangible assets'. Separately recognized goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the acquisition from which the goodwill arose.

Negative goodwill arising on an acquisition is recognized in the consolidated income statement.

2.5.2 Computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized using the straight-line method over their estimated useful lives (three to five years).

Costs associated with developing or maintaining computer software programs are recognized as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. Direct costs include the costs of software development employees and an appropriate portion of relevant overheads.

Computer software development costs recognized as assets are amortized using the straight-line method over their estimated useful lives (not exceeding three years).

2.5.3 Trademarks

Acquired trademarks are shown at historical cost. When they have indefinite useful life, trademarks are tested annually for impairment or whenever there is an indication of impairment. They are carried at cost less accumulated impairment losses.

2.6 Investment property

Property that is held for long-term rental yields or for capital appreciation or both (including the land bank), and that is not occupied by the Group, is classified as investment property.

Investment property comprises of freehold land, freehold buildings, extended stay residences, land plots held under operating lease and buildings held under finance lease.

Land plots held under operating lease is classified and accounted for as investment property when the definition of investment property is met.

Investment property is measured initially at its cost, including related transaction costs.

After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are performed annually by an independent expert, DTZ Debenham Tie Leung. Investment property that is being redeveloped for continuing use as investment property or for which the market has become less active continues to be measured at fair value.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognized as a liability, including finance lease liabilities in respect of land classified as investment property; others, including contingent rent payments, are not recognized in the consolidated financial statements.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the consolidated income statement during the financial period in which they are incurred.

Changes in fair values are recorded in the consolidated income statement under "Net gain/(loss) from fair value adjustment on 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 recognized 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 recognized in the consolidated income statement.

Freehold lands for which the destination is not specified at the acquisition date are classified under Investment property as land bank. The specific destination (if any) is to be determined by the investment committee approving the acquisition. The destination of land bank plots is considered to remain uncertain until the start of the development that will trigger the transfer at fair value to inventories. The start of the development will depend on whether it is decided by the Investment Committee to perform a land development with a view to sale or a construction development with a view to sale. In the case of a construction development with a view to sell in the ordinary course of activities, the start of the development is considered to be when the project design is definitive, the building permit is granted and the start of the construction has been validated by the Investment Committee. In the case of a land development with a view to totally or partially sell the parcels in the ordinary course of activities, the start of the development is considered to be the moment at which the Group has obtained official support from state or city authorities in order to start working on the master plan modification.

If the start of a development of a freehold land with the objective to keep the asset for future rental or value accretion, the property will not be transferred. All borrowing costs are expensed except for the borrowing costs that are capitalized as part of the cost of that asset when they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalized borrowing costs include foreign exchange differences on loans subscribed for the purpose of obtaining the qualifying asset without limitation; such changes may be positive or negative.

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 investment property and stated at fair value, due to the application since the beginning of the year 2009 of the IAS 40 revised. The properties previously recognized as Properties under development as at 31 December 2008 have been transferred as at 1 January 2009 in Investment Property at their 31 December 2008 fair value.

Hotel buildings held by the Group are not classified as Investment property but rather as Property, plant and equipment.

2.7 Property, plant and equipment

Hotels, owner-occupied buildings and fixtures and fittings are classified as property, plant and equipment. Properties under development are classified as property, plant and equipment only if their future use is owner operated real estate assets (hotels, logistics warehouses or owner-occupied office buildings.

All property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

Depreciation, based on a component approach, starts off when construction or development is completed. Depreciation is calculated using the straight-line method to allocate the costs over the asset's estimated useful lives, as follows:

- Lands — Nil
- Buildings — 50 to 80 years
- Fixtures and fittings — 3 to 20 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at least at each financial year-end.

An asset's carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount (note 2.9).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the consolidated income statement.

All borrowing costs are expensed except for the borrowing costs that are capitalized as part of the cost of that asset when they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalized borrowing costs include foreign exchange differences on loans subscribed for the purpose of obtaining the qualifying asset without limitation; such changes may be positive or negative.

2.8 Leases

2.8.1 A Group company is the lessee

2.8.1.1 Operating lease

Leases in which a significant portion of the risks and rewards of the 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 consolidated income statement on a straight-line basis over the period of the lease.

2.8.1.2 Finance lease

Leases of assets where the Group supports substantially all the risks and rewards of the ownership are classified as finance leases. Finance leases are capitalized 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 consolidated 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.

2.8.2 A Group company is the lessor

2.8.2.1 Operating lease

Properties leased out under operating leases are included in investment property in the consolidated balance sheet.

2.8.2.2 Finance lease

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

Lease income is recognized over the term of the lease using the net investment method before tax, which reflects a constant periodic rate of return.

2.9 Impairment of non-financial assets

Intangible assets including goodwill and trademark that have an indefinite useful life are not subject to systematic amortization and are tested for impairment annually or whenever there is an indication that the intangible asset may be impaired. Assets that are subject to amortization or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized 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).

2.10 Financial assets

The Group classifies its financial assets other than derivatives in the following categories: loans and receivables, financial assets at fair value through profit or loss and financial assets available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. Financial assets are derecognized only when the contractual rights to the cash flows from the financial asset expire or the Group transfers substantially all risks and rewards of ownership. Impairments will be recognized if a decline in fair value of a financial asset or a group of financial assets classified as available for sale is significant or prolonged.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as trade receivables (note 2.12) and other current assets in the consolidated balance sheet. Loans and receivables are carried at amortized cost using the effective interest method. Financial assets recognized in the consolidated balance sheet as trade and other receivables are classified as loans and receivables. They are recognized initially at fair value and subsequently measured at amortized cost less provision for impairment.

Management assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets classified as loans and receivables is impaired. Impairment testing of trade receivables is described in note 2.12.

Financial assets at fair value through profit or loss include financial assets held for trading which are acquired principally for the purpose of selling in the short term or if so designated by management. Financial assets carried at fair value through profit and loss (including derivatives) are initially recognized at fair value, and transaction costs are expensed in the consolidated income statement. Derivatives are also categorized as held for trading. Assets in this category are classified as current assets if they are either held for trading or are expected to be realized within 12 months of the balance sheet date.

The Group subscriptions in investment property closed end funds managed by the Group are categorized as financial assets designated at fair value at inception as they are managed and evaluated on a fair value basis in accordance with a documented risk management or investment strategy and reported to key management personnel on that basis. Regular purchases and sales of financial assets are recognized on the trade-date on which the Group commits to purchase or sell these assets.

2.11 Inventories

Properties that are being developed for future sale are classified as inventories at their cost or deemed cost, which is the carrying amount at the date of reclassification from investment property. They are subsequently carried at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less cost to complete redevelopment and selling expenses.

If a commercial or office development classified in Inventories becomes partially or totally rented, as a result of tenants moving in before the contemplated sale, it is not automatically reclassified as Investment Property. The finished goods will be reclassified in investment property if it is held mainly for capital appreciation. This will be appreciated on the basis of the Investment Committee decision to hold the asset and the absence of an active search for a buyer.

All borrowing costs are expensed except for the borrowing costs that are capitalized as part of the cost of that asset when they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalized borrowing costs include foreign exchange differences on loans subscribed for the purpose of obtaining the qualifying asset without limitation; such changes may be positive or negative.

2.12 Trade receivables

Trade receivables are recognized 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 Group will not be able to collect all amounts due according to the original terms of receivables. Impairments are recognized when receivables are in overdue. 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 effective interest rate. The amount of the provision is recognized in the consolidated income statement.

2.13 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

2.14 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options classified in equity are shown in equity as a deduction, net of tax, from the proceeds in other reserves.

The shares of the Company (Orco Property Group, société anonyme) held by the Group (Treasury shares) are measured at their acquisition cost and recognized as a deduction from equity. Gains and losses on disposal are taken directly to equity.

2.15 Borrowings

The term Borrowings covers the elements recorded under the captions Bonds and Financial debts within non-current liabilities and within current liabilities.

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated income statement over the period of the borrowings using the effective interest method.

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortized cost basis until extinguished on conversion at maturity of the bonds. If applicable, the remainder of the proceeds allocated to the conversion option is recognized in equity, net of income tax effect.

It may be elected to account for a liability at fair value through profit or loss if it eliminates or significantly reduces a measurement or recognition inconsistency. In such a case the liability is initially recognized at fair value, and transaction costs are expensed in the consolidated income statement.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.16 Compound financial instruments

Compound financial instruments issued by the Group comprise convertible bonds that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or expiry.

2.17 Trade payables

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2.18 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the consolidated income statement, except to the extent that it relates to items recognized directly in other comprehensive income or in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of the tax laws enacted at the balance sheet date in the countries where the Group's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit and loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the deferred income tax asset can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and joint-ventures, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not be reversed in the foreseeable future.

Deferred income tax on investment property

Deferred income tax is provided on all temporary differences arising on fair value of buildings and lands held by the Group as investment properties even when they are located in special purpose entities, which are themselves, in most cases, held by a Luxembourg or French-based entity. Generally, each special purpose entity is meant to hold one specific project or a coherent portfolio of projects. Possibly, should a special purpose entity be disposed of, the gains generated from the disposal might be exempted from any tax.

2.19 Provisions and post-employment obligations

Provisions for environmental restoration, site restoration and legal claims are recognized when:

- The Group has a present legal or constructive obligation as a result of past events;
- It is more likely than not that an outflow of resources will be required to settle the obligation; and
- The amount has been reliably estimated.

Where the Group, as lessee, is contractually required to restore a leased-in property to an agreed condition, prior to release by a lessor, provision is made for such costs as they are identified.

The Group has entered into defined benefit plans defined as an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The liability recognized in the consolidated balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to the consolidated income statement over the employees' expected average remaining working lives. Past-service costs are recognized immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortized on a straight-line basis over the vesting period. For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due.

The valuation of the pension obligation by an independent actuarial is only applicable for some German entities. The Group offers for the German companies as well as for the other companies benefits plans managed by the State. The Group has the obligation to pay the contributions defined in the plan regulation. They are recorded in the financial statements in payroll charges.

2.20 Derivative financial instruments

Derivatives are initially recognized in the consolidated balance sheet at their fair value on a date a derivative contract is entered into and are subsequently re-measured at their fair value which is generally the market value. Derivatives are presented at the balance sheet date under the caption Derivative instruments in current assets when fair value is positive or under the caption Derivative instruments in current or non-current liabilities when fair value is negative. Changes in the fair value are recognized immediately in the consolidated income statement under "other net financial results".

Embedded derivatives that are not equity instruments, such as issued call options embedded in exchangeable bonds, are recognized separately in the consolidated balance sheet and changes in fair value are accounted for through the consolidated income statement under "other net financial results".

2.21 Revenue recognition

Revenue includes rental income, service charges and management charges from properties, and income from property trading.

Rental income from operating leases is recognized in income on a straight-line basis over the lease term. When the Group provides incentives to its customers, the cost of incentives are recognized over the lease term, on a straight-line basis, as a reduction of rental income.

Service and management charges are recognized in the accounting period in which the services are rendered. When the Group is acting as an agent, the commission rather than gross income is recorded as revenue.

The amount of inventories recognized as an expense during the period, referred to as cost of goods sold, consists of those costs previously included in the measurement of inventory that has been sold during the year.

For each development project, the measurement of the inventory exited over the period is since 2011 based on the percentage of the total area constructed, sold during the period. Coefficients are allocated to the different type of area in order to underweight secondary floor area (balcony, terrace, garage and garden) in comparison with primary floor area (apartments).

The others operating expenses include repair and maintenance costs of buildings and properties, utilities costs, marketing and representation costs, travel and mobility expenses, operating taxes and other general overhead expenses.

2.22 Dividend distribution

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

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group financial performance. The Group uses financial instruments to mitigate certain risk exposures.

Risk management, being formalized, is carried out by the Group's Chief Financial Officer (CFO) and his team. As a result of the current restructuring, the policies are under review for approval by the Board of Directors. The Group's CFO identifies, evaluates and mitigates financial risks in close co-operation with the Group's operating units. The Board of Directors will provide principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

3.1.1 Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Czech Koruna (CZK), the Polish Zloty (PLN), the Hungarian Forint (HUF), the Croatian Kuna (HRK) and secondarily to the US Dollar (USD) and the Russian Rubble (RUB). Foreign exchange risk, as defined by IFRS 7, arises mainly from recognized monetary assets and liabilities. Loans, operating income and - except in the development activities - sales of buildings are mainly denominated in Euro (EUR). The Group does not use foreign currency derivatives contracts, as salaries, overhead expenses, future purchase contracts in the development sector, building refurbishment and construction costs are mainly denominated in local currencies. The main circumstance for the Group to put in place currency derivatives is for the financing of a construction contract when the local currency operations do not generate sufficient cash and as a result that construction contract must be financed with another currency.

The exchange rates to euro (EUR) used to establish these consolidated financial statements are as follows:

Currency Code	Currency	31 December 2012		31 December 2011	
		Average	Closing	Average	Closing
CZK	Czech Kruna	25.143	25.1400	24.5898	25.787
HRK	Croatian Kuna	7.5217	7.5456	7.439	7.537
HUF	Hungarian Forint	289.4157	291.29	279.3726	314.58
PLN	Polish Zloty	4.1852	4.0882	4.1206	4.458
RUB	Russian Ruble	39.9262	40.3295	40.8846	41.765
USD	US Dollar	1.2848	1.3194	1.392	1.2939

The following table gives the impact on the total consolidated balance sheet in absolute terms in EUR million of the variation (increase/decrease) by 12% against the Euro and the dollar for each currency in which the Group has a significant exposure.

The Group based the assumption of 5% compared to 10% in December 2011 as a result of the significant depreciation of Euro towards currencies as the Polish zloty (-8.3%) or the Hungarian Forint (-7.4%).

	Change of 5% against EUR As at 31.12.2012	Change of 10% against EUR as at 31.12.2011
CZK/EUR	16.4	2.9
PLN/EUR	6.1	4.4
HUF/EUR	7.8	8.2
HRK/EUR	4.3	0.0
CZK/USD	1.7	3.3
RUB/EUR	0.0	0.0

Positions in foreign currencies have strengthened since December 2011. Bank financing of residential developments are generally denominated in local currency as opposed to bank financing of investment properties that can be either expressed in foreign currencies in a company having Euro as a functional currency or being denominated in Euro in companies having another currency as functional currency.

(ii) Price risk

The Group is exposed to equity risks from Fillion and Endurance Fund which are classified in financial assets at fair value through profit or loss.

To manage its price risk arising from investments in equity securities and such embedded derivatives, the Group diversifies its portfolio or only enters these operations if they are linked to operational investments. No sensitivity analysis has been performed.

(iii) Cash flow interest rate risk

The Group's income and operating cash inflows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises from floating rate financial debts. Financial debts issued at variable rates expose the Group to cash flow interest rate risk. The Group mitigates some of its variable interest rates by entering into swap transactions.

The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest costs may increase as a result of such changes. They may reduce or create losses in the event that unexpected movements arise.

The floating rate loans line presents the projected cash flows, including interests and the reimbursements of the principal and for Group's floating rate. The cash flows have been established on the basis of the forward interest and exchange rates as at 31 December 2012. Discontinued activities are related to the project Szczecin (see note 6).

Interest rate swaps, collars and FOREX derivatives used by the Group are detailed in the note 19.7.

As at 31 December 2012, the impact of a 100 basis points growth of interest rates curve would induce an increase of the interest charges for 2012 of EUR 2.9 million. Before the positive impact of derivatives, the increase of interest expenses in 2012 would amount to EUR 4.7 million.

As at 31 December 2011, the impact of a 100 basis points growth of interest rates curve would induce an increase of the interest charges for 2011 of EUR 9.8 million. Before the positive impact of derivatives, the increase of interest expenses in 2011 would amount to EUR 13.7 million.

The table below shows the amount of floating bank loans by type of floating rate and the next re-pricing months as at 31.12.2012:

		Repricing month	Amounts
EuriborJanuary	Euribor + margin (from +0.8 to +3.8)	January 2013	0
Euribormarch	Euribor + margin (from +1.4 to +3.2)	March 2013	448,347
Priborjanuary	Pribor + margin (from +1.3 to +3.8)	January 2013	38,905
Pribormarch	Pribor + margin (from +1.9 to +5.5)	March 2013	3,301
Wiborjanuary	Wibor + margin (from +1.2 to +2.6)	January 2013	4,612

(iv) Other risks

The Group is also exposed to property price and property rentals risk but it does not pursue any speculative policy. Even though the Group's activities are focused on one geographical area (Central Europe) such activities are spread over several business lines (residences, offices, hotels) and different countries.

3.1.2 Credit risk

The Group has in particularly a concentration of credit risks related to the project Leipziger Platz. Rental contracts are made with customers with an appropriate credit history. Cash transactions are limited to high credit-quality financial institutions. The Group has policies that limit the amount of credit exposure to any financial institution. Credit risk is managed by local management and by Group management.

❖ In 2012

In 2012, the Group recorded an impairment on the advance payment guarantee for EUR 0.9 million linked to the project Praga. The maximum exposure to credit risk of the PPL granted to the AIG joint venture amounts to its original value EUR 88.2 million which is the only loan recorded at fair value at option and which fair value amounts to EUR 15.4 for the asset side.

	Fully performing	Past due but not impaired			Impaired	BALANCE 31 December 2012
		Less than 6 months	6 months and 1 year	More than 1 year		
Trade Receivable - Gross value	10,051	2,740	417	9,196	17,861	40,265
Impairments - At opening					(16,201)	(16,201)
Impairments - Scope Exit					-	-
Impairments - Merger					-	-
Impairments - Allowance					(2,121)	(2,121)
Impairments - Write-back					704	704
Impairments - Transfer					(76)	(76)
Impairments - Foreign exchange					(167)	(167)
Trade Receivable - Impairment	-	-	-	-	(17,861)	(17,861)
Trade Receivable - Net Value(i)	10,051	2,740	417	9,196	(0)	22,404
Other current assets - Gross value	21,613	183	646	33	1,872	24,348
Impairments - At opening					(1,266)	(1,266)
Impairments - Allowance					(830)	(830)
Impairments - Write-back					117	117
Impairments - Transfer					-	-
Impairments - Foreign exchange					107	107
Other current assets - Impairment	-	-	-	-	(1,872)	(1,872)
Other current assets - Net Value (ii)	21,613	183	646	33	-	22,476
Cash and cash equivalents gross value	25,203	-	-	-	-	25,203
Total cash and cash equivalents	25,203	-	-	-	-	25,203
Non current loans and receivables - Gross value	64,472	-	-	-	-	64,472
Total Non current loans and receivables - Net value	64,472	-	-	-	-	64,472

❖ In 2011

In 2011, the Group has recorded net impairments on trade receivables amounting to EUR 0.5 million and a transfer for EUR 3.4 million corresponding mainly to the netting of closed transactions. The scope exit recorded on other current assets for EUR 8.7 million is related to the sales of non-hospitality Russian activities.

As a result of a prior-period adjustment described in Note 2.1.3.5, the trade receivables "full performing" have been restated by EUR 4.0 million. The total amount of trade receivables decreased after the correction from EUR 36.1 million to EUR 32.1 million.

	Fully performing	Past due but not impaired			Impaired	BALANCE 31 December 2011
		Less than 6 months	6 months and 1 year	More than 1 year		
Trade Receivable - Gross value	27,451	3,268	192	1,235	16,201	48,346
Impairments - At opening					(15,096)	(15,096)
Impairments - Scope Exit					334	334
Impairments - Merger					2,200	2,200
Impairments - Allowance					(2,262)	(2,262)
Impairments - Write-back					1,801	1,801
Impairments - Transfer					(3,383)	(3,383)
Impairments - Foreign exchange					205	205
Trade Receivable - Impairment	-	-	-	-	(16,201)	(16,201)
Trade Receivable - Net Value	27,451	3,268	192	1,235	(0)	32,145
Other current assets - Gross value	30,706	419	60	10	1,269	32,463
Impairments - At opening					(10,095)	(10,095)
Impairments - Scope Exit					8,654	8,654
Impairments - Allowance					(2,852)	(2,852)
Impairments - Write-back					-	-
Impairments - Transfer					3,024	3,024
Other current assets - Impairment	-	-	-	-	(1,269)	(1,269)
Other current assets - Net Value (i)	30,706	419	60	10	-	31,156
Cash and cash equivalents gross value	37,095	-	-	-	-	37,095
Total cash and cash equivalents	37,095	-	-	-	-	37,095
Non current loans and receivables - Gross value	66,666	-	-	-	-	66,666
Total Non current loans and receivables - Net value	66,666	-	-	-	-	66,666

(i) The other current assets excluded represent mainly tax receivables amounting to EUR 1.1 Million.

The table below shows the rating and the balance for some of the major bank counterparties at the balance sheet date.

Counterparty	Moody's Rating	S&P's Rating	Fitch's Rating	December 2012	December 2011
Bank Pekao	A2	BBB+	A-	5.25	6.1
Deutsche Bank	A2	A+	A+	4.73	9
ČSOB	A2	-	BBB+	3.31	6.6
Berliner VB	-	AA-	-	2.33	1.8
Unicredit	Baa2	BBB+	A-	1.96	2
Hypo bank				1.53	0
RBA bank invest				1.50	0
Bank Zachodni WBK	Baa3	-	-	1.06	0
Ceska Sporitelna	A2	A	A	0.82	0
KBC	A3	A-	A-	0.73	4.4
LBB/Sparkasse	Aa1	-	AAA	0.56	1.3
BGL BNP Paribas	A2	A+	A+	0.41	0.5
Banque Espirito Santo de la Venet	-	-	-	0.18	0
Crédit agricole (CALYON)	A2	A	A+	0.15	1.4
Raiffeisen Bank	A2	A	A	0.06	0
HypoVereinsbank (HVB)	A3	A	A+	0.07	0
PBZ	-	-	-	0.05	1.9
VUB	A2	-	-	0.04	0.5
HSH Nordbank	Aa1	-	AAA	0.00	2.1
Erste bank	A3	A	A	0.01	0
HSBC bank plc.	A1	AA-	AA-	0.00	0
in EUR million				24.8	37.6

3.1.3 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the inherent nature of its assets, the Group is subject to a liquidity risk (see note 2.1.1 on going concern and note 3.3 for covenant breaches).

The liquidity risk is the risk that Orco Property Group might encounter difficulties raising liquid funds to meet commitments as they fall due. The Orco Property Group management monitors the Group's liquidity risk on the basis of expected cash flows and by managing its development agenda and portfolio of investment properties.

The table below analyses the Group's financial liabilities and net-settled derivative instruments into relevant maturity groupings based on the remaining period as from 31 December 2012 to the contractual maturity date.

As the amounts disclosed in the table are the contractual undiscounted cash flows, these amounts will not necessarily reconcile to the amounts disclosed on the consolidated balance sheet for borrowings, derivative instruments and other payables considered as financial instruments.

At 31 December 2012	Less than 1 month	Between 1 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	More than 5 years	TOTAL	Total booked value as at 31.12.2012
Fixed rate loans and bonds	-		(10,707)	(70,497)	(28,603)	(109,807)	(79,405)
Floating rate	(51,816)	(49,341)	(78,301)	(468,684)	(3,515)	(651,657)	(643,098)
bonds floating rate	-	-	-	-	-	-	-
Floating rate loans (*)	(51,816)	(49,341)	(78,301)	(468,684)	(3,515)	(651,657)	(623,147)
Interest rate derivatives		(2,845)	(2,792)	(8,865)	-	(14,502)	(8,321)
Embedded derivatives on bonds	-		-	-	-	-	-
Liabilities from discontinued activities		(6,445)	(3,347)			(9,792)	(9,792)
Trade payable	(4,139)	(9,168)	(12,777)			(26,084)	(26,084)
Other current liabilities	(10,636)	(10,112)	(12,187)			(32,935)	(32,935)
Total	(66,591)	(77,911)	(120,111)	(548,046)	(32,118)	(844,777)	(779,684)

(*) As at 31.12.2012 there are no floating rate bonds

At 31 December 2011	Less than 1 month	Between 1 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	More than 5 years	TOTAL	Total booked value as at 31.12.2011
Fixed rate loans and bonds	-	(117,875)	(10,421)	(110,104)	(425,818)	(664,218)	(303,142)
Floating rate loans and bonds	(6,160)	(24,993)	(512,670)	(249,542)	(36,290)	(829,655)	(822,911)
Interest rate derivatives	(2,547)	(2,326)	(4,429)	(21)	-	(9,323)	(18,238)
Embedded derivatives on bonds	-	(25,025)	-	-	-	(25,025)	(22,914)
Liabilities held for sale	-	(5,145)	(10,745)	-	-	(15,890)	(15,890)
Trade payable	(3,522)	(4,787)	(8,056)	-	-	(16,365)	(16,365)
Other current liabilities	(34,532)	(16,790)	(17,103)	-	-	(68,425)	(68,425)
Total	(46,761)	(196,941)	(563,424)	(359,667)	(462,108)	(1,628,901)	(1,267,885)

Undrawn bank credit facilities

	31 December 2012	31 December 2011
Expiring within one year	954	4,000
Expiring after one year	10,324	29,533
Total	11,279	33,533

❖ In 2012

The credit lines expiring after one year is mainly related to Mezihori and Zlota for respectively EUR 7.5 million and EUR 2.3 million.

