Meridian Properties

18,000,000 Shares

Meridian Properties N.V.

(a property investment company established as a public limited company organized under the laws of the Netherlands and registered with the trade register under registration number 57918058)

Ordinary Shares

This is the initial offering of our ordinary shares. We are offering 18,000,000 new ordinary shares (series A and series B) with a nominal value of €0.10 (the **Offering**).

This Offering includes a public offering to professional investors in Poland and an international offering to institutional investors outside of Poland.

We have granted the underwriters an option to purchase up to 900,000 additional ordinary shares.

There is currently no market for our shares. We will apply for admission and introduction of our shares to trading on the regulated market of the Warsaw Stock Exchange.

Investing in the ordinary shares involves risks. See "*Risk Factors*" beginning on page 18.

The shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the **Securities Act**). Prospective purchasers that are qualified institutional buyers are hereby notified that the sellers of the shares may be relying on an exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. Outside the United States, the Offering is being made in reliance on Regulation S under the Securities Act.

This document constitutes a prospectus for the purposes of Article 3 of the Directive 2003/71/EC and amendments thereto, including Directive 2010/73/EU (the **European Prospectus Directive**) and has been prepared in accordance with Chapter 5.1 of the Dutch Act on Financial Supervision (*Wet op het financieel toezicht*) (the **Wft**) and the rules promulgated thereunder (the **Prospectus**). This document has been filed with, and was approved on September 30, 2013 by, the Netherlands Authority for the Financial Markets (*Stichting Autoriteit Financiele Markten*, the **AFM**).

The shares are being offered at the offering price, which will be determined through a bookbuilding process. The final number of shares in the Offering may differ from the initial amount stated in this Prospectus. The offering price and the total final number of shares in the Offering will be set out in a pricing statement that will be deposited with the AFM and published in a press release on our website.

The shares are expected to be delivered to purchasers on or about October 24, 2013 through the book-entry facilities of the Polish National Depositary for Securities (the **NDS**).

Sole Global Coordinator and Bookrunner

Citigroup

Co Lead Managers

Erste Group | **Raiffeisen Bank International** | **Alpha Bank**

September 30, 2013

In making an investment decision, prospective investors must rely on their own examination of the Company and the terms of the Offering, including the merits and risks involved. Prospective investors should not construe anything in this document as legal, business or tax advice. Each prospective investor should consult its own advisors as needed to make its investment decision and to determine whether it is legally permitted to purchase the securities under applicable legal investment or similar laws or regulations.

We have furnished the information in this document. You acknowledge and agree that the underwriters make no representation or warranty, express or implied, as to the accuracy or completeness of such information, and nothing contained in this document is, or shall be relied upon as, a promise or representation by the underwriters. Reference is made to the actual documents for complete information. Copies of documents referred to herein as available documents will be made available to prospective investors upon request.

We have prepared the information contained in this document. Neither we nor any of the underwriters has authorized anyone to provide you with any other information and neither we nor any of the underwriters takes any responsibility for other information others may give you.

The distribution of this document and the Offering and sale of the shares in certain jurisdictions may be restricted by law. We and the underwriters require persons into whose possession this document comes to inform themselves about and to observe any such restrictions. This document does not constitute an offer of, or an invitation to purchase, any of the shares in any jurisdiction in which such offer or sale would be unlawful. No one has taken any action that would permit a public offering to occur in any jurisdiction other than Poland.

NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED STATES

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this document is truthful or complete. Any representation to the contrary is a criminal offense.

The shares are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the Securities Act and the applicable state securities laws pursuant to registration or exemption therefrom. As a prospective purchaser, you should be aware that you may be required to bear the financial risks of this investment for an indefinite period of time. Please see "*Underwriting, Stablization and Lock-Up*" and "*Transfer Restrictions*."

The assurance report issued by PricewaterhouseCoopers Accountants N.V. on the unaudited *pro forma* combined financial information is not intended to be relied on in the United States of America and we accept no responsibility for any use that you may make of it in the United States of America. The work performed by PricewaterhouseCoopers Accountants N.V. has not been carried out in accordance with auditing standards generally accepted in the United States of America and accordingly should not be relied upon as if it had been carried out in accordance with those standards.

NOTICE TO NEW HAMPSHIRE RESIDENTS ONLY

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421 B OF THE NEW HAMPSHIRE REVISED STATUTES ANNOTATED, 1955, AS AMENDED (RSA 421-B) WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE OF THE STATE OF NEW HAMPSHIRE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY, OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER, OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED KINGDOM

Our shares may not be offered or sold to any person in the United Kingdom, other than to persons whose ordinary activities involve them acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom.

NOTICE TO PROSPECTIVE INVESTORS IN THE NETHERLANDS

The shares will be offered in the Netherlands solely to professional investors (*professionele beleggers*) as defined in article 1:1 of the Wft. This document may only be directed at and communicated in the Netherlands to professional investors. The Company has notified the AFM and shall be registered with the AFM as an investment institution that based on certain (size) criteria is not required to have an investment institution license. The Company shall periodically provide the DCB with certain specific information about the Company. In the Netherlands, the Company will not be subject to the supervision of the AFM and/or the DCB.

AVAILABLE INFORMATION

For so long as any of the shares are in issue and are “restricted securities” within the meaning of Rule 144(a)(3) under the Securities Act, the Company will, during any period in which it is not subject to section 13 or 15(d) under the U.S. Securities Exchange Act of 1934, as amended (the **Exchange Act**), nor exempt from reporting under the Exchange Act pursuant to Rule 12g3-2(b) thereunder, make available to any holder or beneficial owner of an offer share, or to any prospective purchaser of an offer share designated by such holder or beneficial owner, the information specified in, and meeting the requirements of, Rule 144A(d)(4) under the Securities Act.

ENFORCEABILITY OF CIVIL LIABILITIES

We are a property investment company established as a public limited liability company (*naamloze vennootschap*) organized under the laws of the Netherlands. Some of our directors and officers and certain other persons named in this document may reside in the Netherlands. As a result, the enforceability of any civil judgment rendered against such persons in the United States is uncertain. In the absence of an applicable treaty between the United States and the Netherlands, a judgment rendered by a court in the U.S. will not be enforced by Dutch courts. In order to obtain a judgment which is enforceable in the Netherlands, the claim must be re-litigated before a competent Dutch court. If and to the extent that the Dutch court finds that the jurisdiction of the U.S. court has been based on grounds that are internationally acceptable and that proper legal procedures have been observed, the Dutch court will, in principle, give binding effect to the final judgment of the U.S. Court unless such judgment contravenes principles of Dutch public policy.

STABILIZATION

We have granted the underwriters an option to purchase up to 900,000 additional shares. Any shares issued or sold under the option will be issued and sold on the same terms and conditions as the other shares that are the subject of this Offering.

Stabilizing transactions involve bids to purchase shares so long as the stabilizing bids do not exceed a specified maximum.

Purchases to cover short positions and stabilizing purchases, as well as other purchases by the underwriters for their own account, may have the effect of preventing or retarding a decline in the market price of the shares. They may also cause the price of the shares to be higher than the price that would otherwise exist in the open market in the absence of these transactions. The underwriters may conduct these transactions in the over-the-counter market or otherwise. If the underwriters commence any of these transactions, they may discontinue them at any time. Any stabilizing transactions will be carried out during the period from commencement of trading on the Warsaw Stock Exchange to a date no later than 30 calendar days thereafter.

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SUMMARY

Section A—Introduction and warnings	
A.1 **Introduction**	**Warning** This summary should be read as an introduction to the Prospectus. Any decision to invest in these securities should be based on consideration of the Prospectus as a whole by the investor, including the risk factors and the financial statements and other financial information. When a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the Member States of the EEA, have to bear the costs of translating the Prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus or it does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors considering whether to invest in our securities.
A.2 **Issuer's consent**	**Consent by the issuer or person responsible for drawing up the prospectus to the use of the prospectus for subsequent resale or final placement of securities by financial intermediaries.** — **Indication of the offer period within which subsequent resale or final placement of securities by financial intermediaries can be made and for which consent to use the prospectus is given.** — **Any other clear and objective conditions attached to the consent which are relevant for the use of the prospectus.** — **Notice in bold informing investors that information on the terms and conditions of the offer by any financial intermediary is to be provided at the time of the offer by the financial intermediary.** Not applicable. We have not granted such consent and the shares will not be the subject of subsequent resale or final placement by financial intermediaries.

Section B—Issuer	
B.1 **Name of the Issuer**	**The legal and commercial name of the issuer.** Meridian Properties N.V. (the **Company**).
B.2 **General information on the Issuer**	**The domicile and legal form of the issuer, the legislation under which the issuer operates and its country of incorporation.** The Company is a public company with limited liability (*naamloze vennootschap*) incorporated under the laws of and domiciled in the Netherlands. The Company has its statutory seat (*statutaire zetel*) in Amsterdam, the Netherlands.
B.5 **The Group**	**If the issuer is part of a group, a description of the group and the issuer's position within the group.** We were incorporated on May 8, 2013. We have incorporated a Cypriot company (the **Group Holding Company**). We intend to directly or indirectly acquire nine pre identified properties (**Initial Portfolio**). The Company and the Group Holding Company will use the proceeds from the Offering to acquire the shares of special purpose vehicle property companies (**Property Companies**) that own the properties in the Initial Portfolio located in Romania. The properties in the Initial Portfolio located in Bulgaria, the Czech Republic and Hungary will be acquired by the Group Holding Company by purchasing the shares of existing Cypriot holding companies (the **Individual Holding Companies**). The acquisition of the Property Companies and the Individual Holding Companies, as described above, is referred hereinafter as the **Acquisition**.

B.6 **Major shareholders**	**In so far as is known to the issuer, the name of any person who, directly or indirectly, has an interest in the issuer's capital or voting rights which is notifiable under the issuer's national law, together with the amount of each such person's interest.** **Whether the issuer's major shareholders have different voting rights if any.** **To the extent known to the issuer, state whether the issuer is directly or indirectly owned or controlled and by whom and describe the nature of such control.** As at the date hereof the sole shareholder of the Company is BH Meridian Participations Ltd., a limited liability company incorporated in Cyprus, with its seat in Limassol (Cyprus), holding 450,000 ordinary shares in the Company of €0.10 nominal value each, representing 100% of the issued share capital and 100% of the votes that may be cast at a general meeting of shareholders. The sole shareholder of BH Meridian Participations Ltd. is Bluehouse Capital Advisors Ltd., a limited liability company incorporated in Cyprus, with its seat in Limassol (Cyprus). There will be no selling shareholder in connection with the Offering. The 450,000 ordinary shares will be repurchased by the Company for a purchase price of €45,000 after the issuance of the shares to be issued in connection with the Offering and before the admission to trading of the shares on the Warsaw Stock Exchange. The Company intends to cancel the repurchased shares after their admission to trading on the Warsaw Stock Exchange. Following the completion of the Offering, BH Meridian Participations Ltd. will hold at least 5% of the Company's total share capital, by investing €10 million in the Offering. Certain of our directors will invest proceeds from the sale of the Initial Portfolio received indirectly by them due to their participation in Bluehouse Funds, as ultimate sellers of the Initial Portfolio. Accordingly, through BH Meridian Participations Ltd., Mr. Delikanakis, Mr. Pisante and Mr. Pandis will hold indirectly a combined total of at least 5% in the aggregate of our outstanding share capital following the Offering. In addition, subject to the terms of the Framework Agreement dated September 23, 2013 (the "**Framework Agreement**"), entered into between us and the European Bank for Reconstruction and Development (the "**EBRD**"), the EBRD intends to invest up to €23 million in PLN equivalent, provided that such PLN equivalent cannot be more than PLN 105,250,000, in the Offering and following completion of the Offering is expected to hold an interest of at least 5% in the Company's issued share capital and voting rights at the general shareholders meeting of the Company. No different voting rights are attached to our shares and it is our intention that no different voting rights will be attached to shares held by any future major shareholder. To the Company's knowledge, there are no arrangements that may result in us experiencing a change of control.
B.7 **Selected historical financial information**	**Selected historical key financial information regarding the issuer, presented for each fiscal year of the period covered by the historical financial information, and any subsequent interim fiscal year accompanied by comparative data from the same period in the prior fiscal year except that the requirement for comparative balance sheet information is satisfied by presenting the year-end balance sheet information.** **This should be accompanied by a narrative description of significant change to the issuer's financial condition and operating results during or subsequent to the period covered by the historical key financial information.** The Company is a newly incorporated entity and as of May 8, 2013 (date of incorporation) has total assets of €45,000. The Company has undertaken to purchase, subject to the success of the Offering, a 100% interest in the Initial Portfolio. The following tables present selected financial information for the Property Companies of six office buildings, namely Infopark E, Autounion, Victoria Center, Olympia Tower, Astoria Business Center, 1 BPS, and of three retail parks, namely Retail Park Hradec Kralove, Baumax Pleven and Interspar Znojmo, and should be read in conjunction with the corresponding financial statements and notes thereto contained in this document. The selected financial information presented below for each of the years ended December 31, 2010, 2011 and 2012 was extracted without material adjustment from the respective financial statements prepared in accordance with EU IFRS, which have been audited by the respective independent auditors as described in the "*Independent Auditors*" section of this document. The selected financial information presented below for the

six-month period ended June 30, 2013 was extracted without material adjustment from the respective unaudited condensed interim financial statements prepared in accordance with IAS 34, which have been reviewed by the respective independent auditors as described in the "*Independent Auditors*" section of this document. The following information should also be read in conjunction with "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and financial information included elsewhere in this document.

Selected Income Statement Information	Year ended December 31, 2010	2011	2012	Six months ended June 30, 2013 (unaudited)
Total Property Companies (summary table):	(euro million)			
Total revenue	8.8	13.6	16.5	8.6
Operating expenses arising from investment property that generates rental revenue	(3.3)	(6.2)	(7.9)	(4.0)
Administrative expenses	(1.2)	(1.3)	(2.0)	(1.0)
Operating profit	**4.3**	**6.1**	**6.5**	**3.5**

Selected Income Statement Information	Year ended December 31, 2010	2011	2012	Six months ended June 30, 2013 (unaudited)
Standalone Property Companies:	(euro million)			
Office Buildings				
Infopark E (Infopark E)				
Total revenue			2.6	1.5
Operating expenses arising from investment property that generates rental revenue			(1.6)	(0.8)
Administrative expenses			(0.4)	(0.2)
Operating profit			**0.6**	**0.5**
Autounion (Vaptzarov)				
Total revenue	2.8	3.0	2.6	1.4
Operating expenses arising from investment property that generates rental revenue	(0.9)	(1.1)	(1.1)	(0.6)
Administrative expenses	(0.0)	(0.1)	(0.0)	(0.1)
Operating profit	**1.9**	**1.8**	**1.4**	**0.7**
Victoria Center (Victoria)				
Total revenue	2.7	2.7	3.0	1.5
Operating expenses arising from investment property that generates rental revenue	(0.9)	(0.9)	(0.9)	(0.5)
Administrative expenses	(0.6)	(0.1)	(0.2)	(0.1)
Operating profit	**1.2**	**1.7**	**1.9**	**0.9**
Olympia Tower (Olympia)				
Total revenue	1.5	1.7	2.0	1.2
Operating expenses arising from investment property that generates rental revenue	(0.9)	(0.8)	(0.8)	(0.4)
Administrative expenses	(0.4)	(0.3)	(0.3)	(0.1)
Operating profit	**0.2**	**0.7**	**1.0**	**0.7**
Astoria Business Center (Astoria)				
Total revenue	1.2	1.3	1.1	0.5
Service charge expense and other property operating expenses	(0.3)	(0.3)	(0.3)	(0.1)
Administrative expenses	(0.1)	(0.2)	(0.1)	(0.0)
Operating profit	**0.8**	**0.7**	**0.7**	**0.3**
1 BPS (One BPS)				
Total revenue	0.6	0.5	0.5	0.3
Operating expenses arising from investment property that generates rental revenue	(0.4)	(0.4)	(0.4)	(0.2)
Administrative expenses	(0.1)	(0.0)	(0.0)	(0.0)
Operating profit	**0.1**	**0.1**	**0.1**	**(0.0)**

Selected Income Statement Information	Year ended December 31, 2010	2011	2012	Six months ended June 30, 2013 (unaudited)
Standalone Property Companies:		(euro million)		
Retail Parks				
Retail Park Hradec Kralove (Bluebox 7)				
Total revenue		3.0	3.1	1.5
Property operating expenses, service charge expenses and depreciation		(2.1)	(2.1)	(1.0)
Administrative expenses		(0.4)	(0.7)	(0.4)
Operating profit		**0.5**	**0.2**	**0.1**
Baumax Pleven (Helios-08)				
Total revenue		0.7	0.9	0.4
Operating expenses arising from investment property that generates rental revenue		(0.2)	(0.3)	(0.1)
Administrative expenses		(0.0)	(0.0)	(0.0)
Operating profit		**0.2**	**0.5**	**0.2**
Interspar Znojmo (Bluebox 6)				
Total revenue		0.7	0.8	0.4
Property operating expenses, service charge expenses and depreciation		(0.4)	(0.4)	(0.2)
Administrative expenses		(0.2)	(0.2)	(0.1)
Operating profit		**0.2**	**0.1**	**0.2**

Selected Statement of Financial Position Information	As at December 31, 2010	2011	2012	Six months ended June 30, 2013 (unaudited)
Total Property Companies (summary table):		(euro million)		
Investment property	97.8	120.1	117.8	114.3
Other non-current assets	0.0	0.5	0.6	0.7
Total current assets	7.4	7.0	12.0	11.4
Total assets	**105.2**	**127.5**	**130.5**	**126.5**
Total equity	(8.7)	(17.2)	(10.2)	(10.5)
Borrowings from related parties	19.6	26.2	28.1	27.3
Borrowings from banks	84.7	113.6	107.0	104.7
Other liabilities	9.4	4.8	5.6	4.7
Total equity and liabilities	**105.2**	**127.5**	**130.5**	**126.5**

Selected Statement of Financial Position	As at December 31, 2010	2011	2012	As at June 30, 2013 (unaudited)
Standalone Property Companies:		(euro million)		
Office Buildings				
Infopark E (Infopark E)				
Investment property		21.5	22.7	22.3
Other non-current assets		0.4	0.3	0.4
Total current assets		0.5	5.7	4.4
Total assets		**22.4**	**28.8**	**27.1**
Total equity		(0.1)	1.0	0.7
Borrowings from related parties		5.3	6.9	6.1
Borrowings from banks		16.7	20.1	19.8
Other liabilities		0.4	0.7	0.5
Total equity and liabilities		**22.4**	**28.8**	**27.1**

Selected Statement of Financial Position	As at December 31, 2010	2011	2012	As at June 30, 2013 (unaudited)
Standalone Property Companies:	(euro million)			
Autounion (Vaptzarov)				
Investment property	26.3	25.4	24.7	24.2
Other non-current assets	0.0	0.0	0.2	0.2
Total current assets	0.9	0.8	0.8	0.9
Total assets	**27.1**	**26.2**	**25.7**	**25.3**
Total equity	(0.0)	0.2	(0.5)	(0.3)
Borrowings from related parties	11.0	8.7	9.0	9.2
Borrowings from banks	15.9	17.2	16.2	15.7
Other liabilities	0.3	0.1	1.0	0.7
Total equity and liabilities	**27.1**	**26.2**	**25.7**	**25.3**
Victoria Center (Victoria)				
Investment property	18.1	17.5	16.6	16.2
Other non-current assets	–	–	0.0	0.0
Total current assets	2.6	2.8	2.4	2.6
Total assets	**20.8**	**20.3**	**19.0**	**18.8**
Total equity	(2.4)	(2.0)	(1.9)	(1.5)
Borrowings from related parties	1.6	1.2	0.4	0.2
Borrowings from banks	19.9	19.5	18.9	18.6
Other liabilities	1.6	1.6	1.6	1.5
Total equity and liabilities	**20.8**	**20.3**	**19.0**	**18.8**
Olympia Tower (Olympia)				
Investment property	15.3	14.4	13.8	13.5
Other non-current assets	0.0	–	–	–
Total current assets	1.9	1.5	1.1	1.4
Total assets	**17.2**	**15.9**	**14.9**	**14.9**
Total equity	(3.1)	(3.5)	(4.0)	(3.8)
Borrowings from related parties	3.7	3.9	4.1	3.9
Borrowings from banks	15.4	15.0	14.2	14.2
Other liabilities	1.2	0.5	0.6	0.6
Total equity and liabilities	**17.2**	**15.9**	**14.9**	**14.9**
Astoria Business Center (Astoria)				
Completed investment property	3.6	3.5	3.4	3.3
Other non-current assets	–	–	–	0.0
Total current assets	0.9	0.6	0.3	0.3
Total assets	**4.5**	**4.1**	**3.7**	**3.7**
Total equity	0.4	(6.8)	(6.8)	(6.9)
Borrowings from related parties	–	4.2	4.4	4.5
Borrowings from banks	–	6.2	5.8	5.7
Other liabilities	4.1	0.5	0.3	0.2
Total equity and liabilities	**4.5**	**4.1**	**3.7**	**3.7**
1 BPS (One BPS)				
Investment property	4.2	4.0	3.8	3.6
Other non-current assets	–	–	0.1	0.1
Total current assets	0.2	0.1	0.1	0.1
Total assets	**4.4**	**4.1**	**3.9**	**3.8**
Total equity	1.0	0.8	0.8	0.8
Borrowings from related parties	0.1	0.1	0.1	0.1
Borrowings from banks	3.2	3.1	2.9	2.8
Other liabilities	0.1	0.1	0.1	0.1
Total equity and liabilities	**4.4**	**4.1**	**3.9**	**3.8**

Selected Statement of Financial Position	As at December 31, 2010	2011	2012	As at June 30, 2013 (unaudited)
Standalone Property Companies:	(euro million)			
Retail Parks				
Retail Park Hradec Kralove (Bluebox 7)				
Investment property	23.4	21.5	20.9	19.7
Other non-current assets	–	–	–	–
Total current assets	0.7	0.5	1.2	1.3
Total assets	**24.1**	**22.1**	**22.1**	**21.0**
Total equity	(2.9)	(3.6)	3.4	2.8
Borrowings from related parties	2.4	1.9	–	0.1
Borrowings from banks	22.7	22.7	17.6	17.1
Other liabilities	1.8	1.1	1.2	1.0
Total equity and liabilities	**24.1**	**22.1**	**22.1**	**21.0**
Baumax Pleven (Helios-08)				
Investment property		6.0	5.7	5.6
Other non-current assets		0.1	0.0	0.0
Total current assets		0.1	0.2	0.2
Total assets		**6.1**	**6.0**	**5.9**
Total equity		(0.3)	(2.4)	(2.4)
Borrowings from related parties		0.3	3.1	3.2
Borrowings from banks		5.6	5.2	5.1
Other liabilities		0.5	0.0	0.0
Total equity and liabilities		**6.1**	**6.0**	**5.9**
Interspar Znojmo (Bluebox 6)				
Investment property	6.9	6.3	6.2	5.8
Other non-current assets	–	–	–	–
Total current assets	0.2	0.1	0.2	0.3
Total assets	**7.1**	**6.4**	**6.4**	**6.0**
Total equity	(1.7)	(1.9)	0.2	0.1
Borrowings from related parties	0.8	0.6	0.1	0.1
Borrowings from banks	7.6	7.6	5.9	5.7
Other liabilities	0.4	0.2	0.2	0.1
Total equity and liabilities	**7.1**	**6.4**	**6.4**	**6.0**

Selected Cash Flow Statement Information	Year ended December 31, 2010	2011	2012	Six months ended June 30, 2013 (unaudited)
Total Property Companies (summary table):	(euro million)			
Net cash generated from operating activities	9.0	6.3	9.0	5.7
Net cash generated from / (used in) investing activities	(0.9)	(1.9)	(1.1)	(0.5)
Net cash from / (used in) financing activities	(6.3)	(5.6)	(4.3)	(6.0)
Net increase / (decrease) in cash and cash equivalents	**1.8**	**(0.9)**	**3.7**	**(0.7)**

Selected Cash Flow Statement Information	Year ended December 31, 2010	2011	2012	Six months ended June 30, 2013 (unaudited)
Standalone Property Companies:	(euro million)			
Office Buildings				
Infopark E (Infopark E)				
Net cash generated from operating activities			0.3	1.0
Net cash generated from / (used in) investing activities			(0.5)	(0.3)
Net cash from / (used in) financing activities			4.4	(1.7)
Net increase / (decrease) in cash and cash equivalents			**4.1**	**(1.0)**

Selected Cash Flow Statement Information	Year ended December 31, 2010	2011	2012	Six months ended June 30, 2013 (unaudited)
Standalone Property Companies:	(euro million)			
Autounion (Vaptzarov)				
Net cash generated from operating activities	3.0	2.7	2.4	1.0
Net cash generated from / (used in) investing activities	(0.6)	(0.0)	(0.3)	–
Net cash from / (used in) financing activities	(2.1)	(2.9)	(2.0)	(1.1)
Net increase / (decrease) in cash and cash equivalents	**0.3**	**(0.2)**	**0.1**	**(0.1)**
Victoria Center (Victoria)				
Net cash generated from operating activities	3.6	2.1	2.1	1.4
Net cash generated from / (used in) investing activities	(0.1)	0.0	0.0	0.0
Net cash from / (used in) financing activities	(2.3)	(2.0)	(2.5)	(1.0)
Net increase / (decrease) in cash and cash equivalents	**1.2**	**0.2**	**(0.4)**	**0.4**
Olympia Tower (Olympia)				
Net cash generated from operating activities	1.0	1.0	1.2	1.0
Net cash generated from / (used in) investing activities	(0.1)	(0.1)	(0.2)	0.0
Net cash from / (used in) financing activities	(1.3)	(1.3)	(1.7)	(0.6)
Net increase / (decrease) in cash and cash equivalents	**(0.4)**	**(0.4)**	**(0.7)**	**0.4**
Astoria Business Center (Astoria)				
Net cash generated from operating activities	1.1	(3.6)	0.2	0.3
Net cash generated from / (used in) investing activities	–	–	–	(0.0)
Net cash from / (used in) financing activities	(0.4)	3.2	(0.4)	(0.3)
Net increase / (decrease) in cash and cash equivalents	**0.7**	**(0.4)**	**(0.2)**	**0.0**
1 BPS (One BPS)				
Net cash generated from operating activities	0.3	0.4	0.3	0.1
Net cash generated from / (used in) investing activities	(0.1)	–	–	–
Net cash from / (used in) financing activities	(0.2)	(0.4)	(0.4)	(0.2)
Net increase / (decrease) in cash and cash equivalents	**0.0**	**(0.0)**	**(0.0)**	**(0.0)**
Retail Parks				
Retail Park Hradec Kralove (Bluebox 7)				
Net cash generated from operating activities		1.4	1.1	0.2
Net cash generated from / (used in) investing activities		–	(0.1)	–
Net cash from / (used in) financing activities		(1.3)	(0.5)	(0.5)
Net increase / (decrease) in cash and cash equivalents		**–**	**0.6**	**(0.3)**
Baumax Pleven (Helios-08)				
Net cash generated from operating activities		2.2	0.9	0.3
Net cash generated from / (used in) investing activities		(1.8)	–	–
Net cash from / (used in) financing activities		(0.4)	(0.7)	(0.4)
Net increase / (decrease) in cash and cash equivalents		**(0.0)**	**0.1**	**(0.0)**
Interspar Znojmo (Bluebox 6)				
Net cash generated from operating activities		0.4	0.5	0.2
Net cash generated from / (used in) investing activities		–	–	(0.1)
Net cash from / (used in) financing activities		(0.5)	(0.3)	(0.2)
Net increase / (decrease) in cash and cash equivalents		**(0.1)**	**0.2**	**(0.1)**

B.8

Selected key *pro forma* financial information

Selected key *pro forma* financial information, identified as such.

The selected key *pro forma* financial information must clearly state the fact that because of its nature, the *pro forma* financial information addresses a hypothetical situation and, therefore, does not represent the company's actual financial position or results.

We have a limited operating history and do not have standalone historical financial statements prior to our date of incorporation (May 8, 2013). We will start preparing consolidated financial statements following the acquisition of the Initial Portfolio. For this reason and to illustrate the financial impact of the acquisition of the Initial Portfolio and the use of proceeds from the Offering, we have included our unaudited *pro forma* combined financial information in this document. Such financial information incorporates selected historical financial information of the entities that ultimately own the properties that will comprise the Initial Portfolio, that are to be acquired by us pursuant to the Share Sale Purchase and Loan Assignment Agreements.

The following unaudited *pro forma* combined financial information as at June 30, 2013, and for the year ended December 31, 2012 and the six-month period ended June 30, 2013, is presented to illustrate the effects of the acquisition of the Initial Portfolio and the use of proceeds from the Offering. We present elsewhere in this document our special purpose financial information as at June 30, 2013 and the standalone historical financial statements of the entities that own the properties that will comprise the Initial Portfolio. The unaudited *pro forma* combined financial information incorporates these standalone financial statements and includes estimates and assumptions that have been made solely for the purposes of developing such *pro forma* information.

We estimate that the gross proceeds from the Offering will be €170.1 million and the net proceeds will be €162.1 million, after deducting estimated share issuance costs of €8.0 million. We will use the net proceeds from the Offering for (i) the acquisition of the Initial Portfolio, including intercompany loans and balances (€87.7 million), (ii) the repayment of a portion of bank loans with respect to the properties in the Initial Portfolio (€17.0 million) and (iii) pipeline acquisitions (€57.4 million, up to €2.0 million of which may be used for general corporate purposes).

The unaudited *pro forma* combined financial information is included for illustrative purposes only. Because of its nature, the unaudited *pro forma* combined financial information addresses a hypothetical situation and, therefore, does not represent our actual financial position and results nor does it represent the current state of the Company. We do not claim or represent that the unaudited *pro forma* combined financial information is indicative of the financial position and results that would have been achieved had the acquisition taken place as of the date indicated or that may be achieved in the future. The assumptions used in the preparations of the unaudited *pro forma* combined financial information might not prove to be correct.

Unaudited *Pro Forma* Combined Statement of Income

The following table sets forth our unaudited *pro forma* combined statement of income for the year ended December 31, 2012:

	Unaudited *pro forma* for the year ended December 31, 2012
Rental revenue	14.7
Service charges re-invoiced to tenants	2.7
Other revenue (extraordinary)	0.1
Total revenue	**17.5**
Fair value gain / (loss) on investment properties	–
Property related expenses	(3.8)
Corporate Overheads	(1.2)
Total operating expenses	**(5.0)**
Operating profit / (loss)	**12.5**
Interest income	0.1
Interest expense	(4.1)
Other financial gains / (loss), net	(0.3)
Net financial cost	**(4.3)**
Profit / (loss) before tax	**8.2**
Current Tax	(0.4)
Deferred Tax	(0.7)
Profit / (loss) for the year	**7.1**

The following table sets forth our unaudited *pro forma* combined statement of income for the six-month period ended June 30, 2013:

	Unaudited *pro forma* for the period ended June 30, 2013
Rental revenue	7.4
Service charges re-invoiced to tenants	1.5
Total revenue	**8.9**
Fair value gain / (loss) on investment properties	–
Property related expenses	(1.7)
Corporate Overheads	(1.0)
Total operating expenses	**(2.7)**
Operating profit / (loss)	**6.2**
Interest income	0.1
Interest expense	(2.0)
Other financial gains / (loss), net	(1.0)
Net financial cost	**(2.9)**
Profit / (loss) before tax	**3.3**
Current Tax	(0.2)
Deferred Tax	(0.2)
Profit / (loss) for the year	**2.9**

Unaudited *Pro Forma* Combined Statement of Financial Position

The following table sets forth our unaudited *pro forma* combined statement of financial position as at June 30, 2013.

	Unaudited *pro forma* as at June 30, 2013
Assets	
Non-current assets	
Investment property	197.6
Goodwill	1.8
Receivables and prepayments	0.0
Investment in subsidiaries	–
Deferred tax assets	0.6
Derivative financial instruments	0.1
	200.1
Current assets	
Receivables and prepayments	4.2
Cash and cash equivalents	65.2
	69.4
Total assets	**269.5**
Shareholders' equity and liabilities	
Share capital and share premium	162.1
Total shareholders' equity	**162.1**
Non-current liabilities	
Borrowings	87.7
Deferred tax liabilities	12.5
Trade and other payables	0.8
Derivative financial instruments	0.6
	101.6
Current liabilities	
Trade and other payables	2.1
Deferred revenue	1.2
Borrowings	2.0
Derivative financial instruments	0.5
	5.8
Total liabilities	**107.4**
Total shareholders' equity and liabilities	**269.5**

B.9 **Forecast or estimate of the profit**	**Where a profit forecast or estimate is made, state the figure.** Not applicable. The Company does not publish profit forecasts or estimates.
B.10 **Qualification of the auditor**	**A description of the nature of any qualifications in the audit report on the historical financial information.** Not applicable. There is no qualification.
B.34	**A description of the investment objective and policy, including any investment restrictions, which the property investment company undertaking will pursue with a description of the instruments used.** As a real estate investment company, our investment objectives are to invest in a diversified portfolio of quality real estate investments, to actively manage its portfolio, to pay regular cash distributions and to maintain our FII status. We intend to pursue a strategy to achieve inflation-indexed, risk-adjusted returns based on long term contracted rental revenues producing long-term income visibility, substantial capital value growth, low leverage and no development risk, land investment risk or zoning, construction and permitting risk. Additionally, pursuant to the terms of the Framework Agreement entered into between us and the EBRD, we will avoid investing in companies engaged in activities prohibited by the EBRD's environmental and social exclusion list and referral list (the **Environmental and Social Exclusion List**). In the event of a breach of this investment restriction by us, the Board shall promptly analyze the factors that contributed to the situation and inform the general meeting of shareholders upon becoming aware of the same and take all steps as are necessary within a reasonable period of time to remedy the situation, taking due account of the interests of the shareholders. The board may change the investment objectives and policy of the Company at any time by resolution, subject to the approval at the general meeting of shareholders of the Company.
B.35	**The borrowing or leverage limits of the property investment company undertaking. If there are no such limits, include a statement to that effect.** Our target leverage on a consolidated basis is 35%-45% of the market value of our entire property portfolio, as determined by an independent property appraiser. Our maximum leverage at any time is 50% on an asset level. For an initial period of 18 months, our leverage on a consolidated basis will be below 50% but may be above the 35%-45% target.
B.36	**A description of the regulatory status of the property investment company undertaking together with the name of any regulator in its country of incorporation.** In the Netherlands, we qualify as a closed-end investment institution. We have no obligation to redeem or to issue shares. The shares will be offered in the Netherlands solely to professional investors as defined in the Wft. For the purposes of the Wft, the Company is internally managed and, therefore, does not have a separate management company (*beheerder*). The Company has notified the AFM and shall be registered with the AFM as an investment institution that in accordance with certain (size) criteria is not required to have an investment institution license. In the Netherlands, the Company is not subject to the supervision of the Dutch Central Bank (*De Nederlandsche Bank N.V.*) or the AFM. We will file our license application if and to the extent required and/or if the Company can no longer benefit from any license exemptions under the Wft.
B.37	**A brief profile of a typical investor for whom the property investment company undertaking is designed.** The Offering is directed to professional investors in Poland and institutional investors (i) that understand the potential risk of capital loss and that there may be limited liquidity in the underlying investments of the Company; (ii) for which an investment in our shares is part of a diversified investment program; and (iii) that fully understand and are willing to assume the risks involved in such an investment.

B.38	**Where the main body of the prospectus discloses that more than 20% of the gross assets of the property investment company undertaking may be:** **(a) invested, directly or indirectly, in a single underlying asset,** **(b) invested in one or more property investment company undertakings which may in turn invest more than 20% of gross assets in other property investment company undertakings, or** **(c) exposed to the creditworthiness or solvency of any one counterparty the identity of the entity should be disclosed together with a description of the exposure (e.g. counterparty) as well as information on the market in which its securities are admitted.** Not applicable. We do not make any such investments.
B.39	**Where a property investment company undertaking may invest in excess of 40% of its gross assets in another property investment company undertaking the summary should briefly explain either:** **(a) the exposure, the identity of the underlying property investment company undertaking, and provide such information as would be required in a summary note by that property investment company undertaking; or** **(b) where the securities issued by an underlying property investment company undertaking have already been admitted to trading on a regulated or equivalent market, the identity of the underlying property investment company undertaking.** Not applicable. We do not make any such investments.
B.40	**A description of the Company's service providers including the maximum fees payable.** Founded in 2004, Bluehouse is a private equity real estate investment management firm focused in Emerging Europe, including Bulgaria, Croatia, the Czech Republic, Greece, Hungary, Romania and Serbia. We have entered into agreements with Bluehouse relating to: i) the provision of property management and administration services, ii) the provision of transitional services in connection with the Acquisition of the Initial Portfolio, iii) the right of first offer and iv) the reimbursement of certain expenses related to the offering. Under the Property Management Agreement, Bluehouse affiliates will receive 5% of each Property Company's collected yearly income (the estimated maximum amount for the first year to be received is €0.9 million), all inclusive (no additional payments with respect to leasing or other fees, no reimbursement of cost and no other additional expenses incurred by the Bluehouse affiliates will be made). Under the Administration Management Agreement, Bluehouse affiliates will earn a total of approximately €0.2 million per year, indexed to the Eurostat-published consumer price index, which includes fees of €20,000 per real estate asset and €9,000 per Individual Holding Company. Bluehouse will earn €120,000 for the total duration of the Transitional Service Agreement (TSA). Bluehouse will receive as reimbursement the amount of €750,000 from the Company for costs directly incurred by Bluehouse in connection with the Offering.
B.41	**The identity and regulatory status of any investment manager, investment advisor, custodian.** Not applicable. We are internally managed.
B.42	**A description of how often the net asset value of the property investment company undertaking will be determined and how such net asset value will be communicated to investors.** We calculate net asset value (**NAV**) on a quarterly basis. The NAV of our shares will be determined in accordance with EU IFRS accounting policies. A summary of our NAV will be disclosed to our shareholders with the announcement of our interim and annual results. The latest NAV will be published on our website.

	Following the Offering, our NAV will reflect expected net proceeds of €162.1 million. The NAV per share will be calculated based on the final number of shares to be issued.
B.43	**In the case of an umbrella collective investment undertaking, a statement of any cross liability that may occur between classes or investment in other property investment company undertaking.** Not applicable, the Company has not been set up as an umbrella collective investment undertaking.
B.44	**B.7 plus:** **"Where a property investment company undertaking has not commenced operations and no financial statements have been made up as at the date of the registration document, a statement to that effect."** Since the date of incorporation, the Company's only operations related to preparation for the Offering and to the acquisition of the Initial Portfolio. Further operations will only commence after the acquisition of the Initial Portfolio. Special purpose financial information, which includes the statement of financial position, income statement and statement of comprehensive income, statement of changes in shareholder's equity, cash flow statement and certain note disclosures, has been made up as at June 30, 2013.
B.45	**A description of the property investment company undertaking's portfolio.** With the proceeds of the Offering, we will invest and therefore own and actively manage a property portfolio within Emerging Europe comprising high quality, stabilized, income producing real estate assets in attractive locations, along with an international quality tenant base diversified by geography and tenant type.
B.46	**An indication of the most recent net asset value per security (if applicable).** Not applicable, we have not commenced operations at the date of this document.

Section C—Securities	
C.1 **Offer Shares**	**A description of the type and the class of the securities being offered or admitted to trading, including any security identification number.** 18,000,000 shares plus up to 900,000 shares subject to an over-allotment option, of €0.10 nominal value each are intended to be issued in the Offering. All of our shares have been assigned ISIN code: NL0010511135.
C.2 **Currency of the Offering**	**Currency of the securities issue.** Our shares are denominated in euro and the offering price will be expressed in Polish zloty.
C.3 **Share capital**	**The number of shares issued and fully paid and issued but not fully paid.** At our incorporation, the number of shares issued amounted to 450,000 with a nominal value of €0.10 each. 18,000,000 shares plus up to 900,000 shares being subject to over-allotment option, of €0.10 nominal value each are intended to be issued in the Offering.
C.4 **Rights attached to the Shares**	**A description of the rights attached to the securities.** Our shares carry full dividend rights. Shareholders are entitled to one vote per Share at any general meeting of shareholders. The rights of the holders of shares will rank *pari passu* with each other with respect to voting rights and dividend rights.

	Pursuant to Dutch law and the articles of association, holders of our shares will have pre-emptive rights in respect of future issuances of the shares in proportion to the number of shares held by them. Pursuant to our articles of association, the pre-emptive rights of shareholders may be restricted or excluded by a resolution of a general meeting of shareholders. A resolution of the general meeting to restrict or exclude pre-emptive rights can only take place at the proposal of the board. A general meeting of shareholders may authorize the board as the corporate body competent to issue shares. With respect to an issuance of shares pursuant to a resolution of the board, pre-emptive rights can be restricted or excluded by a resolution of our board if the board is designated to do so by our shareholders. A resolution of the board to restrict or exclude pre-emptive rights can only be made with the consent of the majority of non-executive directors. The authority of the board to limit or exclude pre-emptive rights can only be exercised if at that time the authority to issue shares is in full force and effect. The authority to limit or exclude pre-emptive rights may be extended in the same manner as the authority to issue shares. If there is no designation of the board to limit or exclude pre-emptive rights, a general meeting of shareholders has the authority to limit or exclude such pre-emptive rights. The board is authorized to limit or exclude pre-emptive rights until December 31, 2014. This authorization concerns all authorized but unissued shares in our share capital at any time. Resolutions of a general meeting of shareholders: (i) to restrict or exclude pre-emptive rights; or (ii) to designate the board as the competent body that has authority to limit or exclude pre-emptive rights, require at least a two-thirds majority of the votes cast in a meeting of Shareholders, if less than 50% of the issued share capital is present or represented.
C.6 **Admission to listing on the Warsaw Stock Exchange Listing**	**An indication as to whether the securities offered are or will be the object of an application for admission to trading on a regulated market and the identity of all the regulated markets where the securities are or are to be traded.** The shares will be subject to admission and introduction to trading on the main market of the Warsaw Stock Exchange.
C.7 **Dividend policy**	**A description of dividend policy.** We intend to distribute 100% of our Funds From Operations to our shareholders on a quarterly basis, beginning January 2014, and in any event not less than the minimum we are required to distribute pursuant to the conditions of the FII regime within the meaning of article 28 of the Netherlands Corporate Income Tax Act 1969 (*Wet op de vennootschapsbelasting 1969*). This policy is subject to the provisions of Dutch law and our financial condition.

Section D—Risks	
D.2	**Key information on the key risks that are specific to the issuer.** We may not be able to engage successfully in acquisitions, disposals, refurbishments or expansion of properties. We may be unable to renew expiring leases or lease vacant space on a timely basis or on attractive terms. The valuation of our investment properties is inherently uncertain and subject to fluctuation. We may face risks associated with the deterioration of the creditworthiness of our current and future tenants, including the risk of insolvency and bankruptcy. Our strategy envisions future selective real estate asset acquisitions beyond the acquisition of the Initial Portfolio, and we may be unable to identify suitable target acquisitions, acquire them on acceptable terms or identify all potential liabilities associated with them.

	We will be exposed to location risks associated with the Initial Portfolio, as well as location risks associated with any additional operations commenced in new geographic markets and asset classes. The historical and unaudited *pro forma* combined financial information included in this document may not be representative of our combined results after the acquisition of the Initial Portfolio, and accordingly, you have limited financial information on which to evaluate us as a combined company and make your investment decision. We are a holding company and our ability to pay dividends depends on the distribution of the earnings of our subsidiaries such that we may be unable to pay, maintain or increase dividends over time. We are a newly established entity with a limited history as an independent, internally managed company. We may face risks associated with tenants attempting to end lease agreements prematurely, including non-enforceability legal provisions relating to damages and penalties, as allowed under certain legal provisions applicable in the jurisdictions in which we operate. We may become subject to investment institution license requirements. If we are unable to obtain such license if necessary for our operations or expansion, we may not be able to carry on our business or parts of our current or planned businesses.
D.3 **Risks factors that are specific to the securities**	**Key information on the key risks that are specific to the securities.** We may cancel or suspend the Offering. In the event of a breach or suspected breach of law in relation to the Offering or the application for admission and introduction of the shares to trading on a regulated market, the KNF may, among other things, prohibit or suspend the Offering and issue an order to stay or to repeal the application for admission or introduction of shares to the regulated market. Our failure to meet the requirements set forth in the Warsaw Stock Exchange Rules or the Polish Public Offerings Act may prevent the shares being admitted, or may cause the shares to be delisted, or trading in the shares on the Warsaw Stock Exchange to be suspended. An active market for the shares may not develop, which may cause the price of the shares to fall. Shareholders may suffer substantial dilution. It is likely that we will be classified as a passive foreign investment company for U.S. federal income tax purposes, which could result in materially adverse U.S. federal income tax consequences to U.S. investors. Foreign Account Tax Compliance withholding may affect payments on the shares.

Section E. Offer	
E.1 **Use of proceeds**	**The total net proceeds and an estimate of the total expenses of the issue / offer, including estimated expenses charged to the investor by the issuer or the offeror.** We estimate that our gross proceeds from the Offering will be approximately €170.1 million and the net proceeds from the Offering will be approximately €162.1 million, after deducting underwriting commissions and expenses.
E.2a **Reasons for the offer**	**Reasons for the offer, use of proceeds, estimated net amount of the proceeds.** We will use the entirety of the estimated net proceeds from the Offering to acquire the Initial Portfolio, to repay a portion of the outstanding indebtedness of the Initial Portfolio, to conclude selective future property acquisitions and for general corporate purposes, including but not limited to, working capital requirements.

E.3 **Terms and conditions of the offer**	**A description of the terms and conditions of the offer.** We are offering for subscription 18,000,000 newly issued shares. The offer shares consist of series A shares and B shares with a nominal value of €0.10 per share. Series A and B shares represent identical rights and become immediately fungible once issued. Upon exercise of the over-allotment option granted to the underwriters, we may issue up to 900,000 additional shares. The offering consists solely of (i) a public offering to professional investors in Poland, (ii) a private placement to Qualified Institutional Buyers as defined in Rule 144A of the Securities Act and (iii) a private placement to certain international institutional investors outside of the United States of America and Poland in reliance on Regulation S under the Securities Act. The shares are being offered at the offering price, which will be determined through the bookbuilding process. On September 23, 2013 we concluded the Framework Agreement with the EBRD. Pursuant to the Framework Agreement, the EBRD confirmed its intention to acquire shares in the Offering if certain conditions precedent are satisfied, including: (i) the amount invested by the EBRD for the purpose of acquiring the shares shall not exceed €23 million in PLN equivalent provided that such PLN equivalent cannot be more than PLN 105,250,000; (ii) the total number of shares sold pursuant to the Offering shall be at least 18,000,000; (iii) in the opinion of the EBRD, no material adverse change shall have occurred between the date of the execution of the Framework Agreement and the acquisition of shares by the EBRD pursuant to the Offering; and (iv) the EBRD shall subscribe only for the Series A shares and the Series A shares net subscription proceeds shall be utilized by us in full to purchase properties in the Initial Portfolio located in Hungary, Bulgaria and Romania and after confirming such proceeds' utilization to the EBRD we shall use the series B shares net subscription proceeds to acquire Initial Portfolio properties located in the Czech Republic and for other purposes described herein. We have also agreed with the EBRD to effect the segregation of proceeds from the two series of shares before they are utilized to purchase the respective portions of the Initial Portfolio. Without prejudice to any future binding commitment by the EBRD to acquire shares pursuant to the Offering, the EBRD is under no obligation to participate in the Offering, notwithstanding the entry by the EBRD into the Framework Agreement. **Expected Timetable of the Offering** October 1 to October 8, 2013 — Bookbuilding process On or about October 8, 2013 — Announcement of the offering price and final number of shares October 9 to October 11, 2013 — Subscription Period October 14, 2013 — Allotment date and the underwriters' subscription for the shares (if required) On or about October 24, 2013 — Listing date We may decide to change the above dates if deemed necessary for the successful completion of the Offering and admission for trading. Any changes in the dates shall be published in the form of a press release published on our website (*www.meridianproperties.nl*) and in an update communication in accordance with article 52 section 2 of the Polish Public Offerings Act. Information concerning any date changes will be published no later than on the original date for the specified event, provided that if the period of acceptance of subscription orders or the bookbuilding period is shortened, the relevant information will be published no later than on the date immediately prior to the last day (according to the new schedule) for acceptance of subscription orders or of the bookbuilding process. **Currency of the Offering** The offering price will be set in Polish zloty. **Determination of the Offering Price** The shares are being offered at the offering price, which shall be determined through a bookbuilding process. During the bookbuilding process, investors interested in purchasing shares will indicate the number of the shares they are willing to acquire and the price they will pay.

	We expect to complete the bookbuilding process on or about October 8, 2013, but the deadline for receipt of declarations of interest from the investors may be extended or shortened at our discretion in consultation with Citi. Information about extending or shortening of the bookbuilding process shall be published in a press release published on our website (*www.meridianproperties.nl*). To obtain more detailed information regarding participation in the bookbuilding process, interested investors should contact Citi. Prior to this Offering, there has been no public market for our shares. The final offering price of the shares will depend on investors' demand captured during the bookbuilding process and their sensitivity towards the share issue price, and will be determined by the Company in consultation with Citi. The final number of shares in the Offering may differ from the initial amount stated in this Prospectus. The offering price and the total final number of shares will be set out in a pricing statement that will be deposited with the AFM and the KNF and published in a press release on our website (*www.meridianproperties.nl*). Printed copies of the pricing statement will be available at our registered office. **Procedure of Payment for the Shares** Payment for shares must be made in Polish zloty, subject to other arrangements with Citi. The euro equivalent of the offering price will be established based on the average EUR/PLN exchange rate as quoted by the European Central Bank on the day of announcement of the offering price. **Investors' Withdrawal from Subscription Orders Submitted** In the event that any supplement hereto becomes publicly available, investors that have placed an order before publication of such supplement may withdraw their order, within two business days from the date of the publication of the supplement.
E.4 **Entities involved in the Offering**	**A description of any interest that is material to the issue / offer including conflicting interests.** We expect to receive gross proceeds from the Offering of approximately €170.1 million and net proceeds from the Offering of approximately €162.1 million, after deducting the applicable underwriting commissions and expenses. Certain of our directors will invest in the Company proceeds from the sale of the Initial Portfolio received indirectly by them due to their participation in Bluehouse Funds, as ultimate sellers of the Property Companies. These directors will hold indirectly, through BH Meridian Participations Ltd., at least 5% of the Company's total share capital following the Offering. The underwriters will receive in connection with this Offering total commission of between €3.8 million and €6.1 million. We estimate that the total expenses of this Offering will be €8.0 million. The underwriters are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The underwriters and their respective affiliates have in the past performed commercial banking, investment banking and advisory services for our affiliates from time to time for which they have received customary fees and reimbursement of expenses and may, from time to time, engage in transactions with and perform services for us in the ordinary course of their business for which they may receive customary fees and reimbursement of expenses. In the ordinary course of their various business activities, the underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve our securities and instruments. In addition, affiliates of certain underwriters are our lenders, and in some cases agents or managers for our lenders.

E.5 **The Selling Shareholder; Lock up**	**Name of the person or entity offering to sell the security. Lock-up agreements: the parties involved; and indication of the period of the lock up.** We and BH Meridian Participations Ltd. (our sole shareholder in which certain of our directors, i.e. Mr. Pisante, Mr. Delikanakis and Mr. Pandis, indirectly hold interest) have agreed for a period of 180 days and 360 days, respectively, from the date of commencement of trading on the Warsaw Stock Exchange, not, without the prior written consent of Citi, to dispose of or hedge any of our shares or any securities convertible into or exchangeable for our shares. In addition, pursuant to the Framework Agreement with the EBRD, the EBRD agreed that it will not dispose of the shares acquired in the Offering for a period of 180 days following their acquisition, provided that the EBRD shall have the right to sell, transfer or otherwise dispose of the shares acquired in the Offering in the event that the Company fails to comply with any of its material obligations under the Framework Agreement. BH Meridian Participations Ltd. is not a selling shareholder, and all of its shares will be repurchased by the Company for a purchase price of €45,000 before the admission to trading of the shares on the Warsaw Stock Exchange. Following the completion of the Offering, BH Meridian Participations Ltd. will hold at least 5% of the Company's total share capital, by investing €10 million in the Offering.
E.6 **Dilution**	**The amount and percentage of immediate dilution resulting from the offer.** In the case of a subscription offer to existing equity holders, the amount and percentage of immediate dilution if they do not subscribe to the new offer. Not applicable. The offer will not result in dilution.
E.7 **Estimated expenses charged to the investor**	**Estimated expenses charged to the investor by the issuer or the offeror.** Investors will not bear any additional costs or taxes in filing subscriptions.

RISK FACTORS

Prospective investors should consider all of the information in this document, including the following risk factors, before deciding to invest in the shares. If any of the events described below actually occurs, our business, financial condition or results of operations could be materially adversely affected, and the value and trading price of the shares may decline, resulting in a loss of all or a part of any investment in the shares. Furthermore, the risks described below are not the only risks we face. The order of the risk factors described below is not an indication of their relative importance for us, the probability of their occurrence or their potential influence on our activity. Additional risks not currently known or which are currently believed to be immaterial may also have a material adverse effect on our business, financial condition and results of operations.

Risks Relating to Our Business

Our business and the real estate markets in which we operate have been affected by the global financial crisis and could be further affected if the downturn in general economic conditions in the countries in which we operate continues or worsens.

The continued global crisis in the financial markets has impacted the condition of many financial institutions, and governments have often been forced to intervene in capital markets on an unprecedented scale. Such turbulence has resulted in businesses having restricted access to bank financing, an increase in interest rates charged on bank loans and a decrease in consumer spending, with many tenants requesting temporary or permanent rent reduction.

In particular, many countries in Emerging Europe, including Romania, Bulgaria, Hungary and the Czech Republic, have experienced a slowdown in their financial markets and their financial institutions' participation in real estate finance during the past years. The reduced demand for property has resulted in a drop in property sales, increased vacancy rates and lowered rent revenues from leased space. The deterioration of the general economic conditions and the real estate market in Emerging Europe has adversely affected the willingness and ability of investors to secure financing and to acquire real estate assets. If demand in the real estate investment and occupiers markets continues to fall, we may have to sell our properties at a loss or let them at terms worse than the current ones or may not be able to sell or let our properties at all. The crisis in the financial markets may also adversely affect our business in other ways, if, for example, our tenants or the financial institutions that provide us with financing default on their payments or go bankrupt.

In relation to Cyprus, where several of our companies are located, the global financial and economic crisis has had an adverse effect on the economy. Certain long-standing imbalances which were not rectified on time, led to the collapse or bailout of two Cyprus banks and to significant liquidity constraints for others. In March 2013, Cyprus reached a political agreement with its international partners to receive €10 billion in financial assistance and, as a result, undertook certain obligations in relation to key elements regarding a macroeconomic adjustment program, including measures to improve the fiscal sector and to recapitalize the affected banks. As a result of the restructuring, certain restrictions have been imposed in connection with capital flows within and out of Cyprus which are being gradually relaxed under the close monitoring of the Central Bank of Cyprus and Troika and which are ultimately expected to be lifted when the situation permits it. The above developments have not brought any changes in the corporate tax system in Cyprus which remains mostly unaffected to-date, with only a minor increase in the corporate tax of 2.5%.

The Government of Cyprus had expressed its commitment to working with its international partners in implementing a determined deficit reduction strategy. However, given the uncertainties surrounding the situation in Cyprus as a result of the current sovereign debt crisis, there is a risk that Cyprus' efforts to stay on course with its fiscal commitments would be derailed. If such an event occurs there is a risk that new taxes may be imposed to cover for fiscal imbalances. Further, if the liquidity situation in Cyprus is worsened there is risk that further restrictions on currency or capital flows may be imposed or the ones currently in place may be prolonged.

If the tax regime in Cyprus changes, the relief from taxation available to us in Cyprus may, among other things:

- negate the tax benefits we have in Cyprus under the Cypriot tax regime, under the EU tax directives and under Cyprus' network of double tax treaties;
- affect the value of our investments and our ability to achieve our investment objectives;

- alter our shareholders' after tax returns; and
- affect the level of dividends we may be able to pay out to our shareholders.

Any of these results may have a material adverse effect on our business, financial condition and results of operations.

We may be unable to renew expiring leases or lease and re-lease vacant space on a timely basis or on attractive terms.

As of June 30, 2013, leases representing approximately 4.8% of the Initial Portfolio's total GLA will expire during or before the year ending December 31, 2014. The demand for office space by corporate tenants can be highly dependent on their recent results and their estimated short-term performance. Disappointing financial results or negative performance expectations are likely to result in corporate tenants seeking to reduce their property expenditures with a consequently adverse effect on us. Additionally, our present and future tenants' preferences and perceptions as to attractiveness, quality, comfort and safety of our business offices and retail parks could change negatively. If non-renewals occur or if a tenant breaches its lease prior to expiration, we may not be able to locate replacement tenants of equal quality in a timely manner or at all and, as a result, we could lose a significant source of revenue and incur additional expenses until the property is re-let. These expenses could include legal costs, appraiser's costs and surveying costs in relation to re-letting, agency fees, maintenance costs, service charges, insurance coverage and marketing costs. Moreover, the terms of a renewal or new lease may be less favorable than the current lease terms. In addition, new leases or new tenants must often be approved by the banks financing our activity pursuant to certain credit facility and loan agreements. If vacancies continue for a long period of time or renewal or new lease terms are less favorable to us, we may suffer reduced revenues resulting, among other things, in less cash dividends to be distributed to our shareholders. In addition, the resale value of the property could be diminished because the market value of a particular property will depend principally upon the potential value of its leases. In preparing our analysis of the Initial Portfolio, we have also made assumptions about the renewal of leases with key tenants and the conclusion of certain leases currently under negotiation (see "*Our Business—Initial Portfolio Overview*"), however there is a risk that such leases may not be successfully agreed under the terms currently assumed. The occurrence of any of these risks could have a material adverse effect on our business, financial condition and results of operations.

The valuation of our investment properties is inherently uncertain and subject to fluctuation, which can in turn affect our statement of financial position and statement of income.

Property valuation is inherently subjective due to the individual nature of each property and the need to make estimates and assumptions, including rental revenues and occupancy rates of the property. As a result, valuations are subject to uncertainty and volatility and may change from one valuation period to the next. Because we are encouraged under IFRS to perform a valuation analysis and to show the market value of each of our investment properties (defined as properties which are not under development or refurbishment where a legally binding usage permit is already issued), this valuation volatility can affect our statement of financial position and income statement. IFRS encourages determining the fair value of investment property on the basis of a valuation by an independent appraiser who holds a recognized and relevant professional qualification and has recent experience in the location and category of the investment property being valued. A reduction of the market value of a property based on such a valuation analysis will have an adverse effect on our valuation results, the value of our total assets and our ability to pay dividends. Each of these risks could have a material adverse effect on our business, financial condition and results of operations.

