

ORCO PROPERTY GROUP S.A.
Société Anonyme
UNAUDITED FINANCIAL INFORMATION
for the year ended 31 December 2013



PROPERTY GROUP

Unaudited Financial Statements

Management Report as at 31 December 2013

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ORCO Property Group (the "Company" or "ORCO" or "Orco" or "OPG", and together with its subsidiaries as the "Group") is a real estate investor and developer established in Central and Eastern Europe since 1991, currently owning and managing assets of approximately EUR 1.0 billion. The Group has a strong local presence in its main markets, namely Prague, Berlin, Warsaw as well as offices in Budapest and Hvar (Croatia).

1 Message from the management

Dear shareholders,

After the recent major management restructuring the Group is on the verge of major activities restructuring in order to face its critical liquidity risks and to adjust its managing structure to the scope of its remaining activities. Your new management is currently working on the new business plan that would allow the Group to face its short, medium and long term engagements as well as establish sustainable operating cash flow and create value for its shareholders.

Over 2013, the Group recorded a total of EUR 252 Million provisions, impairments and valuation adjustments. This material amount has been triggered by various reasons fully detailed in the financial statements and mainly result from the Group failure on major residential projects, difficulties to collect its long term receivables and going concern uncertainties of some subsidiaries. The impairment on the Zlota 44 residential project represents alone more than half of that amount.

Those difficulties not only generate non-cash impairments but also trigger high liquidity risks as described in the going concern note of the financial statements. Your management is particularly concerned by the potential guarantee calls from the banks financing the Zlota 44 project and the Budapest portfolio. The Board of Directors decided to sell some assets in order to be able to face these risks. An independent advisor has been appointed in order to proceed with the sale of some or all Orco Germany shares. After the loss of control following the capital increases, the Group has no direct access to the cash available in the former German sub-group. The results of this deconsolidation will be evident in the financial statements for Q1 2014 which will be released on May 28th according to the financial calendar.

The coming months will be dedicated to the restructuring of the remaining Central European portfolio and the definition of the scope of activities by mainly:

- selling Zlota 44 project as is;
- screening the portfolio in order to identify the assets that should be kept and/or developed and the assets that should be sold in order to support the turnaround of the portfolio;
- solving the refinancing issues of Suncani Hvar, the hospitality joint venture, Capellen, the Budapest portfolio and the Polish portfolio.

Those changes to the Group scope of activities will require also major changes in the Group organization and headquarter structure. During 2013, the offices of Paris and Budapest have been closed and the one of Luxembourg has been materially shrunk. Your management will continue to restructure the group administration in order to reach industry ratios of profitability.

Tomas Salajka, CEO

Jiri Dederá, Managing Director

2 2013 and post-closing key events

2.1 ORCO GERMANY S.A. capital increases

On 29 November 2013 the OG Board of Directors decided to raise up to EUR 100 Million pursuant to the authorization granted to it by its shareholders during the extraordinary general meeting of 26 April 2012. On 4 December 2013 114,600,000 new shares were issued to Tandis, a.s., an entity affiliated with Mr. Radovan Vitek, at a subscription price of EUR 0.47/share. Certain shareholders of OPG challenge this capital increase in court proceedings in Luxembourg.

On 3 March 2014 the OG Board of Directors resolved to proceed with further capital raising. Stationway Properties Limited ("Stationway"), an entity affiliated with Mr. Jean-François Ott, subscribed to and paid for 76,600,000 new ordinary shares at a subscription price of EUR 0.47/share. 76,600,000 new shares were issued on 5 March 2014. Certain shareholders of OPG challenge this capital increase in court proceedings in Luxembourg.

In addition to the EUR 54 Million that was paid by Tandis, a.s., a total of EUR 90 Million have now been raised together with EUR 36 Million paid by Stationway.

On 3 March 2014, the OG Board of Directors also resolved to increase its capital raising goal from EUR 100 Million to EUR 126 Million so that it could raise an additional EUR 36 Million pursuant to the authorization granted to it by its shareholders during the extraordinary general meeting of 26 April 2012. The primary uses of the proceeds raised in these capital increases will be the investment and financing of various projects within the OPG and OG group.

The offer to subscribe to an additional EUR 36 Million capital raise is made at the subscription price of EUR 0.47/share for a total of 76,600,000 new ordinary shares. This offer has been opened to all shareholders of OPG holding at least 0.5% of the total outstanding OPG shares at 23:59 on 4 March 2014. The implementation of this capital increase is subject to regulatory requirements and the share issue is expected on 30 April 2014.

As a result of the capital increase subscribed by Stationway, OPG has been diluted under the 50% ownership threshold in OG. Furthermore, the potential capital increase by other OPG shareholders and the expected sale of OG shares in order to cover the Group liquidity risks will lead OPG to not have a direct

access to the cash flow of the OG sub-group that not be consolidated anymore. As at December 2013, the OG sub-group was contributing to the OPG group cash position for EUR 52 Million out of EUR 89 Million total consolidated cash position.

Those transactions will require also major changes in the OPG group organization and headquarter structure in order to adjust to the new scope of activities.

2.2 New CEO and Management Team for Orco Property Group

On 18 March 2014, the Company's Board of Directors decided to dismiss and to terminate the executive contracts of Jean-François Ott, Nicolas Tommasini, Aleš Vobruba and Brad Taylor. Following negotiations and approvals from the Board of Directors of 26 March 2014, the Group and the former management agreed on 27 March 2014 on a confidential settlement and mutual general release agreement by which the Group settled all the existing and future potential obligations and claims arising from the termination and the holding of warrants by the former management. Under this settlement agreement, the former executives will receive EUR 7,150,000 in cash (EUR 1,150,000 to be paid in cash by Orco Germany SA). In addition, settlements in kind (non-core assets) were agreed with the former management to transfer the Pachtuv Palace hotel in Prague and the Hakeburg property in Berlin (with their related assets and liabilities) at the net asset value as of 31 December 2013 of EUR 8,400,000 including all related shareholders' loans granted by the Group. As a result of the settlement agreement, Jean-François Ott, Nicolas Tommasini, Aleš Vobruba and Brad Taylor resign from all their Board positions and particularly from OPG and OG boards.

On 18 March 2014, the Company's Board of Directors decided to appoint Tomáš Salajka as CEO and Jiří Dederá as Managing Director of the Company. As of the date of this report, the Executive Committee of the Company is composed of three members, Mr. Salajka, Mr. Dederá and Mr. Désiront.

Mr. Tomas Salajka was previously appointed as Deputy CEO and COO of the Company. Before joining the Company Tomas was working as the Head of Asset Management and Sales CEE in GE Real Estate over the past 10 years. Tomas is also Secretary of the Board and Deputy CEO of OG

Mr. Jiri Dederá was previously appointed Deputy CEO of the Company. Before joining the Company Jiri was working as the Investment Director in CPI. Jiri has also been a Director of the Company since 4 February 2013 and is a member of the Company's Audit Committee.

2.3 Orco's Hungarian subsidiaries open insolvency proceedings

On 13 December 2013 three Hungarian subsidiaries of the Company requested the opening of insolvency reorganization proceedings with the Metropolitan Court in Budapest. The respective subsidiaries hold the assets known as the Paris Department Store, Váci 1 (former stock exchange building) and Szervita. The reorganization filing takes place after an unsuccessful negotiation with the financing bank to restructure the debt. The 120 day moratorium provided by the reorganization procedure affords these subsidiaries with the possibility to settle with their creditors, including the financing bank. The creditors committee agreed on 14 March 2014 to extend that restructuring period by another 120 days.

2.4 Orco resumes international arbitration proceedings against Croatian Centre for Restructuring and Sales regarding Suncani Hvar

As of 16 December 2013, the Company has resumed the ICC International Court of Arbitration proceedings against the department of the State of Croatia known as the Centre for Restructuring and Sales (formerly known as "Audio") regarding the arbitration that was filed on 28 December 2012. These proceedings were suspended on 22 July 2013 pursuant to the terms of a Memorandum of Understanding ("MOU") while the parties attempted to reach a settlement. The MOU has expired without a settlement and as such Orco has resumed the arbitration proceedings.

On 11 March 2014, a Suncani Hvar shareholders' general meeting has been held in Zagreb. Suncani Hvar's Management Board informed the shareholders that the operational restructuring that has been completed which has led to a growth in all business segments over the last three years. Even though, for the last two years, Suncani Hvar has achieved an operational profit according to international hospitality industry standards, its existence continues to be jeopardized by substantial indebtedness. Financial restructuring is urgently needed.

Unfortunately, most corporate and financial restructuring agenda points that were proposed by Suncani Hvar's largest shareholder, OPG were defeated because Suncani Hvar's state-owned shareholder DUUDI voted against them. Suncani Hvar's Management Board and Supervisory Board strongly urged DUUDI to vote in favor of these restructuring points not only to ensure that Suncani Hvar would have the flexibility to convert various corporate debts into equity and potentially increase its share capital but also to ensure that the company's employees would be secured. OPG also urged CERP during the general meeting to agree to a pause in the meeting so that the parties could discuss and agree on the proposed restructuring measures, but DUUDI refused and proceeded to vote against the restructuring measures.

Suncani Hvar reserves all of its legal rights and is considering all available options at this time to protect its integrity and business, including but not limited to a pre-bankruptcy settlement.

2.5 Changes in the Board of Directors

On 20 December 2013 Mr. Alexis Juan resigned from the board of directors of the Company.

The general meeting of Company's shareholders held on 6 January 2014 resolved to remove the following directors from the board of directors of the Company: Nicolas Tommasini, Guy Shanon and Ian Cash. The Meeting also acknowledged the resignation of Alexis Juan from the board of directors as of 20 December 2013. The validity of the Meeting is challenged by some shareholders in front of a court in Luxembourg. Certain shareholders contest the validity of the general meeting held on 6 January 2014 in Luxembourg. As of the date of this report proceedings are pending in front of the Luxembourg courts in this respect.

The board of directors of the Company is now comprised of 5 members: Jiri Dederá, Edward Hughes, Jean-Francois Ott, Radovan Vitek and Guy Wallier.

2.6 Implementation of reserved capital increase

On 26 July 2013, the Board of Directors approved a reserved capital increase by 6,666,667 new OPG shares at a price of EUR 2.25 per share, raising a total of EUR 15 Million for the Group, subscribed by the Company largest shareholders, namely Gamala Limited, Kingstown Capital Management, LP, Alchemy Special Opportunities Fund II L.P. and Stationway Properties Limited. The new shares were issued on 28 August 2013 and OPG's share capital has increased from EUR 215,681,924 represented by 107,840,962 shares to EUR 229,015,258 represented by 114,507,629 shares. The new shares were listed on the regulated market of NYSE Euronext Paris on 29 August 2013 and are expected to be listed on the regulated market of the Prague Stock Exchange on 30 August 2013. The admission and listing of the new shares on the regulated market of the Warsaw Stock Exchange will follow upon completion of procedural and legal formalities.

Jean-François Ott, President and CEO of Orco stated: "This reserved capital increase will give Orco resources it needs for optimal development of its assets and demonstrates the confidence of its major shareholders in the long term prospects of the company."

2.7 EGM's approval of the increase of the Company's authorized share capital

On 27 June 2013, the extraordinary general meeting approved resolution to increase the Company's authorized share capital to EUR 278,992,584, which gives the Board of Directors the authority to increase the share capital by up to EUR 63,310,660 from its present amount of EUR 215,681,924, for the purposes of issuing (i) 5,000,000 shares under a management long term incentive plan, (ii) 6,666,667 shares to the Company's majority shareholders (Gamala Limited, Kingstown Capital, LP, Alchemy Special Opportunities Fund II L.P., Crestline Ventures Corp. and Stationway Properties Limited) at a price of EUR 2.25 per share in a reserved capital increase, (iii) 4,988,663 shares to warrant holders upon the exercise of warrants of the Company and (iv) 15,000,000 shares under an equity line / PACEO.

2.8 Disposal of 19,900,000 Orco Germany shares

On 3 June 2013, Orco sold 19,900,000 shares (ISIN code LU0251710041) of its subsidiary Orco Germany S.A. (OG) at a price of EUR 0.40 per share for a total of EUR 7,960,000.

In addition, as the final step in the group's bond restructuring, on 6 June 2013, Orco contributed 22,885 of its OG bonds to OG in exchange for 28,028,982 newly issued OG shares. These new OG shares will not be listed and will not be tradable.

Following these transactions, Orco's direct and indirect holding in OG decreased from 98% to 89.6%.

Further transactions occurred in June 2013 resulted in an additional reduction of Orco's direct and indirect holding in OG from 89.6% to 88.2%.

2.9 Joint-venture with Unibail Rodamco

Orco has closed its joint venture with Unibail-Rodamco aimed at developing a prime shopping center in the Bubny area, downtown Prague.

On 30 April 2013, Orco has sold a plot of 3.6 hectares to the joint venture it has constituted with Unibail Rodamco. The parties will focus on implementing the development of the anchor shopping center in the Bubny area with the aim being to start construction in 2017.

"Following the January 2013 vote of the Prague City Assembly to restart the Bubny masterplan change procedure, closing the joint venture with Unibail-Rodamco is another piece of good news for the development of the entire Bubny area. Orco Property Group is proud to cooperate in this joint venture with Europe's leading retail developer and operator," stated Jean François Ott, President and CEO of Orco Property Group.

2.10 Launch of German development projects and new limited acquisitions contemplated

The conversion of the GSG rental asset of the Kreuzberg area, Naunystasse 68, started with the launch of the commercialization in March 2013. Sales are progressing well, with 15 out of the 22 units already pre-sold as of December 2013. All units are expected to be sold during 2014 with start of deliveries towards the end of 2014. Strong appetite for this product has encouraged the group to review other re-development potential in the area.

In its continuous review of the development potential of the Berlin portfolio, the Group is also actively planning the development of an office building on a land plot located on Gebauer Hofe to create a new commercial building, "The Benjamin".

Limited acquisitions are also under review.

2.11 Buy back of Hungarian liabilities

In March 2013, the Group executed the buyback for EUR 1 Million of the EUR 16 Million bank loan and related accrued interests financing the Vaci 188 and Vaci 190 office buildings in Budapest generating a EUR 15 Million financial income.

2.12 Sale of units in Endurance Real Estate Fund

All of the units held by OPG in the Office and Office II Sub-funds of the Endurance Real Estate Fund have been sold for a total price of EUR 10 Million.

2.13 Disposal of the land plot U Hranic

As of 22 May 2013, the Group completed the disposal of the land plot U Hranic after finalization of the permitting process to Skanska for a sale price of EUR 4.3 Million.

3 Market environment

3.1 Global macro-economic conditions¹

The EU economy returned to positive growth in the second quarter of 2013, and continued to recover in the second half of the year, gathering pace towards the end. Short-term indicators suggest a continued economic expansion in the coming quarters. GDP is expected to grow by 1.5% in the EU and 1.2% in the euro area this year, before speeding up more markedly in 2015 to 2.0% and 1.8% respectively.

2012 – 2015 CEE Historic and prospective GDP growth

GDP growth (%)	2012	2013f	2014f	2015f
EU (28)	-0,4	0,1	1,5	2,0
Czech Republic	-1,0	-1,2	1,8	2,2
Germany	0,7	0,4	1,8	2,0
Hungary	-1,7	1,1	2,1	2,1
Poland	1,9	1,6	2,9	3,1
Slovakia	1,8	0,8	2,3	3,2
Croatia	-2,0	-0,7	0,5	1,2

Source: European Commission

Economic growth in **Germany** is expected to accelerate, powered by domestic demand. Favorable financing conditions and dissipating uncertainty should lead to a gradual recovery in investment after disappointing outcomes in 2012-13, while low interest rates and a robust labour market should further support private consumption and housing investment.

In the **Czech Republic**, economic recovery that started in the second quarter of 2013 is expected to strengthen in 2014, sustained by the improving global economy. The labor market is set to improve while the general government deficit is forecast to worsen slightly, mainly because of higher government consumption expenditure and a planned labor tax reform in 2015.

After a marked slowdown in 2012-13, economic activity in **Poland** picked up at the end of last year as external demand and economic sentiment improved. Domestic demand is expected to overtake net exports as main driver of economic growth, as unemployment falls and inflation remains contained. The fiscal outlook is set to improve gradually.

Hungary emerged from recession in 2013 with GDP growing by 1.1%. Growth is expected to accelerate to reach a rate of 2% in 2014 and 2015, primarily driven by domestic demand. Preliminary annual data indicate a government deficit at around 2.5% in 2013, but it is forecast to rebound to around 3% of GDP this year and next.

The **Slovak** economy slowed down in 2013 but growth is expected to gather pace reaching 2.3% in 2014 and 3.2% in 2015. The composition of growth will become more balanced as the main driving force shifts from net exports to domestic demand. Employment will grow only modestly over the forecast horizon and inflation will remain low.

After five years of recession, **Croatia's** real GDP is forecast to grow by 0.5% in 2014, supported by exports and investments. Growth is expected to strengthen in 2015 as a result of a mild upturn in domestic demand

In many CEE countries **interest rates** are at an all-time low. The first rate hikes are unlikely before the late summer - actually some central banks may continue with monetary easing until then (Erste).

¹ European Commission - European Economic Forecast Winter 2014; Erste Group CEE Outlook 2014; KBC Economic Outlook Central Europe January 2014

Policy rates	7.1.2014	+3m	+6m	+12m
ECB (Slovakia, Germany)	0,25	0,25	0,25	0,25
Czech Republic	0,05	0,05	0,05	0,05
Hungary	3,00	2,70	2,70	3,50
Poland	2,50	2,50	2,50	2,75

Source: KBC

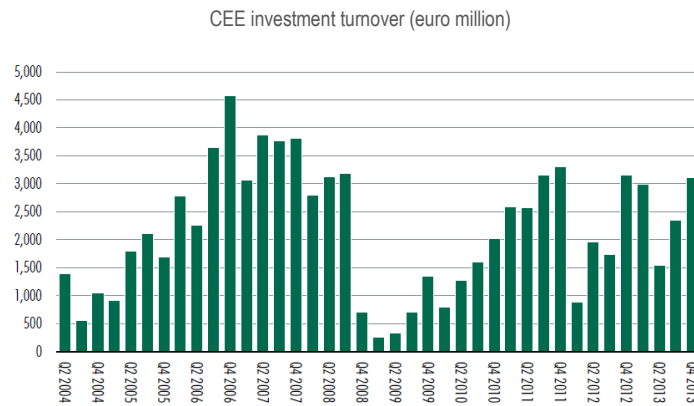
Subdued inflationary pressures are expected to keep consumer price index growth rate down to 1.2% in the EU and 1.0% in euro area in 2014. Only a slight increase is expected for 2015 when economic growth gains momentum. Similarly, inflation is expected to stay in the range of 1% to 2% in Germany and CEE in 2014 and 2015.

3.2 European investment activity and lending market²

A very strong finish to the year took total European commercial real estate investment volume in 2013 up to EUR 165.6 Billion, an increase of 30% year on year. The Q4 total volume of nearly EUR 61 Billion reach the highest figure recorded since Q4 2007. The final quarter of the year normally sees the highest level of investment activity, but even taking that into account the quarter's activity represents an acceleration in the rate of growth.

The **German** investment market continued to grow up to EUR 17.8 Billion in H2 2013, a 13% increase compared to 2012, spurred on by growth in the industrial, office and shopping centre markets. The large deals segment (over EUR 100 Million) is growing with 8 more transactions completed in H2 2013 in comparison with H2 2012, including one worth over €500 million.

CEE investment market was also up in 2013, by 31% year on year, marking the second strongest post-crisis year. All of the main markets grew – Poland by 9%, Czech Republic even by 68%.



Source: CBRE CEE Property Investment January 2014

Foreign Capital continued to play a significant role in the European investment market. Over the past years, foreign investments in Europe have been increasing year-on-year. 2013 was no exception to this rule as 44% of all transactions in Europe were executed by overseas capital. 2013 saw the highest level of foreign investment in absolute terms since the peak of 2007. Buyers from the United States continue to account for the largest proportion of cross-border investment in Europe.

The last quarter of 2013 saw continued relaxation in the European real estate **lending market**. As expected, margins fell in most countries and in many cases maximum LTV available increased. The improving debt conditions have started to spread from the United Kingdom (which has seen the biggest movements over the past 18 months) and Germany to the other European markets.

In Germany, the availability of debt to fund acquisition of prime assets is high, but the number of lending opportunities is relatively small. This is pushing many lenders to consider better quality secondary assets and second-tier markets, although in most cases only with existing clients. Typical margins have fallen as well, and remain Europe's lowest at 150 bps for top quality real estate with a good tenant covenant.

3.3 Foreign exchange rates movements³

CEE currencies versus the euro depreciated as of December 2013 compared to December 2012. In particular, the Russian ruble depreciated by 12.4 % and the Czech koruna by 9.1 % following the central bank's decision to weaken the currency to a target exchange rate of 27 CZK per EUR. The other CEE currencies remained relatively stable in 2013.

² CBRE European Capital Markets Q4 2013 ; CBRE CEE Property Investment January 2014
³ European Commission - European Economic Forecast Winter 2014

Currency/Eur	Avg. Rate 2012	Avg. Rate 2013	% of Var y-o-y	Closing Rate Dec 2012	Closing Rate Dec 2013	% of Var y-o-y	Forecast Dec. 2014
CZK Czech koruna	25,1	26,0	3,3%	25,1	27,4	9,1%	27,5
HRK Kuna	7,5	7,6	0,8%	7,5	7,6	1,2%	7,6
HUF Forint	289,4	296,9	2,6%	291,3	296,9	1,9%	309,3
PLN Zloty	4,2	4,2	0,3%	4,1	4,1	1,4%	4,2
RUB Ruble	39,9	42,3	6,0%	40,3	45,3	12,4%	45,0
USD US Dollar	1,3	1,3	3,4%	1,3	1,4	4,5%	1,4

Source of Forecast: European Commission, KBC

3.4 Selected market focus

3.4.1 Berlin office market⁴

The Berlin office market ended 2013 with a take-up of 470,000 SQM, a 18% decrease year on year while exceeding the average result for the previous 10 years by nearly 3%.

The Central office locations' share amounts to 54% of annual take-up in 2013. Central office locations in East Berlin predominated, with a take-up of almost 161,000 SQM. In the other three sub-areas in the centre, new lets totalled significantly lower (just 115,000 SQM).

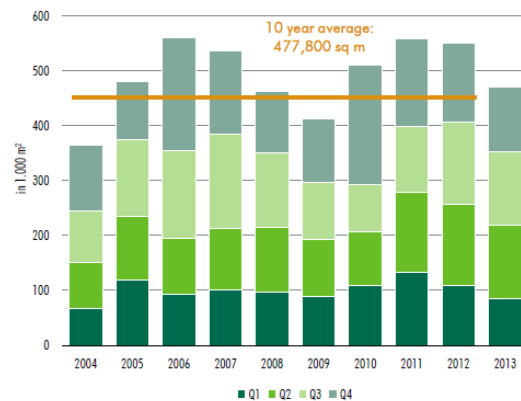
Total office stock in Berlin reached 17.9 Million SQM in Q4 2013. A total of approximately 106,700 SQM encompassing 20 properties was delivered in 2013 (84% pre-letting). In 2014, the volume of completion is expected reach 234,800 SQM, out of which only 19% is speculative.

At the end of 2013, the vacancy rate remained stable at 8.1%.

The prime rent is EUR 22.4/SQM/month. Higher rents are achievable for suitable spaces. The weighted average rent for all new contracts fell from EUR 12.50/SQM/month in 2012 to EUR 12.30/SQM/month in 2013.

No major change in the level of vacancy rate is expected in 2014. The anticipated higher volume of completions should largely be offset by higher take-up. The prime rent is expected to remain stable over the next few months, whilst average rents for popular building types and office locations are expected to increase slightly.

Chart 1: Office space take-up



3.4.2 Berlin residential market⁵

The Berlin residential market experiences a moderate but steady increase of prices and rents.

Berlin is now the leading investment destination for residential properties in Europe. Housing prices, though catching up with other German cities, still remain at a moderate level and are far below other European or world capitals. While Berlin does not experience a growth of population and of its purchasing power as high as other cities, the level of rent and the shortage of apartments are turning Berlin into a more and more attractive location for investments.

With an average size of 1.7 persons, the number of households in Berlin grows by approximately 20,000 units a year creating increased demand for apartments while higher incomes induce demand for higher standards of quality. At the same time, supply is limited.

It is expected that Berlin's stable upward trend in terms of population, economic growth and labor market will continue over the coming years.

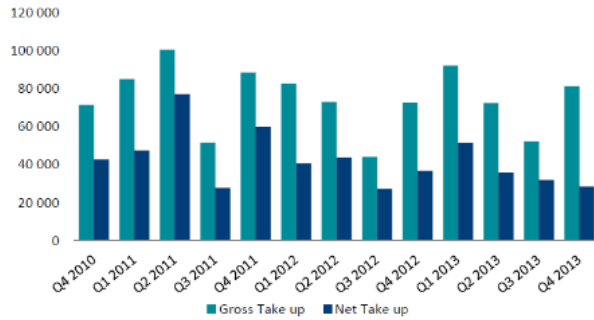
Berlin's continuing popularity among private investors crystallized in the median of property prices climbing by 9.1 percent in 2013, backed as well by low interest rates. Going forward, prices and rents are expected to continue to increase.

⁴ DTZ Property Times Berlin Q4 2013 and CBRE Berlin office MarketView Q4 2013

⁵ GSW Housing Market Report 2014

3.4.3 Prague office market⁶

Gross and net take-up by quarter, sq m
Hrubá a čistá realizovaná poptávka podle čtvrtletí, m²



Source: DTZ, PRF

EUR 19.5-20.5/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 expected to increase significantly during 2014 due to new, predominantly speculative projects coming to the market.

Marginal drops of prime headline rents are forecasted for 2014.

Currently, there are more than 320,000 SQM of offices under construction with expected completion in 2014-2015. The majority of space under construction will be delivered to Prague 5 (28.2% of the estimated supply). Around 81% of the projects under construction are pre-certified or will be applying for a green building certification.

Gross take-up totaled 81,200 SQM in Q4 2013 and the cumulative gross take-up for 2013 reached 298,880 SQM which represents a 10% year-on-year increase. Net take-up reached 28,894 SQM in Q4 2013, 10% less than in Q3 and 28% less than in Q4 2012. Renegotiations amounted to 49.4% of the Gross take up in 2013.

Total office stock reached almost 3.0 Million SQM in Q4 2013, made up of 71% class A and 29% class B properties. Total annual supply reached 78,388 SQM, (-46% year on year).

The vacancy rate increased slightly in Q4 2013 up to 13.15% from 12.94% in Q3 2013. Prague 9 and 7 show the highest vacancy rate of 28.5%, while the lowest vacancy rates are now in Prague 10 (5.8%), Prague 4 (6.1%) and Prague 5 (8.8%).

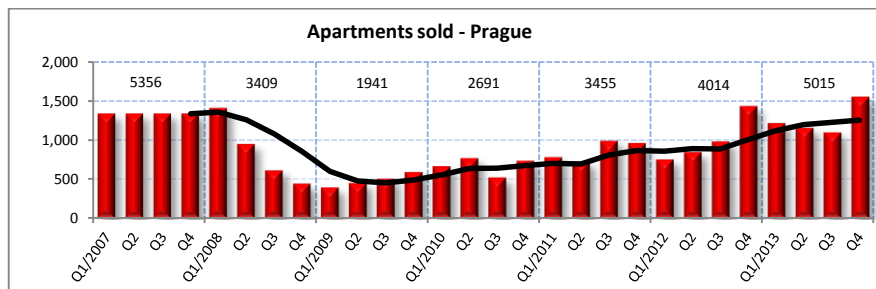
Prime headline rents in the city center remained stable during Q4 2013 at

3.4.4 Prague residential market⁷

The residential market in Prague continues to gradually improve.

According to official data from Czech Statistics Office as of September 30, 2013, average sales price has stabilized. Other sources even indicate average price starting to grow slightly (HB Index, Skanska, Trigema).

Mortgages rates stand at circa 3% and mortgage volume is now close to the pre-crisis level reflecting growing demand. Around 5,000 new apartments were sold in 2013, compared to 4,000 in 2012 and less than 2,000 in 2009.



Source: Ekospol

Demand exceeded supply in 2013, inducing a decrease of the amount of unsold apartments by 12% over the year. With slightly less than 6,000 units, outstanding supply now represents a little over one-year demand. A few years ago there was two or even three years' worth of supply on the market.

Going forward, the market is now fairly well balanced and is expected to remain steady or to further improve, depending on the overall economic recovery, the level of mortgage interest rates and the absence of further negative shocks such as higher VAT.

⁶ DTZ Property Times Prague Office Q4 2013 and JLL Prague City Report Q4 2013

⁷ Sources : Czech Statistics Office, Ekospol, HB Index, Skanska, Trigema, Hypoindex, Ministry for Regional Development (MMR)

3.4.5 Czech industrial market⁸

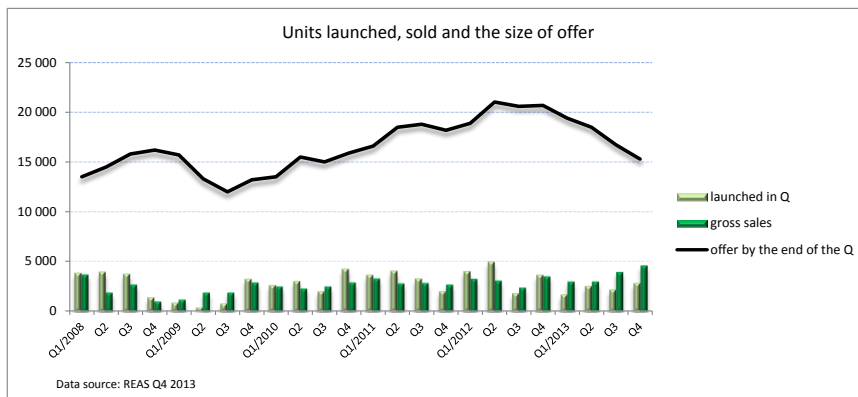
Total modern industrial stock in the Czech Republic amounts to 4.5 Million SQM. Total annual supply in 2013 reached 265,000 SQM. This is an increase by 25% year-on-year and represents the largest annual supply since 2009.

For the entire year 2013, over 1.2 Million SQM of industrial space was leased, which represents an increase of 29% year on year. The overall vacancy rate slightly decreased to 7.9% in Q4 2013, the vacancy rate of the entire Pilsner region decreased to 4.8% in Q4 2013.

Prime headline rents in Prague remained stable at EUR 3.80-4.25/SQM/month in Q4 2013. Prime rents in the Brno region are currently at 3.90-4.25/SQM/month. Net effective rents are generally around 5-12% lower than the quoted headline rents.

3.4.6 Warsaw residential market⁹

The final quarter of 2013 was exceptionally good in terms of sales recorded in the primary residential market of Warsaw. With 4,600 units sold, the number of concluded transactions was the highest since the record-high Q1 2007. Sales exceeded new supply over the year, reducing outstanding offer by more than 25%. It is forecast that new supply will suffer from limitations in the financing of construction and the rigors of the Developer Act.



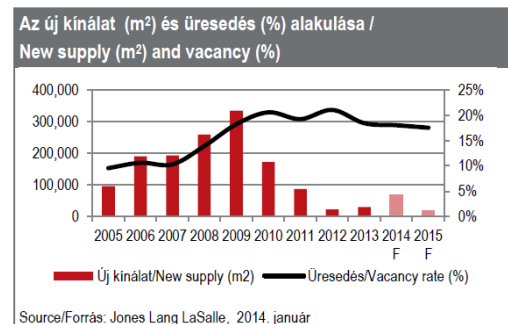
Sales prices started to grow moderately in the second half of 2013, after having remained steady in the first half of the year.

The key factors in the market environment encompassed the increase rate of economic growth, combined with low interest rates both for savings and mortgage loans and advanced works on the introduction of the new subsidy scheme 'Home for the young'.

3.4.7 Budapest office market¹⁰

Four office schemes were completed in 2013 in Budapest totaling 30,100 SQM. Although the annual volume of new supply shows a 30% growth in comparison with 2012, the level of development activity is still very limited.

The annual take-up level amounting to 396,700 SQM, remained high, 15% above the 2012 level. Net take-up equaled 213,560 SQM, which is nearly (+23% year on year) and is a potential sign of a long-awaited market recovery.



Source/Forrás: Jones Lang LaSalle, 2014. január

The vacancy rate decreased slightly in Q4 2013 and stood at 18.4%. The overall market vacancy rate improved substantially by 256 bps year-on-year and showed a steady decrease quarter after quarter over the year. This was reflected in the positive annual net absorption figure for 2013, amounting to 79,000 SQM. South Buda and Central Pest have the lowest rates now with 13.2% and 14.8%.

Prime rents range between EUR 18 and EUR 20/SQM/month due to no development in the prime category since 2010. Headline rental levels of other grade A office buildings were between EUR 11.0 and EUR 16.0/SQM/month. Comparable average rents are typically at EUR 12.5 and EUR 12.75/SQM/month.

Five speculative office projects comprising circa 68,000 SQM are expected to be handed over in 2014. Vacancy rate is likely to decrease continuously at a slow pace.

⁸ JLL Prague City Report Q4 2013 and Colliers Year-End Review 2013

⁹ REAS Residential Market in Poland Q4 2013

¹⁰ JLL Budapest City Report Q4 2013 and CBRE Budapest office MarketView January 2014

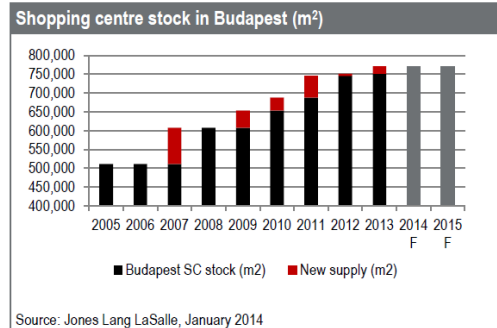
3.4.8 Budapest retail market¹¹

The total stock of shopping center of Budapest amount to 771,500 SQM in 25 assets. Only one delivery was completed in Budapest in 2013 and no new supply is currently expected. Shopping center density is 443 SQM per 1,000 inhabitants.

The high street market witnessed an important opening in 2013. A luxurious new department store, Il Bacio di Stile (5,000 SQM) opened on Andrásy Avenue offering a large selection of nearly 40 brands.

Annual retail sales in 2013 showed a positive growth of around 1%. The positive performance is mainly due to the combination of an historic low inflation rate, a wage hike for some civil servant and a utility price cuts.

Typical shopping center rents range from EUR 20 to 60/SQM/month in Budapest while downtown high street rents at Váci Street where vacancy is low, stand around EUR 50 to 150/SQM/month.

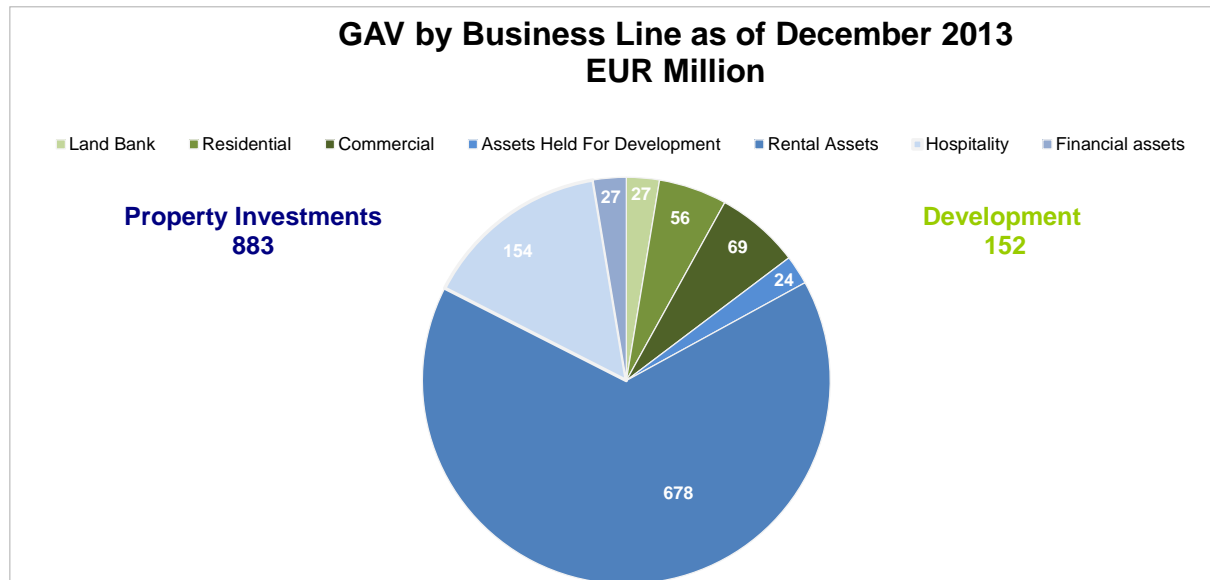


4 Portfolio: Gross Asset Value¹² and operational performance

4.1 Total portfolio evolution

The Gross Asset Value (“GAV”) corresponds to the sum of fair value of all real estate assets held by the Group and real estate financial investments, including participations in real estate funds, loans and receivables from third parties active in real estate and other investments in real estate companies¹³. The value of the assets owned in joint ventures is included at the percentage of economic interest. Asset considered in joint ventures amounts to EUR 90 Million.

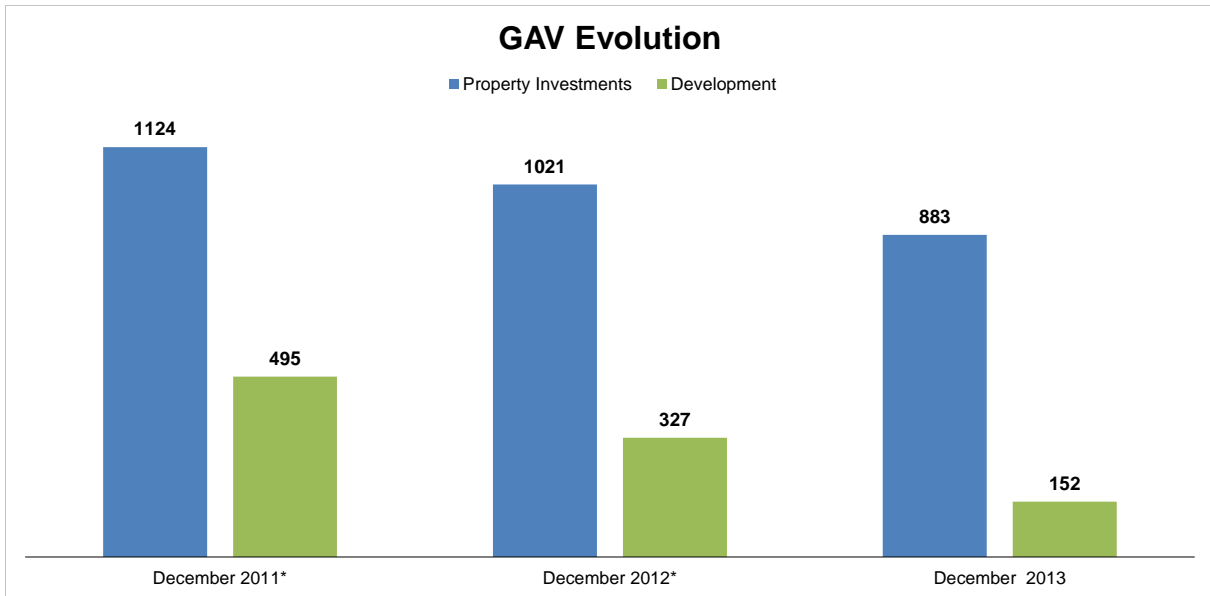
On the basis of a review of the real estate portfolio by independent appraisers and the fair value of the real estate financial investments, the GAV decreased from EUR 1,348 Million as of December 2012 to EUR 1,035 Million as of December 2013. The GAV breaks down to 85% Property Investments and 15% projects 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.



¹¹ JLL Budapest City Report Q4 2013

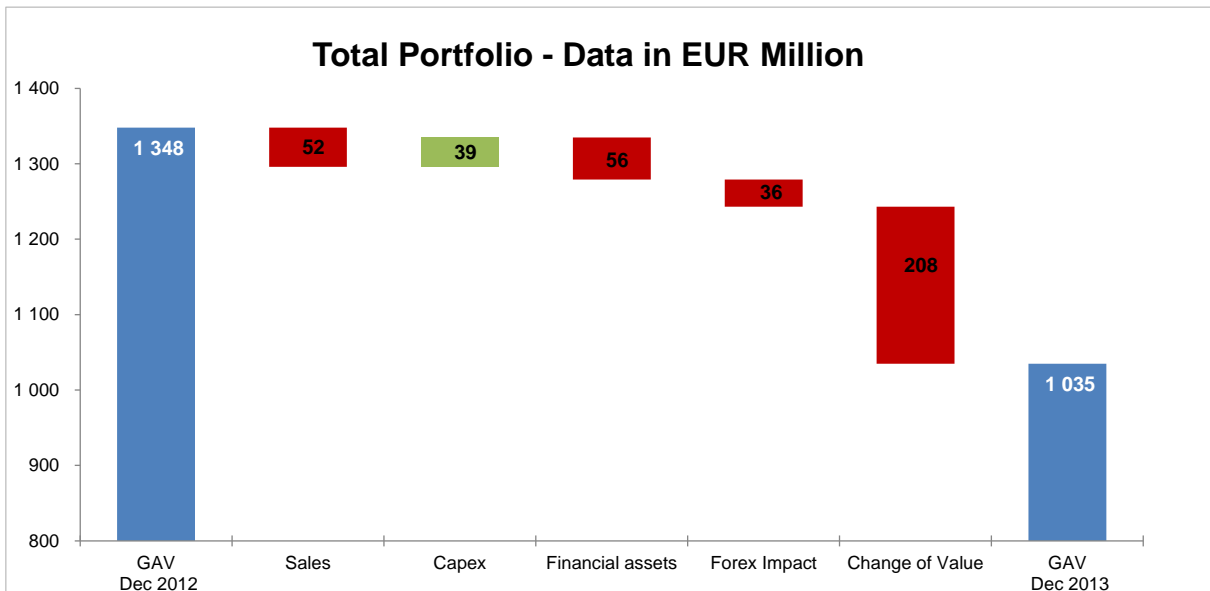
¹² The classification of GAV is in line with the vision of the management and is not always reflecting the IFRS classification disclosed in the Financial Statements.

¹³ The difference between the GAV and the Fair Value of the properties disclosed in note 4.1.2.3 of the 2013 Consolidated Financial Statements amounts to EUR 117 Million, mainly related to the properties of the entities consolidated under equity method (EUR 86 M) and to the participations in real estate funds, loans and receivables from third parties active in real estate and shares in other investments in real estate companies (EUR 31 M).



* Since June 2013, the hospitality assets of the AIG Joint venture are included at 75% in the GAV, in line with the economic interest owned by the Group. As a consequence, the value of the profit participation loan is not anymore included in the financial assets. Previous GAV figures as of December 2011 and December 2012 have been adjusted accordingly. Please refer to the part 5.2.3 Hospitality for more details.

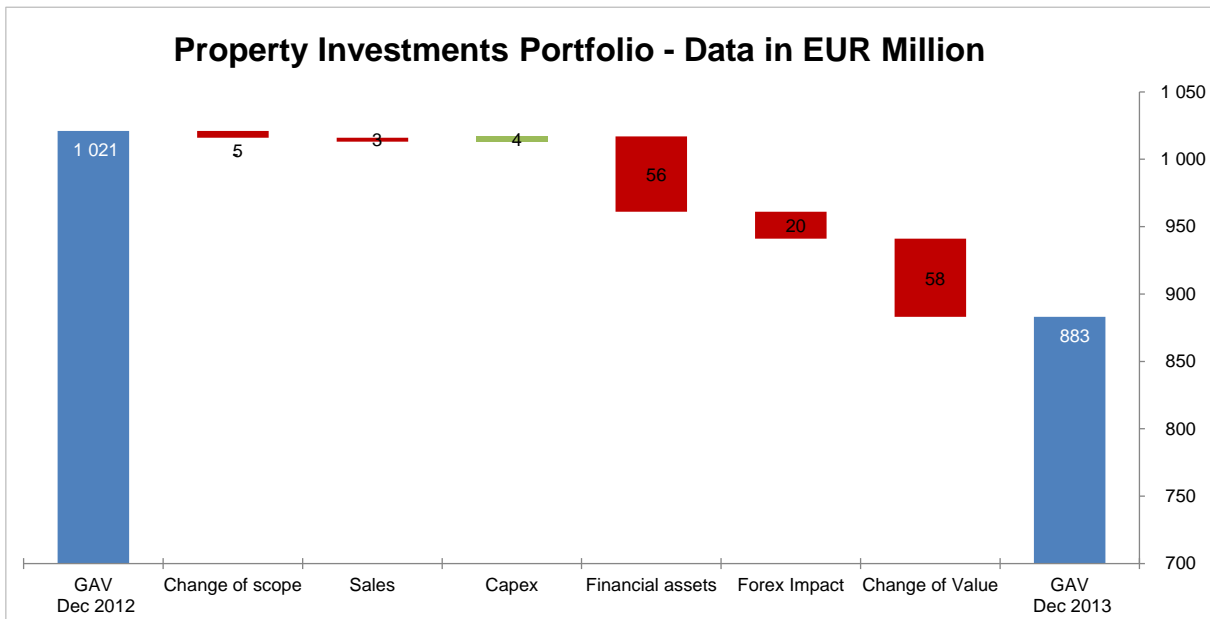
The EUR 313 Million variation results from assets and developments sales amounting to EUR 52 Million, additional investments in projects under construction and permitting of land bank amounting to EUR 39 Million, a decrease of financial assets of EUR 56 Million, a net negative exchange rate impact of EUR 36 Million and negative changes post exchange rate in market value of EUR 208 Million.



4.2 Property Investments evolution

4.2.1 Gross Asset Value

As of December 2013, the GAV of the Group's Property Investments business line represented EUR 883 Million in value (66% rental assets, 15% hospitality assets, 3% financial assets and 2% 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 138 Million decrease of the portfolio's gross asset value encompasses:

- EUR 5 Million decrease due to the transfer to Development of the Berlin's identified development potential.
- EUR 3 Million decrease due to asset sales closed during the year 2013 including the partial disposal of Stribro.
- EUR 4 Million of investments on the rental portfolio.
- EUR 20 Million of negative currency conversion impact mainly related to the weakening of the Czech crown.
- EUR 56 Million of decrease of financial assets due to significant impairment on the receivables related to the Molcom, Radio Free Europe and Leipziger Platz transactions.
- EUR 58 Million of net decrease post forex impact in market value, mainly driven by a decrease of EUR 35 Million in the Hospitality segment and EUR 16 Million of the Assets held for development sub-portfolio.

After correcting for sales of assets and investments, the fair value of the Property Investments portfolio including the financial assets has decreased by EUR 134 Million or -13.9% Y-o-Y.

4.2.2 Rental assets and Assets held for development

4.2.2.1 Valuation change of rental assets

As of December 2013, the rental assets' value is estimated at EUR 678 Million. In December 2012, the GAV of rental assets amounted to EUR 696 Million. The EUR 18 Million change is composed of:

- EUR 5 Million of decrease due to transfers to the land bank portfolio of the potential developments identified on Berlin portfolio.
- EUR 3 Million increase due to investments.

- EUR 9 Million of negative forex impact.
- EUR 7 Million of negative net change in market value after forex impact.

Over the year 2013, on a like for like basis the valuation of the rental portfolio decreased slightly by EUR 16 Million or -2.3% (in comparison with December 2012 valuation).

In Berlin, the rental portfolio's valuation increased by EUR 25.0 Million (+5.0% like for like) over the year. The main drivers of this increase are improvements of the letting performance and increase of expected market rent by the external appraiser in particular on assets located in the area of Kreuzberg, Mitte and West Berlin while valuation rates remain stable year on year. Discount rates remains between 6.0% and 8.3% and Exit capitalization rates between 6.0% and 9.4%.

In Central Europe, the valuation of the portfolio expressed in Euros decreased (-24.0% or -EUR 40.0 Million on a like for like basis). The main drivers of this decrease are the difficult operating environment of the portfolio in Budapest (-EUR 21.8 Million or -32.5 % like for like) with Vaci I suffering from delay in the commercialization of the department store concept and Vaci 188 which first tenants were signed at level below than expected. In Prague, the portfolio value decreased by 19% due to pressure on market rent and increased expected investments. In Poland, the value of the portfolio decreased by 13.6% in relation with the departure of key tenant on the logistic platform of Marki.

As a result of the negotiation ongoing on the restructuring of the debt carried by collateralized asset Hlubocky, Dunaj and Bubenska, Hlubocky is included in the Gross Asset value at its value retained for the transaction with the bank.

