ORCO PROPERTY GROUP

SOCIETE ANONYME

STAND ALONE FINANCIAL STATEMENTS

AND

REPORT OF THE REVISEURS D'ENTREPRISES AGREES

FOR THE YEAR ENDED DECEMBER 31, 2011

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

To the Shareholders of
Orco Property Group S.A.
42, rue de la Vallée
L-2661 Luxembourg

REPORT OF THE REVISEURS D'ENTREPRISES AGREES

We have audited the accompanying stand-alone financial statements of Orco Property Group S.A., Société Anonyme ("Orco Property Group", the "Company" or "OPG"), which comprise the Balance Sheet as at 31 December 2011, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Responsibility of the Board of Directors for the stand-alone financial statements

The Board of Directors is responsible for the preparation and fair presentation of these stand-alone financial statements in accordance with the International Financial Reporting Standards as adopted in the European Union and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Responsibility of the réviseurs d'entreprises agréés

Our responsibility is to express an opinion on these stand-alone financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the Commission de Surveillance du Secteur Financier. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the stand-alone financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the stand-alone financial statements. The procedures selected depend on the *réviseur d'entreprises agréé's* judgement including the assessment of the risks of material misstatement of the stand-alone financial statements, whether due to fraud or error. In making those risk assessments, the *réviseur d'entreprises agréé* considers internal control relevant to the entity's preparation and fair presentation of the stand-alone financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the stand-alone financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the stand-alone financial statements give a true and fair view of the financial position of Orco Property Group, Société Anonyme as of 31 December 2011, and of its financial performance and its stand-alone cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted in the European Union.

Emphasis of Matter

Going concern of the Company

Without qualifying our opinion, we draw attention to note 2.1.1 to the stand-alone financial statements which describes the basis upon which the Board of Directors has determined that it is appropriate to prepare the stand-alone financial statements on a going concern basis.

As at 31 December 2011, the Company still has substantial outstanding debt service obligations and capital requirements.

During 2011, the Group initiated a project to restructure the bonds issued by OPG and its affiliated undertaking Orco Germany S.A. ("OG"), which culminated with the signature of a joint agreement by the OPG and OG bondholders on 17 April 2012. Further to the approvals of the general meetings of the bondholders of OPG and OG, and the *Tribunal de Commerce de Paris*, the finalisation of this project is subject to the completion of the following two major steps, which are still pending at the date of issue of the stand-alone financial statements:

i) the drafting of the different securities notes that need to be issued after approval by the *Commission de Surveillance du Secteur Financier* and;

ii) the approval by the general meeting of the shareholders of OPG of the issuance of the new shares in consideration for the OPG bonds within the limits of the Company's authorized capital.

The implementation of the "Safeguard Plan" referred to in Note 2.1.1 is based on a business plan approved by the Board of Directors that assumes, inter alia, operational achievements and successful restructuring of the activities of certain subsidiaries. Finally, and as disclosed in note 2.1.1.2, some subsidiaries held by the Company require funding to continue as a going concern.

The Company's ability to continue in operation as a going concern is primarily dependent upon the completion of the aforementioned steps in relation to the OPG bonds, the successful completion of the aforementioned negotiations which are currently underway with the financing banks, and the successful implementation of the Safeguard Plan as described above.

The matters described above, together with the other elements described in note 2.1.1 in the stand-alone financial statements are indicative of the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

<u>Going concern of certain indirect subsidiaries</u>

We draw attention to note 2.1.1.4. in the stand-alone financial statements which describes the fact that GSG, 100% subsidiary of OG, and its financing bank have signed a standstill agreement which defers the repayment obligation related to the 15 April 2012 maturity of the EUR 300 million financing for OG's GSG portfolio to 15 June 2012. The Company is currently using this period to advance in its refinancing negotiations with a number of other credit institutions. Should such negotiations be unsuccessful, the current financing bank would have the possibility to exercise its pledge on the Group's shares in GSG, and consequently the Board should present the participation held in OG on a break-up basis. Pending the completion of such negotiations, the Board of Directors has determined that it is still appropriate to continue to record the participation at its going concern value. The net book value of the loan granted to and the shares OG in the stand-alone financial statements as of 31 December 2011 amounts to EUR 50,2 million. If the break up basis should be applied to GSG, the participation of OPG in OG should be fully written off. Our opinion is not qualified in respect of this matter.

Report on other legal and regulatory requirements

The management report, which is the responsibility of the Board of Directors, is consistent with the stand-alone financial statements.

The Corporate Governance Statement included in the consolidated management report, which is the responsibility of the Board of Directors, is consistent with the consolidated financial statements and includes the information required by the law.

For Deloitte Audit Société à responsabilité limitée, *Cabinet de révision agréé*

Christiane Chadoeuf, *Réviseur d'entreprises agréé*
Partner

For H.R.T. Révision S.A.

Jean-Philippe Barret, *Réviseur d'entreprises agréé*
Partner

May 25, 2012

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

I. Statement of comprehensive income

	Note	Year ended 31 December 2011	2010
Revenue	**24**	**7 634 051**	**7 197 535**
Administrative expenses	14	(10 426 440)	(13 046 523)
Net gain/(loss) on disposal of tangible assets		(338)	(5 976)
Net gain/(loss) on disposal of financial assets	16	3 555 371	(12 957 197)
Employee benefits	14	(2 804 560)	(1 772 058)
Amortisation, impairments and provisions	7,9	(27 977 743)	(110 609 494)
Interest expenses	12	(4 392 493)	(4 436 390)
Interest income	9	14 107 509	30 539 497
Income from participating interests	-	1 503 572	4 683 905
Foreign exchange result	15	(1 024 368)	12 958 327
Net gain/(loss) on financial instruments at fair value through profit or loss	17	3 720 200	11 618 571
Operating result		**(16 105 239)**	**(75 829 803)**
Interest expenses on bonds	11	(35 489 434)	(34 363 091)
Other net financial results	18	(254 655)	277 731 075
Financial result		**(35 744 089)**	**243 367 984**
NET RESULT BEFORE INCOME TAXES		**(51 849 328)**	**167 538 181**
Income taxes	19	-	-
NET RESULT FOR THE YEAR		**(51 849 328)**	**167 538 181**
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**(51 849 328)**	**167 538 181**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO OWNERS OF THE COMPANY		(51 849 328)	167 538 181
Basic earnings per share	20	(3.49)	12.75
Diluted earnings per share	20	(3.49)	5.37

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

II. Balance sheet

ASSETS	Note	As at 31 December 2011	2010	2009
NON-CURRENT ASSETS				
Intangible assets	5	404 159	538 878	37 050
Fixtures and fittings	6	664 407	445 828	291 104
Shares in affiliated undertakings	7	287 355 024	231 450 626	234 940 543
Financial assets at fair value through profit or loss	8	22 758 372	10 324 771	10 061 618
Loans to affiliated undertakings and other financial assets	9	111 528 203	215 159 034	303 992 749
TOTAL - NON-CURRENT ASSETS		**422 710 165**	**457 919 137**	**549 323 064**
CURRENT ASSETS				
Trade and other receivables	16	47 928 250	1 385 027	3 739 989
Current financial assets	-	8 600	158 137	770 485
Cash and cash equivalents	10	4 593 788	4 813 519	4 464 324
TOTAL - CURRENT ASSETS		**52 530 638**	**6 356 683**	**8 974 798**
TOTAL - ASSETS		**475 240 803**	**464 275 820**	**558 297 862**

EQUITY AND LIABILITIES	Note	As at 31 December 2011	2010	2009
EQUITY				
Ordinary shares	21	69 920 851	57 620 851	44 869 851
Share premium	21	418 688 245	403 988 245	400 524 345
Other reserves	-	4 036 142	2 858 533	3 297 903
Retained earnings	-	(272 930 136)	(211 162 747)	(378 460 401)
TOTAL - EQUITY		**219 715 102**	**253 304 882**	**70 231 698**

LIABILITIES	Note	As at 31 December 2011	2010	2009
NON-CURRENT LIABILITIES				
Bonds	11	166 466 422	153 501 691	336 355 100
Loans from affiliated undertakings	12	57 021 564	34 561 947	58 350 230
Derivative financial instruments	11	-		9 539 998
TOTAL - NON-CURRENT LIABILITIES		**223 487 986**	**188 063 638**	**404 245 328**
CURRENT LIABILITIES				
Trade and other payables	13	8 015 234	11 392 023	22 321 234
Bonds	11	22 302 897	8 978 470	58 996 149
Derivative financial instruments	11	-	1 136 807	2 439 553
Provisions for other liabilities and charges		1 719 584	1 400 000	63 900
TOTAL - CURRENT LIABILITIES		**32 037 715**	**22 907 300**	**83 820 836**
TOTAL - LIABILITIES		**255 525 701**	**210 970 938**	**488 066 164**
TOTAL - EQUITY AND LIABILITIES		**475 240 803**	**464 275 820**	**558 297 862**

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

III. Statement of changes in equity

ATTRIBUTABLE TO OWNERS OF THE COMPANY

	Note	Share capital	Share premium	Other reserves	Retained earnings	Equity
Balance at 1 January 2009		**44 869 851**	**400 524 345**	**(7 080 988)**	**(130 186 888)**	**308 126 320**
Comprehensive income for the year :						
Gain/(loss) of the year	-	-	-	-	(238 935 730)	(238 935 730)
Own equity instruments	21	-	-	10 378 891	(9 337 783)	1 041 108
Balance at 1 January 2010		**44 869 851**	**400 524 345**	**3 297 903**	**(378 460 401)**	**70 231 698**
Comprehensive income for the year :						
Gain/(loss) of the year	-	-	-	-	167 538 181	167 538 181
Capital increase	21	12 751 000	3 463 900	-	(86 075)	16 128 825
Own equity instruments	21	-	-	(439 370)	(154 452)	(593 822)
Balance at 1 January 2011		**57 620 851**	**403 988 245**	**2 858 533**	**(211 162 747)**	**253 304 882**
Comprehensive income for the year :						
Gain/(loss) of the year	-	-	-	-	(51 849 328)	(51 849 328)
Capital increase	21	12 300 000	14 700 000	-	(9 240 000)	17 760 000
Own equity instruments	21	-	-	1 177 609	(678 062)	499 547
Balance at 31 December 2011		**69 920 851**	**418 688 245**	**4 036 142**	**(272 930 137)**	**219 715 102**

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

IV. Statement of cash flows

	Year ended 31 December 2011	2010
Cash flows from operating activities		
Operating result	**(16 105 239)**	**(75 829 803)**
Amortisation, impairments and provisions	27 977 743	110 609 494
Net gain/(loss) on financial instruments at fair value	(3 720 200)	(11 618 571)
Net result on disposal of assets	(3 555 371)	12 963 173
Net interest income	(9 715 016)	(26 103 107)
Loans granted to subsidiary undertakings	17 920 646	(11 583 231)
Changes in operating assets and liabilities	(17 463 012)	(15 475 518)
Net cash used in operations	(4 660 449)	(17 037 563)
Cash flows from investing activities		
Acquisition of subsidiary, net of cash acquired	(32 660)	(153 270)
Proceeds from assets sales	13 295 000	718 786
reimbursement share premium	-	2 039 000
Acquisition of other financial investments	(747 888)	(35)
Dividend received from subsidiary undertakings	3 003 572	-
Net cash used in investing activities	15 518 024	2 604 481
Cash flows from financing activities		
Proceeds from issuance of ordinary shares	-	16 214 900
Repayment of Safeguard Liabilities	(9 263 539)	-
Net interest received/(paid)	(1 451 065)	(1 523 692)
Net cash used in financing activities	(10 714 604)	14 691 208
Net (decrease)/increase in cash and cash equivalents	**142 970**	**258 126**
Cash, cash equivalents and bank overdrafts at beginning of the year	4 813 519	4 464 324
Exchange gains/(losses) on cash and cash equivalents	(362 701)	91 069
Cash and cash equivalents at end of year	**4 593 788**	**4 813 519**

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

Notes to the stand alone financial statements

1. General information

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

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

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

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

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

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

2. Summary of significant accounting policies

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

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

2.1 Basis of preparation and Going concern

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

2.1.1 Going concern

In determining the appropriate basis of preparation of the statutory financial statements, the Directors are required to consider whether the Company can continue in operational existence for the foreseeable future. The Company's financial risks including foreign exchange risk, fair value risk, cash flow risk, interest rate risk, price risk, credit risk and liquidity risk are outlined in note 3. 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 2011 results

Over 2011, the Company has made a net loss of EUR 51.8 million (net profit of EUR 167.5 million in 2010). The Company recognized additional impairments for a net total of EUR 27.4 million from which additional impairments on shares in affiliated undertakings for EUR 38.4 million and a reversal of impairments on loans to affiliated undertakings for EUR 11.0 million.