The decrease in undrawn credit facilities is due to the following factors:

- Repayment linked to the sales of Sky Office for EUR 4 million
- Closing of the credit lines following the sales of assets for EUR 20 million

❖ In 2011

The credit line expiring after one year is mainly related to the credit line on Zlota renegotiated during the year.

The decrease in undrawn credit facilities is due to following main factors:

- Full draw down on Kosic for EUR 10.3 million, Huttenstrasse for EUR 9.7 million, Sky Office for EUR 5.3 million, Na Porici for EUR 4.0 million Radio Free Europe for EUR 2.8 million.
- Repayment linked to asset and share deals on Molcom for EUR 22.4 million.

3.2 Fair value estimates

Fair value measurements are classified of financial instruments reported at fair value by level of the following measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, trading securities and financial assets at fair value through profit or loss) is based on quoted market prices at the balance sheet date. The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows.

An increase of the discount on the Endurance Fund units has not been conducted as most of them have been sold at the date of publication of this report at or above the value recorded in the consolidated accounts. An increase by 5% of the discount rate applied to the cash flows used in the valuation of the loan granted to and from joint venture would lead the asset to decrease by EUR 2.4 million and the liability to decrease by EUR 1.4 million.

An increase of 1% of the liabilities derivative instruments will lead to a decrease of EUR 0.7 million.

The fair value of the bond and bank liabilities of the Group are not publish as it is considered that there is no relevant data available for the current credit spread specific to each situation.

Group's financial assets and liabilities measured at fair value at 31 December 2012

	Financial Instruments at fair value through profit or loss			Other Financial Instruments at amortised cost	Balance Sheet 31 December 2012
	Level 1	Level 2	Level 3		
Assets					
Financial assets at fair value through profit or loss					
- Investment in Endurance Fund	-	-	2,284	-	2,284
- Investment in Fillion	-	-	-	-	-
- loans granted to Joint ventures and other investments	-	-	15,440	-	15,440
- Others	-	195	-		195
Subtotal Financial assets at fair value through profit or loss	*-*	*195*	*17,724*	*-*	*17,918*
Current financial assets					
- Trading securities		20		17	37
Subtotal Current financial assets	*-*	*20*	*-*	*17*	*37*
Total assets	**-**	**215**	**17,724**	**17**	**17,955**
Liabilities					
Financial debts (non current):					
- loans received from Joint ventures and other investments	-	-	5,763		5,763
- others				445,657	445,657
Subtotal Financial debts (non current):	*-*	*-*	*5,763*	*445,657*	*451,420*
Derivative instruments:					
- Embedded derivatives on bonds	-	-	-	-	0
- Trading derivatives	-	8,323	-	-	8,323
Subtotal Derivative instruments	*-*	*8,323*	*-*	*-*	*8,323*
- Trading derivatives in Held for sales Liabilities	-		-	-	0
Subtotal Derivative instruments in Held for sales Liabilities	*-*	*-*	*-*	*-*	*-*
Total liabilities	**-**	**8,323**	**5,763**	**445,657**	**459,743**

Group's financial assets and liabilities measured at fair value at 31 December 2011:

	Financial Instruments at fair value through profit or loss			Other Financial Instruments at amortised cost	Balance Sheet 31 December 2011
	Level 1	Level 2	Level 3		
Assets					
Financial assets at fair value through profit or loss					
- Investment in Endurance Fund	-	-	4,930	-	4,930
- Investment in Fillion			6,045		6,045
- loans granted to Joint ventures and other investments	-	-	17,983	-	17,983
Subtotal Financial assets at fair value through profit or loss	*-*	*-*	*28,958*	*-*	*28,958*
Current financial assets					
- Trading securities		29	-		29
Subtotal Current financial assets	*-*	*29*	*-*	*-*	*29*
Total assets	**-**	**29**	**28,958**	**-**	**28,987**
Liabilities					
Financial debts (non current):					
- loans received from Joint ventures and other investments	-	-	5,994		5,994
- others				233,231	233,231
Subtotal Financial debts (non current):	*-*	*-*	*5,994*	*233,231*	*239,225*
Derivative instruments:					
- Embedded derivatives on bonds	-	-	22,914	-	22,914
- Trading derivatives	-	18,239	-	-	18,239
Subtotal Derivative instruments	*-*	*18,239*	*22,914*	*-*	*41,153*
- Trading derivatives in Held for Sales activities		*824*			824
Subtotal Derivative instruments	*-*	*824*		*-*	*824*
Total liabilities	**-**	**19,063**	**28,908**	**233,231**	**281,202**

The figures have been restated and corrected on the line" financial debts", on the "derivative instruments" and "trading derivative in held for sales liabilities as they did not correspond to the right line of the balance sheet in 2011

The decrease of financial assets at fair value by EUR 15.7 million in 2012 is mainly due to the following:

- The "Office II" and "Residential" sub-funds of Endurance Real Estate Fund with a decreased by EUR 2.6 million resulting from the net asset value as provided by the Fund Manager in its report as at 30 September 2012 (year-end closing of the sub-funds) and the change in the liquidity discount from 20% in December 2011 to 57% in December 2012. The liquidity discount reflects the recent transactions (not released by the Group) observed in December 2012 and the sale of its units by the Group realized on the same level of discount (See note 35.4). Moreover, the Residential Sub-fund liquidity discount is also taking in account the increase of its illiquidity as a result of the decision to not extend the sub-fund over its initial maturity (the liquidation will start on the 29th of March 2013);

- The investment in Fillion (Moscow) with a decrease by EUR 6.0 million due to the dilution of the share capital realized at a price much lower than the investment Net Asset Value, before the capital increase occurred. The Group will vigorously challenge such capital increase and seek to recover the initial value of its stake.

- The Profit Participating Loan (PPL) granted to the AIG joint venture (See Note 34.4) and a decrease in the cash flow expected leading to a decrease by EUR 2.5 million.

The 2011 table has been restated following to the change in classification of the « Office I » sub-fund, as detailed in Note 2.1.3.4. In consequence, the "*Investment in Endurance Fund*" has been reduced by EUR 17.8 million, to EUR 4.9 million.

Decrease in trade derivatives relates to reduction of time value of such financial instruments in 2012

The face value of the loan granted to the joint venture with AIG amount to EUR 89.1 million (EUR 88.2 million in 2011). It is the only liability for which the Group has elected to account for at fair value in line with the accounting method applied to its asset counterpart (see note 3.1.b).

3.3 Capital risk management

The Group monitors its capital risk by reference to the loan to value ratio ("LTV") which is the level of net debt accepted by the Group in order to finance its portfolio of assets. The objective of the Group is to bring back the loan to value ratio under 50%. The Group's objectives when managing capital are to safeguard the going concern and growth of the activities. In order to maintain or adjust the capital structure, the Group may, issue new shares, reschedule debt maturities, sell totally or partially the control over some assets and activities or adjust the agenda of the developments.

The following table shows the detailed calculation of the loan to value ratio. Apart from the line "*Revaluation gains on projects and properties*", all the lines correspond to specific items indicated on the face of the consolidated balance sheet. The Revaluation gains or losses on projects and properties represent the difference between the book value and the fair value for all the projects and properties that are not considered as Investment properties. This line also integrates the connection to the net asset values of the joint venture the Group has formed with AIG reflecting the agreement signed in 2010 allocating 75% of the cash distribution as repayments of shareholder loans. Also, the fair value of developments may be lower than their book value since the impairment test is performed on the basis of the expected selling price once completed minus the remaining development and commercialization costs while the fair value corresponds to the sale price of the development as it is at the date of valuation (See Note 3.2).

	December 2012	December 2011
Non current liabilities		
Financial debts	451,420	239,225
Current liabilities		
Financial debts	223,697	620,835
Current assets		
Current financial assets	(37)	(29)
Liabilities held for sale and discontinued activities	9,792	15,892
Cash and cash equivalents	(25,203)	(37,095)
Net debt	**659,670**	**838,829**
Investment property	791,881	872,316
Hotels and owner-occupied buildings	130,580	142,659
Investments in equity affiliates	8,738	17,829
Financial assets at fair value through profit or loss	17,918	28,958
Financial assets available-for-sales	9,466	-
Non current loans and receivables	64,486	66,666
Inventories	265,497	382,279
Assets held for sale and discontinued operations	6,736	24,129
Revaluation gains (losses) on projects and properties	41,848	69,521
Fair value of portfolio	**1,337,149**	**1,604,356**
Loan to value before bonds and New Notes	**49.3%**	**52.3%**
Bond&New Notes and accrued interests on New Notes	59,808	285,631
Loan to value after bonds and New Notes	**53.8%**	**70.1%**

Most of the administrative covenants are managed by local financial managers. Reported breaches are managed at Group level. Financial covenants are directly managed at Group level. End of 2012 some loans encountered administrative and/or financial covenant breaches. Those loans, as a result, have been reclassified in current liabilities. In some circumstances, when cross default covenants are included in bank loan agreements, breaches occurring at the level of subsidiaries could have the consequence that other bank loans granted to other entities of the Group become repayable on demand. Such cross defaults can occur also in the opposite way, meaning that breaches occurring at the level of the Company could have the consequence that bank loans granted to subsidiaries become repayable on demand. In case of cross default covenants' breach, the related loans, as a result, have been reclassified in current liabilities.

The non-respect of the LTV covenants may have as consequence that the lending bank requires partial repayment of the loan in order to solve the LTV covenant breach. In 2012, the Group negotiated mainly interest margin increase instead of partial repayment of the loan but some repayments have also been granted for a total amount of 2.7 million.

As at December 2012, despite the reduction in asset value, the LTV ratio before bonds decreases from 52.3% to 49.5% as a result of the repayment of loans upon significant sales and the decrease of the nominal value of the loan financing GSG portfolio.

As at December 2012, the LTV ratio including the bond liabilities decreases from 70% to 52% as a result of the finalization of the bonds' restructuring as described in note 19.1 the sale of overleveraged assets like Sky Office and Przy Parku land plot in Poland, the discontinuation of negative net asset value operations like Jozefoslaw and partial repayment upon refinancing of GSG liabilities.

3.4 Financial instruments by category

The nominal value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

Financial instruments 31 December 2012	Loans and Receivables	Asset at fair value through profit or loss	TOTAL
Financial assets at fair value through profit or loss	-	17,918	17,918
Financial assets available-for-sale	9,466	-	9,466
Derivative financial instruments and trading securities	17	20	37
Non current loan and receivables	64,486	-	64,486
Cash and cash equivalent	25,203	-	25,203
Financial Assets	**99,172**	**17,938**	**117,110**
	Other financial liabilities at amortised cost	**Liabilities at fair value through profit or loss**	**TOTAL**
Borrowings (non current and current)			
-Borrowings FV at option		5,763	5,763
-others	738,600		738,600
Trading derivatives	-	8,323	8,323
Trade and other payables	26,085	-	26,085
Financial Liabilities	**764,685**	**14,086**	**778,771**

Financial instruments 31 December 2011	Loans and Receivables	Asset at fair value through profit or loss	TOTAL
Financial assets at fair value through profit or loss	-	46,787	46,787
Derivative financial instruments and trading securities	-	29	29
Current trade and other receivables	36,145	-	36,145
Trade and other receivables	66,666	-	66,666
Cash and cash equivalent	37,095	-	37,095
Financial Assets	**139,906**	**46,816**	**186,721**
	Other financial liabilities at amortised cost	**Liabilities at fair value through profit or loss**	**TOTAL**
Borrowings (non current and current)			
-Borrowings FV at option		5,994	5,994
-others	1,153,261		1,153,261
Trading derivatives	-	41,153	41,153
Trade and other payables	16,366	-	16,366
Financial Liabilities	**1,169,627**	**47,147**	**1,216,773**

4 Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience as adjusted for current market conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that present a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed below.

4.1.1 Assessment of the going concern (see note 2.1.1)

4.1.2 Estimate of fair value of investment properties

The best evidence of fair value is current prices in an active market for similar assets. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgment, the Group considers information from a variety of sources including:

(i) Current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;

(ii) Recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

(iii) Discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

If information on current or recent prices is not available, the fair values of investment properties are determined using discounted cash flow valuation techniques. A cash flow period of 10 years is taken into consideration and is based on an estimate of the future potential net income generated by use of the properties. The Group uses assumptions that are mainly based on market conditions existing at each balance sheet date.

The main assumptions for discounted cash flow projections are the following:

	2012		2011		2010	
Per rate type	Min	Max	Min	Max	Min	Max
Discount rate	5.5%	17.0%	5.3%	17.0%	6.5%	11.8%
Capitalization yield	7.0%	15.3%	5.4%	19.1%	5.8%	13.0%
Cap rate	5.6%	18.0%	5.3%	17.0%	5.3%	9.0%

Per asset type	Capitalization yield		Cap rate		Discount rate	
	Min	Max	Min	Max	Min	Max
Hospitality	NA	NA	7.5%	11.0%	10.0%	17.0%
Berlin portfolio	NA	NA	5.6%	8.3%	5.5%	9.6%
Central Europe portfolio	7.0%	15.3%	7.5%	18.0%	7.3%	13.0%

The principal assumptions underlying management's estimation of fair value are those related to: the potential use of the asset, the receipt of contractual rentals; expected future market rentals; void periods; maintenance requirements; and appropriate discount rates. The fair value is based on the potential use of the properties as determined by the Group. Fair value is the highest value, determined from market evidence, by considering any other use that is financially feasible, justifiable and reasonably probable. The "highest and best-use" value results in a property's value being determined on the basis of redevelopment of the site. These valuations are regularly compared to actual market yield data, actual transactions by the Group and those reported by the market.

The expected future market rentals are determined on the basis of current market rentals for similar properties in the same location and condition.

Change of the Discount Rate and of the Exit Capitalization Rate would have the following impact on the portfolio of rental assets:

Figures in EUR Million

Portfolio	Discount Rate		Exit Cap Rate	
	DR - 25 bps	DR + 25 bps	ECR - 25 bps	ECR + 25 bps
Berlin Portfolio	9.43	(9.25)	9.03	(8.50)
Central Europe Portfolio	4.05	(3.94)	3.57	(3.34)
Total	13.48	(13.19)	12.60	(11.84)

DR : Discount rate, ECR : Exit Capitalization Rate

4.1.3 Income taxes

The Group is subject to income taxes in different jurisdictions. Significant estimates are required in determining the provision for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

As stated in note 2.18, the calculation of deferred tax on investment properties is not based on the fact that they will be realized through a share deal but through an asset deal. As a result of the Group structure, the potential capital gain may be exempted from any tax in case of share deal if certain conditions are met and hence the accumulated deferred tax liabilities may be recognized as a gain depending on the outcome of negotiations with future buyers. The level of income tax actually paid is approximately EUR 1.0 million (See. V - Consolidated statement of cash flows).

4.1.4 Determination of remaining construction costs and impairment on developments

All development projects are subject to individual financial forecasts and balances, prepared by the Group and based on the best estimate of the construction costs to be incurred as part of the projects. The costs incurred are subject to specific controls by the Group and the project balances, showing the costs incurred as well as the remaining construction costs, are updated on a regular basis. This information is used to determine the net realizable value of inventories as well as the fair value less cost to sale for the impairment test of properties under development.

For the purpose of the impairment test on developments under construction whether classified as property, plant and equipment or as inventories, the Group does not use the fair value but the present development value that is defined as the expected selling price (as determined by an independent expert) from which the remaining development costs are deducted. The remaining development costs deriving from the project balance include the remaining construction, sales and marketing costs and all direct or indirect costs that can be associated to the specific development.

4.1.5 Estimate of fair value of financial instruments

Some financial instruments are recorded at fair value.

Valuations are performed regularly on the basis of the management best estimates of the credit risk of the Group or of the specific entity concerned in the light of existing, available and observable market data:

- by the Group's banks for the derivatives (IRS, options and forwards);
- for the loan granted to Hospitality Invest joint venture, the valuation is performed internally using a discount rate similar to the one used for the fair value of the properties and a risk premium of 4% (4% in 2011) to reflect the relatively high level of indebtedness of the joint venture for the Profit Participating Loan granted to the joint venture holding company.

The fair value of financial instruments reflects, among other things, current market conditions (interest rates, volatility and share price). Changes in fair values are recorded in the consolidated income statement under the "other net financial results" line.

The Group investments in the Endurance sub-funds are fair valued on the basis of the net asset value provided by the fund Manager and the liquidity discount, as described in Note 3.2.

4.1.6 Impairment on owner-occupied buildings and hotels

For the purpose of determining the impairment on owner-occupied buildings and hotels, the Group uses the fair value as determined by the independent expert. The valuation methodology is based on cash flow projections for the relevant property with discount rates ranging from 10% and 14.25% (for hotel properties compared to 9.25% and 12.5% in 2011 - excluding the beach bar in Hvar which is not reflecting the discount rates applied to the building portfolio of the Group) and at 7.25% for office assets (same in 2011) depending of the location of the assets and its specific business risk.

4.1.7 Impairment on goodwill

The Group is testing annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2.5. The recoverable amounts of cash have been determined based on the deferred tax liabilities and the fair value of the buildings for which acquisitions have generated goodwill.

4.2 Critical judgments in applying the Group's accounting policies

4.2.1 Distinction between investment properties and owner-occupied properties

The Management determines whether a property qualifies as investment property. In making its judgment, the Management considers whether the property generates cash flows largely independently of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to property but also to other assets used in the production or supply process.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the supply of services or for administrative purposes. If these portions can be sold separately (or leased out separately under a finance lease) the Group is accounting the portions separately. If the portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the supply of services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Management considers each property separately in making its judgment.

4.2.2 Transfer between inventories and investment property

If a commercial or office development becomes partially rented, as a result of tenants moving in before the contemplated sale of the asset, the project is not automatically reclassified as investment property. A development will be reclassified as investment property only for capital appreciation and if the nature of this building has been changed and formally approved by the Investment Committee. The renting revenue on this development project is specifically disclosed in the consolidated financial statements.

4.2.3 Transfer between investment property and inventories

Freehold lands for which the destination is not determined at acquisition are classified under Investment property as land bank. The destination of land bank plots is considered to remain uncertain until the start of the development that will trigger the transfer at fair value to inventories. The start of the development will depend on whether it is decided by the Investment Committee to perform a land development with a view to sale or a construction development with a view to sale. In the case of a construction development with a view to sell in the ordinary course of activities, the start of the development is considered when the project design is definitive, the building permit is granted and the start of the construction has been validated by the Investment Committee. In the case of a land development with a view to totally or partially sell the parcels in the ordinary course of activities, the start of the development is considered to be the moment at which the Group has obtained sufficient support from state or city authorities in order to start working on the master plan modification.

4.2.4 Classification of non-current assets as held for sale

The Management determines whether a non-current asset has to be classified as held for sale when the following conditions are met:

- there is a formal decision taken by the Investment Committee to sell the asset at a price which is reasonable compared to its current fair value;
- the asset is available for immediate sale;
- the sale is highly probable and should be completed within the 12 months following the balance sheet date

A non-current asset can be also classified as held for sale if the sale occurred after the date of the closing.

5 Segment reporting

The Investment Committee is the responsible body making decisions for all acquisitions and disposals of projects. The Investment Committee assesses the performance of the operating segments based on a measure of adjusted earnings before interests, tax, depreciation and amortization ("adjusted EBITDA" as defined below).

Corporate expenses are allocated on the basis of the revenue realized by each activity.

Adjusted EBITDA is the recurring operational cash result calculated by deduction from the operating result of non-cash items and non-recurring items (Net gain or loss on fair value adjustments – Amortization, impairments and provisions – Net gain or loss on the sale of abandoned developments – Net gain or loss on disposal of assets) and the net results on sale of assets or subsidiaries.

The Group structure lies on two main activities to which the Investment Committee is allocating the Group investment capacity on the basis of the strategy defined by the Board of Directors. On one hand, the Group is investing in land bank or assets for development and effectively developing them once the project presented is satisfactorily approved by the Investment Committee. Once the asset is developed it can be either sold to a third party or kept in the Group own portfolio for value accretion. On the other hand, the Group is actively investing in and managing its own or third parties real estate assets for operational profitability and value appreciation. These two business lines are the segments by which the operations are analyzed.

These two segments or business lines can be defined as following:

- Development business line covers all real estate assets under construction or designated as a future development in order to be sold to a third party or to be transferred to the Property Investment Business line once completed;

- Property Investment business line (formerly called Asset Management) covers all real estate assets operated (as hotels and logistic parks) and rented out assets or that will be so without any major refurbishment.

The level of indebtedness in front of each asset in order to finance projects and operations is decided by the Investment Committee and the Board of Directors above certain thresholds. The funds allocation after draw down is independent from the asset pledged or leveraged. Since the segmentation by business line of the finance debt based on the pledged project is not representative of operational cash allocation, this information is not disclosed as non-relevant.

5.1 Segment Reporting 2012

Profit & Loss **31 December 2012**	Development	Property Investments	TOTAL
Revenue	147,451	112,108	259,559
Sale of goods	*141,500*	*1,242*	***142,742***
Rent	*4,106*	*62,393*	***66,499***
Hotels, Extended Stay & Restaurants	*3*	*31,418*	***31,421***
Services	*1,843*	*17,055*	***18,898***
Net gain or loss from fair value adjustments on investment property	1,234	(9,418)	**(8,184)**
Cost of goods sold	(140,221)	(2,606)	**(142,827)**
Impairments - Allowance	(35,389)	(12,427)	**(47,816)**
Impairments - Write-Back	551	1,099	**1,650**
Amortization and provisions	(8,469)	(3,819)	**(12,288)**
Other operating results	(18,727)	(60,143)	**(78,870)**
Operating Result	(53,570)	24,795	(28,775)
Net gain or loss from fair value adjustments on investment property	(1,234)	9,418	**8,184**
Impairments - Allowance	35,389	12,427	**47,816**
Impairments - Write-Back	(551)	(1,099)	**(1,650)**
Amortization and provisions	8,469	3,819	**12,288**
Net result on disposal of assets	(1,274)	(130)	**(1,404)**
Adjusted EBITDA	(12,771)	49,229	36,458
Financial Result			3,611
Share profit or loss from equity affiliates			(9,091)
Profit & Loss before Income Tax			(34,255)

Balance Sheet & Cash Flow **31 December 2012**	Development	Property Investments	TOTAL
Segment Assets	296,450	905,137	1,201,587
Investment Property	27,511	764,370	**791,881**
Property, plant and equipment	-	130,579	**130,579**
Inventories (*)	263,653	-	**263,653**
Assets held for sale	5,286	1,450	**6,736**
Investments in equity affiliates	-	8,738	**8,738**
Unallocated assets			*220,265*
Total Assets			**1,421,852**
Segment Liabilities	9,792	-	9,792
Liabilities linked to assets held for sale	9,792	-	**9,792**
Unallocated liabilities			*1,412,060*
Total Liabilities			**1,421,852**
Cash flow elements	599	1,811	2,409
Capital expenditure	599	1,811	**2,409**

Direct Operating Expenses **31 December 2012**	Development	Property Investments	TOTAL
Direct operating expenses arising from investment property that :			
- generated rental income	(121)	(33,448)	**(33,569)**
- did not generated rental income	(105)	(350)	**(455)**

(*) The only allocable inventories are related to the real estate properties.