4.2.2.2 Valuation change of Assets Held for Development

As of December 2013, the Assets held for Development portfolio's value is estimated at EUR 24 Million. In December 2012 the GAV of these assets amounted to EUR 43 Million. The EUR 19 Million change is composed of:

- EUR 2 Million of disposal with the partial sale of Stribro
- EUR 1 Million of increase due to investments.
- EUR 2 Million of negative foreign exchange impact.
- EUR 16 Million of negative change after forex impact in market value.

Over the year 2013, the Group successfully executed the disposal of 60% of the logistic platform of Stribro.

As a result of the negotiation ongoing on the restructuring of the debt carried by collateralized asset Hlubocky, Dunaj and Bubenska, Dunaj is included in the Gross Asset value at its value retained by the bank. Meanwhile, Bubenska is the main driver of the decrease in value of the portfolio due to a downward revision of the expected market rent of the project.

4.2.2.3 Business review

The Group rental portfolio encompasses assets focusing on commercial buildings.

Portfolio	Commercial rent / SQM				Average rent / SQM			
	D-13	S-13	J-13	D-12	D-13	S-13	J-13	D-12
Czech Republic					5,54	5,40	5,57	5,46
Hungary					20,14	23,47	22,73	24,12
Poland					4,91	4,37	2,94	3,02
Slovakia					5,24	5,20	4,15	5,98
Luxembourg					22,62	22,68	22,25	23,34
CE Portfolio					7,14	6,93	6,41	6,34
West	5,67	5,65	5,60	5,48	5,58	5,58	5,49	5,37
East	4,54	4,41	4,50	4,52	4,09	3,97	4,04	4,05
Xberg / Mitte	6,45	6,33	6,22	5,98	6,05	5,81	5,83	5,58
Wuppenstrasse	2,53	2,53	2,53	2,53	2,53	2,53	2,53	2,53
Berlin Portfolio	5,31	5,25	5,22	5,12	5,09	5,01	4,99	4,88
Total Portfolio					5,42	5,34	5,25	5,15

Portfolio	Occupancy Commercial area (%)				Occupancy Total areas (%)				Total Letable area	Total Letable area
	D-13	S-13	J-13	D-12	D-13	S-13	J-13	D-12	D-13	D-12
Czech Republic					87,5%	86,9%	83,4%	81,7%	116 080	130 049
Hungary					18,1%	18,0%	13,4%	11,4%	39 119	40 132
Poland					32,5%	27,7%	81,9%	81,9%	36 598	36 598
Slovakia					44,0%	51,1%	53,9%	52,9%	8 220	8 220
Luxembourg					90,2%	90,2%	95,6%	86,3%	7 695	7 695
CE Portfolio					63,1%	63,7%	69,8%	68,1%	207 712	222 694
West	92,6%	91,9%	92,1%	90,8%	90,6%	89,8%	89,8%	88,8%	362 358	362 899
East	64,7%	63,2%	63,2%	60,9%	64,5%	63,1%	63,1%	60,9%	262 785	262 718
Xberg / Mitte	96,0%	97,0%	95,0%	93,1%	91,0%	92,1%	90,4%	88,8%	159 743	160 048
Wuppenstrasse	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%	52 000	52 000
Berlin Portfolio	85,5%	84,9%	84,6%	83,0%	83,1%	82,5%	82,1%	80,7%	836 886	837 665
Total Portfolio					79,1%	78,5%	79,6%	78,1%	1 044 599	1 060 359

Like for like basis, therefore disposals and reclassified assets are not included

Commercial rent is the rent stipulated in the lease contract for the main lettable area (office)

Reported lettable area is based on the current technical conditions and excludes an upside from the possible redevelopment

Over the 2013, the Group improved the operational performance of the rental portfolio. Adjusting pro forma for the disposal of part of Stribro and reclassified asset Naunynstraße 68, the occupancy rate increases from 78.1% as of December 2012 up to 79.1% together with an increase of the average rent from EUR 5.15 as of December 2012 up to EUR 5.42 as of December 2013. As of December 2012, including Naunynstraße 68, total GLA amounted to 1,062,553 SQM.

- In Berlin, rental income increased by 8.4%. Like-for-like (i.e. excluding the effects of the asset sales) the increase recorded in rental income of the Berlin based Investment Properties was at 8.9%.

The net average commercial rent of the Berlin rental portfolio rose to EUR 5.31 from EUR 5.12 last year. The commercial occupancy rate increased from 83.0% at the end of 2012 to 85.5% at the end of December 2013.

The main assets contributing to the good results recorded in 2013 are located in the western parts of Berlin. Kreuzberg assets, in particular, recorded an increase of net average commercial rents from EUR 5.98 at the end of 2012 to EUR 6.45 by the end of 2013, while the commercial occupancy rate increased from 93.1% to 96.0%, leaving only limited spaces for further leases.

The market shows lasting demand for spaces throughout Berlin. While central boroughs including Kreuzberg can expect further increase of rent level, improved occupancy will be the driver of the growth potential for the eastern assets.

- In Prague, while the office market vacancy rate increased in Prague by +1% year on year (Y-o-Y) reaching a level of 13%, the Group improved the operating performance of the portfolio which is getting closer to market standards. Main office assets of the portfolio significantly improved their occupancy rate with namely Na Porici showing an increase of 1,000bps Y-o-Y up to 86% and Hradcanska with an increase of +800bps Y-o-Y up to 75% of occupancy as of December 2013.

The Group proceeded with the disposal of two third of the logistic platform of Stribro (12,000 SQM) was sold, the rest of the leasable area recorded a Y-o-Y net take up of 5,000 SQM bringing the occupancy rate up to 56%.

In line with those results, average rent in the Czech Republic improved from EUR 5.46 as of end of December 2012 up to EUR 5.54 as of end of December 2013

- In Budapest, while the market vacancy rate decreased YoY by 300 bps down to 18% thanks to a limited new supply over the period of only 30,000 SQM, the group still faces extremely challenging local conditions. As a consequence, three Hungarian subsidiaries of the Group requested the opening of an insolvency reorganization proceedings. Nevertheless, the Group recorded some operational successes in 2013. A new tenant taking up to 1,800 SQM was signed for Paris Department Store with a move in in January 2014. The Class B office asset Vaci 188 reopened and rehabilitated in Q3 2013, recorded a take-up of 1,680 SQM.
- In Warsaw, the decrease of occupancy rate is due to the departure of a key tenant from the logistic platform of Marki. Despite the letting of some vacant premises to some remaining tenants, occupancy rate dropped down up to 32.5% as of December 2013 in Poland. The asset is currently reviewed for redevelopment together with its important land bank potential.
- In Bratislava, the company pursued its strategy of maintain the occupancy with minimal investment level.

As of end of December 2013, Dunaj in Slovakia is planned to be transferred to the bank together with Hlubocky in Czech Republic as part of a debt restructuring deal allowing the deleveraging of the portfolio and the refinancing of Bubenska.

4.2.2.4 EPRA indicators

4.2.2.4.1 Valuation data

Asset Class	Location	Market Value of	Valuation	Net Initial Yield	Reversion
		Property	Movement		
		Dec 2013	EUR Million	EPRA (%)	(%)
		EUR Million	Y-o-Y		
	Prague	60,4	-24,2	7%	23%
	Budapest	26,1	-9,2	3%	502%
	Luxembourg	23,2	0,1	8%	3%
	Warsaw	4,9	-0,7	7%	5%
Office		114,6	-33,9	6%	73%
	Prague	19,3	-2,9	10%	1%
	Warsaw	3,3	-0,9	-3%	143%
Logistics		22,6	-3,8	8%	18%
	Bratislava *	5,2	-4,9	2%	225%
	Budapest	26,4	-15,7	1%	270%
Retail		31,6	-20,6	1%	261%
	Berlin	527,8	24,6	7%	17%
Mixed Commercial		527,8	24,6	7%	17%
Portfolio Total		696,6	-33,8	6%	31%

* Bratislava: Current use of Dunaj is mix of retail and office. The asset is to be redeveloped into retail, therefore the classification in the table above is retail (compared to Financial statements, where the classification is office).

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, as they do not generate rents. Land plots attached to GSG have been transferred to the land bank sub portfolio. 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 2013 in terms of yield. Net Initial Yield is based on the current gross market value of the assets. Following the EPRA scope and definitions mentioned above the market value excludes valuation of lands which are to be used for development.

"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.

The change of value on the Central Europe portfolio is the consequence of current low level of prices at local level, improving operational performance in The Czech Republic and still weak rental market in Budapest impacting the high vacancy level. On the Berlin portfolio, the passing rent is still 17% below the

potential ERV of the portfolio, leaving strong upside value potential for further improvement of the operating performance. The potential of the total portfolio remains strong with a 31%.

4.2.2.4.2 Lease data

Asset Class	Location	Total Passing rent EUR Million	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		
			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	4,7	4,0	3,1	0,9	0,2	2,6	1,4	0,2	2,8	1,0	0,9	2,1	1,5	1,0	2,3	
	Budapest	0,9	4,9	4,9	0,1	0,0	0,2	0,2	0,0	0,3	0,0	0,0	0,3	0,0	0,0	0,2	
	Luxembourg	2,0	2,6	2,6	0,0	0,0	1,9	0,0	0,0	2,0	0,0	2,0	0,0	0,0	2,0	0,0	
	Warsaw	0,4	0,7	0,7	0,4	0,0	0,0	0,4	0,0	0,0	0,4	0,0	0,0	0,4	0,0	0,0	
Office		7,9	3,6	3,1	1,3	0,2	4,7	2,0	0,2	5,1	1,4	2,9	2,4	1,9	3,0	2,6	
	Prague	2,0	8,9	8,9	0,1	0,0	0,0	0,5	0,0	0,0	0,1	0,0	0,0	0,5	0,0	0,0	
	Warsaw	0,3	1,5	1,3	0,2	0,0	0,1	0,2	0,0	0,1	0,2	0,0	0,1	0,2	0,0	0,1	
Logistics		2,2	8,0	8,0	0,3	0,0	0,1	0,6	0,0	0,1	0,3	0,0	0,1	0,6	0,0	0,1	
	Bratislava	0,2	0,7	0,4	0,2	0,0	0,0	0,4	0,0	0,0	0,2	0,0	0,0	0,4	0,0	0,0	
	Budapest	0,9	6,5	6,6	0,0	0,0	0,2	0,0	0,0	0,1	0,0	0,0	0,2	0,0	0,0	0,1	
Retail		1,2	5,3	5,3	0,3	0,0	0,2	0,5	0,0	0,1	0,3	0,0	0,2	0,5	0,0	0,1	
	Berlin	42,5	2,3	1,8	19,0	9,5	9,9	18,4	9,4	9,7	25,4	4,6	9,7	24,8	4,5	9,4	
Mixed Commercial		42,5	2,3	1,8	19,0	9,5	9,9	18,4	9,4	9,7	25,4	4,6	9,7	24,8	4,5	9,4	
Portfolio Total		53,8	2,8	2,3	20,8	9,8	14,9	21,5	9,6	15,0	27,4	7,5	12,4	27,8	7,5	12,2	

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 2.3 years to expiry and 1.8 years to break option. Average lease length on Commercial area only is 2.4. Average length of stay of the tenants is usually more than 5 years, which illustrates the resilience and stability of a highly diversified and granular client portfolio.
- In the assets with the logistic platform, the passing rent as well as the average lease length was influenced by move out of anchor tenant in Poland and by the partial disposal of Stribro in the Czech Republic.

4.2.2.4.3 Rental data

Asset Class	Location	Gross rental	Net rental	Lettable space sqm	Passing rent at period end EUR Million	Estimated rental value at period end EUR Million	EPRA Vacancy rate at period end %
		income over the past 12 months EUR Million	income over the past 12 months EUR Million				
	Prague	4,8	4,2	55 800	4,7	5,8	24%
	Budapest	1,0	0,4	53 617	0,9	5,5	74%
	Luxembourg	2,0	2,0	7 695	2,0	2,0	8%
	Warsaw	0,4	0,3	1 400	0,4	0,4	0%
Office		8,1	6,9	118 513	7,9	13,7	41%
	Prague	2,2	2,0	63 622	2,0	2,0	3%
	Warsaw	0,5	0,1	33 930	0,3	0,7	69%
Logistics		2,7	2,1	97 552	2,2	2,6	20%
	Bratislava	0,3	0,1	8 219	0,2	0,8	44%
	Budapest	0,8	0,4	14 480	0,9	3,4	88%
Retail		1,1	0,5	22 699	1,2	4,2	80%
	Berlin	41,3	38,1	837 043	42,5	49,8	15%
Mixed Commercial		41,3	38,1	837 043	42,5	49,8	15%
Portfolio Total		53,2	47,5	1 075 807	53,8	70,4	24%

The "Rental data" table presents details on the level of rents and the occupancy of the Group Portfolio for assets held as of December 2013. 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. The lettable area in the table above is based on the assumptions taken by the valuator and reflects possible upside from the redevelopment. The difference compared to the current area refers to the projects Bubenska, Vaci 190, Szervita, Marki and Stribro and amounts to the additional area of 27,365 SQM. The valuation assumption for Vaci 1 consider the upside of 3,686 SQM for the concept of department store. For German rental projects, no special assumption compared to the current status is applied by the valuator and the difference is 157 SQM.

All assets disposed during the year 2013 have been excluded from the table above. The figures of GRI, NRI, lettable space, passing rent, ERV and EPRA vacancy rate only include currently owned assets.

The lettable space in the table above corresponds to the assumptions taken by the independent external valuator and is in line with the calculation of ERV.

4.2.2.4.4 Like for like Net Rental Income

Asset Class	Location	NRI		(Re)			Other & Forex		NRI	
		Dec 2012 12 months trailing EUR Million	Disposals	Acquisitions	development	Like-for-Like	impact	Dec 2013 12 months trailing EUR Million		
	Prague	6,0	(1,9)	-	-	0,1	(0,1)	4,2		
	Budapest	0,3	-	-	-	0,1	(0,0)	0,4		
	Luxembourg	1,7	-	-	-	0,2	-	2,0		
	Warsaw	0,3	-	-	-	(0,0)	(0,0)	0,3		
Office		8,3	(1,9)	-	-	0,5	(0,1)	6,9		
	Prague	1,9	-	-	-	0,2	(0,1)	2,0		
	Warsaw	0,7	-	-	-	(0,6)	(0,0)	0,1		
Logistics		2,6	-	-	-	(0,4)	(0,1)	2,1		
	Bratislava	0,1	-	-	-	0,0	-	0,1		
	Budapest	0,1	-	-	-	0,4	(0,0)	0,4		
Retail		0,2	-	-	-	0,4	(0,0)	0,5		
	Berlin	36,6	(0,2)	-	-	1,7	-	38,1		
Mixed Commercial		36,6	(0,2)	-	-	1,7	-	38,1		
Portfolio Total		47,7	(2,0)	-	-	2,1	(0,2)	47,5		

Over the year 2013, the Net Rental Income generated by the portfolio decreased from EUR 47.7 Million as of December 2012 down to EUR 47.5 Million as of December 2013. The main contributor of the decrease was expiration of the lease of the anchor tenant in Poland. 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 decrease was balanced with good performance of Berlin and Prague Portfolio, therefore on a like for like basis the NRI increased by EUR 2.1 Million.

4.2.2.5 Description of the portfolio

Portfolio	Central Europe	Mixed portfolio
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Location :	Prague
Land Area :	6,001 sqm
Floor area :	22,061 sqm
Type of property :	office
Acquisition date :	13.12.2005
Form of Ownership :	SPV owned 100% by OPG S.A.
Occupancy rate :	85,7%

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 113 underground parking places. The property underwent major redevelopment in 2009, resulting in the achievement of a grade A specification for the premises. The occupancy rate increased from 76% in 2012 to 85.7% at the end of 2013.



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 :	90,2%

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 295 vehicles. Occupancy rate increased from 86.3% as of December 2012 to 90.2% as of December 2013.



Location :	Olomouc
Land Area :	71,749 sqm
Floor area :	55,583 sqm
Type of property :	logistic & light industrial
Acquisition date :	28.6.2007
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 2013. The asset is leased to single tenant with a low risk profile, Honeywell, with a 9.5 years contract maturity as of December 2013.



Location :	Warsaw
Land Area including building:	207,841 sqm
Floor area :	35,198 sqm
Type of property :	logistic & light industrial
Acquisition date :	12.12.2007
Form of Ownership :	SPV owned 100% by OPG S.A.
Occupancy rate :	29,8%

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 29.8% as of December 2013.



Location :	Budapest
Land Area :	1,264 sqm
Floor area :	6,776 sqm
Type of property :	mixed use (retail, office)
Acquisition date :	5.4.2006
Form of Ownership :	SPV owned 100% by OPG S.A.
Occupancy rate :	49,7%

Paris Department Store is located on Andrásy 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 leased from 63.1%.



Location :	Budapest
Land Area :	5,844 sqm
Floor area :	13,876 sqm
Type of property :	office
Acquisition date :	15.12.2005
Form of Ownership :	SPV owned 100% by OPG S.A.
Occupancy rate :	12,1%

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 13,876 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 almost 837 000 SQM of rental space in 42 locations. The core properties of the portfolio are situated in the central districts of Berlin: 23 within Friedrichshain-Kreuzberg with an average occupancy rate of 96%.

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.

As of December 2013, the Group disclose the operating key performance indicators by clusters. A cluster is a homogeneous sub part of the Berlin portfolio. Clusters have been defined with localization and asset types criteria. The clusters are as follow:

Cluster West:

- Total of ~ 362,358 SQM (323,529 SQM commercial; 38,639 SQM storage and 190 SQM residential)
- Mixed portfolio with very well performing inner city assets as well as medium performing assets at the outskirts of Berlin
- Most assets have been former industrial asset used e.g. by AEG, Osram, Telefunken
- Inner City locations show high occupancy and increasing rents – outskirts locations show improving occupancy numbers at low rents

Cluster Kreuzberg/Mitte

- Total of ~ 159,743 SQM (130,290 SQM commercial; 20,102 SQM storage and 9,350 SQM residential)
- Mainly constructed end of 19th century and being modernized in the time being
- Charming old buildings in industrial architecture style
- In-location with good access to public transport
- Nearly fully occupied with strongly increasing rents
- Change from working class district into area for IT-companies, artists, architects
- Conversion Potential

Cluster East

- Total of ~ 262,785 SQM (213,099 SQM commercial and 49,686 SQM storage)
- New built energy-efficient assets in the former East-Berlin
- High variety of services provided such as fiber-glass network, service center, cantina

- Significant vacancy but continuously improving

Portfolio	Number of properties	Lettable space sqm	EPRA Vacancy rate at period end%
West	13	362 358	9%
East	5	262 785	34%
Xberg / Mitte	23	159 743	8%
Wuppenstrasse	1	52 000	100%
Total	42	836 886	16%

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



Location :	Prague
Land Area :	7,990 sqm
Floor area :	17,575 sqm
Type of property :	office
Acquisition date :	27.2.2004
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 ambulance service for Prague 7. Before redevelopment the current leasable area is 17,575 SQM and the occupancy rate of the building increased from 73% as of December 2012 up to 74.3% as of December 2013.



Location :	Bratislava
Land Area :	1,935 sqm
Floor area :	8,220 sqm
Type of property :	retail
Acquisition date :	7.3.2007
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. Dunaj I 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 Dunaj I. The 2 buildings contain 6 and 7 stories respectively and are structurally interconnected, allowing effective use of the premises. Occupancy as of December 2013 is at a level of 44% to be compared with 53% as of December 2012.



Location :	Budapest
Land Area :	3,290 sqm
Floor area :	5,260 sqm
Type of property :	office
Acquisition date :	19.4.2007
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 326 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 :	1,715 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 street. It lies 7 km north of Budapest city center fronting Vaci street and Meder street, therefore its visibility is excellent. The site/building was re-purchased from the bank in mid 2011. The building currently comprises 1,715 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.

4.2.3 Hospitality assets

4.2.3.1 Valuation change

As of December 2013, the hospitality portfolio is estimated at EUR 154 Million. In December 2012 the GAV of hospitality assets amounted to EUR 198 Million. The EUR 44 Million change is split in:

- EUR 9 Million of negative forex impact
- EUR 35 Million of negative net change in market value expressed in Euros.

Over the year 2013, on a like for like basis the valuation of the hospitality portfolio expressed in Euros decrease by EUR 44 Million or (-22.2% in comparison with December 2012 valuation).

Following the uncertainty regarding going concern of Suncani Hvar operations the Group recognized an impairment of the related assets amounting to total of EUR 25.6 million, of which EUR 24.1 million is attributable to hotels and EUR 1.6 million to complementary owner occupied buildings. For more detail please refers to note 9. Hotels and owner occupied buildings from the consolidated financial statements. Valuation in the Gross Asset Value of the Suncani Hvar Portfolio has been aligned with the carrying value in the financial statements. Nevertheless the valuation of the portfolio remains stable as the improving performance of the portfolio is offset by local pessimistic economic prospects impacting the exit yields and discount rates.

The real estate assets have been impaired (valued by an expert at EUR 93.2 million including EUR 2.4 million of Investment Property) to a total value of EUR 59.6 million including EUR 0.9 million of Investment Property corresponding to the value of the net liabilities under the assumption that in a bankruptcy procedure the assets will be sold to repay the liabilities to third parties and no cash available will remain for the Group investments and receivables. The assets are, as a result, recorded at the expected transaction value.

Suncani Hvar Hotel Dec 2013	Number of Assets	Number of rooms	Carrying amount Dec. 2013 EUR Million	Market Value Dec. 2013 EUR Million	Market Value Dec. 2012 EUR Million	Change in Market Value
Four Star Category	4	437	53.3	74.1	72.6	2%
Two- Three Star Category	5	541	4.4	11.2	11.5	-2%
Total Suncani Hvar Hotel	9	978	57.7	85.3	84.1	1%
Other Revenue	4	0	1.6	7.1	7.0	1%
Total Suncani Hvar	13	978	59.3	92.4	91.1	1%

For the mainland portfolio, the valuation of the Pokrovka in Russia was impacted by the weakening of the Russian Ruble, while in the Czech Republic, the Pachtuv Place is now valued on the basis of its hospitality operations rather than on the basis of a conversion scenario into condominium. This change of assumption induced a EUR 4.5 Million change in value. The rest of the portfolio remains stable. In the Gross Asset Value, the AIG portfolio is included at 75% in line with the economic interest of the Group and the Pachtuv Palace at 100%.

CEE Hotels Dec 2013	Number of Assets	Number of rooms	Market Value Dec. 2013 EUR Million	Market Value Dec. 2012 EUR Million	Change in Market Value
Czech Republic	5	483	49.2	58.7	-16%
Poland	3	220	22.9	23.1	-1%
Hungary	3	106	14.1	13.2	7%
Russia	1	84	36.6	40.8	-10%
Slovakia	1	32	0.1	0.2	-43%
Total CEE	13	925	122.9	136.0	-10%

(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

4.2.3.2 Business Review

As of December 2013, the hospitality portfolio comprised a total of 1,903 operated rooms.

4.2.3.3 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 presented in the financial statements under equity method, 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.

2013 offered various challenges, with a traditionally difficult first quarter and improved results for the rest of the year leading to total revenue of EUR 30.5 representing an increase of 1.6% compared to that of 2012 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 115%.

Revenues grew through acquisition of volume based business in most segments in particular extended stay and transient leisure and developing other revenues such as subleases.

A very strong focus on drop through allowed GOP margins to further increase despite the increased occupancies.

CEE Hotels 2013-12	Number of Assets	Number of rooms	Occupancy %	ADR (EUR)	2013 Revenues EUR Millions	GOP EUR Millions
Czech Republic	5	483	63%	78,0	12,9	4,2
Poland	3	220	56%	94,0	6,7	2,3
Hungary	3	106	76%	67,0	2,8	1,3
Russia	1	84	80%	217,0	7,4	3,5
Slovakia	1	32	86%	55,0	0,6	0,2
Total CEE	13	925	65%	94,00	30,5	11,5
CEE Hotels 2012-12	Number of Assets	Number of rooms	Occupancy %	ADR (EUR)	2012 Revenues EUR Millions	GOP EUR Millions
Czech Republic	5	482	60%	83,0	13,0	4,2
Poland	3	220	55%	101,0	6,4	2,2
Hungary	3	106	74%	67,0	2,7	1,1
Russia	1	84	80%	212,0	7,3	3,5
Slovakia	1	32	67%	60,0	0,5	0,1
Total CEE	13	924	62%	99,00	30,0	11,2

(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

4.2.3.4 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 2013 amount to EUR 18.4 Million, an increase of EUR 1.4 Million or 8.2% compared to 2012 is explained by higher occupancy and pricing. The restructuring of the Company continued to induce improved results with an increase of GOP by EUR 0.6 Million (+10.2%) up to EUR 6.5 Million. GOP margin of 35% shows that the operating profitability matches international hospitality standards.

In 2013, the Company continued with the organizational restructuring plan and optimized the number of full-time employees in order to create a more flexible organizational structure according to the seasonality of the business.

Suncuni Hvar Hotel 2013	Number of Assets	Number of operated rooms	Occupancy %	ADR (EUR)	2013 Revenues EUR Millions	GOP EUR Millions (t)
Four Star Category	4	437	64%	156,0	14,5	8,00
Two- Three Star Category	5	541	72%	63,0	2,9	0,80
Total Suncuni Hvar Hotel	9	978	66%	126,0	17,4	8,8
Other Revenue	4	N/A	N/A	N/A	1,0	-2,30
Total CEE	13	978	N/A	N/A	18,40	6,50

Suncuni Hvar Hotel 2012	Number of Assets	Number of operated rooms	Occupancy %	ADR (EUR)	2012 Revenues EUR Millions	GOP EUR Millions (t)
Four Star Category	4	437	62%	147,0	13,6	7,50
Two- Three Star Category	5	541	69%	59,0	2,6	0,50
Total Suncuni Hvar Hotel	9	978	64%	120,0	16,2	8,0
Other Revenue	4	N/A	N/A	N/A	0,8	-2,10
Total CEE	13	978	N/A	N/A	17,00	5,90

After many years of investments in quality, the Company Suncani Hvar is dedicated to match the best in class offer from companies in the sector. The Company has become one of the leading brands in the hotel industry in Adriatic and is a key driver of the tourist development of the island.

The occupancy of the hotels is based on opened days, as the business is seasonal. Most of the hotels are opened from April to November. The Company is actively preparing for the 2014 season with an expanded offer in the entertainment and nightlife business in order to adapt to new demand.

4.2.3.5 Description of the portfolio

Portfolio	Main land portfolio	Hospitality
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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-furnished 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 cozy 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 Bielsko 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 Algoterm 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
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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 harbor and 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. Pharos, Delfin and Sirena hotels are operating as 2 stars hotels. All together they represent 541 bedrooms with occupancy of 64%. 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. Hotel Bodul, which is used for the seasonal employee housing, and Galeb hotel did not operate in 2013 and are subject of future redevelopment. The Company owns one camp, Camp Vira, which was leased until the end of 2013 and in 2014 will be operated by the Company.

4.2.4 Financial assets

The GAV of financial assets decreased to EUR 27 Million in December 2013 from EUR 84 as of December 2012. The variation is due to:

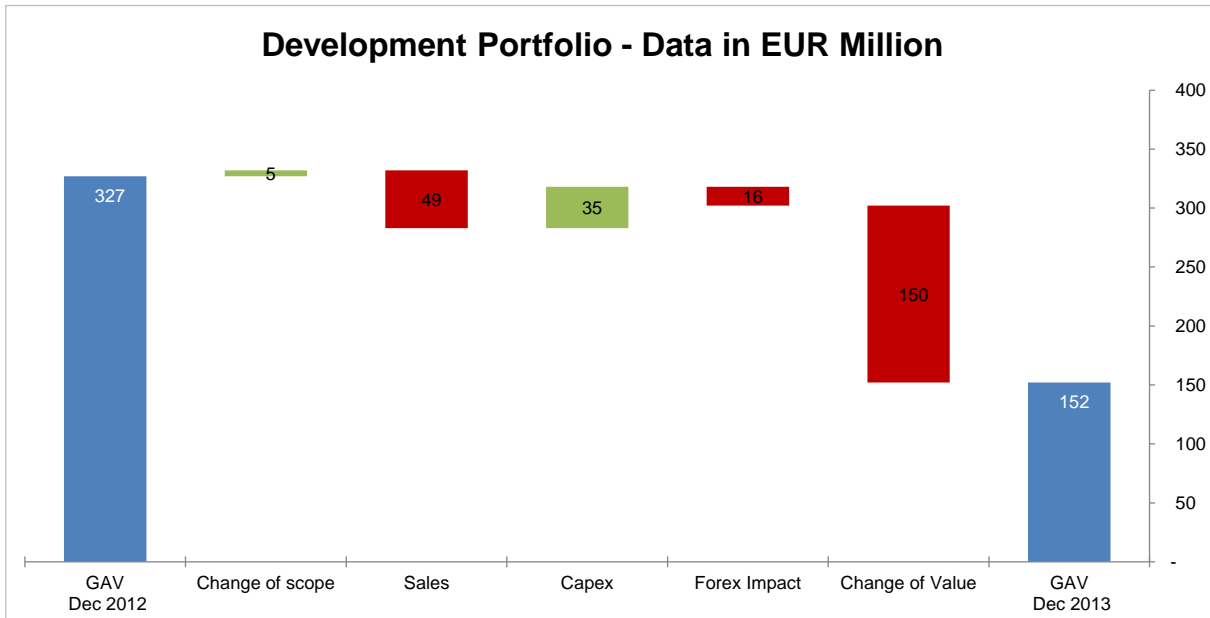
- EUR 1 Million of early repayment on the Molcom receivable
- EUR 56 Million of decrease due to disposal of the Endurance fund units held by the Group in the EF sub-funds office for EUR 10 Million, the impairments on the Molcom, Leipziger Platz (after capitalization of EUR 2 Million of interest) and RFE receivables (see chapter 7.2.8).

4.3 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.

4.3.1 Gross asset value

As of December 2013, the Group's development GAV amounts to EUR 153 Million (45% commercial and mixed used developments, 37% of residential developments, 18% of land bank). The development assets are mainly located in Prague, Czech Republic (66%) with key projects such as Bubny and Benice in Prague, and in Poland (26%) with Zlota 44 in Warsaw. Developments in Germany currently amount to 7% of the portfolio.



The EUR 175 Million decrease of the portfolio Gross asset value encompasses:

- EUR 5 Million increase due to the transfer from Property Investment portfolio of the land plots with development potential identified on the Berlin portfolio.
- EUR 49 Million decrease of sales of completed residential units and land banks in Central Europe mainly driven by the Unibail Rodamco transaction.
- EUR 35 Million of investments mainly driven by Zlota 44 in Warsaw and V Mezihori in Prague.
- EUR 16 Million of negative currency conversion impact.
- EUR 150 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 change of scope, sales and investments, decreased by EUR 166 Million over 2013 (or -52.2% L-f-L). The main drivers of this decrease of value are Zlota 44 (EUR -105 Million) as a consequence of a lower expected revenues, longer expected commercialization period and increased time value of money together with a weakening of the Polish zloty, and Bubny (EUR -45 Million) with lower liquidity for an asset of comparable size taken into account.

4.3.2 Commercial

The commercial development portfolio consists of properties that the Company has developed or is developing across CEE region to keep and manage, or to 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.

4.3.2.1 Valuation changes

The GAV of commercial developments decreased to EUR 69 Million in December 2013 from EUR 133 Million in December 2012. The variation is due to:

- EUR 22 Million decrease due to the exit of 80% of the value as of December 2012 of the Unibail Rodamco land plot sold to the joint venture.
- EUR 3 Million of investments.
- EUR 10 Million of negative exchange rate impact.
- EUR 35 Million of net decrease in market value expressed in Euros mainly impacted by the loss in value of the Bubny project.

The Bubny land plot in Prague 7 is valued as of end of December 2013 by external appraiser at EUR 69 Million to be compared with EUR 133 Million as of end of December 2012. This significant decrease in value is mainly due to the disposal of a plot of 3.6 hectares to the joint venture with Unibail Rodamco in which the Group owns 20% and to more drastic assumptions adopted by the external appraiser taking into account the low liquidity for an asset of comparable size.

4.3.2.2 Business review

Key Project held in portfolio as of December 2013							
Committed	Location	Asset type	Area in SQM	Permit status	Construction completion	Current value Dec 2013 EUR Million	ERV EUR Million
Bubny	Czech Republic, Prague	Mixed commercial	24 ha*	Pending	2025	69,0	NA

*3.6 ha of the Bubny landplot are now held at 20% through a joint venture with unibail Rodamco

A significant milestone in the permitting procedure of the Bubny land plot was obtained. At the end of January 2013, the Prague city Assembly granted the City of Prague the authority to restart the procedure required to change the Bubny master plan, which should reach its completion at the end of 2014.

On 30 April 2013, Orco completed the sale of a plot of 3.6 hectares to the joint venture it has constituted with Unibail Rodamco. The parties will focus on implementing the development of an anchor shopping center in the Bubny area with the start of construction in 2017. The opening of the premium large shopping center will take place in 2019.

Bubny remains the last brownfield plot in the center of Prague and the Group intends to develop a mixed-use project consisting of residential and commercial units, offices and shops as well as educational, medical, and cultural facilities. In addition, a modern train terminal on Vltavská metro station will be incorporated to secure connectivity to the Vaclav Havel international airport.

4.3.3 Residential

4.3.3.1 Valuation changes

The Group's opportunistic residential developments target the middle and upper market segments in Prague, Warsaw and Berlin. Since 2010, the Group refocused its strategy on key large projects such as Zlota 44 in Warsaw and Benice in Prague. The Group has started to execute the conversion of some assets of the Berlin rental portfolio located in the area of Kreuzberg in Berlin into much demanded residential units. Conversion of the asset of Nauynstrasse 68 is well under way and other projects are being prepared.

The decrease of EUR 106 Million over the year 2013 of the Gross asset value of the residential portfolio (December 2013 GAV amounting to EUR 56 Million compared to December 2012 EUR 162 Million) is driven by:

- EUR 2 Million positive impact of change in scope with the start of the project Kosik 3B, previously considered land bank.
- EUR 22 Million of sales.
- EUR 31 Million of investments related to Zlota 44, V Mezihori and Benice.
- EUR 4 Million of negative exchange rate impact.
- EUR 113 Million of negative change in value expressed in Euros mainly driven by EUR 103 Million (EUR 105 Million including exchange rate impact) of decrease in value on Zlota 44 mainly due to lower expected revenues, longer expected commercialization period and increased time value of money assumptions.

Projects completed - Inventory

Over the year 2013, the completed inventories decreased as follows:

Project completed	Location	Asset type	Comments	Market value Dec 2013	Market value Dec 2012
				EUR Million	EUR Million
Mezihori	Prague	Multi-dwelling houses	Occupancy permit in Q3 2013	5.3	8.0
Mostecka	Prague	Multi-dwelling houses		2.4	4.2
Kosik*	Prague	Multi-dwelling houses		0.4	3.0
Feliz Residence	Warsaw	Multi-dwelling houses		0.2	0.9
Klonowa Aleja	Warsaw	Multi-dwelling houses		0.9	3.8
Mokotowska	Warsaw	Multi-dwelling houses		0.0	0.7
Koliba	Bratislava	Multi-dwelling houses		0.8	3.6
Hochwald	Berlin	Residential plots		0.0	0.1
TOTAL				10.1	24.3

* The Group owns 50% of Kosik. The market value indicated is the market value of the 50% share of the Group. As of January 2013, Kosic is consolidated under the equity method.

- V Mezhori: The site is located in Prague 8, Palmovka, approximately 3 km from Prague City centre, with the metro and tramway stations of Palmovka within walking distance. Construction of this project with 138 apartments was completed in Q3 2013 with deliveries starting in Q4 2013. As of December 2013, 72% was delivered. As of mid-March 2014, 83% delivery of the project is completed.
- Mostecka: the development site is located at Mostecka Street 21, approximately 150 m from Charles Bridge and within sight of Malostranske Square. The project is a mixed-use space with ground floor, basement and inner courtyard designated for retail and commercial space, and upper floors used for apartments. The Group redeveloped the property into a high-end residential property in a very unique location. The main construction was completed in November 2011. With only 5 units remaining as of December 2013, 86% of the total residential area is delivered. The project also includes 3 commercial units for a total area of 3,095 SQM, out of which 2 units with area of 491 SQM have been delivered. The Group is actively working on marketing of commercial area.
- Kosik 1-3A: The development is located in the south-east of Prague, approximately 8 km from Prague city centre, in a predominantly residential area with parks and playgrounds. Kosik project is a joint venture with GE dedicated to the development of the site into an all-inclusive residential area featuring commercial units, play grounds and sport facilities. All but one apartment in Kosik 3A and 6 commercial units in Kosik 1 & 2 have been delivered. One of the commercial units has already been delivered in January 2014 and 4 more units (pool, two-storey fitness & ATM) will be delivered by the end of Q1 2014. The value indicated represents the market value of the remaining units which is owned by the Group at 50%. As of December 2013, 97% of phases 1, 2 and 3A are delivered.
- 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 98% delivered as of December 2013 with only 1 unit left for delivery.
- 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 2013, 97% of the total areas are delivered.
- Mokotowska 59: the Property comprises a site of 722 SQM, located in the Śródmieście 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. Delivery of this project is successfully 100% completed as of December 2013.
- Koliba - Parkville: the project is located on the Koliba hill on the northern edge of Bratislava. The location benefits from excellent views of the city. The Project offers the best of contemporary residential architecture and aims at upper middle to high end customers. The Project consists of 10 residential buildings with 91 flats, 157 parking spaces. The project is 97% delivered as of December 2013 (83% as of December 2012).

Projects under construction

As of December 2013, these were ongoing residential developments: Zlota 44 in Warsaw, Kosik 3B and Benice I in Prague, and Naunynstrasse 68, which is being converted into residential units in Berlin.

Project under construction	Location	Asset type	Comments	Market value Dec	Market value Dec
				2013	2012
				EUR Million	EUR Million
Zlota 44	Warsaw	High rise luxury apartments	Sales launch in Q3 2013	30.1	112.7
Kosik 3B	Prague	Multi-dwelling houses	Sales launch in Q4 2013	1.7	2.3
Benice	Prague	Houses	Delivery of units in progress	2.3	5.0
Berlin Naunynstr. 68	Berlin, Kreuzberg	Multi-dwelling houses	Sales started in Q2 2013	3.5	1.9
TOTAL				37.7	121.9

* The Group owns 50% of Kosik. The market value indicated is the market value of the 50% share of the Group. As of January 2013, Kosic is consolidated under the equity method.

- Zlota 44 (www.zlota44tower.com) is a 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.

The luxury residential project Zlota 44 was exposed as a major financial failure for the Group in the fall of 2013. There are many causes of this situation, including lack of bank financing due to covenants default, termination of the general contractor, unsuccessful sales re-launch on the local Warsaw residential market. Therefore late in 2013 the Board of Directors decided to terminate this strategy, suspend the works and later to sell the entire project as is and not to complete the development.

The year-end valuation results in a EUR 120.8 million impairment to the group. The valuation assumes a 25% profit margin on expected revenue (20% as at December 2012), which is included in the impairment test to reflect the new scenario of sale of the project. The valuation as of December 2013, in comparison with December 2012, includes a longer period of commercialization that is in line with the currently recorded pace of sales for the remaining unsold units and a cost of money over the period of 9% in line with market practice. The Gross Development Value decreased by 2.1% (EUR 219 million) in comparison with December 2012 while remaining development costs increased by 38% (EUR 83 million) as the Group improved the quality of the fit out to be proposed to the clients.

- 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. There is other luxury residential housing in the neighborhood. Phase 1B is currently on offer comprising 32 row houses, semi-attached and detached houses, which are mostly completed (last completions in H1 2014), and 4 apartments and 2 commercial units to be completed in Q3 2014. As of December 2013, 72% SQM of the project is delivered. An additional phase, Benice – Phase 1C with 9 new units is currently under development with construction planned for 2014-15. Phases II-V, which value is not included in the table above as they are categorized as land bank, will be developed in the future.
- Kosik 3B – this is the last phase of the Kosik project comprising of 253 units, which will be divided into two sub-phases. Having capitalized on its long term experience of this localization of Prague and on the success of the project V Mezihori, the Group is confident in the positive prospect of the project. Sale of the first sub-phase with 153 units was launched in Q4 2013 and has exceeded expectations with 47 units pre-sold as of December 31 and 67 units pre-sold as of March 13, 2014. Completion of the first sub-phase is scheduled for H2 2015 with first deliveries still in 2015, remainder in 2016. The second sub-phase will contain 80 units, with construction completed no later than in 2017.
- Naunynstrasse 68: well located in the extremely attractive area of Kreuzberg in Berlin, the asset encompasses 2,313 SQM of floor area in 22 units ranging from 38 SQM up to 228 SQM. Delivery of pre-sold units will follow construction completion scheduled for H2 2014.

4.3.3.2 Business review

The Group residential developments target the middle and upper market segments in Prague, Warsaw, 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, V Mezihori in Prague and Kreuzberg and Mitte districts in Berlin.

Amounts in units	New orders ^{(1) (2)}		Backlog ^{(1) (3)}	Production	Deliveries	Forex & Pricing	Backlog ^{(1) (3)}
Country	2012	2013	Dec 2012				Dec 2013
Prague, The Czech Republic	91	71	183	1	(118)	NA	66
Warsaw, Poland	48	28	305	-	(31)	NA	274
Bratislava, Slovakia	15	13	15	-	(12)	NA	3
Berlin, Germany	8	15	21	2	(1)	NA	22
Total units	162	127	524	3	(162)	-	365
Amounts in EUR Million	New orders ⁽²⁾		Backlog ^{(1) (3)}	Production	Deliveries ⁽⁴⁾	Forex & Pricing	Backlog ^{(1) (3)}
Country	2012	2013	Dec 2012				Dec 2013
Prague, The Czech Republic	13.7	11.8	30.3	0.3	(18.1)	1.3	13.9
Warsaw, Poland	14.7	6.3	247.8	-	(3.9)	(30.2)	213.8
Bratislava, Slovakia	4.0	3.9	4.2	-	(3.5)	0.1	0.8
Berlin, Germany	1.7	4.8	7.0	0.1	(0.2)	0.1	7.0
Total in EUR Million	34.1	26.8	289.4	0.4	(25.6)	(28.7)	235.4

(1) : Kosik : the Joint venture owned at 50% is not included anymore as it does not impact the revenue under equity method

(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 does not include sales recorded over the period on aged inventories

Over the year 2013, the Group pursued the commercialization of previously completed inventories as well as projects under construction, of which V Mezihori was finished in Q3 2013. V Mezihori, as well as the other recently started projects (Kosik 3B, Naunynstrasse) report very good sales results and clearly show there is potential for well-thought-out and well-targeted residential developments. New orders contracted over the year decreased by 12% in terms of units from 162 units valued at EUR 34.1 Million down to 127 units valued at EUR 26.8 Million reflecting lower basis of units on offer. The main part of Backlog as of 2013 is made of the 266 units of Zlota 44 in Poland (with opening inventory of 203 units) whose commercialization was on hold for most of the year 2013.

- In Prague, recently completed project V Mezihori is the main contributor to the new sales contracted with the signing of 78% of its opening inventory as of December 2012. The project is now 98% sold as of mid-March 2014 and completion of sales is expected by the end of H1 2014. The sales success of V Mezihori demonstrates strong local demand for attractive, efficient and well-priced projects. Benice – Phase 1, the second main contributor to the new sales contracted with the signing of 34% of its opening inventory as of December 2012 is now being expanded with 9 more houses in Phase 1C. Expected construction and sales period is 2014-15. Mostecka, in the center of Prague, as a completed inventory signed 70% of its opening inventory as of December 2012. Completion of the commercialization is expected in H1 2014.

- In Warsaw, the number of units sold decreased by 42% over the year 2013 while the value per contract decreased by 25% in 2013 in comparison with 2012 because of sales on Zlota 44 being on hold. The pace of sales remained sustained on Klonowa, Feliz and Mokotowska with 84% of the opening inventory being contracted ending with Feliz and Mokotowska fully sold by the end of 2013. Completion of the commercialization of Klonowa is expected in H1 2014. The kick-off of Zlota in Sep 2013 received good feedback and generated a great deal of interest. Despite successful re-launch, sales perform at a slower pace than the Group previously expected.
- In Bratislava, the commercialization of Koliba slowed down during 2013 (-13 % in comparison with 2012) as the inventory is now left with only one unit to commercialize in Q1 2014 to reach completion of sales and all units delivered in H1 2014.
- In Berlin, the commercialization of the Naunynstrasse project started in Q2 2013. Sales are progressing well, with 15 out of the 22 units already pre-sold. All units are expected to be sold during 2014 with start of deliveries towards the end of 2014. Strong appetite for this product has encouraged the group to review other re-development potential in the area. The next project to be launched is Oranienstrasse 10.

4.3.4 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 32 Million in December 2012 down to EUR 27 Million in December 2013.

This decrease of EUR 5 Million year on year is driven by:

- EUR 3 Million increase with the addition of the Berlin's land plots and the transfer of the Kosik 3B land bank to the residential portfolio.
- EUR 5 Million of disposal of assets mainly due to the sale of U Hranic.
- EUR 1 Million of investments.
- EUR 2 Million of negative exchange rate impact.
- EUR 2 Million of negative change in value.

The Group pursued in 2013 its strategy of active land development and of early exit to shorten its development cycle and allow earlier value realization. U Hranic was disposed in Q2 2013 with 'ready for construction' permit and fully prepared marketing concept.

In Germany, disposal of non-strategic asset Kurfürstenstrasse 11 was executed in Q1 2013 a sale price of EUR 0.6 million.

The land plot of Szczecin in Poland is planned to be discontinued during 2014.

Asset	Description	Deal type	Date of Sale	Date of transfer	Sales price EUR Million	DTZ Value Dec 2012 EUR Million
Closed Transactions						
U Hranic*	Plot	Share deal	Q2 2012	Q2 2012	4,3	4,6
Kurfürstenstr. 11	Plot	Asset deal	Q2 2012	Q1 2013	0,6	0,6
Transferred in 2013					4,9	5,2
Szczecin**	Plot	To be discontinued		2014	4,4	4,4
Project to be discontinued in 2014					4,4	4,4
Total Land bank disposal & to be discontinued in 2014					9,3	9,6

* U Hranic: the difference between sales price and DTZ value is due to negative exchange rate impact
 ** Szczecin: sales price and DTZ Value is presented as GAV value as of 31.12.2013

As of December 2013, the Group holds some 1.8 Million SQM of land plots (389 Thousands SQM zoned and 1.373 Thousands SQM unzoned). The potential GEFA development is currently estimated at 0.9 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 currently projected GEFA. In the 'other' category there are land plots included in the reported gross asset value of sub groups of the portfolio other than land bank (rental, commercial development or residential development).



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Country	With zoning		Without zoning		Total	
	Land plot area	GEFA estimated	Land plot area	GEFA estimated*	Land plot area	GEFA estimated*
The Czech Republic	112 607 sqm	109 232 sqm	345 622 sqm	66 250 sqm	458 229 sqm	175 482 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	51 219 sqm	55 560 sqm	0 sqm	0 sqm	51 219 sqm	55 560 sqm
Sub-total land bank	239 715 sqm	224 518 sqm	486 139 sqm	113 506 sqm	725 854 sqm	338 024 sqm
The Czech Republic	18 081 sqm	32 008 sqm	886 788 sqm	500 000 sqm	904 869 sqm	532 008 sqm
Poland	131 130 sqm	0 sqm	0 sqm	0 sqm	131 130 sqm	0 sqm
Sub-total other category	149 211 sqm	32 008 sqm	886 788 sqm	500 000 sqm	1 035 999 sqm	532 008 sqm
Total	388 926 sqm	256 526 sqm	1 372 927 sqm	613 506 sqm	1 761 853 sqm	870 032 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. Not all the land plots are systematically covered with a GEFA estimate.

Over the year 2013, in Central Europe, the main contributor to the evolution of the Group land bank is the disposal of U Hranic (-7,180 SQM of land plot area) and for the 'other' category, the joint venture with Unibail Rodamco (-28,950 SQM, representing 80% of the plot transferred to the joint venture).

During 2013, Kosik 3B was also transferred from land bank to the 'other' category as the project is now considered as the residential project and Rubeska is now zoned.

In Germany, the land bank decreased due to sale of the last plot of Hochwald in 1Q 2013. At the same time, land plots identified on the Berlin portfolio have been transferred from the 'other' category to the land bank of the Group. The Group currently estimates the potential of development up to 55,560 SQM of GEFA located in the center of Berlin. The current DTZ valuation of this additional development potential is EUR 5.4 Million encompassing 19,635 SQM. Currently, the Group is reviewing the potential development of commercial project Benjamin amounting to circa 5,700 of GFA. Several scenarios were taken under the consideration with the preferences to follow the development scenario with mixed-use of high-class apartments and office space.

