ORCO PROPERTY GROUP S.A.

Société Anonyme

Consolidated financial statements

For the year ended 31 December 2011

Orco Property Group's Board of Directors has approved on 23 May 2012 the consolidated financial statements for the year ended 31 December 2011. All the figures in this report are presented in thousands of Euros, except if otherwise explicitly stated.

I. Consolidated income statement

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

	Note	12 months 2011	12 months 2010 Pro forma*	12 months 2010
Revenue	5	**157,602**	**294,539**	**314,657**
Sale of goods		*40,150*	*175,100*	*175,100*
Rent		*68,488*	*69,189*	*89,280*
Hotels, Extended Stay & Restaurants		*30,014*	*29,671*	*29,671*
Services		*18,950*	*20,579*	*20,606*
Net gain / (loss) from fair value adjustments on investment property	5/8	19,560	28,076	25,961
Other operating income		1,877	4,757	4,721
Net result on disposal of assets	5/8/10/14	10,547	1,341	1,197
Cost of goods sold	5/13	(35,310)	(165,727)	(165,770)
Employee benefits	21	(29,607)	(34,050)	(45,172)
Amortisation, impairments and provisions	5/9/13	(20,464)	(17,545)	(10,157)
Other operating expenses	21	(64,260)	(70,731)	(74,471)
Operating result		**39,945**	**40,660**	**50,966**
Interest expenses	18	(82,665)	(96,017)	(97,691)
Interest income		4,077	3,473	6,265
Foreign exchange result		(12,074)	9,179	4,104
Other net financial results	22	3,609	275,689	267,174
Financial result		**(87,053)**	**192,325**	**179,852**
Profit/(loss) before income taxes		**(47,108)**	**232,985**	**230,818**
Income taxes	23	(5,455)	(6,342)	(8,165)
Profit from continuing operations		**(52,563)**	**226,643**	**222,653**
Profit / (loss) after tax from discountinued operations	6	**1,105**	(3,989)	-
Net profit / (loss) for the period		**(51,458)**	**222,653**	**222,653**
Total profit/(loss) attributable to:				
Non controlling interests	17	1,799	(10,757)	(10,757)
Owners of the Company		**(53,257)**	**233,410**	**233,410**
Basic earnings in EUR per share	24	(3.66)	17.77	17.77
Diluted earnings in EUR per share	24	(3.66)	9.90	9.90

(*) 'Pro forma' is the 2010 Income Statement unaudited for 12 months with an amended presentation of its contribution of the Russian assets classified as a discontinued operation. The net impact of the pro forma 2010 is now presented on the line "Profit / (loss) after tax from discontinued operations. The Russian assets sale has been completed the 14th of October 2011. (See Note 6)

II. Consolidated statement of comprehensive income

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

	12 months 2011	12 months 2010 Pro forma*	12 months 2010
Profit /(Loss) for the period:	**(51,458)**	**222,654**	**222,654**
Other comprehensive income (loss):			
Currency translation differences	(13,492)	13,148	13,148
Total comprehensive income/(loss) for the period attributable to:	**(64,950)**	235,802	235,802
- owners of the Company	(66,565)	244,984	244,984
- non controlling interests	1,615	(9,182)	(9,182)

(*) 'Pro forma' is the 2010 Statement of comprehensive income unaudited for 12 months. (See Note 6)

III. Consolidated statement of financial position

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

ASSETS	Note	31 December 2011	31 December 2010
NON-CURRENT ASSETS		**1,190,417**	**1,204,255**
Intangible assets	7	**47,783**	**48,205**
Investment property	8	**872,316**	**888,036**
Property, plant and equipment		**156,865**	**237,851**
Hotels and owner occupied buildings	9	142,659	222,563
Fixtures and fittings	11	14,206	15,288
Financial assets at fair value through profit or loss	12	**46,787**	**30,049**
Non current loans and receivables	3	**66,666**	**-**
Deferred tax assets	23	**0**	**114**
CURRENT ASSETS		**511,956**	**698,050**
Inventories	13	382,279	418,957
Trade receivables	3	36,145	34,349
Other current assets	15	32,279	59,105
Current financial assets	3	29	302
Cash and cash equivalents	16	37,095	53,439
Assets held for sale	10	24,129	131,898
TOTAL		**1,702,373**	**1,902,305**

EQUITY & LIABILITIES		31 December 2011	31 December 2010
EQUITY		**275,199**	**355,969**
Equity attributable to owners of the Company	24	**263,195**	**303,056**
Non controlling interests		**12,004**	**52,913**
LIABILITIES		**1,427,174**	**1,546,336**
Non-current liabilities		**509,439**	**903,080**
Bonds	18.1	163,380	235,667
Financial debts	18.8	239,225	526,991
Provisions & other long term liabilities	19	14,326	14,307
Derivative instruments	3/18.12	0	19,323
Deferred tax liabilities	23	92,508	106,792
Current liabilities		**917,735**	**643,256**
Current bonds	20	119,923	8,222
Financial debts	18.9 / 20	620,835	389,282
Trade payables	20	16,366	21,011
Advance payments	20	35,250	32,714
Derivative instruments	18.12	41,153	27,469
Other current liabilities	20	68,316	88,064
Liabilities linked to assets held for sale	10	15,892	76,494
TOTAL		**1,702,373**	**1,902,305**

IV. Consolidated statement of changes in equity

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

	Share Capital	Share Premium	Translation Reserve	Treasury Shares	Other Reserves	Equity attributable to owners of the Company	Non controlling interests	Equity
Balance at 31 December 2009	**44,870**	**400,524**	**15,776**	**(19,374)**	**(385,219)**	**56,577**	**48,153**	**104,730**
Profit (loss) for the period:								
Translation differences			11,573			11,573	1,575	13,148
Profit /(Loss) for the period					233,411	233,411	(10,757)	222,654
Total comprehensive income			**11,573**		**233,411**	**244,984**	**(9,182)**	**235,802**
Capital increase	12,751	3,464			(86)	16,129		16,129
Own equity investments				(640)		(640)		(640)
Non controlling interests' transactions (*)					(13,993)	(13,993)	13,942	(51)
Balance at 31 December 2010	**57,621**	**403,988**	**27,349**	**(20,014)**	**(165,887)**	**303,057**	**52,912**	**355,969**
Profit (loss) for the period:								
Translation differences			(13,308)			(13,308)	(184)	(13,492)
Profit /(Loss) for the period					(53,257)	(53,257)	1,799	(51,458)
Total comprehensive income	**-**	**-**	**(13,308)**	**-**	**(53,257)**	**(66,565)**	**1,615**	**(64,950)**
Increase in capital	12,300	14,700			(9,240)	17,760		17,760
Own equity instruments				(2,799)	(548)	(3,347)		(3,347)
Non controlling interests' transactions (*)					12,290	12,290	(42,523)	(30,233)
Balance at 31 December 2011	**69,921**	**418,688**	**14,041**	**(22,813)**	**(216,642)**	**263,195**	**12,004**	**275,199**

(*) See Note 17

V. Consolidated statement of cash flows

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

	31 December 2011	31 December 2010
OPERATING RESULT	**39,945**	**50,967**
Net (gain) /loss from fair value adjustments on investment property	(19,560)	(25,961)
Amortisation, impairments and provisions	20,464	10,157
Net result on disposal of assets	(10,547)	(1,197)
Stock options and warrants plans	-	-
Adjusted operating profit/(loss)	**30,302**	**33,966**
Financial result	(481)	(2,229)
Income tax paid	(4,445)	(604)
Financial result and income taxes paid	**(4,926)**	**(2,833)**
Changes in operating assets and liabilities	**14,084**	**99,631**
NET CASH FROM /(USED IN) OPERATING ACTIVITIES	**39,460**	**130,764**
Acquisition of subsidiaries, net of cash acquired	-	-
Capital expenditures and tangible assets acquisitions	(14,009)	(28,067)
Proceeds from sales of non current tangible assets (***)	100,469	72,120
Purchase of intangible assets	(142)	(161)
Purchase of financial assets	-	(628)
Loan repayment received from joint-ventures	300	2,493
Dividends received from joint-ventures	889	-
Proceeds from discontinued transactions	12,257	-
NET CASH FROM INVESTING ACTIVITIES	**99,764**	**45,757**
Net issue of equity instruments to shareholders	(3,347)	16,129
Purchase of treasury shares and change in ownership interests in subsidiaries	(1,500)	(956)
Proceeds from borrowings	40,884	25,645
Net interest paid	(51,194)	(56,718)
Repayments of borrowings	(138,127)	(164,752)
NET CASH USED IN FINANCING ACTIVITIES	**(153,284)**	**(180,652)**
NET DECREASE IN CASH	**(14,060)**	**(4,131)**
Cash and cash equivalents at the beginning of the year (**)	53,439	57,040
Cash and cash equivalents at the beginning of the year of assets reclassified to assets held for sale during 12 months 2011(*)	(1,905)	-
Exchange difference on cash and cash equivalents	(380)	530
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR (**)	**37,095**	**53,439**

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

(**) Cash and cash equivalent referred to the note 16.

(***) Proceeds from sales of non-current tangible assets comprise mostly proceeds from sale of assets held for sale Note 6 and 10.

Notes to the consolidated financial statements

1. General information

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

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

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

These consolidated financial statements have been approved for issue by the Board of Directors on 23 May 2012.

The Board of Directors has the power to amend the consolidated financial statements after issue.

2. Summary of significant accounting policies

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

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

2.1. Basis of preparation and Going concern

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

2.1.1. Going concern

In determining the appropriate basis of preparation of the consolidated financial statements, the Directors are required to consider whether the Group can continue in operational existence for the foreseeable future. The Group's financial risks including foreign exchange risk, fair value risk, cash flow risk, interest rate risk, price risk, credit risk and liquidity risk are outlined in note 3. While the valuation of certain investment properties and residential developments further decreased, the economic situation worsened over the course of 2011, and the availability of financing facilities strongly tightened, the Group has made progress in the implementation of its restructuring plans and is putting in place major long term financing restructuring allowing the same conclusion on the going concern.

2.1.1.1. "Procédure de Sauvegarde" (Safeguard Procedure)

Beginning of 2009, the Company's Board of Directors decided to apply for protection from creditors by a French court, the Safeguard Procedure. On 19 May 2010, the Court approved the Company's Safeguard plan (i.e. the proposed schedule for admitted claims' repayment supported by a long term business plan). The rescheduling plan aims at repaying 100% of the admitted claims, including nominal, accrued interests, and interests to accrue during the Safeguard plan, over ten years as per the schedule below, with effect from 30 April 2010 and a first repayment on 30 April 2011.

Year	2011	2012	2013	2014	2015
% of the total liability	2%	5%	5%	5%	5%

Year	2016	2017	2018	2019	2020
% of the total liability	5%	10%	14%	20%	29%

On 10 June 2010, the bondholder representative for three tranches filed an opposition with the Commercial Court of Paris regarding the 19 May 2010 judgment that approved the Company's Safeguard plan. This third party opposition contested the maximum bond liability to be reimbursed within the Safeguard plan.

In relation to the below described bonds' restructuring, the general meetings of the 2010, 2013 and 2014 OPG bondholders held in April 2012 resolved to finally and definitely waive and withdraw the current lawsuits against OPG and not to make any further challenges regarding its Safeguard plan upon approval of the prospectus on the listing of the new OPG shares and of their issuance by the OPG shareholder general meeting. The bonds' restructuring has for principal object to reduce the total amount of EUR 548.5 million of total bonds Safeguard liability by converting 90% of it into shares and into a new note for the remaining portion.

2.1.1.2. Bonds' restructuring

With the worsening economic and financing conditions since mid of 2011, the OPG cash flow forecast for 2012 demonstrated the need for the management to be successful in either equitizing the OPG bonds or concluding some major asset sales in early 2012. Within a context of more difficult asset sales due to conservative bank lending policies, the Company concluded equitization agreements with groups of OPG and OG bondholders.

Negotiations with OG and OPG bondholders started as early as the summer 2011 and culminated with the signature on 17 April 2012 of a joint agreement on all bonds issued by both companies. General meetings, held end of April and beginning of May have all duly and overwhelmingly voted in favour of the restructuring. The request for modification of the Safeguard plan has been circularized to all the Safeguard creditors to approve or not the new terms (the ones not approving will continue to be served under the 19 May 2010 approved repayment schedule). On 14 May 2012 the Paris Commercial Court heard OPG's request to modify its Safeguard plan in order to implement the bond restructuring plan and approved it on 21 May 2012.

As a result of the approval of all bondholders' general assemblies, only one scenario of the joint agreement is applicable, i.e. approximately 90% of the OPG bonds will be converted into approximately 65 million OPG shares and the remaining OPG bonds can be exchanged for EUR 55.2 million in newly issued OPG bonds (the "New Notes").

As at the date of publication of this report, approximately 85% of the OG bonds have already been converted into OPG issued OCAs which were in turn for the first tranche repaid with 18 million OPG shares, bringing the total number of OPG shares issued to 35 million. The remaining OG bonds can be exchanged for EUR 20 million in New Notes.

The EUR 75.3 million New Notes to be issued by OPG upon the voluntary exchange of the remainder of the OPG and OG bonds will have a maturity in 2018 and will bear an annual interest consisting of a combination of cash interest (decreasing from 5% to 4% upon repayment of at least 50% of the principal) and payment-in-kind interest (decreasing in steps from 5% to 3% upon repayment of 50% and 75% of the principal). The principal will be repaid in four annual payments in 2015, 2016, 2017 and 2018. The total amount of New Notes will therefore be EUR 75.2 million, all of them bearing the same characteristics and rights. The New Notes will benefit from a 25% cash sweep from net sale proceeds on selected assets, which will correspondingly reduce the subsequent annual repayment. This cash sweep is seen as essential to give flexibility to the Group in the implementation of its asset sales program under the current very challenging economic conditions.

Assuming 100% participation in the New Notes offer, OPG's share capital will increase from 35 million shares as of the date of publication of this report, to 108 million shares, and the only Group bond debt will be at the OPG level for an amount of EUR 75 million. Based on December 2011 audited figures and with an assumption of 100% participation in the New Notes offer, OPG's NAV will then be an estimated EUR 5.8 per share and OG's NAV will be an estimated EUR 1.0 per share. The Joint Agreement on the restructuring of OPG and OG bonds, besides ensuring the going concern of the Group, allows the Group to lower its LTV to approximately 56% and provides the platform for the Group to maximize the potential value of its portfolio.

Following the approval by the general meetings and by the Tribunal de Commerce de Paris, the two major steps for the finalization of this bonds' restructuring are now the drafting of the different securities notes that need to be issued after approval by the CSSF (for the listing of the new Company shares, the new OG shares and for the public exchange offer into the New Notes of the non-converted bonds) and the holding of the OPG shareholders' general assembly to be convened by the end of June to approve the issuance of the new shares in consideration for the OPG bonds. The issuance of the new OPG shares in consideration of the OG bonds is made under the authorized capital. The below going conclusion is based on the assumption that these two remaining steps are fully achieved.

The bonds that would not be presented to the public exchange offer into new notes (10% of the OPG bonds and 15.6% of the OG bonds) will continue to be repaid under the initial Safeguard repayment schedule as described under section 2.1.1.1.

2.1.1.3. Risks and uncertainties on the ability of the Group or parts thereof to continue as a going concern

While the Safeguard plan has been approved on the basis of a business plan supported by the Board of Directors and estimated as achievable by the Commercial Court, the Juge Commissaire and the Mandataire judiciaire, the Group's status as a going concern depends mainly and directly on its capacity to implement the Safeguard plan as approved by the Commercial Court in Paris, and more specifically the success in selling non-strategic assets and the capacity in refinancing or repaying the short term debts are essential.

Some subsidiaries and joint ventures held by the Group require funding to continue as a going concern. 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 OG 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 guarantee. Therefore any existing funding problem other than mentioned above would not prevent on its own to conclude on the going concern.

The short term liabilities amount to EUR 756 million, i.e. an increase of EUR 283 million[1] compared to December 2010, and include: GSG for EUR 300 Million[2] due mid April 2012, the bonds issued by Orco Germany SA ("OG") for EUR 98 Million[3] due end of May 2012 and the short term portion of the Company's Safeguard bonds for EUR 22 Million[4] originally due end of April 2012. While bonds partial equitization is in final implementation stage there remains material uncertainties linked to the restructuring of the refinancing of GSG, the main rental portfolio of OG in Berlin.

GSG and its financing bank have signed a standstill agreement to 15 June 2012 which defers the repayment obligation related to the 15 April 2012 maturity of the EUR 300 million financing for OG's GSG portfolio. Such extension will allow the Group to further advance in its refinancing negotiations. Upon extension, GSG agreed to repay an amount of EUR 10 million of principal. The current discussions would lead to a refinancing by senior bank loan for EUR 230 to 260 million and the difference could be partially repaid by with the sale of the Sky office building or a Mezzanine loan.

The financial performance of the Group is also dependent upon the wider economic environment in which the Group operates. The credit tightening since the summer 2011 together with the uncertainty of the evolution of real estate market in Central Europe could damage the Group's activity and slow down the asset sales program.

The Board of Directors is in the opinion that those risks are mitigated by the reasonability of the assumptions taken in the establishment of the business plan.

2.1.1.4. Conclusion

The Board of Directors has, as a result of the approval of the request for modification of the Safeguard plan and the financial restructuring currently being implemented and considering the risks and uncertainties described above, concluded that 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 31 December 2011 on a going concern basis.

If the Company is not successful in its restructurings, 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. The major going concern risk is now considered to be at the level of GSG and not at the Group level. The GSG contribution to the Group's estimated consolidated balance sheet and income statement is disclosed here after. Would the Group not be successful in its refinancing negotiations and if the bank would then decide to exercize its pledge on the GSG shareholding, the Board should present the below contribution on a liquidation basis:

---

[1] Mainly due to the transfer from long term to short term of loans that have become due within 12 months

[2] As at 31 December 2011

[3] IFRS net present value as at December 2011 of the 100 Million nominal bond issued by OG excluding the repayment premium and the accrued interests.

[4] Amount to be paid as Safeguard dividend as at 30 April 2012 net of amount to be received on own bonds.

	GSG
NON-CURRENT ASSETS	**522 964**
Intangible assets	**46 411**
Investment property	**447 479**
Property, plant and equipment	**4 023**
Hotels and owner-occupied buildings	2 911
Fixtures and fittings	1 112
Properties under development	-
Financial assets at fair value through profit or loss	**-**
Non current loans and receivables	**25 051**
Deferred tax assets	**-**
CURRENT ASSETS	**31 333**
Inventories	32
Trade receivables	4 074
Other current assets	13 571
Derivative instruments	-
Current financial assets	-
Cash and cash equivalents	6 967
Assets held for sale	6 689
TOTAL ASSETS	**554 297**

NON-CURRENT LIABILITIES	**86 102**
Bonds	-
Financial debts	127
Provisions & other long term liabilities	-
Derivative instruments	-
Deferred tax liabilities	85 975
CURRENT LIABILITIES	**325 147**
Current bonds	-
Financial debts	300 276
Trade payables	226
Advance payments	10 792
Derivative instruments	4 485
Other current liabilities	9 962
Net assets & Liabilities toward the group	(593)
Liabilities linked to assets held for sale	-
TOTAL LIABILITIES	**411 249**

	GSG
Revenue	**51 309**
Net gain or loss from fair value adjustments on investment property	8 119
Other operating income	37
Net result on disposal of assets	0
Cost of goods sold	(57)
Employee benefits	(3 791)
Amortisation, impairments and provisions	259
Other operating expenses	(21 095)
Operating result	**34 780**
Interest expenses	(17 274)
Interest income	1 457
Foreign exchange result	0
Other net financial results	10 743
Financial result	**(5 073)**
Profit/(loss) before income taxes	**29 708**
Income taxes	(9 078)
Impact of assets held for sale	0
Net profit or loss for the period	**20 629**
Total profit/(loss) attributable to:	
non controlling interests	5 418
Owners of the Company	**15 211**

2.1.2. Critical accounting estimates and judgements

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

2.1.3. Changes in accounting policies

The accounting policies have been consistently applied by Group's entities and are consistent with those applied for its 31 December 2010 financial statements, except for the application of the revised and new standards and interpretations applied as from 1 January 2011 as described below and for some changes in the methodology for the calculation of the costs of goods sold having no impact on the comparatives (see note 2.21).

(a) New and amended standards adopted by the Group

There is no new standard or amendment adopted by the Group in 2011.

(b) Standards, amendments and interpretations to existing standards effective in 2011

- IAS 24 (Revised): Related Party Disclosures;
- Amendment to IFRS 1: Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters;
- IFRS 3 (revised): 'Business combinations' was early adopted by the Group in 2009 and applied prospectively from 1 January 2009. The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payment classified as debt subsequently re-measured through the statement of comprehensive income. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed;
- Amendment to IAS 32: Classification of Rights Issues;
- Improvement to IFRS :
  - Amendment to IFRS 3: Business Combinations;
  - Amendment to IAS 1 : clarification of content of statement of changes in equity;
  - Amendment to IFRS 7: Financial Instruments – Disclosures;
  - Amendment to IAS 34: Interim Financial Reporting;
- IFRIC 14 : Prepayments of a Minimum Funding Requirement.

These principles do not differ from IFRS standards as published by IASB insofar as their application, which is compulsory for business years starting 1 January 2011, and the following amendments and interpretations, should have no significant impact on Group accounts.

(c) The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 January 2011 and have not been early adopted

- IFRS 9, Financial Instruments, initially issued in November 2009 and revised in October 2010. This standard addresses classification and measurement of financial assets and liabilities and is very likely to affect the Group's accounting treatment on financial instruments. This standard is applicable starting 1 January 2013 but can also be early-adopted. However, it has not yet been endorsed by the European Union
- IFRS 10 : Consolidated Financial Statements
- IFRS 11 : Joint Arrangements
- IFRS 12 : Disclosure of Interests in Other Entities
- IFRS 13 : Fair Value Measurement
- IAS 27 : Separate Financial Statements
- IAS 28 : Investments in Associates and Joint Ventures
- Amendment to IAS 19 : Employee Benefits
- Amendment to IAS 1 : First-time Adoption of International Financial Reporting Standards
- Amendment to IFRS 7 : Enhancing Disclosures about Transfers of Financial Assets
- Amendment to IAS 12 : Deferred Tax: Recovery of Underlying Assets

Finally, the Group does not apply in advance the following revised amendments and standards that have been adopted by the European Union and for which compulsory application comes after January 1, 2011.

2.2. Consolidation

(a) Subsidiaries

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

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

The acquisition method of accounting is used to account for business combinations by the Group. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration includes also the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On and acquisition-by-acquisition basis, the Group recognises 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 unrealised gains on transactions between Group companies are eliminated. Unrealised 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.

(b) 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.

(c) Joint-ventures

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

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

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

2.3. Segment reporting

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

2.4. Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

(c) 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

(a) Goodwill

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

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

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

(b) Computer software

Acquired computer software licences are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised 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 amortised using the straight-line method over their estimated useful lives (not exceeding three years).

(c) 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. The operating lease is accounted for as if it was a finance lease.

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

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

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

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

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

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

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

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

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

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

2.7. Property, plant and equipment

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

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

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

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

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

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

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

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

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

2.8. Leases

(a) A Group company is the lessee

(i) 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.

(ii) 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.

(b) A Group company is the lessor

(i) Operating lease

Properties leased out under operating leases are included in investment property in the consolidated balance sheet.

(ii) Finance lease

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

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

2.9. Impairment of non-financial assets

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

2.10. Financial assets

The Group classifies its financial assets other than derivatives in the following categories: loans and receivables and financial assets at fair value through profit or loss. 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.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as trade receivables (note 2.12) and other current assets in the consolidated balance sheet. Loans and receivables are carried at amortised 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 amortised cost less provision for impairment.

Management assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets classified as loans and receivables is impaired. Impairment testing of trade receivables is described in note 2.12.

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

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

2.11. Inventories

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

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

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

2.12. Trade receivables

Trade receivables are recognized initially at fair value and subsequently measured at amortised 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. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognized in the consolidated income statement.

2.13. Cash and cash equivalents

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

2.14. Share capital

Ordinary shares are classified as equity.

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

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

2.15. Borrowings

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

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised 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 amortised cost basis until extinguished on conversion at maturity of the bonds. If applicable, the remainder of the proceeds allocated to the conversion option is recognized in equity, net of income tax effect.

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

2.16. Compound financial instruments

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

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised 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 amortised cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or expiry.

2.17. Trade payables

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

2.18. Current and deferred income tax

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

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

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

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

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

Deferred income tax on investment property

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

2.19. Provisions and post-employment obligations

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

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

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

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

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to the consolidated income statement over the employees' expected average remaining working lives. Past-service costs are recognized immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period. For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due.

The valuation of the pension obligation by an independent actuarial is only applicable for the German entities. The Group offers for the German companies as well as for the other companies benefits plans managed by the State. The Group has the obligation to pay the contributions defined in the plan regulation. They are recorded in the financial statements in payroll charges.

2.20. Derivative financial instruments

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

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

2.21. Revenue recognition

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

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

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

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

For each development project, the measurement of the inventory exited over the period is now 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 purpose of the change of methodology is to ensure that the proportion of construction cost allocated to each unit sold is measured reliably during the project life.

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

2.22. Dividend distribution

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

2.23. Share option plans

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

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

3. Financial risk management

3.1. Financial risk factors

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

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

(a) Market risk

(i) Foreign exchange risk

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

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

Currency Code	Currency	31 December 2011		31 December 2010	
		Average	Closing	Average	Closing
CZK	Czech Kruna	24.5898	25.787	25.2675	25.06
HRK	Croatian Kuna	7.439	7.537	7.287759	7.385173
HUF	Hungarian Forint	279.3726	314.58	276.7908	278.75
PLN	Polish Zloty	4.1206	4.458	4.0044	3.9603
RUB	Russian Ruble	40.8846	41.765	40.1552	40.3331
USD	US Dollar	1.392	1.2939	1.3207	1.3362

The following table gives the impact on the total consolidated balance sheet in absolute terms in EUR million of the variation (increase/decrease) by 12% against the Euro and the dollar for each currency in which the Group has a significant exposure.

