ORCO

FINANCIAL INFORMATION 2012

Including the

Consolidated financial statements
&
Report of the Réviseur d'Entreprises

For the year ended as at 31 December 2012

ORCO PROPERTY GROUP

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

SUMMARY

PROPERTY GROUP
Financial Statements

Management Report as at 31 December 2012

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

1 Message from the management

Dear shareholders,

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

Massive deleverage

We have executed one of the largest debt to equity swap in Europe, converting some EUR 678 Million of corporate bond liabilities in new shares issued at EUR 6.6[1] and issuing a new note with a face value of EUR 73 Million, more adapted to our cash flow profile. This massive transaction, equivalent to a new equity raise at a premium to the prevailing share price, validates the value of our portfolio, strengthens our balance sheet and improves the attractiveness of our equity story.

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

We have also further reduced our leverage through selective asset sales and created value from active asset management and thanks to the progresses made on our on-going development projects. As a result, our overall LTV was reduced from 70% to 54%.

Property investments

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

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

Development

Our Development division encountered another year of losses in 2012, mostly resulting from impairment on our development assets and the accelerated sale of the Sky office building at a loss in order to ensure a timely refinancing of our GSG Berlin assets. Other properties 'held for development' suffered value decrease due to lack of investment. So did the Bubny site is due to the delayed master planning initiation, in a context of overall market slow down which could impact the absorption of the production. However, in early 2013, Bubny site saw key progress in the master planning steps and we are now within weeks of closing our Unibail Rodamco joint venture transaction, for what will become the leading shopping center of Central Prague. On the Zlota project, we are accelerating investments to complete it by year end and generate more than EUR 85 million of net cash from the end of 2014.

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

[1] Against EUR 2,30 as of March 22

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

Increased profitability

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

New corporate governance

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

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

Jean-François Ott,

President & CEO

Nicolas Tommasini

Deputy CEO, CFO

2 2012 and post-closing key events

2.1 Berlin GSG refinancing process finalized

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

2.2 Debt reduction by equitizing OG and OPG bonds

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

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

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

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

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

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

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

Exchange of 84.5% of OG bonds:

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

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

The OCA is in fact a bond redeemable in shares. The fair value of the equity instrument is determined by the difference between the fair value of the bonds issued and the net present value of the liability part. The fair value of the bond is determined with reference to the market price on the OCA issuance date of the OPG shares to be issued upon conversion of the OCA. The difference between the book value of the 84.5% of the OG bonds and the OCA, amounting to EUR 31.1 million, is recognized directly in financial income net of EUR 2.0 million of 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 of EUR 76.0 million represented by 26,209,613 new OPG shares at EUR 2.90 per share on 9 May 2012.

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

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

Restructuring of OG and OPG bonds by issuance of New Notes

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

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

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

2.3 Sale of Sky Office

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

2.4 Sale of Radio Free Europe Building in Prague

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

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

2.5 Initiation of Bubny master plan change

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

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

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

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

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

2.7 Towards the selective launch of new opportunistic development projects

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

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

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

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

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

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

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

3 Group strategy and objectives

3.1 Strategy update and 2013 outlook.

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

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

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

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

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

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

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

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

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

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

4 Market environment

4.1 Main macro-drivers

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

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

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

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

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

4.2 Global macro-economic conditions

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

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

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

2011 – 2014 CEE Historic and prospective GDP growth

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

Source: EUROSTAT

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

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

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

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

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

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

4.3 European investment activity and lending market[4]

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

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

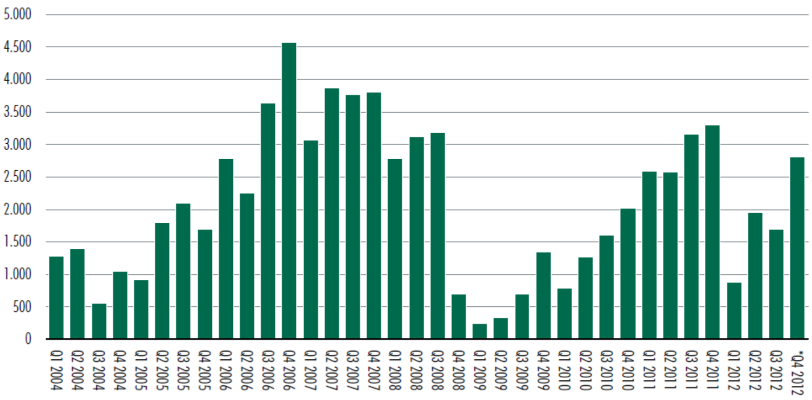
Nevertheless, low interest rates and solid distribution yields will positively impact the investment performance in the best markets such as Germany. 2013 is expected to be a more active year. The French and German markets are seeing more alternative lenders closing deals, with institutional lenders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

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

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

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

CEE investment turnover (euro million)



2013 outlook[3]

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

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

4.4 Interest rates and inflation expectations[5]

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

4 *CBRE* European Capital Markets Q4 2012

5 *ECB and Economic outlook KBC December 2012*

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

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

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

4.5 Cross-border investment activities[6]

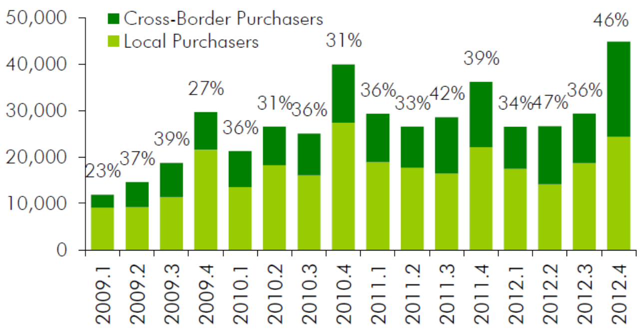
Over 2012, cross-border investment posted its highest annual total since 2008. Foreign investment in 2012 comprised about 41% of total investment activity, up approximately 4% from 2011 and 7% from 2010. The boost in foreign investment over Q4 2012 was largely driven by notable increases in activity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