5.2 Segment Reporting 2011

Profit & Loss 31 December 2011	Development	Property Investments	TOTAL
Revenue	47,391	110,210	157,601
Sale of goods	*38,894*	*1,255*	***40,149***
Rent	*6,592*	*61,896*	***68,488***
Hotels, Extended Stay & Restaurants	*-*	*30,014*	***30,014***
Services	*1,904*	*17,047*	***18,951***
Net gain or loss from fair value adjustments on investment property	(2,918)	22,478	**19,560**
Cost of goods sold	(32,669)	(2,641)	**(35,310)**
Impairments - Allowance	(11,235)	(14,637)	**(25,872)**
Impairments - Write-Back	1,916	3,606	**5,522**
Amortization and provisions	3,687	(3,799)	**(112)**
Other operating results	(9,005)	(72,439)	**(81,444)**
Operating Result	(2,834)	42,776	39,942
Net gain or loss from fair value adjustments on investment property	2,918	(22,478)	**(19,560)**
Impairments - Allowance	11,235	14,637	**25,872**
Impairments - Write-Back	(1,916)	(3,606)	**(5,522)**
Amortization and provisions	(3,687)	3,799	**112**
Net result on disposal of assets	(10,920)	414	**(10,506)**
Adjusted EBITDA	(5,203)	35,544	30,341
Financial Result			(89,627)
Share profit or loss from equity affiliates			2,574
Profit & Loss before Income Tax			(47,111)

Balance Sheet & Cash Flow 31 December 2011	Development	Property Investments	TOTAL
Segment Assets	465,249	971,962	1,437,211
Investment Property	81,562	790,753	**872,315**
Property, plant and equipment	-	142,659	**142,659**
Inventories (*)	380,279	-	**380,279**
Assets held for sale	3,408	20,721	**24,129**
Investments in equity affiliates	-	17,829	**17,829**
Unallocated assets			*261,160*
Total Assets			**1,698,371**
Segment Liabilities	5,275	10,617	15,892
Liabilities linked to assets held for sale	5,275	10,617	**15,892**
Unallocated liabilities			*1,682,479*
Total Liabilities			**1,698,371**
Cash flow elements	6,639	1,742	8,381
Capital expenditure	6,639	1,742	**8,381**

Direct Operating Expenses 31 December 2011	Development	Property Investments	TOTAL
Direct operating expenses arising from investment property that :			
- generated rental income	(271)	(40,137)	**(40,408)**
- did not generated rental income	(1,583)	(1,697)	**(3,280)**

(*) The only allocable inventories are related to the real estate properties.

Prior-period adjustment: *As a result of the prior year adjustment describe in Note 2.1.3.5, the lines “Unallocated assets”, “Total Assets”, “Unallocated Liabilities” and “Total Liabilities” have been restated and reduced by EUR 4.0 million.*

5.3 Geographical information

	Revenue	Investment Properties	Property, plant & equipment	Inventories
Czech Republic	33,757	148,481	15,925	120,902
Germany	181,032	504,745	2,893	1,841
Russia	3,857	-	16,770	-
Poland	11,707	21,035	6,766	136,631
Croatia	17,265	2,790	85,845	645
Hungary	4,010	81,660	2,275	-
Slovakia	5,776	10,070	105	3,620
Luxembourg	13,303	23,100	-	-
Inter-geographic	(11,149)	-	-	-
December 2012	259,559	791,881	130,579	263,639

	Revenue	Investment Properties	Property, plant & equipment	Inventories
Czech Republic	52,449	220,733	17,344	119,737
Germany	63,757	491,989	2,911	144,156
Russia	3,584	-	16,555	-
Poland	12,921	31,642	6,931	104,565
Croatia	15,855	1,220	96,072	646
Hungary	2,897	88,200	2,641	-
Slovakia	6,242	13,900	197	11,179
Luxembourg	12,380	24,650	-	-
Inter-geographic	(12,482)	-	-	-
December 2011	157,602	872,334	142,650	380,283

5.4 Rent revenues

Operational lease revenues contracted as of December 2012 - Figures in EUR Million

Asset type & location	2013	2014	2015	2016	2017	> 2017
Logistics	**2.5**	**2.2**	**2.0**	**2.0**	**2.0**	**2.0**
Czech Republic	2.1	2.0	2.0	2.0	2.0	2.0
Poland	0.4	0.1	-	-	-	-
Mixed Commercial	**36.0**	**17.1**	**10.4**	**6.5**	**2.7**	**1.9**
Germany	36.0	17.1	10.4	6.5	2.7	1.9
Office	**7.7**	**6.1**	**5.1**	**3.3**	**1.9**	**1.1**
Czech Republic	4.7	3.5	2.7	2.2	1.2	0.5
Hungary	0.9	0.7	0.7	0.5	0.5	0.5
Luxembourg	1.8	1.7	1.7	0.6	0.1	0.0
Poland	0.4	0.3	-	-	-	-
Retail	**1.1**	**0.9**	**0.9**	**0.8**	**0.7**	**0.7**
Hungary	0.9	0.9	0.9	0.8	0.7	0.7
Slovakia	0.2	0.0	-	-	-	-
Total	47.4	26.2	18.4	12.7	7.3	5.7

Over the year 2012, the contingent rent amounted to EUR 46.7 Thousands. It encompasses turnover rent in relation with retail areas.

❖ General overview of the main provisions of lease agreements

In Germany, the German Civil Code (BGB) contains a number of provisions governing the contents of lease agreements in Sections 535 and following BGB. Commercial leases which are not individually agreed are additionally reviewed under the provisions of general terms and conditions of trade in Section 305 and following BGB. Commercial leases are generally concluded for a fixed time period and usually contain a unilateral extension option for the tenant or a provision for automatic extension if neither party notifies the other to terminate the lease prior to a specified deadline before the end of the lease term. The latter case of contracts could be considered as permanent or indefinite till termination according the following regulations. The statutory and regular notification requirement for termination according Section 580 a BGB must occur at the latest at the third working day of one calendar quarter to the end of the next calendar quarter. Often this period is extended in the lease contract to longer periods. Similar periods are also used for option clauses. To fulfill the strict requirements of written form for the commercial lease contracts, all lease contracted for periods longer than one year must include all arrangements between the parties in one document signed by both parties. The rent and additional charges are paid by the tenant monthly in advance. The rents increase usually automatically through stepped rent (for example yearly by 3 %) or through stable value clauses, both ways must have been agreed in the contract beforehand.

In Czech Republic and Slovakia, commercial lease agreements are regulated mainly by Act No. 116/1990 Coll. on the lease and sublease of non-residential premises. A commercial lease can be entered into either for a definite term or for an indefinite term with a right to terminate. Unless such option is granted, the lessee has no legal right to renewal. Rents are expressed either in euros or Czech koruna, and are usually paid in Czech koruna and/or in euros quarterly in advance.

In Poland, commercial lease agreements are regulated by articles 659-692 of the Polish Civil Code. Lease agreement can be concluded for a specific period of time (usually 5 years) or indefinite period. Rents are usually denominated in Euros and usually received in Polish zloty monthly in advance and are annually indexed to the European HICP index (or to the Polish GUS index, if denominated in Polish).

In Hungary, the present acts regulating rental relations in Hungary (Act IV of 1959 of the Civil Code; Act LXXVIII of 1993 on Residential and Commercial Leases) are based on that contractual relation is created by the free will of the parties. The act renders written form of lease as well as sublease contracts mandatory. The deposit, its rate and other conditions can be freely agreed by the contracting parties. The usual amount of deposit is around 1-3 months' rent. The lease agreement may be concluded for a definite term, or an indefinite term, or until the occurrence of a certain condition defined in the agreement. A lease concluded for definite term can be terminated with extraordinary termination only. The termination procedure is ruled in the leasing act in details; however the parties can deviate from it in the lease agreement. If not agreed upon otherwise by the parties, an indefinite term lease can be terminated by the lessor without offering the tenant replacement rental property, and the notice period shall not be shorter than one year; the parties may stipulate any period shorter than that.

6 Discontinued operations

Discontinued operations over 2012

In April 2012, the Group initiated the bankruptcy procedure with the Court of Justice of Warsaw as a result for the Group decision not to pursue the project Szczecin. As of 31 December 2012 the Warsaw Court of Justice had yet to deliver its judgment regarding the declaration of bankruptcy. Consequently the assets and liabilities of this subsidiary had been reclassified as the "Assets and Liabilities from Discontinued Operations".

Profit and Loss – Balance Sheet

	12 months 2012	12 months 2011
Revenue	-	-
Net gain or loss from fair value adjustments on investment property	(428)	(198)
Other operating income	-	-
Net result on disposal of assets	-	-
Cost of goods sold	-	-
Employee benefits	-	-
Amortisation, impairments and provisions	-	-
Other operating expenses	(14)	(101)
Operating result	**(442)**	**(298)**
Interest expenses	(765)	(796)
Interest income	-	-
Foreign exchange result	-	-
Other net financial results	(259)	(257)
Financial result	**(1,025)**	**(1,054)**
Profit or loss before income taxes	**(1,466)**	**(1,352)**
Income taxes	-	(0)
Profit / (loss) of the Company after tax from discontinued operations	**(1,466)**	**(1,352)**
Basic earnings in EUR per share	(0.03)	(0.03)
- Attributable to non controlling interests	*(0.01)*	*0.04*
- Attributable to owners of the Company	*(0.02)*	*(0.07)*
Diluted earnings in EUR per share	(0.03)	(0.03)

ASSETS	31 December 2012
NON-CURRENT ASSETS	**4,660**
Intangible assets	-
Investment property	**4,660**
Property, plant and equipment	-
Hotels and owner occupied buildings	-
Fixtures and fittings	-
CURRENT ASSETS	**26**
Inventories	-
Trade receivables	-
Other current assets	26
Current financial assets	-
Cash and cash equivalents	-
TOTAL ASSETS	**4,686**

LIABILITIES	31 December 2012
NON - CURRENT LIABILITIES	**2,526**
Bonds	-
Financial debts	2,495
Provisions & other long term liabilities	31
Deferred tax liabilities	-
CURRENT LIABILITIES	**11,614**
Current bonds	-
Financial debts	4,349
Trade payables	62
Derivative instruments	-
Other current liabilities	7,203
TOTAL LIABILITIES	**14,140**

Cash flow

Over last 2 years, no significant cash flows movements were recognized in this company.

❖ Discontinued operations over 2011

In 2011 the Group has completed the agreement to sell its stake in its Russian rental and development operations to a local investor. The sale of EUR 53 million includes the logistics business, the residential projects, the offices and land plots. The agreement contains a further provision entitling the Group to 20% of future sales proceeds in the event they exceed the EUR 53 million. Formal closing occurred on 14 October 2011.

Profit and Loss – Balance Sheet

	12months 2011	12months 2010
Revenue	**19,089**	**20,118**
Sale of goods	-	-
Rent	*19,045*	*20,091*
Hotels, Extended Stay & Restaurants	-	-
Services	*44*	*27*
Net gain / (loss) from fair value adjustments on investment property	0	(2,115)
Other operating income	63	(36)
Net result on disposal of assets	(41)	(144)
Cost of goods sold	-	(43)
Employee benefits	(11,238)	(11,122)
Amortisation, impairments and provisions	(176)	7,388
Other operating expenses	(3,075)	(3,740)
Operating result	**4,622**	**10,306**
Interest expenses	(1,139)	(1,674)
Interest income	1,441	2,791
Foreign exchange result	(1,950)	(5,074)
Other net financial results	(933)	(8,515)
Financial result	**(2,581)**	**(12,472)**
Profit / (loss) before income taxes	**2,041**	**(2,166)**
Income taxes	(936)	(1,823)
Profit / (loss) after tax from discountinued operations	**1,105**	**(3,989)**
Basic earnings in EUR per share	0.07	(0.54)
- Attributable to non controlling interests	*0.02*	*(0.13)*
- Attributable to owners of the Company	*0.05*	*(0.42)*
Diluted earnings in EUR per share	0.07	(0.54)

	September 2011
NON-CURRENT ASSETS	**72,820**
Intangible assets	192
Investment property	6,491
Property, plant and equipment	63,841
Hotels and owner-occupied buildings	60,818
Fixtures and fittings	2,956
Properties under development	67
Financial assets at fair value through profit or loss	-
Non current loans and receivables	2,253
Deferred tax assets	42
CURRENT ASSETS	**29,882**
Inventories	11,770
Trade receivables	1,703
Other current assets	15,429
Derivative instruments	-
Current financial assets	-
Cash and cash equivalents	981
Assets held for sale	-
TOTAL ASSETS	102,702

	September 2011
NON-CURRENT LIABILITIES	**26,488**
Bonds	-
Financial debts	16,499
Provisions & other long term liabilities	548
Derivative instruments	-
Deferred tax liabilities	9,442
CURRENT LIABILITIES	**3,691**
Current bonds	-
Financial debts	825
Trade payables	338
Advance payments	297
Derivative instruments	-
Other current liabilities	2,175
Net assets & Liabilities toward the group	57
Liabilities linked to assets held for sale	-
TOTAL LIABILITIES	30,179

Cash flow

In EUR Thousand	12months 2011	12months 2010
Operating	(3,532)	(40,378)
Investment	(3,344)	(5,430)
Financing	1,927	1,506
Net Cash Outflow	(4,949)	(44,302)

Net loss from sale of Russian rental and development operations comprise EUR 0.9 million. Cash received in 2011 from discontinued operations is represented by EUR 13.3 million. The remaining EUR 39.7 million recorded in Balance sheet as "Non-current loans and receivables" that is expected to be received is guaranteed by pledge of shares sold.

7 Intangible assets

Intangible assets	Gross amount	Amortisation and Impairments	Net amount
Balance at 31 December 2010	54,126	(5,921)	48,205
Scope variation	(228)	66	(163)
Increase	246	(0)	246
Assets sales	(283)	283	-
Impairement	-	(479)	(479)
Transfer	-	-	-
Translation difference	(191)	165	(26)
Balance at 31 December 2011	53,670	(5,887)	47,783
Scope variation	(1)	1	-
Increase	884	-	884
Assets sales	(9)	9	-
Impairments	-	(1,147)	(1,147)
Transfer	76	38	114
Translation difference	142	(123)	19
Balance at 31 December 2012	54,762	(7,109)	47,653

The intangible assets of EUR 47.7 million (EUR 47.8 million in 2011) include mainly the GSG trademark recognized as part of the business combination accounting (EUR 7.2 million) and the goodwill on acquisitions (EUR 38.6 million). The increase corresponds to new software acquired for EUR 0.9 million over the year.

Goodwill	Gross amount	Amortisation and Impairments	Net amount
Balance at 31 December 2010	41,572	(2,316)	39,255
Translation difference	(53)	53	0
Balance at 31 December 2011	41,518	(2,263)	39,255
Impairments	-	(610)	(610)
Translation difference	34	(34)	-
Balance at 31 December 2012	41,552	(2,907)	38,645

The sole goodwill recognized as at 31 December 2012 (since 2009) is the GSG goodwill. Main source of goodwill on the acquisition of GSG can be found in the amount of deferred tax liabilities as a result of the low tax value of the assets. This amount of taxes is still above the amount of goodwill. A decrease of value of the assets by 10% would still leave deferred tax liabilities at a level above the amount of goodwill.

Some assets have been sold over the year 2012 and impairments have been recognized as a proportion in the GSG portfolio fair value of the fair value of these assets at the time of the acquisition.

Since 1965, GSG has continuously developed its brand. Especially its initial role as a business promoter had a strong impact on the image of being a fair and reliable landlord. In the course, GSG managed to reinforce the brand by implementing a new corporate design, accompanied by specific marketing campaigns. The "change" into ORCO-GSG even helped to illustrate the shift to a modern service provider offering a wide range of additional products/services like the own glass fiber network or the support of start-up companies. Therefore the implemented brand has been and will be of vital importance and the fundamental basis to market the assets, to increase occupancy and maintain the good reputation. In this context, the useful life of GSG trademark has been assessed as indefinite. No impairment is recognized on this intangible asset since as such the trademark continues to generate cash flows independently, the prospective valuation of the portfolio demonstrates the potential of the portfolio to continue to increase and the dynamic is clear with GSG beating systematically the budget in terms of occupancy and average revenues per square meters.

8 Investment Property

The main assumptions used to calculate the fair value of the projects are disclosed in note 4.1. Even though the Group is controlling the majority of the voting rights, the operation and the strategy, the disposal of real estate assets located in entities where the Group does not hold 100% of the shares, needs the agreement of the partner.

	Freehold buildings	Extended stay hotels	Land bank	Buildings under construction	TOTAL
Balance at 31 December 2010	**765,996**	**26,300**	**50,340**	**45,400**	**888,036**
Scope movements	0	-	(6,277)	-	(6,277)
Investments / acquisitions	1,444	85	455	6,184	8,168
Asset sales	(10,892)	(1)	(1,317)	-	(12,210)
Revaluation through income statement	17,667	747	1,146	-	19,560
Transfers from properties under development	50,434	-	-	(50,434)	-
Transfers in/from asset held for sale	(3,860)	-	(4,030)	-	(7,890)
Other transfers	(1,431)	(1)	1,783	0	351
Translation differences	(12,370)	(1,257)	(2,627)	(1,150)	(17,403)
Balance at 31 December 2011	**806,988**	**25,874**	**39,472**	**-**	**872,334**
Scope movements	-	-	(6,322)	-	(6,322)
Investments / acquisitions	1,511	5	599	-	2,115
Asset sales	(73,530)	-	(1,073)	-	(74,603)
Revaluation through income statement	(8,452)	(637)	477	-	(8,612)
Changes in classification	(1,380)	-	(5,450)	-	(6,830)
Transfers in/from asset held for sale	(1,450)	-	928	-	(522)
Other transfers	-	(20)	(1,206)	-	(1,226)
Translation differences	12,906	985	1,656	-	15,547
Balance at 31 December 2012	**736,593**	**26,207**	**29,081**	**-**	**791,881**

❖ In 2012

59 investment properties (753.6 million) financed by bank loans located in special purpose entities are fully pledged for EUR 490.5 million.

As at 31st December 2012, the total loss in fair value disclosed in the profit and loss statement amounts to EUR 8.2 million, showing a difference of EUR 0.4 million with the present note, as a result of the reclassification of the entity Szczecin in Discontinued operations which not impacting anymore the line *"Net gain or loss from fait value adjustments on investment property"* (See Note 6).

a) Investments / Acquisitions

Over the year 2012, the Group has invested EUR 2.1 million in Investment Properties representing mainly capitalization on mixed retail and office in Berlin for EUR 1.0 million, land banks in the Czech Republic and Poland for EUR 0.6 million and the Szervita mixed office and parking property in Budapest for EUR 0.3 million.

Over the year 2012, the Group did not proceed to any asset acquisition or any acquisition through business combinations.

b) Asset sales

As of 31st of December 2012, the net book value ("NBV") of the assets sold represents EUR 76.5 million, for a total sale price of EUR 75.9 million out of which EUR 39.3 million have been used to repay the bank loan on Radio Free Europe in Czech Republic, composed mainly of the following disposals:

- Radio Free Europe in Prague (NBV of EUR 70.0 million) at the sale price of EUR 69.3 million;
- 4 assets in Vinohrady, Prague (NBV of EUR 1.9 million) at the sale price of EUR 1.4 million;
- Ackerstrasse 81 and 93 in Berlin (NBV of EUR 1.5 million) at the sale price of EUR 2.0 million;
- Elb loft in Hamburg (NBV of EUR 1.1 million) at the sale price of EUR 1.5 million.

The total net loss compared to the December 2011 net book value of the assets amounts to EUR 2.1 million in P&L which is mainly explained by accumulated foreign exchange losses in consolidated equity amounting to EUR 1.8 million on Radio Free Europe.

c) Revaluation through the income statement

	Freehold buildings	Extended stay hotels	Land bank	Buildings under construction	TOTAL
Czech Republic	(5,393)	(30)	1,099	-	(4,324)
Germany	17,690	-	360	-	18,050
Poland	(1,824)	(217)	(654)	-	(2,695)
Croatia	-	-	(327)	-	(327)
Hungary	(13,559)	(390)	-	-	(13,948)
Slovakia	(3,837)	-	-	-	(3,837)
Russia	-	-	-	-	-
Luxembourg	(1,530)	-	-	-	(1,530)
Balance at 31 December 2012	**(8,452)**	**(637)**	**477**	**-**	**(8,612)**

The movements in fair value of the assets are mainly related to the freehold buildings and land bank:

- In Germany with the freehold buildings Gneisenaustrasse (EUR 1.0 million), Pankow (EUR 1.1 million), Schlesische Str. (EUR 1.3 million), Kopenicker Str. (EUR 1.4 million) Reichenberger Str. (EUR 1.4 million), Helmholtz Str. (EUR 1.5 million) Zossener Str. (EUR 1.6 million) and Franklinstrasse (EUR 2.9 million).
- In the Czech Republic with the Freehold buildings of Bubenska (EUR -3.5 million), Na Porici (EUR -1.3 million) and the Land banks of Decin (EUR -0.8 million), Na Frantisku (EUR 0.6 million), U Hranic (EUR 0.9 million) and Praga (EUR 1.5 million);
- In Poland with the Freehold buildings Marki (EUR -1.1 million) and Diana Office (EUR -0.7 million);
- In Hungary with the freehold buildings Vaci 1 (EUR -6.0 million), Paris Department Store (EUR -3.0 million), Szervita (EUR -2.3 million) and the Main Budapest Bank (EUR -1.6 million);
- In Slovakia with an decrease in fair value mainly explained by Dunaj (EUR -3.8 million) an rental property;
- In Croatia with the decrease in fair value mainly related to the Camping Vira (EUR 0.3 million);
- In Luxembourg with the freehold building of Cappellen (EUR 1.5 million).

d) Scope movements

The scope movement over the period is related to the deconsolidation of the Józefosław Project (see Note 18).

e) Transfers

Land banks – Changes in classification

The Group is not anymore the operator of the Vira camping in Suncani Hvar (Croatia). This asset is now rented out and as a consequence has been transferred from Hotels and Owner-occupied buildings to Investment Property for EUR 1.9 million.

The Mezihori residential development started in 2012 with more than 50% of pre-sales registered. In consequence this asset has been transferred in Inventories for EUR 2.7 million.

The Szczecin project is reclassified in Discontinued Operation for EUR 4.7 million (see Note 6).

Freehold Buildings – Changes in classification

The Group started in 2012 the residential development of Naunynstrasse 68 a rental property located in Berlin and as a consequence the asset has been transferred in Inventories for EUR 1.4 million.

Land banks – Transfers to Held for Sale Assets

The Group has decided to sell 2 investment properties in Germany which have been transferred in assets held for sale:

- Skalitzer Str. in Berlin for EUR 1.5 million;
- Kufurstenstrasse in Berlin for EUR 0.6 million.

As the sale was canceled the Group has decided to transfer back the land bank Na Frantisku in Ostrava from Held for Sale Assets for EUR 1.5 million.

- **In 2011**

65 investment properties (EUR 824.7 million) financed by bank loans located in special purpose entities are fully pledged for EUR 558.4 million. The decrease by EUR -6.3 million for the investment properties presented in scope movements is related to the sale of Molcom (Russian portfolio) as disclosed in note 6 of the year end 2011 consolidated financial statements.

a) Investments / Acquisitions

During the year, the Group has invested EUR 8.2 million in investment property representing mainly capitalization on commercial development in Budapest. The main investment, on the Vaci 1 retail center (Budapest) has been partially financed by further loan drawdowns:

- EUR 6.2 million for the development of the Vaci 1 (commercial development in Budapest);
- EUR 0.8 million in the Czech Republic mainly on Na Porici (renting) for EUR 0.3 million and Doupovska (residential) for EUR 0.1 million;
- EUR 0.5 million in Germany mainly on Kurfustendamm 102 (transferred to asset held for sale asset at the end of 2011) for EUR 0.2 million.

