

ORCO Germany – 2013

Annual Management Report
As of 31 December 2013

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1. Group overview

1.1. Business and Group structure

1.1.1. Description of business model

ORCO Germany S.A. (the “Company”, or “OG” or “ORCO Germany” and together with its subsidiaries, hereafter as the “Group”) is a real estate group founded in 2004 with a portfolio located in Germany and mainly in Berlin. It invests in, manages, develops and leases out commercial properties.

1.1.2. Group structure

ORCO Germany S.A. is a real estate company with its registered head office in the Grand Duchy of Luxembourg and which is listed on the Regulated Market of the Frankfurt Stock Exchange. Effective 28 December 2012, the shares of ORCO Germany S.A. moved from the Prime Standard segment to the General Standard segment. The ORCO Germany Group, which operates under the uniformly registered trademark ORCO Germany, has been pursuing its activities in Germany since 2004.

ORCO Germany S.A. is a subsidiary of ORCO Property Group. Established in 1991, ORCO Property Group has its registered head office in the Grand Duchy of Luxembourg and is listed on the regulated markets of NYSE Euronext in Paris, the Prague and Warsaw stock exchanges. It operates primarily in the Czech Republic, Hungary, Poland, Russia, Croatia, Slovakia and Germany.

1.1.3. Group strategy

At the end of 2008, ORCO Germany began a transition from an expanding cash-reliant developer/investor active in most German regions into a Berlin asset management-focused investor capable of acting upon development opportunities. In 2009 the restructuring efforts were extended from secondary operations to headquarters and in 2010 to the core business of ORCO-GSG.

The organisational restructuring of the Group was completed in 2011 with a vertical integration. The main subsidiary ORCO-GSG carries the key executive functions such as operational finance, leasing, property management.

The Group focuses on asset-managing its commercial investments in Berlin where it enjoys a leading position among SMEs. Additional services to tenants such as the “Hofnetz” high-speed network and IT services are being continuously expanded, thereby producing additional income.

Non-core assets, not in line with current strategy have mostly been disposed of and the Company does not plan further sales. The Company pursues a long term holding strategy of its assets with a focus on improving rental income with a diversified base of tenants.

The Group is monitoring acquisition opportunities to actively invest in its German activities and selectively support the restructuring of its former majority shareholder in Central Europe.

1.2. Business segments

Property Investments

Property Investments comprises investments in commercial properties, through acquisition and active asset management. ORCO Germany is focused on long-term value creation and generation of steady and increasing cash flows.

With the acquisition of GSG in 2007, ORCO Germany became one of the largest owners of commercial real estate in Berlin. ORCO-GSG assets together with Gebauer Höfe form the backbone of ORCO Germany's investment activities with around 836,886 sqm of total lettable area.

Development

The Development segment focuses on commercial projects and the conversion of some Kreuzberg commercial assets into residential units to be sold. This includes property acquisition, planning and obtaining building rights, project implementation and sale/rental of the realised projects to investors and tenants.

Going forward, the development activities will focus primarily on developing or redeveloping the Property Investments segment land or properties.

2. Economic and Market environment

Economy²

The economy of Berlin demonstrated a stabilised growth of 1.2% in 2013 which according to the Investitionsbank Berlin (IBB) should speed up to 2.0% in 2014. The good economic outlook induced a strong increase in the number of jobs, by 1.9% (the highest increase in Germany). It also led to a drop of 0.4% in the unemployment rate which stands at 11.2% at the end of 2013. The effect of the strong increase of number of jobs on unemployment rate was partially offset by the increase in the number of inhabitants (+ 32,000 for the first three quarters of 2013). All in all, Berlin is the leading engine of the German economy.

Office market

Total letting performance in Berlin decreased by 15% compared to 2012 and reached a level of 470,000 sqm at the end of 2013. This reduction is mainly due to a reduced number of large transactions. Total office stock in Berlin slightly increased to 17.86 million sqm. The vacancy rate remained almost stable at 8.8% in 4Q 2013 which corresponds to 1.58 million sqm of vacant office space. The prime rent slightly increased by 2% compared to the previous year and reached EUR 22.25 per sqm/month.

The positive development of the Berlin office market is expected to continue in 2014. The demand for office space is expected to remain strong over the year with a low level of speculative development activities and a stable vacancy rate. The achievable prime rent will remain at current level. ORCO Germany believes that in the short to long term, Berlin's attractiveness will be enhanced by key infrastructural projects such as the opening of the new Berlin-Brandenburg International airport. It should be also noted that the very positive trend over the past several years is currently slowing down.

Residential market²

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

² Data taken from CBRE Research (Berlin Office Market View Q4 2013) <http://www.cbre.com>

² Data taken from Housing Market Report 2014 <http://www.gsw.de>

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

With an average size of 1.7 persons, the number of households in Berlin grows by approximately 20,000 unit a year creating increased demand for apartments while higher incomes induce demand for higher standards of quality. At the same time, supply is limited. It is expected that Berlin's stable upward trend in terms of population, economic growth and labour market will continue over the coming years.

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

Investment market

The Berlin investment market was the third-strongest market in Germany in 2013. The total volume of transaction for the year was over EUR 3.3 billion. Although lower than in 2012, volume was almost 24% above the Berlin market's 10-year average. The dominance of the office sector continued with 58% of the transactions. The strong demand combined with limited supply induced a decrease of prime yield by 25 basis points down to 4.75%. The most active purchasers during 2013 were Open-ended Property and Special Funds with 29% of the total transaction volume followed by Insurers and Pensions Funds for 26%.

3. Group earnings performance

3.1. Key figures

in EUR thousands	2013	2012 (restated)	Variation
Revenues	60 222	180 952	(120 730)
Operating Result	51 330	18 974	32 356
Adjusted EBITDA	28 507	27 437	1 070
Net profit attributable to equity holders of the Company	29 809	(15 917)	45 726

	31 December 2013	31 December 2012 (restated)
Total Assets	697,626	634,718
Equity	260,966	156,442
Liabilities	436,660	478,276
EPRA NAV	324,441	212,488

3.2. Overview of major events

- On 29 November 2013 the OG Board of Directors decided to raise up to EUR 100 Million pursuant to the authorization granted to it by its shareholders during the extraordinary general meeting of 26 April 2012. On 4 December 2013 114,600,000 new shares were issued to Tandis, a.s., an entity affiliated with Mr. Radovan Vitek, at a subscription price of EUR 0.47/share for a total of EUR 54 Million. Certain shareholders of OPG challenge this capital increase in court proceedings in Luxembourg.

On 3 March 2014 the OG Board of Directors resolved to proceed with further capital raising. Stationway Properties Limited ("Stationway"), an entity affiliated with Mr. Jean-François Ott, subscribed to 76,600,000 new ordinary shares at a subscription price of EUR 0.47/share for a total of EUR 36 Million on 5 March 2014. Certain shareholders of OPG challenge this capital increase in court proceedings in Luxembourg.

A total of EUR 90 Million has now been raised including the EUR 54 Million paid by Tandis, a.s. and the EUR 36 Million paid by Stationway.

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

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

As a result of the capital increase subscribed by Stationway, OPG has been diluted under the 50% ownership of OG. Furthermore, the potential capital increase by other OPG shareholders and the expected sale of OG shares in order to cover the OPG's liquidity risks will lead OPG to not have a direct access to the cash flow of the OG sub-group that will no longer be consolidated. As at December 2013, the OG sub-group was contributing to the OPG group cash position for EUR 52 Million out of EUR 89 Million total consolidated cash position.

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

- On its Berlin-based rental portfolio the Group managed to increase the net average commercial rent to 5.31 EUR/sqm from 5.12 EUR/sqm last year. The commercial occupancy rate of the Berlin rental portfolio increased from 83.0% at the end of 2012 to 85.5% at the end of December 2013.
- The operating result increased year-on-year from EUR 19.0 million to EUR 51.3 million in 2013 essentially set forth by higher fair value gains realised on investment properties (EUR 24.6 million in 2013 compared to EUR 18.1 million in 2012) and the absence of the impairment taken in 2012 on the Sky Office building (EUR 24.3 million).
- The adjusted EBITDA shows enhanced profitability as it moved year-on-year from EUR 27.4 million in 2012 to EUR 28.5 million in 2013 securing full interest coverage as targeted.

- Interest expenses year-on-year decreased by 45.8% or EUR 10.8 million thanks to successful refinancing of the ORCO-GSG loan at lower interest rates accompanied by a lower volume, the repayment of the Sky Office loan in December 2012 and the executed corporate bond restructuring.
- Year-on-year, LTV ratio decreased from 54.7 % to 41.3% as of December 2013 following the restructuring of the corporate bond debt and the successful refinancing achieved on the GSG loan.
- In December 2013, ORCO Germany repaid the existing shareholder loan granted by ORCO Property Group amounting to EUR 13.5 million which will give additional relief to interest expenses going forward.
- In December 2013, ORCO Germany signed two smaller land plot acquisitions near the existing assets of Voltastrasse and Geneststrasse allowing for future developments. The transfer of Voltastrasse real estate was completed in March 2014.
- On 18 March 2014, the Company's Board of Directors decided to dismiss and to terminate the executive contracts of Jean-François Ott, Nicolas Tommasini and Brad Taylor. Following negotiations and approvals from the Board of Directors of 26 March 2014, the Group and the former management agreed on 27 March 2014 on a confidential settlement and mutual general release agreement by which the Group settled all the existing and future potential obligations and claims arising from the termination. Under this settlement agreement, the former executives will receive EUR 1,150,000 to be paid in cash by Orco Germany SA. In addition, settlements in kind (non-core assets) were agreed with the former management to transfer the Hakeburg property in Berlin (with its related assets and liabilities) at the net asset value as of 31 December 2013 of EUR 1,900,000 including all related shareholders' loans granted by the Group. As a result of the settlement agreement, Jean-François Ott, Nicolas Tommasini and Brad Taylor resign from all their Board positions.
- The Board has appointed Martin Němeček as CEO and Managing Director, Edward Hughes as Chairman of the Board, and Tomáš Salajka as Deputy CEO and Secretary of the Board of Directors.
- On 1 April 2014, ORCO Germany S.A. ("OG") acquired receivables of two creditors towards Sunčani Hvar d.d., a subsidiary of the ORCO Property Group. Total consideration paid amounts to EUR 24 million and has been achieved with a material discount to the nominal. All these receivables are secured by pledges on SHH assets, mainly on Amfora, Adriana and Riva hotels. OG has the objective to participate to the financing restructuring of SHH. With pledges on some of the best performing assets of SHH, OG will be a major partner to restructure the hotel activities would the intended financing restructuring not be successful.

3.3. Revenue

The total revenue in 2013 amounted to EUR 60.2 million compared to the EUR 181.0 million noted in 2012. The total turnover for 2012 was distinctly higher on account of the one-off impact of the sale of Sky Office (EUR 117.3 million) and respective operational revenues realised (EUR 4.3 million).

The ORCO Berlin portfolio³ repeatedly increased the occupancy rates over its portfolio while improving rent levels especially in the western parts of the portfolio, resulting in revenues growing year-on-year.

³ Berlin portfolio encompasses former GSG projects and Gebauer Höffe.

REVENUES (in EUR thousand)			
	December 2013	December 2012	% change
Commercial Investment Properties	59,920	56,337	6.4%
<i>therof rental income Berlin portfolio</i>	52,183	48,126	8.4%
Development	302	124,615	(99.76%)
TOTAL	60,222	180,952	(66.7%)

3.3.1. Property Investments Segment

ORCO Germany's Property Investments business line recorded a strong increase of revenues up to EUR 59.9 million, an increase of EUR 3.6 million or 6.4% year-on-year thanks to the good operational performance peaking in a new all-time high.

ORCO Berlin business parks rental income increased by 8.4%. Like-for-like (i.e. excluding the effects of the asset sales) rental income increased by 8.9%.

The net average commercial rent⁴ of the Berlin rental portfolio rose to EUR 5.31 per sqm from EUR 5.12 per sqm last year. The commercial occupancy rate increased from 83.0% at the end of 2012 to 85.5% at the end of December 2013.

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

Management believes in the lasting demand for spaces throughout Berlin and expects additional growth. While central boroughs including Kreuzberg will benefit from further rental growth, growth potential for the eastern assets lies in a further increase of occupancy.

3.3.2. Development Segment

Revenues strongly decreased after the sale of the Sky Office project end of 2012

The development revenues amounts to EUR 0.3 million in 2013 in comparison to EUR 124.7 million in 2012. In 2013 the development portfolio revenues included the last sales of the land plot on Hochwald while in 2012 the development revenues were distinctly determined by the sale (EUR 117.3 million) and rents (EUR 4.3 million) recorded on the Sky Office building. In 2014 the project of Naunynstrasse will positively contribute to the development segment results.

3.4. Other operating income

In 2013, the Company recorded other operating income of EUR 0.6 million (EUR 4.2 million in 2012) mainly composed of extraordinary income related to former periods and releases of charges accrued in previous periods.

⁴ The net average rent and occupancy rate represent performance indicators for rental portfolio counting all the assets located in Berlin, while in previous quarters the indicators included GSG assets only.

The other operating income recorded in 2012 encompassed releases of accruals (EUR 1.6 million) and a reimbursement of VAT for previous periods out of the Sky Office sale (EUR 1.1 million).

3.5. Net result from Fair value adjustments on Investment properties

The Company recorded a net result from fair value adjustments on investment properties of EUR 24.6 million to be compared to the previous year's positive net result of EUR 18.0 million.

Fair value gains of the Berlin portfolio were driven by the improved operational performance on the one hand and the addition of the reviewed value of identified redevelopment potentials on the other hand.

The five highest net fair value gains were noted particularly thanks to the operational outperformance on the properties Schlesische Strasse (EUR 3.4 million), Gustav Meyer Allee (EUR 2.2 million), Voltastrasse (EUR 1.8 million), Zossener Strasse (EUR 1.8 million), Reichenberger Strasse (EUR 1.4 million) and Helmholtzstrasse (EUR 1.4 million).

Valuation losses were mainly recorded on the eastern assets Wolfener Strasse 32-34 (EUR 0.9 million), Wolfener Strasse 36 (EUR 0.9 million) and Plauener Strasse (EUR 0.6 million) despite their good operational performance and as well on the Hakeburg castle (EUR 0.9 million).

3.6. Salaries and employee benefits

In 2013, salaries and employee benefits decreased year-on-year from EUR 7.1 million in 2012 to EUR 6.3 million though the number of employees (105 employees) remained in line with the previous year's headcount of 104 employees.

3.7. Amortisation, impairments and provisions

In 2013 amortisation, impairments and provisions recognised in the income statement amounted to EUR 1.8 million in comparison to EUR 27.0 million recorded in 2012. 2013 was impacted predominantly by impairments taken on fixtures and fittings (EUR 0.9 million) and receivables (EUR 0.7 million). In 2012, the increase was mostly related to the impairments on the Sky Office disposal (EUR 24.2 million) and to the increase of the existing provision on the BAR litigation (EUR 1.2 million).

3.8. Net gain/loss on disposal of assets

In line with ORCO Germany's strategy to dispose of non-strategic assets and focus on commercial assets, on 1 January 2013 ORCO Germany executed the transfer of the plot of land at Kurfürstenstrasse 11 at a sale price of EUR 0.6 million and a corresponding book value of EUR 0.6 million, which was already adjusted to the contracted sales price in 2012. The sale of Skalitzer Strasse 127, contracted on 11 November 2012 was rendered void in the first quarter of 2013 since the purchaser did not fulfil the conditions set in the purchase agreement. Going forward the property will remain part of the Investment Property portfolio.

3.9. Other operating expenses

Other operating expenses dropped year-on-year from EUR 32.1 million to EUR 26.0 million as of December 2013.

Consultancy expenditures in 2013 were scaled back by EUR 6.2 million after extraordinary effects linked to the refinancing of the GSG portfolio and the sale of the Sky office building were impacting the 2012 legal and consultancy fees. Utility supply costs decreased by EUR 0.5 million mainly on account of the sale of Sky office in 2013. Insurance costs decreased by EUR 0.1 million after the successfully accomplished refinancing of the GSG portfolio by the end of 2012; the insurance against terrorism was not requested anymore and therefore cancelled.

Higher expenditures of EUR 0.8 million incurred on maintenance costs arise from successful lease out of additional spaces to tenants and on expenses in order to further improve the assets' condition.

(in EUR thousand)	Dec 2013	Dec 2012	Variance
Leases and rents	(424)	(437)	13
Building Maintenance	(5,693)	(4,882)	(811)
Communication and IT Maintenance	(880)	(953)	73
Utilities Supplies	(12,069)	(12,604)	535
Commissions, fees, consultancy, audit	(1,665)	(7,853)	6,188
Insurance	(619)	(802)	182
Cars expenses and car leases	(52)	(58)	7
Travel Expenses and representation costs	(77)	(96)	19
Advertising and Marketing	(811)	(629)	(182)
Administration Costs	(1,042)	(1,753)	711
Taxes other than income tax	(2,370)	(1,803)	(566)
Other operating expenses	(267)	(201)	(66)
Total other operating Expenses	(25,968)	(32,071)	6,102

4.0. Operating result

The operating result increased strongly year-on-year from EUR 19.0 million to EUR 51.3 million in 2013, essentially supported by higher fair value gains realised on investment properties (EUR 24.6 million), reduced operating expenses (EUR 6.1 million), higher revenues of the property investment portfolio (EUR 3.6 million) and the absence of the impairment taken in 2012 on the Sky Office building (EUR 24.2 million).

4.1. Adjusted EBITDA

In 2013 the adjusted EBITDA was +EUR 28.5 million, surpassing previous year's adjusted EBITDA of +EUR 27.4 million.

The two business lines of ORCO Germany contributed as follows:

- The adjusted EBITDA of the Property Investments segment, mainly consisting of the ORCO-GSG Berlin business parks and Gebauer Höfe, increased year-on-year by EUR 4.0 million, or 14.0% to end up at +EUR 31.7 million compared to EUR 27.7 million in 2012, mainly on account of good operational performance supported by higher occupancy rate and increased rents.
- The adjusted EBITDA of the development segment decreased and closed with a negative adjusted EBITDA of -EUR 3.2 million compared to -EUR 0.3 million in 2012 due to the absence of new project

launched. For 2014, it is expected that the conversion of units linked to the Naunynstrasse residential project will improve the Group's development results.

4.2. Financial result

The net financial result amounted to -EUR 16.2 million compared to -EUR 23.1 million year-on-year.

The financial result comprised interest expenses of -EUR 12.8 million (versus -EUR 23.6 million year-on-year), interest income of +EUR 2.3 million (versus EUR 2.1 million year-on-year) and other net financial results of -EUR 5.7 million (versus -EUR 1.6 million year-on-year).

The **interest expenses** over the full year 2013 of -EUR 12.8 million shrank by EUR 10.8 million. The three major drivers were (i) the successful Company bonds' restructuring (+EUR 4.3 million), (ii) lower interest expenses recorded after the refinancing of the ORCO-GSG loan (+EUR 3.7 million) and the repayment of the Sky Office loan (+EUR 3.0 million) by the end of November 2012.

The Interest Coverage Ratio (ICR) of cash interests by Adjusted EBITDA amount to 2.2 in 2013 versus 1.2 in 2012.

The **Other net financial result** amounted to -EUR 5.7 million (2012: -EUR 1.6 million) and mainly consists of:

- Impairments of -EUR 6.4 million recorded on a long-term receivable related to the previously conducted sale of Leipziger Platz;
- Other finance charges (-EUR 3.4 million versus -EUR 2.0 million in 2012) were composed of a loss realized on the sale of own held shares by ORCO Projektentwicklung GmbH to ORCO Property Group (-EUR 0.5 million). Moreover, subsequent expenses related to the refinancing of the ORCO-GSG loan amounting to -EUR 1.7 million were recognized;
- Profits recorded on trading investments (+EUR 3.8 million versus +EUR 0.4 million in 2012) resulted mainly from the gains on revaluation of interest rate derivatives on Gebauer Höfe (+EUR 1.2 million versus +EUR 0.6 million in 2012) and on ORCO-GSG (+EUR 2.6 million versus +EUR 2.0 million in 2012), while in 2012 losses of -EUR 2.3 million were recorded on ORCO Germany bonds. Interest swaps were accounted for at fair value and contracted to prevent fluctuations in interest rates.

4.3. Income Taxes

Total income tax expense amounting to EUR 5.4 million (EUR 11.7 million in 2012) were composed of current income tax gains of EUR 0.5 million and deferred tax expense of EUR 5.9 million.

Deferred taxes which are non-cash represent mainly the impact of revaluation differences between local GAAP and IFRS on tax calculation not leading to payments or reimbursements.

4.4. Net result

ORCO Germany closed 2013 with a net profit of EUR 29.8 million compared to a net loss of EUR 15.8 million year-on-year.

4.5. Outlook

Management continues to examine development potential on existing assets whether empty land plots or buildings to be refurbished or converted. On an opportunistic basis, acquisitions of under-managed assets might be performed, mainly in locations with a low supply of spaces and with recognised high demand. In its continuous review of the development potential of the Berlin portfolio, the Group is among others actively planning the development of a project – “The Benjamin” – on a land plot located next to its Gebauer Höfe asset.