The land bank provides the support for the future pipeline of the Group. Praga, Benice 2-5 or Nupaky in Prague amounting to circa 870,000 SQM of land bank, 31,500 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 nearly 240,000 SQM of land in Prague 7 (including JV with Unibail Rodamco) is at the core of the commercial development pipeline in Central Europe.

5 Liabilities and financial profile

5.1 Cash and cash equivalents

Cash and cash equivalents have increased by EUR 65.1 Million in 2013 to reach EUR 88.7 Million. Restricted cash (see note 17 of the consolidated financial statements on restricted cash) increased by EUR 3.4 Million to EUR 19.9 Million compared to EUR 17.1 Million as at December 2012.

5.2 Loan to value

The calculation of the Loan to value (LTV) as of 31 December 2013 is shown in the table below:

	31 December 2013	31 December 2012 (restated)
Non current liabilities		
Financial debts	295,304	408,196
Current liabilities		
Financial debts	273,041	222,879
Current assets		
Current financial assets	-	(37)
Liabilities linked to assets held for sale	27,722	9,792
Cash and cash equivalents	(88,669)	(23,633)
Net debt	507,398	617,197
Investment property	710,552	782,731
Hotels and owner-occupied buildings	61,639	88,738
Investments in equity affiliates	93	8,909
Financial assets at fair value through profit or loss	28,285	32,919
Financial assets available-for-sales	2,435	9,466
Non current loans and receivables	28,533	64,482
Inventories	114,720	262,130
Assets held for sale	29,116	6,736
Revaluation gains / (losses) on projects and properties	2,842	32,813
Fair value of portfolio	978,215	1,288,923
Loan to Value	51.9%	47.9%
Bonds and New Notes and accrued interests on New Notes	66,556	59,808
Loan to value after bonds and New Notes	58.5%	52.5%

Despite declining net debt as of 31 December 2013, the LTV ratio increased from 47.9 % to 51.9 % mainly as a result of significant decrease in value of real estate assets. Such decreases are mainly linked to problematic residential development in Warsaw, the lower pricing of land bank and going concern uncertainties for hospitality activities in Croatia and investment properties in Hungary.

Some loans have administrative and/or financial covenant breaches. Those loans, as a result, have been reclassified in current liabilities.

5.3 Financial liabilities

Financial liabilities amount to EUR 657 Million including EUR 568 Million relate to bank loans, EUR 20 Million relate to the bank debt financing the project Szczecin, Hlubocky and Dunaj classified as at December 2013 in assets held for sale, and EUR 65 Million relate to Safeguard bonds and New Notes issued by the Company recognized initially at fair value and amortized at effective interest rate.

99% of the bank loans relates to income producing assets (development projects under delivery and buildings producing rents or other operational revenues), compared to 68% as at December 2012.

Financial liabilities decrease by EUR 41 Million. The decrease is mainly as a result of the buyback for EUR 1 Million of the EUR 16 Million bank loan and related accrued interests financing the Vaci 188 and Vaci 190 office buildings in Budapest, the partial repayment of the bank loan for EUR 14 Million guaranteed by the Bubny land development upon the sale of the retail land plot and regular amortization (EUR 11 Million).

Analysis of maturities of financial debts

in EUR Million	Less than one year	1 to 3 years	3 to 5 years	More than 5 years	Total
As at 31 December 2013	296.3	94.5	261.0	4.9	656.6
As at 31 December 2012	230.0	58.2	390.4	18.8	697.4
Variation	66.3	36.3	(129.4)	(14.0)	(40.8)

The increase in short-term financial liabilities is mainly due to reclassification of long-term part of loans in breach of covenants as Gebauer Hofe, Capellen and Zlota 44 for EUR 84.4 Million. Negotiations with the financing banks are well advanced for refinancing of bank loan related to Gebauer Hohe and to Capellen. The bank loan related to Zlota 44 is in default since December 2013 mainly due to the slow construction progress and the termination by the Group

of the general contractor. The latest exchanges with the financing bank show that repayment request is highly probable. On the other hand the increase in short-term financial liabilities was partially compensated by the repayments mentioned above.

Out of EUR 273 Million short-term liabilities, EUR 258.5 Million are to be restructured or refinanced and EUR 14.5 Million relate to the regular contractual amortization. The Group is actively working on the refinancing or restructuring of its defaulted and short-term bank loans. The Company has granted a debt service guarantee of EUR 65.1 Million of these loans that are also guaranteed by a pledge on most assets in Budapest. The short term liabilities also encompass the EUR 60 Million financing the Zlota 44 project. On top of the pledge on the project other guarantees have been granted to the financing bank and the general contractor for up to EUR 56 million as of December 2013 out of which EUR 44 million would have to be paid from the Group available cash if the project SPV would not be able to repay the default loan upon request of the bank. Those potential guarantee calls have been accrued as provisions in the stand alone accounts of the Company for a total amount of EUR 54 Million.

6 EPRA Net Asset Value

The Triple NAV calculated in accordance with EPRA (European Public Real Estate Associations) "Triple Net Asset Value per share" standard methodology amounts to EUR 1.38 per share as at 31 December 2013 compared to EUR 4.01 last year.

	December 2013	December 2012 (restated)
Consolidated equity	175,908	438,493
Fair value adjustments on hotels and own occupied buildings	-	3,695
Fair value adjustments on inventories	2,842	29,118
Deferred taxes on revaluations	64,027	95,498
Goodwills	(22,569)	(37,880)
Own equity instruments	197	2,341
EPRA Net asset value	220,405	531,265
Existing shares (*)	114,508	107,841
Net asset value in EUR per share	1.92	4.93
EPRA Net asset value	220,405	531,265
Deferred taxes on revaluations	(64,027)	(95,498)
Fair value adjustment of bonds issued by the Group (**)	(1,374)	(3,392)
EPRA Triple Net asset value	155,004	432,375
Fully diluted shares	114,508	107,841
Triple net asset value in EUR per share	1.35	4.01

(*) The increase of the existing shares by 6.7 million takes into account the reserved capital increase of 28 August 2013.

(**) As at 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 notes and at the nominal value for the remaining Safeguard OPG bonds as they are not traded.

As described in the Note 2.1.3 of the 2013 Consolidated Financial Statements, the consolidated equity for the year 2012 has been restated for the changes in accounting method for joint ventures and amendments for employee benefits standard. The results previously reported for year 2012 under the old methods were:

Consolidated equity: EUR 425.7 Million

EPRA NAV per share: EUR 4.89

EPRA Triple NAV: EUR 428.9 Million

Over the year 2013 the Group consolidated equity went down by 262.6 Million, main driver being the loss for 2013 amounting to EUR 227.0 Million. The dilution of Group interest in ORCO Germany from 98.02 % to 58.48 % led to further decrease of equity by EUR 38.8 Million. After devaluation of local currencies against euro, the translation reserve decreased by EUR 11.7 Million. Those decreases have been partially compensated by the EUR 15.0 Million capital increase of 28 August 2013 and the sale of treasury shares for EUR 2.3 Million.

7 Full Year 2013 unaudited Financial Results

Over 2013, the Group has generated revenues amounting to EUR 145.9 Million compared to EUR 244.7 million in 2012. The revenue was significantly influenced by disposals in commercial activity in both of the years : in 2013, the sale of a Bubny plot generating for EUR 20.0 Million and end of 2012 the Sky office building contributing by EUR 121.6 Million (sales price of EUR 117.3 Million plus EUR 4.3 Million of rental revenue). Without consideration of these events the revenue would grow by 2% from 123.1 Million in 2012 to 125.9 Million in 2013.



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New residential project in Prague V Mezihori has been completed with first deliveries in December 2013 adding EUR 12.9 Million of revenue. With the strong performance of asset management in Berlin generating revenue of EUR 59.2 Million (2012: EUR 56.0 Million), the Group maintains the renting revenue above previous year level. On the other hand, management services revenue decrease with the sale and liquidation of the Endurance fund.

Valuation decreases and going concern uncertainties on some of the Group's activities resulted in a loss attributable to the owners of the Group in the amount of EUR 227.0 Million in 2013. The losses were triggered mainly by impairments and provisions recognized on residential developments (EUR 133.0 Million) and the Suncani Hvar hotel portfolio in Croatia (EUR 25.6 Million). The net loss from fair value adjustments on investment properties is mainly due to the decline in Central Europe (EUR 58.0 Million) partially compensated by the increase of properties' value in Germany (EUR 24.6 Million).

Other net financial result shows a net less as the strong decrease of interest expenses that is more than compensated by the absence of the one-off gain recognized in 2012 on the bonds' restructuring and the recognition of major impairments on long term receivables for EUR 44.3 Million. On the other hand, the Group has earned from a one-off gain on bank loans buy-backs in Hungary for EUR 14.9 Million.

As described in the Note 2.1.3. of the Financial Statements, the Group has early adopt the new consolidation standards (IFRS 10, IFRS 11 and IFRS 12). Following the amendments, the joint ventures and associates are reported in the line "Equity accounted investments" in the balance sheet and the contribution of these entities to net result of the Group is shown under "Share of profit or loss of entities accounted for using the equity method" in the income statement.

7.1 Consolidated income statement

	12 months 2013	12 months 2012 (restated)
Revenue	145,896	244,708
Net gain / (loss) from fair value adjustments on investment property	(34,444)	(7,086)
Other operating income	1,458	9,473
Net result on disposal of assets	88	1,399
Cost of goods sold	(38,437)	(141,071)
Employee benefits	(23,620)	(26,736)
Amortisation, impairments and provisions	(166,812)	(50,598)
Operating expenses	(48,446)	(53,819)
Operating result	(164,318)	(23,730)
Interest expenses	(37,382)	(63,960)
Interest income	4,114	3,812
Foreign exchange result	(4,282)	6,476
Other net financial results	(39,693)	54,425
Financial result	(77,242)	755
Share of profit or loss of entities accounted for using the equity method	(413)	(12,948)
Loss before income taxes	(241,973)	(35,923)
Income taxes	(10,449)	(9,558)
Loss from continuing operations	(252,422)	(45,481)
Loss after tax from discontinued operations	(1,127)	(1,466)
Net loss for the period	(253,550)	(46,948)
Total loss attributable to:		
Non controlling interests	(26,523)	(5,064)
Owners of the Company	(227,027)	(41,883)

7.2 Revenue by Business line

The total revenue in 2013 declined by EUR 98.8 Million compared to 2012 as a result of major assets sale in 2012.



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The development revenue went down by almost EUR 100.0 Million due to absence of Sky office revenue from 2012 (EUR 121.6 Million). On the other hand, 2013 revenue is positively influenced by the sale of Bubny plot for EUR 20.0 Million and contribution of the project V Mezihori (EUR 12.9 Million) where 74 % of units were delivered to new owners after its completion.

	Development	Property Investments	Total
YTD Revenue			
As at December 2013	46,517	99,379	145,896
As at December 2012 (restated)	146,467	98,239	244,706
Variation	(99,950)	1,140	(98,810)

7.2.1 Development

7.2.1.1 Residential

Residential development sales have increased from EUR 20.8 Million at end of 2012 to EUR 26.1 Million at end of 2013.

162 units have been delivered including 118 in Prague (+513% Y-o-Y), 31 in Warsaw (-37% Y-o-Y), 12 in Bratislava (-33% Y-o-Y) and 1 in Berlin (-87% Y-o-Y) to be compared with 97 units over the same period in 2012. The main driver of this increase was the V Mezihori project in Prague with 102 units delivered after its completion in Q3 2013. Decrease in other countries is due to lower existing inventory and no new projects initiated.

The main contributors to the revenue are:

- In Prague: V Mezihori (EUR 12.9 Million), Benice (EUR 2.8 Million), Mostecka (EUR 2.3 Million) and other (EUR 0.5 Million) for total revenue generated in the Czech Republic of EUR 18.5 Million to be compared with EUR 7.4 Million in 2012.
- In Warsaw: Klonowa Aleja (EUR 2.6 Million), Mokotowska (EUR 0.6 Million) and Feliz Residence (EUR 0.6 Million) for total revenue generated in Poland of EUR 3.9 Million to be compared with EUR 6.2 Million in 2012.
- In Bratislava: Koliba for EUR 3.5 Million (a decrease of EUR 1.5 Million compared to 2012).
- Germany contributed to the residential revenue with the sales of the last plot of Hochwald EUR 0.2 Million (a decrease of EUR 1.5 Million compared to 2012).

For projects under construction, namely Benice and Zlota 44 in Central Europe and Naunyntrasse 68, total backlog amounts to 313 units of which 83 are covered by a future purchase or a reservation contract. This includes 266 units on Zlota 44 project in Poland (65 contracted) and 25 in the Czech Republic (3 units contracted) and 22 units in Berlin (15 units contracted).

Total backlog of completed projects is made of 52 units (of which 36 units in V Mezihori), for total expected sales of EUR 9.0 Million, and 27 of them are covered by a future purchase or a reservation contract.

The Group strategy concerning the Zlota 44 project has been changed beginning of 2014 as the works have been suspended and the Group intends to sell the project as is and not to sell the finished units to the final customers. The change of strategy has been mainly motivated by slow progress of sales and the lack of bank financing.

The Company expects to launch a number of new projects on existing plots and buildings in Prague (pre-sales already launched on Kosik 3B) and in Berlin in the area of Kreuzberg.

7.2.1.2 Commercial

The development revenue is significantly impacted by sales in both 2012 and 2013. In December 2012, the Group sold Sky Office building in Dusseldorf generating revenue of EUR 117.3 Million. Together with the sale, the Group lost annual rent and management fee amounting to EUR 4.3 Million.

The main contributor to 2013 remains the sale of Bubny plot to Unibail Rodamco (EUR 20.0 Million) with the prospect of future development of shopping mall in the Bubny area.

7.2.2 Property Investments

The Property Investments revenue rose by 1.2 % compared to 2012. The absence of contribution of the Radio Free Europe building revenue (EUR 2.2 Million in 2012) and decrease of Endurance fees (EUR -1.4 Million Y-o-Y) more than compensated by strong performance of Berlin rental portfolio (EUR +3.2 Million Y-o-Y) and rising revenue of hospitality activity (EUR +1.4 Million Y-o-Y).



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7.2.2.1 Rental

Rental generate stable revenue (including services to tenants) of EUR 74.9 Million over 2013 in comparison with EUR 73.5 Million over the same period in 2012. Over the year 2013, net loss of revenue related to the disposal of Radio Free Europe amounts to EUR 2.2 Million. This decrease of revenue has been more than compensated by the improving performance of the portfolio of assets located in Germany where revenue increased by EUR 3.2 Million. The recorded success was achieved mainly thanks to Kreuzberg assets with participation nearly by half of the increase and next potential in further growth. The revenue of CEE assets increased EUR 0.4 Million (excl. Radio Free Europe). The result was influenced by good ongoing lease up in the Czech Republic, by the leave of anchor tenant in Poland and by the sale of part of Stribro.

7.2.2.2 Hospitality activities

Over 2013, Hospitality activities generate a revenue of EUR 21.4 Million increasing by EUR 1.4 Million or +7% Y-o-Y in comparison with the revenue generated in 2012 of EUR 20.0 Million. As a result of the joint ventures not being fully consolidated anymore, Suncani Hvar (EUR 18.7 Million in 2013 and EUR 17.2 Million in 2012) and Pachtuv Palac (EUR 2.6 Million in 2013 and EUR 2.7 Million in 2012) are the only hospitality activities contributing to the revenue.

7.2.3 Operating expenses and Employee benefits

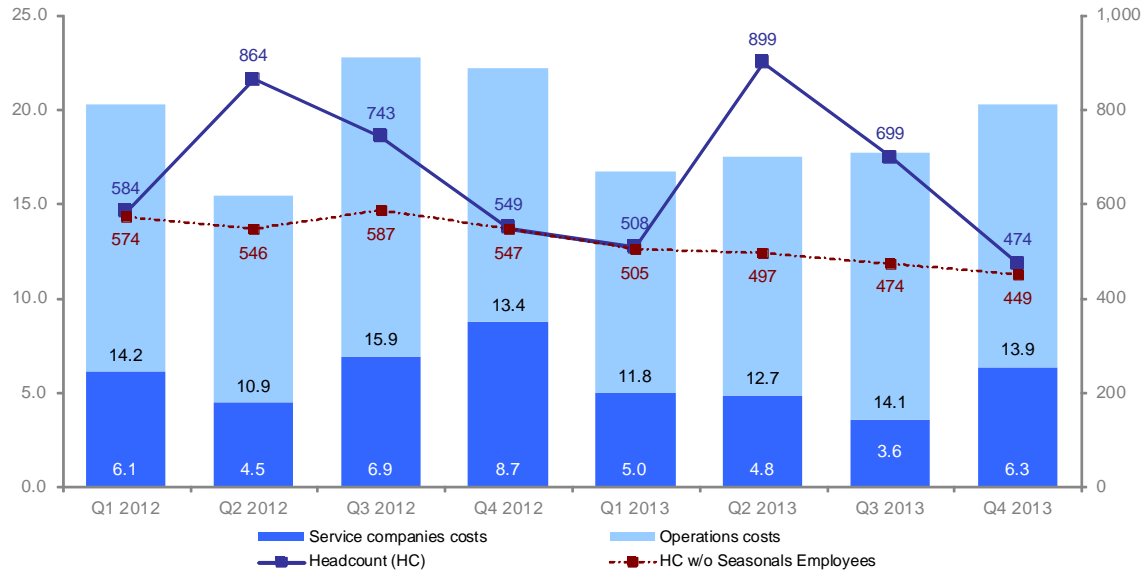
The operating expenses and employee benefits decreased by 10.5% to EUR 72.1 Million in 2013. The reductions was achieved thanks to focus on rationalization of operational processes, savings achieved in service companies and decrease of lawyers and audit fees.

	31 December 2013	31 December 2012 (restated)	Variation
Leases and rents	(1,752)	(2,101)	349
Building maintenance and utilities supplies	(24,500)	(24,583)	83
Marketing and representation costs	(4,284)	(4,197)	(87)
Administration costs	(12,619)	(18,151)	5,532
Taxes other than income tax	(4,004)	(3,237)	(767)
Hospitality specific costs	(220)	(251)	30
Other operating expenses	(1,068)	(1,300)	232
Employee benefits	(23,620)	(26,736)	3,116
Operating Expenses and Headcounts	(72,067)	(80,555)	8,488

Consolidated operating expenses can be split into direct asset or project costs generating revenues ('Operations costs') which amount to EUR 52.4 Million (2012: EUR 54.4 Million) and general management or services expenses ('Service companies costs') in the amount of EUR 19.7 Million (2012: EUR 26.2 Million). Specific administration costs related to sale of Sky Office were recognized in 2012, total reduction linked to Sky including other operating expenses amounts to EUR 4.5 Million.

End of 2013 the Group initiated a radical decrease of service companies costs by closing the Paris and Budapest offices and strongly reducing the teams in Luxembourg. Year on year, the shared service costs decreased by EUR 6.5 Million to EUR 19.7 million, the reduction of salaries (EUR 4.2 Million) and consultancy fees (EUR 1.6 Million) being the main drivers. The share of service companies' costs on total operating expenses represent 29.5 % (44.3% in 2012).

As at 31 December 2013, total Group headcount reached 474 employees compared to 549 in December 2012. The employees belonging to equity accounted joint ventures are not reported in the total headcount. Including these employees, the total headcount as at the end of 2013 would reach 895 compared to 968 in 2012.



7.2.4 Net gain or loss on disposal of assets

In the first half of 2013, the Group sold its project U Hranic located in Prague for a total consideration of EUR 4.3 Million generating a consolidated gain of EUR 0.6 Million. Another transaction has been closed in the second half of 2013 when the Group sold part of its logistic park Stribro for total proceeds of EUR 1.7 Million resulting in a loss of EUR 0.5 million.

7.2.5 Valuation adjustment, impairments, amortization and provisions

Revaluation losses recognized on investment properties amount to EUR 34.4 Million in 2013 (2012: EUR 7.0 Million). In contrary to the revaluation gain reported by Germany where the market value of renting assets increased by EUR 24.6 Million, the valuation in other countries showed decline in fair value of our portfolio. The most significant decline in market value is remarkable in Hungary (EUR 24.4 Million) with negative valuation for Budapest assets Vaci 1 (EUR 15.0 Million), Vaci 188 (EUR 3.9 Million) and Szervita (EUR 3.9 Million). Tough market environment and increasing pressure on rent levels in the Prague resulted in a decline of Czech assets market value which is remarkable mainly for Na Porici (EUR 9.0 Million) and Bubenska (EUR 7.8 Million).

The total amount of amortization, impairments and provisions recognized in income statement for 2013 amounts to EUR 166.8 Million (2012: EUR 50.6 Million) of which EUR 158.6 Million (2012: EUR 40.2 Million) relate to impairment of real estate assets and EUR 0.8 Million (2012: EUR 0.8 Million) is attributable to amortization of owner occupied buildings. The remaining amount of EUR 7.4 Million represents mainly impairment of trade receivables for EUR 2.6 Million and amortization of other tangible and intangible assets amounting to EUR 3.4 Million.

The impairment charges for real estate properties in 2013 are attributable to residential projects in Warsaw and Prague and the hotel portfolio of Suncani Hvar:

- The luxury residential project Zlota 44 was exposed as a major financial failure for the Group in the fall of 2013. There are many causes of this situation, including lack of bank financing due to covenants default, termination of the general contractor, unsuccessful sales re-launch on the local Warsaw residential market. Therefore late in 2013 the Board of Directors decided to terminate this strategy, suspend the works and later to sell the entire project as is and not to complete the development.

The year-end valuation results in a EUR 121.0 million impairment to the group. The valuation assumes a 25% profit margin on expected revenue (20% as at December 2012), which is included in the impairment test to reflect the new scenario of sale of the project. The valuation as of December 2013, in comparison with December 2012, includes a longer period of commercialization that is in line with the currently recorded pace of sales for the remaining unsold units and a cost of money over the period of 9% in line with market practice. The Gross Development Value decreased by 2.1% (EUR 219 million) in comparison with December 2012 while remaining development costs increased by 38% (EUR 83 million) as the Group improved the quality of the fit out to be proposed to the clients.

- In Prague, value of the Benice residential project was further adjusted by EUR 9.8 Million.
- Following the uncertainty regarding the going concern of Suncani Hvar operations the Group recognized an impairment of the related assets amounting to total of EUR 25.6 million, of which EUR 24.1 million is attributable to hotels and EUR 1.6 million to owner occupied buildings. The



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real estate assets have been impaired (valued by DTZ at EUR 93.2 million including EUR 2.4 million of Investment Property) down to a total value of EUR 59.6 million including EUR 0.9 million of Investment Property corresponding to the value of the net liabilities under the assumption that in a bankruptcy procedure the assets would be sold to repay the liabilities to third parties and no cash available would remain for the Group investments and receivable. The assets are as a result recorded at the expected transaction value.

Main changes in provision reported in 2013 are: the Stein provision decreased by EUR 0.9 Million as a consequence of the sale of the asset by the financing bank; EUR 0.8 Million out of the provision created in respect of the Suncani Hvar arbitration were utilized to cover the litigation costs; a provision related to Zlota project was created in the amount of EUR 1.4 Million to provide for corporate guarantees.

The impact of fair value and impairments on real estate assets or investments are summarized by country as follows:

	12 months to December 2013			12 months to December 2012 (restated)		
	Revaluation	Impairment	Total	Revaluation	Impairment	Total
Germany	24,598	80	24,678	18,050	(24,264)	(6,214)
Czech Republic	(26,795)	(12,221)	(39,017)	(4,278)	(5,669)	(9,947)
Poland	(1,683)	(121,044)	(122,727)	(2,478)	(1,180)	(3,658)
Hungary	(24,405)	-	(24,405)	(13,114)	-	(13,114)
Slovakia	(4,888)	254	(4,634)	(3,837)	(2,117)	(5,953)
Luxembourg	110	-	110	(1,530)	-	(1,530)
Croatia	(1,382)	(25,618)	(26,999)	(327)	(7,014)	(7,342)
Total	(34,444)	(158,549)	(192,994)	(7,514)	(40,244)	(47,758)

7.2.6 Operating result

In spite of the increasing market value of the German assets, the improvement of operational efficiency and reductions achieved in employment expenses the Group has recorded negative operating result of EUR 164.3 Million which reflects ongoing difficulties on Central Europe real estate markets. Impairment losses recognised on some residential projects, negative market valuation of investment properties in Hungary and the Czech Republic and finally the difficulties the Group is facing in Hvar are the main causes explaining the deepening of the operating loss compared to 2012 when the operating loss amounted to EUR 23.7 Million.

Notwithstanding the negative result, the Group has achieved positive results in Germany in the management of the Berlin renting portfolio. Also, positive results were delivered by residential project V Mezihorí in Prague with operating profit of EUR 2.1 Million.

7.2.7 Adjusted EBITDA

Unlike the operating result, the adjusted EBITDA shows an increase by EUR 4.3 Million to EUR 36.8 Million compared to EUR 32.6 Million in 2012 indicating wealthy performance and sustainable effectiveness of core assets.

	Development	Property Investments	TOTAL
Operating Result - 12m 2013	(140,201)	(24,117)	(164,318)
Net gain or loss from fair value adjustments on investment property	3,422	31,022	34,444
Amortisation, impairments and provisions	135,980	30,831	166,811
Net result on disposal of assets	(531)	443	(88)
Adjusted EBITDA - 12m 2013	(1,330)	38,179	36,849
Adjusted EBITDA - 12m 2012 (restated)	(13,491)	46,046	32,555
Variation YoY	12,161	(7,867)	4,294

The EBITDA of development segment shows signs of improvement in 2013, although it remains negative – EUR -1.3 Million compared to EUR -13.5 Million in 2012. This improvement was achieved thanks to residential activity where the EBITDA improved by EUR 3.7 Million and commercial line with an improvement of EUR 8.1 Million as in 2012 a loss was booked on the sale of the Sky Office building in Dusseldorf.

Property investments segment shows a decrease of EUR 7.9 Million, resulting mainly from assets sales in 2012 and the first quarter of 2013, lower Endurance management fees (EUR -1.4 Million) and exceptional VAT payback in 2012 (EUR 2.8 Million). The renting line delivers stable EBITDA at EUR 30.5 Million in 2013 compared to EUR 32.2 in 2012 (supported by GSG portfolio by increasing occupancy and net average rent leading to EBITDA improved by EUR 0.6 million). Slight decline is caused by the sale of Radio Free Europe with an EBITDA of EUR 1.9 Million in 2012.

7.2.8 Financial result

The financial result deteriorated from a gain of EUR 0.8 Million to a loss EUR 77.2 Million as at 31 December 2013.

Over the year 2013, gross interest expenses recorded in profit and loss reached EUR 37.4 Million compared to EUR 64.0 Million over the same period in 2012. Out of these EUR 64.0 Million, EUR 25.1 Million were paid cash (as shown in the consolidated cash flow statement). As a result of the bonds' restructuring closed in 2012, cash interests on Safeguard bonds and New Notes are decreasing from EUR 27 Million in 2012 to EUR 2 Million in 2013 (total interest expense on New Notes and Safeguard bonds amounting to EUR 9 Million). The interests on bank loans decreased from EUR 31 million in 2012 to EUR 28 million in 2013 mainly as a result the total or partial redemption upon assets and development sales over 2012.

Other net financial results

	31 December 2013	31 December 2012 (restated)	Variance
Change in carrying value of liabilities at amortised cost	-	74,092	(74,092)
Impairment of long-term receivables	(44,305)	-	(44,305)
Change in fair value and realized result on derivative instruments	5,060	(1,284)	6,344
Change in fair value and realized result on other financial assets	(11,862)	(15,831)	3,969
Other net finance results	(3,477)	(2,552)	(925)
Realized result on repayment of borrowings	14,891	-	14,891
Total	(39,693)	54,425	(94,118)

The change in carrying value of liabilities at amortized costs was recorded in 2012 on the major restructuring closed on the bonds issued by the Group. The change in fair value and realized result on derivative instruments are mainly related to the gains on interest rate swaps and collars. The change in fair value and realized result on other financial assets are mainly related to the impairment of the Radio Free Europe promissory note for EUR 8 Million, and the losses on the PPL reevaluation for EUR 5 Million. The realized result on repayment of borrowings are only related to the recognition of the gain realized by the Group on the buy-back related to the bank debts financing the assets Vaci 188 and Vaci 190.

The impairments on long-term receivables represent mainly impairment of receivables related to sale of Molcom (EUR 35.3 Million) and Leipziger Platz development project (EUR 6.4 Million):

- In December 2010 the Group restructured its Russian activities with its Russian partners. The company MOLCOM CJSC was transferred to a new Cyprus company Sarakina Enterprises Company Limited, which was held at 69% by the Group. The company Karousa Enterprises Company Limited, previously owned by Orco-Molcom B.V., which was held at 69%, was sold to the Group and 30% of these shares have been sold to the Russian partners. Those Cyprus entities and one more, Theonia Ltd, holding a land plot in Russia were sold in 2011 for EUR 53 Million and the shares of these Cyprus entities were pledged as security for the outstanding balance. The main assets held in these companies were the Molcom warehousing facilities close to Moscow and two other smaller real estate assets in Russia. At the sale closing, in accordance with the agreement, EUR 13.2 million (25%) was immediately settled, the remaining EUR 39.8 M (75%) was provided as effectively vendor financing, with a final payment date of December 2012 and a provision that in the case it was not paid at that date, the date could be extended for a year with the interest rate of 10% being applied from 2013 to the outstanding balance. Even though the remaining amounts were not submitted to any specific payment schedule, some EUR 3.5 million was paid between January 2011 and January 2013.

The receivable is now overdue and the Group has obtained clear indications from the creditor that it does not intend to settle as per agreement. As noted above, the receivable is guaranteed by pledged shares, the most important pledge would result in the acquisition of an indirect minority stake in Molcom if successfully exercised, the remaining share and control of Molcom would remain with the creditor. The Group has decided to initiate legal actions to seize the shares of the holding companies.

The Board has reviewed various options and, after review of the legal analysis, the Board is considering a transaction based on an offer received as the best probable outcome. The fair value is estimated on the basis of that offer. After repayment of EUR 0.6 million and impairment of EUR 35.3 million (no accrual of interests in 2013), the fair value of the receivable is EUR 0.9 million as at December 2013 (vs net present value of EUR 36.8 million last year).

- The net present value of the deferred consideration on the sale of Leipziger Platz development is EUR 22.6 Million as of December 2013 (EUR 26.9 Million in 2012) after capitalization of interests (EUR 2.1 Million) and impairment (EUR 6.4 million). In order to reflect longer than expected collection of receivables related to past sale of this asset, higher credit and litigation risks margin has been integrated in the net present value resulting in an impairment of EUR 6.4 Million.

Other net finance losses include mainly refinancing fees and bank expenses.

7.2.9 Share on profit or loss of equity accounted investments

As at 31 December 2013, the Group was involved in three joint ventures.

Hospitality joint venture established by the Group and AIG. The parent company of the Hospitality group is jointly controlled by the joint partners, however the Group does not recognize the share on loss of the joint venture, since the accumulated losses exceeded the initial investment and the Group does not provided any corporate guarantees for the losses. The Group interest in Hospitality joint venture is recognized at a nil value in the Group consolidated financial statements.



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The Group has 50 % interest in Košík, a joint venture established with GE aimed at developing residential area in south-east Prague. The carrying amount of the interest in the joint venture recognized in the Group's consolidated financial statement amounts to EUR 0.1 million as at 31 December 2013. A provision of EUR 3.5 million was created in 2012 in the liabilities of the joint venture to cover the onerous contract on the minimum return guaranteed to the partner before the takeover of the 50 % share not held by the Group.

Uniborc is a joint cooperation with Unibail Rodamco with the aim to develop shopping mall in the area of Bubny. The Group has 20 % interest in the joint venture. The net liabilities of the joint venture amount to EUR 0.7 Million as at 31 December 2013. A respective provision amounting the Group's share on the joint venture's losses of EUR 0.1 Million had been created in the financial statements to provide for the negative net assets value.

The total share of losses of joint ventures recognized in the income statement amounts to EUR 0.4 Million in 2013.

	2013	2012 (restated)
Joint ventures	(413)	(3,857)
Associates	-	(9,091)
At 31 December	(413)	(12,948)

The Group has no interest in associates as at 31 December 2013. A sole investment in associate, the Sub-fund "Office I" of Endurance Real Estate Fund, was consolidated under the equity method as of December 2012. EUR 9.1 Million of share of loss in the income statement results from the provision recognized in the Sub-Fund which is reflecting the net asset value as of 30 September 2012 (financial year-end 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 in February 2013 for a total sale price of EUR 8.7 Million.

7.2.10 Income taxes

The income tax loss recognized in the income statement amounts to EUR 10.4 million and is composed of EUR 1.5 million of current income tax expenses and EUR 8.9 million of deferred tax expense. The Group paid over the period EUR 4.6 million of current income taxes, mainly in Germany for EUR 3.2 million.

7.3 Balance sheet

Assets		
	31 December 2013	31 December 2012 (restated)
NON-CURRENT ASSETS	890,573	1,048,079
Intangible assets	46,414	47,338
Investment property	710,552	782,731
Property, plant and equipment	73,949	101,882
Hotels and owner occupied buildings	61,639	88,738
Fixtures and fittings	12,310	13,145
Equity method investments	93	8,909
Financial assets at fair value through profit or loss	28,285	32,919
Financial assets available-for-sale	2,435	9,466
Non current loans and receivables	28,533	64,482
Deferred tax assets	313	353
CURRENT ASSETS	252,156	332,742
Inventories	114,720	262,130
Trade receivables	19,962	22,343
Other current assets	28,776	24,579
Derivative instruments	29	20
Current financial assets	-	37
Cash and cash equivalents	88,669	23,633
ASSETS HELD FOR SALE	29,116	6,736
TOTAL	1,171,845	1,387,557



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Equity and liabilities		
	31 December 2013	31 December 2012 (restated)
EQUITY	263,117	442,290
Equity attributable to owners of the Company	175,909	438,493
Non controlling interests	87,208	3,797
LIABILITIES	908,728	945,267
Non-current liabilities	491,269	601,795
Bonds	64,992	59,193
Financial debts	295,304	408,196
Provisions and other long term liabilities	23,436	34,397
Deferred tax liabilities	107,537	100,009
Current liabilities	389,737	333,680
Current bonds	321	261
Financial debts	273,041	222,879
Trade payables	22,425	25,570
Advance payments	33,887	32,554
Derivative instruments	1,244	6,446
Other current liabilities	58,819	45,970
Liabilities linked to assets held for sale	27,722	9,792
TOTAL	1,171,845	1,387,557

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7.4 Cash flow statement

	31 December 2013	31 December 2012 (restated)
OPERATING RESULT	(164,318)	(23,730)
Net gain / loss from fair value adjustments on investment property	34,444	7,086
Amortization, impairments and provisions	166,812	50,598
Net result on disposal of assets	(88)	(1,399)
Adjusted operating profit / loss	36,850	32,555
Financial result	(490)	(1,607)
Income tax paid	(4,600)	(875)
Financial result and income taxes paid	(5,090)	(2,482)
Changes in operating assets and liabilities	(5,536)	112,245
NET CASH FROM / (USED IN) OPERATING ACTIVITIES	26,224	142,318
Capital expenditures and tangible assets acquisitions	(4,957)	(3,814)
Proceeds from sales of non current tangible assets (*)	6,993	82,246
Purchase of intangible assets	(201)	(865)
Purchase of financial assets	(347)	-
Loans granted to joint ventures and associates	(4,239)	-
Deferred consideration repayment received from long-term receivables (**)	634	2,897
Proceeds from disposal of associates	8,742	-
Proceeds from disposal of financial assets	1,986	-
NET CASH FROM INVESTING ACTIVITIES	8,611	80,464
Net issue of equity instruments to shareholders / Repayment on third party transactions	-	(1,525)
Proceeds from issuance of ordinary shares	15,000	-
Proceeds from third parties in subsidiary capital increase	53,862	-
Proceeds on disposal of treasury shares	2,253	(882)
Proceeds on disposal of partial interests in a subsidiary	8,216	-
Proceeds from borrowings	17,236	274,949
Net interest paid	(25,067)	(35,631)
Repayments of borrowings	(35,682)	(462,564)
Restructuring fees	(4,823)	(6,733)
NET CASH USED IN FINANCING ACTIVITIES	30,995	(232,386)
NET INCREASE/(DECREASE) IN CASH	65,830	(9,604)
Cash and cash equivalents at the beginning of the year (***)	23,633	32,849
Exchange difference on cash and cash equivalents	(794)	388
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	88,669	23,633

(*) Proceeds from sales of non-current tangible assets comprise mostly proceeds from sale of investment property (Note 8 of Consolidated Financial Statements).

(**) 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.

7.5 Annual statutory financial information

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

As of 31 December 2013 the total assets of the Company amount to EUR 307.8 Million compared to EUR 504.0 Million as of 31 December 2012. The net equity amounts as of 31 December 2013 to EUR 125.4 Million. The Company reports a loss of EUR 251.6 Million mainly due the impairments on equity investments in affiliated undertakings for EUR 124.5 Million, the impairments on loans to affiliated undertakings of EUR 30.2 million and provisions on potential guarantee calls on the Zlota 44 project of EUR 48.2 Million.

The subscribed share capital of the Company amounting to EUR 229.0 Million is considered as the corporate capital of the Company.

8 Corporate governance

8.1 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. The Company 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, KPMG and HRT Révision S.A., were appointed by the general meeting in 2013. 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* (the "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.

8.2 Board of Directors

The Company is administered and supervised by a Board of Directors made up of at least three members.

8.2.1 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.

8.2.2 Current Board of Directors

As of 31 December 2013 the Board of Directors consisted of:

- 2 executive members representing the management of the Company: Mr. Jean-François Ott, Mr. Nicolas Tommasini,
- 2 independent members: Mr. Guy Wallier and Mr. Edward Hughes,
- 4 non-executive members representing shareholders: Mr. Ian Cash, Mr. Jiri Dederá, Mr. Guy Shanon and Mr. Radovan Vitek.

Pursuant to requests from shareholders holding at least 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 Vitek, Mr. Martin Němeček and Mr. Jiří Dederá of Ventures Corp. and Gamala Limited to the Board of Directors.

Mr. Bernard Kleiner resigned from the Board of Directors effective as of 30 May 2013. On 27 June 2013 Mr. Alex Leicester and Martin Nemecek resigned from the Board of Directors of the Company.

The annual general meeting of the shareholders of the Company held on 27 June 2013 elected the following Board of Directors until the annual general meeting concerning the approval of the annual accounts for the financial year ending 31 December 2013: Ian Cash, Jiri Dederá, Edward Hughes, Alexis Juan, Jean-François Ott, Guy Shanon, Nicolas Tommasini, Radovan Vitek, and Guy Wallier.

On 20 December 2013 Mr. Alexis Juan resigned from the Board of Directors of the Company.

The general meeting of Company's shareholders held on 6 January 2014 resolved to remove the following directors from the Board of Directors of the Company: Nicolas Tommasini, Guy Shanon and Ian Cash. The meeting also acknowledged the resignation of Alexis Juan from the board of directors as of 20 December 2013. Some of these shareholders also contest the validity of the general meeting held on 6 January 2014 in Luxembourg. As of the date of this report proceedings are pending in front of the Luxembourg courts.

The Board of Directors of the Company is now comprised of 5 members: Jiri Dederá, Edward Hughes, Jean-Francois Ott, Radovan Vitek and Guy Wallier

As of the date of this report, the Board of Directors thus comprises five directors, of which one is executive director representing the management of the Company (Mr. Jiri Dederá), two are independent directors (Mr. Guy Wallier, and Edward Hughes), and two are non-executive directors representing shareholders (Mr. Jean-François Ott and Mr. Radovan Vitek). 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. Mr. Tomas Salajka replaced Mr. Nicolas Tommasini in the function of the Secretary of the Board.

The Board of Directors meetings are held as often as deemed necessary or appropriate at the request of the Chairman or the Secretary. 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 2013, the Board of Directors held 12 meetings.

8.2.3 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.

8.2.4 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.

8.2.5 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 27 June 2013 appointed Mr. Jean-François Ott as Managing Director (*administrateur délégué*) 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 2013. Mr. Ott has been also appointed as 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 2013.

Mr. Nicolas Tommasini has been appointed Secretary of the Board of Directors. On 3 February 2014 the Board of Directors resolved to replace Mr. Nicolas Tommasini in the function of the Secretary of the Board and to appoint Mr. Tomas Salajka as the Secretary of the Board of Directors.

On 18 March 2014, the Board of Directors decided to implement further changes in the management structure by terminating the executive contracts of Jean-François Ott, Nicolas Tommasini, Aleš Vobruba and Brad Taylor, and agreeing to comply with their termination packages.

The Board of Directors has appointed Tomáš Salajka as new CEO and Jiří Dederá as new Managing Director of the Company.

8.2.6 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.

8.2.7 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.

8.2.8 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.

8.3 Committees of the Board of Directors

As of 31 December 2013 the Board of Directors has the following committees:

- Audit Committee
- Remuneration, Appointment and Related Party Transaction 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.

8.3.1 Audit Committee

Following the changes in the Board of Directors composition after the Company's general meeting held on 4 February 2013 the Audit Committee was composed of two independent members of the Board of Directors, Mr. Bernard Kleiner (chairman) and Mr. Alexis Juan, one non-executive member representing a shareholder, Mr. Jiri Dederá, one executive director, Mr. Nicolas Tommasini. Following the resignation of Mr. Kleiner, from the Board of Directors and the appointment of Mr. Edward Hughes, the Board of Directors decided on 1 July 2013 to add Mr. Edward Hughes to the Audit Committee. Following the departure of Mr. Alexis Juan on 20 December 2014 and of Mr. Nicolas Tommasini on 6 January 2014, the Board of Directors, at its meeting held on 13 January 2014, decided to add Mr. Guy Wallier to the Audit Committee. As a result, as of the date of this report, the Audit Committee is composed of two independent members (Mr. Edward Hughes (chairman) and Mr. Guy Wallier), one executive director (Mr. Jiří Dederá).

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 2013, the Audit Committee held 6 meetings.

8.3.2 Remuneration, Appointment and Related Party Transaction Committee

In the beginning of 2013, the Remuneration, Appointment and Related Party Transaction Committee (the "Remuneration Committee") was composed of four members of the Board of Directors, namely Mr. Guy Wallier (Chairman) and Mr. Alexis Juan as independent directors, Mr. Alex Leicester as non-executive member representing a shareholder, and Mr. Jean-François Ott. Following the departures of Mr. Leicester, the Board of Directors, at its meeting held on 1 July 2013, decided to add Mr. Ian Cash to the Remuneration Committee. Mr. Juan subsequently resigned from the Board of Directors and the Remuneration Committee on 20 December 2013. The Board of Directors, at its meeting held on 13 January 2014, decided to add Mr. Edward Hughes 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 2013, the Remuneration Committee held 2 meetings.

8.3.3 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.

As of 31 December 2013, the Company's Executive Committee consisted of the following members:

Mr. Jean-Francois Ott, born in 1965, President and Chief Executive Officer, with professional address at Palac Archa, Na Porici 26, 110 00 Prague 1, Czech Republic;

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, Deputy Chief Executive Officer, 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; and

Mr. Yves Désiront, born in 1971, Chief Financial Officer, with professional address at 42, rue de Vallée, L-2661 Luxembourg. On 18 March 2014, the Company's Board of Directors decided to implement further changes in the management structure by terminating the executive contracts of Jean-François Ott, Nicolas Tommasini, Aleš Vobruba and Brad Taylor.

The board has appointed Tomáš Salajka as CEO and Jiří Dedera as Managing Director of the Company. As of the date of this report, the Executive Committee of the Company is composed of three members, Mr. Salajka, Mr. Dedera and Mr. Désiront.

Tomáš Salajka, CEO of Orco Property Group, previously appointed as COO and Deputy CEO, joined the Company in January 2014. Before joining the Company, Tomas was working over the last 10 years for GE Real Estate Germany/CEE where his latest position was the Head of Asset Management & Sales CEE and before that for CSOB in the Restructuring Department. He studied foreign trade at University of Economics in Prague, Czech Republic (VSE). Apart from CEO of Orco Property Group, he is also Deputy CEO of Orco Germany S.A.

Jiří Dedera, Managing Director of Orco Property Group, previously appointed as Deputy CEO, joined the Company in January 2014. Jiri has also been a Director of the Company since 4 February 2013 and is a member of the Company's Audit Committee. Before joining the Company, Jiri was working for CPI Group as the Investment Director and before that for Deloitte and PricewaterhouseCoopers in the Czech Republic and in the United States. He graduated from the Technical University of Brno, Czech Republic.

Yves Désiront, Chief Financial Officer, 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.

8.4 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.

8.4.1 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.

8.5 Remuneration and benefits

8.5.1 Board of Directors

See note 31 to the consolidated financial statements.

8.5.2 Executive Committee

See note 31 to the consolidated financial statements.

8.5.3 Employee stock options

See note 27 of the consolidated financial statements.

8.6 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 27 March 2013.

(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 3 February 2014. 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	35,177,765	30.7%
Ktown, LP, Kingstown Partners Master Ltd, Kingstown Partners II, LP, and Forum Funds - Absolute Opportunity Fund - Kingstown	14,334,667	12.5%
Alchemy Special Opportunities Fund II L.P.	12,544,292	11.0%
Jean-François Ott (including Ott&Co S.A., Joho Compagnie, Ott Properties, Roxannia Enterprises Company Limited, Stationway Properties Limited)	11,063,996	9.7%
**Credit Suisse Securities (Europe) Ltd	(no new shareholding notification)	Between 2.5% and 5%
August Finance Fund SPC	3,346,205	2.9%
MSREF V Turtle B.V. and Jardenne Corporation S.à.r.l.	3,275,996	2.9%
Treasury shares	118,000	0.1%
Other	34,646,708	30.3%
Total	114,507,629	100.0%

*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%.

As of 2013, 1 share was transferred to Mr. Edward Hughes in 2013 for free and until he holds the Board function.

(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 10.2.1 Appointment of Directors beginning on page 41 of this report.

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

See section 10.2.3 Powers of the Board of Directors beginning on page 42 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.

As at 31 December 2013, 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 and executive Board members agreed in their respective contracts amounts to EUR 2.7 million (EUR 2.7 million as of 31 December 2012) and is payable in the event of termination of their contracts.

Certain fully owned subsidiaries of the Company entered into managing director agreements with some of their directors. These contracts include a termination indemnity of a total of EUR 588,000 (EUR 12,000 per each subsidiary and director) payable by subsidiaries in the event of termination of director's function. Managing director agreements also contain a monthly fee of EUR 2000 per each subsidiary and director which becomes payable in the event that directors function of Board member or top management member with the Company is terminated.

In accordance with the decision of the Board of Directors an amount of EUR 1 million has been provisioned as at 31 December 2013 as a retirement account payable at the termination of contracts of certain executive managers.

Certain top managers own in aggregate 1,606,159 of the 2014 Warrants. In the event of the occurrence of a Change of Control (as described in Condition 4.1.8.1.2.1 of the Securities Note and Summary dated 22 March 2007) the liability for the Company due to "Change of Control Compensation Amount" payable to the managers holding 2014 Warrants would be up to EUR 13.25 million.

8.7 Additional information

8.7.1 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 229,015,258 is represented by 114,507,629 shares without nominal value. The accounting par value price is EUR 2 per share.

8.7.2 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.

8.7.3 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.

8.7.4 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.

8.7.5 Trade register

RCS Luxembourg B 44 996.

8.7.6 Financial year

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

8.7.7 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.

8.7.8 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, and until proper major shareholding notification is made.

8.7.9 Documents on display

Copies of the following documents may be inspected at the registered office of the Company (tel : +352 26 47 67 1), 40 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 2013, 2012 and 2011, prepared in accordance with IFRS;

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

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

8.8 External Auditors

Since June 2002, HRT Révision S.A. (cabinet de révision agréé), is the independent auditor of the Company (réviseur d'entreprises agréé), reappointed by the annual general meeting of shareholders of 27 June 2013. 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 2013.

The annual general meeting of 27 June 2013 decided to terminate the mandate of Deloitte and to appoint KPMG. 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 2013.

9 Shareholding

9.1 Share capital and voting rights

The subscribed and fully paid-up capital of the Company of EUR 229,015,258 is represented by 114,507,629 shares without nominal value. The accounting par value is EUR 2 per share.

As of the date of this report, the corporate capital may be increased up to an amount of EUR 278,992,584 under the recent authorized capital. As such, the Board of Directors the authority to increase the share capital by up to EUR 49,977,326 from its present amount of EUR 229,015,258, for the purposes of issuing (i) 5,000,000 shares under a management long term incentive plan, (ii) 4,988,663 shares to warrant holders upon the exercise of warrants of the Company and (iii) 15,000,000 shares under an equity line / PACEO.

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.

9.2 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 3 February 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.