Over the year 2011, the Group did not proceed to any asset acquisition or any acquisition through business combinations.

b) Asset sales

During the year, the net book value ("NBV") of the assets sold represents EUR 12.2 million, for a total sale price of EUR 13.4 million out of which EUR 6.7 million have been used to repay the bank loan on Invalidenstrasse, with a total net gain compared to the December 2010 DTZ valuation amounting to EUR 2.5 million and composed mainly of the following disposals:

- Invalidenstrasse in Berlin (NBV of EUR 5.2 million) at the sale price of EUR 5.6 million;
- Brunnenstrasse 156 in Berlin (NBV of EUR 3.4 million) at the sale price of EUR 3.7 million;
- Plachta Jih, a residential property in Czech Republic (NBV of EUR 0.9 million) at the sale price of EUR 1.7 million;
- Apartments in Vinohrady, Prague (NBV of EUR 2.0 million) at the sale price of EUR 2.0 million;
- Kolin a development property in Czech Republic (NBV of EUR 0.4 million) at the sale price of EUR 0.4 million.

c) Revaluation through the income statement

The movement in fair value of the assets relates mainly to freehold buildings and land bank:

- In Germany, the total amount of increase in fair value amounts to EUR 13.1 million of which EUR 12.8 million on freehold buildings and EUR 0.3 million on land banks;
- In the Czech Republic, the increase in fair value amounts to EUR 8.5 million of which EUR 0.2 million on land banks and EUR 8.3 million on freehold buildings;
- In Poland, the increase in fair value amounts to EUR 5.4 million of which EUR 4.9 million on Freehold (including a EUR 3.2 million revaluation of Marki a logistic property), EUR 0.5 million on extended stay hotels and EUR -0.1million on land banks;
- In Hungary, the decrease in fair value amounts to EUR -5.7 million, of which EUR -6.0 million on freehold buildings and EUR 0.3 million on extended stay hotels;
- In Slovakia, the decrease in fair value amounts to EUR -2.0 million mainly explained by Dunaj an rental property;
- In Croatia, the increase in fair value amounts to EUR 0.8 million on land lank;
- In Luxembourg, the decrease in fair value amounts to EUR -0.3 million on freehold building.

d) Transfers

Freehold buildings – Main incoming assets

The Group stopped the sale process of 2 projects in Hungary which have been transferred from assets held for sale:

- Szervita Car Park for EUR 7.8 million;
- Szervita office building for EUR 7.2 million.

Freehold buildings – Main outgoing assets

The Group has decided to sell 4 investment properties in Germany which have been transferred to assets held for sale:

- Hüttenstrasse in Düsseldorf for EUR 6.5 million;
- Kurfurstendamm 102 in Berlin for EUR 6.3 million;
- Bergfriedstrasse 2,4,6 & Ritterstrasse 114 in Berlin for EUR 3.7 million;
- Kufurstenstrasse 13-14 in Berlin for EUR 2.4 million.

Land banks

The Group is expecting to sell 2 land bank properties in Germany and Poland which have been transferred in assets held for sale:

- Przy Parku in Poland for EUR 3.4 million;
- Ackerstrasse 83-84 in Berlin for EUR 0.7 million.

List of major investment properties

	12 months to December 2012		12 months to December 2011	
	Revaluation	Fair value	Revaluation	Fair value
Freehold Buildings	**(8,452)**	**736,593**	**17,668**	**806,988**
Germany	**17,690**	**501,995**	**12,826**	**487,899**
Residential	-	-	1,860	-
Office	-	-	481	-
Mixed Retail & Office	17,690	501,995	10,485	487,899
Czech Republic	**(5,393)**	**107,003**	**8,070**	**179,299**
Residential	(6)	185	(67)	1,707
Office	(3,487)	18,925	5,098	89,830
Mixed Retail & Residential	-	-	14	460
Mixed Retail & Office	(1,041)	65,654	2,351	64,800
Industrial	(859)	22,239	674	22,502
Slovakia	**(3,837)**	**10,070**	**(1,978)**	**13,900**
Mixed Retail & Office	(3,837)	10,070	(1,978)	13,900
Hungary	**(13,559)**	**79,510**	**(6,035)**	**85,850**
Retail	(6,027)	42,100	(5,924)	44,510
Office	(1,737)	13,070	1,584	13,700
Mixed Office & Parking	-	-	(2,886)	10,870
Mixed Retail & Office	(5,350)	22,190	1,482	14,370
Hotel	(445)	2,150	(291)	2,400
Poland	**(1,823)**	**14,915**	**5,115**	**15,390**
Office	(687)	5,610	834	5,790
Mixed Logistics & Industrial	(1,136)	9,305	4,281	9,600
Luxembourg	**(1,530)**	**23,100**	**(330)**	**24,650**
Office	(1,530)	23,100	(330)	24,650
Land Bank	**478**	**29,081**	**1,145**	**39,472**
Czech Republic	**1,099**	**20,471**	**230**	**20,910**
Residential Development	1,906	15,668	1,249	15,490
Retail & Office Development	(771)	380	(216)	1,110
Land bank	(36)	4,423	(803)	4,310
Germany	**360**	**2,750**	**269**	**4,090**
Residential	-	2,750	320	2,750
Office Development	-	-	-	1,100
Retail & Office Development	360	-	(51)	240
Poland	**(654)**	**3,070**	**(123)**	**13,252**
Residential Development	(654)	3,070	(123)	13,252
Croatia	**(327)**	**2,790**	**769**	**1,220**
Land bank	(327)	2,790	769	1,220
Extended stay hotels	**(637)**	**26,207**	**747**	**25,870**

9 Hotels and owner-occupied buildings

Hotels and owner-occupied buildings	Owner-occupied Buildings	Prepaid operating leases	Hotels	TOTAL
GROSS AMOUNT				
Balance as at 31 December 2010	**117,237**	**2,164**	**189,496**	**308,897**
Scope variations	(102,964)	-	6	(102,957)
Investments / acquisitions	385	-	(279)	106
Disposal	-	-	(8)	(8)
Transfer	(4,247)	-	6,172	1,926
Translation differences	(3,735)	(87)	(5,392)	(9,213)
Balance as at 31 December 2011	**6,677**	**2,077**	**189,996**	**198,751**
Investments / acquisitions	99	89	106	294
Disposal	-	-	(692)	(692)
Transfer	(5)	-	(3,561)	(3,566)
Translation differences	(4)	40	1,879	1,915
Balance as at 31 December 2012	**6,767**	**2,207**	**187,728**	**196,701**
AMORTISATION AND IMPAIRMENT				
Balance as at 31 December 2010	**43,115**	**1,433**	**41,786**	**86,334**
Scope Variations	(39,989)	-	(21)	(40,010)
Amortisations - Allowance	184	3	1,238	1,425
Impairments - Allowance	116	-	9,622	9,738
Impairments - Write-Back	-	-	(2,332)	(2,332)
Transfer	294	-	3,525	3,819
Translation differences	(1,461)	-	(1,423)	(2,884)
Balance as at 31 December 2011	**2,260**	**1,436**	**52,395**	**56,091**
Amortisations - Allowance	28	3	1,097	1,128
Amortisations - Disposal	-	-	(94)	(94)
Impairments - Allowance	50	89	10,415	10,554
Impairments - Write-Back	-	-	(439)	(439)
Transfer	-	-	(1,657)	(1,657)
Translation differences	(3)	2	450	449
Balance as at 31 December 2012	**2,335**	**1,530**	**62,166**	**66,031**
NET AMOUNT				
Balance as at 31 December 2012	**4,432**	**677**	**125,562**	**130,670**
Balance as at 31 December 2011	*4,417*	*641*	*137,601*	*142,660*
Balance as at 31 December 2010	*74,122*	*731*	*147,710*	*222,563*

Even though the Group is controlling the majority of the voting right, the operation and the strategy, the disposal of real estate assets located in entities where the Group does not hold 100% of the shares, needs the agreement of the partner.

❖ In 2012

23 assets (EUR 125.4 million) financed by bank loans in local special purpose entities are fully pledged for EUR 85.1 million.

The net disposal of EUR 0.6 million is related to the sale of the Café Pjaca on the Island of Hvar.

The transfer of EUR 1.9 million (EUR 3.6 million of Gross Value less EUR 1.7 million of Amortization and Impairment) is explained by the change in classification of the Riva camping (see Note 8 - Investment Property).

The impairment tests based on the December 2012 DTZ valuation led to the recognition of EUR 10.6 million of impairments, mainly related to the hotels in Suncani Hvar (EUR 7.0 million), and the hotels Imperial (EUR 1.6 million), Vienna (EUR 0.7 million), Andrassy (EUR 0.6 million) and the reversal of EUR 0.4 million of impairments previously booked on the hotel Adriana.

❖ In 2011

25 projects (EUR 140.3 million) financed by bank loans located in special purpose entities are fully pledged for EUR 86.4 million.

During the year, the Café Pjaca on the Island of Hvar has been transferred back from assets held for sale to the hotel portfolio, as the Group does not intend to sell this property on a short term basis (EUR 0.6 million).

Moreover, Capellen Orco house (EUR 2.9 million) is not anymore occupied by Orco since January 2011 and has consequently been transferred to investment property increasing the value of the rental project named Cappellen II.

The impairment tests based on the DTZ valuation reported as at December 2011 led to the recognition of the following impairments:

- Hotels: Amfora (EUR 4.7 million), Pharos (EUR 2.6 million), Vienna (EUR 0.9 million), Adriana (EUR 0.4 million), Dalmacija (EUR 0.4 million), Delfin (EUR 0.3 million) and Camp Vira (EUR 0.3 million);
- Owner-occupied building: Franklinstrasse 27 in Berlin (EUR 0.1 million).

Moreover, the impairment test led to the reversal of part of the impairment previously booked on the hotels: Riva (EUR 1.7 million), Riverside (EUR 0.3 million), Palace (EUR 0.2 million) and Sirena (EUR 0.1 million).

10 Investments in Equity Affiliates

As of December 2012 a unique investment, the Sub-fund “Office I” of Endurance Real Estate Fund, was consolidated under the equity method.

The Net Equity of the sub-fund as of December 2012 amounts to EUR 8.7 million (EUR 17.8 million in 2011) and includes a provision of EUR 9.1 million recognized to reflect the changes in the net asset value as at 30 September 2012 (year-end closing of the sub-fund) and in the liquidity discount (57% in December 2012 against 20% in December 2011). This liquidity discount estimation is based on the recent transactions (not released by the Group) observed in December 2012 and the sale of its units by the Group realized on the same level of discount (See note 35.4).

11 Assets classified as held for sale & liabilities linked to assets held for sale

Assets held for sale	December 2012	December 2011
Opening Balance	**24,129**	**131,898**
Asset sales	(22,639)	(114,683)
Transfer in	2,050	22,897
Transfer out	(1,528)	(15,589)
Translation differences	38	(394)
Closing Balance	**2,050**	**24,129**

Liabilities linked to assets held for sale	December 2012	December 2011
Opening Balance	**15,890**	**76,494**
Repayment of loans	(15,890)	(66,000)
Transfer in	-	16,313
Transfer out	-	(10,470)
Translation differences	-	(445)
Closing Balance	**-**	**15,892**

“Transfer in” assets classified under Held for sale (AHS): both of the initial transfer of asset at fair value and the subsequent changes in fair value are disclosed and detailed in Investment Property (Note 8). Subsequent changes in fair value are presented under the line “Revaluation through income statement” and then transferred in AHS using the line “Transfers in/from asset held for sale”.

❖ In 2012

As of 31 December 2012 the Group validated the sale of 2 plots of land in Berlin:

- Skalitzer valued at EUR 1.5 million;
- Kufuerstenstrasse 11 valued at EUR 0.6 million.

Over the year 2012, the Group sold 6 assets for EUR 22.6 million and repaid EUR 15.9 million of financing liabilities upon sales:

- Kurfustendamm 102 an investment properties in Berlin valued at EUR 6.3 million and financed by a liability of EUR 6.4 million fully repaid upon sale;
- Bergfried an investment properties in Berlin valued at EUR 3.7 million;
- Huttendorf an investment property in Dusseldorf valued at EUR 6.5 million and financed by a liability of EUR 4.3 million fully repaid upon sale;
- Ackerstrasse 83/84 an investment property in berlin valued at EUR 0.6 million;
- Kufurstenstrasse 13/14 an investment property in berlin valued at EUR 2.4 million;
- Przy Parku valued at EUR 3.1 million and financed by a liability of EUR 5.1 million fully repaid upon sale.

The Na Frantisku land bank in Ostrava has been transfer back in investment properties for EUR 1.5 million (see Note 8- Investment Property).

❖ In 2011

As at 31 December 2011 the Group validated the sale of following assets:

- 4 assets from its Berlin investment properties portfolio: Kurfustendamm 102 with a value of EUR 6.3 million and EUR 6.5 million of liabilities and HuttenStrasse with a value of EUR 6.5 million of assets and EUR 4.3 million of liabilities, Berlin Bergfriedstrasse. 2,4,6 and Kufurstenstrasse 13,14 with a value of EUR 6.7 million of assets;
- 1 asset in Poland: the Przy Parku land plot with a value of EUR 3.4 million and EUR 5.6 million of liabilities

Over the year 2011, sale of Leipziger Platz plot of land with a value of EUR 113.5 million and Bialystok plot of land with a value of EUR 2.1 million were sold. EUR 66.0 million of bank loan have been repaid upon the sale of Leipziger Platz.

The sale plans of Szervita office and car park buildings with a total value of EUR 15.6 million and EUR 10.5 million of liabilities have been cancelled as the buyer was not willing anymore and reclassified accordingly (See Note 8).

12 Fixtures and fittings

	Gross amount	Amortisation and Impairments	Net amount
Balance at 31 December 2010	**38,268**	**(22,953)**	**15,315**
Scope variation	(6,343)	3,268	(3,075)
Increase	5,740	-	5,740
Assets sales and scraps	(4,221)	2,783	(1,438)
Allowance - Write-back	(0)	(1,667)	(1,667)
Transfer	158	102	260
Translation difference	(1,896)	966	(930)
Balance at 31 December 2011	**31,706**	**(17,500)**	**14,206**
Scope variation	(3)	2	(1)
Increase	1,653	-	1,653
Assets sales and scraps	(1,629)	1,086	(543)
Allowance - Write-back	-	(1,946)	(1,946)
Transfer	(223)	130	(93)
Translation difference	1,080	(629)	451
Balance at 31 December 2012	**32,585**	**(18,858)**	**13,727**

❖ In 2012

Main increases are mainly due to the equipment and technical installations of the hotels, and the IT hardware in Germany where GSG is directly an internet provider.

Decreases are explained by the scraps and the assets sales, mainly due to the sale of Radio Free Europe building for EUR 0.23 million net.

❖ In 2011

Main increases are due to the end of the Vaci 1 development (EUR 3.6 million) and due to the Warehouse of Molcom in Russia (EUR 1.1 million).

Main decreases are driven by the disposal of equipment in Prague (Vinohrady portfolio), in Hungary and by the disposal of non-business related assets in Hvar, Russia and Poland.

Scope variations are explained by the sale of Molcom portfolio, in Russia.

13 Non-current financial assets

13.1 Financial assets at fair value through Profit and Loss

This line includes mainly 3 financial assets:

- The fair value of the investments in the "Office II" and "Residential" Sub-funds of Endurance Real Estate Fund amounts to EUR 2.3 million (EUR 4.9 million in 2011, restated of the "Office I" sub-fund – Note 2.1.3.4). The Endurance Real Estate Fund is managed by the Group and is divided in three specialized sub-funds (see note 31). The loss in fair value recorded in 2012, for EUR 2.6 million is based on assumptions disclosed in Note 3.2. The sub fund "Office II" has been sold in 2013 (See Note 35.5).
- The fair value of the shareholding of the Group in the Fillion retail center located in Moscow is fully impaired as of December 2012 (EUR 6.1 million in December 2011; See Note 3.2). This shareholding results from the exchange at the beginning of 2011 with an advance payment that was previously recognized under the current assets.
- The non-eliminated portions of the equity loans (including accrued interest) granted to joint-ventures correspond to 50% of the loan granted to the hospitality joint-venture with real estate investment funds managed by AIG subsidiary. The profit participation loan granted to the joint venture holding company has been fair valued on the basis of management estimates of the expected cash flows from the loans and the specific credit spread depending on the loan characteristics and the legal entity benefiting directly from the loan. The fair value amounts to EUR 15.4 million as at 31 December 2012 (EUR 18.0 million in 2011).

13.2 Available-for-sale financial assets

The "Available-for-sale financial assets" balance sheet line is only compound by the Convertible Promissory Note attached to the sale of Radio Free Europe, for EUR 9.4 million. The group has the option to convert the Promissory Note, at the earliest of several conditions including a period of conversion from May 2015 until due term in 2019, into 20% of the entity holding (L88 Companies) the Radio Free Europe building sold in May 2012. As the fair value of this unlisted instrument cannot be reliably measured, this asset is carried at cost with capitalized interests and annually reviewed to look for any indicator of impairment.

13.3 Non-current loans and receivables

The "Non-current loans and receivables" include the net present value of the deferred consideration on the sale of Leipziger Platz amounting to EUR 26.9 million compared to EUR 25.1 million as at December 2011 due in January 2015 at the latest depending on the finalization of the construction, Molcom for EUR 36.8 million compared to EUR 39.7 million after repayment over 2012 of EUR 2.9 million with a pledge on the shares and a 10% interest rate.

As at 31 December 2012 no recoverability issue have been identified.

14 Inventories

	December 2012	December 2011
Opening Balance	**382,279**	**418,957**
Impairments - Allowance	(33,619)	(9,994)
Impairments - Write-Back	88	1,368
Transfers	(118)	1,004
Scope exit	-	(12,216)
Translation differences	13,030	(16,186)
Development costs	46,665	34,656
Cost of goods sold	(142,828)	(35,310)
Closing Balance	**265,497**	**382,279**
o/w carried at deemed cost	*166,998*	*274,772*
o/w carried at fair value less costs	*98,498*	*107,507*

Inventories properties are developed with the intention to be sold within the ordinary course of business.

❖ In 2012

3 projects (EUR 213.9 million) financed by bank loans located in special purpose entities are fully pledged for EUR 71.7 million.

Development costs amount to EUR 46.7 million capitalized mainly on Zlota 44 (EUR 29.4 million), Sky Office (EUR 2.4 million), Mezihori (EUR 5.3 million), Bubny (EUR 2.6 million) and Benice (EUR 2.5 million).

Cost of goods sold amounting to EUR 142.8 million have been registered mainly for EUR 117.3 million on the commercial project Sky Office (Dusseldorf), for EUR 2.9 million on the land bank Vavrenova and for the remaining amount on the following residential projects: Koliba for EUR 5.5 million, Klonowa Aleja for EUR 4.2 million, Mostecka for EUR 2.1 million, Benice for EUR 1.6 million, Mokotowska for EUR 1.5 million, Pivovar Vrchlabi for EUR 1.4 million and Hochwald for EUR 1.2 million.

The impairment tests based on the Gross Development Value (as estimated by DTZ) less Remaining Development Costs as at December 2012 led to the recognition of EUR 9.3 million of impairments allowances mainly related to the residential development in the Czech Republic for EUR 6.0 million and Koliba in Bratislava for EUR 2.1 million. The EUR 0.1 million of impairment reversed are related to others non real estate inventories. Moreover, the cancellation of the sales negotiations in September conducted the Group to recognize an impairment of EUR 24.3 million on Sky Office building in order to adjust the book value to the realizable value under distressed conditions. Indeed the pressure of the financing bank and the need to fill GSG refinancing gap did not leave the opportunity to secure an arms' length sale.

❖ In 2011

7 projects (EUR 339.5 million) financed by bank loans located in special purpose entities are fully pledged for EUR 164.9 million.

Development costs amount to EUR 34.7 million capitalized mainly on Zlota 44 (EUR 21.8 million), Bubny (EUR 4.7 million), Benice (EUR 2.5 million), Mostecka (EUR 1.6 million) and Sky Office (EUR 0.7 million).

Cost of goods sold amounting to EUR 35.3 million have been registered mainly for EUR 32.1 million on the following residential projects: Koliba (EUR 5.9 million), Mostecka (EUR 5.5 million), Klonowa Aleja (4.9 million), Benice (EUR 3.4 million), Kosic (EUR 2.6 Million), Feliz (EUR 2.1 million), Nove Dvory (EUR 2.1 million), Americka 11 (EUR 1.7 million), Bedrichov (EUR 1.0 million), Radotin (EUR 1.0 million) and Plachta III (EUR 0.9 million).

The scope exit is coming from the sale of Molcom for EUR 12.2 million, including Radishevskaya for EUR 10.9 million and EUR 1.4 million of others inventories.

The impairment tests based on the Gross Development Value (as estimated by DTZ) less Remaining Development Costs as at December 2011 led to the recognition of the following impairments allowances and write-backs.

Impairments have been recognized mainly on the following projects:

- Benice I & II: EUR 5.4 million;
- Mostecka: EUR 1.9 million;
- Vavrenova: EUR 0.7 million.

Impairments have been reversed for EUR 1.4 million, mainly on Sky Office for EUR 0.7 million.

15 Gain / loss on disposal of assets

❖ In 2012

Assets and activities were sold for a total consideration of EUR 97.6 million generating a consolidated gain of EUR 1.3 million and a net cash inflow after financial debt repayment amounting to EUR 46.5 million. The main contributors to the sales of assets are disclosed in the notes 8, 9 and 11.

❖ In 2011

Assets and Activities were sold for a total consideration of EUR 181.3 million generating a consolidated net gain of EUR 11.0 million of which Leipziger Platz for EUR 11.2 million and Molcom with a net loss for EUR 1.0 million and a net cash inflow after financial debt repayment amounting to EUR 33.1 million. Deferred payments for EUR 64.8 Million related to Molcom for EUR 39.7 million and Leipziger Platz for EUR 25.1 million are recognized in balance sheet as long term receivables.

16 Other current assets

	Balance as at 31 December 2011	Variation	Impairments	Transfer	Translation differences	Balance as at 31 December 2012
Prepayment tax and social security	1,110	1,285	-	(26)	76	2,445
Operating loans	105	(31)	-	(0)	13	87
Accrued assets	22,172	(5,104)	-	(2)	185	17,251
Other current assets	7,182	(2,809)	(713)	11	142	3,813
Accrued interests	1,322	368	-	(437)	24	1,277
Advance payment for work in progress	389	(107)	-	-	18	300
Total other current assets	**32,279**	**(6,399)**	**(713)**	**(454)**	**458**	**25,172**

The EUR 0.7 million of impairments recognized on the “Other current assets” are mainly related to trading securities for EUR 0.3 million of impairment on Foncière Paris Nord (see Note 32).

17 Cash and cash equivalents

As at 31 December 2012, cash and cash equivalents consist of short-term deposits for EUR 3.0 million (EUR 0.4 million in 2011), cash in bank for EUR 22.0 million (EUR 36.6 million in 2011) and cash in hand for EUR 0.1 million (EUR 0.2 million in 2011).

The cash in bank includes restricted cash for EUR 18.2 million in 2012 (EUR 14.2 million in 2011) representing:

- Cash deposited in the Group’s joint ventures as both parties’ approval is needed for withdrawal for EUR 6.9 million (EUR 4.2 million in 2011);
- Cash deposited in accounts reserved as collateral for development projects and lifted after sales of units for EUR 6.9 million (EUR 2.2 million in 2011);
- Cash deposited in accounts reserved as collateral for loans related to the acquisition of property for EUR 4.4 million (EUR 7.8 million in 2011).

18 Non-controlling interests’ transactions

❖ In 2012

In January 2012, the joint venture company Kosic S.à.r.l. repaid part of the share premium to one of the joint venture partners, GECGE Kosik Investors S.à.r.l. for EUR 3.0 million, with a net impact on the consolidated reserves of the Group of EUR - 1.5 million.

In June 2012, the company Orco Property s.p.z.o.o. capitalized its equity loan with the Company and with the partner Endurance Residential Asset. This capital increase wasn’t subscribed proportionally. Consequently, this transaction resulted in a direct and indirect decrease of the percentage of interest of the Group in that company holding the Zlota 44 project from 95.5% to 91.12%. Consequently, the loss on dilution in the consolidated reserves group share amounted to EUR 0.2 million.

As at 27 September 2012, the company ORCO Germany converted its OCA hold by the Group into shares (see note 19.1). Consequently, this transaction allowed to increase the percentage of interest of the Group in that company from 91.56% to 98.02% and generated a gain on the dilution in the consolidated reserves group share of EUR 3.6 million

During the last quarter 2012, the subsidiary Development Doupovská capitalized a supplier debt amounting to EUR 1.6 million. As a result, this transaction led to a direct and indirect decrease of the percentage of interest of the Group in this company from 100% to 75% and a net increase of the consolidated reserves group share of EUR 1.1 million.