The key target of Management remains to increase the recurrent income of the property investment portfolio, which is the backbone of its business activities. The Management believes in the attractiveness of its portfolio and its ability to increase rents especially in the western parts of the portfolio, and to further driving up occupancy rates on the assets located in the eastern parts of its portfolio. Over the next year ORCO Germany will also aim at generating income from asset management to third parties, thus leveraging its position as Berlin’s biggest commercial landlord.

5. Group financial position

5.1. Net asset value

The method of net asset value calculation is based on portfolio valuation and gives the real estate approach of the net asset value (NAV).

The NAV, as of 31 December 2013 amounted to EUR 324.4 million, versus EUR 212.5 million as of 31 December 2012. The NAV per share amounted to EUR 0.94 (compared to EUR 1.05 as at 31 December 2012).

	December 2013	December 2012 (restated)
Consolidated equity	261,070	156,536
Fair value adjustments on inventories	908	196
Deferred taxes on revaluations	105,084	95,838
Goodwill	(42,622)	(42,675)
Own equity instruments	-	893
EPRA Net asset value	324,441	212,488
Net asset value in EUR per share	0.94	1.05
Existing shares	344,656	202,027
Gross Asset Value	538,688	511,725

In comparison with the end of 2012, the NAV per share decreased by 10 % mainly set forth by a higher number of shares issued in terms of the executed capital increase.

5.2. Assets and resources

The total assets of ORCO Germany as of 31 December 2013 amounted to EUR 697.6 million compared to EUR 634.7 million as of 31 December 2012, mainly backed by valuation gains realised on investment properties thanks to the good operational performance and the more optimistic market circumstances.

The investment property portfolio was valued as of 31 December 2013 at EUR 532.2 million (versus EUR 504.7 million at 31 December 2012).

Inventories were valued on 31 December 2013 at EUR 2.7 million (versus EUR 1.9 million at the end of 2012). Cash and cash equivalents strongly improved mainly due to the capital increase of EUR 53.9 million, ending up at EUR 51.6 million at the end of December 2013.

5.3. Equity and debt

As of 31 December 2013, total equity of ORCO Germany reached EUR 261.0 million (versus EUR 156.4 million in 2012). The increase of equity was driven especially by the positive outcome of the corporate bond restructuring accompanied by the issuance of new shares as well as the capital increase conducted by end of 2013.

Liabilities as of 31 December 2013 amounted to EUR 436.7 million compared to EUR 478.3 million as of 31 December 2012, the decrease being result of the corporate bond restructuring, the amortisation on the loan covering the GSG portfolio and the loan reimbursement to ORCO Property Group executed by the end of 2013.

At the end of December 2013, a DSCR covenant breach on the Gebauer Höfe loan (EUR 26.2 million) was recognised, the loan expiring by July 2014 was allocated to current liabilities (< 1 year). The Company already initiated arrangements to secure a successful refinancing of the loan and expects to achieve results in due time.

5.4. LTV

The loan to value ratio reached the level of 41.3 % as of 31 December 2013, compared to 58.4 % as of 31 December 2012. Management succeeded on its previously announced targeted priority to reduce its LTV ratio thanks in large part to the reinforcement of its equity basis mainly driven by the restructuring of the corporate bond, the capital increase achieved, the successful refinancing of the ORCO-GSG portfolio and the increasing values recorded on its key portfolio backed by the good operational performance.

The processed full bond restructuring and the repayment of the existing shareholder loan towards ORCO Property Group materially contributed to a financially sound LTV ratio of 41.3 %, which is deemed to be at a conservative level for a Company that is producing strong cash flows.

6. Other reporting requirements

6.1. Subsequent closing events

See Note 31 of the 2013 Consolidated Financial Statements.

6.2 Financial Risks Exposure

See Note 3 of the 2013 Consolidated Financial Statements.

6.3. Corporate Governance

Principles

Good corporate governance improves transparency and the quality of reporting, enables effective management control, safeguards shareholder interests and serves as an important tool to build corporate culture. ORCO Germany is dedicated to acting in the best interests of its shareholders and stakeholders. The Company is committed to continually and progressively implement industry best practices with respect to corporate governance and has been adjusting and improving its internal practices in order to meet evolving standards. The Company

aims to communicate regularly with its shareholders and stakeholders regarding corporate governance and to provide regular updates on its website.

In 2010, the Company began applying the best practices recommended by the European Public Real Estate Association (EPRA), of which it is a member, and which major listed European real estate companies follow.

The Company follows the Ten Principles and their Recommendations of the Luxembourg Stock Exchange as a reference for its Corporate Governance Rules.

Description of internal controls relative to financial information processing.

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

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

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

For the annual closure, the Company's Executive Management indicate any transactions they have carried out with the Company as "Related parties".

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

Management of the Company

On 11 November 2010, the Board of Directors appointed Jean-Francois Ott as CEO, Nicolas Tommasini as Deputy CEO and Brad Taylor as Director of Corporate and Legal Affairs of ORCO Germany.

Mr. Ott, Mr. Tommasini and Mr. Taylor make up the senior management and the executive committee of the Company.

On 18 March 2014, the OG Board of Directors decided to implement further changes in the management structure by terminating the executive contracts of Jean-François Ott, Nicolas Tommasini and Brad Taylor, and agreeing to comply with their termination packages. The Board has appointed Martin Němeček as CEO and Managing Director, Edward Hughes as Chairman of the Board, and Tomáš Salajka as Deputy CEO and Secretary of the Board of Directors.

Board of Directors of the Company

The Company is administered and supervised by a Board of Directors made up of a maximum of 6 members, who are appointed by the general meeting of shareholders for a period of office not exceeding six years. They are eligible for re-election and may be removed at any time by decision of the general meeting of shareholders by simple majority vote. In the event of a vacancy on the Board of Directors, the remaining members may co-opt a new member. The Board of Directors has the following tasks and competencies, without such list being exhaustive:

- Setting the objectives and management policies of the Company;
- Preparing the annual operating and financing plans;
- Managing the Company's business affairs and performing all the acts and operations relating to the corporate purpose that do not fall within the duties attributed to other bodies of the Company;
- Representing the Company in or out of court;

- Acquiring, selling real estate;
- Incorporating companies;
- Adopting resolutions regarding issuance of bonds;
- New shares may be issued pursuant to the authorised share capital.

As at 31 December 2013, the Board of Directors consisted of the following 4 members:

- Jean-Francois Ott
- Brad Taylor
- Ales Vobruba
- Nicolas Tommasini.

During the ordinary general meeting of shareholders of the Company held on 10 March 2014 the following directors were removed: Jean-François Ott, Brad Taylor, Nicolas Tommasini and Ales Vobruba and the following directors have been appointed: Edward Hughes, Martin Nemecek, Jean-François Ott, Tomas Salajka, Nicolas Tommasini and Radovan Vitek.

Required information

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

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

The share capital of the Company is represented by only one class of shares. 48,771,333 of the shares are admitted for trading on the Regulated Market of the Frankfurt Stock Exchange. Effective 28 December 2012, the shares moved from the Prime Standard segment to the General Standard segment. As of the date of this report 372,485,112 shares (295,885,112 shares as of 31 December 2013) are not admitted to trading on a regulated market.

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

There are no restrictions on the transfer of the Company shares. 48,771,333 shares are listed on the Frankfurt Stock Exchange. As of the date of this report 372,485,112 shares (295,885,112 shares as of 31 December 2013) are not admitted to trading on a regulated market.

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

To the best of the Company's knowledge, the following table sets out information regarding the ownership of the Company's shares as of 31 December 2013.

<u>Shareholder</u>	<u>Number of Shares</u>	<u>% of capital</u>	<u>% of voting rights</u>
ORCO Property Group S.A	190,039,935	55.14%	55.14%
Tandis, a.s. and Mr. Vitek	114,820,850	33.31%	33.31%
Kamoro Limited	19,900,000	5.77%	5.77%
Brillant 1419. GmbH & Co. Verwaltungs KG	11,531,259	3.35%	3.35%
Directors and managers of the Company and OPG	4,681,895	1.36%	1.36%
Other	3,682,506	1.07%	1.07%
Total	344,656,445	100%	100%

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

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

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

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

This is not applicable. The Company has no employee share scheme.

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

There is no restriction on voting rights.

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

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

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

The Board of Directors is made up of a maximum of 6 members, who are appointed by the general meeting of shareholders for a period of office not exceeding six years. They are eligible for re-election and may be removed at any time by decision of the general meeting of shareholders by simple majority vote. In the event of a vacancy in the Board of Directors, the remaining members may co-opt a new member. The articles of association may be modified by an extraordinary general meeting of the shareholders, deliberating with a quorum of at least half of the corporate capital and deciding by a vote of at least a two-thirds majority of the votes cast.

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

See the beginning of this section 6.3, "Board of Directors of the Company", on page 20 of this report.

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

Pursuant to the provisions of the new ORCO-GSG loan agreement, following a change of control of the Company, the lenders have the right to terminate the loan and demand full repayment.

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

As at 31 December 2013, the potential termination indemnity payment to some members of the Company's management amounted to up to EUR 1,388,000 and is payable in the event of termination of their respective contracts.

6.4. Directors' compensation

Please see Note 29 of the 2013 Consolidated Financial Statements.

6.5. Other information

- The Group does not provide any activities in research and development.
- The Company does not have any branch.

ORCO GERMANY S.A.

Société Anonyme

40, rue de la Vallée

L-2661 Luxembourg

R.C.S. Luxembourg B 102254

(the "Company")

**DECLARATION LETTER
ANNUAL FINANCIAL REPORTS
AS OF 31 DECEMBER 2013**

1.1. Persons responsible for the Annual Financial Report

- **Martin Němeček**, director, with professional address at Václavské Náměstí 47, Praha 1, Czech Republic, mnemecek@orcogermany.de;
- **Tomáš Salajka**, director, with professional address at Na Poříčí 26, 110 00 Praha 1, Czech Republic, tsalajka@orcogroup.com;

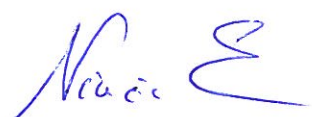
1.2. Declaration by the persons responsible for the Annual Financial Report

We, Martin Němeček and Tomáš Salajka, declare that, to the best of our knowledge:

- the consolidated financial statements of the Company as at 31 December 2013, prepared in accordance with the International Financial Reporting Standards ("IFRS") as adopted by the European Union, give true and fair view of the assets, liabilities, financial position and profit of the Company and its subsidiaries included in the consolidation taken as a whole;
- the annual accounts of Company as at 31 December 2013, prepared in accordance with the Luxembourg legal and regulatory requirement relating to the preparation of the annual accounts, give true and fair view of the assets, liabilities, financial position and profit of the Company; and
- that the Management Report includes a fair view of the development and performance of the business and the position of the Company and its subsidiaries included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face.

Approved by the Board of Directors and signed on its behalf by Mr. Němeček and Mr. Salajka.

In Prague, 1 April 2014

A handwritten signature in blue ink, appearing to read "M. Němeček".

Martin Němeček
Managing Director

A handwritten signature in blue ink, appearing to read "T. Salajka".

Tomáš Salajka
Director

TS. TS

ORCO GERMANY S.A.

Société Anonyme

Consolidated financial statements

As at and for the year ended 31 December 2013

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

All the figures in this report are presented in thousands of Euros, except if explicitly indicated otherwise. Comparative periods have been restated where applicable for the changes in accounting policies as described in the Note 2.1.3.5.

Consolidated financial statements

I. Consolidated income statement

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

	Note	12 months 2013	12 months 2012 (restated)
Revenue	5	60,222	180,952
<i>Sale of goods</i>		196	119,452
<i>Rent</i>		52,243	51,692
<i>Services</i>		7,782	9,809
Net gain or loss from fair value adjustments on Investment Property	5/8	24,598	18,050
Other operating income		585	4,161
Net result on disposal of assets	15	(12)	463
Cost of goods sold	14	-	(118,544)
Employee benefits	23	(6,332)	(7,060)
Amortisation, impairments and provisions	22	(1,763)	(26,977)
Other operating expenses	23	(25,968)	(32,071)
Operating result		51,330	18,974
Interest expenses	18	(12,759)	(23,624)
Interest income		2,321	2,064
Other net financial results	24	(5,724)	(1,578)
Financial result		(16,162)	(23,138)
Share of profit or loss of entities accounted for using the equity method	10	-	33
Profit or loss before income taxes		35,168	(4,131)
Income taxes	21	(5,371)	(11,661)
Net profit or loss for the period		29,797	(15,793)
Total profit or loss attributable to:			
Non controlling interests		(12)	125
Owners of the Company		29,809	(15,917)
Basic earnings in EUR per share	25	0.13	(0.18)
Diluted earnings in EUR per share	25	0.13	(0.18)

II. Consolidated statement of comprehensive income

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

	12 months 2013	12 months 2012 (restated)
Profit /(loss) for the period	29,797	(15,793)
Other comprehensive income /(loss)		
Items that will not be reclassified subsequently to profit or loss	16	(1,533)
Remeasurements of post employment benefit obligations	16	(1,533)
Total comprehensive income /(loss) attributable to:	29,813	(17,326)
Owners of the Company	29,825	(17,450)
Non-controlling interests	(12)	125

III. Consolidated Statement of financial position

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

ASSETS			
	Note	31 December 2013	31 December 2012 (restated)
NON-CURRENT ASSETS		609,047	587,805
Intangible assets	7	49,872	49,928
Investment property	8	532,234	504,745
Property, plant and equipment		4,126	4,979
Owner occupied buildings	9	2,974	2,893
Fixtures and fittings	12	1,152	2,086
Equity method investments	10	-	63
Financial assets at fair value through profit or loss	13	218	1,228
Non current loans and receivables	13	22,597	26,861
CURRENT ASSETS		88,579	44,863
Inventories	14	2,682	1,928
Trade receivables	3	13,632	14,994
Other current assets	16	20,646	20,213
Derivative instruments	18.6	32	20
Current financial assets	3	-	34
Cash and cash equivalents	17	51,586	7,675
ASSETS HELD FOR SALE	11	-	2,050
TOTAL		697,626	634,718
EQUITY & LIABILITIES			
		31 December 2013	31 December 2012 (restated)
EQUITY		260,966	156,442
Equity attributable to owners of the Company	26	261,070	156,536
Non controlling interests		(104)	(94)
LIABILITIES		436,660	478,276
Non-current liabilities		368,927	430,038
Bonds	18	43	20,000
Financial debts	18	248,724	294,962
Provisions & other long term liabilities	19	15,044	15,818
Deferred tax liabilities	21	105,116	99,258
Current liabilities		67,732	48,238
Financial debts	18	34,815	8,015
Trade payables	20	1,420	4,561
Advance payments	20	13,726	14,292
Derivative instruments	18.6	691	4,521
Other current liabilities	20	17,079	16,849
TOTAL		697,626	634,718

IV. Consolidated statement of changes in equity

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

	Note	Share capital	Share premium	Translation reserve	Treasury shares	Other reserves	Equity attributable to owners of the Company	Non controlling interests	Total equity
Balance at 31 December 2011 (as previously reported)		60,964	123,658	(3)	(1,540)	(117,481)	65,598	212	65,810
Adjustments due to changes in accounting policies	2.1.3	-	-	-	-	(26)	(26)	-	(26)
Balance at 31 December 2011 (as restated)		60,964	123,658	(3)	(1,540)	(117,507)	65,572	212	65,784
Comprehensive income (as restated):									
Profit /(loss) for the period						(15,917)	(15,917)	125	(15,793)
Other comprehensive income						(1,533)	(1,533)	-	(1,533)
Total comprehensive income		-	-	-	-	(17,450)	(17,450)	125	(17,326)
Capital decrease of 26 April 2012	26	(56,087)				56,087	-		-
Capital increase of 27 September 2012	26	15,326	93,793			(1,136)	107,982		107,982
Non controlling interests' transactions						432	432	(431)	1
Balance at 31 December 2012 (as restated)		20,203	217,450	(3)	(1,540)	(79,574)	156,536	(94)	156,442
Comprehensive income:									
Profit /(loss) for the period						29,809	29,809	(12)	29,797
Other comprehensive income						16	16	-	16
Total comprehensive income		-	-	-	-	29,825	29,825	(12)	29,813
Capital increase of 6 June 2013	26	2,803	17,154				19,957		19,957
Capital increase of 4 December 2013	26	11,460	42,402				53,862		53,862
Own equity investments	25				1,540	(780)	760		760
Non controlling interests' transactions						130	130	2	132
Balance at 31 December 2013		34,466	277,006	(3)	-	(50,399)	261,070	(104)	260,966

Definitions

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

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

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

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

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

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

V. Consolidated cash flow statement

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

		31 December 2013	31 December 2012 (restated)
OPERATING RESULT		51,330	18,974
Net gain / loss from fair value adjustments on investment property	8	(24,598)	(18,050)
Amortization, impairments and provisions	22	1,763	26,977
Net result on disposal of assets	16	12	(463)
Adjusted operating profit / loss		28,507	27,438
Financial result	24	(664)	(783)
Income tax paid	21	(3,195)	(660)
Financial result and income taxes paid		(3,859)	(1,443)
Changes in operating assets and liabilities		(1,365)	110,920
NET CASH FROM /(USED IN) OPERATING ACTIVITIES		23,283	136,915
Capital expenditures and tangible assets acquisitions	5, 8, 12	(1,747)	(1,287)
Proceeds from sales of non current tangible assets	11	600	22,818
Purchase of intangible assets	7	(13)	(31)
NET CASH FROM INVESTING ACTIVITIES		(1,160)	21,500
Proceeds from capital increase	26	53,862	-
Proceeds from disposal of treasury shares	25	760	-
Proceeds from borrowings	18.1, 18.2	-	266,274
Net interest paid	18.7	(10,415)	(18,824)
Repayments of borrowings	18.1, 18.2	(20,690)	(410,792)
Restructuring fees		(1,729)	(1,953)
NET CASH USED IN FINANCING ACTIVITIES		21,788	(165,295)
NET INCREASE/(DECREASE) IN CASH		43,911	(6,880)
Cash and cash equivalents at the beginning of the year	17	7,675	14,555
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		51,586	7,675

Notes to the consolidated financial statements

1 General information

Orco Germany S.A., société anonyme (the "Company" or "OG" or "Orco Germany") and its subsidiaries (together with the Company the "Group") is a real estate group with a portfolio located in Germany. It is principally involved in leasing out investment properties under operating leases as well as in the development of properties for its own portfolio or intended to be sold in the ordinary course of business.

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

As at 31 December 2013, the Company is owned directly and indirectly at 58.48 % (directly at 55.14% and indirectly at 3.35 %) by Orco Property Group S.A. ("OPG").

As of 27 December 2012, the Company switched from market segment Prime Standard to the regulated market of Frankfurt Stock Exchange.

The parent company, OPG, includes in its consolidated financial statements those of Orco Germany S.A. The parent company is incorporated under Luxembourg law. Consolidated financial statements of OPG can be obtained at its registered office 40 rue de la Vallée L-2661 Luxembourg.

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

2 Summary of significant accounting policies

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

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

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

2.1 Basis of preparation and going concern

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

2.1.1 Going concern

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

The Board of Directors has, as a result of the financial restructuring realized and the positive cash flow from the rental activities, concluded that it is appropriate to prepare the consolidated financial statements as at 31 December 2013 on a going concern basis.

2.1.2 Critical accounting estimates and judgments

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

2.1.3 Changes in accounting policies

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

2.1.3.1 New and amended standards adopted by the Group in 2013

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

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

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

IAS 19, 'Employee benefits' was revised in June 2011. This revised standard introduces changes to the recognition, measurement, presentation and disclosure of post-employment benefits. See note 2.1.3.5 for the impact on the Group's consolidated financial statements.

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

IFRS 11, 'Joint arrangements' focuses on the rights and obligations of the parties to the arrangement rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. A joint operator accounts for its share of the assets, liabilities, revenue and expenses. Joint ventures arise where the investors have rights to the net assets of the arrangement; joint ventures are accounted for under the equity method. Proportional consolidation of joint arrangements is no longer permitted. The implementation of this standard is limited to the change in consolidation method of joint arrangements from proportionate method to equity method, in application of IFRS 11. Accordingly, the respective amounts in comparative period were restated and equity method has been applied from 1 January 2012. The quantitative impact of the change is set out in note 2.1.3.5 below.

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

As a result, the Group has expanded its disclosure about its interest in equity-accounted investees and subsidiaries (Note 10 and 30).

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

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

2.1.3.2 New standards and interpretations not yet adopted

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

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

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

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

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

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

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

2.1.3.3 Change in consolidation method for joint-ventures

As of 1 January 2012, the Group had interest and joint control over one joint arrangement (see note 10) by virtue of the requirement for unanimous consent by all parties over decisions related to the relevant activities of the arrangement. Based on that and underlined by the fact that the Group has rights to the net assets of the arrangements, the Group classified its investment in the entity as joint venture under IFRS 11, similarly to previous applicable principles before the changes. Prior to the adjustment, the Group has accounted for the joint ventures under the proportionate method. After the implementation of IFRS 11, the accounting policies have been adjusted accordingly and the consolidated financial statements have been restated from 1 January 2012. The investment in joint venture was recognized at 1 January 2012 as the total of the carrying amounts of the assets and liabilities previously proportionately consolidated which is the deemed cost of the investment at initial recognition. The quantitative impact of the change in consolidation method is presented in the note 2.1.3.5.