The Group based the assumption of 10% compared to 5% in 2010 as a result of the increased in volatility experienced in 2011, as the biggest exposure for the Group in HUF/EUR varied by 12.8% in 2011.

December 2011	Change of 10% against EUR
CZK/EUR	2.9
PLN/EUR	4.4
HUF/EUR	8.2
HRK/EUR	0.0
CZK/USD	3.3
RUB/EUR	0.0

Positions in foreign currencies have decreased since December 2010. Bank financing of residential developments are generally denominated in local currency as opposed to bank financing of investment properties that can be either expressed in foreign currencies in a company having Euro as a functional currency or being denominated in Euro in companies having another currency as functional currency.

(ii) *Price risk*

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

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

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

(iii) *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.

(b) *Credit risk*

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

In 2011:

	Fully performing	Past due but not impaired			Impaired	BALANCE 31 December 2011
		Less than 6 months	6 months and 1 year	More than 1 year		
Trade Receivable - Gross value	**31,451**	**3,268**	**192**	**1,235**	**16,201**	**52,346**
Impairments - At opening					(15,096)	(15,096)
Impairments - Scope Exit					334	334
Impairments - Merger					2,200	2,200
Impairments - Allowance					(2,262)	(2,262)
Impairments - Write-back					1,801	1,801
Impairments - Transfer					(3,383)	(3,383)
Impairments - Foreign exchange					205	205
Trade Receivable - Impairment	**-**	**-**	**-**	**-**	**(16,201)**	**(16,201)**
Trade Receivable - Net Value	**31,451**	**3,268**	**192**	**1,235**	**(0)**	**36,145**
Other current assets - Gross value	**30,706**	**419**	**60**	**10**	**1,269**	**32,463**
Impairments - At opening					(10,095)	(10,095)
Impairments - Scope Exit					8,654	8,654
Impairments - Allowance					(2,852)	(2,852)
Impairments - Write-back					-	-
Impairments - Transfer					3,024	3,024
Other current assets - Impairment	**-**	**-**	**-**	**-**	**(1,269)**	**(1,269)**
Other current assets - Net Value (i)	**30,706**	**419**	**60**	**10**	**-**	**31,156**
Cash and cash equivalents gross value	**37,095**	**-**	**-**	**-**	**-**	**37,095**
Total cash and cash equivalents	**37,095**	**-**	**-**	**-**	**-**	**37,095**
Non current loans and receivables - Gross value	**66,666**	**-**	**-**	**-**	**-**	**66,666**
Total Non current loans and receivables - Net value	**66,666**	**-**	**-**	**-**	**-**	**66,666**

(i) The other current assets excluded represent mainly tax receivables amounting to EUR 1.1 Million

In 2011, the Group has recorded net impairments on trade receivables amounting to EUR 0.5 million and a transfer for EUR 3.4 million corresponding mainly to the netting of closed transactions. The scope exit recorded on other current assets for EUR 8.7 million is related to the sales of non-hospitality Russian activities.

The table below shows the rating and the balance for some of the major bank counterparties at the balance sheet date. Group does not hold any collateral.

Counterparty	Ratings Agency Moody's Rating	S&P's rating	Fitch's Rating	December 2011	December 2010
Deutsche Bank	Aa3	A+	A+	9.0	9.3
CSOB	A1	-	BBB+	6.6	8.5
Pekao bank	A2	BBB+	A-	6.1	6.2
Berliner Volksbank	-	AA-	A+	1.8	5.1
HSBC bank plc.	Aa2	A+	AA	0.0	2.8
SVA Bank	-	-	-	0.0	2.1
KBC Bank	A1	A-	A-	4.4	2.0
Credit agricole (CALYON)	Aa3	A	A+	1.4	1.6
LBB/Sparkasse	Aaa	-	A+	1.3	1.5
DnB NOR	AAA	Aaa	AAA	0.0	1.2
PBZ	-	-	-	1.9	-
VUB	A2	-	-	0.5	1.1
HSH Nordbank	Aa1	-	AAA	2.1	1.0
BGL BNP Paribas	A1	AA-	A	0.5	0.5
EuroHypo	A-	A3	A-	0.0	0.2
Unicredit	-	BBB	BBB	2.0	-
Raiffeisen	Aa1	-	-	0.0	0.1
St Petersburg Bank	Ba3	-	-	-	-
in Euro million				37.6	43.2

In 2010:

At 31 December 2010	Fully performing	Past due but not impaired: Less than 6 months	6 months and 1 year	More than 1 year	Impaired	Total
Trade receivables gross	30 445	2 542	386	976	26 516	60 865
Impairments at 31 December 2009					-14 408	-14 408
Impairments - Scope Exit					12	12
Impairments - allowance					-1 647	-1 647
Impairments - write-back					6 316	6 316
Impairments - transfers					-16 500	-16 500
Foreign exchange Impairments					-289	-289
Total trade receivables	30 445	2 542	386	976	-	34 349
Other current assets gross	49 423	372	14	137	10 095	60 042
Impairments at 31 December 2009					-7 319	-7 319
Impairments - allowance					-8 836	-8 836
Impairments - write-back					5 704	5 704
Impairments - transfers					346	346
Others					10	10
Total other current assets (i)	49 423	372	14	137	-	49 947
Cash and cash equivalents gross	53 439	-	-	-	-	53 439
Impairments at 31 December 2009					-	-
Impairments - allowance					-	-
Total cash and cash equivalents	53 439	-	-	-	-	53 439
Derivatives gross	0	-	-	-	-	-
Impairments at 31 December 2009					-	-
Impairments - allowance					-	-
Total Derivatives	-	-	-	-	-	-

(i) The other current assets excluded in this table represent mainly tax receivables amounting to EUR 8.0 million.

In 2010, the Group has recorded impairments on trade receivables amounting to EUR 1.6 million (mainly EUR 0.9 million in Germany, EUR 0.3 million in Luxembourg and EUR 0.3 Million in the Czech Republic) and a reversal of impairment of EUR 6.3 million mainly related to the reversal on an advance payment to a third party on an asset located in Russia for EUR 5.8 million in application of the Group management review of the overdue receivables.

The Group has recorded impairments on the current assets amounting to EUR 8.8 million mainly related to the loan granted to Mr Gogol for EUR 8.7 million and a reversal of impairment corresponding to a profit and loss transfer with the Company Deutsche Annington for EUR 5.7 million.

In December 2010 the Company reached an agreement to gain 10% ownership in Rubin retail project in Moscow in exchange of a USD 25 Million advance payment signed back in 2008. This advance has been transferred from financial assets at fair value through profit or loss to advance payment for EUR 1 and an impairment of EUR 6.4 million, based on the Net Asset Value of the entity holding the project, was written back.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the inherent nature of its assets, the Group is subject to a liquidity risk (see note 2.1.1 on going concern and note 3.3 for covenant breaches).

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

The table below analyses the Group's financial liabilities and net-settled derivative instruments into relevant maturity groupings based on the remaining period as from 31 December 2011 to the contractual maturity date.

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

At 31 December 2011	Less than 1 month	Between 1 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	More than 5 years	TOTAL	Total booked value as at 31.12.2011
Fixed rate loans and bonds	-	(117,875)	(10,421)	(110,104)	(425,818)	(664,218)	(303,142)
Floating rate	(6,160)	(24,993)	(512,670)	(249,542)	(36,290)	(829,655)	(822,911)
bonds floating rate	-	-	-	-	-	-	-
Floating rate loans and bonds	(6,160)	(24,993)	(512,670)	(249,542)	(36,290)	(829,655)	(822,911)
Interest rate derivatives	(2,547)	(2,326)	(4,429)	(21)	-	(9,323)	(18,238)
Embedded derivatives on bonds	-	(25,025)	-	-	-	(25,025)	(22,914)
Liabilities held for sale	-	(5,145)	(10,745)	-	-	(15,890)	(15,890)
Trade payable	(3,522)	(4,787)	(8,056)	-	-	(16,365)	(16,365)
Other current liabilities	(34,532)	(16,790)	(17,103)	-	-	(68,425)	(68,425)
Total	**(46,761)**	**(196,941)**	**(563,424)**	**(359,667)**	**(462,108)**	**(1,628,901)**	**(1,267,885)**

At 31 December 2010	Less than 1 month	Between 1 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	More than 5 years	TOTAL	Total booked value as at 31.12.2011
Fixed rate loans and bonds	(15,513)	(14,144)	(4,909)	(251,805)	(459,591)	(745,962)	(318,452)
Floating rate loans and bonds	(158,674)	(139,973)	(86,875)	(511,321)	(52,834)	(949,677)	(841,710)
Interest rate derivatives	(2,862)	(5,352)	(7,747)	(13,094)	1,586	(27,469)	(27,469)
Embedded derivatives on bonds	-	-	-	(25,025)	-	(25,025)	(19,323)
Liabilities held for sale	-	(76,559)	-	-	-	(76,559)	(76,559)
Trade payable	(7,320)	(9,248)	(4,443)	-	-	(21,011)	(21,011)
Other current liabilities	(50,313)	(25,122)	(12,629)	-	-	(88,064)	(88,064)
Total	(234,682)	(270,397)	(116,603)	(801,245)	(510,839)	(1,933,767)	(1,392,588)

Undrawn bank credit facilities

	31 December 2011	31 December 2010
Expiring within one year	-	63,042
Expiring after one year	42,421	49,681
Total	42,421	112,723

In 2011

The credit line expiring after one year is mainly related to the credit line on Zlota renegotiated during the year.

The decrease in undrawn credit facilities is due to following main factors:

- Full draw down on Kosic for EUR 10.3 million, Huettenstrasse for EUR 9.7 million, Sky Office for EUR 5.3 million, Na Porici for EUR 4.0 million Radio Free Europe for EUR 2.8 million.
- Repayment linked to asset and share deals on Molcom for EUR 22.4 million.

In 2010

The decrease in undrawn credit facilities is due to following main factors:

- The partial sale of Targowek / Malborska in Poland, the partial sale of Koliba in Bratislava and the partial sale of Slunecny Phase 3 in the Czech Republic had undrawn credit facilities of EUR 24.0 million as at December 31, 2010;
- Molcom have contracted a new loan and have reimbursed the credit facility with this loan for EUR 13.0 million;
- Brno City Center entered into a new credit facility for EUR 1.1 million and in the same time Brno City reimbursed a facility loan for EUR 2.3 million;
- Sky office in Germany have increased its credit line for EUR 5.3 million but did not draw anything as of December 31, 2010;
- Hagibor reimbursed EUR 1.5 million on its credit facility;
- Several other companies reimbursed credit facilities for EUR 1.8 million;
- EUR 69.4 million of the undrawn credit facilities in 2009 expired in 2010.

(d) Cash flow interest rate risk

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

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

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

The floating rate loans and bonds line presents the projected cash flows, including interests and the reimbursements of the principal and of the non-conversion premium (when applicable), for Group's floating rate loans and bonds. The cash flows have been established on the basis of the forward interest and exchange rates as at 31 December 2011. Held for sale liabilities represent the loans in respect of Przy Parku, Huettenstrasse and Ku-Damm 102 which are classified as held for sale.

Interest rate swaps, collars and FOREX derivatives used by the Group are detailed in the note 18.12.

As at 31 December 2011, the impact of a 100 basis points growth of interest rates curve would induce an increase of the interest charges for 2011 of EUR 9.8 million. Before the positive impact of derivatives, the increase of interest expenses in 2011 would amount to EUR 13.7 million.

As at 31 December 2010, the impact of a 100 basis points growth of interest rates curve would induce an increase of the interest charges for 2010 of EUR 3.1 million. Before the positive impact of derivatives, the increase of interest expenses in 2010 would amount to EUR 8.1 million.

The table below shows the amount of floating bank loans by type of floating rate and the next re-pricing months.

		Repricing month	Amounts
EuriborJanuary	Euribor + margin (from +0.8 to +3.8)	January 2012	111,489
Euriborfebruary		February 2012	13,114
Euribormarch		March 2012	524,946
Priborjanuary	Pribor + margin (from +1.3 to +3.7)	January 2012	78,437
Pribormarch		March 2012	3,134
Liborjanuary	Libor + margin (from +0.8 to +0.9)	January 2012	0
Libornovember		November 2012	38,358
Wiborjanuary	Wibor + margin (from +0.8 to +4.5)	January 2012	53,129

3.2. Fair value estimates

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

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

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

Group's financial assets and liabilities measured at fair value at 31 December 2011

	Financial Instruments at fair value through profit or loss			Other Financial Instruments at amortised cost	Balance Sheet 31 December 2011
	Level 1	Level 2	Level 3		
Assets					
Financial assets at fair value through profit or loss					
- Investment in Endurance Fund	-	-	22,758	-	22,758
- Investment in Rubin	-	-	10,484	-	10,484
- loans granted to Joint ventures and other investments	-	-	17,983	-	17,983
Subtotal Financial assets at fair value through profit or loss	-	-	*51,225*	-	*51,225*
Current financial assets					
- Trading securities		29	-		29
Subtotal Current financial assets	-	*29*	-	-	*29*
Total assets	-	**29**	**51,225**	-	**51,254**
Liabilities					
Financial debts (non current):					
- loans received from Joint ventures and other investments	-	-	5,994	157,386	163,380
Subtotal Financial debts (non current):	-	-	*5,994*	*157,386*	*163,380*
Derivative instruments:					
- Embedded derivatives on bonds	-	-	22,914	-	22,914
- Trading derivatives	-	12,336	-	-	12,336
Subtotal Derivative instruments	-	*12,336*	*22,914*	-	*35,250*
- Trading derivatives in Held for sales Liabilities	-	824	-	15,068	15,892
Subtotal Derivative instruments in Held for sales Liabilities	-	*824*	-	*15,068*	*15,892*
Total liabilities	-	**13,160**	**28,908**	**172,454**	**214,522**

The changes in assets at fair value recorded in 2011 are mainly due to the revaluation of the investment in Rubin (Russia) and the revaluation of the loan granted to Endurance Real Estate Fund for Central Europe based on the net asset value as provided by the Fund Manager in its report as at 30 September 2011, with a liquidity discount of 20%.

Change in embedded derivatives is based on revaluation of such financial instruments according to a report established by Grand Thornton Report on OG bonds expressing reduction in NPV (net present value) of contingent liability related to decrease in maturity of such derivatives to 5 months in 2011 instead of 17 months in 2010.

Decrease in trade derivatives relates to reduction of time value of such financial instruments in 2011.

Loans granted to Joint Ventures amounting to EUR 88.2 million (EUR 87.8 million in 2010) representing the maximum credit risk for the Group. The fair value of such loan amounting to EUR 18.0 million (EUR 19.1 million in 2010) have increased by EUR 1.1 million as the discounted rate for the assessment have been decreased by 100 basis points.

Group's financial assets and liabilities measured at fair value at 31 December 2010

	Financial Instruments at fair value through profit or loss			Other Financial Instruments at amortised cost	Balance Sheet 31 December 2010
	Level 1	Level 2	Level 3		
Assets					
Financial assets at fair value through profit or loss					
- Investment in Endurance Fund	-	-	10,923	-	10,923
- loans granted to Joint ventures and other investments	-	-	19,126	-	19,126
Subtotal Financial assets at fair value through profit or loss	*-*	*-*	*30,049*	*-*	*30,049*
Current financial assets					
- Trading securities	118	184	-		302
Subtotal Current financial assets	*118*	*184*	*-*	*-*	*302*
Total assets	**118**	**184**	**30,049**	**-**	**30,351**
Liabilities					
Financial debts (non current):					
- loans received from Joint ventures and other investments	-	-	5,824	229,843	235,667
Subtotal Financial debts (non current):	*-*	*-*	*5,824*	*229,843*	*235,667*
Derivative instruments:					
- Embedded derivatives on bonds	-	-	19,323	-	19,323
- Trading derivatives	-	27,469	-	-	27,469
Subtotal Derivative instruments	*-*	*27,469*	*19,323*	*-*	*46,792*
Total liabilities	**-**	**27,469**	**25,147**	**229,843**	**282,459**

3.3. Capital risk management

The Group monitors its capital risk by reference to the loan to value ratio ("LTV") which is the level of net debt accepted by the Group in order to finance its portfolio of assets. The objective of the Group is to bring back the loan to value ratio under 50%. The Group's objectives when managing capital are to safeguard the going concern and growth of the activities. In order to maintain or adjust the capital structure, the Group may, issue new shares, reschedule debt maturities, sell totally or partially the control over some assets and activities or adjust the agenda of the developments.

The following table shows the detailed calculation of the loan to value ratio. Apart from the caption Revaluation gains on projects and properties, all the lines correspond to specific items indicated on the face of the consolidated balance sheet. The Revaluation gains or losses on projects and properties represent the difference between the book value and the fair value for all the projects and properties that are not considered as Investment properties. This line also integrates the connection to the net asset values of the joint ventures the Group has formed with AIG reflecting on agreement signed in 2010 allocating 75% of the cash outflows as repayments of shareholder loans. The fair value of developments may be lower than their book value since the impairment test is performed on the basis of the expected selling price once completed minus the remaining development and commercialization costs while the fair value corresponds to the sale price of the development as it is at the date of valuation.

	December 2011	December 2010
Non current liabilities		
Financial debts	239,225	526,991
Current liabilities		
Financial debts	620,835	389,282
Current assets		
Current financial assets	(29)	(302)
Liabilities held for sale	15,891	76,494
Cash and cash equivalents	(37,095)	(53,439)
Net debt	**838,828**	**939,026**
Investment property	872,316	888,036
Hotels and owner-occupied buildings	142,659	222,563
Financial assets at fair value through profit or loss	40,741	30,049
Non current loans and receivables	77,265	-
Inventories	382,807	418,957
Assets held for sale	24,129	131,898
Revaluation gains (losses) on projects and properties	69,521	53,375
Fair value of portfolio	**1,609,437**	**1,744,878**
Loan to value before bonds	**52.1%**	**53.8%**
Bonds	283,462	243,889
Accrued interests on bonds	2,328	2,328
Loan to value	**69.9%**	**67.9%**

Most of the administrative covenants are managed by local financial managers. Reported breaches are managed at Group level. Financial covenants are directly managed at Group level. End of 2011, some loans encountered administrative and/or financial covenant breaches. Those loans, as a result, have been reclassified in current liabilities. In some circumstances, when cross default covenants are included in bank loan agreements, breaches occurring at the level of subsidiaries could have the consequence that other bank loans granted to other entities of the Group become repayable on demand. Such cross defaults can occur also in the opposite way, meaning that breaches occurring at the level of the Company could have the consequence that bank loans granted to subsidiaries become repayable on demand. In case of cross default covenants' breach, the related loans, as a result, have been reclassified in current liabilities.

The non-respect of the LTV covenants may have as consequence that the lending bank requires partial repayment of the loan in order to solve the LTV covenant breach. In 2011, the Group negotiated mainly interest margin increase instead of partial repayment of the loan but some repayments have also been granted for a total amount of EUR 4.8 million.

As at December 2011, the LTV ratio before bonds decreases from 53.8% to 52.1% as a result of the value creation on existing assets and developments as well as the sales realized on an average price above 2010 DTZ valuation. However the increase of bonds debt is weighing on the Group's global LTV which has increased to 69,9% end of 2011 (compared to 67.9% end of 2010).

As developed in the Group business plan, management remains committed to the improvement of the LTV ratio over the coming quarters as a top strategic priority, which is expected to take the form of bonds equitization and additional assets sale / debt repayments or reduction. The LTV level of the major Group subsidiary Orco Germany, which stands at 77.8%, is being directly addressed by the OG bonds conversion plan expected to close by April 2012.

3.4. Financial instruments by category

Financial instruments 31 December 2011	Loans and Receivables	Asset at fair value through profit or loss	31 December 2011
Financial assets at fair value through profit or loss	-	46,787	46,787
Derivative financial instruments and trading securities	-	29	29
Current trade and other receivables	36,145	-	36,145
Trade and other receivables	66,666	-	66,666
Cash and cash equivalent	37,095	-	37,095
Financial Assets	**139,906**	**46,816**	**186,721**
	Other financial liabilities at amortised cost	**Liabilities at fair value through profit or loss**	**TOTAL**
Borrowings	1,153,261	5,994	1,159,255
Trading derivatives	-	41,153	41,153
Trade and other payables	16,366	-	16,366
Financial Liabilities	**1,169,627**	**47,147**	**1,216,774**

Financial instruments 31 December 2010	Loans and Receivables	Asset at fair value through profit or loss	TOTAL
Financial assets at fair value through profit or loss	-	30,049	30,049
Derivative financial instruments and trading securities	-	302	302
Trade and other receivables	34,349	-	34,349
Cash and cash equivalent	53,439	-	53,439
Financial Assets	**87,788**	**30,351**	**118,139**
	Other financial liabilities at amortised cost	**Liabilities at fair value through profit or loss**	**TOTAL**
Borrowings	1,236,656	-	1,236,656
Trading derivatives	-	46,792	46,792
Trade and other payables	-	21,011	21,011
Financial Liabilities	**1,236,656**	**67,803**	**1,304,459**

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.

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

(b) Estimate of fair value of investment properties

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

(i) Current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences;

(ii) *Recent* prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

(iii) Discounted cash flow projections based on reliable estimates of future cash flows, derived from the terms of any existing lease and other contracts and (where possible) from external evidence such as current market rents for similar properties in the same location and condition, *and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.*

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

The main assumptions for discounted cash flow projections are the following:

	2011		2010		2009	
	Min	Max	Min	Max	Min	Max
Discount rate	5.3%	17.0%	6.5%	11.8%	7.0%	11.0%
Yield range	5.4%	19.1%	5.8%	13.0%	6.8%	12.0%
Exit Cap Rate	5.3%	17.0%	5.3%	9.0%	6.0%	9.0%

2011 per category of asset	Capitalization yield		Cap Rate		Discount Rate	
	Min	Max	Min	Max	Min	Max
Hospitality	9.0%	16.0%	7.3%	11.0%	9.5%	17.0%
Rental CE	6.8%	19.1%	7.0%	17.0%	6.8%	13.0%
German Assets	5.4%	5.4%	5.3%	8.3%	5.3%	9.6%
Developments CE	7.0%	7.5%	NA	NA	8.0%	8.0%

The principal assumptions underlying management's estimation of fair value are those related to: the potential use of the asset, the receipt of contractual rentals; expected future market rentals; void periods; maintenance requirements; and appropriate discount rates. The fair value is based on the potential use of the properties as determined by the Group. Fair value is the highest value, determined from market evidence, by considering any other use that is financially feasible, justifiable and reasonably probable. The "highest and best-use" value results in a property's value being determined on the basis of redevelopment of the site. These valuations are regularly compared to actual market yield data, actual transactions by the Group and those reported by the market.

The expected future market rentals are determined on the basis of current market rentals for similar properties in the same location and condition.

(c) Income taxes

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

As stated in note 2.18, the calculation of deferred tax on investment properties is not based on the fact that they will be realized through a share deal but through an asset deal. As a result of the Group structure, the potential capital gain may be exempted from any tax in case of share deal if certain conditions are met and hence the accumulated deferred tax liabilities may be recognized as a gain depending on the outcome of negotiations with future buyers.

(d) Determination of remaining construction costs and impairment on developments

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

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

(e) Estimate of fair value of financial instruments

Some financial instruments are recorded at fair value.

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

- for derivative instruments linked to bonds issued by Orco Germany using a discount rate of 23.7% (20.4% in 2010);
- by the Group's banks for the derivatives (IRS, options and forwards);
- for the loan granted to Hospitality Invest joint venture, the valuation is performed internally using a discount rate similar to the one used for the fair value of the properties and a risk premium of 4.0% (4% in 2010) for the Profit Participating Loan granted to the joint venture holding company.

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

The Group investments in the Endurance sub-funds are fair valued on the basis of the net asset value as provided by the fund Manager as at 30 September 2011 with a liquidity discount of 20% (20% in 2010).

(f) Impairment on owner-occupied buildings and hotels

For the purpose of determining the impairment on owner-occupied buildings and hotels, the Group uses the fair value as determined by the independent expert. The valuation methodology is based on cash flow projections for the relevant property with a discount rate ranging from 9.25% to 12.50% depending of the location of the assets and its specific business risk.

(g) Impairment on goodwill

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

4.2. Critical judgments in applying the Group's accounting policies

(a) 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.

(b) 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.

(c) 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.

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 amortisation ("adjusted EBITDA" as defined below).

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

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

The Group structure lies on two main activities to which the Investment Committee is allocating the Group investment capacity on the basis of the strategy defined by the Board of Directors. On the 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 developped 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 analysed.

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 asset management line once completed;
- Property Investment business line (formely called Asset Management) covers all real estate assets operated (as hotels and logistic parks) and rented out assets or that will be so without any major refurbishment.

The level of indebtedness in front of each asset in order to finance projects and operations is decided by the Investment Committee and the Board of Directors above certain thresholds. The funds allocation after draw dawn 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.

In order to maintain the accuracy of segment reporting the methodology has been revised in 2011 by allocating revenue and costs at the project level instead of the special purpose vehicles ("SPV") level. As a result of the Group restructuring, multi-project SPVs related to both Development and Property Investments are now more frequent. Before this restructuring, the allocation to segments was based on the SPV activity as they were mainly mono-segment. A project is defined as an Investment property, a hotel, owner occupied building or real estate inventory asset.