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

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

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

Cross-Border investment in Europe (euro Million)



Source: CBRE

4.6 FOREX movements

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

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

Source forecast: ERSTE; KBC

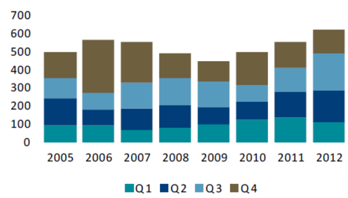
4.7 Selected market focus

4.7.1 Berlin office market[7].

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

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

Take-up Berlin by quarters, 000s sq m



6 *CBRE European Capital Markets Q4 2012*

7 *DTZ Property Times Berlin Q4 2012*

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

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

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

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

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

4.7.2 Berlin residential market[8].

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

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

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

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

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

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

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

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

4.7.3 Berlin retail market

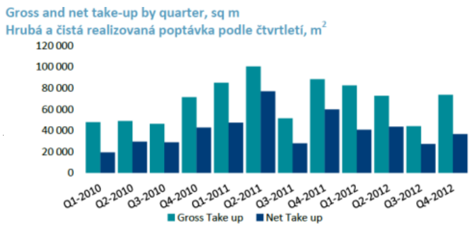
Berlin is also Germany's largest retail location in terms of area and turnover. However, in terms of per capita purchasing power, Berlin is the lowest of the main German cities, comparable to Duisburg or Erfurt. Retailers are flourishing and expanding following a boom in tourism. A new A+ retail location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

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

4.7.4 Prague office market [9]

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

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



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

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

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

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

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

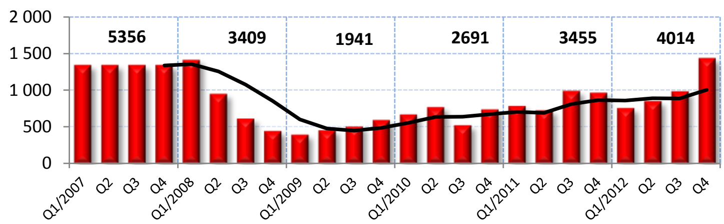
4.7.5 Prague residential market[10]

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

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

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

Apartments sold - Prague



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

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

4.7.6 Czech retail market[11]

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

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

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

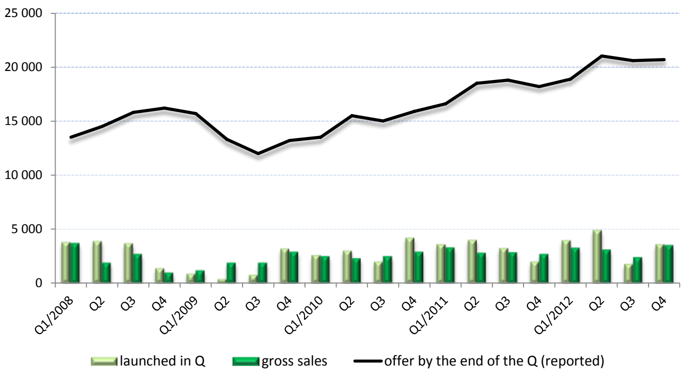
4.7.7 Warsaw residential market[12]

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

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

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

10 *Source* : D*evelopment companies reports and the Czech Statistic Office*
11 DTZ Property Times Czech Republic Retail Q4 2012
12 REAS Residential Market in Poland Q4 2012



4.7.8 Budapest office market[13]

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

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

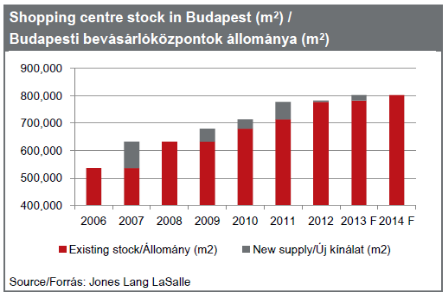
The overall vacancy rate decreased slightly in Q4 2012, but stands at 21%, showing a slight increase compared to 2011 due to the high share of renewals and low net take-up levels. This was reflected in the negative annual net absorption figure for 2012, a total of 26,150 SQM. Central locations have faced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