On September 2012, the Court of Justice of Warsaw delivered its declaration about the bankruptcy of the subsidiary Józefosław Project. Since, the Group has no control over this company and it will be liquidated by the administrator in bankruptcy. Therefore, this subsidiary was deconsolidated from the Group scope with the net impact on the minority interests of EUR of 0.4 million.

As at 27 December 2012, the company Zeta Estate a.s. purchased 25% of shares of its subsidiary Byty Podkova from Tech Invest Ostrava a.s. increasing its ownership of this subsidiary. This transaction led to a direct increase of the percentage of interest of the Group in this company from 75% to 100% and a net decrease of the consolidated reserves group share of EUR 0.04 million.

❖ In 2011

In January 2011 a 100% subsidiary of ORCO Property Group S.A. bought 1.9 million shares and 1.0 million warrants of ORCO Germany S.A. for EUR 1.5 million from the former management of that company. This transaction resulted in a direct and indirect increase of the percentage of interest of the Group in Orco Germany S.A. and its subsidiaries from 58.94% to 62.84% and a net increase of the consolidated reserves group share of EUR 23.1 million.

The Company has issued on 22 September 2011 3 million ordinary new shares without nominal value ("New Shares") to funds advised by Morgan Stanley Real Estate Investing ("MSREI"). The New Shares, issued under the Company's authorized capital, were fully paid by the contribution in kind of MSREI's 14,100,000 shares in Orco Germany SA, 1,500,000 units in the Office I Sub-Fund of the Endurance Real Estate Fund and 1,404,276 units in the Residential Sub-Fund of the Endurance Real Estate Fund. The contribution in kind has been valued on the basis of the equity instruments granted at the date of issuance. The New Shares are assimilated with the existing ordinary shares of Orco and listed on the regulated market of Paris, Prague and Warsaw stock exchanges. This transaction resulted in a direct and indirect increase of the percentage of interest of the Group in Orco Germany S.A. and its subsidiaries from 62.84% to 91.56% and a net increase of the consolidated reserves group share of EUR 9.9 million.

In the 1st quarter of 2011 the Company capitalized the equity loan granted to Orco Property s.p.z.o.o. This transaction resulted in a direct and indirect increase of the percentage of interest of the Group in that company holding the Zlota 44 project from 75.0% to 95.5% and a net increase of the consolidated reserves group share of EUR 0.9 million.

Kosic s.à r.l. owned at 50% by the Group repaid part of its share premium to the Company without change of ownership leading to a net increase of the consolidated reserves group share of EUR 0.9 million.

19 Borrowings, bank loans, bonds and derivatives

19.1 Non-current bonds and New Notes

Non-current bonds	Convertible bonds	Non Convertible bonds and New Notes	TOTAL
Balance at 31 December 2010	**57,109**	**178,558**	**235,667**
Own bonds	1,466	8,307	9,773
Interest	13,614	24,250	37,864
Transfer to Short term	(7,806)	(112,118)	(119,924)
Balance at 31 December 2011	**64,383**	**98,995**	**163,378**
Own bonds	-	(0) -	0
Reclassification from convertible to non convertible bonds	(64,383)	64,383	-
Sales Own bonds		3,059	3,059
Interest Safeguard Bonds	-	25,382	25,382
Interest New Notes		2,049	2,049
Transfer from short term to long term	-	122,248	122,248
Transfer from long term to short term		(261)	(261)
Redemption premium OG bonds		25,025	25,025
Coupon capitalized OG bonds		4,004	4,004
Exchange of 84.5 % of OG bonds at book value		(109,129)	(109,129)
Conversion as at 03.09.2012 into New Shares (89.90%)	-	(190,693)	(190,693)
Exchange as at 04.10.12 against New Notes	-	(40,977)	(40,977)
Recognition of New Notes		55,106	55,106
Balance at 31 December 2012	**0**	**59,193**	**59,193**

❖ In 2012

Negotiations with OG (Orco Germany SA) and OPG bondholders started as early as the summer 2011 and culminated with the signature on 17 April 2012 of a joint agreement on all bonds issued by both companies. General meetings, held end of April and beginning of May have all duly and overwhelmingly voted in favor of the restructuring. The request for modification of OPG Safeguard plan has been circularized to all the Safeguard creditors to approve or not the new terms (as none of them apart from the bondholders approved, they will continue to be served under the 19 May 2010 repayment schedule). The Paris Commercial Court approved on 21 May 2012 OPG's request to modify its Safeguard plan in order to implement the bonds' restructuring plan.

Restructuring of OG and OPG bonds by issuance of new OPG shares:

Exchange of 84.5 % of OG bonds:

OPG exchanged on the 9 May 2012 84.5% of the bonds issued by OG, a fully consolidated subsidiary, into OPG issued bonds convertible into shares which were in turn fully repaid with 26 million OPG shares. These acquired OG bonds have been converted into 141,724,871 OG shares on 27 September 2012 issued at a price of EUR 0.712 per share. The consideration given in exchange of the 84.5% OG bonds was in the form of bonds redeemable in OPG shares ("OCA"=Obligations convertibles en actions") in two tranches:

- The first tranche has been automatically redeemed a few days after issuance in OPG shares at agreed price.
- The second tranche has been converted into OPG shares at agreed price in September 2012.

The OCA issued as consideration is in fact a bond redeemable in shares. The fair value of the equity instrument is determined by difference between the fair value of the bond issued and the net present value of the liability part. The fair value of the bond is determined as corresponding to the market price at the OCA issuance day of the OPG shares that would be given in repayment. The difference between the book value of the 84.5% of the OG bonds and the OCA amounting to EUR 31.1 million is recognized directly in financial income net of EUR 2.0 million restructuring costs (portion attributable to the OG bond exchange into OCA). The liability part of the first tranche of the OCA at issuance is close to zero as there will never be any cash payment. This transaction results in the recognition at issuance of an increase of the consolidated equity for EUR 76.0 million represented by 26,209,613 new OPG shares (issued in May and in September 2012) at EUR 2.90 per share on 9 May 2012.

Conversion of 89.9% of OPG Bonds as at September 3rd 2012 into New Shares:

As a result of the approval of all bondholders' general assemblies, only one scenario of the joint agreement is applicable, i.e. 89.9% of the OPG bonds have been automatically converted into 64.577.483 OPG shares on 3 September 2012 with a market price of EUR 1.90 per share, i.e. a capital increase of 122.7 million. As of 3 September 2012, the book value of the converted bonds amounted to EUR 190.7 million. The result on the conversion amounting to EUR 58.2 million and corresponding to the difference between the book value of the OPG bonds converted and the market value of the shares issued is recognized in financial income net of EUR 9.8 million restructuring costs (portion attributable to the OPG conversion).

Restructuring of OG and OPG bonds by issuance of New Notes

The OG and OPG bonds remaining after the exchange against OCA and the conversion into OPG shares were proposed to an exchange against New Notes which main terms are listed in point 19.2 of this report. As at 4 October 2012, 91.2% of the remaining bonds have been exchanged against new notes for EUR 73.1 million of nominal value. As of the date of exchange, the book value of the exchanged bonds amounted to EUR 41.0 million The exchange between existing borrowers and lenders of debt instruments has been accounted for as an extinguishment of the original financial liability as the terms are substantially different (the discounted present value of the net cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability). The fair value of the new notes is estimated (on the basis on the market price over one month after issuance) at 77.3% of the nominal value. The net result on the transaction is a loss of EUR 15.2 million.

The remaining EUR 20.0 million OG bonds acquired by the exchange against new notes are eliminated in the consolidated accounts as intercompany liability as they still have to be converted in 28 million new OG shares at a later date in H1 2013.

Such issuance will mark the successful completion of the Group bonds' restructuring, EUR 411 million in nominal OPG bonds (EUR 549 million in remaining Safeguard payments) and EUR 100 million in nominal for OG bond debt (EUR 129 million including interest and redemption premium).

Following the issuance of EUR 73.051.230 of new notes on 4th of October 2012 (ISIN Code XS0820547742) the remaining outstanding of nominal of initial OPG and OG bonds amount to EUR 4.047.395. As at 31.12.2012 the total book value of the total non-current and current OPG Safeguard and OG bond debt amounts to EUR 2.246.330, the changes over the period are detailed by nature of bond in the following table (in Euro)

Description	ISIN CODE	Number of bonds	Book Value per bond	Value of bonds	Nominal Value per bond	Value of bonds	Effective interest rate
SHH Bonds	XS0223586420	8,843	13.94	123,269	26.0	230,183	17%
Convertible bonds 2006-2013	FR0010249599	106	333	35,310	686.1	72,727	19%
Czech Bond	CZ0000000195	7	217,548	1,522,839	366,367.0	2,564,569	23%
Convertible bonds 2006-2013	FR0010333302	6,381	73.75	470,594	138.0	880,578	22%
OBSAR 2	XS0291838992 / XS0291840626	74	688	50,917	1,463.9	108,329	21%
OBSAR OG	XS0302623953	62	700	43,400	676.0	41,912	8%
Total		15,473		2,246,330		1,336,295	19%

Repayment schedule for interests and principal according to Safeguard Plan (based on Commercial Court of Paris decision on 16 September 2011) excluding any potential deduction due to own bonds for all other bonds after the issuance of the New Notes are detailed as following:

	30 April 2013	30 April 2014	30 April 2015	30 April 2016	30 April 2017	30 April 2018	30 April 2019	30 April 2020	Total
Principal	84	115	150	155	437	672	1,027	1,594	4,234
Interests	221	205	128	123	119	106	85	52	1,039
Total	261	320	278	278	556	778	1,112	1,646	5,274

Repayment schedule for interests and principal according to Safeguard Plan (based on Commercial Court of Paris decision on 16 September 2011) excluding any potential deduction due to own bonds for each bond after the issuance of the New Notes are detailed as following:

	XS0223586420	FR0010249599	CZ0000000195	FR0010333302	XS0291838992	XS0302623953	Total
Principal	230	87	2,565	1,183	127	42	4,234
Interests	31	0	981	18	8	2	1,039
Total	261	87	3,546	1,201	135	44	5,274

- **In 2011**

On 16 September 2011, the Commercial Court of Paris issued three orders (each order related to an original bond) specifying the interpretation of the bonds accepted liability. Based on the bondholder declaration to the Court and the order of acceptance issued, the interest should not be accrued after the initial redemption term.

This order is decreasing the Safeguard liability of the tranches initially redeemable in 2010, 2012, 2013 and 2014.

Based on that Court decision the Company decided to integrate in the total Bond liability the redemption premium of EUR 10.0 million on the Bonds initially redeemable in 2010 – that was unconditionally accepted as part of the Safeguard liability while initially it was submitted to a minimum market price for the company shares that were traded in November 2010.

As a result total Safeguard liability on the Bonds issued by the Company decreased by 47.1 million.

Main impacts based on Commercial Court decision on 16 September 2011 are:

- Calculate for each original bond the new effective interest rate;
- Determine for each original bond the reduced repayment schedule.

The specific effective rate and updated repayment schedules are shown hereafter.

Repayment schedule for interests and principal according to Safeguard Plan (based on Commercial Court of Paris decision on 16 September 2011) excluding any potential deduction due to own bonds:

	30 April 2012	30 April 2013	30 April 2014	30 April 2015	30 April 2016	30 April 2017	30 April 2018	30 April 2019	30 April 2020	Total
Principal	3,437	10,396	25,646	24,989	25,311	51,155	71,874	102,960	190,275	506,043
Interest	19,104	12,672	7,796	841	520	505	450	361	220	42,468
Total	22,541	23,068	33,442	25,830	25,830	51,660	72,324	103,321	190,494	548,511

Repayment schedule for interests and principal according to the Safeguard Plan before changes on 16 September 2011 excluding any potential deduction due to own bonds:

	30 April 2012	30 April 2013	30 April 2014	30 April 2015	30 April 2016	30 April 2017	30 April 2018	30 April 2019	30 April 2020	Total
Principal	3,433	7,544	22,804	17,011	19,020	48,526	72,996	109,783	194,870	495,987
Interest	19,788	16,436	13,289	11,561	10,158	9,288	8,384	6,662	4,016	99,584
Total	23,221	23,980	36,093	28,572	29,178	57,814	81,380	116,445	198,886	595,571

While the original effective rate was established at 23.1% for all Bonds issued by the Company, it is now determined specifically for each Bond with a weighted average of 21.2%.

As at 31 December 2011, the fair value of the bonds, valued by Management, amounts to EUR 168.3 million for the termed out bonds and to EUR 118.2 million for Orco Germany bonds.

	Carrying value of termed out bonds	Fair value of termed out bonds	Carrying value of OG bonds	Fair value of OG bonds
Bonds	185,764	168,278	97,777	95,334
Derivative instruments on bonds	-	-	22,914	22,914
Bonds as at 31 December 2011	185,764	168,278	120,691	118,248

19.2 New Notes

The New Notes have been issued by the Company under the following terms:

Subscription Price	EUR 73,051,230
Nominal of Bonds exchanged	EUR 50,272,605.30 OBSAR 1 bonds issued by the Company on 18 November 2005, ISIN code FR0010249599 (the “2010 OPG Bonds”); CZK 1,400,000,000 (CZK 300,000,000 outstanding) Czech bonds issued by the Company on 3 February 2006, ISIN code CZ0000000195 (the “2011 OPG Bonds”); EUR 24,169,193.39 bonds exchangeable for Sunčani Hvar shares issued by the Company on 30 June 2005, ISIN code XS0223586420 (the “2012 OPG Bonds”); EUR 149,999,928 convertible bonds issued by the Company on 1 June 2006, ISIN code FR0010333302 (the “2013 OPG Bonds”); EUR 175,000,461.60 OBSAR 2 bonds issued by the Company on 28 March 2007, ISIN code XS0291838992 / XS0291840626, (the “2014 OPG Bonds”); EUR 100,100,052 bonds issued by Orco Germany on 24 May 2007, ISIN code XS0302623953 (the “OG Bonds”).
Number of bonds exchanged	230,520 of which 7,291 “2010 OPG Bonds”, 2 of “2011 OPG Bonds, 84,937 of “2012 OPG Bonds”, 103,403 of “2013 OPG Bonds”, 12,002 of “2014 OPG Bonds” and 22,885 of “OG Bonds”
Interest and Maturity	Cash interest will be paid semi-annually in arrears on February 28 and August 28 in each year, or the following business day if such day is not a business day, beginning 28 February 2013.

PIK (payment in kind) interest will be paid annually in arrears on February 28 in each year, or the following business day if February 28 of such year is not a business day (each a "PIK Interest Payment Date"), beginning 28 February 2014.

5% cash interest per annum plus 5% PIK (payment in kind) interest per annum, as long as more than 75% of the principal amount of the New Notes issued on the Issue Date remains outstanding, or

4% cash interest per annum plus 4% PIK (payment in kind) interest per annum, as long as more than 50% but no more than 75% of the principal amount of the New Notes issued on the Issue Date remains outstanding, or

4% cash interest per annum plus 3% PIK (payment in kind) interest per annum, as long as no more than 50% of the principal amount of the New Notes issued on the Issue Date remains outstanding.

Repayment date

The Company will partially repay the principal on the New Notes and the principal amount of each New Note will correspondingly be reduced according to the following schedule, subject to Mandatory Prepayment on Asset Disposals:

On 28 February 2015, repayment of principal in an amount equal to 25% of the principal amount of the New Notes issued on the Issue Date (i.e. EUR 2.50 per New Note),

On 28 February 2015, repayment of principal in an amount equal to 25% of the principal amount of the New Notes issued on the Issue Date (i.e. EUR 2.50 per New Note),

On 28 February 2016, repayment of principal in an amount equal to 25% of the principal amount of the New Notes issued on the Issue Date (i.e. EUR 2.50 per New Note),

On 28 February 2017, repayment of principal in an amount equal to 25% of the principal amount of the New Notes issued on the Issue Date (i.e. EUR 2.50 per New Note),

On 28 February 2018 (the "Maturity Date"), repayment of the outstanding principal amount of the New Notes.

Mandatory Prepayment on Asset disposal

25% of the Net Proceeds from the sales of certain assets received from 30 June 2012 onwards until full repayment of the New Notes will be applied in prepayment of the New Notes. Such prepayments will correspondingly reduce the scheduled prepayments above.

Covenants

Certain limitations on indebtedness, pledges and early redemption option upon a change of control.

ISIN

XS0820547742

Listing

Luxembourg Stock Exchange

19.3 Non-current loans and borrowings

Non-current financial debt	Bank loans	Other non-current borrowings	TOTAL
Balance at 31 December 2010	**509,885**	**17,106**	**526,991**
Issue of new loans and drawdowns	29,816	535	30,351
Repayments of loans	(29,602)	(166)	(29,768)
Sale of subsidiaries		-	-
Sales of Russian non hospitality activties	(17,126)	-	(17,126)
Transfers	(269,371)	1,073	(268,298)
Translation differences	(1,688)	(1,237)	(2,925)
Balance at 31 December 2011	**221,914**	**17,311**	**239,225**
Issue of new loans and drawdowns	274,537	132	274,669
Repayments of loans	(1,871)	(3,424)	(5,295)
Scope exit		(945)	(945)
Repayments upon sales	(40,372)	-	(40,372)
Transfers	(19,300)	(2,086)	(21,386)
Translation differences	4,604	921	5,525
Balance at 31 December 2012	**439,512**	**11,909**	**451,421**

❖ In 2012

Issue of new bank loans and new drawdowns (EUR 274.5 million) relates mainly to the refinancing of GSG (EUR 269.6 million) and drawdowns on both Zlota (EUR 6.7 million) and Mezihori (EUR 1.9 million)

Bank loans have been repaid for EUR 42.3 million of which EUR 40.4 million upon sales and are detailed as following:

- Repayment of the loans financing Radio Free Europe EUR 37.7 million and Benice for EUR 2.7 million
- Partial repayment of the loans financing the hospitality activity in Hungary for EUR 1.3 million
- Partial repayment of the loan financing the building Capellen in Luxembourg for EUR 0.4 million

Transfers of bank loans (EUR 19.3 million) are mainly explained as follow:

- Reclassification of bank loans, that will fall due within twelve months (EUR 41.8 million) of which Bubenska for EUR 19.2 million, Dunaj for EUR 13.1 million , Bubny for EUR 5.5 million and Marki for EUR 4.0 million
- Current part of the non-current loans for EUR 11.1 million of which GSG for EUR 8.6 million
- Prolongation of bank loans which were expiring within one year and reclassified in long term debt after successful renegotiation for EUR 33.7 million of which Na Porici for EUR 31.2 million

Other non-current borrowings are mainly related to equity loans from joint ventures and partner companies. The line repayment of loans is mainly linked to an equity capitalization in Poland for EUR 2.9 million and the transfer are linked to the transfer of equity loan for EUR 2.8 million in liabilities held for sales related to reclassification of Szczecin in discontinued operations.

❖ **In 2011**

Issue of new bank loans and drawdowns (EUR 29.8 million) relates mainly to the refinancing of Molcom (EUR 16.8 million) and Szervita (EUR 9.9 Million).

Repayments of bank loans (EUR 29.6 million) are mainly related to assets / share deals and changes of bank loan contracts:

- Repayment of the loan related to Molcom (EUR 12.3 million);
- Reimbursement of Szervita bank loan (EUR 10.2 million) due to the merger of the three credit lines;
- Sale of Brunnenstrasse (EUR 2.8 million);
- Partial Reimbursement of Gebauer Hofe bank loan (EUR 2.2 million) and Mostecka bank loan (EUR 0.9 million).

Transfers of bank loans (EUR 269.4 million) are mainly due:

- Reclassifications of bank loans, that will fall due within twelve months (EUR 352.7 million) of which GSG for EUR 300.0 million and Na Porici for EUR 38.7 million;
- Reclassification of bank loans due to breach of covenants (EUR 4.7 million) from long term to short term;
- Reclassification of bank loans linked to assets held for sales (EUR 5.4 million) from long term to short term in Germany with Ku-Damm 102;
- Settlement of long term bank loan covenant breaches from 31 December 2010 which led to the reclassification of bank loans into long term debts for EUR 48.1 million (see note 18.11) and prolongation of bank loans which were expiring within one year as at 31 December 2010 and reclassified as at 31 December 2011 in long term debt for EUR 42.8 million after successful renegotiation.

The EUR 13.6 million bank loan of Stein has been derecognized in 2010 as the company has been deconsolidated due to bankruptcy process. The guarantee given by Orco Property Group S.A. is still valid and has been exercised by the lending bank but due to the application of the Safeguard plan, the repayment schedule will follow the one of the Safeguard Plan. In this context, the Net Present Value of the guarantee has been recognized for EUR 0.9 million as a provision.

Other non-current borrowings are mainly related to equity loans from joint ventures and partner companies as in Poland for EUR 6.0 million (Zlota for EUR 2.6 million, Szczecin EUR 2.3 million and Jozefoslaw for EUR 0.8 million) in the Czech Republic for EUR 4.4 million (Benice for EUR 2.8 million, Praga for EUR 1.6 million) and Hospitality for EUR 6.3 million (EUR 0.3 million corresponding to increase in fair value of the loan).

19.4 Current financial debts

19.4.1 Current Loans and Borrowings

Current financial debt	Bank Loans	Bank loans linked to assets held for sales or discontinued operations	Other current borrowings	TOTAL
Balance at 31 December 2010	388,326	76,494	956	465,776
Issue of new loans and drawdowns	9,918	-	417	10,335
Sales of Russian rental & development operations	(856)	-	-	(856)
Repayments of loans	(34,992)	(66,000)	(24,411)	(125,403)
Transfers	265,807	5,841	23,459	295,107
Translation differences	(7,736)	(445)	(53)	(8,234)
Balance at 31 December 2011	620,467	15,890	368	636,725
Issue of new loans and drawdowns	439	-	151	590
Repayments of loans	(313,377)	-	(1,318)	(314,695)
Repayments upon sales	(97,683)	(15,890)	-	(113,573)
Scope exit	(5,101)		-	(5,101)
Transfers	13,521	9,678	898	24,097
Translation differences	5,271	-	61	5,327
Balance at 31 December 2012	223,537	9,678	160	233,370

(*) 9.678 KEUR are strictly related to the financial debt, 9.792 presented in balance sheet includes 114 KEUR trade payables

❖ **In 2012**

The repayments of bank loans (EUR 428.3 million of which EUR 113.6 million upon sales) are mainly related to the refinancing of GSG (EUR 300.4 million) with five German banks and the repayment following sale of Sky Office (EUR 96.0 million).

Other reimbursements have been completed upon the sales of the following assets:

- In Germany: Hüttenstrasse (EUR 4.3 million), Ku-Damm 102 (EUR 6.4 million) and land plots in Berlin (EUR 0.7million);
- In the Czech Republic: the sale of Radio Free Europe (EUR 1.6 million) and Mostecka (EUR 0.9 million);
- In Slovakia Koliba (EUR 3.5 million).

Transfers of bank loans and bank loans linked to assets held for sales for EUR 23.2 million are mainly explained as follow:

- Transfer from long term to short term for EUR 41.8 million of which Bubenska (EUR 19.2 million), Dunaj (EUR 13.1 million), Bubny (EUR 5.5 million), Marki (EUR 4.0 million);
- Current part of the non-current loans for EUR 11.1 million of which GSG for EUR 8.6 million;
- Transfer from short term to long term for EUR 33.7 million of which of Na Porici's loan for EUR 31.2 million;
- Transfer out of bank loans, equity loan and accrued interest linked to Szczecin for EUR 9.7 million as the asset has been classified in held for sales in 2012 (see Note 6).

Scope exits are related to the loans financing Jozefoslaw in bankruptcy for EUR 5.1 million and the payment upon sales of Przy Parku for EUR 5.1 million.

❖ **In 2011**

The issuance of new loans mainly relates to further drawdowns on Sky Office and Vaci 1 credit lines (respectively for EUR 1.3 million and EUR 7.9 million).