The operational achievements and successful restructuring of its subsidiaries' activities is essential for the Company to recover its initial investment in their equity and the principal of the loans granted.

2.1.1.2 "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 request for modification of the Safeguard plan by the Commercial Court of Paris. 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.

2.1.1.3 Bond's 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 overwhelmy 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 themselves 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 Company, allows the Company to lower its LTV to approximately 56% and provides the platform for the Company 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.

2.1.1.4 Risks and uncertainties on the ability of the Company 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 correspond to the short term portion of the Company's Safeguard bonds for EUR 22 Million[1] 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.

2.1.1.5 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 statutory 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 statutory 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. 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 net book value of the loan granted to and the shares in Orco Germany S.A., amounting to EUR 50.2 Million, would have to be impaired.

2.1.2 Critical accounting estimates and judgements

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

2.1.3 Changes in accounting policies and disclosures

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

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

- 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 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker is the person or group that allocates resources to and assesses the performance of the operating segments of a Company. The Executive Committee together with the Investment Committee are the chief operating decision maker of the Company. This organization reflects the operational management of the Group. On a stand alone basis, the Management is in the opinion that split around different products, services, geographical areas or a combination of factors is not appropriate considering the activity of holding with no direct operations but only headquarter activities.

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

2.3 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

2.4 Intangible assets

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

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

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

2.5 Fixtures and fittings

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

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

2.6 Financial assets

2.6.1 Classification

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

a) Shares in affiliated undertakings

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

b) Financial assets at fair value through profit or loss

Financial assets at fait value through profit or loss are financial assets which, upon initial recognition, are designated by the Company as at fair value through profit or loss. Assets in this category are classified as current assets if they are either held for trading or are expected to be realized within 12 months; otherwise, they are classified as non-current.

c) Loans to affiliated undertakings and other financial assets

Loans to affiliated undertakings and other financial assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets.

2.6.2 Recognition and measurement

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

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

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

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

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

2.7 Trade and other receivables

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

2.8 Cash and cash equivalents

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

2.9 Share capital

Ordinary shares are classified as equity.

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

The own shares held by the Company -Treasury shares - are measured at their acquisition cost and recognized as a deduction from equity. Gains and losses on disposal are taken directly to equity.

2.10 Borrowings

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

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

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

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

2.11 Compound financial instruments

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

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

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

2.12 Trade payables

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

2.13 Current and deferred income tax

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

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

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

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

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

2.14 Derivative financial instruments

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

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

2.15 Revenue recognition

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

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

2.16 Dividend distribution

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

2.17 Provisions

Provisions for environmental restoration, site restoration and legal claims are recognized when: the Company, directly or on behalf of one of its subsidiary, has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Where the Company, directly or on behalf of one of its subsidiary, as lessee, is contractually required to restore a leased-in property to an agreed condition, prior to release by a lessor, provision is made for such costs as they are identified.

2.18 Share option plans

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

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

2.19 Subscription rights and PACEO (“Programme d’Augmentation de Capital par Exercice d’Options”)

The Company grants subscription rights to third parties as part of its financing program. Any consideration received is added directly to equity as a capital increase recorded in share capital and share premium. Changes in the fair value of those equity instruments are not recognized in the stand alone financial statements.

3. Financial risk management

3.1 Financial risk factors

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

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

(a) Market risk

(i) Foreign exchange risk

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Czech Koruna (CZK) and the Polish Zloty (PLN). Foreign exchange risk, as defined by IFRS 7, arises mainly from recognized monetary assets and liabilities. Loans, operating income are mainly denominated in Euro (EUR). The Company does not use foreign currency derivatives contracts with non related parties.

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

Currency Code	Currency	31 December 2011 Closing	31 December 2010 Closing
CZK	Czech Koruna	25.787	25.06
PLN	Polish Zloty	4.4580	3.9603

The following table gives the impact on the total balance sheet in absolute terms in EUR million of the variation (increase/decrease) by 12 % against the Euro for each currency in which the Company has a significant exposure. The Company based the assumption of 10% compared to 5% in 2010.

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

December 2010	Change of 5% against EUR
CZK/EUR	4.1
PLN/EUR	1.8

(ii) Price risk

The Company is exposed to equity securities risks from its investments in Endurance Fund and Novy Fund, which investments are classified in financial assets at fair value through profit or loss as detailed in note 8.

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

(b) Credit risk

The Company has significant concentrations of credit risk with loans granted to its affiliated undertakings. The loans are most of the time granted as mezzanine loans and come after the guarantees granted by affiliated undertakings to the financing bank (impairment tests on loans granted to affiliated undertakings are described in note 4(b) and in note 9). Cash transactions are limited to high credit-quality financial institutions. The Company has policies that limit the amount of credit exposure to any financial institution. Credit risk is managed by Company management.

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

At 31 December 2010 (in KEUR)	Fully performing	Past due but not impaired			Impaired	Total
		Less than 6 months	6 months and 1 year	More than 1 year		
Loans to affiliated undertakings and other financial assets gross	215 159				189 140	404 299
Impairments at 31 December 2009					(138 503)	(138 503)
Impairments - allowance					(50 637)	(50 637)
Total loans to affiliated undertakings and other financial assets	**215 159**	**0**	**0**	**0**	**0**	**215 159**
Trade and other receivables gross	1 385	-	-	-	651	2 285
Impairments at 31 December 2009					(775)	(775)
Impairments – write back					(125)	(125)
Total trade and other receivables	**1 385**	**0**	**0**	**0**	**0**	**1 385**
Current financial assets gross	158	-	-	-	2 476	2 634
Impairments at 31 December 2009					(2 599)	(2 599)
Impairments - write back					123	123
Total current financial assets	**158**	**0**	**0**	**0**	**0**	**158**
Cash and cash equivalents gross	4 814					4 814
Impairments at 31 December 2009						0
Total cash and cash equivalents	**4 814**	**0**	**0**	**0**	**0**	**4 814**

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

Counterparty	Rating Agency Moody's Rating	S&P's rating	Fitch's Rating	December 2011	December 2010
KBC Bank S.A.	A1	A-	A-	4.4	2.0
Bank Pekao	A2	BBB+	A-	-	1.9
Saxo Bank A.S	-	-	-	-	0.5
Other	-	-	-	0.2	0.4
Total in EUR Million				**4.6**	**4.8**

(c) Liquidity risk

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

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

The table below analyses the Company's financial liabilities and net-settled derivative instruments into relevant maturity groupings based on the remaining period as from 31 December 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 balance sheet for borrowings, derivative instruments and other payables considered as financial instruments.

At 31 December 2011 (in KEUR)	Less than 1 month	Between 1 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	More than 5 years	Total
Fixed rate loans and bonds	-	(22 541)	-	(108 170)	(417 800)	(548 511)
Interest rate derivatives	-	-	-	-	-	-
Trade and other payables	(5 917)	(1 000)	(1 098)	-	-	(8 015)
Total	(5 917)	(23 541)	(1 098)	(108 170)	(417 800)	(556 526)

At 31 December 2010 (in KEUR)	Less than 1 month	Between 1 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	More than 5 years	Total
Fixed rate loans and bonds	-	(8 978)	-	(111 868)	(483 704)	(604 550)
Interest rate derivatives	(271)	(328)	(549)	-	-	(1 148)
Trade and other payables	(8 031)	(2 000)	(1 361)	-	-	(11 392)
Total	(8 302)	(11 306)	(1 910)	(111 868)	(483 704)	(617 090)

(d) Cash flow interest rate risk

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

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

The Company has also entered into interest rate swaps detailed hereafter:

As at 31 December 2011:

All instruments were matured during the year 2011.

As at 31 December 2010:

Maturity date	Currency	Amount	Floating interest rate to receive	Fixed rate	Market Value (EUR)
30/09/2011	EUR	4.235.898	EURIBOR 3M	4,08	(96.767)
07/10/2011	EUR	2.968.524	EURIBOR 3M	3,91	(86.083)
07/10/2011	EUR	12.537.405	EURIBOR 3M	3,91	(363.568)
07/10/2011	EUR	15.000.000	EURIBOR 3M	3,91	(434.981)
07/10/2011	EUR	5.350.000	EURIBOR 3M	3,91	(155.143)
					(1.136.542)

3.2 Fair value estimation

Effective 1 January 2009, the Company adopted the amendment to IFRS 7 for financial instruments that are measured in the balance sheet at fair value. This requires disclosure of fair value measurements by level of the following fair value 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 Company 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.

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

in KEUR	Level 1	Level 2	Level 3	Total balance
Assets				
Financial assets at fair value through profit or loss				
- Investment in Endurance Fund	-	-	22 758	22 758
- Trading securities	5	-	3	8
Total assets	**5**	**-**	**22 761**	**22 766**
Liabilities				
Financial liabilities at fair value through profit or loss				
- Embedded derivatives on bonds	-	-	-	-
- Trading derivatives	-	-	-	-
Total liabilities	**-**	**-**	**-**	**-**

The following table presents the Company's financial assets and liabilities that are measured at fair value at 31 December 2010.

in KEUR	Level 1	Level 2	Level 3	Total balance
Assets				
Financial assets at fair value through profit or loss				
- Investment in Endurance Fund	-	-	10 325	10 325
- Trading securities	5	153	-	158
Total assets	**5**	**153**	**10 325**	**10 483**
Liabilities				
Financial liabilities at fair value through profit or loss				
- Embedded derivatives on bonds	-	-	-	-
- Trading derivatives	-	1 137	-	1 137
Total liabilities	**-**	**1 137**	**-**	**1 137**

In KEUR	Investment in Endurance Fund
At 31 December 2009	10 062
Increase	-
Profit /(losses) recognised in profit or loss	263
At 31 December 2010	10 325

In KEUR	Investment in Endurance Fund
At 31 December 2010	10 325
Increase	5 128
Profit /(losses) recognised in profit or loss	7 305
At 31 December 2011	22 758

In KEUR	Embedded derivatives on Bonds	Trading derivatives
At 31 December 2009	(6 817)	(2 440)
Losses recognised in profit or loss	6 817	2 440
At 31 December 2010	-	-

In KEUR	Embedded derivatives on Bonds	Trading derivatives
At 31 December 2010	-	-
Losses recognised in profit or loss	-	-
At 31 December 2011	-	-

3.3 Capital risk management

The Company monitors its capital risk by reference to the consolidated loan to value ratio ("LTV") which is the level of net debt accepted by the Group in order to finance its portfolio of assets. This measure is seen as more appropriate than the non consolidated balance sheet ratios where most investments are not at fair value. The objective of the Company is to maintain the consolidated loan to value ratio under 50%. The Company's objectives when managing capital are to safeguard the going concern and growth of the activities while maximizing value creation for its shareholders. In order to maintain or adjust the capital structure, the Company may adjust dividends paid to shareholder (notably by offering the possibility to receive the dividends in shares instead of cash), issue new shares, sell totally or partially the control over some assets and activities or adjust the agenda of the developments.