We may face risks associated with the deterioration of the creditworthiness of our current and future tenants, including the risk of insolvency and bankruptcy.

Our business depends to a large extent on our ability to generate sufficient leasing revenues, which can be influenced by several factors, including the ability to attract and retain suitable, creditworthy tenants willing to enter into long term lease agreements on terms favorable to us. The creditworthiness of a tenant can decline over the short or medium term, entailing the risk that the tenant may become insolvent or otherwise unable to meet its obligations under the lease. If our judgment about a tenant is incorrect, the income generated from leasing a property to such a tenant may be significantly lower than originally estimated, while our operating costs would largely remain fixed or could even increase as a result of other independent factors. Any of these risks could have a material adverse effect on our business, our financial condition and our results of operations.

We may face delays in evicting tenants that are in default.

Evicting a tenant that defaults on a lease can be costly and time consuming. For example, under Romanian law, the time it takes to evict a defaulting tenant is not prescribed by law and varies case by case. Additionally, obtaining a date for a court hearing can take four to eight months, or even longer. Under Bulgarian law, it typically takes three years to evict a defaulting tenant, although an eviction can be expedited and completed in less than two years. Under Hungarian law, it typically takes four to eight months to evict a defaulting tenant. Under Czech law, it can take several years to evict a defaulting tenant through court proceedings. Furthermore, insolvent tenants may seek protection of applicable insolvency laws. The loss of rental revenues from any of our tenants and our inability to replace such tenants may have a material adverse effect on our business, financial condition and results of operations.

We intend to selectively acquire additional real estate in the future, and we may be unable to identify suitable target acquisitions, acquire them on acceptable terms or identify all potential liabilities associated with them.

We intend to selectively acquire additional real estate assets in the future in Emerging Europe. The acquisition of real estate assets requires, among other things, an analysis that is subject to a wide variety of factors, including subjective assessments and assumptions. It is possible that we may overestimate the potential of a target acquisition when making acquisition decisions or base our decision on inaccurate information or assumptions that turn out to be incorrect. For example, we may overestimate the attractiveness of a property or its location, or the demand for such premises, in which case it may be difficult to find suitable tenants that are willing to enter into favorable leases. We may also underestimate the likelihood that a newly acquired real estate asset will require substantial renovation or capital repairs. Such errors may only become apparent at a later stage and force us to recognize fair value losses on our statement of income. Furthermore, we cannot guarantee that our due diligence when acquiring a real estate asset will uncover all the potential liabilities and risk related to the property or that we will have recourse to the seller of the property for the non-disclosure of such risks.

Certain operating expenses will not be passed on to our tenants, and any additional costs that cannot be passed onto our tenants may negatively impact our business.

Certain operating expenses related to the Company’s real estate investments will not be passed on to tenants, including periodic renovation and capital repairs (including the potential need to adapt properties to suit any changes in tenant preferences and regulatory changes), financing costs and operating expenses associated with vacancies. The costs to the Company of holding its investment assets also include: (i) costs relating to the real estate assets’ day-to-day operation, such as utilities, including electricity, heating and water, and facility management, including cleaning and security; (ii) property management services; and (iii) property insurance, real estate taxes and duties, as well as corporate overhead costs that include professional services fees (audit, valuation, legal, administrative, accounting and tax).

Any reduction in our rental incomes or increase in our expenses which cannot be passed on to tenants could have a material adverse effect on our business, financial condition and results of operations.

Competition in the markets in which we operate may intensify in the future.

We compete directly with other property companies, developers and individual owners of commercial and residential properties to attract and retain suitable tenants. We also compete with other investors seeking to acquire desirable properties and to dispose of properties, and we may not be able to compete successfully in the future. Our competitors could have a better cost structure, portfolio management or conclude acquisitions of real estate assets at a more attractive pricing and, therefore, achieve higher profit margins than us.

In particular, the commercial real estate industry in Emerging Europe is highly competitive and, as property markets in Emerging Europe mature, we expect to face increased competition from both global and local property investors. These companies are national or regional operators, as well as international companies with substantial resources. Failure to compete effectively with either large local competitors or large international property investors will negatively impact our profits.

We may compete with other investment vehicles affiliated with Bluehouse for tenants.

Bluehouse and its affiliates are not prohibited from engaging, directly or indirectly, in any other business or from possessing interests in any other business venture or ventures, including businesses and ventures involved in the acquisition, development, ownership, management, leasing or sale of properties. Bluehouse or its affiliates own or manage properties in most if not all geographical areas in which we expect to acquire interests in real estate assets. Therefore, our properties compete for tenants with other properties owned or managed by Bluehouse and its affiliates. Bluehouse may face conflicts of interest when evaluating tenant opportunities for our properties and other properties owned or managed by Bluehouse and its affiliates and these conflicts of interest may have a negative impact on our ability to attract and retain tenants, which could have a material adverse effect on our business, financial condition and results of operations.

We may compete with Bluehouse for real estate investment opportunities.

Bluehouse is the investment advisor of existing real estate funds. We may compete with Bluehouse for real estate investment opportunities. As a result of potential conflict of interests between us and Bluehouse, as well as with other investment vehicles sponsored or managed by or affiliated with Bluehouse, we may not be offered favorable investment opportunities identified by Bluehouse when it would otherwise be in our interest to accept such investment opportunities. This could have a material adverse effect on our business, financial condition and results of operations. Please see "*Management—Liability, Conflict of Interests and Other Information Relating to Members of the Board.*"

We face currency fluctuation risks relating to our operations outside the Eurozone.

As we conduct some transactions in currencies other than euro, we are vulnerable to foreign exchange rate fluctuations. These risks can be divided into translation risks and transaction risks.

Our reporting currency is the euro. Non-euro income and expense items are translated into euro for purposes of our income statement on the basis of average exchange rates during the period. For purposes of our consolidated statement of financial position, non-euro denominated assets and liabilities are converted into euro at the exchange rate prevailing on the statement of financial position date. Consequently, even if the amount or value of these items remains unchanged in the respective currency, changes in the exchange rate have an impact on the amount or value of such items in our consolidated income statement and statement of financial position. Any gains or losses resulting from foreign currency translation are recognized in the income statement.

Changes in foreign currency exchange rates, mainly between the euro and local currencies, namely Romanian leu, Bulgarian lev, Hungarian forint and Czech koruna, have a particular impact on the financial performance of our properties. Properties for which leases are denominated in euro are typically paid in the local currency of the country in which the asset is located. Rent denominated in euro but paid in local currency is then converted to euro. Thus, conversion timing and changes in currency exchange rates might cause losses.

For the six-month period ended June 30, 2013, 100% of the rental income from the Initial Portfolio was denominated in or pegged to the euro, and we expect to maintain this rental revenue policy in the future if we expand our activities within Emerging Europe. As a result, a decline in the euro relative to the local currencies has an adverse effect on our rental income. Net currency exposure remains and could have a material adverse effect on our business, financial condition and results of operations.

We may be adversely affected by the illiquidity of real estate investments.

Our business is to invest in real estate assets and real estate assets are relatively illiquid. This illiquidity may negatively impact our ability to adjust our property portfolio in a timely manner and at satisfactory prices in response to changes in economic, real estate market or other conditions. If we are required to liquidate our property portfolio on short notice, either to raise cash to support our operations or for other reasons, we may not be able to sell any portion of our property portfolio on favorable terms or at all. In the case of an accelerated sale, there will likely be a significant shortfall between the inherent value of a property and the price we are able to achieve upon the sale, and the sale price obtained may be less than the book value of the properties sold. Any such shortfall could have a material adverse effect on our business, financial condition and results of operations.

We are exposed to indexation risks.

Most of our leases include a clause that provides for partial or full indexation of the rent, in most cases in line with a Eurostat published consumer price index (**CPI**), and the rent payable is pegged to the euro. In the Czech Republic, most of the leases include indexation based on various consumer price indices, namely Austria, Germany and the Czech Republic. In Bulgaria, all of the leases include indexation based on various European

Union Member State consumer price indices, although some of the Bulgarian leases include a cap on annual indexation. In Romania and Hungary, the majority of lease agreements include indexation based on the Monetary Union Index of Consumer Prices, the CPI for the Eurozone.

We expect that as a result of increasing competition in the real estate markets, we may not be able to index fully all of our leases to appropriate consumer price indices, which would have a material adverse effect on the value of the relevant properties. If a lease is not fully indexed and, as a result the rent remains constant for a lengthy period, while our costs of maintaining, operating and administering the property increase due to inflation, this would have a materially adverse effect on our operating results.

As the indexation of many of our lease agreements is not based on local indices, but takes into account changes in price indices of another country or the Eurozone or European Union, there may be a disconnect between changes in a given index and local developments, leading to the potential inability by our tenants to pay rent in full and on a timely basis. Furthermore, if such leases are terminated after a long period, then the index link may subsequently cause a significant deviation in the rent achievable upon reletting if market rates have not kept up with the rate of inflation or deviate from the development of the reference currency. Depending on the development of our portfolio, this may increasingly be the case. This may have a material adverse effect on our business, financial condition and results of operations.

We will be exposed to location risks as well as risks associated with any additional operations commenced in new geographic markets and asset classes.

The value of a portfolio depends to a large extent on the location of its properties and the purpose for which they are intended. If we misjudge the desirability of a property's location or its intended use, we may not be able to fully rent properties or rent them at the levels we had planned.

The commencement of operations in any new geographic markets or asset classes beyond those that comprise the Initial Portfolio in particular involves unique costs and risks. If we commence such operations, we will need to become familiar with the various aspects of operating in these new geographic markets or asset classes, including regulatory aspects, the business and macroeconomic environment and new currency exposure, as well as the necessity of establishing new systems and administrative headquarters at substantial costs. It may take many years for an acquisition to achieve desired results and factors such as tenant mix, lease terms and property management teams take time to implement. In addition, entry into new geographic markets may lead to difficulty managing geographically separated organizations and assets, difficulty integrating personnel with diverse business backgrounds and organization cultures and compliance with foreign regulatory requirements applicable to acquisitions.

Any misjudgment on a location calculation or our failure to successfully expand into new geographies and asset classes may result in us investing significant resources without realizing a return and may have a material adverse effect on our business, financial condition and results of operations.

Our results of operations may be significantly affected by factors that are beyond our control.

We are currently evaluating certain international investments, including potential investments in emerging markets such as Poland, in which we have a limited track record or none at all. Our performance with respect to these investments, if any, may be significantly affected by factors beyond our control, such as a general downturn in local economies, changes in local regulatory requirements and applicable laws (including in relation to taxation and planning), the condition of local financial markets, local legal and political instability, local interest rate, inflation rate and exchange rate fluctuations (in particular in relation to our properties in the Czech Republic in respect of which certain capital expenditures and rental revenues are payable in local currency), crime and corruption, and the risks of expropriation, nationalization and confiscation of assets and changes in legislation relating to the level or permissibility of foreign ownership. In addition, a country may impose temporary restrictions on foreign capital remittances abroad. Such events could reduce the amount of any rental payments that we could expect to receive on these assets or on the capital value of any such assets, which could have an adverse impact on our cash flows.

Terrorist attacks or other forms of social, ethnic, political and religious violence may negatively affect our operations and returns to our shareholders and have been characteristic, in the past, of some of the regions in which we intend to hold real estate investments. These attacks or armed conflicts may directly impact the value of our properties through damage, destruction, loss or increased security costs, and may impact on the willingness of new tenants to take up space and current tenants to renew leases.

Moreover, property markets tend to be cyclical, with property prices and rents reflecting positive and negative economic and other developments in the markets where the properties are located. Factors such as changes in disposable income or gross national product, variations in interest rates and taxation policies, political conditions, levels of economic growth, attractiveness of real estate relative to other investment choices, the condition of financial markets, expected declines in general demographics and other similar factors all affect the local levels of supply and demand for properties. Changes in supply and demand cause fluctuations in the purchase and sale prices of properties, in rental prices and in occupancy rates. Such fluctuations can have a significant influence on the value of the underlying properties, as well as on the level of income produced by the properties. Any of these risks could have a material adverse effect on our business, financial condition and results of operations.

We are a newly established entity with a limited history as an independent, internally managed company and will rely upon certain services provided by Bluehouse.

We were incorporated on May 8, 2013. Accordingly, we have a limited history as an internally managed, standalone company. We have only been engaged in operations for a short time and do not have standalone historical financial statements prior to our date of incorporation (May 8, 2013). Therefore, it is difficult to evaluate our future prospects and our investment objectives might not be achieved.

Additionally, we will rely on certain services provided by Bluehouse, such as property management and certain administrative and accounting functions. We are an internally managed company, and the past performance of Bluehouse with respect to its business and extensive track record in Emerging Europe, as well as experience of their executives, should not be construed as an indication of the future performance of either Bluehouse or us. We may not have the same opportunities to invest in assets that generate similar returns to those achieved historically by Bluehouse. In addition, the historical financial and operating information included in this document should not be used as a basis for evaluating our results of operations in the future.

Our ability to pay dividends depends on both the earnings of our subsidiaries and our ability to distribute those earnings such that we may be unable to pay, maintain or increase dividends over time.

We are a holding company for a number of subsidiaries that hold individual properties. As a result our income is wholly dependent upon (i) our subsidiaries' ability to generate income and (ii) our subsidiaries' ability to distribute dividends due to certain restrictions on making distributions contained within certain credit facilities of our Property Companies. The earnings of our subsidiaries must cover all of our operational costs and other expenditure as well as our financing costs. Furthermore our subsidiaries' ability to lease properties on favorable terms can also affect the availability and timing of dividend payments to shareholders. As a result, cash available for dividends may vary substantially from estimates

The historical and unaudited pro forma combined financial information included in this document may not be representative of our combined results after the acquisition of the Initial Portfolio, and accordingly, you have limited financial information on which to evaluate us as a combined company and your investment decision.

Each of the real estate assets included in the Initial Portfolio operated as separate companies from us prior to the acquisition of the Initial Portfolio and managed as part of various funds within Bluehouse. We have no prior history as a combined company. Each of the historical financial statements for the Property Companies may be different from those that would have resulted had they been operated as part of the Initial Portfolio or from those that may result in the future while operating as part of us. In addition, we have included unaudited *pro forma* combined financial information in relation to the acquisition of the Initial Portfolio. See "*Important Information—Presentation of Financial and Other Information*" and "*Unaudited Pro Forma Combined Financial Information*." The unaudited *pro forma* combined financial information is for information purposes only and does not purport to present what our results would have been had these transactions actually occurred. It is based upon preliminary estimates such as allocation of the proceeds of the Offering and is therefore not necessarily indicative of the financial position or results of operations that actually would have occurred had the acquisitions been completed at or as of the dates indicated, nor is it indicative of the future operating results or financial position of the combined company. Our assumptions may not prove to be accurate over time.

We may face risks associated with tenants attempting to end lease agreements prematurely, including non-enforceability of legal provisions relating to damages and penalties, as allowed under certain legal provisions applicable in the jurisdictions in which we operate.

Our revenues are dependent upon our rental incomes derived from the leases within the Initial Portfolio, which are primarily long-term leases. Certain jurisdictions in which we operate may have applicable legal provisions to enable our tenants to end a long-term lease agreement prior to its expiration date, which include non-enforceability provisions related to recovery of damages and penalties for early termination. These default legal provisions apply unless the lease agreement excludes their application which is not the case in most of our lease agreements. Premature loss of tenants and consequent loss of their rental incomes, a failure to renew lease agreements and uncertainties regarding the validity of long-term lease contracts, could have a material adverse effect on our business, our financial condition and our results of operations.

We may face general risks associated with current and future debt financing.

We intend to refinance the existing indebtedness of the Initial Portfolio to optimize our capital structure and maximize our dividend. The extent and terms of any borrowings will depend on our ability to obtain credit facilities and the lender's or lenders' estimate of the stability of our cash flows, among other things. The use of borrowings may increase the volatility of returns on investments, including the risk of a total loss of our amount invested and may place us at a competitive disadvantage to less leveraged competitors.

In addition, any future borrowings could, among other things, have a significant impact on us by:

- limiting, through financial and restrictive covenants, our ability to pay dividends, invest in properties, sell assets, borrow additional funds, issue equity and engage in other transactions;
- increasing our exposure to interest rate risk;
- if denominated in a currency different than the ones of the lease agreements and underlying property values, increasing our exposure to currency risk;
- increasing our vulnerability to downturns in the real estate market and the broader economy in general;
- increasing the risk of not being able to refinance our existing borrowings at terms comparable or more attractive than the current ones, or to refinance them at all;
- requiring us to dedicate a substantial portion of our cash flow to service our debt; or
- subjecting our assets to security interests or creating liens or guarantees, or prohibitions to transfer such assets.

Any of these risks could have a material adverse effect on our business, financial condition and results of operations.

We are exposed to risks relating to interest rates and interest rate hedging.

We currently utilize significant amounts of third-party variable rate debt financing to support the purchase and maintenance of our properties, and following the Offering, four of our nine Property Company bank loans will use interest rate-hedging tools (see "*Our Business—Material Contracts—Credit Facility and Loan Agreements*"). When variable rate financing is used our costs increase if prevailing interest rate levels rise. An increase in interest rate levels could also limit our ability to use debt financing for future acquisitions.

We use interest rate hedging to minimize the risk of higher future interest rates. We use interest rate hedging tools such as interest rate swaps, options, forward agreements and similar arrangements. These interest rate-hedging tools may not be effective, and they may not achieve their intended purpose. Such hedges could, for instance, prevent us from fully benefiting from a decrease in interest rates. Moreover, many of these interest rate-hedging tools are traded on independent markets and are priced separately on a day-to-day basis. In case of an early termination of any such contracts we may incur an unexpected payment to the hedge provider. Any of these risks could have a material adverse effect on our business, financial condition and results of operations.

The failure of any bank in which we deposit our funds could reduce the amount of cash we have available to pay distributions and make additional investments.

It is likely that we will have cash and cash equivalents and restricted cash deposited in certain financial institutions in the Emerging European countries where our assets are situated. Such countries may not provide adequate guarantees or insurance, if at all, to protect our deposits in the event of a failure of any of the banks in which we deposit funds. If any of the banking institutions in which we deposit funds ultimately fails, we may lose any amounts of our deposits over levels insured by federal or other regulations applicable to deposit holding banks in the jurisdictions where we keep our deposits. The loss of our deposits could reduce the amount of cash we have available to distribute or invest and could result in a decline in the value of your investment. Any of these risks could have a material adverse effect on our business, financial condition and results of operations.

We may be subject to increases in operating costs and other expenses.

Our operating and other expenses could increase without a corresponding increase in revenue or tenant reimbursements of operating and other costs. Factors that could increase operating and other expenses include changes in laws (including tax legislation), regulations or government policies (including those relating to health and safety) that increase the costs of compliance with such laws, regulations or policies, increases in fees upon renewal of certain agreements, increases in insurance premiums, unforeseen increases in the costs of maintaining properties and defects affecting the properties that need to be rectified, leading to unforeseen capital expenditures.

The desirability of a rental property depends not only on its location but also on its condition. To remain desirable and to generate a revenue stream over the longer term, a property's condition must be maintained or, in some cases, improved to meet the changing needs of the market. Some of our properties are new and are expected to require only normal maintenance in the near term. As these properties age, or as market requirements change, maintaining or upgrading these properties to market standards may entail significant costs, typically borne primarily by the property owner. If the actual costs of maintaining or upgrading a property exceed our estimates, or if hidden defects are discovered during maintenance or upgrading, which are not covered by insurance or contractual warranties, or if we are not permitted to raise our rents due to legal constraints under applicable local landlord-tenant laws, we will have to bear the additional costs. Furthermore, any failure by us to undertake relevant repair work in response to the factors described above could adversely affect the sales and rental income earned from affected commercial properties. Any of these risks could have a material adverse effect on our business, financial condition and results of operations.

Additionally, we may face the risk of inability to cover all our operating and other expenses from tenant reimbursements. Due to wording of lease agreements with the tenants (e.g., some lease agreements include itemized lists of operating and other expenses that are recoverable from tenant reimbursement or fixed share which is not subject to changes based on changes in the total area of the relevant Initial Portfolio Properties or incomplete list of expenses), we may be unable to cover all our operating and other expenses from tenant reimbursements or service charges.

Any of these risks could have a material adverse effect on our business, financial condition and results of operations.

We may not be able to use the proceeds from the Offering in the manner described in the "Use of Proceeds" section.

We intend to apply the proceeds from the issuance of the shares towards acquiring the Initial Portfolio, pursuing new investment opportunities and reducing the Initial Portfolio's existing financial leverage. See "*Use of Proceeds*." The Acquisition will happen if and when several conditions precedent are met, including that the shares are admitted and introduced to trading on the Warsaw Stock Exchange. Therefore, it is envisaged that the acquisition of the Initial Portfolio will happen after registration of the shares with the NDS but prior to the listing date. Furthermore, despite our best efforts, several factors independent of us may impact the implementation of these objectives, other than the acquisition of the Initial Portfolio, including: the conditions of the real estate sector in the markets where we operate, the conditions of the real estate financing market, the broader economic situation in general and changes to laws or regulations. Further, such uses of the proceeds may be restricted or abandoned, which may in turn have a material adverse effect on our business, financial condition and results of operations. To the extent that the Company is unable to use the proceeds from the Offering as intended, any excess proceeds that are not required for general corporate purposes or the repayment of bank loans will be held in an interest-bearing deposit account.

We may suffer material losses in excess of insurance cover or proceeds.

Our properties could suffer physical damage due to fire or other causes, resulting in losses (including loss of rent) that may not be, fully or partially, compensated by insurance. In addition, in respect of certain types of risks (such as the risk of war and the risk of earthquakes occurring during building works), the insurance market does not offer cover, or offers limited cover. Moreover, the cost of such insurance may be prohibitive when compared to the risk. Furthermore, in the future the insurance market may cease to cover, either fully or partially, certain risks which we are currently insured against. Should an uninsured loss or a loss in excess of insured limits occur, we could lose capital invested in the affected property as well as anticipated future revenue from that property. In addition, we could be liable to repair damage caused by uninsured risks. In such cases, we would also remain liable for any debt or other financial obligations related to that property. In addition, our liability would increase in case our tenants fail to obtain business interruption insurance. These risks could have a material adverse effect on our business, financial condition and results of operations.

Our success depends in part upon our ability to recruit, retain and prepare succession plans for our senior management and skilled personnel.

Our business requires, among other things, expertise in relation to the real estate markets of Emerging Europe, making the performance of our senior management and skilled personnel critical to our success. Under our internally managed structure, our senior management and skilled personnel, including our executive management team, manages and strategically guide our investment opportunities, dispositions, financing strategy, asset allocation and risk management. Our long-term success depends on our ability to recruit and retain capable senior management, as well as to plan adequately for their succession. Any failure to do so could have a material adverse effect on our business, financial condition and results of operations.

We may suffer if we do not have access to equity finance.

We may decide to raise additional equity capital in the future to refinance debt, capitalize on investment opportunities, improve our liquidity or pursue our business plan. We may be unable to raise additional equity finance on reasonable terms or at all if investors do not perceive us as an attractive investment, due to lack of interest in real estate investment companies, as a result of weakness in the equity capital markets generally or for other reasons. Any of these risks may prevent us from refinancing debt, pursuing investment opportunities that arise in the future, improving our liquidity or maintaining our business plan, which may have a material adverse effect on our business, financial conditions and results of operations.

Risks Relating to the Laws and Regulations of the Countries in Which We Operate

We may lose FII tax status.

We have FII status within the meaning of article 28 of the Netherlands Corporate Income Tax Act 1969 (*Wet op de vennootschapsbelasting 1969*) and we are subject to Netherlands corporate income tax at a rate of 0%. In order to qualify for the FII regime, we are required to distribute a statutorily defined part of our profits within eight months of each fiscal year-end. The amount we are required to distribute will vary as a result of, among other things, the net income shown in our financial statements. When calculating the amount which must be distributed, we may record certain results on securities and other investments as a special "reinvestment reserve" and consequently these profit components do not have to be distributed. This special reserve applies to realized and unrealized results on securities and capital gains or losses realized on the disposal of other investments. A proportional amount of the total amount of expenses relating to the management of the investments, however, must be deducted annually from the reinvestment reserve.

In addition, we are subject to various restrictions with respect to our investments, our leverage and the concentration of our investors in order to maintain FII status. The following quantitative restrictions apply to the concentration of our investors in order to maintain FII status:

(i) no single individual may hold a direct or indirect interest (*belang*) of 25% or more in the Company;

(ii) no single entity that is subject to tax on its profits (or whose profits are subject to tax at the level of its investors / beneficiaries) may, together with related entities, own 45% or more of the shares in the Company. For the purpose of this test, shares on which an entity may vote at the general shareholders meeting, whether or not on the basis of an agreement with other shareholders, are also taken into account when determining the 45% threshold. This restriction does not apply to participations in the Company held by other FIIs that are listed on a stock exchange or have a permit under the Wft or which are not obliged to have such a permit under this act, as they are resident in and monitored in another EU member state; and

(iii) no Netherlands resident entity may hold an interest (*belang*) of 25% or more in the Company through a foreign (non-Netherlands resident) fund for joint account (*fonds voor gemene rekening*) or through a foreign entity with a capital divided into shares (*vennootschap met een in aandelen verdeeld kapitaal*).

Our articles of association contain arrangements pursuant to which it is not permitted for an investor to exceed these limitations. If one or more of these limitations have been or are exceeded, or is likely to be exceeded, the board is authorized to take any and all measures to remedy exceeding these limitations by obliging the investor to sell one or more of his shares. If and for as long as an investor is under an obligation to transfer shares, no votes can be exercised on any of the shares held by such investor.

If we lose FII status, we will become subject to Netherlands corporate income tax on our taxable profits at up to a maximum rate of 25%.

We may be subject to adverse changes in tax laws or their interpretation.

An investment in us has tax implications for the investor. See "*Taxation*" for information in this respect. The value and return of an investment depends on several relevant tax laws and implications and therefore imposes a risk for investors. This may be impacted by adverse changes in tax laws, in their interpretation or practice.

Changes in taxation legislation, double tax treaties or rules and regulations from the European Union may have the following effects:

- negate the tax benefits we have in the Netherlands, including under the FII tax regime, the tax benefits we have under the EU tax directives and under the network of double tax treaties of the Netherlands;
- affect the value of our investments and our ability to achieve our investment objectives;
- alter our post-tax profitability;
- affect the level of dividends we may be able to distribute to our shareholders; and
- impact the value of our shares.

In addition to the above risk of changes in taxation legislation if we or any of our subsidiaries were to be treated as having a permanent establishment, or as otherwise being engaged in a trade or business, in any country in which we invest or in which our investments are managed, profit or income attributable to or effectively connected with such permanent establishment or trade or business may be subject to tax in that latter country.

We face tax risks in connection to transfer pricing regulations.

In the ordinary course of business, we anticipate that we will conclude several transactions within our Group, and other subsidiaries which will generate significant revenues and costs within us. Transfer pricing rules applicable in the jurisdictions where we are located, generally require that taxes are calculated based on prices set on an arm's length basis. This also applies for transactions between related parties. Tax authorities have the power to and may make transfer pricing adjustments and impose additional tax liabilities in respect of transactions between related parties if the transaction prices differ from market prices.

Any failure to observe Netherlands tax residency requirements could materially adversely affect our business.

We are incorporated in the Netherlands and we consider ourselves to be Netherlands residents for tax purposes. Generally, in order to maintain Netherlands tax residence, our place of effective management must be in the Netherlands. If our place of effective management were to be in a jurisdiction other than the Netherlands, our existing tax residence could be jeopardized. Consequently, we must meet all applicable requirements for Netherlands tax residence under the Netherlands tax legislation. There is currently no definition in the Netherlands tax laws as to what exactly constitutes the place of effective management. It is understood that the definition in the OECD model convention in relation to a "place of effective management" is the one followed by the Netherlands tax authorities.

If management and control takes place in another jurisdiction, or strategic or significant operational decisions or management activities take place in that jurisdiction, we may be treated as being a resident for tax purposes in that jurisdiction. Taxation of us in a jurisdiction other than the Netherlands could have a material adverse effect on our business, financial position and results of operations.

We may be unable to obtain licenses necessary for our operations or expansion pursuant to which we may not be able to carry on our business or parts of our current or planned businesses.

The European Directive on Alternative Investment Fund Managers (the **AIFMD**), which has as its objective the creation of a framework for the direct regulation and supervision of alternative investment fund managers at the European level, was implemented in the Netherlands on July 22, 2013.

If and to the extent required and/or if the Company cannot benefit from any license exemptions under the Wft, we will file our license application with the AFM. A license under the Wft contains a number of requirements regarding the way a company conducts its business. Failure to meet these requirements could result in fines or other sanctions pursuant to which we may not be able to carry on our business or parts of our current or planned businesses, which could have a material adverse impact on our ability to implement future plans to expand our areas of operation.

Some of the regions in which we operate do not have complete, centralized land registry systems, and in some regions there is no centralized land registry system at all, which makes evidence of title to the properties in our real estate portfolio vulnerable to a number of threats.

Not all countries in which we will operate have complete, centralized land registry systems. For example, in Romania, there is no centralized land registry system. Instead, the existing system is non-centralized and generally paper-based, and therefore not easily searchable and more difficult to consult and the boundaries of properties registered with the land registry are not always cross-checked against those of other registered properties, which makes title to property in Romania vulnerable to claims with respect to the boundaries of the properties and sale spanning for several years.

In Bulgaria, some districts, regions and cities are included in a centralized electronic land registry system but other areas, including partially the capital Sofia, are not. The lack of a centralized electronic land registry system makes title to property in Bulgaria vulnerable to claims of illegitimate ownership and sale.

In the Czech Republic there is a centralized land registry system, however, registration in the land registry does not guarantee title and such registration can be challenged. As a result, title and property boundaries in the Czech Republic are vulnerable to claims of illegitimate ownership and sale. Furthermore, documentation of title to the majority of properties registered in the Czech Republic is vulnerable to being destroyed, damaged, stolen, lost and misplaced, as the land register system does not always maintain full uninterrupted chain of title transfer documents. Although the land registry system in the Czech Republic is currently in the process of creating a centralized electronic system of historical title documents, this will take years to complete, and evidence of title to the properties in our real estate portfolio remains vulnerable in the interim.

Any of these risks could have a material adverse effect on our business, financial condition and results of operations.

The legal systems and procedural safeguards in many countries in Emerging Europe are not yet fully developed.

Agreements with international or local counterparties and service providers in Emerging Europe for the ownership and management of the properties (including lease agreements) in which we will invest are generally subject to the laws of the jurisdiction where the property is located. The legal systems of all of the countries in Emerging Europe have undergone dramatic changes in recent years, and the interpretation and procedural safeguards of the new legal and regulatory systems are still being developed in many cases. This may result in inconsistent application of existing laws and regulations and uncertainty as to the application and effect of new laws and regulations. For example, restrictions on corrupt practices are not as developed as in some Western countries and may have a corresponding effect on the business culture in such countries. Any such corrupt practices by our competitors or business partners could negatively affect our business and competitive position. Additionally, in some circumstances, it may not be possible to obtain the legal remedies under these laws and regulations in a timely manner. Although institutions and legal and regulatory systems characteristic of parliamentary democracies have been developed in all of the countries in which we operate, they lack an institutional history, and there may be no generally observed procedural guidelines. As a result, shifts in government policies and regulations tend to be less predictable than in the countries of Western Europe. Moreover, existing laws may be subject to further substantial revision in countries that have recently joined or are expected to join the European Union in order to bring them in line with new standards. Lack of legal certainty or the inability to obtain effective legal remedies in a timely manner may have a material adverse effect on our business, financial condition and results of operations.

Changes in the economic and political conditions of the countries in which we conduct our business activities may lead to changes in rental laws, construction codes, environmental regulations, tax laws and other laws affecting real property development and ownership. The implementation of laws or regulations in the other countries in which we currently operate, or may operate in the future, and in particular any laws or regulations promulgated by the European Union, or the interpretation or enforcement of, or change in, existing laws or regulations, may require us to incur additional costs or otherwise adversely affect the management of our real estate portfolio, which could have a material adverse effect on our business, financial condition and results of operations.

We may face risks associated with restitution claims and decisions of the European Court of Human Rights with regard to certain international investments in Emerging Europe.

We may face risks associated with restitution claims and the European Court of Human Rights with regard to certain international investments in Emerging Europe. Restitution laws reinstate title to real estate expropriated during the Communist era to the former owners or their successors or, if such reinstatement is impossible, provide fair compensation for such owners or successors.

In Romania, the interpretation of such laws has been contradictory and case law on restitution issues is unpredictable. There also is a risk that legislative changes, may occur which can negatively impact our business.

In Bulgaria numerous competent authorities involved in the restitution procedure may issue contradictory or incompliant orders solving the restitution claims in a different way or in favor of different beneficiaries. Furthermore the restitution orders are usually issued on the name of the person (ex-owner) whose property was expropriated. The inheritors and current owners prove their title thorough additional municipal certificate issued on the grounds of a statement signed by one of the successors. Any untrue or misleading statement may affect the validity of the consecutive acquisitions.

In the Czech Republic, there is a risk that some restitution court cases may still be pending under certain now lapsed restitution acts, and a successful claim under these acts could invalidate all previous transfers since the early 1990s. Although the Land Fund can issue a letter to confirm whether a restitution proceeding is pending, such confirmation is not binding on a court and, in some instances, these letters have later been found erroneous. The relevant court is obliged to register information regarding pending lawsuits with the Land Register, but this obligation is not always kept. Further, as of 2013, the Act on Church Restitutions enables all registered churches to claim anew real estate until January 1, 2014 under which a claimant may be able to invalidate a transfer of church property by the state to a third party.

Regulatory changes and new laws and regulations, including such laws and regulations governing urban planning and the environment, may adversely affect our results of operations.

Our activities are subject to various laws and regulations governing, among other things, urban planning and the environment. Our future activities may not be in full compliance with all applicable rules and regulations at all times, with new rules and regulations that may be enacted or with existing rules that may be amended or more stringently applied, and any of these risks could limit or curtail our future development. In particular, we may be subject to EU standards regarding property specifications in the Initial Portfolio that would potentially require us to upgrade certain of the buildings in our real estate portfolio, and we may not be able to meet these standards. Any of these risks could have a material adverse effect on our business, financial condition and results of operations.

Decisions of urban planning authorities may be influenced by political, regional and other considerations beyond those stipulated in the laws governing urban planning. In addition, decisions may be reviewed, annulled or reversed by the competent courts.

The laws of the regions in which we operate may restrict our ability to acquire and to dispose of properties.

Our ability to shape our future portfolio may be restricted by the laws of the jurisdictions in which we operate. For example, under Romanian law, we cannot sell or acquire a property at a price that, under the Romanian Civil Code, is obviously disproportionate in comparison with the value of the respective property. Under Bulgarian law, if we acquire or sell a property at a price below market value, this most likely will have tax implications and the tax authorities may consider such transaction's sale price to have been executed at market value for tax purposes. Under Hungarian law, the acquisition or sale of a property in our real estate portfolio at a price that is more than 130% or less than 70% of its market value as determined by a court-appointed appraiser can be challenged in court. Under Czech law, the price of a property can be freely agreed between the parties except for specific situations, such as acquisition or sale to or from a public entity, intra-group transfers or transfers whereby one party abuses its more advantageous economic position. Other regions in which we may operate in the future may also have similar or more expansive legal restrictions. These restrictions could have a material adverse effect on our business, financial condition and results of operations.

The sale, transfer or lease of property could be voided under certain circumstances, which could have a negative impact on our ability to acquire, retain or resell properties.

Under certain circumstances some of the jurisdictions in which we currently operate, or may in the future operate, may void specific acquisitions and sales. For example, in Romania, Bulgaria, Hungary and the Czech Republic, certain acquisitions or sales of property may be voided under applicable local law provisions for reasons of insolvency, fraud, lack of consideration, gross undervaluation, avoidance of creditors or defrauding of creditors. Accordingly, a court in a relevant jurisdiction may void or set aside such a sale or acquisition, which could have a material adverse effect on our acquisition strategy, business and results of operations.

In addition, the sale or transfer of real estate may also be voided as a result of other technical requirements in the conveyance of property. For example, in Romania, Bulgaria, Hungary and the Czech Republic, sales or transfers of property can be voided for, among other reasons, flaws in the transacting parties' contractual will, lack of proper authentication by the notary public, lack of corporate capacity and authority, improper representation of the parties for the transfer, fraud, breach or contravention of relevant fiscal or other mandatory laws, breach of legal prohibitions relating to the transfer of ownership and ownership limitations relating to specific types of properties. Further, the laws of some jurisdictions in which we operate provide for strict formal requirements on the mandatory content of a lease agreement. For example under Czech law such formal requirements may not be met if it is deemed that a lease agreement includes provisions which insufficiently or improperly describe the subject of lease or contain other material inaccuracies. Failure to provide for the mandatory content in a manner satisfying the formal requirements of applicable laws may cause invalidity of the whole or part of a lease agreement. Any of these risks could have a material adverse effect on our business, financial condition and results of operations.

Environmental laws and the discovery of environmentally hazardous conditions may adversely affect our results of operations.

We may be liable for the costs of removal, investigation or remediation of hazardous or toxic substances located on or in a property we own or lease, even in cases when the environmental damage was caused prior to our acquisition of the relevant property. See "*Our Business—Environment*." The costs of any required removal, investigation or remediation of such substances might be substantial. The presence of such substances, or the failure to remediate such substances properly, may also adversely affect our ability to sell or let the property or to borrow using the property as security. These environmental risks are particularly acute with respect to properties located in countries where reliable documentation for past contamination does not exist or where the laws governing environmental matters are in development or unclear, as is frequently the case in the countries in Emerging Europe. New laws and regulations may also impose liability for the release of certain materials into the environment from a real estate investment, including asbestos, giving rise to liability to third persons for personal injury or other damages.

Environmental laws may also impose restrictions on the manner in which property may be used or businesses may be operated, and these restrictions may require substantial expenditures or prevent us from entering into leases with prospective tenants that may be impacted by such laws. Environmental laws provide sanctions for non-compliance and may be enforced by governmental agencies, local authorities or, in certain circumstances, by certain legal entities of the public sector. Third parties may seek recovery from us for personal injury or property damage associated with exposure to released hazardous substances. The cost of defending against claims of liability, complying with environmental regulatory requirements, the remediation of any contaminated property or paying personal injury claims could have a material adverse impact on our business, operations and financial performance. Furthermore, the presence of such substances or the failure to remediate any damage caused by such substances properly may also have a material adverse effect on our business, financial condition and results of operations.

We could be exposed to catastrophic events, such as flooding and landslides.

Some of our properties are located in areas with a risk of catastrophic events, such as flooding and landslides. These may result in severe damage to our real estate assets. Moreover, such events may create economic and political uncertainties, which could have a negative effect on economic conditions in the regions in which we operate and on our business, financial condition and results of operations.

Risks Relating to the Our Shareholding Structure

We may experience a change of control.

Following the Offering, we do not expect any individual shareholder or group of shareholders, including the founding partners of Bluehouse or any strategic investor to own a controlling stake in our share capital. Consequently, if any non-affiliated investor or group of investors acting in concert acquired a controlling share of our share capital, the full scope of control over us would be transferred to a third party, which would become our controlling shareholder. Such a controlling shareholder may influence the resolutions adopted by our corporate bodies, which could be contrary to the interests or plans of other shareholders. In addition, such controlling shareholder would have a decisive influence on our business, including the determination of our strategy and the development of our operations, the selection of members of our board of directors (subject to the above provisions on the appointment of independent candidates) and management and our dividend policy. Such controlling shareholder may also decide on a reduction of the dividend amount, decide not to pay it or decide to pay a dividend that exceeds the amount recommended by management. We cannot predict how any prospective controlling shareholder may exercise its rights or how its actions will influence our business, financial condition and results of operations, nor can we foresee whether the policy and actions of any prospective controlling shareholder would be aligned with the interests of our other shareholders.

Risks Relating to the Offering

We may cancel or suspend the Offering.

At any time prior to the commencement date of the subscription period, we, in agreement with the Global Coordinator and the Offering Agent, may withdraw from the Offering without stating any reasons for its decision, thereby cancelling the Offering.

We may cancel the Offering after the commencement of the subscription period for the shares until the moment of registration with the NDS (*Krajowy Depozyt Papierów Wartościowych S.A.* or **KDPW**) and delivery of the shares to investors' securities accounts or similar accounts, if we consider it impracticable or inadvisable to proceed with the Offering. Such reasons include, but are not limited to: (i) suspension or material limitations in trading of securities generally on the Warsaw Stock Exchange, as well as any other official stock exchange in the European Union or the United States; (ii) a sudden and material adverse change in the economic or political situation in the Netherlands, Poland or worldwide; (iii) a material loss or interference with our business; (iv) any material change or development in or affecting our general affairs, management, financial position, shareholders' equity or results of operations; (v) an insufficient demand for shares in the bookbuilding process or (vi) an insufficient expected free float of our shares on the Warsaw Stock Exchange. See "*Terms of the Offering—Cancellation or Postponement of the Offering.*" Once the document is approved, the information about the cancellation of the Offering will be published in the form of an announcement or supplement to the document in the same manner as the document has been published. If the Offering is cancelled, subscriptions made for the shares will be deemed void, and all payments made will be refunded, without any interest or damages, no later than 14 days following the announcement of the cancellation of the Offering.

In the event that the Offering is withdrawn after investors have subscribed and paid for shares but before title to such shares has been transferred, the subscriptions will be disregarded and any payments made will be returned without interest or other compensation within 14 days from the date of announcing the cancellation of the Offering.

In the event of a breach or suspected breach of law in relation to the Offering or the application for admission and introduction of the shares to trading on a regulated market, the KNF may, among other things, prohibit or suspend the offering and issue an order to stay or to repeal the application for admission or introduction of shares to the regulated market.

Pursuant to the Polish Public Offerings Act, if an issuer for which the Republic of Poland is a host Member State, such as ourselves, or any other entity acting on behalf of the issuer or under its instructions, violates or is reasonably suspected to have violated any applicable Polish laws in connection with a public offering in Poland, the admission of securities to trading or their listing on a regulated market in Poland or marketing activities, the KNF shall notify the competent authority in such issuer's home Member State (in this case the Netherlands) and the European Securities Markets Authority. If, despite the notification mentioned in the preceding sentence, the competent authority of the issuer's home Member State does not undertake measures to prevent further violation of the relevant provisions or if such measures prove immediately ineffective, the KNF may, with a view to protecting the interests of investors, and having first notified such authority and the European Securities Markets Authority, apply the following measures against the issuer: i.e. (i) order that the commencement of the public offering be withheld or the offering, subscription or sale be suspended for up to ten business days; (ii) prohibit the commencement of the public offering, subscription or sale or further conduct or (iii) publish, at an issuer's expense, information on the breach of the law in connection with the public offering, subscription or sale—in relation to public offering; and (i) order that the application for the admission or introduction of the securities to trading on the regulated market be suspended for up to ten business days; (ii) prohibit the application for admission or introduction of the securities to trading on the regulated market or (iii) publish, at the issuer's expense, information on the breach of the law when seeking to have the securities admitted or introduced to trading on the regulated market in relation to seeking admission to trading on the regulated market. In addition, the KNF may also (i) order that the illegal marketing activities be withheld or discontinued for not more than ten business days for the purpose of rectifying the identified irregularities, or (ii) prohibit the conduct of such marketing activities, or (iii) publish, at the expense of the issuer, information concerning the illegality of the marketing activities, specifying the identified violations. The KNF shall promptly notify the European Commission that it has taken such measures.

Pursuant to the Polish Act on Trading in Financial Instruments (the **Act on Trading**), if the security of trading on a regulated market so requires or if the interests of investors are prejudiced, the company operating in a regulated market shall suspend, at the request of the KNF, the admission to trading on that market or the commencement of listing of securities or other financial instruments designated by the KNF for a period not exceeding ten days.

Our failure to meet the requirements set forth in the Warsaw Stock Exchange Rules or the Polish Public Offerings Act may prevent the shares being admitted, or may cause the shares to be delisted, or trading in the shares on the Warsaw Stock Exchange to be suspended.

The admission of the shares for trading on the main market of the Warsaw Stock Exchange requires the satisfaction of conditions for admission to trading as set out in Paragraphs 2 and 3 of the Market Ordinance and Paragraph 3 of the Warsaw Stock Exchange Rules. Admission to trading also requires a decision of the Warsaw Stock Exchange Management Board. The Warsaw Stock Exchange Management Board may refuse to admit the shares to trading on the main market if the conditions set out in Paragraphs 2 and 3 of the Market Ordinance are not met.

A Warsaw Stock Exchange Management Board resolution approving the admission to trading of the shares will be passed following an application filed by an issuer within 14 days of such application being filed, subject to the detailed provisions of the Warsaw Stock Exchange Rules. When examining the application for the admission of securities to be traded on the Warsaw Stock Exchange, the Warsaw Stock Exchange Management Board will take into account: (i) the issuer's financial situation and its forecasts, particularly its profitability, liquidity and debt servicing ability, as well as other factors affecting the issuer's financial performance; (ii) the issuer's development prospects, including assessment of investment objectives taking into account their financing sources; (iii) the experience and qualifications of members of the management and the supervisory bodies of the issuer; (iv) the terms on which the securities were issued and the compliance of these terms with the principles of the public nature laid out in Paragraph 35 of the Warsaw Stock Exchange Rules and (v) the security of stock exchange trading and the interests of its participants.

There is a risk that we might fail to meet the criteria set out in the Market Ordinance and the Warsaw Stock Exchange Rules and may fail to obtain the consent of the Warsaw Stock Exchange Management Board to the admission of our shares to stock exchange trading.

Pursuant to Paragraph 11 of the Warsaw Stock Exchange Rules, the Warsaw Stock Exchange Management Board may repeal the resolution on the admission of financial instruments to trading if no application for the introduction of the shares to stock exchange trading is filed within six months of the adoption of such resolution. We may be required to apply for suspension or delisting of its shares from the Warsaw Stock Exchange if we fail to comply with certain regulatory obligations. Pursuant to Article 96 of the Polish Public Offerings Act, if a public company fails to comply with certain of its legal obligations, the KNF could decide to exclude its securities from public trading on the regulated market for a specified term or indefinitely, or impose, taking into consideration the financial condition of an entity, a cash penalty of up to PLN 1 million, or it may administer both sanctions simultaneously. Following a decision by the KNF to exclude securities from public trading pursuant to Paragraph 31.1 Item 4 of the Warsaw Stock Exchange Rules, the Management Board of the Warsaw Stock Exchange must delist such securities from the Warsaw Stock Exchange.

The Management Board of the Warsaw Stock Exchange may delist financial instruments pursuant to certain provisions of the Warsaw Stock Exchange Rules. Pursuant to Paragraph 31.1 of the Warsaw Stock Exchange Rules, the Management Board of the Warsaw Stock Exchange shall delist a financial instrument: (i) if its transferability has become restricted; (ii) upon request of the KNF in accordance with the provisions of the Trading Act; (iii) if it is no longer dematerialized or (iv) if it is delisted from trading on the regulated market by a relevant supervisory authority (the KNF).

In addition, the Management Board of the Warsaw Stock Exchange may delist financial instruments from trading on the stock exchange: (i) if financial instruments no longer meet the requirements for admission to exchange trading on a given market other than the requirements provided in Paragraph 31.1 Item 1 of the Warsaw Stock Exchange Rules (for example, the requirement of unrestricted transferability); (ii) if the issuer is persistently in breach of the regulations governing the Warsaw Stock Exchange; (iii) if so requested by the issuer; (iv) if the issuer's bankruptcy is declared or the petition in bankruptcy is dismissed by the court because the issuer's assets are insufficient to cover the costs of the proceedings; (v) if it considers that delisting is necessary to protect the interests and safety of trading participants; (vi) following a decision on merger, split or transformation of the issuer; (vii) if within the last three months no exchange transactions were effected with respect to the financial instrument; (viii) if the issuer starts a business that is illegal under applicable laws or (ix) if the issuer is placed into liquidation.

Pursuant to Article 176 of the Act on Trading, if the issuer does not fulfill, or inadequately fulfills, the obligations provided for in Articles 157, 158 and 160 of the Act on Trading, in particular arising from regulations issued pursuant to Article 160 Section 5 of the Act on Trading, the KNF may: (i) decide to exclude the securities from trading on the regulated market; (ii) impose on such company a fine in an amount of up to PLN 1 million or (iii) decide to delist, for a specified period of time or indefinitely, the securities from trading on the regulated market, while at the same time imposing the pecuniary penalty referred to in item (ii) above.

Additionally, pursuant to Article 20 Section 3 of the Act on Trading, the Warsaw Stock Exchange, upon the request of the KNF, may delist the securities indicated by the KNF, if the trading in such securities poses a possible threat to the proper operation of the regulated market or the security of trading on such market, or a possible compromise of investors' interests.

Under Paragraph 30 of the Warsaw Stock Exchange Rules, the management board of the Warsaw Stock Exchange may suspend trading in shares listed on the Warsaw Stock Exchange for periods of up to three months (i) upon the issuer's request; (ii) if it considers that it is required to protect the interests and security of the trading participants or (iii) if the issuer is in breach of the Warsaw Stock Exchange Rules. Pursuant to Article 20 Section 2 of the Act on Trading, if the trading in securities or other financial instruments poses a possible threat to the proper operation of the regulated market, the security of trading on such a market, or a possible compromise of investors' interests, the Warsaw Stock Exchange, upon the KNF's demand, may delist the securities or financial instruments indicated by the KNF for a period not exceeding one month.

Our shares may be delisted or suspended from the regulated market operated by the Warsaw Stock Exchange. These risks could have a material adverse effect on our business, financial condition and results of operations.

An active market for the shares may not develop, which may cause the price of the shares to fall.

The offering price may not be indicative of the market price for the shares following admission of the shares to the Warsaw Stock Exchange (**Admission**). Prior to Admission, there has been no public market for the shares. Although we have applied for the shares to be admitted to trading on the Warsaw Stock Exchange and it is expected that these applications will be approved, there can be no assurance that an active trading market for the shares may develop on the Warsaw Stock Exchange or, if developed, that it will be maintained following the closing of the offer. If an active trading market is not developed or maintained, the liquidity and market price of the shares on the Warsaw Stock Exchange could be adversely affected. The price at which the shares will be traded will depend upon a number of factors, some of which are beyond our control, including, but not limited to:

- fluctuations in the demand for the shares;
- downward revisions in securities analysts' estimates or failure to meet such analysts' estimates;
- changes in general market conditions;
- fluctuations in the share prices of other companies in our industries;

- investor perception of the industry or our prospects; or
- the general performance of companies listed on the Warsaw Stock Exchange.

Each of these risks may result in a material adverse effect on our business, financial condition and results of operations.

Shareholders may suffer substantial dilution.

We may sell securities in the public or private equity markets if and when conditions are favorable, even if we do not have an immediate need for capital. In addition, if we have an immediate need for capital, we may, subject to applicable law, sell securities in the public or private equity markets even when conditions are not otherwise favorable. Shareholders will suffer dilution if we issue additional shares. These risks could have a material adverse effect on our business, financial condition and results of operations.

Sales of shares following the Offering may result in a decline in the price of the shares.

We and BH Meridian Participations Ltd. (our sole shareholder in which certain of our directors indirectly hold interest), for a period of 180 days and 360 days, respectively, from the date of commencement of trading on the Warsaw Stock Exchange, will not, without the prior written consent of Citi, dispose of or hedge any of our shares or any securities convertible into or exchangeable for our shares. In addition, under the Framework Agreement the EBRD has agreed that it will not dispose of any of our shares acquired in the IPO for a period of 180 days following their acquisition, provided that the EBRD will have the right to sell, transfer or otherwise dispose any of our shares acquired in the IPO in the event that we fail to comply with any of our material obligations under the Framework Agreement. The material obligations of the Company under the Framework Agreement are described in the section *"Terms of the Offering—Information on Framework Agreement concluded between the Company and the EBRD."* Upon the expiry of this lock-up agreement, or in case the lock-up agreement will cease to be binding on the EBRD before its term due to our failure to comply with obligations under the Framework Agreement, the sale of a substantial number of shares following the Offering, or our issuance of new shares, or the possibility that these sales or issuances may occur, may result in a decline in the price of the shares, and investors may not be able to sell the shares they purchased in the Offering at or above the offering price or at all. As a result, investors that purchase shares in the Offering could lose all or part of their investment in the shares. These risks could have a material adverse effect on our business, financial condition and results of operations.

The shares may experience price and volume fluctuations.

Following Admission, the market price of the shares could be subject to significant fluctuations due to a change in sentiment in the market regarding the shares (or securities similar to them) or in response to various facts and events, including variations in our operating results and our business developments or our competitors or any regulatory changes affecting our operations. In particular, the Polish government has recently announced a plan to conduct a reform of the "second-pillar" open pension fund system in Poland, which is, collectively, the largest private investor on the WSE. The proposed reform, which is to be implemented in 2014, assumes, among other things, that the pension contributions of future pensioners will be transferred to the Polish Social Security Authority instead of pension funds, unless individual pensioners decide otherwise within three months after the implementation of the reform, which may impact the pension funds' ability to make investments in shares, which in turn may negatively affect their market price and liquidity. Moreover, stock markets worldwide have experienced significant price and volume fluctuations in the past few years that have affected the market prices for securities. Furthermore, our operating results and prospects from time to time may be below the expectations of market analysts and investors. Any of these events could have a material adverse effect on our business, financial condition and results of operations.

Investors may earn a negative or no return on their investment in us.

We cannot guarantee that the shares will appreciate in value or even maintain the price at which investors have purchased the shares. Should the price of the shares not increase and we do not pay a dividend, investors may earn a negative or no return on their shares. We, and certain of our Subsidiaries, may be subject to restrictions on our ability to pay a dividend. Our operating results and financial condition are dependent upon the performance of our Subsidiaries. Our Subsidiaries conduct substantially all of our operations and own substantially all of our assets. Our ability to pay a dividend will depend on, among other things, the level of distributions, if any, received from our Subsidiaries, the repayment of loans by our Subsidiaries, their overall business interests, profits and level of cash balances. These risks could have a material adverse effect on our business, financial condition and results of operations.

It is likely that we will be classified as a passive foreign investment company for U.S. federal income tax purposes, which could result in materially adverse U.S. federal income tax consequences to U.S. investors.

Based on our assets and sources of income it is likely that we will be classified as a passive foreign investment company (**PFIC**) for U.S. federal income tax purposes, which could result in materially adverse consequences, including additional tax liability and tax filing obligations for a U.S. investor relative to an investment in a company that is not a PFIC. For further details, see the section entitled "*Taxation—U.S. Federal Income Taxation*."

Foreign Account Tax Compliance withholding may affect payments on the shares.

The U.S. "Foreign Account Tax Compliance Act" (or **FATCA**) imposes a new reporting regime and, potentially, a 30% withholding tax with respect to (i) certain payments from sources within the United States, (ii) "foreign passthru payments" made to certain non-U.S. financial institutions that do not comply with this new reporting regime and (iii) payments to certain investors that do not provide identification information with respect to interests issued by a participating non-U.S. financial institution. We may be classified as a financial institution for these purposes. Any such withholding imposed on us or other non-U.S. financial institutions in our group may have a material adverse effect on our business, prospects, financial position and results of operations. If an amount in respect of FATCA withholding were to be deducted or withheld from any payments, neither we nor any other person will pay additional amounts as a result of such deduction or withholding. Prospective investors should refer to the section "*Taxation—Foreign Account Tax Compliance Act*."

IMPORTANT INFORMATION

The Company accepts responsibility for the information contained in this document. To the best of its knowledge and belief, having taken all reasonable care to ensure that such is the case, the information contained in this document is in accordance with the facts and contains no omission likely to affect its import. Potential investors should not assume that the information in this document is accurate as of any other date than the date of this document and they should only rely on the information contained in, or incorporated by reference into, this document and any supplement drawn up to amend any material mistakes or inaccuracies or to reflect any new development which occurs between the date of this document and the time when trading in the shares begins or the offer of the shares is closed, all within the meaning of article 5:23 of the Wft.

No person is or has been authorized to give any information or to make any representation in connection with the Offering, other than as contained in this document, and, if given or made, any other information or representations must not be relied upon as having been authorized by the Company. The delivery of this document at any time after the date hereof will not, under any circumstances, create any implication that there has been no change in the Company's affairs since the date hereof or that the information set forth in this document is correct as of any time since its date.

Presentation of Financial and Other Information

In this document all references to the Company apply to Meridian Properties N.V. and all references to "Group," "we," "us" and "our" refer collectively the Company and the entities forming the Initial Portfolio. See "*Abbreviations and Definitions*" for definitions of real estate related words and expressions used in this document.

Property Portfolio

Set out below is a list of properties described in this document, which together will comprise our initial portfolio (the **Initial Portfolio**).

Office Buildings

Infopark E is an office building with a total GLA of 17,214 square meters, located at Budapest, XI. ker., Neumann János u. 1 / e, Budapest, Hungary.

Autounion is an office building with a total GLA of 19,475 square meters, located at 43, Christopher Columbus Blvd., Sofia, Bulgaria.

Victoria Center is an office building with a total GLA of 8,256 square meters, located at 145 Calea Victoriei, 1st District, Bucharest, Romania.

Olympia Tower is an office building with a total GLA of 9,938 square meters, located at 25-29 Decebal Boulevard, 3rd District, Bucharest, Romania.

Astoria Business Center is an office building with a total GLA of 4,636 square meters, located at 64-66 Dionisie Lupu, 1st District, Bucharest, Romania.

1 BPS is an office building with a total GLA of 3,767 square meters, located at Business Park Sofia, Building 1B, Mladost-4 quarter, Sofia, Bulgaria.

Retail Parks

Retail Park Hradec Kralove is a retail park with a total GLA of 21,933 square meters, located at Víta Nejedlého 1063, Postal Code 500 03, Hradec Králové, Czech Republic.

Baumax Pleven is a retail park with a total GLA of 10,659 square meters, located at 203, Storgozia Str., Pleven, Bulgaria.

Interspar Znojmo is a retail park with a total GLA of 7,694 square meters, located at Brněnská 2937 / 21, Postal Code 669 02, Znojmo, Czech Republic.

Financial Data

We were incorporated as Meridian Properties N.V. on May 8, 2013 as a property investment company established as a public company with limited liability (*naamloze vennootschap*).