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

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

4.7.9 Budapest retail market[14]

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



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

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

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

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

5 Portfolio: Gross Asset Value and operational performance

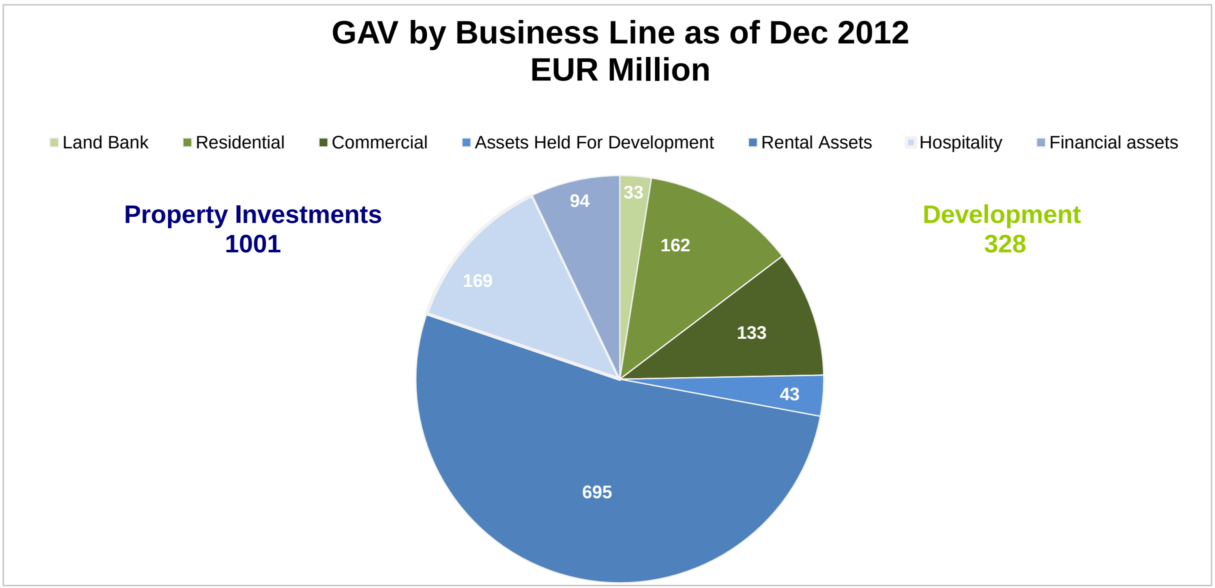
5.1 Total portfolio evolution

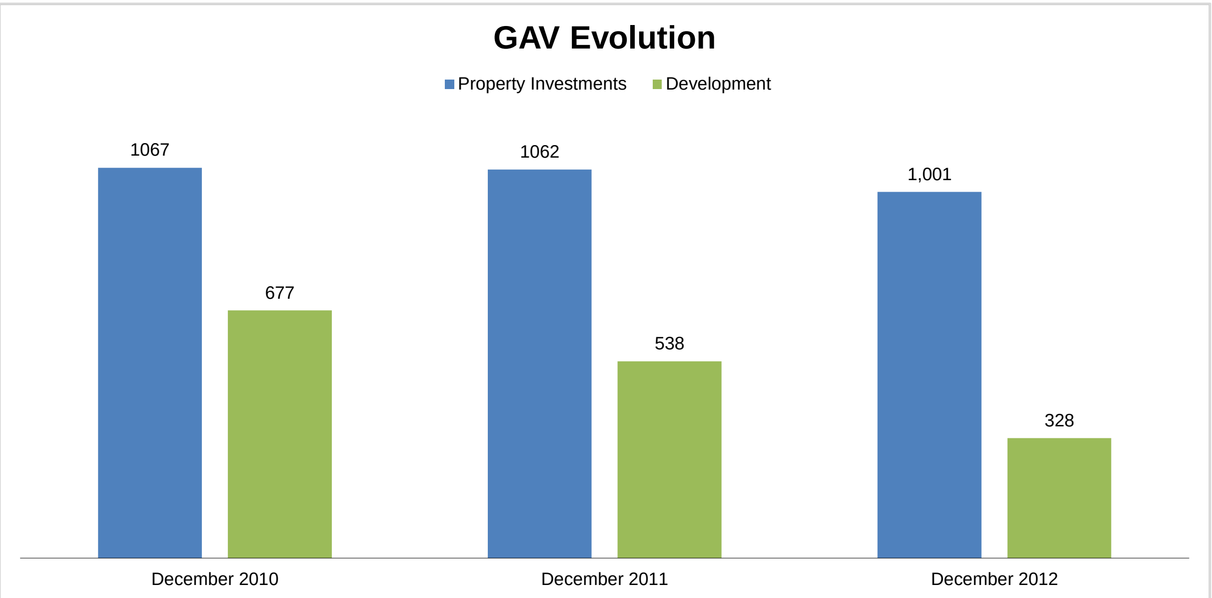
The Gross Asset Value ("GAV") corresponds to the sum of fair value of all real estate assets held by the Group on the basis of the scope of consolidation and real estate financial investments, including holdings in real estate funds, loans and receivables from third parties active in real estate and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

