ORCO PROPERTY GROUP

SOCIETE ANONYME

STAND ALONE FINANCIAL STATEMENTS

AND

REPORT OF THE REVISEURS D'ENTREPRISES AGREES

AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2012

42 Rue de la Vallée
L-2661 Luxembourg
R.C.S. Luxembourg : B 44.996

Orco Property Group's Board of Directors has approved on 28 March 2013 the stand alone financial statements as of and for the year ended 31 December 2012. All the figures in this report are presented in Euros, except if otherwise explicitly stated.

I. Statement of comprehensive income

	Note	Year ended 31 December 2012	2011
Revenue	**29**	**6,949,259**	**7,634,051**
Administrative expenses	19	(7,168,146)	(10,426,440)
Net gain/(loss) on disposal of tangible assets		(6 ,982)	(338)
Net gain/(loss) on disposal of financial assets	21	26,968,263	3,555,371
Employee benefits	19	(6,361,551)	(2,804,560)
Amortisation, impairments and provisions	7,12	(61,748,910)	(27,977,743)
Interest expenses	16	(4,015,508)	(4,392,493)
Interest income	12	7,280,915	14,107,509
Income from participating interests	13	11,427,626	1,503,572
Foreign exchange result	20	1,792,428	(1,024,368)
Share profit or loss from Equity Affiliates	11	(9,090,658)	2,573,572
Net gain/(loss) on financial instruments at fair value through profit or loss	22	(3,883,557)	1,146,628
Operating result		**(37,856,821)**	**(16,105,239)**
Interest expenses on bonds	15	(27,551,289)	(35,489,434)
Other net financial results	23	8,979,992	(254,655)
Financial result		**(18,571,297)**	**(35 ,744,089)**
NET RESULT BEFORE INCOME TAXES		**(56,428,118)**	**(51,849,328)**
Income taxes	24	-	-
NET RESULT FOR THE YEAR		**(56,428,118)**	**(51,849,328)**
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**(56,428,118)**	**(51,849,328)**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO OWNERS OF THE COMPANY		(**56,428,118**)	(51,849,328)
Basic earnings per share	25	(1.09)	(3.49)
Diluted earnings per share	25	(1.09)	(3.49)

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

II. Statement of financial position

ASSETS	Note	As at 31 December 2012	2011
NON-CURRENT ASSETS			
Intangible assets	5	827,992	404,159
Fixtures and fittings	6	1,018,222	664,407
Investments in Equity Affiliates	11	8,737,987	17,828,646
Shares in affiliated undertakings	7	325,488,980	287,355,024
Bonds	8	15,426,479	-
Trade and other receivables (*)	9	36,821,373	39,690,785
Financial assets at fair value through profit or loss	10	2,283,598	4,929,726
Loans to affiliated undertakings and other financial assets	12	109,016,914	111,528,203
TOTAL - NON-CURRENT ASSETS		**499,621,545**	**462,400,950**
CURRENT ASSETS			
Trade and other receivables(*)	9	3,344,847	8,237,465
Current financial assets	-	67,130	8,600
Cash and cash equivalents	14	981,931	4,593,788
TOTAL - CURRENT ASSETS		**4,393,908**	**12,839,853**
TOTAL - ASSETS		**504,015,453**	**475,240,803**

EQUITY AND LIABILITIES	Note	As at 31 December 2012	2011
EQUITY			
Ordinary shares	26	442 147 944	69,920,851
Share premium	26	645 497 455	418,688,245
Legal reserve	-	4,106,864	4,106,864
Other reserves	-	(10,215,664)	(10,170,297)
Own Equity Instruments	-	(25,355)	(70,722)
Retained earnings	-	(719,519,167)	(262,759,840)
TOTAL - EQUITY		**361,992,077**	**219,715,102**

LIABILITIES	Note	As at 31 December 2012	2011
NON-CURRENT LIABILITIES			
Bonds	15	59,346,867	166,466,422
Loans from affiliated undertakings	16	61,632,791	57,021,564
Provisions for other liabilities and charges	18	4,374,873	1,719,584
TOTAL - NON-CURRENT LIABILITIES		**120,979,658**	**223,487,986**
CURRENT LIABILITIES			
Trade and other payables	17	15,730,113	8,015,234
Bonds	15	616,231	22,302,897
Provisions for other liabilities and charges	-	322,500	-
TOTAL - CURRENT LIABILITIES		**21,043,717**	**32,037,715**
TOTAL - LIABILITIES		**142,023,375**	**255,525,701**
TOTAL - EQUITY AND LIABILITIES		**504,015,452**	**475,240,803**

The accompanying notes form an integral part of these stand alone financial statements

(*)Closing balance of 2011 had to be restated by the reclassification of Russian assets sales receivable from current to non-current assets, see note 2.1.3.4.

III. Statement of changes in equity

ATTRIBUTABLE TO OWNERS OF THE COMPANY

	Note	Share capital	Share premium	Legal reserve	Own Equity Instrum.	Other reserves	Retained earnings	Equity
Balance at 1 January 2011		**57,620,851**	**403,988,245**	**4,106,864**	**(1,248,331)**	**(9,492,235)**	**(201,670,512)**	**253,304,882**
Comprehensive income for the year :								
Gain/(loss) of the year	-	-	-	-	-	-	(51,849,328)	(51,849,328)
Capital increase	26	12,300,000	14,700,000	-	-	-	(9,240,000)	17,760,000
Own equity instruments	26	-	-	-	1,177,609	(678,062)	-	499,547
Balance at 1 January 2012		**69,920,851**	**418,688,245**	**4,106,864**	**(70,722)**	**(10,170,297)**	**(262,759,840)**	**219,715,102**
Comprehensive income for the year :								
Gain/(loss) of the year	-	-	-	-	-	-	(56,428,118)	(56,428,118)
Capital increase	26	372,227,093	226,809,210	-	-	-	(400,331,211)	198,705,092
Own equity instruments	26	-	-	-	45,367	(45,367)	-	-
Balance at 31 December 2012		**442,147,944**	**645,497,455**	**4,106,864**	**(25,355)**	**(10,215,664)**	**(719,519,167)**	**361,992,077**

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

IV. Statement of cash flows

	Year ended 31 December 2012	2011
OPERATING RESULT	**(37,856,821)**	**(16,105,239)**
Net gain/(loss) on financial instruments at fair value	3,883,557	(1,146,628)
Share profit or loss from Equity Affiliates	9,090,658	(2,573,572)
Amortization, impairments and provisions	61,748,910	27,977,743
Net result on disposal of assets	(26,968,263)	(3,555,371)
Dividend received from affiliated undertakings – non cash	(11,427,626)	-
Net interest income	(3,265,407)	(9,715,016)
Adjusted operating profit / (loss)	**(4,794,992)**	**(5,118,083)**
Loans granted to subsidiary undertakings	(6,068,648)	17,920,646
Changes in operating assets and liabilities	11,200,529	(17,463,012)
NET CASH FROM / (USED IN) OPERATING ACTIVITIES	**336,889**	**(4,660,449)**
Acquisition of subsidiary, net of cash acquired	(18,358)	(32,660)
Proceeds from sales on financial assets	274,599	13,295,000
Deferred consideration repayment received from long-term receivable (*)	2,919,033	-
Purchase of Intangible asset	(574,172)	-
Acquisition of other financial investments	(861,538)	(747,888)
Dividend received from affiliated undertakings	-	3,003,572
NET CASH FROM INVESTING ACTIVITIES	**1,739,564**	**15,518,024**
Repayment of Safeguard Liabilities	(982,524)	(9,263,539)
Bonds Advisors Restructuring fees	(4,373,444)	-
Net interest received/(paid)	(403,425)	(1,451,065)
NET CASH USED IN FINANCING ACTIVITIES	**(5 759 393)**	**(10 714 604)**
NET INCREASE / (DECREASE) IN CASH	**(3,682,940)**	**142,971**
Cash and cash equivalents at beginning of the year	4,593,788	4,813,519
Exchange differences on cash and cash equivalents	71,082	(362,701)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**981,931**	**4,593,788**

(*) Deferred consideration repayment relates to the sale of our Russian assets portfolio in 2011 and recognized as a long term receivable.

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

Notes to the stand alone financial statements

1. General information

Orco Property Group, société anonyme ("the Company") was incorporated under the Luxembourg Companies Law on September 9, 1993 as a limited liability company (société anonyme) for an unlimited period of time.

The registered office address of the Company is 42, Rue de la Vallée, L-2661 Luxembourg following the General Extraordinary meeting of April 28th, 2011.

The Company has for object the taking of participating interests, in whatsoever form in either Luxembourg or foreign companies, especially in real estate companies in Germany, Czech Republic, Hungary, Poland and other countries of Eastern Europe and the management, control and development of such participating interests. The Company, through its subsidiaries (together "the Group"), develops real estate projects as promoter as well as it rents and manages real estate and hotel properties composed of office buildings, apartments with services, luxury hotels and hotel residences.

The Company is listed on the Euronext Paris stock exchange, the Prague stock exchange and the Warsaw stock exchange and prepares consolidated accounts in accordance with IFRS as adopted by the EU, which can be obtained at the registered office.

These stand alone 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 stand alone financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The stand alone financial statements are presented in Euros and have been prepared under the historical cost convention except some financial assets carried at fair value through profit or loss.

2.1 Basis of preparation and Going concern

The stand alone financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted in the European Union, and as permitted by Luxembourg Law dated 10 December 2010.

2.1.1 Going concern

In determining the appropriate basis of preparation of the stand alone financial statements, the Directors are required to consider whether the Company can continue in operational existence for the foreseeable future. The Company's financial risks including foreign exchange risk, fair value risk, cash flow risk, interest rate risk, price risk, credit risk and liquidity risk are outlined in note 3

The financial performance of the Company is naturally dependent upon the wider economic environment in which the Company operates. The negative macro-economic evolution generates increased uncertainty on the evolution of real estate market in Central Europe that could damage the Company's activity and is slowing down the refinancing negotiations and the asset sales program. Nevertheless, the Group subsidiary'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 Company management has been successful in deleveraging the Company with the bonds' restructuring, stabilize the Group companies' bank financing with the resolution of breaches and generate cash with asset and subsidiaries 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 Company has successfully restructured EUR 549 million of bond liabilities (EUR 411 million in nominal OPG bonds, or EUR 549 million in remaining Safeguard payments).

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 3.9 million. As at 31 December 2012, the total book value of the total non-current and current OPG Safeguard amounts to EUR 2.2 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, the Company 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), an entity indirectly controlled by the Company 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 the Company 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 Company managed to renegotiate a total of EUR 413 Million bank loans financing subsidiaries' assets, 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 the Company subsidiaries are still high. Some material risks persist on the refinancing of specific subsidiaries 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 Company has retained the same valuation principles for the purpose of the impairment tests 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 Company may lose a number of its assets (loans or equity investments) 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 Company 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 Company 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 Company to generate sufficient cash from its profitable subsidiaries and asset sales in order to support the subsidiaries or assets that are currently in development or restructuring. The cash flow forecast integrates some real estate asset sales and subsidiaries at Group level but, as these are expected to be limited, the sale of financial assets like Endurance Fund units or shares in listed subsidiaries would be important sources of funds. The Company cash flow forecast for 2013 anticipates the capacity of the Company to finance its own and subsidiaires' needs even though its situation remains fragile as indeed its investment strategy depends largely on Group financial asset sales in order to cover the cash needs of the major on-going developments. The cash flow forecast also integrates some capital expenditures and project expenses that could be cancelled or postponed would the required cash needed not be available.

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 Company is dependent on the decisions of third parties for the closing of expected asset sales and the refinancing negotiations.