We have included in this document separate historical financial statements of certain of the special purpose vehicle property companies (**Property Companies**) entities holding the real estate assets that comprise the Initial Portfolio that we are committed to acquire. These financial statements were prepared in accordance with International Financial Reporting Standards (**IFRS**) as adopted by the European Union pursuant to the procedure of Article 3 of Regulation (EC) No. 1606 / 2002 (**EU IFRS**). These financial statements are set out in the table below:

Property	Beginning of Financial Period Covered, ending June 30, 2013	Company Owning the Property	Auditor
Office Buildings			
Infopark E(1)	2012	Infopark E Építési Terület Kft. (**Infopark E**)	PricewaterhouseCoopers Könyvvizsgáló Kft.
Autounion	2010	Vaptzarov Business Centre EOOD (**Vaptzarov**)	PricewaterhouseCoopers Audit OOD
Victoria Center	2010	Victoria Center S.R.L. (**Victoria**)	PricewaterhouseCoopers Audit SRL
Olympia Tower	2010	Olympia Dezvoltare S.R.L. (**Olympia**)	PricewaterhouseCoopers Audit SRL
Astoria Business Center	2010	Astoria Business Center S.R.L. (**Astoria**)	Ernst & Young Assurance Services SRL
1 BPS	2010	One BPS EOOD (**One BPS**)	PricewaterhouseCoopers Audit OOD
Retail Parks			
Park Hradec Kralove(2)	2011	Bluebox 7 Hradec s.r.o. (**Bluebox 7**)	KPMG Česká republika Audit, s.r.o.
Baumax Pleven(2)	2011	Helios-08 EEOD (**Helios-08**)	PricewaterhouseCoopers Audit OOD
Interspar Znojmo	2011	Bluebox 6 Znaim s.r.o (**Bluebox 6**)	KPMG Česká republika Audit, s.r.o.

(1) This company was acquired by its current owners after the year ended December 31, 2011. Prior to its acquisition by the current owners there were no audited IFRS financial statements.

(2) This company was acquired by its current owners after the year ended December 31, 2010. Prior to its acquisition by the current owners there were no audited IFRS financial statements.

As indicated in the table above, we have included financial statements of the Property Companies covering periods prior to their date of acquisition by us. In the future, the results of operations for each Property Company may differ when managed by us and accounted for on a consolidated basis within the Group. Therefore, these financial statements may not be indicative of the results that the Property Companies would have achieved if they had been acquired by us prior to the financial reporting periods presented. However, given that the Property Companies will be managed by the same teams and in the same way that they are managed by the current owners, we are of the opinion that these financial statements are relevant to an investor. In addition, to the extent that the Initial Portfolio consists of income generating assets that are to a large degree stabilized in terms of occupancy, lease duration and tenants, we do not expect significant change in the future with regard to their results of operations. We have analyzed the revenue and property operating expenses of each property included within the Initial Portfolio prior to their acquisition by us. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Presentation of Financial Information*." Other expenses and income items relating to these acquired properties reflect the operating and financing structure of these properties prior to their acquisition by us, and would not be reflective of the future financial results of these properties and are thus not analyzed in this document.

We have also included the audited special purpose financial information (the **special purpose financial information**) of Meridian Properties N.V. for the period from May 8, 2013, the Company's date of incorporation, to June 30, 2013 and as at June 30, 2013.

We have also included unaudited *pro forma* combined financial information for Meridian Properties N.V. as follows:

- the unaudited *pro forma* combined statement of income for the year ended December 31, 2012 and the six months ended June 30, 2013 was prepared as if (i) the acquisition of the Initial Portfolio had occurred on January 1, 2012, (ii) the estimated net proceeds of the Offering were received on January 1, 2012 and (iii) specified borrowings were repaid on January 1, 2012; and
- the unaudited *pro forma* combined statement of financial position as of June 30, 2013 was prepared as if (i) the Initial Portfolio acquisitions had occurred on June 30, 2013, (ii) the estimated net proceeds of the Offering were received on June 30, 2013 and (iii) specified borrowings were repaid as at June 30, 2013.

The unaudited *pro forma* combined financial information is for informational purposes only and should not be considered indicative of actual results that would have been achieved had the transactions actually occurred on the date or for the period presented, and does not purport to indicate *pro forma* combined statement of financial position data or *pro forma* combined income statement data as of any future date or for any future period. The unaudited *pro forma* combined financial information should be read in conjunction with the information contained in "*Selected Historical and Financial Information*," "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and our consolidated historical financial statements and accompanying notes appearing elsewhere in this document.

The assurance report issued by PricewaterhouseCoopers Accountants N.V. on the unaudited *pro forma* combined financial information is not intended to be relied on in the United States of America and we accept no responsibility for any use that you may make of it in the United States of America. The work performed by PricewaterhouseCoopers Accountants N.V. has not been carried out in accordance with auditing standards generally accepted in the United States of America and accordingly should not be relied upon as if it had been carried out in accordance with those standards.

Revenue Under Contract

We have also included in this document certain information regarding our revenue under contract. Revenue under contract information is based upon our management's estimates. Management believes that such information is reliable and based upon reasonable assumptions, but this information has not been independently verified. We have made a number of assumptions in compiling such information, including the following: (i) in respect of contract duration we have assumed that the full contract term has been applied and there has been no early termination; and (ii) in respect of pass-through cost clauses for ordinary and some extraordinary real estate asset-related costs, these costs have not been included in our calculation of contracted revenue. These assumptions may not be correct. You should not place undue reliance on such information. See also "*Forward-Looking Statements*" for a discussion of the risks related to forward-looking statements.

Certain arithmetical data contained in this document, including financial and operating information, have been subject to rounding adjustments. Accordingly, in certain instances, the sum of the numbers in a column or a row in tables contained in this document may not conform exactly to the total figure given for that column or row.

Certain information included in this document with respect to the Initial Portfolio, including market value, gross income and net operating income, is attributed to the BNP Paribas Real Estate Valuation Report dated June 30, 2013 prepared by BNP Paribas Real Estate (the **Valuation Report**). These figures have not been audited by our independent auditors. In respect of gross income and net operating income, these are based solely on management's estimates and BNP Paribas Real Estate has relied on this information provided by the Company. You should carefully read the information in such Valuation Report in conjunction with the information in this document, including the audited financial statements of the Property Companies and the unaudited pro forma combined financial information.

Non-IFRS Financial Measures

For real estate companies there are a number of non-IFRS measures that are considered helpful in evaluating their performance and value. Such measures focus on operational performance, the extent to which dividend payments to shareholders are underpinned by earnings arising from core operational activities and the underlying value of a company's operations in the long term.

For these reasons, we believe the presentation of Earnings Before Interest, Financial gains / (losses), Tax, Depreciation and Amortization (**Adjusted EBITDA**), Funds From Operations (**FFO**), European Public Real Estate Association (**EPRA**) NAV (**EPRA NAV**) and EPRA Triple Net Asset Value (**EPRA NNNAV**) is helpful supplemental information for understanding our financial performance and value. For the purposes of this document, these terms are defined as follows:

Adjusted EBITDA (earnings before interest, tax, depreciation and amortization) is defined as our profit for the period adjusted for net financial costs, tax, depreciation and amortization.

***Pro forma* Adjusted EBITDA** is defined as our profit for the period adjusted for net financial costs, tax, depreciation and amortization, all on a *pro forma* basis.

***Pro forma* FFO** (funds from operations) is intended to provide an indicator of the underlying cash flow generated by a company and it therefore excludes all components that do not directly affect underlying cash flow. Such cash flow is reported profit, adjusted for non-cash items relating to fair value gain / (loss) on investment properties, net financial cost, tax, depreciation and amortization.

***Pro forma* EPRA NAV** (net asset value calculated as per European Public Real Estate Association guidance) is intended to provide an indicator of the underlying value of a company that intends to own and operate investment property for the long term. As such, deferred taxes on property revaluations are excluded because the investment property is not expected to be sold and the tax liability is unlikely to materialize. Goodwill is excluded as it relates to deferred tax liability and as such is also not expected to materialize. In addition, the fair market value of financial instruments, which are to be held to maturity, is also excluded.

***Pro forma* EPRA NNNAV** (fair market net asset value calculated as per European Public Real Estate Association guidance) is intended to provide an indicator of the current fair market value of all assets and liabilities, and is therefore based on EPRA NAV adjusted to include the fair market values of financial instruments, deferred taxes and goodwill.

The above non-IFRS financial measures are not audited and are calculated using financial information extracted from the respective financial statements or the unaudited *pro forma* combined financial information included in this document. The above non-IFRS financial measures are not a measure of financial performance under IFRS, should not be considered an alternative to cash flow from operating activities or operating profit, or any other IFRS measure, and may not be comparable to similarly titled measures of other companies, because the above non-IFRS financial measures are not uniformly defined and other companies may calculate them in a different manner, limiting their usefulness for comparison purposes. Accordingly, undue reliance should not be placed on any of the non-IFRS financial measures contained in this document. The non-IFRS financial measures should not be considered in isolation from, or as a substitute for, the analysis of the Company's results of operations and financial condition under IFRS.

The non-IFRS measures *pro forma* Adjusted EBITDA, *pro forma* FFO, *pro forma* EPRA NAV and *pro forma* EPRA NNNAV use our *pro forma* financial information. Please see "*Unaudited Pro Forma Combined Financial Information.*"

Market, Economic and Industry Data

Certain macroeconomic and statistical data included in this document has been derived from publicly available sources, the reliability of which may vary. Macroeconomic and statistical data concerning the real estate industry in Emerging Europe is extracted from the sources identified below. In any case, macroeconomic and statistical data, as well as the source data on which it is based, may not have been extracted or derived from a source in a manner analogous to that used in other countries. It cannot be guaranteed that a third party using different methods of gathering, analyzing and processing information would obtain the same results.

Market data and certain industry data and forecasts used, as well as statements made herein regarding our position in the industry, were estimated or derived based upon assumptions we deem reasonable and from our own research, from surveys or studies conducted at the Company's request by third parties, or from publicly available sources, including publications and reports issued by the following third parties:

- BNP Paribas Real Estate;
- CBRE Global Research—Budapest Offices Market View February 2013;

- DTZ Property Times—Czech Republic Retail Q4 2012;
- Eurostat;
- Forton Bulgaria Retail Market Research Q1 2013;
- Forton Bulgaria Office Market Research Q4 2012; and
- KPMG Real Snapshot Spring 2013.

Where third party information has been used, the source of this information has been identified. The Company confirms that all third party information has been accurately reproduced and, so far as the Company is aware and able to ascertain, no facts have been omitted that would render the reproduced information inaccurate or misleading.

No Incorporation of Website

The contents of our website, including any websites accessible from hyperlinks on our website, do not form part of, and are not incorporated by reference.

Dutch FII Status

We have FII status within the meaning of article 28 of the Netherlands Corporate Income Tax Act 1969 (*Wet op de vennootschapsbelasting 1969*) and as such we are subject to Netherlands corporate income tax at a rate of 0%. In order to qualify for the FII regime, we are required to distribute a statutorily defined part of our profits within eight months of each fiscal year-end. The amount we are required to distribute will vary as a result of, among other things, the net income shown in our financial statements. When calculating the amount which must be distributed, we may record certain results on securities and other investments as a special "reinvestment reserve" and consequently these profit components do not have to be distributed. This special reserve applies to realized and unrealized results on securities and capital gains or losses realized on the disposal of other investments. A proportional amount of the total amount of expenses relating to the management of the investments, however, must be deducted annually from the reinvestment reserve. In addition, we are subject to various restrictions with respect to our investments, our leverage and the concentration of our investors in order to maintain FII status.

FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements that reflect our current view with respect to our financial performance, business strategy, plans and objectives for our future operations (including development plans).

These forward-looking statements relate to us and the sectors and industries in which we operate. Statements which include the words "expects," "intends," "plans," "believes," "projects," "anticipates," "will," "targets," "aims," "may," "would," "could," "continue" and similar statements of a future or forward-looking nature identify such forward-looking statements.

All forward-looking statements included in this document address matters that involve risks and uncertainties. Accordingly, there are or will be important factors that could cause our actual results to differ materially from those indicated in these statements. These factors include, but are not limited to:

- increases or decreases in demand for our business office and retail parks;
- the effects of competition;
- price pressure;
- increases in operating costs;
- availability of funds, through borrowings or otherwise, for our future operations and planned capital expenditures;
- our ability to successfully implement any of our business or financing strategies;
- developments in, or changes to, the laws, regulations and governmental policies applicable to our business;
- substantial inflation, interest rate and exchange rate fluctuations;
- changes in our ability to obtain, maintain or renew the contracts necessary to conduct our businesses;
- the effects of international political events; and
- our success in identifying additional risks to our businesses and managing risks associated with the aforementioned factors.

Any forward-looking statements speak only as of the date of this document. Notwithstanding that this document does not contain profit forecasts or estimates within the meaning of the European Commission Regulation (EC) No 809/2004 of April 29, 2004 implementing Directive 2003/71/EC, the Company undertakes no obligation to update publicly or review any forward-looking statement, whether as a result of new information, future developments or otherwise. All subsequent written and oral forward-looking statements attributable to the Group or individuals acting on behalf of the Group are expressly qualified in their entirety by this paragraph. Prospective investors should specifically consider the factors identified in this document which could cause actual results to differ before making an investment decision.

USE OF PROCEEDS

We expect our gross proceeds from the Offering to be approximately €170.1 million, or approximately €178.6 million if the underwriters exercise their over-allotment option in full. We estimate that our net proceeds from the Offering will be approximately €162.1 million, or approximately €170.6 million if the underwriters exercise their over-allotment option in full, after deducting the underwriting commissions and expenses payable by us.

We will use the net proceeds from the Offering to acquire the Initial Portfolio, to repay a portion of the outstanding indebtedness of the Initial Portfolio and to conclude selective future property acquisitions.

The following table sets out our estimated sources and uses of funds assuming the Offering closed on June 30, 2013. The actual amounts may differ on the closing date of the Offering other than with respect to the acquisition of the Initial Portfolio:

Sources of Funds	**(euro million)**	**Uses of Funds**	**(euro million)**
Shares offered hereby[1]	170.1	Acquisition of the Initial Portfolio, including intercompany loans and balances[2][3]	87.7
		Partial repayment of bank loans[4]	17.0
		Pipeline acquisitions[5]	57.4
		Commissions and expenses for the Offering[6]	8.0
Total	**170.1**	**Total**	**170.1**

(1) To comply with the financing requirements of the EBRD, the Offering consists of two identical series of shares, series A and series B, which will become immediately fungible once issued. The net proceeds from the series A shares will be used to purchase properties in the Initial Portfolio located in Bulgaria, Hungary and Romania. The net proceeds from the series B shares will be used to purchase properties in the Initial Portfolio located in the Czech Republic, to repay bank loans, to repay expenses related to the Offering, to fund future pipeline acquisitions and for general corporate purposes. Payments for the shares will be deposited by investors to an offering subscription account held by the Offering Agent. Immediately after the management board of the Warsaw Stock Exchange adopts a resolution to introduce our shares to trading (but prior to the first date of listing), the net proceeds from the Offering will be transferred to the Company's account. The proceeds from the two series of shares will be held in the Company's separate bank accounts maintained by Citi until they are released to purchase the respective portions of the Initial Portfolio by the Company. Net proceeds from the series A shares will be released to acquire the non-Czech assets. The assets in the Czech Republic will be acquired using the net proceeds from the series B shares only after we have acquired the non-Czech assets.

(2) For a more detailed description of the Shareholder Loans and the Sale Share Purchase and Loan Assignment Agreements, please refer to "*Our Business—Material Contracts—Share Sale Purchase and Loan Assignment Agreements.*"

(3) Certain of our directors will invest proceeds from the sale of the Initial Portfolio received indirectly by them due to their participation in the Bluehouse Funds, as ultimate sellers of the Initial Portfolio. Accordingly, through BH Meridian Participations Ltd., Mr. Y. Delikanakis, Mr. V. Pisante and Mr. B. Pandis will hold indirectly a combined total of at least 5% in the aggregate of our outstanding share capital following the Offering.

(4) As of June 30, 2013, the Initial Portfolio was financed by €104.7 million in bank loans, approximately €17.0 million of which will be repaid with the proceeds of the Offering. Please refer to "*Our Business—Material Contracts—Credit Facility and Loan Agreements*" for a detailed description of the bank loans.

(5) Up to €2.0 million of the funds allocated for pipeline acquisitions may be used for general corporate purposes. Funds allocated for pipeline acquisitions are to be invested within a period of 12 months following the date of the Offering. If a portion of these funds has not been used at the end of the 12 month period, it will be allocated for the additional repayment of outstanding bank loans.

(6) These include the underwriting commissions and expenses, and a reimbursement to Bluehouse in the amount of €750,000 for costs directly incurred in connection with the Offering.

Consistent with customary practice for the real estate industry, we will be acquiring the Initial Portfolio through the acquisition of companies that ultimately own the respective properties comprising the Initial Portfolio. Consequently, we will also be assuming the entirety of the respective companies' assets and liabilities together with the Initial Portfolio properties. As a result, the actual cash consideration we will pay to acquire the properties that comprise the Initial Portfolio will be €87.7 million, which is only part of the agreed acquisition price of €187.7 million for the respective properties. The following table presents a reconciliation of the agreed price of the properties to be acquired and the actual cash consideration we will pay for the acquisition of the Initial Portfolio, assuming the Offering closed on June 30, 2013:

Reconciliation of Agreed Acquisition Price and Consideration to be Paid	**Estimated amount as at June 30, 2013**
	(euro million)
Market Value[(1)]	**197.6**
Minus: permanent 5% discount to market value	(9.9)
Agreed Acquisition Price of assets[(2)]	**187.7**
Plus: Property Companies' outstanding balance sheet items as at June 30, 2013 that Meridian will assume:	
Bank loans[(3)]	(104.7)
Other borrowings[(4)]	(2.0)
Cash and cash equivalents[(5)]	7.8
Other balance sheet items, net	(1.1)
Sub-total	(100.0)
Consideration to be Paid	**87.7**

(1) According to the Valuation Report.

(2) The acquisition price of the Initial Portfolio reflects a permanent 5% discount to the market value of the assets according to the Valuation Report.

(3) Outstanding balance of bank loans as at June 30, 2013. For further analysis please see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Debt Portfolio.*"

(4) Outstanding balance of other borrowings as at June 30, 2013. For further analysis please see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Contractual Obligations and Commitments.*"

(5) Outstanding balance of cash and cash equivalents as at June 30, 2013. For further analysis please see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Pro Forma Combined Statement of Financial Position—Pro Forma Cash and Cash Equivalents.*"

If the underwriters exercise their overallotment option to purchase additional shares, we intend to allocate all proceeds in excess of €170.1 million proportionately towards the additional repayment of outstanding bank loans and for additional pipeline acquisitions. In the event that gross proceeds from the Offering are less than €170.1 million due to a lower sale price per share, the acquisition price of the Initial Portfolio will be equally reduced by such deficit. In the event that gross proceeds from the Offering are less than €170.1 million due to fewer shares issued, the Offering's proceeds allocated to pipeline acquisitions will be reduced by such deficit. Please also see "*Our Business—Investment Pipeline.*"

Taking into account that the payments for the shares from the investors will be made in Polish zloty based on the euro to zloty equivalent of the offering price, the exact proceeds from the Offering may differ from the figures presented above due to potential changes of foreign exchange rates between the day of announcement of the offering price and the day on which the portion of the proceeds from the Offering received in Polish zloty is converted to euro and is transferred to the Company.

DIVIDENDS AND DIVIDEND POLICY

General

Pursuant to Dutch law and our articles of association, the distribution of profits will take place following the adoption of our annual accounts, from which we will determine whether such distribution is permitted. The board may only make distributions to the shareholders if and insofar as shareholders' equity exceeds the sum of the paid-up and called-up share capital plus the reserves as required to be maintained by Dutch law or by our articles of association.

The board, with the consent of the majority of the non-executive directors, may determine which part of our profits must be added to reserves after taking into account our FII status. The remaining part of the profits after the addition to reserves will be at the disposal of a general meeting of shareholders to distribute to the shareholders pro rata based on the respective number of shares held by each.

The board, with the consent of the majority of the non-executive directors, may declare interim dividends if they determine such interim dividends to be justified by our profits. Interim dividends can only be paid if interim accounts are drawn up showing that the funds available for distribution are sufficient. In addition, interim dividends can only be made if and insofar as shareholders' equity exceeds the sum of the paid-up and called-up share capital plus the reserves as required to be maintained by Dutch law or by our articles of association.

We have FII status within the meaning of article 28 of the Netherlands Corporate Income Tax Act 1969 (*Wet op de vennootschapsbelasting 1969*) and as such we are subject to Netherlands corporate income tax at a rate of 0%. In order to qualify for the FII regime, we are required to distribute a statutorily defined part of our profits within eight months of each fiscal year-end. The amount we are required to distribute will vary as a result of, among other things, the net income shown in our financial statements. When calculating the amount that must be distributed, we may record certain results on securities and other investments as a special "reinvestment reserve" and consequently these profit components do not have to be distributed. This special reserve applies to realized and unrealized results on securities and capital gains or losses realized on the disposal of other investments. A proportional amount of the total amount of expenses relating to the management of the investments, however, must be deducted annually from the reinvestment reserve.

Dividend History and Policy

We were incorporated on May 8, 2013 and no dividends have been paid up to the date of this document.

We intend to distribute 100% of our Funds From Operations to our shareholders on a quarterly basis, beginning January 2014, and in any event not less than the minimum we are required to distribute pursuant to the conditions of the FII regime within the meaning of article 28 of the Netherlands Corporate Income Tax Act 1969 (*Wet op de vennootschapsbelasting 1969*). This policy is subject to the provisions of Dutch law and our financial condition.

As a holding company our ability to pay dividends will principally depend upon dividends paid to us by our subsidiaries, interest received on shareholder loans provided and profits from any other assets we may hold. The board intends for us to distribute 100% of the above on a quarterly basis, to the extent permitted under Dutch law.

The dividend policy will be reviewed from time to time and payment of any future dividends will be effectively at the discretion of the board and our shareholders after taking into account our earnings, cash flow, financial condition, capital investment requirements and other factors, including certain restrictions on dividends imposed by terms of loan agreements and the maintenance of our FII status.

Dividend Ranking of Shares

All shares will carry equal dividend rights.

Manner and Time of Dividend Payments

Pursuant to the conditions of the FII regime we are required to distribute a statutorily defined part of our profits within eight months of each fiscal year-end. We intend to perform dividend distributions on a quarterly basis, starting from January 2014.

Payment of any dividend on shares in cash will be made in accordance with the applicable laws and regulations of the country in which the shares have been admitted to an official listing. If the currency is not the same as the legal tender in the Netherlands the amount will be calculated at the exchange rate determined by the board at the end of the day preceding the day on which the general meeting of the shareholders resolved to make the distribution. If, and to the extent that we are unable to make the payment at the place outside the Netherlands or in the relevant foreign currency on the first day on which the distribution is payable, due to government measures or other extraordinary circumstances beyond our control, the board is authorized to determine to that extent that the payments shall be made in euro currency and at one or more places within the Netherlands.

At the proposal of the board, the general meeting of shareholders may resolve that dividends on shares are to be fully or partly paid in the form of our shares instead of in cash.

Uncollected Dividends

A claim for any dividend declared lapses five years after the date that dividend was released for payment. Any dividend that is not collected within this period reverts to us.

Tax

For a description of the Dutch and Polish rules on dividend taxation, please see "*Taxation—Certain Netherlands Tax Considerations for Shareholders*" and "*Certain Polish Tax Considerations*," accordingly.

CAPITALIZATION AND INDEBTEDNESS

The data presented in this section should be analyzed in conjunction with the information provided in "Selected Historical and Financial Information," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the financial data presented in other sections of this document.

The following table sets forth our long-term bank loans, stockholders' equity and capitalization as at June 30, 2013, (i) on an actual basis; and (ii) as adjusted to reflect the sale of shares in the Offering and the use of proceeds with respect to the purchase of the Initial Portfolio and the partial repayment of bank loans:

	As at June 30, 2013	
	Actual	As Adjusted
	(euro million)	
Total current debt		**2.0**
Guaranteed	–	–
Secured	–	–
Unguaranteed/unsecured	–	2.0
Total non-current debt (excluding current portion of long-term debt)	**–**	**87.7**
Guaranteed	–	–
Secured[(1)]	–	87.7
Unguaranteed/unsecured	–	–
Share capital	0.1	162.1
Legal reserve	–	–
Other reserves	–	–
Total shareholders' equity	**0.1**	**162.1**
Total capitalization and indebtedness	**0.1**	**249.8**
A. Cash	0.1	65.2
B. Cash equivalents	–	–
C. Trading securities	–	–
D. Total liquidity (A)+(B)+(C)	**0.1**	**65.2**
E. Current financial receivables	–	0.1
F. Current bank debt	–	–
G. Current portion of non-current debt	–	–
H. Other current financial debt	–	1.1
I. Current financial debt (F)+(G)+(H)	**–**	**1.1**
J. Net current financial indebtedness (I)-(E)-(D)	**(0.1)**	**(64.2)**
K. Non-current bank loans	–	87.7
L. Bonds issued	–	–
M. Other non-current loans	–	–
N. Non-current financial indebtedness (K)+(L)+(M)	**–**	**87.7**
O. Net financial indebtedness (J)+(N)	**(0.1)**	**23.5**

(1) Secured mainly by the investment properties held by the Initial Portfolio companies, pledges on the Property Companies' bank accounts and receivables, and corporate guarantees.

We have estimated that we will receive net proceeds of approximately €162.1 million from the Offering (assuming no exercise of the underwriters' over-allotment option), after deducting an estimated aggregate amount of €8.0 million for commissions to be received by the underwriters and certain other expenses we expect to incur in connection with the Offering.

The actual offering price may be higher or lower than the assumed price. The actual underwriting commission, discounts, fees and other offer-related expenses may likewise vary from the estimated amounts. The assumed offering price and the estimated amounts used to determine the estimated net proceeds are presented in this document for convenience only.

We have no contingent or indirect indebtedness.

There has been no material change in our capitalization or in the capitalization of the Initial Portfolio since June 30, 2013, the date of the most recent available financial statements.

EXCHANGE RATES

The following tables set forth, the high, low, average and period end Bloomberg Composite Rate expressed in U.S. dollars per €1.00. The Bloomberg Composite Rate is a "best market" calculation, in which, at any point in time, the bid rate is equal to the highest bid rate of all contributing bank indications and the ask rate is set to the lowest ask rate offered by these banks. The Bloomberg Composite Rate is a mid-value rate between the applied highest bid rate and the lowest ask rate.

Year U.S. dollar per euro	High	Low	Average Rate(1)	Period End
2008	1.5990	1.2452	1.4709	1.3953
2009	1.5094	1.2543	1.3944	1.4331
2010	1.4510	1.1952	1.3266	1.3366
2011	1.4874	1.2925	1.3922	1.2960
2012	1.3463	1.2053	1.2859	1.3197

Month U.S. dollar per euro	High	Low	Average Rate(1)	Period End
March 2013	1.3097	1.2772	1.2955	1.2819
April 2013	1.3174	1.2826	1.3024	1.3158
May 2013	1.3190	1.2828	1.2981	1.2971
June 2013	1.3392	1.3067	1.3261	1.3297
July 2013	1.3302	1.2782	1.3095	1.3302
August 2013	1.3417	1.3207	1.3319	1.3222
September 2013 (through September 26, 2013)	1.3530	1.3120	1.3353	1.3488

(1) The average rate for a year means the average of the Bloomberg Composite Rates on the last day of each month during a year. The average rate for a month or for any shorter period, means the average of the daily Bloomberg Composite Rates during that month, or shorter period, as the case may be.

The Bloomberg Composite Rate of the euro on September 26, 2013 was U.S.$1.3488 = €1.00.

SELECTED HISTORICAL AND FINANCIAL INFORMATION

The tables below present selected financial information for each of Victoria, Olympia, Astoria, One BPS, Vaptzarov, Infopark E, Helios-08, Bluebox 7 and Bluebox 6 and should be read in conjunction with the corresponding financial statements and notes thereto contained in this document. The selected financial information presented below for each of the years ended December 31, 2010, 2011 and 2012 was extracted without material adjustment from the respective audited financial statements of the Property Companies, all of which have been prepared in accordance with EU IFRS. The selected financial information presented below as of June 30, 2013 and for the six-month period then ended was extracted without material adjustment from the respective condensed interim financial statements of the Property Companies, all of which have been prepared in accordance with IAS 34. The following information should also be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and financial information included elsewhere in this document.

	Year ended December 31,			Six months ended June 30,
Selected Income Statement Information	**2010**	**2011**	**2012**	**2013 (unaudited)**
Total Property Companies (summary table):		(euro million)		
Total revenue	8.8	13.6	16.5	8.6
Operating expenses arising from investment property that generates rental revenue	(3.3)	(6.2)	(7.9)	(4.0)
Administrative expenses	(1.2)	(1.2)	(2.0)	(1.0)
Operating profit	**4.3**	**6.1**	**6.5**	**3.5**

	Year ended December 31,			Six months ended June 30,
Selected Income Statement Information	**2010**	**2011**	**2012**	**2013 (unaudited)**
Standalone Property Companies:		(euro million)		
Office Buildings				
Infopark E (Infopark E)				
Total revenue			2.6	1.5
Operating expenses arising from investment property that generates rental revenue			(1.6)	(0.8)
Administrative expenses			(0.4)	(0.2)
Operating profit			**0.6**	**0.5**
Autounion (Vaptzarov)				
Total revenue	2.8	3.0	2.6	1.4
Operating expenses arising from investment property that generates rental revenue	(0.9)	(1.1)	(1.1)	(0.6)
Administrative expenses	(0.0)	(0.1)	(0.0)	(0.1)
Operating profit	**1.9**	**1.8**	**1.4**	**0.7**
Victoria Center (Victoria)				
Total revenue	2.7	2.7	3.0	1.5
Operating expenses arising from investment property that generates rental revenue	(0.9)	(0.9)	(0.9)	(0.5)
Administrative expenses	(0.6)	(0.1)	(0.2)	(0.1)
Operating profit	**1.2**	**1.7**	**1.9**	**0.9**
Olympia Tower (Olympia)				
Total revenue	1.5	1.7	2.0	1.2
Operating expenses arising from investment property that generates rental revenue	(0.9)	(0.8)	(0.8)	(0.4)
Administrative expenses	(0.4)	(0.3)	(0.3)	(0.1)
Operating profit	**0.2**	**0.7**	**1.0**	**0.7**

Selected Income Statement Information	Year ended December 31, 2010	2011	2012	Six months ended June 30, 2013 (unaudited)
Standalone Property Companies:		(euro million)		
Astoria Business Center (Astoria)				
Total revenue	1.2	1.3	1.1	0.5
Service charge expense and other property operating expenses	(0.3)	(0.3)	(0.3)	(0.1)
Administrative expenses	(0.1)	(0.2)	(0.1)	(0.0)
Operating profit	**0.8**	**0.7**	**0.7**	**0.3**
1 BPS (One BPS)				
Total revenue	0.6	0.5	0.5	0.3
Operating expenses arising from investment property that generates rental revenue	(0.4)	(0.4)	(0.4)	(0.2)
Administrative expenses	(0.1)	(0.0)	(0.0)	(0.0)
Operating profit	**0.1**	**0.1**	**0.1**	**(0.0)**
Retail Parks				
Retail Park Hradec Kralove (Bluebox 7)				
Total revenue		3.0	3.1	1.5
Property operating expenses, service charge expenses and depreciation		(2.1)	(2.1)	(1.0)
Administrative expenses		(0.4)	(0.7)	(0.4)
Operating profit		**0.5**	**0.2**	**0.1**
Baumax Pleven (Helios-08)				
Total revenue		0.7	0.9	0.4
Operating expenses arising from investment property that generates rental revenue		(0.2)	(0.3)	(0.1)
Administrative expenses		(0.0)	(0.0)	(0.0)
Operating profit		**0.2**	**0.5**	**0.2**
Interspar Znojmo (Bluebox 6)				
Total revenue		0.7	0.8	0.4
Property operating expenses, service charge expenses and depreciation		(0.4)	(0.4)	(0.2)
Administrative expenses		(0.2)	(0.2)	(0.1)
Operating profit		**0.2**	**0.1**	**0.2**

Selected Statement of Financial Position Information	As at December 31, 2010	2011	2012	As at June 30, 2013 (unaudited)
Total Property Companies (summary table):		(euro million)		
Investment property	97.8	120.1	117.8	114.3
Other non-current assets	0.0	0.5	0.6	0.7
Total current assets	7.4	7.0	12.0	11.4
Total assets	**105.2**	**127.5**	**130.5**	**126.5**
Total equity	(8.7)	(17.2)	(10.2)	(10.5)
Borrowings from related parties	19.6	26.2	28.1	27.3
Borrowings from banks	84.7	113.6	107.0	104.7
Other liabilities	9.4	4.8	5.6	4.7
Total equity and liabilities	**105.2**	**127.5**	**130.5**	**126.5**

Selected Statement of Financial Position Information:	As at December 31, 2010	2011	2012	As at June 30, 2013 (unaudited)
Standalone Property Companies:		(euro million)		
Office Buildings				
Infopark E (Infopark E)				
Investment property		21.5	22.7	22.3
Other non-current assets		0.4	0.3	0.4
Total current assets		0.5	5.7	4.4
Total assets		**22.4**	**28.8**	**27.1**
Total equity		(0.1)	1.0	0.7
Borrowings from related parties		5.3	6.9	6.1
Borrowings from banks		16.7	20.1	19.8
Other liabilities		0.4	0.7	0.5
Total equity and liabilities		**22.4**	**28.8**	**27.1**
Autounion (Vaptzarov)				
Investment property	26.3	25.4	24.7	24.2
Other non-current assets	0.0	0.0	0.2	0.2
Total current assets	0.9	0.8	0.8	0.9
Total assets	**27.1**	**26.2**	**25.7**	**25.3**
Total equity	(0.0)	0.2	(0.5)	(0.3)
Borrowings from related parties	11.0	8.7	9.0	9.2
Borrowings from banks	15.9	17.2	16.2	15.7
Other liabilities	0.3	0.1	1.0	0.7
Total equity and liabilities	**27.1**	**26.2**	**25.7**	**25.3**
Victoria Center (Victoria)				
Investment property	18.1	17.5	16.6	16.2
Other non-current assets	–	–	0.0	0.0
Total current assets	2.6	2.8	2.4	2.6
Total assets	**20.8**	**20.3**	**19.0**	**18.8**
Total equity	(2.4)	(2.0)	(1.9)	(1.5)
Borrowings from related parties	1.6	1.2	0.4	0.2
Borrowings from banks	19.9	19.5	18.9	18.6
Other liabilities	1.6	1.6	1.6	1.5
Total equity and liabilities	**20.8**	**20.3**	**19.0**	**18.8**
Olympia Tower (Olympia)				
Investment property	15.3	14.4	13.8	13.5
Other non-current assets	0.0	–	–	–
Total current assets	1.9	1.5	1.1	1.4
Total assets	**17.2**	**15.9**	**14.9**	**14.9**
Total equity	(3.1)	(3.5)	(4.0)	(3.8)
Borrowings from related parties	3.7	3.9	4.1	3.9
Borrowings from banks	15.4	15.0	14.2	14.2
Other liabilities	1.2	0.5	0.6	0.6
Total equity and liabilities	**17.2**	**15.9**	**14.9**	**14.9**
Astoria Business Center (Astoria)				
Completed investment property	3.6	3.5	3.4	3.3
Other non-current assets	–	–	–	0.0
Total current assets	0.9	0.6	0.3	0.3
Total assets	**4.5**	**4.1**	**3.7**	**3.7**

Selected Statement of Financial Position Information:	As at December 31, 2010	2011	2012	As at June 30, 2013 (unaudited)
Standalone Property Companies:	(euro million)			
Total equity	0.4	(6.8)	(6.8)	(6.9)
Borrowings from related parties	–	4.2	4.4	4.5
Borrowings from banks	–	6.2	5.8	5.7
Other liabilities	4.1	0.5	0.3	0.2
Total equity and liabilities	**4.5**	**4.1**	**3.7**	**3.7**
1 BPS (One BPS)				
Investment property	4.2	4.0	3.8	3.6
Other non-current assets	–	–	0.1	0.1
Total current assets	0.2	0.1	0.1	0.1
Total assets	**4.4**	**4.1**	**3.9**	**3.8**
Total equity	1.0	0.8	0.8	0.8
Borrowings from related parties	0.1	0.1	0.1	0.1
Borrowings from banks	3.2	3.1	2.9	2.8
Other liabilities	0.1	0.1	0.1	0.1
Total equity and liabilities	**4.4**	**4.1**	**3.9**	**3.8**
Retail Parks				
Retail Park Hradec Kralove (Bluebox 7)				
Investment property	23.4	21.5	20.9	19.7
Other non-current assets	–	–	–	–
Total current assets	0.7	0.5	1.2	1.3
Total assets	**24.1**	**22.1**	**22.1**	**21.0**
Total equity	(2.9)	(3.6)	3.4	2.8
Borrowings from related parties	2.4	1.9	–	0.1
Borrowings from banks	22.7	22.7	17.6	17.1
Other liabilities	1.8	1.1	1.2	1.0
Total equity and liabilities	**24.1**	**22.1**	**22.1**	**21.0**
Baumax Pleven (Helios-08)				
Investment property		6.0	5.7	5.6
Other non-current assets		0.1	0.0	0.0
Total current assets		0.1	0.2	0.2
Total assets		**6.1**	**6.0**	**5.9**
Total equity		(0.3)	(2.4)	(2.4)
Borrowings from related parties		0.3	3.1	3.2
Borrowings from banks		5.6	5.2	5.1
Other liabilities		0.5	0.0	0.0
Total equity and liabilities		**6.1**	**6.0**	**5.9**
Interspar Znojmo (Bluebox 6)				
Investment property	6.9	6.3	6.2	5.8
Other non-current assets	–	–	–	–
Total current assets	0.2	0.1	0.2	0.3
Total assets	**7.1**	**6.4**	**6.4**	**6.0**
Total equity	(1.7)	(1.9)	0.2	0.1
Borrowings from related parties	0.8	0.6	0.1	0.1
Borrowings from banks	7.6	7.6	5.9	5.7
Other liabilities	0.4	0.2	0.2	0.1
Total equity and liabilities	**7.1**	**6.4**	**6.4**	**6.0**

Selected Cash Flow Statement Information	Year ended December 31, 2010	2011	2012	Six months ended June 30, 2013 (unaudited)
Total Property Companies (summary table):	(euro million)			
Net cash generated from operating activities	9.0	6.3	9.0	5.7
Net cash generated from / (used in) investing activities	(0.9)	(1.9)	(1.1)	(0.5)
Net cash from / (used in) financing activities	(6.3)	(5.6)	(4.3)	(6.0)
Net increase / (decrease) in cash and cash equivalents	1.8	(0.9)	3.7	(0.7)

Selected Cash Flow Statement Information	Year ended December 31, 2010	2011	2012	Six months ended June 30, 2013 (unaudited)
Standalone Property Companies:	(euro million)			
Office Buildings				
Infopark E (Infopark E)				
Net cash generated from operating activities			0.3	1.0
Net cash generated from / (used in) investing activities			(0.5)	(0.3)
Net cash from / (used in) financing activities			4.4	(1.7)
Net increase / (decrease) in cash and cash equivalents			**4.1**	**(1.0)**
Autounion (Vaptzarov)				
Net cash generated from operating activities	3.0	2.7	2.4	1.0
Net cash generated from / (used in) investing activities	(0.6)	(0.0)	(0.3)	–
Net cash from / (used in) financing activities	(2.1)	(2.9)	(2.0)	(1.1)
Net increase / (decrease) in cash and cash equivalents	**0.3**	**(0.2)**	**0.1**	**(0.1)**
Victoria Center (Victoria)				
Net cash generated from operating activities	3.6	2.1	2.1	1.4
Net cash generated from / (used in) investing activities	(0.1)	0.0	0.0	0.0
Net cash from / (used in) financing activities	(2.3)	(2.0)	(2.5)	(1.0)
Net increase / (decrease) in cash and cash equivalents	**1.2**	**0.2**	**(0.4)**	**0.4**
Olympia Tower (Olympia)				
Net cash generated from operating activities	1.0	1.0	1.2	1.0
Net cash generated from / (used in) investing activities	(0.1)	(0.1)	(0.2)	0.0
Net cash from / (used in) financing activities	(1.3)	(1.3)	(1.7)	(0.6)
Net increase / (decrease) in cash and cash equivalents	**(0.4)**	**(0.4)**	**(0.7)**	**0.4**
Astoria Business Center (Astoria)				
Net cash generated from operating activities	1.1	(3.6)	0.2	0.3
Net cash generated from / (used in) investing activities	–	–	–	(0.0)
Net cash from / (used in) financing activities	(0.4)	3.2	(0.4)	(0.3)
Net increase / (decrease) in cash and cash equivalents	**0.7**	**(0.4)**	**(0.2)**	**0.0**
1 BPS (One BPS)				
Net cash generated from operating activities	0.3	0.4	0.3	0.1
Net cash generated from / (used in) investing activities	(0.1)	–	–	–
Net cash from / (used in) financing activities	(0.2)	(0.4)	(0.4)	(0.2)
Net increase / (decrease) in cash and cash equivalents	**0.0**	**(0.0)**	**(0.0)**	**(0.0)**
Retail Parks				
Retail Park Hradec Kralove (Bluebox 7)				
Net cash generated from operating activities		1.4	1.1	0.2
Net cash generated from / (used in) investing activities		–	(0.1)	–
Net cash from / (used in) financing activities		(1.3)	(0.5)	(0.5)
Net increase / (decrease) in cash and cash equivalents		**–**	**0.6**	**(0.3)**

Selected Cash Flow Statement Information	Year ended December 31, 2010	2011	2012	Six months ended June 30, 2013 (unaudited)
Standalone Property Companies:	(euro million)			
Baumax Pleven (Helios-08)				
Net cash generated from operating activities		2.2	0.9	0.3
Net cash generated from / (used in) investing activities		(1.8)	–	–
Net cash from / (used in) financing activities		(0.4)	(0.7)	(0.4)
Net increase / (decrease) in cash and cash equivalents		**(0.0)**	**0.1**	**(0.0)**
Bluebox 6 (Interspar Znojmo)				
Net cash generated from operating activities		0.4	0.5	0.2
Net cash generated from / (used in) investing activities		–	–	(0.1)
Net cash from / (used in) financing activities		(0.5)	(0.3)	(0.2)
Net increase / (decrease) in cash and cash equivalents		**(0.1)**	**0.2**	**(0.1)**

Emphasis of Matter

PricewaterhouseCoopers Audit SRL has issued an unqualified audit opinion in respect of the financial statements for each of Victoria and Olympia for the years ended December 31, 2012, 2011 and 2010.

In its independent auditor's report in respect of the financial statements of Victoria for the three years ended December 31, 2012, PricewaterhouseCoopers Audit SRL included the following emphasis of matter:

Without qualifying our opinion, we draw attention to the fact that the Company's net assets, determined as the difference between its total assets and its total liabilities, are lower than half the Company's share capital. In accordance with the Romanian Company Law no 31/1990 republished the Company's administrators, together with the sole shareholder, should immediately convene an Extraordinary General Meeting to decide a capital increase, a capital decrease at least equal to the losses that cannot be covered from existing reserves or the liquidation of the Company. The possible effects of the above-mentioned matter cannot be estimated as at the date of this report, and accordingly these financial statements do not include adjustments or disclosures resulting from the above matter.

In its independent auditor's report in respect of the financial statements of Olympia for the three years ended December 31, 2012, PricewaterhouseCoopers Audit SRL included the following emphasis of matter:

Without qualifying our opinion, we draw attention to the fact that the Company's net assets, determined as the difference between its total assets and its total liabilities, are lower than half the Company's share capital. In accordance with the Romanian Company Law no 31/1990 republished the Company's administrators, together with the sole shareholder, should immediately convene an Extraordinary General Meeting to decide a capital increase, a capital decrease at least equal to the losses that cannot be covered from existing reserves or the liquidation of the Company. The possible effects of the above-mentioned matter cannot be estimated as at the date of this report, and accordingly these financial statements do not include adjustments or disclosures resulting from the above matter.

PricewaterhouseCoopers Audit SRL has issued an unqualified review report in respect of the condensed interim financial statements for each of Victoria and Olympia for the six months ended June 30, 2013.

In its review report in respect of the condensed interim financial statements of Victoria for the six months ended June 30, 2013, PricewaterhouseCoopers Audit SRL included the following emphasis of matter:

Without qualifying our conclusion, we draw attention to the fact that the Company's net assets, determined as the difference between its total assets and its total liabilities, are lower than half the Company's share capital. In accordance with the Romanian Company Law no 31/1990 republished the Company's administrators, together with the sole shareholder, should immediately convene an Extraordinary General Meeting to decide a capital increase, a capital decrease at least equal to the losses that cannot be covered from existing reserves or the liquidation of the Company. The possible effects of the above-mentioned matter cannot be estimated as at the date of this report, and accordingly these condensed interim financial statements do not include adjustments or disclosures resulting from the above matter.

In its review report in respect of the condensed interim financial statements of Olympia for the six months ended June 30, 2013, PricewaterhouseCoopers Audit SRL included the following emphasis of matter:

Without qualifying our conclusion, we draw attention to the fact that the Company's net assets, determined as the difference between its total assets and its total liabilities, are lower than half the Company's share capital. In accordance with the Romanian Company Law no 31/1990 republished the Company's administrators, together with the sole shareholder, should immediately convene an Extraordinary General Meeting to decide a capital increase, a capital decrease at least equal to the losses that cannot be covered from existing reserves or the liquidation of the Company. The possible effects of the above-mentioned matter cannot be estimated as at the date of this report, and accordingly these condensed interim financial statements do not include adjustments or disclosures resulting from the above matter.

We consider the above emphases of matter of low importance with respect to the Acquisition. Following the Acquisition, we intend to proceed with an increase of the above companies' share capital, through the capitalization of a part of the existing outstanding intercompany loans and balances. This will result in an increase of their net assets in accordance with the requirements of the Romanian Company Law.

UNAUDITED PRO FORMA COMBINED FINANCIAL INFORMATION

Introduction

We have a limited operating history and do not have standalone historical financial statements prior to our date of incorporation (May 8, 2013). We will start preparing consolidated financial statements following the acquisition of the Initial Portfolio. For this reason and to illustrate the financial impact of the acquisition of the Initial Portfolio and the use of proceeds from the Offering, we have included our unaudited *pro forma* combined financial information in this document. Such financial information incorporates selected historical financial information of the entities that ultimately own the properties that will comprise the Initial Portfolio, that are to be acquired by us pursuant to the Share Sale Purchase and Loan Assignment Agreements described in "*Our Business—Material Contracts—Share Sale Purchase and Loan Assignment Agreements.*" For a list of the entities to be acquired, please refer to "*Important Information—Presentation of Financial and Other Information*" and "*Group Structure and the Acquisition.*"

The following unaudited *pro forma* combined financial information as at June 30, 2013, and for the year ended December 31, 2012 and the six-month period ended June 30, 2013, is presented to illustrate the effects of the acquisition of the Initial Portfolio and the use of proceeds from the Offering. We present elsewhere in this document our special purpose financial information as at June 30, 2013 and the standalone historical financial statements of the entities that own the properties that will comprise the Initial Portfolio. The unaudited *pro forma* combined financial information incorporates these standalone financial statements and includes estimates and assumptions that have been made solely for the purposes of developing such *pro forma* information.

We estimate that the gross proceeds from the Offering will be €170.1 million (assuming the over-allotment option is not exercised by the Underwriters) and the net proceeds will be €162.1 million, after deducting estimated share issuance costs of €8.0 million. We will use the net proceeds from the Offering for (i) the acquisition of the Initial Portfolio, including intercompany loans and balances (€87.7 million), (ii) the repayment of a portion of bank loans with respect to the properties in the Initial Portfolio (€17.0 million), and (iii) pipeline acquisitions (€57.4 million, up to €2.0 million of which may be used for general corporate purposes). Please also see "*Use of Proceeds.*"

The unaudited *pro forma* combined financial information has been prepared based on our special purpose financial information, and the standalone financial statements of the entities to be acquired that ultimately own the properties that will comprise the Initial Portfolio as at June 30, 2013, and for the year ended December 31, 2012 and the six-month period ended June 30, 2013, adjusted as explained further in the notes below.

The unaudited *pro forma* combined statement of income was prepared as if (i) the acquisition of the Initial Portfolio had occurred on January 1, 2012, (ii) the estimated net proceeds of the Offering amounting to €162.1 million were received on January 1, 2012; and (iii) €17.0 million of the existing bank borrowings were repaid on January 1, 2012.

The unaudited *pro forma* statement of financial position was prepared as if (i) the acquisition of the Initial Portfolio had occurred on June 30, 2013, (ii) the estimated net proceeds of the Offering amounting to €162.1 million were received on June 30, 2013; and (iii) €17.0 million of the existing bank borrowings were repaid as at June 30, 2013.

The unaudited *pro forma* combined financial information is included for illustrative purposes only. Because of its nature, the unaudited *pro forma* combined financial information addresses a hypothetical situation and, therefore, does not represent our actual financial position and results nor does it represent the current state of the Company. We do not claim or represent that the unaudited *pro forma* combined financial information is indicative of the financial position and results that would have been achieved had the acquisition taken place as of the date indicated or that they may be achieved in the future. The assumptions used in the preparation of the unaudited *pro forma* combined financial information might not prove to be correct.

The unaudited *pro forma* combined financial information contains forward-looking statements. Forward-looking statements involve risks, uncertainties and assumptions. Undue reliance should not be placed on any forward looking statements. Please also see "*Forward-Looking Statements.*"

The unaudited *pro forma* combined financial information is compiled in a manner consistent with the accounting policies that will be used by us in preparing our consolidated financial statements. All *pro forma* adjustments are directly attributable to the transactions, factually supportable and based on available information and assumptions that we believe to be reasonable.

Basis of Preparation

The unaudited *pro forma* combined financial information is based on estimates and assumptions that are preliminary and have been made solely for the purposes of developing such *pro forma* information. The *pro forma* adjustments are described in the accompanying notes. The *pro forma* adjustments included in the unaudited *pro forma* combined financial information have been limited to only those adjustments that are directly attributable to the transaction and are factually supportable. In addition, the *pro forma* combined financial information does not include the impact of any potential operating efficiency, savings from expected synergies, costs to integrate operations or costs necessary to achieve savings from expected synergies. The unaudited *pro forma* combined financial information is for information purposes only and is not necessarily an indication of the financial condition or the results that would have been achieved had the acquisition of the Initial Portfolio been completed as of the dates indicated or that may be achieved in the future.

The unaudited *pro forma* combined financial information has been prepared on a basis consistent with the accounting policies that are disclosed in our special purpose financial information incorporated elsewhere in this document. These policies are consistent with the accounting policies as applied by each of the Property Companies with the exception of *IAS 40 Investment Property*. The Property Companies historically accounted for investment property using the cost method under *IAS 40 Investment Property*. We have elected to account for investment property using the fair value model under *IAS 40 Investment Property* in preparing the unaudited *pro forma* combined financial information because we will use such model in the preparation of our consolidated financial statements going forward. Under the fair value model, investment property is not depreciated and, as such, depreciation expense has been removed as an adjustment from the *pro forma* combined statement of income.

In preparing the unaudited *pro forma* combined statement of income, we have assumed that we would have acquired the Initial Portfolio on January 1, 2012, for the same consideration as we expect to pay upon the date of the acquisition of the Initial Portfolio, and that there has been no change in its fair value. As a result, the fair value of the investment properties at the end of the year equals the fair value at the beginning of the year, resulting in a fair value change of zero recorded in the unaudited *pro forma* combined statement of income for the year ended December 31, 2012 and for the six-month period ended June 30, 2013. Going forward, there will most likely be a change in the fair value of our investment property subsequent to the date of its acquisition. For example, based on the disclosures in the individual audited financial statements of the Property Companies, the fair value of the investment properties that will comprise the Initial Portfolio was in aggregate €193.2 million as at December 31, 2012 and €182.6 million as at December 31, 2011. For those properties acquired during 2012, for which no information with respect to fair value as at December 31, 2011 is available, we have assumed that the fair value did not change between December 31, 2011 and December 31, 2012. If we had acquired the Initial Portfolio at January 1, 2012, we would have recorded a fair value gain of €10.6 million.

Furthermore, the unaudited combined *pro forma* financial information has been prepared on the basis of *IFRS 3 Business Combinations*. The total purchase consideration, including intercompany loans and balances, is €87.7 million.

Consistent with customary practice for the real estate industry, we will be acquiring the Initial Portfolio through the acquisition of companies that ultimately own the respective properties comprising the Initial Portfolio. Consequently, we will also be assuming the entirety of the respective companies' assets and liabilities together with the Initial Portfolio properties. As a result, the actual cash consideration we will pay to acquire the properties that comprise the Initial Portfolio will be €87.7 million, which is only part of the agreed acquisition price of €187.7 million for the respective properties. The following table presents a reconciliation of the agreed price of the properties to be acquired and the actual cash consideration we will pay for the acquisition of the Initial Portfolio, assuming the Offering closed on June 30, 2013:

Reconciliation of Agreed Acquisition Price and Consideration to be Paid	**Estimated amount as at June 30, 2013**
	(euro million)
Market Value[(1)]	**197.6**
Minus: permanent 5% discount to market value	(9.9)
Agreed Acquisition Price of assets[(2)]	**187.7**
Plus: Property Companies' outstanding balance sheet items as at June 30, 2013 that Meridian will assume:	
Bank loans[(3)]	(104.7)
Other borrowings[(4)]	(2.0)
Cash and cash equivalents[(5)]	7.8
Other balance sheet items, net	(1.1)
Sub-total	**(100.0)**
Consideration to be Paid	**87.7**

(1) According to the Valuation Report.

(2) The acquisition price of the Initial Portfolio reflects a permanent 5% discount to the market value of the assets according to the Valuation Report.

(3) Outstanding balance of bank loans as at June 30, 2013. For further analysis please see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Debt Portfolio*."

(4) Outstanding balance of other borrowings as at June 30, 2013. For further analysis please see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Contractual Obligations and Commitments.*"

(5) Outstanding balance of cash and cash equivalents as at June 30, 2013. For further analysis please see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Pro Forma Combined Statement of Financial Position—Pro Forma Cash and Cash Equivalents*."

If the underwriters exercise their overallotment option to purchase additional shares, we intend to allocate all proceeds in excess of €170.1 million proportionately towards the additional repayment of outstanding bank loans and for additional pipeline acquisitions. In the event that gross proceeds from the Offering are less than €170.1 million due to a lower sale price per share, the acquisition price of the Initial Portfolio will be equally reduced by such deficit. In the event that gross proceeds from the Offering are less than €170.1 million due to fewer shares issued, the Offering's proceeds allocated to pipeline acquisitions will be reduced by such deficit. Please also see *"Use of Proceeds"* and "*Our Business—Investment Pipeline.*"

Taking into account that the offering price will be set in Polish zloty and the payments under the purchase method of accounting, the total purchase consideration, as shown in the previous table, is allocated to the identifiable assets, liabilities and contingent liabilities acquired, based on their fair values. Below are management's preliminary allocations as at June 30, 2013. The actual allocation to the fair values of individual assets, liabilities and contingent liabilities may differ on the date of the acquisition of the Initial Portfolio.

Fair value of assets and liabilities to be acquired	As at June 30, 2013
	(euro million)
Market Value[(1)]	197.6
Receivables and prepayments	4.2
Deferred tax assets	0.6
Derivative financial instruments	0.1
Cash and cash equivalents	7.8
Borrowings	(106.7)
Deferred tax liabilities	(12.6)
Trade payables and other accruals	(4.1)
Derivative financial instruments	(1.0)
Fair value of assets and liabilities to be acquired	**85.9**
Purchase consideration	87.7
Remaining *pro forma* goodwill	**1.8**

(1) According to the Valuation Report.

The unaudited *pro forma* combined financial information should be read in conjunction with our special purpose financial information and the standalone historical financial statements of the Property Companies and the related notes thereto, included herein, and with "*Management's Discussion and Analysis of Financial Condition and Results of Operations*."

For further detail on the preparation of the unaudited *pro forma* combined financial information, please refer to Annex 2 "*Initial Portfolio-Combined Financial Information.*"

Unaudited *Pro Forma* Combined Statement of Income

The following table sets forth the unaudited *pro forma* combined statement of income for the year ended December 31, 2012:

Unaudited *Pro Forma* Combined Statement of Income	Combined figures for the year ended December 31, 2012[(1)]	Unaudited *pro forma* adjustments	Notes	Unaudited *pro forma* for the year ended December 31, 2012
	(euro million)			(euro million)
Rental revenue[(2)]	13.9	0.8	(A)	14.7
Service charges re-invoiced to tenants[(3)]	2.5	0.2	(B)	2.7
Other revenue (extraordinary)[(4)]	0.1	–		0.1
Total revenue	**16.5**	**1.0**		**17.5**
Fair value gain / (loss) on investment properties	–	–		–
Property related expenses[(5)]	(3.8)	–		(3.8)
Depreciation	(4.6)	4.6	(C)	–
Corporate overheads[(6)]	(3.3)	2.1	(D)	(1.2)
Total operating expenses	**(11.7)**	**6.7**		**(5.0)**
Operating profit / (loss)	**4.8**	**7.7**		**12.5**
Interest income[(7)]	1.0	(0.9)	(E)	0.1
Interest expense[(8)]	(7.0)	2.9	(F)	(4.1)
Other financial gains/(loss), net[(9)]	(0.3)	–		(0.3)
Net financial cost	**(6.3)**	**2.0**		**(4.3)**
Profit / (loss) before tax	**(1.5)**	**9.7**		**8.2**
Current tax[(10)]	(0.1)	(0.3)	(G)	(0.4)
Deferred tax[(11)]	–	(0.7)	(H)	(0.7)
Profit / (loss) for the year	**(1.6)**	**8.7**		**7.1**

(1) Combined figures for the year ended December 31, 2012, represent a mathematical aggregation of each income statement item as presented in the respective audited financial statements of the entities to be acquired that ultimately own the properties that will comprise the Initial Portfolio. Please also see Annex 2 *"Initial Portfolio Combined Financial Information."*

(2) Reflects contracted rents payable by tenants.

(3) Reflects property-related expenses incurred by the owner, which are subsequently re-invoiced to the tenants.

(4) Relates primarily to extraordinary property related expenses that are re-invoiced to tenants. This is a non-recurring item.

(5) Reflects expenses relating to the day-to-day operation of the properties, including, among other things, property related taxes and duties. The majority of such expenses are re-invoiced to the tenants.

(6) Reflects company overheads, including professional fees incurred by the Individual Holding Companies and the Property Companies.