13 DTZ Property times Budapest Office Q4 2012

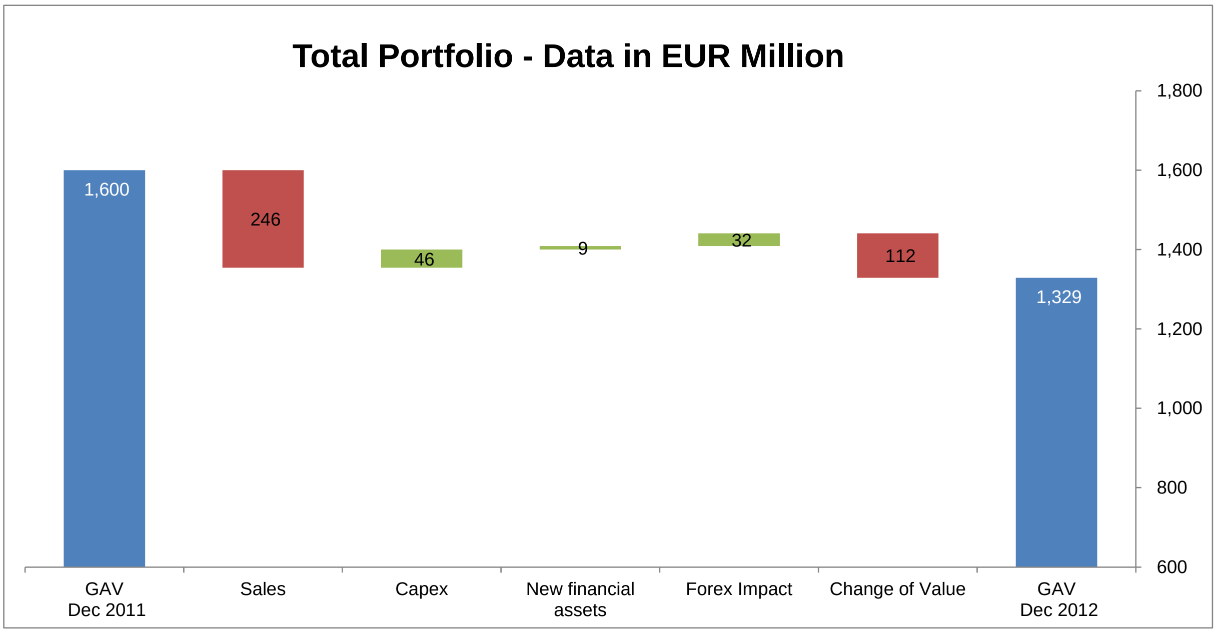
14 JLL Budapest City Report Q4 2012

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





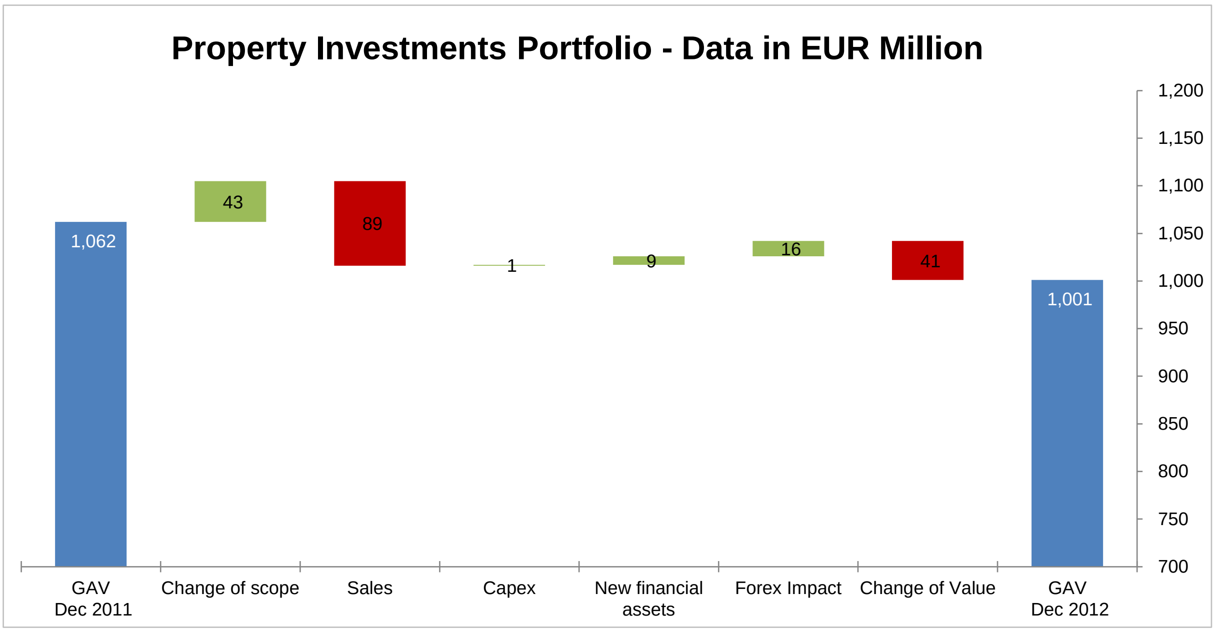
The EUR 271 Million variation results from asset and development sales amounting to EUR 246 Million, additional investment in projects under construction and permitting of land bank amounting to EUR 46 Million, a net positive exchange rate impact of EUR 32 Million and negative changes post exchange rate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



5.2 Property Investments evolution

5.2.1 Gross Asset Value

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



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

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

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

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

5.2.2 Rental assets and Assets held for development

5.2.2.1 Valuation change of rental assets

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

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

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

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

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

5.2.2.2 Valuation change of Assets Held for Development

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

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

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

5.2.2.3 Business review

The Group rental portfolio encompasses assets focusing on commercial buildings.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

5.2.2.4 EPRA indicators

5.2.2.4.1 Valuation data

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

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

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

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

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

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

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

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

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

5.2.2.4.2 Lease data

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

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

The analysis of this table requires the following comments:

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

5.2.2.4.3 Rental data

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

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

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

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

5.2.2.4.4 Like for like Net Rental Income

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

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

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

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

5.2.2.5 Description of the portfolio

Portfolio	Central Europe	Mixed portfolio

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

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

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

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

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

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

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

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

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

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

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

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

Portfolio	Berlin portfolio	Commercial & Residential

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

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

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

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

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

(1) Excluding Naunynstr. 68

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

Portfolio	Assets held for development	Mixed

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

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

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

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

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

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

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

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

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

5.2.3 Hospitality assets

5.2.3.1 Valuation change

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

- EUR 1 Million of asset disposal due to the sale of Cafe Pjaca part of the Suncani Hvar portfolio.
- EUR 4 Million of positive forex impact
- EUR 14 Million of negative net change in market value expressed in Euros.