The Board of Directors concludes 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 stand alone 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 Company or its components. The stand alone 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 Group subsidiary's 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 judgements

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

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

2.1.3.4 Change in accounting policy&classification

During the establishment of the 2012 stand alone financial statements it has been identified that an investment was not correctly classified. In 2011, the Company increased its investment in Sub-fund "Office I" of Endurance Real Estate Fund 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

During the establishment of the 2012 stand alone financial statements it has been identified that the receivable derived from the sales of our Russian assets portfolio in 2011 was not properly classified. In 2011, it was classified under current assets although the final maturity date was over 1 year.

Consequently, this receivable has been reclassified and is now presented under the non-current assets section. This change in classification has been retrospectively applied to year 2011 as well.

2.2 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 Company. The Executive Committee together with the Investment Committee are the chief operating decision maker of the Company. This organization reflects the operational management of the Group. On a stand alone basis, the Management is in the opinion that split around different products, services, geographical areas or a combination of factors is not appropriate considering the activity of holding with no direct operations but only headquarter activities.

The Company derives its revenues mainly from invoicing portfolio management services covering partially its operating expenses. Those services are invoiced to the operations centers located essentially in Prague and Berlin. All other income relate to dividends and interests as there is no production at the Company level.

2.3 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The stand alone financial statements are presented in euro (EUR), which is the Company's functional and presentation currency.

(b) 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 income statement.

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

2.4 Intangible assets

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 (generally 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 Company, 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 Fixtures and fittings

All fixtures and fittings are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisitions of the items. These costs are amortized using the straight-line method over their estimated useful lives (not exceeding ten years).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the stand alone income statement.

2.6 Financial assets

2.6.1 Classification

The Company classifies its financial assets in the following categories: shares in affiliated undertakings, financial assets at fair value through profit or loss, and loans to affiliated undertakings and other financial assets. Management determines the classification of its financial assets at initial recognition.

a) Shares in affiliated undertakings

Shares in affiliated undertakings correspond to equity investments in subsidiaries. They are included in non-current assets unless the management intends to dispose of it within of the end of the reporting period.

b) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets which, upon initial recognition, are designated by the Company as at fair value through profit or loss. 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; otherwise, they are classified as non-current.

c) Loans to affiliated undertakings and other financial assets

Loans to affiliated undertakings and other financial assets 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 end of the reporting period. These are classified as non-current assets.

2.6.2 Recognition and measurement

a) Shares in affiliated undertakings are initially recognised at cost. They are subsequently carried at cost less impairment. Management assesses at each balance sheet date whether there is objective evidence that share in affiliated undertaking is impaired. Impairment testing done by Management is described in note 4 (b).

b) Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. They are subsequently carried at fair value. Gains or losses arising from changes in their fair value are presented in the income statement with “Net gain / (loss) on financial assets at fair value through profit or loss”.

c) Loans to affiliated undertakings and other financial assets are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method. Management assesses at each balance sheet date whether there is objective evidence that loan or other financial asset is impaired. Impairment testing done by Management is described in note 4(b).

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

Regular purchases and sales of financial assets are recognised on the trade date - the date on which the Company commits to purchase or sell the asset.

2.7 Trade and other receivables

Trade and other 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 and other receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. 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 income statement.

2.8 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.

2.9 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 own shares held by the Company -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.

2.10 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 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.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.11 Compound financial instruments

Compound financial instruments issued by the Company 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.

2.12 Trade payables

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2.13 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the 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. 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 stand alone 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 that at the time of the transaction affects neither accounting nor taxable profit or 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 Company and it is probable that the temporary difference will not be reversed in the foreseeable future.

2.14 Derivative financial instruments

Derivatives are initially recognized in the 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 financial instruments” in current assets when fair value is positive or under the caption “Derivative financial instruments” in current or non-current liabilities when fair value is negative. Changes in the fair value are recognized immediately in the 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 balance sheet and changes in fair value are accounted for through the income statement.

2.15 Revenue recognition

The Company derives its revenues mainly from invoicing portfolio management services covering partially its operating expenses. Those services are invoiced to the operations centers which have activities located essentially in Prague and Berlin. All other income relate to dividends and interests as there is no production at the Company level.

The administrative 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.

2.16 Dividend distribution

Dividend distribution to the Company’s shareholders is recognized as a liability in the Company’s stand alone financial statements in the period in which the dividends are approved by the Company’s shareholders.

2.17 Provisions

Provisions for environmental restoration, site restoration and legal claims are recognized when: the Company, directly or on behalf of one of its subsidiary, 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 Company, directly or on behalf of one of its subsidiary, 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.

Provisions for other liabilities and charges are established when liabilities and charges have been clearly identified as to their existence and probability of occurrence.

2.18 Share option plans

Share options are granted to certain directors and senior employees. The options are granted at the market price on the date of the grant and are exercisable at that price.

The fair value of options granted is recognized as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using a Black-Scholes model, taking into account the terms and conditions upon which the options were granted. The amount recognized as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting.

3. Financial risk management

3.1 Financial risk factors

The Company’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 Company‘s overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company financial performance. The Company uses financial instruments to mitigate certain risk exposures.

Risk management, being formalized, is carried out by the Company’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 Company’s CFO identifies, evaluates and mitigates financial risks. 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.

(a) *Market risk*

(i) Foreign exchange risk

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Czech Koruna (CZK), the Polish Zloty (PLN), the Hungarian Forint (HUF), and the Croatian Kuna (HRK). Foreign exchange risk, as defined by IFRS 7, arises mainly from recognized monetary assets and liabilities.

Loans and operating income are mainly denominated in Euro (EUR). The Company does not use foreign currency derivatives contracts with non related parties.

The exchange rates to euro (EUR) used to establish these stand alone financial statements are as follows:

Currency Code	Currency	31 December 2012 Closing	31 December 2011 Closing
CZK	Czech Koruna	25.140	25.787
PLN	Polish Zloty	4.0882	4.4580
HUF	Hungarian Forint	291.29	314.58
HRK	Croatian Kuna	7.5456	7.537

The following table gives the impact on the total Group consolidated balance sheet in absolute terms in EUR million of the variation (increase/decrease)against the Euro for each currency in which the Company has a significant exposure. The Company based the assumption of 5% compared to 10% in December 2011 as a result of the significant depreciation that year of Euro towards currencies as the Polish Zloty (-8.3%) or the Hungarian Florint (-7.4%)

December 2012	Change of 5% against EUR
CZK/EUR	16.4
PLN/EUR	6.1

December 2011	Change of 10% against EUR
CZK/EUR	2.9
PLN/EUR	4.4

(ii) Price risk

The Company is exposed to equity securities risks from its investments in Endurance Fund, which investments are classified in financial assets at fair value through profit or loss as detailed in note 10.

To manage its price risk arising from investments in equity securities, the Company diversifies its portfolio and only enters these operations if they are linked to operational investments. No sensitivity analysis has been performed, as no significant impact expected by Management.

(b) *Credit risk*

The Company has significant concentrations of credit risk with loans granted to its affiliated undertakings and with long-term receivables derived from the sale proceeds of the Russian assets portfolio. The loans are most of the time granted as mezzanine loans and come after the guarantees granted by affiliated undertakings to the financing bank (impairment tests on loans granted to affiliated undertakings are described in note 4(b) and in note 9). The long-term receivable decreased from EUR 39.7 million in 2011 to EUR 36.8 million in 2012 with a pledge on the shares and a 10% penalty interest rate. Cash transactions are limited to high credit-quality financial institutions. The Company has policies that limit the amount of credit exposure to any financial institution. Credit risk is managed by Company management.

At 31 December 2012 (in KEUR)	Fully performing	Past due but not impaired			Impaired	Total
		Less than 6 months	6 months and 1 year	More than 1 year		
Loans to affiliate undertakings and other financial assets gross	105,318				149,807	255,125
Impairments at 31 December 2011					(137,497)	(137,497)
Impairments – allowance					(12,310)	(12,310)
Total loans to affiliate undertakings and other financial assets	**105,318**	**-**	**-**	**-**	**-**	**105,318**
Trade and other receivables gross	40 166	-	-	-	1,349	41,515
Impairments at 31 December 2011					(805)	(805)
Impairments - allowance					(544)	(544)
Total trade and other receivables	**40 166**	**-**	**-**	**-**	**-**	**40 166**
Current financial assets gross	67	-	-	-	2 720	2 787
Impairments at 31 December 2011					(2,344)	(2,344)
Impairments - allowance					(376)	(376)
Total current financial assets	**67**	**-**	**-**	**-**	**-**	**67**
Cash and cash equivalents gross	981	-	-	-	-	981
Impairments at 31 December 2011					-	-
Total cash and cash equivalents	**981**	**-**	**-**	**-**	**-**	**981**

At 31 December 2011 (in KEUR)	Fully performing	Past due but not impaired			Impaired	Total
		Less than 6 months	6 months and 1 year	More than 1 year		
Loans to affiliated undertakings and other financial assets gross	111,528				137,497	249,025
Impairments at 31 December 2010					(189,140)	(189,140)
Impairments - allowance					51,643	51,643
Total loans to affiliated undertakings and other financial assets	**111,528**	**-**	**-**	**-**	**-**	**111,528**
Trade and other receivables gross	47,928	-	-	-	805	48,733
Impairments at 31 December 2010					(651)	(651)
Impairments – write back					(154)	(154)
Total trade and other receivables	**1,385**	**-**	**-**	**-**	**-**	**47 928**
Current financial assets gross	9	-	-	-	2,344	2,353
Impairments at 31 December 2010					(2,476)	(2,476)
Impairments - write back					132	132
Total current financial assets	**9**	**-**	**-**	**-**	**-**	**9**
Cash and cash equivalents gross	4,593					4,593
Impairments at 31 December 2010						0
Total cash and cash equivalents	**4,593**	**-**	**-**	**-**	**-**	**4,593**

The table below shows in the rating and the balance in EUR Million for some of the major bank counterparties at the balance sheet date.

Counterparty	Rating Agency Moody's Rating	S&P's rating	Fitch's Rating	December 2012	December 2011
KBC Bank S.A.	A3	A-	A-	0.7	4.4
Other	-	-	-	0.3	0.2
Total in EUR Million				**1.0**	**4.6**

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, and the ability to close out market positions. Due to the inherent nature of its assets, the Company is subject to a liquidity risk (see note 2.1 on going concern).

The liquidity risk is the risk that the Company might encounter difficulties raising liquid funds to meet commitments as they fall due. The management monitors the liquidity risk on the basis of expected cash flows.

The table below analyses the Company'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 balance sheet for borrowings, derivative instruments and other payables considered as financial instruments.

At 31 December 2012 (in KEUR)	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
Fixed rate loans and bonds	-	-	(10,446)	(10,000)	-	(20,446)
New Notes	-	-	(261)	(52,798)	(28,603)	(81,662)
Interest rate derivatives	-	-	-	-	-	-
Trade and other payables	(11,970)	(1,000)	(2,760)	-	-	(15,730)
Total	(11,970)	(1,000)	(13,467)	(62,798)	(28,603)	(117,838)

At 31 December 2011 (in KEUR)	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
Fixed rate loans and bonds	-	(22,541)	-	(108,170)	(417,800)	(548,511)
Interest rate derivatives	-	-	-	-	-	-
Trade and other payables	(5,917)	(1,000)	(1,098)	-	-	(8,015)
Total	(5,917)	(23,541)	(1,098)	(108,170)	(417,800)	(556,526)

(d) Cash flow interest rate risk

The Company's income cash in flows are substantially independent of changes in market interest rates. All loans granted to affiliated undertakings are granted with fixed interest rate. Contracts include the possibility to capitalize the accrued interests and loan repayment is only requested once the affiliated undertaking sells its own investments. Their capacity to pay capitalized interests above the initial principal relies on the fair value of the real estate assets they are invested in. Nevertheless, the unpaid interests are capitalized every year on January 1st by the Company and its affiliated undertakings.

Loans from affiliated undertakings are granted on the basis of the same fixed interest rate. Interests on bonds are also fixed.

<u>As at 31 December 2012</u>:

There were not any instruments in 2012, all instruments were matured during the year 2011.