(7) Reflects interest income from bank deposits.

(8) Reflects interest expense on bank loans.

(9) Reflects foreign exchange differences of companies whose functional currency is other than the euro and fair value change on mark-to-market valuation of interest rate swaps.

(10) Reflects income tax expense on profit from operations.

(11) Reflects deferred tax expense calculated on the effect of reversing Property Companies' depreciation on investment property.

Notes to the Unaudited *Pro Forma* Adjustments for the Year Ended December 31, 2012

(A) Rental Revenue

The adjustment reflects the provisions of a rental guarantee agreement in relation to the vacant space of Infopark E. Under this agreement, which remains in effect until December 2017, the previous owner pays the Individual Holding Company that holds Infopark E an agreed quarterly rebate for rental revenue in relation to vacancies in the property. As a result, under the terms of this rental revenue guarantee, rental revenue received with respect to Infopark E effectively represents 100% of the property's entire leasable area. The agreement was entered into in November 2012. Since the current owner acquired Infopark E in December 2012 the adjustment presents the revenue as if the acquisition, including the rental guarantee agreement, had taken place on January 1, 2012.

(B) Service Charges Re-Invoiced to Tenants

The adjustment reflects the provisions of a service charge guarantee agreement in relation to the vacant space of Infopark E. Under this agreement, which remains in effect until December 2017, the previous owner pays the Individual Holding Company that holds Infopark E, an agreed quarterly rebate for service charges in relation to vacancies in the property. As a result, under the terms of this service charge guarantee, total service charges received with respect to Infopark E effectively represent 100% of the property's entire leasable area. The agreement was entered into in November 2012. Since the current owner acquired Infopark E in December 2012 the adjustment presents the revenue as if the acquisition, including the service charge guarantee agreement, had taken place on January 1, 2012.

(C) Depreciation

The adjustment reflects the elimination of depreciation expense on investment property recorded in the standalone financial statements of the Property Companies. The Property Companies have historically elected to account for investment property under the cost method in accordance with *IAS 40 Investment Property*. Under the cost method the investment property is depreciated over its useful life. We, however, have elected to account for investment property under the fair value model in accordance with *IAS 40 Investment Property*. Under the fair value model investment property is not depreciated. Therefore, the depreciation expense was eliminated from the unaudited *pro forma* combined statement of income.

(D) Expenses incurred upon acquisition of properties

The adjustment reflects the elimination of one-off acquisition related expenses for properties that were acquired during 2012. Since the unaudited *pro forma* combined statement of income is prepared assuming the business combination, including acquisition of these properties, had already occurred on January 1, 2012, such costs have been eliminated from the unaudited *pro forma* combined statement of income. Any expenses in connection with the acquisition of the Initial Portfolio are to be incurred by the sellers and are, therefore, not reflected in the unaudited *pro forma* combined statement of income.

(E) Interest Income

The adjustment reflects the elimination of interest income relating to intercompany loans of €20.4 million between the entities to be acquired that ultimately own the properties that will comprise the Initial Portfolio, primarily with regards to loans provided to the Property Companies from their respective Individual Holding Companies, in line with the principles of consolidation.

(F) Interest Expense

The adjustment reflects:

	(euro million)
Elimination of interest expense (intercompany loans)(1)	0.9
Elimination of interest expense (shareholder loans payable)(2)	1.2
Elimination of a one-off loan conversion fee(3)	0.1
Reduction in interest expense due to bank deleveraging(4)	0.7
Total	**2.9**

(1) Interest expense relating to intercompany loans of €20.4 million between the entities to be acquired that ultimately own the properties that will comprise the Initial Portfolio, primarily with regards to loans provided to the Property Companies from their respective Individual Holding Companies, in line with the principles of consolidation.

(2) Interest expense relating to shareholder loans payable of €41.3 million from the entities to be acquired that ultimately own the properties that will comprise the Initial Portfolio, which will be assigned to us following the transaction, in line with the principles of consolidation.

(3) A one-off loan conversion fee with respect to Olympia Tower, which was realized during 2012.

(4) Reduction of interest expense as a result of partial bank deleveraging to be performed with a portion of the estimated net proceeds from the Offering.

(G) Current Tax

The adjustment reflects the estimated income tax of €0.1 million expected to be realized by us and our Group Holding Company following the acquisition. We will be subject to corporate income tax at a rate of 0% in the Netherlands due to our FII status under the Netherlands Income Tax Act 1969. We expect our Group Holding Company to realize net interest income of 1% on shareholder loans, which will be subject to a local 12.5% corporate income tax. The adjustment also reflects the tax effect on the pro forma adjustments, which amounts to €0.2 million, calculated according to each country's prevailing tax rate, which is 10% for Bulgaria, 16% for Romania and 19% for Hungary and the Czech Republic.

(H) Deferred Tax

The adjustment reflects the deferred tax effect relating to the elimination of depreciation expense on investment property recorded by the Property Companies. The tax effect is calculated according to each country's prevailing tax rate, which is 10% for Bulgaria, 16% for Romania and 19% for Hungary and the Czech Republic.

Adjustments A, B, C, E, F(i), F(ii), F(iv) and H will have a recurring impact on us, whereas adjustments D, F(iii), and G will not.

The following table sets forth the unaudited *pro forma* combined statement of income for the six-month period ended June 30, 2013:

Unaudited *Pro Forma* Combined Statement of Income	Combined figures for the six months ended June 30, 2013[1]	Unaudited *pro forma* adjustments	Notes	Unaudited *pro forma* for the six months ended June 30, 2013
	(euro million)			(euro million)
Rental revenue[2]	7.1	0.3	(A)	7.4
Service charges re-invoiced to tenants[3]	1.5	–		1.5
Total revenue	**8.6**	**0.3**		**8.9**
Fair value gain / (loss) on investment properties	–	–		–
Property related expenses[4]	(1.7)	–		(1.7)
Depreciation	(2.3)	2.3	(B)	–
Corporate overheads[5]	(1.3)	0.3	(C)	(1.0)
Total operating expenses	**(5.3)**	**2.6**		**(2.7)**
Operating profit / (loss)	**3.3**	**2.9**		**6.2**
Interest income[6]	0.5	(0.4)	(D)	0.1
Interest expense[7]	(3.7)	1.7	(E)	(2.0)
Other financial gains/(loss), net[8]	(1.0)	–		(1.0)
Net financial cost	**(4.2)**	**1.3**		**(2.9)**
Profit / (loss) before tax	**(0.9)**	**4.2**		**3.3**
Current tax[9]	(0.1)	(0.1)	(F)	(0.2)
Deferred tax[10]	0.1	(0.3)	(G)	(0.2)
Profit / (loss) for the year	**(0.9)**	**3.8**		**2.9**

(1) Combined figures for the six months ended June 30, 2013, represent a mathematical aggregation of each income statement item as presented in the respective audited financial statements of the entities to be acquired that ultimately own the properties that will comprise the Initial Portfolio. Please also see Annex 2 "*Initial Portfolio Combined Financial Information.*"

(2) Reflects contracted rents payable by tenants.

(3) Reflects property-related expenses incurred by the owner, which are subsequently re-invoiced to the tenants.

(4) Reflects expenses relating to the day-to-day operation of the properties, including, among other things, property related taxes and duties. The majority of such expenses are re-invoiced to the tenants.

(5) Reflects company overheads, including professional fees incurred by the Individual Holding Companies and the Property Companies.

(6) Reflects interest income from bank deposits.

(7) Reflects interest expense on bank loans.

(8) Reflects foreign exchange differences of companies whose functional currency is other than the euro and fair value change on mark-to-market valuation of interest rate swaps.

(9) Reflects income tax expense on profit from operations.

(10) Reflects deferred tax expense calculated on the effect of reversing Property Companies' depreciation on investment property.

Notes to the Unaudited *Pro Forma* Adjustments for the Six Months Ended June 30, 2013

(A) Rental Revenue

The adjustment reflects the provisions of a rental guarantee agreement in relation to the vacant space of Infopark E. Under this agreement, which remains in effect until December 2017, the previous owner pays the Individual Holding Company which holds Infopark E, an agreed quarterly rebate for rental revenue in relation to vacancies in the property. As a result, under the terms of this rental revenue guarantee, rental revenue received with respect to Infopark E effectively represents 100% of the property's entire leasable area.

The additional amount received from the previous owner is paid directly to the Individual Holding Company and is booked against the historical cost of its investment in the respective Property Company. For this reason, this *pro forma* adjustment is made in order to correctly present total revenue received with regards to this property, which effectively corresponds to its entire leasable area. The rental guarantee agreement was entered into in November 22, 2012 and the adjustment corresponds to the six-month period ended June 30, 2013.

(B) Depreciation

The adjustment reflects the elimination of depreciation expense on investment property recorded in the standalone financial statements of the Property Companies. The Property Companies have elected to account for investment property under the cost method in accordance with *IAS 40 Investment Property*. Under the cost method the investment property is depreciated over its useful life. We, however, have elected to account for investment property under the fair value model in accordance with *IAS 40 Investment Property*. Under the fair value model investment property is not depreciated. Therefore the depreciation expense was eliminated from the *pro forma* income statement.

(C) Corporate Overheads

The adjustment reflects the elimination of one-off expenses that were incurred by the Property Companies but that will be borne by the sellers, in relation to our intention to acquire the companies that ultimately own the respective properties comprising the Initial Portfolio, following the Offering. Such expenses primarily relate to additional audit and valuation fees.

Since the unaudited *pro forma* combined statement of income is prepared assuming the business combination, including acquisition of the Initial Portfolio, had occurred on January 1, 2012, such costs have been eliminated from the unaudited *pro forma* combined statement of income. Any expenses in connection with the acquisition of the Initial Portfolio are to be incurred by the sellers and are, therefore, not reflected in the unaudited *pro forma* combined statement of income.

(D) Interest Income

The adjustment reflects the elimination of interest income relating to intercompany loans of €20.0 million between the entities to be acquired that ultimately own the properties that will comprise the Initial Portfolio, primarily with regards to loans provided to the Property Companies from their respective Individual Holding Companies, in line with the principles of consolidation.

(E) Interest Expense

The adjustment reflects:

	(euro million)
Elimination of interest expense (intercompany loans)(1)	0.4
Elimination of interest expense (shareholder loans payable)(2)	0.9
Reduction in interest expense due to bank deleveraging(3)	0.4
Total	**1.7**

(1) Interest expense relating to intercompany loans of €20.0 million between the entities to be acquired that ultimately own the properties that will comprise the Initial Portfolio, primarily with regards to loans provided to the Property Companies from their respective Individual Holding Companies, in line with the principles of consolidation.

(2) Interest expense relating to shareholder loans payable of €42.0 million from the entities to be acquired that ultimately own the properties that will comprise the Initial Portfolio to the sellers, which will be assigned to us following the transaction, in line with the principles of consolidation.

(3) Reduction of interest expense as a result of partial bank deleveraging to be performed with a portion of the estimated net proceeds from the Offering.

(F) Current Tax

We will be subject to corporate income tax at a rate of 0% in the Netherlands due to our FII status under the Netherlands Income Tax Act 1969. We expect our Group Holding Company to realize net interest income of 1% on shareholder loans, which will be subject to a local 12.5% corporate income tax. The estimated tax expense expected to be realized by us and our Group Holding Company for the six-month period is *de minimis.* The adjustment also reflects the tax effect on the *pro forma* adjustments, which amounts to €0.1 million, calculated according to each country's prevailing tax rate, which is 10% for Bulgaria, 16% for Romania and 19% for Hungary and the Czech Republic.

(G) Deferred Tax

The adjustment reflects the deferred tax effect relating to the elimination of depreciation expense on investment property recorded by the Property Companies. The tax effect is calculated according to each country's prevailing tax rate, which is 10% for Bulgaria, 16% for Romania and 19% for Hungary and the Czech Republic.

Adjustments A, B, D, E(i), E(ii) and G will have a recurring impact on us, whereas adjustments C, E(iii) and F will not.

Unaudited *Pro Forma* Combined Statement of Financial Position

The following table sets forth the unaudited *pro forma* combined statement of financial position as at June 30, 2013:

Unaudited *Pro Forma* Combined Statement of Financial Position	Meridian Properties N.V. as at June 30, 2013	Combined figures as at June 30, 2013(1)	Unaudited *pro forma* adjustments	Notes	Unaudited *pro forma* as at June 30, 2013
	(euro million)	(euro million)			(euro million)
Assets					
Non-current assets					
Investment property	–	114.4	83.2	(A)	197.6
Goodwill	–	–	1.8	(B)	1.8
Receivables and prepayments	–	8.5	(8.5)	(C)	0.0
Investment in subsidiaries	–	33.7	(33.7)	(D)	–
Deferred tax assets	–	0.6	–		0.6
Derivative financial instruments	–	0.1	–		0.1
Total non-current assets	**–**	**157.3**	**42.8**		**200.1**
Current assets					
Receivables and prepayments	0.73	14.9	(11.6)	(C)	4.2
Cash and cash equivalents	0.05	7.8	57.4	(E)	65.2
Total current assets	**0.78**	**22.7**	**45.8**		**69.4**
Total assets	**0.78**	**180.0**	**88.6**		**269.5**
Shareholders' equity and liabilities					
Share capital and share premium	0.05	41.5	120.6		162.1
Other reserves	–	(6.3)	6.3		–
Retained profits / (losses)	(0.04)	(32.2)	32.2		–
Total shareholders' equity	**0.01**	**3.0**	**159.1**	(F)	**162.1**
Non-current liabilities					
Borrowings	–	108.0	(20.3)	(G)	87.7
Deferred tax liabilities	–	0.8	11.7	(H)	12.5
Trade and other payables	–	0.8	–		0.8
Derivative financial instruments	–	0.6	–		0.6
Total non-current liabilities	**–**	**110.1**	**(8.6)**		**101.6**
Current liabilities					
Trade and other payables	0.77	4.4	(3.1)	(I)	2.1
Deferred revenue	–	1.2	–		1.2
Borrowings	–	60.8	(58.8)	(J)	2.0
Derivative financial instruments	–	0.5	–		0.5
Total current liabilities	**0.77**	**66.9**	**(61.9)**		**5.8**
Total liabilities	**0.77**	**177.0**	**(70.5)**		**107.4**
Total shareholders' equity and liabilities	**0.78**	**180.0**	**88.6**		**269.5**

(1) Combined figures as at June 30, 2013, represent a mathematical aggregation of each statement of financial position as presented in the respective standalone financial statements of the entities to be acquired that ultimately own the properties that will comprise the Initial Portfolio. Please also see Annex 2 "*Initial Portfolio Combined Financial Information.*"

Notes to the Unaudited *Pro Forma* Adjustments

(A) Investment Property

The adjustment is made to reflect the market value of the properties that will comprise the Initial Portfolio, according to the Valuation Report, which is as follows:

Investment Property	Market Value(1)
	(euro million)
Infopark E	38.7
Autounion	34.6
Victoria Center	32.6
Olympia Tower	26.2
Astoria Business Center	11.3
1 BPS	5.7
Retail Park Hradec Kralove	29.0
Baumax Pleven	9.9
Interspar Znojmo	9.6
Total	**197.6**

(1) According to the Valuation Report.

(B) Goodwill

Goodwill is a result of business combination accounting and reflects: (i) the deferred tax liability amounting to €11.7 million, calculated on the difference between the fair value of the Initial Portfolio of €197.6 million and the historical cost of the respective properties that is included in the financial statements of the Property Companies of €114.4 million; less (ii) a permanent 5% discount on the market value of the Initial Portfolio of €197.6 according to the Valuation Report at which it will be acquired.

Consistent with industry practice of effecting asset disposals through the sale of the property-owning companies, the deferred tax element of €11.7 million relating to the difference between market value and historical cost of investment property is not expected to materialize going forward. If it does not materialize, goodwill of €11.7 million will be recovered. It is our intention that, going forward, any disposals of properties are performed through the direct or indirect disposal of the respective Property Company, which will not result in any deferred tax materializing. The deferred tax liability is calculated according to each country's prevailing tax rate, which is 10% for Bulgaria, 16% for Romania and 19% for Hungary and the Czech Republic.

(C) Receivables and Prepayments

The adjustment reflects the elimination of intercompany loans between the entities to be acquired that ultimately own the properties that will comprise the Initial Portfolio, in line with the principles of consolidation.

(D) Investment in Subsidiaries

The adjustment reflects the elimination of investment in subsidiaries, recorded in the individual statements of financial position of Individual Holding Companies, in line with the principles of consolidation.

(E) Cash and Cash Equivalents

The adjustment reflects the remaining balance of estimated proceeds from the Offering following their intended use, as follows:

Intended Use of Estimated Proceeds	Amounts as at June 30, 2013
	(euro million)
Estimated proceeds from the Offering	170.1
Minus: Acquisition of the Initial Portfolio, including intercompany loans and balances	(87.7)
Minus: Repayment of bank loans	(17.0)
Minus: Commissions and expenses for the Offering(1)	(8.0)
Balance (available for pipeline acquisitions and general corporate purposes)	**57.4**

(1) Expenses for the Offering amounting to €0.7 million have already been incurred and recorded in the books of the Company.

(F) Shareholders' Equity

The adjustment reflects the elimination of share capital and reserves recorded in the individual statements of financial position of the entities to be acquired that ultimately own the properties that will comprise the Initial Portfolio, in line with the principles of consolidation. Furthermore, the estimated net proceeds of the Offering amounting to €162.1 million have been recorded as a *pro forma* adjustment to share capital and share premium.

(G) Borrowings (non-current)

The adjustment reflects: (i) the elimination of intercompany loans between the entities to be acquired that ultimately own the properties that will comprise the Initial Portfolio, amounting to €8.5 million, in line with the principles of consolidation; and (ii) the partial bank deleveraging with regards to the non-current portion of bank loans, amounting to €11.8 million, that will be performed with a portion of the estimated net proceeds from the Offering.

(H) Deferred Tax Liabilities

The adjustment reflects the deferred tax liability with respect to the difference between the market value of the Initial Portfolio of €197.6 million and the historical cost of the respective properties that is included in the financial statements of the Property Companies of €114.4 million. The deferred tax effect is calculated according to each country's prevailing tax rate, which is 10% for Bulgaria, 16% for Romania and 19% for Hungary and the Czech Republic.

(I) Trade and Other Payables

The adjustment reflects the elimination of payables from the entities to be acquired that ultimately own the properties that will comprise the Initial Portfolio to the sellers, which will be assigned to us following the transaction, in line with the principles of consolidation.

(J) Borrowings (current)

The adjustment reflects: (i) the elimination of intercompany loans between the entities to be acquired that ultimately own the properties that will comprise the Initial Portfolio, amounting to €11.6 million, in line with the principles of consolidation; (ii) the elimination of shareholder loans payable from the entities to be acquired that ultimately own the properties that will comprise the Initial Portfolio to the sellers, which will be assigned to us following the transaction, amounting to €42.0 million, in line with the principles of consolidation; and (iii) the partial bank deleveraging with regards to the current portion of bank loans, amounting to €5.2 million, that will be performed with a portion of the estimated net proceeds from the Offering.

Adjustments A, B, C, D, E, F, G(i), H, I, J(i) and J(ii) will have a recurring impact on us, whereas adjustments E, G(ii) and J(iii) will not.

The following discussion of financial condition and results of operations should be read in conjunction with "Selected Historical and Financial Information," "Unaudited Pro Forma Combined Financial Information," the audited historical financial statements and the unaudited condensed interim financial statements included in this document and the notes thereto, and other information included elsewhere in this document. This section contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those discussed in such forward-looking statements as a result of various factors, including those described under "Risk Factors" and "Forward-Looking Statements."

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

Following the completion of the Offering, we will be the only real estate investment company with FII status listed on the Warsaw Stock Exchange. We will invest, own and actively manage a property portfolio within Emerging Europe comprising modern, high quality, stabilized, income producing real estate assets in attractive locations, along with an international, institutional-quality tenant base diversified by geography and tenant type and with a robust credit profile. We believe that we offer an opportunity to invest in a uniquely positioned real estate investment company owning a portfolio of properties with superior investment characteristics that offer stabilized, attractive returns. Our primary investment objectives are to provide regular cash distributions to our shareholders and to achieve euro-denominated, inflation-indexed, risk-adjusted returns based on long-term contracted rental revenues providing significant income visibility and substantial capital value growth, with low leverage and no development, land, investment or zoning risk, and with no construction or permitting risk. In particular, we look to newly constructed, operational commercial real estate assets in Emerging Europe, generally less than five years old, that are income producing, have an occupancy rate of 95% or greater, a weighted average remaining lease duration of five years or more and an international tenant base with institutional quality lease agreements.

With the proceeds of the Offering, we intend to acquire the nine properties included in the Initial Portfolio comprising 103,572 square meters of GLA and a market value of €197.6 million according to the Valuation Report. The properties that will comprise the Initial Portfolio will be acquired for €187.7 million, reflecting a permanent 5% discount to their market value according to the Valuation Report.

The Initial Portfolio is strategically diversified in terms of location, asset class and tenant base, which makes it significantly more attractive from an investment risk perspective as compared to a portfolio that is more concentrated in one or more of these areas. According to the Valuation Report, the Initial Portfolio's market value amounts to €197.6 million. By location, the Initial Portfolio's properties in Romania, Bulgaria, Hungary and the Czech Republic represent 35.5%, 25.4%, 19.6% and 19.5%, respectively, of total market value. By asset class, office buildings represent 75% and retail parks represent 25% of total market value. By tenant, the Initial Portfolio comprises more than 48 international, institutional-quality tenants, accounting for 95% of the Initial Portfolio's contracted revenue income as of June 30, 2013.

The Initial Portfolio provides significant income visibility with long-term leases of institutional-quality, with a GLA-weighted average remaining lease duration exceeding seven years as of June 30, 2013. It also offers a balanced mix of business sectors in terms of tenant base, which includes financial services, retail, insurance, aviation, IT and international organizations.

We intend to continue to invest in the Emerging Europe real estate market through investments that meet our criteria of modern, high quality, stabilized, income producing real estate assets, diversified by geographic area and tenant industries.

We will be internally managed by a team of highly skilled and experienced real estate professionals who have focused on Emerging Europe since 2004, including an internal asset management team that will be responsible for the key investment decisions with regards to investments, dispositions, financing strategy, asset allocation, risk management and financial reporting. The experience of each member of our management team has accumulated through many years of extensive work at leading European real estate and financial services companies.

We expect to benefit from our strategic relationship with Bluehouse, including its market presence, access to new investment opportunities and familiarity with the Initial Portfolio assets, which we plan to draw upon initially through certain cost-efficient service agreements. We will also initially outsource to Bluehouse, via these service agreements, certain services related to property management and administration to reduce our operating cost base and to provide flexibility with respect to our structure. However, our intention is to operate as a fully independent company following the expiration of these service agreements, to occur within five years following the Offering, subject to annual review by us.

Our management structure includes internal controls and compliance procedures, which we believe minimize conflicts of interest, maximize shareholder value and minimize costs. We have established the necessary controls and procedures such that we are in line with the Code of Best Practice for Warsaw Stock Exchange listed companies and the Dutch Corporate Governance Code, except as explicitly indicated under "*Description of Share Capital and Corporate Governance—Corporate Governance Rules*."

Presentation of Financial Information

We have a limited operating history, and the Initial Portfolio will be acquired in connection with the Offering. As a result, we will effectively start preparing consolidated financial statements following the acquisition of the Initial Portfolio.

We have included our unaudited *pro forma* combined financial information as a basis for this discussion and analysis of financial condition and results of operations, which may not be indicative of our future results of operations. Please also see "*Unaudited Pro Forma Combined Financial Information.*" We have also included selected historical financial information from the standalone financial statements of the Property Companies that will be acquired in connection with the Offering.

We present elsewhere in this document our special purpose financial information and the standalone financial statements of the entities to be acquired that ultimately own the properties that will comprise the Initial Portfolio.

Initial Portfolio

The following table presents an overview of certain helpful *pro forma* operational and financial metrics in relation to the Initial Portfolio:

	As at and for the	
Key Operational and Financial Metrics	**Year ended December 31, 2012 (unaudited)**	**Six months ended June 30, 2013 (unaudited)**
	(euro million)	
Rental revenue—office buildings	10.9	5.5
Rental revenue—retail parks	3.8	1.9
Total rental revenue	**14.7**	**7.4**
Profit for the year / period	**7.1**	**2.9**
Adjustments:		
Net financial cost	4.3	2.9
Current tax	0.4	0.2
Deferred tax	0.7	0.2
Depreciation and amortization	0.1	–
Adjusted EBITDA(1)	**12.6**	**6.2**
Profit for the year / period	**7.1**	**2.9**
Adjustments:		
Net financial cost	4.3	2.9
Interest income collections	0.1	0.1
Interest expense payments	(4.1)	(2.0)
Deferred tax	0.7	0.2
Depreciation and amortization	0.1	–
FFO(2)	**8.2**	**4.1**
Market value—office buildings(3)	146.7	149.1
Market value—retail parks(3)	46.5	48.5
Total market value(3)	**193.2**	**197.6**
GLA(4)—office buildings	62,286	62,286
GLA(4)—retail parks	40,286	40,286
GLA(4)	**103,572**	**103,572**
Occupancy—office buildings	92%	96%
Occupancy—retail parks	99%	100%
GLA-Weighted Occupancy	**95%**	**97%**
WARLD(5)—office buildings (years)	8.3	7.8
WARLD(5)—retail parks (years)	5.3	6.3
Total WARLD(5)	**7.2**	**7.3**

(1) EBITDA: Earnings Before Interest, Tax, Depreciation and Amortization

(2) FFO: Funds From Operations

(3) Market value according to the Valuation Report.

(4) GLA represents total floor space in square meters available for rent to tenants, including a notional allocation of common areas.

(5) WARLD: Weighted Average Remaining Lease Duration. Lease duration is weighted by GLA.

Significant Factors Affecting Our Operating and Financial Results

We believe that the factors discussed below may significantly affect our results of operations. Such factors relate to specific characteristics of each individual real estate property as well as to a variety of economic, political, legal and regulatory developments that affect supply and demand in Emerging Europe's real estate market.

Economic Drivers Affecting Real Estate Markets

Emerging Europe's real estate market is cyclical in nature and is dependent on the health of its countries' economies. In particular, the recent global economic downturn led to a reduction in demand for property, which in turn led to a corresponding decline of rental income and of properties' values in Emerging Europe. Although the real estate market in Emerging Europe has shown signs of recovery, the extent and sustainability of any recovery remains uncertain. Specific economic factors in the jurisdictions in which we operate affect real estate markets and our results of operations. For example, political and regulatory changes and developments can affect the supply of and demand for real estate.

The Initial Portfolio is predominantly leased on a long-term basis and stable rental payments for the remaining term of the leases can be expected, absent early termination of a lease prior to the stated lease term. However, macroeconomic factors and developments in the real estate sector, among others, may impact the ability of tenants to make lease payments or renew leases, the terms and conditions of such renewals or of new leases and the market value of the properties.

The following factors can significantly affect real estate markets and our results of operations:

Supply and demand. Rental rates are significantly affected by supply and demand for a property. A lack of demand or an excess supply of available properties can increase vacancies and lower rental rates. The attractiveness of a property's location and condition will also impact demand. Changes in supply and demand will impact our rental income and investment yields.

Local market factors. Local market trends have a significant impact on supply, rental rates and rental income streams. Vacancy rates, as well as the ability to re-invoice property related expenses to tenants and to affect rent increases, will also impact rental rates.

Competition. Competition for tenants can decrease rental rates, decrease lease renewals and increase vacancies. Competition for property acquisition opportunities can limit our ability to acquire properties at attractive prices and can restrict our ability to grow our property portfolio and achieve our investment strategy.

Bank Borrowings and Expenses

The Initial Portfolio was financed in part with debt, a portion of which will be repaid with a portion of the estimated net proceeds from the Offering. Please also see "*Use of Proceeds*" and "*—Debt Portfolio.*" Future acquisitions may also be financed partly with debt. We expect our portfolio's overall leverage to remain stable, however, as our portfolio expands we also expect interest expense on borrowings to increase.

The debt we will assume upon our acquisition of the Initial Portfolio includes hedging of interest rate exposure by using fixed-rate derivative instruments (interest rate swaps). Such financial instruments are used to support a fixed interest rate cost for approximately 37% of the outstanding principal of bank loans associated with the Initial Portfolio as at June 30, 2013. In the future, there may be significant changes in mark-to-market valuations of such derivative financial instruments. We expect that mark-to-market gains on interest rate hedges will increase when interest rates increase and, likewise, we expect mark-to-market gains on interest rate hedges to decrease when interest rates decrease. An increase or a decrease in interest rates may cause volatility in our reported earnings.

Property Valuation

We have elected to account for investment property using the fair value model under *IAS 40 Investment Property* and *IFRS 13 Fair Value Measurement.* BNP has appraised the market value of the Initial Portfolio as of June 30, 2013, which will be subject to annual revaluation in accordance with EU IFRS disclosure requirements. The market value of our property portfolio will be determined on the basis of reports of independent appraisers who hold recognized and relevant professional qualifications, and have recent experience in appraising assets of similar class and location. Income producing properties are mainly appraised through a method that discounts future cash flows and calculates the net present value of estimated future net cash flows over a number of years, discounted at an appropriate risk adjusted rate. Future rental values, discount rates and exit yields are key factors that influence the calculations of an independent appraiser's estimate of the market value of properties. Any increase or decrease in the market value of a property will be recorded in the income statement for the period during which the revaluation occurred. The market value of an investment property may vary significantly from period to period, as valuations are influenced by market factors. Market value can therefore have a significant impact on the non-cash items reflected in the income statement, depending on the size of a revaluation for a given period.

Having consulted the sellers, we affirm that no material changes have occurred since the valuation of the Initial Portfolio on June 30, 2013.

Fluctuations in Currency Exchange Rates

Some of the operating expenses generated from our Initial Portfolio are denominated in euro and paid in local currency. We do not hedge our foreign exchange exposure, and changes in currency exchange rates can significantly impact our operating expenses. If the exchange rate of local currency to euro increases, then operating expenses payable in local currency could increase. If the exchange rate of local currency to euro decreases, then operating expenses payable in local currency could decrease. Changes in foreign currency exchange rates, mainly between euro and the Romanian leu, Bulgarian lev, Hungarian forint and the Czech koruna, may have a particular impact on our results of operations.

Operating History

We have a limited operating history and do not have consolidated historical financial statements that include the entities to be acquired that ultimately own the properties that will comprise the Initial Portfolio. Our consolidated financial history will effectively commence following the acquisition of the Initial Portfolio, upon which the entities in the Initial Portfolio will come under our common control. Historical financial information for each Property Company is presented on a standalone basis and was used for the preparation of the unaudited *pro forma* combined financial information also presented herein. Going forward, the results of operations for each Property Company may differ when managed and accounted for on a consolidated basis within the group as compared to their historic financial information discussed herein.

Critical Accounting Policies

In the preparation of financial statements in accordance with IFRS, certain estimates and assumptions are required that affect the amounts recognized.

Estimates and judgments are continually evaluated and will be based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management will also make certain judgments, apart from those involving estimations, in the process of applying accounting policies.

Some of the estimates and judgments that could have the most significant effect on the amounts to be recognized in the financial statements and could cause a significant adjustment to the carrying amount of assets and liabilities within the next fiscal year, include the following:

Valuation of Investment Properties

The market value of our property portfolio will be determined by independent qualified appraisers who hold recognized and relevant professional qualifications, and have recent experience in appraising assets of a similar class and location.

To the extent that information regarding current or recent prices of comparable investment properties may be limited, the market value of investment properties will be determined solely by the use of discounted cash flow valuation techniques, based on certain assumptions primarily with respect to existing market conditions as at the relevant reporting date.

The principal assumptions underlying the estimation of market value are those related to the application of appropriate discount and exit capitalization rates. Changes in assumptions used in valuation techniques could affect the reported market value.

Deferred Taxation of Market Value Adjustment on Investment Property

The properties in our Initial Portfolio are directly held by Property Companies. The Property Companies historically accounted for investment property using the cost method under *IAS 40 Investment Property*. We have elected to account for investment property using the fair value model under *IAS 40 Investment Property*. Consistent with industry practice of effecting asset disposals through the sale of property-owning companies, the deferred tax element relating to the difference between market value and historical cost of investment property is not expected to materialize going forward. Such deferred tax would only materialize in the event that a direct sale of an asset would take place. It is our intention that, going forward, any disposals of properties are performed through the direct or indirect disposal of the respective Property Company, which will not result in any deferred tax materializing.

Pro Forma Combined Statement of Income

The following table presents the unaudited *pro forma* combined statement of income for the year ended December 31, 2012 and the six-month period ended June 30, 2013:

Pro Forma Combined Statement of Income	Year ended December 31, 2012 (unaudited)	Six months ended June 30, 2013 (unaudited)
	(euro million)	
Rental revenue	14.7	7.4
Service charges re-invoiced to tenants	2.7	1.5
Other revenue (extraordinary)	0.1	–
Total revenue	**17.5**	**8.9**
Fair value gain / (loss) on investment properties	–	–
Property related expenses	(3.8)	(1.7)
Corporate overheads	(1.2)	(1.0)
Total operating expenses	**(5.0)**	**(2.7)**
Operating profit / (loss)	**12.5**	**6.2**
Interest income	0.1	0.1
Interest expense	(4.1)	(2.0)
Other financial gains / (loss), net	(0.3)	(1.0)
Net financial cost	**(4.3)**	**(2.9)**
Profit / (loss) before tax	**8.2**	**3.3**
Current tax	(0.4)	(0.2)
Deferred tax	(0.7)	(0.2)
Profit / (loss) for the year	**7.1**	**2.9**

Pro Forma Rental Revenue

Rental revenue represents contractual rent revenues payable by tenants for their use of the respective properties. The following table presents an analysis of rental revenue for each property that comprises the Initial Portfolio for the year ended December 31, 2012 and the six-month period ended June 30, 2013:

***Pro Forma* Rental Revenue**	**Year ended December 31, 2012 (audited)**	**Six months ended June 30, 2013 (unaudited)**
	(euro million)	
Infopark E[(1)]	2.98	1.47
Autounion	2.50	1.32
Victoria Center	2.48	1.19
Olympia Tower	1.57	0.92
Astoria Business Center	0.92	0.37
1 BPS	0.45	0.23
Retail Park Hradec Kralove	2.25	1.11
Baumax Pleven	0.84	0.42
Interspar Znojmo	0.75	0.39
Total	**14.73**	**7.42**

(1) At the time the property was acquired by its current owner in late 2012, a rental revenue and service charge guarantee agreement was entered into with the previous owner in relation to the vacant space of the building. Under this agreement, which remains in effect until December 2017, the previous owner pays the Individual Holding Company that we are acquiring, which holds Infopark E, an agreed quarterly rebate for rental revenue and for service charges in relation to vacancies in the property. As a result, under the terms of this rental revenue and service charge guarantee, total revenue received with respect to Infopark E effectively represents 100% of the property's entire leasable area.

For the year ended December 31, 2012 and the six-month period ended June 30, 2013, rental revenue was €14.73 million and €7.42 million, respectively. From a leasing perspective, the majority of the properties are fully occupied and as a result there was no material change in their level of rental revenue during the six-month period ended June 30, 2013. On a portfolio basis, rental revenue for the six-month period June 30, 2013 represents 50.4% of rental revenue generated during the year ended December 31, 2012. As of June 30, 2013 certain properties have vacant space, which will result in an increase of rental revenue once leased.

Pro Forma Service Charges Re-Invoiced to Tenants

Service charges re-invoiced to tenants are property related expenses incurred by the owner that are subsequently re-invoiced to the relevant tenants pursuant to the terms of their respective lease agreements. The following table presents an analysis of such service charges re-invoiced to tenants for each property for the year ended December 31, 2012 and the six-month period ended June 30, 2013:

***Pro Forma* Service Charges Re-Invoiced to Tenants[(1)]**	**Year ended December 31, 2012 (audited)**	**Six months ended June 30, 2013 (unaudited)**
	(euro million)	
Infopark E[(2)]	0.6	0.3
Victoria Center	0.6	0.3
Olympia Tower	0.5	0.3
Astoria Business Center	0.1	0.1
Autounion	0.0	0.1
1 BPS	0.1	0.0
Retail Park Hradec Kralove	0.8	0.4
Total	**2.7**	**1.5**

(1) Two properties, Interspar Znojmo and Baumax Pleven, do not have lease agreements under which service charges are re-invoiced to tenants. For these properties service charges are incurred directly by their respective tenants.

(2) At the time the property was acquired by its current owner in late 2012, a rental revenue and service charge guarantee agreement was entered into with the previous owner in relation to the vacant space of the building. Under this agreement, which remains in effect until December 2017, the previous owner pays the Individual Holding Company that we are acquiring, which holds Infopark E, an agreed quarterly rebate for rental revenue and for service charges in relation to vacancies in the property. As a result, under the terms of this rental revenue and service charge guarantee, total revenue received with respect to Infopark E effectively represents 100% of the property's entire leasable area.

Service charges re-invoiced to tenants were €2.7 million and €1.5 million for the year ended December 31, 2012 and the six-month period ended June 30, 2013, respectively. The majority of the portfolio's property related expenses, which are incurred by the Property Companies, are re-invoiced to tenants, while any shortfall primarily relates to the properties' vacancy. The shortfall of expenses recovered as compared to actual property related expenses incurred over the same period was €1.1 million for the year ended December 31, 2012 and €0.2 million for the six-month period ended June 30, 2013, significantly lower due to the portfolio's increased occupancy and to the lower level of refurbishment and fit-out costs. At the end of each calendar year, reconciliation is performed with regards to property related expenses that are incurred by the Property Companies and any outstanding difference or shortfall, other than relating to the properties' vacancy, is re-invoiced to, and effectively incurred by, the tenants.

Pro Forma Other Revenue

Other revenue was €0.1 million and €0.0 million for the year ended December 31, 2012 and the six-month period ended June 30, 2013, respectively. Other revenue relates primarily to extraordinary property related expenses that are re-invoiced to tenants.

Pro Forma Property Related Expenses

Property related expenses consist of costs relating to the day-to-day operation of the properties. The majority of these expenses are subsequently re-invoiced to the relevant tenants pursuant to the terms of their respective lease agreements. The following table presents the sources of such expenses for the year ended December 31, 2012 and the six-month period ended June 30, 2013:

***Pro Forma* Property Related Expenses**	**Year ended December 31, 2012 (unaudited)**	**Six months ended June 30, 2013 (unaudited)**
	(euro million)	
Utilities (electricity, water, heating)	1.2	0.6
Facility management (security, cleaning)	0.4	0.2
Property management	0.5	0.1
Repairs and maintenance	0.8	0.4
Property taxes	0.6	0.3
Property insurance	0.2	0.1
Operating lease rentals	0.1	0.0
Other	0.0	0.0
Total	**3.8**	**1.7**

The majority of property related expenses are of a recurring nature and to a large extent re-invoiced to tenants. During the year ended December 31, 2012 and the six-month period ended June 30, 2013 property related expenses included repairs and maintenance expense of €0.8 million and €0.4 million, respectively, relating to refurbishment and fit-out costs incurred to accommodate certain tenants' requirements.

Following the Offering, we expect that certain property management services, currently provided by third parties with respect to the Initial Portfolio and included in the table above, will be provided by Bluehouse. Under the Property Management Agreement, we will pay Bluehouse 5% of each Property Company's total revenue going forward, which is estimated at approximately €0.9 million per annum. Please also see "*Our Relationship with Bluehouse.*"

Pro Forma Corporate Overheads

Corporate overheads consist of costs relating to the entities that ultimately own the properties that will comprise the Initial Portfolio, and are not re-invoiced to tenants. The following table presents the sources of such expenses for the year ended December 31, 2012 and the six-month period ended June 30, 2013:

***Pro Forma* Corporate Overheads**	**Year ended December 31, 2012 (unaudited)**	**Six months ended June 30, 2013 (unaudited)**
	(euro million)	
Professional fees	0.6	0.8
Provisions for bad debt	0.2	–
Other(1)	0.4	0.2
Total	**1.2**	**1.0**

(1) Other includes various running expenses, statutory fees, subscriptions and various charges.

Professional fees mainly relate to accounting, legal, audit, valuation, agency and administration services, all of which are of a recurring nature. During the six-month period ended June 30, 2013 there was an increase in the level of professional fees partly due to the merger process of the Individual Holding Companies relating to Interspar Znojmo and to Retail Park Hradec Kralove, which was completed during the third quarter of 2013, as well as to increased accounting services procured with respect to the Offering.

Following the Offering, we expect that administration services, currently provided by third parties with respect to the Initial Portfolio and included in the table above, will be provided by Bluehouse. Under the Administration Management Agreement, we will pay Bluehouse €0.2 million per annum, which represent annual fees of €20,000 per property and €9,000 per Individual Holding Company, indexed to Eurostat-published CPI. Please also see "*Our Relationship with Bluehouse.*"

Following the Offering, we will incur certain additional expenses on a consolidated basis, including management compensation. These expenses are not reflected in the *pro forma* combined financial information. Please refer to "*Management—Remuneration.*" Simultaneously, certain corporate overheads that are reflected in the *pro forma* combined financial information will be reduced.

Pro Forma Interest Income

For the year ended December 31, 2012 and the six-month period ended June 30, 2013, interest income from bank deposits maintained by the Property Companies was €0.1 million and €0.1 million, respectively.

Pro Forma Interest Expense

For the year ended December 31, 2012 and the six-month period ended June 30, 2013, interest expense consisted of interest on the outstanding bank loans of €4.1 million and €2.0 million, respectively.

In connection with the Offering, €17.0 million of the estimated net proceeds will be used to partially repay outstanding bank loans so that their balance, following such repayment, represents €87.7 million, or 44.4% of the Initial Portfolio's market value. Please also see "*Use of Proceeds.*"

Pro Forma Other Financial Gains / (Loss)

Other financial gains / (loss) mainly relates to mark-to-market valuation of interest rate swaps, which convert the cost of bank borrowings from floating to a fixed rate, and to foreign exchange differences. The following table presents the sources of other financial gains / (loss) for the year ended December 31, 2012 and the six-month period ended June 30, 2013:

***Pro Forma* Other Financial Gains / (Loss)**	**Year ended December 31, 2012 (unaudited)**	**Six months ended June 30, 2013 (unaudited)**
	(euro million)	
Fair valuation of interest rate swaps	(0.5)	0.4
Foreign exchange differences	0.2	(1.4)
Total	**(0.3)**	**(1.0)**

For the year ended December 31, 2012 and the six-month period ended June 30, 2013, other financial loss was €0.3 million and €1.0 million, respectively. The loss on mark-to-market valuation of interest rate swaps during 2012 is a result of the significant decline of the EURIBOR rate during the year, which has stabilized during the first half of 2013. Such financial instruments are used to support a fixed interest rate cost for approximately 37% of the outstanding bank loans associated with the Initial Portfolio as at June 30, 2013. Going forward, there may be significant changes in mark-to-market valuations of such derivative financial instruments. We expect that mark-to-market gains on interest rate hedges will increase when interest rates increase and, likewise, we expect mark-to-market gains on interest rate hedges to decrease when interest rates decrease. An increase or a decrease in interest rates may cause volatility in reported earnings. With respect to foreign exchange differences, the loss for the six-month period ended June 30, 2013 relates mainly to the depreciation of the Czech koruna, as well as of the Hungarian forint and the Romanian lei, against the euro during the first half of 2013.

Pro Forma Current Tax

Current tax reflects corporate tax calculated in accordance with each country's prevailing tax rates, which are 10% for Bulgaria, 16% for Romania and 19% for Hungary and the Czech Republic. Current income tax was €0.4 million and €0.2 million for the year ended December 31, 2012 and the six-month period ended June 30, 2013, respectively.

Pro Forma Deferred Tax

Deferred tax was €0.7 million and €0.2 million for the year ended December 31, 2012 and the six-month period ended June 30, 2013, respectively. Deferred tax mainly relates to the elimination of depreciation expense on investment property. The Property Companies historically accounted for investment property using the cost method under *IAS 40 Investment Property*. We have elected to account for investment property using the fair value model under *IAS 40 Investment Property*. The tax effect is calculated in accordance with each country's prevailing tax rates, which are 10% for Bulgaria, 16% for Romania and 19% for Hungary and the Czech Republic. Depreciation was €4.6 million and €2.3 million for the year ended December 31, 2012 and the six-month period ended June 30, 2013, respectively.

Pro Forma Profit for the Year / Period

For the reasons discussed above, unaudited *pro forma* combined profit for the year / period was €7.1 million and €2.9 million for the year ended December 31, 2012 and the six-month period ended June 30, 2013, respectively.

Pro Forma Combined Statement of Financial Position

The following table presents the unaudited *pro forma* combined statement of financial position as at June 30, 2013:

***Pro Forma* Combined Statement of Financial Position**	**As at June 30, 2013 (unaudited)**
	(euro million)
Assets	
Non-current assets	
Investment property	197.6
Goodwill	1.8
Deferred tax assets	0.6
Derivative financial instruments	0.1
Total non-current assets	**200.1**
Current assets	
Receivables and prepayments	4.2
Cash and cash equivalents	65.2
Total current assets	**69.4**
Total assets	**269.5**
Shareholders' equity and liabilities	
Share capital and share premium	162.1
Total shareholders' equity	**162.1**
Non-current liabilities	
Borrowings	87.7
Deferred tax liabilities	12.5
Trade and other payables	0.8
Derivative financial instruments	0.6
Total non-current liabilities	**101.6**
Current liabilities	
Trade and other payables	2.1
Deferred revenue	1.2
Borrowings	2.0
Derivative financial instruments	0.5
Total current liabilities	**5.8**
Total liabilities	**107.4**
Total shareholders' equity and liabilities	**269.5**

Pro Forma Investment Property

Investment property reflects the market value of the properties that will comprise the Initial Portfolio, according to the Valuation Report, which is as follows:

***Pro Forma* Investment Property**	**Market Value[(1)]**
	(euro million)
Infopark E	38.7
Autounion	34.6
Victoria Center	32.6
Olympia Tower	26.2
Astoria Business Center	11.3
1 BPS	5.7
Retail Park Hradec Kralove	29.0
Baumax Pleven	9.9
Interspar Znojmo	9.6
Total	**197.6**

(1) The acquisition price of the Initial Portfolio reflects a permanent 5% discount to the market value of the assets according to the Valuation Report.

In the future, any change in the market value of properties will be recorded in the income statement of the period during which the revaluation occurs.

Pro Forma Goodwill

Goodwill is a result of business combination accounting and reflects: (i) the deferred tax liability amounting to €11.7 million, calculated on the difference between the fair value of the Initial Portfolio of €197.6 million and the historical cost of the respective properties that is included in the financial statements of the Property Companies of €114.4 million; less (ii) a permanent 5% discount on the market value of the Initial Portfolio of €197.6 million according to the Valuation Report at which it will be acquired.

Consistent with industry practice of effecting asset disposals through the sale of the property-owning companies, the deferred tax element of €11.7 million relating to the difference between the fair value and historical cost of investment property is not expected to materialize going forward. If it does not materialize, goodwill will be recovered through the release of the deferred tax liability. The deferred tax would only materialize in the event that a direct sale of an asset would take place. It is our intention that, going forward, any disposals of properties are performed through the direct or indirect disposal of the respective Property Company, which will not result in any deferred tax materializing. The deferred tax liability is calculated according to each country's prevailing tax rate, which is 10% for Bulgaria, 16% for Romania and 19% for Hungary and the Czech Republic.

Pro Forma Receivables and Prepayments (current and non-current)

Receivables and prepayments consist of rent and service charges of €2.2 million and prepayments of €2.0 million, including expenses for the Offering of €0.7 million that have already been incurred and recorded in the books of the Company.

Pro Forma Deferred Tax Assets

Deferred tax assets relate to carried forward tax losses of the Property Companies, which will be used against tax profits going forward.

Pro Forma Cash and Cash Equivalents

Cash and cash equivalents amounting to €65.2 million consist of:

(i) The estimated remaining balance from the proceeds of the Offering, to be used for pipeline acquisitions amounting to €57.4 million, including up to €2.0 million for general corporate purposes.

(ii) The outstanding cash and cash equivalents balance of the Property Companies to be acquired in connection with the Offering, amounting to €7.8 million, as presented in the following table:

Cash and Cash Equivalents	**As at June 30, 2013 (unaudited)**
	(euro million)
Infopark E[(1)]	2.9
Autounion	0.6
Victoria Center	2.1
Olympia Tower	1.1
Astoria Business Center	0.1
1 BPS	0.0
Retail Park Hradec Kralove	0.5
Interspar Znojmo	0.1
Baumax Pleven	0.1
Other (Individual Holding Companies)	0.3
Total	**7.8**

(1) Includes €2.0 million which is earmarked for a deferred payment payable to the previous owner of Infopark E upon the earlier of (i) the property reaching a 90% occupancy rate or (ii) December 2014.

Cash and cash equivalents, presented above, will be considered in the acquisition price paid for the Initial Portfolio. Please also see "*Unaudited Pro Forma Combined Financial Information—Basis of Preparation.*"

Pro Forma Share Capital and Share Premium

Share capital and share premium amounting to €162.1 million reflects estimated proceeds upon completion of the Offering of €170.1 million less commissions and expenses we expect to incur in connection with the Offering of €8.0 million. All expenses directly relating to the Offering will be booked against our capital to be raised.

Pro Forma Borrowings (non-current)

Following partial repayment of bank loans with the use of €17.0 million from the net proceeds of the Offering, non-current borrowings will amount to €87.7 million representing 44.4% of the Initial Portfolio's market value. Going forward, we aim to maintain our long-term leverage ratio at approximately 35-45% of our portfolio's market value.

Pro Forma Deferred Tax Liabilities

Deferred tax liabilities mainly relate to the difference between the market value of the Initial Portfolio of €197.6 million and the historical cost of the respective properties that is included in the financial statements of the Property Companies of €114.4 million. Such deferred tax liability amounts to €11.7 million and is calculated according to each country's prevailing tax rate, which is 10% for Bulgaria, 16% for Romania and 19% for Hungary and the Czech Republic. Furthermore, deferred tax liability of €0.8 million is included in the standalone financial statements of Property Companies, relating to certain investment property revaluations that have been performed for statutory purposes.

Consistent with industry practice of effecting asset disposals through the sale of property-owning companies, the deferred tax element relating to revaluation and to the difference between market value and historical cost of investment property is not expected to materialize going forward. Please also see "*—Critical Accounting Policies—Deferred Taxation of Market Value Adjustment on Investment Property.*" Such deferred tax would only materialize in the event that a direct sale of an asset would take place. It is our intention that, going forward, any disposals of properties are performed through the direct or indirect disposal of the respective Property Company, which will not result in any deferred tax materializing.

Pro Forma Trade and Other Payables (current and non-current)

Trade and other payables consist of trade and tax payables amounting to €0.9 million, deposits from tenants of €0.8 million and accrued payables of €1.2 million, including expenses for the Offering of €0.7 million that have already been incurred and recorded in the books of the Company.

Pro Forma Derivative Financial Instruments (current and non-current)

The debt we will assume upon our acquisition of the Initial Portfolio includes hedging of interest rate exposure by using fixed-rate derivative instruments (interest rate swaps). Such financial instruments are used to support a fixed interest rate cost for approximately 37% of the outstanding bank loans associated with the Initial Portfolio as at June 30, 2013. In the future, there may be significant changes in mark-to-market valuations of such derivative financial instruments. We expect that mark-to-market gains on interest rate hedges will increase when interest rates increase and, likewise, we expect mark-to-market gains on interest rate hedges to decrease when interest rates decrease. An increase or a decrease in interest rates may cause volatility in reported earnings.

Pro Forma Deferred Revenue

Deferred revenue amounting to €1.2 million represents rental revenue received from the properties' tenants in advance. In accordance with the existing lease agreements, rental revenues are due in advance primarily on a monthly basis, while for certain tenants they are due in advance on quarterly or semi-annual basis.

Pro Forma Borrowings (current)

Current borrowings amounting to €2.0 million represent a deferred payment due to the previous owner of Infopark E, which is payable upon the earlier of (i) the property reaching a 90% occupancy rate; or (ii) December 2014. This deferred payment will be assumed by us following the Offering and will be considered in the acquisition price paid for the Initial Portfolio. Please also see "*Unaudited Pro Forma Combined Financial Information—Basis of Preparation.*"

Non-IFRS Measures

For real estate companies there are a number of non-IFRS measures that are considered helpful in evaluating their performance and value. Such measures focus on operational performance, the extent to which dividend payments to shareholders are underpinned by earnings arising from core operational activities and the underlying value of a company's operations in the long term.

For these reasons, we believe the presentation of Earnings Before Interest, Financial gains / (losses), Tax, Depreciation and Amortization (**Adjusted EBITDA**), Funds From Operations (**FFO**), European Public Real Estate Association (**EPRA**) NAV (**EPRA NAV**) and EPRA Triple Net Asset Value (**EPRA NNNAV**) is helpful supplemental information for understanding our financial performance and value.

The following discussion of non-IFRS measures uses our *pro forma* financial information, which incorporates selected historical financial information of the entities to be acquired with respect to the Initial Portfolio. Please also see "*Unaudited Pro Forma Combined Financial Information.*"

The following discussion concerns non-IFRS measures that may vary among companies due to differences in accounting policies or differences in the calculation methodology. Therefore, they should not be considered as an alternative to other performance metrics derived in accordance with IFRS and should not be viewed in isolation or as substitutes to the equivalent IFRS measures, but should be used in conjunction with the most directly comparable IFRS measures in the reported results. Accordingly, undue reliance should not be placed on non-IFRS measures. For a reconciliation of these non-IFRS measures to reported results for all periods presented, please see the sections below.

Pro Forma Adjusted EBITDA—Earnings Before Interest, Tax, Depreciation and Amortization

The following table presents a reconciliation of *pro forma* Adjusted EBITDA to unaudited *pro forma* combined profit for the year ended December 31, 2012 and the six-month period ended June 30, 2013:

***Pro Forma* Adjusted EBITDA**	**Year ended December 31, 2012 (unaudited)**	**Six months ended June 30, 2013 (unaudited)**
	(euro million)	
Profit for the year / period	**7.1**	**2.9**
Adjustments:		
Net financial cost	4.3	2.9
Current tax	0.4	0.2
Deferred tax	0.7	0.2
Depreciation and amortization	0.1	–
***Pro forma* Adjusted EBITDA**	**12.6**	**6.2**

Pro Forma FFO—Funds from Operations

Pro forma FFO is intended to provide an indicator of the underlying cash flow generated by a company and therefore excludes all components that do not directly affect such underlying cash flow. Such cash flow is reported profit, adjusted for non-cash items relating to fair value gain / (loss) on investment properties, net financial cost, deferred tax, depreciation and amortization.

The following table presents a reconciliation of *pro forma* FFO to unaudited *pro forma* combined profit for the year ended December 31, 2012 and the six-month period ended June 30, 2013:

***Pro Forma* FFO**	**Year ended December 31, 2012 (unaudited)**	**Six months ended June 30, 2013 (unaudited)**
	(euro million)	
Profit for the year / period	**7.1**	**2.9**
Adjustments:		
Fair value gain / (loss) on investment properties	–	–
Net financial cost	4.3	2.9
Interest income collections	0.1	0.1
Interest expense payments	(4.1)	(2.0)
Deferred tax	0.7	0.2
Depreciation and amortization	0.1	–
***Pro forma* FFO**	**8.2**	**4.1**

Pro forma FFO is the equivalent to EPRA Earnings, which is intended to provide an indicator of a company's underlying operating results from its property rental business and an indication of the extent to which dividend payments are supported by earnings.

The above *pro forma* FFO does not include any assumption with regards to funds that will be produced from the operations of pipeline properties we intend to acquire with a portion of the net proceeds from the Offering.

Pro Forma EPRA NAV and Pro Forma EPRA NNNAV

Pro forma EPRA NAV is intended to provide an indicator of the underlying value of a company that intends to own and operate investment property for the long term. As such, the market value of financial instruments, which are to be held to maturity, is excluded. Deferred taxes on property revaluations are also excluded because it is customary industry practice to effect asset disposals through the sale of the property-owning companies and, as a result, the deferred tax element relating to the difference between market value and historical cost of investment property is unlikely to materialize. Finally, goodwill is excluded as it relates to deferred tax liability and as such it is also not expected to materialize.

Pro forma EPRA NNNAV is intended to provide an indicator of the current market value of all assets and liabilities and is therefore based on *pro forma* EPRA NAV adjusted to include the fair market values of financial instruments, deferred taxes and goodwill.

The following table presents a reconciliation of *pro forma* EPRA NAV and *pro forma* EPRA NNNAV to unaudited *pro forma* shareholders' equity as at June 30, 2013:

***Pro Forma* EPRA NAV and *Pro Forma* EPRA NNNAV**	**As at June 30, 2013 (unaudited)**
	(euro million)
Total shareholders' equity	**162.1**
Exclude:	
Fair market value of financial instruments[1]	1.0
Deferred tax liabilities	12.5
Goodwill (relating to Deferred Tax Liability)[2]	(11.7)
Goodwill (relating to revaluation of Investment Properties)[3]	9.9
***Pro forma* EPRA NAV**	**173.8**
Include:	
Fair market value of financial instruments[1]	(1.0)
Deferred tax liabilities	(12.5)
Goodwill (relating to Deferred Tax Liability)[2]	11.7
***Pro Forma* EPRA NNNAV**	**172.0**

(1) The net mark-to-market value of financial instruments that are used for hedging purposes and for which the intention is to keep the hedge position until the end of their contractual duration.

(2) Goodwill relates to deferred tax liability and is not expected to materialize.

(3) Reflects the difference between the market value of Investment Properties and the agreed acquisition price, which includes a permanent 5% discount.

Discussion and Analysis of Performance of Property Companies

Selected historical financial information derives from the historical financial statements of the Initial Portfolio on a Property Company basis. The following discussion should be read in conjunction with the respective standalone financial statements of the Property Companies, included in this document.

Infopark E (Infopark E Kft)

The following table summarizes the main operational and financial information for the Infopark E office building:

Description	As at and for the Year ended December 31, 2012[1]	Six months ended June 30, 2013 (unaudited)
	(euro million)	
Rental revenue	2.1	1.2
Other revenue[2]	0.5	0.3
Total revenue[3]	**2.6**	**1.5**
Operating expenses arising from investment property that generates rental revenue	(1.6)	(0.8)
Administrative expenses	(0.4)	(0.2)
Total operating expenses	**(2.0)**	**(1.0)**
Operating profit	**0.6**	**0.5**
Profit / (loss) for the year / period	**1.1**	**(0.3)**
Adjustments:		
Financial costs, net	(0.7)	0.8
Income tax	0.2	(0.1)
Depreciation	0.8	0.4
Adjusted EBITDA	**1.4**	**0.9**

(1) The company was acquired by its current owners during December 2012 and the first set of audited IFRS financial statements was prepared for the year ended December 31, 2012. Prior to its acquisition by the current owners no audited IFRS financial statements were prepared.