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Shareholder	Number of shares	% of capital / voting rights
Gamala Limited	35,177,765	30.7%
Ktown, LP, Kingstown Partners Master Ltd, Kingstown Partners II, LP, and Forum Funds - Absolute Opportunity Fund - Kingstown	14,334,667	12.5%
Alchemy Special Opportunities Fund II L.P.	12,544,292	11.0%
Jean-François Ott (including Ott&Co S.A., Joho Compagnie, Ott Properties, Roxannia Enterprises Company Limited, Stationway Properties Limited)	11,063,996	9.7%
**Credit Suisse Securities (Europe) Ltd	(no new shareholding notification)	Between 2.5% and 5%
August Finance Fund SPC	3,346,205	2.9%
MSREF V Turtle B.V. and Jardenne Corporation S.à.r.l.	3,275,996	2.9%
Treasury shares	118,000	0.1%
Other	34,646,708	30.3%
Total	114,507,629	100.0%

*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%.

As of 2013, 1 share was transferred to Mr. Edward Hughes in 2013 for free and until he holds the Board function.

9.3 General meetings of shareholders

9.3.1 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.

9.3.2 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 avoidance 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.

9.4 Stock subscription rights

See note 28 to the consolidated financial statements.

9.5 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 the 1915 Luxembourg company law.

The Board of Directors was granted full power to proceed with the capital increases within the authorized capital 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 27 June 2013 voted to increase the authorized share capital to EUR 278,992,584, which gave the Board of Directors the authority to increase the share capital by up to EUR 63,310,660, for the purposes of issuing (i) 5,000,000 shares under a management long term incentive plan, (ii) 6,666,667 shares to the Company's main shareholders (Gamala Limited, Kingstown Capital, LP, Alchemy Special Opportunities Fund II L.P., Crestline Ventures Corp. and Stationway Properties Limited) at a price of EUR 2.25 per share in a reserved capital increase, (iii) 4,988,663 shares to warrant holders upon the exercise of warrants of the Company and (iv) 15,000,000 shares under an equity line / PACEO.

On 28 August 2013 the Company issued 6,666,667 new shares to its largest shareholders, Gamala Limited, Kingstown Capital Management, LP, Alchemy Special Opportunities Fund II L.P. and Stationway Properties Limited in a private placement within the framework of the Company's authorized capital approved by the shareholders on 27 June 2013. As of the date of this report, the total number of shares comprising the share capital of the Company as well as the total number of voting rights attached thereto is 114,507,629.

As of the date of this report, the corporate capital may be increased up to an amount of EUR 278,992,584 under the recent authorized capital. As such, the Board of Directors the authority to increase the share capital by up to EUR 49,977,326 from its present amount of EUR 229,015,258, for the purposes of issuing (i) 5,000,000 shares under a management long term incentive plan, (ii) 4,988,663 shares to warrant holders upon the exercise of warrants of the Company and (iii) 15,000,000 shares under an equity line / PACEO.

9.6 Transactions on treasury shares

As of 31 December 2013, the Company owns 118,000 treasury shares through its subsidiaries and none directly owned by the Company itself.

As of 2013, 1 share was transferred to Mr Edward Hughes in 2013 for free and until he holds the Board function.

The table hereafter summarizes the transactions realized by the Company as of 31 December 2013 on its own shares:

	Acquisitions	Sales and commitments
Number of shares (% of total shares)	-	837,374 (0.78%)
Total Price (EUR)	-	2,253,207
Average price per share (EUR)	-	2,69



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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:

- On 3 September 2012 ORR received 232 OPG shares in exchange of OPG Bonds.
- On 5 September 2012 ORR received 90,661 OPG shares in exchange of OPG Bonds.
- On 7 September 2012 ORR received 837,334 OPG shares in exchange of OPG Bonds.
- On 7 September 2012 OG received 2,263 OPG shares in exchange of OPG Bonds.

Total: 930,490 OPG shares

Sales and commitments in 2012:

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

10 Potential risks and other reporting requirements

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

10.2 Activities in the field of research and development

Not applicable.

10.3 Financial Risks Exposure

For a thorough description of the principal risks and uncertainties, see notes 2.1, 3 and 4 to the year end 2013 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, and credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

10.3.1 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 including the loans linked to assets held for sale, which as of December 2013 amount to EUR 296 Million due in or before December 2014.

For more detail on financing risk, please refer to note 2.1.1 Going Concern.

10.3.2 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.

10.3.3 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 250 Million. 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.

For more detail on loan in breach, please refer to note 2.1.1 Going Concern and on note 19.6 Loans with covenants in breaches of the consolidated financial. 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.

10.3.4 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.

10.3.5 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, and 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.

For more detail, please refer to note 3.1.1 (i) Foreign exchange risk of the Consolidated financial statements.

Price risk

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.

For more detail, please refer to note 3.1.1 (ii) Price risk of the Consolidated financial statements.

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.

For more detail, please refer to note 3.1.1 (iii) Cash flow interest risk of the Consolidated financial statements.

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.

10.3.6 Credit risk

The Group has no significant concentrations of commercial credit risk. Rental contracts are made with customers with an appropriate credit history. Credit risk is managed by local management and by Group management.

For more detail, please refer to note 3.1.2 Credit risk of the Consolidated financial statements.

10.3.7 Liquidity risk

For more detail, please refer to note 3.1.3 Liquidity risk of the Consolidated financial statements.

10.3.8 Capital Risk management

For more detail, please refer to note 3.2 Capital Risk management of the Consolidated financial statements.

10.3.9 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.

10.3.10 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 valued as of 31 December 2013. 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 2013, the Group had receivables of approximately EUR 25.9 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.

11 Stock market performance

11.1 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-13	2.36	2.95	10,897,500
Feb-13	2.37	2.91	4,732,300
Mar-13	2.12	2.43	3,615,800
Apr-13	1.88	2.34	4,880,500
May-13	2.05	2.34	1,939,900
Jun-13	2.16	2.45	2,634,900
Jul-13	2.07	2.34	1,117,200
Aug-13	2.24	2.73	6,141,100
Sep-13	2.20	2.43	3,904,200
Oct-13	2.16	2.49	2,590,100
Nov-13	1.96	2.24	2,047,600
Dec-13	1.41	1.85	5,083,700
Total annual transactions			49,584,800
Lowest/highest of the year	1.41	2.95	

11.2 Other financial instruments of Orco Property Group

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



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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
New note OrcPropG AVR2018	Fixed income	XS0820547742

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

12 Corporate Responsibility

Corporate responsibility and sustainable development is at the core of the strategy of Orco. The Group top management actively foster best practices as an opportunity to improve the cost efficiency of internal processes and the value creation of our three core activities, Property Investments, Development and Hospitality.

The Group approach is environment oriented. The entire Orco group is engaged in a sustainable development drive. This is reflected in several initiatives including:

- the development of a "green" charter for the entire staff,
- efforts to reduce water and power consumption,
- the examination of innovative systems combining different types of energy (solar, geothermal, etc.) to be included in our projects,
- the development of an offer of residential projects compliant with high standards of "green developments",
- food and beverage from the fair trade are offered whenever possible in our Hotels.

Orco's management team is dedicated to implement that approach in every project of the portfolio.



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EPRA Net Asset Value	Page 30

14 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.



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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 (sqm)

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's market rents expressed as a percentage of the contractual rents passing at the measurement date (but assuming all current lease incentives have expired).

Vacancy

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

ORCO PROPERTY GROUP S.A.

Société Anonyme

Unaudited Consolidated financial statements

As at and for the year ended 31 December 2013

Orco Property Group's Board of Directors has approved the unaudited consolidated financial statements as at and for the period ended 31 December 2013 on 26 March 2014.

All the figures in this report are presented in thousands of Euros, except if explicitly indicated otherwise. Comparative periods have been restated where applicable for the changes in accounting policies as described in the Note 2.1.3.

I. Consolidated income statement

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

	Note	12 months 2013	12 months 2012 (restated)
Revenue	5	145,896	244,708
<i>Sale of goods</i>		45,722	140,687
<i>Rent</i>		64,626	66,074
<i>Hotels, Extended Stay & Restaurants</i>		20,788	19,305
<i>Services</i>		14,760	18,641
Net loss from fair value adjustments on Investment Property	8	(34,444)	(7,086)
Other operating income	22	1,458	9,473
Net result on disposal of assets	15	88	1,399
Cost of goods sold	5/14	(38,437)	(141,071)
Employee benefits	24	(23,620)	(26,736)
Amortization, impairments and provisions	23	(166,812)	(50,598)
Other operating expenses	24	(48,446)	(53,819)
Operating result		(164,318)	(23,730)
Interest expenses	19	(37,382)	(63,960)
Interest income		4,114	3,812
Foreign exchange result		(4,282)	6,476
Other net financial results	25	(39,693)	54,425
Financial result		(77,242)	755
Share of profit or loss of entities accounted for using the equity method	10	(413)	(12,948)
Loss before income taxes		(241,973)	(35,923)
Income taxes	26	(10,449)	(9,558)
Loss from continuing operations		(252,422)	(45,481)
Loss after tax from discontinued operations	6	(1,127)	(1,466)
Net loss for the period		(253,550)	(46,948)
Total loss attributable to:			
Non-controlling interests	18	(26,523)	(5,064)
Owners of the Company		(227,027)	(41,883)
Basic earnings in EUR per share	27	(2.06)	(0.82)
Diluted earnings in EUR per share	27	(2.06)	(0.82)

II. Consolidated statement of comprehensive income

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

	12 months 2013	12 months 2012 (restated)
Loss for the period	(253,550)	(46,948)
Other comprehensive income /(loss)		
Items that may be reclassified subsequently to profit or loss	(11,560)	7,408
Currency translation differences	(11,560)	7,408
Items that will not be reclassified subsequently to profit or loss	16	(1,529)
Remeasurements of post employment benefit obligations	16	(1,529)
Total comprehensive loss attributable to:	(265,094)	(41,069)
Owners of the Company	(238,474)	(35,699)
Non-controlling interests	(26,620)	(5,370)

III. Consolidated statement of financial position

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

ASSETS		31 December 2013	31 December 2012 (restated)
	Note		
NON-CURRENT ASSETS		890,573	1,048,079
Intangible assets	7	46,414	47,338
Investment property	8	710,552	782,731
Property, plant and equipment		73,949	101,882
Hotels and owner occupied buildings	9	61,639	88,738
Fixtures and fittings	12	12,310	13,145
Equity method investments	10	93	8,909
Financial assets at fair value through profit or loss	13.1	28,285	32,919
Financial assets available-for-sale	13.2	2,435	9,466
Non current loans and receivables	13.3	28,533	64,482
Deferred tax assets	26	313	353
CURRENT ASSETS		252,156	332,743
Inventories	14	114,720	262,130
Trade receivables		19,962	22,343
Other current assets	16	28,776	24,579
Derivative instruments	19.7	29	20
Current financial assets		-	37
Cash and cash equivalents	17	88,669	23,633
ASSETS HELD FOR SALE	11	29,116	6,736
TOTAL		1,171,845	1,387,557

EQUITY & LIABILITIES		31 December 2013	31 December 2012 (restated)
EQUITY		263,117	442,290
Equity attributable to owners of the Company	28	175,909	438,493
Non controlling interests	18	87,208	3,797
LIABILITIES		908,728	945,267
Non-current liabilities		491,269	601,795
Bonds	19	64,992	59,193
Financial debts	19	295,304	408,196
Provisions and other long term liabilities	20	23,436	34,397
Deferred tax liabilities	26	107,537	100,009
Current liabilities		389,737	333,680
Current bonds	19.4	321	261
Financial debts	19.4	273,041	222,879
Trade payables	21	22,425	25,570
Advance payments		33,887	32,554
Derivative instruments	19.7	1,244	6,446
Other current liabilities	21	58,819	45,970
Liabilities linked to assets held for sale	11	27,722	9,792
TOTAL		1,171,845	1,387,557

IV. Consolidated statement of changes in equity

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

	Note	Share capital	Share premium	Translation reserve	Treasury shares	Other reserves	Equity attributable to owners of the Company	Non controlling interests	Total equity
Balance at 1 January 2012 (reported)		69,921	418,688	14,041	(22,813)	(220,305)	259,532	11,666	271,198
Effect of change in consolidation method						16,146	16,146	(3,264)	12,881
Adoption of revised IAS 19						(25)	(25)	(1)	(26)
Balance at 1 January 2012 (restated)		69,921	418,688	14,041	(22,813)	(204,185)	275,652	8,401	284,054
Comprehensive income:									
Loss for the period						(41,883)	(41,883)	(5,064)	(46,948)
Other comprehensive income				7,683		(1,499)	6,184	(305)	5,879
Total comprehensive income		-	-	7,683	-	(43,382)	(35,699)	(5,370)	(41,069)
Capital increase of 14 May 2012	28	75,283	710			(22,744)	53,249		53,249
Capital increase of 3 September 2012	28	264,767	225,150			(367,221)	122,696		122,696
Capital increase of 28 September 2012	28	32,177	949			(10,366)	22,760		22,760
Own equity transactions	27				20,943	(23,653)	(2,710)		(2,710)
Non controlling interests' transactions	18					2,544	2,544	766	3,310
Balance at 31 December 2012 (restated)		442,148	645,497	21,724	(1,870)	(669,007)	438,493	3,797	442,290
Comprehensive income:									
Loss for the period						(227,027)	(227,027)	(26,523)	(253,550)
Other comprehensive income				(11,457)		10	(11,447)	(97)	(11,544)
Total comprehensive income		-	-	(11,457)	-	(227,017)	(238,474)	(26,620)	(265,094)
Capital decrease of 4 February 2013	28	(226,466)				226,466	-		-
Capital increase of 28 August 2013	28	13,333	1,667				15,000		15,000
Own equity transactions	27				1,639	614	2,253		2,253
Non controlling interests' transactions	18					(41,362)	(41,362)	110,031	68,669
Balance at 31 December 2013		229,015	647,164	10,267	(231)	(710,307)	175,909	87,208	263,117

Definitions

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

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

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

Treasury Shares are shares issued by the Company and controlled by itself. Treasury shares come from a repurchase or buyback from shareholders. These shares do not pay dividends, have suspended voting rights, and are not included in voting rights calculations.

Other Reserves are created from accumulated profits and losses and other equity operations, such as scope variations, variation of detention, or revaluation of assets. These reserves may be subject to the distribution of dividends. This item also includes measurements of post-employment defined benefit obligation.

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

V. Consolidated statement of cash flows

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

		31 December 2013	31 December 2012 (restated)
OPERATING RESULT		(164,318)	(23,730)
Net gain / loss from fair value adjustments on investment property	8	34,444	7,086
Amortization, impairments and provisions	23	166,812	50,598
Net result on disposal of assets	15	(88)	(1,399)
Adjusted operating profit / loss		36,850	32,555
Financial result	25	(490)	(1,607)
Income tax paid	26	(4,600)	(875)
Financial result and income taxes paid		(5,090)	(2,482)
Changes in operating assets and liabilities		(5,536)	112,245
NET CASH FROM / (USED IN) OPERATING ACTIVITIES		26,224	142,318
Capital expenditures and tangible assets acquisitions	5, 8, 12	(4,957)	(3,814)
Proceeds from sales of non current tangible assets	8, 11	6,993	82,246
Purchase of intangible assets	7	(201)	(865)
Purchase of financial assets		(347)	-
Loans granted to joint ventures and associates	13.3	(4,239)	-
Deferred consideration repayment received from long-term receivables	13.3	634	2,897
Proceeds from disposal of associates	13.1	8,742	-
Proceeds from disposal of financial assets	13.1	1,986	-
NET CASH FROM INVESTING ACTIVITIES		8,611	80,464
Net issue of equity instruments to shareholders / Repayment on third party transactions		-	(1,525)
Proceeds from issuance of ordinary shares		15,000	-
Proceeds from third parties in subsidiary capital increase	28	53,862	-
Proceeds on disposal of treasury shares	27	2,253	(882)
Proceeds on disposal of partial interests in a subsidiary		8,216	-
Proceeds from borrowings	19.3, 19.4	17,236	274,949
Net interest paid	19.8	(25,067)	(35,631)
Repayments of borrowings	19.3, 19.4	(35,682)	(462,564)
Restructuring fees		(4,823)	(6,733)
NET CASH USED IN FINANCING ACTIVITIES		30,995	(232,386)
NET INCREASE/(DECREASE) IN CASH		65,830	(9,604)
Cash and cash equivalents at the beginning of the year		23,633	32,849
Exchange difference on cash and cash equivalents		(794)	388
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		88,669	23,633

1 General information

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

The Company is a limited liability company incorporated for an unlimited term and registered in Luxembourg. The address of its registered office is 40, rue de la Vallée, L-2661 Luxembourg.

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

These unaudited consolidated financial statements have been approved on 26 March 2014 by the Board of Directors for issue on 27 March 2014.

2 Summary of significant accounting policies

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

The consolidated financial statements are presented in thousands of Euros and have been prepared under the historical cost convention except for:

- Investment property carried at fair value;
- Available for sale financial assets;
- Financial assets and financial liabilities (including derivative instruments) at fair value through profit and loss;
- Retirement benefit obligations.

2.1 Basis of preparation and going concern

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and interpretations issued by the IFRS Interpretations Committee (IFRS IC) as endorsed by the European Union.

The financial statements are adjusted to reflect events that occur after the end of the reporting period, but before the financial statements are authorized for issue, if either they provide evidence of conditions that existed at the end of the reporting period (adjusting events) or they indicate that the going concern basis of preparation is inappropriate. Financial statements are not adjusted for non-adjusting events. Non-adjusting events are events that result from conditions arising after the end of the reporting period.

2.1.1 Going concern

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

The financial performance of the Group is naturally affected by the widely negative macro-economic environment in which the Group has operated over the last 6 years which has generated increased uncertainty about the evolution of the real estate market in Central Europe that damaged the Group's activity and which is slowing down the refinancing negotiations. Nevertheless, economies in Central Europe are recently showing signs of stability if not recovery.

The management has been successful in deleveraging the Group with the bonds' restructuring in 2012, stabilizing some bank financing with the resolution of breaches and generating cash by asset sales (mainly Orco Germany SA shares for EUR 8.0 million in May 2013). On 27 June 2013, the shareholders voted in favor of increasing the authorized capital of OPG which resulted in EUR 15 million of additional investment from the existing shareholders in August 2013.

With financial short term liabilities amounting to EUR 296.3 million, whether in line with initial contracted term or as a result of covenant breaches, major risks still persist on the refinancing of specific Group assets or activities. These short term liabilities include EUR 14.5 million of contractual amortization, the remaining loans are either in default or need to be refinanced (see note 19.6). Management continuously assesses the status of all refinancing discussions and implications for the Group's ability to continue as a going concern. The risk is either limited to a loss of value for the Group if no major corporate guarantees were granted or encompasses additional cash requirements. In three specific cases corporate guarantees have been granted to the financing banks or suppliers that might endanger the Group going concern if exercised:

- The loan guaranteed by a pledge on Zlota 44 project amounting to EUR 60 million is in default since December 2013 mainly due to the slow construction progress and the termination of the general contractor by the Group. The unsuccessful sales re-launch and sales strategy implemented in the fall 2013 prevents the Group to find operational solutions to the defaults. On top of the pledge on the project other guarantees have been granted to the financing bank and the general contractor for up to EUR 56 million as of December 2013 out of which EUR 44 million would have to be paid from the Group available cash if the project SPV (special purpose vehicle) would not be able to repay the default loan upon request of the bank. The latest exchanges with the financing bank show that such payment request is highly probable (see note 14). Based on that situation, the management has decided to seek to acquire the Zlota loans and credits secured by guarantees. Management believes that this strategy will lead to a better financial outcome for the group than allowing the creditors to call the guarantees in total.
- Three loans guaranteed by pledges on Hungarian assets - Vaci 1, Paris Department Store and Szervita – amounting to EUR 65 million are in default due to the non-respect of the payment terms. On top of the pledge of the assets other guarantees have been granted to the financing bank for debt service out of which EUR 6 million as of December 2013 would have to be paid from the Group available cash. The latest exchanges with the financing bank show that such payment request is highly probable.

- The loan guaranteed by a pledge on the Capellen office building in Luxembourg amounting to EUR 19 million is in default since December 2013 due to the non-respect of the payment terms. On top of the pledge on the project other guarantees have been granted to the financing bank for up the total amount of the loan to be paid fully from the Group available cash if the project SPV would not be able to repay the default loan upon request of the bank after a cure period. Negotiations with the financing bank are well advanced allowing the management to believe that such guarantee call is remote.

Excluding the cash available in Orco Germany sub-group, the Group has as at December 2013 EUR 22 million cash available. Such cash balance would not be sufficient to cope with highly probable guarantee calls of up to EUR 50 million. Besides the assets or subsidiaries requiring successful refinancing of their bank loans, some subsidiaries and joint ventures held by the Group require funding to continue as going concerns. The effective cash need to continue as a going concern is as a result higher than the amount of highly probable guarantee calls as indeed the cash generated by the few cash flow positive projects is not yet sufficient to cover the cash negative projects and corporate expenses.

On 18 March 2014, the Company's Board of Directors decided to dismiss and to terminate the executive contracts of Jean-François Ott, Nicolas Tommasini, Aleš Vobruba and Brad Taylor. Under this agreement, the Company has to pay in cash a total amount of EUR 6,000,001 (see note 34.3).

In order the above listed major cash needs the Board of Directors has decided to sell assets. The Group has identified the shares held in the Central European hospitality joint venture and the shares held in Orco Germany SA. The actual proceeds from the sale of the shares depend on the buyers' demand. If such asset sales included in the cash flow forecast are cumulatively not successful then this gives rise to a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and therefore, to meet its liabilities as they fall due. The consolidated financial information does not include any adjustments that might result from the going concern basis of preparation being inappropriate.

The Board of Directors concludes that, as the risks and uncertainties described above included in the cash flow forecast with conservative assumptions are covered by the contemplated sale of financial assets, there is a reasonable expectation that the Company can continue its operations in the foreseeable future and, accordingly, has formed a judgment that it is appropriate to prepare the consolidated financial statements as at and for the year ended 31 December 2013 on a going concern basis. Nevertheless, the Group is dependent on the decisions of third parties and the financing sources are not yet sufficiently secured. If the Company is not successful in its refinancing and sales plan, the going concern assumption might not be relevant any longer for the Group or its components. The consolidated financial statements would then need to be totally or partially amended to an extent which today cannot be estimated in respect of: the valuation of the assets at their liquidation value, the incorporation of any potential liability and the reclassification of non-current assets and liabilities into current assets and liabilities.

2.1.2 Critical accounting estimates and judgments

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

2.1.3 Changes in accounting policies

The accounting policies have been consistently applied by the Group's entities and are consistent with those applied for its 31 December 2012 consolidated financial statements, except for the application of the revised and new standards and interpretations applied as from 1 January 2013 (as described below).

2.1.3.1 New and amended standards adopted by the Group in 2013

The Group has adopted the following standards and amendments to standards for the first time for the financial year beginning on or after 1 January 2013:

Amendment to IAS 1, 'Presentation of Financial Statements' regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially re-classifiable to profit or loss subsequently (reclassification adjustments). The Group has amended the presentation of items in the statement of other comprehensive income accordingly.

Amendment to IFRS 7, 'Financial instruments: Disclosures', on asset and liability offsetting. This amendment includes new disclosures to facilitate comparison between those entities that prepare IFRS financial statements to those that prepare financial statements in accordance with US GAAP. Disclosure requirements about fair value measurements previously incorporated into IFRS 7 were replaced and expanded by IFRS 13 (see below). The amendment has no impact on the consolidated financial statements.

IAS 19, 'Employee benefits' was revised in June 2011. This revised standard introduces changes to the recognition, measurement, presentation and disclosure of post-employment benefits. See note 2.1.3.4 for the impact on the Group's consolidated financial statements.

IFRS 10, 'Consolidated financial statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. IFRS 10 introduces a new control concept that focuses on whether the Group has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns. The standard has no impact on the Group's consolidated financial statements.

IFRS 11, 'Joint arrangements' focuses on the rights and obligations of the parties to the arrangement rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. A joint operator accounts for its share of the assets, liabilities, revenue and expenses. Joint ventures arise where the investors have rights to the net assets of the arrangement; joint ventures are accounted for under the equity method. Proportional consolidation of joint arrangements is no longer permitted. The implementation of this standard is limited to the change in consolidation method of the joint arrangements, in which the Group is involved, from proportionate method to equity method, in application of IFRS 11. Accordingly, the respective amounts in comparative period were restated and equity method has been applied from 1 January 2012. The quantitative impact of the change is set out in note 2.1.3.3 below.

IFRS 12, 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities IFRS 12 replaced the disclosure requirements in IAS 27 'Consolidated and Separate Financial Statements', IAS 28 'Investments in Associates' and IAS 31 'Interests in Joint Ventures'. This standard requires the entity to disclose information about the nature of and risks associated with its interest in other entities. An entity shall disclose information about its interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities.

As a result, the Group has expanded its disclosure about its interest in equity-accounted investees and subsidiaries (Note 10 and 33).

The three new consolidation standards (IFRS 10, IFRS 11 and IFRS 12) are not mandatory for the Group until 1 January 2014, however the Group has decided to early adopt the standards as of 1 January 2013.

IFRS 13, 'Fair value measurement', aims to improve consistency by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. It replaces and expands the disclosure requirements in other IFRSs. As a result, the Group has included additional disclosures in this regard, mainly for investment properties at fair value (see Note 4.1). In accordance with the transitional provisions of IFRS 13, the Group has applied the new fair value measurement guidance prospectively and has not provided any comparative information for new disclosures. The change has no significant impact on the measurements of the Group's assets and liabilities.

2.1.3.2 New standards and interpretations not yet adopted

The following new standards, new interpretations and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2013 and have not been early adopted by the Group:

IFRS 9, Financial Instruments. This standard addresses classification and measurement of financial assets and liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. It is very likely to affect the Group's accounting treatment of financial instruments. The Group will also consider the impact of the remaining phases of IFRS 9 when completed by the Board.

Amendments to IAS 36, 'Impairment of assets', on the recoverable amount disclosures for non-financial assets. This amendment removed certain disclosures of the recoverable amount of CGUs which had been included in IAS 36 by the issue of IFRS 13.

IFRIC 21, 'Levies', sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses what the obligating event is that gives rise to pay a levy and when should a liability be recognized. The Group is not currently subjected to significant levies so the impact on the Group is not material.

Amendments IAS 32 - Offsetting Financial Assets and Financial Liabilities. The application guidance in IAS 32 was amended in December 2011 to address some inconsistencies relating to the offsetting financial assets and financial liabilities criteria.

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

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

2.1.3.3 Change in consolidation method for joint ventures

As of 1 January 2012, the Group had interests and joint control over three joint arrangements (see note 10.1) by virtue of the requirement for unanimous consent by all parties over decisions related to the relevant activities of the arrangement. Based on that and underlined by the fact that the Group has rights to the net assets of the arrangements, the Group classifies its investments in the three entities as joint ventures under IFRS 11, similarly to previous applicable principles before the changes. Prior to the adjustment, the Group has accounted for the joint ventures under the proportionate method. After the implementation of IFRS 11, the accounting policies have been adjusted accordingly and the consolidated financial statements have been restated from 1 January 2012. The investment in joint ventures was recognized at 1 January 2012 as the total of the carrying amounts of the assets and liabilities previously proportionately consolidated which is the deemed cost of the investment at initial recognition.

As of 31 December 2012, the aggregated assets and liabilities of the investment in the Hospitality JV resulted in a net liability of EUR 40.9 Million. As the Group does not have any legal obligation in relation to the negative asset, the Group adjusted the retained earnings and consequently recognized its investment in the Hospitality JV for a nil value. The Profit Participating Loan (PPL) granted to the Hospitality joint venture with the real estate investment funds managed by AIG subsidiary has been fair valued on the basis of management estimates of the expected cash flows from the loans and the specific credit spread depending on the loan characteristics and the legal entity benefiting directly from the loan.

As a result of this change in consolidation method, as of 31 December 2012:

- The Net Result of the Group decreased by EUR 1.7 million mainly due to the fact that the Hospitality JV no longer contributes to the Group Net Result (positive contribution before restatement of EUR 0.8 million) and the complementary loss in fair value recognized on the PPL (EUR -2.5 million);
- The Equity of the Group increased by EUR 14.4 million due to the change in Net Result, the gain resulting from the cap of the non-guaranteed liabilities on the Hospitality JV Equity (EUR + 40.8 million) and the historical revaluation of the PPL in Equity (EUR -26.3 million);
- The new entities accounted for under the Equity Method are increasing by EUR 0.2 million the value of Investments under Equity Method before early adoption (see Note 10).

The quantitative impact of the change in consolidation method is presented in the note 2.1.3.1 .

2.1.3.4 Adoption of IAS 19 (2011)

Following the changes in IAS 19 (revised 2011) the Group has changed its accounting policies with respect to the recognition and disclosure of actuarial gains and losses resulting from increases or decreases in the present value of the defined benefit obligation because of changes in actuarial assumptions and experience adjustments. Previously, actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions were charged or credited to the consolidated income statement over the employees' expected average remaining working lives. Under IAS 19 (2011), the actuarial gains and losses are immediately recognized in Other Comprehensive Income (OCI).

The effect of the new accounting policy is summarized in the note below.

2.1.3.1 Effect of changes in accounting policies

The adoption of revised IAS 19 and change in consolidation method of accounting for joint ventures had following impact on the consolidated statement of financial position:

As of 1 January 2012

ASSETS				
	1 January 2012 (as reported)	1 January 2012 Change in consolidation method for joint ventures	1 January 2012 Adoption of revised IAS 19	1 January 2012 (as restated)
NON-CURRENT ASSETS	1,190,417	(31,440)	-	1,158,977
Intangible assets	47,783	(375)	-	47,408
Investment property	872,316	(9,550)	-	862,766
Property, plant and equipment	156,865	(44,385)	-	112,480
Hotels and owner occupied buildings	142,659	(43,671)	-	98,987
Fixtures and fittings	14,206	(714)	-	13,492
Equity method investments	17,829	4,422	-	22,250
Financial assets at fair value through profit or loss	28,958	18,452	-	47,410
Financial assets available-for-sale	-	-	-	-
Non current loans and receivables	66,666	(4)	-	66,662
Deferred tax assets	0	(0)	-	(0)
CURRENT ASSETS	483,826	(13,133)	-	470,694
Inventories	382,279	(8,726)	-	373,553
Trade receivables	32,145	(165)	-	31,979
Other current assets	32,279	5	-	32,283
Current financial assets	29	(0)	-	29
Cash and cash equivalents	37,095	(4,246)	-	32,849
ASSETS HELD FOR SALE	24,129	-	-	24,129
TOTAL	1,698,373	(44,573)	-	1,653,800

EQUITY AND LIABILITIES				
	1 January 2012 (as reported)	1 January 2012 Change in consolidation method for joint ventures	1 January 2012 Adoption of revised IAS 19	1 January 2012 (as restated)
EQUITY	271,198	12,883	(26)	284,055
Equity attributable to owners of the Company	259,532	16,146	(25)	275,654
Non controlling interests	11,666	(3,264)	(1)	8,401
LIABILITIES	1,427,174	(57,456)	26	1,369,744
Non-current liabilities	509,439	(47,070)	26	462,395
Bonds	163,380	-	-	163,380
Financial debts	239,225	(45,513)	-	193,712
Provisions & other long term liabilities	14,326	(20)	(123)	14,184
Deferred tax liabilities	92,508	(1,537)	148	91,119
Current liabilities	901,843	(10,386)	-	891,457
Current bonds	119,923	-	-	119,923
Financial debts	620,835	(813)	-	620,022
Trade payables	16,366	(996)	-	15,370
Advance payments	35,250	(4,562)	-	30,688
Derivative instruments	41,153	(2,272)	-	38,882
Other current liabilities	68,316	(1,743)	-	66,573
Liabilities linked to assets held for sale	15,892	-	-	15,892
TOTAL	1,698,373	(44,573)	-	1,653,800

ASSETS				
	31 December 2012 (as reported)	31 December 2012 Change in consolidation method for joint ventures	31 December 2012 Adoption of revised IAS 19	31 December 2012 (as restated)
NON-CURRENT ASSETS	1,084,802	(36,723)	-	1,048,078
Intangible assets	47,652	(314)	-	47,338
Investment property	791,881	(9,150)	-	782,731
Property, plant and equipment	144,308	(42,426)	-	101,882
Hotels and owner occupied buildings	130,580	(41,843)	-	88,738
Fixtures and fittings	13,728	(583)	-	13,145
Equity method investments	8,738	171	-	8,909
Financial assets at fair value through profit or loss	17,918	15,001	-	32,919
Financial assets available-for-sale	9,466	-	-	9,466
Non current loans and receivables	64,486	(4)	-	64,482
Deferred tax assets	353	-	-	353
CURRENT ASSETS	338,334	(5,591)	-	332,743
Inventories	265,497	(3,366)	-	262,130
Trade receivables	22,406	(62)	-	22,343
Other current assets	25,172	(592)	-	24,579
Derivative instruments	20	(0)	-	20
Current financial assets	37	(0)	-	37
Cash and cash equivalents	25,203	(1,570)	-	23,633
ASSETS HELD FOR SALE	6,736	-	-	6,736
TOTAL	1,429,872	(42,314)	-	1,387,557

EQUITY AND LIABILITIES				
	31 December 2012 (as reported)	31 December 2012 Change in consolidation method for joint ventures	31 December 2012 Adoption of revised IAS 19	31 December 2012 (as restated)
EQUITY	433,039	10,950	(1,699)	442,290
Equity attributable to owners of the Company	425,712	14,446	(1,666)	438,493
Non controlling interests	7,327	(3,496)	(34)	3,797
LIABILITIES	996,833	(53,264)	1,699	945,267
Non-current liabilities	648,350	(48,254)	1,699	601,795
Bonds	59,193	-	-	59,193
Financial debts	451,420	(43,224)	-	408,196
Provisions & other long term liabilities	36,404	(3,829)	1,823	34,397
Deferred tax liabilities	101,334	(1,201)	(124)	100,009
Current liabilities	338,691	(5,009)	-	333,680
Current bonds	261	-	-	261
Financial debts	223,697	(819)	-	222,879
Trade payables	26,085	(515)	-	25,570
Advance payments	32,752	(198)	-	32,554
Derivative instruments	8,323	(1,878)	-	6,446
Other current liabilities	47,571	(1,601)	-	45,970
Liabilities linked to assets held for sale	9,792	-	-	9,792
TOTAL	1,429,872	(42,314)	-	1,387,557

The effect of the adoption of the newly implemented standard on the consolidated income statement is summarized in the following table:

	12 months 2012 (as reported)	Change in consolidation method for joint ventures	Adoption of revised IAS 19	12 months 2012 (as restated)
Revenue	259,559	(14,851)	-	244,708
<i>Sale of goods</i>	142,742	(2,055)	-	140,687
<i>Rent</i>	66,499	(424)	-	66,074
<i>Hotels, Extended Stay & Restaurants</i>	31,421	(12,115)	-	19,305
<i>Services</i>	18,897	(256)	-	18,641
Net gain or loss from fair value adjustments on Investment Property	(8,184)	1,098	-	(7,086)
Other operating income	9,553	(80)	-	9,473
Net result on disposal of assets	1,403	(4)	-	1,399
Cost of goods sold	(142,828)	1,757	-	(141,071)
Employee benefits	(30,654)	3,917	-	(26,736)
Amortisation, impairments and provisions	(58,454)	8,063	(207)	(50,598)
Other operating expenses	(59,171)	5,352	-	(53,819)
Operating result	(28,775)	5,252	(207)	(23,730)
Interest expenses	(66,661)	2,701	-	(63,960)
Interest income	3,374	439	-	3,812
Foreign exchange result	8,943	(2,466)	-	6,476
Other net financial results	57,956	(3,530)	-	54,425
Financial result	3,611	(2,856)	-	755
Share of loss of investments accounted for using the equity method	(9,091)	(3,857)	-	(12,948)
Loss before income taxes	(34,255)	(1,462)	(207)	(35,923)
Income taxes	(9,151)	(470)	62	(9,558)
Loss from continuing operations	(43,406)	(1,931)	(145)	(45,481)
Loss after tax from discontinued operations	(1,466)	-	-	(1,466)
Net loss for the period	(44,872)	(1,931)	(145)	(46,948)
Total loss attributable to:				
Non controlling interests	(4,830)	(232)	(3)	(5,064)
Owners of the Company	(40,042)	(1,699)	(142)	(41,883)
Basic earnings in EUR per share	(0.78)			(0.82)
Diluted earnings in EUR per share	(0.78)			(0.82)

2.2 Consolidation

2.2.1 Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

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

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

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

2.2.2 Transactions with non-controlling interests

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

2.2.3 Joint-ventures

The Group has applied IFRS 11 to all joint arrangements as of 1 January 2012. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognized at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealized gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

The Group has changed accounting policies for joint ventures as from 1 January 2012. The effects of the change are shown in Note 2.1.3.3.

2.2.4 Associates

Associates are those entities in which the Group exercises a significant influence over the operational and financial policies, but not control. The Group's investments in associates are accounted for under the equity method.

Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition. The group's investment in associates includes goodwill identified on acquisition. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognize further losses by a provision (liability), unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associate. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.2.5 Non-current financial assets

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

2.3 Segment reporting

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

2.4 Foreign currency translation

2.4.1 Functional and presentation currency

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

2.4.2 Transactions and balances

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

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

2.4.3 Group companies

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

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

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

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

2.5 Intangible assets

2.5.1 Goodwill

Goodwill represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Separately recognized goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

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

The gain on bargain purchase arising on an acquisition is recognized in the consolidated income statement.

2.5.2 Computer software

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

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

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

2.5.3 Trademarks

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

2.6 Investment property

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

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

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

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

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

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

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

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

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

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

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

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes. Property that is being constructed or developed for future use as investment property is classified as investment property and stated at fair value, due to the application since the beginning of the year 2009 of the IAS 40 revised. The properties previously recognized as Properties under development as at 31 December 2008 have been transferred as at 1 January 2009 in Investment Property at their 31 December 2008 fair value.

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

2.7 Property, plant and equipment

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

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

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

Depreciation, based on a component approach, starts off when construction or development is completed. Depreciation is calculated using the straight-line method to allocate the costs over the asset's estimated useful lives, as follows:

-	Lands	Nil
-	Buildings	50 to 80 years
-	Fixtures and fittings	3 to 20 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at least at each financial year-end.

An asset's carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount (Note 2.9).

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

All borrowing costs are expensed except for the borrowing costs that are capitalized as part of the cost of that asset when they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalized borrowing costs include foreign exchange differences on loans subscribed for the purpose of obtaining the qualifying asset without limitation; such changes may be positive or negative.

2.8 Leases

2.8.1 A Group company is the lessee

2.8.1.1 Operating lease

Leases in which a significant portion of the risks and rewards of the ownership are retained by another party, the lessor, are classified as operating leases. Payments, including prepayments, made under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statement on a straight-line basis over the period of the lease.

2.8.1.2 Finance lease

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

2.8.2 A Group company is the lessor

2.8.2.1 Operating lease

Properties leased out under operating leases are included in investment property in the consolidated statement of financial position.

2.8.2.2 Finance lease

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

Lease income is recognized over the term of the lease using the net investment method before tax, which reflects a constant periodic rate of return.

2.9 Impairment of non-financial assets

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

2.10 Non-current assets held for sale

Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered as highly probable. They are stated at the lower of their carrying amount and fair value less costs to sell.

2.11 Financial assets

The Group classifies its financial assets other than derivatives in the following categories: loans and receivables and financial assets at fair value through profit or loss and financial assets available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition. Financial assets are derecognized only when the contractual rights to the cash flows from the financial asset expire or the Group transfers substantially all risks and rewards of ownership. Impairments will be recognized if a decline in fair value of a financial asset or a group of financial assets classified as available for sale is significant or prolonged.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the reporting date. These are classified as non-current assets. Loans and receivables are classified as trade receivables (Note 2.14) and other current assets in the consolidated balance sheet. Loans and receivables are carried at amortized cost using the effective interest method. Financial assets recognized in the consolidated balance sheet as trade and other receivables are classified as loans and receivables. They are recognized initially at fair value and subsequently measured at amortized cost less provision for impairment.

Management assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets classified as loans and receivables is impaired. Impairment testing of trade receivables is described in Note 2.14.

Financial assets at fair value through profit or loss include financial assets so designated by management or held for trading. Financial assets carried at fair value through profit and loss (including derivatives) are initially recognized at fair value, and transaction costs are expensed in the consolidated income statement. They are subsequently measured at fair value. Derivatives are also categorized as held for trading. Assets in this category are classified as current assets if they are either held for trading or are expected to be realized within 12 months of the balance sheet date.

The Group subscriptions in investment property closed end funds managed by the Group are categorized as financial assets designated at fair value at inception as they are managed and evaluated on a fair value basis in accordance with a documented risk management or investment strategy and reported to key management personnel on that basis. Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the Group commits to purchase or sell these assets.

Available for sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period. They are subsequently measured at fair value.

2.12 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

2.13 Inventories

Properties that are being developed for future sale are classified as inventories at their cost or deemed cost, which is the carrying amount at the date of reclassification from investment property. They are subsequently carried at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less cost to complete redevelopment and selling expenses.

If a commercial or office development classified in Inventories becomes partially or totally rented, as a result of tenants moving in before the contemplated sale, it is not automatically reclassified as Investment Property. The finished goods will be reclassified in investment property if it is held mainly for capital appreciation. This will be appreciated on the basis of the Investment Committee decision to hold the asset and the absence of an active search for a buyer.

All borrowing costs are expensed except for the borrowing costs that are capitalized as part of the cost of that asset when they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalized borrowing costs include foreign exchange differences on loans subscribed for the purpose of obtaining the qualifying asset without limitation; such changes may be positive or negative.

2.14 Trade receivables

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Impairments are recognized when receivables are in overdue. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognized in the consolidated income statement.

2.15 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

2.16 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options classified in equity are shown in equity as a deduction, net of tax, from the proceeds in other reserves.

The shares of the Company (Orco Property Group, société anonyme) held by the Group (Treasury shares) are measured at their acquisition cost and recognized as a deduction from equity. Gains and losses on disposal are taken directly to equity.

2.17 Borrowings

The term Borrowings covers the elements recorded under the captions Bonds and Financial debts within non-current liabilities and within current liabilities.

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated income statement over the period of the borrowings using the effective interest method.

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortized cost basis until extinguished on conversion at maturity of the bonds. If applicable, the remainder of the proceeds allocated to the conversion option is recognized in equity, net of income tax effect.

It may be elected to account for a liability at fair value through profit or loss if it eliminates or significantly reduces a measurement or recognition inconsistency. In such a case the liability is initially recognized at fair value, and transaction costs are expensed in the consolidated income statement.

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

2.18 Compound financial instruments

Compound financial instruments issued by the Group comprise convertible bonds that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or expiry.

2.19 Trade payables

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

2.20 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the consolidated income statement, except to the extent that it relates to items recognized directly in other comprehensive income or in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of the tax laws enacted at the balance sheet date in the countries where the Group's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit and loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the deferred income tax asset can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and joint-ventures, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not be reversed in the foreseeable future.

Deferred income tax on investment property

Deferred income tax is provided on all temporary differences arising on the fair value of buildings and lands held by the Group as investment properties even when they are located in special purpose entities, which are themselves, in most cases, held by a Luxembourg or French-based entity. Generally, each special purpose entity is meant to hold one specific project or a coherent portfolio of projects. Possibly, should a special purpose entity be disposed of, the gains generated from the disposal might be exempted from any tax.

2.21 Provisions and post-employment obligations

A provision is recognized when there is a legal or constructive obligation arising from past events, or in cases of doubt over the existence of an obligation (e.g. a court case), when it is more likely than not that a legal or constructive obligation has arisen from a past event and it is more likely than not that there will be an outflow of benefits and the amount can be estimated reliably. A constructive obligation arises when an entity, by past practice or sufficiently specific communication to affected parties, has created a valid expectation in other parties that it will carry out an action. An event that does not initially give rise to an obligation may give rise to one at a future date due to changes in the law or because an entity's actions create a constructive obligation. If the existence of an obligation depends on the future actions of the entity, then a provision is not recognized until the obligation is unavoidable. The amount recognized for a provision is the best estimate of the expenditure to be incurred. If material, the estimate is discounted at a pre-tax rate that reflects the time value of money and the risks specific to the liability, unless the future cash flow are adjusted for these risks.

Financial guarantee arrangements such as certain letters of credit are in the scope of IAS 39. When a financial guarantee recognized under IAS 39 becomes probable of being exercised, then the provision is measured as the best estimate of the expenditure to be incurred.

Provisions for environmental restoration, site restoration and legal claims are recognized when:

- The Group has a present legal or constructive obligation as a result of past events;
- It is more likely than not that an outflow of resources will be required to settle the obligation; and
- The amount has been reliably estimated.

Where the Group, as lessee, is contractually required to restore a leased-in property to an agreed condition, prior to release by a lessor, provision is made for such costs as they are identified.

The Group has entered into defined benefit plans defined as an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The liability recognized in the consolidated statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the reporting date less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the net defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

Remeasurements of the net defined liability, which comprise actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions, the return of plan assets (excluding interest) and the effect of the asset ceiling (if any), are charged or credited to other comprehensive income in the period in which they arise. Net interest expense and other expenses related to the defined benefit plans are recognized in the consolidated income statement.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due.

The valuation of the pension obligation by an independent actuary is only applicable for some German entities.

For its subsidiaries the Group offers benefits plans managed by the State. The Group has the obligation to pay the contributions defined in the plan regulation. They are recorded in the financial statements in payroll charges.

2.22 Derivative financial instruments

Derivatives are initially recognized in the consolidated statement of financial position at their fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value which is generally the market value. Derivatives are presented at the reporting date under the caption Derivative instruments in current assets when fair value is positive or under the caption Derivative instruments in current or non-current liabilities when fair value is negative. Changes in the fair value are recognized immediately in the consolidated income statement under "other net financial results".

Embedded derivatives that are not equity instruments, such as issued call options embedded in exchangeable bonds, are recognized separately in the consolidated statement of financial position and changes in fair value are accounted for through the consolidated income statement under "other net financial results".

2.23 Revenue recognition

Revenue includes rental income, service charges and management charges from properties, and income from property trading.

Rental income from operating leases is recognized in income on a straight-line basis over the lease term. When the Group provides incentives to its customers, the cost of incentives are recognized over the lease term, on a straight-line basis, as a reduction of rental income.

Service and management charges are recognized in the accounting period in which the services are rendered. When the Group is acting as an agent, the commission rather than gross income is recorded as revenue.

The amount of inventories recognized as an expense during the period, referred to as cost of goods sold, consists of those costs previously included in the measurement of inventory that has been sold during the year.

For each development project, the measurement of the inventory exited over the period is since 2011 based on the percentage of the total area constructed, sold during the period. Coefficients are allocated to the different type of area in order to underweight secondary floor area (balcony, terrace, garage and garden) in comparison with primary floor area (apartments).

The other operating expenses include repair and maintenance costs of buildings and properties, utilities costs, marketing and representation costs, travel and mobility expenses, operating taxes and other general overhead expenses.

2.24 Dividend distribution

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

3 Financial risk management

3.1 Financial risk factors

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

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

3.1.1 Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Czech Koruna (CZK), the Polish Zloty (PLN), the Hungarian Forint (HUF), the Croatian Kuna (HRK), and secondarily, to the US Dollar (USD) and the Russian Ruble (RUB). Foreign exchange risk, as defined by IFRS 7, arises mainly from recognized monetary assets and liabilities. Loans, operating income and (except in the development activities) sales of buildings are mainly denominated in Euro (EUR). The Group does not use foreign currency derivative contracts, as salaries, overhead expenses, future purchase contracts in the development sector, building refurbishment and construction costs are mainly denominated in local currencies. The main circumstance for the Group to put in place currency derivatives is for the financing of a construction contract when the local currency operations do not generate sufficient cash and as a result that construction contract must be financed with another currency.

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

Currency Code	Currency	31 December 2013		31 December 2012	
		Average	Closing	Average	Closing
CZK	Czech Koruna	25.9740	27.4250	25.1430	25.1400
HRK	Croatian Kuna	7.5786	7.6376	7.5217	7.5456
HUF	Hungarian Forint	296.9164	296.9100	289.4157	291.2900
PLN	Polish Zloty	4.1975	4.1472	4.1852	4.0882
RUR	Russian Ruble	42.3370	45.3246	39.9262	40.3295
USD	US Dollar	1.3281	1.3791	1.2848	1.3194

The following table gives the impact on the total consolidated balance sheet in absolute terms in EUR million of the variation (increase/decrease) against the Euro and the dollar for each currency in which the Group has a significant exposure.

The Group based the assumption of 5% for both periods, December 2013 and December 2012 restated respectively.