Segment Reporting – 31 December 2011

Profit & Loss 31 December 2011	Development	Property Investments	TOTAL
Revenue	47,391	110,211	157,602
Net gain or loss from fair value adjustments on investment property	(2,918)	22,478	**19,560**
Cost of goods sold	(32,669)	(2,641)	**(35,310)**
Amortisation, impairments and provisions	(5,633)	(14,832)	**(20,465)**
Other operating results	(9,005)	(72,438)	**(81,443)**
Operating Result	(2,834)	42,778	39,944
Net gain or loss from fair value adjustments on investment property	2,917	(22,478)	**(19,560)**
Amortisation, impairments and provisions	5,632	14,831	**20,464**
Net result on disposal of assets	(10,919)	414	**(10,506)**
Adjusted EBITDA	(5,204)	35,545	30,342
Net gain or loss from fair value adjustments on investment property	(2,917)	22,478	**19,560**
Amortisation, impairments and provisions	(5,632)	(14,831)	**(20,464)**
Net result on disposal of assets	10,919	(414)	**10,506**
Operating Result	(2,834)	42,778	39,944
Financial Result			**(87,053)**
Profit & Loss before Income Tax			(47,109)

Balance Sheet & Cash Flow 31 December 2011	Development	Property Investments	TOTAL
Segment Assets	467,249	954,133	1,421,383
Investment Properties	81,562	790,753	**872,316**
Property, plant and equipment	-	142,659	**142,659**
Inventories	382,279	-	**382,279**
Assets held for sale	3,408	20,721	**24,129**
Unallocated assets			*266,590*
Total Assets			**1,702,373**
Segment Liabilities	5,275	10,617	15,892
Liabilities linked to assets held for sale	5,275	10,617	**15,892**
Unallocated liabilities			*1,686,481*
Total Liabilities			**1,702,373**
Cash flow elements	730	26,224	26,954
Capital expenditure	730	26,224	**26,954**

Segment Reporting – 31 December 2010 (Unaudited Proforma)

Profit & Loss 31 December 2010 Proforma	Development	Property Investments	TOTAL
Revenue	182,898	111,641	294,539
Net gain or loss from fair value adjustments on investment property	9,373	18,702	**28,075**
Cost of goods sold	(162,314)	(3,414)	**(165,728)**
Amortisation, impairments and provisions	955	(18,499)	**(17,544)**
Other operating results	(29,493)	(69,188)	**(98,681)**
Operating Result	1,419	39,242	40,661
Net gain or loss from fair value adjustments on investment property	(9,373)	(18,702)	**(28,075)**
Amortisation, impairments and provisions	(955)	18,499	**17,544**
Past valuation on goods sold	2,794	-	**2,794**
Net result on disposal of assets	(465)	(876)	**(1,341)**
Adjusted EBITDA	(6,580)	38,163	31,583
Net gain or loss from fair value adjustments on investment property	9,373	18,702	**28,075**
Amortisation, impairments and provisions	955	(18,499)	**(17,544)**
Past valuation on goods sold	(2,794)	-	**(2,794)**
Net result on disposal of assets	465	876	**1,341**
Operating Result	1,419	39,242	40,661
Financial Result			**192,325**
Profit & Loss before Income Tax			232,986

Balance Sheet & Cash Flow 31 December 2010 Proforma	Development	Property Investments	TOTAL
Segment Assets	635,716	1,041,026	1,676,743
Investment Properties	103,117	784,919	**888,036**
Property, plant and equipment	349	237,502	**237,851**
Inventories	415,946	3,011	**418,958**
Assets held for sale	116,304	15,594	**131,898**
Unallocated assets			*225,563*
Total Assets			**1,902,306**
Segment Liabilities	299,119	669,701	968,820
Financial debts	233,119	659,207	**892,326**
Liabilities linked to assets held for sale	66,000	10,494	**76,494**
Unallocated liabilities			*933,485*
Total Liabilities			**1,902,306**
Cash flow elements	25,656	2,536	28,192
Capital expenditure	25,656	2,536	**28,192**

Segment Reporting – 31 December 2010

Profit & Loss 31 December 2010	Development	Property Investments	TOTAL
Revenue	182,898	131,759	314,657
Net gain or loss from fair value adjustments on investment property	7,258	18,702	**25,960**
Cost of goods sold	(162,314)	(3,457)	**(165,771)**
Amortisation, impairments and provisions	1,056	(11,212)	**(10,156)**
Other operating results	(28,599)	(85,124)	**(113,723)**
Operating Result	299	50,668	50,967
Net gain or loss from fair value adjustments on investment property	(7,258)	(18,702)	**(25,960)**
Amortisation, impairments and provisions	(1,056)	11,212	**10,156**
Past valuation on goods sold	2,794	-	**2,794**
Net result on disposal of assets	(465)	(732)	**(1,197)**
Adjusted EBITDA	(5,686)	42,446	36,760
Net gain or loss from fair value adjustments on investment property	7,258	18,702	**25,960**
Amortisation, impairments and provisions	1,056	(11,212)	**(10,156)**
Past valuation on goods sold	(2,794)	-	**(2,794)**
Net result on disposal of assets	465	732	**1,197**
Operating Result	299	50,668	50,967
Financial Result			**179,852**
Profit & Loss before Income Tax			230,819

Balance Sheet & Cash Flow 31 December 2010	Development	Property Investments	TOTAL
Segment Assets	635,716	1,041,026	1,676,743
Investment Properties	103,117	784,919	**888,036**
Property, plant and equipment	349	237,502	**237,851**
Inventories	415,946	3,011	**418,958**
Assets held for sale	116,304	15,594	**131,898**
Unallocated assets			*225,563*
Total Assets			**1,902,306**
Segment Liabilities	299,119	669,701	968,820
Financial debts	233,119	659,207	**892,326**
Liabilities linked to assets held for sale	66,000	10,494	**76,494**
Unallocated liabilities			*933,485*
Total Liabilities			**1,902,306**
Cash flow elements	25,656	2,536	28,192
Capital expenditure	25,656	2,536	**28,192**

Geographical information

	Revenue	Investment Properties	Property, plant & equipment	Inventories
Czech Republic	52,449	220,734	17,344	119,732
Germany	63,757	491,989	2,911	144,156
Russia	3,584	-	16,555	-
Poland	12,921	31,642	6,931	104,565
Croatia	15,855	1,220	96,072	646
Hungary	2,897	88,200	2,641	-
Slovakia	6,242	13,900	197	11,179
Luxembourg	12,380	24,650	-	-
Inter-geographic	(12,482)	-	-	-
December 2011	**157,602**	**872,335**	**142,650**	**380,278**

	Revenue Pro Forma	Revenues	Investment Properties	Property, plant & equipment	Inventories
Czech Republic	79,696	79,696	222,420	18,573	141,949
Germany	150,155	150,155	508,158	3,890	142,279
Russia	3,411	23,529	6,500	84,571	11,820
Poland	36,316	36,316	33,600	9,367	103,616
Croatia	16,159	16,159	470	112,118	2,146
Hungary	4,050	4,050	79,050	5,473	5
Slovakia	6,356	6,356	15,821	231	17,107
Luxembourg	12,020	12,020	22,017	3,628	34
Inter-geographic	(13,623)	(13,623)	-	-	-
December 2010	**294,539**	**314,657**	**888,036**	**237,851**	**418,957**

6. Discontinued operations

In 2011 the Group has completed the agreement to sell its stake in its Russian rental and development operations to a local investor. The EUR 53 million sale includes the logistics business, the residential projects, the offices and land plots. The agreement contains a further provision entitling the Group to 20% of future sales proceeds in the event they exceed the EUR 53 million. Formal closing occurred on 14 October 2011.

	12months 2011	12months 2010
Revenue	**19,089**	**20,118**
Sale of goods	-	-
Rent	*19,045*	*20,091*
Hotels, Extended Stay & Restaurants	-	-
Services	*44*	*27*
Net gain / (loss) from fair value adjustments on investment property	0	(2,115)
Other operating income	63	(36)
Net result on disposal of assets	(41)	(144)
Cost of goods sold	-	(43)
Employee benefits	(11,238)	(11,122)
Amortisation, impairments and provisions	(176)	7,388
Other operating expenses	(3,075)	(3,740)
Operating result	**4,622**	**10,306**
Interest expenses	(1,139)	(1,674)
Interest income	1,441	2,791
Foreign exchange result	(1,950)	(5,074)
Other net financial results	(933)	(8,515)
Financial result	**(2,581)**	**(12,472)**
Profit / (loss) before income taxes	**2,041**	**(2,166)**
Income taxes	(936)	(1,823)
Profit / (loss) after tax from discountinued operations	**1,105**	**(3,989)**
Basic earnings in EUR per share	0.07	(0.54)
- Attributable to non controlling interests	*0.02*	*(0.13)*
- Attributable to owners of the Company	*0.05*	*(0.42)*
Diluted earnings in EUR per share	0.07	(0.54)

In EUR Thousand	12months 2011	12months 2010
Operating	(3,532)	(40,378)
Investment	(3,344)	(5,430)
Financing	1,927	1,506
Net Cash Outflow	**(4,949)**	**(44,302)**

Net loss from sale of Russian rental and development operations comprise EUR 0.9 million.

Cash received in 2011 from discontinued operations is represented by EUR 13.3 million.

The remaining EUR 39.7 million recorded in Balance sheet as “Non current loans and receivables” that is expected to be received is guaranteed by pledge of shares sold.

	September 2011
NON-CURRENT ASSETS	**72,820**
Intangible assets	**192**
Investment property	**6,491**
Property, plant and equipment	**63,841**
Hotels and owner-occupied buildings	60,818
Fixtures and fittings	2,956
Properties under development	67
Financial assets at fair value through profit or loss	**-**
Non current loans and receivables	**2,253**
Deferred tax assets	**42**
CURRENT ASSETS	**29,882**
Inventories	11,770
Trade receivables	1,703
Other current assets	15,429
Derivative instruments	-
Current financial assets	-
Cash and cash equivalents	981
Assets held for sale	-
TOTAL ASSETS	**102,702**
NON-CURRENT LIABILITIES	**26,488**
Bonds	-
Financial debts	16,499
Provisions & other long term liabilities	548
Derivative instruments	-
Deferred tax liabilities	9,442
CURRENT LIABILITIES	**3,691**
Current bonds	-
Financial debts	825
Trade payables	338
Advance payments	297
Derivative instruments	-
Other current liabilities	2,175
Net assets & Liabilities toward the group	57
Liabilities linked to assets held for sale	-
TOTAL LIABILITIES	**30,179**

7. Intangible assets

The intangible assets of EUR 47.8 million (EUR 48.2 million in 2010) include mainly the GSG trademark recognized as part of the business combination accounting (EUR 7.2 million) and the goodwill on acquisitions (EUR 39.3 million).

The sole goodwill recognized as at 31 December 2011 (since 2009) is the GSG goodwill. The impairment tests carried out on the goodwill did not lead to the recognition of any additional impairment in 2011 and 2010.

Since 1965, GSG has continuously developed its brand. Especially its initial role as a business promoter had a strong impact on the image of being a fair and reliable landlord. In the course, GSG managed to reinforce the brand by implementing a new corporate design, accompanied by specific marketing campaigns. The “change” into ORCO-GSG even helped to illustrate the shift to a modern service provider offering a wide range of additional products/services like the own glass fibre network or the support of start-up companies. Therefore the implemented brand has been and will be of vital importance and the fundamental basis to market the assets, to increase occupancy and maintain the good reputation. In this context, the useful life of GSG trademark has been assessed as indefinite.

8. *Investment Property*

	Freehold buildings	Extended stay hotels	Land bank	Buildings under construction	Buildings under finance lease	TOTAL
Balance at 31 December 2009	**795,704**	**21,430**	**214,780**	**40,110**	**280**	**1,072,304**
Investments / acquisitions	1,155	255	11,156	13,822	-	26,388
Asset sales	(50,256)	-	(82)	-	(293)	(50,631)
Revaluation through income statement	13,513	4,615	15,181	(7,348)	-	25,961
Other transfers	(1,527)	-	(196,875)	-	-	(198,402)
Translation differences	7,407	-	6,180	(1,184)	13	12,416
Balance at 31 December 2010	**765,996**	**26,300**	**50,340**	**45,400**	**-**	**888,036**
Scope movements	-	-	(6,277)	-	-	(6,277)
Investments / acquisitions	1,444	80	455	6,184	-	8,163
Asset sales	(10,892)	-	(1,317)	-	-	(12,210)
Revaluation through income statement	17,667	747	1,146	-	-	19,560
Transfers from properties under development	50,434	-	-	(50,434)	-	-
Transfers in/from asset held for sale	(3,860)	-	(4,030)	-	-	(7,890)
Other transfers	(1,432)	-	1,770	-	-	338
Translation differences	(12,370)	(1,256)	(2,627)	(1,150)	-	(17,403)
Balance at 31 December 2011	**806,986**	**25,871**	**39,459**	**(0)**	**-**	**872,317**

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.

In 2011

65 investment properties (EUR 824.7 million) financed by bank loans located in special purpose entities are fully pledged for EUR 558.4 million. The decrease by EUR -6.3 million for the investment properties presented in scope movements is related to the sale of Molcom (Russian portfolio) as disclosed in note 6.

(a) Investments / Acquisitions

During the year, the Group has invested EUR 8.2 million in investment property representing mainly capitalization on commercial development in Budapest. The main investment, on the Vaci 1 retail center (Budapest) has been partially financed by further loan drawdowns:

- EUR 6.2 million for the development of the Vaci 1 (commercial development in Budapest);
- EUR 0.8 million in the Czech Republic mainly on Na Porici (renting) for EUR 0.3 million and Doupovska (residential) for EUR 0.1 million;
- EUR 0.5 million in Germany mainly on Kurfustendamm 102 (transferred to asset held for sale asset at the end of 2011) for EUR 0.2 million.

(b) Asset sales

During the year, the net book value ("NBV") of the assets sold represents EUR 12.2 million, for a total sale price of EUR 13.4 million out of which EUR 6.7 million have been used to repay the bank loan on Invalidenstrasse, with a total net gain compared to the December 2010 DTZ valuation amounting to EUR 2.5 million and composed mainly of the following disposals:

- Invalidenstrasse in Berlin (NBV of EUR 5.2 million) at the sale price of EUR 5.6 million;
- Brunnenstrasse 156 in Berlin (NBV of EUR 3.4 million) at the sale price of EUR 3.7 million;
- Plachta Jih, a residential property in Czech Republic (NBV of EUR 0.9 million) at the sale price of EUR 1.7 million;
- Vinohrady, a residential property in Prague (NBV of EUR 2.0 million) at the sale price of EUR 2.0 million;
- Kolin a development property in Czech Republic (NBV of EUR 0.4 million) at the sale price of EUR 0.4 million.

(c) Revaluation through the income statement (see note 4.1)

The movement in fair value of the assets relates mainly to freehold buildings and land bank:

In Germany, the total amount of increase in fair value amounts to EUR 13.1 million of which EUR 12.8 million on freehold buildings and EUR 0.3 million on land banks;

- In the Czech Republic, the increase in fair value amounts to EUR 8.5 million of which EUR 0.2 million on land banks and EUR 8.3 million on freehold buildings;
- In Poland, the increase in fair value amounts to EUR 5.4 million of which EUR 4.9 million on Freehold (including a EUR 3.2 million revaluation of Marki a logistic property), EUR 0.5 million on extended stay hotels and EUR -0.1million on land banks;
- In Hungary, the decrease in fair value amounts to EUR -5.7 million, of which EUR -6.0 million on freehold buildings and EUR 0.3 million on extended stay hotels;
- In Slovakia, the decrease in fair value amounts to EUR -2.0 million mainly explained by Dunaj an rental property;
- In Croatia, the increase in fair value amounts to EUR 0.8 million on land lank;
- In Luxembourg, the decrease in fair value amounts to EUR -0.3 million on freehold building.

(d) Transfers

Freehold buildings – Main incoming assets:

The Group stopped the sale process of 2 projects in Hungary which have been transferred from assets held for sale (see note 10):

- Szervita Car Park for EUR 7.8 million;
- Szervita office building for EUR 7.2 million.

Freehold buildings – Main outgoing assets:

The Group has decided to sell 4 investment properties in Germany which have been transferred to assets held for sale:

- Hüttenstrassen in Düsseldorf for EUR 6.5 million;
- Kurfurstendamm 102 in Berlin for EUR 6.3 million;
- Bergfriedstrasse 2,4,6 & Ritterstrasse 114 in Berlin for EUR 3.7 million;
- Kufurstenstrasse 13-14 in Berlin for EUR 2.4 million.

Land banks:

The Group is expecting to sell 2 land bank properties in Germany and Poland which have been transferred in assets held for sale:

- Przy Parku in Poland for EUR 3.4 million;
- Ackerstrasse 83-84 in Berlin for EUR 0.7 million.

In 2010

74 investment properties (EUR 839.2 million) financed by bank loans located in special purpose entities are fully pledged for EUR 605.5 million.

(a) Investments / Acquisitions

During the year, the Group has invested EUR 26.4 million in investment property representing mainly capitalization on buildings under construction and investments for zoning and building permits. These investments have been partially financed by new bank loans for EUR 6.4 million.

- EUR 13.8 million for the development of the Budapest Stock Exchange, retail development in Budapest;
- EUR 7.8 million in Germany mainly on the Wertheim land plot in Berlin for EUR 7.6 million;
- EUR 2.0 million on mixed development of Bubny in Prague;
- EUR 1.0 million on the residential in the Czech Republic (Praga for EUR 0.8 million and Doupovska for EUR 0.2 million);
- EUR 0.4 million on the freehold building Radio Free Europe in the Czech Republic.

(b) Asset sales

During the year, the net book value ("NBV") of the assets sold represents EUR 50.6 million, for a total sale price of EUR 52.5 million out of which EUR 31.4 million have been used to repay the bank loans, with a total net gain compared to the December 2009 DTZ valuation amounting to EUR 1.9 million and composed mainly of the following disposals:

Freehold buildings:

- Sale of Cumberland Haus in Berlin (NBV of EUR 28.0 million) at the sale price of EUR 28.7 million;
- Sale of Kurfurstendamm 103-104 residential and commercial building in Berlin (NBV of EUR 8.2 million) at the sale price of EUR 8.0 million;
- Sale of Max-Planck Strasse in Cologne (NBV of EUR 5.8 million) at the sale price of EUR 5.5 million;
- Sale of Jeremiasova building in Prague (NBV of EUR 2.7 million) at the sale price of EUR 2.5 million;
- Sale of residential and commercial buildings in Berlin (NBV of EUR 4.1 million with Brunnenstrasse 27 at EUR 1.4 million, Geneststrasse 5-6 at EUR 1.7 million and Lütticher Strasse 49 at EUR 1.0 million) at the total sale price of EUR 4.5 million;
- Sale of residential properties in Prague (NBV of EUR 1.3 million) at the sale price of EUR 2.3 million.

(c) Revaluation through the income statement

The movement in fair value of the assets relates mainly to Freehold buildings and Land banks:

- In Germany, the total amount of increase in fair value amounts to EUR 25.5 million (EUR 19.9 million on land bank and EUR 5.6 million on freehold buildings);
- In the Czech Republic, the increase in fair value amounts to EUR 10.3 million (EUR 6.0 million on freehold buildings, EUR 4.3 million on Extended stay hotel);
- In Hungary, the decrease in fair value amounts to EUR -2.6 million (EUR -7.3 million on buildings under construction, EUR 4.4 million on freehold buildings and EUR 0.3 million on extended stay hotels);
- In Poland, the decrease in fair value amounts to EUR -2.6 million on land bank;
- In Luxembourg, the decrease in fair value amounts to EUR -2.5 million on freehold building;
- In Russia, the decrease in fair value amounts to EUR -2.1 million on land bank.

(d) Transfers

Freehold buildings – Main incoming assets:

The Group stopped the sale process of 2 projects in Hungary (Main Budapest Bank for EUR 12.9 million and Small Budapest Bank for EUR 0.6 million) which have been transferred from assets held for sale.

Freehold buildings – Main outgoing assets:

The Group is expecting to sell 2 investment properties in Hungary which have been transferred in assets held for sale: Szervita Car Park (EUR 7.8 million) and Szervita empty office building (EUR 7.2 million).

Land banks:

- In 2010, the Investment committee approved the start of the process of filing the request of change of the Master plan of the Bubny plot with a view to sell totally or partially the urbanized land plots to other developers or co-developers. In that context and following the approval end of September 2010 by the municipal authorities of the project of urbanization of the Bubny area in the Center of Prague, the land development has been transferred to inventories (EUR 80.6 million);
- Na Frantisku in Ostrava in the Czech Republic (EUR 1.5 million) is transferred to assets held for sale;
- The land plots of Bialystok (EUR 2.1 million) in Poland and Wertheim (EUR 112.7 million) in Germany have been transferred to assets held for sale.

List of major investment properties (1)

	12 months to 31 December 2011		12 months to 31 December 2010	
	Revaluation	Fair value	Revaluation	Fair value
Freehold Buildings	17,668	806,992	13,513	766,001
Germany	12,826	487,899	5,575	506,138
Residential	1,860	-	(471)	8,020
Office	481	-	(620)	5,570
Mixed Retail & Office	10,485	487,899	6,666	492,548
Czech Republic	8,070	179,303	6,030	178,495
Residential	(67)	1,711	(362)	4,065
Office	5,098	89,830	7,460	87,500
Mixed Retail & Residential	14	460	(5)	460
Mixed Retail & Office	2,351	64,800	449	64,000
Industrial	674	22,502	(1,512)	22,470
Slovakia	(1,978)	13,900	(39)	15,821
Mixed Retail & Office	(1,978)	13,900	(39)	15,821
Hungary	(6,035)	85,850	4,413	31,300
Retail	(5,924)	44,510		-
Office	1,584	13,700	176	13,750
Mixed Office & Parking	(2,886)	10,870	4,886	-
Mixed Retail & Office	1,482	14,370	(314)	14,550
Hotel	(291)	2,400	(335)	3,000
Poland	5,115	15,390	28	12,230
Office	834	5,790	150	5,650
Mixed Logistics & Industrial	4,281	9,600	(122)	6,580
Luxembourg	(330)	24,650	(2,494)	22,017
Office	(330)	24,650	(2,494)	22,017

List of major investment properties (2)

	12 months to 31 December 2011		12 months to 31 December 2010	
	Revaluation	Fair value	Revaluation	Fair value
(*) Excluded in the 2010 Proforma				
Land Bank	**1,145**	**39,472**	**15,181**	**50,340**
Czech Republic	**230**	**20,910**	**(88)**	**22,880**
Residential Development	1,249	15,490	(12)	15,920
Retail & Office Development	(216)	1,110	(192)	1,340
Land bank	(803)	4,310	116	5,620
Germany	**269**	**4,090**	**19,985**	**2,020**
Residential	320	2,750		-
Office Development	-	1,100	(800)	1,100
Retail & Office Development	(51)	240	60	920
Mixed Used Development	-	-	20,725	-
Russia	**-**	**-**	**(2,115)**	**6,500**
Land bank (*)	-	-	(2,115)	6,500
Poland	**(123)**	**13,252**	**(2,578)**	**18,470**
Residential Development	(123)	13,252	(2,583)	18,470
Land bank	-	-	5	-
Croatia	**769**	**1,220**	**(23)**	**470**
Land bank	769	1,220	(23)	470
Buildings under finance lease	**-**	**-**	**-**	**-**
Extended stay hotels	**747**	**25,870**	**4,615**	**26,300**
Buildings under construction	**-**	**-**	**(7,348)**	**45,400**
Retail - Hungary	-	-	(7,348)	45,400

9. Hotels and owner-occupied buildings

Hotels and owner-occupied buildings	Owner-occupied Buildings	Prepaid operating leases	Hotels	TOTAL
GROSS AMOUNT				
Balance as at 31 December 2009	**113,199**	**2,164**	**181,140**	**296,503**
Investments / acquisitions	231	-	79	310
Disposal	(224)	-	-	(224)
Transfer	-	-	5,695	5,695
Translation differences	4,031	-	2,582	6,613
Balance as at 31 December 2010	**117,237**	**2,164**	**189,496**	**308,897**
Scope variations	(102,964)	-	6	(102,957)
Investments / acquisitions	385	-	(279)	106
Disposal	-	-	(8)	(8)
Transfer	(4,247)	-	6,172	1,926
Translation differences	(3,735)	(87)	(5,392)	(9,213)
Balance as at 31 December 2011	**6,677**	**2,077**	**189,996**	**198,751**
AMORTISATION AND IMPAIRMENT				
Balance as at 31 December 2009	**50,825**	**1,167**	**29,118**	**81,110**
Allowance	296	13	1,186	1,495
Impairments	329	253	11,268	11,850
Write back impairments	(8,401)	-	(401)	(8,802)
Transfer	-	-	599	599
Translation differences	66	-	16	82
Balance as at 31 December 2010	**43,115**	**1,433**	**41,786**	**86,334**
Scope variations	(39,989)	-	(21)	(40,010)
Amortisations - Allowance	184	3	1,238	1,425
Impairments - Allowance	116	-	9,622	9,738
Impairments - Write-Back	-	-	(2,332)	(2,332)
Transfer	294	-	3,525	3,819
Translation differences	(1,461)	-	(1,423)	(2,884)
Balance as at 31 December 2011	**2,260**	**1,436**	**52,395**	**56,091**
NET AMOUNT				
Balance as at 31 December 2011	**4,417**	**641**	**137,601**	**142,660**
Balance as at 31 December 2010	*74,122*	*731*	*147,710*	*222,563*
Balance as at 31 December 2009	*62,374*	*997*	*152,022*	*215,393*

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 2011

25 projects (EUR 140.3 million) financed by bank loans located in special purpose entities are fully pledged for EUR 86.4 million.

During the year, the Café Pjaca on the Island of Hvar has been transferred back from assets held for sale to the hotel portfolio, as the Group does not intend to sell this property on a short term basis (EUR 0.6 million). See note 10.

Moreover, Capellen Orco house (EUR 2.9 million) is not anymore occupied by Orco since January 2011 and has consequently been transferred to invesment property increasing the value of the rental project named Cappellen II.

The impairment tests based on the DTZ valuation reported as at December 2011 led to the recognition of the following impairments:

- Hotels: Amfora (EUR -4.7 million), Pharos (EUR -2.6 million), Vienna (EUR -0.9 million), Adriana (EUR -0.4 million), Dalmacija (EUR -0.4 million), Delfin (EUR -0.3 million) and Camp Vira (EUR -0.3 million);
- Owner-occupied building: Franklinstrasse 27 in Berlin (EUR -0.1 million).