The repayments of bank loans (EUR 108.4 million) are mainly related to sale of investment properties, land plots and residential development units:

- In Germany: Leipziger Platz (EUR 66.0 million), Invalidenstrasse (EUR 3.9 million), Sky Office (EUR 2.0 million);
- In Hungary: Vaci 188 (EUR 6.7 million) and Vaci 190 (EUR 0.7 million): The two assets were auctioned during the period by the lending Bank and taken over by the Group itself. The loans were partially repaid for the sales price (EUR 7.5 million) as defined in the agreement between the companies financing the assets and the Group. The remaining balances of the loans are still integrated in the consolidated accounts for an amount of EUR 15.0 million but as there is no real asset in the specific entities they will probably be bankrupted in 2012;
- In the Czech Republic with Mostecka (EUR 6.8 million);
- In Slovakia: Koliba (EUR 5.9 million);
- In Russia: Molcom (EUR 2.5 million) ;
- In Poland: Klonowa (EUR 2.6 million).

The transfers of bank loans from long term (EUR 265.8 million) are mainly explained as follow:

- Reclassification of bank loans, that will fall due within twelve months (EUR 352.7 million) of which GSG for (EUR 300.0 million) and Na Porici (EUR 38.7 million);
- Reclassification of bank loans due to breach of covenants for EUR 1.9 million (see note 18.8) and assets held for sales for EUR 11.5 million from long term to short term;
- Settlement of long term bank loan covenant breaches from 31 December 2010 which led to the reclassification of bank loans into long term debts for EUR 48.1 million (see note 18.8) and renegotiation of bank loans which were expiring within one year as at 31 December 2010 and reclassified as at 31 December 2011 as long term debt for EUR 42.8 Million (see note 18.8);
- Reclassification of bank loans linked to asset held for sales (EUR-8.1 million) from long term to short term in Germany with Huettenstrasse (EUR 4.3 million) and in Poland with Przy Parku (EUR 3.8 million).

In Germany and Croatia, bank loans for a total amount of EUR 150.9 Million are classified as short term liabilities and do not present as of today a fully secured refinancing or repayment solution. Nevertheless, negotiations for such refinancing or repayment through the sale of the asset are sufficiently advanced.

19.4.2 Current Bonds and New Notes

Current bonds	Convertible bonds	Non Convertible bonds and New Notes	TOTAL
Balance at 31 December 2011	**7,776**	**112,148**	**119,924**
Reclassification from convertible to non convertible bonds	(7,776)	7,776	-
Interests on Safeguard bonds	-	2,324	2,324
Transfer from short term of bonds under restructuring to long term	-	(122,248)	(122,248)
Transfer from long term to dshort term repayment OPG Safeguard Bonds in April 2013		261	261
Recognition of New Notes			-
Balance at 31 December 2012	**-**	**261**	**261**

Current bonds	Convertible bonds	Non Convertible bonds and New Notes	TOTAL
Balance at 31 December 2011	**7,776**	**112,148**	**119,924**
Interests on Safeguard bonds	-	2,324	2,324
Transfer from short term of bonds under restructuring to long term	(7,776)	(114,472)	(122,248)
Transfer from long term to dshort term repayment OPG Safeguard Bonds in April 2013		261	261
Recognition of New Notes			-
Balance at 31 December 2012	**-**	**261**	**261**

As at 31 December 2012 the current part of the total Safeguard bonds and New Notes including the accrued interests amounts to EUR 0.3 million in accordance with the repayment schedule of the Safeguard plan.

The transfer of bonds from short term to long term followed the decision of the General Meeting in June 2012 to postpone the repayment schedule.

19.5 Borrowings maturity

At 31 December 2012	Note	Less than one year	1 to 2 years	2 to 5 years	More than 5 years	Total	Unaccrued liabilities
Non-convertible bonds	19.1-19.2	-	**14,011**	**43,144**	**2,038**	**59,193**	**2,975**
Financial debts		-	**80,777**	**347,753**	**22,890**	**451,420**	
Bank loans	19.3	-	80,777	347,753	10,982	439,512	
Bank loans fixed rate		-	567	1,569	7,466	9,602	
Bank loans floating rate		-	80,210	346,184	3,515	429,909	
Other non-current borrowings	19.3	-	-	-	11,908	11,908	
Total		**-**	**94,788**	**390,897**	**24,927**	**510,612**	
Non convertible bonds	19.1-19.2	**261** -	-	-	-	**261**	
Financial debts		**223,697**	-	-	-	**223,697**	
Bank loans	19.4	223,537	-	-	-	223,537	
Bank loans fixed rate		15,182	-	-	-	**15,182**	
Bank loans floating rate		208,355	-	-	-	**208,355**	
Other borrowings	19.4	160	-	-	-	**160**	
Financial liabilities linked to discontinued activities	**6**	**9,678**	-	-	-	**9,678**	
Total		233,897	-	-	-	**233,897**	
TOTAL		**233,897**	**94,788**	**390,897**	**24,927**	**744,509**	

At 31 December 2012	Note	Less than one year	1 to 2 years	2 to 5 years	More than 5 years	Total	Unaccrued liabilities
Non-convertible bonds	19.1-19.2	**-**	**14,011**	**43,144**	**2,038**	**59,193**	**2,975**
Financial debts		-	**80,777**	**347,753**	**22,530**	**451,060**	
Bank loans	19.3	**-**	80,777	347,753	10,982	439,512	
Bank loans fixed rate		-	567	1,569	7,466	9,602	
Bank loans floating rate		-	80,210	346,184	3,515	429,909	
Other non-current borrowings	19.3	-	-	**-**	11,548	11,548	
Total		-	94,788	390,897	24,567	510,252	
Non convertible bonds	19.1-19.2	**261 -**	**-**	**-**	**-**	**261**	
Financial debts		**223,697**	**-**	**-**	**-**	**223,697**	
Bank loans	19.4	223,537	-	-	-	223,537	
Bank loans fixed rate		15,182	**-**	**-**	**-**	**15,182**	
Bank loans floating rate		208,355	**-**	**-**	**-**	**208,355**	
Other borrowings	19.4	160	**-**	**-**	**-**	**160**	
Financial liabilities linked to discontinued activities	**6**	**9,678**	**-**	**-**	**-**	**9,678**	
Total		233,897	-	-	-	233,897	
TOTAL		233,897	94,788	390,897	24,567	744,149	

The following tables describe the maturity of the Group's borrowings. In 2012, the non-current bonds including the New Notes and financial debts amount to EUR 0.5 billion (in 2011 EUR 0.4 billion).

The unaccrued liabilities represent the total amount of debts not accrued as at 31 December 2012 and related to the termed out bonds of the Group.

❖ In 2012

The Group has entered into interest rate derivatives representing 75.2% of the non-current floating rate borrowings (54.3% in 2011) and 33.8 % of the current floating rate borrowings (51.3% in 2011), in order to limit the risk of the effects of fluctuations of market interest rates on its financial position and future cash flows. Most floating interest debt instruments have a fixing period of maximum 3 months.

Bank loans include amounts secured by a mortgage on properties with a value of EUR 0.663 billion (0.842 billion as at 31 December 2011).

The interests on bank loans decreased from EUR 48.8 million as at 31 December 2011 to EUR 38.6 million as at 31 December 2012 mainly due to the total or partial redemption upon assets and development sales in 2012.

The carrying amount of the Group's borrowings expressed in KEUR is denominated in the following currencies:

	31 December 2012	31 December 2011
EUR	619,584.57	975,456
CZK	79,425	91,836
PLN	45,500	43,629
USD	-	38,339
HRK	-	9,993
Total	744,509	1,159,253

❖ In 2011

The Group has entered into interest rate derivatives representing 54.3% of the non-current floating rate borrowings (81.2% in 2010) and 51.3% of the current floating rate borrowings (21.7% in 2010), in order to limit the risk of the effects of fluctuations of market interest rates on its financial position and future cash flows. Most floating interest debt instruments have a fixing period of maximum 3 months.

Bank loans include amounts secured by a mortgage on properties with a value of EUR 0.842 billion (0.969 billion as at 31 December 2010).

The interests on bank loans decreased from EUR 59.6 million as at 31 December 2010 to EUR 48.8 million as at 31 December 2011 mainly due to the total or partial redemption upon assets and development sales in 2011.

As agreed with the Banks EUR 5.0 million of late and penalty interests related to Suncani Hvar hotels have been cancelled. This profit is presented in reduction of the interests expenses of the period.

At 31 December 2011	Less than one year	1 to 2 years	2 to 5 years	More than 5 years	TOTAL	Unaccrued liabilities
Non-current						
Bonds	-	**22,672**	**83,919**	**56,789**	**163,380**	**230,536**
Convertible bonds	-	9,010	42,782	20,856	72,648	101,929
Non Convertible	-	13,662	41,137	35,933	90,732	128,608
Financial debts	-	**48,634**	**133,166**	**57,425**	**239,225**	
Bank loans	-	48,634	133,166	40,114	221,914	
Bank loans fixed rate	-	401	1,488	8,124	10,013	
Bank loans floating rate	-	48,233	131,678	31,990	211,901	
Other non-current borrowings	-	-	-	17,311	17,311	
TOTAL - NON CURRENT	-	71,306	217,085	114,213	402,604	
Current						
Bonds	**119,924**	-	-	-	**119,924**	
Convertible bonds	8,921	-	-	-	8,921	
Non Convertible	111,003	-	-	-	111,003	
Financial debts	**620,835**	-	-	-	**620,835**	
Bank loans	620,467	-	-	-	620,467	
Bank loans fixed rate	9,825	-	-	-	9,825	
Bank loans floating rate	610,642	-	-	-	610,642	
Other borrowings	368	-	-	-	368	
Liabilities linked to assets held for sale	**15,891**	-	-	-	**15,891**	
Bank loans floating rate	7,777	-	-	-	7,777	
Bank loans fixed rate	5,491	-	-	-	5,491	
Swaps	824	-	-	-	824	
Accrued interests	1,799	-	-	-	1,799	
TOTAL - CURRENT	756,649	-	-	-	756,649	
TOTAL	756,649	71,306	217,085	114,213	1,159,253	

19.6 Loans with covenants breaches

	As at 31 December 2012			As at 31 December 2011		
	Principal	Accrued Interest	Total	Principal	Accrued Interest	Total
Long term loans presented in short term						
due to Financial covenant breach	-	-	-	24,981	-	**24,981**
due to Non repayment	-	-	-	40,285	-	**40,285**
due to Administrative breach	-	-	-	-	-	-
due to Financial and administrative breach and/or non repayment	-	-	-	-	-	-
Total long term loans presented in short term	-	-	-	65,266	-	**65,266**
Short term loans in breach						
due to Financial covenant breach	25,237	100	**25,337**	942	-	**942**
due to Non repayment	96,526	797	**97,323**	63,387	6,685	**70,072**
due to Financial and administrative breach and/or non repayment	15,182	726	**15,908**	15,182	91	**15,273**
Total short term loans in breach	136,945	1,623	**138,568**	79,511	6,776	**86,287**
Total loans linked to assets held for sale or discontinued operations	**9,678**	-	**9,678**	7,777	3,995	**11,772**
Total Loans in Breach	146,623	1,623	148,246	152,554	10,771	163,325

While as at December 2011 EUR 65.3 million of long term loans were presented as short term mainly composed of the Suncani Hvar long term part loan for EUR 40.3 million and Paris Department Store for EUR 15.8 million respectively due to non-repayment and due to breach of financial covenants, as at 31 December 2012 renegotiation are still in progress on those two loans that have already expired or expiring in less than one year.

The increase of the amount in short term is mainly due to the following elements:

- Reclassification for the entire loan on SHH (EUR 55.5 million) expiring the 31st of December 2012 as the negotiations are suspended;
- Issue of breaches on Paris Department Store (EUR 16.0 million) and Szervita (EUR 9.3 million) for non-respect of financial covenant;

Vaci I (EUR 41.0 million) is still in breach for non-repayment.

Over the period the loans financing the assets classified in held for sales as at 31 December 2011 have been fully repaid upon the sales of Przy Parku and Hüttenstrasse. As at 31.12.2012 the loans linked to assets held for sales or discontinued operations are related to the polish plot Sczecin (EUR 9.7 million which includes equity loan and accrued interests).

19.7 Derivatives

	31 December 2012	31 December 2011
Interest rate derivatives	19	-
Forex derivatives		-
Total current assets	19	
Share derivatives	-	-
Embedded derivatives on bonds	-	22,914
Total non-current liabilities	-	22,914
Embedded derivatives on bonds	-	-
Interest rate derivatives	8,325	18,239
Total current liabilities	8,325	18,239
Net derivatives	(8,306)	(41,153)

Derivative instruments are presented within others current assets when their fair value is positive, within other current or non-current liabilities when their fair value is negative. Changes in the fair value are recognized immediately in the income statement under other financial results.

Derivatives used by the Group include interest rate derivatives.

The Group uses various types of interest rate derivative contracts to protect against changes in the fair value of its assets and liabilities due to fluctuations in interest rates.

Interest rate derivatives represent interest rate swaps and collars. Interest rate swaps are agreements between two parties to exchange a series of interest payments on a common principal amount. A collar is an investment strategy that uses options to limit the possible range of positive or negative returns on an investment in an underlying asset to a specific range. Valued at their fair value, interest rate swaps and collars cover floating interest rates against fixed rates. As at 31 December 2012 the total debt covered by interest rate swaps and collars amounts EUR 410.6 million (EUR 444.4 million in 2011) or 61.2% of the floating rate debt (52.8 % in 2011).

19.8 Interests paid

Interests in 2012 amount to EUR 67.8 million, out of which EUR 38 Million have been paid, versus EUR 82.6 million in 2011.

19.9 Capitalized interests on projects under development

	31 December 2012	31 December 2011
Inventories	6,706	8,550
Investment under construction	0	2,990
Capitalised interests	6,706	11,540

The capitalized interests on inventories are manly related to the projects of Zlota 44 for EUR 3.6 million, Benice for EUR 1.6 million and Bubny EUR 1.4 million. The average capitalization rate amounts to 4.0%.

19.10 Average effective interest rates (current and non-current)

	31 December 2012					
	EUR	CZK	HUF	PLN	HRK	USD
New Notes	19.09%	-	-	-	-	-
Termed out bonds after 16 September 2011	20.51%	-	-	-	-	-
Termed out bonds till 16 September 2011	21.20%	-	-	-	-	-
Bank borrowings	6.10%	3.58%	-	7.10%	7.69%	1.51%
	31 December 2011					
	EUR	CZK	HUF	PLN	HRK	USD
Termed out bonds after 16 September 2011	20.51%	-	-	-	-	-
Termed out bonds till 16 September 2011	21.20%	-	-	-	-	-
Bank borrowings	6.15%	4.02%	-	9.30%	0.78%	7.50%

20 Provisions & other long term liabilities

	Opening	Scope Exit	Variation	Allowance	Write-Back	Transfer	FX adjust.	Total
Retirement obligations	9,205	-		99	(318)	-	-	**8,987**
Other provisions	3,841	11		11,769	(1,131)	159	57	**14,706**
Other long term liabilities	1,280		11,264	-	-	(21)	188	**12,710**
Total provisions and other long term liabilities	**14,327**	**11**	**11,264**	**11,868**	**(1,449)**	**138**	**245**	**36,404**

a) Other long term liabilities

The main variations on other long term liabilities are the following over the period:

- Deferred payments related to the project Zlota 44 with the main general contractor for EUR 6.1 million.

- Settlement for 6.6 million (of which EUR 5.0 million is recorded in long term) of payment duties due to the tax office in Croatia: as agreed with the Croatian Tax Office the company Suncani Hvar rescheduled the fiscal debt over 36 months.

b) Other provisions

Due to the bankruptcy procedure of the company Orco Blumentaska a.s. in Slovakia (project Stein), this company has been deconsolidated. In respect of the application of the Safeguard plan, the guarantee given by the Company to the bank led to the recognition of a provision (over ten years following the repayment schedule of the Safeguard plan), corresponding to the Net Present Value of the bank loan not covered by the pledge on the value of the building (valued at fair value according to the external value report). This provision amounts to EUR 2.1 million as at 31 December 2012.

An adjustment on the provision regarding the BAR neighbor agreement (where the escrow account amounts to EUR 8.7 million as at 31 December 2012) related to the project Leipziger Platz has been recorded for EUR 4.0 million over the year 2012 leading to a total provision of EUR 5.0 million.

A provision regarding the litigation with the Croatian state has been recorded for EUR 2.2 million: the claim relates to underlying title disputes to properties on the Island of Hvar in Croatia held through the Croatian company Suncani Hvar d.d. (see note 30)

A provision has been recorded for EUR 3.9 million linked the SV Faze II joint venture recorded to cover the onerous contract on the minimum return guarantee granted to the partner and the takeover of the 50% share not hold by the Group.

c) Retirement benefit obligation

In the Group, only Orco Projektentwicklungs GmbH and Orco Gruendstueck have defined benefit plans. The Viterra plan is a so-called book reserve plan. The important attribute of this kind of plan is that there is no separate vehicle to accumulate assets to provide for the payment of benefits. Rather, the employer sets up a book reserve (accruals) in its balance sheet.

Retirement benefit obligations:	31 December 2012	31 December 2011	31 December 2010
Present value of unfunded obligations	10,810	9,084	9,194
Unrecognised actuarial gains	-1,823	122	596
Liabilities in the balance sheet	**8,987**	**9,206**	**9,790**

(i) The movement in the defined obligation over the year is as follows

	31 December 2012	31 December 2011	31 December 2010
Beginning of the year	**9,083**	**9,194**	**8,661**
Current service cost	0	0	18
Interest cost	408	428	445
Actuarial gains(losses)	1,739	(122)	472
Benefits paid	(420)	(416)	(402)
End of the year	**10,810**	**9,084**	**9,194**

(i) The principal actuarial assumptions used were as follows

	31 December 2012	31 December 2011	31 December 2010
Discount rate	3.17%	4.60%	4.75%
Future salary increases	n.a	n.a	2.75%
Future pension increases	2.00%	2.00%	2.00%
Corridor	n.a	10.00%	10.00%

(ii) Transition to IAS 19 (rev. 2011)

Application of IAS 19, rev.2011 is compulsory for periods beginning at or after 1 January 2013.

Disclosures for periods 2011 and 2012 must be reported according to current IAS 19.

The calculation of pension expense must follow IAS 19, rev.2011 for the first time in 2013.

For the purpose of financial reporting as of 31 December 2013 the financial statement for the prior period must be restated on revised rules.

The impact of the changes amounts to EUR 1.7 million.

In Euro

Defined benefit asset/(liability) IAS 19 (pre-amendment) as at 31 December 2011	**(9,205)**
Unrecognised past service cost as at 31 December 2011	-
Unrecognised net actuarial gain/(losses) as at 31 December 2011	123
Net defined benefit asset/(liability) IAS 19 rev2011 as at 01 January 2012	**(9,083)**
Service cost	-
Net interest on net defined benefit liability/(asset)	(408)
Remeasurement effects recognised in OCI	(1,739)
Employer contributions	-
Benefits paid directly by the Company	419
Transfer payments	-
Acquisitions	-
Divestitures	-
Cost of termination benefits	-
Net defined benefit asset/(liability) IAS 19 rev2011 as at 31 December 2012	**(10,810)**

21 Current liabilities

Current liabilities as at 31 December 2012 presented below do include neither derivatives instrument for EUR 8.3 million (EUR 41.0 million in 2011) nor tax, payroll and social security for EUR 14.6 million (EUR 18.7 million in 2011). Financial debts include current "Sauvegarde" bonds for an amount of EUR 0.3 million (EUR 119.9 million of "Sauvegarde" bonds for 2011) payable on April 2013. Other current liabilities decreased to EUR 5.3 million (EUR 8.9 million in 2011) mainly as a result of provisions write-backs on assets sold.

	Less than 1 month	Between 1 and 6 months	Between 6 months and 1 year	TOTAL
Financial debts & Current bonds	60,089	108,996	54,874	223,959
Trade payables	4,139	9,168	12,777	26,085
Advance payments	2,529	4,753	25,470	32,752
Other current liabilities	10,636	10,112	12,187	32,934
Liabilities linked to assets held for sale	-	6,445	3,347	9,792
31 December 2012	**77,393**	**139,474**	**108,655**	**325,522**
Other current liabilities as at December 2012				**47,571**
Not financial other current liabilities				14,637
w/o Tax and income tax				*12,468*
w/o Social & Payroll				*2,169*
Financial other current liabiilities	10,636	10,112	12,187	32,934

	Less than 1 month	Between 1 and 6 months	Between 6 months and 1 year	TOTAL
Financial debts & Current bonds	24,086	466,220	250,453	740,759
Trade payables	3,522	4,787	8,056	16,365
Advance payments	4,728	6,557	23,965	35,250
Other current liabilities	15,741	16,790	17,000	49,531
Liabilities linked to assets held for sale	-	5,145	10,743	15,890
31 December 2011	**48,077**	**499,499**	**310,217**	**857,795**
Other current liabilities as at December 2011				**68,317**
Not financial other current liabilities				18,786
w/o Tax and income tax				*13,782*
w/o Social & Payroll				*5,004*
Financial other current liabiilities	15,741	16,790	17,000	49,531

22 Other operating income

Over 2012, other operating income amounts to EUR 9.6 million (EUR 1.8 million in 2011) and is mainly due to VAT refunds for EUR 5.6 million and insurance indemnities for EUR 1.8 million.

23 Amortizations, impairments and provisions

	31 December 2012	31 December 2011	Variation	Notes
Provisions for pension scheme	218	696	(478)	20
Provisions for other risks and charges	(8,676)	3,632	(12,308)	20
Total Provisions	**(8,458)**	**4,328**	**(12,786)**	
Impairment of Intangible Assets	(610)	-	(610)	7
Impairment of Tangible assets	(10,115)	(7,406)	(2,709)	12
Impairment of Inventories	(33,531)	(8,626)	(24,905)	14
Impairment of Trade Receivables	(1,417)	(2,337)	920	
Impairment of Other Current Assets	(713)	(2,852)	2,139	16
Total Impairments	**(46,386)**	**(21,221)**	**(25,165)**	
Amortisation of Intangible assets	(537)	(479)	(58)	7
Amortisation of Hotels	(1,128)	(1,425)	297	9
Amortisation of Fixtures and Fittings	(1,946)	(1,667)	(279)	12
Total Amortisation	**(3,611)**	**(3,571)**	**-40**	
Total Amortisation, Impairments & Provisions	**(58,454)**	**(20,464)**	**(37,990)**	

❖ 2012

Over 2012, the Trade Receivables net impairments increased by EUR 1.4 million. Such increase is mainly due to the impairment of advance payment guarantee of EUR 0.9 million on Praga project.

❖ 2011

Over 2011 the impairments of trade receivables increased by EUR 2.3 million. That is mainly due to the impairment on the VAT loss on acquisition of Pokrovka Hotel (EUR 1.9 million) and the impairment on the GSG lessees.

24 Other operating expenses and employees benefits

	31 December 2012	31 December 2011	Variation
Leases and rents	(2,377)	(3,176)	798
Building maintenance and utilities supplies	(26,158)	(28,148)	1,989
Marketing and representation costs	(4,737)	(4,533)	(204)
Administration costs	(19,957)	(20,565)	607
Taxes other than income tax	(3,597)	(4,754)	1,157
Hospitality specific costs	(907)	(883)	(24)
Other operating expenses	(1,439)	(2,199)	761
Salaries	(22,681)	(22,991)	310
Social security expenses	(4,185)	(4,261)	76
Pension costs	(770)	(899)	129
Other employee benefits	(2,386)	(134)	(2,252)
Other personnel related charges	(631)	(1,325)	694
Total other operating expenses	**(89,825)**	**(93,868)**	**4,041**

Non-cancellable operating leases commitments amount as follows:

- EUR 1.0 million not later than 1 year
- EUR 0.9 million later than 1 year and not later than 5 year
- No commitments later than 5 years

Moreover, the Group expects to receive EUR 1.3 million of future sublease revenue payments under non-cancellable leases and subleases until the end of the contract.

Fees related to the Group auditors and their affiliates are set out below:

	31 December 2012	31 December 2011
Audit fees pursuant to legislation	(2,439)	(1,740)
Other services	(78)	(204)
Total other operating expenses	**(2,517)**	**(1,944)**

The audit fees disclosed for the year ended at December 2012 include EUR 0.5 million of expenses not accrued as at December 2011 and related to the audit of 2011 financial statements.