2.1.3.4 Adoption of IAS 19 (2011)

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

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

2.1.3.5 Effect of changes in accounting policies

The effect of the adoption of the newly implemented standards, IFRS 11 on joint arrangements and the changes in IAS 19 (revised), on the consolidated income statement is summarized in the following tables:

	12 months 2012 (as reported)	Change in consolidation method for joint ventures	Adoption of revised IAS 19	12 months 2012 (as restated)
Revenue	181,032	(81)	-	180,952
Sale of goods	119,532	(81)	-	119,452
Rent	51,692	-	-	51,692
Services	9,809	-	-	9,809
Net gain or loss from fair value adjustments on Investment Property	18,050	-	-	18,050
Other operating income	4,161	-	-	4,161
Net result on disposal of assets	463	-	-	463
Cost of goods sold	(118,544)	-	-	(118,544)
Employee benefits	(7,060)	-	-	(7,060)
Amortisation, impairments and provisions	(26,812)	42	(207)	(26,977)
Other operating expenses	(32,078)	8	-	(32,071)
Operating result	19,212	(31)	(207)	18,974
Interest expenses	(23,624)	-	-	(23,624)
Interest income	2,064	-	-	2,064
Other net financial results	(1,578)	-	-	(1,578)
Financial result	(23,138)	-	-	(23,138)
Share of profit or loss of investments accounted for using the equity method	-	33	-	33
Profit or loss before income taxes	(3,926)	1	(207)	(4,131)
Income taxes	(11,722)	(2)	62	(11,661)
Net profit or loss for the period	(15,648)	-	(145)	(15,793)
Total profit or loss attributable to:				
Non controlling interests	125	-	-	125
Owners of the Company	(15,773)	-	(145)	(15,917)
Basic earnings in EUR per share	(0.18)			(0.18)
Diluted earnings in EUR per share	(0.18)			(0.18)

As of 1 January 2012

ASSETS				
	1 January 2012 (as reported)	1 January 2012 Change in consolidation method for joint ventures	1 January 2012 Adoption of revised IAS 19	1 January 2012 (as restated)
NON-CURRENT ASSETS	573,946	30	-	573,976
Intangible assets	50,522	-	-	50,522
Investment property	491,989	-	-	491,989
Property, plant and equipment	5,168	-	-	5,168
Hotels and owner occupied buildings	2,911	-	-	2,911
Fixtures and fittings	2,257	-	-	2,257
Equity method investments	-	30	-	30
Financial assets at fair value through profit or loss	1,216	-	-	1,216
Non current loans and receivables	25,051	-	-	25,051
CURRENT ASSETS	198,800	(4,609)	-	194,191
Inventories	144,269	(4,320)	-	139,949
Trade receivables	17,931	22	-	17,953
Other current assets	21,776	(69)	-	21,707
Current financial assets	27	-	-	27
Cash and cash equivalents	14,797	(243)	-	14,554
ASSETS HELD FOR SALE	19,489	-	-	19,489
TOTAL	792,235	(4,579)	-	787,656
EQUITY AND LIABILITIES				
	1 January 2012 (as reported)	1 January 2012 Change in consolidation method for joint ventures	1 January 2012 Adoption of revised IAS 19	1 January 2012 (as restated)
EQUITY	65,810	-	(26)	65,784
Equity attributable to owners of the Company	65,598	-	(26)	65,572
Non controlling interests	212	-	-	212
LIABILITIES	715,679	(4,579)	26	711,126
Non-current liabilities	136,384	-	26	136,410
Bonds	-	-	-	-
Financial debts	37,878	-	-	37,878
Provisions & other long term liabilities	10,207	-	(123)	10,084
Deferred tax liabilities	88,299	-	148	88,448
Current liabilities	579,295	(4,579)	-	574,716
Current bonds	97,777	-	-	97,777
Financial debts	398,860	-	-	398,860
Trade payables	4,465	(352)	-	4,113
Advance payments	20,097	(4,226)	-	15,871
Derivative instruments	29,842	-	-	29,842
Other current liabilities	28,255	(1)	-	28,254
LIABILITIES LINKED TO ASSETS HELD FOR SALE	10,745	-	-	10,745
TOTAL	792,235	(4,579)	-	787,656

As of 31 December 2012

ASSETS				
	31 December 2012 (as reported)	31 December 2012 Change in consolidation method for joint ventures	31 December 2012 Adoption of revised IAS 19	31 December 2012 (as restated)
NON-CURRENT ASSETS	587,735	69	-	587,805
Intangible assets	49,928	-	-	49,928
Investment property	504,745	-	-	504,745
Property, plant and equipment	4,979	-	-	4,979
Hotels and owner occupied buildings	2,893	-	-	2,893
Fixtures and fittings	2,086	-	-	2,086
Equity method investments	-	63	-	63
Financial assets at fair value through profit or loss	1,222	6	-	1,228
Non current loans and receivables	26,861	-	-	26,861
CURRENT ASSETS	45,020	(157)	-	44,863
Inventories	1,928	-	-	1,928
Trade receivables	14,971	23	-	14,994
Other current assets	20,300	(87)	-	20,213
Derivative instruments	20	-	-	20
Current financial assets	34	-	-	34
Cash and cash equivalents	7,767	(92)	-	7,675
ASSETS HELD FOR SALE	2,050	-	-	2,050
TOTAL	634,805	(88)	-	634,718
EQUITY AND LIABILITIES				
	31 December 2012 (as reported)	31 December 2012 Change in consolidation method for joint ventures	31 December 2012 Adoption of revised IAS 19	31 December 2012 (as restated)
EQUITY	158,142	-	(1,699)	156,442
Equity attributable to owners of the Company	158,235	-	(1,699)	156,536
Non controlling interests	(94)	-	-	(94)
LIABILITIES	476,663	(87)	1,699	478,276
Non-current liabilities	428,338	-	1,699	430,038
Bonds	20,000	-	-	20,000
Financial debts	294,962	(8)	-	294,954
Provisions & other long term liabilities	13,995	8	1,823	15,826
Deferred tax liabilities	99,382	-	(124)	99,258
Current liabilities	48,325	(87)	-	48,238
Current bonds	-	-	-	-
Financial debts	8,015	-	-	8,015
Trade payables	4,611	(50)	-	4,561
Advance payments	14,292	-	-	14,292
Derivative instruments	4,521	-	-	4,521
Other current liabilities	16,886	(37)	-	16,849
TOTAL	634,805	(87)	-	634,718

2.2 Consolidation

2.2.1 Subsidiaries

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

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

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

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

2.2.2 Transactions with non-controlling interests

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

2.2.3 Joint ventures

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

Joint ventures are accounted for using the equity method.

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

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

The Group has changed accounting policies for joint ventures as from 1 January 2012. The effects of the change are shown in Note 2.1.3.5.

2.2.4 Associates

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

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

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

2.2.5 Non-current financial assets

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

2.3 Segment reporting

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

2.4 Foreign currency translation

2.4.1 Functional and presentation currency

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

2.4.2 Transactions and balances

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

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

2.4.3 Group companies

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

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

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

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

2.5 Intangible assets

2.5.1 Goodwill

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

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

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

2.5.2 Computer software

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

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

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

2.5.3 Trademarks

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

2.6 Investment property

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

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

Land plots held under operating lease is classified and accounted for as investment property when the definition of investment property is met. Investment property is measured initially at its cost, including related transaction costs.

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

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

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

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

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

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

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

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

2.7 Property, plant and equipment

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

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

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

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

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

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

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

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

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

2.8 Leases

2.8.1 A Group company is the lessee

2.8.1.1 Operating lease

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

2.8.1.2 Finance lease

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

2.8.2 A Group company is the lessor

2.8.2.1 Operating lease

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

2.8.2.2 Finance lease

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

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

2.9 Impairment of non-financial assets

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

2.10 Non-current assets held for sale

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

2.11 Financial assets

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

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

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

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

Regular purchases and sales of financial assets are recognized on the trade-date on which the Group commits to purchase or sale these assets.

2.12 Offsetting financial instruments

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

2.13 Inventories

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

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

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

2.14 Trade receivables

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

2.15 Cash and cash equivalents

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

2.16 Share capital

Ordinary shares are classified as equity.

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

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

2.17 Borrowings

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

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

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

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

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

2.18 Compound financial instruments

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

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

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

2.19 Trade payables

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

2.20 Current and deferred income tax

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

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

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

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

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

Deferred income tax on investment property

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

2.21 Provisions and post-employment obligations

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

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

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

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

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

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

The valuation of the pension obligation is performed by an independent actuary. For its subsidiaries, the Group offers benefits plans managed by the State. The Group has the obligation to pay the contributions defined in the plan regulation. They are recorded in the consolidated financial statements in payroll charges.

2.22 Derivative financial instruments

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

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

2.23 Revenue recognition

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

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

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

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

For each development project, the amount of cost of goods sold for the period is since 2011 derived from the percentage of the total area sold during the period applied to opening inventory. Coefficients are allocated to different types of area in order to underweight secondary floor area (balcony, terrace, garage and garden) in comparison with primary floor area (apartments). The other operating expenses include repair and maintenance costs of buildings and properties, utilities costs, marketing and representation costs, travel and mobility expenses, operating taxes and other general overhead expenses.

2.24 Dividend distribution

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

3 Financial risk management

3.1 Financial risk factors

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

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

3.1.1 Market risk

(i) Foreign exchange risk

The Group mainly operates in Germany and all of its transactions are denominated in Euro (EUR). Consequently, the Group has no exposure to foreign exchange risk.

(ii) Price risk

Out of the short term liabilities, whether in line with initial contracted term or as a result of covenants' breaches, amounting to EUR 34.8 million a total amount of EUR 26.2 million (see note 18.5) needs to be restructured or refinanced. Such loans have Group assets pledged in guarantee amounting to EUR 44.8 million (market value of pledged assets). The Group has retained the same valuation principles as any other comparable asset even though there is a risk that refinancing talks might not have a positive achievement. Indeed, the risk is considered as remote on the basis of the constructive oral and written exchanges with financing banks at the time of the publication of this report.

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

(iii) Cash flow interest rate risk

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

The Group's interest rate risk arises from floating rate financial debts. The Group mitigates some of its variable interest rates by entering into swap transactions.

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

The floating rate loans line presents the projected cash flows, including interests and the reimbursements of the principal and for Group's floating rate. The cash flows have been established on the basis of the forward interest and exchange rates as at 31 December 2013.

Interest rate swaps and collars used by the Group are detailed in Note 18.6.

As at 31 December 2013 the impact of a 100 basis points growth of interest rates curve would induce an increase of the interest charges by EUR 2.6 million. There is no impact of derivatives. As at 31 December 2012 the impact of a 100 basis points growth of interest rates curve would induce an increase of the interest charges by EUR 3.8 million. There is no impact of derivatives.

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

Type of Index	Type of Index and Margin (in %)	Repricing month	Amount
Euribor 03 M	Euribor 03 M and Margin from +0 to +1	March 2014	21,600
	Euribor 03 M and Margin from +1 to +2	March 2014	4,570
	Euribor 03 M and Margin from +2 to +3	March 2014	260,973
Total (*)			287,143

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

(iv) Other risks

The Group is also exposed to property price and property rental risk but it does not pursue any speculative policy. Even though the Group's activities are mainly focused on one geographical area - Germany - such activities are spread over several business lines (development and asset management) that each undergo specific business cycles.

3.1.2 Credit risk

Rental contracts are closed with customers with an appropriate credit history (Details on the provisions of lease agreements are disclosed in Note 5.3). As a result, the level of impairment on trade receivables related to the rent arrears remains at low level.

Credit risk is managed by local management and by Group management.

In 2013 the credit risk on the Leipziger Platz receivable has been increased. The quality of the creditor is still assessed as high but it is estimated that the payment will be delayed and that the risk of litigation is high. For the determination of the net present value of the receivable on the sale of Leipziger Platz's development in Berlin, it is expected that the payment will be delayed by 3 years compared to contractual terms and the credit margin added to the contractual interest rate has been estimated to 7% with 3.5% for the collection risk and 3.5% for the litigation risk. (See note 13)

Except above mentioned Leipziger Platz, there is no other concentration risk connected with Group receivables.

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

In the opinion of the management, there is no significant credit risk on bank counterparties not included in the following tables. The Group does not hold any collateral.

Maximum exposure to credit risk is described in tables below:

	Fully performing	Past due but not impaired			Impaired	BALANCE 31 December 2013
		Less than 6 months	6 months and 1 year	More than 1 year		
Non current loans and receivables - Gross value	-	-	-	-	29,039	29,039
Impairments - At opening					(6)	(6)
Impairments - Allowance					(6,436)	(6,436)
Non current loans and receivables - Impairment	n/a	n/a	n/a	n/a	(6,442)	(6,442)
Non current loans and receivables - Net value	-	-	-	-	22,597	22,597
Trade Receivable - Gross value	12,095	973	15	549	8,804	22,436
Impairments - At opening					(10,112)	(10,112)
Impairments - Allowance					(1,546)	(1,546)
Impairments - Write-back					790	790
Impairments - Write-off					2,064	2,064
Trade Receivable - Impairment	n/a	n/a	n/a	n/a	(8,804)	(8,804)
Trade Receivable - Net Value	12,095	973	15	549	-	13,632
Other current assets - Gross value	20,533	114	-	-	225	20,871
Impairments - At opening					(591)	(591)
Impairments - Allowance					(44)	(44)
Impairments - Write-off					44	44
Impairments - Transfer					366	366
Other current assets - Impairment	n/a	n/a	n/a	n/a	(225)	(225)
Other current assets - Net Value	20,533	114	-	-	-	20,646
Cash and cash equivalents	51,586	-	-	-	-	51,586

	Fully performing	Past due but not impaired			Impaired	BALANCE 31 December 2012
		Less than 6 months	6 months and 1 year	More than 1 year		
Non current loans and receivables - Gross value	-	-	-	-	26,861	26,861
Impairments - At opening					(6)	(6)
Impairments - Allowance					6	6
Non current loans and receivables - Impairment	n/a	n/a	n/a	n/a	-	-
Non current loans and receivables - Net value	-	-	-	-	26,861	26,861
Trade Receivable - Gross value	13,256	1,039	149	552	10,106	25,100
Impairments - At opening					(9,775)	(9,775)
Impairments - Allowance					(479)	(479)
Impairments - Write-back					225	225
Impairments - Write-off					(77)	(77)
Trade Receivable - Impairment	n/a	n/a	n/a	n/a	(10,106)	(10,106)
Trade Receivable - Net Value	13,256	1,039	149	552	-	14,994
Other current assets - Gross value	19,581	-	631	-	591	20,804
Impairments - At opening					(409)	(409)
Impairments - Allowance					(265)	(265)
Impairments - Write-off					87	87
Impairments - Transfer					(4)	(4)
Other current assets - Impairment	n/a	n/a	n/a	n/a	(591)	(591)
Other current assets - Net Value	19,581	-	631	-	-	20,213
Cash and cash equivalents	7,675	-	-	-	-	7,675

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

Counterparty	Moody's Rating	S&P's Rating	Fitch's Rating	December 2013	December 2012
J&T Banka (*)	E+	-	-	42.0	-
Deutsche Bank	A2	A	A+	4.1	4.7
Berliner VB	-	AA-	A+	2.2	2.3
LBB/Sparkasse	A1	A	A+	0.1	0.6
HypoVereinsbank (HVB)	A3	A-	A+	0.1	0.1
Aareal Bank	-	-	A-	3.1	-
in EUR million				51.6	7.7

3.1.3 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the inherent nature of its assets, the Group is subject to liquidity risk (see note 18.5 for covenant breaches).

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

The table below analyses the Group's financial liabilities and net-settled derivative instruments into relevant maturity groupings based on the remaining period as from 31 December 2013 to the contractual maturity date.

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

	Less than 1 month	Between 1 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	More than 5 years	Total Cash-out Flows	Book value as of December 2013
At 31 December 2013							
Fixed rate loans and bonds	-	-	-	678	-	678	643
Floating rate loans	26,170	-	8,617	276,083	-	310,870	282,532
Other borrowings	-	-	23	384	-	407	407
Interest rate derivatives	-	-	691	-	-	691	691
Liabilities linked to assets held for sale	-	-	-	-	-	-	-
Trade payables	574	846	-	-	-	1,420	1,420
Other current liabilities	2,949	2,318	3,563	-	-	8,830	8,830
Total at 31 December 2013	29,693	3,164	12,894	277,145	-	322,896	294,523

	Less than 1 month	Between 1 and 6 months	Between 6 months and 1 year	Between 1 and 5 years	More than 5 years	Total Cash-out Flows	Book value as of December 2012
At 31 December 2012							
Fixed rate loans and bonds	-	-	-	-	20,000	20,000	20,000
Floating rate loans	-	-	7,946	321,950	-	329,896	290,298
Other borrowings	-	-	69	-	12,610	12,679	12,679
Interest rate derivatives	-	-	4,521	-	-	4,521	4,521
Liabilities linked to assets held for sale	-	-	-	-	-	-	-
Trade payables	1,856	75	2,630	-	-	4,561	4,561
Other current liabilities	997	4,136	3,834	-	-	8,967	8,967
Total at 31 December 2012	2,853	4,211	19,000	321,950	32,610	380,624	341,026

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

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

Undrawn bank credit facilities

As at 31 December 2013 and 31 December 2012 respectively the Group does not have any credit lines.

3.2 Capital risk management

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

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

	December 2013	December 2012 (restated)
Non current liabilities		
Financial debts	248,724	294,962
Current liabilities		
Financial debts	34,815	8,015
Current assets		
Current financial assets	-	(34)
Cash and cash equivalents	(51,586)	(7,675)
Net debt	231,954	295,268
Investment property	532,234	504,745
Own-occupied buildings	2,974	2,893
Financial assets at fair value through profit or loss	218	1,228
Non current loans and receivables	22,597	26,861
Inventories	2,682	1,928
Assets held for sale	-	2,050
Revaluation gains on projects and properties (Note 4.1.2.1)	908	196
Fair value of portfolio	561,614	539,901
Loan to value before bonds	41.3%	54.7%
Bonds	43	20,000
Loan to value after bonds	41.3%	58.4%

The Group has external financing subject to covenants. Most of the administrative covenants are managed by financial managers. Reported breaches are managed at Group level. Financial covenants are directly managed at Group level. During 2012 administrative and/or financial covenant breaches have been solved mainly via the refinancing of GSG portfolio. Most covenants relate to administrative documents to be provided (audited accounts, management reports) and financial ratios to be respected on the asset level (loan to value, loan to construction and interest coverage ratio).

In comparison to December 2012, the LTV ratio decreases to 41.3 % as a result of reduction of net debt and increase of investment properties market value. The cash held by the Group entities went up thanks to capital increase realized in December 2013 (see Note 26 and Note 31).

4 Critical accounting estimates and judgments

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

4.1 Critical accounting estimates and assumptions

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

4.1.1 Assessment of the going concern (see note 2.1.1)

4.1.2 Properties fair value measurement and valuation process

4.1.2.1 Valuation process

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

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

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

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

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

- The real estate segment which encompasses commercial and owner occupied and land bank;
- The geographical location which includes Berlin.

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

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

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

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

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

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

4.1.2.2 Main observable and non-observable inputs

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

Per rate type	2013		2012		2011	
	Min	Max	Min	Max	Min	Max
Discount rate	6.0%	9.4%	5.5%	9.6%	5.3%	9.6%
Capitalization yield	NA	NA	NA	NA	5.4%	5.4%
Cap rate	6.0%	8.3%	5.6%	8.3%	5.3%	8.3%

Per asset type	Capitalization yield		Cap rate		Discount rate	
	Min	Max	Min	Max	Min	Max
Berlin portfolio	NA	NA	6.0%	8.3%	6.0%	9.4%

Inputs

For each class of property owned by the Group, the table below presents the fair value hierarchy of the valuation, the valuation method, the key observable and unobservable inputs and the fair value as of end of December 2013.