3.2 Fair value estimation

The following table presents the Company's financial assets and liabilities that are measured at fair value at 31 December 2012.

in KEUR	Level 1	Level 2	Level 3	Total balance
Assets				
Financial assets at fair value through profit or loss				
- Investment in Endurance Fund	-	-	2,284	2,284
- Investment in other Financial assets	-	-	434	434
- Trading securities	5	-	3	8
Total assets	**5**	**-**	**2,721**	**2,726**
Liabilities				
Financial liabilities at fair value through profit or loss				
- Embedded derivatives on bonds	-	-	-	-
- Trading derivatives	-	-	-	-
Total liabilities	**-**	**-**	**-**	**-**

The following table presents the Company's financial assets and liabilities that are measured at fair value at 31 December 2011.

in KEUR	Level 1	Level 2	Level 3	Total balance
Assets				
Financial assets at fair value through profit or loss				
- Investment in Endurance Fund	-	-	4,930	4,930
- Trading securities	5	-	3	8
Total assets	**5**	**-**	**4,933**	**4,938**
Liabilities				
Financial liabilities at fair value through profit or loss				
- Embedded derivatives on bonds	-	-	-	-
- Trading derivatives	-	-	-	-
Total liabilities	**-**	**-**	**-**	**-**

In KEUR	Investment in Endurance Fund
At 31 December 2011	4,930
Increase	862
Profit /(losses) recognised in profit or loss	(3,508)
At 31 December 2012	2,284

In KEUR	Investment in Endurance Fund
At 31 December 2010	1,569
Increase	3,249
Profit /(losses) recognised in profit or loss	112
At 31 December 2011	4,930

3.3 Capital risk management

The Capital risk is managed at Group level. 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

<u>**Group consolidated loan to value ratio**</u>

	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%**

The Company does not have external bank financing nevertheless, a breach of covenants on bank loans granted to affiliated undertakings could impact the Company if the Company stands guarantor for this loan. 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

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 1.7 million.

As at December 2012, the LTV ratio before bonds decreases from 52.3% to 48.3% as a result of the repayment of loans upon significant sales and the decrease of the nominal value of the loan financing GSG portfolio.

3.4 Financial instruments

31 December 2012 (in KEUR)	Loans and Receivables	Assets at fair value through profit or loss	Total
Assets per balance sheet			
Financial assets at fair value through profit or loss	-	2,342	2,342
Loans to affiliated undertakings and other financial assets	109,017	-	109,017
Bonds	-	15,426	15,426
Current financial assets	-	9	9
Trade and other receivables	40,166	-	40,166
Cash and cash equivalents	982	-	982
Total	**150,165**	**17,777**	**167,942**

31 December 2012 (in KEUR)	Liabilities at fair value through profit or loss	Other financial liabilities at amortised cost	Total
Liabilities per balance sheet			
Loans from affiliated undertakings	-	6, 633	61,633
Bonds	-	59,963	59,963
Trade and other payables	-	15,730	15,730
Total	**-**	**137,326**	**137,326**

31 December 2011 (in KEUR)	Loans and Receivables	Assets at fair value through profit or loss	Total
Assets per balance sheet			
Financial assets at fair value through profit or loss	-	4,930	4,930
Loans to affiliated undertakings and other financial assets	111,528	-	111,528
Current financial assets	-	9	9
Trade and other receivables	47,928	-	47,928
Cash and cash equivalents	4,593	-	4,593
Total	**164,049**	**4,939**	**168,988**

31 December 2011 (in KEUR)	Liabilities at fair value through profit or loss	Other financial liabilities at amortised cost	Total
Liabilities per balance sheet			
Loans from affiliated undertakings	-	57,022	57,022
Bonds	-	188,769	188,769
Trade and other payables	-	8,015	8,015
Total	**-**	**253,806**	**253,806**

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.

The Company 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.

(a) Assessment of the going concern (see note 2.1.1)

(b) Impairments on shares in affiliated undertakings and on loans granted to affiliated undertakings

The Company assesses at the end of each reporting period whether there is objective evidence that shares in affiliated undertakings and loans granted to affiliated undertakings have to be impaired.

Such types of assets are impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the asset that can be reliably estimated.

The criteria used by the Company to determine that there is objective evidence of an impairment loss is (a) for the entities quoted in active markets the listed price (Level 1 – Measurement Hierarchy) or (b) for the entities not quoted the net asset value of each affiliated undertaking which is based on the fair value of the underlying properties (Level 3 – Measurement Hierarchy).

The valuations of the underlying properties are performed annually by an independent expert, DTZ Debenham Tie Leung.

The best evidence of fair value of investments properties is current prices in an active market for similar assets. In the absence of such information, the Company determines the amount within a range of reasonable fair value estimates. In making its judgment, the Company 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 Company 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	
	Min	Max	Min	Max
Discount Rate	5,5%	17,0%	5,3%	17,0%
Yield Range	7,0%	15,3%	5,4%	19,1%
Exit Cap Rate	5,6%	18,0%	5,3%	17,0%

Details of the main assumptions by type of properties used in 2012:

	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%

Details of the main assumptions by type of properties used in 2011:

	Equivalent Yield		Cap Rate		Discount Rate	
	Min	Max	Min	Max	Min	Max
Hospitality	9,0%	16,0%	7,3%	11,0%	9,5%	17,0%
Rental CE	6,8%	19,1%	7,0%	17,0%	6,8%	13,0%
Luxembourg	NA	NA	7,5%	7,5%	7,5%	7,5%
German assets	5,4%	5,4%	5,3%	8,3%	5,3%	9,6%
Developments CE	7,0%	7,5%	NA	NA	8,0%	8,0%

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.

(c) Income taxes

The Company is subject to income taxes in Luxembourg and France. 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 Company 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.

(d) 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 Company or of the specific entity concerned in the light of existing, available and observable market data by the Company's banks for the derivatives (IRS, options and forwards).

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 income statement.

(e) Fair value of financial assets

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);

The Company investments in the Endurance sub-funds are fair valued on the basis of the net asset value as provided by the fund Manager as at 30 September 2012 (year-end closing of the sub-funds) with a liquidity discount of 57,5% (20% in 2011). The liquidity discount decrease reflects the recent transactions (not realized by the Company) observed in December 2012 and the sale of its units by the Group realized on the same level of discount (See note 29.4). 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 fair value of financial assetsreflects, among other things, current market conditions (interest rates, volatility and share price). Changes in fair values are recorded in the income statement.

(f) Fair value of New Notes

Please refer to note 13.1

5. Intangible assets

Intangible assets consist of software. Movements are as follows:

In EUR	Gross amount	Amortisation and impairment	Net amount
Balance at 1 January 2011	**673,598**	**(134,719)**	**538,878**
Additions / (Amortisation)	-	(134,719)	(134,719)
Balance at 1 January 2012	**673,598**	**(269,439)**	**404,159**
Additions / (Amortisation)	559,120	(135,286)	423,834
Balance at 31 December 2012	**1,232,717**	**(404,725)**	**827,992**

In 2012, the Company had acquired new software for accounting and consolidation purposes.

6. Fixtures and fittings

Fixtures and fittings consist of transport equipment, furniture, computing equipment and other tangible assets. Movements are as follows:

In EUR	Gross amount	Amortisation and impairment	Net amount
Balance at 1 January 2011	**687,938**	**(242,110)**	**445,828**
Additions / (Amortisation)	273,032	(49,592)	223,439
(Disposals) / Reversal of impairment	(15,160)	10,300	(4,860)
Balance at 1 January 2012	**945,810**	**(281,402)**	**664,407**
Additions / (Amortisation)	788,824	(261,457)	527,367
(Disposals) / Reversal of impairment	(363,473)	189,921	(173,552)
Balance at 31 December 2012	**1,371,161**	**(352,939)**	**1,018,222**

Increase in 2012 is mainly due to the renewal of Netjets share flight planning contract.

7. Shares in affiliated undertakings

Movements as follows:

In EUR	Acquisition cost	Impairment	Net book value
Balance at 1 January 2011	**553,168,384**	**(321,717,758)**	**231,450,626**
Additions / (Impairment)	200,236,443	(111,612,423)	88,624,020
(Disposals) / Reversal of impairment	(130,037,479)	97,317,857	(32,719,622)
Balance at 1 January 2012	**623,367,348**	**(336,012,324)**	**287,355,024**
Additions / (Impairment)	117,607,061	(50,388,943)	67,218,118
(Disposals) / Reversal of impairment	(41,398,114)	12,313,953	(29,084,161)
Balance at 31 December 2012	**699,576,295**	**(374,087,314)**	**325,488,980**

Impairment tests on shares in affiliated undertakings are based on the better estimatation of the fair value of the special purpose entity (even if some of these SPV holds buildings that are not at fair value) and its capacity to repay the loans as described in note 4 (b).

In accordance with article 67 (3) (a) of the law dated 19 December 2002, the Company is not presenting the capital and reserves and the profit and loss of its affiliated undertakings are included in the consolidated financial statements of the Company available on the website www.orcogroup.com.

Shares in affiliated undertakings are detailed as follows (in ‘000 EUR) :