25 Other net financial results

	Dec-12	Dec-11	Changes
Change in carrying value of liabilities at amortised cost	74,092	-	74,092
Change in fair value and realised result on derivative instruments	(1,284)	3,434	(4,718)
Change in fair value and realised result on other financial assets	(12,093)	(506)	(11,587)
Other net finance losses	(2,760)	(1,893)	(867)
Total	**57,955**	**1,035**	**56,920**

❖ In 2012

Change in carrying value of liabilities at amortized cost includes the gain on the OCA issuance amounting to EUR 31.1 million corresponding to the difference between the nominal value of the OCA and the market value as at 09.05.2012 after deduction of the bond debt restructuring costs for EUR 2.0 million ,a loss on the recognition of the New Notes for EUR 15.2 million and a result on the conversion amounting to EUR 58.2 million and corresponding to the difference between the book value of the OPG bonds converted and the market value of the shares issued.

Change in fair value and realized result on derivative instruments are related to:

- The loss recognized on the embedded bond derivative for EUR 2.0 million as a result of its conversion into a debt eligible to the bond restructuring. As of December 2012, this embedded bond does not exist anymore.
- Gains on interest derivatives for EUR 0.9 million

Change in fair value and realized result on other financial assets are related:

- The investment Fillion, in Moscow, with EUR 6.0 million of impairment (see note 3.2); the Company will challenge such capital increase and firmly seek to recover the initial value of its stake.
- The losses on revaluation of the investment in Endurance Fund compartments for a loss amounting to EUR 3.5 million due to the liquidity discount changes (from 20% in 2011 to 57% in 2012, see note 3.2)
- Loss on the PPL reevaluation of the Hospitality JV for EUR 2.0 million

Other finance charges are mainly related to the standstill fees on GSG for EUR 1.1 million and refinancing fees on Sky Office for EUR 0.4 million and bank expenses.

❖ In 2011

Change in fair value and realized result on derivative instruments are related to:

- Losses on Embedded derivatives on Bonds for EUR 4.3 million;
- Gains on interest derivatives for EUR 7.7million.

Change in fair value and realized result on other financial assets are related to:

- Gains on revaluation of the investment in Endurance Fund compartments for EUR 2.7 million, out of which EUR 0.8 million recognized on the newly acquired units and EUR 1.9 million on the units already held as at December 2010;
- Loss in revaluation of Fillion in Russia for EUR 0.3 million;
- Gains on PPL asset revaluation for EUR 0.4 million;

Other finance gains and losses consist mainly in Bank expenses for EUR 1.2 million.

26 Income taxes

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes laid by the same taxation authority of either the taxable entity or different taxable entities where there is the intention to settle the balances on a net basis.

The capacity to recognize the deferred tax asset arising from the temporary differences detailed in the thereafter table is assessed on the level of the fiscal entity. In the case of the entity is not in position to recognize them, they are neutralized on the line "DTA[1] derecognition".

❖ In 2012

	December 2011	Scope Variation	Variation	Other	Change in %	Currency translation	December 2012	DTA At Closing	DTL At Closing
Intangible assets	(2,164)	-	5	-	-	-	(2,159)	5	(2,165)
Tangible assets	(97,508)	(7,694)	1,678	15,040	156	325	(88,003)	14,877	(102,881)
Financial assets	(25,127)	(1,231)	(981)	10,965	3	-	(16,371)	14,612	(30,983)
Inventories	(4,208)	3,712	1,930	3,857	(13)	(71)	5,207	11,339	(6,132)
Current assets	(8,556)	456	3,833	98	-	2	(4,167)	3,086	(7,253)
Equity	(287)	-	-	(35)	-	(7)	(328)	31	(359)
Provisions	(969)	(409)	963	(26)	-	(15)	(455)	968	(1,423)
Long term debts	(8,641)	-	(2,081)	3,883	-	146	(6,693)	5,298	(11,991)
Current debts	(3,179)	(327)	(1,493)	1,972	15	72	(2,941)	2,051	(4,992)
DTA derecognition	-	1,606	(2,979)	(35,754)	-	(110)	(37,238)	(37,238)	-
Recognized loss carry forward	58,130	3,837	(9,088)	-	(154)	(556)	52,168	52,168	-
Total deferred taxes	**(92,509)**	**(50)**	**(8,213)**	**-**	**7**	**(214)**	**(100,980)**	**67,197**	**(168,179)**
Deferred tax assets	-						353		
Deferred tax liabilities	(92,509)						(101,334)		

In 2012, the theoretical tax rate is -7.16% and the effective tax rate of the period is 22.41%. The income tax loss recognized in the income statement amount to EUR 9.1 million and composed of EUR 0.9 million of current income tax expenses and EUR 8.2 million of deferred income taxes expenses arising essentially from the activations of loss carry forward following the sales of the assets with the significant impacts of Radio Free Europe for EUR -1.9 million and Sky Office for EUR -1.1 million. The Group paid over the period EUR 1.0 million of current income taxes, mainly in Germany for EUR 0.6 million.

The scope variations are mainly explained by the mergers processed by the Group over 2012 and the column "other" is presenting the neutralized deferred tax asset arising from temporary differences at the opening in the entities which were not in position to recognize them. The neutralization of this EUR 35.7 million deferred tax asset is now presented on the line "DTA derecognition".

As at December 2012, the Group is recognizing EUR 0.4 million of deferred tax assets related to the residential development V Mezihori. As at December 2012, the losses carry forward not recognized into the local statutory accounts of the Group's subsidiaries represents a tax basis of EUR 1.0 billion.

❖ In 2011

	December 2010	Scope Variation	Variation	Other	Change in %	Currency translation	December 2011	DTA At Closing	DTL At Closing
Intangible assets	(2,155)	5	(14)	-	-	-	(2,164)	4	(2,169)
Tangible assets	(92,062)	8,750	(14,924)	-	-	728	(97,508)	16,838	(114,346)
Financial assets	7,407	13	(37,615)	5,067	-	-	(25,127)	12,967	(38,093)
Inventories	3,012	1,280	(8,556)	-	-	56	(4,208)	8,753	(12,961)
Current assets	(6,439)	(5)	(2,135)	-	-	23	(8,556)	124	(8,681)
Equity	(1,611)	-	1,339	-	-	(15)	(287)	63	(350)
Provisions	(14)	(277)	(676)	-	-	(2)	(969)	620	(1,589)
Long term debts	(8,294)	(3)	(288)	-	-	(56)	(8,641)	5,289	(13,930)
Current debts	3,858	(91)	(1,878)	(5,067)	-	(3)	(3,179)	3,377	(6,556)
Recognized loss carry forward	(10,380)	-	68,744	-	-	(192)	58,130	58,130	-
Total deferred taxes	**(106,678)**	**9,672**	**3,997**	**-**	**-**	**539**	**(92,509)**	**106,165**	**(198,675)**
Deferred tax assets	111						-		
Deferred tax liabilities	106,788						92,509		

In 2011, the theoretical tax rate is -16.68% and the effective tax rate of the period is 11.59%. The income tax loss recognized in the income statement amount to EUR 5.5 million and composed of EUR 2.6 million of current income tax expenses and EUR 2.8 million of deferred income taxes expenses arising essentially from reversal of deferred tax assets made following the booking of positive revaluations and impairments booked on properties (EUR 23.0 million). Moreover due to the sale of the Russian portfolio EUR 9.7 million of deferred income taxes expenses are unrecognized at end of 2011. As at December 2011, the losses carry forward not recognized into the local statutory accounts of the Group's subsidiaries represents a tax basis of EUR 0.9 billion.

[1] *Deferred Tax Asset*

❖ **The income tax expense for the year can be reconciled to the accounting profit as follows:**

	December 2012	December 2011
Profit or Loss before tax	**(39,622)**	**(45,971)**
Profit or Loss before tax from discontinued operations	(1,466)	1,105
Profit or Loss before tax from continued operations	**(39,398)**	**(47,076)**
Tax calculated at domestic rates applicable to profits in the respective countries	3,172	7,850
Tax effects of:		
Equity affiliates	-	-
Untaxed gains or losses	25,848	15,046
Undeductible charges and interests	(1,412)	(24,705)
Temporary differences	(41,172)	(4,125)
Other income tax	378	453
Remeasurement of deferred tax - Change in tax rates	7	-
Adjustments from previous years	(403)	25
Income tax expense recognised in profit or loss from continued operations	**(13,583)**	**(5,455)**

❖ **Tax rates**

The income tax rates in the Group vary from 10.00 % in Hungary up to an average of 33.33% in France.

	Income Tax Rates		Deferred Tax rates	
	2012	2011	2012	2011
Croatia	20.00%	20.00%	20.00%	20.00%
Czech Republic	19.00%	19.00%	19.00%	19.00%
France	33.33%	33.33%	33.33%	33.33%
Germany	30.17%	30.17%	30.17%	30.17%
Hungary	10.00%	10.00%	10.00%	10.00%
Luxembourg	28.80%	28.80%	28.80%	28.80%
Poland	19.00%	19.00%	19.00%	19.00%
Russia	20.00%	20.00%	20.00%	20.00%
Slovakia	23.00%	19.00%	23.00%	19.00%

27 Earnings per share

	31 December 2012	31 December 2011
At the beginning of the period	**16,737,951**	**13,964,411**
Shares issued	17,053,866	14,053,866
Treasury shares	(315,915)	(89,455)
Weighted average movements	**34,386,417**	**576,126**
Issue of new shares	34,600,970	821,918
Treasury shares	(214,553)	(245,792)
Weighted average outstanding shares for the purpose of calculating the basic earnings per share	**51,124,368**	**14,540,537**
Weighted average outstanding shares for the purpose of calculating the diluted earnings per share	**51,124,368**	**14,540,537**
Net profit/(loss) attributable to the Equity holders of the Company	**(40,042)**	**(53,256)**
Net profit /(loss) attributable to the Equity holders of the Company after assumed conversions / exercises	**(40,042)**	**(53,256)**
Total Basic earnings in EUR per share	**(0.78)**	**(3.66)**
o/w continuing operations	(0.75)	(3.73)
o/w discontinued operations (*)	(0.03)	0.07
Total Diluted earnings in EUR per share	**(0.78)**	**(3.66)**
o/w continuing operations	(0.75)	(3.73)
o/w discontinued operations (*)	(0.03)	0.07

(*) Basic earnings per share and Diluted earnings per share from discontinued operations referred to the note 6

Basic earnings per share is calculated by dividing the profit loss attributable to the Group by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the Group and held as treasury shares.

Diluted earnings per share is calculated adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

The warrants were not taken into account in the EPS calculation as the conversion of the warrants had an anti-dilutive impact in 2011 and 2012.

As at 31 December, the treasury shares of the Company represent 955.374 shares and amount to EUR 1,87 million. They are held by the Company itself (9.761 shares), ORCO Germany S.A. (2.263 shares) and ORCO Russian Retail S.A. (943.350 shares).

28 Equity holders

Share capital

	Number of shares	Capital	Share premium
Balance at 31 December 2010	**14,053,866**	**57,621**	**403,988**
Capital increase	3,000,000	12,300	14,700
Balance at 31 December 2011	**17,053,866**	**69,921**	**418,688**
Capital increase of 14th of May 2012	18,361,540	75,283	710
Capital increase of 3d of September 2012	64,577,483	264,768	225,150
Capital increase of 28th of September 2012	7,848,073	32,177	949
Balance at 31 December 2012	**107,840,962**	**442,148**	**645,497**

All the shares of the Company have no par value and are fully paid. Each share is entitled in the profits and corporate capital to a prorate portion of the percentage of the corporate capital it represents, as well as to a voting right and representation at the time of General Meeting, the whole in accordance with statutory and legal provisions.

Authorized capital not issued

The Company's Extraordinary General Meeting of 28 April 2011 granted to the Board of Directors, authorization to increase the Company's share capital in accordance with article 32-3 (5) of Luxembourg corporate law.

The Board of Directors was granted full power to proceed with the capital increases within the revised authorized capital of EUR 410.000.000 under the terms and conditions it will set, with the option of eliminating or limiting the shareholders' preferential subscription rights as to the issuance of new shares within the authorized capital.

The Board of Directors is authorized, during a period of five (5) years from the date of the general meeting of shareholders held on 28 April 2011, without prejudice to any renewals, to increase the issued capital on one or more occasions within the limits of the authorized capital. The Board of Directors is authorized to determine the conditions of any capital increase including through contributions in cash or in kind, among others, the conversion of debt into equity, by offsetting receivables, by the incorporation of reserves, issue premiums or retained earnings, with or without the issue of new shares, or following the issue and the exercise of subordinated or non-subordinated bonds, convertible into or repayable by or exchangeable for shares (whether provided in the terms at issue or subsequently provided), or following the issue of bonds with warrants or other rights to subscribe for shares attached, or through the issue of stand-alone warrants or any other instrument carrying an entitlement to, or the right to subscribe for, shares.

The extraordinary general meeting of the Company held on 28 June 2012 voted to increase the authorized share capital by EUR 63.582.861,50 to a total of EUR 473.582.861,50. The use of this additional authorized share capital is limited to the purposes of issuing (i) up to 65.000.000 new shares of the Company resulting from the substitution of the OPG Bonds into shares of the Company, (ii) up to 7.848.081 new shares of the Company resulting from the conversion of the bonds convertible into shares (the "OCA") in relation to the second payment of the OCAs and in accordance with the terms and conditions of the OCAs, (iii) 2.248.673 new shares of the Company to other creditors of the Company under the Plan de Sauvegarde and (iv) 4.995.855 new shares of the Company to the holders of warrants issued by the Company.

The Board of Directors has EUR 31.434.917,30 remaining in authorized and unissued share capital at its disposal as of 31 December 2012. Considering that the Company's bond restructuring has been completed and items (i), (ii) and (iii) above are no longer applicable, the use of this authorized share capital is limited to the issuance of a maximum of 4.995.855 shares, solely to cover the exercise of warrants issued by the Company.

- **In 2012**

During 2012, the share capital of the Company increased by EUR 372.227.344 amounting to EUR 442.148.195, whereas the share premium grew up by EUR 226.809.209 rising to EUR 645.497.109. This share capital and share premium increase is a result of bonds equalization transactions (see note 19.1) which took place as follows.

The company issued on 14 May 2012 18.361.540 new ordinary shares as a first payment on the Obligations Convertibles en Actions (the "OCA") issued by OPG on 9 May 2012 against the contribution of approximately 84.5% of the Orco Germany bonds.

On 3 September 2012, the Company issued 64.577.483 new shares in a mandatory exchange for approximately 89.9% of its bonds.

On 28 September 2012, the Company issued 7.848.073 new shares as the second and final payment on the OCA.

On the one hand, the share capital and share premium increase amounts described above correspond to the legal registered notarial acts.

On the other hand, in accordance with IFRS accounting policies, these amounts were adjusted in order to recognize the market value of each capital increase. Consequently, the total adjusted loss of EUR 400.331.208 was recognized in the Reserves of the Company which corresponds to the difference between the market value of the Group share the day of transaction and the nominal value of shares subscribed by the shareholders.

- **In 2011**

The Company has issued on 22 September 2011 3 million ordinary new shares without nominal value ("New Shares") to funds advised by Morgan Stanley Real Estate Investing ("MSREI"). The New Shares, issued under the Company's authorized capital, were fully paid by the contribution in kind of MSREI's 14.100.000 shares in Orco Germany SA, 1.500.000 units in the Office I Sub-Fund of the Endurance Real Estate Fund and 1.404.276,226 units in the Residential Sub-Fund of the Endurance Real Estate Fund. The New Shares are assimilated with the existing ordinary shares of Orco and listed on the regulated market of Paris, Prague and Warsaw stock exchanges.

With this transaction, the number of Company's shares issued is increased to 17,053,866 shares.

The regulated market of the Budapest Stock Exchange (the "BSE") has resolved to remove the Company shares from its product list. After 1 December, 2011 the Shares were delisted and removed from the BSE product list. The Shares will remain listed and tradable on the regulated markets of NYSE Euronext Paris, Prague Stock Exchange, and Warsaw Stock Exchange.

As at 31 December 2011, the Group holds 315.915 treasury shares, 1,472 warrants 2014 and 546 warrants 2012.

Employee stock options

All existing stock options granted to employees on the 3 of March 2006 were cancelled during 2012.

Movements in the number of share options:

	2012		2011	
	Average exercice price in EUR	Number of options	Average exercice price in EUR	Number of options
Outstanding at the beginning of the year	75.60	60,000	75.60	60,000
Exercised	-	-	-	-
Cancelled	(75.60)	(60,000)	-	-
Outstanding at the end of the year	0.00	0	75.60	60,000

Dividends per share

The Board of Directors has decided not to propose any dividend payment at the Annual General Meeting of Orco Property Group S.A. for the year 2012.

29 Contingencies

The Group has given guarantees in the ordinary course of business, more specifically on the residential units delivered. Such guarantees are internally covered by the guarantees granted by the general contractor.

In 2012 the Group has given an overrun guarantee to the banks financing the Mezihori and Zlota 44 projects. The Group will cover on its own equity the development costs overrun compared to the agreed budget. Remaining development costs amount to EUR 6.2 million on V Mezihori and EUR 58.5 million on Zlota 44 and remaining credit lines to draw down respectively amount to EUR 7.5 million and EUR 2.3 million (see note 3.1).

In June 2007 the Group issued a guarantee up to a maximum amount of EUR 5 Million to secure all payments claims of IBB Holding and BTGI against inter alia Gewerbesiedlungs-Gesellsschaft (Berlin), Orco Russian Retail, and MSREF V / MSREF Turtle B.V under an option agreement dated 22/23 May 2006 as amended on 24/25 April 2007 concerning the acquisition of all shares in Gewerbesiedlungs-Gesellsschaft. This guarantee covering acquirer engagement is admitted to the safeguard plan and would, upon exercise, follow the rescheduled repayment plan described in the note 2.1.

According to the framework agreement dated 18th August 2011 between the Company and MSREF V Turtle, the Group assumed the obligation to release the Morgan Stanley companies (MSREF V and MSREF V Turtle) from all claims under the Morgan Stanley guarantee by issuing a respective back to back guarantee for EUR 10.0 million.

As at the date of publication of the consolidated financial statements, the Group has no litigation that would lead to any material contingent liability except as disclosed in note 20 & 30.

30 Litigations

In 2010 and 2011, the bondholders' representative for the 2010, 2013, and 2014 OPG Bonds had filed two proceedings:

- a third-party opposition (tierce opposition) against the 19 May 2010 judgment of the Paris Commercial Court dated regarding OPG's safeguard plan, and
- an appeal against the three supervisory judge decisions dismissing the bondholders' representative's petition for interpretation of such decisions.

Following the completion of the bond restructuring, both of these above proceedings were withdrawn by the bondholders' representative on 30 August 2012 and have thus been terminated.

The French market regulation authority (AMF, Autorité des Marchés Financiers) has challenged some elements in the financial communication of the Company over the second half of 2008. The Company has had the opportunity to present its arguments and defense. On 22 October 2012, the Company was notified of the decision of the AMF Disciplinary Commission and fined a penalty of EUR 0.1 million for breaches in its financial communication and breaches of reporting requirements related to its share repurchase program. On 20 December 2012 the Company filed an appeal of this decision with the Paris Court of Appeals.

On 28 December 2012, the Group filed a request for arbitration against the State Property Management Agency of the Republic of Croatia, also known as AUDIO, which is the legal successor to the Croatian Privatization Fund. Orco's preliminary claims for damages exceed EUR 32 million. The claims relate to underlying title disputes to properties on the island of Hvar in Croatia held through the Croatian company Suncani Hvar d.d. (See Note 35).

As of December 2012, it exist 2 contingent liabilities of EUR 5.9 million related to BAR (note 20) and EUR 10.0 million related to the ligation with the Croatian state.

31 Capital and other commitments

Capital commitments

The Company entered into a Subscription Agreement with the Endurance Real Estate Fund for Central Europe. The Group subscribed to the three existing sub-funds. As at 31st December 2012, the remaining balances to be called amount to:

- EUR 19.0 million out of EUR 36.9 million subscribed for the Residential sub-fund (EUR 19.0 million out of EUR 36.9 million in 2011). The remaining commitment is EUR 1.5 million, and due to the maturity of the Fund (see Note 3.2) the Group is not expecting any capital call;
- EUR 3.4 million out of EUR 42.0 million subscribed for the Office I sub-fund (EUR 3.4 million out of EUR 42.0 million in 2011) ;
- EUR 32.3 million out of EUR 35.0 million subscribed for the Office II sub-fund (EUR 33.1 million out of 35.0 million in 2011).

As a developer of buildings and residential properties, the Group is committed to finalize the construction of properties in different countries. The commitments for the projects started as at December 2012 amount to EUR 67.2 million (EUR 79 million in 2011). This does not take into account the potential investments in future projects like Bubny in Prague or hotels to be refurbished in Suncani Hvar.

As at 4 February 2013, the Company sold all its position in the Office I sub-Funds to a third party. Moreover, all positions in Office II sub-Funds were sold as at 15 of March 2013 too. Consequently, the Company transferred all its rights and engagements in relation to these sub-funds (see Note 35.4).

Bank loan covenants (see note 3.3 and 19.3)

32 Related party transactions

Transactions with key management personnel

a) Remuneration of key management personnel

The members of the Board of Directors of the Company and of the Executive Committee are considered the key management personnel of the Group. As of 31 December 2012, the Executive Committee is made of 7 people.

Total compensation given as short term employee benefits to the members of the Executive Committee for the year 2012 amounted to EUR 5.2 million (EUR 4.8 million for the year 2011). As at 31 December 2012, the cumulated balance to be paid at the termination of the contract of current executive board members amounts to EUR 0.6 million (EUR 0.5 million as at December 2011).

The Board and Committees attendance compensation for the year 2012 amounts to EUR 451.500 (EUR 422.500 for 2011), including General Meetings presidency compensations. During its meeting held 25 May 2011, the Board of Directors agreed that compensation granted to each Board and Committee member for all physical attendance to be increased to EUR 4.000. The compensation to the President presiding an ordinary and extraordinary general meeting of shareholders was increased to EUR 9.000. The attendance compensation will be submitted to the next general meeting of shareholders for approval and ratification.

As at 31 December 2012, the potential termination indemnity payment to some members of the Company's management amounted to EUR 16 Million. This indemnity would become payable by the Company to the relevant management members only if the relationship between the Company and the management member is terminated by either party during the six-month period following a change of control of the Company. An additional indemnity to some members of the management amounts to EUR 2.7 Million and is payable in the event of termination.

b) Loans and advances with key management personnel

On 16 February 2007, the Company granted a loan of EUR 61,732 to Steven Davis, a former executive of the Company with maturity date on 1 March 2008. In 2009, the loan was fully impaired as a result of a dispute on the termination of the employment contract of Steven Davis. As at 28 March 2013, litigation is pending in front of Luxembourg court.

Steven Davis also benefited from a loan of CZK 1,520,000 (app. EUR 56,438) from Orco Project Management s.r.o. (now Orco Prague, a.s.), a fully owned subsidiary of the Company, granted on 20 November 2006, with maturity date at 31 December 2008. In 2009, the Company launched legal action to recoup this receivable and the loan has been fully impaired. In 2010, the first instance court in Prague pronounced a judgment by which Mr. Davis shall return to Orco Prague a.s. CZK 1,020,000. Mr. Davis paid the entire amount. Orco Prague a.s. also sued Mr. Davis for CZK 799,099 for unjust enrichment and for CZK 19,500 and EUR 500 for unpaid expenses. IPB Real a.s. sued Mr. Davis for CZK 86,000 for unpaid rent. These litigations are pending as at 31 December 2012.

c) Other transactions with key management personnel

Over 2012, no sales of assets with members of the Executive Committee were closed. Over the first half of 2011, one apartment was sold to a member of the Board of Directors for a total amount of EUR 305 thousand at no discount.

In first half of 2011, OTT & Co. S.A. a member of the Board of Directors purchased total of 50,388 Company ordinary shares from the Company's subsidiary for an aggregate amount of EUR 433,337, or EUR 8.60 per share. In first half of 2011, an entity closely associated to Nicolas Tommasini, a member of the Board of Directors purchased total of 27,132 Company ordinary shares from the Company's subsidiary for an aggregate amount of EUR 233,335, or EUR 8.60 per share. Both of these transactions were approved by the Board of Directors on 21 March 2011 (at no discount compared to the closing price on the last trading day preceding the Board of Directors meeting).