(2) Other revenue reflects the part of property-related expenses incurred by the owner, which are subsequently re-invoiced to the property's tenants.

(3) Actual revenue received is higher pursuant to an existing rental revenue and service charge guarantee agreement.

At the time the property was acquired by its current owner, in late 2012, a rental revenue and service charge guarantee agreement was entered into with the previous owner in relation to the vacant space of the building. Under this agreement, which remains in effect until December 2017, the previous owner pays the Individual Holding Company that we are acquiring, which holds Infopark E, an agreed quarterly rebate for rental revenue and for service charges in relation to vacancies in the property. As a result, under the terms of this rental revenue and service charge guarantee, total revenue received with respect to Infopark E effectively represents 100% of the property's entire leasable area. If part of the property's leasable area is leased at a rate that exceeds the rental guarantee's agreed rate, such excess rental revenue is not passed on to the previous owner. As these amounts are paid from the previous owner directly to the respective Individual Holding Company, they are not reflected in the Property Company's revenue. For the year ended December 31, 2012 and for the six-month period ended June 30, 2013, the rebate received for rental revenue and service charges was €1.0 million and €0.3 million, respectively, and is not included in the table above.

There is a €2.0 million deferred payment to be made to the previous owner of Infopark E, which is payable upon the earlier of (i) the property reaching a 90% occupancy rate; or (ii) December 2014. Following the Offering this liability will be assumed by us and will equally reduce the consideration to be paid for the acquisition of the Initial Portfolio.

Autounion (Vaptzarov Business Center EOOD)

The following table summarizes the main operational and financial information of the Autounion office building:

Description	As at and for the Year ended December 31, 2010	2011	2012	Six months ended June 30, 2013 (unaudited)
	(euro million)			
Rental revenue	2.7	2.8	2.5	1.3
Other revenue[(1)]	0.1	0.2	0.1	0.1
Total revenue	**2.8**	**3.0**	**2.6**	**1.4**
Operating expenses arising from investment property that generates rental revenue	(0.9)	(1.1)	(1.1)	(0.6)
Administrative expenses	(0.0)	(0.1)	(0.0)	(0.1)
Total operating expenses	**(0.9)**	**(1.2)**	**(1.2)**	**(0.7)**
Operating profit	**1.9**	**1.8**	**1.4**	**0.7**
Profit / (loss) for the year / period	**0.3**	**0.2**	**(0.7)**	**0.2**
Adjustments:				
Financial costs, net	1.6	1.6	2.2	0.5
Income tax	0.1	0.0	(0.1)	0.0
Depreciation	0.7	0.9	0.9	0.5
Adjusted EBITDA	**2.6**	**2.7**	**2.3**	**1.2**

(1) Other revenue reflects the part of property-related expenses incurred by the owner, which are subsequently re-invoiced to the property's tenants.

During 2012 a rent discount was provided to the tenant in exchange for a significant extension of the existing lease agreement. As a result there was a decrease in rental revenue for the year ended December 31, 2012 and for January 2013.

Victoria Center (Victoria Center S.R.L.)

The following table summarizes the main operational and financial information of the Victoria office building:

Description	As at and for the Year ended December 31, 2010	2011	2012	Six months ended June 30, 2013 (unaudited)
	(euro million)			
Rental revenue	2.0	2.1	2.4	1.2
Other revenue[(1)]	0.7	0.5	0.6	0.3
Total revenue	**2.7**	**2.7**	**3.0**	**1.5**
Operating expenses arising from investment property that generates rental revenue	(0.9)	(0.9)	(0.9)	(0.5)
Administrative expenses	(0.6)	(0.1)	(0.2)	(0.1)
Total operating expenses	**(1.5)**	**(0.9)**	**(1.2)**	**(0.6)**
Operating profit	**1.2**	**1.7**	**1.9**	**0.9**
Profit / (loss) for the year / period	**(0.2)**	**0.3**	**0.1**	**0.4**
Adjustments:				
Financial costs, net	1.3	1.6	1.8	0.5
Income tax	0.1	(0.1)	(0.0)	–
Depreciation	0.5	0.5	0.4	0.2
Adjusted EBITDA	**1.7**	**2.2**	**2.3**	**1.1**

(1) Other revenue reflects the part of property-related expenses incurred by the owner, which are subsequently re-invoiced to the property's tenants.

Rental revenue has increased over the last three years in line with the increase of the building's occupancy rates and the annual increase due to indexation applied to the leases.

Olympia Tower (Olympia Dezvoltare S.R.L.)

The following table summarizes the main operational and financial information of the Olympia office building:

Description	As at and for the Year ended December 31, 2010	2011	2012	Six months ended June 30, 2013 (unaudited)
	(euro million)			
Rental revenue	1.1	1.2	1.5	0.9
Other revenue[(1)]	0.4	0.5	0.5	0.3
Total revenue	**1.5**	**1.7**	**2.0**	**1.2**
Operating expenses arising from investment property that generates rental revenue	(0.9)	(0.8)	(0.8)	(0.4)
Administrative expenses	(0.4)	(0.3)	(0.3)	(0.1)
Total operating expenses	**(1.3)**	**(1.0)**	**(1.0)**	**(0.5)**
Operating profit	**0.2**	**0.7**	**1.0**	**0.7**
Profit / (loss) for the year / period	**(1.0)**	**(0.4)**	**(0.5)**	**0.2**
Adjustments:				
Financial costs, net	1.2	1.2	1.5	0.5
Income tax	0.1	(0.1)	–	–
Depreciation	0.4	0.4	0.3	0.2
Adjusted EBITDA	**0.6**	**1.1**	**1.3**	**0.9**

(1) Other revenue reflects the part of property-related expenses incurred by the owner, which are subsequently re-invoiced to the property's tenants.

Rental revenue has increased over the last three years in line with the increase of the building's occupancy rates and the annual increase due to indexation applied to the leases.

Astoria Business Center (Astoria Business Center S.R.L.)

The following table summarizes the main operational and financial information of the Astoria office building:

Description	As at and for the Year ended December 31, 2010	2011	2012	Six months ended June 30, 2013 (unaudited)
	(euro million)			
Rental income	1.0	1.1	0.9	0.4
Other income[(1)]	0.2	0.2	0.2	0.1
Total revenue	**1.2**	**1.3**	**1.1**	**0.5**
Service charge expense and other property operating expenses	(0.3)	(0.3)	(0.3)	(0.1)
Administrative expenses	(0.1)	(0.2)	(0.1)	(0.0)
Total operating expenses	**(0.4)**	**(0.6)**	**(0.4)**	**(0.1)**
Operating profit	**0.8**	**0.7**	**0.7**	**0.3**
Profit / (loss) for the year / period	**0.7**	**0.2**	**(0.2)**	**(0.1)**
Adjustments:				
Financial costs, net	–	0.5	0.9	0.4
Income tax	0.1	0.1	0.0	0.0
Depreciation	0.1	0.1	0.1	0.0
Adjusted EBITDA	**0.9**	**0.9**	**0.8**	**0.3**

(1) Other revenue reflects the part of property-related expenses incurred by the owner, which are subsequently re-invoiced to the property's tenants.

Rental revenue decreased during the year ended December 31, 2012 following the expiration of two lease agreements that were not renewed, which resulted in an 18% property vacancy. However, during the second quarter of 2013 the building became fully leased and currently has no vacancy.

1 BPS (One BPS EOOD)

The following table summarizes the main operational and financial information of the 1 BPS office building:

Description	As at and for the Year ended December 31, 2010	2011	2012	Six months ended June 30, 2013 (unaudited)
	(euro million)			
Rental revenue	0.4	0.4	0.5	0.2
Other revenue[1]	0.2	0.1	0.0	0.0
Total revenue	**0.6**	**0.5**	**0.5**	**0.3**
Operating expenses arising from investment property that generates rental revenue	(0.4)	(0.4)	(0.4)	(0.2)
Administrative expenses	(0.1)	(0.0)	(0.0)	(0.0)
Total operating expenses	**(0.5)**	**(0.5)**	**(0.4)**	**(0.3)**
Operating profit / (loss)	**0.1**	**0.1**	**0.1**	**(0.0)**
Profit / (loss) for the year / period	**(0.0)**	**(0.2)**	**0.0**	**(0.1)**
Adjustments:				
Financial costs, net	0.2	0.2	0.1	0.1
Income tax	(0.0)	0.0	–	–
Depreciation	0.2	0.2	0.2	0.1
Adjusted EBITDA	**0.4**	**0.3**	**0.3**	**0.1**

(1) Other revenue reflects the part of property-related expenses incurred by the owner, which are subsequently re-invoiced to the property's tenants.

The building's occupancy has remained relatively unchanged over the last three years and as a result rental revenue has also remained stable. Total revenue was €0.6 million and €0.5 million for the years ended December 31, 2010 and 2011, respectively. This €0.1 million decrease resulted from a rent discount provided to two tenants in consideration for a significant extension in the expiry date of their respective leases.

Retail Park Hradec Kralove (Bluebox 7 Hradec Kralove s.r.o.)

The following table summarizes the main operational and financial information of the Hradec Kralove Retail Park:

Description[1]	As at and for the Year ended December 31, 2011[1]	2012	Six months ended June 30, 2013 (unaudited)
	(euro million)		
Rental revenue	2.2	2.3	1.1
Other revenue[2]	0.8	0.8	0.4
Total revenue	**3.0**	**3.1**	**1.5**
Property operating expenses, service charge expenses and depreciation	(2.1)	(2.1)	(1.0)
Administrative expenses	(0.4)	(0.7)	(0.4)
Total operating expenses	**(2.5)**	**(2.9)**	**(1.4)**
Operating profit	**0.5**	**0.2**	**0.1**
Profit / (loss) for the year / period	**(0.9)**	**(0.1)**	**(0.6)**
Adjustments:			
Financial costs, net	1.5	0.4	0.7
Income tax	(0.1)	(0.1)	0.0
Depreciation	1.2	1.2	0.6
Adjusted EBITDA	**1.7**	**1.4**	**0.7**

(1) The company was acquired by its current owners during May 2012 and the first set of audited IFRS financial statements was prepared for the year ended December 31, 2012. Prior to its acquisition by the current owners no audited IFRS financial statements were prepared.

(2) Other revenue reflects the part of property-related expenses incurred by the owner, which are subsequently re-invoiced to the property's tenants, as well as extraordinary revenue related to early termination payments.

The retail park's occupancy has remained relatively unchanged for the last two years and as a result rental revenue has also remained stable. The slight increase in rental revenue is due to the annual indexation applied to the lease payments.

Administrative expenses for the year ended December 31, 2012 include non-recurring professional fees of €0.5 million, which relate to the acquisition of the property by the seller, and for the six-month period ended June 30, 2013, include non-recurring professional fees of €0.3 million, relating to the extension of the Baumax lease and to the merger with its Individual Holding Company. Similar expenses are not expected in the future.

During August 2013 the merger of Bluebox 7 Hradec Kralove s.r.o. with its Individual Holding Company was completed. Following the merger, the financial statements of the surviving entity, which is Bluebox 7 Hradec Kralove s.r.o., reflect the aggregate balances of the two merged entities. As a result, intercompany loan payables of the surviving entity increased by €0.7 million as of August 31, 2013.

We have entered into a three year rental guarantee agreement in respect of Baumax AG, a key tenant of Hradec Kralove. Please also see *"Our Business—Material Contracts—Rental Guarantee."*

Baumax Pleven (Helios-08 EOOD)

The following table summarizes certain key operational and financial information of Baumax Pleven:

	As at and for the		
	Year ended December 31,		Six months ended June 30,
Description[1]	**2011**[1]	**2012**	**2013 (unaudited)**
	(euro million)		
Rental revenue	0.6	0.8	0.4
Other revenue[2]	0.0	0.0	0.0
Total revenue	**0.7**	**0.9**	**0.4**
Operating expenses arising from investment property that generate rental revenue	(0.2)	(0.3)	(0.1)
Administrative expenses	(0.0)	(0.0)	(0.0)
Total operating expenses	**(0.2)**	**(0.3)**	**(0.2)**
Operating profit / (loss)	**0.2**	**0.5**	**0.2**
Profit / (loss) for the year / period	**(0.4)**	**0.4**	0.0
Adjustments:			
Financial costs, net	0.7	0.0	0.2
Income tax	(0.1)	0.1	0.0
Depreciation	0.2	0.2	0.1
Adjusted EBITDA	**0.3**	**0.7**	**0.4**

(1) The company was acquired by its current owners during February 2012 and the first set of audited IFRS financial statements was prepared for the year ended December 31, 2012. Prior to its acquisition by the current owners no audited IFRS financial statements were prepared.

(2) Other revenue reflects the part of property-related expenses incurred by the owner, which are subsequently re-invoiced to the property's tenants.

The retail park commenced operation during April 2011 and has remained fully leased since. The increased rental revenue for 2012 reflects a full year of operations as opposed to a nine-month period for 2011.

We have entered into a three year rental guarantee agreement in respect of Baumax AG, the sole tenant of Baumax Pleven. Please also see "*Our Business—Material Contracts—Rental Guarantee.*"

Interspar Znojmo (Bluebox 6 Znaim s.r.o.)

The following table summarizes the main operational and financial information of Interspar Znojmo:

Description[(1)]	As at and for the Year ended December 31, 2011[(1)]	2012	Six months ended June 30, 2013 (unaudited)
	(euro million)		
Rental revenue	0.7	0.8	0.4
Total revenue	**0.7**	**0.8**	**0.4**
Property operating expenses, service charge expenses and depreciation	(0.4)	(0.4)	(0.2)
Administrative expenses	(0.2)	(0.2)	(0.1)
Total operating expenses	**(0.6)**	**(0.7)**	**(0.3)**
Operating profit / (loss)	**0.2**	**0.1**	**0.2**
Profit / (loss) for the year / period	**(0.3)**	**(0.0)**	**(0.1)**
Adjustments:			
Financial costs, net	0.5	0.1	0.2
Income tax	–	–	(0.0)
Depreciation	0.4	0.4	0.2
Adjusted EBITDA	**0.6**	**0.5**	**0.3**

(1) The company was acquired by its current owners during May 2012 and the first set of audited IFRS financial statements was prepared for the year ended December 31, 2012. Prior to its acquisition by the current owners no audited IFRS financial statements were prepared.

The retail park has remained fully leased over the last two years and as a result rental revenue has also remained stable. The slight increase is due to annual indexation applied to the lease payments.

Administrative expenses for the year ended December 31, 2012 include non-recurring professional fees of €0.1 million, which relate to the acquisition of the property by the current seller, while those for the six-month period ended June 30, 2013 include non-recurring professional fees of €0.1 million, which relate to the merger with its Individual Holding Company. Similar expenses are not expected in the future.

During September 2013, the merger of Bluebox 6 Znaim s.r.o. with its Individual Holding Company was completed. Following the merger, the financial statements of the surviving entity, which is Bluebox 6 Znaim s.r.o., will reflect the aggregate balances of the merged entities. As a result, intercompany loan payables of the surviving entity are expected to increase by €0.6 million.

Significant Change

There has been no significant change in the financial or trading position of the Company and of the Property Companies that are being acquired in connection with the Offering since June 30, 2013, the end of the last financial period for which financial statements for these entities have been prepared.

Gross Proceeds

The following table summarizes our intended use of proceeds depending on the Offering's gross proceeds and the number of shares to be issued:

	(euro million)		
Offering's gross proceeds	**178.6**	**170.1**	**161.6** (due to lower price per share)
Intended use of proceeds:			
Commissions and expenses for the Offering	8.0	8.0	8.0
Acquisition of the Initial Portfolio, including intercompany loans and balances	87.7	87.7	79.2
Partial repayment of bank loans	18.9	17.0	17.0
Pipeline acquisitions[(1)]	64.0	57.4	57.4
Total	**178.6**	**170.1**	**161.6**

(1) Up to €2.0 million of the funds allocated for pipeline acquisitions may be used for general corporate purposes.

According to the above, if the underwriters exercise their overallotment option to purchase additional shares, we intend to allocate all proceeds in excess of €170.1 million proportionately towards the additional repayment of outstanding bank loans and for additional pipeline acquisitions. In the event that gross proceeds from the Offering are less than €170.1 million due to a lower sale price per share, the acquisition price of the Initial Portfolio will be equally reduced by such deficit. In the event that gross proceeds from the Offering are less than €170.1 million due to fewer shares issued, the Offering's proceeds allocated to pipeline acquisitions will be reduced by such deficit. Please also see *"Use of Proceeds"* and "*Our Business—Investment Pipeline.*"

Liquidity and Capital Resources

Our primary source of liquidity for our operations will be equity raised from the Offering, funds generated from our operating activities and external financing. A portion of the proceeds of the Offering will be used for the partial repayment of currently outstanding bank loans such that the total balance represents approximately 44% of the Initial Portfolio's market value. Following the partial repayment of the loan portfolio, we intend to refinance the existing loans on a group level, aiming to achieve further liquidity and improved financing terms.

Liquidity

The companies that ultimately own the properties comprising the Initial Portfolio, which we are to acquire following the Offering, do not have any undrawn credit lines as of June 30, 2013. Please also see "*Our Business—Material Contracts—Credit Facility and Loan Agreements.*"

Such companies have cash and cash equivalents amounting to €7.8 million as of June 30, 2013.

Debt Portfolio

The following table presents an analysis of the existing bank loans by investment property as at June 30, 2013:

Investment Property	Amount (euro million)	Maturity (year)	Lender
Office Buildings:			
Infopark E	19.8	2017	Unicredit
Autounion	15.7	2016	Unicredit
Victoria Center	18.6	2015	Banca Comerciala Romana
Olympia Tower	14.2	2015	Alpha Bank
Astoria Business Center	5.7	2021	Marfin Bank
1 BPS	2.8	2016	Eurobank EFG
Retail Parks:			
Retail Park Hradec Kralove	17.1	2017	Deutsche Pfandbriefbank
Interspar Znojmo	5.7	2017	Deutsche Pfandbriefbank
Baumax Pleven	5.1	2020	Unicredit
Total	**104.7**		

All facilities are secured by the properties for which they have been provided, mainly by mortgages and by assignment of receivables and insurance proceeds and in some instances by pledges over the shares in the related Property Company. Please also see "*Our Business—Material Contracts—Credit Facility and Loan Agreements*." With respect to any existing dividend restrictions, following the partial repayment of the above outstanding loans in connection with the Initial Portfolio, we have already received or expect to receive before the completion of the Offering the consent of the lending banks to waive such restrictions.

In the future, third-party debt on a portfolio basis will be targeted not to exceed 35%-45% of the Initial Portfolio's market value. In connection with the Offering, €17.0 million of the net proceeds will be used to repay a portion of the existing bank loans. As of June 30, 2013 the *pro forma* weighted average cost of debt was 4.5%. The following table shows the repayment of bank loans in connection with the Offering:

	As at June 30, 2013 (unaudited)
	(euro million)
Total bank borrowings as at June 30, 2013	104.7
Total bank borrowings repaid in connection with the Offering	(17.0)
Pro forma bank borrowings as at June 30, 2013	**87.7**

In connection with the repayment of bank loans, we intend to proceed with their partial repayment as presented in the table below. Amounts relating to the partial repayment of bank loans are indicative and depend on the outcome of our discussions with the respective banks. As a result, actual repayment may vary compared to these amounts. However, the revised leverage on an asset and portfolio basis will remain in line with our financing strategy of maintaining a maximum leverage of 50% on an asset level and a target leverage of 35%-45% of the market value of our entire property portfolio, as determined by an independent property appraiser. For an initial period of 18 months, our leverage on a consolidated basis will be below 50% but may be above the 35%-45% target.

Investment Property	**Value**	**Balances as at June 30, 2013**	**Indicative Repayment**	**Indicative Loan-to-Value (LTV)**
		(euro million)		
Office Buildings				
Infopark E	38.7	19.8	(2.0)	46%
Autounion	34.6	15.7	(3.2)	36%
Victoria Center	32.6	18.6	(3.3)	47%
Olympia Tower	26.2	14.2	(1.5)	48%
Astoria Business Center	11.3	5.7	(1.5)	37%
1BPS	5.7	2.8	–	49%
Retail Parks				
Retail Park Hradec Kralove and Interspar Znojmo	38.6	22.8	(4.3)	48%
Baumax Pleven	9.9	5.1	(1.2)	39%
Total	**197.6**	**104.7**	**17.0**	**44%**

Contractual Obligations and Commitments

The following table sets forth the contractual obligations and commitments included within the Initial Portfolio as of June 30, 2013:

	Payments Due by December 31,				
Contractual Obligations and Commitments	**2013**	**2014**	**2015**	**2016 onwards**	**Total**
			(euro million)		
Interest bearing loans and borrowings (term loans)	0.9	0.2	28.4	58.2	87.7
Trade and other payables	2.8	2.1	–	–	4.9
Total	**3.7**	**2.3**	**28.4**	**58.2**	**92.6**

Cash from Operating Activities

Cash from operating activities consists of profit for the year, adjusted for financial income and expense as well as for other cash and non-cash movements.

Capital Resources

Following the Offering, we may utilize various sources of funding to finance our capital requirements on an ongoing basis, such as internally generated funds (cash flows from operations), new equity offerings and debt where appropriate and if available on favorable terms. We may also raise capital through the disposal of assets. Future financing requirements will be assessed on an ongoing basis.

Capital Expenditures

Properties comprising the Initial Portfolio have a GLA-weighted average age of 5.7 years and as a result capital expenditure for repairs and maintenance within the normal course of business remains low. Such costs are included in general and administrative expenses and are to a large extent reimbursed through service charges re-invoiced to tenants.

The following table summarizes our capital expenditures (including refurbishment and fit-out costs) for the periods set out below:

	Year ended December 31, 2012	Six months ended June 30, 2013
	(euro million)	
Repairs and maintenance	0.8	0.4
Total capital expenditure	**0.8**	**0.4**

Working Capital

The Company is of the opinion that the working capital available is sufficient for its present requirements, that is for at least 12 months from the date of this document.

Off-Balance Sheet Financings

There are no off-balance sheet financing arrangements.

Seasonality

The results of operations are not significantly affected by cyclical fluctuations during the year or from year to year.

Financial Risk Management

The risk management function is carried out in respect of financial risks (credit, liquidity, and market risks, including currency and interest rate risk), operational risks and legal risks. The primary objectives of financial risk management are to establish risk limits, and then ensure that exposure to risks remains within these limits. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures to minimize operational and legal risks.

Credit Risk

Exposure to credit risk represents the risk of one party to a financial instrument causing a financial loss for the other party by failing to discharge an obligation. A company's exposure to credit risk is reflected in the carrying amounts of the respective financial instruments.

As per the unaudited *pro forma* combined statement of financial position as at June 30, 2013, such exposure to credit risk is presented as follows:

	As at June 30, 2013 (unaudited)
	(euro million)
Receivables and prepayments	4.2
Cash and cash equivalents	65.2
Total maximum exposure to credit risk	**69.4**

The credit risk of trade receivables is managed by performing credit checks on all tenants. If tenants are independently rated, these ratings will be used. Otherwise, if there is no independent rating, the credit quality of the tenant is assessed by taking into account its financial position, past experience and other factors. In all existing leases a corporate guarantee from the parent or a bank guarantee, or both, are provided. Rent receivable is also secured by tenants' deposits paid at the beginning of each tenant's lease agreement.

Liquidity Risk

Liquidity risk is defined as the risk of an entity encountering difficulty in meeting obligations associated with financial liabilities. Liquidity risk will be managed using budgeting and cash forecasting to ensure that there are sufficient resources to meet obligations, and based on the following key components:

- we have a long-term property holding horizon and will actively seek favorable long-term refinancing of existing debt on a corporate level; and
- our average loan maturity should exceed three years.

Market Risk

Market risks arise mainly from open positions in foreign currencies and interest-bearing assets and liabilities, all of which are exposed to general and specific market movements.

Currency Risk

Foreign exchange risk is the risk that the value of financial instruments will fluctuate due to changes in foreign currency exchange rates, affecting a company's financial position and cash flows. Such exposure to currency risk mainly relates to operating in countries with a currency other than the euro. The risk is controlled by having euro-denominated lease agreements and by maintaining the substantial majority of cash balances in euro.

Interest Rate Risk

Interest rate risk is the exposure of a company's financial position and cash flows to the effects of fluctuations in the prevailing levels of market interest rates. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise.

Interest rate risk will be managed on a corporate level and minimized by:

- maintaining an optimal mix of floating and fixed rate financing for all financial commitments; and
- using floating-to-fixed interest rate swaps, which convert the cost of borrowings from floating to fixed rates.

Interest rate hedges have been used to support a fixed interest rate cost for approximately 37% of the outstanding bank loans associated with the Initial Portfolio as at June 30, 2013. A significant portion of these hedges were put in place during Euribor highs and as a result, subsequent movements in the Euribor resulted in losses on interest rate hedges. Please also see "*—Pro Forma Other Financial Gains / (Loss).*" We expect that following the partial repayment of outstanding bank loans in connection with the Offering, we will be able to negotiate future financing on terms that will not require the same degree of interest rate hedging.

New Accounting Pronouncements

Audited financial information and other financial information included in this document are in conformity with EU IFRS, as effective for each year for which the relative financial statement relates.

In the future, we will continue to report our results in conformity with EU IFRS. Our principal accounting policies are presented in the notes to our condensed historical financial statements included in "*Selected Historical and Financial Information*." The application of these policies requires us to make assumptions and estimates that can affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities as of the date of the financial statements and reported amounts of profit and expenses during the reporting period. We believe that the accounting policies we have chosen are appropriate under the circumstances and that our estimates, judgments and assumptions involved in our financial reporting are reasonable.

The implementation of new standards and interpretations that are relevant for the Company and are mandatory for the annual periods beginning on or after January 1, 2013 or later and which we have not adopted earlier include the following:

- IFRS 10, Consolidated Financial Statements (issued in May 2011 and effective for annual periods beginning on or after January 1, 2014), replaces all of the guidance on control and consolidation in IAS 27 "Consolidated and separate financial statements" and SIC-l 2 "Consolidation—special purpose entities."

IFRS 10 changes the definition of control so that the same criteria are applied to all entities to determine control. This definition is supported by extensive application guidance and will apply to the preparation of our consolidated financial statements following the Acquisition.

- IFRS 13, Market value measurement (issued in May 2011 and effective for annual periods beginning on or after January 1, 2013), aims to improve consistency and reduce complexity by providing a revised definition of market value, and a single source of market value measurement and disclosure requirements for use across IFRS. On the basis of our analysis there is no impact on the fair value measurement of the investment property in accordance with IFRS 13 and the standard will have limited impact on the disclosures in the financial statements going forward.
- Amendments to IAS 1, Presentation of Financial Statements (issued June 2011, effective for annual periods beginning on or after July 1, 2012), changes the disclosure of items presented in other comprehensive income. The amendments require entities to separate items presented in other comprehensive income into two groups, based on whether or not they may be reclassified to profit or loss in the future. The suggested title used by IAS 1 has changed to 'statement of profit or loss and other comprehensive income.' We expect the amended standard to change the presentation of our financial statements, but to have no impact on the measurement of transactions and balances.
- Amended IAS 19, Employee Benefits (issued in June 2011, effective for periods beginning on or after January 1, 2013), makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. The standard requires recognition of all changes in the net defined benefit liability (asset) when they occur, as follows: (i) service cost and net interest in profit or loss and (ii) remeasurements in other comprehensive income. Although we are currently assessing the impact of the amended standard on our financial statements, we do not expect IAS 19 will have a material effect on our financial statements.
- Offsetting Financial Assets and Financial Liabilities—Amendments to IAS 32 (issued in December 2011 and effective for annual periods beginning on or after January 1, 2014). The amendment added application guidance to IAS 32 to address inconsistencies identified in applying some of the offsetting criteria. This includes clarifying the meaning of 'currently has a legally enforceable right of set-off' and that some gross settlement systems may be considered equivalent to net settlement. We are considering the implications of the amendment, the impact on us and the timing of our adoption of it.
- Disclosures—Offsetting Financial Assets and Financial Liabilities—Amendments to IFRS 7 (issued in December 2011 and effective for annual periods beginning on or after January 1, 2013). The amendment requires disclosures that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off. The amendment will have an impact on disclosures but will have no effect on the measurement and recognition of financial instruments.

To the best of our knowledge, aside from the above description of IFRS standards, there is no other accounting standard that will materially affect our financial statements as we apply the future changes in our accounting policies.

OUR BUSINESS

Overview

Following the completion of the Offering, we will be the only real estate investment company with FII status listed on the Warsaw Stock Exchange. We will invest, own and actively manage a property portfolio within Emerging Europe comprising modern, high quality, stabilized, income producing real estate assets in attractive locations, along with an international, institutional-quality tenant base diversified by geography and tenant type and with a robust credit profile. We believe that we offer an opportunity to invest in a uniquely positioned real estate investment company owning a portfolio of properties with superior investment characteristics that offer stabilized, attractive returns. Our primary investment objectives are to provide regular cash distributions to our shareholders and to achieve euro-denominated, inflation-indexed, risk-adjusted returns based on long-term contracted rental revenues providing significant income visibility and substantial capital value growth, with low leverage and no development, land, investment or zoning risk, and with no construction or permitting risk. In particular, we look to newly constructed, operational commercial real estate assets in Emerging Europe, generally less than five years old, that are income producing, have an occupancy rate of 95% or greater, a weighted average remaining lease duration of five years or more and an international tenant base with institutional-quality lease agreements.

With the proceeds of the Offering, we intend to acquire the nine properties included in the Initial Portfolio comprising 103,572 square meters of GLA and a market value of €197.6 million according to the Valuation Report. The properties that will comprise the Initial Portfolio will be acquired for €187.7 million, reflecting a permanent 5% discount to their market value according to the Valuation Report.

The Initial Portfolio is strategically diversified in terms of location, asset class and tenant base, which makes it significantly more attractive from an investment risk perspective as compared to a portfolio that is more concentrated in one or more of these areas. According to the Valuation Report, the Initial Portfolio's market value amounts to €197.6 million. By location, the Initial Portfolio's properties in Romania, Bulgaria, Hungary and the Czech Republic represent 35.5%, 25.4%, 19.6% and 19.5%, respectively, of total market value. By asset class, office buildings represent 75% and retail parks represent 25% of total market value. By tenant, the Initial Portfolio comprises more than 48 international, institutional-quality tenants, accounting for 95% of the Initial Portfolio's contracted revenue income as of June 30, 2013.

The Initial Portfolio provides significant income visibility with long-term leases of institutional-quality, with a GLA-weighted average remaining lease duration exceeding seven years as of June 30, 2013. It also offers a balanced mix of business sectors in terms of tenant base, which includes financial services, retail, insurance, aviation, IT and international organizations.

We intend to continue to invest in the Emerging Europe real estate market through investments that meet our criteria of modern, high quality, stabilized, income producing real estate assets, diversified by geographic area and tenant industries.

We will be internally managed by a team of highly skilled and experienced real estate professionals who have focused on Emerging Europe since 2004, including an internal asset management team that will be responsible for the key investment decisions with regards to investments, dispositions, financing strategy, asset allocation, risk management and financial reporting. The experience of each member of our management team has accumulated through many years of extensive work at leading European real estate and financial services companies.

We expect to benefit from our strategic relationship with Bluehouse, including its market presence, access to new investment opportunities and familiarity with the Initial Portfolio assets, which we plan to draw upon initially through certain cost-efficient service agreements. We will also initially outsource to Bluehouse, via these service agreements, certain services related to property management and administration to reduce our operating cost base and to provide flexibility with respect to our structure. However, our intention is to operate as a fully independent company following the expiration of these service agreements, to occur within five years following the Offering, subject to annual review by us.

Our management structure includes internal controls and compliance procedures, which we believe minimize conflicts of interest, maximize shareholder value and minimize costs. We have established the necessary controls and procedures such that we are in line with the Code of Best Practice for Warsaw Stock Exchange listed companies and the Dutch Corporate Governance Code, except as explicitly indicated under "*Description of Share Capital and Corporate Governance—Corporate Governance Rules*."

Our Strengths

We believe that we offer a unique opportunity to invest in a tax efficient, liquid and transparent real estate investment company that will own an Initial Portfolio of modern, high quality, stabilized, income producing real estate assets spread across Emerging Europe. We believe our competitive strengths include the following:

- an established real estate investment business model as a property investment company under the Netherlands FII regime, with a tax efficient structure;
- an Initial Portfolio well diversified by geography and tenant, positioned in stabilized property markets with high barriers to entry and strong capital growth potential;
- high quality, attractive buildings and locations, with an average GLA-weighted building age of 5.7 years as of June 30, 2013 with a focus on capital cities and other large cities in Emerging Europe that offer prospective economic growth;
- an institutional-quality investment product, strategically located in Emerging Europe, positioned to capture potential future growth in its markets;
- the ability to leverage on our strategic relationship with Bluehouse to identify and acquire new properties through an efficient and streamlined process; and
- an internal management team with proven track record of investing in Emerging Europe and of managing institutional capital.

A portfolio of high quality, stabilized, income producing real estate assets generating a consistently high income.

As a real estate investment company, the Initial Portfolio will consist of a collection of high quality, newly constructed properties spread across Emerging Europe. We expect the Initial Portfolio will generate a consistently high income with attractive, risk-adjusted returns through its high occupancy rate of 97%, a GLA-weighted average remaining lease duration exceeding seven years and a complementary mix of asset classes, with 75% office buildings and 25% retail parks according to the market value as determined by the Valuation Report.

The Initial Portfolio includes high quality, stabilized income producing assets in attractive locations, focused on capital cities and other large cities in Emerging Europe that offer prospective capital growth. Our international, institutional-quality tenant base, includes Citibank, Spar, Kaufland, Lufthansa, AON, C3i and Kraft Foods.

In addition, the Initial Portfolio is characterized by a high degree of sustainability and is managed in accordance with world-class "green" standards. For example, the Victoria Center, Autounion, Olympia Tower, Astoria Business Center and 1 BPS office buildings have each received a "Very Good" BREEAM certificate, the Infopark E, Victoria Center, Olympia Tower and 1BPS have each received energy efficiency certificates, the Infopark E office building has been issued a Silver LEED certificate and the remaining real estate assets within the Initial Portfolio are currently in the process of obtaining their environmental accreditations from the relevant authorities. Additionally, Victoria Center and Olympia Tower each received a Green Building Award at the Seventh Annual Europa Property SEE Real Estate Award at the Second Annual Europa Property CEE Real Estate Awards in 2012. These "green" energy efficient buildings lower our operating costs and the services charges we pass on to our tenants, making them more attractive to tenants and enabling us to charge higher base rents.

We are optimally positioned with unique capital access to exploit acquisition opportunities in Emerging Europe.

Following the Offering, we expect to be one of Emerging Europe's best-capitalized listed real estate investment companies, which we anticipate will provide us a competitive advantage in accessing opportunities, completing acquisitions and capitalizing on the macroeconomic environment. We believe we are optimally positioned to capitalize upon continued capital dislocations in Emerging Europe, which will in turn support a sustainable and consistently high income. Moreover, we believe that our prudent financial structure will allow us to obtain debt financing (including to refinance outstanding loans) on attractive terms, which in turn will allow us to maximize the return on our investment portfolio to our shareholders. Additionally, as a real estate investment company we believe we will be able to raise capital and fund future growth by offering investors the ability to invest in Emerging Europe's property markets through a visible, transparent and liquid security.

Long-standing relationships with an institutional-quality and diversified tenant base.

As part of our business model, we expect to maintain close relationships with our tenants through consistent and effective communication. We seek to have regular contact with our tenants through scheduled management meetings and ongoing property and asset management efforts. As our tenants' businesses grow, we believe we can leverage our existing relationships with them to actively meet their changing requirements by offering leases with increased GLA and attractive lease terms.

The Initial Portfolio will have an attractive lease profile, diversified by geography and tenant, with more than 48 international, institutional-quality tenants as of June 30, 2013. The Initial Portfolio's tenant base will consist mainly of well-established, creditworthy companies from diverse industries such as financial services, retail, insurance, aviation, IT and government. Furthermore, we believe our policy of entering into long-term leases that are tailored to the requirements of our tenants will allow us to maintain and strengthen our relationships with them.

Attractive, inflation-indexed lease profile providing long-term income visibility.

We have entered into long-term leases with the majority of our key institutional-quality tenants to support strong revenue visibility and predictable cash flow generation. The Initial Portfolio's leases are inflation-indexed and have a GLA-weighted average remaining lease duration exceeding seven years, as of June 30, 2013. We believe we can minimize our cash flow volatility in part through tailor-made security packages that include substantial security deposits as well as corporate guarantees to protect us against the breach or insolvency of local subsidiaries. Additionally, some of our tenants are responsible for paying ordinary property related expenses, which reduces our additional asset-related expenses. The Initial Portfolio has a gross income of €15.7 million, according to the Valuation Report. We believe the institutional-quality leases that will comprise the Initial Portfolio, combined with an international, institutional-quality tenant base, will support our ability to generate stable and growing, sustainable cash flows.

Exposure to economies within Emerging Europe with strong future growth potential.

We believe that there are significant growth opportunities from continued economic development and increasing consumption in Emerging Europe. Each of Romania, Bulgaria, Hungary and the Czech Republic, where the Initial Portfolio assets are located, as well as Poland, where we plan to expand in the future, is an EU member with substantial potential for future growth. The Economist Intelligence Unit forecasted as of July 2013 that compound annual growth rate of GDP in Romania, Bulgaria, the Czech Republic, Hungary and Poland between 2013 and 2016 will be approximately 3.7%, 2.9%, 2.4%, 2.1% and 3.1%, respectively, each of which exceeds their forecasted compound annual growth rate of approximately 1.3% for the European Union as a whole for the same period. We believe the Initial Portfolio is well diversified in terms of country and exposure. The Initial Portfolio has higher market value weights in Romania (35.5%) and Bulgaria (25.4%), the countries exhibiting the highest compound annual growth rate of GDP between 2013 and 2016 (according to The Economist Intelligence Unit's forecasts as of July 2013) among the countries where the Initial Portfolio assets are located.

Effective corporate structure and best practices in corporate governance.

We maintain internal controls and compliance procedures that are generally in line with the Dutch Corporate Governance Code and the Code of Best Practice for Warsaw Stock Exchange listed companies except as explicitly indicated under "*Description of Share Capital and Corporate Governance—Corporate Governance Rules.*" We believe this, in turn, minimizes conflicts of interest, maximizes shareholder value and optimize our cost base. These practices include an investment committee, nomination, remuneration and governance committee and audit committee. Additionally, by capitalizing on the outsourcing of property management and other administration management services, we plan to reduce our operating cost base and to provide flexibility with respect to our structure.

Tax Efficient FII Status.

As a real estate investment company, our incorporation in the Netherlands provides for a tax efficient investment vehicle that can benefit from various attractive tax treatments, including a strong double taxation treaty network with countries in Emerging Europe and, as a result of our FII status, a Netherlands corporate income tax at a rate of 0%. See "*Taxation.*"

Experienced internal management team with a successful track record, knowledge and relationships in Emerging Europe.

We are led by an internal management team of highly skilled and experienced senior professionals with significant industry, regional knowledge and experience. The internal management team will be responsible for the execution of our investment strategy including investments, asset allocations and dispositions, financing strategy, risk management and financing reporting. The members of our internal management team have been focused on Emerging Europe since 2004 and were responsible for acquiring, developing and repositioning real estate assets. The experience of each member of the management team has been gained through years of extensive work at leading European real estate and financial services companies. Our internal management team represents a valuable asset because there are only a limited number of highly skilled and experienced senior real estate professionals in our core markets.

Our internal management team will conduct our asset management with significant industry and regional knowledge and experience, overseeing the entire acquisition process of new investments, from the initial identification of suitable properties through the due diligence and acquisition stages.

Our Strategy

We intend to pursue a strategy aimed at delivering consistently high income through inflation-indexed, risk-adjusted returns to our investors in the form of stable dividend income and sustainable long-term capital value growth, combined with low leverage and no development risk, land value risk or zoning, construction and permitting risk. The key elements of this strategy are as follows:

Deliver attractive and consistent risk-adjusted and inflation-protected returns by targeting modern, high quality, stabilized, income producing asset acquisitions in Emerging Europe.

Our investment objectives are to provide a combination of recurring rental revenues and capital appreciation potential that deliver attractive and consistent euro-denominated, risk-adjusted and inflation-indexed returns and long-term income visibility. With the Initial Portfolio and future property acquisitions, we intend to focus on properties with the following qualities:

- high rental income, rental yield and occupancy;
- modern properties less than ten years old;
- location in cities with investment potential, as evidenced by economic strength and/or growth, capital and large cities and cities with high appeal for corporate and retail tenants;
- sustainability and adherence to world-class “green” standards, documented by sustainability certification; and
- inflation protection via euro CPI index-linked lease agreements.

Pursuant to the terms of the Framework Agreement entered into between us and the EBRD, we will avoid investing in companies engaged in activities prohibited by the EBRD’s Environmental and Social Exclusion List, which sets out activities which are excluded from financing under all circumstances because they are illegal or severely restricted under national or international law or due to the very serious environmental and social consequences associated with them. In the event of a breach of this investment restriction by us, the Board shall promptly analyze the factors that contributed to the situation and inform the general meeting of shareholders upon becoming aware of the same and take all steps as are necessary within a reasonable period of time to remedy the situation, taking due account of the interests of the shareholders.

We anticipate that a general scarcity of capital in the future will limit new property development in Emerging Europe and accordingly there will be only a limited increase in the supply of high quality, newly constructed properties. We believe we can capitalize upon this macroeconomic environment to achieve higher capital growth in the future because the Initial Portfolio comprises properties with these characteristics.

In addition, with our funding we intend to expand the Initial Portfolio by targeting our pipeline of high quality, newly constructed, stabilized, income producing assets and minimize income fluctuations by eliminating our exposure to development risk, which we expect to finance with both equity and debt financing. In particular, we will focus on real estate assets with stable and growing rental revenues, primarily office buildings in established business districts and retail parks with attractive catchments. We intend to target high quality, newly constructed properties comprising medium to large GLAs, between 10,000 and 20,000 square meters.

We also intend to invest exclusively in properties with international, institutional-quality tenants with robust credit profiles and to maintain strong tenant diversification across corporate sectors. We plan to pursue long-term lease agreements denominated in euro and linked to euro inflation, minimizing rental cash flow volatility, inflation and exchange rate risk.

We intend to expand our portfolio's geographical exposure in Emerging Europe, where we believe the current mispricing of real estate investment risk provides significant opportunities for superior returns and the opportunity to acquire institutional quality real estate assets at bottom-of-cycle prices. In particular, we intend to focus on locations within Emerging European capital cities and other large cities that attract corporate and retail tenants and offer prospective economic growth, such as Poland and other markets. We believe these markets which in our view combine attractive real estate fundamentals with growing institutional liquidity will increase the geographical diversification of the Initial Portfolio.

Actively manage our real estate asset portfolio.

We intend to deliver superior inflation-indexed, risk-adjusted returns by continuously enhancing the performance of our real estate asset portfolio with strategic acquisitions and disposals of our properties. Additionally, we plan to increase rental revenues from portfolio properties through selective tenant rotation, active lease management and other similar proactive asset management initiatives. As of June 30, 2013, the Initial Portfolio had a GLA-weighted average remaining lease duration exceeding seven years, with only 4.8% of leases expiring before the end of 2014. To actively manage our lease expiration profile, we will maintain and grow long-term relationships with our tenant base through regular communication to encourage lease renewals and through new leases that accommodate tenants' future leasing demands and leverage our international property profile. Additionally, we plan to increase the value of the portfolio through selective, tenant-funded property improvements that require low levels of capital expenditure.

Actively manage costs by maintaining an efficient internal structure and decision-making process.

We are an internally managed company and intend to focus on operational cost efficiency by further optimizing our internal business processes and ensuring that we are in line with the Dutch Corporate Governance Code and the Code of Best Practice for Warsaw Stock Exchange listed companies, except as explicitly stated in "*Description of Share Capital and Corporate Governance—Corporate Governance Rules.*" We believe that our corporate structure, coupled with our highly experienced internal management team, will lead to a streamlined and effective decision making process and also will minimize operating expenses by reducing unnecessary corporate overheads.

In addition, we intend to reduce our operating cost basis by outsourcing property management and administration management services to Bluehouse on an arm's length basis. We believe that this corporate structure coupled with outsourcing will increase cost efficiency within our organization and allow management to focus on activities that will create high-value for our shareholders, such as investment and disposal decisions, financial strategy, asset allocation and risk management.

Our management team also will be directly incentivized to maintain a low cost base and an efficient corporate structure through a tailored performance-based compensation structure.

Maintain a prudent capital structure and maximize dividend distributions to our shareholders.

We plan to maintain a prudent capital structure with a low level of financial leverage. Our target leverage on a consolidated basis is 35%-45% of the market value of our entire property portfolio, as determined by an independent property appraiser. Our maximum leverage at any time is 50% on an asset level. For an initial period of 18 months, our leverage on a consolidated basis will be below 50% but may be above the 35%-45% target. We plan to finance future acquisitions through equity and debt financing, issuing corporate bonds, utilizing low cost revolving corporate debt facilities and increasing our share capital. We plan to receive a valuation from an independent third-party in order to monitor our leverage targets on an annual basis. In order to maintain our target ratio, if our overall leverage exceeds our specified targeted limits, extraordinary repayments will be made within one year upon the occurrence of any breach of the targeted limits. If and to the extent required, the Company will dispose of any properties in the portfolio to make such extraordinary repayments.

We also plan to maintain an attractive dividend policy by distributing sizable, consistent and growing dividends to our shareholders. We will be able to optimize the level of recurring income distributable to our shareholders through our tax structure, which will significantly minimize tax costs at the corporate level. We will target annual dividend payments of 100% of Funds From Operations on a quarterly basis, beginning January 2014, subject to the provisions of Dutch law and our financial condition. We intend to ensure consistency of income regardless of any potential future short-term swing in operating cash earnings by a selective use of non-recurring capital distributions.

Identify new, real estate acquisition opportunities with characteristics similar to those of the Initial Portfolio.

We intend to further expand our presence by acquiring newly constructed, high quality, stabilized, income producing real estate assets and maintain a strong pipeline of potential investments in our core market of Emerging Europe by capitalizing on our internal management experience and track record. We also intend to benefit from our strategic relationship with Bluehouse by leveraging Bluehouse's established, long-term and reliable network across Emerging Europe and its familiarity with the Initial Portfolio.

We also intend to develop long-term relationships with other leading real estate developers and international, institutional-quality tenants. We seek to become the landlord of choice for international institutional tenants with a strong presence in Emerging Europe in order to gain access to an increased number of institutional tenants that require additional capacity. Additionally, by continuing to proactively invest in sustainable, "green" properties, we will reduce our operating costs and reduce the service charges we pass on to our tenants, which will in turn make our properties more attractive to tenants and enable us to charge higher base rents.

Initial Portfolio Overview

The Initial Portfolio will include high quality, stabilized, income producing real estate assets with a focus on the capital cities and other major cities in Emerging Europe. The Initial Portfolio had an aggregate GLA of 103,572 square meters as of June 30, 2013, which we will own and manage through wholly owned subsidiaries. The Initial Portfolio is diversified by asset, with a complementary mix of real estate assets, comprising 75% office buildings and 25% retail parks by market value as of June 30, 2013, according to the Valuation Report. Within Emerging Europe, the Initial Portfolio has three properties located in Bulgaria (with two in Sofia and one in Pleven), three properties located in Bucharest, Romania, two properties located in the Czech Republic (with one in Hradec Kralove and one located in Znojmo) and one property located in Budapest, Hungary. The acquisition yield is calculated as net operating income according to the Valuation Report divided by the acquisition price. The acquisition yield of the Initial Portfolio, assuming a permanent 5% discount to the market value according to the Valuation Report at which it will be acquired, is 8.3%. The actual acquisition yield may differ depending on the actual gross proceeds from the Offering. Please see "*Use of Proceeds.*"

The following table presents an overview of each of the properties that will comprise the Initial Portfolio:

	GBA[1]	GLA	Occupancy[3]	Market Value[4]	Acquisition Price[5]	Acquisition Yield[6]
	(square meters)		(%)	(euro million)		(%)
Office Buildings						
Infopark E[7] (Budapest, Hungary)	31,070	17,214	86	38.7	36.8	8.0
Autounion (Sofia, Bulgaria)	29,432	19,475	100	34.6	32.9	8.6
Victoria Center (Bucharest, Romania)	13,789	8,256	100	32.6	31.0	7.9
Olympia Tower (Bucharest, Romania)	12,574	9,938	96	26.2	24.9	8.7
Astoria (Bucharest, Romania)	5,714	4,636	100	11.3	10.7	8.5
1 BPS (Sofia, Bulgaria)	5,583	3,767	100	5.7	5.4	8.8[8]
Office Building Total / Weighted Average[2]	**98,162**	**63,286**	**96**	**149.1**	**141.7**	**8.3**
Retail Parks						
Retail Park Hradec Kralove (Kralove, Czech Republic)	26,114	21,933	99	29.0	27.5	8.2
Baumax Pleven (Pleven, Bulgaria)	10,985	10,659	100	9.9	9.4	8.6
Interspar Znojmo (Znojmo, Czech Republic)	7,694	7,694	100	9.6	9.1	8.2
Retail Park Total / Weighted Average[2]	**44,793**	**40,286**	**100**	**48.5**	**46.0**	**8.3**
Total / Weighted Average (%)[2]	**142,955**	**103,572**	**97**	**197.6**	**187.7**	**8.3**

(1) GBA presents gross building area in square meters.

(2) Average percentage, weighted by GLA.

(3) Occupancy rate is the percentage of GLA that is let.

(4) According to the Valuation Report.

(5) The acquisition price of the Initial Portfolio reflects a permanent 5% discount to the market value of the assets according to the Valuation Report. The actual acquisition price of the Initial Portfolio may differ depending on the actual gross proceeds from the Offering. See *"Use of Proceeds."*

(6) The acquisition yield is calculated as net operating income according to the Valuation Report divided by the acquisition price. The acquisition price reflects a permanent 5% discount to the market value of the assets according to the Valuation Report. The actual acquisition yield of the Initial Portfolio may differ depending on the actual gross proceeds from the Offering. See *"Use of Proceeds."*

(7) At the time the property was acquired by its current owner in late 2012, a rental revenue and service charge guarantee agreement was entered into with the previous owner in relation to the vacant space of the building. Under the agreement, which remains in effect until December 2017, the previous owner pays the Individual Holding Company that we are acquiring, which holds Infopark E, an agreed quarterly rebate for rental revenue and for service charges in relation to vacancies in the property. Under the terms of this rental revenue and service charge guarantee, total revenue received with respect to Infopark E effectively represents 100% of the property's entire leasable area.

(8) Third year cash flow adopted due to stopped rent.

The properties in the Initial Portfolio have a total market value of €197.6 million, 75% represented by office buildings and 25% represented by retail parks, according to the Valuation Report. By country, the total market value of the Initial Portfolio was 35.5%, 25.4%, 19.6% and 19.5%, representing Romania, Bulgaria, Hungary and the Czech Republic, respectively. These properties have a total appraised yield of approximately 7.9%, according to the Valuation Report. Additionally, these properties have a gross income of €15.7 million and net operating income of €15.4 million. The following table presents information relating to the value and revenue potential of the Initial Portfolio as of June 30, 2013.

	Market Value[(1)]	Appraised Yield[(1)]	Gross Income[(1)]	Net Operating Income[(1)]
	(euro million)	(%)	(euro million)	
Office Buildings				
Infopark E	38.7	7.6	3.1	2.9
Autounion	34.6	8.1	2.8	2.8
Victoria Center	32.6	7.5	2.5	2.4
Olympia Tower	26.2	8.3	2.2	2.2
Astoria Business Center	11.3	8.0	0.9	0.9
1 BPS	5.7	8.3[(2)]	0.4	0.4
Office Building Total / Weighted Average[(3)]	**149.1**	**7.9**	**11.9**	**11.6**
Retail Parks				
Retail Park Hradec Kralove	29.0	7.8	2.2	2.2
Baumax Pleven	9.9	8.2	0.8	0.8
Interspar Znojmo	9.6	7.8	0.8	0.7
Retail Park Total / Weighted Average[(3)]	**48.5**	**7.9**	**3.8**	**3.7**
Total / Weighted Average[(3)]	**197.6**	**7.9**	**15.7**	**15.4**

(1) According to the Valuation Report.

(2) Third year of cash flow adopted due to a step-up rent.

(3) Average age is weighted by GLA.

Our real estate portfolio comprises a diversified mix of attractive, high-standard office buildings and retail parks located in Emerging Europe that have attracted international, institutional-quality tenants. The following table presents information relating to GLA and age of the properties in the Initial Portfolio as of June 30, 2013:

	Location	GLA (square meters)	Property Age[(1)] (years)
Office Buildings			
Infopark E	Budapest, Hungary	17,214	3.8
Autounion	Sofia, Bulgaria	19,475	5.0
Victoria Center	Bucharest, Romania	8,256	3.8
Olympia Tower	Bucharest, Romania	9,938	3.8
Astoria Business Center	Bucharest, Romania	4,636	6.9
1 BPS	Sofia, Bulgaria	3,767	7.9
Office Building Total / Average Age[(2)]	**–**	**63,286**	**4.7**
Retail Parks			
Retail Park Hradec Kralove	Kralove, Czech Republic	21,933	9.5
Baumax Pleven	Pleven, Bulgaria	10,659	2.3
Interspar Znojmo	Znojmo, Czech Republic	7,694	8.7
Retail Park Total / Average Age	**–**	**40,286**	**7.4**
Total / Average Age[(2)]	**–**	**103,572**	**5.7**

(1) Property age is as of 30 June 2013 and is calculated since operational permit issuance or significant refurbishment.

(2) Average age is weighted by GLA.

On average, the office buildings in the Initial Portfolio are younger than the retail parks. The stability of the income for the retail parks, however, is expected to be more affected by location than by property age. For this reason, we have focused on retail parks with established catchment areas in order to maintain long-term income stability.

Initial Portfolio by Use

The Initial Portfolio has a balanced mix of asset classes, including six office buildings and three retail parks, with 75% of the Initial Portfolio's market value represented by office buildings and 25% represented by retail parks as of June 30, 2013, according to the Valuation Report. Similarly, office building gross income represented 75%, and retail park gross income represented 25%, of the Initial Portfolio's gross income as of June 30, 2013. As of that same date, average monthly rent was €14.6 per square meter for office buildings and €7.9 per square meter for retail parks, according to the Valuation Report.

The following table summarizes the Initial Portfolio by market sector as of June 30, 2013:

	Number of Properties[(1)]	GLA (square meters)	Gross Income[(2)] (euro million)	Average Monthly Rent[(2)] (euro per square meter)
Office Buildings	6	63,286	11.9	14.6
Retail Parks	3	40,286	3.8	7.9
Total / Average[(3)]	**9**	**103,572**	**15.7**	**12.0**

(1) Mixed use properties (for example, office-retail) have been counted based on their primary use.

(2) According to the Valuation Report.

(3) Average monthly rent is weighted by GLA.

Breakdown of Initial Portfolio Tenants by Industry

The Initial Portfolio of office buildings and retail parks comprises a balanced mix of tenants in a wide variety of industry sectors, including finance and insurance, energy and manufacturing, professional services, IT, government, grocery-anchored retail and do it yourself (**DIY**) retail. The Initial Portfolio's two largest industry sectors are finance and insurance and grocery-anchored retail, representing 34% and 15% of our rental revenues, respectively, as of June 30, 2013. The following table presents information relating to the Initial Portfolio's industry sector diversification, as of June 30, 2013:

Industry	Industry Concentration
	(%)
Finance and Insurance	34
Grocery-Anchored Retail	15
IT	14
DIY Retail	10
Professional Services	9
Other(1)	7
Government and Organizations	7
Energy and Manufacturing	4

(1) Other includes companies in food and beverage and sales.

Tenant Contracted Rental Income Balance

The Initial Portfolio yields rental income from a diverse balance of high-quality institutional tenants, including Citibank, Spar, Kaufland, Lufthansa, AON, C3i and Kraft Foods. Our largest individual tenant by rental income is Eurohold, followed by Spar and Baumax. The following table presents the tenants included in the Initial Portfolio as their respective share of contracted rental income:

Tenant	Total Contracted Rental Income
	(%)
Eurohold	18%
Spar	12%
Baumax	10%
Eureko	6%
Citibank	6%
Lufthansa	6%
Local Tenants	5%
EITI (Extractive Industries Transparency Initiative)	4%
Ursus	3%
Kraft Foods	3%
AON	2%
National Instruments	2%
Kaufland	1%
Other International Tenants	23%

Initial Portfolio by Geography

The Initial Portfolio comprises a geographically diverse balance of office buildings and retail parks across Emerging Europe. In the Initial Portfolio, by market value Romania represented 35.5%, Bulgaria represented 25.4%, Hungary represented 19.6% and the Czech Republic represented 19.5% as of June 30, 2013, according to the Valuation Report. The following table presents information relating to the geographic mix of properties in the Initial Portfolio, as of June 30, 2013:

	Number of Properties	GLA	Occupancy[(1)(3)]	Market value[(2)]
		(square meters)	(%)	(euro million)
Romania				
Bucharest	3	22,830	98	70.1
Total Romania / Weighted Average[(3)]	**3**	**22,830**	**98**	**70.1**
Bulgaria				
Sofia	2	23,242	100	40.3
Pleven	1	10,659	100	9.9
Total Bulgaria / Weighted Average[(3)]	**3**	**33,901**	**100**	**50.2**
Hungary				
Budapest	1	17,214	86	38.7
Total Hungary / Weighted Average[(3)]	**1**	**17,214**	**86**	**38.7**
Czech Republic				
Hradec Kralove	1	21,933	99	29.0
Znojmo	1	7,694	100	9.6
Total Czech Republic / Weighted Average[(3)]	**2**	**29,627**	**100**	**38.6**
Total / Weighted Average[(3)]	**9**	**103,572**	**97**	**197.6**

(1) Occupancy rate is the percentage of GLA that is let, including leases executed that commence in future periods, as at the date of this document.

(2) According to the Valuation Report.

(3) Average percentage, weighted by GLA.