	As at 31 December 2013 Change of 5% against EUR	As at 31 December 2012 Change of 5% against EUR
CZK/EUR	14.38	14.22
PLN/EUR	6.21	6.67
HUF/EUR	7.79	7.51
HRK/EUR	4.29	4.29
CZK/USD	-0.45	-0.45
RUB/EUR	0.00	-0.02

Positions in foreign currencies haven't changed since December 2012. Bank financing of residential developments are generally denominated in local currency as opposed to bank financing of investment properties that can be either expressed in foreign currencies in a company having Euro as a functional currency or being denominated in Euro in companies having another currency as functional currency.

(ii) Price risk

Out of the short term liabilities, whether in line with initial contracted term or as a result of covenants' breaches, amounting to EUR 273.0 million a total amount of EUR 258.5 million need to be restructured or refinanced. Such loans have Group assets pledged in guarantee amounting to EUR 226.7 million (market value of pledged assets). For most of them the Group has retained the same valuation principles than any other comparable asset even though there is a risk that refinancing talks might not have a positive achievement. Indeed, the risk is considered as remote on the basis of the constructive oral and written exchanges with financing banks at the time of the publication of this report. In some cases, when the going concern of the SPV holding the project and the short term liability is too uncertain, the valuation principles have been adjusted (as described in note 4.2.5).

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

The Group is also exposed to price risks on the PPL granted to the Hospitality joint venture.

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

(iii) Cash flow interest rate risk

The Group's income and operating cash inflows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises from floating rate borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. The Group mitigates some of its variable interest rates by entering into swap transactions.

The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest costs may increase as a result of such changes. They may reduce or create losses in the event that unexpected movements arise.

The floating rate loans line presents the projected cash flows, including interests and the reimbursements of the principal and for Group's floating rate. The cash flows have been established on the basis of the forward interest and exchange rates as at 31 December 2013. Discontinued activities are related to the project Szczecin (see Note 6).

Interest rate swaps and collars used by the Group are detailed in the Note 19.7.

As at 31 December 2013, the impact of a 100 basis points growth of interest rates curve would induce an increase of the interest charges for 2013 of EUR 0.6 million. Before the positive impact of derivatives, the increase of interest expenses in 2013 would amount to EUR 5.4 million.

As at 31 December 2012 restated, the impact of a 100 basis points growth of interest rates curve would induce an increase of the interest charges for 2012 of EUR 2.4 million. Before the positive impact of derivatives, the increase of interest expenses in 2012 would amount to EUR 7.9 million.

The table below shows the amount of floating bank loans by type of floating rate and the next re-pricing months as of 31 of December 2013:

Type of Index	Type of Index and Margin (in %)	Repricing month	Total
Euribor 01 M	Euribor 01 M and Margin from +1 to +2	January 2014	-
Euribor 03 M	Euribor 03 M and Margin from +0 to +1	March 2014	21,600
	Euribor 03 M and Margin from +1 to +2	March 2014	60,110
	Euribor 03 M and Margin from +2 to +3	March 2014	313,713
	Euribor 03 M and Margin from +3 to +4	March 2014	46,473
Pribor 01 M	Pribor 01 M and Margin from +3 to +4	January 2014	13,494
Pribor 03 M	Pribor 03 M and Margin from +1 to +2	March 2014	3,063
	Pribor 03 M and Margin from +2 to +3	March 2014	46,207
	Pribor 03 M and Margin from +5 to +6	March 2014	5,034
Wibor 01 M	Wibor 01 M and Margin from +1 to +2	January 2014	8,834
	Wibor 01 M and Margin from +2 to +3	January 2014	41,111
EURLIBOR 01 M	EURLIBOR 01 M and Margin from +2 to +3	January 2014	18,800
			.
Total (*) (**)			578,439

(*) The amounts are not impacted by the fees related to the restructuring of the financing which have been capitalized.

(**) The amounts include the bank loans presented in Liabilities linked to assets held for sale.

(iv) Other risks

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

3.1.2 Credit risk

Rental contracts are made with customers with an appropriate credit history (Details on the provisions of lease agreements are disclosed in Note 5.4). Credit risk is managed by local management and by Group management.

As a result of deferred payment considerations or financing of joint ventures, the Group has some major financial assets for which the credit risk assessment is crucial and resulted for some of them in major impairments in 2013:

a) Financial assets at fair value through profit and loss (see note 13.1)

While it is valued at EUR 27.0 million, the maximum exposure to credit risk of the PPL financing the Group Central European hospitality joint venture granted to the Hospitality joint venture amounts to its nominal value of EUR 90.2 million.

b) Available-for-sale financial assets (see note 13.2)

As of December 2013, the credit risk linked to the Radio Free Europe Convertible Promissory Note is low due to the quality of the tenant of the building and capacity to convert the note into a direct shareholding in the company holding the asset. However, there is a major uncertainty on the going concern of the Group's subsidiary holding the asset and as a result, an impairment has been recognized.

c) Non-current loans and receivables (see note 13.3)

The credit risk on the Leipziger Platz receivable has been increased in 2013. The quality of the creditor is still assessed as high but it is estimated that the payment will be delayed and that the risk of litigation is high. For the determination of the net present value of the receivable on the sale of Leipziger Platz's development in Berlin, it is expected that the payment will be delayed by 3 years compared to contractual terms and the credit margin added to the contractual interest rate has been estimated to 7% with 3.5% for the activity risk and 3.5% for the litigation risk.

The credit risk on the deferred consideration on the sale of Molcom has been reassessed as very high as the receivable is now overdue. The probability to collect any valuable consideration in repayment of the receivable is seen as very low and remote based on the statements of the debtor and a legal analysis reviewed by the Board of Directors (see Note 4.1.4).

d) Other current assets (see note 16)

The other current assets described in Note 16 consist of guarantee deposits on trusted accounts with very low or non-existing credit risk, of taxes and social security receivables presenting a credit risk on the respective administrations and of accrued assets mainly related to the service charges presenting the same level of credit risks as the trade receivables described above.

	Fully performing	Past due but not impaired			Impaired	BALANCE 31 December 2013
		Less than 6 months	6 months and 1 year	More than 1 year		
Non current loans and receivables - Gross value	5,112	-	-	-	68,453	73,565
Impairments - At opening					(4,304)	(4,304)
Impairments - Allowance					(44,352)	(44,352)
Impairments - Write-off					3,624	3,624
Non current loans and receivables - Impairment	n/a	n/a	n/a	n/a	(45,032)	(45,032)
Non current loans and receivables - Net value	5,112	-	-	-	23,421	28,533
Trade Receivable - Gross value	16,952	2,326	260	423	11,925	31,887
Impairments - At opening					(17,833)	(17,833)
Impairments - Scope Exit					12	12
Impairments - Allowance					(3,634)	(3,634)
Impairments - Write-back					1,083	1,083
Impairments - Write-off					8,055	8,055
Impairments - Foreign exchange					393	393
Trade Receivable - Impairment	n/a	n/a	n/a	n/a	(11,925)	(11,925)
Trade Receivable - Net Value	16,952	2,326	260	423	-	19,962
Other current assets - Gross value	28,579	147	6	45	1,228	30,004
Impairments - At opening					(1,975)	(1,975)
Impairments - Allowance					(436)	(436)
Impairments - Write-off					44	44
Impairments - Transfer					1,137	1,137
Impairments - Foreign exchange					2	2
Other current assets - Impairment	-	-	-	-	(1,228)	(1,228)
Other current assets - Net Value	28,579	147	6	45	-	28,776
Cash and cash equivalents	88,669	-	-	-	-	88,669

	Fully performing	Past due but not impaired			Impaired	BALANCE 31 December 2012 (restated)
		Less than 6 months	6 months and 1 year	More than 1 year		
Non current loans and receivables - Gross value	64,482	-	-	-	4,304	68,786
Impairments - At opening					(4,304)	(4,304)
Non current loans and receivables - Impairment	n/a	n/a	n/a	n/a	(4,304)	(4,304)
Non current loans and receivables - Net value	64,482	-	-	-	-	64,482
Trade Receivable - Gross value	19,613	2,355	375	-	17,833	40,176
Impairments - At opening					(16,201)	(16,201)
Impairments - Allowance					(2,111)	(2,111)
Impairments - Write-back					696	696
Impairments - Write-off					(77)	(77)
Impairments - Foreign exchange					(166)	(166)
Trade Receivable - Impairment	n/a	n/a	n/a	n/a	(17,833)	(17,833)
Trade Receivable - Net Value	19,613	2,355	375	-	-	22,343
Other current assets - Gross value	23,807	104	632	33	1,975	26,551
Impairments - At opening					(1,262)	(1,262)
Impairments - Allowance					(830)	(830)
Impairments - Write-back					117	117
Other current assets - Impairment	-	-	-	-	(1,975)	(1,972)
Other current assets - Net Value	23,807	104	632	33	0	24,579
Cash and cash equivalents	23,633	-	-	-	-	23,633

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

Counterparty	Moody's Rating	S&P's Rating	Fitch's Rating	December 2013	December 2012
Bank Pekao	A2	A-	A-	8.6	5.2
J&T Banka (*)	E+	-	-	42.0	-
Deutsche Bank	A2	A	A+	4.1	4.6
ČSOB	A2	-	BBB+	1.9	2.4
Berliner VB	-	AA-	A+	2.2	2.3
Unicredit Bank	Baa2	BBB	BBB+	6.0	1.9
HYPO ALPE-ADRIA-BANK	A1	-	-	-	1.5
Bank Zachodni WBK	D+	-	-	0.8	1.1
Ceska Sporitelna	A2	A	A	0.6	0.5
KBC	A3	A-	A-	14.3	0.7
LBB/Sparkasse	A1	A	A+	0.1	0.6
BGL BNP Paribas	A2	A+	A+	0.1	0.4
Banque Espirito Santo de la Venetie	-	-	-	0.1	0.2
Crédit Agricole (CALYON)	A2	A	A	0.1	0.1
Raiffeisen Bank	A2	A	A	3.7	1.5
HypoVereinsbank (HVB)	A3	A-	A+	0.1	0.1
HSBC bank plc.	Aa3	AA-	AA-	-	0.0
Aareal Bank	-	-	A-	3.1	-
Komerční banka	A2	A	A-	0.4	-
Privredna banka Zagreb	-	-	-	0.2	-
UBS	A2	A	A	0.1	-
RBC Dexia	-	-	-	0.1	-
in EUR million				88.6	23.1

(*) Moody's rating of J&T Banka as published in October 2012

3.1.3 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the inherent nature of its assets, the Group is subject to a liquidity risk (see Note 0 on going concern and Note 3.2 for covenant breaches).

The liquidity risk is the risk that the Group might encounter difficulties raising liquid funds to meet commitments as they fall due. The Group management monitors the Group's liquidity risk on the basis of expected cash flows and by managing its development agenda and portfolio of investment properties.

The table below analyses the Group's non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date.

As the amounts disclosed in the table are the contractual undiscounted cash flows, these amounts will not necessarily reconcile to the amounts disclosed on the consolidated statement of financial position for borrowings, derivative instruments and other payables considered as financial instruments.

	Less than 1 month	Between 1 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	More than 5 years	Total Cash-out Flows	Book value at 31 December 2013
At 31 December 2013							
Fixed rate loans and bonds	9,036	1,051	7,488	96,032	2,761	116,368	80,198
Floating rate loans	220,348	-	38,391	335,132	3,366	597,237	553,254
Other borrowings	-	-	33	173	-	206	206
Interest rate derivatives	-	-	1,244	-	-	1,244	1,244
Liabilities linked to assets held for sale	-	-	27,722	-	-	27,722	27,722
Trade payables	15,394	2,297	4,734	-	-	22,425	22,425
Other current financial liabilities	11,783	8,051	13,161	-	-	32,994	32,994
Total at 31 December 2013	256,561	11,399	92,773	431,337	6,127	798,196	718,043
	Less than 1 month	Between 1 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	More than 5 years	Total Cash-out Flows	Book value at 31 December 2012
At 31 December 2012							
Fixed rate loans and bonds	-	1,471	7,244	100,744	11,550	121,009	74,235
Floating rate loans	145,124	-	72,418	440,085	4,018	661,645	610,347
Other borrowings	-	-	155	-	5,792	5,947	5,947
Interest rate derivatives	-	-	6,446	-	-	6,446	6,446
Liabilities linked to assets held for sale	-	-	9,792	-	-	9,792	9,792
Trade payables	3,694	8,814	13,062	-	-	25,570	25,570
Other current financial liabilities	5,962	9,437	11,553	-	-	26,952	26,952
Total at 31 December 2012	154,780	19,722	120,670	540,829	21,360	857,361	759,289

In the tables here above, differences between book value and the cash-out flows are due to:

- Fixed rate loans and bonds: The bonds cash-out flows are equal to the mandatory payments as they are defined in the terms of these financial instruments and are including the nominal repayment, the semi-annual cash interest payment and the in-fine payment of the PIK interest (Payment in kind). The loans not in default or to be restructured include the accrued interest (not accounted for) to the contractual maturity.
- Floating rate loans: The cash-out flows are not impacted by the fees related to the restructuring of the financing which have been capitalized. The loans not in default or to be restructured include the accrued interest (not accounted for) to the contractual maturity.

Undrawn bank credit facilities

	31 December 2013	31 December 2012
Expiring within one year	-	676
Expiring after one year	-	48,969
Total	-	49,645

❖ In 2013

As the undrawn credit facilities fully relate to bank loans in default the Group is presenting no undrawn credit facilities as of 31 December 2013.

❖ In 2012

The credit lines expiring after one year is mainly related to V Mezihori and Zlota 44 for EUR 7.5 million and EUR 41.4 million respectively.

The increase in undrawn credit facilities is due to the following factors:

- Increase linked to the Zlota 44 Project for EUR 33 million;
- Increase due to the V Mezihori Project for EUR 7 million;
- Repayment linked to the sales of Sky Office for EUR 4 million;
- Closing of the credit lines following the sales of assets for EUR 20 million.

3.2 Capital risk management

The Group monitors its capital risk by reference to the loan to value ratio ("LTV") which is the level of net debt accepted by the Group in order to finance its portfolio of assets. The objective of the Group is to bring back the loan to value ratio at a sustainable level compared to market expectations and cash flow capacity. The Group's objectives when managing capital are to safeguard the going concern and growth of the activities. In order to maintain or adjust the capital structure, the Group may, issue new shares, reschedule debt maturities, sell totally or partially the control over some assets and activities or adjust the agenda of the developments.

The following table shows the detailed calculation of the loan to value ratio. Apart from the line "Revaluation gains / (losses) on projects and properties", all the lines correspond to specific items indicated on the face of the consolidated statement of financial position. The Revaluation gains or losses on projects and properties represent the difference between the book value and the fair value for all the projects and properties that are not considered as Investment properties. Also, the fair value of developments may be lower than their book value since the impairment test is performed on the basis of the expected selling price once completed less the remaining development and commercialization costs while the fair value corresponds to the sale price of the development as it is at the date of valuation (See Note 4.1.3). The revaluation gains and losses on projects and properties are detailed in the Note 4.1.2.3.

	31 December 2013	31 December 2012 (restated)
Non current liabilities		
Financial debts	295,304	408,196
Current liabilities		
Financial debts	273,041	222,879
Current assets		
Current financial assets	-	(37)
Liabilities linked to assets held for sale	27,722	9,792
Cash and cash equivalents	(88,669)	(23,633)
Net debt	507,398	617,197
Investment property	710,552	782,731
Hotels and owner-occupied buildings	61,639	88,738
Investments in equity affiliates	93	8,909
Financial assets at fair value through profit or loss	28,285	32,919
Financial assets available-for-sales	2,435	9,466
Non current loans and receivables	28,533	64,482
Inventories	114,720	262,130
Assets held for sale	29,116	6,736
Revaluation gains / (losses) on projects and properties	2,842	32,813
Fair value of portfolio	978,215	1,288,923
Loan to Value	51.9%	47.9%
Bonds and New Notes and accrued interests on New Notes	66,556	59,808
Loan to value after bonds and New Notes	58.5%	52.5%

Most of the administrative covenants are managed by local financial managers. Reported breaches are managed at Group level. Financial covenants are directly managed at Group level. At the end of 2013 some loans encountered administrative and/or financial covenant breaches. Those loans, as a result, have been reclassified in current liabilities. In some circumstances, when cross default covenants are included in bank loan agreements, breaches occurring at the level of subsidiaries could have the consequence that other bank loans granted to other entities of the Group become repayable on demand. Such cross defaults can occur also in the opposite way, meaning that breaches occurring at the level of the Company could have the consequence that bank loans granted to subsidiaries become repayable on demand. In case of cross default covenants' breach, the related loans, as a result, have been reclassified in current liabilities.

Not respecting the LTV covenants could give rise to the lending bank requesting partial repayment of the loan in order to solve the LTV covenant breach. Ongoing negotiations in order to solve existing breaches include partial repayment of the principal, sale of the pledged asset or even bankruptcy proceeding with the objective to achieve a sustainable financing restructuring. In all these cases, the negotiated restructuring taken into account in the valuation of the pledged assets. In some cases the Company granted guarantees to some SPV's that may be called as a result of loan breaches in the company holding the guaranteed liabilities (see note 19.6).

Despite declining net debt as of 31 December 2013, the LTV ratio increased from 47.9 % to 51.9 % as a result of significant decrease of inventories due to sales and impairment losses. Also, the fair value of investment property and hotels and owner occupied buildings went down by EUR 72.2 million and EUR 27.1 million respectively.

4 Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience as adjusted for current market conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that present a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed below.

4.1.1 Assessment of the Group's going concern (see note 0)

4.1.2 Properties fair value measurement and valuation process

4.1.2.1 Valuation process

The best evidence of fair value is current prices in an active market for similar assets. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgment, the Group considers information from a variety of sources including:

- (i) Current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;
- (ii) Recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and
- (iii) Discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

If information on current or recent prices is not available, the fair values of investment properties are determined using discounted cash flow valuation techniques. A cash flow period of 10 years is taken into consideration and is based on an estimate of the future potential net income generated by use of the properties. The Group uses assumptions that are mainly based on market conditions existing at each reporting date.

The fair value of properties is based on the highest and best use of the assets as described by IFRS 13. It takes into account the use of the asset that is physically possible, legally permissible and financially feasible. On a general basis the current use of the asset has been considered as the highest and best use, but the possibility of a full redevelopment has been systematically tested and carefully evaluated.

Assets and financial instrument have been classified according to the nature and risks of the properties. The following factors have been taken into consideration:

- The real estate segment which encompasses office, logistic, retail, residential, commercial, mixed used, hotels and owned occupied, extended stay hotel and land bank;
- The geographical location which includes Berlin, Central Europe (CE) and Hvar.

Each group of assets is then categorized according to the valuation hierarchy which is directly related to the valuation methodology:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). Only assets valued under the Sales comparison approach are described as being Level 2 assets. Sales comparison approach is a market approach, the value is based on comparable transactions or recently recorded prices on similar inventory items. Transaction price is based on verified interest from a potential buyer.
- Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs). Level 3 fair value valuation method integrates non observable inputs and includes:
 - o Income approach such as discounted cash flow and income capitalization method. It requires the non-observable inputs such as discount rates, exit capitalization rates or equivalent yield;
 - o Development appraisal or residual value method requiring the estimate of the expected gross development value of the project, the required costs to complete the project and the margin that a potential investor would require to complete the project.

The portfolio of assets of the Group encompasses level 2 and level 3 externally valued assets.

The valuation process is performed twice a year. The management communicates the list of assets to be reviewed to the external independent appraiser. Each asset of the portfolio is submitted for independent valuation at least once a year.

The external appraiser has access to all the required documents to support his review including details of the properties, actual figures and budgets. The result of the review is then discussed with the management and the Company internal valuation coordinator in order to ensure that the highest and best use assumption is respected and that the fair value reflects the latest update on the projects. Material valuation changes, assumptions and inputs are systematically reviewed and challenged by the controlling department and management.

Once finalized, the valuations are then presented to the audit committee by the external appraiser before communication internally for reporting purposes.

4.1.2.2 Main observable and non-observable inputs

The following table presents the main observable and non-observable inputs supporting the valuation of the portfolio. In some specific cases the valuation is supported by a letter of interest or specific circumstances related to ownership. In those cases the carrying amount is different from the externally appraised value.

Per rate type	2013		2012		2011	
	Min	Max	Min	Max	Min	Max
Discount rate	6.0%	20.0%	5.5%	14.3%	5.3%	17.0%
Capitalization yield	6.5%	16.0%	7.0%	15.3%	5.4%	19.1%
Cap rate	6.0%	15.0%	5.6%	18.0%	5.3%	17.0%

Per asset type	Capitalization yield		Cap Rate		Discount rate	
	Min	Max	Min	Max	Min	Max
Hospitality	6.5%	9.0%	7.5%	15.0%	10.0%	20.0%
Land bank	16.0%	16.0%	15.0%	15.0%	18.0%	18.0%
Berlin portfolio	NA	NA	6.0%	8.3%	6.0%	9.4%
Central Europe portfolio AHD	9.6%	13.0%	8.5%	13.0%	10.0%	10.0%
Central Europe portfolio Rental	7.3%	15.0%	7.3%	15.0%	8.0%	8.0%

a) Inputs

Table below presents the following for each class of properties own by the Group, the fair value hierarchy of the valuation, the valuation method, the key observable and unobservable inputs and the fair value as of end of December 2013.

Owner-occupied building & Hotels

Portfolio	Asset type	Fair value hierarchy	Valuation technique	Fair value 12/31/2013	Range Weighted average
				In EUR Million	
					Growth rate 1.70%
					Discount Rate 7.00%
					Terminal Capitalization Rate 7.00%
					ERV/SQM Year 129.9
Germany	Owner occupied	Level 3	Discounted Cash Flow	3.0	Total Area in SQM 1,697.6
Sub-totals & Total					
Germany	Owner occupied	Level 3		3.0	
Total	Owner occupied & Hotels			3.0	
Not included	Croatia Hotels & Owner Occupied	Level 3		58.7	valued on transaction basis

Inventories

Portfolio	Asset type	Fair value hierarchy	Valuation technique	Fair value 12/31/2013	Range Weighted average
				In EUR Million	
					Price /SQM 37.1
CE portfolio	Residential	Level 2	Sales comparison	18.7	Total Area in SQM 504,133.8
					GDV/SQM 5,853.2
					Cost/SQM 4,615.6
					Developer margin / Profit on costs 35.2%
CE portfolio	Residential	Level 3	Residual Method	30.1	Total Area in SQM 32,678.0
					GDV/SQM 2,950.0
					Cost/SQM 1,009.2
					Developer margin / Profit on costs 12.0%
Germany	Residential	Level 3	Residual Method	3.5	Total Area in SQM 2,303.0
					Liquidity / Discount for size 30.0%
					Price /SQM 433.7
CE portfolio	Commercial	Level 3	Sales comparison	65.0	Total Area in SQM 202,178.0
Sub-totals & Total					
CE portfolio	Residential	Level 2		18.7	
CE portfolio	Residential	Level 3		30.1	
Germany	Residential	Level 3		3.5	
CE portfolio	Commercial	Level 3		65.0	
Total	Inventories			117.2	

Inventory are detailed in note 14, hotels and owner occupied properties are detailed in note 9 and both are accounted for at historical cost less cumulated amortization and impairments. The reconciliation between the book value and the fair value is reported in note 4.1.2.3.

Sub-totals & Total Investment Properties

CE portfolio	Office	Level 3		114.6	
CE portfolio	Logistic and industrial	Level 3		8.9	
CE portfolio	Retail	Level 3		26.4	
Germany	Mixed Commercial	Level 3		527.1	
Germany	Mixed Commercial	Level 2		1.1	
Sub-total	Freehold building			678.1	
CE portfolio	Extended stay Hotel	Level 2		10.9	
Sub-total	Extended stay Hotel			10.9	
CE portfolio	Land Bank	Level 2		16.1	
CE portfolio	Land Bank	Level 3		-	
Croatia	Land Bank	Level 3		1.4	
Germany	Land Bank	Level 2		4.0	
Sub-total	Land Bank			21.5	
Total	Investment properties			710.6	
Not included	Assets Held for Sales (AHS)			28.0	valued on transaction basis

Portfolio consolidated under equity method and presented here at 100%

Portfolio	Asset type	Fair value hierarchy	Valuation technique	Fair value 12/31/2013	Range Weighted average
				In EUR Million	
					Growth rate 3.8%
					Discount Rate 12.0%
					Terminal Capitalization Rate 8.3%
CE portfolio	Hotels	Level 3	Discounted Cash Flow	93.5	Total Area in SQM NA
					Growth rate 2.9%
					Discount Rate 10.7%
					Terminal Capitalization Rate 8.0%
CE portfolio	Extended stay Hotel	Level 3	Discounted Cash Flow	18.5	Total Area in SQM NA
					Price /SQM 887.1
CE portfolio	Residential	Level 2	Sales comparison	0.9	Total Area in SQM 1,678.9
					GDV/SQM 1,684.4
					Cost/SQM 1,198.4
					Developer margin / Profit on costs 19.3%
CE portfolio	Residential	Level 3	Residual Method	3.4	Total Area in SQM 16,227.0
Sub-totals & Total					
CE portfolio	Owner occupied & Hotels			112.0	MMR - Joint venture AIG
CE portfolio	Residential			4.3	Kosic - Joint venture GE
Total	Assets consolidated under equity method			116.3	

b) Sensitivity information:

The significant unobservable inputs used in fair value measurement categorized within level 3 of the fair value hierarchy of the entity's portfolios are

- Discount rate
- Capitalization rate
- Exit capitalization rate
- Estimated Rental Value (ERV) for rental asset or Gross Development Value (GDV) for development
- Capex for rental assets or Construction costs when the residual method is used

Change of the valuation rates would have the following impact on the portfolio of assets valued by discounted cash flow valuation method and income capitalization:

Figures in EUR Million

Investment Properties

Portfolio - Investment Properties	Discount Rate		Exit Cap Rate		Equivalent Yield	
	DR - 25 bps	DR + 25 bps	ECR - 25 bps	ECR + 25 bps	EY - 25 bps	EY + 25 bps
Berlin Portfolio	9.9	(9.7)	9.6	(9.0)	-	-
Central Europe	0.5	(0.5)	0.4	(0.4)	3.6	(3.3)
Total	10.4	(10.2)	10.0	(9.4)	3.6	(3.3)

DR : Discount rate, ECR : Exit Capitalization Rate, EY : Equivalent Yield

Inventories

Portfolio - Inventories	Discount Rate		Exit Cap Rate		Equivalent Yield	
	DR - 25 bps	DR + 25 bps	ECR - 25 bps	ECR + 25 bps	EY - 25 bps	EY + 25 bps
Poland	-	-	-	-	5.7	(4.9)
Total	-	-	-	-	5.7	(4.9)

DR : Discount rate, ECR : Exit Capitalization Rate, EY : Equivalent Yield

Owner-occupied building & Hotels - Portfolio consolidated under equity method and presented here at 100%

Portfolio - Hotels and Owner Occupied - Central Europe	Discount Rate		Exit Cap Rate		Equivalent Yield	
	DR - 25 bps	DR + 25 bps	ECR - 25 bps	ECR + 25 bps	EY - 25 bps	EY + 25 bps
Central Europe	1.9	(1.8)	1.8	(1.6)	-	-
Total	1.9	(1.8)	1.8	(1.6)	-	-

DR : Discount rate, ECR : Exit Capitalization Rate, EY : Equivalent Yield

Portfolio Croatia is not published as the Suncani Hvar portfolio is presented under transaction value

Furthermore, significant increase (or decrease) of the GDV or ERV assumptions would result in isolation in a similar significant increase (or decrease) of the fair value of the assets. Significant increase (or decrease) of costs or capital expenditures assumptions in isolation would result in a significantly lower (or higher) fair value measurement.

4.1.2.3 Changes in fair value by class and level

In the following tables, the Central Europe is labeled "CE".

Investment properties

Class	Freehold buildings					Extended stay hotels	Land banks				Total Group	Note 11 (*)	Note 8
	Office	Logistics and Industrial	Retail	Mixed Commercial	Mixed Commercial								
Level	3	3	3	3	2	2	2	3	3	2			
Country	CE	CE	CE	Germany	Germany	CE	CE	CE	Croatia	Germany			
Fair value as of December 2012	158,804	31,544	42,100	501,295	2,150	19,207	27,251	950	2,790	3,350	789,441	6,710	782,731
<i>o/w Assets held for sale</i>	-	-	-	1,450	-	-	4,660	-	-	600	6,710		
Investments / acquisitions	1,186	101	140	1,362	-	19	658	-	-	79	3,545	-	3,545
Asset sales	(179)	(2,173)	-	-	-	-	(4,473)	-	-	(600)	(7,425)	(600)	(6,825)
Change in value	(33,151)	(220)	(15,043)	26,453	(1,050)	(7,077)	(2,377)	21	(1,382)	(805)	(34,631)	(185)	(34,444)
Foreign Exchange	(6,852)	(1,939)	(797)	-	-	(1,227)	(1,413)	(80)	(23)	-	(12,331)	(69)	(12,265)
Others	(2)	-	-	(1,970)	-	-	-	-	-	1,970	(2)	22,189	(22,189)
Fair value as of December 2013	119,805	27,314	26,400	527,140	1,100	10,922	19,646	891	1,386	3,994	738,598	28,046	710,552
<i>o/w Assets Held for Sale</i>	5,182	18,457	-	-	-	-	4,407	-	-	-	28,046		

(*) The column "Note 11" (Held for sale assets) will not necessarily reconcile to the amounts disclosed in Note 11 as the amounts disclosed in the table above are limited to the investment properties closings and variances, when the Note 11 could present the sum of all the assets when the SPV (Special Purpose Vehicle) is classified under Held for sale.

Owner-occupied buildings & Hotels

Class	Hotels	Owner-occupied buildings	Owner-occupied buildings	Fair value	Difference vs historical cost convention	Note 9
Level	3	3	3			
Country	Croatia	Croatia	Germany			
Fair value as of December 2012	88,000	1,540	2,893	92,433	3,695	88,738
Investments / acquisitions	-	62	89	170	-	170
Asset sales	-	-	-	-	-	-
Change in value	-	(28,551)	(1,564)	(30,054)	(3,677)	(26,377)
Foreign Exchange	-	(840)	(7)	(847)	(13)	(834)
Others	-	-	(58)	(58)	-	(58)
Fair value as of December 2013	58,665	-	2,974	61,639	-	61,639
Net Book Value as of December 2012	84,305	1,540	2,893	88,738		
<i>o/w assets carried at cost</i>	1,777	-	-	1,777		
<i>o/w assets carried at cost less impairment</i>	82,529	1,540	2,893	86,962		
Non recognized FV as of December 2012	3,695	-	-	3,695		
Net Book Value as of December 2013	58,665	-	2,974	61,639		
<i>o/w assets carried at cost</i>	-	-	-	-		
<i>o/w assets carried at cost less impairment</i>	58,665	-	2,974	61,639		
Non recognized FV as of December 2013	-	-	-	-		

Inventories

The Group is using the present development value for the purpose of the impairment tests on developments (see note 4.1.3). This could lead to the recognition of an asset Net Book Value higher than its Fair Value and explain in 2012 the difference between the EUR 29.1 million (difference vs historical cost convention) and the EUR 48.0 million (Non recognized fair value). This EUR 18.9 million difference relates to the Zlota project for EUR 18.6 million and the Czech projects of Mezihori and Mostecka for EUR 0.2 million.

Class Level Country	Residential		Commercial		Fair value	Difference vs historical cost convention	Note 14		
	2 CE	3 CE	3 Germany	3 CE			Development inventories	Other inventories	Total
Fair value as of December 2012	41,777	112,727	2,045	133,000	289,549	29,118	260,431	1,699	262,130
Investments / acquisitions	8,137	22,117	730	3,045	34,029	-	34,029	1,925	35,954
Asset sales	(20,511)	-	-	(16,038)	(36,549)	-	(36,549)	(1,889)	(38,437)
Change in value	(9,136)	(102,686)	329	(47,517)	(159,010)	(26,011)	(132,999)	(13)	(133,012)
Foreign Exchange	(2,013)	(2,575)	-	(6,701)	(11,289)	(263)	(11,026)	(9)	(11,036)
Others	455	516	376	(831)	516	-	516	(1,396)	(880)
Fair value as of December 2013	18,708	30,100	3,480	64,957	117,245	2,842	114,403	317	114,720
Net Book Value as of December 2012	41,316	131,358	1,841	85,916	260,431				
<i>o/w assets carried at cost</i>	33,216	131,358	1,841	85,917	252,332				
<i>o/w assets carried at cost less impairment</i>	8,100	-	-	-	8,100				
Non recognized FV as of December 2012	713	-	204	47,084	48,001				
Net Book Value as of December 2013	16,772	30,100	2,572	64,957	114,401				
<i>o/w assets carried at cost</i>	4,739	-	2,572	-	7,311				
<i>o/w assets carried at cost less impairment</i>	12,032	30,100	-	64,957	107,089				
Non recognized FV as of December 2013	1,936	-	908	-	2,844				

4.1.3 Determination of remaining construction costs and impairment on developments

All development projects are subject to individual financial forecasts and balances, prepared by the Group and based on the best estimate of the construction costs to be incurred as part of the projects. The costs incurred are subject to specific controls by the Group and the project balances, showing the costs incurred as well as the remaining construction costs, are updated on a regular basis. This information is used to determine the net realizable value of inventories as well as the fair value less cost to sale for the impairment test of properties under development.

For the purpose of the impairment test on developments under construction, that the Group intends to finalize, whether classified as property, plant and equipment or as inventories, the Group does not use the fair value but the present development value that is defined as the expected selling price (as determined by an independent expert) from which the remaining development costs are deducted. The remaining development costs deriving from the project balance include the remaining construction, sales and marketing costs and all direct or indirect costs that can be associated to the specific development.

When a development is suspended the impairment test is based on its fair value if it were to be sold as is (as determined by an independent expert) and not based the present development value. Mainly the difference relates to the margin that an acquiring developer would request in order to take over the development risks.

4.1.4 Financial instruments by category and fair value

Fair value measurements of financial instruments reported at fair value are classified by level of the following measurement hierarchy:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices);
- Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, trading securities and financial assets at fair value through profit or loss) is based on quoted market prices at the balance sheet date. The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group is using a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows.

Valuations are performed regularly on the basis of the management best estimates of the credit risk of the Group or of the specific entity concerned in the light of existing, available and observable market data:

- By the Group's banks for the derivatives (IRS, options and forwards).
An increase of 1% of the fair value of net liability derivative instruments would lead the net liability derivative instruments to decrease by EUR 0.01 million, on the other hand an decrease of 1% of the fair value of net liability derivative instruments would lead the net liability derivative instruments to increase by EUR 0.01 million;
- For the Profit Participating Loan (PPL) granted to Hospitality joint venture, the valuation as of December 2012 has been performed internally using a discount rate similar to the one used for the fair value of the properties and a risk premium of 4% to reflect the relatively high level of indebtedness of the joint venture for the PPL granted to the joint venture holding company. As of December 2013, due to the closest maturity of the bank debts (June 2014), the fair value of the PPL is estimated to correspond to the Group rights in the Net Asset Value of the joint venture (including properties at fair value as detailed in Note 4.1.1) as a result of the contractual cash.
A decrease by 5% of the fair value of the properties comprised in the Net Asset Value of the Hospitality joint venture would lead to a decrease by EUR 4.2 million of the PPL value, on the other hand an increase by 5% of the fair value of the properties would lead to an increase by EUR 4.2 million;
- For the "Residential" sub-funds of Endurance Real Estate Fund the liquidity discount of 57.5% is remaining unchanged compared to December 2012, as the liquidity discount reflects the last observed transactions which occurred in December 2012 and the sale of its units by the Group realized in March 2013. This liquidity discount takes also into account the increase of the sub-fund illiquidity as a result of the decision to not extend it over its initial maturity (the liquidation started on the 29th of March 2013 and the liquidation should be finalized during 2015, after the disposal of the remaining portfolio);
- For the deferred consideration on the sale of Molcom based on considered transaction price of 2.5% of the nominal value of the receivable.

The fair value of financial instruments reflects, among other things, current market conditions (interest rates, volatility and share price). Changes in fair values are recorded in the consolidated income statement under the "other net financial results" line.

Accounting classification and fair values

The following tables show the carrying amounts at fair value of financial assets and liabilities, including their level in the fair value hierarchy.

The decrease of financial assets at fair value through profit or loss by EUR 4.4 million in 2013 is mainly due to the following:

- The "Residential" sub-funds of Endurance Real Estate Fund with a decrease by EUR 1.0 million resulting from the decrease of the net asset value as provided by the Fund Manager in its Management report as at 30 September 2013 (year-end closing of the sub-funds);
- The Profit Participating Loan (PPL) granted to the Hospitality joint venture with a decrease by EUR 3.1 million resulting from the net asset value.

Decrease in trading derivatives relates to reduction of time value of such financial instruments in 2013.

31 December 2013	Carrying amount			Fair value		
	Financial assets & liabilities measured at fair value	Financial assets & liabilities not measured at fair value (*)	Balance Sheet	Level 1	Level 2	Level 3
Financial assets						
Investments in joint ventures	-	93	93	-	-	-
Equity method investments	-	93	93	-	-	-
Investment in Endurance Fund	1,077	-	1,077	-	-	1,077
PPL granted to the Hospitality Joint venture	27,015	-	27,015	-	-	27,015
Long-term Equity investments	193	-	193	-	-	193
Financial assets at fair value through profit or loss (**)	28,285	-	28,285	-	-	-
Radio Free Europe promissory note	2,387	-	2,387	-	-	2,387
Other financial assets available-for-sale	48	-	48	-	-	48
Financial assets available-for-sale	2,435	-	2,435	-	-	-
Leipziger Platz deferred consideration	-	22,597	22,597	-	-	-
Molcom deferred consideration	905	0	905	-	905	-
Loan granted to the Uniborc joint venture	-	4,239	4,239	-	-	-
Other	-	792	792	-	-	-
Non current loans and receivables	905	27,628	28,533	-	-	-
Trade and other receivables	-	48,738	48,738	-	-	-
Trading derivatives	29	-	29	-	29	-
Cash and cash equivalent	-	88,669	88,669	-	-	-
Current financial assets	29	137,407	137,436	-	-	-
Financial liabilities						
New Notes	-	63,102	63,102	-	61,728	-
Safeguard bonds	-	1,891	1,891	-	-	1,891
Floating rate bank debts	-	294,520	294,520	-	-	294,520
Fixed rate bank debts (**)	-	611	611	-	-	671
Other borrowings	-	173	173	-	-	173
Long term liabilities	-	1,453	1,453	-	-	-
Non current financial liabilities	-	361,750	361,750	-	-	-
Safeguard bonds	-	321	321	-	-	321
Floating rate bank debts	-	258,734	258,734	-	-	258,734
Fixed rate bank debts (**)	-	14,274	14,274	-	-	16,715
						-183
						4,918
Other borrowings	-	33	33	-	-	33
Trading derivatives	1,244	-	1,244	-	1,244	-
Advanced payments	-	33,887	33,887	-	-	-
Trade payables and Other current liabilities	-	55,419	55,419	-	-	-
Current financial liabilities	1,244	362,668	363,911	-	-	-

(*) It does not include fair value information for financial assets and liabilities not measured at fair value if the carrying amount is considered as a reasonable approximate of the fair value. (**) The fair value of the floating and fixed rate bank debts has been estimated on the basis of the market interest rate without changing the contractual credit margin. (***) Designated at fair value.

31 December 2012 (restated)	Carrying amount			Fair value		
	Financial assets & liabilities measured at fair value	Financial assets & liabilities not measured at fair value (*)	Balance Sheet	Level 1	Level 2	Level 3
Financial assets						
Investments in joint ventures	-	171	171			
Investments in associates	-	8,738	8,738			
Equity method investments	-	8,909	8,909			
Investment in Endurance Fund	2,284	-	2,284	-	-	2,284
PPL granted to the Hospitality Joint venture	30,441	-	30,441	-	-	30,441
Long-term Equity investments	194	-	194	-	-	194
Financial assets at fair value through profit or loss	32,919	-	32,919			
Radio Free Europe promissory note	9,407	-	9,407	-	-	9,407
Other financial assets available-for-sale	59	-	59	-	-	59
Financial assets available-for-sale	9,466	-	9,466			
Leipziger Platz deferred consideration	-	26,861	26,861			
Molcom deferred consideration	-	36,793	36,793			
Other	-	827	827			
Non current loans and receivables	-	64,482	64,482			
Trade and other receivables	-	46,923	46,923			
Trading derivatives	20	-	20	-	20	-
Others current financial assets	37	-	37	-	37	-
Cash and cash equivalent	-	23,633	23,633			
Current financial assets	56	70,556	70,612			
Financial liabilities						
New Notes	-	57,156	57,156	-	61,509	-
Safeguard bonds	-	2,036	2,036	-	-	1,075
Floating rate bank debts	-	392,805	392,805	-	-	392,805
Fixed rate bank debts (**)	-	9,599	9,599	-	-	13,109
Other borrowings	-	5,792	5,792	-	-	5,792
Long term liabilities	-	12,710	12,710			
Non current financial liabilities	-	480,099	480,099			
Safeguard bonds	-	261	261	-	-	261
Floating rate bank debts	-	217,542	217,542	-	-	217,542
Fixed rate bank debts (**)	-	5,182	5,182	-	-	4,780
Other borrowings	-	155	155	-	-	155
Trading derivatives	6,446	-	6,446	-	6,446	-
Advanced payments	-	32,554	32,554			
Trade payables and Other current liabilities	-	52,522	52,522			
Current financial liabilities	6,446	308,215	314,661			

(*) It does not include fair value information for financial assets and liabilities not measured at fair value if the carrying amount is considered as a reasonable approximate of the fair value. (**) The fair value of the floating and fixed rate bank debts has been estimated on the basis of the market interest rate without changing the contractual credit margin. (***) Designated at fair value.

4.1.5 Income taxes

The Group is subject to income taxes in different jurisdictions. Significant estimates are required in determining the provision for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

As stated in Note 2.20, the calculation of deferred tax on investment properties is not based on the fact that they will be realized through a share deal but through an asset deal. As a result of the Group structure, the potential capital gain may be exempted from any tax in case of share deal if certain conditions are met and hence the accumulated deferred tax liabilities may be recognized as a gain depending on the outcome of negotiations with future buyers.

4.1.6 Impairment on owner-occupied buildings and hotels

For the purpose of determining the impairment on owner-occupied buildings and hotels, the Group uses the fair value as determined by an independent expert. The valuation methodology is based on cash flow projections for the relevant properties with discount rates depending of the location and specific business risks.

The applicable discount rate for the owner-occupied buildings in 2013 is 7% (7.25% in 2012) and the discounts rates used in 2012 for hotel properties were ranging from 10% to 20 %.

In 2013, following the uncertainty regarding the going concern of Suncani Hvar operations the hotels of the Group have been impaired using a different valuation approach (See Note 4.2.5 and 9).

4.1.7 Pension benefits

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using number of assumptions. The assumptions used in determining the net cost (income) for pensions include discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Group considers the interest rate of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension obligation.

4.1.8 Impairment on goodwill

The Group is testing annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2.5. The recoverable amounts of cash have been determined based on the deferred tax liabilities and the fair value of the buildings for which acquisitions have generated goodwill.

4.1.9 Other rates used

To estimate the net present value of the Stein provision the effective interest rate on New Notes of 19.1% plus Euribor 3M risk margin was used (See Note 20).

4.2 Critical judgments in applying the Group's accounting policies

4.2.1 Distinction between investment properties and owner-occupied properties

The Management determines whether a property qualifies as investment property. In making its judgment, the Management considers whether the property generates cash flows largely independently of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to property but also to other assets used in the production or supply process.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the supply of services or for administrative purposes. If these portions can be sold separately (or leased out separately under a finance lease) the Group is accounting the portions separately. If the portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the supply of services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Management considers each property separately in making its judgment.

4.2.2 Transfer between inventories and investment property

If a commercial or office development becomes partially rented, as a result of tenants moving in before the contemplated sale of the asset, the project is not automatically reclassified as investment property. A development will be reclassified as investment property only for capital appreciation and if the nature of this building has been changed and formally approved by the Investment Committee. The renting revenue on this development project is specifically disclosed in the consolidated financial statements.

4.2.3 Transfer between investment property and inventories

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

4.2.4 Classification of non-current assets as held for sale

The Management determines whether a non-current asset has to be classified as held for sale when the following conditions are met:

- there is a formal decision taken by the Investment Committee to sell the asset at a price which is reasonable compared to its current fair value;
- the asset is available for immediate sale;
- the sale is highly probable and should be completed within the 12 months following the balance sheet date.

4.2.5 Subsidiaries with uncertainty of going concern

Although the Board of Directors concluded positively on the Groups' ability to continue as a going concern in the foreseeable future, some Group subsidiaries and joint ventures are dependent on their ability to obtain additional funding. Financing deficiency suggests liquidity concerns that may cast doubts on these Group's subsidiaries and joint ventures ability to sustain operations and complete current projects. Where such uncertainties exist and are estimated as material, the Group has recognized impairments and provisions for relevant assets in order to recognize the expected transaction value for the repayment of the liabilities as a result of a breach of covenants in the bank loan contract or bankruptcy proceeding. In addition to the impairments of the assets, the Group may have to provide for risks linked to corporate guarantees granted by other Group entities that might be exercised as a result of these material uncertainties. Please refer to notes 8, 9, 13.2 and 14 for the details on how this has been applied to the specific situations of respectively the assets financed by Erste bank in Budapest, Suncani Hvar, the promissory note resulting from the sales of Radio Free Europe office building in Prague and Zlota 44.

Furthermore, the control of the subsidiaries with uncertainty of going concern has to be reassessed in order to determine whether they should still be integrated in the consolidation scope. In such circumstances, the Group takes into account its capacity to negotiate a restructuring, the probable outcome and the extent of the banks' protective rights. The Group considers that only the subsidiaries that are under a bankruptcy proceeding with an appointed court administrator are excluded from the consolidation scope. Until then the Group considers that it is still in capacity to take any measure that could change the course of actions and hence the ability to use its power over the investee to affect the amount of its returns.

5 Segment reporting

The Investment Committee is the responsible body making decisions for all acquisitions and disposals of projects. The Investment Committee assesses the performance of the operating segments based on a measure of adjusted earnings before interests, tax, depreciation and amortization ("adjusted EBITDA" as defined below).

Corporate expenses are allocated on the basis of the revenue realized by each activity.

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

The Group structure lies on two main activities to which the Investment Committee is allocating the Group investment capacity on the basis of the strategy defined by the Board of Directors. On one hand, the Group is investing in land bank or assets for development and effectively developing them once the project presented is satisfactorily approved by the Investment Committee. Once the asset is developed it can be either sold to a third party or kept in the Group own portfolio for value accretion. On the other hand, the Group is actively investing in and managing its own or third parties real estate assets for operational profitability and value appreciation. These two business lines are the segments by which the operations are analyzed.

These two segments or business lines can be defined as following:

- Development business line covers all real estate assets under construction or designated as a future development in order to be sold to a third party or to be transferred to the Property Investment Business line once completed;
- Property Investment business line (formerly called Asset Management) covers all real estate assets operated (as hotels and logistic parks) and rented out assets or that will be so without any major refurbishment.

The level of indebtedness of each asset, which is to finance projects and operations, is decided by the Investment Committee and the Board of Directors above certain thresholds. The funds allocation after draw down is independent from the asset pledged or leveraged. Since the segmentation by business line of the finance debt based on the pledged project is not representative of operational cash allocation, this information is not disclosed as non-relevant.

5.1 Segment Reporting 2013

Profit & Loss 31 December 2013	Development	Property Investments	TOTAL
Revenue	46,517	99,379	145,896
<i>Sale of goods</i>	45,573	149	45,722
<i>Rent</i>	343	64,283	64,626
<i>Hotels, Extended Stay & Restaurants</i>	66	20,722	20,788
<i>Services</i>	534	14,226	14,760
Net gain or loss from fair value adjustments on investment property	(3,422)	(31,022)	(34,444)
Cost of goods sold	(36,542)	(1,895)	(38,437)
Impairments - Allowance	(139,127)	(38,434)	(177,561)
Impairments - Write-Back	614	847	1,461
Amortization and provisions	2,534	6,755	9,289
Other operating results	(10,774)	(59,747)	(70,521)
Operating Result	(140,201)	(24,117)	(164,318)
Net gain or loss from fair value adjustments on investment property	3,422	31,022	34,444
Impairments - Allowance	139,127	38,434	177,561
Impairments - Write-Back	(614)	(847)	(1,461)
Amortization and provisions	(2,534)	(6,755)	(9,289)
Net result on disposal of assets	(531)	443	(88)
Adjusted EBITDA	(1,330)	38,180	36,850
Financial Result			(77,242)
Share of profit or loss of entities accounted for using the equity method	(219)	(194)	(413)
Loss before Income Tax			(241,973)
Balance Sheet & Cash Flow 31 December 2013	Development	Property Investments	TOTAL
Segment Assets	139,804	775,996	915,799
Investment Property	20,886	689,666	710,552
Property, plant and equipment	-	61,639	61,639
Inventories (*)	114,400	-	114,400
Assets held for sale	4,425	24,691	29,116
Equity method investments	93	-	93
<i>Unallocated assets</i>			256,046
Total Assets			1,171,845
Segment Liabilities	10,388	17,334	27,722
Liabilities linked to assets held for sale	10,388	17,334	27,722
<i>Unallocated liabilities</i>			881,006
Total Liabilities			908,728
Cash flow elements	736	2,979	3,716
Capital expenditure	736	2,979	3,716
Direct Operating Expenses	Development	Property	TOTAL
Direct operating expenses arising from investment property that:			
- generated rental income	(34)	(36,307)	(36,341)
- did not generated rental income	(62)	(210)	(272)

(*) The only allocable inventories are related to the real estate properties.