In the first half of 2011, two entities closely associated to Gabriel Lahyani, a then member of the Board of Directors acquired 8,890 bonds (ISIN: XS0302623953) of ORCO Germany S.A. from the Company's subsidiary for a total of EUR 4.4 million. As of the date of this report, the amount of EUR 227,480 plus statutory late interest accrued thereto is owed to the Company's subsidiary as a consequence of this transaction. Although the Company firmly intends to pursue full recovery of this amount, the receivable has been impaired in the 2012 accounts.

In the first half of 2011, a subsidiary of ORCO Germany S.A. acquired from an entity closely associated to Rainer Bormann, a former ORCO Germany Board member 1,150,000 ORCO Germany Warrants (ISIN XS0302626889) and 1,900,000 ORCO Germany ordinary shares (ISIN LU0251710041) for a total of EUR 1,520,000. The transaction was approved by the Board of ORCO Germany S.A. as part of the overall settlement with Mr. Bormann, upon termination of his function with ORCO Germany S.A.

Transactions with the Endurance Real Estate Fund

The Group is the sponsor of a Luxembourg regulated closed end umbrella investment fund dedicated to qualified investors, the Endurance Real Estate Fund. This fund has opted for the form of a "Fonds Commun de Placement". The Company is the shareholder of the management company of the Fund and has also invested in the three sub-funds existing as at 31 December 2012 (see note 31). As at 31 December 2012, the Group's holding of the units in the Office I, Office II and Residential sub-funds represent respectively 26.9%, 24.5% and 14.8% of the total issued units (in 2011, 26.9%, 15.7% and 14.8% respectively).

Between February and March 2013, the Group sold all its units in the sub-funds Office I and Office II (see note 35).

Orco's remuneration from the Office I, Residential and Office II sub-funds amounting to EUR 3.4 million in 2012 (EUR 1.6 million in 2011) is linked to:

- the management fee calculated as following: 2% of the net asset value for Office I, the average of 2% of the invested funds and 2% of the net asset value for Office II, and 1.8% of the net asset value for Residential;
- the transaction fee of 1% calculated on the value of the assets bought or sold by the fund.

As at 31 December 2012, open invoices for unpaid management fees owed by Endurance Fund to the management company amounted to EUR 0.1 million (EUR 4.3 million as at December 2011). The total of invoices issued in 2012 by the management company to the sub-funds of the Endurance Fund, mainly composed of management fees, is amounting to EUR 3,439,398 (EUR 3,618,067 in year 2011).

Besides the fund management, there are transactions between the Group and Endurance Fund companies as a consequence of OPG companies renting offices in Endurance Fund buildings and OPG companies rendering administrative, financial or property management services. These transactions resulted in the recognition of EUR 0.7 million revenue (EUR 1.8 million in 2011) and EUR 0.9 million expenses (EUR 0.9 million in 2011). They also resulted in a net receivable of EUR 0.3 million as at 31 December 2012 (0.7 million as at 31 December 2011).

Moreover Group companies subscribed for loans with Endurance Fund partners that amount to EUR 10.6 million, interests included (EUR 12.2 million in 2011).

The investment process foresees that any investment or divestment proposed by the fund manager has to be first approved by the advisory board of the fund. This advisory board is made of representatives of the fund investors.

During the year 2012, no dividends were distributed from Endurance Real Estate funds (EUR 0.9 Million as at 31 December 2011).

Transactions with Foncière Paris Nord

In the second half of 2012, the Company entered into a service contract with Foncière Paris Nord (FPN). Under the terms of this contract, the Company is to carry out a preliminary feasibility study for the renovation of a group of four buildings in Le Blanc-Mesnil, a commune in the northeastern suburbs of Paris, in return for a fee of EUR 500,000. If Foncière Paris Nord decides to carry out the renovation project, the Company would earn a fee equal to 10% of the project cost, which is preliminarily estimated at EUR 50 million. The project is subject to relevant authorizations and approvals. Over the year 2012, the Company recognized a revenue of EUR 0.3 million with FPN. Due to the over indebtedness of FPN, the Company has fully impaired the amount of receivable recognized as of December 2012 for EUR 0.3 million.

Employee stock options

See note 28.

33 List of the consolidated subsidiaries

33.1 Orco Property Group consolidated subsidiaries

The Hospitality Joint Venture subsidiaries are disclosed in note 33.2 and the Orco Germany S.A. subsidiaries are disclosed in note 33.3.

Company	Country	Ccy	Activity	% Shareholding 31.12.2012	% Shareholding 31.12.2011
Orco Germany S.A.	Luxembourg	EUR	Management	98.02%	91.56%
Ariah Kft.	Hungary	HUF	Property investments	100.00%	100.00%
Belgicka-Na Kozacce, s.r.o.	Czech Republic	CZK	Development	100.00%	100.00%
Beta Development, s.r.o.	Czech Republic	CZK	Development	100.00%	/
Blue Yachts, d.o.o.	Croatia	HRK	Property investments	38.88%	38.88%
Brilliant 14,19 GmbH	Germany	EUR	Management	49.00%	/
Brilliant 14,19 GmbH & Co. Verwaltungs KG	Germany	EUR	Management	100.00%	/
Brno City Center, a.s.	Czech Republic	CZK	Property investments	100.00%	100.00%
Bubenská 1, a.s.	Czech Republic	CZK	Property investments	100.00%	100.00%
Bubny development, s.r.o.	Czech Republic	CZK	Development	100.00%	100.00%
Byty Podkova, a.s.	Czech Republic	CZK	Development	100.00%	75.00%
Capellen Invest S.A.	Luxembourg	EUR	Property investments	100.00%	100.00%
CEREM	Luxembourg	EUR	Management	100.00%	100.00%
CWM 35 Kft.	Hungary	HUF	Property investments	100.00%	100.00%
Darilia a.s.	Czech Republic	CZK	Development	100.00%	100.00%
Development Doupovská, s.r.o.	Czech Republic	CZK	Development	75.00%	100.00%
Development Prazska s.r.o.	Czech Republic	CZK	Development	100.00%	/
Diana Property SP. z.o.o.	Poland	PLN	Property investments	100.00%	100.00%
Endurance Advisory Company S.A (merged in Endurance Real Estate Mgt Company)	Luxembourg	EUR	Development	/	100.00%
Endurance Hospitality Asset Sàrl	Luxembourg	EUR	Management	88.00%	88.00%
Endurance Hospitality Finance Sàrl	Luxembourg	EUR	Management	88.00%	88.00%
Endurance Real Estate Management Company Sàrl	Luxembourg	EUR	Property investments	100.00%	100.00%
Energy Trade Plus Kft	Hungary	HUF	Property investments	100.00%	100.00%
Hagibor Office Building, a.s.	Czech Republic	CZK	Property investments	100.00%	100.00%
Industrial Park Stribro s.r.o.	Czech Republic	CZK	Property investments	100.00%	/
IPB Real, a.s. (merged in Zeta Estate, a.s.)	Czech Republic	CZK	Development	/	100.00%
IPB Real, s.r.o.	Czech Republic	CZK	Development	100.00%	100.00%
Kosic Sàrl	Luxembourg	EUR	Development	50.00%	50.00%
Larevaco	Cyprus	EUR	Property investments	100.00%	100.00%
Meder 36 Kft.	Hungary	HUF	Property investments	100.00%	100.00%
Megaleiar, a.s.	Czech Republic	CZK	Development	100.00%	100.00%
Na Poríčí, a.s.	Czech Republic	CZK	Property investments	100.00%	100.00%
Nupaky, a.s.	Czech Republic	CZK	Development	100.00%	100.00%
Obonjan Rivijera d.d.	Croatia	HRK	Property investments	50.00%	50.00%
OFFICE CENTER HRADCANSKÁ, a.s.	Czech Republic	CZK	Property investments	100.00%	100.00%
Onset, a.s. (sold in 2012)	Czech Republic	CZK	Property investments	/	100.00%
OPG Invest. Lux.	Luxembourg	EUR	Management	100.00%	100.00%
Orco Adriatic, d.o.o.	Croatia	HRK	Management	100.00%	100.00%
ORCO Budapest Rt.	Hungary	HUF	Property investments	100.00%	100.00%
ORCO Development Kft.	Hungary	HUF	Property investments	100.00%	100.00%
ORCO Development, s.r.o.	Slovakia	SKK	Development	100.00%	100.00%
Orco Enterprise Sp.z o.o.	Poland	PLN	Development	100.00%	100.00%
Orco Estate Sp.z o.o. (sold in 2012)	Poland	PLN	Development	/	100.00%
ORCO ESTATE, s.r.o.	Czech Republic	CZK	Development	100.00%	100.00%
ORCO Estates, s.r.o.	Slovakia	SKK	Property investments	100.00%	100.00%
Orco Financial Services, s.r.o.	Czech Republic	CZK	Management	100.00%	100.00%
ORCO Hungary Kft.	Hungary	HUF	Property investments	100.00%	100.00%
Orco Logistic Sp.z o.o.	Poland	PLN	Property investments	100.00%	100.00%
Orco Poland Sp.z.o.o.	Poland	PLN	Management	100.00%	100.00%
Orco Prague, a.s.	Czech Republic	CZK	Management	100.00%	100.00%
Orco Project Sp.z o.o.	Poland	PLN	Development	100.00%	100.00%
Orco Property Group S.A.	Luxembourg	EUR	Management	100.00%	100.00%
Orco Razvoj, d.o.o.	Croatia	HRK	Development	100.00%	100.00%
Orco Residence, s.r.o.	Slovakia	SKK	Development	100.00%	100.00%
ORCO Russian Retail S.A.	Luxembourg	EUR	Property investments	100.00%	100.00%
ORCO Slovakia, s.r.o.	Slovakia	SKK	Management	100.00%	100.00%
Orco Vagyonkezelo Kft.	Hungary	HUF	Management	100.00%	100.00%
ORR Kft.	Hungary	HUF	Property investments	100.00%	/
Pachtuv Palac, s.r.o.	Czech Republic	CZK	Property investments	100.00%	100.00%
První Kvintum Praha, a.s.	Czech Republic	CZK	Development	100.00%	100.00%
Seattle, s.r.o.	Czech Republic	CZK	Development	100.00%	100.00%
Suncani HVAR	Croatia	HRK	Property investments	56.55%	56.55%
SV Faze II, s.r.o.	Czech Republic	CZK	Development	50.00%	50.00%
T-O Green Europe, a.s.	Czech Republic	CZK	Development	100.00%	100.00%
TQE Asset, a.s.	Czech Republic	CZK	Development	100.00%	100.00%
V Mezihori	Czech Republic	CZK	Development	100.00%	100.00%
Vaci 1 Kft.	Hungary	HUF	Development	100.00%	100.00%
Vaci 190 Projekt Kft.	Hungary	HUF	Property investments	100.00%	100.00%
Valley Investment BVI	Cyprus	EUR	Property investments	100.00%	100.00%
Valley Investment S.à r.l.	Luxembourg	EUR	Management	100.00%	100.00%
Vinohrady s.a.r.l.	France	EUR	Management	100.00%	100.00%
Zeta Estate, a.s.	Czech Republic	CZK	Development	100.00%	100.00%

Orco Property Group consolidated subsidiaries (Part 2- Investments in Endurance Residential Fund)

Company	Country	Ccy	Activity	% Shareholding 31.12.2012	% Shareholding 31.12.2011
Jihovychodni Mesto, a.s.	Czech Republic	CZK	Development	75.00%	75.00%
Jozefoslaw Project, sp. z.o.o.	Poland	PLN	Property investments	/	75.00%
Oak Mill, a.s.	Czech Republic	CZK	Development	100.00%	100.00%
Orco Praga, s.r.o.	Czech Republic	CZK	Development	75.00%	75.00%
Orco Property Sp.z o.o.	Poland	PLN	Development	91.12%	95.50%
Szczecin Project Sp. Z.o.o.	Poland	PLN	Development	75.00%	75.00%

33.2 Hospitality Joint Venture with AIG

Hereafter follows the list of Hospitality Joint Venture direct and indirect subsidiaries showing the percentage of shareholding of the Joint Venture in them:

Company	Country	Ccy	Activity	% Shareholding 31.12.2012	% Shareholding 31.12.2011
Diana Development Sp.z.o.o.	Poland	PLN	Property investments	100.00%	100.00%
Dienzehoferovy Properties, s.r.o.	Czech Republic	CZK	Property investments	100.00%	100.00%
Hospitality Invest Sàrl	Luxembourg	EUR	Property investments	100.00%	100.00%
Janackovo nabrezí 15, s.r.o.	Czech Republic	CZK	Property investments	100.00%	100.00%
MaMaison Brastislava, s.r.o.	Slovakia	SKK	Property investments	100.00%	100.00%
MMR Russia S.A.	Luxembourg	EUR	Property investments	100.00%	100.00%
Orco Hospitality Services Sp.z o.o.	Poland	PLN	Property investments	100.00%	100.00%
Orco Hotel Development Sp. z o.o.	Poland	PLN	Property investments	100.00%	100.00%
Orco Hotel Lucemburská, a.s	Czech Republic	CZK	Property investments	100.00%	100.00%
Orco Hotel Management Kft.	Hungary	HUF	Property investments	100.00%	100.00%
Orco Hotel Ostrava, a.s.	Czech Republic	CZK	Property investments	100.00%	100.00%
Orco Hotel Project Sp.z o.o.	Poland	PLN	Property investments	100.00%	100.00%
Orco Hotel Riverside, s.r.o.	Czech Republic	CZK	Property investments	100.00%	100.00%
Orco Hotel Rt.	Hungary	HUF	Property investments	100.00%	100.00%
Orco Investment Sp.z o.o.	Poland	PLN	Property investments	100.00%	100.00%
Orco Pokrovka Management o.o.o.	Russia	RUB	Property investments	100.00%	100.00%
Orco Warsaw Sp.z o.o.	Poland	PLN	Property investments	100.00%	100.00%
Ozrics Kft.	Hungary	HUF	Property investments	100.00%	100.00%
Paneli Estates, s.r.o.	Czech Republic	CZK	Property investments	100.00%	100.00%
Residence Belgicka, s.r.o.	Czech Republic	CZK	Property investments	100.00%	100.00%
Residence Izabella Rt.	Hungary	HUF	Property investments	100.00%	100.00%
Tyrsova 6, a.s.	Czech Republic	CZK	Property investments	100.00%	100.00%
Valanto Consulting, a.s.	Czech Republic	CZK	Property investments	100.00%	100.00%

33.3 Orco Germany S.A.

Hereafter follows the list of Orco Germany S.A.'s direct and indirect subsidiaries showing the percentage of shareholding of ORCO Germany S.A. in them:

Company	Country	Ccy	Activity	% Shareholding 31.12.2012	% Shareholding 31.12.2011
Apple Tree GmbH (merged in Orco Immobilien GmbH)	Germany	EUR	Property investments	/	100.00%
Elb Loft BAU Hamburg - Gmbh	Germany	EUR	Development	100.00%	100.00%
Endurance HC Beta sarl	Luxembourg	EUR	Development	100.00%	100.00%
Endurance HC Gamma sarl	Luxembourg	EUR	Development	100.00%	100.00%
Gebauer Höfe Liegenschaften GmbH	Germany	EUR	Property investments	94.98%	100.00%
GSG 1. Beteiligungs GmbH	Germany	EUR	Property investments	100.00%	100.00%
GSG Asset GmbH & Co. Verwaltungs KG	Germany	EUR	Property investments	100.00%	100.00%
GSG Gewerbesiedlungs-Gesellschaft mbH	Germany	EUR	Property investments	100.00%	100.00%
Hofnetz und IT Services GmbH	Germany	EUR	Development	100.00%	100.00%
Isalotta GP GmbH & Co. Verwaltung KG	Germany	EUR	Property investments	94.99%	94.99%
Knorrstrasse 119 KG	Germany	EUR	Development	50.00%	50.00%
Knorrstrasse 119 Verwaltungs GmbH	Germany	EUR	Development	50.00%	50.00%
Orco Berlin Invest GmbH	Germany	EUR	Development	100.00%	100.00%
Orco erste PEG mbH	Germany	EUR	Development	100.00%	100.00%
Orco Germany Investment S.A.	Luxembourg	EUR	Property investments	100.00%	100.00%
Orco Grundstücks- u. Bet.ges.mbH	Germany	EUR	Property investments	100.00%	100.00%
Orco Immobilien Gmbh	Germany	EUR	Management	100.00%	100.00%
ORCO Projektentwicklung GmbH	Germany	EUR	Development	100.00%	100.00%
Orco Vermietungs- und Services GmbH	Germany	EUR	Property investments	100.00%	100.00%
Orco-GSG Unternehmensförderungs- und beratungs GmbH	Germany	EUR	Property investments	100.00%	100.00%
Viterra Baupartner GmbH (merged in Orco Grundstücks- u. Bet.ges.mbH)	Germany	EUR	Development	/	100.00%
Vivaro GmbH & Co. Grundbesitz KG	Germany	EUR	Development	94.34%	94.34%
Vivaro GmbH & Co. Zweite Grundbesitz KG	Germany	EUR	Development	94.34%	94.34%
Vivaro Vermögensverwaltung GmbH	Germany	EUR	Development	100.00%	100.00%

34 List of the joint-ventures

34.1 Kosic S.à r.l.

The Group has a 50% interest in Kosic S.à r.l., a Luxembourg based holding company which in turn holds 100% of one operational company. In 2011, this holding company absorbed its subsidiary Kosic Development. The following amounts represent the Group's 50% share (50% in 2011) of assets and liabilities, and sales and results of the joint venture. They are included in the consolidated balance sheet and income statement:

Kosic S.à.r.l	December 2012	December 2011
Non-current assets	-	-
Current assets	*101*	*24*
Assets	**101**	**24**
Non-current liabilities	*144*	*144*
Current liabilities	*18*	*260*
Liabilities	**162**	**404**
Income	*370*	*393*
Expenses	*(11)*	*(54)*
Profit/(loss) after income tax	**359**	**340**
Operating result	*76*	*(25)*
Net Result Group Share	*359*	*340*

34.2 Slunecny Vrsek Faze II s.r.o.

The Group has a 50% interest in SV Faze II s.r.o., corresponding to the project's Phase II in the Czech Republic. In 2011, this company absorbed its subsidiary Slunecny vrsek III. The following amounts represent the Group's 50% share (50% in 2011) of assets and liabilities, and sales and results of the joint venture. They are included in the consolidated balance sheet and income statement:

Slunecny Vrsek Faze II s.r.o	December 2012	December 2011
Non-current assets	*(0)*	*0*
Current assets	*4,205*	*6,171*
Assets	**4,205**	**6,171**
Non-current liabilities	*3,820*	*1*
Current liabilities	*187*	*300*
Liabilities	**4,006**	**300**
Income	*934*	*3,185*
Expenses	*(5,170)*	*(2,946)*
Profit/(loss) after income tax	**(4,236)**	**239**
Operating result	*(4,237)*	*160*
Net Result Group Share	*(4,236)*	*239*

34.3 Knorrstrasse 119 GmbH & Co. KG

The Group has a 49.01% interest (45.78% in 2011) in a joint venture, PEG Knorrstrasse 119 GmbH & Co. KG, which is the Idea development project for BMW. The following amounts represent the 50 % Group's share of assets and liabilities, and sales and results of the joint ventures. They are included in the consolidated balance sheet and income statement:

Knorrstrasse 119 & Co. KG	December 2012	December 2011
Non-current assets	-	-
Current assets	*193*	*4,646*
Assets	**193**	**4,646**
Non-current liabilities	*0*	*(2)*
Current liabilities	*97*	*4,582*
Liabilities	**97**	**4,580**
Income	*83*	*23*
Expenses	*(52)*	*(33)*
Profit/(loss) after income tax	**31**	**(11)**
Operating result	*30*	*(16)*
Net Result Group Share	*32*	*(3)*

Over 2012, the project BMW was finished, so the netting of current assets with the current liabilities following the finalization of the asset transfer for EUR 4.3 million was realized.

34.4 Hospitality

In 2007, Endurance Hospitality Assets S.à r.l. and AIG entered into a joint venture agreement by which Hospitality Invest S.à r.l. will be controlled equally by both parties. AIG's initial investment in the joint venture amounted to EUR 50 million.

ORCO has sold its hotel portfolio in Central Europe, with the notable exception of the trophy asset Pachtuv Palace and excluding the Suncani Hvar's stake. The new joint venture is to focus on the hospitality business. Therefore it has been decided to transfer to that joint venture at least the following hotels and residences as well as all the assets and liabilities relating to their management and operations: Riverside, Imperial, Marriott, Sulekova, Pokrovka, Le Regina, Diana, Vienna, Starlight, Residence Belgicka, Izabella and Andrassy.

In 2012 has a 44% share interest (44% in 2011) in the joint venture. The following amounts represent the Group's 50% direct share of assets and liabilities, and sales and results of the joint ventures. They are included in the consolidated balance sheet and income statement:

Hospitality	December 2012	December 2011
Non-current assets	51,932	54,274
Current assets	1,797	3,383
Assets	**53,729**	**57,657**
Non-current liabilities	46,047	48,138
Current liabilities	4,843	5,424
Liabilities	**50,890**	**53,562**
Income	17,428	14,505
Expenses	(18,587)	(21,885)
Profit/(loss) after income tax	**(1,159)**	**(7,379)**
Operating result	*(1,109)*	*(31)*
Net Result Group Share	*(1,020)*	*(6,550)*

35 Events after balance sheet date

35.1 January 2013 - Suncani Hvar arbitration

On 28 December 2012, the Group filed a request for arbitration against the State Property Management Agency of the Republic of Croatia, which is the legal successor of the Croatian Privatization Fund ("State"). Orco filed its request alleging numerous breaches by the State of its contractual public private partnership obligations since 2005. Orco's preliminary damages estimates as a result of the State's alleged breaches exceed EUR 32 million. The claims relate to underlying title disputes to properties on the Island of Hvar in Croatia held through the Croatian company Suncani Hvar d.d., which is listed on the Zagreb Stock Exchange, of which Orco owns approximately 55.6% and the State approximately 31.7% of the shares.

35.2 4th February 2013 - Extraordinary and Ordinary General Meetings of Shareholders

Pursuant to requests from shareholders holding more than five percent of the share capital, the Company convened an ordinary general meeting and an extraordinary general meeting to be held on 4 February 2013.

The ordinary general meeting voted to remove David Ummels from the Board of Directors and to appoint of Mr. Guy Shanon of Kingstown Capital Management, LP, Mr. Ian Cash and Mr. Alex Leicester of Alchemy Special Opportunities LLP and Mr. Radovan Vítek, Mr. Martin Němeček and Mr. Jiří Dedera of Ventures Corp. and Gamala Limited to the Board of Directors.

The extraordinary general meeting voted to decrease the corporate capital of the Company from EUR 442,147,944.20 to EUR 215,681,924 without cancellation of shares, by decreasing the accounting par value from EUR 4.10 to EUR 2 per share in order to adapt the accounting par value to the prevailing market price for the Company's shares.

As of 31 December 2012, the Board of Directors had EUR 31,434,917.30 remaining in authorized and unissued share capital at its disposal. Following the capital decrease voted on 4 February 2013, this amount has been adjusted to EUR 15,334,106. However, considering that the Company's bond restructuring has been completed and items (i), (ii) and (iii) disclosed in Note 28 are no longer applicable, the use of the authorized share capital is limited to the issuance of a maximum of 4,995,855 shares, solely to cover the exercise of warrants issued by the Company.

35.3 Cash sweep on new Notes (Sky office)

OPG made its bi-annual interest payment on the New Notes (ISIN XS0820547724) on 28 February 2013. At the same time, OPG made a mandatory prepayment ('cash sweep') on the New Notes of 25% of the net proceeds from the sale of the Sky Office building in the amount of EUR 0.4 million.

35.4 February - March 2013 – Sale of the Sub-funds Office I & II

The Company has sold its units in the "Office I and Office II" Sub-funds of the Endurance Real Estate Fund to J&T Banka a.s. The "Office I" Sub-fund has been sold on the 4th of February 2013 for a total sale price of EUR 8.7 million and the "Office II" Sub-fund has been sold on the 15th of March 2013 for a total sale price of EUR 1.2 million.

35.5 January- February 2013 – Sale of own shares

From 1 January 2013 through 8 February 2013, OPG sold 837,374 of its shares held in treasury at an average price of EUR 2.69 per share.

Moreover, as at 3 January 2013, Orco Germany sold 2,263 of OPG shares recognized as own shares in the Group (see note 27) at an average price of EUR 2.50 per share.

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