Moreover, the impairment test led to the reversal of part of the impairment previously booked on the hotels: Riva (EUR 1.7 million), Riverside (EUR 0.3 million), Palace (EUR 0.2 million) and Sirena (EUR 0.1 million).

In 2010

22 projects (EUR 200.1 million) financed by bank loans located in special purpose entities are fully pledged for EUR 102.0 million.

During the year, the hotel Sirena on the Island of Hvar has been transferred back from assets held for sale to the hotel portfolio, as the Group does not intend to sell this property on a short term basis (acquisition cost of EUR 6.3 million and related amortisation of EUR 0.6 million).

As of December 31, 2010, the Group is expecting to sell one hotel in Hvar which has been transferred to assets held for sale: Café Pjaca (EUR 0.6 million).

Moreover, the Group entity Suncani Hvar sold the asset “Manager’s house” to Orco Adriatic, a subsidiary of Orco, held at 100%. This asset is recognized in inventory in Orco Adriatic.

The impairment tests based on the DTZ valuation reported as at December 2010 led to the recognition of the following impairments:

- Hotels: Riverside hotel (EUR 0.5 million), Hotel Adriana (EUR 1.3 million), Hotel Amfora (EUR 4.1 milion), Hotel Bodul (EUR 1.7 million), Hotel Delfin (EUR 0.5 million), Hotel Palace (EUR 0.4 million), Hotel Riva (EUR 0.4 million), Hotel Sirena (EUR 1.8 million), Hotel Pharos (EUR 0.5 million);
- Prepaid operating leases: Residence Sulekova (EUR 0.3 million);
- Owner-occupied building: Capellen Orco house (EUR 0.3 million).

Moreover, the impairment test led to the derecognition of part of the impairment from 2009 on the Andrassy hotel in Budapest for EUR 0.4 million, on the Molcom warehouse for EUR 8.3 million and on the Hvar headquarter for EUR 0.1 million.

10. Assets classified as held for sale

Assets held for sale	December 2011	December 2010
Opening Balance	**131,898**	**48,930**
Asset sales	(114,683)	(19,360)
Transfer in	22,897	112,707
Transfer out (*)	(15,589)	(10,000)
Translation differences	(394)	(379)
Closing Balance	**24,129**	**131,898**

(*) Due to changes in plans of sale.

Liabilities linked to assets held for sale	December 2011	December 2010
Opening Balance	**76,494**	**51,451**
Asset sales	-	(15,473)
Transfer in	16,313	54,402
Accrued interest	-	285
Repayment of loans	(66,000)	-
Transfer out (*)	(10,470)	(13,616)
Translation differences	(445)	(555)
Closing Balance	**15,892**	**76,494**

In 2011

As at 31 December 2011 the Group validated the sale of following assets:

- 4 assets from its Berlin investment properties portfolio: Kurfustendamm 102 with a value of EUR 6.3 million and EUR 6.5 million of liabilities and Hütten Strasse with a value of EUR 6.5 million of assets and EUR 4.3 million of liabilities, Berlin Bergfriedstrasse. 2,4,6 and Kurfürstenstrasse 13,14 with a value of EUR 6.7 million of assets;
- 1 asset in Poland: landplot Przy Parku with a value of EUR 3.4 million and EUR 5.6 million of liabilities

Over the year 2011, sale of Leipziger Platz plot of land with a value of EUR 113.5 million and Bialystok plot of land with a value of EUR 2.1 million were sold. EUR 66.0 million of bank loan have been repaid upon the sale of Leipziger Platz.

The sale plans of Szervita office and car park buildings with a total value of EUR 15.6 million and EUR 10.5 million of liabilities have been cancelled as the buyer was not willing anymore and reclassified accordingly (See Note 8).

In 2010

As at December 31, 2010, 3 assets held for sale (EUR 127.7 million) financed by bank loans located in special purpose entities are pledged for the amount of EUR 76.2 million.

As at December 31, 2010, the Group decided to sell 6 assets from its investment property portfolio (5 in 2009). These assets have been transferred in assets held for sale.

- Two of them are located in Hungary: Szervita Car Park (EUR 7.8 million) and Szervita empty building office (EUR 7.2 million, asset management) for a total debt amounting to 10.5 million;
- One project is located in Ostrava in the Czech Republic: Na Frantisku (EUR 1.5 million, debt free asset);
- One project is located in Poland: Bialystok (EUR 2.1 million, debt free asset);
- One project is situated in Germany: Wertheim (EUR 112.7 million). The bank debt on this asset amounts to EUR 66.0 million;
- The last project is a hotel situated in Hvar in Croatia: Café Pjaca (EUR 0.6 million, debt free asset).

Moreover, the Group deconsolidated the project Stein located in Slovakia (EUR 10.0 million) as this entity is in liquidation. The bank debt on this asset amounts to EUR 13.3 million and accrued interest amounts to EUR 0.3 million. As the bank loan was covered by a guarantee issued by the Company, a provision (corresponding to the net present value of the difference between the expected payments by the company and the restated net sales price of the asset) has been recognized for an amount of EUR 1.1 million.

As at December 31, 2010, 3 assets previously recognized as held for sale have been transferred back to investment property or to the Hotel portfolio for EUR 19.2 million:

- Two projects in Hungary: Main Budapest Bank (EUR 12.9 million) and Small Budapest Bank (EUR 0.6 million) have been transferred in freehold building for a total debt of EUR 21.8 million;
- One project in Croatia: the Hotel Sirena on the Island of Hvar has been transferred back in Hotel portfolio for EUR 5.7 million.

The expected sales of these projects in 2009 have not been finalized and no other potential buyers have been identified for the sale of these assets.

Moreover, two assets located in Germany and previously recognized as held for sale have been sold during the year:

- The project Helberger, in Frankfurt has been sold at its net book value (EUR 11.0 million for a debt of EUR 8.5 million);
- The project Wasserstr., in Düsseldorf has been sold for EUR 8.2 million (NBV of EUR 8.4 million for a debt of 7.0 million).

11. Fixtures and fittings

In EUR Thousand	Gross amount	Amortisation and Impairments	Net amount
Balance at 31 December 2009	**39,880**	**(19,596)**	**20,284**
Increase	979	(4,369)	(3,390)
Assets sales	(2,686)	1,177	(1,509)
Transfer	(392)	445	53
Translation difference	487	(610)	(123)
Balance at 31 December 2010	**38,268**	**(22,953)**	**15,315**
Scope variation	(6,343)	3,268	(3,075)
Increase	5,740	(1,688)	4,052
Assets sales	(4,221)	2,783	(1,438)
Impairments - Write-back	(0)	21	21
Transfer	158	102	260
Translation difference	(1,896)	966	(930)
Balance at 31 December 2011	**31,706**	**(17,500)**	**14,205**

In 2011

Main increases are due to the end of the Vaci 1 development (EUR 3.6 million) and due to the Warehouse of Molcom in Russia (EUR 1.1 million).

Main decreases are explained by the disposal of equipment in Prague (Vinohrady portfolio), in Hungary and by the disposal of non-business related assets in Hvar, Russia and Poland.

Scope variations are explained by the sale of Molcom portfolio, in Russia.

In 2010

Main increase are mostly due to the development of the warehouse of Molcom in Russia (EUR 0.6 million) and due to the development of the Pachtuv (EUR 0.1 million).

Main decrease relates to the sale of the fixtures and fittings on project Vysocany Gate in Czech Republic (EUR 1.4 million) and on the warehouse in Molcom (EUR 0.5 million).

Impairments for EUR 0.9 million have been recognized on furniture and equipment during the year in Germany.

12. Financial assets at fair value through P&L

This line includes two financial assets:

- The fair value of the investment in the Endurance Real Estate Fund for Central Europe amounting to EUR 22.7 million (EUR 10.9 million in 2010).The Endurance fund managed by the Group (see note 28) is divided in three specialised sub-funds. Two are investing in office investment properties and one is investing in residential developments and properties. These investments are accounted for at their fair value with change in fair value going through the income statement. The change in fair value recorded in 2011, based on the net asset value as provided by the fund Manager in its report as at 30 September 2011, with a liquidity discount of 20%;
- The non-eliminated portions of the equity loans (including accrued interest) granted to joint-ventures for EUR 17.98 million (EUR 43.85 million in 2010) correspond to 50% of the loan granted to the hospitality joint-venture with real estate investment funds managed by AIG subsidiary. The profit participation loan granted to the joint venture holding company has been fair valued on the basis of management estimates of the expected cash flows from the loans and the specific credit spread depending on the loan characteristics and the legal entity benefiting directly from the loan. The change in fair value has been recognised through profit or loss for a total gain of EUR 0.4 million (loss of EUR 3.6 million in 2010). The fair value amounts to EUR 17.98 million as at 31 December 2011 (EUR 17.3 million in 2010).

13. Inventories

In EUR Thousand	December 2011	December 2010
Opening Balance	**418,957**	**482,605**
Net impairments	(7,570)	(8)
Transfers	1,004	80,624
Scope exit	(12,216)	-
Translation differences	(16,212)	11,230
Development costs	32,216	10,276
Cost of goods sold	(33,373)	(165,770)
Closing Balance	**382,807**	**418,957**

In 2011

Development costs amount to EUR 32.2 million capitalized mainly on Zlota 44 (EUR 21.8 Million), Bubny (EUR 4.7 million), Benice (EUR 2.5 million), Mostecka (EUR 1.6 Million) and Sky Office (EUR 0.7 Million).

Cost of goods sold amounting to EUR 33.4 million have been registered mainly for EUR 32.1 Million on the following residential projects: Koliba (EUR 5.9 million), Mostecka (EUR 5.5 million), Klonowa Aleja (4.9 million), Benice (EUR 3.4 million), Kosic (EUR 2.6 Million), Feliz (EUR 2.1 Million), Nove Dvory (EUR 2.1 million), Americka 11 (EUR 1.7 Million), Bedrichov (EUR 1.0 Million), Radotin (EUR 1.0 Million) and Plachta III (EUR 0.9 Million).

The scope exit is coming from the sale of Molcom for EUR 12.2 Million, including Radishevskaya for EUR 10.9 Million and EUR 1.4 million of others inventories.

Impairments have been recognized mainly on the following projects:

- Benice I & II: EUR 5.4 Million;
- Mostecka: EUR 1.9 Million;
- Vavrenova: EUR 0.7 Million.

Impairments have been reversed on Sky Office for EUR 0.7 Million.

7 projects (EUR 339.5 million) financed by bank loans located in special purpose entities are fully pledged for EUR 164.9 million.

In 2010

Development costs amounted to EUR 10.3 million have been capitalized mainly for Mostecka (EUR 2.6 Million), Benice (EUR 0.7 million), Bubny (EUR 1.3 million), Sky Office (EUR 0.4 Million) and Zlota (EUR 0.2 Million).

Cost of goods sold amounting to EUR 165.8 million have been registered mainly for:

- **Commercial projects** of which H2 Office in Duisburg (EUR 29.0 million),Vysocany Gate (EUR 22.2 million), Oranienburg (EUR 10.6 million), Guetersloh (EUR 10.4 million), Ministergarten (EUR 9.2 million), Tschaikowkistrasse (EUR 8.7 million), Danzigerstarsse (EUR 5.5 million), Rudna (EUR 4.7 million) and part of the Bubny plot (EUR 3.7 million);
- **Residential projects** of which Malborska (EUR 17.6 million), Koliba (EUR 6.5 million), Kosic (3.9 million), Drawska (EUR 4.5 million), Peugeot (EUR 3.8 Million), Bedrichov (EUR 3.2 Million), Mokotowska (EUR 2.8 Million), Nove Dvory (EUR 2.7 million), Michle (EUR 2.0 Million) and Plachta III (EUR 1.5 Million).

The transfers arise mainly from the project Bubny (EUR 80.6 million), transferred from Investment Property to Inventories.

Impairments have been recognized mainly on the following projects:

- Benice: EUR 1.7 Million;
- Radotin: EUR 0.9 Million;
- Koliba: EUR 0.5 Million;
- Bedrichov: EUR 0.5 Million;
- Kosic: EUR 0.5 Million.

Impairments have been reversed on the following projects:

- Sky Office: EUR 2.4 Million;
- Vavrenova: EUR 1.8 Million.

8 projects in development (EUR 379.4 million) are pledged for a total amount of EUR 182.8 million.

14. Gain / loss on disposal of assets

In 2011

Assets and Activities were sold for a total consideration of EUR 181.3 million generating a consolidated net gain of EUR 11.0 million of which Leipziger Platz for EUR 11.2 million and Molcom with a net loss for EUR 1.0 million and a net cash inflow after financial debt repayment amounting to EUR 33.1 million. Deferred payments for EUR 64.8 Million related to Molcom for EUR 39.7 million and Leipziger Platz for EUR 25.1 million are recognised in balance sheet as long term receivables.

In 2010

In the framework of the restructuring plan, assets and activities have been sold for a total consideration of EUR 72.1 million generating a consolidated net gain of EUR 1.2 million and a net cash inflow after financial debt repayment amounting to EUR 25.2 million.

15. Other current assets

	Balance as at 31 December 2010	Variation	Impairments	Transfer	Translation differences	Balance as at 31 December 2011
Prepayment tax and social security	8,111	(4,931)	-	(1,876)	(193)	1,110
Operating loans	12,230	(10,797)	-	(939)	(388)	105
Accrued assets	19,713	3,351	-	(613)	(279)	22,172
Other current assets	12,843	(3,741)	(2,852)	1,182	(251)	7,182
Accrued interests	5,160	(2,080)	-	(1,798)	40	1,322
Advance payment for work in progress	1,048	(625)	-	(8)	(26)	389
Total other current assets	59,105	(18,824)	(2,852)	(4,052)	(1,097)	32,279

The Group has recorded impairments for EUR 2.8 million of which EUR 1.8 million on trading securities.

16. Cash and cash equivalents

As at 31 December 2011, cash and cash equivalents consist of short-term deposits for EUR 0.4 million (EUR 3.9 million in 2010), cash in bank for EUR 36.6 million (EUR 49.4 million in 2010) and cash in hand for EUR 0.2 million (EUR 0.1 million in 2010).

The cash in bank includes restricted cash for EUR 14.2 million in 2011 (EUR 24.3 million in 2010) representing:

- Cash deposited in the Group's joint ventures as both parties' approval is needed for withdrawal for EUR 4.2 million (EUR 2.9 million in 2010);
- Cash deposited in accounts reserved as collateral for development projects and lifted after sales of units for EUR 2.2 million (EUR 4.2 million in 2010);
- Cash deposited in accounts reserved as collateral for loans related to the acquisition of property for EUR 7.8 million (EUR 17.2 million in 2010).

17. Non-controlling interests' transactions

In 2011

In January 2011 a 100% subsidiary of ORCO Property Group S.A. bought 1.9 million shares and 1.0 million warrants of ORCO Germany S.A. for EUR 1.5 million from the former management of that company. This transaction resulted in a direct and indirect increase of the percentage of interest of the Group in Orco Germany S.A. and its subsidiaries from 58.94% to 62.84% and a net increase of the consolidated reserves group share of EUR 23.1 million.

The Company has issued on 22 September 2011 3 million ordinary new shares without nominal value ("New Shares") to funds advised by Morgan Stanley Real Estate Investing ("MSREI"). The New Shares, issued under the Company's authorized capital, were fully paid by the contribution in kind of MSREI's 14,100,000 shares in Orco Germany SA, 1,500,000 units in the Office I Sub-Fund of the Endurance Real Estate Fund and 1,404,276 units in the Residential Sub-Fund of the Endurance Real Estate Fund. The contribution in kind has been valued on the basis of the equity instruments granted at the date of issuance.The New Shares are assimilated with the existing ordinary shares of Orco and listed on the regulated market of Paris, Prague and Warsaw stock exchanges. This transaction resulted in a direct and indirect increase of the percentage of interest of the Group in Orco Germany S.A. and its subsidiaries from 62.84% to 91.56% and a net increase of the consolidated reserves group share of EUR 9.9 million.

In the 1st quarter of 2011 the Company capitalised the equity loan granted to Orco Property s.p.z.o.o. This transaction resulted in a direct and indirect increase of the percentage of interest of the Group in that company holding the Zlota 44 project from 75.0% to 95.5% and a net increase of the consolidated reserves group share of EUR 0.9 million.

Kosic s.à r.l. owned at 50% by the Group repaid part of its share premium to the Company without change of ownership leading to a net increase of the consolidated reserves group share of EUR 0.9 million.

In 2010

In 2010, the Group increased its stake in the company Office II invest S.A. to 100%. It results to an increase of the non-controlling interests of EUR 0.3 million.

In January 2010, the joint venture company Kosic S.à.r.l. repaid part of the share premium to both joint venture holders, the Group and GECGE Kosik Investors S.à.r.l, for EUR 1.9 million. According to the agreement with the partners, the Company received EUR 0.5 million, with a net impact on the consolidated reserves of the Group of EUR - 0.4 million.

In December 2010, the Group proceeded with its Russian partner to the restructuring of the Russian activities. The company MOLCOM CJSC has been transferred to a new cyprus company Sarakina Enterprises Company Limited, which is held at 69% by the Group. The company Karousa Enterprises Company Limited, previously owned by Orco-Molcom B.V., which is held at 69%, has been sold to the Group and 30% of these shares have been sold to the Russian partners. These operations led to an impact on the non-controlling interests of EUR 14.1 million.

The Group increased its participation by 0.84% in Orco Germany. This operation led to an impact on the non-controlling interests of EUR -0.4 million.

18. Borrowings, bank loans, bonds and derivatives

18.1. Non-current bonds

Non-current bonds	Convertible bonds	Non Convertible bonds	TOTAL
Balance at 31 December 2009	**150,375**	**259,022**	**409,397**
Derecognition of bonds	-156,432	-171,978	-328,410
Entry of new bonds	51,141	82,744	133,885
Interest	13,305	17,974	31,279
Own bonds	-1,280	-9,204	-10,484
Balance at 31 December 2010	**57,109**	**178,558**	**235,667**
Own bonds	1,466	8,307	9,773
Interest	13,614	24,250	37,864
Transfer to Short term	-7,806	-112,117	-119,923
Balance at 31 December 2011	**64,383**	**98,997**	**163,380**

Bonds transferred to short term part include Orco Germany bonds for EUR 97.8 million and Safeguard dividends for EUR 22.1 million.

In 2011

On 16 September 2011, the Commercial Court of Paris issued three orders (each order related to an original bond) specifying the interpretation of the bonds accepted liability. Based on the bondholder declaration to the Court and the order of acceptance issued, the interest should not be accrued after the initial redemption term.

This order is decreasing the Safeguard liability of the tranches initially redeemable in 2010, 2012, 2013 and 2014.

Based on that Court decision the Company decided to integrate in the total Bond liability the redemption premium of EUR 10.0 million on the Bonds initially redeemable in 2010 – that was unconditionally accepted as part of the Safeguard liability while initially it was submitted to a minimum market price for the company shares that were traded in November 2010.

As a result total Safeguard liability on the Bonds issued by the Company decreased by 47.1 million.

Main impacts based on Commercial Court decision on 16 September 2011 are:

- Calculate for each original bond the new effective interest rate;
- Determine for each original bond the reduced repayment schedule.

The specific effective rate and updated repayment schedules are shown hereafter.

Repayment schedule for interests and principal according to Safeguard Plan (based on Commercial Court of Paris decision on 16 September 2011) excluding any potential deduction due to own bonds:

EUR	30 April 2012	30 April 2013	30 April 2014	30 April 2015	30 April 2016	30 April 2017	30 April 2018	30 April 2019	30 April 2020	Total
Principal	3,437	10,396	25,646	24,989	25,311	51,155	71,874	102,960	190,275	506,043
Interest	19,104	12,672	7,796	841	520	505	450	361	220	42,468
Total	**22,541**	**23,068**	**33,442**	**25,830**	**25,830**	**51,660**	**72,324**	**103,321**	**190,494**	**548,511**

Repayment schedule for interests and principal according to the Safeguard Plan before changes on 16 September 2011 excluding any potential deduction due to own bonds:

EUR	30 April 2012	30 April 2013	30 April 2014	30 April 2015	30 April 2016	30 April 2017	30 April 2018	30 April 2019	30 April 2020	Total
Principal	3,433	7,544	22,804	17,011	19,020	48,526	72,996	109,783	194,870	495,988
Interests	19,788	16,436	13,289	11,561	10,158	9,288	8,384	6,662	4,016	99,584
Total	**23,222**	**23,980**	**36,094**	**28,572**	**29,178**	**57,814**	**81,380**	**116,445**	**198,886**	**595,572**

While the original effective rate was established at 23.1% for all Bonds issued by the Company, it is now determined specifically for each Bond with a weighted average of 21.2%.

As at 31 December 2011, the fair value of the bonds, valued by Management, amounts to EUR 168.3 million for the termed out bonds and to EUR 118.2 million for Orco Germany bonds.

	Carrying value of termed out bonds	Fair value of termed out bonds	Carrying value of OG bonds	Fair value of OG bonds
Bonds	185,764	168,278	97,777	95,334
Derivative instruments on bonds	-	-	22,914	22,914
Bonds as at 31 December 2011	**185,764**	**168,278**	**120,691**	**118,248**

In 2010

On 19 May 2010 the Company's Safeguard plan was approved (see note 2.1.1.1). This result in a term out of the repayment of the bonds nominal, accrued interests, and interest to accrue over the ten years Safeguard plan, with effect from 30 April 2010 as described by the amortisation table included in note 2.1.1.1). As a result the bonds covered by the Safeguard plan (all the bonds issued by the Company, i.e. not the one issued by Orco Germany S.A.) have been derecognised and termed out bonds have been recorded at fair value at the date of the approval of the Safeguard plan. The fair value has been estimated by Management with the assistance of an independent expert (Grant Thornton). On the basis of comparable, the effective interest rate of the "Safeguard bonds" was set at 23.1% resulting in a total value excluding deductions from own bonds of EUR 142.9 million at 19 May 2010 out of which EUR 133.9 million is classified as non-current. The derecognition of the debts results in a gain of EUR 269.5 million.

Consequently to the approval of the Safeguard plan, the terms of the restructured bonds are identical to the ones described in the 31 December 2009 consolidated financial statements except for the following points:

- Call options on the Company's shares embedded in the 2013 convertible bonds can now only be served by delivering new shares.
- Call options on the Hvar shares embedded in the 2012 exchangeable bonds are void.
- The conditional redemption premium on the 2010 bond will only be repaid in 2020 upon realization of conditions.
- A fixed exchange rate has been defined for the repayment of the Czech bonds by 27.295 CZK for 1 Euro.

As at 31 December 2010, the fair value of the bonds, valued by Management, amounts to EUR 155.1 million for the termed out bonds and to EUR 101.5 million for Orco Germany bonds.

	Carrying value of termed out bonds	Fair value of termed out bonds	Carrying value of OG bonds	Fair value of OG bonds
Bonds	149,697	155,101	94,192	82,175
Derivative instruments on bonds	-	-	19,323	19,323
Bonds as at 31 December 2010	**149,697**	**155,101**	**113,515**	**101,498**

18.2. Exchangeable bonds in Suncani Hvar shares

The acquisition of Suncani Hvar d.d. has been financed by a private placement of an exchangeable bond issued by the Company under the following terms:

Due to the application of the Safeguard plan (see note 2.1.1.1), the terms and conditions have been changed for the following ones:

<u>Bonds</u>

Nominal	EUR 24,169,193
Number of bonds	928,513
Nominal value per bond	EUR 26.03
Deemed issue price per bond	EUR 10.38
Effective interest rate	16.6% (23.1 % till 16 September 2011)
Exchange at the discretion of bondholder	NA
Repayment date	the non-exchanged bonds will be reimbursed at nominal value in cash following the repayment schedule of the Safeguard plan and until 30 April 2020
ISIN	XS0223586420
Listing	Luxembourg Stock Exchange

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:

EUR	30 April 2012	30 April 2013	30 April 2014	30 April 2015	30 April 2016	30 April 2017	30 April 2018	30 April 2019	30 April 2020	Total
Principal	0	0	0	1,173	1,474	2,948	4,128	5,897	8,550	24,169
Interest	1,474	1,474	1,474	302	0	0	0	0	0	4,724
Total	**1,474**	**1,474**	**1,474**	**1,474**	**1,474**	**2,948**	**4,128**	**5,897**	**8,550**	**28,893**

Repayment schedule for interests and principal according to the Safeguard Plan before changes on 16 September 2011 excluding any potential deduction due to own bonds:

EUR	30 April 2012	30 April 2013	30 April 2014	30 April 2015	30 April 2016	30 April 2017	30 April 2018	30 April 2019	30 April 2020	Total
Principal	-	-	-	-	20	2,536	4,221	6,771	10,621	24,169
Interests	1,932	1,932	1,932	1,932	1,912	1,328	1,189	957	584	13,697
Total	**1,932**	**1,932**	**1,932**	**1,932**	**1,932**	**3,864**	**5,409**	**7,728**	**11,205**	**37,866**

Terms and conditions before 19 May 2010

Bonds

Nominal	EUR 24,169,193
Number of bonds	928,513
Issue price per bond	EUR 26.03
Issue date	30 June 2005
Nominal interest rate	5.5 %
Exchange at the discretion of bondholder	between 1 July 2010 and 11 June 2012 in Suncani Hvar dd share, one share for one bond.
Repayment date	the non-exchanged bonds will be reimbursed at nominal value in cash on 30 June 2012
ISIN	XS0223586420
Listing	Luxembourg Stock Exchange

As at 31 December 2011 and 2010, no bond had been exchanged.

Balance at 31 December 2009	**17,970**
Derecognition of bonds	-18,023
Entry of new bonds	9,635
Interest	1,058
Own bonds	-2,350
Balance at 31 December 2010	**8,290**
Own bonds	187
Interest	1,679
Safeguard dividends	-773
Balance at 31 December 2011	**9,383**

As 31 December 2011, the current part of the bonds amounts to EUR 1.1 million (EUR 0.6 million in 2010).

As at 31 December 2011, the market price of Hvar dd shares on the Zagreb Stock Exchange was HRK 28.0 (HRK 29.74 at 31 December 2010). From issue date to 31 December 2011, the Group has repurchased exchangeable 226,233 bonds (same as at 31 December 2010).