Company	Country	Local currency	% held	Acquisition cost 31/12/2012	Acquisition cost 31/12/2011	Purchased / Acquired in 2012	Sold / Liquidated in 2012	Cumulated impairments 31/12/2011	Cumulated impairments 31/12/2012	Impairments in 2012	Net book value 31/12/2012	Net book value 31/12/2011
Americka - Orco ,a.s	Czech Republic	CZK	-	-	8 665,23	-	(8 665,23)	(3 168,34)	-	3 168,34	-	5 496,89
Ariah Kft	Hungary	HUF	100,00%	11 898,95	9 895,42	2 003,53	-	(9 895,42)	(11 898,95)	(2 003,53)	-	-
BCC - Brno City Center, a.s.	Czech Republic	CZK	100,00%	12 672,32	12 672,32	-	-	-	-	-	12 672,32	12 672,32
Belgicka-Na Kozacce,s.r.o.	Czech Republic	CZK	100,00%	2 359,34	2 359,34	-	-	-	-	-	2 359,34	2 359,34
Beta Development	Czech Republic	CZK	100,00%	10 140,71	25,81	10 114,90	-	(25,81)	-	25,81	10 140,71	-
Brillant 14,19 GmbH&Co. Verwaltungs KG	Germany	EUR	100,00%	8 211,75	-	8 211,75	-		(2 792,065)	(2 792,065)	5,419,692	-
Brillant 14,19 GmbH	Germany	EUR	49,00%	23,23	-	23,23	-	-	(20,29)	(20,29)	2,93	-
Bubenská 1, a.s.	Czech Republic	CZK	100,00%	11 617,02	11 617,02	-	-	(503,74)	(4 004,80)	(3 501,07)	7 612,21	11 113,28
Bubny development, s.r.o.	Czech Republic	CZK	100,00%	57 933,39	57 933,39	-	-	-	-	-	57 933,39	57 933,39
Capellen Invest S.A.	Luxembourg	EUR	100,00%	2 182,64	2 182,64	-	-	(2 182,64)	(2 182,64)	-	-	-
CEREM, S.A.	Luxembourg	EUR	100,00%	31,00	31,00	-	-	(31,00)	(31,00)	-	-	-
CWM 35 Kft	Hungary	HUF	100,00%	21 116,10	21 116,10	-	-	(21 116,10)	(21 116,10)	-	-	-
Development Doupovská, s.r.o.	Czech Republic	CZK	75,00%	2 602,64	4 070,13	-	(1 467,48)	(2 952,49)	(841,51)	2 110,97	1 761,13	1 117,64
Development Prazska s.r.o.	Czech Republic	CZK	100,00%	8,02	-	8,02	-		(4,90)	(4,90)	3,12	
Diana Property, Sp. z o.o.	Poland	PLN	100,00%	776,65	776,65	-	-	-	-	-	776,65	776,65
Endurance Hospitality Asset	Luxembourg	EUR	88,00%	11,01	11,01	-	-	(11,01)	(11,01)	-	-	-
Endurance Hospitality Finance Sàrl	Luxembourg	EUR	88,00%	11,01	11,01	-	-	-	-	-	11,01	11,01
Endurance Real Estate Management Co. S.A.	Luxembourg	EUR	100,00%	125,00	125,00	-	-	-	-	-	125,00	125,00
Energy Trade Plus Kft.	Hungary	HUF	100,00%	1,66	1,66	-	-	(0,1)	(1,66)	(1,51)	-	1,52
Famiaco	Cyprus	EUR	100,00%	1,00	-	1,00	-	-	(1,00)	(1,00)	-	-
Hagibor Office Building, a.s.	Czech Republic	CZK	100,00%	6 851,78	26 796,73	-	(19 944,94)	(5 419,75)	(5 766,00)	(346,24)	1 085,78	21 376,98
IPB Real,a.s. (merged in Beta Estate, a.s.)	Czech Republic	CZK	-	-	2 973,42	-	(2 973,41)	-	-	-	-	2 973,42
IPB Real,s.r.o.	Czech Republic	CZK	100,00%	3 012,22	3 012,22	-	-	(3 012,22)	(3 012,22)	-	-	-
Industrial Park Stribro s.r.o.	Czech Republic	CZK	100,00%	7,90	-	7,90	-	-	-	-	7,90	-
Jihovychodni Mesto,a.s.	Czech Republic	CZK	74,99%	25 637,86	25 637,86	-	-	(14 423,71)	(16 947,40)	(2 523,69)	8 690,46	11 214,15
Kosic s.a.r.l.	Luxembourg	EUR	50,00%	6 450,50	6 450,50	-	-	(2 425,26)	(6 450,50)	(4 025,24)	-	4 025,24
Meder 36 Kft	Hungary	HUF	100,00%	3 206,15	3 206,15	-	-	(3 206,15)	(3 206,15)	-	-	-
Megaleiar A.S.	Czech Republic	CZK	100,00%	2 091,95	2 091,95	-	-	(1 056,23)	(1 770,96)	(714 ,73)	320,98	1 035,72
Na Poříčí, a.s.	Czech Republic	CZK	100,00%	19 060,73	12 441,94	6 618,79	-	(4 706,61)	(5 692,73)	(986,12)	13 367,99	7 735,33
Nupaky a.s.	Czech Republic	CZK	100,00%	7 337,87	7 337,87	-	-	(3 356,52)	(3 298,51)	58,01	4 039,35	3 981,34
Oak Mill,a.s.	Czech Republic	CZK	99,99%	1 385,26	1 385,26	-	-	(176,89)	(538,98)	(362,10)	846,27	1 208,38
Office Center Hradčanská, a.s. (formerly: Certuv ostrov)	Czech Republic	CZK	100,00%	17 051,33	17 051,33	-	-	(15 358,45)	(14 978,83)	(379,61)	2 072,49	1 692,88
Onset a.s.	Czech Republic	CZK	100,00%	-	5 722,50	-	(5 722,50)	(4 312,99)	-	4 312,98	-	-
OPG France, s.a.s.	France	EUR	100,00%	37,00	37,00	-	-	-	-	-	37,00	37,00
OPG Invest Lux S.A.	Luxembourg	EUR	100,00%	31,00	31,00	-	-	(1,71)	(1,96)	0,25	29,40	29,29
Orco Estate,s.r.o.	Czech Republic	CZK	100,00%	10 726,90	12 651,33	-	(1 924,42)	(8 202,59)	(9 587,37)	(1 384,77)	1 139,53	4 448,74
Orco Financial Services, s.r.o.	Czech Republic	CZK	100,00%	419,31	419,31	-	-	(419,31)	(419,31)	-	-	-
Orco Praga, s.r.o.	Czech Republic	CZK	74,99%	933,18	933,18	-	-	(933,18)	(933,18)	-	-	-
Orco Prague, a.s.	Czech Republic	CZK	100,00%	21 307,30	8 626,25	12 681,05	-	(8 626,25)	(12 936,41)	(4 310,16)	8 370,89	-
Orco Adriatic d.o.o.	Croatia	HRK	100,00%	2,73	2,73	-	-	(2,73)	(2,73)	-	-	-
Orco Blumentálska, a.s.	Slovakia	EUR	100,00%	2 979,86	2 979,86	-	-	(2 979,86)	(2 979,86)	-	-	-
Orco Bucharest	Romania	ROL	96,00%	3,26	3,26	-	-	(3,26)	-	3,26	3,26	-
Orco Budapest Zrt.	Hungary	HUF	100,00%	11 978,34	10 223,31	1 755,03	-	(10 223,31)	(11 978,34)	(1 755,03)	-	-

Company	Country	Local currency	% Held	Acquisition cost 31/12/2012	Acquisition Cost 31/12/2011	Purchased / Acquired in 2012	Sold / Liquidated in 2012	Cumulated impairments 31/12/2011	Cumulated impairments 31/12/2012	Impairments in 2012	Net book Value 31/12/2012	Net book value 31/12/2011
Orco Construction Sp. z o.o.	Poland	PLN	75,00%	1 549,49	1 549,49	-	-	(1 549,49)	(1 549,49)	-	-	-
Orco Development Kft	Hungary	HUF	100,00%	1 770,53	70,18	1 700,34	-	-	-	-	1 770,53	70,18
Orco Development Sp. z o.o.	Poland	PLN	75,00%	337,74	337,74	-	-	(337,74)	(337,74)	-	-	-
Orco Development, s.r.o.	Slovakia	EUR	100,00%	8 339,03	8 339,03	-	-	(2 362,02)	(5 579,20)	(3 217,17)	2 759,82	5 977,00
Orco Enterprise Sp. z.o.o.	Poland	PLN	100,00%	10 957,74	10 946,61	11,13	-	(2 509,01)	(3 741,06)	(1 232,04)	7 216,68	8 437,59
Orco Estate Sp.z.o.o.	Poland	PLN	-	-	700,11	-	(700,11)	(700,11)	-	700,11	-	-
ORCO Estates, s.r.o.	Slovakia	EUR	100,00%	14 205,54	14 205,54	-	-	(14 193,81)	(14 205,53)	(11,72)	-	11,72
Orco Germany S.A.	Luxembourg	EUR	91,39%	167 456,25	110 766,31	56 689,95	-	(71 470,13)	(80 678,79)	(9 208,66)	86 777,46	39 296,17
Orco Hungary Kft	Hungary	HUF	100,00%	583,45	583,45	-	-	(487,48)	(484,41)	3,07	99,05	95,97
Orco Logistic Sp. Z.o.o.	Poland	PLN	100,00%	13,08	13,08	-	-	(13,08)	(13,08)	-	-	-
Orco Marine, d.o.o.	Croatia	HRK	100,00%	27,50	27,50	-	-	-	-	-	27,50	27,50
Orco Poland Sp. z o.o.	Poland	PLN	100,00%	2 816,11	2 816,11	-	-	(2 816,11)	(2 816,11)	-	-	-
Orco Project Sp. z o.o.	Poland	PLN	100,00%	700,99	700,99	-	-	(700,99)	(700,99)	-	-	-
Orco Projekt, d.o.o.	Croatia	HRK	100,00%	2,75	2,75	-	-	-	-	-	2,75	2,75
Orco Property Sp. z o.o.	Poland	PLN	91,20%	42 267,40	24 529,95	17 737,46	-	-	-	-	42 267,40	24 529,95
Orco Property, d.o.o.	Croatia	HRK	100,00%	2,80	2,80	-	-	-	-	-	2,80	2,80
Orco Razvoj, d.o.o.	Croatia	HRK	100,00%	27,50	27,50	-	-	(27,50)	(27,50)	-	-	-
Orco Residence, s.r.o.	Slovakia	EUR	100,00%	1 706,19	1 706,19	-	-	(1 706,19)	(1 706,19)	-	-	-
Orco Russian Retail Kft	Hungary	HUF	100,00%	1,65		1,65	-		(1,65)	(1,65)		
Orco Slovakia, s.r.o.	Slovakia	EUR	100,00%	837,50	837,50	-	-	(837,50)	(837,50)	-	-	-
Orco Vagyonkezelő, Kft.	Hungary	HUF	100,00%	1 701,94	1 701,94	-	-	(1 436,91)	(1 701,94)	(265,03)	-	265,03
Origo Investment Kft (formerly: Orco Investment Kft)	Hungary	HUF	14,95%	1 213,97	1 213,97	-	-	(1 213,97)	(1 213,97)	-	-	-
Pachtuv Palac s.r.o.	Czech Republic	CZK	100,00%	15 487,41	15 487,41	-	-	(4 467,43)	(3 599,63)	867,80	11 887,78	11 019,98
Prvni Kvintum Praha a.s.	Czech Republic	CZK	90,00%	3 770,08	3 770,08	-	-	(683,98)	-	683,97	3 770,08	3 086,11
Seattle,s.r.o.	Czech Republic	CZK	100,00%	8 928,71	8 928,71	-	-	(981,53)	(1 042,45)	(60,92)	7 886,25	7 947,18
Suncani HVAR, d.d.	Croatia	HRK	56,55%	85 754,75	85 754,75	-	-	(68 255,67)	(71 690,06)	(3 434,39)	14 064,68	17 499,08
T-O Green Europe, a.s.	Czech Republic	CZK	100,00%	21,43	21,43	-	-	-	-	-	21,42	21,43
TQE Asset, a.s.	Czech Republic	CZK	100,00%	22 708,61	22 669,04	39,56	-	(16 132,31)	(18 793,31)	(2 661,00)	3 915,30	6 536,74
V Mezihori, a.s.	Czech Republic	CZK	100,00%	79,81	79,81	-	-	-	-	-	79,80	79,81
Vaci 190Projekt Kft	Hungary	HUF	100,00%	1,69	-	1,69	-	-	-	-	1,69	-
Valley Investment, Sàrl (formerly: Endurance H.C. Eta)	Luxembourg	EUR	100,00%	4 109,43	4 109,43	-	-	-	-	-	4 109,43	4 109,43
Valley Water Investment	BVI	EUR	100,00%	4 307,00	4 307,00	-	-	-	(4 307,00)	(4 307,00)	-	4 307,00
Vinohrady s.a.r.l.	France	EUR	100,00%	7,62	7,62	-	-	(7,62)	(7,62)	-	-	-
Yuli Kft	Hungary	HUF	100,00%	15 644,64	15 644,64	-	-	(14 388,07)	(15 644,63)	(1 256,57)	-	1 256,57
				699 576,29	623 367,35	117 607,06	(41 398,11)	(336 012,32)	(374 087,31)	(38 074,99)	325 488,98	287 355,02

8. Bonds Receivable

On October 4th, 2012, the Company received 22.885 Orco Germany Bonds (XS0302623953) in exchange of the issuance of 1,995,664 OPG New Notes. The acquired OG bonds have been valued at the amount of EUR 15,4 million, which represents 77,3% of the nominal amount of the New Notes issued.

9. Trade and other receivables

As of December 31st, 2012, the outstanding receivable of the Russian assets sales amounting to EUR 36,8 million (EUR 39,7 million in 2011) are recorded in the balance sheet as "Non current loans and receivables" that is expected to be received, is guaranteed by pledge of shares sold.

As of December 31st, 2012, the trade receivables under current assets section are mainly composed of the outstanding intercompany invoices issued by the Company to Group subsidiaries.

10. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss consist of investments in Endurance Real Estate Fund for Central Europe, a mutual investment fund launched by the Company in 2005.