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

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

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

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

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

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

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

5.2.3.2 Business Review

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

5.2.3.3 Main land Hospitality Portfolio

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

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

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

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

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

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

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

5.2.3.4 Sea Resort: Suncani Hvar Hotels

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

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

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

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

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

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

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

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

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

5.2.3.5 Description of the portfolio

Portfolio	Main land portfolio	Hospitality

Czech Republic

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

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

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

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

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

Hungary

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

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

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

Poland

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

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

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

Russia

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

Portfolio	Suncani Hvar	Hospitality

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

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

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

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

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

5.2.4 Financial assets

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

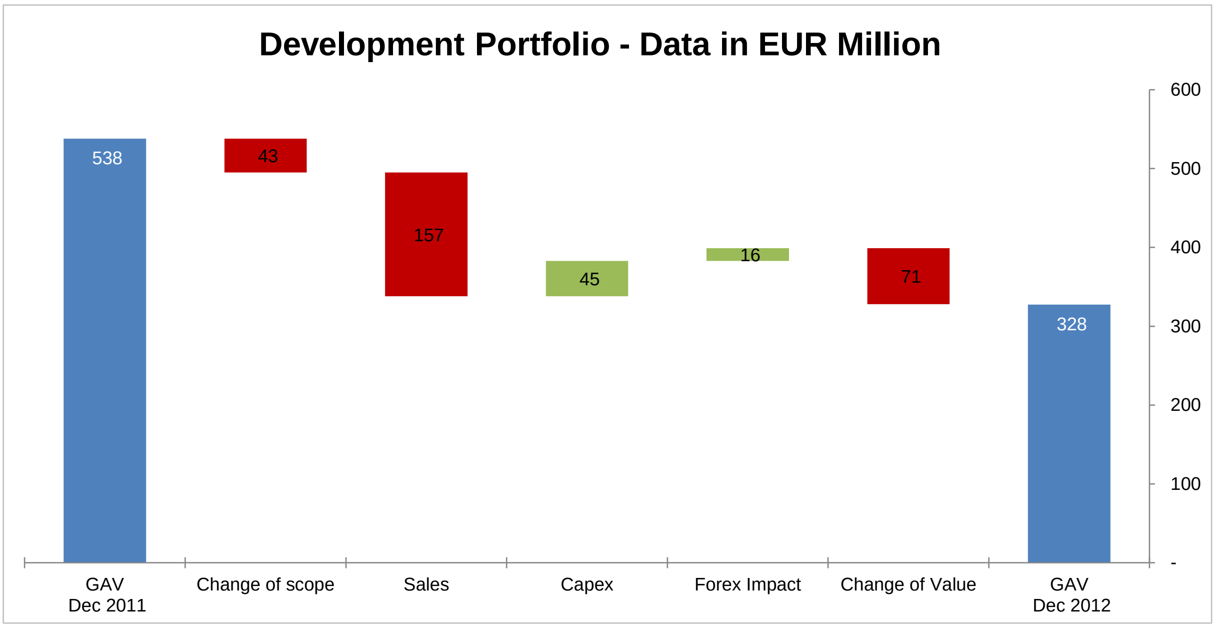
- EUR 4 Million of decrease due to the repayment of a loan granted by the Group to the endurance fund asset BB Centrum and partial repayments on the receivable relating to the Russian activities transaction.
- EUR 9 Million of increase with the addition of the Radio Free Europe USD 12 Million promissory notes.
- EUR 18.5 Million of decrease in value due to the impairment of the value of the Endurance fund units on the basis of the sale price of the transaction that occurred beginning of 2013 and the impairment of the 10% shares in the Russian Shopping center Filion. This impact is partially compensated by the increase in value of the PPL of the Joint venture with AIG and the addition of the actuarial interests on the Leipziger platz receivable.

5.3 Development evolution

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

5.3.1 Gross asset value

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



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

- EUR 43 Million decrease due to the transfer from Development of the shopping center Vaci 1 completed end of 2011 partially compensated by the launch of the conversion of the Berlin's portfolio rental asset Naunynstrasse 68 into a residential development.
- EUR 157 Million decrease of sales of completed residential units and land banks in Central Europe and of the commercial project of Sky Office in Dusseldorf (EUR 117 Million).
- EUR 45 Million of investments mainly driven by Zlota 44 in Warsaw and the launch of Mezihori in Prague.

- EUR 16 Million of positive currency conversion impact due to the weakening of Euro against the Central European currencies and in particular the Polish Zloty and the Czech Koruna.
- EUR 71 Million of net decrease in market value expressed in Euros.

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

5.3.2 Commercial

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

5.3.2.1 Valuation changes

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

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

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

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

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

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

5.3.2.2 Business review

Key Project held in portfolio as of December 2012

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

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

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

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

5.3.3 Residential

5.3.3.1 Valuation changes

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

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

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

Projects completed - Inventory

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

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

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

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

development comprises 284 apartments as well as retail space and underground car parking facilities (402 parking spaces). The buildings incorporate new power saving and environmental friendly solutions. As of December 2012, 86% of the total areas are delivered.

- Mokotowska 59: the Property comprises a site of 722 SQM, located in the Sródmiescie district of Warsaw, one of the City's most prestigious and prominent locations. This seven-floor building was previously used as a printing factory facility before being extended and offered a complete refurbishment. The Group changed the Property into a building comprising 14 luxury apartments with high level features. The project is 93% delivered as of December 2012.

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

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

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

Projects under construction

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

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

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

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

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

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

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

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

5.3.3.2 Business review

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

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

(1): Kosik at 50%

(2) :New order : the newly contracted units. Those units will be converted into revenue upon delivery

(3): Backlog : total amount of unit under contract but not yet delivered and inventory

(4): revenue generated by deliveries does not take into account the sale of the plot Pivovar Vrchlabi for EUR 2.2 Million.

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

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

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

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

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

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

5.3.4 Land bank and assimilated

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

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

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

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

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

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

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

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

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

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

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

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

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

6 E-business

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

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

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

6.1 Property investments and development activities

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

Some website figures in 2012

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

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

6.2 Hospitality

Suncani Hvar Hotels (SHH)

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

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

Main land hospitality portfolio

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

7 Liabilities and financial profile

7.1 Cash and cash equivalents

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

7.2 Loan to value

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

	December 2012	December 2011
Non current liabilities		
Financial debts	451,420	239,225
Current liabilities		
Financial debts	223,697	620,835
Current assets		
Current financial assets	(37)	(29)
Liabilities held for sale and discontinued activities	9,792	15,892
Cash and cash equivalents	(25,203)	(37,095)
Net debt	**659,670**	**838,829**
Investment property	791,881	872,316
Hotels and owner-occupied buildings	130,580	142,659
Investments in equity affiliates	8,738	17,829
Financial assets at fair value through profit or loss	17,918	28,958
Financial assets available-for-sales	9,466	-
Non current loans and receivables	64,486	66,666
Inventories	265,497	382,279
Assets held for sale and discontinued operations	6,736	24,129
Revaluation gains (losses) on projects and properties	41,848	69,521
Fair value of portfolio	**1,337,149**	**1,604,356**
Loan to value before bonds and New Notes	**49.3%**	**52.3%**
Bond&New Notes	59,454	283,302
non current	*59,193*	*163,378*
current	*261*	*119,924*
Accrued interests	354	2,329
Loan to value after bonds and New Notes	**53.8%**	**70.1%**

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

7.3 Financial liabilities

Financial liabilities amount to EUR 744 Million including EUR 667 Million relate to bank loans including the bank debt related to the project Szcecin classified as at 31.12.2012 in discontinued operations for EUR 4 Million (the bank debt is included in the financial liabilities in discontinued operations for EUR 10 Million) , EUR 59 Million relate to safeguard bonds and New Notes issued by the Company recognized initially at fair value and amortised at effective rate interest corresponding to a nominal value of EUR 73 Million, EUR 11 Million relate to loans from joint venture partners and finance leases. 32% of the bank loans still relate to non-income producing land bank and projects under construction.