Owner-occupied building & Hotels

Portfolio	Asset type	Fair value hierarchy	Valuation technique	Fair value 12/31/2013	Range Weighted average
				In EUR Million	
				Growth rate	1.70%
				Discount Rate	7.00%
				Terminal Capitalization Rate	7.00%
				ERV/SQMYear	129.9
Germany	Owner occupied	Level 3	Discounted Cash Flow	3.0 Total Area in SQM	1,697.6
Sub-totals & Total					
Germany	Owner occupied	Level 3		3.0	
Total	Owner occupied & Hotels			3.0	

Inventories

Portfolio	Asset type	Fair value hierarchy	Valuation technique	Fair value 12/31/2013	Range Weighted average
				In EUR Million	
				GDV/SQM	2,950.0
				Cost/SQM	1,009.2
				Developer margin / Profit on costs	12.0%
Germany	Residential	Level 3	Residual Method	3.5 Total Area in SQM	2,303.0
Sub-totals & Total					
Germany	Residential	Level 3		3.5	
Total	Inventories			3.5	

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

Investment Properties

Portfolio	Asset type	Fair value hierarchy	Valuation technique	Fair value 12/31/2013	Input	Range Weighted average
				In EUR Million		
				Growth rate		1.7%
				Discount Rate		7.8%
				Terminal Capitalization Rate		7.2%
				Initial void (if applicable) in Month		42.0
				Expiry void in Month		3.8
				ERV/SQMYear		70.7
				Letting fees		17%
				Structural Repairs (Dach&Fach)		5.9
				Tenant Improvements in EUR/SQM		18.6
				Capex / Sqm		9.6
Germany	Mixed Commercial	Level 3	Discounted Cash Flow	527.1 Total Area in SQM		783,345.8
				Price / SQM		21.2
Germany	Mixed Commercial	Level 2	Sales comparison	1.1 Total Area in SQM		52,000.0
				Price / SQM		118.5
Germany	Land Bank	Level 2	Sales comp. & transaction price	4.0 Total Area in SQM		33,704.0
Sub-totals & Total Investment Properties						
Germany	Mixed Commercial	Level 3		527.1		
Germany	Mixed Commercial	Level 2		1.1		
Sub-total	Freehold building			528.2		
Germany	Land Bank	Level 2		4.0		
Sub-total	Land Bank			4.0		
Total	Investment properties			532.2		

Sensitivity information:

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

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

A change in the discount rate, exit cap rate or equivalent yield would have the following impact on the portfolio's assets:

Figures in EUR Million

Investment Properties				
Portfolio	Discount Rate		Exit Cap Rate	
	DR - 25 bps	DR + 25 bps	ECR - 25 bps	ECR + 25 bps
Berlin Portfolio	9.9	(9.7)	9.6	(9.0)
Total	9.9	(9.7)	9.6	(9.0)

DR : Discount rate, ECR : Exit Capitalization Rate

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

4.1.2.3 Changes in fair value by class and level

Investment properties

Class	Freehold buildings		Land banks	Total Group	Note 11 (*)	Note 8
	Mixed Commercial	Mixed Commercial				
Level	3	2	2			
Country	Germany	Germany	Germany			
Fair value as of December 2012	501,295	2,150	3,350	506,795	2,050	504,745
<i>o/w Assets held for sale</i>	1,450	-	600	2,050		
Investments / acquisitions	1,362	-	79	1,441	-	1,441
Asset sales	-	-	(600)	(600)	(600)	0
Change in value	26,453	(1,050)	(805)	24,598	-	24,598
Others	(1,970)	-	1,970	-	(1,450)	1,450
Fair value as of December 2013	527,140	1,100	3,994	532,234	2,900	532,234
<i>o/w Assets Held for Sale</i>	-	-	-	-		

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

Owner-occupied buildings & Hotels

Class	Owner-occupied buildings	Fair value	Difference vs historical cost convention	Note 9
Level	3			
Country	Germany			
Fair value as of December 2012	2,893	2,893	-	2,893
Investments / acquisitions	19	19	-	19
Change in value	62	62	-	62
Fair value as of December 2013	2,977	2,974	-	2,974
Net Book Value as of December 2012	2,893	2,893		
<i>o/w assets carried at cost</i>	-	-		
<i>o/w assets carried at cost less impairment</i>	2,893	2,893		
Non recognized FV as of December 2012	-	-		
Net Book Value as of December 2013	2,974	2,971		
<i>o/w assets carried at cost</i>	-	-		
<i>o/w assets carried at cost less impairment</i>	2,974	2,971		
Non recognized FV as of December 2013	-	-		

Inventories

Class Level Country	Residential 3 Germany	Fair value	Difference vs historical cost convention	Note 14		
				Development inventories	Other inventories	Total
Fair value as of December 2012	2,045	2,045	204	1,841	90	1,928
Investments / acquisitions	730	730	(3)	733	21	754
Change in value	705	705	705	-	-	-
Fair value as of December 2013	3,480	3,480	908	2,572	111	2,682
Net Book Value as of December 2012	1,841	1,841				
o/w assets carried at cost	1,841	1,841				
o/w assets carried at cost less impairment	-	-				
Non recognized FV as of December 2012	204	204				
Net Book Value as of December 2013	2,572	2,572				
o/w assets carried at cost	2,572	2,572				
o/w assets carried at cost less impairment	-	-				
Non recognized FV as of December 2013	908	908				

4.1.3 Determination of remaining construction costs and impairment on developments

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

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

4.1.4 Estimate of fair value of financial instruments

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

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

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

Valuations are performed regularly on the basis of the management best estimates of the credit risk of the Group or of the specific entity concerned in the light of existing, available and observable market data. As of December 2013 (like in 2012), the Group used the valuation provided by its banks for the derivatives (IRS, options and forwards).

An increase of 1% of the fair value of net liability derivative instruments would lead the net liability derivative instruments to decrease by EUR 0.01 million, on the other hand an decrease of 1% of the fair value of net liability derivative instruments would lead the net liability derivative instruments to increase by EUR 0.01 million.

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

Accounting classification and fair values

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

The decrease of financial assets at fair value through profit or loss by EUR 1.0 million in 2013 is mainly due to the loan granted by the Group to its shareholder Orco Property Group SA, which was fully repaid.

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

31 December 2013	Carrying amount			Fair value		
	Financial assets & liabilities measured at fair value	Financial assets & liabilities not measured at fair value (*)	Balance Sheet	Level 1	Level 2	Level 3
Financial assets						
Long-term Equity investments	218	-	218	-	-	218
Financial assets at fair value through profit or loss (**)	218	-	218			
Leipziger Platz deferred consideration	-	22,597	22,597			
Non current loans and receivables	-	22,597	22,597			
Trade and other receivables	-	34,278	34,278	-	-	-
Trading derivatives	32	-	32	-	32	-
Cash and cash equivalent	-	51,586	51,586			
Current financial assets	32	85,864	85,896			
Financial liabilities						
Bonds	-	43	43	-	-	-
Floating rate bank debts	-	247,740	247,740	-	-	247,740
Fixed rate bank debts (**)	-	600	600	-	-	653
Other borrowings	-	384	384	-	-	384
Long term liabilities	-	2	2			
Non current financial liabilities	-	248,769	248,769			
Floating rate bank debts	-	34,792	34,792	-	-	34,792
Other borrowings	-	23	23	-	-	23
Trading derivatives	691	-	691	-	691	-
Advanced payments	-	13,726	13,726			
Trade payables and Other current liabilities	-	10,250	10,250			
Current financial liabilities	691	58,791	59,482			

(*) It does not include fair value information for financial assets and liabilities not measured at fair value if the carrying amount is considered as a reasonable approximate of the fair value.

(**) The fair value of the floating and fixed rate bank debts has been estimated on the basis of the market interest rate without changing the contractual credit margin.

(***) Designated at fair value.

31 December 2012 (restated)	Carrying amount			Fair value		
	Financial assets & liabilities measured at fair value	Financial assets & liabilities not measured at fair value (*)	Balance Sheet	Level 1	Level 2	Level 3
Financial assets						
Investments in associates	-	63	63			
Equity method investments	-	63	63			
Other loans granted to Joint ventures and other investments	1,060	-	1,060	-	-	1,060
Long-term Equity investments	168	-	168	-	-	168
Financial assets at fair value through profit or loss (***)	1,228	-	1,228			
Leipziger Platz deferred consideration	-	26,861	26,861			
Non current loans and receivables	-	26,861	26,861			
Trade and other receivables	-	35,207	35,207			
Trading derivatives	20	-	20	-	20	-
Others current financial assets	34	-	34	-	34	-
Cash and cash equivalent	-	7,675	7,675			
Current financial assets	53	42,882	42,935			
Financial liabilities						
Bonds	-	20,000	20,000	-	-	-
Floating rate bank debts	-	282,352	282,352	-	-	282,352
Fixed rate bank debts (**)	-	-	-	-	-	-
Other borrowings	-	12,610	12,610	-	-	12,610
Long term liabilities	-	8	8			
Non current financial liabilities	-	314,970	314,970			
Floating rate bank debts	-	7,946	7,946	-	-	7,946
Other borrowings	-	69	69	-	-	69
Trading derivatives	4,521	-	4,521	-	4,521	-
Advanced payments	-	14,292	14,292			
Trade payables and Other current liabilities	-	13,528	13,528			
Current financial liabilities	4,521	35,835	40,356			

(*) It does not include fair value information for financial assets and liabilities not measured at fair value if the carrying amount is considered as a reasonable approximate of the fair value.

(**) The fair value of the floating and fixed rate bank debts has been estimated on the basis of the market interest rate without changing the contractual credit margin.

(***) Designated at fair value.

4.1.5 Income taxes

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

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

4.1.6 Impairment on owner occupied building

For the purpose of determining the impairment on owner-occupied building, the Group uses the fair value as determined by the independent expert. The valuation methodology is based on cash flow projections for the relevant property. For assumptions used please refer to Note 4.1.2.2.

4.1.7 Pension benefits

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

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

4.1.8 Impairment on goodwill and trademark

The Group tests on an annual basis whether goodwill and trademark have suffered any impairment, in accordance with the accounting policy stated in note 2.5 and 2.9. Further information are disclosed in note 7.

4.2 Critical judgments in applying the Group's accounting policies

4.2.1 Distinction between investment properties and owner-occupied properties

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

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

4.2.2 Transfer between Inventories and Investment property

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

4.2.3 Transfer between Investment property and Inventories

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

4.2.4 Classification of non-current assets as held for sale

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

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

5 Segment reporting

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

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

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

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

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

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

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

5.1 Segment reporting 2013

Profit & Loss 31 December 2013	Development	Property Investments	TOTAL
Revenue	302	59,920	60,222
<i>Sale of goods</i>	196	-	196
<i>Rent</i>	61	52,182	52,243
<i>Services</i>	45	7,737	7,782
Net gain or loss from fair value adjustments on investment property	(805)	25,403	24,598
Cost of goods sold	-	-	-
Impairments - Allowance	(45)	(8,902)	(8,947)
Impairments - Write-Back	5	910	915
Amortization and provisions	(213)	6,482	6,269
Other operating results	(3,469)	(28,258)	(31,727)
Operating Result	(4,226)	55,556	51,330
Net gain or loss from fair value adjustments on investment property	805	(25,403)	(24,598)
Impairments - Allowance	45	8,902	8,947
Impairments - Write-Back	(5)	(910)	(915)
Amortization and provisions	213	(6,482)	(6,269)
Net result on disposal of assets	15	(3)	12
Adjusted EBITDA	(3,152)	31,659	28,507
Financial Result			(16,162)
Share of profit or loss of entities accounted for using the equity method			-
Profit before Income Tax			35,168
Balance Sheet & Cash Flow 31 December 2013	Development	Property Investments	TOTAL
Segment Assets	6,566	531,214	537,780
Investment Property	3,994	528,240	532,234
Property, plant and equipment	-	2,974	2,974
Inventories (*)	2,572	-	2,572
<i>Unallocated assets</i>			159,846
Total Assets			697,626
Segment Liabilities	-	-	-
<i>Unallocated liabilities</i>			436,660
Total Liabilities			436,660
Cash flow elements	79	1,381	1,460
Capital expenditure	79	1,381	1,460
Direct Operating Expenses 31 December 2013	Development	Property Investments	TOTAL
Direct operating expenses arising from investment property that :			
- generated rental income	-	(20,486)	(20,486)
- did not generated rental income	(2)	(13)	(15)

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

5.2 Segment reporting 2012 (restated)

Profit & Loss 31 December 2012 (restated)	Development	Property Investments	TOTAL
Revenue	124,615	56,337	180,952
<i>Sale of goods</i>	119,452	-	119,452
<i>Rent</i>	3,446	48,246	51,692
<i>Hotels, Extended Stay & Restaurants</i>	-	-	-
<i>Services</i>	1,717	8,092	9,809
Net gain or loss from fair value adjustments on investment property	360	17,690	18,050
Cost of goods sold	(118,518)	(26)	(118,544)
Impairments - Allowance	(25,205)	(425)	(25,630)
Impairments - Write-Back	215	97	312
Amortization and provisions	(1,664)	5	(1,659)
Other operating results	(6,472)	(28,035)	(34,507)
Operating Result	(26,668)	45,642	18,974
Net gain or loss from fair value adjustments on investment property	(360)	(17,690)	(18,050)
Impairments - Allowance	25,205	425	25,630
Impairments - Write-Back	(215)	(97)	(312)
Amortization and provisions	1,664	(5)	1,659
Net result on disposal of assets	48	(511)	(463)
Adjusted EBITDA	(327)	27,764	27,437
Financial Result			(23,138)
Share of profit or loss of joint ventures accounted for using the equity method			33
Loss before Income Tax			(4,131)
Balance Sheet & Cash Flow 31 December 2012 (restated)	Development	Property Investments	TOTAL
Segment Assets	5,188	506,338	511,526
Investment Property	2,750	501,995	504,745
Property, plant and equipment	-	2,893	2,893
Inventories (*)	1,838	-	1,838
Assets held for sale	600	1,450	2,050
<i>Unallocated assets</i>			123,192
Total Assets			634,718
Segment Liabilities	-	-	-
<i>Unallocated liabilities</i>			478,276
Total Liabilities			478,276
Cash flow elements	-	968	968
Capital expenditure	-	968	968
Direct Operating Expenses 31 December 2012 (restated)	Development	Property Investments	TOTAL
Direct operating expenses arising from investment property that :			
- generated rental income	(77)	(19,530)	(19,607)
- did not generated rental income	(2)	(15)	(17)

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

5.3 Geographical information

As of December 2013, all the activities of the Group generating rental revenue are located in Germany.

5.4 Rent revenues

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

Asset type & location	2014	2015	2016	2017	2018	> 2018
Mixed Commercial	35.7	19.0	12.7	7.7	4.5	3.1
Total	35.7	19.0	12.7	7.7	4.5	3.1

General overview of the main provisions of lease agreements

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

6 Acquisitions

No business combinations occurred in 2013 and in 2012.

7 Intangible assets

Intangible assets	Gross amount	Amortisation and Impairments	Net amount
Balance at 1 January 2012 (restated)	51,438	(916)	50,522
Increase	31	-	31
Impairments	-	(625)	(625)
Transfer	(51)	51	-
Balance at 31 December 2012 (restated)	51,418	(1,490)	49,928
Increase	13	-	13
Assets sales	(68)	68	-
Impairments	-	(69)	(69)
Balance at 31 December 2013	51,362	(1,490)	49,872

In 2013, an impairment of EUR 0.05 million has been recognized on the GSG goodwill. The balance as of December 2013 amounts to EUR 49.9 million and includes mainly the GSG trademark recognized as part of the business combination accounting (EUR 7.2 million) and the GSG goodwill (EUR 42.7 million).

Goodwill	Gross amount	Impairments	Net amount
Balance at 1 January 2012 (restated)	43,816	(531)	43,285
Impairments	-	(610)	(610)
Balance at 31 December 2012 (restated)	43,816	(1,141)	42,675
Impairments	-	(53)	(53)
Balance at 31 December 2013	43,816	(1,194)	42,622

The sole goodwill recognized as at 31 December 2013 (since 2009) is the GSG goodwill. The main source of goodwill on the acquisition of GSG can be found in the amount of deferred tax liabilities as a result of the low tax value of the assets. This amount of taxes is still above the amount of goodwill, i.e. the value of the real estate assets portfolio of GSG is higher than the result of the following calculation: GSG real estate portfolio fair value (EUR 492.1 Million) + goodwill (EUR 42.6 Million) – deferred tax liabilities (EUR 103.8 Million). A decrease in value of the assets by 10% would still leave deferred tax liabilities at a level above the amount of goodwill resulting in a positive result to the above calculation. Some assets have been sold over the year 2013 and impairments have been recognized as a proportion in the GSG portfolio fair value of these assets at the time of the acquisition.

Intangible assets also include the value of the Brand GSG at its initial value. Since 1965, GSG has continuously developed its brand that has been initially valued at EUR 7.2 Million in 2007. Especially its initial role as a business promoter had a strong impact on the image of being a fair and reliable landlord. Even in the years of changing economic environment and challenging market situation, GSG has managed to reinforce the brand by implementing a new corporate design, accompanied by specific marketing campaigns. The "change" into ORCO-GSG even helped to illustrate the shift to a modern service provider offering a wide range of additional products/services like the own glass fiber network or the support of start-up companies. Therefore the implemented brand has been and will be of vital importance and the fundamental basis to market the assets, to increase occupancy and maintain the good reputation. In this context, the

useful life of GSG trademark has been assessed as indefinite. No impairment is recognized on this intangible asset since as such the trademark continues to generate cash flows independently, the prospective valuation of the portfolio demonstrates the potential of the portfolio to continue to increase and the dynamic is clear with GSG systematically beating the budget in terms of occupancy and average revenues per square meters. The prospective valuation is based on discounted cash flows of GSG real estate portfolio over 10 years and a sale in year 11. Market assumptions are as described in note 4.1.2 except for discount rates ranging from 6.0% to 7.4% and exit cap rates ranging from 6.0% to 6.3%. An increase of all rates by 100 basis points would not lead to an impairment.

8 Investment property

The main assumptions used to calculate the fair value of the projects are disclosed in note 4.1.

	Freehold buildings	Land bank	TOTAL
Balance at 31 December 2011 (restated)	487,899	4,090	491,989
Investments / acquisitions	968	-	968
Asset sales	(1,733)	(1,100)	(2,833)
Revaluation through income statement	17,690	360	18,050
Changes in classification	(1,380)	-	(1,380)
Transfers to/from asset held for sale	(1,450)	(600)	(2,050)
Balance at 31 December 2012 (restated)	501,995	2,750	504,745
Investments / acquisitions	1,362	79	1,441
Revaluation through income statement	25,403	(805)	24,598
Changes in classification	(1,970)	1,970	-
Transfers to/from asset held for sale	1,450	-	1,450
Balance at 31 December 2013	528,240	3,994	532,234

❖ In 2013

41 investment properties (EUR 529.3 million) financed by bank loans located in special purpose entities are fully pledged for EUR 282.5 million.

Investments / Acquisitions

In 2013, the Group invested EUR 1.4 million in Investment Properties mainly in the form of improvement and installing new equipment and fit-outs in existing freehold buildings in Berlin.

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

Revaluation through the income statement

The fair value of freehold buildings went up by EUR 24.6 million, of which the most significant increase was recorded on Schlesische Str. (EUR 3.4 million), Gustav Meyer (EUR 2.2 million), Zossener Str. (EUR 1.9 million) and Volta Str. 5 (EUR 1.8 million).

Transfers

Freehold Buildings & Land banks – Changes in classification

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

Freehold Buildings – Transfers from Assets Held for Sale

As the sale was canceled the Group has decided to transfer back the freehold building Skaltitzer Str. in Berlin from Held for Sale Assets for EUR 1.45 million.

❖ In 2012

40 investment properties (EUR 499.8 million) financed by bank loans located in special purpose entities are fully pledged for EUR 290.4 million.

Investments / Acquisitions

During 2012, the Group has invested EUR 1.0 million in Investment Properties representing mainly capitalization on mixed retail and office in Berlin. The Group did not proceed with any asset acquisition nor acquisition through business combinations.

Asset sales

As at 31 December 2012, the net book value ("NBV") of the assets sold represents EUR 2.6 million, for a total sale price of EUR 3.5 million and composed mainly of the following disposals:

- Ackerstrasse 81 and 93 in Berlin (NBV of EUR 1.5 million) at the sale price of EUR 2.0 million;
- Elb loft in Hamburg (NBV of EUR 1.1 million) at the sale price of EUR 1.5 million.

Revaluation through the income statement

The total amount of increase in fair value amounts to EUR 18.1 million of which EUR 17.7 million on freehold buildings and EUR 0.4 million on land banks. The movements in fair value are mainly related to the following freehold buildings: Gneisenaustrasse (EUR 1.0 million), Pankow (EUR 1.1 million), Schlesische Str. (EUR 1.3 million), Kopenicker Str. (EUR 1.4 million) Reichenberger Str. (EUR 1.4 million), Helmholtz Str. (EUR 1.5 million) Zossener Str. (EUR 1.6 million) and Franklinstrasse (EUR 2.9 million).

Transfers

Freehold Buildings – Changes in classification

The Group started in 2012 the residential development of Naunynstrasse 68 a rental property located in Berlin and as a consequence the asset has been transferred to Inventories for EUR 1.38 million.

Land banks & Freehold Buildings – Transfers to Held for Sale Assets

The Group has decided to sell 2 investment properties in Germany which have been transferred to assets held for sale:

- Skalitzer Str. in Berlin for EUR 1.5 million;
- Kurfurstenstrasse in Berlin for EUR 0.6 million.

9 Owner-occupied buildings

The sole asset recognized under owner-occupied buildings is the Group's headquarter, in Berlin (same as in 2011 and 2012). As of 31 December 2013, the gross value of the building amounts to EUR 3.0 million (2012: EUR 2.9 million). The Group reversed previously recognized impairment as a result of increasing market value of the buildings in the amount of EUR 0.08 million. No significant movements on owner-occupied buildings have been recognized in 2013 or in 2012. This property which is financed by a bank loan is held by special purpose entities and is fully pledged to the bank for EUR 3.0 million (the loan financing this property is also financing an investment property. This loan is included into the total amount of the loans disclosed in Note 8).