Movements as follows:

In EUR	Acquisition cost	Fair value adjustements	Net book value
Balance at 1 January 2011	**8,433,196**	**(6,863,499)**	**1,569,697**
Additions / Increase	3,247,888	(95,002)	3,152,886
Disposals / Decrease	-	207,143	207,143
Balance at 1 January 2012	**11,681,084**	**(6,751,358)**	**4,929,726**
Additions / Increase	861,538	(3,507,666)	(2,646,128)
Disposals / Decrease	-	-	-
Balance at 31 December 2012	**12,542,622**	**(10,259,024)**	**2,283,598**

As at 31 December 2012, the fair value of the investments in the Endurance Real Estate Fund for Central Europe amounts to EUR 2.3 million (EUR 4.9 million as at 31 December 2011).The Endurance fund managed by the Company (see note 28) is divided in three specialized sub-funds. Two are investing in office investment properties and one is investing in residential developments and properties. These investments are accounted for at their fair value with change in fair value going through the income statement. The change in fair value recorded in 2012, based on the net asset value as provided by the fund Manager in its report as at 30 September 2012, with a liquidity discount of 57,5% (20% in 2011), amounts to a loss of EUR 3.5 million (profit of EUR 0.1 million in 2011), refer to note 21 for further details.

Investments in the Endurance Real Estate Fund for Central Europe are detailed as follows:

- Investments in the Endurance's Residential Sub-Fund

In EUR	Total issued units	Estimated NAV	Units Held	% Held	Acquisition cost	Fair value adjustements	Net book value	Actual Commitment (see note 25)
Balance at 1 January 2011	**15,543,518.359**	**1.74**	**900,055.582**	**5.79%**	**8,433,196**	**(6,863,499)**	**1,569,697**	**13,466,804**
Increase / Depreciation	-	-	1,404,276.226	-	2,500,000	207,143	2,707,143	5,565,872
Decrease / Reversal	-	-	-	-	-	-	-	-
Balance at 1 January 2012	**15,543,518.359**	**1.86**	**2,304,331.808**	**14.83%**	**10,933,196**	**(6,656,356)**	**4,276,840**	**19,032,676**
Increase / Depreciation	-	-	-	-	-	(2,788,241)	(2,788,241)	-
Decrease / Reversal	-	-	-	-	-	-	-	-
Balance at 31 December 2012	**15,543,518.359**	**0.65**	**2,304,331.808**	**14.83%**	**10,933,196**	**(9,444,597)**	**1,488,598**	**19,032,676**

- Investments in the Endurance's Office II Sub-Fund

In EUR	Total issued units	Estimated NAV	Units Held	% Held	Acquisition cost	Fair value adjustements	Net book value	Actual Commitment (see note 25)
Balance at 1 January 2011	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Increase / Depreciation	-	-	252,664.930	-	747,888	(95,002)	652,886	33,147,727
Decrease / Reversal	-	-	-	-	-	-	-	-
Balance at 1 January 2012	**1 609,875.260**	**2.58**	**252,664.930**	**15.69%**	**747,888**	**(95,002)**	**652,886**	**33,147,727**
Increase / Depreciation	482,531.066	-	259,824.563	-	861,538	(719,425)	142,113	(861,538)
Decrease / Reversal	-	-	-	-	-	-	-	-
Balance at 31 December 2012	**2,092,406.326**	**1.55**	**512,489.493**	**24.49%**	**1,609,426**	**(814,427)**	**794,999**	**32,286,189**

11. 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 (57.5% in December 2012 against 20% in December 2011). This liquidity discount estimation is based on the recent transactions (not realized by the Company) observed in December 2012 and the sale of its units by the Group realized on the same level of discount.

In EUR	Total issued units	Estimated NAV	Units Held	% Held	Acquisition cost	Fair value adjustements	Net book value	Actual Commitment (see Note 25)
Balance at 1 January 2011	**13,930,387.740**	**3.89**	**2,251,819.380**	**16.16 %**	**23,585,017**	**(14,829,943)**	**8,755,074**	**3,414,983**
Additions / Increase	-	-	1,500,000.000	-	6,500,000	2,573,572	9,073,572	-
Disposals / Decrease	-	-	-	-	-	-	-	-
Balance at 1 January 2012	**13,930,387.740**	**4.75**	**3,751,819.380**	**26.93 %**	**30,085,017**	**(12,256,371)**	**17,828,646**	**3,414,983**
Additions / Increase	-	-	-	-	-	(9,090,658)	(9,090,658)	-
Disposals / Decrease	-	-	-	-	-	-	-	-
Balance at 31 December 2012	**13,930,387.740**	**2.33**	**3,751,819.380**	**26.93 %**	**30,085,017**	**(21,347,029)**	**8,737,987**	**3,414,983**

12. Loans to affiliated undertakings and other financial assets

12.1 Loans to affiliated undertakings

Movements as follows:

In EUR	Gross amount	Impairments	Net book value
Balance at 1 January 2011	**403,112,609**	**(189,140,380)**	**213,972,229**
Additions / (Impairments)	17,920,646	(6,805,124)	11,115,522
(Disposals) / Reversal of impairments	(173,583,457)	58,448,678	(115,134,779)
Balance at 1 January 2012	**247,449,798**	**(137,496,826)**	**109,952,972**
Additions / (Impairments)	29,086,435	(12,259,745)	16,826,690
(Disposals) / Reversal of impairments	(21,993,121)	3,648,696	(18,344,425)
Balance at 31 December 2012	**254,543,111**	**(146,107,875)**	**108,435,236**

The Company has global agreement with all its subsidiaries for loans bearing 6% or 8% interest depending on country and a maturity on 31 December 2020. Loan can also be repaid on demand from the lender or voluntary prepayment of the borrower

Impairments policy is detailed in note 4(b).Foreign exchange impacts are detailed on note 15

Loans to affiliated undertakings are detailed as follows (in EUR):

Affiliated undertakings	As at December 31, 2012					2012	As at December 31, 2011					2011	
	Loan nominal	Accrued Interest	Total gross value	Impairment	Net book value	Interest Income	Loan nominal	Accrued Interest	Total gross value	Impairment	Net book value	Interest income	Original Currency
Ambiance Beaute Sarl	-	-	-	-	-	117	6 750	-	6 750	(6 750)	-	-	EUR
Americká - Orco, a.s	604 059	15 484	619 543	-	619 543	15 484	-	17 162	17 162	-	17 162	18 177	CZK
Americka Park, a.s.	-	-	-	-	-	-	-	-	-	-	-	15 240	CZK
Ariah Kft	1 029 026	13 203	1 042 229	(368 396)	673 833	81 626	1 307 395	51 826	1 359 220	(228 488)	1 130 732	51 826	EUR
BCC - Brno City Center, a.s.	-	-	-	-	-	9 043	413 707	204 981	618 688	-	618 688	216 271	CZK
Belgicka-Na Kozacce,s.r.o.	-	-	-	-	-	239	8 871	139	9 010	-	9 010	35 952	CZK
Beta Development, s.r.o.	-	-	-	-	-	477	12 904	559	13 463	(13 463)	-	579	CZK
Brillant 14,19 GmbH & Co	20 000	574	20 574	-	20 574	574	-	-	-	-	-	-	EUR
Bubny development, s.r.o.	-	-	-	-	-	79 687	1 724 115	28 826	1 752 940	-	1 752 940	2 039 827	CZK
Capellen Invest s.a.	7 174 653	430 192	7 604 845	(4 720 304)	2 884 541	430 192	6 918 347	556 306	7 474 653	(3 647 216)	3 827 437	556 306	EUR
CEREM SA	37 339 937	-	37 339 937	(37 339 937)	0	-	39 060 011	-	39 060 011	(35 735 566)	3 324 445	-	EUR
Darilla, a.s.	3	-	3	(3)	-	-	-	3	3	(3)	-	2 063	CZK
Development Doupovská, s.r.o.	302 990	17 700	320 690	-	320 690	17 707	36 576	674	37 250	-	37 250	205 718	CZK
Development Pražská, s.r.o.	4 296	10	4 306	-	4 306	10	-	-	-	-	-	-	CZK
Diana Property, Sp. z o.o.	102 615	18 611	121 226	-	121 226	40 810	139 707	14 322	154 028	-	154 028	48 834	PLN
Diana Property, Sp. z o.o.	470 908	139 603	610 511	-	610 511		512 255	101 903	614 158	-	614 158	-	EUR
Valley Investment, Sàrl	22 399	1 308	23 707	-	23 707	1 308	21 000	399	21 399	-	21 399	-	EUR
Endurance Hospitality Asset	157 426	9202	166 628	-	166 628	9202	139 782	10 644	150 426	-	150 426	10 644	EUR
Endurance Hospitality Fin, s.à.r.l.	83 651 733	125 615	83 777 348	(57 375 846)	26 275 887	125 615	83 457 254	139 479	83 596 733	(57 146 093)	26 450 640	139 479	EUR
Endurance Real Estate Management Co. s.a.	-	-	-	-	-	-	(4 020 531)	40 724	(3 979 806)	-	(3 979 806)	68 042	EUR
Famiaco	549	16	565	(565)	-	16	-	-	-	-	-	-	EUR
Hagibor Office Building, a.s.	5 960 666	37 261	5 997 927	-	5 997 927	37 261	-	4	4	-	4	256 356	CZK
Industrial Park Stribro s.r.o.	101 604	233	101 837	-	101 837	233	-	-	-	-	-	-	CZK
IPB Real,a.s.	-	-	-	-	-		-	-	-	-	-	833	CZK
IPB Real,s.r.o.	901 581	51 261	952 842	(952 842)	-	51 322	677 619	132 234	809 854	(809 854)	-	139 253	CZK
Jihovychodni Mesto,a.s.	12 534 059	976 955	13 511 014	-	13 511 014	978 294	10 710 272	848 858	11 559 130	-	11 559 130	885 624	CZK
Larevaco	2 557	5	2 562	-	2 562	6	-	-	-	-	-	-	EUR
M & O Sp z.o.o.	-	-	-	-	-	-	-	-	-	-	-	99 928	PLN
Meder 36 Kft	15 953	1 136	17 089	(17 089)	-	1 136	26 267	895	27 163	(27 163)	-	43 966	EUR
Megaleiar A.S.	51 068	1 408	52 476	-	52 476	1 410	14 034	312	14 346	-	14 346	2 640	CZK
Mikhailovka Land o.o.o.	-	-	-	-	-		-	-	-	-	-	2 824	USD
MMR Russia sàrl	-	-	-	-	-		48 117	-	48 117	(48 117)	-	-	EUR
MMR Yougoslavia	22 994	-	22 994	(22 994)	-		22 994	-	22 994	(22 994)	-	-	EUR
Na Poříčí, a.s.	221 765	38 325	260 090	-	260 090	38 871	5 999 015	465 854	6 464 870	-	6 464 870	485 931	CZK
Nupaky a.s.	92 491	2 706	95 197	-	95 197	2 711	27 920	567	28 487	-	28 487	12 976	CZK
Office Center Hradčanská, a.s.	582 746	34 965	617 711	-	617 711	35 003	563 327	4 512	567 838	-	567 838	587 000	CZK
Onset a.s.	-	-	-	-	-	-1	20 015	381	20 396	-	20 396	8 312	CZK
OPG France, s.a.s.	300	-	300	-	300	-	300	-	300	-	300	-	EUR
Orco Adriatic d.o.o.	4 713 569	282 099	4 995 668	(2 770 405)	2 225 263	282 099	4 353 161	345 671	4 698 832	(2 566 031)	2 132 801	345 671	EUR
Orco Blumentálska, a.s.	13 070 649	715 191	13 785 840	(13 785 840)	-	-	13 045 649	715 191	13 760 840	(13 760 840)	-	-	EUR
Orco Bucharest	2 510	-	2 510	(2 511)	-	-	2 511	-	2 511	(2 511)	-	-	EUR