Financial liabilities decrease by EUR 415.4 Million. Apart from the bonds' restructuring which decreased the Group liabilities by EUR 225.8 Million taking into account the issuance of the New Notes for EUR 55.1 Million and the actuarial interests for EUR 29.0 Million as described in note 2.2 the decrease of financial liabilities results from the repayment of bank loans upon sale of inventories and investment properties (EUR 153.9 Million), partial repayment of GSG upon refinancing (EUR 36.7 Million) and the deconsolidation of the bank financing following the bankruptcy of Jozefoslaw (EUR 5.1 Million). Regular amortization (EUR 9.9 Million), increase in capital by debt incorporation (EUR 2.9 Million) and other repayment on other borrowings (EUR 1.5 Million) This is partially compensated by new drawdowns on Zlota for EUR 6.1 Million and Mezihori for EUR 1.9 Million and by foreign exchange differences (EUR 10.8 Million).

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

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

Analysis of maturities of financial debts

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

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

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

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

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

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

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

8 EPRA Net Asset Value

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

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

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

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

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

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

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

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

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

[15] *Cumulative Translation Adjustment*

9 Full Year 2012 Financial Results

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

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

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

9.1 Consolidated income statement

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

9.2 Revenue by Business line

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

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

9.2.1 Development

9.2.1.1 Residential

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

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

The main contributors to the revenue are:

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

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

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

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

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

9.2.1.2 Commercial

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

9.2.2 Property Investments

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

9.2.2.1 Rental

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

9.2.2.2 Hospitality activities

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

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

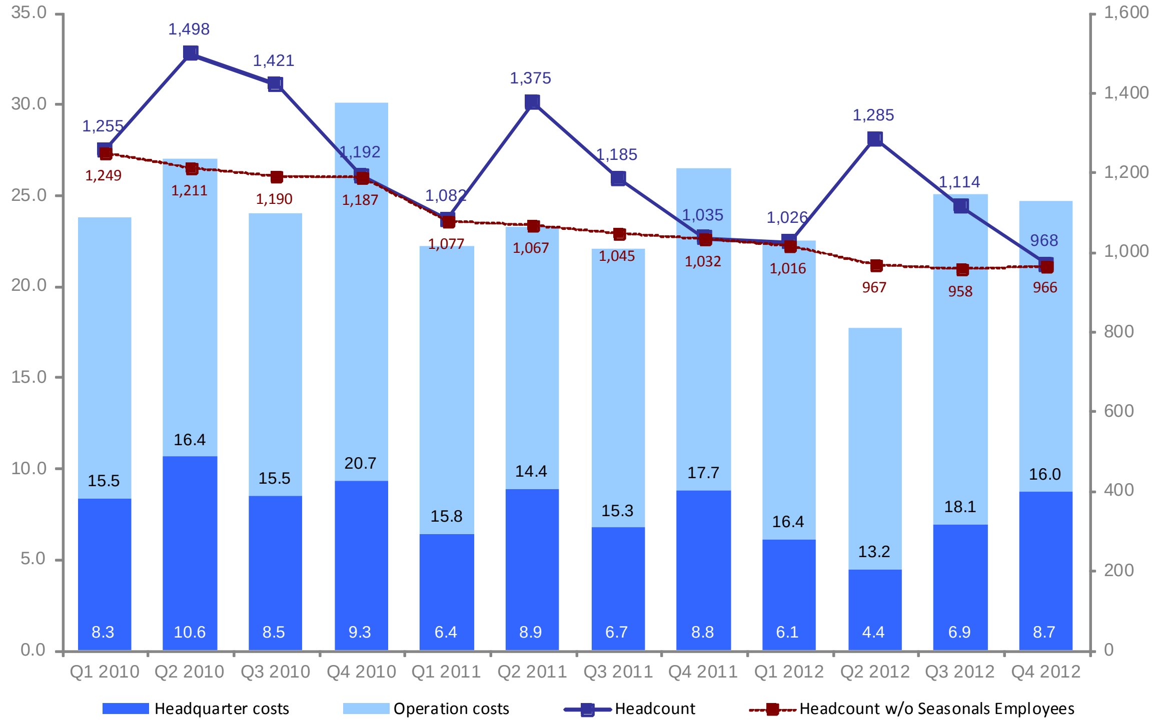
9.2.3 Operating expenses and Employee benefits

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

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

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

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



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

9.2.4 Net gain or loss on disposal of assets

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

9.2.5 Valuation adjustment, impairments, amortization and provisions

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

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

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

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

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

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

9.2.6 Operating result

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

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

9.2.7 Adjusted EBITDA

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

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

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

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

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

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

9.2.8 Financial result

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

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

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

Other net financial results

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

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

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

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

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

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

9.2.9 Share profit or loss from equity affiliate and discontinued operations

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

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

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

9.2.10 Income taxes

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

9.3 Balance sheet

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

EQUITY & LIABILITIES	31 December 2012	31 December 2011
EQUITY	**433,039**	**271,198**
Equity attributable to owners of the Company	**425,712**	**259,532**
Non controlling interests	**7,327**	**11,666**
LIABILITIES	**996,832**	**1,427,174**
Non-current liabilities	**648,350**	**509,439**
Bonds	59,193	163,380
Financial debts	451,420	239,225
Provisions & other long term liabilities	36,404	14,326
Deferred tax liabilities	101,334	92,508
Current liabilities	**348,482**	**917,735**
Current bonds	261	119,923
Financial debts	223,697	620,835
Trade payables	26,085	16,366
Advance payments	32,752	35,250
Derivative instruments	8,323	41,153
Other current liabilities	47,571	68,316
Liabilities linked to assets held for sale & Discountinued operations	9,792	15,892
TOTAL	**1,429,871**	**1,698,373**