10 Equity accounted investments

Joint ventures

As at 31 December 2012, the Group has had an interest of 50 % in Knorrstrasse joint venture (Knorrstrasse 119 GmbH & Co KG), the carrying amount of the Group's interest in the joint venture was EUR 0.1 million as at 31 December 2012 (restated). Over 2012, the project BMW was completed and the joint venture merged with another Orco Germany entity in 2013 after acquiring the remaining 50% of shares from the joint venture partner.

11 Assets classified as held for sale and liabilities linked to assets held for sale

Assets held for sale	December 2013	December 2012 (restated)	Liabilities linked to assets held for sale	December 2013	December 2012 (restated)
Opening Balance	2,050	19,489	Opening Balance	-	10,745
Asset sales	(600)	(19,489)	Repayment of loans	-	(10,745)
Transfer to	-	2,050	Transfer to	-	-
Transfer from	(1,450)	-	Transfer from	-	-
Closing Balance	-	2,050	Closing Balance	-	-

❖ In 2013

During 2013, the German asset Berlin Kurfurstenstrasse 11 with a net book value of EUR 0.6 million was sold for a sale price of EUR 0.6 million. There were no liabilities financing this asset. On the other hand, the cancellation of disposal of German asset Skalitzerstrasse 127/128 resulted in its transfer back to Investment Property for its fair value of EUR 1.5 million (See Note 8).

❖ In 2012

As of 31 December 2012 the Group validated the sale of 2 assets in Berlin, the Kurfurstenstrasse 11 land bank valued at EUR 0.6 million and the freehold building Skalitzerstrasse 127/128 value at EUR 1.5 million.

Over the year 2012, the Group sold 5 assets for EUR 19.5 million and repaid EUR 10.7 million of financing liabilities upon sales:

- Kurfurstendamm 102 an investment properties in Berlin valued at EUR 6.3 million and financed by a liability of EUR 6.4 million fully repaid upon sale;
- Bergfried an investment properties in Berlin valued at EUR 3.7 million;
- Huttendorf an investment property in Dusseldorf valued at EUR 6.5 million and financed by a liability of EUR 4.3 million fully repaid upon sale;
- Ackerstrasse 83/84 an investment property in berlin valued at EUR 0.6 million;
- Kurfurstenstrasse 13/14 an investment property in berlin valued at EUR 2.4 million.

12 Fixtures and fittings

	Gross amount	Amortisation and Impairments	Net amount
Balance at 1 January 2012 (restated)	4,485	(2,228)	2,257
Increase	319	-	319
Assets sales and scraps	(114)	81	(33)
Allowance - Write-back	-	(457)	(457)
Transfer	(9)	9	-
Balance at 31 December 2012 (restated)	4,681	(2,595)	2,086
Increase	287	-	287
Assets sales and scraps	(1,605)	1,586	(19)
Allowance / Write-back	-	(1,202)	(1,202)
Translation difference	(3)	3	-
Balance at 31 December 2013	3,360	(2,208)	1,152

The capital expenditures recognized over the year 2013 (and 2012) are mainly related to the IT equipment and technical installations, as the Group is acting as an internet provider for its own buildings. Furthermore, the review of the existing fixtures and fittings made during the various mergers of the year leads to the recognition of EUR 0.8 million of impairments and of EUR 1.6 million of scrapings.

13 Non-current financial assets

Non-current loans and receivables

The "Non-current loans and receivables" are related to the net present value of the deferred consideration on the sale of Leipziger Platz amounting to EUR 22.6 million in 2013 (EUR 26.9 million in 2012) after capitalization of interest in amount of EUR 2.1 million and impairment in amount of EUR 6.4 million due in June 2015 at the latest depending on the finalization of the construction. In order to reflect longer than expected collection of receivables related to past sale of this asset higher credit and litigation risks margin has been integrated in the net present value inducing impairment of EUR 6.4 million (see note 3.1.2).

14 Inventories

	December 2013	December 2012 (restated)
Opening Balance	1,928	139,949
Impairments - Allowance	-	(24,264)
Transfers	-	1,380
Increase in inventories	754	3,407
Cost of goods sold	-	(118,544)
Closing Balance	2,682	1,928
<i>o/w carried at deemed cost</i>	<i>2,682</i>	<i>1,928</i>
<i>o/w carried at fair value less costs</i>	<i>-</i>	<i>-</i>
Fair value at closing	3,480	2,045

Properties classified as inventories are developed with the intention to be sold within the ordinary course of business.

❖ In 2013

The increase in inventories represents mainly the development costs of EUR 0.75 million capitalized on Naunynstrasse.

❖ In 2012

The increase in inventories of EUR 1.9 million represents mainly the development costs which primarily relate to Sky Office (EUR 2.4 million) and Hochwald (EUR 0.5 million). This line also includes variations in inventories other than development costs.

Cost of goods sold amounting to EUR 118.5 million are attributable to sales of the commercial project Sky Office (Dusseldorf) for EUR 117.3 million and Hochwald for EUR 1.2 million.

The cancellation of the sales negotiations in September 2012 conducted the Group to recognize an impairment of EUR 24.3 million on Sky Office building in order to adjust the book value to the realizable value under distressed conditions. Indeed the pressure of the financing bank and the need to fill GSG refinancing gap did not leave the opportunity to secure an arms' length sale.

The transfer relates to change in classification of Naunynstrasse previously classified under Investment Property for EUR 1.38 million.

15 Net result on disposal of assets

In 2013, Kurfürstenstrasse 11 was sold for EUR 0.6 million. The asset was classified as held for sale as at 31 December 2012 and the sale had no impact on the consolidated income statement in 2013 as the carrying amount was already adjusted to the sales price.

During 2012 assets and activities were sold for a total consideration of EUR 22.8 million generating a consolidated gain of EUR 0.5 million and net cash inflow after financial debt repayment amounting to EUR 10.7 million. The main contributors of the asset's sales are described in the note 8 and 11.

16 Other current assets

	Balance as at 31 December 2012 (restated)	Variation	Impairments	Transfer	Balance as at 31 December 2013
Prepayment tax and social security	1,914	2,900	-	-	4,813
Accrued assets	14,338	(2,667)	-	813	12,484
Other current assets	3,896	50	0	(596)	3,348
Accrued interests	65	(0)	-	(65)	0
Total other current assets	20,213	282	0	152	20,646

	Balance as at 1 January 2012 (restated)	Variation	Impairments	Transfer	Balance as at 31 December 2012 (restated)
Prepayment tax and social security	1,120	794	-	-	1,914
Operating loans	18	(18)	-	-	-
Accrued assets	15,269	(929)	-	(2)	14,338
Other current assets	5,330	(1,252)	(182)	-	3,896
Accrued interests	37	59	-	(31)	65
Total other current assets	21,774	(1,346)	(182)	(33)	20,213

❖ In 2013

Over 2013, the Group prepaid income taxes related to accounting periods 2012 and 2013 in the amount of EUR 2.9 million.

Main part of the accrued assets amounting to EUR 12.5 million are service charges (costs for heating, water, elevator) to be re-invoiced to tenants, mainly.

Other current assets are mainly related to the rental activities in Germany for EUR 2.4 million (tenant deposits on trusted accounts).

❖ In 2012

Over 2012, the Group recognized EUR 0.2 million of impairment on trading securities.

17 Cash and cash equivalents

As at 31 December 2013, cash and cash equivalents consists of cash in bank for EUR 51.6 million (EUR 7.7 million in December 2012).

The cash in bank includes restricted cash for EUR 7.7 million in 2013 (EUR 6.1 million in 2012) representing:

- Cash deposited in accounts reserved as collateral for development projects and lifted after sales of units for EUR 1.2 million (EUR 2.0 million in 2012 including 1.6 million described as guarantee);
- Cash deposited in accounts reserved as collateral for loans related to property for EUR 6.5 million (EUR 4.1 million in 2012).

18 Borrowings, bank loans, bonds and derivatives

18.1 Non-current financial debts

	Bank loan	Other non-current borrowings	Non-current bonds	Total
Non-current liabilities - Bonds and Financial debts				
Balance at 1 January 2012 (restated)	26,692	11,178	-	37,870
Issue of new loans and drawdowns	264,808	1,330	-	266,138
Transfers	(9,148)	102	20,000	10,954
Balance at 31 December 2012 (restated)	282,352	12,610	20,000	314,962
Issue of new loans and drawdowns	-	20	-	20
Repayments of loans	(3,628)	(13,486)	-	(17,114)
Conversion of loan to equity	-	-	(19,957)	(19,957)
Transfers	(30,384)	1,240	-	(29,144)
Balance at 31 December 2013	248,340	384	43	248,767

For non-current bond movements, please refer to note 18.4.

❖ 2013

Repayment of other non-current borrowings is related to the repayment of the equity loan granted by OPG to the Group (see Note 29).

The transfers are mainly explained as following:

- Transfer of bank loans from long-term to short-term due to both covenant breaches and current part of the non-current loan Gebauer Hofe (EUR 26.2 million) (see note 18.5);
- Current part of the non-current loans mainly related to the loans financing the GSG (EUR 4.1 million).
- In 2013, the Group has repaid liabilities towards its parent company – OPG. This transaction included conversion of trade payables into loan. This is presented on the line "Transfers" with the amount of EUR 1.2 million in the table above.

❖ 2012

Issue of new bank loans and new drawdowns (EUR 264.8 million) relates to the refinancing of GSG with 5 banks as of 13 December 2012 (EUR 269.6 million in 2011), over the period refinancing fees have been capitalized for EUR 5.1 million (amortized till the maturity of the loan).

Transfers of bank loans (EUR 9.1 million) are mainly related to the transfer after the refinancing of GSG of the current part of the loan (EUR 8.6 million in 2011). As at 31 December 2012 the other non-current borrowings amounts to EUR 12.6 million (EUR 11.2 million in 2011) corresponding mainly to the equity loans from the parent company (Orco Property Group).

18.2 Current financial debts

	Long-term Debt - current part	Other current borrowings	Held for sales liabilities	Current bonds	Total
Current liabilities - Current bonds, Financial debts and Liabilities linked to assets held for sale					
Balance at 1 January 2012 (restated)	398,841	19	10,745	97,777	507,382
Issue of new loans and drawdowns	-	136	-	-	136
Interests	-	-	-	2,323	2,323
Repayments of loans	(303,283)	-	-	-	(303,283)
Repayments upon sales	(96,764)	-	(10,745)	-	(107,509)
Transfers	9,148	(82)	-	(20,000)	(10,934)
Redemption premium	-	-	-	25,025	25,025
Coupon capitalized in 2012	-	-	-	4,004	4,004
Recognition of the part of the bonds acquired by OPG	-	-	-	(109,129)	(109,129)
Balance at 31 December 2012 (restated)	7,942	73	-	-	8,015
Repayments of loans	(3,526)	(50)	-	-	(3,576)
Transfers	30,384	-	-	-	30,384
Balance at 31 December 2013	34,792	23	-	-	34,815

❖ 2013

The repayments of bank loans are mainly related to GSG (EUR 3.0 million) and Gebauer Hofe (EUR 0.5 million).

The transfers are mainly explained as following:

- Transfer of bank loans from long-term to short-term for due to both covenant breaches and current part of the non-current loan Gebauer Hofe (EUR 26.2 million);
- Current part of the non-current loans mainly related to the loans financing the GSG (EUR 4.1 million).

❖ 2012

The repayments of bank loans (EUR 410.8 million of which EUR 107.5 million upon sales) were mainly related to the refinancing of GSG (EUR 300.4 million) with five German banks and the repayment following sale of Sky Office (EUR 96.0 million).

Other repayments had been completed upon the sales of Hüttenstrasse (EUR 4.3 million), Ku-Damm 102 (EUR 6.4 million) and land plots in Berlin (EUR 0.7 million).

Current bonds:

Last movements related to the current bonds occurred in 2012 (see table above and information in note 18.4).

18.3 Borrowings maturity

❖ 2013

At 31 December 2013	Less than one year	1 to 3 years	3 to 5 years	More than 5 years	Total
Bonds	-	43	-	-	43
Financial debts	-	15,399	233,325	-	248,724
Bank loans	-	15,015	233,325	-	248,340
<i>Bank loans fixed rate</i>	-	-	600	-	600
<i>Bank loans floating rate</i>	-	15,015	232,725	-	247,740
Other non-current borrowings	-	384	-	-	384
Sub-total - Non current	-	15,442	233,325	-	248,767
Financial debts	34,815	-	-	-	34,815
Bank loans - current part	34,792	-	-	-	34,792
<i>Bank loans fixed rate</i>	-	-	-	-	-
<i>Bank loans floating rate</i>	34,792	-	-	-	34,792
Other current borrowings	23	-	-	-	23
Sub-total - Current	34,815	-	-	-	34,815
Total	34,815	15,442	233,325	-	283,582

In 2013, the non-current financial debts amount to EUR 248.7 million (in 2012 EUR 295.0 million). The table above represents the carrying amount of the debts allocated by date of repayment.

The Group has interest rate derivatives representing 100% of the non-current floating rate borrowing amounts (100% in 2012) and 100% of the current bank loan floating rate (100% in 2012), in order to limit the risk of the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Most floating interest debt instruments have a fixing period of maximum 3 months.

Bank loans include amounts secured by a mortgage on properties and/or a pledge on the shares of the companies benefiting from the loan to the value of EUR 282.5 million (EUR 290.3 million as at 31 December 2012).

The Group's borrowings are fully denominated in Euro.

❖ 2012

At 31 December 2012	Less than one year	1 to 3 years	3 to 5 years	More than 5 years	Total
Bonds	-	-	-	20,000	20,000
Financial debts	-	33,582	248,770	12,610	294,962
Bank loans	-	33,582	248,770	-	282,352
<i>Bank loans fixed rate</i>	-	-	-	-	-
<i>Bank loans floating rate</i>	-	33,582	248,770	-	282,352
Other non-current borrowings	-	-	-	12,610	12,610
Sub-total - Non current	-	33,582	248,770	32,609	314,962
Financial debts	8,015	-	-	-	8,015
Bank loans	7,946	-	-	-	7,946
<i>Bank loans fixed rate</i>	-	-	-	-	-
<i>Bank loans floating rate</i>	7,946	-	-	-	7,946
Other borrowings	69	-	-	-	69
Sub-total - Current	8,015	-	-	-	8,015
Total	8,015	33,582	248,770	32,609	322,977

In 2012, the non-current financial debts amount to EUR 295.0 million (in 2011 EUR 37.9 million). The table above represents the carrying amount of the debts allocated by date of repayment.

The other non-current borrowings (more than 5 years) represent mainly equity loan granted by the parent company OPG.

The Group has entered into interest rate derivatives representing 100% of the non-current floating rate borrowing amounts (100% in 2011) and 100% of the current bank loan floating rate (100% in 2011), in order to limit the risk of the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Most floating interest debt instruments have a fixing period of maximum 3 months.

Bank loans include amounts secured by a mortgage on properties and/or a pledge on the shares of the companies benefiting from the loan to the value of EUR 290.3 million (EUR 436.3 million as at 31 December 2011).

The Group's borrowings are fully denominated in Euro.

18.4 Bonds with repayable subscription warrants ("OBSAR OG")

No new bonds have been issued in 2013 (same as in 2012).

❖ 2013

As at 6 June 2013 the main part of the remaining 15% OG bonds has been converted by OPG into 28,028,982 new ordinary OG shares for a total of EUR 19.96 million. The outstanding debt amounts to EUR 0.04 million.

❖ 2012

The Group issued a bond with repayable subscription warrants ("OBSAR OG") in May 2007.

On May 9, 2012, approximately 85% of the OG Bonds were exchanged for convertible bonds (Obligations Convertibles en Actions) to be issued by OPG. As a result of this exchange, OPG received OG Bonds, which were contributed to the Company.

As at 27 September 2012, as part of the capital increase, 125,130 bonds were contributed to Orco Germany by OPG and OPG related entity, representing 84.5% of the outstanding number of bonds.

As a result of the bond's restructuring, these bonds held by OG's parent company have been converted into 28 million new OG shares at the beginning of June 2013.

As at 31 December 2012, the remaining bond debt in OG amounted to EUR 20.0 million.

The parent company OPG was holding 550,000 warrants (550,000 in 2011), Orco Germany Investments S.A., a subsidiary of the Company, owned 2,397,311 warrants and Orco Grundstueck GmbH owned 1,150,000 warrants.

As at December 31, 2012 and 2011, no warrant attached to the bonds ("BSAR") had been exercised.

18.5 Loans with covenant breaches

	At 31 December 2013			At 31 December 2012 (restated)		
	Principal	Accrued Interest	Total	Principal	Accrued Interest	Total
Long-term loans presented in short-term	-	-	-	-	-	-
Short-term loans in breach	26,170	87	26,257	-	-	-
due to Financial covenant breach	26,170	87	26,257	-	-	-
Total loans linked to assets held for sale	-	-	-	-	-	-
Total Loans in Breach	26,170	87	26,257	-	-	-

The short-term loans in breach due to financial covenant breach are composed of the loan financing the asset Gebauer Hofe (EUR 26.2 million).

18.6 Derivatives

	31 December 2013	31 December 2012 (restated)
Interest rate derivatives - current assets	32	20
Interest rate derivatives - current liabilities	(691)	(4,521)
Net derivatives	(659)	(4,501)

Derivative instruments are presented within current assets when their fair value is positive, within other current or non-current liabilities when their fair value is negative. Changes in the fair value are recognized immediately through profit and loss under other financial results (see note 4.1.4).

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

Interest rate derivatives represent interest rate swaps and collars. Interest rate swaps are agreements between two parties to exchange a series of interest payments on a common principal amount. A collar is an investment strategy that uses options to limit the possible range of positive or negative returns on an investment in an underlying asset. Recorded at fair value, interest rate swaps and collars cover floating interest rates against fixed interest rates. As at 31 December 2013, the total debt covered by interest rate swaps and collars amounts EUR 283.1 million (EUR 290.3 million in 2012 restated) or 100 % of the floating rate debt (100 % in 2012 restated).

18.7 Interest paid

Interest expenses in 2013 amount to EUR 12.8 million, out of which EUR 10.4 million have been paid, versus EUR 23.6 million in 2012 (restated).

The decrease of interest expenses by EUR 10.8 million is mainly related to the repayment of the loan financing Sky Office and the repayment upon refinancing on GSG loan.

18.8 Average effective interest rates

	31 December 2013	31 December 2012 (restated)
	EUR	EUR
Bonds	-	7.90%
Bank borrowings	4.01%	4.41%

Bank borrowings effective rate decreased from 4.41% to 4.01% mainly due to the repayment of credit lines upon assets sales.

19 Provisions and other long term liabilities

	At 31 December 2012 (restated)	Variation	Allowance	Write-Back	At 31 December 2013
Retirement obligations	10,810	(16)	335	(459)	10,670
Other provisions	5,000	-	-	(626)	4,374
Other long term liabilities	8	(8)	-	-	-
Total provisions and other long term liabilities	15,818	(25)	335	(1,085)	15,044

	At 1 January 2012 (restated)	Variation	Allowance	Write-Back	At 31 December 2012 (restated)
Retirement obligations	9,083	1,727	-	-	10,810
Other provisions	1,000	-	4,000	0	5,000
Other long term liabilities	8	(0)	-	-	8
Total provisions and other long term liabilities	10,092	1,727	4,000	0	15,818

The provisions amount to EUR 15.0 million (EUR 15.8 million in 2012) and are mainly composed of provisions to cover the Group's retirement benefit obligations.

Other provisions relate to the BAR neighbor litigation connected to the Leipziger Platz project.

In 2011, the Group agreed to deduct from the Leipziger Platz development project sales proceeds an amount of EUR 10 million and deposit that amount on an escrow account which will be used to cover compensation or indemnification payments regarding a litigation with the neighbors relating to the building permit. The escrow account has been partially used to cover some costs and expenses related to the litigation and as of December 2013 amounts to EUR 8.9 million (EUR 9.1 million in 2012).

As of December 2013, the Group is of the opinion that there is a risk above 50% that HGHI will obtain satisfaction for an amount of EUR 3.3 million in connection to the set-back of the residential towers. Furthermore, the Group considered prudent to estimate that up to EUR 1.0 million litigation costs and expenses will have to be financed from the cash deposited on escrow account.

As a result, the maximum amount in risk provisioned amounts of EUR 4.4 million as of December 2013 (EUR 5.0 million in 2012). The worst scenario would be that all the proceeds deposited on the escrow account would be swept as it is also a contractual cap to cover the buyer's risks on that litigation. As of December 2013, it is still not possible to estimate exactly the date of the litigation closing, however the Group is not expecting any final judgement before the end of the year 2014.

Retirement benefit obligation

The Group adjusted the accounting policy by adopting the new IAS 19 pronouncement as revised in 2011. The impact of the change is disclosed in Note 2.1.3.5.