Affiliated undertakings	As at December 31, 2012 Loan Nominal	 Accrued Interest	 Total gross value	 Impairment	 Net book Value	2012 Interest Income	As at December 31, 2011 Loan nominal	 Accrued Interest	 Total gross value	 Impairment	 Net book value	2011 Interest income	Original Currency
Orco Budapest Zrt.	1 272 991	19 209	1 292 200	(1 292 200)	-	81 676	1 335 545	46 718	1 382 263	(1 382 263)	-	240 495	EUR
Orco Commercial Sp. z o.o.	-	-	-	-	-	-	-	-	-	-	-	285 361	PLN
Orco Construction Sp. z o.o.	5 009 276	1 430 709	6 439 985	(6 439 985)	-	263 957	4 562 593	1 072 907	5 665 500	(5 665 500)	-	373 858	PLN
Orco Development Kft	6 516 129	67 584	6 583 713	-	6 583 713	448 697	8 030 436	98 936	8 129 372	-	8 129 372	98 936	EUR
Orco Development Sp. z o.o.	3 332 793	1 015 104	4 347 897	(4 347 897)	-	261 546	3 063 967	693 796	3 757 763	(3 757 763)	-	248 319	PLN
Orco Development, s.r.o.	-	-	-	-	-	21 365	483 716	13 889	497 604	-	497 604	290 363	EUR
Orco Enterprise Sp. z.o.o.	-	3 215 992	3 215 992	-	3 215 992		(726 631)	3 266 645	2 540 015	-	2 540 015	70 188	PLN
Orco Estate Sp.z.o.o.	-	-	-	-	-	58 080	1 665 231	378 930	2 044 160	(2 044 160)	-	134 514	PLN
Orco Estate,s.r.o.	36 517	469	36 986	-	36 986	469	-	-	-	-	-	-	CZK
Orco Estates, s.r.o.	940 519	41 153	981 672	(981 672)	-	41 153	321 739	8 947	330 686	-	330 686	543 885	EUR
Orco Financial Services, s.r.o.	188	2 672	2 860	(2 860)	-	2 665	15 277	921	16 198	(16 174)	24	1 998	CZK
Orco Germany s.a.	12 839 129	742 023	13 581 152	-	13 581 152	742 023	9 858 983	1 041 501	10 900 484	-	10 900 484	1 041 501	EUR
Orco Logistic Sp. Z.o.o.	6 522 729	2 032 313	8 555 042	(2 164 171)	6 390 871	516 276	6 408 530	1 516 037	7 924 567	(2 314 226)	5 610 341	508 255	EUR
Orco Marine	1 294	24	1 318	-	1 318	24	-	-	-	-	-	-	EUR
Orco Poland Sp. z o.o.	1 097 651	312 669	1 410 320	(1 410 320)	-	68 744	556 150	224 786	780 935	(780 935)	-	44 830	PLN
Orco Praga, s.r.o.	7 058 143	560 163	7 618 306	(5 407 351)	2 210 955	560 912	6 256 535	500 523	6 757 057	(5 177 132)	1 579 925	522 268	CZK
Orco Prague,a.s.	-	-	-	-	-	121 949	992 715	229 162	1 221 876	(1 221 876)	-	243 614	CZK
Orco Projekt	971	24	995	-	995	24	-	-	-	-	-	-	EUR
Orco Project, Sp. z o.o.	-	-	-	-	-		52 511	-	52 511	(50 824)	1 687	1 646	PLN
Orco Property Sp. z o.o.	7 830 266	2 515 239	10 345 505	-	10 345 505	766 240	13 275 858	1 602 699	14 878 557	-	14 878 557	570 038	PLN
Orco Property	1 082	20	1 102	-	1 102	20	-	-	-	-	-	-	EUR
OPG Invest Lux S.A.	2 330	100	2 430	-	2 430	100	-	-	-	-	-	-	EUR
Orco Razvoj, d.o.o.	1 277 385	76 541	1 353 926	(897 521)	456 406	76 541	1 180 648	94 452	1 275 100	(816 692)	458 408	94 452	EUR
Orco Residence, s.r.o.	-	-	-	-	-	-	-	-	-	-	-	64 561	EUR
Orco Residential Sp. z o.o.	-	-	-	-	-	-	-	-	-	-	-	118 109	PLN
Orco Russian Retail Kft	101 139	1 613	102 752	(81 345)	21 407	1 613	-	-	-	-	-	-	HUF
Orco Russian Retail, SA	-	-	-	-	-	-	-	-	-	-	-	194 459	EUR
Orco Slovakia, s.r.o.	323 683	19 328	343 011	(343 010)	-	19 328	201 000	3 682	204 682	(179 663)	25 019	36 258	EUR
Orco Vagyonkezelő, Kft.	52 983	21 201	74 184	(74 183)	-	21 201	702 616	20 254	722 870	-	722 870	20 254	EUR
Orco-Molcom B.V.	-	-	-	-	-	-	-	-	-	-	-	5 355	EUR
Pachtuv Palac s.r.o.	601 887	20 063	621 950	-	621 950	20 063	339 000	6 887	345 887	-	345 887	259 922	EUR
Prvni Kvintum Praha a.s.	147 355	4 907	152 262	-	152 262	4 913	32 551	681	33 233	-	33 233	32 217	CZK
Seattle s.r.o.	117 241	1 650	118 891	-	118 891	1 657	-	-	-	-	-	-	EUR
Suncani HVAR, d.d.	4 946 786	811 428	5 758 214	-	5 758 214	440 038	5 146 786	371 390	5 518 176	-	5 518 176	557 576	EUR
TQE Asset, a.s.	704 029	60 216	764 245	-	764 245	60 434	1 294 806	57 877	1 352 683	-	1 352 683	208 751	CZK
Váci 1 Kft.	5 138 652	227 609	5 366 261	(5 121 004)	245 257	227 609	2 038 831	72 438	2 111 269	-	2 111 269	260 002	EUR
Váci 190 Projekt Kft.	840 315	40 245	880 560	-	880 560	40 244	49	-	49	-	49	-	EUR
Valley Water Investments Ltd	2 260	5	2 265	(2 265)	-	5	-	-	-	-	-	-	EUR
Vinohrady s.a.r.l.	200 019	13 294	213 313	(185 359)	27 954	13 294	45 136	29 392	74 528	(74 528)	-	29 392	EUR
Viterra Cescka spol. S.r.o.	-			-	-		-	-	-	-	-	3 259	EUR
Vysočanská brána, a.s.	-			-	-		-	-	-	-	-	442 317	CZK
V Mezihorià	2 249 598	56 035	2 305 633	-	2 305 633	56 754	-	-	-	-	-	-	EUR
	238 320 446	16 222 665	254 543 111	(146 107 875)	108 435 236	7 180 070	232 383 922	15 035 877	247 449 798	(137 496 826)	109 952 970	13 827 225	

12.2 Other loans

The Company provided a subordinated bridge loan to BB C – Building E, k.s., a Czech subsidiary of the Endurance Fund, pursuant to the loan agreement dated 15 October 2010. The loan was used to cover an extraordinary payment required by the financing bank. The Company's loan of EUR 700,000 has a final repayment date of 26 August 2013 and bears an annual interest of 30%. This loan along with the outstanding interest was fully repaid on April 13th, 2012.

Movements as follows:

In EUR	Gross amount	Impairments	Net book value
Balance at 1 January 2011	**700,000**	**-**	**700,000**
Additions / (Impairments)	292,454	-	292,454
(Disposals) / Reversal of impairments	-	-	-
Balance at 31 December 2011	**992,454**	**-**	**992,454**
Additions / (Impairments)	85,391	-	85,391
(Disposals) / Reversal of impairments	(1,077,845)	-	(1,077,845)
Balance at 31 December 2012	**-**	**-**	**-**

12.3 Guarantee deposits and similar

Guarantee deposit and similar financial assets consist of guarantee deposits paid by the Company for a total of EUR 581,677 (EUR 582,777 in 2011) from which EUR 200,000 as guarantee deposit to KBC Bank N.V. for a cash pooling agreement between all bank accounts opened by the Company with other banks from KBC Bank's group and EUR 161,034 to Ceská Sporitelna Bank for a company project (EUR 161,214 in 2011).

Movements as follows:

In EUR	Gross amount	Impairments	Net book value
Balance at 1 January 2011	**486,805**	**-**	**486,805**
Additions / (Impairments)	103,763	-	103,763
(Disposals) / Reversal of impairments	(7,791)	-	(7,791)
Balance at 31 December 2011	**582,777**	**-**	**582,777**
Additions / (Impairments)	-	-	-
(Disposals) / Reversal of impairments	(1,100)	-	(1,100)
Balance at 31 December 2012	**581,677**	**-**	**581,677**

13. Income from participating interests

During 2012 , The Company recognised an Income from participating interest on affiliated undertatakings (Dividend) for an amount of EUR 11,427,626 (2011 : EUR 1,503,572) and detailed as follows:

	2012	**2011**
IPB Real, a.s.	6,615,705	-
Orco Estate, s.r.o.	1,382,913	-
Seattle, s.r.o.	284,846	-
Americká - Orco, a.s	3,144,160	-
Jeremiášova Invest s.r.o.	-	889,472
Endurance Residential Sub Fund	-	614,100
Sarakina Enterprise Company Limited		
	11,427,626	**1,503,572**

14. Cash and Cash Equivalents

As at 31 December 2012, the cash and cash equivalents consist of short term deposits for EUR 0 (EUR 0 in 2011), cash in bank for EUR 1 million (EUR 4,6 million in 2011) and cash in stock brokers accounts for EUR 0 million (EUR 0 in 2011).

15. Bonds and derivatives

15.1 Non-current bonds

As at 31 December 2012, the movements in non-current bonds are the following:

Balance at 31 December 2011	**166,466**
Transfert from short term ("ST")	22,280
Tranfer to ST	(262)
Interest Year 2012 Safeguard Bonds	25,171
OPG Bonds against new shares	(190,694)
Bonds refinancing costs	(1,102)
OPG Bonds against new notes	(21,020)
Interest New Notes	2,040
Recognition New Notes	56,468
Balance at 31 December 2012	**59,347**

- **In 2012**

Negotiations with OG (Orco Germany SA) and OPG bondholders started as early as the summer 2011 and culminated with the signature on 17 April 2012 of a joint agreement on all bonds issued by both companies. General meetings, held end of April and beginning of May have all duly and overwhelmingly voted in favor of the restructuring. The request for modification of OPG Safeguard plan has been circularized to all the Safeguard creditors to approve or not the new terms (as none of them apart from the bondholders approved, they will continue to be served under the 19 May 2010 repayment schedule). The Paris Commercial Court approved on 21 May 2012 OPG's request to modify its Safeguard plan in order to implement the bonds' restructuring plan.

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

Exchange of 84.5 % of OG bonds:

OPG exchanged on the 9 May 2012 84.5% of the bonds issued by OG, a fully consolidated subsidiary, against 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 89.90% 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. 89.90% 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 net 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 decreased by EUR 9.8 million restructuring costs.

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 20 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 3,898,297. As at 31 December 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:

Description	ISIN CODE	Number of bonds	Book Value per bond	Total book value of bonds	Nominal Value per bond	Total nominal 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		3,898,297	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 (in '000 EUR) :

	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	40	157	150	155	437	672	1,027	1,594	4,232
Interests	221	207	128	123	119	106	85	53	1,042
Total	261	364	278	278	556	778	1,112	1,647	5,274

Repayment of interests and principal according to Safeguard Plan (based on Commercial Court of Paris decision on 16 September 2011)by bond line excluding any potential deduction due to own bonds for all other bonds after the issuance of the New Notes are detailed as following (in '000 EUR):

	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) précising 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 it was 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 (in K EUR):

EUR	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 (in K EUR):

EUR	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	495,988
Interests	19,788	16,436	13,289	11,561	10,158	9,288	8,384	6,662	4,016	99,584
Total	23,222	23,980	36,094	28,572	29,178	57,814	81,380	116,445	198,886	595,572

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%

15.2 Current bonds

As at 31 December 2012, movements in current bonds are the following:

Current bonds In KEUR	Convertible bonds	Non-convertible bonds	TOTAL
Balance at 31 December 2010	**3,000**	**5,978**	**8,978**
Payment	(3,000)	(5,975)	(8,975)
Transfer from non-current	7,806	14,731	22,537
Own Bonds	-	(237)	(237)
Balance at 31 December 2011	**7,806**	**14,497**	**22,303**
Sales of Own Bonds	-	237	237
Payment	(215)	(46)	(261)
Transfer from non-current	(7,545)	(14,473)	(22,018)
Contractual Interest	-	355	355
Balance at 31 December 2012	**46**	**570**	**616**

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.