9.4 Cash flow statement

	31 December 2012	31 December 2011
OPERATING RESULT	**(28,775)**	**39,945**
Net gain / loss from fair value adjustments on investment property	8,184	(19,560)
Amortization, impairments and provisions	58,454	20,464
Net result on disposal of assets	(1,403)	(10,547)
Adjusted operating profit / loss	**36,460**	**30,302**
Financial result	(1,607)	(481)
Income tax paid	(993)	(4,445)
Financial result and income taxes paid	**(2,600)**	**(4,926)**
Changes in operating assets and liabilities (*)	**119,261**	**14,084**
NET CASH FROM /(USED IN) OPERATING ACTIVITIES	**153,121**	**39,460**
Capital expenditures and tangible assets acquisitions	(4,062)	(14,009)
Proceeds from sales of non current tangible assets (**)	82,255	100,469
Purchase of intangible assets	(884)	(142)
Loan repayment received from joint-ventures	-	300
Deferred consideration repayment received from long-term receivables (***)	2,897	-
Dividends received from joint-ventures	-	889
Proceeds from discontinued transactions	-	12,257
NET CASH FROM INVESTING ACTIVITIES	**80,206**	**99,764**
Net issue of equity instruments to shareholders / Repayment on third party transactions	(1,525)	(3,347)
Purchase of treasury shares and change in ownership interests in subsidiaries	(882)	(1,500)
Proceeds from borrowings	275,256	40,884
Net interest paid	(38,145)	(51,194)
Restructuring fees	(6,733)	-
Repayments of borrowings	(473,578)	(138,127)
NET CASH USED IN FINANCING ACTIVITIES	**(245,607)**	**(153,284)**
NET INCREASE/(DECREASE) IN CASH	**(12,280)**	**(14,060)**
Cash and cash equivalents at the beginning of the year (****)	37,095	53,439
Cash and cash equivalents at the beginning of the year of assets reclassified to assets held for sale (*****)	-	(1,905)
Exchange difference on cash and cash equivalents	388	(380)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (****)	**25,203**	**37,094**

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

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

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

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

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

9.5 Annual statutory financial information

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

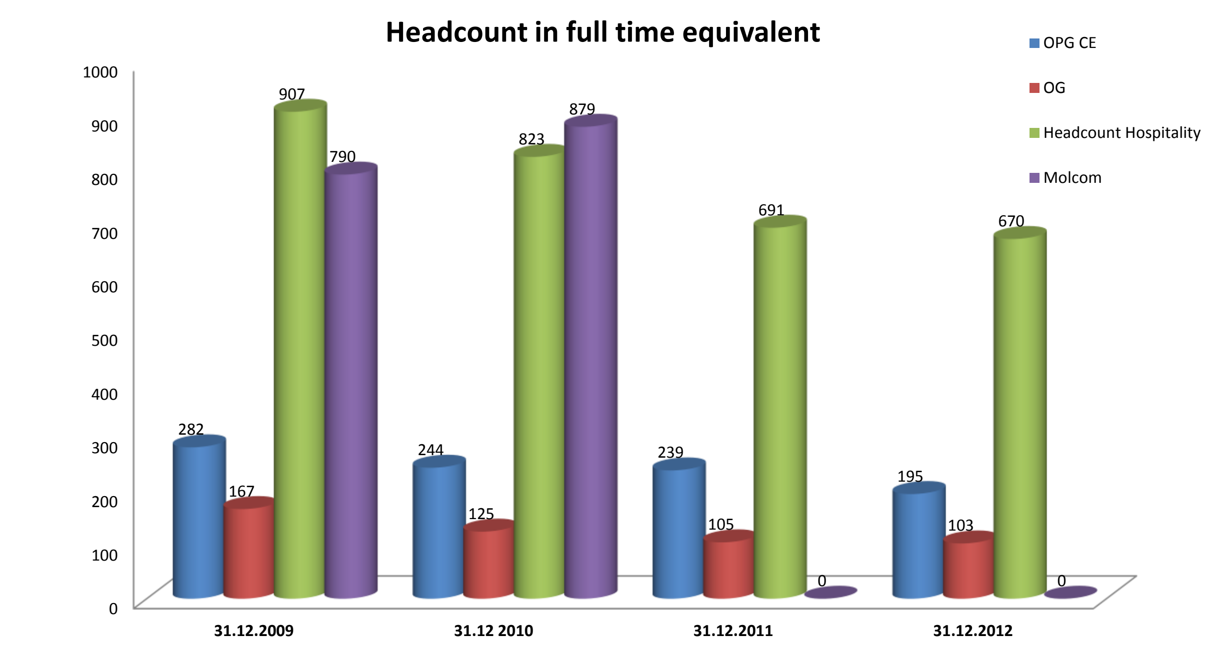
As of December 2012 the total assets of the Company amount to EUR 506.6 Million compared to EUR 475.2 Million as of December 2011. The net equity amounts as of December 2012 to EUR 364.6 Million including a loss brought forward of EUR 727.1 Million vs EUR 272.9 Million as of December 2011.