18.3. Bonds with repayable subscription warrants (“OBSAR 1”)

In 2007, the Company launched an exchange offer on the 2012 callable warrants (BSAR 2012) (ISIN code: LU0234878881). Each holder of warrants was entitled to elect to receive, for every 3 BSAR 2012, 1 new share of the Company and 3 new BSAR 2014 (ISIN code: XS0290764728). The prospectus of the exchange offer on the 2012 callable warrants of the Company was approved by the Commission de Surveillance du Secteur Financier (CSSF) on 22 October 2007. The offer closed on 16 November 2007 with 1,077,861 2012 callable warrants tendered into the offer (success rate of 98.07%). As a consequence:

- 359,287 new shares have been issued.
- 1,077,861 new 2014 callable warrants (exercise price of EUR 146.39) have been issued. The number of warrants reaches 2,871,021. The exercise ratio is mechanically adjusted as follows: 1.03 share for one 2014 callable warrant exercised at EUR 146.39 in 2014. Refer to note 18.6 for amendments on BSAR 2014. The resolution was approved by 95.11% of the warrants or represented.
- The number of existing 2012 callable warrants (exercise price of EUR 68.61) is thus reduced to 21,161. The exercise ratio is mechanically adjusted as follows: 1.03 share for one 2012 callable warrant exercised at EUR 68.61.

On 22 April 2010, the general meeting of the holders of the warrants 2012 extended the exercise period of the warrants from 18 November 2012 up to 31 December 2019. The exercise price and exercise ratio remain the same.

Due to the application of the Safeguard plan (see note 2.1.1.1), the terms and conditions have been changed for the following ones:

Bonds

Nominal	EUR 50,272,605
Number of bonds	73,273
Nominal value per bond	EUR 686.10
Deemed issue price per bond	EUR 237.02
Redemption	30 April 2020
Normal Redemption	the OBSAR 1 will be reimbursed at nominal value in cash following the repayment schedule of the Safeguard plan and until 30 April 2020
Early Redemption	NA
Effective interest rate	19.2% (23.1 % till 16 September 2011)
ISIN	FR0010249599
Listing	Euronext - Paris

Warrants

Number of warrants	21,161 (corresponding to an initial ratio of 15 warrants/issued bond)
Exercise ratio	one warrant gives the right to 1.03 share
Exercise price	EUR 7.21
Exercise period	until 31 December 2019
Early repayment	From 19 November 2007 the issuer may reimburse the warrants at EUR 0.01
ISIN	LU0234878881
Listing	Euronext – Paris

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:

EUR	30 April 2012	30 April 2013	30 April 2014	30 April 2015	30 April 2016	30 April 2017	30 April 2018	30 April 2019	30 April 2020	Total
Principal	0	2,558	2,711	2,711	2,711	5,422	7,591	10,844	25,779	60,327
Interest	2,711	153	0	0	0	0	0	0	0	2,864
Total	**2,711**	**2,711**	**2,711**	**2,711**	**2,711**	**5,422**	**7,591**	**10,844**	**25,779**	**63,191**

Repayment schedule for interests and principal according to the Safeguard Plan before changes on 16 September 2011 excluding any potential deduction due to own bonds:

EUR	30 April 2012	30 April 2013	30 April 2014	30 April 2015	30 April 2016	30 April 2017	30 April 2018	30 April 2019	30 April 2020	Total
Principal	-	-	-	129	1,567	5,277	8,667	13,683	20,948	50,273
Interests	2,920	3,146	3,373	3,470	2,256	2,186	1,948	1,558	943	21,801
Total	**2,920**	**3,146**	**3,373**	**3,599**	**3,824**	**7,463**	**10,616**	**15,242**	**21,891**	**72,073**

Terms and conditions before 19 May 2010

Bonds

Nominal	EUR 50,272,605
Number of bonds	73,273
Nominal value per bond	EUR 686.10
Issue price per bond	EUR 682.38
Redemption	18 November 2010
Normal Redemption	at par, EUR 686.10 per bond, if the average price quoted over the ten stock exchange trading sessions preceding the Redemption Date, of the products of the closing price of the Orco Property Group S.A. share on the Euronext Paris S.A. Eurolist market and of the Exercise Parity applicable during the said stock exchange sessions is equal to or greater than the Exercise Price of the Redeemable Share Subscription Warrants, at 120% of par, that is EUR 823.32 per Bond, if the average price quoted over the ten stock exchange trading sessions preceding the Redemption Date, of the products of the closing price of the Orco Property Group share on the Euronext Paris S.A. Eurolist market and of the Exercise Parity applicable during the said stock exchange sessions is less than the Exercise Price of the Redeemable Share Subscription warrants.
Early Redemption	Option for the Group to redeem all bonds at 120% of the par value on any Interest Payment Date subject to one month's notice to bearers before the early redemption date.
Nominal interest rate	4.5%
ISIN	FR0010249599
Listing	Euronext - Paris

Warrants

Number of warrants	21,161 (corresponding to an initial ratio of 15 warrants/issued bond)
Exercise ratio	one warrant gives the right to 1.03 share
Exercise price	EUR 68.61
Exercise period	until 18 November 2012
Early repayment	From 19 November 2007 the issuer may reimburse the warrants at EUR 0.01
ISIN	LU0234878881
Listing	Euronext - Paris

The funds raised with this bond have been at issuance divided into a long-term debt component, an equity component and a derivative component. Furthermore, the costs linked to the issuance of the bond were deducted from the funds raised. At issuance, the equity component (EUR 3.7 million reduced by EUR 2.4 million deferred taxes), classified in other reserves, represented the market value of the subscription warrants embedded in the bond.

On 18 November 2010, end of the exercise period of the early redemption option, the average share price of the OPG shares over ten stock exchange trading sessions preceding the redemption date (EUR 7.47 on the Euronext stock Exchange) was above the exercise price of the redeemable share subscription warrant (EUR 7.21). In this context, no redemption premium is due to the bondholder, the derivative has been derecognized through Profit and Loss statement for a total profit of EUR 6.8 million

As at 31 December 2011 and 2010, no bond had been exchanged.

Balance at 31 December 2009	47,921
Derecognition of bonds	-48,893
Entry of new bonds	17,368
Interest	3,357
Balance at 31 December 2010	**19,753**
Own bonds	-20
Interest	4,181
Safeguard dividends	-1,106
Balance at 31 December 2011	**22,808**

As at 31 December 2011, the current part of the bonds amounts to EUR 2.7 million (EUR 1.1 million in 2010).

18.4. Convertible bonds 2006-2013

Due to the application of the Safeguard plan (see note 2.1.1.1), the terms and conditions have been changed for the following ones:

Bonds

Nominal	EUR 149,999,928
Number of bonds	1,086,956
Nominal value per bond	EUR 138.00
Deemed issue price per bond	EUR 49.81
Redemption price if not converted	138.62% of par at EUR 191.29
Effective interest rate	22.2% (23.1 % till 16 September 2011)
Normal Redemption	the non converted bonds will be reimbursed at nominal value in cash following the repayment schedule of the Safeguard plan and until 30 April 2020
Conversion ratio	One new share for one bond
Early Redemption	Subject to the one month's notice to bearers before the early redemption date, the Group (with the approval of the "Tribunal de Commerce de Paris") may redeem all bonds from 1 July 2008 under the condition that the share price of Orco Property Group exceeds 130 % of the issue price during 30 consecutive days after 1 June 2008. The bondholders who did not convert within 30 days will, on top of the par and accrued interest, receive a reimbursement premium giving them a 5.65 % IRR.
ISIN	FR0010333302
Listing	Euronext – Paris

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:

EUR	30 April 2012	30 April 2013	30 April 2014	30 April 2015	30 April 2016	30 April 2017	30 April 2018	30 April 2019	30 April 2020	Total
Principal	3,437	6,425	16,349	10,766	10,766	21,532	30,145	43,065	62,444	204,930
Interest	4,368	1,470	1,556	0	0	0	0	0	0	7,394
Total	**7,806**	**7,895**	**17,905**	**10,766**	**10,766**	**21,532**	**30,145**	**43,065**	**62,444**	**212,324**

Repayment schedule for interests and principal according to the Safeguard Plan before changes on 16 September 2011 excluding any potential deduction due to own bonds:

EUR	30 April 2012	30 April 2013	30 April 2014	30 April 2015	30 April 2016	30 April 2017	30 April 2018	30 April 2019	30 April 2020	Total
Principal	3 433	6 425	16 536	9 818	9 814	21 008	29 959	43 679	64 257	204 930
Interests	4 373	1 470	2 807	1 371	1 375	1 371	1 371	1 079	643	15 861
Total	**7 806**	**7 895**	**19 343**	**11 190**	**11 190**	**22 379**	**31 331**	**44 758**	**64 899**	**220 791**

Terms and conditions before 19 May 2010

Bonds

Nominal	EUR 149,999,928
Number of bonds	1,086,956
Nominal value per bond	EUR 138.00
Issue price per bond	at par value, EUR 138.00
Redemption price if not converted	138.62% of par at EUR 191.29
Nominal interest rate	1.0%
Normal Redemption	the non converted bonds will be reimbursed in cash on 31 May 2013.
Conversion ratio	One new share for one bond
Issuance date	01 June 2006
Early Redemption	Subject to the one month's notice to bearers before the early redemption date, the Company may redeem all bonds from 1 July 2008 under the condition that the share price of Orco Property Group exceeds 130 % of the issue price during 30 consecutive days after 1 June 2008. The bondholders who did not convert within 30 days will, on top of the par and accrued interest, receive a reimbursement premium giving them a 5.65 % IRR.
ISIN	FR0010333302
Listing	Euronext – Paris

Balance at 31 December 2009	**150,375**
Derecognition of bonds	-156,432
Entry of new bonds	54,141
Own bonds	-1,355
Interest	13,305
Balance at 31 December 2010	**60,034**
Own bonds	1,572
Interest	13,583
Safeguard dividends	-3,000
Balance at 31 December 2011	**72,189**

As 31 December 2011, the current part of the bonds amounts to EUR 7.8 million (EUR 2.9 million in 2010). As at 31 December 2011 and 2010, no bond had been converted.

The funds raised with this convertible bond have been at issuance divided into a long-term debt component and an equity component. Furthermore, the costs linked to the issuance of the bond are deducted from the funds raised. The equity component (EUR 27.3 million reduced by EUR 8.3 million of deferred taxes), classified in other reserves, represents the market value on the date of the issuance of the call options embedded in the convertible bond.

As disclosed above, the terms of the issuance include a redemption premium to be paid by the Group if the bond is not converted. This premium is amortized as interest over the lifetime of the bond.

In 2010 a subsidiary of the Company invested part of its available funds buying 62,746 bonds on the open market for a total consideration of EUR 1.5 million and selling 35,541 bonds for a total consideration of EUR 1.4 million. In 2011, 27195 bonds have been sold on the market.

As at 31 December 2011, the Group holds 10 bonds (27,205 as at 31 December 2010).

18.5. CZK 1.4 billion floating rate bond ("Czech Bond")

Due to the application of the Safeguard plan (see note 2.1.1.1), the terms and conditions have been changed for the following ones:

<u>Bonds</u>

Nominal	EUR 10,991,024
Number of bonds	30
Nominal value per bond	EUR 366,367
Deemed issue price per bond	EUR 135,806
Effective interest rate	23.1 %
Final redemption date	30 April 2020
ISIN	CZ0000000195
Listing	Prague Stock Exchange
Fixed exchange rate applied	27.295 CZK for 1 EUR

Repayment schedule for interests and principal according to Safeguard Plan (No changes were occurred after 16 September 2011 excluding any potential deduction due to own bonds):

EUR	30 April 2012	30 April 2013	30 April 2014	30 April 2015	30 April 2016	30 April 2017	30 April 2018	30 April 2019	30 April 2020	Total
Principal	-	-	47	279	291	1,124	1,832	2,903	4,515	10,991
Interests	817	817	770	538	526	510	455	365	223	5,021
Total	817	817	817	817	817	1,634	2,287	3,268	4,738	16,012

Terms and conditions before 19 May 2010

<u>Bonds</u>

Nominal	CZK 1,400,000,000
Number of bonds	140
Nominal value per bond	CZK 10,000,000
Issue price per bond	CZK 10,000,000
Nominal interest rate	6M Pribor + 2.20%
Issuance date	03 February 2006
Final redemption date	03 February 2011
ISIN	CZ0000000195
Listing	Prague Stock Exchange

As 31 December 2011, the current part of the bonds amounts to EUR 0.8 million (EUR 0.3 million in 2010).

Based on requests for early redemption received from individual holders following the downgrade of rating by Moody's, the Group has reimbursed 110 bonds (out of 140 outstanding) amounting to 1,100,000,000 CZK (EUR 40.8 million in 2008). Out of the 30 remaining bonds, reimbursement requests have been received for 27 bonds in 2009.

See note 2.1.1.2 for covenants explaining the non-repayment of the balance in 2009 due to the Safeguard procedure.

Balance at 31 December 2009	11,297
Derecognition of bonds	-11,632
Entry of new bonds	4,074
Interest	895
Balance at 31 December 2010	**4,634**
Interest	1,022
Safeguard dividends	-327
Balance at 31 December 2011	**5,328**

As 31 December 2011, the current part of the bonds amounts to EUR 0.8 million (EUR 0.3 million in 2010).

18.6. Bonds with repayable subscription warrants ("OBSAR 2")

Refer to the note 18.3 on the OBSAR 1 concerning the exchange offer on the 2012 callable warrants.

On 16 December 2009, a general meeting of the holders of warrants 2014 was held and approved the following changes proposed by the Company to permit the exchange of warrants for shares and/or redemption of the bonds by the company prior to 2014:

Amendments applicable until 15 February 2010

Each warrant 2014 shall entitle the holder to acquire 8.7 existing shares and/or subscribe to 8.7 new shares at the exercise price of EUR 60.9 to be paid in cash.

The Company may redeem by tranches outstanding Warrants 2014 at any time until 31 December 2011 at a unit price of EUR 0.01 subject to the following conditions:

- the average share price of no less than 20 dealing days during the preceding period of 30 consecutive dealing days exceeds the relevant soft call price: EUR 87 for the first tranche being one third of outstanding warrants; EUR 130.5 for the second tranche being half of outstanding warrants; and EUR 174 for the remaining outstanding warrants.

Amendments applicable as from 16 February 2010

Each warrant 2014 shall entitle the holder to acquire 1.6 existing shares and/or subscribe to 1.6 new shares at the exercise price of EUR 11.2 to be paid in cash.

The Company may redeem by tranches outstanding Warrants 2014 at any time as from 16th February 2010 at a unit price of EUR 0.01 subject to the following conditions:

- the average share price of not less than 20 dealing days during the preceding period of 30 consecutive dealing days exceeds the relevant soft call price: EUR16 for the first tranche being one third of outstanding warrants; EUR 24 for the second tranche being half of outstanding warrants; and EUR 32 for the remaining outstanding warrants.

On 25 March 2010, the general meeting of the holders of the warrants 2014 extended the exercise period of the warrants until 31 December 2019.

Due to the application of the Safeguard plan (see note 2.1.1.1), the terms and conditions have been changed for the following ones:

Bonds

Issuer	Orco Property Group S.A.
Nominal	EUR 175,000,461
Number of bonds	119,544
Nominal value per bond	EUR 1,463.90
Deemed issue price per bond	EUR 482,21
Redemption	30 April 2020
Redemption price	117.5% of par at EUR 1,720.08
Effective interest rate	21.4% (23.1 % till 16 September 2011)
ISIN	XS0291838992 / XS0291840626
Listing	Euronext - Brussels

Warrants

Number of warrants	1,793,160 at issuance (corresponding to 15 warrants/issued bond)
	2,871,021 after the public exchange offer on the OBSAR 1
Exercise ratio	1 warrant gives the right to 1.73 shares
Exercise price	EUR 11.2
Exercise period	until 31 December 2019
Early repayment	From 16 February 2010, the issuer may reimburse the warrants at EUR 0.01 if the average share price of not less than 20 dealing days during the preceding period of 30 consecutive dealing days exceeds the relevant soft call price : EUR 16 for the first tranche being one third of outstanding warrants; EUR 24 for the second tranche being half of outstanding warrants; and EUR 32 for the remaining outstanding warrants.
ISIN	XS0290764728
Listing	Euronext - Brussels
	Euronext – Paris

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:

EUR	30 April 2012	30 April 2013	30 April 2014	30 April 2015	30 April 2016	30 April 2017	30 April 2018	30 April 2019	30 April 2020	Total
Principal	0	1,412	6,587	10,060	10,060	20,121	28,169	40,241	88,975	205,626
Interest	9,732	8,757	3,947	0	0	0	0	0	0	22,436
Total	**9,732**	**10,169**	**10,534**	**10,060**	**10,060**	**20,121**	**28,169**	**40,241**	**88,975**	**228,061**

Repayment schedule for interests and principal according to the Safeguard Plan before changes on 16 September 2011 excluding any potential deduction due to own bonds:

EUR	30 April 2012	30 April 2013	30 April 2014	30 April 2015	30 April 2016	30 April 2017	30 April 2018	30 April 2019	30 April 2020	Total
Principal	0	1 119	6 221	6 785	7 328	18 582	28 316	42 746	94 528	205 626
Interests	9 747	9 071	4 407	4 250	4 089	3 892	3 421	2 703	1 624	43 204
Total	**9 747**	**10 190**	**10 629**	**11 035**	**11 416**	**22 474**	**31 737**	**45 450**	**96 152**	**248 830**

Terms and conditions before 19 May 2010

Bonds

Issuer	Orco Property Group S.A.
Nominal	EUR 175,000,461
Number of bonds	119,544
Nominal value per bond	EUR 1,463.90
Issue price per bond	EUR 1,421.45
Redemption	28 March 2014
Redemption price	117.5% of par at EUR 1,720.08
Nominal interest rate	2.5%
ISIN	XS0291838992 / XS0291840626
Listing	Euronext - Brussels

Creditors in respect of the share subscription options maturing in 2014

The share subscription options maturing in 2014 issued by OPG on the basis of the prospectuses registered by the Commission de Surveillance du Secteur Financier on 22 March 2007 and 22 October 2007 (ISIN XS0290764728) could result in a liability for the Company in the event of any change in its control.

Warrants

Number of warrants	1,793,160 at issuance (corresponding to 15 warrants/issued bond)
	2,871,021 after the public exchange offer on the OBSAR 1
Exercise ratio	1 warrant gives the right to 1.03 shares (before amendments)
Exercise price	EUR 146.39 (before amendments)
Exercise period	until 28 March 2014
Early repayment	From 28 March 2012 the issuer may reimburse the warrants at EUR 0.01 if the average share price of not less than 20 dealing days during the preceding period of 30 consecutive dealing days exceeds EUR 190.31 (before amendments)
ISIN	XS0290764728
Listing	Euronext - Brussels
	Euronext - Paris

The funds raised with this bond have been, at issuance, divided into a long-term debt component and an equity component. Furthermore, the costs linked to the issuance of the bond were deducted from the funds raised. The equity component (EUR 23.9 million reduced by EUR 2.4 million of deferred taxes), classified in other reserves, represents the market value on the date of the issuance of the subscription warrants embedded in the bond.

Balance at 31 December 2009	150,677
Derecognition of bonds	-153,957
Entry of new bonds	57,645
Own bonds	-7,830
Interest	10,452
Balance at 31 December 2010	56,987
Own bonds	9,025
Interest	13,813
Safeguard dividends	-3,770
Balance at 31 December 2011	76,055

As 31 December 2011, the current part of the bonds amounts to EUR 9.7 million (EUR 3.3 million in 2010). In 2011 the Group bought 3,697 bonds and sold 18,948 bonds arriving to 382 bonds as at 31 December 2011 (15,633 in 2010).

18.7. Bonds with repayable subscription warrants ("OBSAR OG")

Bonds

Issuer	Orco Germany S.A.
Nominal	EUR 100,100,052
Number of bonds	148,077
Nominal value per bond	EUR 676
Issue price per bond	at par value, EUR 676
Maturity date	30 May 2012
Redemption price	at 100% or at 125% of par, depending on the occurrence of specific external events, namely the market price of Orco Germany S.A.
Nominal interest rate	4%
ISIN	XS0302623953
Listing	Luxembourg Stock Exchange

Warrants

Number of warrants	9,328,851 (corresponding to 63 warrants/issued bond)
Exercise ratio	one warrant gives the right to one share
Exercise price	EUR 15.60
Exercise period	30 May 2007 until 30 May 2014
Early repayment	From 30 May 2010, the issuer may, upon notice to the warrantholders, redeem the warrants at EUR 0.01 per warrant if the average share price exceeds 150% of the exercise price over 20 dealing days during a preceding period of 30 consecutive dealing days
ISIN	XS0302626899
Listing	Luxembourg Stock Exchange

The funds raised with this bond have been, at issuance, divided into a long-term debt component, an equity component and a derivative component. Furthermore, the costs linked to the issuance of the bond were deducted from the funds raised. The equity component (EUR 13.5 million reduced by EUR 3.7 million of deferred taxes), classified in other reserves, represents the market value on the date of the issuance of the subscription warrants embedded in the bond. The derivative component amounting to EUR 22.9 million (EUR 19.3 million in 2010) classified in non-current financial liabilities under Derivative

Instruments, represents the market value of the redemption premium granted to the bondholders if the average market price of Orco Germany shares does not reach a certain level before the repayment date. As at December 2011, the management used a credit spread of 22% (20 % as at December 2010). This derivative is revalued at its market value at each closing through the income statement. The difference between the debt component and the par value of the bond is taken in profit and loss account using the effective interest method.

Balance at 31 December 2009	90,374
Interest	3,819
Balance at 31 December 2010	94,193
Interest	3,584
Balance at 31 December 2011	97,778

As at 31 December 2011 and 2010, the Group owned 2,947,311 warrants.

18.8. Non-current financial debts

	Bank loans	Other non-current borrowings	Finance lease liabilities	TOTAL
Balance at 31 December 2009	469,402	14,110	1,122	484,634
Issue of new loans and drawdowns	13,006	4,042	-	17,048
Repayments of loans	(47,733)	(1,500)	(1,213)	(50,446)
Transfers	70,792	(39)	36	70,789
Translation differences	4,418	493	55	4,966
Balance at 31 December 2010	509,885	17,106	-	526,991
Issue of new loans and drawdowns	29,816	535	-	30,351
Repayments of loans	(29,602)	(166)	-	(29,768)
Sales of Russian rental & development operations	(17,126)	-	-	(17,126)
Transfers	(269,371)	1,073	-	(268,298)
Translation differences	(1,688)	(1,237)	-	(2,925)
Balance at 31 December 2011	221,914	17,311	-	239,225

In 2011

Issue of new bank loans and drawdowns (EUR 29.8 million) relates mainly to the refinancing of Molcom (EUR 16.8 million) and Szervita (EUR 9.9 Million).

Repayments of bank loans (EUR 29.6 million) are mainly related to assets / share deals and changes of bank loan contracts:

- Repayment of the loan related to Molcom (EUR 12.3 million);
- Reimbursement of Szervita bank loan (EUR 10.2 million) due to the merger of the three credit lines;
- Sale of Brunnenstrasse (EUR 2.8 million);
- Partial Reimbursement of Gebauer Hofe bank loan (EUR 2.2 million) and Mostecka bank loan (EUR 0.9 million).

Transfers of bank loans (EUR 269.4 million) are mainly due:

- Reclassifications of bank loans, that will fall due within twelve months (EUR 352.7 million) of which GSG for EUR 300.0 million and Na Porici for EUR 38.7 million;
- Reclassification of bank loans due to breach of covenants (EUR 4.7 million) (see note 18.11) from long term to short term;
- Reclassification of bank loans linked to assets held for sales (EUR 5.4 million) from long term to short term in Germany with Ku-Damm 102;
- Settlement of long term bank loan covenant breaches from 31 December 2010 which led to the reclassification of bank loans into long term debts for EUR 48.1 million (see note 18.11) and prolongation of bank loans which were expiring within one year as at 31 December 2010 and reclassified as at 31 December 2011 in long term debt for EUR 42.8 million (see note 18.11) after successful renegotiation.

The EUR 13.6 million bank loan of Stein has been derecognized in 2010 as the company has been deconsolidated due to bankruptcy process. The guarantee given by Orco Property Group S.A. is still valid and has been exercised by the lending bank but due to the application of the Safeguard plan, the repayment schedule will follow the one of the Safeguard Plan. In this context, the Net Present Value of the guarantee has been recognized for EUR 0.9 million as a provision (see note 19).

Other non-current borrowings are mainly related to equity loans from joint ventures and partner companies as in Poland for EUR 6.0 million (Zlota for EUR 2.6 million, Szczecin EUR 2.3 million and Jozefoslaw for EUR 0.8 million) in the Czech Republic for EUR 4.4 million (Benice for EUR 2.8 million, Praga for EUR 1.6 million) and Hospitality for EUR 6.3 million (EUR 0.3 million corresponding to increase in fair value of the loan).

In 2010

Issue of new bank loans and drawdowns (EUR 13.0 million) mainly relate to the refinancing for Molcom in Russia (EUR 12.3 million).

Repayment of bank loans (EUR 47.7 million) mainly relate to the following operations in Germany:

- Sales of healthcare developments (EUR 27.9 million);
- Sale of the Brunnenstr. 27 (EUR 1.1 million);
- Ku-Dammstr. 103 (EUR 4.7 million);
- Sale of part of the project Genestr. 5-6 (EUR 1.0 million);
- Repayment of the loan in Molcom due to the refinancing of the debt (EUR 10.1 million).

