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	Note	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)
- Attribuable to non controlling interests	*(0.01)*	*0.04*
- Attribuable to owners of the Company	*(0.02)*	*(0.07)*
Diluted earnings in EUR per share	(0.03)	(0.03)

ASSETS	31 December 2012	LIABILITIES	31 December 2012
NON-CURRENT ASSETS	**4,660**		
Intangible assets	-	**NON - CURRENT LIABILITIES**	**2,526**
Investment property	**4,660**	Bonds	-
Property, plant and equipment	-	Financial debts	2,495
Hotels and owner occupied buildings	-	Provisions & other long term liabilities	31
Fixtures and fittings	-	Deferred tax liabilities	-
CURRENT ASSETS	**26**	**CURRENT LIABILITIES**	**11,614**
Inventories	-	Current bonds	-
Trade receivables	-	Financial debts	4,349
Other current assets	26	Trade payables	62
Current financial assets	-	Derivative instruments	-
Cash and cash equivalents	-	Other current liabilities	7,203
TOTAL ASSETS	**4,686**	**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

	12 months 2011	12 months 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 discontinued 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	Liabilities linked to assets held for sale	December 2012	December 2011
Opening Balance	**24,129**	**131,898**	**Opening Balance**	**15,890**	**76,494**
Asset sales	(22,639)	(114,683)	Repayment of loans	(15,890)	(66,000)
Transfer in	2,050	22,897	Transfer in	-	16,313
Transfer out	(1,528)	(15,589)	Transfer out	-	(10,470)
Translation differences	38	(394)	Translation differences	-	(445)
Closing Balance	**2,050**	**24,129**	**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.

<u>Restructuring of OG and OPG bonds by issuance of new OPG shares:</u>

<u>Exchange of 84.5 % of OG bonds:</u>

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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