Initial Portfolio Lease Profile

We believe the Initial Portfolio has an attractive lease profile, with an international, institutional-quality tenant base and a weighted average remaining lease duration exceeding seven years as of June 30, 2013. We have 86 tenants, of which more than 48 are international, institutional-quality tenants that accounted for 95% of the Initial Portfolio's annual contracted rental income for the year ended December 31, 2012. The Initial Portfolio includes high profile tenants such as Citibank, Spar, Kaufland, Lufthansa, AON, C3i and Kraft Foods. The following table presents information relating to the Initial Portfolio's lease profile as of June 30, 2013:

	GLA	Average Remaining Lease Duration	Number of Tenants	Primary Tenants	International Tenants
	(square meters)	(years)			(%)
Office Buildings					
Infopark E(1)	17,214	6.6	12	EITI, Kraft Foods, Lufthansa, National Instruments, ZTE, Turck	100
Autounion	19,475	14.3	1	Eurohold Imotii	100
Victoria Center	8,256	3.9	8	AON, Citibank, Hugo Boss, Jones Lang Lasalle, Ursus, Chartis	100
Olympia Tower	9,938	3.8	13	Eureko, Mega Image, Volksbank, Intrasoft, Kaufland	98
Astoria	4,636	4.3	6	Spanish Embassy, Media Cafe, Egis, Convergent Media	70
1 BPS	3,767	3.3	9	OPI, C3i	100
Office Building Total / Average(2)	**63,286**	**7.8**	**49**	–	**97**
Retail Parks					
Retail Park Hradec Kralove	21,933	4.9	35	Spar, Baumax	82
Baumax Pleven	10,659	9.3	1	Baumax	100
Interspar Znojmo	7,694	6.4	1	Spar	100
Retail Park Total / Average(2)	**40,286**	**6.3**	**37**	–	**92**
Total / Average	**103,572**	**7.3**	**86**	–	**95**

(1) At the time the property was acquired by its current owner in late 2012, a rental revenue and service charge guarantee agreement was entered into with the previous owner in relation to the vacant space of the building. Under the agreement, which remains in effect until December 2017, the previous owner pays the Individual Holding Company that we are acquiring, which holds Infopark E, an agreed quarterly rebate for rental revenue and for service charges in relation to vacancies in the property. Under the terms of this rental revenue and service charge guarantee, total revenue received with respect to Infopark E effectively represents 100% of the property's entire leasable area.

(2) Average percentage, weighted by GLA.

Lease Expirations

The lease agreements for the properties in the Initial Portfolio have a GLA-weighted average remaining lease duration exceeding seven years, with the first lease expiring in 2013 and the last lease expiring in 2029, as of June 30, 2013. Of the leases in the Initial Portfolio, 45.6% expire by the end of 2017, as of June 30, 2013. The length and terms of the leases within the Initial Portfolio are designed to provide for staggered lease expiration and the potential for rental revenue growth through lease renegotiations. We expect our policy will be to renew lease agreements with tenants in good standing; however, the terms will be generally subject to renegotiation, except in certain cases where the tenant has the right to renew the lease agreement under the same terms. The usual rent-free period for a typical five-year lease is three months.

The following table presents information regarding lease expirations for the properties in the Initial Portfolio, as of June 30, 2013:

Year Lease Expires	GLA (square meters)	Total (%)
2013	352	0.4
2014	4,462	4.4
2015	1,746	2.6
2016	13,069	12.1
2017	26,250	26.1
2018	2,505	2.5
2019	8,970	8.9
2020	717	0.7
2021	8,064	8.0
Thereafter	34,445	34.3
Total leased out	**100,580**	**100%**

Overview of Lease Provisions

We believe the Initial Portfolio has a complementary balance of business offices and retail parks, each with institutional leases containing strong covenants to provide a high degree of sustainability and stable rent revenues. Each of the leases within the Initial Portfolio contains provisions requiring tenants to bear insurance and ordinary maintenance costs. Additionally, according to our standard practice, each of the tenants in the Initial Portfolio are generally obligated to provide a security deposit of three months' rent.

Romanian Lease Provisions

The Initial Portfolio includes 30 lease agreements relating to properties in Romania. 14 leases require tenants to pay rent monthly, 15 require rent payments quarterly and Intrasoft International SA Luxemburg is required to pay rent every two months. In 15 leases, tenants have the unilateral right to terminate the agreements under certain conditions, such as entering the third or fourth rental year and giving prior notice to the landlord of three to 12 months in advance of termination. Five of these lease agreements provide that a tenant must pay penalties to the landlord, equal to the equivalent of between one and six months' rent if it unilaterally terminates the lease. Six leases allow a tenant to unilaterally extend the term of the lease by generally serving a prior notice to the landlord. Additionally, the tenants have the general obligation to maintain insurance policies for the leased premises and the activities performed therein. Also, the tenants must provide security in the form of letters of bank guarantee or cash deposits in order to secure their rental payment obligations. Generally, the leases provide for disputes to be settled by the competent Romanian courts in Bucharest. Four lease agreements allow for arbitration courts to resolve disputes. All the lease agreements are governed by Romanian law. See also "*—Description of Individual Properties*."

Bulgarian Lease Provisions

The Initial Portfolio includes 11 lease agreements relating to properties in Bulgaria. All but one of these leases requires tenants to pay rent monthly; under the lease to Outsource Partners International EAD in business park 1 BPS, rent is paid quarterly. All of the leases described in the Prospectus allow each party to terminate only in the event of default and after a remedy period. Generally, the lease agreements provide for disputes to be settled by the Arbitration Court with the Bulgarian Chamber of Commerce and Industry. Under the lease with Eurohold in relation to Autounion, Eurohold has the obligation in case of early termination either to buy the property at a pre-determined price or to pay as penalty the amount of rent corresponding to the remaining period of the lease term until the expiry date. Under the lease with Eurohold disputes are settled by the competent Bulgarian court. All lease agreements are governed by Bulgarian law. See "*—Description of Individual Properties*."

In addition, we have entered into a three year rental guarantee agreement in respect of Baumax AG, the sole tenant of Baumax Pleven. Please see "*—Material Contracts—Rental Guarantee.*"

Hungarian Lease Provisions

The Initial Portfolio includes 12 lease agreements relating to Hungarian property. Under these lease agreements, all tenants are required to pay rent monthly. In line with the Hungarian laws applicable for long-term leases, under the majority of these lease agreements, the tenant may only terminate the agreement with immediate effect if (i) the leased property is or becomes unsuitable for proper use or (ii) a third party has or acquires any right over the leased property which may hinder or prevent the tenant from proper use. The landlord may, with immediate effect, terminate the agreement if the tenant (i) fails to pay rent on time (i.e., a delay of one month or a 15-day delay in payment that occurs three times) or (ii) materially breaches any provision of the agreement. Before terminating the agreement, the landlord must call on the tenant to comply with the tenant's contractual obligations and grant a grace period therefor. If the tenant fails to comply with its obligations, the landlord may terminate the agreement by a notice period of not less than one month. Under the majority of the lease agreements, any dispute shall be settled before the Arbitration Court of the Hungarian Chamber of Commerce and Industry. See "*—Description of Individual Properties*."

Czech Lease Provisions

The Initial Portfolio includes 48 lease agreements with a number of different tenants relating to properties in the Czech Republic. Under these lease agreements, all tenants are required to pay rent monthly. In most lease agreements the landlord may terminate for any statutory reason; see "*Regulatory Environment—Czech Republic*." However the landlord's ability to terminate is limited with some of our key tenants such as Baumax in Retail Park Hradec Kralove or Interspar Znojmo. In most cases, the tenant can terminate for material breach on the part of the landlord. Additionally, some of our key tenants such as Spar in Interspar Znojmo have lease provisions that allow termination in the case of loss of the capacity to perform the activity for which the tenant leased the property. Generally, the lease agreements provide for disputes to be settled by the Arbitration Court attached to the Economic Chamber of the Czech Republic and the Agricultural Chamber of the Czech Republic or before a competent Czech court. All lease agreements are governed by Czech law. See "*—Description of Individual Properties*."

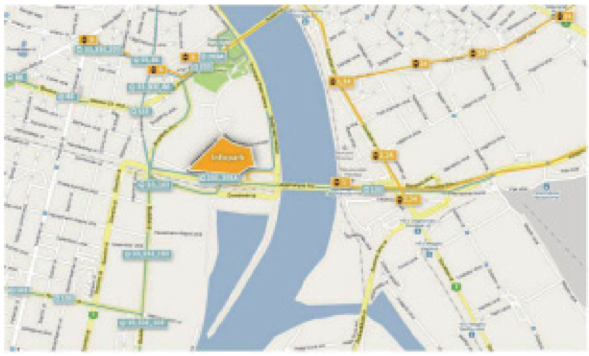
In addition, we have entered into a three year rental guarantee agreement in respect of Baumax AG, a key tenant of Hradec Kralove. Please see "*—Material Contracts—Rental Guarantee.*"

Description of Individual Properties

For each of the following properties discussed below that will comprise the Initial Portfolio, we expect to have a 100% effective participation interest following successful completion of the Acquisition.

Office Buildings

Infopark E, Budapest, Hungary



The above photo shows Infopark E as at May 31, 2013.

Infopark E is a high quality office building offering 17,214 square meters of GLA. Its market value is €38.7 million, according to the Valuation Report. Infopark E is located in Infopark Business Park. The property overlooks the Danube, is in close proximity to the Technical University campus and is opposite the National Theater and the Palace of Arts. Infopark E is located on 4,476 square meters of land with a fixed annual leasehold rent of €105,503 with the Hungarian government, expiring in 2095, with no indexation, review or uplift during the duration of the leasehold. The property provides a total gross building area of 31,070 square meters with 266 parking spaces spread across six above-ground floors and three underground levels of parking. It is leased to 12 tenants. At the time the property was acquired by its current owner in late 2012, a rental revenue and service charge guarantee agreement was entered into with the previous owner in relation to the vacant space of the building. Under the agreement, which remains in effect until December 2017, the previous owner pays the

Individual Holding Company that we are acquiring, which holds Infopark E, an agreed quarterly rebate for rental revenue and for service charges in relation to vacancies in the property. Under the terms of this rental revenue and service charge guarantee, total revenue received with respect to Infopark E effectively represents 100% of the property's entire leasable area. Infopark E has received several awards and distinctions:

- various awards and accreditations for its sustainability profile;
- the first building in Budapest to receive LEED certification for Core and Shell, Silver rating; and
- a Class A Energy Performance Certificate issued in accordance with EU regulations.

Tenants

The following table presents information regarding Infopark E's key tenants as of the date of this document:

Infopark E

Tenant	Industry Sector	Area Leased (square meters)	Lease Expiration (year)	Gross Income[1] (euro thousands)
EITI	European Commission organization	3,305	2028	590
Kraft Foods	Snack production	2,070	2017	421
Lufthansa (Lufthansa Systems)[2]	Aviation	4,645	2014	910
National Instruments	Software	1,523	2017	241
Prysmian	Telecommunications	980	2018	142

(1) According to the Valuation Report.

(2) Lufthansa's lease expires in 2014, however, this area is covered by the rental revenue and service charge guarantee agreement, which expires in 2017.

The remaining space is leased to seven tenants, none of which accounts for more than 5% of Infopark E's GLA.

Building Overview

The following table presents an overview of Infopark E as of June 30, 2013:

Infopark E

Year of operation	2009	
Market value[1]	€38.7 million	
GLA	17,214 square meters	
Breakdown of GLA by use	Office:	81.0%
	Retail:	1.0%
	Other:	4.0%
	Vacant:[2]	14%
Gross Income[1]	€3.1 million	
Net Operating Income[1]	€2.9 million	
Direct Property Costs[1]	€127 thousand	
Average monthly rent[3]	€13.9 per square meter	
Average remaining lease duration, GLA-weighted	6.6 years	
ERV monthly	€12.3 per square meter	
Number of tenants	12	
International tenants (% of contracted income)	100%	

(1) According to the Valuation Report.

(2) At the time the property was acquired by its current owner in late 2012, a rental revenue and service charge guarantee agreement was entered into with the previous owner in relation to the vacant space of the building. Under the agreement, which remains in effect until December 2017, the previous owner pays the Individual Holding Company that we are acquiring, which holds Infopark E, an agreed quarterly rebate for rental revenue and for service charges in relation to vacancies in the property. Under the terms of this rental revenue and service charge guarantee, total revenue received with respect to Infopark E effectively represents 100% of the property's entire leasable area. Average monthly rent represents the average monthly rent per leased GLA.

(3) Average monthly rent represents the average monthly rent per actually leased GLA for the main use of the building.

Autounion, Sofia, Bulgaria

The above photo shows Autounion as at May 31, 2013.

Autounion is a high quality office building offering 19,475 square meters of GLA. Its market value is €34.6 million, according to the Valuation Report. Autounion has 190 parking spaces, storage, an attic and technical premises. The building is situated on approximately 10,222 square meters of land and is located on Christofor Columbus Boulevard, 700 meters from Sofia Airport. Major redevelopment projects have made the area a rapidly growing business district, including a new airport terminal and other office buildings. The property is served by the municipal bus system. It is leased under a single lease agreement with Eurohold and sub-leased to 31 tenants.

Autounion has received a Green Building certification under BREEAM-in-Use in 2013 with a “Very Good” rating.

Tenants

The following table presents information regarding Autounion’s tenant as of the date of this document:

Autounion

Tenant	Industry Sector	Area Leased (square meters)	Lease Expiration (year)	Gross Income[1] (euro thousands)
Eurohold Imoti[2]	Insurance Services	19,475	2027	2,840

(1) According to the Valuation Report.

(2) Eurohold has the obligation in case of early termination either to buy the property at a pre-determined price or to pay as penalty the amount of rent corresponding to the remaining period of the lease term until the expiry date.

Building Overview

The following table presents an overview of Autounion as of June 30, 2013:

Autounion

Year of operation	2008 and 2011	
Market value[1]	€34.6 million	
GLA	19,475 square meters	
Breakdown of GLA by use	Office:	60.5%
	Retail:	26.5%
	Other:	13.0%
	Vacant:	0.0%
Gross Income[1]	€2.8 million	
Net Operating Income[1]	€2.8 million	
Direct Property Costs[1]	€28 thousand	
Average monthly rent[2]	€12.1 per square meter	
Average remaining lease duration, GLA-weighted	14.3 years	
ERV monthly	n/a	
Number of tenants	1	
International tenants (% of contracted income)	100%	

(1) According to the Valuation Report.

(2) Average monthly rent represents the average monthly rent per actually leased GLA for the main use of the building.

Victoria Center, Bucharest, Romania

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The above photo shows Victoria Center as at as at May 31, 2013.

Victoria Center is a high quality office building offering 8,256 square meters of GLA. Its market value is €32.6 million, according to the Valuation Report. The property is situated on approximately 1,372 square meters of land at 145 Calea Victoriei, Bucharest, Romania and provides a total building area of 13,789 square meters with 92 parking spaces across the three underground floors, a ground floor reception area, a mezzanine and nine upper levels. It is located in the central part of Bucharest, approximately two kilometers east from the city center at the junction of streets Calea Victoriei and Frumoasei. The area is very well serviced by public transportation (tram, bus lines and subway). It is leased to eight tenants. Victoria Center has received several awards and distinctions:

- winner of the Best Office Development—EIJ Award 2009. Awarded by the Construction & Investment Journal in recognition of outstanding achievement in real estate development in Romania, voted for by an independent panel of judges monitored by PwC;
- winner of a Green Building Award at the Seventh Annual Europa Property SEE Real Estate Awards in 2012;
- winner of a Green Building Award at the Second Annual Europa Property CEE Real Estate Awards in 2012;
- a Green Building certification under BREEAM-in-Use in 2011 with a "Very Good" rating;
- a LEED Commercial Interiors silver rating accreditation for the Citibank premises;
- a Class A Energy Performance Certificate issued in accordance with EU regulations; and
- various awards and accreditations for its sustainability profile.

Tenants

The following table presents information regarding Victoria Center's key tenants as of the date of this document:

Victoria Center

Tenant	Industry Sector	Area Leased (square meters)	Lease Expiration (year)	Gross Income[(1)] (euro thousand)
AON	Insurance	719	2014	232
Chartis	Insurance	717	2020	216
Citibank	Financial Institution	3,230	2017	960
Hugo Boss	Clothing retail	446	2018	229
Jones Lang Lasalle	Consulting	717	2016	191
Ursus	Food retailer	1,706	2016	461

(1) According to the Valuation Report.

The remaining space is leased to NBG Securities Romania and ERM, neither of which leases more than 5% of Victoria Center's GLA.

Building Overview

The following table presents an overview of Victoria Center as of June 30, 2013:

Victoria Center

Year of operation	2009	
Market value(1)	€32.6 million	
GLA	8,256 square meters	
Breakdown of GLA by use	Office:	88.0%
	Retail:	9.8%
	Other:(2)	2.2%
	Vacant:	0.0%
Gross Income(1)	€2.5 million	
Net Operating Income(1)	€2.4 million	
Direct Property Costs(1)	€18 thousand	
Average monthly rent(3)	€20.9 per square meter	
Average remaining lease duration, GLA-weighted	3.9 years	
ERV monthly	€20.0 per square meter	
Number of tenants	8	
International tenants (% of contracted income)	100%	

(1) According to the Valuation Report.

(2) Includes storage space.

(3) Average monthly rent represents the average monthly rent per actually leased GLA for the main use of the building.

Olympia Tower, Bucharest, Romania

The above photo shows Olympia Tower as at May 31, 2013.

Olympia Tower is a high quality, office building offering 9,938 square meters of GLA. Its market value is €26.2 million, according to the Valuation Report. The property is situated on approximately 1,575 square meters of land at 25 Decebal Boulevard, Bucharest, Romania and provides a total building area of 12,574 square meters including 85 parking spaces across three underground floors, a mezzanine and 11 floors. It is located in a Bucharest area well serviced by public transportation (tram, bus lines and subway), approximately four kilometers from the city center in the Muncii-Calarasi area. Olympia Tower has received several awards and distinctions:

- voted best building finalized between 2008 and 2009 by the Romanian Order of Architects;
- winner of a Green Building Award at the Seventh Annual Europa Property SEE Real Estate Awards in 2012;
- winner of a Green Building Award at the Second Annual Europa Property CEE Real Estate Awards in 2012;
- a Green Building certification under BREEAM-in-Use in 2012 with a “Very Good” rating;
- a Class A Energy Performance Certificate issued in accordance with EU regulations; and
- various awards and accreditations for its sustainability profile.

Tenants

The following table presents information regarding Olympia Tower's key tenants as of the date of this document:

Olympia Tower

Tenant	Industry Sector	Area Leased	Lease Expiration	Gross Income[1]
		(square meters)	(year)	(euro thousands)
Eureko[2]	Insurance	3,841	2016	924
Intrasoft	IT	773	2016	133
Kaufland	Grocery-anchored retailer	1,107	2016	206
Mega Image	Grocery-anchored retailer	643	2029	233
Namco Bandai Netwod	IT	539	2015	96
Optaros	IT	1,003	2017	174

(1) According to the Valuation Report.

(2) Eureko holds two leases in relation to Olympia Tower with the same year of expiration; this table presents the sum of the total area leased by Eureko and the sum of the annualized base rent paid by Eureko.

The remaining space is leased to several other tenants, none of which leases more than 5% of Olympia Tower's GLA.

Building Overview

The following table presents an overview of Olympia Tower as of June 30, 2013:

Olympia Tower

Year of operation	2009	
Market value[1]	€26.2 million	
GLA	9,938 square meters	
Breakdown of GLA by use	Office:	87.2%
	Retail:	8.1%
	Other:[2]	0.5%
	Vacant:	4.2%
Gross Income[1]	€2.2 million	
Net Operating Income[1]	€2.2 million	
Direct Property Costs	€11 thousand	
Average monthly rent[3]	€16.6 per square meter	
Average remaining lease duration, GLA-weighted	3.8 years	
ERV monthly[1]	€13.9 per square meter	
Number of tenants	13	
International tenants (% of contracted income)	98%	

(1) According to the Valuation Report.

(2) Includes storage space.

(3) Average monthly rent represents the average monthly rent per actually leased GLA for the main use of the building.

Astoria Business Center, Bucharest, Romania

The above photo shows the Astoria Business Center as at May 31, 2013.

The Astoria Business Center is a high quality, four-story office building offering 4,636 square meters of GLA. Its market value is €11.3 million, according to the Valuation Report. Astoria Business Center became operational in 2006 and offers a GBA of 5,714 square meters, including 48 underground parking spaces. The property is located at 64-66 Dionisie Lupu Street, Bucharest, Romania on approximately 1,230 square meters, one of Bucharest's most prestigious areas and includes the busy retail boulevard of Magheru Boulevard where most Bucharest corporate headquarters are located. The area has direct access to the airport and good road and public transportation infrastructure.

Astoria Business Center was certified as a Green Building under BREEAM-in-Use in 2013 with a "Very Good" rating.

Tenants

The following table presents information regarding the Astoria Business Center's key tenants as of the date of this document:

Astoria Business Center

Tenant	Industry Sector	Area Leased	Lease Expiration	Gross Income(1)
		(square meters)	(year)	(euro thousands)
Convergent Media	Media	1,172	2019	261
Egis	Construction	881	2017	206
Rustler	Professional Services	264	2017	41
Spanish Embassy	Government	822	2017	184
Media Cafe	Internet services	649	2015	56
Sien	IT	849	2016	169

(1) According to the Valuation Report.

Building Overview

The following table presents an overview of the Astoria Business Center as of June 30, 2013:

Astoria Business Center

Year of operation	2006	
Market value(1)	€11.3 million	
GLA	4,636 square meters	
Breakdown of GLA by use(2)	Office:	90.9%
	Retail:	0.0%
	Other:(3)	9.1%
	Vacant:	0.0%
Gross Income(1)	€0.9 million	
Net Operating Income(1)	€0.9 million	
Direct Property Costs(1)	€9 thousand	
Average monthly rent(4)	€17.2 per square meter	
Average remaining lease duration, GLA-weighted	4.3 years	
ERV monthly(1)	€16.3 per square meter	
Number of tenants(2)	6	
International tenants (% of contracted income)	70%	

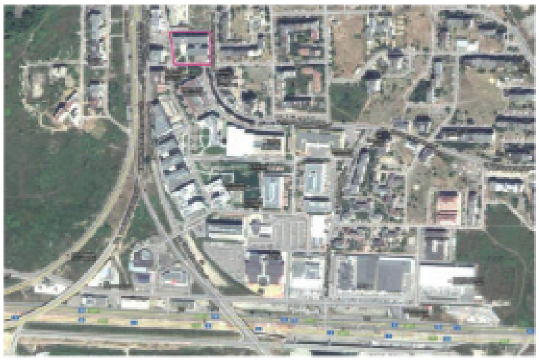
(1) According to the Valuation Report.

(2) This figure reflects the conclusion of an additional lease with a tenant, concluded prior to the date of this document.

(3) Includes storage space.

(4) Average monthly rent represents the average monthly rent per actually leased GLA for the main use of the office buildings.

1 BPS, Sofia, Bulgaria



The above photo shows 1 BPS as at May 31, 2013.

1 BPS is a high quality, five-story office building offering 3,767 square meters of GLA. Its market value is €5.7 million, according to the Valuation Report. 1 BPS was completed in 2005, providing a total building area of 5,583 square meters with 3,767 square meters of GLA and 68 underground parking spaces. The property includes 68 underground parking spaces and basement storage, a ground floor with the reception, retail and office uses and the upper floors for office uses. The building is situated on approximately 1,712 square meters of land and is located in the Sofia Business Park, in Mladost district, Sofia, Bulgaria. Mladost is one of Sofia's 23 municipalities, situated in the southeastern part of the capital. The property is situated on the ring road surrounding Sofia, and is easily accessible via the city's main boulevards. 1 BPS is a 30-minute drive away from Sofia's city center and a 15-minute drive to Sofia airport. It is leased to nine tenants. The office spaces are leased to two tenants, while the remaining seven tenants occupy parking space and storage.

The property has received an energy efficiency certificate issued according to EU regulations and it is certified as a Green Building against BREEAM-in-Use ("Very Good rating").

Tenants

The following table presents information regarding 1 BPS's key tenants as of the date of this document:

1 BPS

Tenant	Industry Sector	Area Leased (square meters)	Lease Expiration (year)	Gross Income[(1)] (euro thousands)
OPI Exl (Exl Group)	IT	2,930	2016	275
C3i	IT	805	2018	99

(1) According to the Valuation Report.

Building Overview

The following table presents an overview of 1 BPS as of June 30, 2013:

1 BPS

Year of operation	2005	
BNP's market value (June 30, 2013)	€5.7 million	
GLA	3,767 square meters	
Breakdown of GLA by use	Office:	98.3%
	Retail:	0.0%
	Other:[(2)]	1.7%
	Vacant:	0.0%
Gross Income[(1)]	€0.4 million	
Net Operating Income[(1)]	€0.4 million	
Direct Property Costs[(1)]	€6 thousand	
Average monthly rent[(3)]	€7.8 per square meter	
Average remaining lease duration, GLA-weighted	3.3 years	
ERV monthly	€9.2 per square meter	
Number of tenants	9	
International tenants[(4)] (% of contracted income)	99%	

(1) According to the Valuation Report.

(2) Includes storage space.

(3) Average monthly rent represents the average monthly rent per leased GLA.

(4) Non-international tenants in this building represent parking spaces tenants.

Retail Parks

Retail Park Hradec Kralove, Hradec Kralove, Czech Republic

The above photo shows Retail Park Hradec Kralove as at May 31, 2013.

The Retail Park Hradec Kralove, known as "Euro Center," is a high quality retail park offering 21,933 square meters of GLA. Its market value is €29.0 million, according to the Valuation Report. Retail Park Hradec Kralove is located in Vita Nejedleho 1063, Hradec Kralove, Czech Republic. The retail park includes two buildings offering 21,933 square meters of GLA, including 533 outdoor parking spaces, and 252 covered parking spaces. The property is located in Hradec Kralove, a medium-sized city in the Czech Republic, with a population of approximately 93,000 people. The retail park is located in a densely populated residential district, 250 meters from the city's central ring road. The building is located on a site of approximately 86,054 square meters and provides 26,283 square meters of total building area. It is leased to 35 long-term tenants and other short-term tenants.

Tenants

The following table presents information regarding Retail Park Hradec Kralove's key tenants as of the date of this document:

Retail Park Hradec Kralove

Tenant	Industry Sector	Area Leased (square meters)	Lease Expiration (year)	Gross Income[1] (euro thousands)
Baumax	DIY	8,064	2021	720
Spar[2]	Grocery-anchored retail	9,347	2017	1,128

(1) According to the Valuation Report.

(2) Spar holds two leases in relation to Retail Park Hradec Kralove with the same year of expiration; this table presents the sum of the total area leased by the tenant and the sum of the annualized base rents paid by the tenant.

The sellers have agreed to provide a rental guarantee for the space occupied by Baumax for the three year period following the Offering. See *"—Material Contracts—Rental Guarantee."* The remaining space is leased mainly to long-term tenants and to certain short-term tenants, none of which leases more than 5% of Retail Park Hradec Kralove's GLA.

Building Overview

The following table presents an overview of Retail Park Hradec Kralove as of June 30, 2013:

Retail Park Hradec Kralove		
Year of operation	2004	
Market value[1]	€29.0 million	
GLA	21,933 square meters	
Breakdown of GLA by use	Office:	0.0%
	Retail:	99.2%
	Other[2]	0.0%
	Vacant:	0.8%
Gross Income[1]	€2.2 million	
Net Operating Income[1]	€2.2 million	
Direct Property Costs[1]	€45 thousand	
Average monthly rent[3]	€8.5 per square meter	
Average remaining lease duration, GLA-weighted	4.9 years	
ERV monthly	€8.5 per square meter	
Number of tenants	35[4]	
International tenants (% of contracted income)	82%	

(1) According to the Valuation Report.

(2) Includes storage space.

(3) Average monthly rent represents the average monthly rent per actually leased GLA for the main use of the buildings.

(4) It is leased to 32 long-term tenants and other short-term tenants.

Baumax Pleven, Pleven, Bulgaria

The above photo shows Baumax Pleven as at May 31, 2013.

Baumax Pleven is a high quality, big-box warehouse retail unit offering 10,659 square meters of GLA. Its market value is €9.9 million, according to the Valuation Report. The property, operating since 2011, includes a partial mezzanine floor and 288 outdoor parking spaces. The building is situated on approximately 30,451 square meters of land and is located on the main road, in Pleven, the seventh largest city of Bulgaria with a population of approximately 106,000 people. The city is in the northern part of the country, 170 kilometers from the capital of Sofia, and is a major economic center of the Bulgarian Northwest and Central North. Pleven is an important administrative, industrial and agricultural center. It is leased to one tenant.

Tenants

The following table presents Baumax Pleven's tenant as of the date of this document:

Baumax Pleven

Tenant	Industry Sector	Area Leased (square meters)	Lease Expiration (year)	Gross Income[1] (euro thousands)
Baumax	DIY	10,659	2022	842

(1) According to the Valuation Report.

The sellers have agreed to provide a rental guarantee for the space occupied by Baumax for the three year period following the Offering. See "*—Material Contracts—Rental Guarantee.*"

Building Overview

The following table presents an overview of Baumax Pleven as of June 30, 2013:

Baumax Pleven

Year of operation	2011	
Market value[1]	€9.9 million	
GLA	10,659 square meters	
Breakdown of GLA by use	Office:	0.0%
	Retail:	100.0%
	Other:	0.0%
	Vacant:	0.0%
Gross Income[1]	€0.8 million	
Net Operating Income[1]	€0.8 million	
Direct Property Costs[1]	€29 thousand	
Average monthly rent[2]	€6.6 per square meter	
Average remaining lease duration, GLA-weighted	9.3 years	
ERV monthly[1]	€7.4 per square meter	
Number of tenants	1	
International tenants (% of contracted income)	100%	

(1) According to the Valuation Report.

(2) The average monthly rent represents the average monthly rent per actually leased GLA for the main use of the buildings.

Interspar Znojmo, Znojmo, Czech Republic

The above photo shows Interspar Znojmo as at May 31, 2013.

Interspar Znojmo is a big-box warehouse retail unit offering 7,694 square meters of GLA. Its market value is €9.6 million, according to the Valuation Report. The unit was opened in 2004 and includes a ground and mezzanine floor and 395 outdoor parking spaces. The property is located on a land plot of approximately 26,628 square meters at Brnenska Street 2937 / 21 in the city of Znojmo, Czech Republic. Znojmo is situated 60 kilometers southeast of Brno on the border of the Czech Republic and Austria. The hypermarket is located in south Znojmo, a city in the South Moravian region with a population of approximately 112,000 people. The Interspar hypermarket is located in a densely populated residential district, 1.3 kilometers south east of the city center. It is leased to one tenant.

Tenants

The following table presents Interspar Znojmo's tenant as of the date of this document:

Interspar Znojmo

Tenant	Industry Sector	Area Leased (square meters)	Lease Expiration (year)	Gross Income[1] (euro thousands)
Spar	Grocery-anchored retail	7,694	2019	755

(1) According to BNP Real Estate Valuation Report as of June 30, 2013.

Building Overview

The following table presents an overview of Interspar Znojmo as of June 30, 2013:

Interspar Znojmo		
Year of operation	2004	
Market value(1)	€9.6 million	
GLA	7,694 square meters	
Breakdown of GLA by use	Office:	0.0%
	Retail:	100.0%
	Other:	0.0%
	Vacant:	0.0%
Gross Income(1)	€0.8 million	
Net Operating Income(1)	€0.7 million	
Direct Property Costs(1)	€8 thousand	
Average monthly rent(2)	€8.2 per square meter	
Average remaining lease duration, GLA-weighted	6.4 years	
ERV monthly(1)	€8.9 per square meter	
Number of tenants	1	
International tenants (% of contracted income)	100%	

(1) According to the Valuation Report.

(2) The average monthly rent represents the average monthly rent per actually leased GLA for the main use of the buildings.

Legal Title

Set out below are the legal title details for each of the assets that will comprise the Initial Portfolio.

Office Buildings

Infopark E

The title of the plot and the building is comprised of two registered topological lots, building number 4082 / 21 / J and plot number 4082 / 21. The first lot is owned by Infopark E, as of May 21, 2010. This property is encumbered in favor of UniCredit Hungary Zrt. by: (i) a framework mortgage securing €26.7 million; and (ii) a real estate option effective until December 12, 2017. The second lot is owned by the Hungarian State and, by a government decree, a land use right (*földhasználati jog*) and construction right (*beépítési jog*) has been granted until 2095 from the Ministry of Commerce signed in May 28, 1998 with Infopark Ltd. Infopark Ltd. transferred the right on October 15, 1998 to Infopark Fej Zrt and the latter to Infopark E on February 15, 2008. This property is encumbered by statutory easement rights and contractual land use rights over the property's different building fields including, among others, those of Infopark E.

Autounion

Vaptzarov holds the title to Autounion as of March 23, 2010. The title of this property has two encumbrances registered against it: (i) a mortgage dated November 10, 2011 in favor of Unicredit Bulbank S.A. securing a loan of €17.5 million and (ii) a going concern pledge registered on February 9, 2012 in favor of Unicredit Bulbank S.A. securing a conditional loan of €1.41 million.

Victoria Center

Victoria holds legal title to this property as of 2005. The title of this property, as of April 9, 2013, was encumbered by a mortgage in favor of Banca Comerciala Romana S.A. securing a loan of €20 million, including a prohibition against transferring, encumbering, demolishing, leasing, building, splitting or merging the property. In addition, a lease agreement with Citibank Romania S.A. is registered in the land book of the property as an encumbrance.

Olympia Tower

Olympia holds legal title to this property as of 2005. The title of this property, as of April 19, 2013, was encumbered by two mortgages in favor of Alpha Bank Romania S.A. securing loans of €2 million and €17.4 million, as well as a prohibition (on transfers, leases and encumbrances) in favor of Alpha Bank Romania

S.A. In addition, two leases over certain building space and parking space in favor of each of Eureko Asigurari S.A. and Eureko—Societate de Administrare a Fondurilor de Pensii Private S.A. and a right of use over certain building space and parking space in favor of each of Win Magazin S.A. and Kaufland Romania S.A.—Societate in Comandita, are registered in the land book of the property as encumbrances.

Astoria Business Center

Astoria holds legal title to the property as of December 2008. The title to this property is encumbered by three mortgages, in favor of Marfin Bank (Romania) S.A. securing two loans for the amounts of €3.9 million and €2.7 million (which, following the offering, we expect will be consolidated into two mortgages for €3.9 million and €2.7 million), as well as a prohibition against transferring, encumbering, demolishing, leasing, building, splitting or merging the property.

1 BPS

One BPS holds title to this property as of December 2005. The title of this property, as of February 16, 2012, was encumbered by a mortgage in favor of Eurobank EFG Bulgaria S.A. placed with a legal mortgage notary application registered on December 9, 2005 to secure a loan amount of €4.2 million. In addition a lease agreement with Outsource Partners International EAD for part of 1BPS is registered with the land registry as an encumbrance.

Retail Parks

Retail Park Hradec Kralove

Bluebox 7 holds the legal title to this property, which is encumbered by: (i) an easement over its two buildings and part of the land in favor of Elektrárny Opatovice, as of September 6, 2002; (ii) a statutory easement of use and maintenance for a water pipeline in favor of Vodovody a kanalizace Hradec Králové, a.s.; (iii) a mortgage over all land and buildings in favor of Deutsche Pfandbriefbank AG dated May 16, 2012 securing the present and future receivables that may arise by March 31, 2021 up to a maximum of €24.2 million; (iv) a mortgage over all land and buildings in favor of Hypo Real Estate Bank International AG dated September 26, 2007 securing the present and future receivables that may arise by September 30, 2013 up to a maximum of €25 million; and (v) a mortgage over all land and buildings in favor of Hypo Real Estate Bank International AG dated September 26, 2007 securing the present and future receivables that may arise by September 30, 2013 up to a maximum of €24.3 million.

Baumax Pleven

Helios-08 holds legal title to Baumax Pleven as of March 10, 2011. The title of this property is encumbered by: (i) a mortgage dated August 5, 2010 in favor of Unicredit Bulbank S.A. securing a loan of €5.8 million; and (ii) a going concern pledge registered on October 1, 2012 over our going concern, including the Baumax Pleven property as an explicitly listed asset, for a conditional loan amount of €0.6 million. In addition, a lease agreement with PVN Sofia EOOD (currently merged into Baumax Bulgaria EOOD) for Baumax Pleven as well as a right of CEZ Razpredelenie, Bulgaria (the district electricity- distribution company) to maintain steel pylon and electrical cables on Baumax Pleven land plots are registered in the land registry as encumbrances.

Interspar Znojmo

Bluebox 6 holds legal title to this property. This property is encumbered by the following: (i) a mortgage over all land and buildings in favor of Hypo Real Estate Bank International AG, created on the basis of the agreement on mortgage of immovables dated September 26, 2007 securing the present and future receivables that may arise by September 30, 2013 for up to €8.4 million; (ii) a mortgage over all land and buildings in favor of Hypo Real Estate Bank International AG, created on the basis of the agreement on mortgage of immovables dated September 26, 2007 securing the present and future receivables that may arise by September 30, 2013 for up to €24.4 million; (iii) a mortgage over all land and buildings in favor of Deutsche Pfandbriefbank AG, created on the basis of the agreement on mortgage of immovables dated May 16, 2012 securing the present and future receivables that may arise by March 31, 2021 for up to €24.2 million.

Property Management

We will outsource property and facility management to one or more local third-parties in each country in which we own properties, both for the Initial Portfolio and for any future property acquisitions. Additionally, by capitalizing upon this outsourcing of property management, we expect to obtain higher-quality services at lower costs as well as maintain our flexible corporate structure. Our internal management team will operate from our offices in Amsterdam and Prague to actively manage service providers and will benefit from the services of Bluehouse affiliates.

Committed Investments

We have no committed investments that are material other than the SSPLAAs in relation to the properties that comprise the Initial Portfolio and the promissory note the Individual Holding Company of Infopark E has issued as a security in respect of the withheld amount for the benefit of the previous owner.

Investment Pipeline

To achieve portfolio growth, we plan to leverage our strong market presence and knowledge of local market dynamics to maintain and enhance our presence in our core markets, while also establishing relationships with regional players, including developers, banks and other industry professionals, in new markets such as Poland, where we have identified a number of pipeline opportunities, and Croatia and Serbia. We also plan to capitalize on our strategic relationship with Bluehouse to maintain access to a strong pipeline of real estate investments in these markets and elsewhere in Emerging Europe.

In pursuing pipeline opportunities we will be guided by our investment strategy as described above in "*—Our Strategy—Deliver attractive and consistent risk-adjusted and inflation-protected returns by targeting modern, high quality, stabilized, income producing asset acquisitions in Emerging Europe*." Through pipeline acquisitions we also intend to maintain a vacancy rate of less than 10% on a portfolio basis and an average remaining lease duration, weighted by GLA, of more than four years, and for international tenants to account for more than 75% of our portfolio's income. Further, our intention is that no single property will account for more than 20%, and no single country more than 50%, of our portfolio's value or income.

€57.4 million of the estimated net proceeds of the Offering are allocated for pipeline acquisitions. The acquisition of any pipeline property will be funded by this portion of the Offering proceeds as well as by additional debt up to 50% LTV. Within 12 months following the Offering, we plan to gradually expand our portfolio in Emerging Europe, while maintaining its stability; if a portion of the funds allocated for pipeline acquisitions has not been utilized at the end of the 12 month period, it will be allocated for the additional repayment of outstanding bank loans. Please see "*Use of Proceeds*."

As part of our investment pipeline, we have identified six office buildings together valued at €269.9 million and seven retail parks together valued at €106.9 million, for a total pipeline value of €376.8 million. An overview of the pipeline is set out below.

Investment	Location	GLA	Estimated Transaction Size	Acquisition Yield Range
		(square meters)	(euro million)	(%)
Class-A Office Buildings				
Class-A office 1	Poland	16,500	43.5	
Class-A office 2	Poland	16,000	37.0	
Class-A office 3	Poland	13,700	29.9	
Class-A office 4	Romania	28,200	98.5	
Class-A office 5	Hungary	10,500	23.0	
Class-A office 6	Hungary	17,960	38.0	
Total Class A Office Buildings		**102,860**	**269.9**	**7.7- 8.4**
Retail Parks / Big-Boxes				
Retail Park 1	Bulgaria	8,500	9.4	
Retail Park 2	Bulgaria	11,000	13.2	
Retail Park 3	Hungary	10,600	12.5	
Retail Park 4	Hungary	17,200	24.4	
Retail Park 5	Romania	10,000	11.0	
Retail Park 6	Czech Republic	20,500	20.4	
Retail Park 7	Hungary	12,600	16.0	
Total Retail Parks / Big-Boxes		**90,400**	**106.9**	**8.2 - 8.8**
Total Pipeline		**193,260**	**376.8**	

We currently have no committed investments and have not contracted to acquire any of the properties identified in our investment pipeline, however we are in advanced stages of negotiation for the acquisition of Class-A office 1 and Class-A office 2, both located in Warsaw, Poland, and hope to complete the acquisition of both assets by the end of 2013.

Class-A office 1 is located in Warsaw near a large shopping mall and multiple transportation links. It was completed in 2013 and is comprised of 11 floors. It offers multiple elevators, two lobbies and 208 underground parking spaces. The property is currently fully let to a diversified mix of 18 tenants, including several international tenants. The average remaining lease duration, weighted by GLA, is 5.4 years. The annual net operating income is €3.3 million.

Class-A office 1	
Year of construction	2013
GLA	16,500 square meters
Gross Income	€3.3 million
Net Operating Income	€3.3 million
Rents	Office(1): €15.4 Underground Parking(2): €81.4 Storage(1): €3.3
Average remaining lease duration, GLA-weighted	5.4 years
Number of tenants	18

(1) Per square meter per month.

(2) Per parking spot per month.

Class-A office 2 is located in close proximity to the Warsaw city center and is accessible by public transport. The building is comprised of nine floors, offers 250 parking spaces and is currently let to four international tenants. The occupancy rate is currently 85% and the remaining 15% is under a four year rental guarantee by the vendor. The average remaining lease duration, weighted by GLA, is six years. The annual net operating income is €2.8 million.

Class-A office 2	
Year of construction	2012
GLA	16,000 square meters
Gross Income	€2.8 million
Net Operating Income	€2.8 million
Rents	Office(1): €14.0 Underground Parking(2): €80 Surface Parking(2): €55 Storage(1): €8
Average remaining lease duration, GLA-weighted	6.0 years
Number of tenants	4

(1) Per square meter per month.

(2) Per parking spot per month.

Material Contracts

Share Sale Purchase and Loan Assignment Agreements

Along with our Group Holding Company, incorporated by us in Cyprus and of which we own 100% of its outstanding shares, we have entered into share sale purchase and loan assignment agreements (**SSPLAAs**) with certain affiliates of Bluehouse Funds for the acquisition of shares of each Property Company (either directly or through the acquisition of shares of the Individual Holding Company owning the Property Company) that controls the real estate assets that form the Initial Portfolio. The properties that will comprise the Initial Portfolio will be acquired for €187.7 million, reflecting a permanent 5% discount to their market value.

The structure of the acquisition and acquisition price of the assets is set out below:

Property Company (Asset)	Acquisition Price (euro million)	Sellers	Purchasers (% ownership)
Office Buildings			
Infopark E (Bluehouse Accession Project X)	36.8	Bluehouse Accession Property Holdings III s.a. r.l.	Group Holding Company (100%)
Autounion (Bluehouse Accession Project V Ltd.)	32.9	Bluehouse Accession Property Holdings III s.a. r.l.	Group Holding Company (100%)
Victoria Center (S.C. Victoria Center S.R.L.)	31.0	Eurynome Ltd.	Group Holding Company (99.665%); Meridian Properties N.V. (0.335%)
Olympia Tower (S.C. Olympia Dezvoltare S.R.L.)	24.9	Fredisius Ltd.	Group Holding Company (99.986%); Meridian Properties N.V. (0.014%)
Astoria Business Center (S.C. Astoria Business Center S.R.L.)	10.7	Bluehouse Accession Project VI Ltd.; Bluehouse Accession Project II Ltd.	Group Holding Company (95%); Meridian Properties N.V. (5%)
1 BPS (Bolesan Ltd.)	5.4	Bluehouse Capital Holdings I Ltd.	Group Holding Company (100%)
Retail Parks			
Retail Park Hradec Kralove and Interspar Znojmo (Bluehouse Accession Project XI Ltd. and Bluehouse Accession Project XII Ltd.)	36.6	Bluehouse Accession Property Holdings III s.a. r.l.	Group Holding Company (100%)
Baumax Pleven (Bluehouse Accession Project III Ltd.)	9.4	Bluehouse Accession Property Holdings III s.a. r.l.	Group Holding Company (100%)
Total	**187.7**		

The sellers own 100% of the shares of a particular Property Company or Individual Holding Company as well as a shareholders' loan in respect of that Property Company or Individual Holding Company. Pursuant to the SSPLAAs, our Group Holding Company will purchase from the sellers 100% of the shares of each Individual Holding Company and in doing so will acquire (directly or indirectly) 100% of the shares of the Property Companies owning properties in Bulgaria, the Czech Republic and Hungary. The Group Holding Company will acquire between 95.0% and 99.99% of the shares of the Property Companies owning properties in Romania and, pursuant to mandatory provisions of Romanian law requiring a dual ownership structure, we will directly acquire between 0.01% and 5.0% of such shares. Simultaneously with our purchase of the shares of the Property Companies and Individual Holding Companies, the sellers will assign to the Group Holding Company their interests, rights and benefits in the relevant shareholders' loan. The transfer of legal ownership of the shares and assignment of the shareholders' loans shall be made effective upon satisfaction of certain conditions precedent, including no event of cancellation of the Offering and the valid issuance of our shares pursuant to the Offering, their registration in the NDS and the adoption by the Warsaw Stock Exchange of a resolution on introduction of the shares to trading on the regulated market of the Warsaw Stock Exchange.

The total acquisition price (including the price for the assignment of the shareholder's loans) for the assets is €187.7 million. If the underwriters exercise their overallotment option to purchase additional shares, we intend to allocate all proceeds in excess of €170.1 million proportionately towards the additional repayment of outstanding bank loans and for additional pipeline acquisitions. In the event that gross proceeds from the Offering are less than €170.1 million due to a lower sale price per share, the acquisition price of the Initial Portfolio will be equally reduced by such deficit. In the event that gross proceeds from the Offering are less than €170.1 million due to fewer shares issued, the Offering's proceeds allocated to pipeline acquisitions will be reduced by such deficit. In addition, should a portion of the Offering's proceeds allocated for pipeline acquisitions not be utilized within 12 months following the Offering, such portion will be allocated for the additional repayment of outstanding bank loans. Please see *"Use of Proceeds"* and "*—Investment Pipeline.*"

We believe the consideration payable by us under the SSPLAAs have been negotiated on an arm's length basis.

Credit Facility and Loan Agreements

The following table presents our Initial Portfolio's outstanding bank loan amounts as of June 30, 2013:

Property	Maturity	Outstanding Bank Loan Amount	Market Value[1]	LTV	Loan Agreement Terms
	(year)	(euro million)		(%)	
Infopark E	2017	19.8	38.7	51%	3M EURIBOR+3.7%
Autounion	2016	15.7	34.6	45%	Fixed 1.73%+4.25%
Victoria Center	2015	18.6	32.6	57%	50% of the loan fixed at 2.48% and 50% of the loan at 3M EURIBOR+3.5%
Olympia Tower	2015	14.2	26.2	54%	3M EURIBOR+4.75%
Astoria Business Center	2021	5.7	11.3	50%	3M EURIBOR +6.30% (for 59% of the loan) and 3M EURIBOR+6% (for 41% of the loan)
1BPS	2016	2.8	5.7	49%	6M EURIBOR+0.78%+4.5%
Retail Park Hradec Kralove and Interspar Znojmo	2017	22.8	38.6	59%	50% of the loan at 3M EURIBOR and 50% of the loan fixed at 0.74% + 2.0%
Baumax Pleven	2020	5.1	9.9	52%	3M EURIBOR + 6.0%

Set out below is a brief description of the material credit facility agreements.

Loan Agreement between Infopark E, Odiny Investment S.a.r.l. and Unicredit Bank Hungary Zrt (Infopark E)

On December 12, 2012, Infopark E, Odiny Investment S.a.r.l. and Unicredit Bank Hungary Zrt entered into a €20.5 million long-term loan agreement for the purpose of refinancing existing Infopark E loans.

The loan is secured by: (i) a pledge over the shares of Odiny Investments S.a.r.l. held in Infopark E; (ii) a pledge over the rental receivables of Infopark E and Bluehouse Accession Project X Limited; (iii) a mortgage and call option right over the investment property of Infopark E; (iv) a pledge and security deposit over the bank accounts of Infopark E and Bluehouse Accession Project X Limited; and (v) an insurance assignment.

The loan agreement contains provisions with respect to the maintenance of a Debt Service Cover Ratio and Future Debt Service Cover ratio of above 1.15 but not less than 1.0 and a Loan to Value ratio of a maximum level of 70% throughout the duration of the loan. The agreement also includes provisions that are commonly encountered in loan agreements of this type with respect to events of default including, among others, non-payment, breach of financial covenants, negative equity capital, misrepresentation, cross-default provisions in the event of certain events of default, the insolvency of the borrower or material adverse change in the activity of the borrower or change of control in case Bluehouse Accession Project X Limited ceases to be direct and exclusive owner of Odiny Investments S.a.r.l. or Odiny Investments S.a.r.l. ceases to be direct and exclusive owner of Infopark E. We applied for and, on July 23, 2013, received the bank's consent to a change of control. Under the agreement each new lessee of Infopark E must be approved by the bank unless such approval is deemed due to expiry of a certain period of time following notification provided to the bank.

Under the loan agreement, the borrower may decide to pay dividends as 'permitted distribution' provided that (i) the debt service cover ratio and loan to value ratio as above is met; and (ii) there has been no event of default and there will be no event of default as a result of the distribution. In any other case the borrower may only pay dividends with the prior written approval of the lender. The maturity date of the loan is December 12, 2017. The loan principal is repaid in monthly installments with a bullet payment upon maturity. We applied for and, on July 23, 2013, received the bank's consent for a waiver of capital repayments until June 2016, subject to the repayment of €2 million, to be made with proceeds from the Offering allocated for the partial repayment of bank loans. The loan bears interest quarterly at floating rates, determinable for each three-month period on the basis of three-month EURIBOR. Infopark E may prepay the loan in whole or in part at the end of each interest period, provided that administrative costs apply.

As at June 30, 2013 the total outstanding amount under the loan was €19.8 million.

Loan agreement between Vaptzarov and Unicredit Bulbank AD (Autounion)

On November 3, 2011 our Bulgarian Property Company, Vaptzarov, entered into an investment loan agreement with Unicredit Bulbank AD for up to €17.5 million for the refinancing and repayment of debt obligations accrued in connection with the acquisition of the Autounion Project, namely (i) an outstanding loan with Piraeus Bank S.A., London Branch and (ii) shareholder loans granted by the sole owner of Vaptzarov.

The maturity date of the entire loan with Unicredit Bulbank AD is November 30, 2016. The loan principal is repaid in monthly installments and a bullet payment upon maturity date, the loan bears interest at a three-month EURIBOR rate plus an applicable margin, paid on a monthly basis. We applied for and, on August 12, 2013, received the bank's consent for a waiver of capital repayments for the next 24 months, subject to the repayment of €3.2 million, to be made with proceeds from the Offering allocated for the partial repayment of bank loans.

The loan is secured by, among other things: (i) a mortgage over the Autounion property, including its land and buildings; (ii) a pledge over all of Vaptzarov's bank accounts; (iii) a pledge over Vaptzarov as a going concern; (iv) a pledge over receivables from Autounion; (v) a pledge over the Vaptzarov shares; and (vi) a transfer of rights under the security bank guarantee provided by the tenant under the lease agreement with Autounion; and (vii) a deed of subordination signed with Unicredit Bulbank AD.

The agreement contains provisions with respect to the maintenance of a debt service coverage ratio above 1.2 but in no case below 1.0. The agreement also includes provisions that are commonly encountered in loan agreements of this type with respect to certain events of default including without limitation: delays in payment of the principle amount and/or interest, misrepresentation, initiating bankruptcy or winding-up procedure, foreclosure procedures by third parties for non-minor claims and lack of enough securities. The agreement also contains a restriction against the transfer of Autounion without the bank's prior approval and an obligation for the borrower to obtain the bank's consent for changes to the shareholding structure. We applied for and, on August 12, 2013, received the bank's approval and consent to a change of control.

The funds may be freely used, subject to the financial covenants above being met. The borrower shall be obliged to repay preferentially its liabilities to the bank under the loan agreement, whereas repayment of liabilities of Vaptzarov Business Center to its shareholder decreasing the principal of the shareholder debt to less than €8.4 million shall not be allowed until the full repayment of the shareholder debt. Under the deed for the pledge over Autounion lease agreement receivables, amendments to the lease agreement require bank consent.

On March, 5, 2012, Vaptzarov entered into an Interest Rate Swap Transaction with Unicredit Bulbank AD in respect of this loan.

As at June 30, 2013 the total outstanding amount under the loan was €15.7 million.

Loan Agreement between Victoria Center, as borrower, and Banca Comerciala Romana S.A. as lender and Eurynome Ltd. as guarantor (Victoria)

On November 5, 2010, Victoria Center, as borrower, Banca Comerciala Romana S.A., as lender, and Eurynome Limited, as guarantor, entered into a €20.0 million Romanian law governed loan agreement for the purpose of refinancing Victoria Center's €18.6 million outstanding loan with Alpha Bank, as well as shareholder loans in the amount of approximately €1.4 million.

The loan's final maturity date is November 18, 2015.

The loan is repaid in quarterly installments and a bullet payment upon the maturity date and bears interest at a rate of three-month EURIBOR plus applicable margin, payable on a quarterly basis. We applied for and, on August 14, 2013, received the bank's consent to a waiver of capital repayments until the maturity of the loan, subject to the repayment of €3.3 million, to be made with proceeds from the Offering allocated for the partial repayment of bank loans.

The loan is secured by: (i) an immovable real estate mortgage over the Victoria Center property, including land and buildings, as well as a prohibition against selling, letting, transferring or encumbering rights over Victoria Center property; (ii) a movable security interest over all shares issued by Victoria Center; (iii) an assignment of all claims and receivables under all agreements in connection with Victoria Center and all guarantees received in connection therewith; (iv) an insurance assignment agreement in respect of Victoria Center's policies; and (v) a movable security interest over all accounts opened by Victoria Center with Banca Comerciala Romana S.A.

On June 29, 2011, Victoria Center S.R.L. executed a capped Interest Rate Swap Transaction agreement with Banca Comerciala Romana in respect of 50% of this loan.

The loan agreement contains provisions with respect to the maintenance of a Debt Service Coverage Ratio of minimum ratio of 1.1 for the whole credit period and a Loan to Value ratio at a maximum level of 75% at any time, throughout the duration of the loan. The agreement also includes provisions that are commonly encountered in loan agreements of this type with respect to certain events of default including, among others, non-payment, breach of financial covenants, cross-default provisions in the event of certain events of default, the insolvency of the borrower or of the guarantor, actions which threaten the pledged assets, material adverse effect on the activity of the borrower or its ability to repay the loan.

The agreement contains provisions that prohibit the borrower from distributing dividends without the prior approval of the financing bank. We applied for and expect to receive approval for dividend distributions being permitted subject only to meeting financial covenants, and not other approval from the bank, before the completion of the Offering. The loan agreement executed by Banca Comerciala Romana S.A. with Victoria also contains change of control provisions. We applied for and, on August 14, 2013, received the bank's consent in respect of change of control.

As at June 30, 2013 the total outstanding amount under the loan was €18.6 million.

Facilities agreement between Olympia and Alpha Bank A.E., London Branch, as lender, and Alpha Bank Romania S.A. as security agent, account bank and bridge loan lender (Olympia)

On July 27, 2007, Olympia entered into an English law governed construction and term loan facilities agreement with Alpha Bank A.E., London Branch as lender and Alpha Bank Romania S.A. as security agent, account bank and bridge loan lender, as amended through a supplemental agreement executed on December 17, 2012 and reflecting among other things the transfer by Alpha Bank A.E., London Branch to Alpha Bank Romania S.A. of all its rights and obligations under the loan agreement and the other finance documents.

The loan included two facilities: (i) a construction loan facility for a maximum amount of €17.4 million (as per a supplemental agreement only €15.0 million was made available to Olympia); and (ii) a term loan facility for the purpose of refinancing all amounts due under the construction loan facility.

The €15.0 million construction loan facility was utilized in full to discharge acquisition costs, start-up expenses, construction costs and financing costs relating to the construction of Olympia Tower and was fully refinanced in 2012 through the €15.0 million term loan facility, which has a maturity date for June 30, 2015. A bullet repayment is scheduled for the maturity date. The loan agreement also includes a partial cash sweep mechanism for free cash flow, applicable on an annual basis. We applied for and, on August 8, 2013, received the bank's consent to the removal of the cash sweep mechanism, subject to the repayment of €1.5 million, to be made with proceeds from the Offering allocated for the partial repayment of bank loans.

The loan bears interest at a three-month EURIBOR rate plus an applicable margin, paid on a quarterly basis.

The loan is secured by: (i) real estate mortgages over the Olympia property, including its land and buildings, as well as a prohibition against selling, letting, transferring or encumbering the rights over Olympia property; (ii) a corporate guarantee provided by Fredisius Limited; (iii) a movable security interest over all shares issued by Olympia; (iv) an assignment agreement over receivables arising from agreements related to Olympia assets: pre-lease and lease / occupancy agreements, the construction agreement, the operation and maintenance agreement, hedging agreements and any other agreements creating a form of security interest from which the borrower benefits from time to time; (v) a movable security interest over shares of Fredisius Limited; (vi) a pledge over Olympia's bank accounts opened with Alpha Bank Romania S.A.; and (vii) an insurance assignment agreement in respect of Olympia policies.

The agreement contains provisions with respect to the maintenance of financial ratios including: Interest Service Cover Ratio (both forecast and historic) of at least 1.25:1, a Loan to Value Ratio of maximum 72% and a percentage of total net rentable area of the building (i.e. Olympia Tower) that is leased to non-defaulting tenants of at least 62%. The agreement also includes provisions that are commonly encountered in loan agreements of this type with respect to certain events of default including without limitation non-payment, breach of obligations under the agreement, misrepresentation, cross-default provisions in the event of certain events of default, changes in the shareholding structure, breach of financial ratios, the insolvency of the sponsor or of any other major parties in respect of Olympia, revocation of project authorizations, breach of environmental requirements or occurrence of litigation affecting the project. The agreement contains provisions according to which 25% of the free cash flow can be distributed subject to meeting the financial covenants and occupancy above 90%. We applied for and, on August 8, 2013, received the bank's consent for the distribution of 100% of free cash flow, subject to the repayment of €1.5 million, to be made with proceeds from the Offering allocated for the partial repayment of bank loans.