Transfers of bank loans (EUR 70.8 million) are mainly due:

(a) To the reclassification of the bank loan of the project Kosic in the Czech Republic (EUR -4.5 million), that will fall due within twelve months;

(b) To the reclassification in short term of the bank loan that will be repaid early 2011 (EUR -1.9 million) upon reception of the funds on Jeremiasova project sold in 2010;

(c) To the settlement of previous breaches on financial covenants for the bank loans financing the following projects:

- In Slovakia: Dunaj (EUR 13.1 million);
- In Germany: Invalidenstr. 112 (EUR 2.9 million);
- In the Czech Republic: Bubny (EUR 5.5 million) and Vlatska (EUR 19.1 million);

(d) To the renegotiation of bank loans financing the following projects:

- Koliba (EUR 3.5 million) in Slovakia, extended till 2012, with an increase of the margin of 0.75%;
  Na Porici (EUR 37.6 million) in the Czech Republic, extended till 2012, with an increase of the margin of 1.5%.

As at 31 December 2010, the total carrying value of non-current loans in breach due to non-respected covenants amounts to EUR 101.9 million (EUR 156.0 million as at 31 December 2009).

Other non-current borrowings are mainly equity loans from joint ventures and loans from partner companies. The new loans (EUR 4.1 million) mainly relate to Praga, Benice and Hospitality (respectively for EUR 0.1 million, EUR 0.5 million and EUR 3.4 million).

18.9. Current financial debts

18.9.1. Current Loans and Borrowings

	Bank Loans	Bank loans linked to assets held for sales	Other current borrowings	TOTAL
Balance at 31 December 2009	**593,474**	**51,451**	**2,302**	**647,227**
Issue of new loans and drawdowns	6,924	-	307	7,231
Repayments of loans	(75,224)	(29,088)	(6,152)	(110,455)
Transfers	(130,023)	54,686	4,490	(70,846)
Translation differences	6,780	(554)	9	6,235
Balance at 31 December 2010	**388,326**	**76,494**	**956**	**465,776**
Issue of new loans and drawdowns	9,918	-	417	10,335
Sales of Russian rental & development operations	(856)	-	-	(856)
Repayments of loans	(34,992)	(66,000)	(24,411)	(125,403)
Transfers	265,807	5,841	23,459	295,107
Translation differences	(7,736)	(445)	(53)	(8,234)
Balance at 31 December 2011	**620,467**	**15,891**	**368**	**636,725**

In 2011

The issuance of new loans mainly relates to further drawdowns on Sky Office and Vaci 1 credit lines (respectively for EUR 1.3 million and EUR 7.9 million).

The repayments of bank loans (EUR 108.4 million) are mainly related to sale of investment properties, land plots and residential development units:

- In Germany: Leipziger Platz (EUR 66.0 million), Invalidenstrasse (EUR 3.9 million), Sky Office (EUR 2.0 million);
- In Hungary: Vaci 188 (EUR 6.7 million) and Vaci 190 (EUR 0.7 million): The two assets were auctioned during the period by the lending Bank and taken over by the Group itself. The loans were partially repaid for the sales price (EUR 7.5 million) as defined in the agreement between the companies financing the assets and the Group. The remaining balances of the loans are still integrated in the consolidated accounts for an amount of EUR 15.0 million but as there is no real asset in the specific entities they will probably be bankrupted in 2012;
- In the Czech Republic with Mostecka (EUR 6.8 million);
- In Slovakia:Koliba (EUR 5.9 million);
- In Russia: Molcom (EUR 2.5 million) ;
- In Poland: Klonowa (EUR 2.6 million).

The transfers of bank loans from long term (EUR 265.8 million) are mainly explained as follow:

- Reclassification of bank loans, that will fall due within twelve months (EUR 352.7 million) of which GSG for (EUR 300.0 million) and Na Porici (EUR 38.7 million);
- Reclassification of bank loans due to breach of covenants for EUR 1.9 million (see note 18.8) and assets held for sales for EUR 11.5 million from long term to short term;
- Settlement of long term bank loan covenant breaches from 31 December 2010 which led to the reclassification of bank loans into long term debts for EUR 48.1 million (see note 18.8) and renegotiation of bank loans which were expiring within one year as at 31 December 2010 and reclassified as at 31 December 2011 as long term debt for EUR 42.8 Million (see note 18.8);
- Reclassification of bank loans linked to asset held for sales (EUR-8.1 million) from long term to short term in Germany with Huettenstrasse (EUR 4.3 million) and in Poland with Przy Parku (EUR 3.8 million).

In Germany and Croatia, bank loans for a total amount of EUR 150.9 Million are classified as short term liabilities and do not present as of today a fully secured refinancing or repayment solution. Nevertheless, negotiations for such refinancing or repayment through the sale of the asset are sufficiently advanced.

In 2010

The issue of new loans mainly relates to further drawdowns in Hvar and Vaci 1 (EUR 0.2 million and EUR 6.4 million respectively).

The repayment of bank loans (EUR 104.3 million) mainly related to sale of investment properties, land plots and residential development units:

- In Germany: H2 Office (EUR 24.2 million), Cumberland (EUR 20.0 million), Helberger (EUR 8.5 million), Wasserstr. (EUR 7.0 million), Max-Planck Str. (EUR 3.0 million) and Luetticher str. (EUR 0.9 million);
- In Poland: Targowek/Marborska (EUR 15.2 million) and Drawska (EUR 4.3 million);
- In the Czech Republic: North East corner on the Bubny plot (EUR 7.9 million), Kosic (EUR 4.3 million) and Benice (EUR 2.7 million);
- In Slovakia: Koliba (EUR 3.8 million).

The bank loan of Stein for EUR 13.6 million has been derecognized as the company has been deconsolidated due to bankruptcy process. Due to the guarantee given by Orco Property Group S.A. and due to the application of the Safeguard plan, the guarantee is still valid, but the repayment schedule will follow the repayment schedule of the Safeguard plan. In this context, the Net Present Value of the guarantee has been recognized for EUR 1.1 million (EUR 0.1 million in short term and EUR 1.0 million in long term).

The transfers of bank loans are mainly explained as follow:

(a) Settlements of long term bank loans covenant breaches from 31 December 2009, which led to the reclassification of bank loans into long term debts for EUR 40.5 million:

- In the Czech Republic, 2 bank loans previously in breach of covenants have been reclassified or partly reclassified in long term for EUR 24.5 million;
- In Germany, 1 bank loan previously in breach of covenants has been partly reclassified in long term for EUR 2.9 million;
- In Slovakia, 1 bank loan previously in breach of covenants has been reclassified in long term for EUR 13.1 million;

(b) Renegotiations of bank loans, which led to the transfers of bank loans in long term for EUR 41.1 million;

(c) Reclassifications of bank loans which will fall due within twelve months (EUR 6.3 million).

Finally, EUR 132.2 million of bank loans due in 2010 have been extended to 2011, following the renegotiation with the banks:

- In the Czech Republic, the short term bank loans renegotiated for one year in 2010, amounts to EUR 24.2 million;
- In Germany, the short term bank loans renegotiated for one year in 2010, amounts to EUR 96.8 million;
- In Poland, the short term bank loans renegotiated for one year in 2010, amounts to EUR 2.7 million;
- In Slovakia, the short term bank loans renegotiated for one year in 2010, amounts to EUR 6.0 million;
- In Russia, the short term bank loans renegotiated for one year in 2010, amounts to EUR 2.5 million.

18.9.2. Current Bonds

Current bonds	Convertible bonds	Non Convertible bonds	TOTAL
Balance at 31 December 2010	**2,925**	**5,297**	**8,222**
Own bonds		681	681
Repayment of bonds	-2,925	-5,978	-8,903
Transfer from Long term	7,776	112,148	119,924
Balance at 31 December 2011	**7,776**	**112,148**	**119,924**

As at 31 December 2011 the current portion of the total bonds amounts to EUR 8.2 million, following the application of the repayment schedule of the Safeguard plan (See note 2.1.1.1).

18.10. Borrowings maturity

The following tables describe the maturity of the Group's borrowings. In 2011, the non-current bonds and financial debts amount to EUR 0.4 billion (in 2010 EUR 0.8 billion).

The not accrued liabilities represent the total amount of debts not accrued as at 31 December 2011 and related to the termed out bonds of the Group. It includes also the own bonds part.

In 2011

The Group has entered into interest rate derivatives representing 54.3% of the non-current floating rate borrowings (81.2% in 2010) and 51.3% of the current floating rate borrowings (21.7% in 2010), in order to limit the risk of the effects of fluctuations of market interest rates on its financial position and future cash flows. Most floating interest debt instruments have a fixing period of maximum 3 months.

Bank loans include amounts secured by a mortgage on properties with a value of EUR 0.842 billion (0.969 billion as at 31 December 2010).

The interests on bank loans decreased from EUR 59.6 million as at 31 December 2010 to EUR 48.8 million as at 31 December 2011 mainly due to the total or partial redemption upon assets and development sales in 2011.

As agreed with the Banks EUR 5.0 million of late and penalty interests related to Suncani Hvar hotels have been cancelled. This profit is presented in reduction of the interests expenses of the period.

Held for sale liabilities are detailed in note 18.11.

At 31 December 2011	Less than one year	1 to 2 years	2 to 5 years	More than 5 years	TOTAL	Unaccrued liabilities
Non-current						
Bonds	-	**22,672**	**83,919**	**56,789**	**163,380**	**230,536**
Convertible bonds (*)	-	9,010	42,782	20,856	72,648	101,929
Non Convertible (**)	-	13,662	41,137	35,933	90,732	128,608
Financial debts	-	**48,634**	**133,166**	**57,425**	**239,225**	
Bank loans	-	48,634	133,166	40,114	221,914	
Bank loans fixed rate	-	401	1,488	8,124	10,013	
Bank loans floating rate	-	48,233	131,678	31,990	211,901	
Other non-current borrowings	-	-	-	17,311	17,311	
TOTAL - NON CURRENT	-	71,306	217,085	114,213	402,604	
Current						
Bonds	**119,924**	-	-	-	**119,924**	
Convertible bonds (*)	8,921	-	-	-	8,921	
Non Convertible (**)	111,003	-	-	-	111,003	
Financial debts	**620,835**	-	-	-	**620,835**	
Bank loans	620,467	-	-	-	620,467	
Bank loans fixed rate	9,825	-	-	-	9,825	
Bank loans floating rate	610,642	-	-	-	610,642	
Other borrowings	368	-	-	-	368	
Liabilities linked to assets held for sale	**15,891**	-	-	-	**15,891**	
Bank loans floating rate	7,777	-	-	-	7,777	
Bank loans fixed rate	5,491	-	-	-	5,491	
Swaps	824	-	-	-	824	
Accrued interests	1,799	-	-	-	1,799	
TOTAL - CURRENT	756,649	-	-	-	756,649	
TOTAL	756,649	71,306	217,085	114,213	1,159,253	

(*) See note 18.4 - (**) See notes 18.2, 18.3 and 18.5 to 18.7.

The carrying amount of the Group's borrowings is denominated in the following currencies:

	31 December 2011	31 December 2010
EUR	975,456	996,340
CZK	91,836	107,372
PLN	43,629	52,914
USD	38,339	53,697
HRK	9,993	26,333
Total	**1,159,253**	**1,236,656**

In 2010

The other non-current borrowings mainly relate to equity loans granted by our partners in joint ventures.

The Group has entered into interest rate derivatives representing 81.2% of the non-current floating rate borrowings (72.7% in 2009) and 21.7% of the current floating rate borrowings (35.7% in 2009), in order to limit the risk of the effects of fluctuations of market interest rates on its financial position and future cash flows. Most floating interest debt instruments have a fixing period of maximum 3 months.

Bank loans include amounts secured by a mortgage on properties with a value of EUR 0.969 billion (1.108 billion as at 31 December 2009).

Held for sale liabilities in Current represent the loans in respect of Szervita and Wertheim which are classified as held for sale and accrued interests amounting to EUR 0.3 million.

At 31 December 2010	Note	Less than one year	1 to 2 years	2 to 5 years	More than 5 years	Total	Unaccrued liabilities
Non-current							
Bonds		-	**115,474**	**82,107**	**38,086**	**235,667**	**650,690**
Convertible bonds	18.4	-	7,611	37,466	12,032	57,109	218,196
Non Convertible	18.2 - 3, 18.5 - 7	-	107,863	44,641	26,054	178,558	432,494
Financial debts		-	**368,372**	**91,562**	**67,057**	**526,991**	
Bank loans		-	368,372	91,562	49,951	509,885	
Bank loans fixed rate		-	12,940	8,969	11,058	32,967	
Bank loans floating rate		-	355,432	82,593	38,893	476,918	
Other non-current borrowings		-	-	-	17,106	17,106	
Total		-	**483,846**	**173,669**	**105,143**	**762,658**	
Current							
Bonds		**8,222**	-	-	-	**8,222**	
Convertible bonds	18.4	2,925	-	-	-	2,925	
Non Convertible	18.2 - 3, 18.5 - 7	5,297	-	-	-	5,297	
Financial debts		**389,282**	-	-	-	**389,282**	
Bank loans		388,326	-	-	-	388,326	
Bank loans fixed rate		23,534	-	-	-	23,534	
Bank loans floating rate		364,792	-	-	-	364,792	
Other borrowings		956	-	-	-	956	
Liabilities linked to assets held for sale		**76,494**	-	-	-	**76,494**	
Bank loans floating rate		10,215	-	-	-	10,215	
Bank loans fixed rate		66,000	-	-	-	66,000	
Accrued interests		279	-	-	-	279	
Total		**473,998**	-	-	-	**473,998**	

18.11. Loans with covenants breaches

	As at 31 December 2011			As at 31 December 2010		
	Principal	Accrued Interest	Total	Principal	Accrued Interest	Total
Long term loans presented in ST						
due to Financial covenant breach	24,981	-	**24,981**	37,686	-	**37,686**
due to Non repayment	40,285	-	**40,285**	41,320	-	**41,320**
due to Administrative breach	-	-	-	4,300	-	**4,300**
due to Financial and administrative breach and/or non repayment	-	-	-	18,566	-	**18,566**
Total LT loans presented in ST	65,266	-	**65,266**	101,872	-	**101,872**
Short term loans in breach						
due to Financial covenant breach	942	-	**942**	13,980	70	**14,050**
due to Non repayment	63,387	6,685	**70,072**	32,807	8,131	**40,938**
due to Financial and administrative breach and/or non repayment	15,182	91	**15,273**	18,272	687	**18,959**
Total ST loans in breach	79,511	6,776	**86,287**	65,059	8,888	**73,947**
Total loans linked to assets held for sale	7,777	3,995	**11,772**	10,215	892	**11,107**
Total Loans in Breach	**152,554**	**10,771**	**163,325**	**177,146**	**9,780**	**186,926**

While as at December 2010 EUR 101.9 million of long term loans were presented as short term, as at December 2011 the long term loans presented in short term amount to EUR 65.3 million, and are mainly composed of Suncani Hvar long term part loan for EUR 40.3 Million due to non-repayment, Paris Department Store long term part loan for EUR 15.8 million due to financial covenants breaches. During the year 2011 the breaches for the loan financing the Gebauer Hofe office building (EUR 29.6 million) have been solved through the signature of an amendment and a partial repayment with the sale of Invalidenstrasse and Brunnenstrasse (EUR 6.7 million).

The increase of the amount of short term is mainly due to the issue of a breach on Vaci I (EUR 40.1 million) compensated by the following elements:

- Signature of an amendment solving the breach for the loan financing Hradcanska building (EUR 13.0 million) and Marki plot (EUR 3.9 million);
- Repayment of the loan financing Main Budapest Bank and Small Budapest Bank for respectively (EUR 7.0 million) and (EUR 0.7 million);
- Reclassification of Huettenstrasse (EUR 4.3 million) in assets held for sales.

The decrease in accrued interests is explained by the reimbursement of Suncani Hvar loans interests for (EUR 2.2 million).

Loans linked to assets held for sales are composed of loans financing Przy Parku plot for EUR 3.5 million and Huettenstrasse for EUR 4.3 million.

18.12. Derivatives

	31 December 2011	31 December 2010
Interest rate derivatives	-	-
Forex derivatives	-	-
Total current assets		-
Share derivatives		-
Embedded derivatives on bonds (see note 18.7)	22,914	19,323
Total non-current liabilities	22,914	19,323
Embedded derivatives on bonds (see note 18.2)		-
Interest rate derivatives	18,239	27,469
Total current liabilities	18,239	27,469
Net derivatives	-41,153	-46,792

Derivative instruments are presented within others current assets when their fair value is positive, within other current or non-current liabilities when their fair value is negative. Changes in the fair value are recognized immediately in the income statement under other financial results.

Derivatives used by the Group include interest rate derivatives and embedded derivatives on bonds.

Embedded derivatives on bonds correspond to the derivative embedded in the OBSAR OG (see note 18.7).

The Group uses various types of interest rate derivative contracts to protect against changes in the fair value of its assets and liabilities due to fluctuations in interest rates.

Interest rate derivatives represent interest rate swaps and collars. Interest rate swaps are agreements between two parties to exchange a series of interest payments on a common principal amount. A collar is an investment strategy that uses options to limit the possible range of positive or negative returns on an investment in an underlying asset to a specific range. Valued at their fair value, interest rate swaps and collars cover floating interest rates against fixed rates. As at 31 December 2011 the total debt covered by interest rate swaps and collars amounts EUR 444.4 million (EUR 469.4 million in 2010) or 52.8% of the floating rate debt (55.0 % in 2010).

18.13. Capitalized interests on projects under development

	31 December 2011	31 December 2010
Inventories	8,550	884
Investment under construction	2,990	3,252
Capitalised interests	**11,540**	**4,136**

The capitalised interests on inventories are many explained by Zlota 44, which was in standby over 2010, for EUR 3.7 million, Bubny transferred from land bank in 2011 for EUR 3.0 million and Benice for EUR 1.5 million.

18.14. Average effective interest rates (current and non-current)

	31 December 2011					
	EUR	CZK	HUF	PLN	HRK	USD
Termed out bonds after 16 September 2011	20.51%	-	-	-	-	-
Termed out bonds till 16 September 2011	21.20%	-	-	-	-	-
Bank borrowings	3.58%	4.02%	-	9.30%	0.78%	7.50%

	31 December 2010					
	EUR	CZK	HUF	PLN	HRK	USD
Termed out bonds after 19 May 2010	23.10%	-	-	-	-	-
Non termed out bonds after 19 May 2010	4.11%	-	-	-	-	-
Termed out bonds before 19 May 2010	7.31%	7.67%	-	-	-	-
Non termed out bonds before 19 May 2010	4.11%	-	-	-	-	-
Bank borrowings	4.45%	4.21%	-	10.75%	4.97%	10.04%

Croatian effective rate decreased from 4.97% to 0.78% due to the cancellation of late and penalty interests (see note 18.10).

19. *Provisions & other long term liabilities*

This caption includes other long term liabilities for EUR 1.3 million (EUR 0.7 million in 2010) representing mainly long term retention on general contractors' invoices when applicable and provisions for EUR 13.6 million in 2010 (compared to EUR 13.6 million in 2010) which include mainly provisions accumulated to cover the Group's retirement benefit obligation as detailed hereafter.

	Opening	Scope Exit	Allowance	Write-Back	Transfer	FX adjust.	Total
Retirement obligations	9,902	-	55	(752)	-	-	**9,205**
Other provisions	3,705	5,222	966	(5,918)	(22)	(111)	**3,841**
Total provisions	**13,606**	**5,222**	**1,021**	**(6,670)**	**(22)**	**(111)**	**13,047**

Other provisions:

Due to the bankruptcy procedure of the company Orco Blumentaska a.s. in Slovakia (project Stein), this company has been deconsolidated. In respect of the application of the Safeguard plan, the guarantee given by the Company to the bank led to the recognition of a provision (over ten years following the repayment schedule of the Safeguard plan), corresponding to the Net Present Value of the bank loan not covered by the pledge on the value of the building (valued at fair value according to the external value report). This provision amounts to EUR 0.9 million as at 31 December 2011.

A provision regarding the Bar neighbour agreement (escrow account of EUR 9.7 million as at 31 December 2011) related to the project Leipziger Platz has been recorded following the deal for EUR 5.6 million and decreased to EUR 1.0 million as at 31 December 2011. There is no cash impact from this operation.

Retirement benefit obligation:

In the Group, only Orco Projektentwicklungs GmbH (formerly Viterra Development GmbH) and Viterra Baupartner GmbH have defined benefit plans. The Viterra plan is a so-called book reserve plan. The important attribute of this kind of plan is that there is no separate vehicle to accumulate assets to provide for the payment of benefits. Rather, the employer sets up a book reserve (accruals) in its balance sheet.

	31 December 2011	31 December 2010
Present value of unfunded obligations	9,084	9,194
Unrecognised actuarial gains	122	596
Liabilities in the balance sheet	**9,206**	**9,790**

The movement in the defined obligation over the year is as follows:

	31 December 2011	31 December 2010
Beginning of the year	**9,194**	**8,661**
Current service cost	0	18
Interest cost	428	445
Actuarial gains(losses)	(122)	472
Benefits paid	(416)	(402)
End of the year	**9,084**	**9,194**

The principal actuarial assumptions used were as follows:

	31 December 2011	31 December 2010
Discount rate	4.60%	4.75%
Future salary increases	n.a	2.75%
Future pension increases	2.00%	2.00%
Corridor	10.00%	10.00%

Transition to IAS 19 (rev.2011):

Application of IAS 19, rev.2011 is compulsory for periods beginning at or after 01.01.2013.

Disclosures for periods 2011 and 2012 must be reported according to current IAS 19.

The calculation of pension expense must follow IAS 19, rev.2011 for the first time in 2013.

For the purpose of financial reporting as of 31 December 2013 the financial statement for the prior period must be restated on revised rules.

Expenses recognized in income statement as of December 2012	**128,839**
Current service cost	-
Interest cost	128,839
Expected disclosure as of December 2012	
Expected (gains)/losses in period 2012 (*)	12,688
Defined Benefit Obligation (DBO) (*)	2,906,688
Accumulated (gains)/losses recognised in OCI	(478,689)
Unrecognised actuarial(gains)/losses before taxes as of 1st January 2013 (**)	**(271,685)**

(*) The expected DBO as of 31 December 2012 and the resulting (gains)/losses in 2012 are estimated on the basis of the population and the assumptions of the evaluation as of 31 December 2011. They are subject to change in the course of 2012 and will be finally known on 31 December 2012.

(**) Necessary adjustment to statement of financial position with resulting changes to shareholder's equity before tax effects.

20. Current liabilities

Current liabilities as at 31 December 2011 presented below do not include neither derivatives instruments for EUR 41.0 million (EUR 27.5 million in 2010) nor tax, payroll and social security for EUR 18.7 million (EUR 15.6 million in 2010):

Financial debts include current bonds for an amount of 119.9 Million (EUR 8.2 Million for 2010) payable on 30 April 2012 approved as of 19 May 2010. (See Note 31).

	Less than 1 month	Between 1 and 6 months	Between 6 months and 1 year	TOTAL
Financial debts & Current bonds	24,086	466,220	250,453	740,759
Trade payables	3,522	4,787	8,056	16,365
Advance payments	4,728	6,557	23,965	35,250
Other current liabilities	15,741	16,790	17,000	49,531
Liabilities linked to assets held for sale	-	5,145	10,743	15,890
31 December 2011	**48,077**	**499,499**	**310,217**	**857,795**
Other current liabilities as at December 2011				**68,317**
Not financial other current liabilities				18,786
w/o Tax and income tax				*13,782*
w/o Social & Payroll				*5,004*
Financial other current liabiilities	15,741	16,790	17,000	49,531

	Less than 1 month	Between 1 and 6 months	Between 6 months and 1 year	TOTAL
Financial debts & Current bonds	45,590	139,462	212,452	397,504
Trade payables	7,320	9,248	4,443	21,011
Advance payments	5,871	15,478	11,365	32,714
Other current liabilities	34,689	25,122	12,629	72,440
Liabilities linked to assets held for sale	-	76,494	-	76,494
31 December 2010	**93,470**	**265,804**	**240,889**	**600,163**
Other current liabilities as at December 2010				**88,063**
Not financial other current liabilities				15,623
w/o Tax and income tax				*12,247*
w/o Social & Payroll				*3,376*
Financial other current liabiilities	34,689	25,122	12,629	72,440

21. Other operating expenses and employee benefits

	31 December 2011	31 December 2010 Pro forma	31 December 2010
Leases and rents	(3,176)	(4,567)	(4,593)
Building maintenance and utilities supplies	(28,148)	(28,368)	(30,530)
Marketing and representation costs	(4,533)	(4,414)	(4,539)
Administration costs	(20,565)	(22,723)	(23,883)
Taxes other than income tax	(4,754)	(8,705)	(8,944)
Hospitality specific costs	(883)	(693)	(693)
Other operating expenses	(2,199)	(1,261)	(1,289)
Salaries	(22,991)	(26,898)	(36,332)
Social security expenses	(4,261)	(4,718)	(6,383)
Pension costs	(899)	(694)	(694)
Stock options	(562)	(211)	(211)
Other employee benefits	(134)	(470)	(494)
Other personnel related charges	(763)	(1,058)	(1,058)
Total other operating expenses	(93,868)	(104,780)	(119,642)

Fees related to the Group auditors and their affiliates are set out below:

	31 December 2011	31 December 2010 (Proforma)	31 December 2010
Audit services pursuant to legislation	-1,740	-2,643	-2,643
Other services relating to taxation	-204	-339	-339
Total other operating expenses	-1,944	-2,982	-2,982

22. Other net financial results

	12 months 2011	12 months 2010 Pro forma	12 months 2010
Change in carrying value of liabilities at amortised cost	-	272,737	272,737
Change in fair value and realised result on derivative instruments	3,434	6,173	6,173
Change in fair value and realised result on other financial assets	2,068	1,964	1,964
Other net finance gains or losses	(1,893)	(13,700)	(13,700)
Total	3,609	267,174	267,174

In 2011

Change in fair value and realized result on derivative instruments are related to:

- Losses on Embedded derivatives on Bonds for EUR 4.3 million;
- Gains on interest derivatives for EUR 7.7mllion.