5.2 Segment Reporting 2012 (Restated)

Profit & Loss 31 December 2012 (restated)	Development	Property Investments	TOTAL
Revenue	146,467	98,239	244,706
<i>Sale of goods</i>	140,514	173	140,687
<i>Rent</i>	4,092	61,983	66,075
<i>Hotels, Extended Stay & Restaurants</i>	3	19,303	19,306
<i>Services</i>	1,860	16,782	18,642
Net gain or loss from fair value adjustments on investment property	1,234	(8,320)	(7,086)
Cost of goods sold	(139,385)	(1,685)	(141,070)
Impairments - Allowance	(35,014)	(9,223)	(44,237)
Impairments - Write-Back	486	1,066	1,552
Amortization and provisions	(4,673)	(3,241)	(7,914)
Other operating results	(19,299)	(50,383)	(69,682)
Operating Result	(50,183)	26,452	(23,731)
Net gain or loss from fair value adjustments on investment property	(1,234)	8,320	7,086
Impairments - Allowance	35,014	9,223	44,237
Impairments - Write-Back	(486)	(1,066)	(1,552)
Amortization and provisions	4,673	3,241	7,914
Net result on disposal of assets	(1,274)	(125)	(1,399)
Adjusted EBITDA	(13,491)	46,046	32,555
Financial Result			755
Share of profit or loss of entities accounted for using the equity method	(3,857)	(9,091)	(12,948)
Loss before Income Tax			(35,923)
Balance Sheet & Cash Flow 31 December 2012 (restated)	Development	Property Investments	TOTAL
Segment Assets	288,893	858,652	1,147,545
Investment Property	24,846	757,885	782,731
Property, plant and equipment	-	88,738	88,738
Inventories (*)	258,590	1,841	260,431
Assets held for sale	5,286	1,450	6,736
Equity method investments	171	8,738	8,909
<i>Unallocated assets</i>			240,012
Total Assets			1,387,557
Segment Liabilities	9,792	-	9,792
Liabilities linked to assets held for sale	9,792	-	9,792
<i>Unallocated liabilities</i>			935,475
Total Liabilities			945,267
Cash flow elements	620	1,674	2,294
Capital expenditure	620	1,674	2,294
Direct Operating Expenses	Development	Property Investments	TOTAL
Direct operating expenses arising from investment property that:			
- generated rental income	(121)	(32,721)	(32,842)
- did not generated rental income	(105)	(350)	(455)

(*) The only allocable inventories are related to the real estate properties.

5.3 Geographical information

	Total revenue	Rental revenue	Investment Property	Property, plant & equipment	Inventories
Czech Republic	33,953	6,632	88,981	-	79,160
Germany	60,222	52,243	533,130	2,974	2,572
Poland	5,328	933	16,045	-	31,244
Croatia	18,876	400	1,386	58,668	655
Hungary	2,654	1,987	52,496	-	-
Slovakia	3,976	255	-	-	770
Luxembourg	31,758	2,175	23,210	-	-
Inter-geographic	(10,870)				
December 2013	145,896	64,626	715,248	61,639	114,400

	Total revenue	Rental revenue	Investment Property	Property, plant & equipment	Inventories
Czech Republic	27,451	8,512	146,681	-	117,694
Germany	180,952	51,692	504,745	2,893	1,841
Poland	8,158	1,406	17,985	-	136,631
Croatia	17,265	368	2,790	85,845	645
Hungary	2,634	1,890	77,360	-	-
Slovakia	5,505	307	10,070	-	3,620
Luxembourg	13,321	1,900	23,100	-	-
Inter-geographic	(10,578)				
December 2012 (restated)	244,708	66,075	782,731	88,738	260,431

5.4 Rent revenues

Operational lease revenues contracted as of December 2013 - Figures in EUR Million

Asset type & location	2014	2015	2016	2017	2018	> 2018
Logistics	2,1	1,9	1,9	1,8	1,8	1,8
Czech Republic	2,0	1,8	1,8	1,8	1,8	1,8
Poland	0,2	0,1	0,1	-	-	-
Mixed Commercial	35,7	19,0	12,7	7,7	4,5	3,1
Germany	35,7	19,0	12,7	7,7	4,5	3,1
Office	7,6	6,0	4,1	2,5	1,6	1,1
Czech Republic	4,5	3,2	2,5	1,6	0,9	0,5
Hungary	0,9	0,8	0,8	0,7	0,7	0,5
Luxembourg	2,0	2,0	0,8	0,2	0,0	0,0
Poland	0,3	-	-	-	-	-
Retail	1,0	0,9	0,8	0,7	0,7	0,7
Hungary	0,9	0,9	0,8	0,7	0,7	0,7
Slovakia	0,1	-	-	-	-	-
Total	46,4	27,8	19,5	12,7	8,6	6,7

❖ General overview of the main provisions of lease agreements

In Germany, the German Civil Code (BGB) contains a number of provisions governing the contents of lease agreements in Sections 535 and following BGB. Commercial leases which are not individually agreed are additionally reviewed under the provisions of general terms and conditions of trade in Section 305 and following BGB. Commercial leases are generally concluded for a fixed time period and usually contain a unilateral extension option for the tenant or a provision for automatic extension if neither party notifies the other to terminate the lease prior to a specified deadline before the end of the lease term. The latter case of contracts could be considered as permanent or indefinite till termination according to the following regulations. The statutory and regular notification requirement for termination according to Section 580 a BGB must occur at the latest at the third working day of one calendar quarter to the end of the next calendar quarter. Often this period is extended in the lease contract to longer periods. Similar periods are also used for option clauses. To fulfill the strict requirements of written form for the commercial lease contracts, all lease contracted for periods longer than one year must include all arrangements between the parties in one document signed by both parties. The rent and additional charges are paid by the tenant monthly in advance. The rents increase usually automatically through stepped rent (for example yearly by 3 %) or through stable value clauses, both ways must have been agreed in the contract beforehand.

In Czech Republic and Slovakia, commercial lease agreements are regulated mainly by Act No. 116/1990 Coll. on the lease and sublease of non-residential premises. A commercial lease can be entered into either for a definite term or for an indefinite term with a right to terminate. Unless such option is granted, the lessee has no legal right to renewal. Rents are expressed either in euros or Czech koruna, and are usually paid monthly or quarterly in advance. As of 1 January 2014 the New Civil Code is in force in the Czech Republic, governing the lease and sublease of non-residential premises (now referred to as "premises for the business activities" pursuant to the New Civil Code).

In Poland, commercial lease agreements are regulated by articles 659-692 of the Polish Civil Code. Lease agreement can be concluded for a specific period of time (usually 5 years) or indefinite period. Rents are usually denominated in Euros and usually received in Polish zloty monthly in advance and are annually indexed to the European HICP index (or to the Polish GUS index, if denominated in Polish).

In Hungary, the present acts regulating rental relations in Hungary (Act IV of 1959 of the Civil Code; Act LXXVIII of 1993 on Residential and Commercial Leases) are based on that contractual relation is created by the free will of the parties. The act renders written form of lease as well as sublease contracts mandatory. The deposit, its rate and other conditions can be freely agreed by the contracting parties. The usual amount of deposit is around 1-3 months' rent. The lease agreement may be concluded for a definite term, or an indefinite term, or until the occurrence of a certain condition defined in the agreement. A lease concluded for definite term can be terminated with extraordinary termination only. The termination procedure is ruled in the leasing act in details; however the parties can deviate from it in the lease agreement. If not agreed upon otherwise by the parties, an indefinite term lease can be terminated by the lessor without offering the tenant replacement rental property, and the notice period shall not be shorter than one year; the parties may stipulate any period shorter than that. In 2014, new legislation regulating rental relations (Act V of 2013 of the new Civil Code) was enacted. The regulation is effective from 15 March 2014 and does amend the rules mentioned above.

In Luxembourg, all leases are commercial leases signed for 9 years with break options every 3 years. Commercial leases are governed by contract law in general, as well as more specific disparate provisions, which can be found in the Civil Code (art. 1762-2 to 1762-7 introduced by a Grand-Duchy decree of October 31, 1936), the law of 14 February 1955 on rental contracts (art. 17) and in the Tax Code.

6 Discontinued operations

In April 2012, the Group initiated the bankruptcy procedure with the Court of Justice of Warsaw as a result for the Group decision not to pursue the project Szczecin. As of 31 December 2013 the Warsaw Court of Justice had yet to deliver its judgment regarding the declaration of bankruptcy. Consequently a single amount representing the contribution of the entity to the income statement is disclosed separately in the line "Profit or loss of discontinued operations".

The table below shows an analysis of revenue and expenses of discontinued operations.

Income Statement

	12 months 2013	12 months 2012 (restated)
Revenue	-	-
Net gain or loss from fair value adjustments on investment property	(185)	(428)
Other operating expenses	(23)	(14)
Operating result	(208)	(442)
Interest expenses	(723)	(765)
Other net financial results	(196)	(259)
Financial result	(919)	(1,025)
Profit or loss before income taxes	(1,127)	(1,486)
Income taxes	(1)	0
Profit / (loss) of the Company after tax from discontinued operations	(1,127)	(1,486)
Total profit or loss attributable to:		
Non controlling interests	(282)	(367)
Owners of the Company	(846)	(1,100)
Basic earnings in EUR per share	(0.01)	(0.02)
Diluted earnings in EUR per share	(0.01)	(0.02)

Cash flow

Over last 2 years, there were no significant cash flows movements in this company.

7 Intangible assets

Intangible assets	Gross amount	Amortisation and Impairments	Net amount
Balance at 1 January 2012 (restated)	52,935	(5,527)	47,408
Scope variation	734	1	735
Increase	865	(0)	865
Assets sales	(4)	4	-
Impairments	-	(1,061)	(1,061)
Transfer	76	37	114
Translation difference	(615)	(107)	(722)
Balance at 31 December 2012 (restated)	53,991	(6,653)	47,338
Scope variation	(149)	149	-
Increase	201	-	201
Assets sales	(69)	69	-
Impairments	-	(1,178)	(1,178)
Variation	22	(0)	22
Transfer	(659)	723	64
Translation difference	(290)	257	(33)
Balance at 31 December 2013	53,049	(6,633)	46,414

In 2013, the impairment of EUR 1.2 million represents mainly impairments recognized on software.

Goodwill	Gross amount	Amortisation and Impairments	Net amount
Balance at 1 January 2012 (restated)	41,518	(2,263)	39,255
Impairments	-	(610)	(610)
Translation difference	34	(34)	-
Balance at 31 December 2012 (restated)	41,552	(2,907)	38,645
Scope variation	(149)	149	-
Impairments	-	(53)	(53)
Translation difference	(9)	9	-
Balance at 31 December 2013	41,394	(2,802)	38,592

The sole goodwill recognized as at 31 December 2013 (since 2009) is the GSG goodwill. The main source of goodwill on the acquisition of GSG can be found in the amount of deferred tax liabilities as a result of the low tax value of the assets. This amount of taxes is still above the amount of goodwill, i.e. the value of the real estate assets portfolio of GSG is higher than the result of the following calculation: GSG real estate portfolio fair value (EUR 492.1 Million) + goodwill (EUR 41.4 Million) – deferred tax liabilities (EUR 103.8 Million). A decrease of value of the assets by 10% would still leave deferred tax liabilities at a level above the amount of goodwill resulting in a positive result to the above calculation. Some assets have been sold over the year 2013 and impairments have been recognized as a proportion in the GSG portfolio fair value of the fair value of these assets at the time of the acquisition.

Intangible assets also include the value of the Brand GSG at its initial value. Since 1965, GSG has continuously developed its brand that has been initially valued at EUR 7.2 Million in 2007. Especially its initial role as a business promoter had a strong impact on the image of being a fair and reliable landlord. Even in the years of changing economic environment and challenging market situation, GSG has managed to reinforce the brand by implementing a new corporate design, accompanied by specific marketing campaigns. The "change" into ORCO-GSG even helped to illustrate the shift to a modern service provider offering a wide range of additional products/services like the own glass fiber network or the support of start-up companies. Therefore the implemented brand has been and will be of vital importance and the fundamental basis to market the assets, to increase occupancy and to maintain the good reputation. In this context, the useful life of GSG trademark has been assessed as indefinite. No impairment is recognized on this intangible asset since as such the trademark continues to generate cash flows independently, the prospective valuation of the portfolio demonstrates the potential of the portfolio to continue to increase and the dynamic is clear with GSG systematically beating the budget in terms of occupancy and average revenues per square meters. The prospective valuation is based on discounted cash flows of GSG real estate portfolio over 10 years and a sale in year 11. Market assumptions are as described in note 4.1.1 except for discount rates ranging from 6.0% to 7.4% and exit cap rates ranging from 6.0% to 6.3%. An increase of all rates by 100 basis points would not lead to an impairment.

8 Investment Property

The main assumptions used to calculate the fair value of the projects are disclosed in Note 4.1. Even though the Group is controlling the majority of the voting rights, the operation and the strategy, the disposal of real estate assets located in entities where the Group does not hold 100% of the shares, needs the agreement of the partner.

	Freehold buildings	Extended stay hotels	Land bank	TOTAL
Balance at 31 December 2011 (restated)	804,588	18,705	39,472	862,765
Scope movements	-	-	(6,322)	(6,322)
Investments / acquisitions	1,511	5	599	2,114
Asset sales	(73,530)	-	(1,073)	(74,603)
Revaluation through income statement	(8,007)	16	477	(7,514)
Changes in classification	(1,380)	-	(790)	(2,170)
Transfers to/from asset held for sale	(1,450)	-	(3,732)	(5,182)
Other transfers	-	0	(1,206)	(1,207)
Translation differences	12,711	481	1,656	14,849
Balance at 31 December 2012 (restated)	734,443	19,207	29,081	782,731
Investments / acquisitions	2,789	19	736	3,545
Asset sales	(2,352)	-	(4,473)	(6,825)
Revaluation through income statement	(23,010)	(7,077)	(4,357)	(34,444)
Changes in classification	(1,970)	-	1,970	-
Transfers to/from asset held for sale	(22,189)	-	-	(22,189)
Translation differences	(9,591)	(1,227)	(1,448)	(12,265)
Balance at 31 December 2013	678,120	10,922	21,510	710,552

❖ In 2013

55 investment properties (EUR 683.8 million) financed by bank loans located in special purpose entities are fully pledged for EUR 447.6 million.

a) Investments / Acquisitions

In 2013, the Group invested EUR 3.5 million in Investment Properties mainly in the form of improvement and installing new equipment and fit-outs in existing freehold buildings in Berlin for EUR 1.4 million. EUR 1.0 million were invested into Budapest office premises and further EUR 0.6 million into the land bank in the Czech republic out of which EUR 0.4 million was paid for acquisition of a land.

During the year 2013, the Group did not proceed with any other asset acquisition nor acquisitions through business combination.

b) Asset sales

The Group disposed of 63 % of industrial park in Střebro (CZ) for a total sales price of EUR 1.7 million. The net book value of the asset as of the date of the sale amounted to EUR 2.2 million.

The main disposal recognized over 2013 is the sale of project U Hranic in Prague (CZ) for a total sales price of EUR 4.3 million. The sale of the SPV shares resulted in a net consolidated gain of EUR 0.6 million recorded in the income statement.

c) Revaluation through the income statement

	Freehold buildings	Extended stay hotels	Land bank	TOTAL
Czech Republic	(17,437)	(7,077)	(2,281)	(26,795)
Germany	25,403	-	(805)	24,598
Poland	(1,793)	-	110	(1,683)
Croatia	-	-	(1,382)	(1,382)
Hungary	(24,405)	-	-	(24,405)
Slovakia	(4,888)	-	-	(4,888)
Luxembourg	110	-	-	110
Balance at 31 December 2013	(23,010)	(7,077)	(4,357)	(34,444)

The movements in fair value of the assets represent mainly the following changes in freehold buildings and land bank:

- In the Czech Republic, the fair value decreased for freehold buildings Na Poříčí (EUR -9.0 million), Bubenská (EUR -7.8 million) and Hradčanská (EUR -1.5 million). The decrease in land bank is attributable mainly to Bellevue Grand (EUR -0.7 million).
- In Germany, the most remarkable increase in the fair value of freehold buildings is for Schlessische Str. (EUR 3.4 million), Gustav Meyer (EUR 2.2 million), Zossener Str. (EUR 1.9 million) and Volta Str. 5 (EUR 1.8 million).
- In Poland, the lower occupancy of Marki resulted in a reduction of fair value amounting to EUR 1.2 million. Diana office lost EUR 0.6 million of its value.
- The most significant decreases in fair value in Hungary relate to Vaci 1 (EUR -15.0 million) followed by Vaci 188 (EUR -3.9 million) and Szervita (EUR -3.9 million). Even though there is a material uncertainty on the going concern of the spv's holding these assets, the fair value as determined by the independent expert has been retained as the SPV liabilities are higher than fair value.
- In Slovakia, a decrease of fair value is explained by shopping center Dunaj (EUR -4.5 million).
- The decrease of land bank fair value in Croatia relates to Camping Vira (EUR -0.9 million) and Obonjan Rivjera (EUR -0.5 million).
- In Luxembourg, the freehold building of Capellen slightly increased by EUR 0.1 million.

The decrease of extended stay hotels relates to Pachtuv Palác located in Prague (EUR -7.0 million).

d) Transfers

Freehold Buildings – Transfers from assets held for sale

As the sale was canceled the Group has decided to transfer back the freehold building Skalitzer Str. in Berlin from Held for Sale Asset to investment property amounting to EUR 1.45 million.

Freehold Buildings – Transfers into assets held for sale

The Group agreed with the financing bank on the restructuring of the debt for which the project Bubenska is cross-pledged with two other buildings. That agreement will result in a transfer of ownership in Dunaj and Hlubocky SPVs (Special Purpose Vehicle) to the financing bank after a partial repayment and a transfer of part of the liability for which Bubenska has been pledged to the Dunaj and Hlubocky SPVs. As a consequence, the buildings held by these SPVs have been transferred into Held for Sale category at the transaction value less costs to sell.

Freehold Buildings & Land banks – Changes in classification

Part of the Gebauer Höfe rental property with a prospect of future development on the site was transferred to land bank in the amount of EUR 1.97 million.

❖ In 2012

54 investment properties (EUR 739.8 million) financed by bank loans located in special purpose entities are fully pledged for EUR 478.0 million.

a) Investments / Acquisitions

During 2012, the Group has invested EUR 2.1 million in Investment Properties representing mainly capitalization on mixed retail and office in Berlin for EUR 1.0 million, land banks in the Czech Republic and Poland for EUR 0.6 million and the Szervita mixed office and parking property in Budapest for EUR 0.3 million.

Over the year 2012, the Group did not proceed with any asset acquisition nor acquisition through business combinations.

b) Asset sales

As of 31 December 2012, the net book value ("NBV") of the assets sold represents EUR 74.6 million, for a total sale price of EUR 75.9 million out of which EUR 39.3 million have been used to repay the bank loan on Radio Free Europe in Czech Republic, composed mainly of the following disposals:

- Radio Free Europe in Prague (NBV of EUR 70.0 million) at the sale price of EUR 69.3 million;
- 4 assets in Vinohrady, Prague (NBV of EUR 1.9 million) at the sale price of EUR 1.4 million;
- Ackerstrasse 81 and 93 in Berlin (NBV of EUR 1.5 million) at the sale price of EUR 2.0 million;
- Elb loft in Hamburg (NBV of EUR 1.1 million) at the sale price of EUR 1.5 million.

The total net loss compared to the December 2011 net book value of the assets amounts to EUR 2.1 million in P&L which is mainly explained by accumulated foreign exchange losses in consolidated equity amounting to EUR 1.8 million on Radio Free Europe.

c) Revaluation through the income statement

	Freehold buildings	Extended stay hotels	Land bank	TOTAL
Czech Republic	(5,393)	16	1,099	(4,278)
Germany	17,690	-	360	18,050
Poland	(1,824)	-	(654)	(2,478)
Croatia	-	-	(327)	(327)
Hungary	(13,114)	-	-	(13,114)
Slovakia	(3,837)	-	-	(3,837)
Russia	-	-	-	-
Luxembourg	(1,530)	-	-	(1,530)
Balance at 31 December 2012 (restated)	(8,007)	16	477	(7,514)

As at 31 December 2012, the total loss in fair value disclosed in the profit and loss statement amounts to EUR 7.1 million, showing a difference of EUR 0.4 million with the present note, as a result of the reclassification of the entity Szczecin into assets held for sale (See Note 11). In the profit or loss the change in fair value for this entity is presented under "Profit or loss from discontinued operations" and is not impacting the line "Net gain or loss from fair value adjustments on investment property".

The movements in fair value of the assets are mainly related to the freehold buildings and land bank:

- In Germany with the freehold buildings Gneisenaustrasse (EUR 1.0 million), Pankow (EUR 1.1 million), Schlesische Str. (EUR 1.3 million), Kopenicker Str. (EUR 1.4 million) Reichenberger Str. (EUR 1.4 million), Helmholtz Str. (EUR 1.5 million) Zossener Str. (EUR 1.6 million) and Franklinstrasse (EUR 2.9 million).
- In the Czech Republic with the Freehold buildings of Bubenska (EUR -3.5 million), Na Porici (EUR -1.3 million) and the Land banks of Decin (EUR -0.8 million), Na Frantisku (EUR 0.6 million), U Hranic (EUR 0.9 million) and Praga (EUR 1.5 million);
- In Poland with the Freehold buildings Marki (EUR -1.1 million) and Diana Office (EUR -0.7 million);
- In Hungary with the freehold buildings Vaci 1 (EUR -6.0 million), Paris Department Store (EUR -3.0 million), Szervita (EUR -2.3 million) and the Main Budapest Bank (EUR -1.6 million);
- In Slovakia with a decrease in fair value explained mainly by rental property Dunaj (EUR -3.8 million);
- In Croatia with the decrease in fair value mainly related to the Camping Vira (EUR 0.3 million);
- In Luxembourg with the freehold building of Capellen (EUR 1.5 million).

d) Scope movements

The scope movement over the period is related to the deconsolidation of the Józefoslaw Project.

e) Transfers

Land banks – Changes in classification

The Group is not anymore the operator of the Vira camping in Suncani Hvar (Croatia). This asset is now rented out and as a consequence has been transferred from Hotels and Owner-occupied buildings to Investment Property for EUR 1.9 million.

The Mezihori residential development started in 2012 with more than 50% of pre-sales registered. In consequence this asset has been transferred in Inventories for EUR 2.7 million.

Freehold Buildings – Changes in classification

The Group started in 2012 the residential development of Naunynstrasse 68 a rental property located in Berlin and as a consequence the asset has been transferred into Inventories for EUR 1.4 million.

Freehold buildings – Transfers to assets held for sale

Skalitzer Str. 127 – 128 in Berlin was transferred into held for sale in the amount of EUR 1.45 million.

Land banks – Transfers to assets held for sale

The Group has decided to sell investment properties in Germany and in Poland which have been transferred into assets held for sale:

- Kufurstenstrasse in Berlin for EUR 0.6 million;
- Szczecin in Poland for EUR 4.66 million.

In April 2012, the Group initiated the bankruptcy procedure with the Court of Justice of Warsaw as a result for the Group decision not to pursue the project Szczecin. As of 31 December 2013 the Warsaw Court of Justice had yet to deliver its judgment regarding the declaration of bankruptcy.

As the sale was canceled the Group has decided to transfer back the land bank Na Frantisku in Ostrava from assets held for sale in the amount of EUR 1.53 million.

9 Hotels and owner-occupied buildings

Hotels and owner-occupied buildings	Owner-occupied Buildings	Hotels	TOTAL
GROSS AMOUNT			
Balance as at 31 December 2011 (restated)	6,678	136,301	142,978
Investments / acquisitions	99	80	180
Disposal	-	(691)	(691)
Transfer	(5)	(3,555)	(3,560)
Translation differences	(4)	(144)	(148)
Balance as at 31 December 2012 (restated)	6,767	131,991	138,759
Investments / acquisitions	108	62	170
Transfer	(58)	-	(58)
Translation differences	(44)	(1,594)	(1,639)
Balance as at 31 December 2013	6,773	130,459	137,232
AMORTISATION AND IMPAIRMENT			
Balance as at 31 December 2011 (restated)	2,260	41,731	43,991
Amortisations - Allowance	28	805	833
Amortisations - Disposal	-	(94)	(94)
Impairments - Allowance	50	7,404	7,453
Impairments - Write-Back	-	(439)	(439)
Transfer	-	(1,651)	(1,651)
Translation differences	(3)	(70)	(72)
Balance as at 31 December 2012 (restated)	2,335	47,686	50,021
Amortisations - Allowance	28	799	827
Impairments - Allowance	1,554	24,076	25,631
Impairments - Write-Back	(80)	-	(80)
Translation differences	(38)	(767)	(804)
Balance as at 31 December 2013	3,799	71,794	75,593
NET AMOUNT			
Balance as at 31 December 2013	2,973	58,665	61,639
<i>Balance as at 31 December 2012 (restated)</i>	<i>4,432</i>	<i>84,306</i>	<i>88,738</i>
<i>Balance as at 31 December 2011 (restated)</i>	<i>4,418</i>	<i>94,569</i>	<i>98,987</i>
Fair value as at 31 December 2013	2,974	58,665	61,639
<i>Fair value as at 31 December 2012 (restated)</i>	<i>4,425</i>	<i>88,000</i>	<i>92,425</i>

Even though the Group is controlling the majority of the voting right, the operation and the strategy, the disposal of real estate assets located in entities where the Group does not hold 100% of the shares, needs the agreement of the partner.

❖ In 2013

9 assets (EUR 58.7 million) financed by bank loans in local SPV's are fully pledged for EUR 53.0 million.

Following the uncertainty regarding the going concern of Suncani Hvar operations (see note 34.2), the Group recognized an impairment of the related assets amounting to total of EUR 25.6 million, of which EUR 24.1 million is attributable to hotels and EUR 1.6 million to owner occupied buildings. The real estate assets have been impaired (valued by an expert at EUR 93.2 million including EUR 2.4 million of Investment Property) to a total value of EUR 59.6 million including EUR 0.9 million of Investment Property corresponding to the value of the net liabilities under the assumption that in a bankruptcy procedure the assets will be sold to repay the liabilities to third parties and no cash available will remain for the Group investments and receivables. The assets are, as a result, recorded at the expected transaction value.

❖ In 2012

9 assets (EUR 85.8 million) financed by bank loans in local special purpose entities are fully pledged for EUR 53.0 million.

The net disposal of EUR 0.7 million is related to the sale of the Café Pjaca on the Island of Hvar.

The transfer of EUR 1.9 million (EUR 3.6 million of Gross Value less EUR 1.7 million of Amortization and Impairment) represents change in classification of the Vira camping (see Note 8).

The impairment tests based on the December 2012 DTZ valuation led to the recognition of EUR 7.4 million of impairments, mainly related to the hotels in Suncani Hvar (EUR 7.0 million), and the reversal of EUR 0.4 million of impairments previously booked on the hotel Adriana.

10 Equity method investments

The amounts recognized in the consolidated balance sheet are as follows:

	2013	2012 (restated)
Joint ventures	93	171
Associates	-	8,738
At 31 December	93	8,909

The amounts recognized in the consolidated income statements are as follows:

	2013	2012 (restated)
Joint ventures	(413)	(3,857)
Associates	-	(9,091)
At 31 December	(413)	(12,948)

10.1 Investments in joint ventures

	2013	2012 (restated)
At 1 January	171	4,421
Additions	62	-
Share of profit/(loss)	(413)	(3,857)
Other comprehensive income	196	(393)
Disposals	(64)	-
At 31 December	(49)	171
Provisions recognised for joint ventures with a negative net asset value	(142)	-
Carrying amount at 31 December	93	171

The Group is involved in the following joint ventures consolidated under the equity method, which are material to the Group.

10.1.1 Hospitality

In 2007, Endurance Hospitality Assets S.à r.l. and AIG entered into a joint venture agreement by which Hospitality Invest S.à r.l. will be controlled equally by both parties. AIG's initial investment in the joint venture amounted to EUR 50 million.

The Group sold its hotel portfolio in Central Europe, with the notable exception of the Pachtuv Palace and the Suncani Hvar's stake. The aim of the joint venture is to focus on the hospitality business in Central Europe. Therefore it has been decided to transfer to that joint venture at least the following hotels and residences as well as all the assets and liabilities relating to their management and operations: Riverside, Imperial, Marriott, Sulekova, Pokrovka, Le Regina, Diana, Vienna, Starlight, Residence Belgicka, Izabella and Andrassy.

As of 31 December 2013, while it controls 50% of the voting rights, the Group has a 44% direct and indirect effective interest in the joint venture (same in 2012). The list of legal entities belonging to the hospitality joint venture is set out in the note 33.2.

A bank loan with an outstanding balance as at December 2013 of EUR 73.3 million financing the joint venture activities is due on 30 June 2014. There are ongoing negotiations between the joint venture partners and the financing bank regarding restructuring of the debt which has provided a draft term sheet. There is uncertainty as to whether it is in the capacity of the Group to close the financing within due term (please see note 34 on Events after balance sheet date).

The Group interest in the Hospitality joint venture is recognized at a nil value in the Group consolidated financial statements. The Group also discontinued recognizing its share of losses of the joint venture, since the Group's share in cumulated losses exceeded its initial investment and there is no corporate guarantee (See Note 2.1.3.3). The table below shows the summarized financial information.

Summarised balance sheet

	December 2013	December 2012
Non-current assets	99,986	103,887
Current assets	3,469	3,919
Cash and cash equivalents	1,211	1,125
Other current assets	2,258	2,794
Total assets	103,455	107,806
Non-current liabilities	141,453	214,782
Financial liabilities	139,325	212,319
Other liabilities	2,128	2,463
Current liabilities	80,587	12,138
Financial liabilities (excl. trade payables)	73,217	1,637
Other current liabilities	7,370	10,501
Total liabilities	222,040	226,920
Net liabilities	(118,585)	(119,114)

Summarised income statement

Operating result	9,707	(620)
Interest income	1	2
Interest expenses	(6,246)	(6,610)
Profit/(loss) before taxes	2,282	(1,819)
Income taxes	103	683
Profit/(loss) after income tax	2,385	(1,136)

10.1.2 Košík

Košík is a joint venture established with GE dedicated to residential development in the south-east area of Prague. The Group has a 50% interest in Kosc S.à r.l., a Luxembourg based holding company which in turn holds 100% of two operational companies seated in the Czech Republic - SV Fáze II, s.r.o. and SV Fáze III, s.r.o.

The carrying amount of Group's investment in Košík joint venture is EUR 0.1 million as at 31 December 2013 (2012: EUR 0.1 million (restated)). A provision of EUR 3.5 million (2012: EUR 3.5 million) has been accrued in the liabilities of the joint venture to cover the onerous contract on the minimum return guaranteed to the partner. When this agreed amount will be paid by the joint venture to the other joint partner, their 50 % share will be transferred to the Group for no consideration.

Summarised balance sheet

	December 2013	December 2012
Non-current assets	-	-
Current assets	9,355	9,550
<i>Cash and cash equivalents</i>	4,399	1,815
<i>Other current assets</i>	4,956	7,735
Total assets	9,355	9,550
Non-current liabilities	7,192	7,927
<i>Financial liabilities</i>	16	0
<i>Other liabilities</i>	7,176	7,927
Current liabilities	2,001	1,415
<i>Financial liabilities (excl. trade payables)</i>	-	-
<i>Other current liabilities</i>	2,001	1,415
Total liabilities	9,193	9,342
Net assets	162	208

Summarised income statement

Operating result	11	(8,322)
Interest income	-	3
Interest expenses	-	-
Profit/(loss) before taxes	(415)	(8,171)
Income taxes	(23)	417
Loss after income tax	(438)	(7,754)

10.1.3 Uniborc S.A.

Uniborc S.A is a joint venture constituted in 2013 with Unibail Rodamco aimed at developing a shopping center in the Bubny area, Prague. The Group's shareholding is 20 %. The Group has an option until the start of the works for the future shopping mall to increase its shareholding to 50% at acquisition cost in the joint venture plus interest.

The net assets of the joint venture amount to EUR -0.7 million as at 31 December 2013. A respective provision amounting the Group's share on the joint venture's losses of EUR 0.1 million had been created in the financial statements to provide for the negative net assets value.

Summarised balance sheet		December 2013
Non-current assets		20,791
Current assets		11
Cash and cash equivalents		
Other current assets		11
Total assets		20,802
Non-current liabilities		21,266
Financial liabilities		21,266
Other liabilities		-
Current liabilities		244
Financial liabilities (excl. trade payables)		211
Other current liabilities		33
Total liabilities		21,510
Net liabilities		(708)

Summarised income statement	
Operating result	(62)
Interest income	
Interest expenses	(642)
Profit/(loss) before taxes	(704)
Income taxes	(41)
Loss after income tax	(745)

10.1.4 Knorrstrasse 119 GmbH & Co. KG

The carrying amount of the Group's interest in Knorrstrasse JV (Knorrstrasse 119 GmbH & Co KG) was EUR 0.1 million as at 31 December 2012 (restated). Over 2012, the project BMW was completed and the JV merged with another Orco Germany entity in 2013 after acquiring the remaining 50% of shares from the JV partner.

10.2 Investments in associates

As of December 2012 the Sub-fund "Office I" of Endurance Real Estate Fund was consolidated under the equity method.

The Net Equity of the sub-fund as of December 2012 amounted to EUR 8.7 million and included a provision of EUR 9.1 million recognized to reflect the changes in the net asset value as at 30 September 2012 (year-end closing of the sub-fund) and in the liquidity discount (57% in December 2012). This liquidity discount estimate was based on the transactions with third parties observed in December 2012. The Group sold at the same level of discount its investments in the "Office I" Sub-fund of the Endurance Real Estate Fund to a third party, on 4 February 2013 for a total sale price of EUR 8.7 million.

11 Assets classified as held for sale and liabilities linked to assets held for sale

Assets held for sale (*)	December 2013	December 2012 (restated)	Liabilities linked to assets (*) held for sale	December 2013	December 2012 (restated)
Opening Balance	6,736	24,129	Opening Balance	9,792	15,890
Asset sales	(600)	(19,489)	Repayment of loans	-	(15,890)
Transfers to	24,690	6,736	Transfers to	17,930	9,792
Transfers from	(1,450)	(1,528)	Transfers from	-	-
Variations	(185)	-	Variations	-	-
Scope Exit	-	(3,150)	Scope Exit	-	-
Translation differences	(75)	38	Translation differences	-	-
Closing Balance	29,116	6,736	Closing Balance	27,722	9,792

"Transfers to" assets classified under Held for sale (AHS): both of the initial transfer of asset at fair value and the subsequent changes in fair value are disclosed and detailed in Investment Property (Note 8). Subsequent changes in fair value are presented under the line "Revaluation through income statement" and then transferred in AHS using the line "Transfers to/from asset held for sale".

❖ In 2013

The Group sold during the year an asset located in Berlin, Kurfurstenstrasse 11, for EUR 0.6 million with a net book value of EUR 0.6 million and no liabilities financing it. Following to the cancellation of the disposal of Skalitzerstrasse 127/128, the asset has been transferred back to Investment Property at its fair value of EUR 1.5 million (see note 8).

Over the year 2013, Hlubočky (Czech Republic) and Dunaj (Slovakia) have been classified as held for sale (See Note 8) for EUR 25.1 Million. The variation of the period is related to Szczecin.

❖ In 2012

As of 31 December 2012, three assets are classified as held for sale, 2 plots of land in Berlin (Skalitzerstrasse for EUR 1.5 million and Kurfurstenstrasse 11 for EUR 0.6 million) and Szczecin in Poland for EUR 4.7 million.

Over the year 2012, the Group sold 6 assets for EUR 22.6 million and repaid EUR 15.9 million of financing liabilities upon sales:

- Kurfustendamm 102 an investment properties in Berlin valued at EUR 6.3 million and financed by a liability of EUR 6.4 million fully repaid upon sale;
- Bergfried an investment properties in Berlin valued at EUR 3.7 million;
- Huttendorf an investment property in Dusseldorf valued at EUR 6.5 million and financed by a liability of EUR 4.3 million fully repaid upon sale;
- Ackerstrasse 83/84 an investment property in berlin valued at EUR 0.6 million;
- Kurfurstenstrasse 13/14 an investment property in berlin valued at EUR 2.4 million;
- Przy Parku valued at EUR 3.1 million and financed by a liability of EUR 5.1 million fully repaid upon sale.

The Na Frantisku land bank in Ostrava has been transferred back to investment properties for EUR 1.5 million.

12 Fixtures and fittings

	Gross amount	Amortisation and Impairments	Net amount
Balance at 1 January 2012 (restated)	22,568	(9,121)	13,447
Increase	1,520	-	1,520
Assets sales and scraps	(1,663)	1,033	(630)
Allowance - Write-back	-	(1,655)	(1,655)
Translation difference	803	(342)	461
Balance at 31 December 2012 (restated)	23,228	(10,083)	13,145
Increase	1,660	-	1,660
Assets sales and scraps	(1,201)	1,046	(155)
Allowance / Write-back	-	(3,126)	(3,126)
Transfer	(0)	976	976
Translation difference	(551)	362	(189)
Balance at 31 December 2013	23,136	(10,825)	12,310

❖ In 2013

In 2013, the additional increases on fixtures and fittings are explained mainly by EUR 0.4 million related to Suncani Hvar and EUR 0.3 million in Luxembourg.

❖ In 2012

The increases are mainly attributable to the equipment and technical installations and the IT hardware in Germany related to delivery of internet services by Gewerbesiedlungs Gesellschaft.

Decreases are explained by the scraps and the assets sales, mainly due to the sale of Radio Free Europe building for EUR 0.23 million net.

13 Non-current financial assets

13.1 Financial assets at fair value through Profit and Loss

This line includes mainly 2 financial assets:

- The fair value of the investments in the "Residential" Sub-funds of Endurance Real Estate Fund amounts to EUR 1.1 million in 2013 (EUR 1.5 million in 2012). The Endurance Real Estate Fund is managed by the Group (see Note 0). The change in fair value recorded in 2013, of EUR 1.2 million is based on the net asset value as provided by the Fund Manager in its report and a liquidity discount of 57.5% (57.5% in 2012) (See Note 4.1.4);
- The profit participating loan (PPL) granted to the Hospitality joint venture with a real estate investment funds managed by AIG has been fair valued on the basis of management estimates of the net asset value (See Note 4.1.4). The PPL fair value amounts to EUR 27.0 million in 2013 (EUR 30.4 million in 2012). The Group did not grant any guarantee in favor of the joint venture. And as the equity value in the Group consolidated financial information is nil, the maximum risk to the Group is limited to the PPL value. The capacity to recover the PPL value depends on the capacity of the joint venture to refinance its bank loan with a balance as at 31 December 2013 of EUR 73.3 million which matures in June 2014 (See Note 4.1.4).

The sub fund "Office I" and "Office II" were sold during the first half of 2013 valued at fair value as at 31 December 2012 (restated) for EUR 8.7 million and EUR 0.8 million respectively.

13.2 Available-for-sale financial assets

The "Available-for-sale financial assets" balance sheet line is only made of the Convertible Promissory Note corresponding to the deferred part of the consideration on the sale of Radio Free Europe, for EUR 2.4 million (EUR 9.4 million in 2012). The group has the option to convert the Promissory Note, at the earliest of several conditions including a period of conversion from May 2015 until due term in 2019, into 20% ownership of the entity holding (L88 Companies) the Radio Free Europe building which was sold in May 2012. As the fair value of this unlisted instrument cannot be reliably measured, it is carried at cost with capitalized interests and annually submitted to impairment test. The SPV holding that asset has an overdue VAT payable and the tax authorities can declare the SPV bankrupt at any moment. As the Group does not have the cash resources to allocate to that short term potential cash need, the asset value was decreased to the amount of liabilities of the entity.

13.3 Non-current loans and receivables

The "Non-current loans and receivables" mainly include:

- The net present value of the deferred consideration on the sale of Leipziger Platz development is EUR 22.6 million as of December 2013 (EUR 26.9 million in 2012) after capitalization of interests (EUR 2.2 million) and impairment (EUR 6.4 million). This deferred consideration is due in June 2015 at the latest depending on the finalization of the construction. In order to reflect longer than expected collection of receivables related to past sale of this asset, higher credit and litigation risks margin has been integrated in the net present value resulting in an impairment of EUR 6.4 million (see note 3.1.2);
- In December 2010 the Group restructured its Russian activities with its Russian partners. The company MOLCOM CJSC was transferred to a new Cyprus company Sarakina Enterprises Company Limited, which was held at 69% by the Group. The company Karousa Enterprises Company Limited, previously owned by Orco-Molcom B.V., which was held at 69%, was sold to the Group and 30% of these shares have been sold to the Russian partners. Those Cyprus entities and one more, Theonia Ltd, holding a land plot in Russia were sold in 2011 for EUR 53 million and the shares of these Cyprus entities were pledged as security for the outstanding balance. The main assets held in these companies were the Molcom warehousing facilities close to Moscow and two other smaller real estate assets in Russia. At the sale closing, in accordance with the agreement, EUR 13.2 million (25%) was immediately settled, the remaining EUR 39.8 M (75%) was provided as effectively vendor financing, with a final payment date of December 2012, with a provision that in the case it was not paid at that date, the date could be extended for a year with the interest rate of 10% being applied from 2013 to the outstanding balance. Even though the remaining amounts were not submitted to any specific payment schedule, some EUR 3.5 million was paid between January 2011 and January 2013.
- The receivable is now overdue and the Group has obtained clear indications from the creditor that it does not intend to settle as per agreement. As noted above, the receivable is guaranteed by pledged shares, the most important pledge would result in the acquisition of an indirect minority stake in Molcom if successfully exercised, the remaining share and control of Molcom would remain with the creditor. The Group has decided to initiate legal actions to seize the shares of the holding companies.
- The Board has reviewed various options and, after review of the legal analysis. The Board is considering a transaction based on an offer received as the best probable outcome (see note 3.1.2). After repayment of EUR 0.6 million and impairment of EUR 35.3 million (no accrual of interests in 2013), the fair value of the receivable is EUR 0.9 million as at December 2013 (vs net present value of EUR 36.8 million last year).
- The loan granted to the company Uniborc amounts to EUR 4.2 million. This joint venture with Unibail, started in April 2013, is mainly financed through equity loan by both partners in the same proportion as their respective shareholdings.

14 Inventories

	December 2013	December 2012 (restated)
Opening Balance	262,130	373,553
Impairments - Allowance	(133,266)	(33,149)
Impairments - Write-Back	254	-
Transfers	(880)	4,116
Translation differences	(11,036)	12,913
Increase in inventories	35,954	45,767
Cost of goods sold	(38,437)	(141,071)
Closing Balance	114,720	262,130
<i>o/w carried at deemed cost</i>	<i>7,631</i>	<i>254,030</i>
<i>o/w carried at fair value less costs to sell</i>	<i>107,089</i>	<i>8,100</i>
Fair value at closing	117,245	289,549

Properties classified as inventories are developed with the intention to be sold within the ordinary course of business. Inventories also encompass the hotels consumables and goods for EUR 0.2 million (EUR 1.6 million as at December 2012).

❖ In 2013

2 projects (EUR 95.1 million) financed by bank loans located in special purpose entities are fully pledged for EUR 64.9 million.

The increase in inventories represents mainly the development costs which primarily relate to development investments in Zlota 44 (EUR 22.1 million), V Mezihori (EUR 5.4 million), Bubny (EUR 2.8 million) and Benice (EUR 2.0 million). Increase in inventories other than development cost are those related to provision of accommodation and restaurant services and amount to EUR 1.9 million.

Major part of the costs of development inventories sold are attributable to the sale of Bubny plot to Unibail Rodamco for future joint development of shopping mall, amounting to EUR 16.0 million. EUR 9.3 million relate to project V Mezihori of which more than 70 % of units were delivered over the last quarter of 2013. Another projects count Parkville - Koliba with EUR 3.1 million of cost of goods sold, Klonowa Aleja with EUR 2.6 million and Benice with EUR 2.4 million. Cost of goods sold for Mostecka amounts to EUR 1.8 million and EUR 0.6 million both for Mokotowska and Feliz.

Impairment charges were mainly recognized on the following development projects:

- The luxury residential project Zlota 44 was exposed as a major financial failure for the Group in the fall of 2013. There are many causes of this situation, including lack of bank financing due to covenants default, termination of the general contractor, unsuccessful sales re-launch on the local Warsaw residential market. Therefore late in 2013 the Board of Directors decided to terminate this strategy, suspend the works and later to sell the entire project as is and not to complete the development.

The year-end valuation results in a EUR 120.8 million impairment to the group. The valuation assumes a 25% profit margin on expected revenue (20% as at December 2012), which is included in the impairment test to reflect the new scenario of sale of the project. The valuation as of December 2013, in comparison with December 2012, includes a longer period of commercialization that is in line with the currently recorded pace of sales for the remaining unsold units and a cost of money over the period of 9% in line with market practice. The Gross Development Value decreased by 2.1% (EUR 219 million) in comparison with December 2012 while remaining development costs increased by 38% (EUR 83 million) as the Group improved the quality of the fit out to be proposed to the clients.

In addition to the pledge on the Zlota project SPV, other guarantees have been granted in 2010 and 2011 to the financing bank and in 2012 to the general contractor by OPG for up to EUR 56 million (December 2013) of which EUR 44 million would have to be paid from the Group available cash if the project SPV would not be able to repay the defaulted loan upon request of the bank. Such guarantees are not specifically disclosed in the consolidated accounts as the liabilities they cover are fully recognized. Based on the situation described above, the management has decided to seek to acquire the Zlota loans and credits secured by guarantees. Management believes that this strategy will lead to a better financial outcome for the group than allowing the creditors to call the guarantees in total.

- Benice I and Benice II for a total amount of EUR 9.8 million as a consequence of the current difficulties to obtain a change of master plan on Benice II. Based on the assumption of a successful change of zoning, the land plot of Benice, currently covered by agricultural zoning, was valued on the basis of 24 EUR/sqm as of December 2012, integrating partially the steps already achieved to get the expected residential zoning permit. But recent failures on the master plan change induced a valuation on the basis of 11 EUR /SQM in line with neighboring agricultural land. The land potential for residential was reviewed and reduced down to 490,000 sqm from 600,000 sqm as of 31 December 2012.
- Bubny for EUR 1.9 million. In the absence of valid recent comparable transactions and considering the low liquidity on the Prague investment market for an asset of similar size, the value of the land plot has been further revised downwards as of December 2013. The liquidity discount has been increased from 25% as of December 2012 up to 30% as of December 2013 and market price per sqm before liquidity discount has been decreased from 782 EUR/sqm down to 483 EUR/sqm.

❖ In 2012

3 projects (EUR 213.9 million) financed by bank loans located in special purpose entities are fully pledged for EUR 71.7 million.

Increase in inventories relate mainly to development costs amounting to EUR 45.8 million capitalized on Zlota 44 (EUR 29.4 million), Sky Office (EUR 2.4 million), Mezihori (EUR 5.3 million), Bubny (EUR 2.6 million) and Benice (EUR 2.5 million).

Cost of goods sold amounting to EUR 141.1 million have been registered mainly for EUR 117.3 million on the commercial project Sky Office (Dusseldorf), for EUR 2.9 million on the land bank Vavrenova and for the remaining amount on the following residential projects: Koliba for EUR 5.5 million, Klonowa Aleja for EUR 4.2 million, Mostecka for EUR 2.1 million, Benice for EUR 1.6 million, Mokotowska for EUR 1.5 million, Pivovar Vrchlabi for EUR 1.4 million and Hochwald for EUR 1.2 million.

The impairment tests based on the Gross Development Value (as estimated by DTZ) less Remaining Development Costs as at December 2012 led to the recognition of EUR 9.3 million of impairments allowances mainly related to the residential development in the Czech Republic for EUR 6.0 million and Koliba in Bratislava for EUR 2.1 million. The EUR 0.1 million of impairment reversed are related to others non real estate inventories. Moreover, the cancellation of the sales negotiations in September conducted the Group to recognize an impairment of EUR 24.3 million on Sky Office building in order to adjust the book value to the realizable value under distressed conditions. Indeed the pressure of the financing bank and the need to fill GSG refinancing gap did not leave the opportunity to secure an arm's length sale.