The loan agreement contains change of control provisions. We applied for and, on August 8, 2013, received the bank's consent to a change of control.

As at June 30, 2013 the total outstanding amount under the loan was €14.2 million.

Credit Facility Agreement between Laroblue Investitii S.R.L. (subsequently merged into Astoria) and Marfin Bank (Romania) S.A. (Astoria)

On April 29, 2011 Laroblue Investitii S.R.L., as borrower, entered into a €2.7 million Romanian law governed facility agreement with Marfin Bank (Romania) S.A. as lender, and with Bluehouse Accession Project II Ltd., Bluehouse Accession Project VI Ltd. and Astoria as guarantors, to finance the borrower's acquisition of shares in Astoria. Through an amendment agreement dated February 17, 2012, Laroblue Investitii S.R.L. was replaced as borrower by Astoria, which became borrower under this agreement following the downstream merger of Laroblue Investitii S.R.L. into Astoria on September 9, 2011.

The maturity date of the loan is April 28, 2021. The loan principal is payable in monthly installments with a bullet payment upon maturity date. The loan bears interest at the three-month EURIBOR rate plus an applicable margin, paid on a monthly basis. We applied for and expect to receive before the completion of the Offering the bank's waiver of capital repayments for the next 24 months, subject to the repayment of €0.75 million, to be made with proceeds from the Offering allocated for the partial repayment of bank loans.

The loan is secured by: (i) a second ranking mortgage over the Astoria Business Center property, including its land and buildings, and a prohibition against selling, letting, transferring or encumbering rights over Astoria Business Center property; (ii) a first ranking assignment for security purposes of all present and future receivables of Astoria against present and future tenants of Astoria Business Center and of all the receivables of all sale and / or pre-sale agreements in relation to the Astoria Business Center; (iii) a movable security over the borrower's present and future current accounts with Marfin Bank (Romania) S.A.; (iv) a promissory note "in blank" issued by the borrower payable to the lender; (v) a first ranking assignment of all present and future receivables of the borrower from commercial agreements; (vi) an insurance assignment agreement in respect of Astoria's policies; (vii) corporate guarantees issued by Bluehouse Accession Project II Ltd., Astoria and

Bluehouse Accession Project VI Ltd., respectively; and (viii) a first ranking movable security interest over shares owned by Bluehouse Accession Project II Ltd. and Bluehouse Accession Project VI Ltd. in Astoria.

The change of debtors following the downstream merger was reflected in an amendment to the immovable mortgage over the Astoria Business Center property and registered with the relevant land book, while the rest of the security package was not updated to reflect such change. In the context of the downstream merger the security granted over the movable and immovable property of Laroblue Investitii S.R.L. was however transferred as a matter of law along with the transfer of the corresponding property to Astoria. Amendments to the documentation and the registrations in the Electronic Archive of Movable Security (the **Electronic Archive**) were needed for good order purposes only.

The loan agreement contains provisions that are commonly encountered in credit agreements of this type with respect to events of default, including among others, non-payment, breach of representations, warranties and other obligations under the agreement (with the applicability of certain remedy periods), contracting of any debt (except for that needed for the development of the borrower's day-to-day business) without prior written approval of the bank, cross-default provisions in case of certain events of default in agreements between the borrower and the lender, failure of the borrower to pay its debts as they become due and the insolvency of the borrower. The agreement also contains provisions that prohibit the borrower from distributing dividends without the prior approval of the financing bank. However we applied for and expect to receive the bank's consent before the completion of the Offering in respect of change of control and dividend distributions.

As at June 30, 2013 the total outstanding amount under the loan was €2.3 million.

Credit Facility Agreement between Astoria and Marfin Bank (Romania) S.A. (Astoria)

On April 29, 2011, Astoria, as borrower, entered into a €3.9 million Romanian law governed facility agreement with Marfin Bank (Romania) S.A. as lender and with Bluehouse Accession Project II Ltd., Bluehouse Accession Project VI Ltd. and Laroblue Investitii S.R.L. as guarantors, for the purpose of the payment of the residual purchase price for Astoria Business Center as well as for payment of Astoria's current liabilities.

The loan's final maturity date is April 28, 2021. The loan is and will be repaid in monthly installments with a bullet repayment upon maturity and bears interest monthly at a rate of three-month EURIBOR plus applicable margin, payable on a monthly basis. We applied for and expect to receive before the completion of the Offering the bank's waiver of capital repayments for the next 24 months, subject to the repayment of €0.75 million, to be made with proceeds from the Offering allocated for the partial repayment of bank loans.

The loan is secured by: (i) a first ranking immovable mortgage over the Astoria Business Center property, including its land and buildings, as well as a prohibition against selling, letting, transferring or encumbering rights over Astoria Business Center property; (ii) a first ranking movable security interest over shares held by Bluehouse Accession Project II Ltd. and Bluehouse Accession Project VI Ltd. in Astoria; (iii) a first ranking assignment for security purposes of all present and future receivables of the borrower against present and future tenants of Astoria Business Center and of all the receivables of all sale and / or pre-sale agreements in relation to the Astoria Business Center; (iv) a movable security over the borrower's present and future current accounts with Marfin Bank (Romania) S.A.; (v) a promissory note "in blank" issued by the borrower payable to the lender; (vi) a first ranking assignment of all present and future receivables of the borrower from commercial agreements against its clients; (vii) an insurance assignment agreement in respect of Astoria's policies; and (viii) corporate guarantees issued by Bluehouse Accession Project II Ltd. and Bluehouse Accession Project VI Ltd.

The agreement contains provisions that are commonly encountered in loan agreements of this type with respect to certain events of default and similar to the ones provided under the loan agreement with Laroblue Investitii S.R.L. described above, including without limitation cross-default provisions in case of certain events of default in agreements between the borrower and the lender or the insolvency of the borrower.

The agreement contains provisions that prohibit the borrower from distributing dividends without the prior approval of the financing bank. The agreement also contains change of control provisions. However we applied for and expect to receive the bank's consent before the completion of the Offering in respect of change of control and dividend distributions.

As at June 30, 2013 the total outstanding amount under the loan was €3.4 million.

Loan agreement between One BPS and Bulgarian Retail Services AD (One BPS)

On December 8, 2005, One BPS entered into a loan agreement with Eurobank EFG Bulgaria AD (subsequently assigned to Bulgarian Retail Services AD) for up to €4.2 million for the acquisition of 1 BPS.

The maturity date of the loan is June 8, 2016. The loan principal is paid in semi-annual installments with a bullet payment upon maturity date. The loan bears interest at six-month EURIBOR plus an applicable margin paid on a six-month basis.

The loan is secured by, among other things: (i) a mortgage over One BPS property, including its land and buildings; (ii) a pledge over the shares in the borrower One BPS; (iii) a pledge over receivables arising from the lease agreements concluded by One BPS in respect of Building 1 BPS; (iv) a pledge over One BPS's accounts; and (v) a promissory note issued by One BPS.

On July 23, 2010, One BPS entered into a Refundable Cap Transaction with Eurobank EFG Bulgaria AD in respect of this loan.

As at June 30, 2013 the total outstanding amount under the loan was €2.8 million.

Loan agreement between Bluebox 7, Hradec SRO, Bluebox 6 Znaim SRO, DDC Hradec Kralove SRO, DDC Znaim SRO and Deutsche Pfandbriefbank AG (Retail Park Hradec Kralove and Interspar Znojmo)

On May 16, 2012, Bluebox 7 Hradec s.r.o. and Bluebox 6 Znaim s.r.o., as well as DDC Hradec Kralove s.r.o., which ceased to exist as of July 4, 2013, following its merger into Bluebox 7, and DDC Znaim s.r.o., entered into a restated loan agreement of €24.2 million to refinance existing bank loans.

The maturity date of the entire loan is March 31, 2016, with optional extension to March 31, 2017 if certain financial conditions are fulfilled. The loan principal is amortized on a quarterly basis, subject to final repayment of the outstanding loan amount on the maturity date. We applied for and, on July 12, 2013, received the bank's consent to the waiver of capital repayments for the next 33 months, subject to the repayment of €4.3 million, to be made with proceeds from the Offering allocated for the partial repayment of bank loans. The loan bears interest at the EURIBOR rate for three-month deposits plus an applicable margin and costs (if any) paid on a quarterly basis.

The loan is secured by: (i) mortgages over Retail Park Hradec Kralove and Interspar Znojmo property, including land and buildings; (ii) pledges over all of the borrowers' bank accounts; (iii) pledges over all of the borrowers' receivables, including receivables under lease agreements, insurance policies and all monetary receivables under management agreements in respect of Retail Park Hradec Kralove and Interspar Znojmo; and (iv) pledges over all shares in the borrowers held by DDC Znaim s.r.o., Bluehouse Accession Project XI Ltd. and Bluehouse Accession Project XII Ltd.; and (vii) a subordination agreement entered into by Bluebox 7 Hradec s.r.o. Bluebox 6 Znaim s.r.o., DDC Hradec Kralove s.r.o., DDC Znaim s.r.o., Bluehouse Accession Project XI Ltd., Bluehouse Accession Project XII Ltd. and Deutsche Pfandbriefbank AG. On August 23, 2012, Bluebox 6, Bluebox 7, DDC Hradec Kralove and DDC Znaim entered into an Interest Rate Swap Transaction with Deutsche Pfandbriefbank AG in respect of 50% of this loan.

The obligations of the borrowers under the restated loan agreement and related documents are joint and several, and each of the borrowers is liable for and secures the obligations of the other borrowers.

The agreement contains provisions with respect to the maintenance of Interest Service coverage (120%) and Loan to value ratios (not more than 70% from March 31, 2014 to March 31, 2015; not more than 65% from March 31, 2015 onward). In addition, a prior written consent of the bank is required for any signing of a new lease agreement or a material modification or termination of an existing lease agreement with regard to a space of at least 400 square meters in Retail Park Hradec Kralove and Interspar Znojmo. The bank's consent may be refused only for material reasons such as tenant's financial standing and shall be deemed given if the bank fails to respond within 10 business days after receipt of a request for consent. The agreement also includes provisions with respect to certain events of default including non-payment, non-compliance with financial ratios, breach of representations, warranties or undertakings, invalidity or unenforceability of security, bankruptcy, moratorium, liquidation, any litigation over €500,000, change in maintenance or operation, materially affecting the value of property and cross-default provisions. The agreement required DDC Hradec Kralove and DDC Znaim to remain special purpose companies with the holding of the share capital in Bluebox 6 Znaim SRO and Bluebox 7 Hradec SRO, respectively, as their sole activity. The companies obtained the bank's consent for their respective mergers.

The agreement contains a change of control clause requiring the borrowers to be fully controlled and wholly owned by Bluehouse Accession Property III sub-fund A and sub-fund B. The borrowers applied for and, on July 12, 2013, received the bank's consent for the anticipated transfer of shares in Bluehouse Accession Project XI Ltd. and Bluehouse Accession Project XII Ltd., as well as the bank's consent for distributions of up to €4.3 million following the completion of the Offering and until December 30, 2016.

As at June 30, 2013 the total outstanding amount under the loan was €22.8 million.

Loan agreement between Helios-08 and Unicredit Bulbank AD (Baumax Pleven)

On June 29, 2010, Helios-08 entered into an investment loan agreement with Unicredit Bulbank AD for up to €5.8 million to finance the construction of Baumax Pleven. The loan was amended on February 22, 2012 when the company was acquired by Bluehouse Accession Project III Ltd. The maturity date of the loan is June 30, 2020. The loan principal is paid in monthly installments and a bullet payment upon maturity date. We applied for and, on August 12, 2013, received the bank's consent to the waiver of capital repayments for the next 24 months, subject to the repayment of €1.2 million, to be made with proceeds from the Offering allocated for the partial repayment of bank loans. The loan bears interest at a three-month EURIBOR rate plus an applicable margin paid on a monthly basis.

The loan is secured by, among other things: (i) a mortgage over the Baumax Pleven property, including its land and buildings; (ii) a pledge over the shares in the borrower Helios-08; (iii) a pledge over receivables arising from the lease agreement concluded by Helios-08 in respect of Baumax Pleven; (iv) a pledge over Helios-08's accounts; and (v) a pledge over Helios-08 as a going concern.

The agreement contains provisions with respect to the maintenance of financial ratios: Debt Service Coverage Ratio above 1.2 but in no case below 1.0 and Loan to Value ratio higher than 65%. The agreement also includes provisions that are commonly encountered in loan agreements of this type with respect to certain events of default including without limitation: delays in payment of the principal and/or interest, misrepresentations, initiating bankruptcy or winding-up procedure, foreclosure procedures by third parties for non-minor claims, lack of enough securities. The agreement also contains a restriction against the transfer of Baumax Pleven without the bank's prior approval and an obligation for the borrower to obtain the bank's consent for changes to the shareholding structure. We applied for and, on August 12, 2013, received the bank's consent to a change of control.

Helios-08 is able to use the funds which remain after the payment of liabilities under the loan and costs for maintenance at its discretion, provided that: (i) there is no breach of the financial conditions for DSRA and DSCR; (ii) the total rentable area of Baumax Pleven is effectively rented out; and (ii) the borrower regularly repays its liabilities under the loan agreement.

If the existing tenant leaves, any new rental contract must be coordinated with the bank and must meet the following minimum requirements: (i) lease term of at least five years; (ii) rental price equal to or higher than the prior rental price; and (iii) the new tenant must have good creditworthiness. Under the deed for the pledge over Baumax Pleven lease agreement receivables, amendments to the lease agreement require bank consent. We applied for and, on August 12, 2013, received the bank's consent to a change of control.

As at June 30, 2013 the total outstanding amount under the loan was €5.1 million.

Shareholder Loan Agreements

Certain of the Property Companies and their respective Individual Holding Companies are parties to shareholder loan agreements entered into to enable the initial acquisition of the properties that will form the Initial Portfolio by either the Property Companies or Individual Holding Companies. These loan agreements were negotiated on an arm's-length basis. The aggregate amount outstanding under such agreements as at June 30, 2013 was €42.0 million. We expect to purchase the shareholder loan agreements by way of assignment. The shareholder loan agreements do not contain any restrictions on dividend payments.

Other Financial Agreements

On November 22, 2012 Bluehouse Accession Project X Limited, as purchaser entered in a share purchase agreement with STODIEK'S Beteiligung II. S.á.r.l for the acquisition of all shares in Odiny Investments S.á.r.l., the sole shareholder of Infopark E Kft, the owner Infopark E. In connection with the share purchase agreement, Bluehouse Accession Project X Limited issued a promissory note up to an amount of €3.5 million (€2.0 million of which is outstanding as at June 30, 2013) as a security in respect of the withheld amount for the benefit of the seller. The obligation under the promissory note will be indirectly assumed by us at the time that the SSPLAA relating to Infopark E is executed. This obligation has been taken into account when determining the consideration to be paid under this SSPLAA.

Rental Guarantee

We entered into a rental guarantee agreement with Bluehouse Accession Property Holdings III Sarl for a three year priod after the Offering in respect of Baumax AG, the sole tenant of Baumax Pleven and a key tenant of Retail Park Hradec Kralove. In consideration for our entering into the SSPLAA for each property, Bluehouse Accession Property Holdings III Sarl will guarantee the punctual performance by Baumax AG of its obligations under the respective lease agreements. Should the tenant breach an obligation under a lease agreement, Bluehouse Accession Property Holdings III Sarl will pay to us any amount due as a result. Should the tenant terminate a lease agreement during the period in which this guarantee is in force, Bluehouse Accession Property Holdings III Sarl will pay to us each month the amount owed by the tenant, or the difference between that amount and any amount paid to us by a new tenant. Bluehouse Accession Property Holdings III Sarl will also indemnify us against any liability or costs, including legal costs, that we may suffer as a result of any breach by the tenant.

Bluehouse Accession Property Holdings III Sarl's obligations are distinct from those of the tenant and will not be affected by any defense or counterclaim that the tenant may have in respect of its obligations under the lease agreements. The obligations are enforceable against, and recoverable from, Bluehouse Accession Property Holdings III Sarl as though incurred by Bluehouse Accession Property Holdings III Sarl and will be performed or paid by Bluehouse Accession Property Holdings III Sarl at our demand. The rental guarantee agreement is valid for three years from the date of signing. The aggregate liability of Bluehouse Accession Property Holdings III Sarl under each agreement shall not exceed the total amount of rent owed to us by the tenant under the lease agreements over that period.

Marketing

Capitalizing on the management's track record and its long-term presence in the Emerging Europe real estate market, we intend to enhance our business and reputation and consequently create significant informal marketing channels for us through our relationships with various key players. Additionally, we will benefit from our strategic relationship with Bluehouse by capitalizing on Bluehouse's international profile and leverage their infrastructure, including their established, reliable network across Emerging Europe. Because we typically have long-term leases and relationships with our tenants, our business operations do not require substantial formal marketing activity. With regard to vacant leasable space in our portfolio and potential property disposals, we intend to advertise as necessary in relevant trade magazines and major daily newspapers. We also intend to regularly place full-page advertisements in relevant trade magazines and participate in real estate conventions and exhibitions, with the intent to maintain and enhance our corporate profile.

Competition

As one of the leading real estate investment companies in Emerging Europe, we believe that our business strengths and our highly skilled and experienced management and investment teams, provide, among other benefits, a competitive advantage in identifying and capitalizing on investment opportunities within Emerging Europe's commercial real estate markets. Additionally, we expect to benefit from the high barriers to entry within the markets in which we will operate.

We expect to face continuing levels of competition for tenants from other property investors, mainly banks, pension funds and insurance companies. We compete with these property investors for tenants, and, to a lesser degree, for property acquisitions. Our strategic relationship with Bluehouse provides us with the additional advantage of our Right of First Offer Agreement, under which Bluehouse will provide us with the right of first offer for pipeline for high-quality office and retail park income producing opportunities for properties that have the following criteria: (i) occupancy exceeding 95%, (ii) GLA-weighted average remaining lease duration exceeding five years and (iii) LTV of less than 50%. Our right of first offer provides a strategic advantage through which we can identify and evaluate properties with characteristics that will advance our larger business strategy. See "*Our Relationship with Bluehouse*."

With regards to investment opportunities in line with our primary investment objectives (see "*Our Business*"), our main current competitor in the Romanian real estate market is New Europe Property Investments plc (NEPI), a listed company in the AIM market of the London Stock Exchange (share code NEPI) and the Bucharest Stock Exchange (share code NEP) focusing currently on Romania. Thus, we expect to compete with NEPI for real estate investment opportunities exclusively in Romania and we do not expect any competition from them in the other countries where we operate. Additionally, there are real estate investment companies listed on the Bulgarian Stock Exchange which are subject to the geographic investment restriction requirement in order to obtain the Bulgarian REIT status, to invest only Bulgaria. These listed companies are undercapitalized and focus mainly on developments of residential and leisure properties. Finally, with regards to Hungary and the Czech Republic, there is no significant competition from REITs or REIT-like companies. Any competition in these countries may be considered to be driven by real estate investment and development companies. However, these companies are undercapitalized, focus mainly on debt restructuring and legacy issues with respect to their real estate portfolio of buildings and land under development acquired at the peak of the market.

Additionally, we believe that the real estate markets within Emerging Europe are at an early stage that will provide room for future development and stable, income-oriented investments.

Employees

We believe experience and knowledge are fundamental to our business and Emerging Europe's real estate markets. Accordingly, we aim to attract, train, motivate and retain talented personnel.

Following the completion of the Offering, we expect to employ five employees. In 2010, 2011 and 2012, the Group members did not have their own employees, as they were relying on services provided by external contractors.

As of the date of the document, there are no trade unions either in the Company or in any other Group member, and no collective labor agreements or social agreements are in force.

Information Technology

Pursuant to our Transitional Services Agreement, Bluehouse will provide us with our IT infrastructure and related services.

Offices

Our headquarters are located at Muiderstraat 9f, 1011PZ, Amsterdam, the Netherlands. We will also maintain an office in Prague, the Czech Republic at Václavské náměstí 17/834, provided under the Transitional Services Agreement with Bluehouse.

Insurance

We expect to maintain insurance in such amounts and with such coverage and deductibles as we believe are reasonable and prudent. This insurance includes coverage of the following areas: property insurance, liability insurance and professional liability for directors and officers. Depending on each case the insurance policies cover employees, subcontractors, customers, damage to buildings and equipment, environmental damage, business interruption, damage from terrorist acts and several other risks in coordination with the insurance policies held by tenants. Additionally, six of the nine properties in the Initial Portfolio have title insurance, and title insurance for the remaining properties (Victoria Center, Olympia Tower and 1 BPS) is in process. The values covered are in line with the replacement costs for each Property and the insurers are reputable top of the market firms. We believe that we will have insurance coverage in place that is similar to insurance coverage maintained by other real estate investment companies in the regions where we operate.

Legal Proceedings

We may from time to time become a party to claims and lawsuits incidental to the ordinary course of our business. However, no member of the Group has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) during the past 12 months which may have, or have had during the recent past, significant effects on the Company and/or Group's financial position or profitability.

Environment

We are not aware of any environmental issues that could materially affect the utilization of our investments or properties in the Initial Portfolio. As part of our investment process, we conduct customary environmental reviews similar to reviews conducted by other real estate investment companies in the regions in which we will operate. We believe each property within the Initial Portfolio is characterized by sustainability, and we expect to manage each property by implementing appropriate business criteria and practices consistent with a "green," environmentally sound method, including energy efficiency and responsible waste disposal. These environmentally sustainable practices and policies are designed to enhance our strategy to hold properties long-term and to minimize the risk of future environmental hazards and problems.

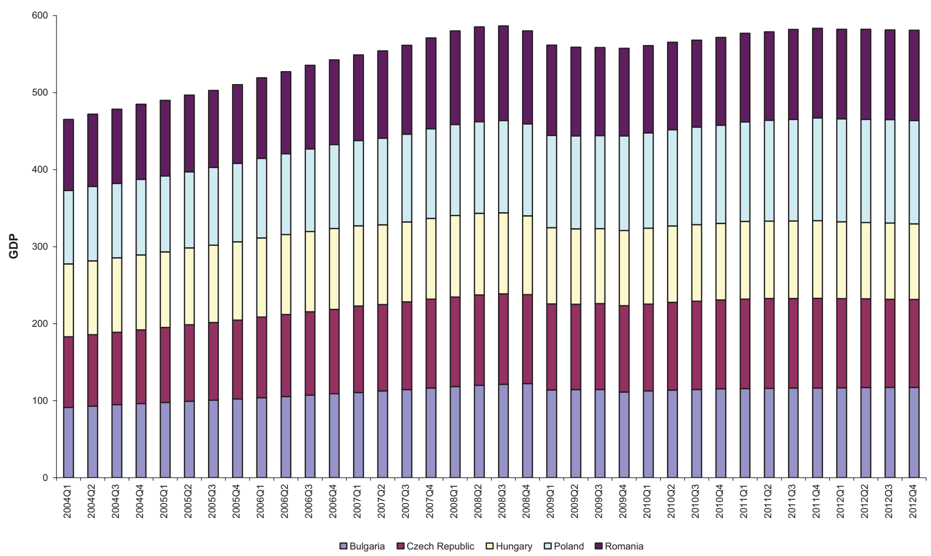
The information presented in this section has been extracted from publicly available documents and information. The source of external information is always given if such information is used in this section. While reviewing, searching for and processing data, external sources such as data providers, real estate reports and government publications have been used.

Unless otherwise indicated, macro-economic information relating to Bulgaria, the Czech Republic, Hungary, Romania and other Emerging European market countries (such as gross domestic product, inflation rates, unemployment rates and consumer spending) are derived from the publications of the European Commissions' European Economic Forecast (Winter 2013), KPMG (European Real Snapshot Spring 2013) and the National Statistics Institutes of countries listed.

Statistical and quantitative statements relating to Bulgaria, the Czech Republic, Hungary, Romania and other Emerging European real estate markets (such as rental rates, occupancy and vacancy rates, annual yields and the number of square meters under development) are based on published commentary and statistical data released by BNP Paribas Real Estate, DTZ, JLL, CBRE, Colliers and Forton or information obtained from other independent third parties.

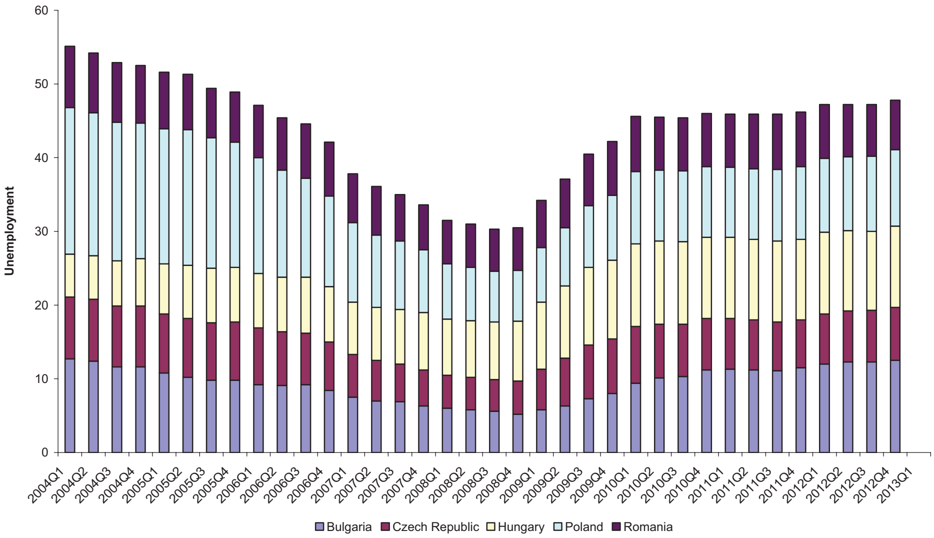
Emerging Europe Economic Market Overview

Commercial economic activity in the EU has only recently begun to accelerate. In Bulgaria, the Czech Republic, Hungary, Poland and Romania, GDP has yet to reach pre-2008 levels, as indicated in the table below.



Source: Eurostat

Unemployment has remained relatively stable since 2010.



Source: Eurostat

Financial market conditions have steadily improved in the European Union since the summer of 2012, and in general market participants are beginning to regain confidence. In 2013, external demand is set to be the main driver of the projected European stabilization. Domestic demand is partly constrained due to weak labor markets in Eastern Europe but it is expected to become the main driver of gross domestic product growth and economic strengthening by 2014 (Source: European Commission, European Economic Forecast Winter 2013).

Emerging Europe Real Estate Market Overview

The Eurozone is the key export market in Emerging Europe. Slow growth, and in some Eurozone countries, economic decline, has stalled immediate growth prospects for Emerging Europe and consequently influenced the performance of the real estate market in 2013 (Source: KPMG, Real Snapshot Spring 2013).

Office Market

The economic uncertainty affecting Europe continues to prevent any notable recovery in office rents and is expected to continue in 2013. On the other hand, the shortage of prime office space in some Emerging European markets is likely to become the driver for an upturn in the rental market once occupier confidence returns (Source: KPMG, Real Snapshot Spring 2013).

In Emerging Europe rents remained stable or only marginally decreased in 2012. It therefore appears that rents are bottoming out. It is expected that rents will remain stable, at least over the short term, while recovery is expected no earlier than the second half of 2013. Landlords are also more willing to offer incentives in an effort to prevent a further reduction in rents. Notable rent increases are only expected once economic activity improves and, even then, only in the major capitals (Source: KPMG, Real Snapshot Spring 2013).

Retail Market

The retail market has also been affected by the economic downturn in Europe, although it has remained relatively stable over the last quarter of 2012 and first quarter of 2013. The decrease in consumer spending precipitated by the downturn has limited demand for new retail space, resulting in little fluctuation in retail stock.

Despite the unfavorable economic environment, there are a number of projects that will be completed in 2013 and 2014, demonstrating some inherent confidence amongst investors and developers in the recovery of the retail market (Source: KPMG, Real Snapshot Spring 2013).

Romania

Macroeconomic Commentary

At 0.2%, Romania's growth in 2012 was flat. Against a backdrop of decreased economic activity, further fiscal tightening is expected to be a key challenge for the government in 2013 and beyond.

Employment growth and hikes in public sector wages have increased labor costs and fuelled demand pressure. These developments, coupled with rising food prices and a sharp depreciation of the RON in the summer of 2012, have resulted in inflation. The deceleration in gross domestic product growth and lessening domestic demand will create additional fiscal policy challenges (Source: European Commission, European Economic Forecast Winter 2013).

Gross Domestic Product

The economy performed poorly in 2012 due to inconsistent economic policy, political instability, weak economic fundamentals and a poor harvest. Gross domestic product increased by 0.2% in 2012, less than the 2.2% growth that Romania experienced in 2011. The primary positive contributions to gross domestic product were driven by construction and administrative services. The slow growth in 2012 reflects the risks that still threaten the recovery of the real estate market (Source: European Commission, European Economic Forecast Winter 2013).

Foreign Direct Investment

The difficult international economic environment negatively influenced foreign direct investment in Romania. During 2012, total foreign direct investment reached only €1.6 billion, while during 2011 the total amount reached €1.83 billion (Source: EC Eurostat, *http://epp.eurostat.ec.europa.eu/portal/page/portal/eurostat/home/,* accessed April 2013).

Unemployment and Spending Power

The average unemployment rate, as a percentage of the total labor force, reduced from 7.3% during 2012 to 7.1% at the end of the first quarter of 2013.

After adjustments in the labor market, mainly in the state-owned sector, the average salary earnings showed an increasing trend during 2012. Although in nominal terms, and denominated in national currency, the increase in salaries was 5%, in real terms purchasing power decreased due to inflation and the weakening of the RON against the euro. The net average monthly salary varied between 1,467 RON (€338) in January and 1,697 RON (€391) in December 2012 (Source: EC *Eurostat, http://epp.eurostat.ec.europa.eu/portal/page/portal/eurostat/home/*, accessed April 2013).

Pressure on the local currency remains high. As a consequence, the local currency slightly depreciated during 2012 from a monthly rate of 4.34 RON/euro in January 2012 to 4.55 RON/euro in October 2012, before returning to 4.39 RON/euro in June 2013.

The Harmonized Index of Consumer Prices fell from 4.1% in May 2012 to 2.9% in August 2012 and then rose up to 3.9% in March 2013. The main factors that generated the increase of inflation were the poor harvest in 2012 and the depreciation of the national currency in mid-2012, which resulted in an increase in prices for imported goods and services (Source: National Institute of Statistics Romania).

The decrease of purchasing power recorded after 2008 was reflected in the significant drop of retail sales. Retail sales continually decreased from 2009 through to 2011 and the slow recovery that started in 2012 is far from recovering the losses generated by the economic crisis (Source: EC Eurostat, *http://epp.eurostat.ec.europa.eu/portal/page/portal/eurostat/home/*, accessed April 2013).

Romania—Key Economic Indicators

Bucharest Office Market

The market details presented below are from market reports prepared by CBRE and BNP Paribas Real Estate.

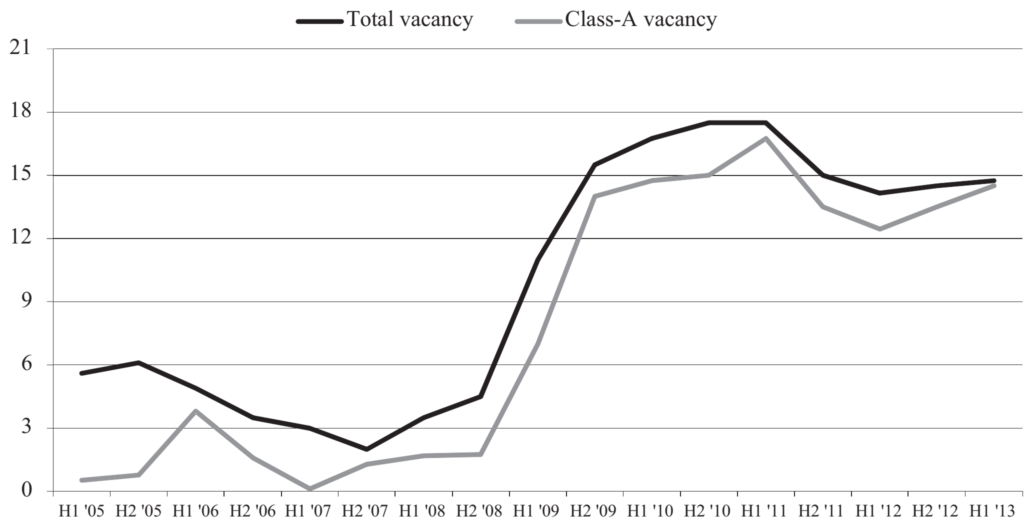
Demand

The total volume of leasing transactions in the second quarter of 2013 amounted to 68,800 square meters. This brought leasing activity in the first half of 2013 to almost 130,000 square meters. According to market data released by CBRE, leasing activity is predicted to reach approximately 250,000 by the end of 2013, which could mean the highest level of leasing activity over the last five years in Bucharest.

In the second quarter of 2013, leasing activity was comprised of 67% lease relocations, 19% lease expansions and 14% new leases. No pre-leasing activity took place in the second quarter of 2013. In the first half of 2013 the Central Business District of Bucharest accounted for 86% of all leasing activity. Other active submarkets in this period included Pipera with 35% of leasing activity and North with 29% of leasing activity.

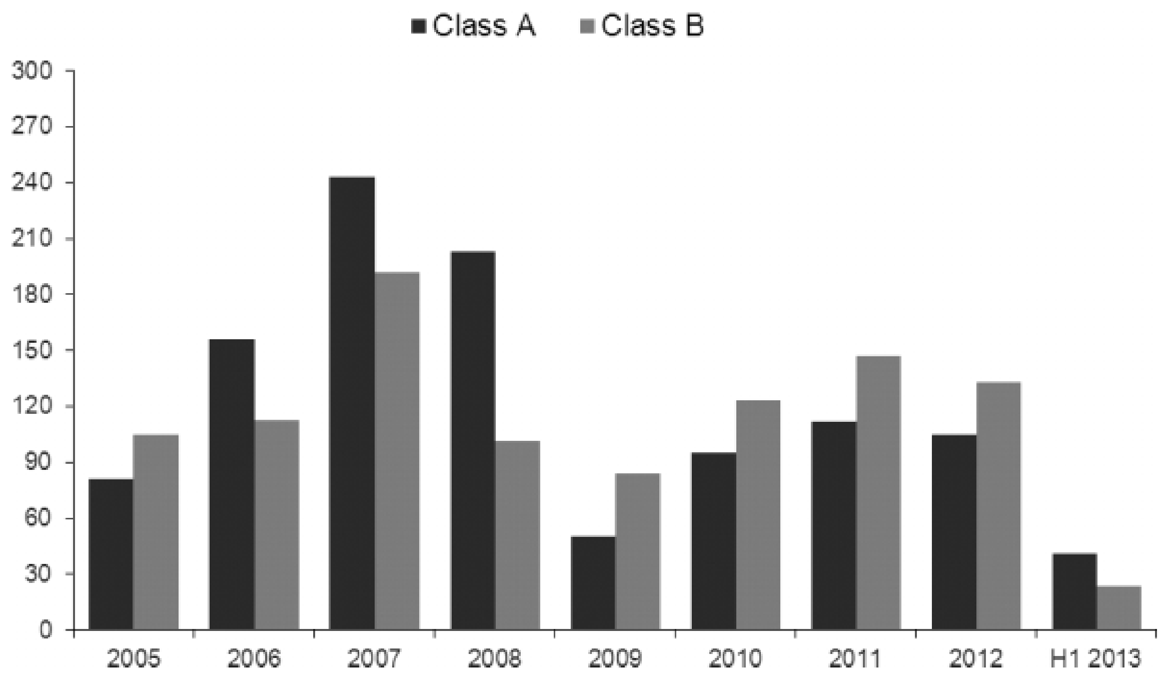
Vacant modern office space in Bucharest at the end of the second quarter of 2013 stood at 337,000 square meters, representing 15.1% of modern stock. There were substantial variations in vacancy in Bucharest depending on the office submarket. As at 30 June 2013 the West submarket had the lowest vacancy rate at below 5%. Vacancy rates in the Central Business District and Center submarket have been decreasing in recent quarters and stood at 8% and 11.8%, respectively, as at 30 June 2013. The majority of vacant space is located within poorer quality locations or within buildings that do not meet tenants' quality requirements (Source: CBRE Bucharest Office Market View—The second quarter 2013).

OFFICE VACANCY RATES (%)



Source: BNP Paribas Real Estate Romania

OFFICE TAKE UP ('000)



Source: BNP Paribas Real Estate Romania

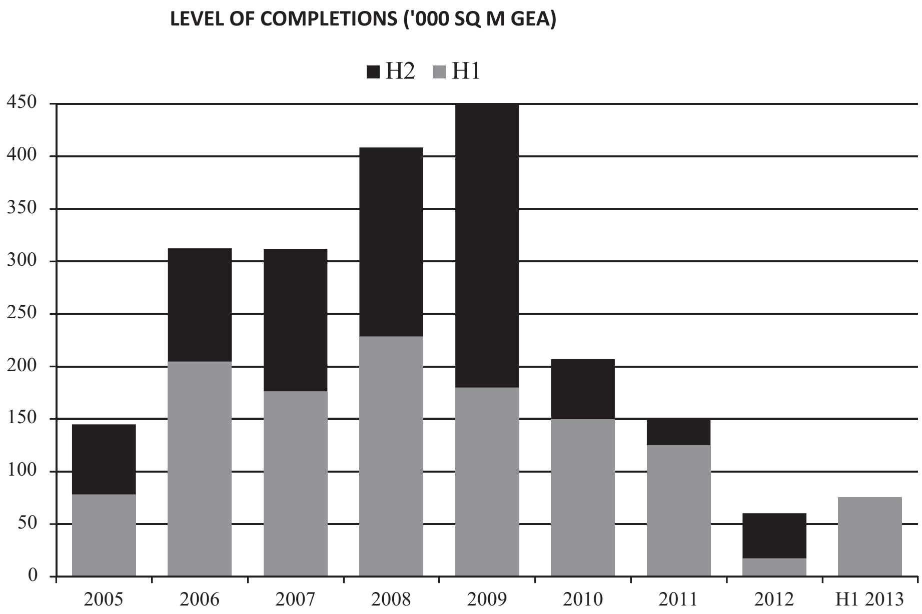
One of the trends during 2011, 2012 and 2013 has been the willingness of landlords to offer significant incentives to secure current tenants and to renew their leases. In such cases landlords offer incentives such as rent-free periods or rent reductions with the aim of keeping tenants and not losing them to newer competing projects (Source: BNP Paribas Real Estate Research).

Supply

As at 30 June 2013, total office stock was 2.67 million square meters (measured by gross area). Only two small-sized office buildings were delivered in the second quarter of 2013, namely CSDA Siriului, which is 3,600 square meters and Armand Calinescu OB, which is 3,500 square meters.

In the first half of 2013, development activity in Bucharest increased from 60,000 square meters in 2012 to approximately 75,500 square meters. Developers are still continuing to rely on pre-lets before commencing construction. However, a limited number of speculative projects are now to be found in the prime Bucharest office locations. Approximately 50,000 square meters of office projects are due to be completed by the end of 2013.

Buildings under construction to be delivered in 2014 amount to some 48,700 square meters, which would represent the lowest level of completions since 2000. 30% of under-construction schemes are located in the West office submarket of Bucharest (CBRE Bucharest Office Market Review—The second quarter 2013).



Source: BNP Paribas Real Estate Romania

Rents

In the first half of 2013, headline rents for prime Grade A offices remained stable, as it did in 2012 and 2011, between approximately €18.00 and €19.50 per square meter per month due to sustainable demand and slow development activity that balanced the downward pressure on rents exercised by tenants.

The first half of 2013 witnessed rental stability in all office submarkets. Rents for centrally located Grade B offices fluctuated between €13.00 and €16.00 per square meter per month, while in secondary areas rental levels generally ranged between €10.00 and €12.00 per square meter per month. Although peripheral submarkets still recorded a high rate of vacancy, rental levels remained unchanged at between €7.00 and €9.00 per square meter per month, with offices located in the western peripheral submarket at the upper limit of the range.

Service charges for Grade A offices varied between €3.50 and €4.50 per square meter per month, while service charges for Grade B projects varied between €2.50 and €3.50 per square meter per month (Source: BNP Paribas Real Estate Research Romania).

Investment

The investment market in Romania continued to be very slow in the first half of 2013 with only one notable investment transaction, which was the sale of the Lakeview office building. There is concern from investors of an office market oversupply and the increasing level of incentives given to tenants (Source: CBRE Bucharest Office Market Review the second quarter 2013).

Total property investment in Bucharest in 2012 was significantly lower than in 2011, totaling approximately €127 million, with office investment accounting for €60 million. The main reason for low investment volumes was the uncertainty created by the ongoing recession and lack of financing. As domestic Romanian capital is limited and local bank financing for real estate purchases is severely constrained, foreign investors dominate the market. Local market sentiment in 2013 has improved slightly and investors are showing an increase in confidence. However, investment volumes remain low.

Some institutional funds have reconsidered their position on the Romanian market and are now beginning to look towards becoming investors in the Romanian market again, following a period in which the market was exclusively dominated by opportunistic funds. Major investors have focused their interest predominantly on the office market in Bucharest, particularly on Grade A accommodations or the regional retail market.

Yields for prime offices with strong tenant covenants remained stable in 2012, between 7.5% and 8.3%. This stability reflected the balance between the scarce supply of prime buildings with strong tenant covenants and lack of finance. Yields are unlikely to move during the first half of 2013, particularly if the economic environment remains comparable to 2012, and the fundamentals of the office market will not record significant improvements (BNP Paribas Real Estate Research Romania).

Bulgaria

Macroeconomic Commentary

Despite the worsening external backdrop, gross domestic product grew by nearly 0.8% year-on-year in 2012. A rise in personal consumption was the main driver of growth, supported by a recovery in real earnings. As a result of robust domestic demand and falling external demand, net exports have weighed on growth and the current account has moved from surplus to a small deficit. However, the deficit remains fully financed by inflows of foreign direct investment.

Political

On February 20, 2013, Bulgaria's Prime Minister Boyko Borissov was forced to resign as protests against inflation and low wages turned violent. Following the protests, the State Energy and Water Regulatory Commission announced that it would cut electricity prices by an average of 7%.

In parliamentary elections held on May 12, 2013, the conservative GERB party of Boyko Borisov, Bulgaria's former prime minister, received the most votes, but fell far short of a majority and lacked coalition options.

Gross Domestic Product

In 2012, the Bulgarian economy remained stagnant. This is highly correlated with the general trend within the EU, which is Bulgaria's biggest and most important business partner. Real GDP growth in 2012 was 0.8%, down from 1.7% in 2011 (Source: European Commission, European Economic Forecast Winter 2013). In terms of production, real growth was 3.5% in the agriculture and forestry sector, 1.9% in the mining and quarrying sector and 1.8% in the wholesale and retail trade sector. These sectors demonstrated the biggest real growth year-on-year (Source: Elta Consultant OOD).

In January 2013, industrial production recorded its fastest rise in 20 months, increasing by 7.9% from the same month in 2012.

Gross domestic product growth is projected to recover gradually to 1.4% in 2013 and to 2.0% in 2014. The recent growth pattern is forecasted to continue, with domestic demand leading the recovery.

Domestic Demand

The high growth of exports at 8.9% compared to imports at 2.6% boosted Bulgaria's trade deficit from €2.2 billion in 2011 to €3.6 billion in 2012. Net exports are expected to continue to decrease in 2013 and, to a lesser extent, in 2014. Exports are forecast to benefit from the expected gradual recovery in the EU markets, and in 2013 and 2014 imports are set to grow even faster due to the revival of household consumption and investments. The current account is, therefore, forecast to be in a deficit of 2% of gross domestic product by 2014 (Source: EC Eurostat, *http://epp.eurostat.ec.europa.eu/portal/page/portal/eurostat/home/*, accessed April 2013).

The average income per capita in Bulgaria increased by 14% year-on-year to €2,157 in 2012. At the same time average total spending per capita increased by 7% year-on-year to €2,018. Consumer spending per capita increased by 13% year-on-year to €1,694.

In 2012 there was a 34% increase in savings deposits and a 29% increase in debt repayment. Spending in recreation, house furnishing and maintenance, clothing and footwear and transport all registered growth in excess of 2% year-on-year.

Recent monthly data from the banking sector suggests the continuation of a downward trend in both deposit and lending interest rates, which is expected to lead to a modest growth in credit and support investment and consumption.

Household consumption is forecast to expand further in 2013 and 2014, assuming a continuous increase in real incomes and a gradual recovery in household confidence. Investment would be initially driven by public sector projects funded by the EU. Private sector investment is expected to pick up gradually (Source: European Commission, European Economic Forecast Winter 2013).

Employment

Despite the modest gross domestic product growth, the labor market has remained weak, with employment down by more than 4% in 2011 and by almost 2% in 2012. Unemployment rose to above 12% of the labor force in 2012. Employment declined, particularly among low-skilled employees, in poorer regions and in construction-related sectors. Skill and geographical mismatches as well as long-term unemployment have risen, which indicates that unemployment has become increasingly structural. While employment trends have been weak, growth in wages and unit labor costs has been relatively strong and is expected to remain strong. Wages are increasing due to several factors, notably by wage convergence pressures from the lowest levels in the EU and by labor market mismatches (Source: European Commission, European Economic Forecast Winter 2013).

Inflation

The Harmonized Index of Consumer Price inflation peaked in the third quarter of 2012 at 3.0% year-on-year, reflecting hikes in global energy, food and certain administrative prices. Nevertheless, core inflation (excluding energy and unprocessed food prices) has remained more moderate at slightly above 1% year-on-year. Headline Harmonized Index of Consumer Prices inflation is expected to level off at 2.6% in 2013 and 2.7% in 2014 (Source: European Commission, European Economic Forecast Winter 2013).

Core inflation is projected to pick up given the rise in unit labor costs, the steady recovery in household demand and the ongoing convergence of domestic prices towards EU averages (Source: European Commission, European Economic Forecast Winter 2013).

Bulgaria Key Economic Indicators

Sofia Office Market

The market commentary information, data and research presented below has been sourced from market reports prepared by MBL (an affiliate of CBRE), Forton (an Alliance company of Cushman & Wakefield), Colliers Bulgaria, Elta Consultant OOD and PMR company.

The bulk of new office projects in Sofia are developed in peripheral locations, often alongside major highways. Examples of such locations are Tsarigradsko Shosse, Nikola Vaptsarov Boulevard and Bulgaria Boulevard (Source: Elta Consultant OOD). The main drivers of the market continue to be international companies that are starting or expanding their operations in Bulgaria, particularly in the pharmaceutical and IT sectors. Examples include Ingram Micro, which leased space at ETC Tsarigradsko Boulevard, and the clinical research company PPD, which rented space in Megapark.

Vacancy rates in Sofia stood at 31% as of the end of the second quarter of 2013, posting a consecutive quarterly decline. The decline in vacancy is a result of the slowdown of development activity and, in turn, restricted new office supply. Non-central locations and office buildings along the entrance boulevards to Sofia have relatively stable vacancy rates at around 20% to 22% as of the second quarter of 2013. Business clusters such as Tsarigradsko Shose Boulevard, Business Park Sofia, Nikola Vaptsarov Boulevard and Bulgaria Boulevard register vacancy rates at approximately 20% (Source: Forton Bulgaria Office Market Research—The second quarter 2013).

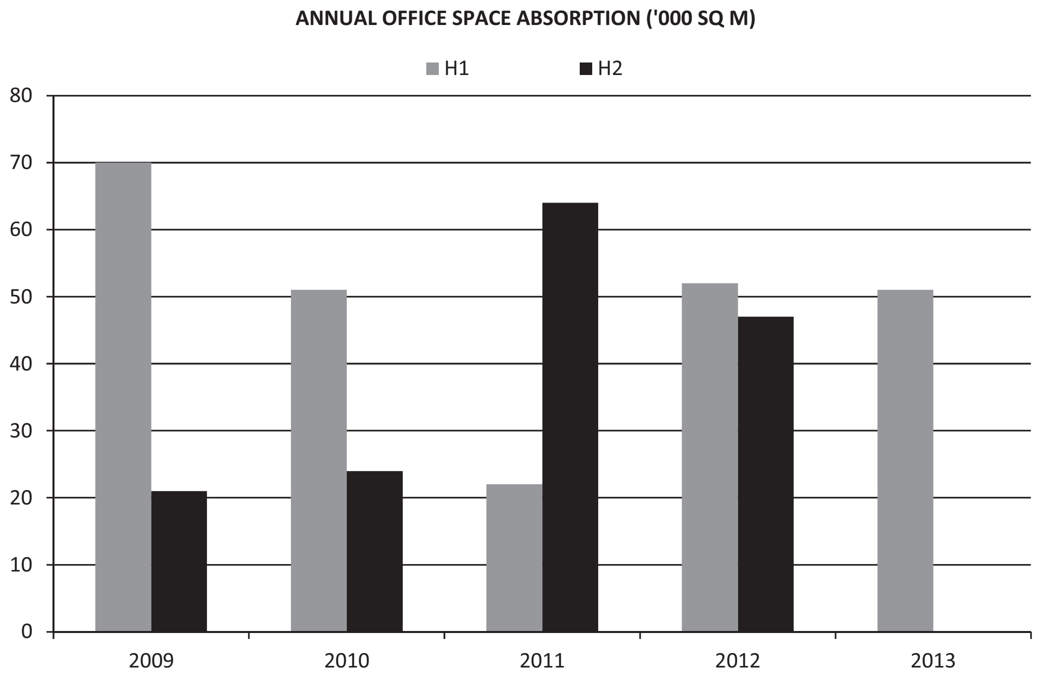
A survey of vacancy rates of a select ten office developments by Forton in the second quarter of 2013 showed strong take up and compression of vacancy rates in Sofia's best office buildings. Furthermore, half of the buildings in this survey had single-digit vacancy rates.

Demand

In the second quarter of 2013, leasing of office space was 61.5% less than the first quarter of 2013 at 14,100 square meters. The main reason for this sharp fall was the comparatively high level of take up in the first quarter of 2013. Total absorption volume in the first half of 2013 was approximately the same as that of the first half of 2012 (Source: Forton Bulgaria Office Market Research—The second quarter 2013).

The trend for tenants in Sofia is to move from substandard space to Grade A or Grade B buildings as rental rates are attractive in comparison to historic rents. Until 2011, demand was focused on the central business district and the area around Business Park Sofia. However, in 2012 there was increased interest in non-central and peripheral locations offering easy access to the city center with higher parking ratios. These areas include Tsarigradsko Shosse Boulevard, Bulgaria Boulevard, Nikola Vaptsarov Boulevard and Sofia Airport.

Companies from the professional services and IT sectors were the main market drivers with 40% and 35%, respectively, of all leases in the fourth quarter of 2012. The single largest deal in the fourth quarter of 2012 in Sofia was 7,400 square meters (Source: Forton Bulgaria Office Market Research—The fourth quarter of 2012).



Source Forton: Bulgaria Office Market Research—The second quarter of 2013

Supply

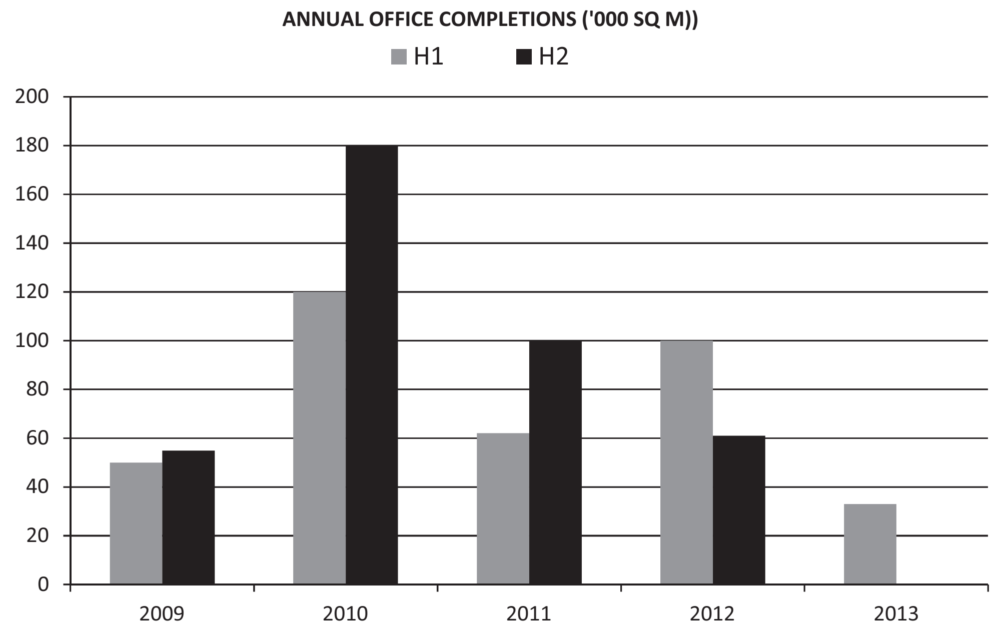
In Sofia, at the end of the second quarter of 2013, modern office stock reached 1,618,100 square meters (Source: Forton Bulgaria Office Market Research—The fourth quarter 2012). Sofia can be described as having a 3 tier market as follows:

- **City Center:** In the city center, with little development of new space, the immediate demand for modern offices cannot generally be satisfied. This has led to companies relocating out of the center or remaining in existing space.

• **Non Central:** This zone is within 6 kilometers from the city center. Good and well-designed schemes are experiencing falling vacancy and increasing demand as of the second quarter of 2013, whilst poorer schemes are struggling to secure tenants. For example, Polygraphia Business Center and European Trade Center were more than 90% leased as at the end of the second quarter of 2013, whilst schemes with very large floor plates such as Serdika and Megapark had high vacancy levels.

• **Periphery:** These predominantly include buildings around Sofia Airport, the southern part of Tsarigradsko Shose, Lyulin and the Sofia Ring Road close to Mladost. Buildings in this area often have very high vacancy rates at above 60% and low rents. High vacancy is often a result of poor design and lack of amenities. There is, however, a trend for large companies to take advantage of low rents and relocate to this zone. Examples include Postbank and Alpha Bank.

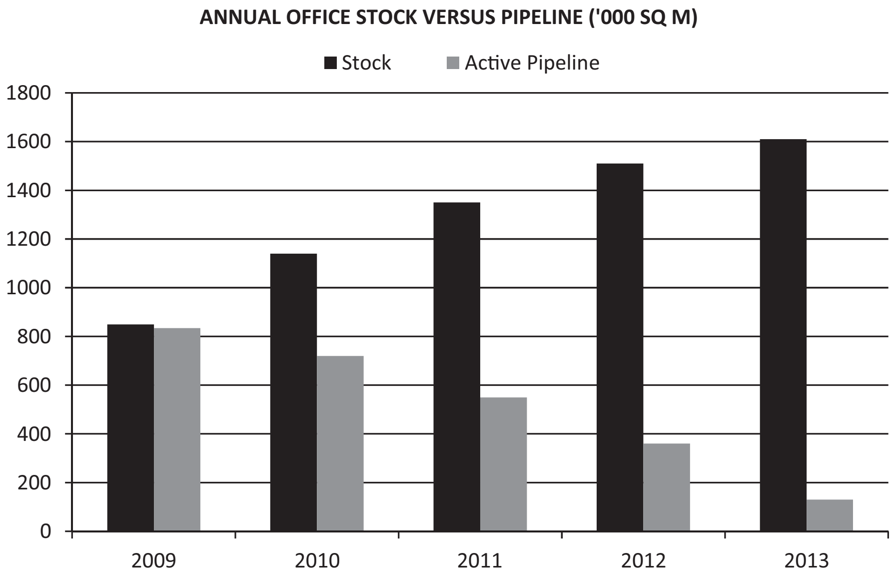
Completions in the second quarter of 2013 were very low at 10,000 square meters, with no new deliveries from April to June 2013. During the second quarter of 2013, space delivered to the market was only from three projects. Completion volumes decreased by 47% in the first quarter of 2013 and 58% less than the fourth quarter of 2012. The first half of 2013 marked a 63% decline in completed office volumes. In 2014, a trend of limited completions of new space is expected to continue (Source: Forton Bulgaria Office Market Research—The second quarter 2013).



Source: Forton Bulgaria Office Market Research—The second quarter 2013

As of the end of 2012, only 90,000 square meters of new space was under construction in Sofia. In contrast, in the first half of 2011, there were more than 500,000 square meters of completions.

Four projects may be completed in 2014, depending on the ability of the developers to finance construction works and their trust in the market. Buildings include the Capital Fort Tower office block on Tsarigradsko Boulevard, City Tower in Macedonia Square and Millennium Center. These four projects alone will add 100,000 square meters to the rental market in Sofia (Source: Forton Bulgaria Retail Market Research—The first quarter 2013).



Source: Forton Bulgaria Office Market Research—The second quarter 2013

Rents

Grade A projects in the central business district are usually offered at headline rents of between €10.00 and €12.00 per square meter per month, while prime non-central projects have asking rents between €6.00 per square meter per month and €9.00 per square meter per month or higher for preferred locations such as near the airport.

Service charges are in the range of between €1.50 and €2.50 per square meter per month, depending on the quality of the project. Most of the premises have an open book service charge policy, which means actual costs are passed on to tenants without any added uplift or profit margin on service charges from landlords.

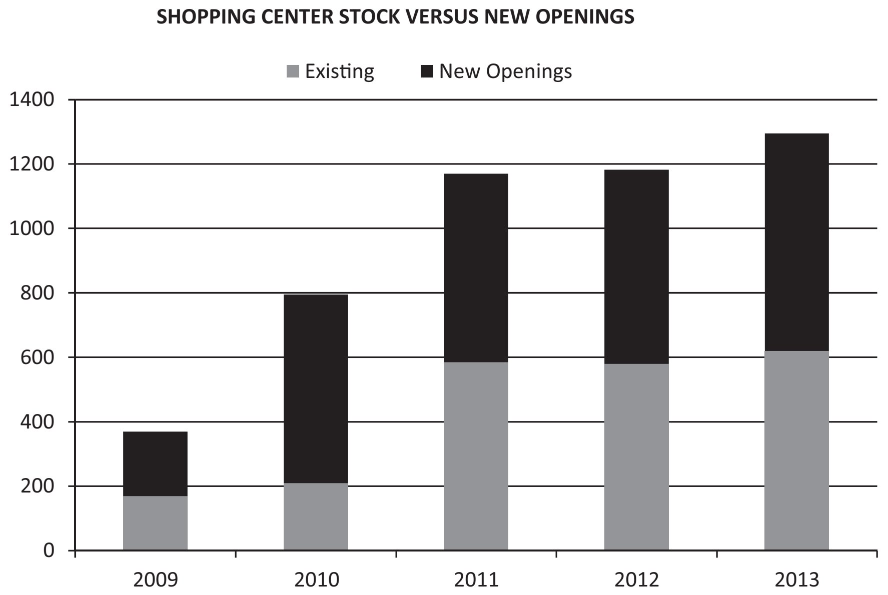
Grade B offices in central locations usually have asking base rents of between €5.00 and €7.00 per square meter per month, while Grade B premises in the periphery and close to the entrance boulevards have asking base rents of between €4.00 and €6 per square meter per month with service charges between €0.50 and €1.00 per square meter per month (Source: Elta Consultant OOD).