The Group operates a defined benefit plan in Orco Gruendstuecks und Beteiligungs GmbH for former Viterro group employees. The plan is a so-called book reserve plan. The important attribute of this kind of plan is that there is no separate vehicle to accumulate assets to provide for the payment of benefits. Rather, the employer sets up a book reserve (accruals) in its balance sheet. Therefore, no contributions are expected to be paid by the Group to the plan for the next reporting period. Estimated benefits to be paid by the Group in 2014 amount to EUR 0.5 million.

The changes in the defined benefit obligation during the year are as follows:

	2013	2012 (restated)
Beginning of the year	10,810	9,083
Interest cost	335	408
Actuarial gains(losses)	(16)	1,739
Benefits paid	(459)	(420)
End of the year	10,670	10,810

The principal actuarial assumptions used were as follows:

	31 December 2013	31 December 2012
Discount rate	3.26%	3.17%
Future salary increases	n.a	n.a
Future pension increases	2.00%	2.00%

The results of the sensitivity analysis are:

Defined benefit obligation as of December 2013 **10 670**

Significant actuarial assumptions as of December 2013

Parameters	Original value	Sensitivity analysis	Effect on DBO
Discount rate	3,26%	0,09%	10 792
Discount rate	3,26%	-0,09%	10 549

Weighted average duration of the defined benefit obligation is 13.1 years.

20 Current liabilities

Current liabilities as at 31 December 2013 presented below amount to EUR 67.7 million. The net increase on current liabilities is mainly due to financial debts (increase by EUR 26.8 million) – non-current financial debts were transferred to current debts due to both covenant breaches and current part of the non-current loan Gebauer Hofe.

	Less than 1 month	Between 1 and 6 months	Between 6 months and 1 year	TOTAL
Financial debts & Current bonds	26,170	4,574	4,071	34,815
Trade payables	510	763	146	1,420
Advance payments	0	1,659	12,066	13,726
Derivative instruments	691	-	-	691
Other current liabilities	2,949	2,305	11,826	17,079
31 December 2013	30,320	9,301	28,109	67,731

The table below provides further details of other current liabilities:

Other current liabilities as at December 2013	17,079
Other non-financial current liabilities	8,249
<i>of which Tax and income tax</i>	2,664
<i>of which Social & Payroll</i>	1,140
<i>of which Provisions</i>	4,445
Other financial current liabilities	8,830

	Less than 1 month	Between 1 and 6 months	Between 6 months and 1 year	TOTAL
Financial debts & Current bonds	21	3,288	4,706	8,015
Trade payables	2,981	75	1,505	4,561
Advance payments	1,902	3,305	9,085	14,292
Derivative instruments	4,521	-	-	4,521
Other current liabilities	11,260	4,136	1,453	16,849
31 December 2012 (restated)	20,685	10,804	16,749	48,238

The table below provides further details of other current liabilities:

Other current liabilities as at December 2012	16,845
Other non-financial current liabilities	7,878
<i>of which Tax and income tax</i>	2,709
<i>of which Social & Payroll</i>	674
<i>of which Provisions</i>	4,495
Other financial current liabilities	8,967

21 Income taxes

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

The capacity to recognize deferred tax assets arising from the temporary differences detailed in the table below is assessed at the level of the fiscal entity. Where the entity is not in a position to recognize them, they are neutralized on the line "DTA derecognition".

The income tax and deferred tax rates applicable in 2013 are 30.17 % in Germany (2012: 30.17 %) and 29.22 % in Luxembourg (2012: 28.8 %).

In 2013, the weighted average applicable tax rate is 30.71 % and the effective tax rate for the period is 15.27 %. The income tax expense recognized in the income statement amounts to EUR 5.4 million and contains EUR 0.5 million of current income tax expense and EUR 5.9 million of deferred income taxes expense.

	31 December 2012	Scope Variation	Variation	Other	31 December 2013	DTA At Closing	DTL At Closing
Intangible assets	(2,157)	-	-	-	(2,157)	-	(2,157)
Tangible assets	(93,146)	(163)	(19,250)	-	(112,559)	964	(113,523)
Financial assets	7,067	-	6,935	-	14,003	14,010	(7)
Inventories	3,666	455	(28)	-	4,093	4,473	(381)
Current assets	(3,455)	-	1,919	226	(1,310)	1,826	(3,136)
Equity	35	-	-	-	35	39	(3)
Provisions	(125)	(119)	618	-	374	397	(22)
Long term debts	2,762	-	232	(65)	2,929	3,703	(774)
Current debts	1,199	-	(924)	(178)	98	431	(334)
DTA derecognition	(15,681)	(173)	(1,144)	17	(16,981)	(16,981)	-
Recognized loss carry forward	578	-	5,782	-	6,359	6,359	-
Total deferred taxes	(99,257)	-	(5,860)	-	(105,116)	15,221	(120,337)
Deferred tax assets	-	-	-	-	-	-	-
Deferred tax liabilities	(99,257)	-	-	-	(105,116)	-	-

The increase of deferred tax liability for tangible assets is attributable to the reorganization of GSG entities and increase of market value of investment properties which led to the recognition of deferred tax liabilities of EUR 19.4 million in total. On the other hand, impairments of loans and receivables generated deferred tax assets of EUR 6.9 million. However, these assets could not be recognized in the consolidated financial statements as the probability of taxable profits generated by the related company is remote. Tax losses carried forward in the amount of EUR 5.8 million were activated in 2013.

In 2012, the weighted average applicable tax rate is 29.25 % and the effective tax rate of the period is -282.76 %. The income tax loss recognized in the income statement amount to EUR 11.7 million and composed of EUR 0.6 million of current income tax expense and EUR 11.1 million of deferred income taxes expense arising essentially from the positive revaluations recognized on the properties which amounted to EUR 18.1 million.

	31 December 2011	Scope Variation	Variation	Other	31 December 2012	DTA At Closing	DTL At Closing
Intangible assets	(2,157)	-	-	-	(2,157)	-	(2,157)
Tangible assets	(87,003)	22	(6,376)	212	(93,146)	1,006	(94,152)
Financial assets	5,070	-	1,997	-	7,067	7,288	(221)
Inventories	2,726	-	1,152	(212)	3,666	5,476	(1,810)
Current assets	(2,658)	-	(797)	-	(3,455)	135	(3,590)
Equity	35	-	-	-	35	39	(3)
Provisions	(18)	(369)	(225)	488	(125)	411	(535)
Long term debts	3,091	-	(330)	-	2,762	3,888	(1,126)
Current debts	2,412	-	(1,213)	-	1,199	1,660	(461)
DTA derecognition	(10,374)	-	(4,882)	(425)	(15,681)	(15,681)	-
Recognized loss carry forward	578	427	(427)	-	578	578	-
Total deferred taxes	(88,298)	80	(11,101)	63	(99,257)	4,800	(104,055)
Deferred tax assets	-	-	-	-	-	-	-
Deferred tax liabilities	(88,298)	-	-	-	(99,257)	-	-

As at December 2013, the losses carry forward not recognized in the local statutory accounts of the Group's subsidiaries represents a tax basis of EUR 21.1 million (2012: EUR 136.8 million). The decrease compared to 2012 is result of changes of Group shareholders – tax losses cannot be carried forward when certain thresholds of ownership are exceeded.

The Group paid EUR 3.2 million of current income taxes in 2013 and EUR 0.6 million in 2012.

The income tax expense for the year can be reconciled to the accounting profit as follows:

	2013	2012 (restated)
Profit or Loss before tax from continued operations	36,064	(4,131)
Tax calculated at domestic rates applicable to profits in the respective countries	(10,933)	1,218
Tax effects of:		
Equity investments results reported net of tax	-	(10)
Untaxed gains or losses	16,985	(2,090)
Undeductible charges and interests	69	(2,012)
Temporary differences	(13,508)	(9,066)
Other income tax	152	865
Adjustments in respect of prior years	1,864	(566)
Income tax expense recognised in profit or loss from continued operations	(5,371)	(11,661)

Tax losses

The table below shows the expiry date of unused tax losses as of 31 December 2013, for which no deferred tax assets is recognized.

At 31 December 2013	Expiry date				Total
	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years	
Unused tax losses	10,233	24,981	2,000	197,297	234,510

In 2009, the Group subsidiary Gewerbesiedlungs-Gesellschaft mbH entered into tax related litigation against its tax office in Berlin. The cause of litigation was the denial of tax loss carry forwards as per 31 December 2007 as well as current losses of the period 1 January 2008 until 28 April 2008 for Corporate and Trade Tax purposes. Having won the litigation at the inferior court in 2011, the tax office appealed against the decision of the fiscal court in January 2012. The appeal proceedings was suspended by court order of the German Federal Fiscal Court from 11 October 2012 with regard to a pending complaint of unconstitutionality at the German Federal Constitutional Court. This complaint is still pending and not expected to be finalized in the foreseeable future.

22 Amortizations, impairments and provisions

	31 December 2013	31 December 2012 (restated)	Variation	Notes
Provisions for pension scheme	-	11	(11)	19
Provisions for other risks and charges	201	(1,248)	1,449	19
Total Provisions	201	(1,237)	1,438	
Impairment of Intangible Assets	(51)	(610)	559	7
Impairment of Owner occupied buildings	80	-	80	9
Impairment of Fixtures and Fittings	(850)	-	(850)	12
Impairment of Inventories	-	(24,264)	24,264	14
Impairment of Trade Receivables	(756)	(261)	(495)	3.1.2
Impairment of Other Current Assets	(0)	(182)	182	16
Total Impairments	(1,577)	(25,318)	23,741	
Amortisation of Intangible assets	(18)	(14)	(4)	7
Amortisations of Owner occupied buildings	(18)	10	(28)	9
Amortisation of Fixtures and Fittings	(352)	(419)	67	12
Total Amortisation	(388)	(423)	35	
Total Amortisation, Impairments & Provisions	(1,763)	(26,977)	25,214	

23 Other operating expenses and employee benefits

	2013	2012 (restated)
Leases and rents	(424)	(437)
Building maintenance and utilities supplies	(17,762)	(17,486)
Marketing and representation costs	(887)	(724)
Administration costs	(4,258)	(11,419)
Taxes other than income tax	(2,370)	(1,803)
Other operating expenses	(267)	(198)
Salaries	(5,166)	(5,618)
Social security expenses	(764)	(797)
Pension costs	(122)	(568)
Other employee benefits	(210)	178
Other personnel related charges	(70)	(254)
Total other operating expenses	(32,300)	(39,129)

Non-cancellable operating leases commitments amount as follows:

- EUR 0.4 million not later than 1 year
- EUR 0.1 million later than 1 year and not later than 5 year
- No commitments later than 5 years

Moreover, the Group expects to receive EUR 1.6 million of future sublease revenue payments under non-cancellable leases and subleases until the end of the contract.

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

	2013	2012 (restated)
Audit fees pursuant to legislation	(172)	(397)
Other services	-	(2)
Total fees	(172)	(399)

24 Other net financial results

	31 December 2013	31 December 2012 restated	Variance
Change in carrying value of liabilities at amortised cost	-	-	-
Change in fair value and realised result on derivative instruments	3,842	449	3,393
Change in fair value and realised result on other financial assets	246	-	246
Other net finance results	(3,371)	(2,027)	(1,344)
Impairment of long-term receivables	(6,442)	-	(6,442)
Total	(5,724)	(1,578)	(4,147)

❖ In 2013

Change in the fair value of derivative instruments essentially arise from the fair value gains on derivatives for EUR 3.8 million with EUR 2.6 million of gain related to GSG and EUR 1.2 million related to Gebauer Hofe.

Impairment on long-term receivables represent impairment of receivable related to sale of Leipziger Platz (EUR 6.4 million).

Other net finance results are mainly composed of bank expenses as bank charges and restructuring fees.

❖ In 2012

The "change in fair value and realized result on derivative instruments" is mainly related to:

- The gain on derivatives for EUR 2.6 million
- The loss recognized on the embedded bond derivative for EUR 2.2 million as a result of its conversion into a debt eligible to the bond restructuring. As of December 2012, this embedded bond does not exist anymore.

Other finance charges are mainly related to the standstill fees on GSG for EUR 1.1 million and refinancing fees on Sky Office for EUR 0.4 million and bank expenses.

25 Earnings per share

	31 December 2013	31 December 2012 (restated)
At the beginning of the period	200,127,463	46,871,333
Shares issued	202,027,463	48,771,333
Treasury shares	(1,900,000)	(1,900,000)
Weighted average movements	25,060,899	39,779,597
Issue of new shares	23,821,995	39,779,597
Treasury shares	1,238,904	
Weighted average outstanding shares for the purpose of calculating the basic earnings per share	225,188,362	86,650,930
Weighted average outstanding shares for the purpose of calculating the diluted earnings per share	225,188,362	86,650,930
Net profit/(loss) attributable to the Equity holders of the Company	29,809	(15,917)
Net profit/(loss) attributable to the Equity holders of the Company after assumed conversions / exercises	29,809	(15,917)
Total Basic earnings in EUR per share	0.13	(0.18)
o/w continuing operations	0.13	(0.18)
o/w discontinued operations	-	-
Total Diluted earnings in EUR per share	0.13	(0.18)
o/w continuing operations	0.13	(0.18)
o/w discontinued operations	-	-

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

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

The warrants were not taken into account in the EPS calculation as the conversion of the warrants had an anti-dilutive impact in 2012 and 2013.

As at 31 December 2012, the treasury shares of the Company represent 1,900,000 shares. On 7 May 2013 all the treasury shares were transferred to the parent company of the Group for a total consideration of EUR 760,000 and, as a result, no treasury shares are held by the Group as at 31 December 2013.

26 Equity holders

	Number of shares	Share Capital	Share premium
Balance at 31 December 2011	48,771,333	60,964	123,658
Capital decrease of 26 April 2012		(56,087)	
Capital increase of 27 September 2012	153,256,130	15,326	93,793
Balance at 31 December 2012	202,027,463	20,203	217,450
Capital increase of 6 June 2013	28,028,982	2,803	17,154
Capital increase of 4 December 2013	114,600,000	11,460	42,402
Balance at 31 December 2013	344,656,445	34,466	277,006

As of the publication date of this report the share capital of the Company amounts to EUR 42,125,644.50 and is represented by 421,256,445 ordinary fully paid shares with a nominal value of EUR 0.10 each. On 5 March 2014, 76,600,000 new ordinary shares at a subscription price of EUR 0.47 per share were issued to Stationway Properties Limited.

❖ In 2013

As of 31 December 2013 the share capital of the Company amounts to EUR 34,465,644.50 and is represented by 344,656,445 ordinary fully paid shares with a nominal value of EUR 0.10 each.

On 6 June 2013, 28,028,982 new ordinary shares of Orco Germany were issued and paid by the contribution in kind of 22,886 Orco Germany bonds (see Note 18.4). All of the issued shares were subscribed by OPG.

The Board of Directors of Orco Germany resolved on 29 November 2013 to implement a reserved capital increase pursuant to the authorization granted by shareholders during the extraordinary general meeting of 26 April 2012. On 29 November, 114,600,000 new ordinary shares at a subscription price of EUR 0.47 per share were subscribed by a Czech company Tandis, a.s. These shares were issued on 4 December 2013.

Following the issuance, the total share capital amounts to EUR 34,465,644.50 and the share premium to EUR 277,006,095.

Each share is entitled in the profits and corporate capital to a pro rata portion of the corporate capital it represents, as well as to voting rights and representation at general meetings of the shareholders in accordance with statutory and legal provisions.

❖ In 2012

Share capital amounts to EUR 20,202,746 and is represented by 202,027,463 shares with a nominal value of EUR 0.10 each fully paid in.

At the Company's extraordinary general meeting held on 26 April 2012, the shareholders resolved to decrease the share capital of the Company from its previous amount of EUR 60,964,166.25 to EUR 4,877,133.30 without cancellation of shares, by decreasing the accounting par value of the existing shares from EUR 1.25 to EUR 0.10 per share with allocation of the reduction proceeds to Other Reserves (which are distributable).

As at 27 September 2012, 153,256,130 new ordinary shares of Orco Germany were issued and paid by the contribution in kind of approximately 84.5% of Orco Germany bonds (see note 18.4). 92.48% of issued shares were subscribed OPG (141,724,871 shares) and 7.52% (11,531,259 shares) by its subsidiary, Brilliant 1419. GmbH & Co. Verwaltungs KG.

Following the issuance, the total share capital amounts to EUR 20,202,746 and the share premium to EUR 217,446,659. Each share is entitled in the profits and corporate capital to a pro rata portion of the corporate capital it represents, as well as to voting rights and representation at general meetings of the shareholders in accordance with statutory and legal provisions.

Authorized capital not issued:

At the extraordinary general meeting of 26 April 2012, the shareholders resolved to increase the existing authorized share capital by an amount of EUR 100,000,000 for a period of 5 years from the date of the General Meeting. Following the capital increases of 27 September 2012 and 4 December 2013, the remaining authorized share capital is EUR 70,411,488.80 as of 31 December 2013. Following the capital increase of 5 March 2014 the remaining authorized capital has been further decreased to EUR 62,751,488.80.

According to article 5 of the Articles of Association of the Company has an authorized, but unissued share capital of EUR 70,411,488.80 (the "Authorized Capital") as of 31 December 2013.

The board of directors of the Company is authorized and empowered within the limits of the authorized capital to:

- realize any increase of the share capital or equity of the Company with or without the issuance of new shares; and
- issue bonds, preferred equity certificates, warrants, options or other instruments convertible, exchangeable or exercisable into new shares and to issue new shares further to the conversion or exercise of the above mentioned instruments.

For the avoidance doubt, any increase of the share capital or equity of the Company, as well as any issue of bonds, preferred equity certificates, warrants, options or other instruments convertible, exchangeable or exercisable into new shares decided by the Board of Directors prior to 26 April 2012 under the former authorized share capital of the Company but not realized, converted or exercised at this date remains validly approved and can be realized, issued, converted or exercised under this new authorized capital.

Such authorization will expire five years after the date of general meeting of shareholders of the Company held on 26 April 2012 and can be renewed in accordance with the applicable legal provisions.

27 Contingencies and litigations

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

As of 31 December 2013, contingent liability of EUR 5.9 million related to BAR (Leipziger Platz transaction – see Note 19) exists.

The capital increases of 4 December 2013 and of 5 March 2014, resulting in a capital raise of EUR 90 million are challenged by some OPG shareholders in court proceedings in Luxembourg. Shareholders are requesting, inter alia, the cancellation of these capital increases. As of the date of this report proceedings are pending in front of the Luxembourg courts.

As at the date of the publication of the consolidated financial statements, the Group has no litigation that would lead to any material contingent liability except as disclosed in Note 19.

28 Capital and other commitments

Capital commitments

There are no commitments in respect of the projects as at 31 December 2013 (EUR 0 million in 2012).

Bank loan covenants (see Note 18.5)

29 Related party transactions

Transactions with OPG and its subsidiaries

OPG granted to the Company an "equity loan" bearing interest at an annual fixed rate of 6% (6% in 2012) and a maturity date of 2020. This loan amounted to EUR 95 thousand as at 31 December 2013 (EUR 12.1 million in 2012). As of 21 December 2013 equity and operational loans with interest were fully repaid (EUR 0.74 million interest in 2012).

During 2013, OPG's subsidiary, Orco Prague, a.s. didn't invoice to GSG any advisory fees (EUR 1.3 million in 2012) in the absence of specific need.

Remuneration of key management personnel

The members of the Board of Directors of the Company, the CEO, the Deputy CEO & CFO and the General Counsel of Orco Germany are considered as the key management personnel of the Group.

Over 2013, key management personnel received a total remuneration of EUR 615 thousand (EUR 1.2 million in 2012).

Other transactions with key management personnel

There is no transactions with key management personnel in 2013.

In the first half of 2011, two entities closely associated to Gabriel Lahyani, a then member of the OPG's Board of Directors acquired 8,890 bonds (ISIN: XS0302623953) of the Company from the OPG'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 as a consequence of this transaction. Although OPG firmly intends to pursue full recovery of this amount, the receivable has been impaired in the 2012 accounts of the Company. As of today the litigation is pending with respect to the delivery and payment of these bonds.

30 List of consolidated subsidiaries

The list of Orco Germany's subsidiaries is detailed as follows. The table shows total Group ownership (direct and indirect) in the subsidiaries.