15 Gain / loss on disposal of assets

❖ In 2013

In 2013, the Group sold assets and activities for a total consideration of EUR 7.0 million generating a consolidated gain of EUR 0.1 million. The main contributors to cash generated from the transactions were U Hranic sold for a total consideration of EUR 4.3 million generating a gain of EUR 0.6 million and Střibro with total proceeds of EUR 1.7 million and a loss of EUR 0.5 million.

❖ In 2012

Assets and activities were sold for a total consideration of EUR 97.6 million generating a consolidated gain of EUR 1.4 million and a net cash inflow after financial debt repayment amounting to EUR 46.5 million.

The main contributors to the sales of assets are disclosed in the Notes 8, 9 and 11.

16 Other current assets

	Balance as at 31 December 2012 (restated)	Variation	Impairments	Transfer	Translation differences	Balance as at 31 December 2013
Prepayment tax and social security	2,099	4,305	-	9	(44)	6,368
Operating loans	92	4	-	9	(0)	105
Accrued assets	17,051	895	-	799	(389)	18,355
Other current assets	3,752	(181)	(391)	571	(42)	3,710
Accrued interests	1,285	1,232	-	(2,305)	(23)	188
Advance payment for work in progress	301	(236)	-	(7)	(9)	50
Total other current assets	24,579	6,019	(391)	(925)	(507)	28,776

In 2013, the accrued interest variation is in line with the year 2012 and amounts to EUR 1.2 million. The transfers amounted to EUR 2.3 million and are mainly related to the loan granted to the Hospitality joint venture of EUR 1.3 million (EUR 1.3 million in 2012 - the interests are part of the loan remeasurement presented in Note 13.1), the netting of the outstanding financial assets and liabilities related to the project Stein for EUR 0.7 million and to the capitalization of the interest related to the loan granted to the joint venture with Unibail for EUR 0.2 million.

As of December 2013, prepayment of income tax and social securities are mainly related to the German prepayments of taxes of EUR 3.4 million (increasing by EUR 3.3 million versus 2012).

At the end of 2013, other current assets are mainly related to the rental activities (deposits on trusted accounts) in Germany for EUR 2.4 million (same in 2012).

Accrued assets are mainly related to service charges (costs for heating, water, elevator) to be re-invoiced to the tenants of GSG for EUR 12.4 million and accruals related to the residential units sales on Mezihorí and Mostecká for EUR 3.2 million.

	Balance as at 1 January 2012 (restated)	Variation	Impairments	Transfer	Translation differences	Balance as at 31 December 2012 (restated)
Prepayment tax and social security	893	1,166	-	(26)	66	2,099
Operating loans	116	(31)	-	0	7	92
Accrued assets	21,957	(5,081)	-	(2)	177	17,051
Other current assets	7,157	(2,842)	(713)	11	139	3,752
Accrued interests	1,769	1,189	-	(1,697)	23	1,285
Advance payment for work in progress	390	(107)	-	-	18	301
Total other current assets	32,282	(5,707)	(713)	(1,714)	431	24,579

In 2012, the EUR 0.7 million of impairments recognized on the "Other current assets" are mainly related to trading securities for EUR 0.3 million on Foncière Paris Nord.

17 Cash and cash equivalents

As at 31 December 2013, cash and cash equivalents consist of short-term deposits of EUR 3.4 million (EUR 3.0 million as at 31 December 2012), cash in bank of EUR 85.2 million (EUR 20.5 million as at 31 December 2012) and cash in hand of EUR 0.1 million (EUR 0.1 million as at 31 December 2012).

Figures as at 31 December 2013 are presented after restatement for IFRS 11 modification.

The cash in bank includes restricted cash for EUR 19.9 million in 2013 (EUR 17.1 million in 2012) representing:

- Cash deposited in the Group's joint operations as third party approval is needed for withdrawal of EUR 0.2 million (EUR 0.2 million in 2012) ;
- Cash deposited in accounts reserved as collateral for development projects and lifted after sales of units of EUR 10.6 million (EUR 8.7 million in 2012) including amounts pledge as guarantee of EUR 1.1 million (EUR 1.6 million in 2012);
- Cash deposited in accounts reserved as collateral for loans related to property of EUR 9.1 million (EUR 8.1 million in 2012).

18 Non-controlling interests' transactions

❖ In 2013

On 3 June 2013, the Board of Directors of ORCO Germany ("OG"), pursuant to the extraordinary shareholders meeting resolution of 2012 (See Note 19.1 of the December 2012 Consolidated Financial Statements), took a decision to further partially implement the capital increase by converting the bonds held by the Group into shares. As a result, 28,028,982 of new OG ordinary shares were issued on 6 June and the Group increased the percentage of its interest in ORCO Germany from 98.02% to 98.28%. This transaction led to a decrease of equity attributable to owners of the Company by EUR 0.4 million.

In June 2013, the Group sold 20,003,250 shares of ORCO Germany on the market and 3,141,393 shares were sold to managers of the Group. Consequently, the Group participation and controlling interest in ORCO Germany was diluted by 10.06 % and decreased to 88.22 %. The sale resulted in a decrease of equity attributable to owners of the Company by EUR 10.6 million.

During second half of 2013, the Group sold 1,386,364 shares of OG on the market for a total consideration of EUR 613,000, leading to dilution of its shareholding by 0.41 %. The sales gave rise to a reduction of consolidated reserves by EUR 0.4 million.

On 29 November 2013, the Board of Directors of OG resolved to implement a reserved capital increase and raise up to EUR 100 million pursuant to the authorization granted to it by its shareholders during the extraordinary meeting of 26 April 2012. A Czech company Tandis, a.s., a related party to the Group, subscribed to a EUR 53,862,000 investment in OG via subscription of 114,600,000 new ordinary shares at a subscription price of EUR 0.47 per share. The new shares were issued on 4 December 2013. Since the Group did not participate in the capital increase, its ownership decreased by 29.33 % to 58.48 % and the Group equity was reduced by EUR 27.8 million.

On 29 August 2013, the Group has subscribed to 723,943 of new shares issued by its subsidiary Orco Property sp. z .o. o. The new investment into the subsidiary amounted to EUR 16.9 million. As the second shareholder (Endurance Residential Assets) did not participate in the contribution, the capital increase led to an increase of Group shareholding by 2.47 % to 93.59 % and resulted in a decrease of consolidated reserves by EUR -2.0 million.

During 2013, the Company capitalized the equity loans granted to Orco Praga, s.r.o. and Jihovychodni Mesto, a.s simultaneously and proportionally with Endurance Residential Finance S.à. r.l, owning 25% of the subsidiaries. As a result, the percentage of interests of the Group didn't change, but the consolidated reserves of the non-controlling interests increased by EUR 5.2 million.

❖ In 2012

In January 2012, the joint venture company Kosic S.à.r.l. repaid part of the share premium to one of the joint venture partners, GECGE Kosik Investors S.à.r.l. for EUR 3.0 million, with a net impact on the consolidated reserves of the Group of EUR - 1.5 million.

In June 2012, the company Orco Property s.p.z.o.o. capitalized its equity loan with the Company and with the partner Endurance Residential Asset. This capital increase wasn't subscribed proportionally. Consequently, this transaction resulted in a direct and indirect decrease of the percentage of interest of the Group in that company holding the Zlota 44 project from 95.5% to 91.12%. Consequently, the loss on dilution in the consolidated reserves group share amounted to EUR 0.2 million.

As at 27 September 2012, the company ORCO Germany converted its OCA hold by the Group into shares (see Note 19.1). Consequently, this transaction allowed to increase the percentage of interest of the Group in that company from 91.56% to 98.02% and generated a gain on the dilution in the consolidated reserves group share of EUR 3.6 million

During the last quarter 2012, the subsidiary Development Doupovská capitalized a supplier debt amounting to EUR 1.6 million. As a result, this transaction led to a direct and indirect decrease of the percentage of interest of the Group in this company from 100% to 75% and a net increase of the consolidated reserves group share of EUR 1.1 million.

On September 2012, the Court of Justice of Warsaw delivered its declaration about the bankruptcy of the subsidiary Józefoslaw Project. Since, the Group has no control over this company and it will be liquidated by the administrator in bankruptcy. Therefore, this subsidiary was deconsolidated from the Group scope with the net impact on the minority interests of EUR of 0.4 million.

As at 27 December 2012, the company Zeta Estate a.s. purchased 25% of shares of its subsidiary Byty Podkova from Tech Invest Ostrava a.s. increasing its ownership of this subsidiary. This transaction led to a direct increase of the percentage of interest of the Group in this company from 75% to 100% and a net decrease of the consolidated reserves group share of EUR 0.04 million.

19 Borrowings, bank loans, bonds and derivatives

19.1 Non-current bonds and New Notes

	Convertible bonds	Non Convertible bonds and New Notes	Total
Non-current bonds			
Balance at 1 January 2012 (restated)	64,383	98,995	163,378
Reclassification from convertible to non convertible bonds	(64,383)	64,383	-
Sales Own bonds		3,059	3,059
Interest Safeguard Bonds		25,382	25,382
Interest New Notes		2,049	2,049
Transfer from short term to long term		122,248	122,248
Transfer from long term to short term		(261)	(261)
Redemption premium OG bonds		25,025	25,025
Coupon capitalized OG bonds		4,004	4,004
Exchange of 84.5 % of OG bonds at book value		(109,129)	(109,129)
Conversion as at 03.09.2012 into New Shares (89.90%)		(190,693)	(190,693)
Exchange as at 04.10.12 against New Notes		(40,977)	(40,977)
Recognition of New Notes		55,108	55,108
Balance at 31 December 2012 (restated)	-	59,193	59,193
Interests on Safeguard Bonds		413	413
Interests on New Notes		10,561	10,561
Transfer from long term to short term on Safeguard Bonds		(321)	(321)
Transfer of accrued interest on New Notes		(3,636)	(3,636)
Repayment on New Notes		(420)	(420)
Correction of opening		(799)	(799)
Balance at 31 December 2013	-	64,992	64,992

❖ In 2013

No new bonds or new notes have been issued during the year. The transfer corresponds to the interests related to the Safeguard bonds to be paid in April 2014 and to the accrued interest related to New notes. The EUR 0.4 million were repaid as part of the cash sweep as a consequence of the Sky Office's sale which is one of the assets included in the protocol.

❖ In 2012

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

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

Exchange of 84.5 % of OG bonds:

OPG exchanged on the 9 May 2012 84.5% of the bonds issued by OG, a fully consolidated subsidiary, into OPG issued bonds convertible into shares which were in turn fully repaid with 26 million OPG shares. These acquired OG bonds have been converted into 141.724.871 OG shares on 27 September 2012 issued at a price of EUR 0,712 per share. The consideration given in exchange of the 84.5% OG bonds was in the form of bonds redeemable in OPG shares ("OCA"=Obligations convertibles en actions") in two tranches:

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

The OCA issued as consideration is in fact a bond redeemable in shares. The fair value of the equity instrument is determined by difference between the fair value of the bond issued and the net present value of the liability part. The fair value of the bond is determined as corresponding to the market price at the OCA issuance day of the OPG shares that would be given in repayment. The difference between the book value of the 84.5% of the OG bonds and the OCA amounting to EUR 31.1 million is recognized directly in financial income net of EUR 2.0 million restructuring costs (portion attributable to the OG bond exchange into OCA). The liability part of the first tranche of the OCA at issuance is close to zero as there will never be any cash payment. This transaction results in the recognition at issuance of an increase of the consolidated equity for EUR 76.0 million represented by 26.209.613 new OPG shares (issued in May and in September 2012) at EUR 2.90 per share on 9 May 2012.

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

As a result of the approval of all bondholders' general assemblies, only one scenario of the joint agreement is applicable, i.e. 89.9% of the OPG bonds have been automatically converted into 64.577.483 OPG shares on 3 September 2012 with a market price of EUR 1.90 per share, i.e. a capital increase of 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 amounting to EUR 58.2 million and corresponding to the difference between the book value of the OPG bonds converted and the market value of the shares issued is recognized in financial income net of EUR 9.8 million restructuring costs (portion attributable to the OPG conversion).

Restructuring of OG and OPG bonds by issuance of New Notes

The OG and OPG bonds remaining after the exchange against OCA and the conversion into OPG shares were proposed to an exchange against New Notes which main terms are listed in point 19.2 of this report. As at 4 October 2012, 93.2% of the remaining bonds have been exchanged against new notes for EUR 73.1 million of nominal value. As of the date of exchange, the book value of the exchanged bonds amounted to EUR 41.0 million. The exchange between existing borrowers and lenders of debt instruments has been accounted for as an extinguishment of the original financial liability as the terms are substantially different (the discounted present value of the net cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability). The fair value of the new notes is estimated (on the basis on the market price over one month after issuance) at 77.3% of the nominal value. The net result on the transaction is a loss of EUR 15.2 million.

The remaining EUR 20.0 million OG bonds acquired by the exchange against new notes were eliminated in the consolidated accounts as intercompany liability as they were converted in 28 million new OG shares at a later date in H1 2013.

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

Following the issuance of EUR 73.051.230 of new notes on 4th of October 2012 (ISIN Code XS0820547742) the remaining outstanding of nominal of initial OPG and OG bonds amount to EUR 3.898.297. As at 31.12.2012 the total book value of the total non-current and current OPG Safeguard and OG bond debt amounts to EUR 2.246.330, the changes over the period are detailed by nature of bond in the following table (in Euro):

Description	ISIN CODE	Number of bonds	Book value per Bond	Total value of bonds	Nominal value per Bond	Total Nominal value of bonds	% of nominal
SHH Bonds	XS0223586420	8,843	14	123,271	26	230,183	17%
Convertible bonds 2006-2013	FR0010249599	106	333	35,298	686	72,727	19%
Czech Bond	CZ0000000195	7	217,548	1,522,836	366,367	2,564,569	23%
Convertible bonds 2006-2013	FR0010333302	6,381	74	470,599	138	880,578	22%
OBSAR 2	XS0291838992 / XS0291840626	74	688	50,912	1,464	108,329	21%
OBSAR OG	XS0302623953	62	700	43,400	676	419,12	8%
Total		15,473		2,246,316		3,898,297	18%

As there was no change according to terms of Safeguard bonds, please refer to 2011 Financial statements. For description of warrants related to Safeguard bonds please refer to Note 28.

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

	30 April 2013	30 April 2014	30 April 2015	30 April 2016	30 April 2017	30 April 2018	30 April 2019	30 April 2020	Total
Principal	42	104	150	157	439	674	1,029	1,597	4,192
Interests	219	217	129	121	118	105	84	51	1,044
Total	261	321	279	278	557	779	1,113	1,648	5,236

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

	XS0223586420	FR0010249599	CZ0000000195	FR0010333302	XS0291838992	Total
Principal	230	87	2,565	1,183	127	4,192
Interests	31	0	987	18	8	1,044
Total	261	87	3,552	1,201	135	5,236

19.2 New Notes

The New Notes have been issued by the Company under the following terms:

Subscription Price	EUR 73.051.230
Nominal of Bonds exchanged	EUR 50.272.605,30 OBSAR 1 bonds issued by the Company on 18 November 2005, ISIN code FR0010249599 (the "2010 OPG Bonds");
	CZK 1.400.000.000 (CZK 300.000.000 outstanding) Czech bonds issued by the Company on 3 February 2006, ISIN code CZ0000000195 (the "2011 OPG Bonds");
	EUR 24.169.193,39 bonds exchangeable for Sunčani Hvar shares issued by the Company on 30 June 2005, ISIN code XS0223586420 (the "2012 OPG Bonds");
	EUR 149.999.928 convertible bonds issued by the Company on 1 June 2006, ISIN code FR0010333302 (the "2013 OPG Bonds");
	EUR 175.000.461,60 OBSAR 2 bonds issued by the Company on 28 March 2007, ISIN code XS0291838992 / XS0291840626, (the "2014 OPG Bonds");
	EUR 100.100.052 bonds issued by Orco Germany on 24 May 2007, ISIN code XS0302623953 (the "OG Bonds").

Number of bonds exchanged	230.520 of which 7.291 "2010 OPG Bonds", 2 of "2011 OPG Bonds, 84.937 of "2012 OPG Bonds", 103.403 of "2013 OPG Bonds", 12.002 of "2014 OPG Bonds" and 22.885 of "OG Bonds"
Interest and Maturity	<p>Cash interest will be paid semi-annually in arrears on February 28 and August 28 in each year, or the following business day if such day is not a business day, beginning 28 February 013.</p> <p>PIK (payment in kind) interest will be paid annually in arrears on February 28 in each year, or the following business day if February 28 of such year is not a business day (each a "PIK Interest Payment Date"), beginning 28 February 2014.</p> <p>5% cash interest per annum plus 5% PIK (payment in kind) interest per annum, as long as more than 75% of the principal amount of the New Notes issued on the Issue Date remains outstanding, or</p> <p>4% cash interest per annum plus 4% PIK (payment in kind) interest per annum, as long as more than 50% but no more than 75% of the principal amount of the New Notes issued on the Issue Date remains outstanding, or</p> <p>4% cash interest per annum plus 3% PIK (payment in kind) interest per annum, as long as no more than 50% of the principal amount of the New Notes issued on the Issue Date remains outstanding.</p>
Repayment date	<p>The Company will partially repay the principal on the New Notes and the principal amount of each New Note will correspondingly be reduced according to the following schedule, subject to Mandatory Prepayment on Asset Disposals:</p> <p>On 28 February 2015, repayment of principal in an amount equal to 25% of the principal amount of the New Notes issued on the Issue Date (i.e. EUR 2,50 per New Note),</p> <p>On 28 February 2016, repayment of principal in an amount equal to 25% of the principal amount of the New Notes issued on the Issue Date (i.e. EUR 2,50 per New Note),</p> <p>On 28 February 2017, repayment of principal in an amount equal to 25% of the principal amount of the New Notes issued on the Issue Date (i.e. EUR 2,50 per New Note),</p> <p>On 28 February 2018 (the "Maturity Date"), repayment of the outstanding principal amount of the New Notes.</p>
Mandatory Prepayment on Asset disposal	25% of the Net Proceeds from the sales of certain assets received from 30 June 2012 onwards until full repayment of the New Notes will be applied in prepayment of the New Notes. Such prepayments will correspondingly reduce the scheduled prepayments above.
Covenants	Certain limitations on indebtedness, pledges and early redemption option upon a change of control.
ISIN	XS0820547742
Listing	Luxembourg Stock Exchange

19.3 Non-current loans and borrowings

Non-current liabilities - Financial debts	Bank loan	Other non-current borrowings	Total
Balance at 1 January 2012 (restated)	182,720	10,992	193,712
Issue of new loans and drawdowns	274,510	131	274,641
Repayments of loans	(555)	(2,954)	(3,509)
Scope exit	-	(945)	(945)
Repayments upon sales	(40,372)	-	(40,372)
Transfers	(18,493)	(2,325)	(20,818)
Translation differences	4,594	893	5,487
Balance at 31 December 2012 (restated)	402,404	5,792	408,196
Issue of new loans and drawdowns	4,745	40	4,785
Repayments of loans	(3,635)	(8,026)	(11,661)
Merger	-	1	1
Transfers	(103,136)	2,563	(100,573)
Translation differences	(5,248)	(196)	(5,444)
Balance at 31 December 2013	295,130	174	295,304

❖ In 2013

Issue of new loans and drawdowns are mainly related to the project V Mezihori (EUR 4.7 million).

Repayments of loans include mainly EUR 4.3 million of cash repayment relating to GSG.

The transfers are mainly explained as following:

- Transfer of bank loans from long-term to short-term due to covenant breaches related to the loan financing Zlota 44 (EUR 48.7 million);
- Transfer of bank loans from long-term to short-term for due to both covenant breaches and current part of the non-current loan financing Capellen (EUR 9.5 million) and Gebauer Hofe (EUR 26.2 million);
- Current part of the non-current loans mainly related to the loans financing the project Krakow (EUR 4.5 million) and GSG (EUR 4.1 million);
- Full repayment of loan financing V Mezihori following transfer of EUR 6.6 million of long-term part to the short-term (see note 19.4.2);
- Transfer out of bank loans for EUR 3.1 million related to Hlubocky loan to Liabilities linked to assets held for sale.

Other non-current borrowings are mainly equity loans from joint ventures and loans from affiliated companies. The line repayment of loans is mainly due to the conversion into equity of the loans granted by Endurance Fund residential sub funds to the Group projects in which both are in partnership.

❖ In 2012

Issue of new bank loans and new drawdowns (EUR 274.5 million) relates mainly to the refinancing of GSG (EUR 269.6 million) and drawdowns on both Zlota 44 (EUR 6.7 million) and V Mezihori (EUR 1.9 million).

Bank loans have been repaid on the following:

- Repayment of the loans financing Radio Free Europe EUR 37.7 million and Benice for EUR 2.7 million;
- Partial repayment of the loan financing the building Capellen in Luxembourg for EUR 0.4 million.

Transfers of bank loans (EUR 18.5 million) are mainly explained as follows:

- Reclassification of bank loans, that will fall due within twelve months (EUR 41.8 million) of which Bubenska for EUR 19.2 million, Dunaj for EUR 13.1 million, Bubny for EUR 5.5 million and Marki for EUR 4.0 million;
- Current part of the non-current loans of EUR 10.3 million of which GSG amounted to EUR 8.6 million;
- Prolongation of bank loans which were expiring within one year and reclassified in long term debt after successful renegotiation for EUR 33.7 million of which Na Porci for EUR 31.2 million.

Other non-current borrowings are mainly related to equity loans from joint ventures and partner companies. The line repayment of loans is mainly linked to an equity capitalization in Poland for EUR 2.9 million and the transfer are linked to the transfer of equity loan for EUR 2.8 million in liabilities held for sales related to reclassification of Szczecin in discontinued operations.

19.4 Current financial debts

19.4.1 Current Bonds and New Notes

	Convertible bonds	Non Convertible bonds and New Notes	Total
Current bonds			
Balance at 1 January 2012 (restated)	7,776	112,148	119,924
Reclassification from convertible to non convertible bonds	(7,776)	7,776	-
Interests on Safeguard bonds	-	2,324	2,324
Transfer from short term of bonds under restructuring to long term	-	(122,248)	(122,248)
Transfer from long term to short term repayment OPG Safeguard Bonds in April 2013	-	261	261
Balance at 31 December 2012 (restated)	-	261	261
Repayment interests on Safeguard bonds	-	(261)	(261)
Transfer from long term to short term on Safeguard Bonds	-	321	321
Balance at 31 December 2013	-	321	321

As at 31 December 2013 the current part of the Safeguard bonds amounts to EUR 0.3 million corresponding to the interests to be repaid in April 2014 in accordance with the repayment schedule of the Safeguard Plan.

19.4.2 Current Loans and Borrowings

	Long-term Debt - current part	Other current borrowings	Bank loans and Other borrowings linked to assets held for sale	Total
Current liabilities - Financial debts and Liabilities linked to assets held for sale				
Balance at 1 January 2012 (restated)	619,646	369	8,062	628,077
Issue of new loans and drawdowns	439	148	-	587
Repayments of loans	(307,405)	(388)	(8,062)	(315,855)
Repayments upon sales	(102,828)	-	-	(102,828)
Scope exit	(5,103)	-	-	(5,103)
Transfers	12,714	-	6,844	19,558
Translation differences	5,261	26	-	5,287
Balance at 31 December 2012 (restated)	222,724	155	6,844	229,723
Issue of new loans and drawdowns	9,693	2,758	-	12,451
Repayments of loans	(43,983)	(80)	-	(44,063)
Transfers	87,223	(2,801)	16,080	100,502
Translation differences	(2,649)	1	-	(2,648)
Balance at 31 December 2013	273,008	33	22,924	295,965

❖ In 2013

The repayments of bank loans (EUR 44.0 million) are mainly related to the buyback of the bank debt financing the assets Vaci 188 and Vaci 190 (EUR 15.1 million) repaid for EUR 1.0 million generating a gain of EUR 14.9 million including EUR 0.2 million (see note 25) of accrued interests. Others contributors are Bubny (EUR 13.8 million), GSG (EUR 3.0 million), Na Porici (EUR 2.8 million), V Mezihori (EUR 6.6 million) and Capellen (EUR 1.0 million).

Transfers of bank loans, other current borrowings and bank loans linked to assets held for sales for EUR 102.5 million are mainly explained as follows:

- Transfer of bank loans from long-term to short-term due to covenant breaches related to the loan financing Zlota 44 (EUR 48.7 million);
- Transfer of bank loans from long-term to short-term for due to both covenant breaches and current part of the non-current loan financing Capellen (EUR 9.5 million) and Gebauer Hofe (EUR 26.2 million);
- Current part of the non-current loans mainly related to the loans financing the project Krakow (EUR 4.5 million) and GSG (EUR 4.1 million);
- Full repayment of loan financing V Mezihori following transfer of EUR 6.6 million of long-term part to the short-term;
- Transfer out of bank loans for EUR 13.1 million related to Dunaj loan to Liabilities linked to assets held for sale.

❖ In 2012

The repayments of bank loans (EUR 428.3 million of which EUR 113.6 million upon sales) are mainly related to the refinancing of GSG (EUR 300.4 million) with five German banks and the repayment following sale of Sky Office (EUR 96.0 million).

Other repayments have been completed upon the sales of the following assets:

- In Germany: Hüttenstrasse (EUR 4.3 million), Ku-Damm 102 (EUR 6.4 million) and land plots in Berlin (EUR 0.7 million);
- In the Czech Republic: the sale of Radio Free Europe (EUR 1.6 million) and Mostecka (EUR 0.9 million);
- In Slovakia Koliba (EUR 3.5 million);
- Przy Parku for EUR 5.1 million.

Transfers of bank loans and bank loans linked to assets held for sales for EUR 22.4 million are mainly explained as follows:

- Transfer from long-term to short-term for EUR 41.8 million of which Bubenska (EUR 19.2 million), Dunaj (EUR 13.1 million), Bubny (EUR 5.5 million), Marki (EUR 4.0 million);
- Current part of the non-current loans for EUR 10.3 million of which GSG for EUR 8.6 million;
- Transfer from short-term to long-term for EUR 33.7 million of which of Na Porici's loan for EUR 31.2 million;
- Transfer out of bank loans, equity loan and accrued interest linked to Szczecin for EUR 9.7 million as the asset has been classified in held for sales in 2012 (see Note 6 of 2012 Financial Statements Report).

Scope exits are mainly related to the loans financing Jozefoslaw in bankruptcy for EUR 5.1 million.

19.5 Borrowings maturity

❖ In 2013

At 31 December 2013	Note	Less than one year	1 to 3 years	3 to 5 years	More than 5 years	Total	Unaccrued liabilities
Bonds	19.3	-	36,525	26,576	1,891	64,992	17,272
Financial debts	19.3	-	57,961	234,379	2,964	295,304	
Bank loans		-	57,788	234,379	2,964	295,131	
<i>Bank loans fixed rate</i>		-	11	600	-	611	
<i>Bank loans floating rate</i>		-	57,777	233,779	2,964	294,520	
Other non-current borrowings		-	173	-	-	173	
Sub-total - Non current		-	94,486	260,955	4,855	360,296	
Current bonds	19.4	321	-	-	-	321	
Financial debts	19.4	273,041	-	-	-	273,041	
Bank loans - current part		273,008	-	-	-	273,008	
<i>Bank loans fixed rate</i>		14,274	-	-	-	14,274	
<i>Bank loans floating rate</i>		258,734	-	-	-	258,734	
Other current borrowings		33	-	-	-	33	
Borrowings linked to liabilities held for sale (*)	6/11	22,924	-	-	-	22,924	
<i>Bank loans</i>		20,464	-	-	-	20,464	
<i>Other borrowings</i>		2,460	-	-	-	2,460	
Sub-total - Current		296,286	-	-	-	296,286	
Total		296,286	94,486	260,955	4,855	656,582	

(*) Includes only the financial debts.

The unaccrued liabilities represent the total amount of debts not accrued as at 31 December 2013 and related to the termed out bonds of the Group.

The Group has entered into interest rate derivatives representing 98.4% of the non-current floating rate borrowings (81.8% in 2012 restated) and 16.0% of the current floating rate borrowings (34.6% in 2012 restated), in order to limit the risk of the effects of fluctuations of market interest rates on its financial position and future cash flows. Most floating interest debt instruments have a fixing period of maximum 3 months.

The interests on bank loans decreased from EUR 36.5 million as at 31 December 2012 (restated) to EUR 28.1 million as at 31 December 2013 mainly due to the total or partial redemption upon assets and development sales in 2013.

The bank loans are made of EUR 321.4 million for which the financing banks have no recourse on the Group. These loans finance total assets with a total value of EUR 643.5 million.

At 31 December 2012 (restated)	Note	Less than one year	1 to 3 years	3 to 5 years	More than 5 years	Total	Unaccrued liabilities
Bonds	19.3	-	14,011	43,144	2,038	59,193	19,380
Financial debts		-	44,166	347,257	16,773	408,196	
Bank loans	19.3	-	44,166	347,257	10,981	402,404	
<i>Bank loans fixed rate</i>		-	1,060	1,073	7,466	9,599	
<i>Bank loans floating rate</i>		-	43,106	346,184	3,515	392,805	
Other non-current borrowings		-	-	-	5,792	5,792	
Sub-total - Non current		-	58,177	390,401	18,811	467,389	
Current bonds	19.4	261	-	-	-	261	
Financial debts		222,879	-	-	-	222,879	
Bank loans - current part	19.4	222,724	-	-	-	222,724	
<i>Bank loans fixed rate</i>		5,182	-	-	-	5,182	
<i>Bank loans floating rate</i>		217,542	-	-	-	217,542	
Other current borrowings		155	-	-	-	155	
Borrowings linked to liabilities held for sale (*)	6/11	6,844	-	-	-	6,844	
<i>Bank loans</i>		4,349	-	-	-	4,349	
<i>Other borrowings</i>		2,495	-	-	-	2,495	
Sub-total - Current		229,984	-	-	-	229,984	
Total		229,984	58,177	390,401	18,811	697,373	

(*) Includes only the financial debts.

The unaccrued liabilities represent the total amount of debts not accrued as at 31 December 2012 and related to the termed out bonds of the Group.

The Group has entered into interest rate derivatives representing 36.2% of the non-current floating rate borrowings (54.3% in 2011) and 81.8% of the current floating rate borrowings (51.3% in 2011), in order to limit the risk of the effects of fluctuations of market interest rates on its financial position and future cash flows. Most floating interest debt instruments have a fixing period of maximum 3 months.

Bank loans include amounts secured by a mortgage on properties with a value of EUR 663.0 million.

The interest on bank loans decreased from EUR 48.8 million as at 31 December 2011 to EUR 36.5 million as at 31 December 2012 (restated) mainly due to the total or partial redemption of assets and development sales in 2012.

The carrying amount of the Group's borrowings expressed in Thousand EUR is denominated in the following currencies:

Currency	31 December 2013	31 December 2012 (restated)
EUR	480,907	572,448
PLN	52,377	45,500
CZK	67,759	79,425
HRK	55,539	-
Total	656,582	697,373

19.6 Loans with covenants breaches

	At 31 December 2013			At 31 December 2012 (restated)		
	Principal	Accrued Interest	Total	Principal	Accrued Interest	Total
Long-term loans presented in short-term	68,934	851	69,785	-	-	-
due to Non repayment	9,036	-	9,036	-	-	-
due to Administrative breach (*)	59,898	851	60,749	-	-	-
Short-term loans in breach	160,449	8,525	168,974	136,945	1,623	138,568
due to Financial covenant breach (**)	29,833	87	29,920	25,237	100	25,337
due to Non repayment	130,616	8,438	139,054	96,526	797	97,323
due to Financial and administrative breach and/or non repayment (*) (**)	-	-	-	15,182	726	15,908
Total loans linked to assets held for sale	20,464	-	20,464	4,349	-	4,349
Total Loans in Breach	249,847	9,376	259,223	141,294	1,623	142,917

(*) Financial covenant is a standard for the financial strength and performance of the borrower.

(**) Administrative covenant requires the borrower to fulfill certain conditions or which forbids the borrower from undertaking certain actions.

EUR 9.0 million of long-term part of the loan Capellen were reclassified to short-term due to non-compliance of financial covenants. The long-term loan of EUR 59.9 million related to the asset Zlota 44 project was reclassified to short-term due to legal breach as a result of not presenting of usage permit to the bank as of 31 December 2013, please refer to Note 2.1.1.

The short-term loans in breach due to non-repayment are composed of the loans financing the assets Vaci I (EUR 41.0 million), Paris Department Store (EUR 15.8 million) and Szervita (EUR 8.8 million) in Hungary and Suncani Hvar (EUR 55.5 million), and the current part of the Capellen loan (EUR 9.9 million).

The short-term loans in breach due to financial covenant breach are composed of the loan financing the assets Gebauer Hofe (EUR 26.2 million) and Marki (EUR 3.6 million).

In 2013 the bank loans linked to assets held for sale are related to the polish entity Szczecin for EUR 4.3 million which is under a bankruptcy procedure and to the assets Hlubocky (EUR 3.1 million) and Dunaj (EUR 13.1 million). The Group signed an agreement with the financing bank on the restructuring of the debt for which the project Bubenska is pledged and transfer of the ownership of the Dunaj and Hlubocky special purpose vehicles (SPVs) to the financing bank. As a consequence, the loans of these SPVs are transferred in Liabilities linked to assets held for sale.

In 2012 the bank loans linked to assets held for sale were related to the Polish entity Szczecin for EUR 4.3 million.

19.7 Derivatives

	31 December 2013	31 December 2012 (restated)
Interest rate derivatives - current assets	29	20
Interest rate derivatives - current liabilities	(1,244)	(6,446)
Net derivatives	(1,215)	(6,426)

Derivative instruments are presented within current assets when their fair value is positive, within current or non-current liabilities when their fair value is negative. Changes in the fair value are recognized immediately through profit and loss under other net financial results.

The Group uses various types of interest rate derivative contracts to protect against changes in the fair value of its financial assets and liabilities due to fluctuations in interest rates.

Interest rate derivatives represent interest rate swaps and collars. Interest rate swaps are agreements between two parties to exchange a series of interest payments on a common principal amount. A collar is an investment strategy that uses options to limit the possible range of positive or negative returns on an investment in an underlying asset. Recorded at fair value, interest rate swaps and collars cover floating interest rates against fixed interest rates. As at 31 December 2013, the total debt covered by interest rate swaps and collars amounts EUR 322.4 million (EUR 396.6 million in 2012 restated) or 56.7 % of the floating rate debt (63.4 % in 2012 restated).

19.8 Interests paid

Interest expenses in 2013 amount to EUR 37.4 million, out of which EUR 25.1 million have been paid, compared to EUR 64.0 million of tax expense and EUR 38.1 million of interest paid in 2012 (restated).

19.9 Capitalized interests on projects under development

	31 December 2013	31 December 2012 (restated)
Capitalised interest on Inventories	6,019	6,706
Total	6,019	6,706

The capitalized interests on inventories are mainly related to the projects of Zlota 44 of EUR 4.1 million (EUR 3.6 million in 2012 restated), Benice of EUR 0.7 million (EUR 1.6 million in 2012 restated) and Bubny of EUR 1.0 million (EUR 1.4 million in 2012 restated).

For each development asset the Group has founded separate SPV and as a result the Interest expenses on the SPV are fully related to the asset under development and then the capitalization rate amounts to 100%.

19.10 Average effective interest rates (current and non-current)

	31 December 2013				
	EUR	CZK	PLN	HRK	USD
New Notes	19.09%	-	-	-	-
Termed out bonds	20.51%	-	-	-	-
Bank borrowings	5.03%	3.19%	6.68%	7.76%	-
	31 December 2012 (restated)				
	EUR	CZK	PLN	HRK	USD
New Notes	19.09%	-	-	-	-
Termed out bonds	20.51%	-	-	-	-
Bank borrowings	4.75%	2.87%	7.09%	7.62%	1.51%

20 Provisions and other long term liabilities

	At 31 December 2012 (restated)	Scope Exit	Variation	Allowance	Write-Back	Transfer	FX adjust.	At 31 December 2013
Retirement obligations	10,810	-	(140)	-	-	-	-	10,670
Other provisions	10,877	(14)	-	3,012	(2,840)	340	(61)	11,314
Other long term liabilities	12,710	-	144	-	-	(11,089)	(313)	1,453
Total provisions and other long term liabilities	34,397	(14)	4	3,012	(2,840)	(10,749)	(374)	23,436

	At 1 January 2012 (restated)	Variation	Allowance	Write-Back	Transfer	FX adjust.	At 31 December 2012 (restated)
Retirement obligations	9,083	1,727	-	-	-	-	10,810
Other provisions	3,962	-	7,941	(1,124)	42	55	10,877
Other long term liabilities	1,280	11,264	-	-	(21)	188	12,710
Total provisions and other long term liabilities	14,326	12,990	7,941	(1,124)	21	243	34,397

a) Retirement benefit obligation

The Group has adjusted accounting policy by adopting the new IAS 19 pronouncement as revised in 2011. The impact of the change is disclosed in the Note 2.1.3.1.

The Group operates defined benefit plan in Orco Grundstücks und Beteiligungs GmbH for former Viterra group employees. The plan is a so-called book reserve plan. The important attribute of this kind of plan is that there is no separate vehicle to accumulate assets to provide for the payment of benefits. Rather, the employer sets up a book reserve (accruals) in its balance sheet. Therefore, no contributions are expected to be paid by the Group to the plan for the next reporting period. Estimated benefits to be paid by the Group in 2014 amount to EUR 0.5 million.

The changes in the defined benefit obligation over the year are as follows:

	2013	2012 (restated)
Beginning of the year	10,810	9,083
Interest cost	335	408
Actuarial gains(losses)	(16)	1,739
Benefits paid	(459)	(420)
End of the year	10,670	10,810

The principal actuarial assumptions used were as follows:

	31 December 2013	31 December 2012
Discount rate	3.26%	3.17%
Future salary increases	n.a	n.a
Future pension increases	2.00%	2.00%

The results of the sensitivity analysis are:

Defined benefit obligation as of December 2013 **10 670**

Significant actuarial assumptions as of December 2013

Parameters	Original value	Sensitivity analysis	Effect on DBO
Discount rate	3,26%	0,09%	10 792
Discount rate	3,26%	-0,09%	10 549

Weighted average duration of the defined benefit obligation is 13.1 years.

b) Other provisions

BAR neighbor (Leipziger Platz)

In 2011, the Group agreed to deduct from the Leipziger Platz development project sales proceeds an amount of EUR 10 million and deposit that amount on an escrow account which will be used to cover compensation or indemnification payments regarding a litigation with the neighbors relating to the building permit. The escrow account has been partially used to cover some costs and expenses related to the litigation and as of 31 December 2013 amounts to EUR 8.9 million (EUR 9.1 million in 2012).

As of 31 December 2013, the Group is considering it exists on the construction of the escrow account agreement a risk above 50% that HGHI will obtain satisfaction for an amount of EUR 3.3 million in connection to the set-back of the residential towers. Furthermore, the Group considered prudent to estimate that up to EUR 1.0 million litigation costs and expenses will have to be covered using the escrow account.

As a result, the maximum amount in risk provisioned amounts of EUR 4.4 million as of December 2013 (EUR 5.0 million in 2012). The worst scenario would be that all the proceeds deposited on the escrow account would be swept as it is also a contractual cap to cover the buyer's risks on that litigation. As of December 2013, it is still not possible to estimate exactly the date of the litigation closing, however the Group is not expecting any final judgment before the end of the year 2014.

Litigation with the Republic of Croatia (Suncani Hvar)

A provision regarding the litigation with the Republic of Croatia has been recognized for EUR 1.6 million (EUR 2.2 million in 2012). The claim relates to underlying title disputes to properties on the Island of Hvar in Croatia held through the Croatian company Suncani Hvar d.d. The decrease by EUR 0.89 million corresponds to the utilization of the provision created in respect of the Suncani Hvar arbitration procedure.

Stein project

Due to the bankruptcy procedure of the company Orco Blumentalska a. s. in Slovakia (project Stein), this company has been deconsolidated. The guarantee given by the Group to the bank over ten years under the Safeguard plan payment schedule led to recognition of a provision corresponding to the net present value of the bank loan not covered by the pledge on the building (valued at fair value according to the external value report). As of December 2013 the provision amounts to EUR 1.2 million (EUR 2.1 million in 2012). The decrease of the provision by EUR 0.9 million results from the sale of assets pledged to the bank in 2013. Given that proceeds from the sale of the assets were paid to the bank, the total liability under the Safeguard plan has been decreased (and Safeguard payments to the bank will have to be adjusted).

Zlota project

A provision for cancellation penalties on the debt financing the Zlota project has been recognized in 2013 for EUR 1.4 million.

c) Other long term liabilities

The main variations of other long term liabilities are the following over the period:

- Deferred payments related to the project Zlota 44 with the general contractor for EUR 5.9 million were reclassified to short-term liabilities.
- The Group has broken the conditions regarding repayment schedule set-out in the agreement with the Tax office in Croatia and, as a result, the Tax office requests immediate repayment of the outstanding unpaid liability. The amount of EUR 4.9 million previously reported as long-term was therefore transferred to short-term liabilities.

21 Current liabilities

Current liabilities as at 31 December 2013 presented below do include derivative instruments for EUR 1.2 million (EUR 6.4 million in 2012) and tax, payroll and social security liabilities for EUR 20.2 million (EUR 13.8 million in 2012). The net increase of current liabilities is mainly due to financial debts (increase by EUR 50.2 million) and Zlota 44 project in the amount of EUR 49.2 million transferred from long-term liabilities.

	Less than 1 month	Between 1 and 6 months	Between 6 months and 1 year	TOTAL
Financial debts & Current bonds	191,073	13,282	69,007	273,362
Trade payables	15,721	2,297	4,407	22,425
Advance payments	246	2,561	31,080	33,887
Derivative instruments	-	-	1,244	1,244
Other current liabilities	11,782	8,051	38,987	58,819
31 December 2013	218,822	26,191	144,725	389,737

The table below provides further details of other current liabilities:

Other current liabilities as at December 2013				58,819
Other non-financial current liabilities				25,825
<i>of which Tax and income tax</i>				18,093
<i>of which Social & Payroll</i>				2,066
<i>of which Provisions</i>				5,667
Other financial current liabilities	11,782	8,051	13,161	32,993
	Less than 1 month	Between 1 and 6 months	Between 6 months and 1 year	TOTAL
Financial debts & Current bonds	56,264	108,746	58,130	223,140
Trade payables	4,015	8,814	12,741	25,570
Advance payments	2,474	4,697	25,383	32,554
Derivative instruments	6,446	-	-	6,446
Other current liabilities	24,620	9,437	11,913	45,970
31 December 2012 (restated)	93,819	131,694	108,167	333,680

The table below provides further details of other current liabilities:

Other current liabilities as at December 2012					45,970
Other non-financial current liabilities					19,018
<i>of which Tax and income tax</i>					11,834
<i>of which Social & Payroll</i>					1,986
<i>of which Provisions</i>					5,198
Other financial current liabilities	5,602	9,437	11,913		26,952

22 Other operating income

Over 2013, other operating income amounts to EUR 1.46 million (EUR 9.47 million in 2012, restated) and is mainly due to VAT refunds of EUR 0.5 million, insurance and other indemnities for EUR 0.24 million and EUR 0.3 million for various fees from suppliers.

23 Amortizations, impairments and provisions

	31 December 2013	31 December 2012 (restated)	Variation	Notes
Provisions for pension scheme	-	11	(11)	20
Provisions for other risks and charges	(172)	(4,863)	4,690	20
Total Provisions	(172)	(4,851)	4,679	
Impairment of Intangible Assets	(53)	(610)	557	7
Impairment of Hotels and owner occupied buildings	(25,551)	(7,014)	(18,537)	9
Impairment of Fixtures and Fittings	(850)	300	(1,150)	12
Impairment of Inventories	(133,012)	(33,149)	(99,863)	14
Impairment of Trade Receivables	(2,551)	(1,415)	(1,137)	3.1.2
Impairment of Other Current Assets	(393)	(713)	320	16
Total Impairments	(162,410)	(42,600)	(119,810)	
Amortisation of Intangible assets	(1,126)	(451)	(675)	7
Amortisations of Hotels and owner occupied buildings	(827)	(739)	(88)	9
Amortisation of Fixtures and Fittings	(2,276)	(1,956)	(320)	12
Total Amortisation	(4,229)	(3,146)	(1,082)	
Total Amortisation, Impairments & Provisions	(166,812)	(50,598)	(116,214)	

❖ 2013

In 2013 the Group created allowance for Trade Receivables in amount of EUR 1.1 million related to its operations in Germany (EUR 0.8 million) and Luxembourg (EUR 0.3 million).

❖ 2012

Over 2012, the Trade Receivables net impairments increased by EUR 1.4 million. Such increase is mainly due to the impairment of advance payment guarantee of EUR 0.9 million on Praga project.

24 Other operating expenses and employees benefits

	31 December 2013	31 December 2012 (restated)	Variation
Leases and rents	(1,752)	(2,101)	349
Building maintenance and utilities supplies	(24,500)	(24,583)	83
Marketing and representation costs	(4,284)	(4,197)	(87)
Administration costs	(12,619)	(18,151)	5,532
Taxes other than income tax	(4,004)	(3,237)	(767)
Hospitality specific costs	(220)	(251)	30
Other operating expenses	(1,068)	(1,300)	232
Employee benefits	(23,620)	(26,736)	3,116
Operating Expenses and Headcounts	(72,067)	(80,555)	8,488

Non-cancellable operating leases commitments amount as follows:

- EUR 0.9 million not later than 1 year
- EUR 0.5 million later than 1 year and not later than 5 years
- No commitments later than 5 years

Moreover, the Group expects to receive EUR 1.9 million of future sublease revenue payments under non-cancellable leases and subleases until the end of the contract.

Fees related to the Group auditors and their affiliates are set out below:

	31 December 2013	31 December 2012 (restated)
Audit fees pursuant to legislation	(1,136)	(2,257)
Other services	(309)	(78)
Total other operating expenses	(1,445)	(2,335)

The audit fees disclosed for the year ended at December 2012 include EUR 0.5 million of expenses not accrued as at December 2011 and related to the audit of 2011 financial statements.

25 Other net financial results

	31 December 2013	31 December 2012 (restated)	Variance
Change in carrying value of liabilities at amortised cost	-	74,092	(74,092)
Impairment of long-term receivables	(44,305)	-	(44,305)
Change in fair value and realized result on derivative instruments	5,060	(1,284)	6,344
Change in fair value and realized result on other financial assets	(11,862)	(15,831)	3,969
Other net finance results	(3,477)	(2,552)	(925)
Realized result on repayment of borrowings	14,891	-	14,891
Total	(39,693)	54,425	(94,118)

❖ In 2013

Change in the fair value of derivative instruments essentially arose from the fair value gains on derivatives for EUR 5.1 million with EUR 2.6 million of gain related to GSG, EUR 1.2 million related to Gebauer Hofe, EUR 0.2 million related to Na Porici, EUR 0.7 million related to Vaci I and EUR 0.4 million to Paris Department Store.

Change in fair value and realized result on other financial assets mainly relates to:

- Impairment of the Radio Free Europe promissory note (EUR 7.5 million);
- Losses on PPL revaluation for EUR 5.1 million;
- Gains on sales of Endurance Sub Funds I and II (EUR 0.4 million) and dividend from Endurance residential Sub Fund (EUR 0.2 million).

Impairment on long-term receivables (see note 13.3) represent impairment of receivables related to past sale of Molcom (EUR 35.3 million) and to Leipziger Platz (EUR 6.4 million) and impairment of the loan to Data Trade (EUR 2.6 million).

Realized result on repayment of borrowings are only related to the recognition of the gain realized by the Group on the buyback of the bank debt financing the assets Vaci 188 and Vaci 190 (EUR 15.9 million) repaid for EUR 1.0 million generating a gain of EUR 14.9 million.

❖ In 2012

Change in carrying value of liabilities at amortized cost includes the gain on the OCA ("Obligation Convertible en Action") issuance amounting to EUR 31.1 million corresponding to the difference between the nominal value of the OCA and the market value as at 09.05.2012 after deduction of the bond debt restructuring costs for EUR 2.0 million, a loss on the recognition of the New Notes for EUR 15.2 million and a result on the conversion amounting to EUR 58.2 million and corresponding to the difference between the book value of the OPG bonds converted and the market value of the shares issued.

Change in fair value and realized result on derivative instruments are related to:

- The loss recognized on the embedded bond derivative for EUR 2.1 million as a result of its conversion into a debt eligible to the bond restructuring. As of December 2012, this embedded bond does not exist anymore;
- Gains on interest derivatives for EUR 0.9 million.

Change in fair value and realized result on other financial assets are related:

- The investment Fillion, in Moscow, with EUR 6.0 million of impairment (see 2012 Financial statements Note 3.2); the Company will challenge such capital increase and firmly seek to recover the initial value of its stake;
- The losses on revaluation of the investment in Endurance Fund compartments for a loss amounting to EUR 3.5 million due to the liquidity discount changes (from 20% in 2011 to 57.5% in 2012, see Note 4.1.4);
- Loss on the PPL revaluation of the Hospitality JV for EUR 5.8 million.