As at 31 December, 2011, the consolidated loan to value ratio has reached the level of 69.9% compared to 67.9% in 2010. The slight increase of the LTV ratio is mainly due to the high effective interest rate of 23.1% until September and 22.1% since then applied to the Company bond liabilities.

The consolidated LTV ratio before bonds also reduces from 53.8% to 52.1%.

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.

Group consolidated loan to value ratio

In EUR Thousand	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 own-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%**

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

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 interests margin increase instead of partial repayment of the loan but some repayments have also been granted for a total amount of EUR 4.5 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, approved by General Assembly held on May 7th, 2012.

3.4 Financial instruments

31 December 2011 (in KEUR)	Loans and Receivables	Assets at fair value through profit or loss	Total
Assets per balance sheet			
Financial assets at fair value through profit or loss	-	22 758	22 758
Loans to affiliated undertakings and other financial assets	111 528	-	111 528
Current financial assets	-	9	9
Trade and other receivables	47 928	-	47 928
Cash and cash equivalents	4 593	-	4 593
Total	**164 049**	**22 767**	**186 816**

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

31 December 2010 (in KEUR)	Loans and Receivables	Assets at fair value through profit or loss	Total
Assets per balance sheet			
Financial assets at fair value through profit or loss	-	10 325	10 325
Loans to affiliated undertakings and other financial assets	215 159	-	215 159
Current financial assets		158	158
Trade and other receivables	1 385	-	1 385
Cash and cash equivalents	4 814	-	4 814
Total	**221 358**	**10 483**	**231 841**

31 December 2010 (in KEUR)	Liabilities at fair value through profit or loss	Other financial liabilities at amortised cost	Total
Liabilities per balance sheet			
Loans from affiliated undertakings	-	34 562	34 562
Bonds	-	162 480	162 480
Derivatives financial instruments	1 137	-	1 137
Trade and other payables	-	11 392	11 392
Total	**1 137**	**208 434**	**209 571**

4. Critical accounting estimates and judgments

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

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

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

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

The Company assesses at the end of each reporting period whether there is objective evidence that shares in and loans granted to affiliated undertakings are impaired. Such types of assets are impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the asset that can be reliably estimated.

The criteria used by the Company to determine that there is objective evidence of an impairment loss is the net asset value of each affiliated undertaking which is based on the fair value of the underlying property(ies).

These valuations are performed annually by an independent expert, DTZ Debenham Tie Leung.

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

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

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

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

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

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

	2011		2010	
	Min	Max	Min	Max
Discount Rate	5,3%	17,0%	6,5%	11,8%
Yield Range	5,4%	19,1%	5,8%	13,0%
Exit Cap Rate	5,3%	17,0%	5,3%	9,0%

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

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

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

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

(c) Income taxes

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

(d) Estimate of fair value of financial instruments

Some financial instruments are recorded at fair value.

Valuations are performed regularly on the basis of the management best estimates of the credit risk of the Company or of the specific entity concerned in the light of existing, available and observable market data by the Company's banks for the derivatives (IRS, options and forwards).

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

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

(e) Fair value of bonds at recognition

See note 11.1

5. Intangible assets

Intangible assets consist of softwares. Movements are as follows:

In EUR	Gross amount	Amortisation and impairments	Net amount
Balance at 1 January 2010	**37 050**	**-**	**37 050**
Additions / (Amortisation)	636 548	(134 720)	501 828
Balance at 31 December 2010	**673 598**	**(134 720)**	**538 878**
Additions / (Amortisation)	-	(134 719)	(134 719)
Balance at 31 December 2011	**673 598**	**(269 439)**	**404 159**

In 2010, the Company had acquired new softwares for accounting and consolidation purposes.

6. Fixtures and fittings

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

In EUR	Gross amount	Amortisation and impairments	Net amount
Balance at 1 January 2010	**515 382**	**(224 278)**	**291 104**
Additions / (Amortisation)	172 556	(17 832)	154 724
Balance at 31 December 2010	**687 938**	**(242 110)**	**445 828**
Additions / (Amortisation)	273 032	(49 592)	223 439
(Assets sales) / Reversal of impairments	(15 160)	10 300	(4 860)
Balance at 31 December 2011	**945 810**	**(281 402)**	**664 407**

7. Shares in affiliated undertakings

Movements as follows:

In EUR	Acquisition cost	Impairments	Net book value
Balance at 1 January 2010	**495 565 326**	**(260 624 783)**	**234 940 543**
Additions / (Impairments)	86 099 324	(102 561 983)	(16 462 659)
(Disposals) / Reversal of impairments	(28 496 266)	41 469 008	12 972 742
Balance at 31 December 2010	**553 168 384**	**(321 717 758)**	**231 450 626**
Additions / (Impairments)	200 236 443	(111 612 423)	88 624 020
(Disposals) / Reversal of impairments	(130 037 479)	97 317 857	(32 719 622)
Balance at 31 December 2011	**623 367 348**	**(336 012 324)**	**287 355 024**

Impairment tests on shares in affiliated undertakings are based on the estimate of the fair value of the special purpose entity and its capacity to repay the loans as described in note 4 (b).

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

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

Company	Country	Local currency	% held	Acquisition cost 31/12/2011	Acquisition cost 31/12/2010	Purchased / Acquired in 2011	Sold / Liquidated in 2011	Cumulated impairments 31/12/2010	Cumulated impairments 31/12/2011	Impairments in 2011	Net book value 31/12/2011	Net book value 31/12/2010
Americka - Orco ,a.s	Czech Republic	CZK	100,00%	8 665,23	780,29	7 884,94	-	-	(3 168,34)	(3 168,34)	5 496,89	780,29
Americka Park, a.s.	Czech Republic	CZK	-	-	2 619,62	-	(2 619,62)	(1 380,29)	-	1 380,29	-	1 239,32
Ariah Kft	Hungary	HUF	100,00%	9 895,42	9 895,42	-	-	(5 806,27)	(9 895,42)	(4 089,16)	-	4 089,16
BCC - Brno City Center, a.s.	Czech Republic	CZK	100,00%	12 672,32	9 755,80	2 916,52	-	-	-	-	12 672,32	9 755,80
Belgicka-Na Kozacce,s.r.o.	Czech Republic	CZK	100,00%	2 359,34	1 206,49	1 152,85	-	-	-	-	2 359,34	1 206,49
Beta Development	Czech Republic	CZK	100,00%	25,81	25,81	-	-	(25,81)	(25,81)	-	-	-
Bubenská 1, a.s.	Czech Republic	CZK	100,00%	11 617,02	987,21	10 629,81	-	-	(503,74)	(503,74)	11 113,28	987,21
Bubny development, s.r.o.	Czech Republic	CZK	100,00%	57 933,39	21 261,47	36 671,92	-	-	-	-	57 933,39	21 261,47
Capellen Invest s.a.	Luxembourg	EUR	100,00%	2 182,64	2 182,64	-	-	(2 182,64)	(2 182,64)	-	-	-
CEREM, s.a.	Luxembourg	EUR	100,00%	31,00	31,00	-	-	(31,00)	(31,00)	-	-	-
CWM 35 Kft	Hungary	HUF	100,00%	21 116,10	21 116,10	-	-	(12 591,92)	(21 116,10)	(8 524,18)	-	8 524,18
Development Doupovská, s.r.o.	Czech Republic	CZK	100,00%	4 070,13	2 391,82	1 678.30	-	(1 848,68)	(2 952,49)	(1 103,80)	1 117,64	543,14
Diana Property, Sp. z o.o.	Poland	PLN	100,00%	776,65	776,65	-	-	-	-	-	776,65	776,65
Endurance Hospitality Asset	Luxembourg	EUR	88,00%	11,01	11,01	-	-	(11,01)	(11,01)	-	-	-
Endurance Hospitality Finance Sàrl	Luxembourg	EUR	88,00%	11,01	11,01	-	-	(11,01)	-	11,01	11,01	-
Endurance Real Estate Management Co. s.a.	Luxembourg	EUR	100,00%	125,00	125,00	-	-	-	-	-	125,00	125,00
Energy Trade Plus Kft.	Hungary	HUF	100,00%	1,66	-	1,66	-	-	(0,1)	(0,1)	1,52	-
Hagibor Office Building, a.s.	Czech Republic	CZK	100,00%	26 796,73	22 287,27	4 509,46	-	(8 930,82)	(5 419,75)	3 511,07	21 376,98	13 356,45
IPB Real,a.s.	Czech Republic	CZK	100,00%	2 973,42	3 053,22	-	(79,81)	-	-	-	2 973,42	3 053,22
IPB Real,s.r.o.	Czech Republic	CZK	100,00%	3 012,22	500,48	2 511,74	-	(500,48)	(3 012,22)	(2 511,74)	-	-
Jeremiášova Invest s.r.o.	Czech Republic	CZK	-	-	2 321,50	-	(2 321,50)	(1 374,59)	-	1 374,59	-	946,92
Jihovychodni Mesto,a.s.	Czech Republic	CZK	74,99%	25 637,86	25 637,86	-	-	(19 731,86)	(14 423,71)	5 308,15	11 214,15	5 906,00
Karousa Enterprises Company Ltd	Cyprus	USD	-	-	5 058,51	-	(5 058,51)	(1 436,57)	-	1 436,57	-	3 621,94
Kosic s.a.r.l.	Luxembourg	EUR	50,00%	6 450,50	8 258,50	-	(1 808,00)	(3 170,13)	(2 425,26)	744,87	4 025,24	5 088,37
M & O Sp z.o.o.	Poland	PLN	-	-	307,19	-	(307,19)	(307,19)	-	307,19	-	-
Machova-Orco ,a.s.	Czech Republic	CZK	-	-	2 847,27	-	(2 847,27)	(2 462,24)	-	2 462,24	-	385,03
Meder 36 Kft	Hungary	HUF	100,00%	3 206,15	1 858,88	1 347,28	-	(1 858,88)	(3 206,15)	(1 347,28)	-	-
Megaleiar A.S.	Czech Republic	CZK	100,00%	2 091,95	2 008,90	83,05	-	(836,32)	(1 056,23)	(219,92)	1 035,72	1 172,59
MMR Management, s.r.o.	Czech Republic	CZK	-	-	6,30	-	(6,30)	-	-	-	-	6,30
Na Poříčí, a.s.	Czech Republic	CZK	100,00%	12 441,94	12 441,94	-	-	(5 961,05)	(4 706,61)	1 254,44	7 735,33	6 480,89
Nupaky a.s.	Czech Republic	CZK	100,00%	7 337,87	6 933,99	403,87	-	(2 566,23)	(3 356,52)	(790,29)	3 981,34	4 367,76
Oak Mill,a.s.	Czech Republic	CZK	99,99%	1 385,26	1 385,26	-	-	(159,71)	(176,89)	(17,18)	1 208,38	1 225,55
Office Center Hradčanská, a.s. (formerly: Certuv ostrov)	Czech Republic	CZK	100,00%	17 051,33	4 668,19	12 383,15	-	(4 668,19)	(15 358,45)	(10 690,26)	1 692,88	-
Office II Invest, s.a.	Luxembourg	EUR	-	-	31,00	-	(31,00)	-	-	-	-	31,00
Onset a.s.	Czech Republic	CZK	100,00%	5 722,50	5 462,22	260,29	-	(4 137,68)	(4 312,99)	(175,30)	1 409,52	1 324,54
OPG France, s.a.s.	France	EUR	100,00%	37,00	37,00	-	-	-	-	-	37,00	37,00
OPG Invest Lux s.a.	Luxembourg	EUR	100,00%	31,00	-	31,00	-	-	(1,71)	(1,71)	29,29	-
Orco Estate,s.r.o.	Czech Republic	CZK	100,00%	12 651,33	885,26	11 766,06	-	-	(8 202,59)	(8 202,59)	4 448,74	885,26
Orco Financial Services, s.r.o.	Czech Republic	CZK	100,00%	419,31	364,50	54,81	-	(364,50)	(419,31)	(54,81)	-	-
Orco Praga, s.r.o.	Czech Republic	CZK	74,99%	933,18	933,18	-	-	(933,18)	(933,18)	-	-	-
Orco Prague, a.s.	Czech Republic	CZK	100,00%	8 626,25	5 097,08	3 529,17	-	(5 097,08)	(8 626,25)	(3 529,17)	-	-
Orco Adriatic d.o.o.	Croatia	HRK	100,00%	2,73	2,73	-	-	(2,73)	(2,73)	-	-	-
Orco Blumentálska, a.s.	Slovakia	EUR	100,00%	2 979,86	2 979,86	-	-	(2 979,86)	(2 979,86)	-	-	-
Orco Bucharest	Romania	ROL	96,00%	3,26	3,26	-	-	(3,26)	(3,26)	-	-	-
Orco Budapest Zrt.	Hungary	HUF	99,99%	10 223,31	4 650,76	5 572,56	-	(4 650,76)	(10 223,31)	(5 572,56)	-	-