Company	Country	Currency	Activity	% Shareholding	
				31.12.2013	31.12.2012
Elb Loft BAU Hamburg - GmbH (merged)	Germany	EUR	Development	n/a	100.00%
Gebauer Höfe Liegenschaften GmbH	Germany	EUR	Property investments	94.98%	94.98%
GSG 1. Beteiligungs GmbH	Germany	EUR	Property investments	99.75%	100.00%
GSG Asset GmbH & Co. Verwaltungs KG	Germany	EUR	Property investments	99.75%	100.00%
GSG Gewerbehöfe Berlin 1. GmbH Co. KG	Germany	EUR	Property investments	99.75%	n/a
GSG Gewerbehöfe Berlin 2. GmbH Co. KG	Germany	EUR	Property investments	99.75%	n/a
GSG Gewerbehöfe Berlin 3. GmbH Co. KG	Germany	EUR	Property investments	99.75%	n/a
GSG Gewerbehöfe Berlin 4. GmbH Co. KG	Germany	EUR	Property investments	99.75%	n/a
GSG Gewerbehöfe Berlin 5. GmbH Co. KG	Germany	EUR	Property investments	99.75%	n/a
GSG Gewerbesiedlungs-Gesellschaft mbH	Germany	EUR	Property investments	99.75%	99.75%
Hofnetz und IT Services GmbH	Germany	EUR	Development	99.75%	99.75%
Isalotta GP GmbH & Co. Verwaltung KG	Germany	EUR	Property investments	94.99%	94.99%
Knorrstrasse 119 GmbH & Co KG (merged)	Germany	EUR	Development	n/a	50.00%
Knorrstrasse 119 Verwaltungs GmbH (merged)	Germany	EUR	Development	n/a	50.00%
Orco Berlin Invest GmbH	Germany	EUR	Development	100.00%	100.00%
Orco erste PEG mbH (merged)	Germany	EUR	Development	n/a	100.00%
Orco Grundstücks- u. Bet.ges.mBH	Germany	EUR	Property investments	100.00%	100.00%
Orco Immobilien GmbH	Germany	EUR	Development	100.00%	100.00%
ORCO Projektentwicklung GmbH (merged)	Germany	EUR	Development	n/a	100.00%
Orco Vermietungs- und Services GmbH (merged)	Germany	EUR	Property investments	n/a	100.00%
Solar GSG Berlin GmbH	Germany	EUR	Property investments	99.75%	n/a
Vivaro GmbH & Co. Grundbesitz KG	Germany	EUR	Development	94.34%	94.34%
Vivaro GmbH & Co. Zweite Grundbesitz KG	Germany	EUR	Development	100.00%	94.34%
Vivaro Vermögensverwaltung GmbH	Germany	EUR	Development	100.00%	100.00%
Wertpunkt Real Estate Experts GmbH (former Orco-GSG Unternehmensförderungs- und -beratungs GmbH)	Germany	EUR	Property investments	99.75%	100.00%
Endurance HC Beta SARL (liquidated)	Luxembourg	EUR	Development	n/a	100.00%
Endurance HC Gamma SARL (liquidated)	Luxembourg	EUR	Development	n/a	100.00%
Orco Germany Investment S.A.	Luxembourg	EUR	Renting	100.00%	100.00%

In 2013, the Group underwent reorganization of the GSG entities portfolio aiming at rationalization and enhanced flexibility of the Group structure. This resulted into an incorporation of five new subsidiaries GSG Gewerbehöfe Berlin 1 – 5 and a transfer of some assets from GSG Assets GmbH & Co. Verwaltungs KG to the new subsidiaries.

The following subsidiaries which are included in these consolidated financial statements are exempted from the audit and the preparation of a management report based on § 264b HGB:

- GSG Asset GmbH & Co. Verwaltungs KG, Berlin
- GSG Gewerbehöfe Berlin 1. GmbH & Co. KG, Berlin
- GSG Gewerbehöfe Berlin 2. GmbH & Co. KG, Berlin
- GSG Gewerbehöfe Berlin 3. GmbH & Co. KG, Berlin
- GSG Gewerbehöfe Berlin 4. GmbH & Co. KG, Berlin
- GSG Gewerbehöfe Berlin 5. GmbH & Co. KG, Berlin

31 Events after the reporting period

31.1 Capital increase and change in shareholding participation

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

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

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

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

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

As a result of the capital increase subscribed by Stationway, OPG has been diluted under 50% ownership of OG. Furthermore, the potential capital increase by other OPG shareholders and the expected sale of OG shares in order to cover the OPG's liquidity risks will lead OPG to not have a direct access to the cash flow of the OG sub-group that will no longer be consolidated. As at December 2013, the OG sub-group was contributing to the OPG group cash position for EUR 52 million out of EUR 89 million total consolidated cash position.

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

31.2 Change of executive management

On 18 March 2014, the Company's Board of Directors decided to dismiss and to terminate the executive contracts of Jean-François Ott, Nicolas Tommasini and Brad Taylor. Following negotiations and approvals from the Board of Directors of 26 March 2014, the Group and the former management agreed on 27 March 2014 on a confidential settlement and mutual general release agreement by which the Group settled all the existing and future potential obligations and claims arising from the termination. Under this settlement agreement, the former executives will receive EUR 1,150,000 to be paid in cash by Orco Germany SA. In addition, settlements in kind (non-core assets) were agreed with the former management to transfer the Hakeburg property in Berlin (with its related assets and liabilities) at the net asset value as of 31 December 2013 of EUR 1,900,000 including all related shareholders' loans granted by the Group. As a result of the settlement agreement, Jean-François Ott, Nicolas Tommasini and Brad Taylor resign from all their Board positions.

The Board has appointed Martin Němeček as CEO and Managing Director, Edward Hughes as Chairman of the Board, and Tomáš Salajka as Deputy CEO and Secretary of the Board of Directors.

31.3 Acquisition of Sunčani Hvar receivables

On 1 April 2014, ORCO Germany S.A. ("OG") acquired receivables of two creditors towards Sunčani Hvar d.d., a subsidiary of the ORCO Property Group. Total consideration paid amounts to EUR 24 million and has been achieved with a material discount to the nominal. All these receivables are secured by pledges on SHH assets, mainly on Amfora, Adriana and Riva hotels. OG has the objective to participate to the financing restructuring of SHH. With pledges on some of the best performing assets of SHH, OG will be a major partner to restructure the hotel activities would the intended financing restructuring not be successful.

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REPORT OF THE REVISEUR D'ENTREPRISES AGREE

Report on the consolidated financial statements

Following our appointment by the General Meeting of the Shareholders on 30 May 2013, we have audited the accompanying consolidated financial statements of Orco Germany S.A. ("the Company" or "the Group"), which comprise the consolidated statement of financial position as at 31 December 2013 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the consolidated financial statements

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

Responsibility of the Réviseur d'Entreprises agréé

Our responsibility is to express an opinion on these consolidated 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 about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the judgement of the Réviseur d'Entreprises agréé, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements give a true and fair view of the consolidated financial position of Orco Germany S.A. as of 31 December 2013, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on other legal and regulatory requirements

The consolidated management report, including the corporate governance statement, which is the responsibility of the Board of Directors, is consistent with the consolidated financial statements and includes the information required by the law with respect to the Corporate Governance Statement.

Luxembourg, 1 April 2014

KPMG Luxembourg S.à r.l.
Cabinet de révision agréé


Alison Macleod

ORCO GERMANY S.A.

Société Anonyme

R.C.S. Luxembourg B 102.254

ANNUAL ACCOUNTS AND REPORT
OF THE REVISEURS D'ENTREPRISES AGREES
DECEMBER 31, 2013

40, rue de la Vallée
L-2661 Luxembourg
R.C.S. Luxembourg B 102.254

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BALANCE SHEET
December 31, 2013

A S S E T S	2013 EUR	2012 EUR
FIXED ASSETS	120,200,343	121,361,842
Financial fixed assets (note 3)		
Shares in affiliated undertakings	74,915,083	74,831,816
Amounts owed by affiliated undertakings	45,285,260	45,491,574
Amounts owed by undertakings with which the Company is linked by virtue of participating interest	-	1,038,452
CURRENT ASSETS	47,169,715	12,137,342
Debtors		
Trade receivables	112,018	21,195
Amounts owed by affiliated undertakings (note 3.3)		
a) becoming due and payable within one year	3,256,744	10,239,911
Other receivables	204,641	266,129
Other transferable securities	2,420	59,081
Cash at bank and in hand	43,593,892	1,481,026
PREPAYMENTS	-	10,000
TOTAL ASSETS	<u>167,370,058</u>	<u>133,509,184</u>
L I A B I L I T I E S		
CAPITAL AND RESERVES (note 4)	157,886,684	75,023,825
Subscribed capital	34,465,644	20,202,746
Share premium and similar premiums	277,006,094	217,450,357
Other reserves	56,087,033	56,087,033
Loss brought forward	(218,716,311)	(195,433,625)
))
Profit /(loss) for the financial year	9,044,224	(23,282,686)
NON-SUBORDINATED DEBTS	9,483,374	58,485,359
Bonds – Convertible bonds (note 5)		
b) becoming due and payable after more than one year	54,067	20,010,703
Trade creditors		
a) becoming due and payable within one year	184,126	301,063
Amounts owed to affiliated undertakings (note 6.1)		
a) becoming due and payable within one year	526,023	2,532,381
b) becoming due and payable after more than one year	8,363,985	35,216,041
Other creditors		
a) becoming due and payable within one year	355,173	355,173
TOTAL LIABILITIES	<u>167,370,058</u>	<u>133,509,184</u>

The accompanying notes form an integral part of these annual accounts.

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PROFIT AND LOSS ACCOUNT
For the year ended December 31, 2013

C H A R G E S	2013 EUR	2012 EUR
Other external charges (note 8)	1,657,958	2,794,354
Other operating charges	10,000	137,736
Value adjustments and fair value adjustments on financial fixed assets (note 3)	6,033,932	37,676,186
Interest payable and other financial charges (note 3)		
Concerning affiliated undertakings (note 10)	1,739,597	3,466,051
Other interest payable and similar charges (note 11)	128,826	2,036,480
Extraordinary charges (note 12.1)	2,555,779	626,141
Other taxes not included in the previous caption (note 14)	59,206	8,439
Profit for the financial year	9,044,224	-
TOTAL CHARGES	21,229,522	46,745,387
 INCOME		
Net turnover (note 7)	46,354	30,303
Reversal of value adjustments		
In respect of current assets	67,531	909,271
Other operating income	101,706	483,348
Income from financial fixed assets derived from affiliated undertakings (note 3)	13,775,387	10,071,321
Other interest receivable and other financial income		
Derived from affiliated undertakings (note 13)	7,238,472	11,267,641
Other interest and financial income	70	50,143
Extraordinary income (note 12.2)	2	650,674
Loss for the financial year	-	23,282,686
TOTAL INCOME	21,229,522	46,745,387

The accompanying notes form an integral part of these annual accounts.

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NOTE 1 - GENERAL INFORMATION

ORCO GERMANY S.A. (the “Company” or “OG”) has been incorporated on July 22, 2004 and organized under the laws of Luxembourg as a Société Anonyme for an unlimited period.

The object of the Company is the investment in real estate, thus as the purchase, the sale, the construction, the exploitation, the administration and the letting of real estate as well as the property development, for its own account or through the intermediary of its affiliated companies. The Company has also for object the taking of participating interests, in whatsoever form in other, either Luxembourg or foreign, companies, and the management, control and development of such participating interests. The Company may in particular acquire all types of transferable securities, either by way of contribution, subscription, option, purchase or otherwise, as well as realize them by sale, transfer, exchange or otherwise. The Company may borrow and grant any assistance, loan, advance or guarantee to companies in which it has participation or in which it has a direct or indirect interest. The Company may carry out any commercial, industrial or financial operations, as well as any transactions on real estate or on movable property, which it may deem useful to the accomplishment of its purposes.

The registered office of the Company is established at 40, rue de la Vallée, L-2661 Luxembourg. On August 29, 2013, the directors of the Company decided to change the registered office of the company from number 42 to 40, rue de la Vallée, Luxembourg.

Orco Germany S.A. is a real estate company which is listed on the Regulated Market of the Frankfurt Stock Exchange.

As at December 27, 2012, the Company switched from the market segment Prime Standard to the Regulated Market.

As at December 31, 2013, ORCO GERMANY S.A. is directly 55.14% owned by ORCO PROPERTY GROUP S.A., Luxembourg (“OPG”), which prepares consolidated financial statements including the accounts of the Company. The Company also prepares its own consolidated financial statements.

The consolidated financial statements of the Company and of its parent company ORCO PROPERTY GROUP S.A. can be obtained at their registered office, 40, rue de la Vallée, L-2661 Luxembourg and at the following websites: www.orcogroup.com and www.orcogermany.com.

NOTE 2 - ACCOUNTING PRINCIPLES, RULES AND METHODS

2.1. Basis of preparation and Going concern

The annual accounts have been prepared in accordance with Luxembourg legal and regulatory requirements. Accounting policies and valuation rules are, besides the ones laid down by the Law of December 19, 2002, as subsequently amended, determined and applied by the Board of Directors.

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December 31, 2013
- continued -

In accordance with article 4 of the law of July 30, 2013, the Company has chosen to apply the provisions of that law as from 2014.

Thanks to the issuance of new shares the Company received MEUR 54 Mio in cash further stabilizing the Company's economic situation going forward and allowing future investments.

At the level of the Company's subsidiaries, the successful refinancing of Gewerbesiedlungs-Gesellschaft mbH ("GSG", a fully controlled subsidiary) was closed by the end of 2012 at a lower level of interest.

The economic situation in Berlin is more than resilient and remains one of the most dynamic in Europe. The value of the real estate portfolio held in Berlin by GSG is increasing.

As at the date of publication of these separate annual accounts, approximately 100% of the OG bonds have already been exchanged against OPG issued bonds converted in turn into OPG shares. OPG has in turn converted the OG bonds held following this exchange into OG new shares thus improving the Company's LTV. After this last step, as at December 31, 2013, the Company no longer has any material bond liability. The business plan is built on the capacity of the Company to generate sufficient cash from its profitable subsidiaries in order to support the ones that are currently in development or undergoing restructuring.

The Board of Directors has, as a result of the financial restructuring and the positive cash flow from the rental activities of its subsidiaries, concluded that it is appropriate to prepare the separate annual accounts as at December 31, 2013, on a going concern basis.

2.2. Presentation of the comparative financial data

The figures for the year ended December 31, 2012 relating to Inventories and Other creditors have been reclassified to Other debtors to ensure comparability with the figures for the year ended December 31, 2013.

2.3. Significant accounting policies

2.3.1 Financial fixed assets

Financial fixed assets are valued individually at the lower of their acquisition price or market value. Amounts owed by affiliated undertakings and amounts owed by affiliated undertakings with which the Company is linked by virtue of participating interest shown under "financial fixed assets" are recorded at their nominal value. A value adjustment is recorded when the recovery value is lower than the nominal value.

Where there is a durable depreciation in value in the opinion of the Board of Directors, value adjustments are made in respect of financial fixed assets so that they are valued at the lower figure to be attributed to them at the balance sheet date. The value adjustments are not continued if the reasons for which the value adjustments were made have ceased to apply.

2.3.2 Current debtors

Current debtors are valued at their nominal value. They are subject to value adjustments where their recovery is compromised. These value adjustments are not continued if the reasons for which the value adjustments were made have ceased to apply.

2.3.3 Other transferable securities

Other transferable securities are valued individually at the lower of purchase cost or market value. A value adjustment is recorded where the market value is lower than the purchase cost. These value adjustments are not continued if the reasons for which the value adjustments were made have ceased to apply.

2.3.4 Conversion of foreign currencies

The Company maintains its accounting records in Euro (EUR) and the balance sheet and the profit and loss account are expressed in this currency.

During the financial year, the acquisitions and sales of financial assets as well as income and charges in currencies other than EUR are converted into EUR at the exchange rate prevailing at the transaction dates.

At the balance sheet date, the acquisition price of the financial fixed assets expressed in currency other than the EUR remains converted at the historical exchange rate. All other assets and liabilities expressed in a currency other than EUR are valued at the closing rate. The unrealised and realised losses, as well as the realised gains are recorded in the profit and loss account.

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2.3.5 Derivative financial instruments

Interest rate and forward interest swap agreements are not recorded. A provision is provided for in the caption "other provisions" where the market value is lower than the purchase cost. The market valuation of interest rate swap agreements depends mainly on the evolution of market interest rates. The net interest receivable or payable on outstanding interest rate swap agreements accrued and unpaid is recorded in the balance sheet at year-end. Interest amounts are recorded net in the profit and loss account under the caption "Interest payable and similar charges".

2.3.6 Prepayments

This asset item includes expenditure incurred during the financial year but relating to a subsequent financial year.

2.3.7 Value adjustments

Value adjustments are deducted directly from the related asset.

2.3.8 Net turnover

Net turnover includes rental income and income from invoicing of operating costs.

2.3.9 Bonds and convertible bonds

Bonds and convertible bonds are recorded at their nominal value. Where the amount repayable is greater than the amount received, the difference is shown as an asset under the caption "Prepayments" and is written off over the period of the bonds on a linear basis under the caption "Interest payable and similar charges". Financing fees linked to the issuance of those bonds are also recorded under the caption "Prepayments" and are amortised through profit and loss account over the period of the bonds under the caption "interest payable and similar charges".

2.3.10 Share subscription rights

The Company grants share subscription rights to a third party as part of its financing program. Change in fair value of those instruments is not recorded in the annual accounts.

2.3.11 Amount owed by affiliated undertakings

These items are valued at their nominal value.

NOTE 3 - FINANCIAL FIXED ASSETS

2013	Shares in affiliated undertakings EUR	Amounts owed by affiliated undertakings EUR
Cost		
Situation as at January 1, 2013	153,049,631	130,846,581
Additions/Transfers	39,000	-
Disposals/Transfers	(76,245)	(9,862,730)
Situation as at December 31, 2013	153,012,386	120,983,851
Depreciation		
Situation as at January 1, 2013	(78,217,815)	(84,316,555)
Release for the year	120,512	13,654,875
Depreciation for the year	-	(5,036,911)
Situation as at December 31, 2013	(78,097,303)	(75,698,591)
Net value as at December 31, 2013	74,915,083	45,285,260
Net value as at December 31, 2012	74,831,816	45,491,574

3.1. Shares in affiliated undertakings

The object of all affiliated companies is the investment in real estate and/or the holding of interest in real estate companies.

The Board of Directors of the Company is of the opinion that the investments in some affiliated undertakings of the Company are permanently impaired as at December 31, 2013. Therefore, all shares in affiliated undertakings with net equity significantly lower than acquisition cost as at December 31, 2013, are value adjusted to the higher of zero and the net equity of each concerned affiliated undertaking as at December 31, 2013.

Undertakings in which the Company holds at least 20% in their share capital are detailed in the table on the following page.

In accordance with article 67 (3) (a) of the law dated December 19, 2002, the Company does not present the capital and reserves and the profit or loss of its subsidiaries which are included in the consolidated financial statements of the Company available on the website www.orcogermany.com.

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Name of the undertaking	Country	Cur.	% held	Cost	Change	Cost	Reversal of impairment / (Impairment)	Accumulated Impairment	Carrying value
				31.12.2012	in 2013	31.12.2013	31.12.2013	31.12.2013	31.12.2013
				EUR	EUR	EUR	EUR	EUR	EUR
Endurance HC Beta Sàrl	Luxembourg	EUR	NA(*)	12,500	(12,500)	-	12,500	-	-
Endurance HC Gamma Sàrl	Luxembourg	EUR	NA(*)	12,500	(12,500)	-	12,500	-	-
Gebauer Höfe Liegenschaften GmbH GSG-Gewerbesiedlungsges mbH (Isalotta 1. GmbH)	Germany	EUR	NA(**)	26,245	(26,245)	-	26,245	-	-
Isalotta 2. GmbH	Germany	EUR	94.99%	74,768,165	-	74,768,165	-	-	74,768,165
Isalotta GP GmbH & Co. Verwaltungs KG	Germany	EUR	100.00%	197,567	-	197,567	-	(197,567)	-
Orco Berlin Invest GmbH, Berlin	Germany	EUR	94.99%	3,755,384	-	3,755,384	-	(3,755,384)	-
Orco Berlin Invest GmbH, Berlin	Germany	EUR	100.00%	19,025,000	-	19,025,000	-	(19,025,000)	-
Orco Germany Investment SA	Luxembourg	EUR	100.00%	31,000	-	31,000	-	(31,000)	-
Orco Grundstück u. Beteiligungs GmbH, Berlin	Germany	EUR	100.00%	40,027,300	-	40,027,300	-	(40,027,300)	-
Orco Immobilien GmbH, Berlin	Germany	EUR	100.00%	12,905,683	-	12,905,683	-	(12,905,683)	-
Orco Vermietungs- und Service GmbH	Germany	EUR	NA(***)	25,000	(25,000)	-	25,000	-	-
Vivaro GmbH & Co Grundbesitz KG	Germany	EUR	94.34%	1,691,169	-	1,691,169	-	(1,691,169)	-
Vivaro GmbH & Co Zweite Grundbesitz KG	Germany	EUR	100.00%	547,118	39,000	586,118	44,267	(439,200)	146,918
Vivaro Vermögensverwaltung GmbH	Germany	EUR	100.00%	25,000	-	25,000	-	(25,000)	-
				153,049,631	(37,245)	153,012,386	120,512	(78,097,303)	74,915,083

(*) Non applicable because the entity was liquidated during the year.

(**) Non applicable because the entity was sold to another affiliated undertaking during the year.

(***) Non applicable because the entity merged into another affiliated undertaking during the year.