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

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

10 Human resources

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



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

11 Corporate governance

11.1 Principles

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

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

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

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

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

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

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

11.2 Board of Directors

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

11.2.1 Appointment of Directors

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

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

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

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

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

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

11.2.2 Current Board of Directors

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

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

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

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

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

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

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

11.2.3 Powers of the Board of Directors

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

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

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

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

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

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

11.2.4 Deliberations

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

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

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

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

11.2.5 Delegations of powers to Managing Directors

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

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

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

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

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

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

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

11.2.6 Signatory powers within the Board of Directors

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

11.2.7 Training of members of the Board of Directors

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

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

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

11.3 Committees of the Board of Directors

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

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

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

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

11.3.1 Audit Committee

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

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

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

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

11.3.2 Remuneration, Appointment and Related Party Transaction Committee

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

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

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

11.3.3 Strategic and Organization Committee

The members of the Strategic and Organization Committee were Mr. Alexis Juan (Chairman), Mr. Jean-Francois Ott, Mr. Nicolas Tommasini, Mr. Aleš Vobruba, Mr. Silvano Pedretti, Mr. Gabriel Lahyani, Mr. Bertrand Des Pallieres and Mr. Richard Lonsdale-Hands until the departure of Mr. Vobruba on 25 May 2012, the departures of Mr. Pedretti, Mr. Richard Lonsdale-Hands and Mr. Lahyani on 28 June 2012 and the departure of Mr. Bertrand Des Pallieres on 3 January 2013. The Strategic and Organization Committee presents the status of major decisions and actions on costs savings and on major investment projects.

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

11.3.4 Management of the Company (Executive Committee)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Brad Taylor, General Counsel, has been a licensed attorney in the United States since 1998 and practiced law with Akin Gump Strauss Hauer & Feld in Houston and Greenberg Traurig in Dallas. He then worked with private equity firm Holland Park Capital in Austin before moving to Paris in 2007 to work with Orco Property Group. Mr. Taylor obtained a Bachelor of Commerce from McGill University, a Juris Doctor from Baylor University School of Law, an MBA from INSEAD and also studied law of the European Union and International Law at Cambridge University.

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

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

In 2012, the Executive Committee held 4 meetings.

11.4 Description of internal controls relative to financial information processing.

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

11.4.1 Control Environment

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

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

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

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

11.5 Remuneration and benefits

11.5.1 Board of Directors

See note 31 to the consolidated financial statements.

11.5.2 Executive Committee

See note 31 to the consolidated financial statements.

11.5.3 Employee stock options

See note 27 to the consolidated financial statements.

11.6 Corporate Governance rules and regulations

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

There is no restriction on voting rights.

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

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

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

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

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

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

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

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

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

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

11.7 Additional information

11.7.1 Legal form and share capital

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

11.7.2 Date of incorporation and termination

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

11.7.3 Jurisdiction and applicable laws

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

11.7.4 Object of business

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

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

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

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

11.7.5 Trade register

RCS Luxembourg B 44 996.

11.7.6 Financial year

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

11.7.7 Distribution of profits and payment of dividends

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

Payment of dividends:

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

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

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

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

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

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

11.7.8 Exceeding a threshold

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

11.7.9 Documents on display

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

1. Articles of Association of the Company;

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

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

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

11.8 External Auditors

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

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

12 Shareholding

12.1 Share capital and voting rights

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

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

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

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

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

12.2 Shareholder holding structure

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

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

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

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

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

12.3 General meetings of shareholders

12.3.1 Ordinary general meetings of shareholders

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

12.3.2 Extraordinary general meetings of shareholders/bondholders

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

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

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

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

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

12.4 Stock subscription rights

See note 27 to the consolidated financial statements.

12.5 Authorized capital not issued

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

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

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

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

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

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

12.6 Transactions on treasury shares

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

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

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

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

Acquisitions in 2012:

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

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

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

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

Total: 930,490 OPG shares

Sales and commitments in 2011:

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

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

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

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

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

Transactions on treasury shares in 2011

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

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

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

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

Acquisitions in 2011:

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

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

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

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

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

Total: 1,068,425 OPG shares

Sales and commitments in 2011:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

27. On 8 June 2011 ORR sold 963 OPG shares

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

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

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

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

13 Potential risks and other reporting requirements

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

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

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

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

13.2 Activities in the field of research and development

Not applicable

13.3 Financial Risks Exposure

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

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

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

13.3.1 The Group is exposed to financing risk

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

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

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

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

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

13.3.3 Certain subsidiaries may be in breach of loan covenants

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

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

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

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

13.3.5 Market risk

Foreign exchange risk

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

Price risk

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

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

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

Interest rate risk

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

Other risks

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

13.3.6 Credit risk

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

13.3.7 Risks associated with the implementation of the Safeguard plan

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

13.3.8 Risks associated with real estate and financial markets

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

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

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

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

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

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

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

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

14 Stock market performance

14.1 Shares of the Company

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

Prices are in EUR/share:

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

14.2 Other financial instruments of Orco Property Group

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

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

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

15 Corporate Responsibility

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

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

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

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

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

16 Table of location of EPRA indicators

Property Investments – Valuation data	Page 15
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EPRA Net Asset Value	Page 32

17 Glossary & Definitions

Adjusted EBITDA

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

Average daily rate (ADR)

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

EPRA

European Public Real Estate Association.

EPRA NAV per share

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

EPRA Net Initial Yield

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

EPRA NNNAV or EPRA Triple Net Asset Value

A company's adjusted per-share NAV.

Methodology:

The triple net NAV is an EPRA recommended performance indicator.

Starting from the NAV following adjustments are taken into consideration:

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

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

EPRA Vacancy rate

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

Estimated rental value (ERV)

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

Gross asset value (GAV)

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

Gross Lettable Area (GLA)

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

Gross operating profit (GOP)

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

Gross rental income

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

Interests Cover Ratio (ICR)

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

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

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

Market value

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

Net Lettable Area (NLA)

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

Net rental income

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

Occupancy rate (sq.m)

The ratio of leased premises to leasable premises

Passing rent

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

Reversion

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

Vacancy

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