Company	Country	Local currency	% held	Acquisition cost 31/12/2011	Acquisition Cost 31/12/2010	Purchased / Acquired in 2011	Sold / Liquidated in 2011	Cumulated impairments 31/12/2010	Cumulated impairments 31/12/2011	Impairments in 2011	Net book value 31/12/2011	Net book value 31/12/2010
Orco Commercial Sp. z o.o.	Poland	PLN	-	-	199,77	-	(199,77)	(199,77)	-	199,77	-	-
Orco Construction Sp. z o.o.	Poland	PLN	75,00%	1 549,49	1 549,49	-	-	(1 549,49)	(1 549,49)	-	-	-
Orco Development Kft	Hungary	HUF	100,00%	70,18	70,18	-	-	(70,18)	-	70,18	70,18	-
Orco Development Sp. z o.o.	Poland	PLN	75,00%	337,74	337,74	-	-	(337,74)	(337,74)	-	-	-
Orco Development, s.r.o.	Slovakia	EUR	100,00%	8 339,03	1 000,79	7 338,24	-	(617,95)	(2 362,02)	(1 744,08)	5 977,00	382,84
Orco Enterprise Sp. z.o.o.	Poland	PLN	100,00%	10 946,61	737,28	10 209,33	-	(737,28)	(2 509,01)	(1 771,73)	8 437,59	-
Orco Estate Sp.z.o.o.	Poland	PLN	100,00%	700,11	700,11	-	-	(700,11)	(700,11)	-	-	-
ORCO Estates, s.r.o.	Slovakia	EUR	100,00%	14 205,54	4,97	14 200,57	-	(4,97)	(14 193,81)	(14 188,84)	11,72	-
Orco Germany s.a.	Luxembourg	EUR	87,99%	110 766,31	101 908,91	8 857,40	-	(46 299,62)	(71 470,13)	(25 170,51)	39 296,17	55 609,28
Orco Hungary Kft	Hungary	HUF	100,00%	583,45	583,45	-	-	(492,32)	(487,48)	4,84	95,97	91,14
Orco Logistic Sp. Z.o.o.	Poland	PLN	100,00%	13,08	13,08	-	-	(13,08)	(13,08)	-	-	-
Orco Marine, d.o.o.	Croatia	HRK	100,00%	27,50	27,50	-	-	(27,50)	-	27,50	27,50	-
Orco Poland Sp. z o.o.	Poland	PLN	100,00%	2 816,11	2 816,25	(0,14)	-	(2 816,25)	(2 816,11)	0,14	-	-
Orco Project Sp. z o.o.	Poland	PLN	100,00%	700,99	700,99	-	-	(700,99)	(700,99)	-	-	-
Orco Projekt, d.o.o.	Croatia	HRK	100,00%	2,75	2,75	-	-	(2,75)	-	2,75	2,75	-
Orco Property Sp. z o.o.	Poland	PLN	95,50%	24 529,95	3 597,16	20 932,79	-	-	-	-	24 529,95	3 597,16
Orco Property, d.o.o.	Croatia	HRK	100,00%	2,80	2,80	-	-	(2,80)	-	2,80	2,80	-
Orco Razvoj, d.o.o.	Croatia	HRK	100,00%	27,50	27,50	-	-	(27,50)	(27,50)	-	-	-
Orco Residence, s.r.o.	Slovakia	EUR	100,00%	1 706,19	5,18	1 701,01	-	(5,18)	(1 706,19)	(1 701,01)	-	-
Orco Residential Sp. z o.o.	Poland	PLN	-	-	9 701,11	-	(9 701,11)	(1 654,42)	-	1 654,42	-	8 046,68
Orco Russian Retail, sa	Luxembourg	EUR	-	-	31,00	-	(31,00)	(31,00)	-	31,00	-	-
Orco Slovakia, s.r.o.	Slovakia	EUR	100,00%	837,50	4,97	832,53	-	(4,97)	(837,50)	(832,53)	-	-
Orco Vagyonkezelő, Kft.	Hungary	HUF	100,00%	1 701,94	1 701,94	-	-	(1 070,54)	(1 436,91)	(366,37)	265,03	631,40
Orco-Molcom B.V.	Netherlands	EUR	-	-	51 408,61	-	(51 408,61)	(46 797,90)	-	46 797,90	-	4 610,71
Origo Investment Kft (formerly: Orco Investment Kft)	Hungary	HUF	12,50%	1 213,97	1 213,97	-	-	(463,97)	(1 213,97)	(750,00)	-	750,00
Pachtuv Palac s.r.o.	Czech Republic	CZK	100,00%	15 487,41	7 424,41	8 063,00	-	(3 917,76)	(4 467,43)	(549,68)	11 019,98	3 506,66
Prvni Kvintum Praha a.s.	Czech Republic	CZK	90,00%	3 770,08	2 760,22	1 009,86	-	-	(683,98)	(683,98)	3 086,11	2 760,22
Sarakina Enterprises Company Ltd	Cyprus	USD	-	-	26 692,76	-	(26 692,76)	-	-	-	-	26 692,76
Seattle,s.r.o.	Czech Republic	CZK	100,00%	8 928,71	8 928,71	-	-	(6 445,27)	(981,53)	5 463,74	7 947,18	2 483,43
Suncani HVAR, d.d.	Croatia	HRK	56,55%	85 754,75	82 190,51	3 564,24	-	(63 344,15)	(68 255,67)	(4 911,52)	17 499,08	18 846,36
Theonia Entreprises Company Ltd	Cyprus	USD	-	-	13 930,64	-	(13 930,64)	(13 930,64)	-	13 930,64	-	-
T-O Green Europe, a.s.	Czech Republic	CZK	100,00%	21,43	21,43	-	-	-	-	-	21,43	21,43
TQE Asset, a.s.	Czech Republic	CZK	99,20%	22 669,04	17 541,38	5 127,66	-	(15 861,31)	(16 132,31)	(271,00)	6 536,74	1 680,07
V Mezihori, a.s.	Czech Republic	CZK	100,00%	79,81	-	79,81	-	-	-	-	79,81	-
Valley Investment, Sàrl (formerly: Endurance H.C. Eta)	Luxembourg	EUR	100,00%	4 109,43	0,73	4 108,71	-	(0,73)	-	0,73	4 109,43	-
Valley Water Investment	BVI	EUR	100,00%	4 307,00	-	4 307,00	-	-	-	-	4 307,00	-
Vinohrady s.a.r.l.	France	EUR	100,00%	7,62	7,62	-	-	-	(7,62)	(7,62)	-	7,62
Viterra Cescka spol. S.r.o.	Czech Republic	CZK	-	-	6 597,29	-	(6 597,29)	(6 597,29)	-	6 597,29	-	-
Viterra Development Polska sp.z.o.o.	Poland	PLN	-	-	1,25	-	(1,25)	-	-	-	-	1,25
Vysočanská brána, a.s. (formerly: 1.Sportovni,a.s.)	Czech Republic	CZK	-	-	1 130,37	-	(1 130,37)	(1 130,37)	-	1 130,37	-	-
Yuli Kft	Hungary	HUF	100,00%	15 644,64	9 128,77	6 515,87	-	(6 226,66)	(14 388,07)	(8 161,41)	1 256,57	2 902,10
Zahrebska 35,s.r.o.	Czech Republic	CZK	-	-	5 265,32	-	(5 265,32)	(3 613,36)	-	3 613,36	-	1 651,97
				623 367,35	553 168,38	200 236,44	(130 037,48)	(321 717,76)	(336 012,32)	(14 294,57)	287 355,02	231 450,63

8. Financial assets at fair value through profit or loss

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

Movements as follows:

In EUR	Acquisition cost	Fair value adjustements	Net book value
Balance at 1 January 2010	**32 018 178**	**(21 956 560)**	**10 061 618**
Additions / Increase	35	(187 246)	(187 211)
Disposals / Decrease	-	450 364	450 364
Balance at 31 December 2010	**32 018 213**	**(21 693 442)**	**10 324 771**
Additions / Increase	9 747 888	2 685 712	12 433 600
Disposals / Decrease	-	-	-
Balance at 31 December 2011	**41 766 101**	**(19 007 730)**	**22 758 371**

As at 31 December 2011, the fair value of the investments in the Endurance Real Estate Fund for Central Europe amounts to EUR 22.8 million (EUR 10.3 million as at 31 December 2010).The Endurance fund managed by the Company (see note 24) is divided in three specialized sub-funds. Two are investing in office investment properties and one is investing in residential developments and properties. These investments are accounted for at their fair value with change in fair value going through the income statement. The change in fair value recorded in 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% (20% in 2010), amounts to a profit of EUR 2.7 million (EUR 0.3 million in 2010), refer to note 17 for further details.