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NOTES TO THE ANNUAL ACCOUNTS
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3.2. Amounts owed by affiliated undertakings

	2013 EUR	2012 EUR
Orco Immobilien GmbH (*)	47,820,689	43,522,425
Orco Grundstück-u. Beteiligungs GmbH	22,715,917	29,723,000
Gebauer Höfe Liegenschaften GmbH (*)	19,419,406	18,302,651
Orco Berlin Invest GmbH	10,831,497	9,970,000
GSG Gewerbehöfe Berlin 1. GmbH & Co. KG	2,700,000	-
GSG Gewerbehöfe Berlin 2. GmbH & Co. KG	3,900,000	-
GSG Gewerbehöfe Berlin 3. GmbH & Co. KG	3,200,000	-
GSG Gewerbehöfe Berlin 4. GmbH & Co. KG	3,500,000	-
GSG Gewerbehöfe Berlin 5. GmbH & Co. KG	4,100,000	-
Vivaro GmbH & Co Grundbesitz KG	1,705,870	1,412,750
Vivaro GmbH & Co Zweite Grundbesitz KG	789,059	756,842
Orco Germany Investment S.A.	127,091	82,465
Orco Vermietungs- und Services GmbH	-	347,150
Orco Projektentwicklung GmbH (merged)	-	5,730,960
Endurance HC entities (liquidated)	-	1,276,291
Orco Elb Office Hamburg GmbH (merged)	-	411,800
Gewerbesiedlungsgesellschaft mbH (**)	-	18,207,709
Others	174,322	64,086
Total cost	120,983,851	129,808,129
Depreciation	(75,698,591)	(84,316,555)
Net value	45,285,260	45,491,574

(*) Loans are subordinated to the bank loans located in the affiliated undertakings

(**)The loan is split between the new entities: GSG Gewerbehöfe 1-5 GmbH & Co. KG

Amounts owed by affiliated undertakings have no set maturity dates and are remunerated at an interest rate of 6%, except Gebauer Höfe GmbH (2%).

The amounts owed by affiliated undertakings have been considered as impaired as follows:

	2013 EUR	2012 EUR
Orco Immobilien GmbH	37,155,631	33,892,567
Gebauer Höfe Liegenschaften GmbH	4,546,366	5,984,779
Orco Berlin Invest GmbH	10,831,497	10,771,497
Orco Vermietungs- und Services GmbH	-	357,964
Orco Grundstück-u. Beteiligungs GmbH	22,715,917	31,357,872
Endurance HC entities	-	1,374,848
Vivaro GmbH & Co. Grundbesitz KG	280,152	-
Orco Germany Investment S.A.	127,091	-
Orco Elb Office Hamburg GmbH	-	442,600
Others	41,937	134,428
Total depreciation	75,698,591	84,316,555

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3.3. Amounts owed by affiliated undertakings becoming due and payable within one year

The amounts owed by affiliated undertakings becoming due and payable within one year contain receivables from affiliated undertakings and the interest accrued on the amounts owed by affiliated undertakings under financial fixed assets in the gross amount of EUR 4,253,765 (2012: EUR 10,239,911). This position mainly consist of receivables and interest from Orco Immobilien GmbH EUR 2,445,772 (2012: EUR 3,658,601), Gebauer Höfe GmbH EUR 388,327 (2012: EUR 1,116,754) and Vivaro GmbH & Co. Grundbesitz KG EUR 99,250 (2012: EUR 102,585).

The interest will be capitalized after one year and has no maturity.

The amounts owed by affiliated undertakings becoming due and payable within one year have been considered as impaired as follows:

	2013 EUR
Orco Berlin Invest GmbH	646,600
Orco Grundstück-u. Beteiligungs GmbH	343,668
Orco Germany Investment S.A.	6,753
Total depreciation	<u><u>997,021</u></u>

3.4. Amounts owed by undertakings with which the Company is linked by virtue of participating interest

Orco Germany S.A. granted a loan to Orco Russian Retail S.A. in 2011. The loan of (EUR 1,038,452) was fully reimbursed in 2013. As of December 2013, the Company did not grant any other loan.

NOTE 4 - CAPITAL AND RESERVES

Share capital

As of the publication date of this report the share capital of the Company amounts to EUR 42,125,644.50 and is represented by 421,256,445 ordinary fully paid shares with a nominal value of EUR 0.10 each. On 5 March 2014, 76,600,000 new ordinary shares at a subscription price of EUR 0.47 per share were issued to Stationway Properties Limited.

2013

As of 31 December 2013 the share capital of the Company amounts to EUR 34,465,644.50 and is represented by 344,656,455 ordinary fully paid shares with a nominal value of EUR 0.10 each.

On 6 June 2013, 28,028,982 new ordinary shares of Orco Germany were issued and paid by the contribution in kind of 22,886 Orco Germany bonds. All of the issued shares were subscribed by OPG.

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The Board of Directors of Orco Germany resolved on 29 November 2013 to implement a reserved capital increase pursuant to the authorization granted by shareholders during the extraordinary general meeting of 26 April 2012. On 29 November, 114,600,000 new ordinary shares at a subscription price of EUR 0.47 per share were subscribed by a Czech company Tandis, a.s. These shares were issued on 4 December 2013.

Following the issuance, the total share capital amounts to EUR 34,465,644.50 and the share premium to EUR 277,006,095.

Each share is entitled in the profits and corporate capital to a pro rata portion of the corporate capital it represents, as well as to voting rights and representation at general meetings of the shareholders in accordance with statutory and legal provisions.

Certain shareholders of OPG challenge the OG capital increases of 4 December 2013 and 5 March 2014 in court proceedings in Luxembourg. These shareholders demand, inter alia, cancellation of these capital increases and consequences against the Board of Directors. Some of these shareholders also contest the validity of the general meeting held on 6 January 2014 in Luxembourg. As of the date of this report proceedings are pending in front of the Luxembourg courts.

2012

Share capital amounts to EUR 20,202,746 and is represented by 202,027,463 shares with a nominal value of EUR 0.10 each fully paid in.

At the Company's extraordinary general meeting held on 26 April 2012, the shareholders resolved to decrease the share capital of the Company from its previous amount of EUR 60,964,166.25 to EUR 4,877,133.30 without cancellation of shares, by decreasing the accounting par value of the existing shares from EUR 1.25 to EUR 0.10 per share with allocation of the reduction proceeds to Other Reserves (which are distributable).

As at 27 September 2012, 153,256,130 new ordinary shares of Orco Germany were issued and paid by the contribution in kind of approximately 84.5% of Orco Germany bonds. 92.48% of issued shares were subscribed OPG (141,724,871 shares) and 7.52% (11,531,259 shares) by its subsidiary, Brillant 1419. GmbH & Co. Verwaltungs KG.

Following the issuance, the total share capital amounts to EUR 20,202,746 and the share premium to EUR 217,446,659.

Each share is entitled in the profits and corporate capital to a pro rata portion of the corporate capital it represents, as well as to voting rights and representation at general meetings of the shareholders in accordance with statutory and legal provisions.

Authorized capital not issued:

At an extraordinary general meeting of April 26, 2012, the shareholders resolved to set the existing authorized share capital to an amount of EUR 100,000,000 for a period of 5 years from the date of the General Meeting.

Following the capital increases of 27 September 2012 and 4 December 2013, the remaining authorized share capital is EUR 70,411,488.80 as of 31 December 2013. Following the capital increase of 5 March 2014 the remaining authorized capital has been further decreased to EUR 62,751,488.80.

According to article 5 of the Articles of Association, the Company has an authorized, but unissued share capital of EUR 70,411,488.80 (the "Authorized Capital") as of 31 December 2013.

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The Board of Directors of the Company is authorized and empowered within the limits of the authorized capital to:

- realize any increase of the share capital or equity of the Company with or without the issuance of new shares; and
- issue bonds, preferred equity certificates, warrants, options or other instruments convertible, exchangeable or exercisable into new shares and to issue new shares further to the conversion or exercise of the above mentioned instruments.

For the avoidance of doubt, any increase of the share capital or equity of the Company, as well as any issue of bonds, preferred equity certificates, warrants, options or other instruments convertible, exchangeable or exercisable into new shares decided by the Board of Directors prior to April 26, 2012 under the former authorized share capital of the Company but not realized, converted or exercised at this date remains validly approved and can be realized, issued, converted or exercised under this new authorized capital.

Such authorization will expire five years after the date of general meeting of shareholders of the Company held on April 26, 2012, and can be renewed in accordance with the applicable legal provisions.

Legal reserve

In accordance with the commercial law, the company must appropriate to the legal reserve a minimum of 5% of the annual profit until such reserve equals 10 % of the share capital. Distribution by the way of dividends of the legal reserve is restricted.

Movements in capital and reserves

	Subscribed capital	Share premium account	Other Reserves	Loss brought forward	Profit / (loss) for the financial year
	EUR	EUR	EUR	EUR	EUR
Situation as at December 31, 2012	20,202,746	217,450,357	56,087,033	(195,433,625)	(23,282,686)
Allocation of the result	-	-	-	(23,282,686)	23,282,686
Increase of capital of June 3, 2013	2,802,898	17,153,737	-	-	-
Increase of capital of December 4, 2013	11,460,000	42,402,000	-	-	-
Profit of the year	-	-	-	-	9,044,224
Situation as at December 31, 2013	34,465,644	277,006,094	56,087,033	(218,716,311)	9,044,224

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NOTE 5 - CONVERTIBLE BONDS

On May 30, 2007, the Company issued bonds with repayable subscription warrants ("OBSAR") maturing on May 30, 2012 and bearing interest at 4% per annum. Pursuant to the change of the terms and conditions (see note 5), the new maturity is May 30, 2050 and the interest rate has been reduced to 0.5% per annum.

Bonds

Nominal amount	EUR 100,100,052
Number of bonds	148,077
Issue price per bond	At par value EUR 676
Maturity date	May 30, 2050
Redemption price	at 100% or at 125% of par, depending on the occurrence of specific external events, namely the market price of the shares of Orco Germany S.A.
Nominal interest rate	4% until May 30, 2012, then 0.5% (payable annually).
ISIN	XS0302623953
Listing	Luxembourg Stock Exchange

Warrants

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

Accrued interest unpaid on the outstanding bonds is EUR 1,677 (2012: EUR 616,320) and is shown under the long-term portion of the caption "Bonds – Convertible bonds" in liabilities.

As at June 3, 2013, 22,885 bonds were contributed to the Company by OPG and OPG related entities, representing 15.45% of the outstanding number of bonds (see note 4)

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As at December 31, 2013, the movements on the bonds are as follow (in EUR):

Convertible bonds	Fixed Rate Bonds
Balance at 31 December 2012	20,010,702
Own bonds received in connection with the capital increase dated June 3, 2013 (see note 4).	(19,956,635)
Balance at 31 December 2013	54,067

As a result of the bond restructuring, the outstanding bonds held directly by other investors amount to EUR 54,067, represented by 62 bonds.

The parent company OPG holds 1,700,000 warrants and Orco Germany Investments S.A. (an affiliated undertaking) owns 2,397,311 warrants.

As at December 31, 2013 and 2012, no warrant attached to the bonds ("BSAR") has been exercised. The expiry date of the warrants is 2014.

NOTE 6 - OTHER NON SUBORDINATED DEBTS

6.1. Amounts owed to affiliated undertakings, becoming due and payable after more than one year

The maturity of the debts is more than five years. This position mainly consists of advances received from GSG Gewerbesiedlungs GmbH, EUR 5,456,929 (2012: EUR 5,148,264), Orco Immobilien GmbH, EUR 2,395,693 (2012: EUR 2,152,367) and the parent company, Orco Property Group S.A., EUR 95,030 (2012: EUR 14,306,303), including accrued interest payable at a rate of 6%.

NOTE 7 - NET TURNOVER

The Company derives its net turnover from the invoicing of the operational costs of its sold building located in Germany.

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NOTE 8 - OTHER EXTERNAL CHARGES

Other external charges are composed of:

	2013	2012
	EUR	EUR
Supplies, rental, maintenance and repairs	-	28,663
Financial services	25,274	3,018
Professional fees	1,333,782	2,596,256
IT costs	71,162	-
Marketing	132,206	119,983
Insurance	22,210	(29,818)
Other	73,324	76,252
	1,657,958	2,794,354

NOTE 9 - STAFF

The Company had no employee in 2013 or 2012.

NOTE 10 - INTEREST PAYABLE CONCERNING AFFILIATED UNDERTAKINGS

The interest rate applied to amounts owed to affiliated undertakings was decreased from 8% to 6% from January 1, 2013. For the loan from OPG, a 6% interest rate has been applied from January 1, 2012.

In 2013, interest payable mainly concerned amounts owed to Orco Property Group S.A. EUR 648,551 (2012: EUR 742,023), Orco Grundstücks- und Beteiligungs GmbH EUR 635,222 (2012: EUR 1,210,716) and GSG-Gewerbesiedlungs GmbH EUR 308,665 (2012: EUR 1,405,139).

NOTE 11 - OTHER INTEREST PAYABLE AND SIMILAR CHARGES

Other interest payable and charges are composed of:

	2013	2012
	EUR	EUR
Interest due on loans from credit institutions	-	65,296
Interest due on OBSAR bonds issued (*)	77,822	1,677,628
Amortisation of bond issuing fees	-	175,052
Swap valuation loss	-	76,797
Value adjustment on transferable securities	51,004	41,707
Total at the end of the year	128,826	2,036,480

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(*) OBSAR were initially maturing on May 30, 2012 and bearing interest at 4% per annum. Pursuant to the change of the terms and conditions (see note 5), the new maturity is May 30, 2050 and the interest rate has been reduced to 0.5% per annum.

NOTE 12 - EXTRAORDINARY CHARGES & INCOME

12.1 Extraordinary charges

In 2012, the amount of EUR 626,141 contains a write-off of a receivable to GSG for an amount of EUR 400,514 and the recognition of the full impairment of a receivable for EUR 225,628 related to bonds sold in 2011.

In 2013, the amount of EUR 2,555,779 contains a write-off of a receivable from Orco Vermietungs- und Services GmbH for an amount of EUR 614,663 and the transferred loss carry forward from the liquidation of Endurance HC Beta and Endurance HC Gamma for EUR 1,903,369.

12.2 Extraordinary income

Extraordinary income in 2012 was mainly made up of a profit of EUR 540.394 arising from the sale of the Kurfürstendamm 102 property.

In 2013 the amount of EUR 2 is the income from the sale of financial fixed assets.

NOTE 13 - OTHER INTEREST RECEIVABLE FROM AFFILIATED UNDERTAKINGS

The interest rate on amounts due from affiliated undertakings was decreased from 8% to 6% from January 1, 2013.

In 2013, other interest receivable from affiliated undertakings mainly concerned Orco Immobilien GmbH EUR 2,845,599 (2012: EUR 3,658,264), Orco Grundstück-u Bet. GmbH EUR 1,945,517 (2012: EUR 2,389,719), GSG-Gewerbesiedlungs GmbH EUR 688,135 (2012: EUR 1,452,428), Orco Berlin Invest GmbH EUR 646,600 (2012: EUR 801,497), and Gebauer-Höfe EUR 388,327 (2012: EUR 1,116,754).

NOTE 14 - OTHER TAXES

The Company is fully taxable company for Luxembourg income and net wealth taxes. Furthermore, the Company is subject to German corporate tax.

NOTE 15 - OFF BALANCE SHEET COMMITMENTS

The Company issued a subordination of loan and a comfort letter without any limit for the following affiliated companies:

- Orco Immobilien GmbH
- Orco Grundstücks- und Beteiligungs GmbH
- Orco Berlin Invest GmbH
- Orco Vermietungs- und Services GmbH
- Gebauer Höfe Liegenschaften GmbH
- Vivaro GmbH & Co. Grundbesitz KG

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- GSG Asset GmbH & Co. Verwaltungs KG

In 2012 the Company issued the following comfort letters to GSG Asset KG for their contracting partner Techem Energy Contracting GmbH still valid in 2013 and 2014:

- Wattstrasse, limited to EUR 190,000
- Geneststrasse, limited to EUR 240,000
- Zossener Strasse, limited to EUR 191,500
- Adalbertstrasse, limited to EUR 77,000
- Waldemarstrasse, limited to EUR 178,000
- Gneisenaustrasse, limited to EUR 172,000

Furthermore, the Company has entered into the following commitment:

Type	Description
Pledge of shares	Shares of GSG Asset GmbH & Co Verwaltungs KG and GSG 1. Beteiligungs GmbH are pledged to guarantee a loan granted by a group of banks to an affiliated undertaking.

In connection with the financing of some subsidiaries, the Company pledged its shares to the bank providing the loan; in 2013 the pledge was towards a group of five banks.

NOTE 16 - REMUNERATION OF THE MEMBERS OF THE BOARD OF DIRECTORS

There were no emoluments granted in respect of the financial year to the executive members of the Board of Directors (2012: EUR nil). The Company did not grant any advances, loans or pension schemes to its Directors.

NOTE 17 - RELATED PARTY TRANSACTIONS

17.1. Balance Sheet

As at December 31, 2013 and 2012, the following balances with related parties are outstanding:

- Shares in affiliated undertakings as disclosed in note 3.1.
- Amounts owed by affiliated undertakings as disclosed in notes 3.2 & 3.3.
- Amounts owed by affiliated undertakings are disclosed separately in the balance sheet and represent mainly interest accrued on intercompany loans as well as some other financial receivables
- Amounts owed to affiliated undertakings are disclosed separately in the balance sheet and represent interest accrued on intercompany loans.

In the first half of 2011, two entities closely associated to Gabriel Lahyani, a member of OPG' Board of Directors, acquired 8,890 bonds (ISIN: XS0302623953) issued by ORCO Germany S.A. from OG for a total of EUR 4.4 Million.

As of the date of this report, an amount of EUR 225,628 is owed to Orco Germany S.A. as a consequence of this transaction and is classified as other debtors. This amount has been impaired as of December 31, 2013.

17.2. Profit and loss account

During 2013 and 2012, the following income and charges were realised with related parties:

- Administrative and accounting fees paid to other entities of the Group for EUR 357,000 (2012: 357,000),
- Management and consulting services paid to related parties for EUR 615,000 (2012: EUR 630,000)
- Interest and similar charges to related parties are disclosed separately in the profit and loss account (Note 10)
- Interest and similar income from related parties are disclosed separately in the profit and loss account. (Note 13)

NOTE 18 - EVENTS AFTER BALANCE SHEET DATE

Orco Germany S.A. resolved a new capital increase on March 3, 2014. 76,600,000 new shares were subscribed by Stationway, an entity affiliated with Mr. Ott. It led to a capital increase of EUR 36,002,000, paid on 5th March 2014.

The ordinary general meeting of shareholders held on March 10, 2014 resolved to remove all members of the board. New board members were appointed: Edward Hughes, Martin Nêmeček, Jean-François Ott, Tomáš Salajka, Nicolas Tommasini and Radovan Vitek.

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On March 18, 2014 the board of directors appointed the new management members of Orco Germany S.A.: Martin Němeček as CEO and Tomáš Salajka as Deputy CEO.

Following negotiations and approvals from the Board of Directors of March 26, 2014, the Company and the former management agreed on March 27, 2014 on a confidential settlement and mutual general release agreement by which the Company settled all existing and future potential obligations and claims arising from the termination. Under this settlement agreement, the former executives will receive EUR 1,150,000 to be paid in cash by Orco Germany S.A.. In addition, settlements in kind (non-core assets) were agreed with the former management to transfer the Hakeburg property in Berlin (with its related assets and liabilities) at the net asset value as of December 31, 2013 of EUR 1,900,000 including all related shareholders' loans granted by the Company. As a result of the settlement agreement, Jean-François Ott, Nicolas Tommasini and Brad Taylor resign from all their Board positions.

ORCO Germany S.A. ("OG") acquires receivables of two creditors towards Sunčani Hvar d.d. ("SHH"). The OG total investment of EUR 24 million has been achieved with a material discount to the nominal. All these receivables are secured by pledges on SHH assets, mainly on Amfora, Adriana and Riva hotels. OG has the objective to participate to the financing restructuring of SHH. With pledges on some of the best performing assets of SHH, OG will be a major partner to restructure the hotel activities would the intended financing restructuring not be successful.

To the Shareholders of
Orco Germany S.A.
40, rue de la Vallée
L-2661 Luxembourg

REPORT OF THE REVISEURS D'ENTREPRISES AGREES

Report on the annual accounts

We have audited the accompanying annual accounts of Orco Germany S.A., which comprise the balance sheet as at December 31, 2013 and the profit and loss account for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the annual accounts

The Board of Directors is responsible for the preparation and fair presentation of these annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts, and for such internal control as the Board of Directors determines is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

Responsibility of the Réviseurs d'Entreprises agréé

Our responsibility is to express an opinion on these annual accounts 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 about whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the judgement of the Réviseur d'Entreprises agréé, including the assessment of the risks of material misstatement of the annual accounts, 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 annual accounts 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 annual accounts.

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 annual accounts give a true and fair view of the financial position of Orco Germany S.A. as of December 31, 2013, and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts.

Report on other legal and regulatory requirements

The management report, including the corporate governance statement, which is the responsibility of the Board of Directors, is consistent with the annual accounts and includes the information required by the law with respect to the Corporate Governance Statement.

Luxembourg, April 1, 2014

For KPMG Luxembourg S.à r.l.
Cabinet de révision agréé



Alison Macleod

For H.R.T. Revision S.A.
Cabinet de révision agréé



Jean-Philippe Barret