Other finance charges are mainly related to the standstill fees on GSG for EUR 1.1 million and refinancing fees on Sky Office for EUR 0.4 million and bank expenses.

26 Income taxes

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority of either the taxable entity or different taxable entities where there is the intention to settle the balances on a net basis.

The capacity to recognize the deferred tax asset arising from the temporary differences detailed in the table below is assessed on the level of the fiscal entity. If it is not probable that the entity will achieve taxable profits in future accounting periods against which the tax losses or tax credits can be utilized the deferred tax asset is derecognized on the line "DTA¹ derecognition".

❖ In 2013

In 2013, the weighted average applicable tax rate was 17.13 % and the effective tax rate for the period was 4.3 %. The income tax loss recognized in the income statement amounts to EUR 10.4 million and is composed of EUR 1.6 million of current income tax expenses and EUR 8.9 million of deferred tax expense.

	December 2012	Scope Variation	Variation	Other	Change in %	Currency translation	December 2013	DTA At Closing	DTL At Closing
Intangible assets	(2,152)	-	(4)	-	-	-	(2,156)	1	(2,157)
Tangible assets	(86,782)	123	(3,650)	-	(80)	(365)	(90,753)	25,913	(116,666)
Financial assets	(12,655)	-	9,363	(41)	(271)	(75)	(3,679)	23,964	(27,644)
Inventories	5,204	711	27,272	254	(7)	(7)	33,428	35,883	(2,454)
Current assets	(5,309)	(1)	1,611	267	(68)	7	(3,492)	3,436	(6,928)
Equity	(272)	-	-	-	(3)	1	(275)	-	(275)
Provisions	(778)	(119)	(531)	258	(6)	(6)	(1,183)	934	(2,117)
Long term debts	(7,100)	-	(610)	80	(158)	(16)	(7,805)	4,471	(12,276)
Current debts	1,431	-	(525)	(161)	(5)	(4)	735	1,264	(529)
DTA derecognition	(42,366)	19	(43,414)	(1,199)	(59)	895	(86,124)	(86,124)	-
Recognized loss carried forward	51,123	(66)	2,015	542	655	(191)	54,078	54,078	-
Total deferred taxes	(99,656)	667	(8,473)	-	(2)	239	(107,226)	63,820	(171,046)
Deferred tax assets	353						313		
Deferred tax liabilities	(100,009)						(107,537)		

The increase of deferred tax liability is attributable mainly to reorganization of GSG entities and increase of market value of investment properties in Germany which in total led to deferred tax expenses of EUR 9.3 million. Further EUR 2.3 million of deferred tax loss relate to derecognition of tax losses brought forward as the Group management does not expect that taxable profits will be available in the coming accounting periods when the tax losses will expire. On the other hand the impairment losses on Zlota and decrease of market value of Czech renting properties resulted in a reduction of deferred tax liability of EUR 1.0 million and EUR 0.5 million respectively.

The main variations during the year could be explained as follows:

- Increase of deferred tax liability related to tangible assets in Germany (EUR 19.4 million) partially compensated by decrease of market value of investment properties (EUR 9.1 million) and impairment of HVAR properties (EUR 3.7 million).
- Decrease of deferred tax liability in the amount of EUR 6.6 million due to impairments of loans and receivables.
- Increase of deferred tax asset in the line "Inventories" of EUR 26.0 million generated mainly by impairments on Zlota (EUR 23.3 million) and Benice (EUR 1.6 million). However these deferred tax assets could not be recognized as no future taxable profits will be available. The elimination of these deferred taxes is presented in the line "DTA derecognition".

The scope variations refer to mergers processed by the Group in 2013. The column "Other" represents the deferred tax asset derecognition for the entities which were not in position to recognize them. The elimination of this EUR 1.2 million deferred tax asset is now presented on the line "DTA derecognition".

As at December 2013, the Group recognizes EUR 0.2 million of deferred tax assets related to the residential development V Mezihori and EUR 0.1 million to reactivated Rubeška project. As at December 2012, the losses carry forward not recognized in the local statutory accounts of the Group's subsidiaries represents a tax basis of EUR 913.8 million.

Unused tax losses with expiry date more than 5 years in the amount of EUR 727.4 million have been incurred in Luxembourg and can be carried forward indefinitely.

The Group paid over the period EUR 4.6 million of current income taxes, mainly in Germany for EUR 3.2 million.

¹ Deferred Tax Asset

	December 2011	Scope Variation	Variation	Other	Change in %	Currency translation	December 2012	DTA At Closing	DTL At Closing
Intangible assets	(2,153)	-	1	-	-	-	(2,152)	5	(2,157)
Tangible assets	(95,790)	(7,694)	1,180	15,040	125	358	(86,782)	13,769	(100,550)
Financial assets	(21,964)	(1,231)	(428)	10,965	3	-	(12,655)	15,417	(28,073)
Inventories	(4,093)	3,712	1,810	3,857	(13)	(68)	5,204	11,336	(6,132)
Current assets	(8,479)	456	2,613	98	-	4	(5,309)	1,879	(7,188)
Equity	(235)	-	-	(35)	-	(3)	(272)	-	(272)
Provisions	(1,117)	(409)	788	(26)	-	(15)	(778)	792	(1,571)
Long term debts	(9,249)	-	(1,830)	3,883	-	97	(7,100)	4,882	(11,982)
Current debts	1,183	(327)	(1,481)	1,972	15	68	1,431	2,002	(571)
DTA derecognition	-	1,606	(8,123)	(35,754)	-	(95)	(42,366)	(42,366)	-
Recognized loss carried forward	50,778	3,837	(2,870)	-	(123)	(499)	51,123	51,123	-
Total deferred taxes	(91,119)	(50)	(8,340)	-	7	(153)	(99,656)	58,839	(158,496)
Deferred tax assets	-	-	-	-	-	-	353	-	-
Deferred tax liabilities	(91,119)	-	-	-	-	-	(100,009)	-	-

In 2012, the weighted average applicable tax rate was 4.87% and the effective tax rate of the period was 26.61%. The income tax loss recognized in the income statement amounts to EUR 9.6 million and composed of EUR 1.0 million of current income tax expenses and EUR 8.5 million of deferred tax expense arising essentially from the activations of loss carry forward following the sales of the assets with the significant impacts of Radio Free Europe for EUR 1.9 million and Sky Office for EUR 1.1 million.

The Group paid over the period EUR 0.9 million of current income taxes, mainly in Germany for EUR 0.6 million.

The scope variations are mainly explained by the mergers processed by the Group over 2012 and the column "Other" is presenting the neutralized deferred tax asset arising from temporary differences at the opening in the entities which were not in position to recognize them. The neutralization of this EUR 35.8 million deferred tax asset is now presented on the line "DTA derecognition".

As at December 2012, the Group is recognizing EUR 0.4 million of deferred tax assets related to the residential development V Mezhori. As at December 2012, the losses carried forward not recognized in the local statutory accounts of the Group's subsidiaries represents a tax basis of EUR 1.0 billion.

The income tax expense for the year can be reconciled to the accounting profit as follows:

	2013	2012 (restated)
Profit or Loss before tax	(243,100)	(37,390)
(-) Profit or Loss before tax from discontinued operations	1,127	1,466
Profit or Loss before tax from continued operations	(241,973)	(35,923)
Tax calculated at domestic rates applicable to profits in the respective countries	42,774	1,628
Tax effects of:		
Equity investments results reported net of tax	74	192
Untaxed gains or losses	22,965	24,316
Undeductible charges and interests	(6,280)	(1,278)
Temporary differences	(70,370)	(34,149)
Other income tax	360	132
Remeasurement of deferred tax - Change in tax rates	(2)	7
Adjustments in respect of prior years	31	(406)
Income tax expense recognised in profit or loss from continued operations	(10,449)	(9,558)

Tax rates

The income tax rates in the Group vary from 10.00 % in Hungary up to an average of 33.33% in France.

	Income Tax Rates		Deferred Tax rates	
	2013	2012	2013	2012
Croatia	20.00%	20.00%	20.00%	20.00%
Czech Republic	19.00%	19.00%	19.00%	19.00%
France	33.33%	33.33%	33.33%	33.33%
Germany	30.17%	30.17%	30.17%	30.17%
Hungary	10.00%	10.00%	10.00%	10.00%
Luxembourg	29.22%	28.80%	29.22%	29.22%
Poland	19.00%	19.00%	19.00%	19.00%
Russia	20.00%	20.00%	20.00%	20.00%
Slovakia	23.00%	23.00%	22.00%	23.00%

Tax losses

The table below shows the expiry date of unused tax losses as of 31 December 2013, for which no deferred tax assets is recognized.

At 31 December 2013	Expiry date				Total
	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years	
Unused tax losses	15,925	82,105	25,782	982,364	1,106,176

In 2009, the Group subsidiary Gewerbesiedlungs-Gesellschaft mbH entered into tax related litigation against its tax office in Berlin. The cause of litigation was the denial of tax loss carry forwards as per 31 December 2007 as well as current losses of the period 1 January 2008 until 28 April 2008 for Corporate and Trade Tax purposes. Having won the litigation at the inferior court in 2011, the tax office appealed against the decision of the fiscal court in January 2012. The appeal proceedings was suspended by court order of the German Federal Fiscal Court from 11 October 2012 with regard to a pending complaint of unconstitutionality at the German Federal Constitutional Court. This complaint is still pending and not expected to be finalized in the foreseeable future.

27 Earnings per share

	31 December 2013	31 December 2012 (restated)
At the beginning of the period	106,885,588	16,737,951
Shares issued	107,840,962	17,053,866
Treasury shares	(955,374)	(315,915)
Weighted average movements	3,071,303	34,386,417
Issue of new shares	2,283,105	34,600,970
Treasury shares	788,198	(214,553)
Weighted average outstanding shares for the purpose of calculating the basic earnings per share	109,956,891	51,124,368
Weighted average outstanding shares for the purpose of calculating the diluted earnings per share	109,956,891	51,124,368
Net loss attributable to the Equity holders of the Company	(227,027)	(41,883)
Net loss attributable to the Equity holders of the Company after assumed conversions / exercises	(227,027)	(41,883)
Total Basic earnings in EUR per share	(2.06)	(0.82)
o/w continuing operations	(2.06)	(0.80)
o/w discontinued operations	(0.01)	(0.02)
Diluted earnings in EUR per share	(2.06)	(0.82)
o/w continuing operations	(2.06)	(0.80)
o/w discontinued operations	(0.01)	(0.02)

(*) Basic earnings per share and Diluted earnings per share from discontinued operations referred to in the Note 6.

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

Diluted earnings per share is calculated adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

The warrants were not taken into account in the EPS calculation as the conversion of the warrants had an anti-dilutive impact in 2012 and 2013.

As at 31 December 2013, the treasury shares of the Company represent 118.000 shares and amount to EUR 0.23 million. They are held by the Company's subsidiary ORCO Russian Retail S.A.

As at 31 December 2012, the treasury shares of the Company represent 955.374 shares and amount to EUR 1.87 million. They were held by the Company itself (9.761 shares), ORCO Germany S.A. (2.263 shares) and ORCO Russian Retail S.A. (943.350 shares).

28 Equity holders

Share capital

	Number of shares	Share Capital	Share premium
Balance at 31 December 2011	17,053,866	69,921	418,688
Capital increase of 14th of May 2012	18,361,540	75,283	710
Capital increase of 3 of September 2012	64,577,483	264,768	225,150
Capital increase of 28th of September 2012	7,848,073	32,177	949
Balance at 31 December 2012	107,840,962	442,148	645,497
Capital decrease of 4th of February 2013		(226,466)	
Capital increase of 28th of August 2013	6,666,667	13,333	1,667
Balance at 31 December 2013	114,507,629	229,015	647,164

All the shares of the Company have an accounting par value of EUR 2.0 per share with no nominal value and are fully paid. Each share is entitled to a prorate portion of the profits and corporate capital of the Company, as well as to a voting right and representation at the time of General Meeting, all in accordance with statutory and legal provisions.

Authorized capital not issued

The Company's Extraordinary General Meeting of 28 April 2011 granted to the Board of Directors authorization to increase the Company's share capital in accordance with article 32-3 (5) of the 1915 Luxembourg company law.

The Board of Directors was granted full power to proceed with the capital increases within the authorized capital 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 27 June 2013 voted to increase the authorized share capital to EUR 278,992,584, which gave the Board of Directors the authority to increase the share capital by up to EUR 63,310,660, for the purposes of issuing (i) 5,000,000 shares under a management long term incentive plan, (ii) 6,666,667 shares to the Company's main shareholders (Gamala Limited, Kingstown Capital, LP, Alchemy Special Opportunities Fund II L.P., Crestline Ventures Corp. and Stationway Properties Limited) at a price of EUR 2.25 per share in a reserved capital increase, (iii) 4,988,663 shares to warrant holders upon the exercise of warrants of the Company and (iv) 15,000,000 shares under an equity line / PACEO.

On 28 August 2013 the Company issued 6,666,667 new shares to its largest shareholders, Gamala Limited, Kingstown Capital Management, LP, Alchemy Special Opportunities Fund II L.P. and Stationway Properties Limited in a private placement within the framework of the Company's authorized capital approved by the shareholders on 27 June 2013. As of the date of this report, the total number of shares comprising the share capital of the Company as well as the total number of voting rights attached thereto is 114,507,629.

As of the date of this report, the corporate capital may be increased up to an amount of EUR 278,992,584 under the recent authorized capital. As such, the Board of Directors the authority to increase the share capital by up to EUR 49,977,326 from its present amount of EUR 229,015,258, for the purposes of issuing (i) 5,000,000 shares under a management long term incentive plan, (ii) 4,988,663 shares to warrant holders upon the exercise of warrants of the Company and (iii) 15,000,000 shares under an equity line / PACEO.

Securities giving access to equity (warrants)

Within the authorized capital, the Board of Directors decided to issue Bonds with Warrants ("OBSAR") without preferential subscription rights:

- "2012 Warrants" issued under the ISIN code LU0234878881 with the following major terms: number of outstanding 2012 Warrants: 21,161; exercise ratio: one warrant gives the right to subscribe to 1.03 share; exercise period: 31 December 2019; exercise price: EUR 7.21; listing: Euronext Paris.
- "2014 Warrants" issued under the ISIN code XS0290764728 with the following major terms: number of outstanding 2014 Warrants: 2,871,021; exercise ratio: one warrant gives the right to subscribe to 1.73 share; exercise period: 31 December 2019; exercise price: EUR 11.20; listing: Euronext Brussels and Paris.

Under the Securities Note and Summary dated 22 March 2007, with respect to the issue of the 2014 Warrants, the occurrence of a Change of Control (as described in Condition 4.1.8.1.2.1 of the Securities Note and Summary dated 22 March 2007) could result in a liability for the Company due to "Change of Control Compensation Amount" of up to EUR 23,685,923.25. According to the Securities Note and Summary each 2014 Warrant would need to be repurchased by the Company at a price of EUR 8.25/ 2014 Warrant in the event of a Change of Control. This price per 2014 Warrant decreases as time goes by. Change of Control is defined as "the acquisition or control of more than 50 per cent of the voting rights of that entity or (b) the right to appoint and/or remove all or the majority of the members of the Board of Directors or other governing body of that entity, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise [.]". The Change of Control Compensation Amount with respect to 2014 Warrants has been admitted in the Company's Safeguard plan in the amount of EUR 707,826.24.

❖ In 2013

During 2013, the share capital of the Company decreased from its previous amount of EUR 442,147,944.20 by EUR 226,466,020 to EUR 215,681,924. This decrease was approved by the Company's extraordinary general meeting on 4 February 2013 and realized without cancellation of shares by decreasing the accounting par value of the existing shares from EUR 4.1 to EUR 2.0 per share, with allocation of the reduction proceeds to a reserve.

The share capital of the Company has been increased on 28 August 2013 to EUR 229,015,258 as a consequence of the issue of 6,666,667 new shares to the Company's largest shareholders, Gamala Limited, Kingstown Capital Management, LP, Alchemy Special Opportunities Fund II L.P. and Stationway Properties Limited. This capital increase was a private placement within the framework of the Company's authorized capital approved by the shareholders on 27 June 2013.

❖ In 2012

During 2012, the share capital of the Company increased by EUR 372,227,093 amounting to EUR 442,147,944, whereas the share premium grew up by EUR 226,809,209 rising to EUR 645,497,109. This share capital and share premium increase is a result of bonds equalization transactions (see Note 19.1) which took place as follows.

The company issued on 14 May 2012 18,361,540 new ordinary shares as a first payment on the Obligations Convertibles en Actions (the "OCA") issued by OPG on 9 May 2012 against the contribution of approximately 84.5% of the Orco Germany bonds.

On 3 September 2012, the Company issued 64,577,483 new shares in a mandatory exchange for approximately 89.9% of its bonds.

On 28 September 2012, the Company issued 7,848,073 new shares as the second and final payment on the OCA.

On the one hand, the share capital and share premium increase amounts described above correspond to the legal registered notarial acts.

On the other hand, in accordance with IFRS accounting policies, these amounts were adjusted in order to recognize the market value of each capital increase. Consequently, the total adjusted loss of EUR 400,331,208 was recognized in the Reserves of the Company which corresponds to the difference between the market value of the Group share the day of transaction and the nominal value of shares subscribed by the shareholders.

Employee stock options

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

Movements in the number of share options:

	2012	
	Average exercise price in EUR	Number of options
Outstanding at the beginning of the year	75.60	60,000
Exercised	-	-
Cancelled	(75.60)	(60,000)
Outstanding at the end of the year	0.00	0

Dividends per share

The Board of Directors has decided not to propose any dividend payment at the Annual General Meeting of Orco Property Group S.A. for the year 2013.

29 Contingencies

The Group has given guarantees in the ordinary course of business, more specifically on the residential units delivered. Such guarantees are internally covered by the guarantees granted by the general contractor and provisions where needed.

The Group has given corporate guarantees to the financing bank and to the general contractor of the Zlota 44 project. As of December 2013, these guarantees add up to some EUR 55.6 million. Such guarantees have been given mainly in 2010 and 2011 to the financing bank and in 2012 to the new general contractor in order to re-launch the construction (see notes 18 and 27 of the standalone financial statements). They cover liabilities that are on the face of the consolidated balance sheet but could result in liquidity risks for the Group if the SPV holding the project would go bankrupt and corporate guarantees would be called by the bank or the general contractor as described in note 3.1 of the Consolidated Financial Statements of the year 2012.

In June 2007 the Group issued a guarantee up to a maximum amount of EUR 5 million to secure all payment claims of IBB Holding and BTGI against inter alia Gewerbesiedlungs-Gesellschaft (Berlin), Orco Russian Retail, and MSREF V / MSREF Turtle B.V under an option agreement dated 22/23 May 2006 as amended on 24/25 April 2007 concerning the acquisition of all shares in Gewerbesiedlungs-Gesellschaft. This guarantee covering acquirer engagement is admitted to the safeguard plan and would, upon exercise, follow the rescheduled repayment plan described in the Note 2.1 of the Consolidated Financial Statements of the year 2011.

According to the framework agreement dated 18th August 2011 between the Company and MSREF V Turtle, the Group assumed the obligation to release the Morgan Stanley companies (MSREF V and MSREF V Turtle) from all claims under the Morgan Stanley guarantee by issuing a respective back to back guarantee of EUR 10.0 million.

As at the date of the publication of the consolidated financial statements, the Group has no litigation that would lead to any material contingent liability except as disclosed in Note 20 and 30.

30 Litigations

On 28 December 2012, the Group filed a request for arbitration against the State Property Management Agency of the Republic of Croatia, also known as AUDIO, which is the legal successor to the Croatian Privatization Fund. Orco's preliminary claims for damages exceed EUR 32 million. The claims relate to underlying title disputes to properties on the island of Hvar in Croatia held through the Croatian company Suncani Hvar d.d. In 2013 AUDIO has transformed into the Croatian Centre for Restructuring and Sales (CERP) and the State Property Management Administration (DUUDI).

On 9 July 2013, representatives of the Republic of Croatia and Orco Property Group drafted and agreed on a roadmap for the financial and operational recovery of Suncani Hvar d.d. Pursuant to the agreed roadmap, the parties suspended the arbitration proceedings that consist of Company's claim and the Republic of Croatia's counterclaim until end of November 2013. Given that no settlement was found with the Republic of Croatia, the Company resumed in December 2013 the ICC International Court of Arbitration proceedings against the department of the Republic of Croatia known as the Centre for Restructuring and Sales regarding the arbitration that was filed on 28 December 2012.

As of 31 December 2013, 2 contingent liabilities of EUR 5.9 million related to BAR (Leipziger Platz transaction – see Note 20) and EUR 1.52 million related to the arbitration against CERP, the legal successor to the Croatian Privatization Fund exist.

Certain shareholders of OPG challenge the OG capital increases of 4 December 2013 and 5 March 2014 in court proceedings in Luxembourg. These shareholders demand, inter alia, cancellation of these capital increases and consequences against the Board of Directors. Some of these shareholders also contest the validity of the general meeting held on 6 January 2014 in Luxembourg. As of the date of this report proceedings are pending in front of the Luxembourg courts.

31 Capital and other commitments

Capital commitments

The Group entered into a Subscription Agreement with the Endurance Real Estate Fund for Central Europe. The Group subscribed to the three existing sub-funds. As at 31st December 2013, there are no remaining commitments to be called. The Company sold all its units and transferred all the related rights and engagements in the Office Sub-fund and Office II Sub-fund as of 4 February 2013 and 15 March 2013 respectively. The Residential Sub-fund, where the Group held a 14.8% stake, is in liquidation and therefore no further capital calls are expected.

As a developer of buildings and residential properties, the Group is committed to finalize the construction of properties in different countries. The commitments for the projects started as at December 2013 amount to EUR 75.5 million (EUR 67.2 million in 2012). This does not take into account the potential investments in future projects like Bubny in Prague or hotels to be refurbished in Suncani Hvar.

Bank loan covenants (see Note 19.6)

32 Related party transactions

Transactions with key management personnel

a) Remuneration of key management personnel

The members of the Board of Directors of the Company and of the Executive Committee are considered the key management personnel of the Group. As of 31 December 2013, the Executive Committee was made of 5 people as two members have been terminated over the year. On 15 January 2014 the Company appointed two new executive managers.

Total compensation given as short term employee benefits to the members of the Executive Committee for the year 2013 amounted to EUR 2.7 million (EUR 5.2 million for the year 2012).

The Board and Committees attendance compensation for the year 2013 amounts to EUR 356,000 (EUR 451,500 for 2012), including General Meetings presidency compensations. During its meeting held 25 May 2011, the Board of Directors agreed that compensation granted to each Board and Committee member for all physical attendance to be set at EUR 4,000. During its meeting held on 3 February 2014, the Board of Directors agreed to terminate the Board and Committees attendance compensation, effective 1 January 2014. The compensation to the President presiding an ordinary and extraordinary general meeting of shareholders was set at EUR 9,000.

b) Termination and change of control clauses

On 18 March 2014, the Company's Board of Directors decided to dismiss and to terminate the executive contracts of Jean-François Ott, Nicolas Tommasini, Aleš Vobruba and Brad Taylor. Following negotiations and approvals from the Board of Directors, on 27 March 2014 the Group and the former management entered into a confidential settlement and mutual general release agreement by which the Group settled all the existing and future potential obligations and claims arising from the termination and the holding of warrants by the former management (see note 34.3). This agreement is settling all the termination and change of control clauses listed below.

As at 31 December 2013, 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 and executive Board members agreed in their respective contracts amounts to EUR 2.7 million (EUR 3.3 million as of 31 December 2012) and is payable in the event of termination of their contracts.

Certain fully owned subsidiaries of the Company entered into managing director agreements with some of their directors. These contracts include a termination indemnity of a total of EUR 588,000 (EUR 12,000 per each subsidiary and director) payable by subsidiaries in the event of termination of director's function. Managing director agreements also contain a monthly fee of EUR 2000 per each subsidiary and director which becomes payable in the event that directors function of Board member or top management member with the Company is terminated.

In accordance with the decision of the Board of Directors an amount of EUR 1 million has been provisioned as at 31 December 2013 as a retirement account payable at the termination of contracts of certain executive managers.

Certain top managers own in aggregate 1,606,159 of the 2014 Warrants. In the event of the occurrence of a Change of Control (as described in Condition 4.1.8.1.2.1 of the Securities Note and Summary dated 22 March 2007) the liability for the Company due to "Change of Control Compensation Amount" payable to the managers holding 2014 Warrants would be up to EUR 13.25 million.

Loans and advances with key management personnel

On 16 February 2007, the Company granted a loan of EUR 61,732 to Steven Davis, a former executive of the Company with maturity date on 1 March 2008. In 2009, the loan was fully impaired as a result of a dispute on the termination of the employment contract of Steven Davis. As of the date hereof, litigation is pending in front of Luxembourg court.

Steven Davis also benefited from a loan of CZK 1,520,000 (app. EUR 56,438) from Orco Project Management s.r.o. (now Orco Prague, a.s.), a fully owned subsidiary of the Company, granted on 20 November 2006, with maturity date at 31 December 2008. In 2009, the Company launched legal action to recoup this receivable and the loan has been fully impaired. In 2010, the first instance court in Prague pronounced a judgment by which Mr. Davis shall return to Orco Prague a.s. CZK 1,020,000. Mr. Davis paid the entire amount. Orco Prague a.s. also sued Mr. Davis for CZK 799,099 for unjust enrichment and for CZK 19,500 and EUR 500 for unpaid expenses. IPB Real a.s. sued Mr. Davis for CZK 86,000 for unpaid rent. Bubny Development sued Mr. Davis for damages in the amount of CZK 30,981,461. These litigations are pending as at 31 December 2013.

c) Other transactions with key management personnel

Over 2013 and 2012, no sales of assets to members of the Executive Committee or the Board of Directors were closed. Over the first half of 2011, one apartment was sold to a member of the Board of Directors for a total amount of EUR 305 thousand at no discount.

During 2013 the Company transferred one of its treasury shares to one member of the Board of Directors for free and for the duration of his function with the Board.

In the first half of 2011, two entities closely associated to Gabriel Lahyani, then member of the Board of Directors acquired 8,890 bonds (ISIN: XS0302623953) of ORCO Germany S.A. from the Company's subsidiary for a total of EUR 4.4 million. As of the date of this report, the amount of EUR 227,480 plus statutory late interest accrued thereto is owed to the Company's subsidiary as a consequence of this transaction. Although the Company firmly intends to pursue full recovery of this amount, the receivable has been impaired in the 2012 accounts. As of today a litigation is pending with respect to the delivery and payment of these bonds.

Transactions with the Endurance Real Estate Fund

The Group is the sponsor of a Luxembourg regulated closed end umbrella investment fund dedicated to qualified investors, the Endurance Real Estate Fund. This fund has opted for the form of a "Fonds Commun de Placement". The Company is the shareholder of the management company of the Fund and had an ownership interest of 14.8% in the Residential Sub-fund as at 31 December 2013. Between February and March 2013, the Group sold all its units in the sub-funds Office and Office II.

Orco's remuneration from the Office, Residential and Office II sub-funds amounting to EUR 1.7 million in 2013 (EUR 3.4 million in 2012) is linked to:

- the management fee calculated as following: 2% of the net asset value for Office, the average of 2% of the invested funds and 2% of the net asset value for Office II (both until Q2 2013) and 1,8% of the net asset value for Residential until Q1 2013;
- the liquidation fee for the Residential Sub-fund from Q2 2013;
- the disposal fee calculated on the value of the assets sold by the fund (0.5% in the Residential Sub-fund, 1% in the Office and Office II Sub-funds).

As at 31 December 2013, open invoices for unpaid management fees owed by Endurance Fund to the management company amounted to EUR 0 million (EUR 0.1 million as at December 2012). The total of invoices issued in 2013 by the management company to the sub-funds of the Endurance Fund, mainly composed of management fees, is amounting to EUR 1.1 (EUR 3.439.398 in year 2012).

Besides the fund management, there are transactions between the Group and Endurance Fund companies as a consequence of OPG companies renting offices in Endurance Fund buildings and OPG companies rendering administrative, financial or property management services. These transactions resulted in the recognition in 2013 of EUR 0.6 million revenue (EUR 0.7 million in 2012) and EUR 0.5 million expenses (EUR 0.9 million in 2012). They also resulted in a net receivable of EUR 0.3 million as at 31 December 2013 (EUR 0.3 million as at 31 December 2012).

Moreover Group companies subscribed for loans with Endurance Fund partners that amount to EUR 0.8 million, interests included (EUR 10.6 million in 2012).

The investment process foresees that any investment or divestment proposed by the fund manager has to be first approved by the advisory board of the fund. This advisory board is made of representatives of the fund investors.

During the year 2013, Residential Sub-fund distributed a dividend of EUR 0.10 per unit, representing an income of EUR 0.2 million for the Company (no dividends in 2012).

Transactions with Foncière Paris Nord

In the second half of 2012, the Company entered into a service contract with Foncière Paris Nord (FPN). Under the terms of this contract, the Company is to carry out a preliminary feasibility study for the renovation of a group of four buildings in Le Blanc-Mesnil, a commune in the northeastern suburbs of Paris, in return for a fee of EUR 500,000. If Foncière Paris Nord decides to carry out the renovation project, the Company would earn a fee equal to 10% of the project cost, which is preliminarily estimated at EUR 50 million. The project is subject to relevant authorizations and approvals. An amendment of this service contract has been signed in June 2013 in order to prolong the initial contract and adjust the agreed fee.

Over the year 2013, the Company recognized a revenue of EUR 0.4 million with FPN. Over the year 2012, the Company recognized a revenue of EUR 0.3 million with FPN. Due to the over indebtedness of FPN, the Company has fully impaired the amount of receivable recognized as of December 2013 for EUR 0.7 million.

Pursuant to this preliminary feasibility study, a "Contrat de Promotion Immobilière" has been signed between with Pamier (Subsidiary of FPN) in February 2014 for a global amount of EUR 19 million.

Transactions with CPI group

CPI Property, s.r.o., an entity affiliated with Mr. Radovan Vitek, has provided property management services to certain assets of the Company in the Czech Republic. The value of such services amounted to EUR 54 thousand in 2013.

Employee stock options

See Note 28.

33 List of the consolidated entities

33.1 Orco Property Group consolidated subsidiaries

The table below shows the list of subsidiaries consolidated line by line. The Orco Germany S.A. subsidiaries are disclosed in Note 33.3.

Company	Country	Currency	Activity	% Shareholding	
				31.12.2013	31.12.2012
Blue Yachts, d.o.o.	Croatia	HRK	Hospitality	39.58%	39.58%
Obonjan Rivijera d.d.	Croatia	HRK	Development	56.55%	56.55%
Orco Adriatic, d.o.o.	Croatia	HRK	Hospitality	100.00%	100.00%
Orco Razvoj, d.o.o.	Croatia	HRK	Development	100.00%	100.00%
Suncani HVAR	Croatia	HRK	Hospitality	56.55%	56.55%
Larevaco (sold)	Cyprus	EUR	Management services	0.00%	100.00%
Valley Water Investment BVI (sold)	Cyprus	EUR	Management services	0.00%	100.00%
BCC - Brno City Center, a.s.	Czech Republic	CZK	Property investments	100.00%	100.00%
Belgicka-Na Kozacce, s.r.o. (merged)	Czech Republic	CZK	Development	0.00%	100.00%
Beta Development, s.r.o. (sold)	Czech Republic	CZK	Development	0.00%	100.00%
Bubenská 1, a.s.	Czech Republic	CZK	Property investments	100.00%	100.00%
Bubny development, s.r.o.	Czech Republic	CZK	Development	100.00%	100.00%
Byty Podkova, a.s.	Czech Republic	CZK	Development	100.00%	100.00%
Darilia a.s.	Czech Republic	CZK	Development	100.00%	100.00%
Development Doupovská, s.r.o.	Czech Republic	CZK	Development	75.00%	75.00%
Development Prazska s.r.o.	Czech Republic	CZK	Development	100.00%	100.00%
Estate Grand, s.r.o.	Czech Republic	CZK	Development	100.00%	n/a
Hagibor Office Building, a.s.	Czech Republic	CZK	Property investments	100.00%	100.00%
Industrial Park Stribro s.r.o.	Czech Republic	CZK	Property investments	100.00%	100.00%
IPB Real, s.r.o.	Czech Republic	CZK	Development	100.00%	100.00%
Jihovýchodni Mesto, a.s.	Czech Republic	CZK	Development	75.00%	75.00%
Megaleiar, a.s.	Czech Republic	CZK	Development	100.00%	100.00%
Na Porici, a.s.	Czech Republic	CZK	Property investments	100.00%	100.00%
Nupaky, a.s.	Czech Republic	CZK	Development	100.00%	100.00%
Oak Mill, a.s.	Czech Republic	CZK	Development	100.00%	100.00%
OFFICE CENTER HRADCANSKÁ, a.s.	Czech Republic	CZK	Property investments	100.00%	100.00%
ORCO ESTATE, s.r.o. (merged)	Czech Republic	CZK	Development	0.00%	100.00%
Orco Financial Services, s.r.o.	Czech Republic	CZK	Development	100.00%	100.00%
Orco Praga, s.r.o.	Czech Republic	CZK	Development	75.00%	75.00%
Orco Prague, a.s.	Czech Republic	CZK	Management services	100.00%	100.00%
Pachtuv Palac, s.r.o.	Czech Republic	CZK	Hospitality	100.00%	100.00%
První Kvintum Praha, a.s. (sold)	Czech Republic	CZK	Development	0.00%	100.00%
Rubeška Development, s.r.o.	Czech Republic	CZK	Development	100.00%	n/a
Seattle, s.r.o.	Czech Republic	CZK	Development	100.00%	100.00%
T-O Green Europe, a.s.	Czech Republic	CZK	Development	100.00%	100.00%
TQE Asset, a.s.	Czech Republic	CZK	Development	100.00%	100.00%
V Mezhori	Czech Republic	CZK	Development	100.00%	100.00%
Zeta Estate a.s	Czech Republic	CZK	Development	100.00%	100.00%
Vinohrady s.a.r.l.	France	EUR	Management services	100.00%	100.00%
Brillant 1419 GmbH & Co. Verwaltungs KG	Germany	EUR	Management services	100.00%	100.00%
Gebauer Höfe Liegenschaften GmbH	Germany	EUR	Property investments	5.02%	5.02%
Ariah Kft.	Hungary	HUF	Property investments	100.00%	100.00%
CWM 35 Kft.	Hungary	HUF	Property investments	100.00%	100.00%
Energy Trade Plus Kft	Hungary	HUF	Property investments	100.00%	100.00%
Meder 36 Kft.	Hungary	HUF	Property investments	100.00%	100.00%
ORCO Budapest Rt.	Hungary	HUF	Property investments	100.00%	100.00%
ORCO Development Kft.	Hungary	HUF	Property investments	100.00%	100.00%
ORCO Hungary Kft.	Hungary	HUF	Property investments	100.00%	100.00%
Orco Vagyonkezezo Kft.	Hungary	HUF	Management services	100.00%	100.00%
ORR Kft.	Hungary	HUF	Property investments	100.00%	100.00%
Vaci 1 Kft. (formerly Yuli Kft.)	Hungary	HUF	Property investments	100.00%	100.00%
Vaci 190 Projekt Kft.	Hungary	HUF	Property investments	100.00%	100.00%
Capellen Invest S.A.	Luxembourg	EUR	Property investments	100.00%	100.00%
CEREM S.A.	Luxembourg	EUR	Management services	100.00%	100.00%

Company	Country	Currency	Activity	% Shareholding	
				31.12.2013	31.12.2012
Endurance Hospitality Asset Sàrl	Luxembourg	EUR	Hospitality	88.00%	88.00%
Endurance Hospitality Finance Sàrl	Luxembourg	EUR	Hospitality	88.00%	88.00%
Endurance Real Estate Management Company Sàrl	Luxembourg	EUR	Management services	100.00%	100.00%
OPG Invest. Lux S.A.	Luxembourg	EUR	Management services	100.00%	100.00%
Orco Germany S.A.	Luxembourg	EUR	Development	58.48%	98.02%
Orco Property Group S.A.	Luxembourg	EUR	Management services	100.00%	100.00%
ORCO Russian Retail S.A.	Luxembourg	EUR	Property investments	100.00%	100.00%
Valley Investment SARL (liquidated)	Luxembourg	EUR	Property investments	0.00%	100.00%
Diana Property SP. z.o.o.	Poland	PLN	Property investments	100.00%	100.00%
Orco Enterprise Sp.z.o.o.	Poland	PLN	Development	100.00%	100.00%
Orco Logistic Sp.z.o.o.	Poland	PLN	Property investments	100.00%	100.00%
Orco Poland Sp.z.o.o.	Poland	PLN	Management services	100.00%	100.00%
Orco Project Sp.z.o.o.	Poland	PLN	Development	100.00%	100.00%
Orco Property Sp.z.o.o.	Poland	PLN	Development	93.59%	91.12%
Szczecin Project sp. z.o.o.	Poland	PLN	Development	75.00%	75.00%
ORCO Development, s.r.o.	Slovakia	EUR	Development	100.00%	100.00%
ORCO Estates, s.r.o.	Slovakia	EUR	Property investments	100.00%	100.00%
Orco Residence, s.r.o.	Slovakia	EUR	Development	100.00%	100.00%
ORCO Slovakia, s.r.o.	Slovakia	EUR	Management services	100.00%	100.00%

33.2 Equity method investments

Hereafter follows the list of joint ventures accounted for using the equity method presenting the Group's effective shareholding in them:

Company	Country	Currency	Activity	% Shareholding	
				31.12.2013	31.12.2012
Dienzenhoferovy sady 5 s.r.o.	Czech Republic	CZK	Hospitality	44.00%	44.00%
Janáčkovo náměstí 15, s.r.o.	Czech Republic	CZK	Hospitality	44.00%	44.00%
Mamaison Management s.r.o.	Czech Republic	CZK	Hospitality	44.00%	44.00%
Orco Hotel Ostrava, a.s.	Czech Republic	CZK	Hospitality	44.00%	44.00%
Orco Hotel Riverside, s.r.o.	Czech Republic	CZK	Hospitality	44.00%	44.00%
Orco Property Start a.s.	Czech Republic	CZK	Hospitality	44.00%	44.00%
Residence Belgicka, s.r.o.	Czech Republic	CZK	Hospitality	44.00%	44.00%
SV Fáze II, s.r.o.	Czech Republic	CZK	Development	50.00%	50.00%
SV Fáze III, s.r.o.	Czech Republic	CZK	Development	50.00%	n/a
Tyrsova 6, a.s.	Czech Republic	CZK	Hospitality	44.00%	44.00%
Valanto Consulting, a.s.	Czech Republic	CZK	Hospitality	44.00%	44.00%
Brillant 1419. Verwaltungs GmbH	Germany	EUR	Management services	49.00%	49.00%
Orco Hotel Management Kft.	Hungary	HUF	Hospitality	44.00%	44.00%
Orco Hotel Rt.	Hungary	HUF	Hospitality	44.00%	44.00%
Ozrics Kft.	Hungary	HUF	Hospitality	44.00%	44.00%
Residence Izabella Rt.	Hungary	HUF	Hospitality	44.00%	44.00%
Hospitality Invest Sàrl	Luxembourg	EUR	Hospitality	44.00%	44.00%
Kosic Sàrl	Luxembourg	EUR	Development	50.00%	50.00%
MMR Russia S.A.	Luxembourg	EUR	Hospitality	44.00%	44.00%
Uniborc S.A.	Luxembourg	EUR	Development	20.00%	n/a
Diana Development Sp.z.o.o.	Poland	PLN	Hospitality	44.00%	44.00%
Orco Hospitality Services Sp.z.o.o.	Poland	PLN	Hospitality	44.00%	44.00%
Orco Hotel Development Sp. z.o.o.	Poland	PLN	Hospitality	44.00%	44.00%
Orco Hotel Project Sp.z.o.o.	Poland	PLN	Hospitality	44.00%	44.00%
Orco Investment Sp.z.o.o.	Poland	PLN	Hospitality	44.00%	44.00%
Orco Warsaw Sp.z.o.o.	Poland	PLN	Hospitality	44.00%	44.00%
Orco Pokrovka Management o.o.o.	Russia	RUB	Hospitality	44.00%	44.00%
MaMaison Bratislava, s.r.o. in EUR	Slovakia	EUR	Hospitality	44.00%	44.00%

33.3 Orco Germany S.A.

Hereafter follows the list of Orco Germany S.A.'s direct and indirect subsidiaries and associates showing the percentage of shareholding of ORCO Germany S.A. in them:

Company	Country	Currency	Activity	% Shareholding	
				31.12.2013	31.12.2012
Elb Loft BAU Hamburg - Gmbh (merged)	Germany	EUR	Development	n/a	100.00%
Gebauer Höfe Liegenschaften GmbH	Germany	EUR	Property investments	94.98%	94.98%
GSG 1. Beteiligungs GmbH	Germany	EUR	Property investments	99.75%	100.00%
GSG Asset GmbH & Co. Verwaltungs KG	Germany	EUR	Property investments	99.75%	100.00%
GSG Gewerbehöfe Berlin 1. GmbH Co. KG	Germany	EUR	Property investments	99.75%	n/a
GSG Gewerbehöfe Berlin 2. GmbH Co. KG	Germany	EUR	Property investments	99.75%	n/a
GSG Gewerbehöfe Berlin 3. GmbH Co. KG	Germany	EUR	Property investments	99.75%	n/a
GSG Gewerbehöfe Berlin 4. GmbH Co. KG	Germany	EUR	Property investments	99.75%	n/a
GSG Gewerbehöfe Berlin 5. GmbH Co. KG	Germany	EUR	Property investments	99.75%	n/a
GSG Gewerbesiedlungs-Gesellschaft mbH	Germany	EUR	Property investments	99.75%	99.75%
Hofnetz und IT Services GmbH	Germany	EUR	Development	99.75%	99.75%
Isalotta GP GmbH & Co. Verwaltung KG	Germany	EUR	Property investments	94.99%	94.99%
Knorrstrasse 119 GmbH & Co KG (merged)	Germany	EUR	Development	n/a	50.00%
Knorrstrasse 119 Verwaltungs GmbH (merged)	Germany	EUR	Development	n/a	50.00%
Orco Berlin Invest GmbH	Germany	EUR	Development	100.00%	100.00%
Orco erste PEG mbH (merged)	Germany	EUR	Development	n/a	100.00%
Orco Grundstücks- u. Bet.ges.mbH	Germany	EUR	Property investments	100.00%	100.00%
Orco Immobilien GmbH	Germany	EUR	Development	100.00%	100.00%
ORCO Projektentwicklung GmbH (merged)	Germany	EUR	Development	n/a	100.00%
Orco Vermietungs- und Services GmbH (merged)	Germany	EUR	Property investments	n/a	100.00%
Solar GSG Berlin GmbH	Germany	EUR	Property investments	99.75%	n/a
Vivaro GmbH & Co. Grundbesitz KG	Germany	EUR	Development	94.34%	94.34%
Vivaro GmbH & Co. Zweite Grundbesitz KG	Germany	EUR	Development	100.00%	94.34%
Vivaro Vermögensverwaltung GmbH	Germany	EUR	Development	100.00%	100.00%
Wertpunkt Real Estate Experts GmbH (former Orco-GSG Unternehmensförderungs- und -beratungs GmbH)	Germany	EUR	Property investments	99.75%	100.00%
Endurance HC Beta SARL (liquidated)	Luxembourg	EUR	Development	n/a	100.00%
Endurance HC Gamma SARL (liquidated)	Luxembourg	EUR	Development	n/a	100.00%
Orco Germany Investment S.A.	Luxembourg	EUR	Renting	100.00%	100.00%

In 2013, the Group underwent reorganization of the GSG entities portfolio aiming at rationalization and enhanced flexibility of the Group structure. This resulted into an incorporation of five new subsidiaries GSG Gewerbehöfe Berlin 1 – 5 and a transfer of some assets from GSG Assets GmbH & Co. Verwaltungs KG to the new subsidiaries.

34 Events after balance sheet date

34.1 Orco Germany capital increase and change in shareholding participation

On 29 November 2013 the OG Board of Directors decided to raise up to EUR 100 Million pursuant to the authorization granted to it by its shareholders during the extraordinary general meeting of 26 April 2012. On 4 December 2013 114,600,000 new shares were issued to Tandis, a.s., an entity affiliated with Mr. Radovan Vitek, at a subscription price of EUR 0.47/share. Certain shareholders of OPG challenge this capital increase in court proceedings in Luxembourg.

On 3 March 2014 the OG Board of Directors resolved to proceed with further capital raising. Stationway Properties Limited ("Stationway"), an entity affiliated with Mr. Jean-François Ott, subscribed to and paid for 76,600,000 new ordinary shares at a subscription price of EUR 0.47/share. 76,600,000 new shares were issued on 5 March 2014. Certain shareholders of OPG challenge this capital increase in court proceedings in Luxembourg.

In addition to the EUR 54 Million that was paid by Tandis, a.s., a total of EUR 90 Million have now been raised together with EUR 36 Million paid by Stationway.

On 3 March 2014, the OG Board of Directors also resolved to increase its capital raising goal from EUR 100 Million to EUR 126 Million so that it could raise an additional EUR 36 Million pursuant to the authorization granted to it by its shareholders during the extraordinary general meeting of 26 April 2012. The primary uses of the proceeds raised in these capital increases will be the investment and financing of various projects within the OPG and OG group.

The offer to subscribe to an additional EUR 36 Million capital raise is made at the subscription price of EUR 0.47/share for a total of 76,600,000 new ordinary shares. This offer has been opened to all shareholders of OPG holding at least 0.5% of the total outstanding OPG shares at 23:59 on 4 March 2014. The implementation of this capital increase is subject to regulatory requirements and the share issue is expected on 30 April 2014.

As a result of the capital increase subscribed by Stationway, OPG has been diluted under the 50% ownership threshold in OG. Furthermore, the potential capital increase by other OPG shareholders and the expected sale of OG shares in order to cover the Group liquidity risks will lead OPG to not have a direct access to the cash flow of the OG sub-group that not be consolidated anymore. As at December 2013, the OG sub-group was contributing to the OPG group cash position for EUR 52 Million out of EUR 89 Million total consolidated cash position.

Those transactions will require also major changes in the OPG group organization and headquarter structure in order to adjust to the new scope of activities.

34.2 Suncani Hvar shareholders' general meeting and pre-bankruptcy process

11 March 2013, a Suncani Hvar shareholders' general meeting has been held in Zagreb. Suncani Hvar's Management Board informed the shareholders that the operational restructuring that has been completed which has led to a growth in all business segments over the last three years. Even though, for the last two years, Suncani Hvar has achieved an operational profit according to international hospitality industry standards, its existence continues to be jeopardized by substantial indebtedness. Financial restructuring is urgently needed.

Unfortunately, the essential corporate and financial restructuring agenda points that were proposed by Suncani Hvar's largest shareholder, OPG were defeated because Suncani Hvar's state-owned shareholder DUUDI voted against them. Suncani Hvar's Management Board and Supervisory Board strongly urged DUUDI to vote in favor of these restructuring points not only to ensure that Suncani Hvar would have the flexibility to convert various corporate debts into equity and potentially increase its share capital but also to ensure that the company's employees would be secured. OPG also urged CERP during the general meeting to agree to a pause in the meeting so that the parties could discuss and agree on the proposed restructuring measures, but DUUDI refused and proceeded to vote against the restructuring measures.

Suncani Hvar reserves all of its legal rights and is considering all available options at this time to protect its integrity and business, including but not limited to a pre-bankruptcy settlement.

34.3 Orco Property Group change of executive management

On 18 March 2014, the Company's Board of Directors decided to dismiss and to terminate the executive contracts of Jean-François Ott, Nicolas Tommasini, Aleš Vobruba and Brad Taylor. Following negotiations and approvals from the Board of Directors of 26 March 2014, the Group and the former management agreed on 27 March 2014 on a confidential settlement and mutual general release agreement by which the Group settled all the existing and future potential obligations and claims arising from the termination and the holding of warrants by the former management. Under this settlement agreement, the former executives will receive EUR 7,150,000 in cash (EUR 1,150,000 to be paid in cash by Orco Germany SA). In addition, settlements in kind (non-core assets) were agreed with the former management to transfer the Pachtuv Palace hotel in Prague and the Hakeburg property in Berlin (with their related assets and liabilities) at the net asset value as of 31 December 2013 of EUR 8,400,000 including all related shareholders' loans granted by the Group. As a result of the settlement agreement, Jean-François Ott, Nicolas Tommasini, Aleš Vobruba and Brad Taylor resign from all their Board positions and particularly from OPG and OG boards.

On 18 March 2014, the Company's Board of Directors decided to appoint Tomáš Salajka as CEO and Jiří Dederá as Managing Director of the Company.

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