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

- Investments in the Endurance's Office Sub-Fund

In EUR	Total issued units	Estimated NAV	Units Held	% Held	Acquisition cost	Fair value adjustements	Net book value	Actual Commitment
Balance at 1 January 2010	**13 930 387,740**	**3,69**	**2 251 819,380**	**16,16%**	**23 585 017**	**(15 280 307)**	**8 304 710**	**3 414 983**
Additions / Increase	-	-	-	-	-	-	-	-
Disposals / Decrease	-	-	-	-	-	450 364	450 364	-
Balance at 31 December 2010	**13 930 387,740**	**3,89**	**2 251 819,380**	**16,16%**	**23 585 017**	**(14 829 943)**	**8 755 074**	**3 414 983**
Additions / Increase	-	-	1 500 000,000	-	6 500 000	2 573 572	9 073 572	-
Disposals / Decrease	-	-	-	-	-	-	-	-
Balance at 31 December 2011	**13 930 387,740**	**4,75**	**3 751 819,380**	**26,93%**	**30 085 017**	**(12 256 371)**	**17 828 646**	**3 414 983**

- Investments in the Endurance's Residential Sub-Fund

In EUR	Total issued units	Estimated NAV	Units Held	% Held	Acquisition cost	Fair value adjustements	Net book value	Actual Commitment
Balance at 1 January 2010	**11 283 102,173**	**1,95**	**900 055,582**	**7,98%**	**8 433 161**	**(6 676 252)**	**1 756 909**	**13 466 839**
Increase / Depreciation	4 260 416,186	-	-	-	35	(187 247)	(187 212)	(35)
Decrease / Reversal	-	-	-	-	-	-	-	-
Balance at 31 December 2010	**15 543 518,359**	**1,74**	**900 055,582**	**5,79%**	**8 433 196**	**(6 863 499)**	**1 569 697**	**13 466 804**
Increase / Depreciation	-	-	1 404 276,226	-	2 500 000	207 143	2 707 143	5 565 872
Decrease / Reversal	-	-	-	-	-	-	-	-
Balance at 31 December 2011	**15 543 518,359**	**1,86**	**2 304 331,808**	**14,83%**	**10 933 196**	**(6 656 356)**	**4 276 840**	**19 032 676**

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

In EUR	Total issued units	Estimated NAV	Units Held	% Held	Acquisition cost	Fair value adjustements	Net book value	Actual Commitment
Balance at 1 January 2011	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Increase / Depreciation	-	-	252 664,930	-	747 888	(95 002)	652 886	33 147 727
Decrease / Reversal	-	-		-	-	-	-	-
Balance at 31 December 2011	**1 609 875,260**	**2,58**	**252 664,930**	**15,69%**	**747 888**	**(95 002)**	**652 886**	**33 147 727**

9. Loans to affiliated undertakings and other financial assets

9.1 Loans to affiliated undertakings

Movements as follows:

In EUR	Gross amount	Impairments	Net book value
Balance at 1 January 2010	**442 287 571**	**(138 502 907)**	**303 784 664**
Additions / (Impairments)	77 291 478	(73 973 795)	3 317 683
(Disposals) / Reversal of impairments	(116 466 440)	23 336 322	(93 130 118)
Balance at 31 December 2010	**403 112 609**	**(189 140 380)**	**213 972 229**
Additions / (Impairments)	17 920 646	(6 805 124)	11 115 522
(Disposals) / Reversal of impairments	(173 583 457)	58 448 678	(115 134 779)
Balance at 31 December 2011	**247 449 798**	**(137 496 826)**	**109 952 972**

The Company has global agreement with all its subsidiaries for loans bearing 8% interest and a maturity on 31 December 2020.

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

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

	As at December 31, 2011					**2011**	**As at December 31, 2010**					**2010**	
Affiliated undertakings	**Loan nominal**	**Accrued Interest**	**Total gross value**	**Impairment**	**Net book value**	**Interest income**	**Loan nominal**	**Accrued Interest**	**Total gross value**	**Impairment**	**Net book value**	**Interest income**	Original Currency
Ambiance Beaute Sarl	6 750	-	6 750	(6 750)	-	-	6 750	-	6 750	(6 750)	-	-	EUR
Americká - Orco, a.s	-	17 162	17 162	-	17 162	18 177	510 953	41 196	552 148	-	552 148	41 196	CZK
Americka Park, a.s.	-	-	-	-	-	15 240	552 018	65 152	617 170	-	617 170	53 754	CZK
Ariah Kft	1 307 395	51 826	1 359 220	(228 488)	1 130 732	51 826	-	-	-	-	-	415 089	EUR
BCC - Brno City Center, a.s.	413 707	204 981	618 688	-	618 688	216 271	4 280 820	391 821	4 672 642	-	4 672 642	391 821	CZK
Belgicka-Na Kozacce,s.r.o.	8 871	139	9 010	-	9 010	35 952	995 563	55 881	1 051 444	-	1 051 444	55 881	CZK
Beta Development, s.r.o.	12 904	559	13 463	(13 463)	-	579	5 144	-	5 144	(5 144)	-	-	CZK
Bubny development, s.r.o.	1 724 115	28 826	1 752 940	-	1 752 940	2 039 827	31 322 502	2 442 676	33 765 178	-	33 765 178	2 442 676	CZK
Capellen Invest s.a.	6 918 347	556 306	7 474 653	(3 647 216)	3 827 437	556 306	6 717 243	551 104	7 268 347	(3 481 454)	3 786 893	551 104	EUR
CEREM SA	39 060 011	-	39 060 011	(35 735 566)	3 324 445	-	40 713 229	3 344 666	44 057 895	(34 577 163)	9 480 732	3 344 666	EUR
Darilla, a.s.	-	3	3	(3)	-	2 063	55 635	4 319	59 954	(59 954)	-	4 319	CZK
Development Doupovská, s.r.o.	36 576	674	37 250	-	37 250	205 718	1 359 200	102 286	1 461 486	-	1 461 486	102 286	CZK
Development Vision Sp Z.o.o.	-	-	-	-	-	-	-	-	-	-	-	6 831	PLN
Diana Property, Sp. z o.o.	139 707	14 322	154 028	-	154 028	48 834	63 088	7 434	70 523	-	70 523	54 638	PLN
Diana Property, Sp. z o.o.	512 255	101 903	614 158	-	614 158	-	512 255	60 923	573 178	-	573 178	-	EUR
Endurance Advisory Company, s.a.	-	-	-	-	-	-	-	-	-	-	-	49 824	EUR
Valley Investment, Sàrl (formerly: Endurance H.C. Eta)	21 000	399	21 399	-	21 399	-	6 794	-	6 794	-	6 794	-	EUR
Endurance Hospitality Asset	139 782	10 644	150 426	-	150 426	10 644	117 883	8 899	126 782	(126 782)	-	8 899	EUR
Endurance Hospitality Finance, s.à.r.l.	83 457 254	139 479	83 596 733	(57 146 093)	26 450 640	139 479	82 888 220	68 064	82 956 284	(53 220 581)	29 735 703	68 064	EUR
Endurance Real Estate Management Co. s.a.	(4 020 531)	40 724	(3 979 806)	-	(3 979 806)	68 042	1 978 273	168 001	2 146 274	-	2 146 274	168 001	EUR
Energia Jeden, Sp. z o.o.	-	-	-	-	-	-	-	-	-	-	-	1 784	PLN
ENOR-Hungary Kft.	-	-	-	-	-	-	-	-	-	-	-	77	EUR
Hagibor Office Building, a.s.	-	4	4	-	4	256 356	3 634 470	288 391	3 922 861	(0)	3 922 861	288 391	CZK
IPB Real,a.s.	-	-	-	-	-	833	166 011	171 913	337 924	-	337 924	214 843	CZK
IPB Real,s.r.o.	677 619	132 234	809 854	(809 854)	-	139 253	2 929 950	209 354	3 139 305	(1 604 519)	1 534 785	209 354	CZK
Jihovychodni Mesto,a.s.	10 710 272	848 858	11 559 130	-	11 559 130	885 624	10 016 080	804 702	10 820 782	-	10 820 782	804 702	CZK
M & O Sp z.o.o.	-	-	-	-	-	99 928	2 097 693	334 317	2 432 010	(339 188)	2 092 822	172 975	PLN
Meder 36 Kft	26 267	895	27 163	(27 163)	-	43 966	1 201 072	96 086	1 297 157	(1 174 667)	122 491	96 086	EUR
Megaleiar A.S.	14 034	312	14 346	-	14 346	2 640	5 231	57 377	62 608	-	62 608	57 377	CZK
Mikhailovka Land o.o.o.	-	-	-	-	-	2 824	20 057	1 479	21 536	(21 536)	-	1 479	USD
MMR Management, s.r.o.	-	-	-	-	-	-	728 422	160	728 582	-	728 582	9 458	EUR
MMR Russia sàrl	48 117	-	48 117	(48 117)	-	-	444 157	-	444 157	-	444 157	1 767 933	EUR
MMR Yougoslavia	22 994	-	22 994	(22 994)	-	-	22 994	-	22 994	(22 994)	-	-	EUR
Na Poříčí, a.s.	5 999 015	465 854	6 464 870	-	6 464 870	485 931	5 380 076	394 130	5 774 207	-	5 774 207	394 130	CZK
Nupaky a.s.	27 920	567	28 487	-	28 487	12 976	3 712	353 290	357 002	-	357 002	353 290	CZK
Office Center Hradčanská, a.s.	563 327	4 512	567 838	-	567 838	587 000	10 461 061	841 486	11 302 547	(10 564 189)	738 358	841 486	CZK
Office II Invest, s.a.	-	-	-	-	-	-	1 351 280	124 465	1 475 745	-	1 475 745	124 465	EUR
Onset a.s.	20 015	381	20 396	-	20 396	8 312	9 275	214 819	224 095	-	224 095	214 819	CZK
OPG France, s.a.s.	300	-	300	-	300	-	300	-	300	-	300	-	EUR
Orco Adriatic d.o.o.	4 353 161	345 671	4 698 832	(2 566 031)	2 132 801	345 671	3 919 014	238 320	4 157 334	(2 229 170)	1 928 164	339 813	EUR