Change in fair value and realized result on other financial assets are related to:

- Gains on revaluation of the investment in Endurance Fund compartments for EUR 2.7 million, out of which EUR 0.8 million recognized on the newly acquired units as described in note 17 and EUR 1.9 million on the units already held as at December 2010;
- Loss in revaluation of Rubin in Russia for EUR 0.3 million;
- Gains on PPL asset revaluation for EUR 0.4 million;

Other finance gains and losses consist mainly in Bank expenses for EUR 1.2 million.

In 2010

(a) Change in the carrying value of liabilities relates mainly to gains on the revaluation of bonds following the approval of the Safeguard plan. This arises from the difference between the book value of bonds on the date of approval of the Safeguard plan (19 May 2010) amounting to EUR 388.9 million (net of own bonds EUR 11.2 million) plus EUR 17.1 million accrued interest (net of interest on own bonds EUR 1.3 million) and the fair value of EUR 135.9 million of the termed out bonds (net of own bonds EUR 6.5 million). Furthermore, the gain on the bonds repurchased after 19 May 2010 amounts to EUR 2.4 million. For further analysis see note 2.1 and note 18.

(b) Change in the fair value of derivative instruments essentially relates to movements in fair value of derivative instruments linked to bonds issued by the Group and in fair value of other derivatives (IRS and forwards). Please refer to note 18 and note 4.1 for further details.

(c) Change in the fair value of other financial assets essentially relates to financial assets at fair value through profit or loss.

It relates to:

- Investment in Endurance Fund compartments for EUR 0.3 million
- The non-eliminated part of two loans granted to the Hospitality joint-venture has been fair valued on the basis of management estimates of the expected cash flows from the loan and the specific credit spread depending on the loan characteristics and the legal entity benefiting directly from the loan at closing date. A loss has been recognised for EUR 3.6 million.
- Reversal of impairment on an advance payment to third party valued at nil in 2009 and revalued at EUR 6.4 million in 2010, following the pledge of this loan on 10% of an SPV on an asset located in Russia.

(d) Other finance charges consist mainly of impairment of loan receivables registered in other current assets to third party (EUR -8.7 million), finance and legal fees relating to the financial restructuring, and bank charges.

23. Income taxes

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes laid by the same taxation authority of either the taxable entity or different taxable entities where there is the intention to settle the balances on a net basis.

	December 2010	Scope Variation	Variation	Other	Change in %	Currency translation	December 2011
Intangible assets	(2,155)	4	(14)	-	-	0	(2,164)
Tangible assets	(92,062)	8,750	(14,923)	0	0	728	(97,508)
Financial assets	7,407	13	(37,614)	5,067	(0)	0	(25,127)
Inventories	3,012	1,280	(8,557)	-	(0)	56	(4,208)
Current assets	(6,439)	(5)	(2,135)	-	0	23	(8,556)
Equity	(1,611)	-	1,339	-	-	(15)	(287)
Provisions	(14)	(277)	(675)	-	-	(2)	(969)
Long term debts	(8,294)	(3)	(288)	-	-	(56)	(8,641)
Current debts	3,858	(91)	(1,876)	(5,067)	0	(3)	(3,179)
Recognized loss carry forward	(10,380)	0	68,702	-	(0)	(192)	58,129
Total deferred taxes	**(106,679)**	**9,671**	**3,960**	**0**	**0**	**539**	**(92,509)**
Deferred tax assets	114						-
Deferred tax liabilities	(106,792)						(92,509)

	December 2009	Scope Variation	Variation	Other	Change in %	Currency translation	December 2010
Intangible assets	(2,152)	-	(3)	-	-	-	(2,155)
Tangible assets	(88,923)	1,571	(3,536)	-	(412)	(763)	(92,062)
Financial assets	3,483	-	3,214	-	626	84	7,407
Inventories	6,262	431	(4,096)	-	391	24	3,012
Current assets	(5,876)	-	(897)	-	386	(52)	(6,439)
Equity	(1,294)	-	(422)	-	118	(13)	(1,611)
Provisions	1,361	-	(1,670)	-	295	(0)	(14)
Long term debts	(11,676)	-	2,622	-	827	(67)	(8,294)
Current debts	6,418	-	(2,453)	-	(138)	31	3,858
Recognized loss carry forward	(5,086)	(796)	(3,261)	0	(1,128)	(109)	(10,380)
Total deferred taxes	**(97,484)**	**1,207**	**(10,503)**	**0**	**967**	**(866)**	**(106,679)**
Deferred tax assets	3,742						114
Deferred tax liabilities	(101,225)						(106,792)

In 2011

The income tax rates in the Group vary from 10.00% in Hungary up to an average of 33.33% in France.

In 2011, the theoretical tax rate is -16.68% (32.88% in 2010) and the effective tax rate of the period is 11.59% (3.54% in 2010). The income tax loss recognized in the income statement amount to EUR 5.5 million and composed of EUR 2.6 million of current income tax expenses and EUR 2.8 million of deferred income taxes expenses arising essentially from reversal of deferred tax assets made following the booking of positive revaluations and impairments booked on properties (EUR 23.0 million). Moreover due to the sale of the Russian portfolio EUR 9.7 million of deferred income taxes expenses are unrecognized at end of 2011.

	December 2011	December 2010
Profit or Loss before tax	**(47,108)**	**230,818**
Profit or Loss before tax from discontinued operations	0	(2,166)
Profit or Loss before tax from continued operations	**(47,108)**	**230,818**
Tax calculated at domestic rates applicable to profits in the respective countries	(7,850)	69,450
Tax effects of:		
Untaxed gains or losses	(15,046)	(113,178)
Undeductible charges and interests	24,705	3,525
Movements in balance sheet temporary differences		
Recognised loss carry forward	5,648	
Unrecognised loss carry forward	(1,523)	
Temporary differences	4,125	48,629
Other income tax	(453)	-
Remeasurement of deferred tax - Change in tax rates		(965)
Adjustments from previous years	(25)	704
Income tax expense recognised in profit or loss from continued operations	**5,455**	**8,165**

	Income Tax Rates		Deferred Tax rates	
	2011	2010	2011	2010
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%	14.50%	10.00%	14.50%
Luxembourg	28.80%	30.84%	28.80%	30.84%
Poland	19.00%	19.00%	19.00%	19.00%
Russia	20.00%	20.00%	20.00%	20.00%
Slovakia	19.00%	19.00%	19.00%	19.00%

In 2010

The income tax rates in the Group vary from 14.50% in Hungary up to an average of 33.33% in France. In 2010, the theoretical tax rate is 30.09% (24.52% in 2009) and the effective tax rate of the period is -3.54% (2009: 13.41%). The income tax loss recognized in the income statement amount to EUR -8.2 million and composed of EUR 1.3 million of current income tax revenue and EUR -9.5 million of deferred income taxes expenses arising essentially from reversal of deferred tax assets made following the booking of positive revaluations and impairments booked on properties (EUR 23.0 million).

24. Earnings per share

	31 December 2011	31 December 2010 Pro forma	31 December 2010
At the beginning of the period	**13,964,411**	**10,934,765**	**10,934,765**
Shares issued	14,053,866	10,943,866	10,943,866
Treasury shares	(89,455)	(9,101)	(9,101)
Weighted average movements	**576,125**	**2,196,963**	**2,196,963**
Issue of new shares	821,918	2,216,923	2,216,923
Treasury shares	(245,792)	(19,960)	(19,960)
Weighted average outstanding shares for the purpose of calculating the basic earnings per share	**14,540,536**	**13,131,728**	**13,131,728**
Dilutive potential ordinary shares	**0**	**1,086,956**	**1,086,956**
Convertible bond	0	1,086,956	1,086,956
Weighted average outstanding shares for the purpose of calculating the diluted earnings per share	**14,540,536**	**14,218,684**	**14,218,684**
Net profit/(loss) attributable to the Equity holders of the Company	**(53,257)**	**233,411**	**233,411**
Effect of assumed conversions / exercises	**0**	**(92,610)**	**(92,610)**
Convertible bond		(92,610)	(92,610)
Net profit /(loss) attributable to the Equity holders of the Company after assumed conversions / exercises	**(53,257)**	**140,801**	**140,801**
Basic earnings in EUR per share	(3.66)	17.77	17.77
Diluted earnings in EUR per share	(3.66)	9.90	9.90

Basic earnings per share is calculated by dividing the profit loss attributable to the Group by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the Group and held as treasury shares.

Diluted earnings per share is calculated adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

The warrants 2012 and 2014 were not taken into account in the EPS calculation as the conversion of the warrants had an anti-dilutive impact in 2010 and 2011.

Upon completion of the on-going bonds' restructuring as described in note 2.1, the number of issued shares should be increased from17.1 million to 108.3 million over 2012.

25. Equity holders

Share capital

	Number of shares	Capital	Share premium
Balance at 31 December 2009	**10,943,866**	**44,870**	**400,524**
Capital increase	3,110,000	12,751	3,464
Balance at 31 December 2010	**14,053,866**	**57,621**	**403,988**
Capital increase	3,000,000	12,300	14,700
Balance at 31 December 2011	**17,053,866**	**69,921**	**418,688**

All the shares of the Company have no par value and are fully paid. Each share is entitled in the profits and corporate capital to a prorate portion of the percentage of the corporate capital it represents, as well as to a voting right and representation at the time of General Meeting, the whole in accordance with statutory and legal provisions.

Authorized capital not issued:

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

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

The Board of Directors is authorised, 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 authorised capital. The Board of Directors is authorised 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.

As of the date of this report, the Board of Directors still has a potential of EUR 340,079,149.40 at its disposal. Considering that all new shares shall be issued at the minimum at par value amounting to EUR 4.10, a maximum total of 82,946,134 new shares may still be created.

In 2011

The Company has issued on 22 September 2011 3 million ordinary new shares without nominal value ("New Shares") to funds advised by Morgan Stanley Real Estate Investing ("MSREI"). The New Shares, issued under the Company's authorized capital, were fully paid by the contribution in kind of MSREI's 14,100,000 shares in Orco Germany SA, 1,500,000 units in the Office I Sub-Fund of the Endurance Real Estate Fund and 1,404,276.226 units in the Residential Sub-Fund of the Endurance Real Estate Fund. The New Shares are assimilated with the existing ordinary shares of Orco and listed on the regulated market of Paris, Prague and Warsaw stock exchanges.

With this transaction, the number of Company's shares issued is increased to 17,053,866 shares.

The regulated market of the Budapest Stock Exchange (the "BSE") has resolved to remove the Company shares from its product list. After 1 December, 2011 the Shares were delisted and removed from the BSE product list. The Shares will remain listed and tradable on the regulated markets of NYSE Euronext Paris, Prague Stock Exchange, and Warsaw Stock Exchange.

As at 31 December 2011, the Group holds 315,915 treasury shares, 1,472 warrants 2014 and 546 warrants 2012.

In 2010

On 6 April 2010, a capital increase of 1,090,000 new shares at EUR 5.61 per share, out of which EUR 4.1 per share has been allocated to share capital account of the Company and EUR 1.51 to the share premium account of the Company, has been successfully issued and fully paid.

On 8 April 2010, a capital increase of 1,420,000 new shares at EUR 5.00 per share, out of which EUR 4.1 per share has been allocated to share capital account of the Company and EUR 0.90 to the share premium account of the Company, has been successfully issued and fully paid.

On 14 April 2010, a capital increase of 600,000 new shares at EUR 5.00 per share, out of which EUR 4.1 per share has been allocated to share capital account of the Company and EUR 0.90 to the share premium account of the Company, has been successfully issued and fully paid.

The new ordinary shares issued during the 3 capital increases carry the same rights (including voting rights) as the existing shares.

The prospectus prepared by the Company was approved on 24 January 2011 by the Commission de Surveillance du Secteur Financier (CSSF) in Luxembourg so that the new shares from the second and third capital increases are listed and admitted for trading on Euronext Paris, the Prague Stock Exchange, the Warsaw Stock Exchange and the Budapest Stock Exchange.

As at 31 December 2010, the Group holds 89,455 treasury shares, 1,472 warrants 2014 and 546 warrants 2012.

Employee stock options

No new stock option plan has been granted in 2011 and 2010.

On 3 March 2006, a stock option plan was granted to employees under the following conditions:

Exercise price: EUR 75.6 per share

Exercise period: from 3 March 2007 until 3 March 2012

Total number of options: 350,000

In accordance with IFRS 2 share-based payments, the total theoretical and non-cash cost of EUR 9.1 million has been estimated and amortized in the income statement under the Employee benefit caption over the one year vesting period. This fair value was determined using the Black-Scholes valuation model. The significant input into the valuation model were share price of EUR 72.15 at grant date, exercise price as stated above, risk-free interest rate Euribor.

Movements in the number of share options:

	2011		2010	
	Average exercice price in EUR	Number of options	Average exercice price in EUR	Number of options
Outstanding at the beginning of the year	**75.60**	**60,000**	**75.60**	**60,000**
Granted	-	-	-	-
Exercised	-	-	-	-
Cancelled	-	-	-	-
Outstanding at the end of the year	**75.60**	**60,000**	**75.60**	**60,000**

Dividends per share

The Board of Directors has decided not to propose any dividend payment at the Annual General Meeting of Orco Property Group S.A. for the years 2011 and 2010.

26. Contingencies

The Group has given guarantees in the ordinary course of business, more specifically on the residential units delivered. Such guarantees are internally covered by the guarantees granted by the general contractor.

In June 2007 the Group issued a guarantee up to a maximum amount of EUR 5.000.000 to secure all payments claims of IBB Holding and BTGI against inter alia Gewerbesiedlungs-Gesellsschaft (Berlin), Orco Russian Retail, and MSREF V / MSREF Turtle B.V under an option agreement dated 22/23 May 2006 as amended on 24/25 April 2007 concerning the acquisition of all shares in Gewerbesiedlungs-Gesellsschaft. This guarantee covering acquirer engagement is admitted to the safeguard plan and would, upon exercise, follow the rescheduled repayment plan described in the note 2.1.

According to the framework agreement dated 18th August 2011 between the Company and MSREF V Turtle, the Group assumed the obligation to release the Morgan Stanley companies (MSREF V and MSREF V Turtle) from all claims under the Morgan Stanley guarantee by issuing a respective back to back guarantee for EUR 5.0 million.

As at the date of publication of the consolidated financial statements, the Group has no litigation that would lead to any material contingent liability.

27. Capital and other commitments

- **Capital commitments**

- Orco Property Group S.A. entered into a Subscription Agreement with the Endurance Real Estate Fund for Central Europe. The Group subscribed to the three existing sub-funds. As at 31 December 2011, the remaining balances to be called amount to:
  - EUR 19.0 million out of EUR 36.9 million subscribed for the residential sub-fund (EUR 13.5 million out of EUR 21.9 million in 2010);
  - EUR 3.4 million out of EUR 42.0 million subscribed for the office sub-fund (EUR 3.4 million out of EUR 27.0 million in 2010);
  - EUR 33.1 million out of EUR 35.0 million subscribed for the office II sub-fund (EUR 33.1 million out of 35.0 million in 2010).
- 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 2011 amount to EUR 0.1 billion (EUR 0.1 billion in 2010). This does not take into account the potential investments in future projects like Bubny in Prague or hotels to be refurbished in Suncani Hvar.
- End of 2007, the Group entered into an agreement for the acquisition of a retail building under construction to be delivered in 2009. This engagement of USD 300 million is covered by an advance payment of USD 25 million. This advance payment recorded in the consolidated financial statements as a long term receivable amounts to EUR 6.4 million (fully impaired as at December 2009). This impairment was partially reversed in 2010 on the basis of the Net Asset Value of the entity holding the project, for which a 10% shareholding will be exchanged with the advance payment).

- **Bank loans covenants (see note 3.3 and 18.8)**
- **Other commitments**

In a decision taken on 3 March 2006, the Board of Directors granted to some members of the management of the Group a termination indemnity payment for a total amount of EUR 34 million (as at 31 December 2011 and 2010: remaining amount of EUR 16 million). This indemnity would become payable by the Company to the relevant management member only in case of change of control of the Company and in case the relationship between the Company and the management member is terminated by either party within a period of 6 months after the change of control.

28. Related party transactions

Transactions with key management personnel

(a) Remuneration of key management personnel

The members of the Board of Directors of the Company and of the Executive Committee are considered as the key management personnel of the Group. In 2010, the Executive Committee was made of 6 people. After one departure and two nominations in 2011, the Executive Committee is made of 7 members.

A total compensation given as short term employee benefits to the members of the Executive Committee for the year 2011 amounted to EUR 4.8 Million (EUR 1.8 Million for the full year in 2010). This compensation includes an amount of EUR 750 thousand paid in cash with the obligation to reinvest immediately in the acquisition from the Company of treasury shares (such transactions are described under point c of this note). As at 31 December 2011, the cumulated balance to be paid at the termination of the contract of current executive board members amounts to EUR 0.5 Million (EUR 0.4 Million as at December 2010).

In November 2009, the Board of Directors of the Company approved the remuneration plan for Board, Committee and General Meeting attendances that applies to all Board members except the management who is paid by the Company. A compensation of EUR 1,000 is granted to each Board and Committee member for all physical attendance. A compensation of EUR 1,500 is granted for the attendance as president to all Committee meetings. EUR 4,500 is granted to compensate the President presiding an ordinary and extraordinary general meeting of shareholders. The Board and Committees attendance compensation for the full year 2011 amounts to EUR 422,500 (EUR 96,500 for 2010), including General Meetings presidency compensations. On its meeting held 25 May 2011, the Board of Directors agreed that compensation granted to each Board and Committee member for all physical attendance shall be increased to EUR 4,000. The compensation to the President presiding an ordinary and extraordinary general meeting of shareholders shall be increased to EUR 9,000. The attendance compensation will be submitted to the next general meeting of shareholders for approval and ratification.

In a decision taken in 2006, the Board of Directors of the Company granted to some members of the management of the Group a termination indemnity package for a total amount of EUR 34 Million. As a result of the reduction of the number of persons covered by this termination agreement as at 31 December 2011, the potential termination indemnity payment amounted to EUR 16 Million (EUR 16 Million as at 31 December 2010). This indemnity would become payable by the Company to the relevant management members only in case of change of control of the Company and in case the relationship between the Company and the management member is terminated by either party within a period of 6 months after the change of control.

(b) Loans and advances with key management personnel

On 16 February 2007, the Company has granted a loan of EUR 61,732 to Steven Davis, one former executive of the Company with maturity date on 1 March 2008. In 2009, the loan has been fully impaired as a result of the dispute on the termination of the employment contract of Steven Davis. As at 31 January 2011, litigation is pending in front of Luxembourg court.

Steven Davis also benefited from a loan of CZK 1,520,000 (app. EUR 56,438) from Orco Project Management s.r.o. (now Orco Prague, a.s.), a fully owned subsidiary of the Company, granted on 20 November 2006, with maturity date at 31 December 2008. In 2009, the Company has launched legal action to recoup this receivable and the loan has been fully impaired. In 2010, the first instance court in Prague pronounced a judgment by which Mr. Davis shall return to Orco Prague a.s. CZK 1,020,000, but accepted Mr. Davis's defense counterclaim for CZK 500,000. Orco Prague a.s. appealed the decision with respect to CZK 500,000.

The court of appeals sided with Orco Prague's appeal and ordered Steven Davis to repay the remaining CZK 500,000. Mr. Davis paid the whole claim. Orco Prague a.s. also sued Mr. Davis for CZK 799,099 for unjust enrichment and for CZK 19,500 and EUR 500 for unpaid expenses. IPB Real a.s. sued Mr. Davis for CZK 86,000 for unpaid rent. These litigations are pending as at 31 December 2011.

(c) Other transactions with key management personnel

Over 2010, no sales of asset with members of the Executive Committee were closed. Over the first half of 2011, one apartment was sold to a member of the Board of Directors for a total amount of EUR 305 thousand at no discount.

In first half of 2011, OTT & Co. S.A. a member of the Board of Directors purchased total of 50,388 Company ordinary shares from the Company's subsidiary for an aggregate amount of EUR 433,337, or EUR 8.60 per share. In first half of 2011, an entity closely associated to Nicolas Tommasini, a member of the Board of Directors purchased total of 27,132 Company ordinary shares from the Company's subsidiary for an aggregate amount of EUR 233,335, or EUR 8.60 per share. Both of these transactions were approved by the Board of Directors on 21 March 2011 (at no discount compared to the closing price on the last trading day preceding the Board of Directors meeting).

In the first half of 2011, two entities closely associated to Gabriel Lahyani, a 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. It is expected that this debt will be paid in the course of 2012.

In the first half of 2011, a subsidiary of ORCO Germany S.A. acquired from an entity closely associated to Rainer Bormann, a former ORCO Germany Board member 1,150,000 ORCO Germany Warrants (ISIN XS0302626889) and 1,900,000 ORCO Germany ordinary shares (ISIN LU0251710041) for a total of EUR 1,520,000. The transaction was approved by the Board of ORCO Germany S.A. as part of the overall settlement with Mr. Bormann, upon termination of his function with ORCO Germany S.A.

Transactions with the Endurance Real Estate Fund

The Group is the sponsor of a Luxembourg regulated closed end umbrella investment fund dedicated to qualified investors, the Endurance Real Estate Fund. This fund has opted for the form of a "Fonds Commun de Placement". The Company is the shareholder of the management company of the Fund and has also invested in the three sub-funds existing as at 31 December 2011 (see note 17). As at 31 December 2011, the Group's holding of the units in the office I, office II and residential sub-funds represent respectively 26.9%, 15.7% and 14.8% of the total issued units (in 2010, 16.16%, 15.69% and 5.79% respectively).

Orco's remuneration from the office and residential sub-funds amounting to EUR 1.6 Million in 2011 (EUR 3.5 Million in 2010) is linked to:

- the placement fee of a maximum of 2.5% of the committed funds of the investors;
- the management fee of 2% per year calculated on the called subscriptions;
- acquisition fee of 1% calculated on the value of the assets bought or sold by the fund.

As at 31 December 2011, open invoices for unpaid management fees owed by Endurance Fund to the management company amounted to EUR 4.3 Million (EUR 8.8 Million as at December 2010). The total of invoices issued in 2011 by the management company to the sub-funds of the Endurance Fund, mainly composed of management fees, is amounting to EUR 3,618,067 (EUR 4,746,157 in year 2010). 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. The Company provided a subordinated bridge loan to BB C – Building E, k.s., a Czech subsidiary of the Endurance Fund, pursuant to the loan agreement dated 15 October 2010. The loan was used to cover an extraordinary payment required by the financing bank. The loan amounting to EUR 798,123 has a final repayment date of 26 August, 2013 and bears an annual interest of 30%.

Besides the fund management, there are transactions between the Group and Endurance Fund companies as a consequence of OPG companies renting offices in Endurance Fund buildings and OPG companies rendering administrative, financial or property management services. These transactions resulted in the recognition of EUR 1.8 Million revenue (EUR 0.7 Million in 2010) and EUR 0.9 Million expenses (EUR 0.5 Million in 2010) in 2011. They also resulted in a net receivable of EUR 0.7 Million (EUR 0.4 Million as at 31 December 2010) as at 31 December 2011.

During the year 2011, the Group received dividends from Endurance Real Estate funds for a total of EUR 0.9 Million.

Employee stock options

See note 25

29. List of the consolidated subsidiaries

29.1. Orco Property Group consolidated subsidiaries

The Hospitality Joint Venture subsidiaries are disclosed in Note 29.2 and the Orco Germany S.A. subsidiaries are disclosed in Note 29.3.