15.3 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

16. Loans from affiliated undertakings

Loans from affiliated undertakings are detailed as follows (in EUR):

		As at December 31, 2012			2012	As at December 31, 2011			2011	
Affiliated undertakings	**Country**	**Loan nominal**	**Accrued Interest**	**Total Loan**	**Interest expenses**	**Loan nominal**	**Accrued Interest**	**Total Loan**	**Interest expenses**	**Original Currency**
Americká - Orco, a.s	Czech Republic	-	-	-	793 949	1 693 677	73 016	1 766 693	5 039	CZK
Americká Park, a.s	Czech Republic	-	-	-	-	-	-	-	18 206	CZK
Belgicka Na Kozacce s.r.o.	Czech Republic	3 140 210	85 774	3 225 984	86 134	-	-	-	-	CZK
Beta Development s.r.o.	Czech Republic	-	161	161	-	-	-	-	-	CZK
Brno Centrum, s.r.o.	Czech Republic	717 536	11 740	729 276	11 792	-	-	-	-	CZK
Bubenská 1, a.s.	Czech Republic	6 884 077	445 384	7 329 461	445 887	7 008 155	621 969	7 630 124	649 511	CZK
Bubny development	Czech Republic	5 068 776	156 726	5 225 502	157 689	-	-	-	-	CZK
CWM 35 Kft	Hungary	17 940 366	412 063	18 352 429	412 064	17 480 116	492 242	17 972 358	492 242	EUR
CJSC MOPT(S)R-Molcom	Russia	-	-	-	1 664	350 000	8 918	358 918	8 918	EUR
Endurance Advisory Company, s.a.	Luxembourg	-	-	-	-	69 774	9 523	79 297	9 523	EUR
Endurance Hospitality Asset, sàrl	Luxembourg	729 609	-	729 609	-	729 609	-	729 609	-	EUR
Endurance Real estate Mgt Cpy Sàrl	Luxembourg	10 683 561	627 956	11 311 517	627 956	-	-	-	27 318	EUR
Hagibor Office Building a.s.	Czech Republic	-	-	-	321 223	-	-	-	-	CZK
IPB Real,a.s.	Czech Republic	-	-	-	-	18 312 729	999 172	19 311 901	1 037 745	CZK
Jeremiášova Invest, s.r.o.	Czech Republic	-	-	-	-				19 163	CZK
Machova-Orco ,a.s.	Czech Republic	-	-	-	-	-	-	-	7 429	CZK
Oak Mill,a.s.	Czech Republic	1 007 284	60 437	1 067 721	60 504	908 811	72 705	981 516	75 864	CZK
Orco Development s.r.o.	Czech Republic	315 910	1 608	317 518	1 608	-	-	-	-	CZK
Orco Estate,s.r.o.	Czech Republic	-	-	-	82 091	3 063 761	172 058	3 235 818	152 695	CZK
Orco Enterprise Sp z o o	Poland	5 590 057	-	5 590 057	309 416	-	-	-	7 830	PLN
Orco Financial Services, s.r.o.	Czech Republic	-	-	-		-	24	24	25	CZK
Orco Hungary Kft	Hungary	74 513	4 501	79 014	4 502	71 362	5 742	77 104	5 742	EUR
Orco Pragues a.s.	Czech Republic	2 846 362	13 685	2 860 047	13 685	-	-	-	-	CZK
Orco Project, Sp z o o	Poland	862 470	74 434	936 904	71 498	-	1 687	1 687	-	PLN
Orco Russian Retail Sàrl	Luxembourg	3 603 100	198 390	3 801 490	198 389	4 364 671	145 784	4 510 455	145 784	EUR
Seattle, sro	Czech Republic	-	-	-	7 156	261 601	22 264	283 865	23 261	CZK
T-O Green Europe, a.s.	Czech Republic	71 228	4 871	76 099	4 875	75 643	6 554	82 197	6 844	CZK
Viterra Development Polska sp.z.o.o.	Poland	-	-	-	-	-	-	-	195 925	PLN
Zahrebska 35 sro	Czech Republic	-	-	-	-	-	-	-	52 364	CZK
		59 535 059	2 097 732	61 632 791	3 612 082	54 389 908	2 631 656	57 021 564	2 941 428	

The Company has global agreement with all its subsidiaries for loans bearing 6% or 8% interest (as of January 1st, 2012 , Company changed interest rate from 8% to 6 % for majority of their subsidiaries) anda maturity on 31 December 2020. Loans are repayable anytime by the borrower or upon lender request

Foreign exchange impacts are detailed on note 15

17. Trade and other payables

As at 31 December 2012 In EUR	Less than 1 month	Between 1 and 6 months	Between 6 months and 1 year	TOTAL
Trade payables (included interco)	8,603,558	-	-	**8,603,558**
Bank overdrafts	129	-	-	**129**
Payable on assets purchase	-	-	-	**-**
Tax liabilities	1,654,743	-	-	**1,654,743**
Accrued liabilities	128,991	1, 000,000	2,760,000	**3,888,991**
Debt on realized FX Forward agreement	1,041,600	-	-	**1,041,600**
Other current liabilities	541,092	-	-	**541,092**
Total	**11,970,113**	**1,000,000**	**2,760,000**	**15,730,113**

As at 31 December 2011 In EUR	Less than 1 month	Between 1 and 6 months	Between 6 months and 1 year	TOTAL
Trade payables (included interco)	2,894,023	-	-	**2,894,023**
Bank overdrafts	15,477	-	-	**15,477**
Payable on assets purchase	-	-	-	**-**
Tax liabilities	2,278,574	-	-	**2,278,574**
Accrued liabilities	315,776	600,000	464,600	**1,380,376**
Debt on realized FX Forward agreement	1,097,600	-	-	**1,097,600**
Other current liabilities	349,184	-	-	**349,184**
Total	**6,950,634**	**600,000**	**464,600**	**8,015,234**

18. Provisions for other liabilities and charges

As December 31st, 2012, the non current provision for other liabilities and charges is amounting of EUR 4.4 million. This amount is mainly composed of a provision of EUR 2.1 million for the Stein debt (EUR 1.7 million in 2011) and a provision of EUR 2.2 million for the litigation with the Croatian state (EUR 0 in 2011) . The claim for the litigation 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 27).

19. Administrative expenses and employee benefits

In EUR	Year ended 31 December 2012	 2011
Salaries (*)	(5,346,829)	(2,147,881)
Social security	(1,014,722)	(656,679)
Leases and rents	(590,489)	(206,562)
Building maintenance and utilities supplies	(76,187)	(56,209)
Communication and IT maintenance	(425,945)	(323,358)
Commissions, fees, consultancy, audit	(4,048,255)	(6,940,727)
Insurance	(186,360)	(221,063)
Travel expenses and representation costs	(1,509,845)	(1,372,040)
Advertising and marketing	(45,995)	(282,916)
Administration costs	-	(40,677)
Taxes other than income tax	(285,070)	116,115
Non recoverable VAT	-	(1,099,004)
TOTAL	**(13,529,697)**	**(13,231,000)**

(*) As of December 31st, 2012, the Company was employing 27 persons which can be splitted in 14 staff members and 13 managers.

20. Foreign exchange result

In EUR	Year ended 31 December 2012	2011
Foreign exchange result on loans with affiliated undertakings (notes 9 and 12)	1,734,787	(642,541)
Other foreign exchange result	57,641	(381,827)
TOTAL	**1,792,428**	**(1,024,368)**

21. Net gain / loss on disposal of financial assets

- **In 2012**

The Company sold shares in some of its subsidiaries and proceed with bonds restructuring generating a net gain of EUR 27 million; mainly due to a EUR 27 million gain on bonds restructuring which can be splited as follow: OG share capital increase and the issuance of the New Notes by the Company lead to a loss of EUR 13.6 million and EUR 20.0 million respectively. These losses were offseted by gain of EUR 58.2 million on the conversion of the debt into equity and by gain of EUR 2.5 million on contribution to a german subsidiary.

- **In 2011**

The Company sold shares in some of its subsidiaries generating a net gain of EUR 3.6 million; mainly due to a EUR 14.2 million gain on the sale of 69% of its shares in Sarakina Enterprises Company Ltd, a EUR 4.5 million gain on the sale of 70% of its shares in Karousa Enterprises Company Ltd, a EUR 5.8 million gain on the sale of 100% of its shares in Theonia Enterprises Company Ltd which are partially offset by a EUR 4.7 million loss on the sale of 100% of its shares in Orco Molcom BV and a EUR 16.1 million loss on the sales of 100% of its shares in Orco Russian Retail SA. As of December 31st, 2011, the outstanding receivable of the Molcom Group Sales amounting to EUR 39.7 million are recorded in the balance sheet as "Non current loans and receivables" that is expected to be received is guaranteed by pledge of shares sold.

22. Net gain / loss on financial assets at fair value through profit or loss

In EUR	Year ended 31 December 2012	2011
Change in fair value of financial assets (1)	(3,507,667)	112,141
Change in fair value and realized result on derivative instruments (2)	-	1,136,807
Change in fair value and realized result on current financial assets (3)	(375,890)	(102,320)
Gain (loss) on financial assets at fair value through profit or loss	**(3,833,556)**	**1,146,628**

- **In 2012**

(1) The change in fair value recorded in 2012, based on the net asset value as provided by the fund Manager in its report as at September 30, 2012, is mainly linked to the liquidity discount changes from 20 % in 2011 to 57.5%(see Note 8).

(3) Change in fair value and realised result on current financial assets relates to impairment of Paris Foncière Nord shares.

- **In 2011**

(1) Change in fair value of financial assets relates to a total net reversal of impairment on investment in Endurance Fund compartments for EUR 2.7 million (EUR 2.6 million reversal of impairment on Office sub-fund, EUR 0.2 million reversal of impairment on Residential sub-fund and EUR 0.1 million additional impairment on Office II sub-fund)

(2) Change in fair value and realised result on derivative instruments essentially relates to termination of other derivatives (IRS, options and forwards).

(3) Change in fair value and realised result on trading securities consist mainly of additional impairment on Novy Fund B shares for EUR 0.2 million

23. Other Net financial results

In EUR	Year ended 31 December 2012	2011
Other net finance charges	8,979,992	(254,655)
Gain (loss) on other financial results	**8,979,992**	**(254,655)**

- **In 2012**

  Other Net finance results consist mainly of the gain realized on the Other Capital Fund reimbursement from one of its Czech subsididiary (EUR 7.8 Million) and from the reversal of last written off on the VAT receivable (EUR 1.3 Million).

- **In 2011**

Other net finance charges consist mainly of the Millenius Indeminity (EUR 1.5 million) and the written off of our receivable following the sales of Orco Property Management A.S. (EUR 0.6 million) which is partially net off with the gain on Luxembourg VAT debt for EUR 0.7 million, gain on the reimbursement of CNP loan for EUR 0.5 million, written off of Izabella debt for EUR 0.4 million following Safeguard plan decision, gain following Rubin Arbitration for EUR 0.2 million and some other small items for EUR 0.1 million.

24. Income taxes

Since 12 February 2009, the Management has decided to relocate the management of the Company. The central administration of the Company is exercised from France. From a Luxembourg tax perspective, the migration of the central administration has triggered the following tax consequences:

- The tax residence of the Company is located in France since February 12, 2009 ("Transfer Date") based on the double tax treaty concluded between France and Luxembourg ("the Treaty") ;
- Due to the fact that the Company keeps accounting and legal teams in Luxembourg, the Company has a Luxembourg permanent establishment according to article 2.3. of the Treaty ;
- The transfer of the central administration leads to an allocation of the assets and liabilities of the Company between the Luxembourg permanent establishment and the French central administration ;
- The assets and liabilities allocated to the French head office are valued at their market value as of the Transfer Date.