	As at December 31, 2011					2011	As at December 31, 2010					2010	
Affiliated undertakings	**Loan nominal**	**Accrued Interest**	**Total gross value**	**Impairment**	**Net book value**	**Interest income**	**Loan nominal**	**Accrued Interest**	**Total gross value**	**Impairment**	**Net book value**	**Interest income**	Original Currency
Orco Blumentálska, a.s.	13 045 649	715 191	13 760 840	(13 760 840)	-	-	13 010 649	715 191	13 725 840	(13 725 840)	-	875 772	EUR
Orco Bucharest	2 511	-	2 511	(2 511)	-	-	2 511	-	2 511	(2 511)	-	-	EUR
Orco Budapest Zrt.	1 335 545	46 718	1 382 263	(1 382 263)	-	240 495	4 211 398	344 365	4 555 763	(4 555 763)	-	344 365	EUR
Orco Commercial Sp. z o.o.	-	-	-	-	-	285 361	5 001 910	912 656	5 914 565	(1 481 567)	4 432 999	426 576	PLN
Orco Construction Sp. z o.o.	4 562 593	1 072 907	5 665 500	(5 665 500)	-	373 858	5 006 688	792 834	5 799 522	(5 799 522)	-	410 805	PLN
Orco Development Kft	8 030 436	98 936	8 129 372	-	8 129 372	98 936	14 410	1 121	15 531	(14 516)	1 015	1 121	EUR
Orco Development Sp. z o.o.	3 063 967	693 796	3 757 763	(3 757 763)	-	248 319	3 277 535	506 049	3 783 584	(3 783 584)	-	266 333	PLN
Orco Development, s.r.o.	483 716	13 889	497 604	-	497 604	290 363	6 485 309	493 506	6 978 815	-	6 978 815	493 506	EUR
Orco Enterprise Sp. z.o.o.	(726 631)	3 266 645	2 540 015	-	2 540 015	70 188	1 468 170	729 086	2 197 256	(1 372 411)	824 845	311 617	PLN
Orco Estate Sp.z.o.o.	1 665 231	378 930	2 044 160	(2 044 160)	-	134 514	1 774 464	277 571	2 052 035	(2 052 035)	-	144 496	PLN
Orco Estate,s.r.o.	-	-	-	-	-	-	-	-	-	-	-	32 098	CZK
Orco Estates, s.r.o.	321 739	8 947	330 686	-	330 686	543 885	12 496 510	962 366	13 458 877	(10 933 612)	2 525 264	962 366	EUR
Orco Financial Services, s.r.o.	15 277	921	16 198	(16 174)	24	1 998	4 191	18 765	22 956	(12 673)	10 283	18 765	CZK
Orco Germany s.a.	9 858 983	1 041 501	10 900 484	-	10 900 484	1 041 501	16 237 346	1 427 883	17 665 229	-	17 665 229	1 427 883	EUR
Orco Investment,a.s.	-	-	-	-	-	-	-	-	-	-	-	10 702	CZK
Orco Logistic Sp. Z.o.o.	6 408 530	1 516 037	7 924 567	(2 314 226)	5 610 341	508 255	6 279 137	1 007 782	7 286 919	(4 736 471)	2 550 448	502 329	EUR
Orco Poland Sp. z o.o.	556 150	224 786	780 935	(780 935)	-	44 830	754 395	202 052	956 447	(788 370)	168 077	72 334	PLN
Orco Praga, s.r.o.	6 256 535	500 523	6 757 057	(5 177 132)	1 579 925	522 268	5 967 087	474 198	6 441 285	(6 441 285)	-	474 198	CZK
Orco Prague,a.s.	992 715	229 162	1 221 876	(1 221 876)	-	243 614	1 852 252	210 194	2 062 446	(552 377)	1 510 069	210 194	CZK
Orco Project Kft.	-	-	-	-	-	-	-	-	-	-	-	57	EUR
Orco Project, Sp. z o.o.	52 511	-	52 511	(50 824)	1 687	1 646	4 494	-	4 494	(4 494)	-	-	PLN
Orco Property Sp. z o.o.	13 275 858	1 602 699	14 878 557	-	14 878 557	570 038	19 437 355	2 438 677	21 876 032	-	21 876 032	1 206 445	PLN
Orco Razvoj, d.o.o.	1 180 648	94 452	1 275 100	(816 692)	458 408	94 452	1 093 192	87 455	1 180 648	(711 887)	468 760	87 455	EUR
Orco Residence, s.r.o.	-	-	-	-	-	64 561	1 515 226	121 218	1 636 444	(1 636 290)	154	121 218	EUR
Orco Residential Sp. z o.o.	-	-	-	-	-	118 109	780 333	1 040 815	1 821 148	-	1 821 148	497 041	PLN
Orco Russian Retail, SA	-	-	-	-	-	194 459	18 555 577	1 461 101	20 016 678	(13 813 064)	6 203 614	1 461 101	EUR
Orco Slovakia, s.r.o.	201 000	3 682	204 682	(179 663)	25 019	36 258	640 956	54 112	695 068	(632 183)	62 885	54 112	EUR
Orco Vagyonkezelő, Kft.	702 616	20 254	722 870	-	722 870	20 254	-	31 185	31 185	-	31 185	31 185	EUR
Orco-Molcom B.V.	-	-	-	-	-	5 355	16 348	412	16 760	-	16 760	3 193 245	EUR
Pachtuv Palac s.r.o.	339 000	6 887	345 887	-	345 887	259 922	6 892 794	517 172	7 409 965	-	7 409 965	517 172	EUR
Prvni Kvintum Praha a.s.	32 551	681	33 233	-	33 233	32 217	856 021	65 776	921 797	-	921 797	65 776	CZK
Suncani HVAR, d.d.	5 146 786	371 390	5 518 176	-	5 518 176	557 576	8 711 028	2 403 967	11 114 995	-	11 114 995	1 032 612	EUR
Theonia Entreprises Cpy Ltd	-	-	-	-	-	-	8 560	-	8 560	(7 948)	612	-	EUR
TQE Asset, a.s.	1 294 806	57 877	1 352 683	-	1 352 683	208 751	4 111 985	214 302	4 326 287	-	4 326 287	214 302	CZK
Váci 1 Kft.	2 038 831	72 438	2 111 269	-	2 111 269	260 002	4 181 416	143 706	4 325 122	-	4 325 122	143 706	EUR
Váci 190 Projekt Kft.	49	-	49	-	49	-	-	-	-	-	-	-	EUR
Vinohrady s.a.r.l.	45 136	29 392	74 528	(74 528)	-	29 392	42 218	29 024	71 242	-	71 242	29 024	EUR
Viterra Cescka spol. S.r.o.	-	-	-	-	-	3 259	49 044	158 007	207 051	(37 471)	169 580	158 007	EUR
Vysočanská brána, a.s.	-	-	-	-	-	442 317	8 000 571	609 842	8 610 414	(8 610 414)	-	609 842	CZK
	232 383 922	15 035 877	247 449 798	(137 496 826)	109 952 970	13 827 225	373 217 805	29 895 100	403 112 609	(189 140 380)	213 972 229	30 059 271	

9.2 Other loans

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

On 4 December 2008, the Company has granted a seller's financing of EUR 1.4 million (which was fully impaired as of 31 December 2009 as a result of the termination of the consulting contract with that company) to Vignette Investissements S.A., a French company managed by Keith Lindsay, against transferring 10% of the shares of MMR Management s.r.o., a limited liability company, incorporated under Czech's Law and a wholly owned subsidiary of the Company to Vignette Investissements S.A.. This advance was granted for a period of 7 years ending on 31 December 2015. Vignette Investments S.A. and the Company agreed to unwind the transaction following termination of cooperation. As such, 10% of the shares of MMR Management s.r.o. were returned by Vignette Investissements S.A. to the Company with effective date 16 December 2010.

Movements as follows:

In EUR	Gross amount	Impairments	Net book value
Balance at 1 January 2010	**1 400 000**	**(1 400 000)**	**-**
Additions / (Impairments)	700 000	-	700 000
(Disposals) / Reversal of impairments	(1 400 000)	1 400 000	-
Balance at 31 December 2010	**700 000**	**-**	**700 000**
Additions / (Impairments)	292 454	-	292 454
(Disposals) / Reversal of impairments	-	-	-
Balance at 31 December 2011	**992 454**	**-**	**992 454**

9.3 Guarantee deposits and similar

Guarantee deposit and similar financial assets consist of guarantee deposits paid by the Company for a total of EUR 582.777 (EUR 486.805 in 2010) from which EUR 200.000 as guarantee deposit to KBC Bank N.V. for a cash pooling agreement between all bank accounts opened by the Company with other banks from KBC Bank's group and EUR 161.214 to Ceská Sporitelna Bank for a company project (EUR 160.000 in 2010).

Movements as follows:

In EUR	Gross amount	Impairments	Net book value
Balance at 1 January 2010	**208 085**	**-**	**208 085**
Additions / (Impairments)	278 720	-	278 720
(Disposals) / Reversal of impairments	-	-	-
Balance at 31 December 2010	**486 805**	**-**	**486 805**
Additions / (Impairments)	103 763	-	103 763
(Disposals) / Reversal of impairments	(7 791)	-	(7 791)
Balance at 31 December 2011	**582 777**	**-**	**582 777**

10. Cash and cash equivalents

As at 31 December 2011, the cash and cash equivalents consist of short term deposits for EUR 0 (EUR 1.9 million in 2010), cash in bank for EUR 4.6 million (EUR 2.8 million in 2010) and cash in stock brokers accounts for EUR 0 million (EUR 0.1 million in 2010).

11. Bonds and derivatives

11.1 Non-current bonds

As at 31 December 2011, the movements in non-current bonds are the following:

Non-current bonds (in KEUR)	Convertible bonds	Non-convertible bonds	TOTAL
Balance at 1 January 2010	**174 096**	**162 259**	**336 355**
Interest from 1 Jan to 19 May	6 113	3 278	9 391
Balance at 19 May 2010	**180 209**	**165 537**	**345 746**
Derecognition of bonds	(180 209)	(165 537)	(345 746)
Entry of new bonds	51 141	82 744	133 885
Interest from 19 May to 31 December	7 434	12 183	19 617
Balance at 31 December 2010	**58 575**	**94 927**	**153 502**
Transfert to short term	(7 806)	(14 731)	(22 537)
Interest Year 2011	13 614	21 887	35 501
Balance at 31 December 2011	**64 383**	**102 083**	**166 466**

- **In 2011**

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

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

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

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

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

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

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

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

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%

- **In 2010**

On 19 May 2010, the Company's Safeguard plan was approved (see note 2.1.1.2). This results 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 2.1.1.2. As a result the bonds covered by the Safeguard plan (all the bonds issued by the Company) 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 comparables, the effective interest rate of the "Safeguard bonds" was set at 23.1% resulting in a total value 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 281.8 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 stand alone 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 Suncani Hvar d.d. 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 168.4 million for the termed out bonds.

In KEUR	Carrying value of termed out bonds	Fair value of termed out bonds
Bonds	153 502	168 350
Bonds as at 31/12/2010	**153 502**	**168 350**

11.2 Exchangeable bonds in Suncani Hvar shares

The acquisition of Suncani Hvar dd 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 2.1.1.2), the terms and conditions have been changed for the following ones:

Bonds

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.

The funds raised with this exchangeable bond have been at issuance divided into a long-term debt component and a long term derivative component. Furthermore, the costs linked to the issuance of the bond were deducted from the funds raised. The derivative component of EUR 0.7 million in 2009 and classified in derivatives financial instruments (non-current) has been derecognized in 2010, as application of the Safeguard plan does not enable to exchange the bonds into Suncani Hvar DD shares. In this context, the exchangeable bonds are now fully reported as non convertible bonds.

In KEUR	
Balance at 1 January 2010	**23 721**
Interest from 31 Dec to 19 May	56
Balance at 19 May 2010	**23 777**
Derecognition of bonds	(23 777)
Entry of new bonds	9 635
Interest from 19 May to 31 December	1 323
Balance at 31 December 2010	**10 958**
Interest accumulated during the period	2 411
Safeguard dividends	(773)
Balance at 31 December 2011	**12 596**

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 Company has repurchased exchangeable 226,233 bonds (same as at 31 December 2010).

As 31 December 2011, the current part of the bonds amounts to EUR 1.5 million (EUR 0.8 million in 2010).

11.3 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 11.6 for amendments on BSAR 2014. The resolution was approved by 95.11% of the warrant holder present (out of which 91.7% were represented by key management personnel) with over 50% of warrant holders present 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 2.1.1.2.), the terms and conditions have been changed for the following ones:

<u>Bonds</u>

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

<u>Warrants</u>

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 exercice 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 exercice 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 income statement for a total profit of EUR 6.8 million.