Company	Country	Ccy	Activity	% Shareholding 31.12.2011	% Shareholding 31.12.2010
Orco Germany S.A.	Luxembourg	EUR	Management	91.56%	58.94%
Americka- Orco, a.s	Czech Republic	CZK	Development	100.00%	100.00%
Americka Park, a.s. (merged in Americka- Orco, a.s)	Czech Republic	CZK	Property investments	/	100.00%
Ariah Kft.	Hungary	HUF	Property investments	100.00%	100.00%
Belgicka-Na Kozacce, s.r.o.	Czech Republic	CZK	Development	100.00%	100.00%
Blue Yachts, d.o.o.	Croatia	HRK	Property investments	38.88%	38.88%
Brno City Center, a.s.	Czech Republic	CZK	Property investments	100.00%	100.00%
Bubenská 1, a.s.	Czech Republic	CZK	Property investments	100.00%	100.00%
Bubny development, s.r.o.	Czech Republic	CZK	Development	100.00%	100.00%
Byty Podkova, a.s.	Czech Republic	CZK	Development	75.00%	75.00%
Capellen Invest S.A.	Luxembourg	EUR	Property investments	100.00%	100.00%
CEREM	Luxembourg	EUR	Management	100.00%	100.00%
OFFICE CENTER HRADCANSKÁ, a.s.	Czech Republic	CZK	Property investments	100.00%	100.00%
CWM 35 Kft.	Hungary	HUF	Property investments	100.00%	100.00%
Darilia a.s.	Czech Republic	CZK	Development	100.00%	100.00%
Development Doupovská, s.r.o.	Czech Republic	CZK	Development	100.00%	100.00%
Diana Property SP. z.o.o.	Poland	PLN	Property investments	100.00%	100.00%
Endurance Hospitality Asset Sàrl	Luxembourg	EUR	Management	88.00%	88.00%
Endurance Hospitality Finance Sàrl	Luxembourg	EUR	Management	88.00%	88.00%
Endurance Real Estate Management Company Sàrl	Luxembourg	EUR	Property investments	100.00%	100.00%
Hagibor Office Building, a.s.	Czech Republic	CZK	Property investments	100.00%	100.00%
IPB Real, a.s.	Czech Republic	CZK	Development	100.00%	100.00%
IPB Real, s.r.o.	Czech Republic	CZK	Development	100.00%	100.00%
Jeremiásova Invest, s.r.o. (merged in ORCO ESTATE, s.r.o.)	Czech Republic	CZK	Property investments	/	100.00%
Karousa Enterprises Co Ltd (sold in 2011)	Cyprus	USD	Development	/	70.00%
Kosic Sàrl	Luxembourg	EUR	Development	50.00%	50.00%
Kosik Development, s.r.o. (merged in SV Faze II, s.r.o.)	Czech Republic	CZK	Development	/	50.00%
Larevaco	Cyprus	EUR	Property investments	100.00%	/
M&Q Sp. z.o.o. (merged in Orco Enterprise Sp.z o.o.)	Poland	PLN	Development	/	100.00%
Machova-Orco, a.s.(merged in ORCO ESTATE, s.r.o.)	Czech Republic	CZK	Property investments	/	100.00%
Valley Investment S.à r.l.	Luxembourg	EUR	Management	100.00%	/
Meder 36 Kft.	Hungary	HUF	Property investments	100.00%	100.00%
Megaleiar, a.s.	Czech Republic	CZK	Development	100.00%	100.00%
Mikhailovka Land o.o.o. (sold in 2011)	Russia	RUB	Development	/	100.00%
Mikhailovka o.o.o. (sold in 2011)	Russia	RUB	Development	/	100.00%
MMR Management, s.r.o. (merged in Orco Prague, a.s.)	Czech Republic	CZK	Property investments	/	100.00%
Molcom CJSC (sold in 2011)	Russia	RUB	Property investments	/	69.00%
MS-Invest LLC (sold in 2011)	Russia	RUB	Development	/	70.00%
Na Porící, a.s.	Czech Republic	CZK	Property investments	100.00%	100.00%
Nupaky, a.s.	Czech Republic	CZK	Development	100.00%	100.00%
Obonjan Rivijera d.d.	Croatia	HRK	Property investments	50.00%	50.00%
Office II Invest S.A. (merged in ORCO Russian Retail S.A.)	Luxembourg	EUR	Development	/	100.00%
Onset, a.s.	Czech Republic	CZK	Development	100.00%	100.00%
Orco Adriatic, d.o.o.	Croatia	HRK	Management	100.00%	100.00%
ORCO Budapest Rt.	Hungary	HUF	Property investments	100.00%	100.00%
Orco Commercial Sp.z o.o. (merged in Orco Enterprise Sp.z o.o.)	Poland	PLN	Development	/	100.00%
ORCO Development Kft.	Hungary	HUF	Property investments	100.00%	100.00%
ORCO Development, s.r.o.	Slovakia	SKK	Development	100.00%	100.00%
Orco Enterprise Sp.z o.o.	Poland	PLN	Development	100.00%	100.00%
Orco Estate Sp.z o.o.	Poland	PLN	Development	100.00%	100.00%
ORCO ESTATE, s.r.o.	Czech Republic	CZK	Development	100.00%	100.00%
ORCO Estates, s.r.o.	Slovakia	SKK	Property investments	100.00%	100.00%
Orco Financial Services, s.r.o.	Czech Republic	CZK	Management	100.00%	100.00%
ORCO Hungary Kft.	Hungary	HUF	Property investments	100.00%	100.00%
Orco Logistic Sp.z o.o.	Poland	PLN	Property investments	100.00%	100.00%
Orco-Molcom o.o.o. (sold in 2011)	Russia	RUB	Development	/	69.00%
Orco Poland Sp.z.o.o.	Poland	PLN	Management	100.00%	100.00%
Orco Prague, a.s.	Czech Republic	CZK	Management	100.00%	100.00%
Orco Project Sp.z o.o.	Poland	PLN	Development	100.00%	100.00%
Orco Property Group S.A.	Luxembourg	EUR	Management	100.00%	100.00%
Orco Razvoj, d.o.o.	Croatia	HRK	Development	100.00%	100.00%
Orco Residence, s.r.o.	Slovakia	SKK	Development	100.00%	100.00%
Orco Residential Sp.z o.o. (merged in Orco Enterprise Sp.z o.o.)	Poland	PLN	Development	/	100.00%
ORCO Russian Retail S.A.	Luxembourg	EUR	Property investments	100.00%	100.00%
ORCO Slovakia, s.r.o.	Slovakia	SKK	Management	100.00%	100.00%
Orco Vagyonkezelo Kft.	Hungary	HUF	Management	100.00%	100.00%
Orco-Molcom B.V. (sold in 2011)	Netherlands	EUR	Property investments	/	69.00%
Pachtuv Palac, s.r.o.	Czech Republic	CZK	Property investments	100.00%	100.00%
První Kvintum Praha, a.s.	Czech Republic	CZK	Development	100.00%	100.00%

Orco Property Group consolidated subsidiaries (Part 2)

Company	Country	Ccy	Activity	% Shareholding 31.12.2011	% Shareholding 31.12.2010
Sarakina Entreprise Ltd (sold in 2011)	Cyprus	EUR	Property investments	/	69.00%
Seattle, s.r.o.	Czech Republic	CZK	Development	100.00%	100.00%
Slunecny vrsek III, s.r.o.(merged in SV Faze II, s.r.o.)	Czech Republic	CZK	Development	/	50.00%
Suncani HVAR	Croatia	HRK	Property investments	56.55%	55.55%
SV Faze II, s.r.o.	Czech Republic	CZK	Development	50.00%	50.00%
Theonia Entreprises Company Ltd (sold in 2011)	Cyprus	USD	Development	/	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 Mezihori	Czech Republic	CZK	Development	100.00%	/
Valley Investment BVI	Cyprus	EUR	Property investments	100.00%	/
Vinohrady s.a.r.l.	France	EUR	Management	100.00%	100.00%
Viterra Ceska spol s.r.o. (merged in ORCO ESTATE, s.r.o.)	Czech Republic	CZK	Development	/	100.00%
Viterra Development Polska Sp.z o.o. (merged in Orco Enterprise Sp.z o.o.)	Poland	PLN	Development	/	100.00%
Vysocanská brána, a.s.. (merged in Bubenská 1, a.s.)	Czech Republic	CZK	Development	/	100.00%
Vaci 1 Kft.	Hungary	HUF	Development	100.00%	100.00%
Zahrebska 35, s.r.o. (merged in Americka- Orco, a.s)	Czech Republic	CZK	Property investments	/	100.00%
Energy Trade Plus Kft	Hungary	HUF	Property investments	100.00%	/
Vaci 190 Projekt Kft.	Hungary	HUF	Property investments	100.00%	/
OPG Invest. Lux.	Luxembourg	EUR	Management	100.00%	/
Endurance Advisory Company S.A	Luxembourg	EUR	Development	100.00%	100.00%
Molcom Security (sold in 2011)	Russia	RUB	Property investments	/	69.00%

Orco Property Group consolidated subsidiaries (Part 3- Investments in Endurance Residential Fund)

Company	Country	Ccy	Activity	% Shareholding 31.12.2011	% Shareholding 31.12.2010
Jihovychodni Mesto, a.s.	Czech Republic	CZK	Development	75.00%	75.00%
Oak Mill, a.s.	Czech Republic	CZK	Development	100.00%	100.00%
Orco Construction Sp.z o.o.	Poland	PLN	Development	75.00%	75.00%
Orco Development Sp.z o.o.	Poland	PLN	Development	75.00%	75.00%
Orco Praga, s.r.o.	Czech Republic	CZK	Development	75.00%	75.00%
Orco Property Sp.z o.o.	Poland	PLN	Development	95.50%	75.00%

29.2. Hospitality Joint Venture with AIG

Hereafter follows the list of Hospitality Joint Venture direct and indirect subsidiaries showing the percentage of shareholding of the Joint Venture in them:

Company	Country	Ccy	Activity	% Shareholding 31.12.2011	% Shareholding 31.12.2010
Paneli Estates, s.r.o.	Czech Republic	CZK	Property investments	100.00%	100.00%
Diana Development Sp.z.o.o.	Poland	PLN	Property investments	100.00%	100.00%
Dienzehoferovy Properties, s.r.o.	Czech Republic	CZK	Property investments	100.00%	100.00%
Hospitality Invest Sàrl	Luxembourg	EUR	Property investments	100.00%	100.00%
Janackovo nabrezí 15, s.r.o.	Czech Republic	CZK	Property investments	100.00%	100.00%
MaMaison Brastislava, s.r.o.	Slovakia	SKK	Property investments	100.00%	100.00%
MMR Russia S.A.	Luxembourg	EUR	Property investments	100.00%	100.00%
Orco Hospitality Services Sp.z o.o.	Poland	PLN	Property investments	100.00%	100.00%
Orco Hotel Development Sp. z o.o.	Poland	PLN	Property investments	100.00%	100.00%
Orco Hotel Lucemburská, a.s	Czech Republic	CZK	Property investments	100.00%	100.00%
Orco Hotel Management Kft.	Hungary	HUF	Property investments	100.00%	100.00%
Orco Hotel Ostrava, a.s.	Czech Republic	CZK	Property investments	100.00%	100.00%
Orco Hotel Project Sp.z o.o.	Poland	PLN	Property investments	100.00%	100.00%
Orco Hotel Riverside, s.r.o.	Czech Republic	CZK	Property investments	100.00%	100.00%
Orco Hotel Rt.	Hungary	HUF	Property investments	100.00%	100.00%
Orco Investment Sp.z o.o.	Poland	PLN	Property investments	100.00%	100.00%
Orco Warsaw Sp.z o.o.	Poland	PLN	Property investments	100.00%	100.00%
Ozrics Kft.	Hungary	HUF	Property investments	100.00%	100.00%
Residence Belgicka, s.r.o.	Czech Republic	CZK	Property investments	100.00%	100.00%
Residence Izabella Rt.	Hungary	HUF	Property investments	100.00%	100.00%
Tyrsova 6, a.s.	Czech Republic	CZK	Property investments	100.00%	100.00%
Valanto Consulting, a.s.	Czech Republic	CZK	Property investments	100.00%	100.00%
Orco Pokrovka Management o.o.o.	Russia	RUB	Property investments	100.00%	100.00%

29.3. Orco Germany S.A.

Hereafter follows the list of Orco Germany S.A.'s direct and indirect subsidiaries showing the percentage of shareholding of ORCO Germany S.A. in them:

Company	Country	Ccy	Activity	% Shareholding 31.12.2011	% Shareholding 31.12.2010
Apple Tree GmbH	Germany	EUR	Property investments	100.00%	94.81%
Elb Loft BAU Hamburg - Gmbh	Germany	EUR	Development	100.00%	100.00%
Endurance HC Beta sarl	Luxembourg	EUR	Development	100.00%	100.00%
Endurance HC Gamma sarl	Luxembourg	EUR	Development	100.00%	100.00%
Gebauer Höfe Liegenschaften GmbH	Germany	EUR	Property investments	100.00%	100.00%
GSG Gewerbesiedlungs-Gesellschaft mbH	Germany	EUR	Property investments	100.00%	99.75%
GSG 1. Beteiligungs GmbH	Germany	EUR	Property investments	100.00%	99.75%
GSG Asset GmbH & Co. Verwaltungs KG	Germany	EUR	Property investments	100.00%	99.75%
Isalotta GP GmbH & Co. Verwaltung KG	Germany	EUR	Property investments	94.99%	94.99%
Knorrstrasse 119 KG	Germany	EUR	Development	50.00%	50.00%
Knorrstrasse 119 Verwaltungs GmbH	Germany	EUR	Development	50.00%	50.00%
Orco Berlin Invest GmbH	Germany	EUR	Development	100.00%	100.00%
Orco Erste VV GmbH	Germany	EUR	Development	100.00%	100.00%
Orco Germany Investment S.A.	Luxembourg	EUR	Property investments	100.00%	100.00%
Orco Grundstücks- u. Bet.ges.mbH	Germany	EUR	Property investments	100.00%	100.00%
Orco Immobilien Gmbh	Germany	EUR	Management	100.00%	100.00%
Orco Leipziger Platz GmbH (sold in 2011)	Germany	EUR	Development	/	100.00%
Orco Projekt 103 GmbH (merged in Orco Immobilien Gmbh)	Germany	EUR	Property investments	/	100.00%
ORCO Projektentwicklung GmbH	Germany	EUR	Development	100.00%	100.00%
Orco Vermietungs- und Services GmbH	Germany	EUR	Property investments	100.00%	100.00%
Orco-GSG Unternehmensförderungs- und beratungs GmbH	Germany	EUR	Property investments	100.00%	99.75%
Stauffenbergstrasse Zwei GmbH (merged in ORCO Projektentwicklung GmbH)	Germany	EUR	Development	/	100.00%
Viterra Baupartner GmbH	Germany	EUR	Development	100.00%	100.00%
Orco erste PEG mbH	Germany	EUR	Development	100.00%	100.00%
Orco fünfte PEG mbH (merged in ORCO Projektentwicklung GmbH)	Germany	EUR	Development	/	100.00%
Orco Sechste Entwicklung GmbH (merged in ORCO Projektentwicklung GmbH)	Germany	EUR	Development	/	100.00%
Vivaro GmbH & Co. Grundbesitz KG	Germany	EUR	Development	94.34%	94.35%
Vivaro GmbH & Co. Zweite Grundbesitz KG	Germany	EUR	Development	94.34%	94.35%
Vivaro Vermögensverwaltung GmbH	Germany	EUR	Development	100.00%	100.00%

30. List of the joint-ventures

30.1. Kosic S.à r.l.

The Group has a 50% interest in Kosic S.à r.l., a Luxembourg based holding company which in turn holds 100% of the 3 operational companies. The following amounts represent the Group's 50% share (50% in 2010) of assets and liabilities, and sales and results of the joint venture. They are included in the consolidated balance sheet and income statement:

Kosic s.a.r.l	December 2011	December 2010
Non-current assets	-	-
Current assets	*24*	*31*
Assets	**24**	**31**
Non-current liabilities	*144*	*144*
Current liabilities	*260*	*409*
Liabilities	**404**	**553**
Income	*393*	*296*
Expenses	*(54)*	*(153)*
Profit/(loss) after income tax	**340**	**143**

30.2. Kosic Development s.r.o.

The Group has a 50% interest in a joint venture, Kosic Development s.r.o., corresponding to the project's phase I in the Czech Republic. Kosic Development s.r.o. has been merged into Kosic s.a.r.l in December 2011. The following amounts represent the Group's 50% share till December 2011 (50% in 2010) of assets and liabilities, and sales and results of the joint venture. They are included in the consolidated balance sheet and income statement:

Kosic Development s.r.o	December 2011	December 2010
Non-current assets	-	*1*
Current assets	-	*330*
Assets	**-**	**330**
Non-current liabilities	-	*18*
Current liabilities	-	*31*
Liabilities	**-**	**49**
Income	*21*	*104*
Expenses	*(10)*	*(169)*
Profit/(loss) after income tax	**11**	**(65)**

30.3. Slunecny Vrsek Faze II s.r.o.

The Group has a 50% interest in a joint venture, SV Faze II s.r.o., corresponding to the project's phase II in the Czech Republic. The following amounts represent the Group's 50% share (50% in 2010) of assets and liabilities, and sales and results of the joint venture. They are included in the consolidated balance sheet and income statement:

Slunecny Vrsek II s.r.o	December 2011	December 2010
Non-current assets	*0*	*16*
Current assets	*6,171*	*6,247*
Assets	**6,171**	**6,262**
Non-current liabilities	*1*	*46*
Current liabilities	*300*	*571*
Liabilities	**300**	**618**
Income	*3,185*	*4,335*
Expenses	*(2,946)*	*(4,733)*
Profit/(loss) after income tax	**239**	**(398)**

30.4. Slunecny Vrsek Faze III s.r.o.

The Group has a 50% interest in a joint venture, Slunecny Vrsek III s.r.o, corresponding to the project's phase III in the Czech Republic. Slunecny Vrsek III s.r.o has been merged into Slunecny Vrsek II s.r.o in September 2011. The following amounts represent the Group's 50% share till September (50% in 2010) of assets and liabilities, and sales and results of the joint venture. They are included in the consolidated balance sheet and income statement:

Slunecny Vrsek III s.r.o	December 2011	December 2010
Non-current assets	-	*31*
Current assets	-	*973*
Assets	**-**	**1,004**
Non-current liabilities	-	*11*
Current liabilities	-	*35*
Liabilities	**-**	**46**
Income	*47*	*591*
Expenses	*(59)*	*(1,232)*
Profit/(loss) after income tax	**(12)**	**(641)**

30.5. Knorrstrasse 119 GmbH & Co. KG

The Group has a 45.78% interest (29.47% in 2010) in a joint venture, PEG Knorrstrasse 119 GmbH & Co. KG, which is the Idea development project for BMW. The following amounts represent the 50 % Group's share of assets and liabilities, and sales and results of the joint ventures. They are included in the consolidated balance sheet and income statement:

Knorrstrasse 119 & Co. KG	December 2011	December 2010
Non-current assets	-	-
Current assets	*4,646*	*4,557*
Assets	**4,646**	**4,557**
Non-current liabilities	*(2)*	*(19)*
Current liabilities	*4,582*	*4,500*
Liabilities	**4,580**	**4,481**
Income	*23*	*14*
Expenses	*(33)*	*(20)*
Profit/(loss) after income tax	**(11)**	**(6)**

30.6. Hospitality

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

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

In 2011 has a 44% share interest (44% in 2010) in the joint venture. The following amounts represent the Group's 50% direct share of assets and liabilities, and sales and results of the joint ventures. They are included in the consolidated balance sheet and income statement:

Hospitality	December 2011	December 2010
Non-current assets	*54,274*	*58,522*
Current assets	*3,383*	*6,183*
Assets	**57,657**	**64,705**
Non-current liabilities	*48,138*	*47,838*
Current liabilities	*5,424*	*4,667*
Liabilities	**53,562**	**52,506**
Income	*14,505*	*16,011*
Expenses	*(21,885)*	*(17,804)*
Profit/(loss) after income tax	**(7,379)**	**(1,793)**

31. Events after balance sheet date

31.1. 18 April 2012 - OPG and OG joint agreement

The Group and Orco Germany announce that a joint restructuring agreement has been entered into on 17 April 2012 with bondholders representing approximately one-third of the OPG bonds in nominal value and approximately 61% of the OG bonds in nominal value.

Under the terms of this joint agreement approximately 90% of the OPG bonds will be converted into approximately 65 million OPG shares and the remaining OPG bonds can be exchanged for EUR 55.2 million in newly issued OPG bonds. In addition, approximately 85% of the OG bonds will be converted into approximately 26.2 million OPG shares and the remaining OG bonds can be exchanged for EUR 20 million in new OPG bonds.

The new OPG bonds to be issued by OPG upon the voluntary exchange of the remainder of the OPG and OG bonds will have a maturity in 2018 and will bear an annual interest. The principal will be repaid in four annual payments in 2015, 2016, 2017 and 2018. The new OPG bonds will benefit from a 25% cash sweep from net sale proceeds on selected assets.

The Joint Agreement is subject to approval by applicable regulatory authorities and the conversion of the OPG bonds is subject to a modification of the 'safeguard' plan by the Commercial Court of Paris.

Once the implementation of the Joint Agreement is complete, assuming that the terms of the Joint Agreement are approved by each of the bond tranches and assuming 100% participation in the new OPG bonds offer, OPG's share capital will increase from approximately 17.1 million shares to approximately 108.3 million shares, and the only Group bond debt will be at the OPG level for an amount of EUR 75 million. Based on December 2011 estimated figures, OPG's NAV will be an estimated EUR 5.8 per share and OG's NAV will be an estimated EUR 1.0 per share.

The Joint Agreement on the restructuring of OPG and OG bonds allows the Group to lower its LTV to approx.56%.

31.2. 19 April 2012 - GSG loan : Standstill agreement

RBS and GSG have signed a standstill agreement that will be effective from 19 April to 15 June 2012 which defers the repayment obligation related to the 15 April 2012 maturity of the EUR 300 million (outstanding principal as of December 2011 against EUR 288 million as at 15th of April) financing for OG's GSG portfolio. Such extension will allow the Group to further advance in its refinancing negotiations.

31.3. April and May 2012 - OPG & OG general meetings – First repayment in shares

A large majority of the 2010, 2011, 2012, 2013 and 2014 OPG bondholders, OG bondholders and OG warrantholders approve the terms of the proposed restructuring transaction previously announced during the general meetings held the 27th of April (2010, 2013 and 2014 OPG bonds), the 30th of April 2012 (2011 OPG bonds), the 8th of May 2012 (OG bonds and warrants) and the 15th of May 2012 (2012 OPG bonds). As such, the minimum OPG & OG bondholders and warrantholders approval requirement of the Joint Agreement has been satisfied.

Approximately 84.5% of the OG bonds held by each bondholder will be converted into Obligations Convertibles en Actions ("OCA"). The converted OCA into new OPG shares will not publicly tradable until a prospectus has been approved by the CSSF.

The financial restructuring of OPG and OG debts, which includes the amount of the 30 April, 2012 dividend payment under the current Safeguard plan, must be approved by the Commercial Court of Paris. Towards these ends, a request to modify OPG's Safeguard plan has been submitted to the court which is expected to examine the request during the month of May.

OPG issued on 14 May 2012, 18,361,540 new ordinary shares as a first payment on the Obligations Convertibles en Actions (ISIN XS0741974009) issued by OPG on 9 May 2012 against the contribution of approximately 84.5% of the Orco Germany bonds. OPG's share capital has increased from EUR 69,920,850.60 represented by 17,053,866 shares to EUR 145,203,164.60 represented by 35,415,406 shares. The new shares are temporarily registered under ISIN code LU0772552906 and cannot be publicly traded until a prospectus has been approved by the CSSF.

31.4. 10 May 2012 – Sale of Radio Free Europe

The Group has sold the Radio Free Europe/Hagibor Office Building in Prague to L88 Companies, an American owned business, for an overall transaction value of USD 94 million, which is at DTZ valuation after taking into account all taxes on the transaction.

Upon closing, L88 delivered USD 80 million in cash, USD 2 million in concessions, plus a USD 12 million note convertible into a 20% stake in the parent company of the entity acquiring the building. In addition, the parties have entered into a Strategic Alliance for the development and construction of a broad based building platform for the U.S. Department of State.

Index of the notes to the consolidated Financial statements

1. GENERAL INFORMATION 6

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES 6

- 2.1. Basis of preparation and Going concern 6
- 2.2. Consolidation 11
- 2.3. Segment reporting 11
- 2.4. Foreign currency translation 11
- 2.5. Intangible assets 12
- 2.6. Investment property 12
- 2.7. Property, plant and equipment 13
- 2.8. Leases 14
- 2.9. Impairment of non-financial assets 14
- 2.10. Financial assets 14
- 2.11. Inventories 15
- 2.12. Trade receivables 15
- 2.13. Cash and cash equivalents 15
- 2.14. Share capital 15
- 2.15. Borrowings 15
- 2.16. Compound financial instruments 15
- 2.17. Trade payables 16
- 2.18. Current and deferred income tax 16
- 2.19. Provisions and post-employment obligations 16
- 2.20. Derivative financial instruments 17
- 2.21. Revenue recognition 17
- 2.22. Dividend distribution 17
- 2.23. Share option plans 17

3. FINANCIAL RISK MANAGEMENT 17

- 3.1. Financial risk factors 17
- 3.2. Fair value estimates 23
- 3.3. Capital risk management 24
- 3.4. Financial instruments by category 25

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS 26

- 4.1. Critical accounting estimates and assumptions 26
- 4.2. Critical judgments in applying the Group's accounting policies 27

5. SEGMENT REPORTING 28

6. DISCONTINUED OPERATIONS 32

7. INTANGIBLE ASSETS 33

8. INVESTMENT PROPERTY 34

9. HOTELS AND OWNER-OCCUPIED BUILDINGS 39

10. ASSETS CLASSIFIED AS HELD FOR SALE 40

11. FIXTURES AND FITTINGS 42

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH P&L 42

13. INVENTORIES 43

14. GAIN / LOSS ON DISPOSAL OF ASSETS 44

15. OTHER CURRENT ASSETS 44

16. CASH AND CASH EQUIVALENTS 44

17. NON-CONTROLLING INTERESTS' TRANSACTIONS 44

18. BORROWINGS, BANK LOANS, BONDS AND DERIVATIVES 45

- 18.1. Non-current bonds 45
- 18.2. Exchangeable bonds in Suncani Hvar shares 47
- 18.3. Bonds with repayable subscription warrants ("OBSAR 1") 48
- 18.4. Convertible bonds 2006-2013 51
- 18.5. CZK 1.4 billion floating rate bond ("Czech Bond") 53
- 18.6. Bonds with repayable subscription warrants ("OBSAR 2") 54
- 18.7. Bonds with repayable subscription warrants ("OBSAR OG") 57
- 18.8. Non-current financial debts 58
- 18.9. Current financial debts 60
- 18.10. Borrowings maturity 62
- 18.11. Loans with covenants breaches 64
- 18.12. Derivatives 64
- 18.13. Capitalized interests on projects under development 65
- 18.14. Average effective interest rates (current and non-current) 65

19. PROVISIONS & OTHER LONG TERM LIABILITIES 65

20. CURRENT LIABILITIES 67

21. OTHER OPERATING EXPENSES AND EMPLOYEE BENEFITS 68

22. OTHER NET FINANCIAL RESULTS 68

23. INCOME TAXES 69

24. EARNINGS PER SHARE 71

25. EQUITY HOLDERS 71

26. CONTINGENCIES 73

27. CAPITAL AND OTHER COMMITMENTS 74

28. RELATED PARTY TRANSACTIONS 74

29. LIST OF THE CONSOLIDATED SUBSIDIARIES 77

- 29.1. Orco Property Group consolidated subsidiaries 77
- 29.2. Hospitality Joint Venture with AIG 78
- 29.3. Orco Germany S.A. 79

30. LIST OF THE JOINT-VENTURES 80

- 30.1. Kosic S.à r.l. 80
- 30.2. Kosic Development s.r.o. 80
- 30.3. Slunecny Vrsek Faze II s.r.o. 81
- 30.4. Slunecny Vrsek Faze III s.r.o. 81
- 30.5. Knorrstrasse 119 GmbH & Co. KG 81
- 30.6. Hospitality 82

31. EVENTS AFTER BALANCE SHEET DATE 82

- 31.1. 18 April 2012 - OPG and OG joint agreement 82
- 31.2. 19 April 2012 - GSG loan : Standstill agreement 83
- 31.3. April and May 2012 - OPG & OG general meetings 83
- 31.4. 10 May 2012 – Sale of Radio Free Europe 83