The tax treatment deriving from the above-mentioned facts was confirmed with the Luxembourg tax authorities on July 29, 2009 and December 15, 2009.

Based on the above, from a Luxembourg tax compliance perspective, two periods have been considered:

- From January 1, 2009 to February 12, 2009; and
- From February 13, 2009 to December 31, 2009.

Since the fiscal year 2006 and in accordance with the Tax Pooling agreed by Luxembourg Tax Authorities on January 4, 2007, the Company is fiscally consolidated with some of its Luxemburgish subsidiaries held at 100%.

As at December 31, 2012, Orco Property Group S.A. as a consolidated fiscal entity in Luxembourg included the companies listed below:

- Orco Property Group S.A. (Fiscal number: 1993 2209 554);
- Orco Hotel Group S.A. (Fiscal number: 2003 2209 832) (Liquidated on December 2007);
- Orco Hotel Collection S.A. (Fiscal number: 2004 2201 228) (Liquidated on December 2007);
- Central Europe Real Estate Management S.A. ("CEREM") (Fiscal number: 2004 2212 645) (in Liquidation since December 2009);

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.

As at 31 December 2012, the Company has not recognized any deferred tax assets in one of its taxable entities.

Tax rates applicable to the taxable entities of the Company are detailed below:

	Income Tax Rates		Deferred Tax rates	
	2012	2011	2012	2011
France	33,33%	33,33%	33,33%	33,33%
Luxembourg	28,80%	28,80%	28,80%	28,80%

The income tax calculation of the Company is detailed below:

In KEUR	December 2012	December 2011
Profit /(Loss) before tax	**(53,841)**	**(51,849)**
Tax effects of:		
Allocation to Loss carry forward	53,841	51,849
Tax benefit / charge	**-**	**-**

25. Earnings per share

	31 December 2012	31 December 2011
At the beginning of the period	**17,044,105**	**13,964,411**
Shares issued	17,053,866	14,053,866
Treasury shares	(9,761)	(89,455)
Weighted average movements	**34,588,367**	**897,671**
Issue of new shares	34,600,970	821,918
Treasury shares	(12,603)	75,753
Weighted average outstanding shares for the purpose of calculating the basic earnings per share	**51,632,472**	**14,862,082**
Dilutive potential ordinary shares	**-**	**-**
Convertible bond	-	-
Weighted average outstanding shares for the purpose of calculating the diluted earnings per share	**51,632,472**	**14,862,082**
Net profit/(loss) attributable to owners of the Company (in KEUR)	**(56,428)**	**(51,849)**
Effect of assumed conversions / exercises	**-**	**-**
Convertible bond	-	-
Net profit /(loss) attributable to owners of the Company after assumed conversions / exercises (in KEUR)	**(56,428)**	**(51,849)**
Basic earnings in EUR per share	(1.09)	(3.49)
Diluted earnings in EUR per share	(1.09)	(3.49)

Basic earnings per share is calculated by dividing the profit / loss attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the Company 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.

26. Equity

Share capital

In EUR	Number of shares	Share capital	Share premium
Balance at 1 January 2011	**14,053,866**	**57,620,851**	**403,988,245**
Capital increase	3,000,000	12,300,000	14,700 000
Balance at 31 December 2011	**17,053,866**	**69,920,851**	**418,688,245**
Capital increase	90,787,096	372,227,093	226,809,210
Balance at 31 December 2012	**107,840,962**	**442,147,944**	**645,497,455**

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.

- **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 increased 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 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 purposes, these amounts were corrected in order to recognize the market value of each capital increase. Consequently, the total adjusted loss of EUR 342,150,612 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. This loss includes the gain on the conversion of OPG bonds into shares of EUR 58,180,596 realized as at 3 September 2012 (see note 19.1).

- **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.

Following the decision of the Board of Directors on November 14th, 2011, 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.

Convertible bonds

See note 13.2

Repayable subscription warrants

See notes 11.3 and 11.6.

Employee stock options

All existing stock options granted to employees on the 3 March 2006 expired during 2012.

Movements in the number of share options :

	2012		2011	
	Average exercic price in EUR	Number of options	Average exercic price in EUR	Number of options
Outstanding at the beginning of the year	**75.60**	**60,000**	**75.60**	**60,000**
Exercised	-	-	-	-
Expired	**-**	**(60,000)**	-	-
Outstanding at the end of the year	**-**	**-**	**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 years 2012 and 2011.

27. Contingencies

As at the date of publication of the stand alone financial statements, the Company has one litigation whichwould lead to a material contingent liability:

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. As of 31 December 2012, there is a EUR 10.0 million contingent liability for this litigation with the Croatian state.

The Company has given guarantee in the ordinary course of business to its affiliated undertakings to cover bank loans financing their real estate assets. No guarantees have been exercised in 2012 or in 2011. Since the beginning of the Safeguard procedure EUR 17.8 milion of guarantees have been called out of which a total EUR 1.2 million have been repaid since 2011. The current year payment is amounting of EUR 0.9 million.

<u>As of 31 December 2012</u>:

in EUR million	**2012**	**2011**
Uncalled guarantees required by banks accepted in the Safeguard plan	133.2	216.3
Guarantees required by banks post Safeguard plan	25.4	17.8

<u>Uncalled guarantees required by banks accepted in the Safeguard plan</u>

The total amount of security, as originally accepted in the Plan de Sauvegarde by the "juge commissaire" amounts to EUR 354.8 million. As a result of exercices, repayment of loans and asset sales the amount as of December 2012 is down to EUR 133.2 million (EUR 216.3 million as of December 2011), out of Which EUR 16.8 million have been exercised and have to be paid according to the safeguard amortization schedule.

<u>Guarantees required by banks post Safeguard plan</u>

New guarantees granted by the Company that would have to be paid immediately when called. EUR 0.9 Million relate to a construction loan in the Czech Republic that has been fully repaid in 2012 and the remaining has been mainly granted end of 2011 to the bank financing the construction of Zlota 44 for a total amount of EUR 23.8 miilion.

28. Capital and other commitments

- Capital commitments

- Orco Property Group S.A. entered into a Subscription Agreement with the Endurance Real Estate Fund for Central Europe. The Company subscribed to two sub-funds on the three existing sub-funds. As at 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 ,the Company is not expecting any capital call(liquidation will start on the 29th of March)

- EUR 3.4 million out of EUR 42.0 million subscribed for the office 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 EUR 35.0 million in 2011).

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

- Other commitments

In a decision taken on 3 March 2006, the Board of Directors granted to some members of the management of the Company a termination indemnity payment for a total amount of EUR 34 million (as at 31 December 2012 and 2011: remaining amount of EUR 16 million). This indemnity would become payable by the Company to the relevant management member only in case of change of control of the Company and in case the relationship between the Company and the management member is terminated by either party within a period of 6 months after the change of control.

29. 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 as the key management personnel of the Group. In 2012, the Executive Committee is made of 7 members (2011 : 7).

A total compensation given as short term employee benefits to the members of the Executive Committee employed by the Company or fully owned subsidiaries for the year 2012 amounted to EUR 5.2 Million (EUR 4.8 Million for the full year in 2011). This compensation includes an amount of EUR 750 thousand paid in cash with the obligation to reinvest immediately in the acquisition from the Company of treasury shares (such transactions are described under point c of this note). 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

In a decision taken in 2006, the Board of Directors of the Company granted to some members of the management of the Group a termination indemnity package for a total amount of EUR 34 Million. As a result of the reduction of the number of persons covered by this termination agreement as at 31 December 2012, the potential termination indemnity payment amounted to EUR 16 Million (EUR 16 Million as at 31 December 2011). This indemnity would become payable by the Company to the relevant management members only in case of change of control of the Company and in case the relationship between the Company and the management member is terminated by either party within a period of 6 months after the change of control.

An additional indemnity to some members of the management amounts to EUR 2.7 Million and is payable in the event of termination.

(b) Other transactions with key management personnel

On 16 February 2007, the Company has granted a loan of EUR 61,732 to Steven Davis, one former executive of the Company with maturity date on 1 March 2008. In 2009, the loan has been fully impaired as a result of the dispute on the termination of the employment contract of Steven Davis. As at 31 January 2012, 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 has 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, but accepted Mr. Davis's defense counterclaim for CZK 500,000. Orco Prague a.s. appealed the decision with respect to CZK 500,000. The court of appeals sided with Orco Prague's appeal and ordered Steven Davis to repay the remaining CZK 500,000. Mr. Davis paid the whole claim. 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 particular transactions with key management personnel

• **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 12). As at 31 December 2012, the Group's subscription to the office I, office II and residential sub-funds represent respectively 26.9 %, 15.7% and 14.8% of the total subscription (in 2011, 26.9 %, 15.7% and 14.8% respectively).

Orco's subsidiary remuneration from the office and residential and Office II sub-funds amounting to EUR 3.4 Million in 2012 (EUR 3.6 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.

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As at 31 December 2012, open invoices for unpaid management fees amounted to EUR 0.1 Million (EUR 4.3 Million as at December 2011). The investment process foresees that any investment proposed by the fund manager has first to be approved by the investment committee. This committee is made of a representative of each investor. The Company provided a subordinated bridge loan to BB C – Building E, k.s., a Czech subsidiary of the Endurance Fund, pursuant to the loan agreement dated 15 October 2010. The loan was used to cover an extraordinary payment required by the financing bank. The loan amounting to EUR 700,000 has a final repayment date of 26 August, 2013 and bears an annual interest of 30%.This loan was fully-paid during 2012(see note 9.2))

• **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 21.

• **Transactions with affiliated undertakings**

- Financial transactions

  The Company has global loan agreement with maturity date 31 December 2020 and bearing 6% interest with most of its affiliated undertakings (2011: 8%). These loans are all fully detailed (principal amount, accrued interest, impairments, interest rate, interest expenses or income, original currency and maturity) in notes related to loans to affiliated undertakings and to loans froms affiliated underatakings (see note 9 & 12).

- Operational revenues

  Services fees invoiced by the Company are amounting 6 778 K EUR (2011 : 7 457 K EUR):and are detailed as below :

  - Orco Germany S.A. : EUR 300,000 for the year 2012 (EUR 375,000 in 2011);
  - Orco Prague S.A. : EUR 5 263 377 for the year 2012 (EUR 6,126,345 in 2011);
  - Endurance Hospitality Finance S. à r.l. : EUR 898,882 for the year 2012 (EUR 859,708 in 2011);
  - Kosic S.à.r.l. : EUR 16,000 for the year 2012 (EUR 16,000 in 2011)
  - Foncière Paris Nord : EUR 250,000 for the year 2012 (EUR 0 in 2011)
  - Mamaison Management S.r.o.: EUR 50,000 for the year 2012 (EUR 79,998 in 2011).

  The Company has also signed sub-leasing agreements with all the companies which have their registered address at the Company address (including all subsidiaries).

- Operational expenses

  Services fees invoiced to the Company by its subsidiaries are detailed below:

  - Vinohrady S. à r.l. : EUR 0,00 for the year 2012 due to the cancellation of service agreement (EUR 800,000 in 2011);

30. Events after balance sheet date

30.1 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. As of 31 December 2012, there is a EUR 10.0 million contingent liability for the litigation with the Croatian state.

30.2 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 2.00 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 21 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.

30.3 Cash sweep on new Notes (Sky office)

OPG confirms the upcoming cash interest payment on the New Notes (ISIN XS0820547724) scheduled for 28 February 2013. In addition, OPG made 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.

30.4 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 4 February 2013 for a total sale price of EUR 8.7 million and the "Office II" Sub-fund has been sold on the 15 March 2013 for a total sale price of EUR 1.2 million.

30.5 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 at an average price of EUR 2.50 per share

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