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

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

In KEUR	
Balance at 1 January 2010	**47 921**
Interest from 31 Dec to 19 May	972
Balance at 19 May 2010	**48 893**
Derecognition of bonds	(48 893)
Entry of new bonds	17 368
Interest from 19 May to 31 December	2 385
Balance at 31 December 2010	**19 753**
Interest accumulated during the period	4 183
Safeguard dividends	(1 105)
Balance at 31 December 2011	**22 831**

11.4 Convertible bonds 2006-2013

Due to the application of the Safeguard plan (see note 2.1.1.2), 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

In KEUR	
Balance at 1 January 2010	**150 375**
Interest from 31 Dec to 19 May	6 057
Balance at 19 May 2010	**156 432**
Derecognition of bonds	(156 432)
Entry of new bonds	54 141
Interest from 19 May to 31 December	7 434
Balance at 31 December 2010	**61 575**
Interest accumulated during the period	13 614
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 3.0 million in 2010).

As at 31 December 2011, no bonds have been converted as in 2010).

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 Company 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).

11.5 CZK 1.4 billion floating rate bond ("Czech Bond")

Due to the application of the Safeguard plan (see note 2.1.1.2), the terms and conditions have been changed for the following ones:

Bonds	
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

Bonds	
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

In KEUR	
Balance at 1 January 2010	**11 297**
Interest from 31 Dec to 19 May	335
Balance at 19 May 2010	**11 632**
Derecognition of bonds	(11 632)
Entry of new bonds	4 074
Interest from 19 May to 31 December	560
Balance at 31 December 2010	**4 634**
Interest accumulated during the period	1 021
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).

11.6 Bonds with repayable subscription warrants ("OBSAR 2")

Refer to the note 11.3 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 February 15, 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 February 15, 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: 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 February 16, 2010

Each warrant 2014 shall entitle the holder to acquire 1.60 existing shares and/or subscribe to 1.60 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 February 16, 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, a general meeting of the holders of warrants 2014 was held and approved the extension of the exercise period of the warrants 2014 until 31 December 2019.

Due to the application of the Safeguard plan (see note 2.1.1.2), 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.

In KEUR	
Balance at 1 January 2010	**162 259**
Interest from 31 Dec to 19 May	3 277
Balance at 19 May 2010	**165 536**
Derecognition of bonds	(165 536)
Entry of new bonds	57 645
Interest from 19 May to 31 December	7 915
Balance at 31 December 2010	**65 560**
Interest accumulated during the period	14 272
Safeguard dividends	(3 770)
Own Bonds inclunding interest	(237)
Balance at 31 December 2011	**75 825**

As 31 December 2011, the current part of the bonds amounts to EUR 9.5 million (EUR 3.8 million in 20).

As at 31 December 2011, the Company owned 372 bonds (nil in 2010), amounting to EUR 0.2 million.

11.7 Current bonds

As at 31 December 2011, movements in current bonds are the following:

Current bonds In KEUR	Convertible bonds	Non-convertible bonds	TOTAL
Balance at 1 January 2010	**-**	**58 996**	**58 996**
Interest from 31 Dec to 19 May	-	1 529	1 529
Balance at 19 May 2010	**-**	**60 525**	**60 525**
Derecognition of bonds	-	(60 525)	(60 525)
Entry of new bonds	3 000	5 978	8 978
Balance at 31 December 2010	**3 000**	**5 978**	**8 978**
Payment	(3 000)	(5 975)	(8 975)
Transfer from non-current	7 806	14 731	22 537
Own Bonds	-	(237)	(237)
Balance at 31 December 2011	**7 806**	**14 497**	**22 303**

As at 31 December 2011 the current portion of the total bonds amounts to EUR 22.3 million (EUR 9.0 million in 2010), following the application of the repayment schedule of the Safeguard plan.

11.8 Derivatives

Derivative instruments are presented within other current assets when fair value is positive, within other current or non-current liabilities when fair value is negative. Changes in the fair value are recognized immediately in the income statement under “Net gain/(loss) on financial instruments at fair value”.

Derivatives used by the Company include interest rate derivatives and embedded derivatives in bonds.

In 2009, Embedded derivatives on bonds correspond to the derivatives embedded in the OBSAR 2 and in the Exchangeable bonds in Suncani Hvar shares (see notes on the specific bonds 11.2 and 11.6).

The Company 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. Interest rate swaps are agreements between two parties to exchange a series of interest payments on a common principal amount. Valued at their fair value, interest rate swaps cover floating interest rates against fixed rates.

In KEUR	31 December 2011	31 December 2010	31 December 2009
Share derivatives			703
Embedded derivatives on bonds			6 817
Interest rate derivatives			2 020
Total non-current liabilities	**-**	**-**	**9 540**
Embedded derivatives on bonds			
Forex derivatives	-	1 137	2 440
Total current liabilities	**-**	**1 137**	**2 440**
Net derivatives	**-**	**(1 137)**	**(11 980)**

11.9 Average effective interest rates (current and non-current)

	31 December 2011	
	EUR	CZK
Termed out bonds after 16 September 2011	20,51%	-
Termed out bonds before 16 September 2011	23,10%	-

	31 December 2010	
	EUR	CZK
Termed out bonds after 19 May 2010	23,10%	-
Termed out bonds before 19 May 2010	7,31%	7,67%

12. Loans from affiliated undertakings

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

Affiliated undertakings	Country	As at December 31, 2011 Loan nominal	As at December 31, 2011 Accrued Interest	As at December 31, 2011 Total Loan	2011 Interest expenses	As at December 31, 2010 Loan nominal	As at December 31, 2010 Accrued Interest	As at December 31, 2010 Total Loan	2010 Interest expenses	Original Currency
Americká - Orco, a.s	Czech Republic	1 693 677	73 016	1 766 693	5 039	-	-	-	-	CZK
Americká Park, a.s	Czech Republic	-	-	-	18 206	-	-	-	-	CZK
Anglicka 26,s.r.o.	Czech Republic	-	-	-	-	-	-	-	228 714	CZK
Brno Centrum, s.r.o.	Czech Republic	-	-	-	-	-	-	-	-	CZK
Bubenská 1, a.s.	Czech Republic	7 008 155	621 969	7 630 124	649 511	7 824 823	694 203	8 519 026	694 203	CZK
CWM 35 Kft	Hungary	17 480 116	492 242	17 972 358	492 242	17 298 491	388 737	17 687 228	388 737	EUR
CJSC MOPT(S)R-Molcom	Russia	350 000	8 918	358 918	8 918	-	-	-	-	EUR
Endurance Advisory Company, s.a.	Luxembourg	69 774	9 523	79 297	9 523	128 256	5 518	133 774	5 518	EUR
Endurance Hospitality Asset, sàrl	Luxembourg	729 609	-	729 609	-	729 609	-	729 609	-	EUR
Endurance Real estate Mgt Cpy Sàrl	Luxembourg	-	-	-	27 318	-	-	-	-	EUR
Hospitality Invest sàrl	Luxembourg	-	-	-	-	-	-	-	-	EUR
IPB Real Reality as	Czech Republic	-	-	-	-	-	-	-	18	CZK
IPB Real,a.s.	Czech Republic	18 312 729	999 172	19 311 901	1 037 745	-	-	-	160 864	CZK
Jeremiášova Invest, s.r.o.	Czech Republic				19 163	689 374	60 746	750 120	60 746	CZK
Londýnská 26, a.s.	Czech Republic	-	-	-	-	-	-	-	-	CZK
Londýnská 39, s.r.o.	Czech Republic	-	-	-	-	-	-	-	-	CZK
Londýnská 41, s.r.o.	Czech Republic	-	-	-	-	-	-	-	-	CZK
Machova-Orco ,a.s.	Czech Republic	-	-	-	7 429	330 376	38 420	368 796	38 420	CZK
Mánesova 28, a.s.	Czech Republic	-	-	-	-	-	-	-	-	CZK
MMR Management, s.r.o.	Czech Republic	-	-	-	-	-	13 758	13 758	13 758	EUR
Nad Petruskou,s.r.o.	Czech Republic	-	-	-	-	-	-	-	40 597	CZK
Nove Medlanky as	Czech Republic	-	-	-	-	-	-	-	9 885	CZK
Oak Mill,a.s.	Czech Republic	908 811	72 705	981 516	75 864	868 924	66 724	935 648	66 724	CZK
Orco Estate,s.r.o.	Czech Republic	3 063 761	172 058	3 235 818	152 695	423 690	16 844	440 534	16 844	CZK
Orco Enterprise Sp z o o	Poland	-	-	-	7 830	-	-	-	-	EUR
Orco Financial Services, s.r.o.	Czech Republic	-	24	24	25	-	-	-	-	CZK
Orco Hungary Kft	Hungary	71 362	5 742	77 104	5 742	66 725	5 232	71 957	5 232	EUR
Orco Project, Sp z o o	Poland	-	1 687	1 687	-	-	3 571	3 571	3 100	PLN
Orco Russian Retail Sàrl	Luxembourg	4 364 671	145 784	4 510 455	145 784	-	-	-	-	EUR
Orco Vagyonkezelő, Kft.	Hungary	-	-	-	-	113 508	-	113 508	-	EUR
Seattle, sro	Czech Republic	261 601	22 264	283 865	23 261	222 903	33 205	256 108	22 840	CZK
T-O Green Europe, a.s.	Czech Republic	75 643	6 554	82 197	6 844	81 585	7 215	88 800	7 215	CZK
Viterra Development Polska sp.z.o.o.	Poland	-	-	-	195 925	1 969 479	1 817 602	3 787 081	793 739	PLN
Zahrebska 35 sro	Czech Republic	-	-	-	52 364	361 227	301 202	662 429	34 793	CZK
		54 389 908	2 631 656	57 021 564	2 941 428	31 108 970	3 452 977	34 561 947	2 591 947	

The Company has global agreement with all its subsidiaries for loans bearing 8% interest and a maturity on 31 December 2020.

Foreign exchange impacts are detailed on note 15

13. Trade and other payables

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

As at 31 December 2010 In EUR	Less than 1 month	Between 1 and 6 months	Between 6 months and 1 year	TOTAL
Trade payables (included interco)	2 203 738	-	-	**2 203 738**
Bank overdrafts	5 167	-	-	**5 167**
Payable on assets purchase	2 113 294	-	-	**2 113 294**
Fiscal liabilities	2 950 077	-	-	**2 950 077**
Accrued liabilities	565 877	2 000 000	200 000	**2 765 877**
Debt on realized FX Forward agreement	-	-	1 161 349	**1 161 349**
Other current liabilities	192 521	-	-	**192 521**
Total	**8 030 674**	**2 000 000**	**1 361 349**	**11 392 023**

14. Administrative expenses and employee benefits

	Year ended 31 December	
In EUR	**2011**	**2010**
Salaries	(2 147 881)	(1 502 306)
Social security	(656 679)	(269 752)
Other personnel cost	-	(99 322)
Leases and rents	(206 562)	(356 758)
Building maintenance and utilities supplies	(56 209)	(18 968)
Communication and IT maintenance	(323 358)	(307 073)
Commissions, fees, consultancy, audit	(6 940 727)	(7 341 390)
Insurance	(221 063)	(116 599)
Car expenses and car leases	-	(71 386)
Travel expenses and representation costs	(1 372 040)	(1 014 329)
Advertising and marketing	(282 916)	(263 132)
Administration costs	(40 677)	(66 037)
Taxes other than income tax	116 115	(700 738)
Non recoverable VAT	(1 099 004)	(2 690 791)
TOTAL	**(13 231 000)**	**(14 818 581)**

15. Foreign exchange result

In EUR	Year ended 31 December 2011	2010
Foreign exchange result on loans with affiliated undertakings (notes 9 and 12)	(642 541)	11 093 202
Other foreign exchange result	(381 827)	1 865 125
TOTAL	**(1 024 368)**	**12 958 327**

16. Net gain / loss on disposal of financial assets

- **In 2011**

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

- **In 2010**

The Company sold shares in some of its subsidiaries generating a net loss of EUR 13.0 million; mainly due to a EUR 12.0 million loss on the sale of 31% of its shares in Sarakina Enterprises Company Ltd, a EUR 2.2 million loss on the sale of 30% of its shares in Karousa Enterprises Company Ltd, and a gain of EUR 1.5 million related to prices adjustments on sales realized in 2007 of its investments in Hospitality companies to Hospitaly Invest S.à r.l., a joint-venture company held at 50% by the Company.

- **In 2009**

The Company sold shares in some of its subsidiaries generating a net loss of EUR 16.6 million; mainly due to a EUR 9.1 million loss on the sale of its shares in City Gate S.r.o., a EUR 7.9 million loss on the sale of 85% of its shares in Orco Investment Kft. and a gain of EUR 0.6 million on the sale of its shares in Orco Property Management a.s..

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

In EUR	Year ended 31 December 2011	2010
Change in fair value of financial assets (1)	2 685 713	263 118
Change in fair value and realized result on derivative instruments (2)	1 136 807	7 519 221
Change in fair value and realized result on current financial assets (3)	(102 320)	3 836 232
Gain (loss) on financial assets at fair value through profit or loss	**3 720 200**	**11 618 571**

- **In 2011**

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

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

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

- **In 2010**

(1) Change in fair value of financial assets relates to a total net reversal of impairment on investment in Endurance Fund compartments for EUR 0.3 million (EUR 0.5 million reversal of impairment on Office sub-fund, and EUR 0.2 million impairment on Residential sub-fund)

(2) Change in fair value and realised result on derivative instruments essentially relates to movements in fair value of derivative instruments linked to bonds issued by the Company and in fair value of other derivatives (IRS, options and forwards).

(3) Change in fair value and realised result on trading securities consist mainly of release of impairment on Orco Germany S.A. shares for EUR 3.7 million

- **In 2009**

(1) Change in fair value of financial assets relates to a total net impairment on investment in Endurance Fund compartments for EUR

19.4 million (EUR 14.7 million impairment on Office sub-fund, and EUR 4.7 million impairment on Residential sub-fund)

(2) Change in the fair value of derivative instruments essentially relates to movements in fair value of derivative instruments linked to bonds issued by the Company and in fair value of other derivatives (IRS, options and forwards).

(3) Change in the fair value of trading securities consist mainly of impairment on Orco Germany S.A.'s shares and warrants; EUR 0.7 million for shares and EUR 0.9 million for warrants.

18. Other net financial results

In EUR	Year ended 31 December 2011	2010
Change in the carrying value of liabilities at amortised cost (1)	-	281 764 158
Other net finance charges (2)	(254 655)	(2 933 083)
Provision for bank guarantee (3)	-	(1 100 000)
Gain (loss) on other financial results	**(254 655)**	**277 731 075**

- **In 2011**

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

- **In 2010**

(1) 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 406.3 million plus EUR 18.4 million accrued interest and the fair value of EUR 142.9 million of the termed out). For further analysis see note 2.1 and note 11.

(2) Other finance charges consist mainly of finance fees relating to the financial restructuring.

(3) Due to the bankruptcy procedure of Orco Blumenska a.s. in Slovakia (project Stein), a Company's subsidiary. 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 valuer report). This provision amounts to EUR 1.1 million as at 31 December 2010.

- **In 2009**

(2) Other finance charges consist mainly of finance fees relating to the financial restructuring.

19. Income taxes

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

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

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

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

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

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

As at December 31, 2011, Orco Property Group S.A. as a consolidated fiscal entity in Luxembourg included the companies listed below:

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

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

As at 31 December 2011, the Company has not recognized any deferred tax assets in one of its taxable entities.

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

	Income Tax Rates		Deferred Tax rates	
	2011	2010	2011	2010
France	33,33%	33,33%	33,33%	33,33%
Luxembourg	28,80%	30,84%	28,80%	28,80%

The income tax calculation of the Company is detailed below:

In KEUR	December 2011	December 2010
Profit /(Loss) before tax	**(47 229)**	**167 538**
Tax effects of:		
Unrecognised loss carry forward	-	(167 538)
Allocation to Loss carry forward	47 229	-
Tax benefit / charge	**-**	**-**

20. Earnings per share

	31 December 2011	31 December 2010
At the beginning of the period	**13 964 411**	**10 934 765**
Shares issued	14 053 866	10 943 866
Treasury shares	(89 455)	(9 101)
Weighted average movements	**897 671**	**2 196 963**
Issue of new shares	821 918	2 216 923
Treasury shares	75 753	(13 729)
Weighted average outstanding shares for the purpose of calculating the basic earnings per share	**14 862 082**	**13 137 959**
Dilutive potential ordinary shares	**-**	**1 086 956**
Convertible bond	-	1 086 956
Weighted average outstanding shares for the purpose of calculating the diluted earnings per share	**14 862 082**	**14 224 915**
Net profit/(loss) attributable to owners of the Company (in KEUR)	**(51 849)**	**167 538**
Effect of assumed conversions / exercises	**-**	**(91 179)**
Convertible bond	-	(91 179)
Net profit /(loss) attributable to owners of the Company after assumed conversions / exercises (in KEUR)	**(51 849)**	**140 801**
Basic earnings in EUR per share	(3.49)	12.75
Diluted earnings in EUR per share	(3.49)	5.37

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

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

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.

21. Equity

Share capital

In EUR	Number of shares	Share capital	Share premium
Balance at 1 January 2010	**10 943 866**	**44 869 851**	**400 524 345**
Capital increase	3 110 000	12 751 000	3 463 900
Balance at 31 December 2010	**14 053 866**	**57 620 851**	**403 988 245**
Capital increase	3 000 000	12 300 000	14 700 000
Balance at 31 December 2011	**17 053 866**	**69 920 851**	**418 688 245**

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.

- **2011**

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

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

Following the decision of the Board of Directors on November 14th, 2011, the regulated market of the Budapest Stock Exchange (the "BSE") has resolved to remove the Company shares from its product list. After 1 December, 2011 the Shares were delisted and removed from the BSE product list. The Shares will remain listed and tradable on the regulated markets of NYSE Euronext Paris, Prague Stock Exchange, and Warsaw Stock Exchange.

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

- **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 Company holds 89,455 treasury shares, 1,472 warrants 2014 and 546 warrants 2012.

Convertible bonds

See note 11.4

Repayable subscription warrants

See notes 11.3 and 11.6.

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 years 2011 and 2010.

22. Contingencies

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

In the framework of the management of its activities in Central Europe, the Company signed some support letters in favor of subsidiaries by which it confirms its engagement to support their loss making activities at least until the end of 2012. Such support is foreseen in the cash flow forecast.

The Company has given guarantee in the ordinary course of business to its affiliated undertakings to cover bank loans financing their real estate assets. No guarantees have been exercised in 2011 or in 2010. Since the beginning of the Safeguard procedure EUR 17.8 milion of guarantees have been called out of which EUR 0.4 million have been repaid in 2011.

As of 31 December 2011:

in EUR million	
Uncalled guarantees required by banks accepted in the Safeguard plan	216.3
Guarantees required by banks post Safeguard plan	17.8

Uncalled guarantees required by banks accepted in the Safeguard plan

The total amount of security, as originally accepted in the Plan de Sauvegarde by the "juge commissaire" amounts to EUR 354.8 million. As a result of exercices, repayment of loans and asset sales the amount as of December 2011 is down to EUR 216.3 million.

Guarantees required by banks post Safeguard plan

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

23. Capital and other commitments

- Capital commitments

- Orco Property Group S.A. entered into a Subscription Agreement with the Endurance Real Estate Fund for Central Europe. The Company subscribed to two sub-funds on the three existing sub-funds. As at December 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 (none in 2010).

- Other commitments

In a decision taken on 3 March 2006, the Board of Directors granted to some members of the management of the Company a termination indemnity payment for a total amount of EUR 34 million (as at 31 December 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.

24. 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 employed by the Company or fully owned subsidiaries 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) Other transactions with key management personnel

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

- **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 12). As at 31 December 2011, the Group's subscription to the office I, office II and residential sub-funds represent respectively 26.9 %, 15.7% and 14.8% of the total subscription (in 2010, 16.2%, 15.7% and 5.8% respectively).

Orco's subsidiary remuneration from the office and residential sub-funds amounting to EUR 3.6 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 amounted to EUR 5.4 Million (EUR 8.8 Million as at

December 2010). The investment process foresees that any investment proposed by the fund manager has first to be approved by the investment committee. This committee is made of a representative of each investor. The Company provided a subordinated bridge loan to BB C – Building E, k.s., a Czech subsidiary of the Endurance Fund, pursuant to the loan agreement dated 15 October 2010. The loan was used to cover an extraordinary payment required by the financing bank. The loan amounting to EUR 700,000 has a final repayment date of 26 August, 2013 and bears an annual interest of 30%.

- **Employee stock options**

See note 21.

- **Transactions with affiliated undertakings**

  - o Financial transactions

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

The Company also invoiced guarantee fees on bank loans to some of Orco Germany S.A.'s subsidiary for which the Company is the guarantor of the borrowed amount. The Company invoiced a total of EUR 14,583 for the year 2011 (2010: EUR 270,788) corresponding to 1% of the amount guaranteed.

  - o Operational revenues

Services fees invoiced by the Company are detailed below:

- Orco Germany S.A. : EUR 375,000 for the year 2011 (EUR 300,000 in 2010);
- Orco Prague S.A. : EUR 6,126,345 for the year 2011 (EUR 5,057,102 in 2010);
- Endurance Hospitality Finance S. à r.l. : EUR 859,708 for the year 2011 (EUR 627,305 in 2010);
- MMR Management S.r.o. : EUR 0 for the year 2011 (EUR 901,876 in 2010);
- Endurance Advisory Company, S.A. : EUR 0 for the year 2011 (EUR 60,000 in 2010);
- Mamaison Management S.r.o.: EUR 79,998 for the year 2010 (EUR 55,002 in 2010).

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

  - o Operational expenses

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

- Vinohrady S. à r.l. : EUR 800,000 for the year 2011 (EUR 1,350,000 in 2010);

The Company has its registered address at Capellen in a building owned by one of its fully owned subsidiary, Capellen Invest S.A., related rental expenses are detailed below:

- Rental fees: EUR 18,597 for the year 2011 (EUR 219,780 in 2010);
- Tenants charges: EUR 4,767 for the year 2010 (EUR 50,901 in 2010).

After the Extraordinary General Assembly of Shareholders helds on 28th April 2011, the Company changed his registration address to 42,rue de la Vallée L-2661 Luxembourg.

25. Events after balance sheet date

a) 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%.

b) 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.

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