Retail Market Overview

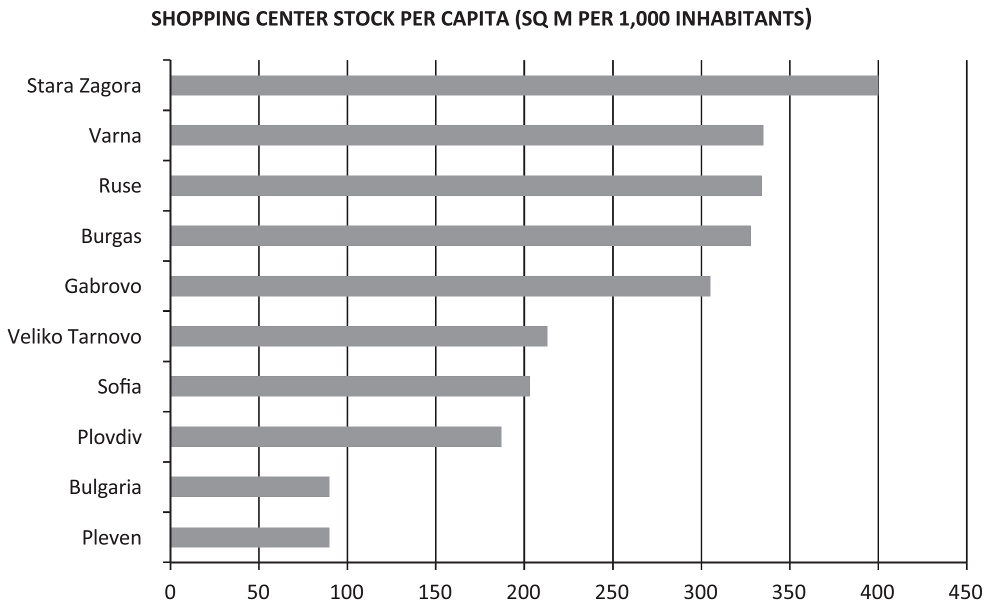
General Retail Stock

As of the first quarter of 2013, overall modern retail stock in Bulgaria stood at 704,000 square meters with a further 152,000 square meters scheduled for completion in 2014.

In 2012, well-positioned and actively managed shopping malls throughout the country gained ground at the expense of poorly performing and financially unstable ones. For example, Paradise Center in Sofia (175,000 square meters) had a successful opening at 80% occupancy with flagship brands such as H&M, while other centers such as Varna Towers in Varna (51,000 square meters) were shelved or repositioned (Source: Forton Bulgaria Office Market Research The fourth quarter of 2012).



Source: Forton Bulgaria Retail Market Research—The first quarter of 2013.



Source: Forton Bulgaria Retail Market Research—The first quarter of 2013.

Bulgarian Big Box Retail Warehouse Market

The big box and hypermarket retail concept entered Bulgaria in 2000 with the first projects in Sofia, including the retailers Metro and Technomarket. The big box market has been growing with general success thereafter with a peak in development between 2007 and 2009.

There appears to be further room for development of both convenience stores and hypermarkets in Bulgaria. Bulgaria is not saturated in terms of the ratio of modern shopping space to population (Source: AC Nielsen—Bulgaria Retail Research).

However, due to the current economic downturn, some big box retailers in Bulgaria are currently downsizing their locations and changing their overall expansion strategy. For example, the supermarket operator Piccadilly closed six stores in 2012 and Mr.Bricolage, a French hypermarket chain offering home improvement and do-it-yourself goods, started focusing on operating from smaller stores.

The most active retail chains in Bulgaria in the fast-moving consumer goods sector include Lidl, Billa, Kaufland, Carrefour and Fantastico. Leading do-it-yourself stores include Bauhaus, Baumax, Mr. Bricolage and Praktiker. Details of new openings in 2012 and 2013 are as follows (Source: MBL Market Overview—Retail Space Bulgaria—The last quarter of 2012 (CBRE Affiliate)):

- Carrefour opened one hypermarket in Stara Zagora (5,200 square meters), two new supermarkets in Sofia (6,400 square meters and 8,000 square meters) and one in Varna (9,300 square meters);
- Jumbo opened a store in Bulgaria in Ruse (12,000 square meters) and a store in Sofia (18,000 square meters), bringing their total number of stores in Bulgaria to eight;
- Bauhaus opened their first store in Bulgaria in Sofia (17,000 square meters) and two stores in the cities of Varna and Ruse (both approximately 20,000 square meters);
- Baumax opened a big box retail warehouse in Sofia (15,000 square meters);
- T-Market opened a store in Sofia (7,000 square meters);
- Lidl opened its first store in Shumen and a second in Veliko Tarnovo; and
- Piccadilly opened a store in Sofia (225 square meters).

It should be noted that, during the on-going financial downturn, a number of projects were put on hold. For example, space totaling over 75,000 square meters has not yet been opened in Varna.

Rental levels

Rental levels for big-box units in Bulgaria are in the range of €4.00 to €8.00 per square meter per month and up to between €9.00 and €10.00 per square meter per month in prime city locations or Sofia. Rents are very much dependent on location, lease structure, space leased and lease terms.

Investment

Unless stated otherwise, information below is cited from Elta Consult OOD.

In 2012, Bulgaria's property investment transactions reached approximately €196 million, which is half the volume that was registered in 2011. Due to the shortage of stable income-generating assets in the Bulgarian market, investors find it extremely difficult to identify investment grade properties to purchase.

The Bulgarian retail market will expand by the end of 2013 with the completion of the five shopping malls. The market will then have sufficient stock of prime retail space and, at the same time, there will be a limited retail pipeline. It will become evident which projects are performing well and not threatened by new competition. This may attract international investors of lower risk tolerance into the Bulgarian investment market (Source: Forton Bulgarian Retail Market—The first quarter of 2013 (Cushman and Wakefield Alliance Partner)).

Investors have reentered the Bulgarian market during the past two years, mainly attracted by distressed properties and fully leased projects at favorable yields. There has been some activity with investors buying into preleased headquarters or build-to-suit offices and retail buildings let to international companies.

There were no investment transactions in the last quarter of 2012 or in the first half of 2013. Currently in Bulgaria there is a strong disparity between the prices at which owners are willing to sell and which purchasers are willing to pay (Source: Forton Bulgarian Retail Market—The fourth quarter of 2012 (Cushman and Wakefield Alliance Partner)).

Hungary

Macroeconomic Commentary

In 2012, gross domestic product in Hungary fell by 1.7%. Nevertheless, a gradual recovery in activity is forecasted beginning the second quarter of 2013. As a result of business uncertainty about the medium-term economic outlook, investment is forecasted to remain weak in 2013.

Inflation has fallen sharply after a cut in energy prices in January 2013, but the collapse in potential growth from 2008 to 2012 means inflation remains a risk. However, as the government is considering further cuts in 2013 and 2014 (an election year), inflation is likely to remain around the central bank's 3% target over the forecast period.

In March 2013, the Hungarian Monetary Council lowered the main interest rate by 25 base points to 5%, which is the lowest in its history. The National Bank of Hungary is expected to deliver further monetary easing.

Gross Domestic Product

In 2012, the Hungarian economy entered into recession, with gross domestic product contracting by 2.8%. Export growth cushioned the fall in gross domestic product but gross domestic product declined sharply on account of a deteriorating external environment. Falling disposable income and high unemployment contributed to a decline in consumption (Source: European Commission, European Economic Forecast Winter 2013).

Domestic Demand

The European Commission expects stagnation in the domestic economy in 2013. Export markets are expected to improve and the decline in domestic demand is expected to slow down. In view of unfavorable lending conditions, investment and household consumption expenditure are expected to decline by around 1.5% and 0.5%, respectively, although it is expected that there will be a rise in real disposable income.

In 2014, growth is expected to accelerate and reach 1.25%, in line with an increased contribution from net exports and some expansion in domestic demand. Household consumption is projected to slightly increase on account of a further increase in real disposable income (Source: European Commission, European Economic Forecast Winter 2013).

Private investment is expected to remain negative in view of the continued fall in corporate lending. However, government investment may be boosted by a higher inflow of EU funds. Risks associated with this forecast point in both directions. Tighter than assumed financial conditions could lead to weaker growth, while recent official statements on fiscal loosening measures could result in some short-term gains in consumption (Source: European Commission, European Economic Forecast Winter 2013).

Deficit

The improvement of the structural deficit by 2.5% of gross domestic product in 2012 compensated for its cumulative deterioration of 2.0% of gross domestic product in 2010 and 2011. However, structural deficit is forecast to increase again in 2013 and 2014, by 0.25% and 0.5% of gross domestic product, respectively. Accordingly, structural deficit is forecast to only gradually decrease from 78.6% of gross domestic product recorded in 2012 to 77.7% in 2014.

Employment

Despite an increase in employment, the unemployment rate stabilized at 10.9% in 2012. From 2013 onwards, labor market conditions are expected to remain weak with only a small increase in employment foreseen.

Unemployment is expected to remain at double digit levels. Firms are expected to adjust to weaker profitability conditions partly by reducing their employees, but this will be counteracted by the increasing size of the public work schemes and the rise in SME employment (Source: European Commission, European Economic Forecast Winter 2013).

Inflation

It is expected that inflation will drop in 2013. In addition to the lower overall effect of indirect tax hikes compared to 2012, this drop is also due to cuts in regulated energy and other utility prices introduced in January 2013. These regulated price cuts might continue according to government communication. Effects of new sectorial taxes bear the possibility of causing inflation, but to some extent this is offset by the deflationary effect of weak domestic demand (Source: European Commission, European Economic Forecast Winter 2013).

Hungary—Key Economic Indicators

Hungarian Office Market

The market details presented below come from Market Reports prepared by CBRE, Colliers International (encompassing the Budapest Research Forum) and Robertsons (BNP Paribas Real Estate Alliance Partner).

Market Overview

In the first quarter of 2013, the total Budapest office stock including owner-occupied and speculative buildings was 3,164,224 square meters. This can be divided into 2,594,785 square meters of modern developer built office buildings and 569,439 square meters of owner-occupied buildings. For property developers, market conditions remained difficult with banks demanding high pre-lease and equity levels to provide financing coupled with rents remaining relatively low. These factors have dramatically constrained new supply. New supply volume has been so low that as of May 2013 there were limited choices for tenants searching for space, particularly space above 5,000 square meters (Source: Colliers International and Budapest Research Forum—Hungarian Office Market—The second quarter 2013).

Budapest—Key Office Market Performance Indicators

Second Quarter 2013 Budapest	Square meters
Completions	16,800
Speculative Stock	2,594,785
Owner Occupied Stock	569,439
Total Stock	3,164,224
Vacancy	628,679
Vacancy Rate	19.9%
Pre Lease	1,637
New Lease	35,129
Lease Expansion	8,449
Lease Renewal	27,753
Owner Occupation	1,300
Total Leasing Activity	74,268

Source: Budapest Research Forum—Press Release Q2 2013

Demand

The total volume of leasing reached 74,268 square meters in the second quarter of 2013. This was at approximately the same level as the first quarter of 2013 however 22.5% less than the second quarter of 2012. Lease renewals accounted for 37.4% of all leasing at 23,753 square meters. The volume of new leases and lease expansions slightly decreased compared to the first quarter of 2013 at 43,578 square meters.

Almost 80% of all lease transactions were signed for a volume of less than 500 square meters. Out of the 156 lease agreements signed in the second quarter of 2013 there were 16 lease contracts greater than 1,000 square meters. The strongest occupier activity was recorded in the Central Pest submarket, recording 24% of total transactions. The second most active location was the Central Business District with 22%, and the third Vaci Corridor recording 21.8% of leasing activity (Source: Colliers International and Budapest Research Forum—Hungarian Office Market—The second quarter 2013).

In 2012, the leasing level of office space in Budapest was the second highest in the history of the office market, totaling 345,000 square meters. This was 13% below the 2011 record level.

In the second quarter of 2013 office vacancy rates in Budapest stood at 19.9%, indicating an improvement from the same period in 2012. However, there was almost no change from the first quarter of 2013. The South Buda submarket recorded the lowest vacancy rate at 14.2%, whilst the highest vacancy level was in the periphery region of Budapest at 30.1%. Over recent years, South Pest and South Buda office sub-markets have both achieved a significant decrease in the vacancy rates. South Pest has managed to decrease vacancy from 48% to 20% (fourth quarter of 2012), while South Buda registered the lowest vacancy rate at 14% at the end of the second quarter of 2013 (Source: Colliers International and Budapest Research Forum—Hungarian Office Market 2012/2013).

Supply

The office pipeline in Budapest is extremely low for 2013 and 2014, with only an anticipated 70,000 square meters of new space to be completed. Budapest is currently at the bottom of the development cycle with the lowest pipeline relative to the existing stock in Emerging Europe. There was only one office building completion in the second quarter of 2013 in a building called Vaci Greens of 15,500 square meters in the Vaci Corridor submarket. This building is developed by Atenor. The supply of new space coming to the market is nominal and following trends from 2012 (Source: Colliers International and Budapest Research Forum—Hungarian Office Market The second quarter 2013).

The supply of new space slowed in Budapest in 2012 and registered only 23,000 square meters. This figure was down from 174,600 square meters in 2011. In 2012 three modern projects were completed, including (Source: Colliers International and Budapest Research Forum—Hungarian Office Market 2012/2013):

- Skanska's Green House of 17,800 square meters;
- Madarsz Irodapark III of 3,000 square meters; and
- IQ Offices of 2,300 square meters in Central Pest.

Under Construction and Pipeline

Projects proposed to be completed in 2014 include:

- Vaci Corner of 20,600 square meters developed by HB Reavis, where KPMG will occupy around 6% of the building;
- Eiffel Palace of 14,000 square meters developed by Horizon Development, where PwC will lease 9,000 square meters; and
- Corvin Corner of 6,600 square meters developed by Futureal.

There are several fully prepared development projects on the market waiting for a major pre-let to be launched.

Rents

Prime central business district office rents in Budapest remained stable at €20.00 per square meter per month. Outside the central business district, average headline rents range between €10.00 and €14.00 per square meter per month depending upon the project, size and location.

Landlords offer tenants incentives on lease signing and renewal. The market norm is one month's rent free per lease year, fit out contributions and assistance with moving.

Investment

As of August 2013, there have been no notable investment transactions. The majority of investors considering investments in Hungary are opportunistic investors with equivalent yield requirements above 8% and an expectation to achieve higher returns in the future by adding value. However, there are few vendors ready to sell at opportunistic prices and pricing expectations between vendors and purchasers are different. Therefore, there are few prime projects officially marketed for sale. Vacant properties and development projects are extremely difficult to sell due to the risk of finding tenants and a lack of financing for such projects (Source: Colliers International and Budapest Research Forum—Hungarian Office Market 2012/2013).

Investment transactions in 2012 were very limited. The scarce availability of financing to purchase and investment grade product remains a significant barrier for investors. Investor demand is firmly focused on top quality income producing assets with strong covenants.

Estimated prime gross equivalent yields for Budapest have remained unchanged standing at 7.25% to 7.75% for retail, 7.5% to 8.0% for office, and above 9.0% for industrial and logistics.

Investment turnover in 2012 was under €100 million. These included the sale of Infopark E Building E being acquired from IVG, Hotel Le Meridien in Budapest being sold to Al Habtoor Group and the acquisition of a portfolio of two retail strip malls anchored by Interspar in regional cities (Source: Robertson Real Estate Partners Research (an alliance partner of BNP Paribas Real Estate)).

Czech Republic

Macroeconomic Commentary

The Czech economy posted negative gross domestic product growth in 2012, having continued to shrink for four consecutive quarters. The economy is predicted to continue to contract in year-on-year terms for much of the year and, after the 1.5% drop in 2012, domestic demand is forecasted to fall by 0.4% in 2013.

Recovery hopes are relying on stronger growth in Germany later in 2013. The outlook for domestic demand is poor. As the labor market is predicted to continue to weaken for most of the second half of 2013 and as fiscal policy remains tight, there are concerns about the outlook for the second half of 2013.

In the first quarter of 2013, headline inflation fell to 1.5% year-on-year and despite another round of tax hikes in 2013, inflation is not expected to pick up during 2013. The absence of demand points to a further decline in underlying inflation, while lower food and fuel inflation will also help to limit price rises. In fact, the weakness in personal consumption in 2013 points to the re-emergence of deflationary risks. Foreign exchange intervention will remain on policymakers' agenda in 2013, especially if the koruna remains firm, supported by rising trade surpluses.

Gross Domestic Product

The Czech economy recorded a fourth consecutive period of negative growth in the first quarter of 2013, with gross domestic product contracting by 0.2% from the previous period and by 1.7% year-on-year (Source: EC Eurostat, *http://epp.eurostat.ec.europa.eu/portal/page/portal/eurostat/home/*, accessed April 2013).

The outlook for 2013 is for the economy to become stagnated after a decline of 1.5% in 2012. The main factor behind the projected stagnation is weak domestic demand combined with weakening external demand. Growth is expected to return in mid-2013 (Source: European Commission, European Economic Forecast Winter 2013).

Employment

The unemployment rate in 2013 is expected to rise from 7.0% at the end of 2012 as the labor market reacts to the unfavorable economic situation in 2012 and early 2013 (Source: European Commission, European Economic Forecast Winter 2013).

Inflation

The Harmonized Index of Consumer Prices was 1.5% at the end of the third quarter of 2012, having fallen from 4% in the first quarter of 2012. Inflation will be affected in 2013 by changes in the VAT rates from 14% to 15% and from 20% to 21% (standard rate) and the move of certain products into the higher rate category (Sources: EC Eurostat, *http://epp.eurostat.ec.europa.eu/portal/page/portal/eurostat/home/*, accessed April 2013; European Commission, European Economic Forecast Winter 2013).

Major reforms and changes were launched in January 2013. These included pension reforms, changes in VAT and consumer taxes, change in real estate transfer tax from 3% to 4% and energy performance certifications to be placed on all buildings for lease and sale.

Czech Key Economic Indicators

Czech Retail Market

Market data below is provided from publications and data from DTZ, Jones Lang LaSalle and Professionals s.r.o Czech Republic (BNP Paribas Real Estate Alliance Partner).

Retail Market Overview

The forecast for 2013 is for prime rents and prime yields to remain stable and unlikely to change in the short term. During the course of 2013, six new major shopping centers are expected to come to the market throughout the country and tenant demand is expected to remain selective (Source: DTZ Property Times—Czech Republic Retail—The fourth quarter of 2012).

Demand

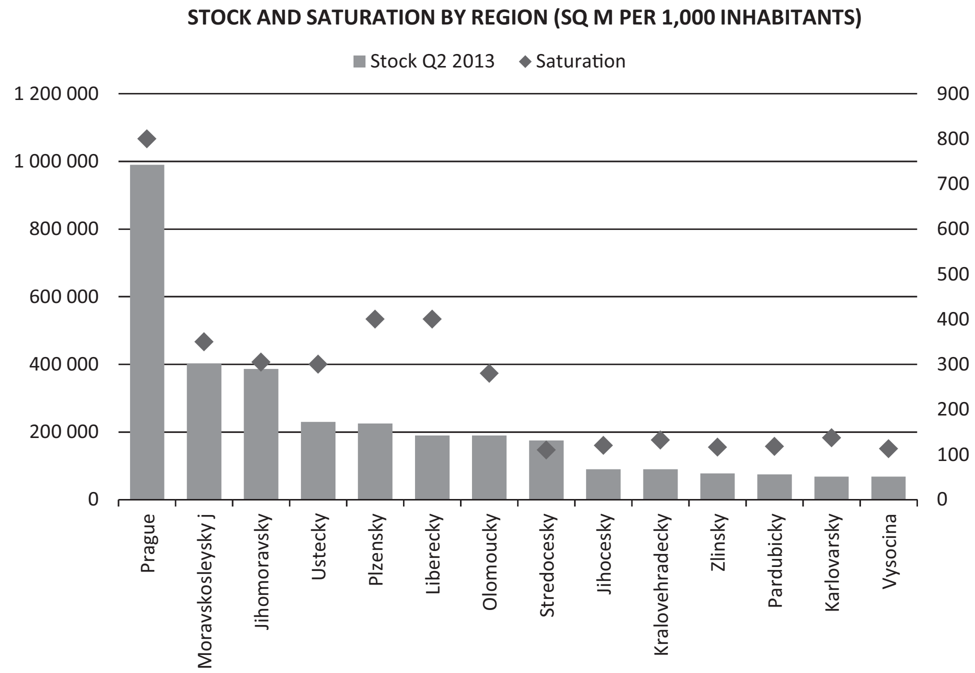
The first half of 2013 witnessed the entry of several new brands to the Czech retail market. The retail brand Sinsay from the group LPP opened its first Czech unit in Centrum Cerny Most and intends to expand further. Sinsay also intends this year to open in Prague, Ostrava and Olomouc. South Korean cosmetics Missha opened its first flagship store in Europe in Brno and later in Plzen. The company intends to expand into other locations (Source: DTZ Property Times—Czech Republic Retail—The second quarter of 2013).

In 2012, tenant demand was particularly evident for strong, dominant and successful shopping centers and high street locations. A number of international retailers signed new leases in the fourth quarter of 2012 with H&M, C&A and New Yorker expanding in good shopping centers and prime high street units. Retailers in 2013 are cautious and selective, preferring a focused approach to expansion. New market entrants are concentrating on Prague, wishing to start their retail activity either on the high street or in leading shopping centers. Retailers planning a more extensive expansion are also looking at regional centers such as Brno and Ostrava and concentrating on the best shopping centers. Prague's prime high street locations remain sought after for luxury labels (Source: DTZ Property Times—Czech Republic Retail—The fourth quarter of 2012).

Supply

In the first half of 2013, total modern retail stock in the Czech Republic exceeded 3,155,000 square meters. The only significant new completion in the second quarter of 2013 was at OC Letmo in Brno, comprised of 7,000 square meters of retail space. The level of completions represents a decline of 83% on a quarterly basis and 91% on annual basis (Source: DTZ Property Times—Czech Republic Retail—The second quarter of 2013).

Source: DTZ Property Times—Czech Republic Retail. The second quarter of 2013



Source: DTZ Property Times—Czech Republic Retail. The second quarter of 2013

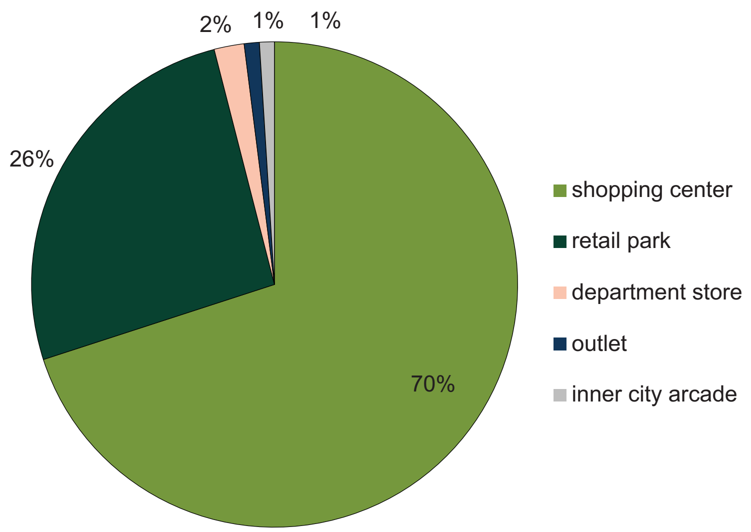
2013 Completions and Under Construction

As at 30 June 2013, 48,000 square meters of new retail space was completed in the Czech Republic. This is a 46% decrease from the same period in 2012. The second half of 2013 will see the completion of 132,000 square meters of retail space, which is almost three times that in the first half of 2013. New supply in 2013 is forecasted to be approximately 180,000 square meters in total, representing an increase of 14% from 2012. Key projects scheduled for completion in the second half of 2013 include (Source: DTZ Property Times—Czech Republic Retail—The second quarter of 2013):

- Galerie Santovka in Olomouc of 46,000 square meters,
- Fontana Teplice in Teplice of 20,000 square meters,
- NC Krakov in Prague of 13,800 square meters,
- Na Prikope 14 of 10,600 square meters
- Zlata Brana in Prostejov of 8,000 square meters.

There are more than 230,000 sq m of new retail projects currently under construction, predominately in shopping centers and retail parks. The largest portion of space is currently being prepared in Prague (39% of total space under construction), Usti nad Labem region (25%) and Olomouc region (20%). New supply of retail space in 2014 is predicted at approximately 180,000 sq m to 200,000 square meters. Major planned projects for 2014 are (Source: DTZ Property Times—Czech Republic Retail—The second quarter of 2013):

- Central Kladno in Kladno of 26,000 square meters,
- Galerie Teplice in Teplice of 22,500 square meters,
- Pivovar Decin in Decin of 17,500 square meters,
- OC Luziny in Stodulky of 16,000 square meters.



Source: DTZ Property Times—Czech Republic Retail. The second quarter of 2013

Rents

Rental levels in shopping centers vary significantly depending on location and design. Prague rentals can be 40% to 50% higher than the rental levels observed in the regional cities.

Prime shopping center rents in the Czech Republic for a unit of between 50 and 100 square meters range as follows:

- Prague, €70.00 and €80.00 per square meter per month;
- Ostrava, €45.00 and €60.00 per square meter per month; and
- Brno, €25.00 and €40.00 per square meter per month.

In retail parks prime space for units of around 1,000 square meters range between €12.00 and €15.00 per square meter per month in Prague and between €6.50 and €12.00 per square meter per month in the regions (Source: DTZ Property Times—Czech Republic Retail—The second quarter of 2013)).

Big Box Market Czech

There are six main do-it-yourself operators in the Czech Republic with the majority coming from either Germany or Austria. These are: Mountfield with 55 stores, Baumax with 24 stores, Globus Baumarkt with 14 stores, Hornbach Baumarkt with eight stores, Bauhaus with seven stores and OBI with 23 stores (Source: Professionals s.r.o Czech Republic Research (an alliance partner of BNP Paribas Real Estate)).

As of July 2012, the Czech Republic had 141 do-it-yourself stores. This is a 5% increase from the 134 stores registered in 2010. 35 stores (25% market share) are located in Prague and Central Bohemia. The City of Ostrava and the Moravia Silesia Region have 17 do-it-yourself stores (12% market share). The regions of Usti and Labem have 15 do-it-yourself stores (11% market share).

The Austrian do-it-yourself retailer Baumax opened another store in Prague in March 2013 with a sales area of 15,000 square meters. This new outlet is the largest in the country (Source: Professionals s.r.o Czech Republic Research (an alliance partner of BNP Paribas Real Estate).

Investment

Investment volumes in the Czech Republic registered strong results in the first half of 2013 and totalled €365 million, representing an annual increase of 67%. Retail transactions dominated the investment sector in the second quarter of 2013 with 54% of the investment transaction volume, followed by industrial with 17%, offices and mixed use properties with 14% each (Source: DTZ Investment Market Update Czech Republic Q2 2013).

The first half of 2013 recorded a very high activity level from domestic investors with Czech based investors accounting for five out of the eight buyers in the first quarter of 2013 (Source: Colliers Research and Forecast Report Q1 2013). Key transactions in the first half of 2013 included:

- The acquisition of Hana Shopping Center near Olomouc by the British investment group Standard Life for €30 million from Pradera. The center is comprised of 16,000 square meters and will be extended by 2,700 square meters in 2014.
- The sale by Czech and Slovak Property Fund (CPDP2) of OC Rynovka in Jablonec nad Nisou to the Greek investment company Bluehouse Capital for €23 million. Shopping center OC Rynovka was completed in 2009 and is approximately 15,400 square meters.

Prime office investment yields can achieve 6.25% in the Czech Republic. Industrial properties with a minimum of 10 years can achieve yields around 8%. Prime yields for high street retail and prime shopping centers stand at 6.25%. Prime yields are expected to remain stable in office and industrial while it is expected retail should record some compression in the second half of 2013 (Source: Professionals s.r.o Czech Republic Research (an alliance partner of BNP Paribas Real Estate)).

GROUP STRUCTURE AND THE ACQUISITION

Group Structure, the Acquisition and Organization of the Company

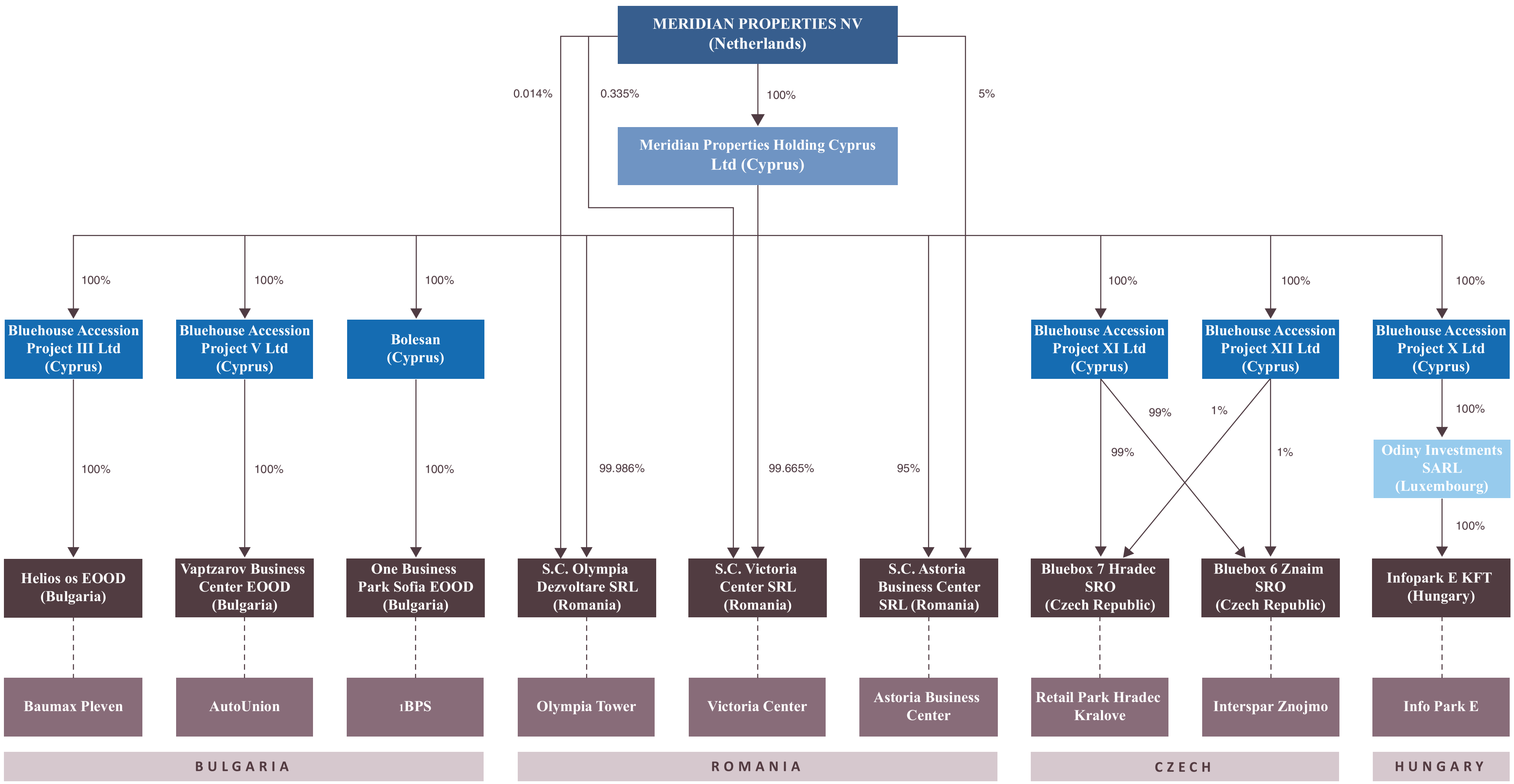
We were incorporated on May 8, 2013. We have incorporated Meridian Properties Holdings Cyprus Ltd., the Group Holding Company on June 10, 2013. In connection with the offering, we use the proceeds of the offering to acquire the shares of Property Companies that own the properties of the Initial Portfolio located in Romania. The properties of the Initial Portfolio located in Bulgaria, the Czech Republic and Hungary will be acquired indirectly by purchasing the shares of existing Individual Holding Companies.

Share Sale Purchase and Loan Assignment Agreements

The sellers own 100% of the shares of a particular Property Company or Individual Holding Company owning the respective Property Company as well as a shareholders' loan in respect of that Property Company or Individual Holding Company. Pursuant to the SSPLAAs, our Group Holding Company, will purchase from the sellers 100% of the shares of each Individual Holding Company and in doing so will acquire (directly or indirectly) 100% of the shares of the Property Companies owning properties in Bulgaria, the Czech Republic and Hungary. The Group Holding Company will acquire between 95.0% and 99.99% of the shares of the Property Companies owning properties in Romania and we will acquire between 0.01% and 5.0% of such shares, the dual ownership structure a result of mandatory provisions of Romanian law. Simultaneously with our purchase of the shares of the Property Companies and Individual Holding Companies, the seller will assign to the Group Holding Company its interests, rights and benefits in the relevant shareholders' loan. The transfer of legal ownership of the shares and assignment of the shareholders' loans shall be made effective upon satisfaction of certain conditions precedent, including no event of cancellation of the Offering and the valid issuance of our shares pursuant to the Offering, their registration in the NDS and the adoption by the Warsaw Stock Exchange of a resolution on introduction of the shares to trading on the regulated market of the Warsaw Stock Exchange. For further detail see "*Our Business—Material Contracts—Share Sale Purchase and Loan Assignment Agreements*."

Corporate Structure After Acquisition

Following the transfer of legal ownership of the shares of the Property Companies that will comprise the Initial Portfolio, the Group will be structured as follows:



The relevant details of the subsidiaries are as follows:

Meridian Properties Holdings Cyprus Ltd.:

Name:	Meridian Properties Holdings Cyprus Ltd.
Registered office and postal address:	Chryssorogiatissis & Kolokotroni Street, 3040, Limassol, Cyprus
Share capital:	€1,000.0 divided into 1,000 ordinary shares each having a nominal value of €1.0.
Principal scope of business:	Meridian Properties Holdings Cyprus Ltd. is an investment holding company.

Bluehouse Accession Project III Ltd. (Cyprus)

Meridian Properties Holdings Cyprus Ltd. will own 100% of the shares in the share capital of Bluehouse Accession Project III Ltd., which will authorize it to exercise 100% of the votes at the meeting of the shareholders.

Overview:

Name:	Bluehouse Accession Project III Ltd.
Registered office and postal address:	Chryssorogiatissis & Kolokotroni, 3040, Limassol, Cyprus
Share capital:	€1,000.0 divided into 1,000 ordinary shares each having a nominal value of €1.00
Principal scope of business:	Bluehouse Accession Project III Ltd. is a company investing in, among other things, assets and securities.

Bluehouse Accession Project V Ltd. (Cyprus)

Meridian Properties Holdings Cyprus Ltd. will own 100% of the shares in the share capital of Bluehouse Accession Project V Ltd., which will authorize it to exercise 100% of the votes at the meeting of the shareholders.

Overview:

Name:	Bluehouse Accession Project V Ltd.
Registered office and postal address:	Chryssorogiatissis & Kolokotroni, 3040, Limassol, Cyprus
Share capital:	€1,710.0 divided into 1,000 ordinary shares each having a nominal value of €1.71
Principal scope of business:	Bluehouse Accession Project V Ltd. is a company investing in, among other things, assets and securities.

Bolesan Ltd. (Cyprus)

Meridian Properties Holdings Cyprus Ltd. will own 100% of the shares in the share capital of Bolesan Ltd., which will authorize it to exercise 100% of the votes at the meeting of the shareholders.

Overview:

Name:	Bolesan Ltd.
Registered office and postal address:	Pikioni 4, 3075, Limassol, Cyprus
Share capital:	€1,710.0 divided into 1,000 ordinary shares each having a nominal value of €1.71
Principal scope of business:	Bolesan Ltd. is a company investing in, among other things, assets and securities.

Bluehouse Accession Project XI Ltd. (Cyprus)

Meridian Properties Holdings Cyprus Ltd. will own 100% of the shares in the share capital of Bluehouse Accession Project XI Ltd., which will authorize it to exercise 100% of the votes at the meeting of the shareholders.

Overview:

Name:	Bluehouse Accession Project XI Ltd.
Registered office and postal address:	Chryssorogiatissis & Kolokotroni, 3040, Limassol, Cyprus
Share capital:	€1,000.0 divided into 1,000 ordinary shares each having a nominal value of €1.0
Principal scope of business:	Bluehouse Accession Project XI Ltd. is a company investing in, among other things, assets and securities.

Bluehouse Accession Project XII Ltd. (Cyprus)

Meridian Properties Holdings Cyprus Ltd. will own 100% of the shares in the share capital of Bluehouse Accession Project XII Ltd., which will authorize it to exercise 100% of the votes at the meeting of the shareholders.

Overview:

Name:	Bluehouse Accession Project XII Ltd.
Registered office and postal address:	Chryssorogiatissis & Kolokotroni, 3040, Limassol, Cyprus
Share capital:	€1,000.0 divided into 1,000 ordinary shares each having a nominal value of €1.0
Principal scope of business:	Bluehouse Accession Project XII Ltd. is a company investing in, among other things, assets and securities.

Bluehouse Accession Project X Ltd. (Cyprus)

Meridian Properties Holdings Cyprus Ltd. will own 100% of the shares in the share capital of Bluehouse Accession Project X Ltd., which will authorize it to exercise 100% of the votes at the meeting of the shareholders.

Overview:

Name:	Bluehouse Accession Project X Ltd.
Registered office and postal address:	Chryssorogiatissis & Kolokotroni, 3040, Limassol, Cyprus
Share capital:	€1,000.0 divided into 1,000 ordinary shares each having a nominal value of €1.00
Principal scope of business:	Bluehouse Accession Project X Ltd. is a company investing in, among other things, assets and securities.

Odiny Investments S.A.R.L. (Luxembourg)

Bluehouse Accession Project X Ltd. owns 100% of the shares in the share capital of Odiny Investments S.A.R.L., thus authorizing it to exercise 100% of the votes at the meeting of the shareholders.

Overview:

Name:	Odiny Investments S.A.R.L.
Registered office and postal address:	65, Boulevard Grand-Duchesse Charlotte, L-1331, Luxembourg
Share capital:	€9,866,693.0
Principal scope of business:	Odiny Investments S.A.R.L. is a company investing in, among other things, assets and securities.

Helios-08 EOOD

Bluehouse Accession Project III Ltd. owns 100% of the shares in the share capital of Helios-08 EOOD, thus authorizing it to exercise 100% of the votes at the meeting of the shareholders.

Overview:

Name:	Helios-08 EOOD
Registered office and postal address:	53, Nikola Vaptzarov Blvd., Challenger Office Building, Floor 3, Lozenetz, 1407 Sofia, Bulgaria
Share capital:	BGN 746,400.0
Principal scope of business:	Helios-08 EOOD's principal scope of business includes: real estate transactions, property development, property rental, real estate management and commercial representation and mediation.

Vaptzarov Business Centre EOOD

Bluehouse Accession Project V Ltd. owns 100% of the shares in the share capital of Vaptzarov Business Centre EOOD, thus authorizing it to exercise 100% of the votes at the meeting of the shareholders.

Overview:

Name:	Vaptzarov Business Centre EOOD
Registered office and postal address:	103, James Bourchier Blvd., Floor 2, Office 5, Lozenetz, 1407 Sofia, Bulgaria
Share capital:	BGN 5,000.0
Principal scope of business:	Vaptzarov Business Centre EOOD's principal scope of business includes: the purchase and sale of real estate, property development and construction, property rental, consulting and management services, commercial representation and mediation and warehouse, commission, tourist, advertising and other services.

One BPS EOOD

Bolesan Ltd. owns 100% of the shares in the share capital of One BPS EOOD, thus authorizing it to exercise 100% of the votes at the meeting of the shareholders.

Overview:

Name:	One BPS EOOD
Registered office and postal address:	103, James Bourchier Blvd., Floor 2, Office 5, Lozenetz, 1407 Sofia, Bulgaria
Share capital:	BGN 2,050,000.0
Principal scope of business:	One BPS EOOD's principal scope of business includes: the purchase and sale of real estate, property development and construction, property rental, consulting and management services, commercial representation and mediation and warehouse, commission, tourist, advertising and other services.

S.C. Olympia Dezvoltare S.R.L.

Meridian Properties Holdings Cyprus Ltd. will own 99.99% of the shares in the share capital of S.C. Olympia Dezvoltare S.R.L., which will authorize it to exercise 99.99% of the votes at the meeting of the shareholders. We will be the remaining shareholder.

Overview:

Name:	S.C. Olympia Dezvoltare S.R.L.
Registered office and postal address:	10 Piata Montreal, Building Frame E, Room no. A10, 3rd floor, 1st District, Bucharest, Romania
Share capital:	RON 642,850.0 divided into 64,285 shares each having a nominal value of RON 10.0
Principal scope of business:	S.C. Olympia Dezvoltare S.R.L.'s scope of business includes: renting and sub-renting of owned or leased real estate properties.

Victoria Center S.R.L.

Meridian Properties Holdings Cyprus Ltd. will own 99.7% of the shares in the share capital of S.C. Victoria Center S.R.L., which will authorize it to exercise 99.7% of the votes at the meeting of the shareholders. We will be the remaining shareholder.

Overview:

Name:	S.C. Victoria Center S.R.L.
Registered office and postal address:	10 Piata Montreal, Building Frame E, Room no. A9, 3rd floor, 1st District, Bucharest, Romania
Share capital:	RON 695,520.0 divided into 69,552 shares each having a nominal value of RON 10.0
Principal scope of business:	S.C. Victoria Center S.R.L.'s scope of business includes: renting and sub-renting of owned or leased real estate properties.

S.C. Astoria Business Center S.R.L.

Meridian Properties Holdings Cyprus Ltd. will own 95% of the shares in the share capital of S.C. Astoria Business Center S.R.L., which will authorize it to exercise 95% of the votes at the meeting of the shareholders. We will be the remaining shareholder.

Overview:

Name:	S.C. Astoria Business Center S.R.L.
Registered office and postal address:	64-66 Dionisie Lupu Street, Ground floor, Room no. 5A, 1st District, Bucharest, Romania
Share capital:	RON 200.0, divided into 20 shares each having a nominal value of RON 10.0
Principal scope of business:	S.C. Astoria Business Center S.R.L.'s scope of business includes: renting and sub-renting of owned or leased real estate properties.

Bluebox 7 Hradec SRO

Bluehouse Accession Project XI Ltd. owns 99% of the shares in the share capital of Bluebox 7 Hradec SRO, thus authorizing it to exercise 99% of the votes at the meeting of the shareholders. Bluehouse Accession Project XII Ltd. owns the remaining 1%, thus authorizing it to exercise 1% of the votes at the meeting of the shareholders.

Overview:

Name:	Bluebox 7 Hradec SRO
Registered office and postal address:	Prague 8, Karolínská 661, Postal Code 186 00, Czech Republic
Share capital:	CZK 200,000.0
Principal scope of business:	Bluebox 7 Hradec SRO's principal scope of business includes: leasing real estate.

Bluebox 6 Znaim SRO

Bluehouse Accession Project XI Ltd. owns 99% of the shares in the share capital of Bluebox 6 Znaim SRO, thus authorizing it to exercise 99% of the votes at the meeting of the shareholders. Bluehouse Accession Project XII Ltd. owns the remaining 1%, thus authorizing it to exercise 1% of the votes at the meeting of the shareholders.

Overview:

Name:	Bluebox 6 Znaim SRO
Registered office and postal address:	Prague 8, Karolínská 661, Postal Code 186 00, Czech Republic
Share capital:	CZK 200,000.00
Principal scope of business:	Bluebox 6 Znaim SRO's principal scope of business includes: leasing real estate.

Infopark E

Odiny Investments S.A.R.L. owns 100% of the shares in the share capital of Infopark Építési Terület Kft, thus authorizing it to exercise 100% of the votes at the meeting of the shareholders.

Overview:

Name:	Infopark E Építési Terület Kft.
Registered office and postal address:	1143 Budapest, Stefánia út 100-103, Hungary
Share capital:	HUF 20.0 million which is one share.
Principal scope of business:	Infopark E Építési Terület Kft's principal scope of business includes: the development of building projects.

DESCRIPTION OF SHARE CAPITAL AND CORPORATE GOVERNANCE

Set out below is a summary of our share capital and certain significant provisions of Dutch corporate law and a brief summary of our articles of association.

General

We are a public limited liability company (*naamloze vennootschap*) organized under Dutch law. We were incorporated on May 8, 2013. We registered with the trade register of the Chamber of Commerce of Amsterdam under number 57918058. Our corporate seat is in Amsterdam, the Netherlands and our office address is at Muiderstraat 9, F, 1011 PZ Amsterdam, the Netherlands. Our telephone number is +31 (0)20 6649427.

Corporate Purpose

Pursuant to our articles of association, our sole object is to make investments in financial instruments within the meaning of the Wft, which are as such permitted to apply the FII regime within the meaning of Section 28 of the Netherlands Corporate Income Tax Act 1969 (*Wet op de vennootschapsbelasting 1969*), in order to let our shareholders share in the proceeds, with due observance of the Netherlands Corporate Income Tax Act 1969, the Wft and the Dutch Market Conduct Supervision (Financial Institutions) Decree (*Besluit Gedragstoezicht financiële ondernemingen*).

Share Capital

Under Dutch law, our authorized share capital sets out the maximum number of shares that we may issue without amending our articles of association. Under our current articles of association, our authorized share capital amounts to €225,000 and consists of 2.25 million ordinary shares, each with a nominal value of €0.10.

Upon the closing of the Offering, our articles of association will provide for authorized share capital in the amount of €7,000,000, which will be divided into 70,000,000 ordinary shares, each with a nominal value of €0.10.

As of the date of this document, our issued and outstanding capital amounts to €45,000 and consists of 450,000 ordinary shares. None of the issued shares in our share capital are held by us or any of our subsidiaries. All shares outstanding are fully paid up.

These 450,000 ordinary shares are currently held by BH Meridian Participations Ltd. (see "*Major Shareholders*"). These shares will be repurchased by the Company for a purchase price of €45,000 after the issuance of the shares to be issued in connection with the Offering and before the admission to trading of the shares on the Warsaw Stock Exchange. The Company intends to cancel the repurchased shares after their admission to trading on the Warsaw Stock Exchange.

Form of Shares

All our ordinary shares will be bearer shares. We intend to enter into a registration agreement with the National Depository for Securities (*Krajowy Depozyt Papierów Wartościowych S.A.*) pursuant to which the shares will be held in book entry form. Prior to executing the registration agreement, we will deposit the share certificate embodying the shares to be held in custody with the Offering Agent.

Issue of Shares

Under our articles of association we may only issue shares, or grant rights to subscribe for shares, pursuant to a resolution of the general meeting of shareholders, unless such authority is delegated to the board, limited to the amount of our authorized share capital from time to time.

Pursuant to Dutch law, the period of delegation may not exceed five years. Such authority may be renewed by a resolution of a general meeting of shareholders for a subsequent period of up to five years each time. A resolution of the general meeting to designate the board as authorized can only be withdrawn at the proposal of the board, unless otherwise provided in the resolution to delegate. In the resolution, the amount of shares which may be issued must be determined.

The general meeting of shareholders authorized the board until December 31, 2014 to issue shares in the capital of the Company and grant rights to acquire such shares. This authorization concerns all authorized but un-issued shares in the Company's share capital at any time.

No shareholder or board resolution is required to issue shares pursuant to the exercise of a previously granted right to subscribe for shares.

A resolution of the board to issue shares and to grant rights to subscribe for shares can only be taken with the consent of the majority of the non-executive directors.

The offer shares are issued upon execution of the resolution of the board to that extent which is scheduled to occur shortly prior to delivery and listing of the offer shares which is expected on or around October 16, 2013.

Pre-emptive Rights

Existing holders of the shares have pre-emptive rights in respect of future issuances of the shares in proportion to the number of shares held by them, unless limited or excluded as described below. Pre-emptive rights do not apply with respect to shares issued against non-cash contributions or shares issued to our employees or executives or to employees or executives of one of our subsidiaries.

A general meeting of shareholders or the board, if so designated by the general meeting, may resolve to limit or exclude pre-emptive rights. Resolutions of the general meeting to limit or exclude pre-emptive rights or to designate the board as the competent body that has authority to limit or exclude pre-emptive rights require at least a two-thirds majority of the votes cast in a meeting of shareholders, if less than 50% of the issued share capital is present or represented.

The board may be designated for a specified period of time of not more than five years and only if the board has also been designated the authority to issue shares.

The authority to limit or exclude pre-emptive rights may be extended for a subsequent period of five years. If there is no designation of the board to limit or exclude pre-emptive rights in force, the general meeting shall have the authority to limit or exclude such pre-emptive rights.

The board has been authorized to limit or exclude pre-emptive rights until December 31, 2014. A resolution of the board to limit or exclude pre-emptive rights can only be taken with the consent of the majority of the non-executive directors.

Acquisition of Shares by Us

We may acquire fully paid-up shares in our own capital at any time, for no consideration or, if:

- our shareholders' equity less the payment required to make the acquisition, does not fall below the sum of called-up and paid-in share capital and any statutory reserves;
- we and our subsidiaries would thereafter not hold shares or hold a pledge over our shares with an aggregate nominal value exceeding 50% of our share capital; and
- the board has been authorized thereto by a general meeting of shareholders.

Such authorization may be granted for a period not exceeding 18 months. As part of the authorization, the general meeting of shareholders must specify the number of shares that may be repurchased, the manner in which the shares may be acquired and the price limits within which the shares may be acquired.

We do not have a right to any distribution from treasury shares. Furthermore, no voting rights may be exercised for any of our shares held by us or our subsidiaries unless such shares are subject to the right of usufruct or to a pledge in favor of a person other than us or our subsidiaries and the voting rights are vested in the pledgee or usufructuary. We or our subsidiaries may not exercise voting rights in respect of shares for which we or our subsidiaries have a right of usufruct or a pledge.

The board has been authorized until December 31, 2014 to repurchase shares up to 10% of the outstanding share capital, against a repurchase price equal to the market price plus 10%.

Reduction of Share Capital

A general meeting of shareholders may, upon a proposal of the board, resolve to reduce the shares by cancelling shares, or by amending the articles of association to reduce the nominal value of the shares. A resolution to cancel shares can only relate to shares held by us. A shareholder resolution to reduce the number of shares must designate the shares to which the resolution applies and must lay down rules for the implementation of the resolution. A resolution to reduce the share capital requires a majority of at least two-thirds of the votes cast, if less than 50% of the issued share capital is present or represented at the general meeting.

General Meeting of Shareholders

Our annual general meeting of shareholders must be held within six months from the end of the preceding fiscal year. General meetings of shareholders will be held in Amsterdam or the municipality of Haarlemmermeer (including Schiphol Airport), the Netherlands.

Extraordinary general meetings of shareholders may be held, whenever our interests so require, if requested by the board. Shareholders representing alone or in aggregate at least 10% of the issued and outstanding share capital may request that a general meeting of shareholders be convened.

The board must give public notice of a general meeting of shareholders or an extraordinary general meeting of shareholders, 42 days prior to the day of the meeting. The notice of a general meeting of shareholders must be published on our website and includes the place and time of the meeting, the agenda for the meeting and the manner in which the persons entitled to attend the general meeting of shareholders may register and exercise their rights. One or more shareholders representing solely or jointly three percent of our issued and outstanding shares, may request items to be included in the agenda. Such requests must be made in writing and must be received no later than the 60th calendar day before a general meeting.

All shareholders entitled to vote must be authorized to attend the general meeting of shareholders, to address the general meeting of shareholders and to exercise his or her voting rights, either in person or represented by a person holding a written proxy. The board will set a registration date on the 28th day prior to the general meeting of shareholders to establish which shareholders are entitled to attend and vote in the general meeting of shareholders.

Each share confers on the holder the right to cast one vote at a general meeting of shareholders. Resolutions are passed by an absolute majority of votes cast, unless Dutch law or the articles of association prescribe a larger majority.

Annual Accounts

Our fiscal year also is the calendar year. Within four months after the end of our fiscal year, the board must prepare annual accounts. It must make them available for inspection by the shareholders at our office. The annual accounts must be accompanied by an auditors' statement, an annual report and certain other information required under Dutch law.

The annual accounts, the annual report, the other information required under Dutch law and the auditors' statement must be made available to shareholders for review from the day of the notice convening the annual general meeting of shareholders. The annual accounts must be adopted by the general meeting of shareholders.

We calculate the NAV on a quarterly basis. The NAV of the shares will be determined in accordance with EU IFRS accounting policies. A summary of the NAV will be disclosed to our shareholders with the announcement of our interim and annual results. The latest NAV will be published on our website.

Following the Offering, the NAV will reflect expected net proceeds of €162.1 million. The NAV per share will be calculated based on the final number of shares to be issued.

Dissolution and Liquidation

We may be dissolved by a resolution of the general meeting of shareholders upon a proposal made by the board. During liquidation, the provisions of the articles of association will remain in force to the extent possible.

The balance of our assets remaining after payment of all debts and the costs of the liquidation will be distributed to the shareholders in proportion to the number of shares held by each shareholder.

Amendments of Articles of Association

The general meeting of shareholders may only resolve to amend our articles of association upon a proposal made by the board. A proposal to amend our articles of association must be included in the notice convening the general meeting of shareholders. A copy of the proposal containing the proposed amendment must be available for inspection by every shareholder and every holder of meeting rights until the end of the general meeting of shareholders. A resolution by the general meeting of shareholders to amend the articles of association requires an absolute majority of the votes cast, irrespective of the shares represented. Our articles of association prohibit any amendments that would cause us to no longer qualify as an FII.

The articles of association will need to be amended prior to changing the rights of our shareholders.

Corporate Governance Rules

The Netherlands

The Dutch Corporate Governance Code applies to all Dutch N.V.'s listed on a regulated market or a comparable system in a non-EEA member state. The Dutch Corporate Governance Code contains principles and best practice provisions for the board, shareholders and general meetings of shareholders, financial reporting, auditors, disclosure, compliance and enforcement standards, and is based on a "comply or explain" principle. Accordingly, we will be required to disclose in our annual reports filed in the Netherlands whether or not we are in compliance with the various rules of the Dutch corporate governance that apply to our board.

We acknowledge the importance of good corporate governance. The board has reviewed the Dutch Corporate Governance Code and agrees with its basic provisions and has taken and will take in the future any further steps they consider appropriate to implement the Dutch Corporate Governance Code fully.

However, we will not apply or will deviate from the best practice provisions in the following areas:

- we will not be in compliance with best practice provision III.2.1 that requires that all non-executive directors, with the exception of not more than one, be independent, as only two of the four non-executive directors will be independent; and
- we will not be in compliance with best practice provision III.5 that requires that in case there are more than four non-executive directors, it shall appoint from among the non-executive directors an audit committee, a remuneration committee and a selection and appointment committee as the remuneration committee and the selection and appointment committee will be combined into one committee.

Poland

Code of Best Practice for Warsaw Stock Exchange Listed Companies

As our shares will be listed on the Warsaw Stock Exchange, the Warsaw Stock Exchange Code of Best Practice will also apply to us to the extent permissible and subject to applicable Dutch law. Compliance with the Warsaw Stock Exchange Code of Best Practice is voluntary. We will be required, however, to report and provide reasons for any non-compliance or partial compliance with any rule in our annual reports.

Certain corporate governance rules provided in the Warsaw Stock Exchange Code of Best Practice can be applied to us only to the extent permitted by Dutch law and subject to our corporate structure. In particular, we do not have two separate governing bodies (a supervisory board and a management board) which are required in Polish joint stock companies. Instead, the board performs the combined roles of a supervisory board and a management board. Accordingly, we will apply those rules of the Warsaw Stock Exchange Code of Best Practice which refer to the relationship between the supervisory and management boards indirectly to adhere to these best practices as much as possible.

We will comply with the Warsaw Stock Exchange Code of Best Practice fully, except where: (i) due to restrictions imposed by Dutch law or our corporate structure as described above, we will not be able to comply with certain principles of the code or we will only be able to comply with them indirectly; or except where (ii) for efficiency and cost reasons we may not be able to comply with principle 4.10 of the code, which states that a company should enable its shareholders to participate in a general meeting using means of electronic communication.

MANAGEMENT

On closing of the Offering and adoption by the Warsaw Stock Exchange of a resolution on the introduction of the shares to trading on the regulated market of the Warsaw Stock Exchange, the Company will have a one-tier board structure consisting of executive directors and non-executive directors. Set out below is a summary of our management and certain significant provisions of Dutch corporate law and our articles of association.

Introduction

The number of executive and non-executive directors is determined by the general meeting of shareholders. We will have two executive and four non-executive board members. Our one-tier board structure will consist of one or more executive directors and two or more non-executive directors, as described below. The board may appoint a non-executive director as chairman of the board and an executive director as chief executive officer.

Board of Directors

Powers, Composition and Function

Under Dutch law, the board is collectively responsible for our general affairs. Pursuant to our articles of association, the board may divide its duties among its members, with our day-to-day management entrusted to our executive directors. The non-executive directors supervise the executive directors and provide them with advice. In addition, both executive and non-executive directors must perform such duties as are assigned to them pursuant to the articles of association. The division of tasks within the board is determined (and amended, if necessary) by the board. Directors charged with particular managerial tasks are primarily responsible for the risk control and monitoring of the managerial tasks concerned. Each director has a duty to perform properly the duties assigned to him or her and to act in the corporate interest of the Company. Under Dutch law, the corporate interest extends to the interests of all corporate stakeholders, such as shareholders, creditors, employees, and other stakeholders.

An executive director may not be allocated the tasks of: (i) serving as chairman of the board; (ii) fixing the remuneration of the directors; or (iii) nominating directors for appointment. An executive director may not participate in the adoption of resolutions (including any deliberations in respect of such resolutions) related to the remuneration of executive directors.

Tasks that have not been specifically allocated fall within the power of the board as a whole. All directors remain collectively responsible for proper management regardless of the allocation of tasks. The board may change the investment objectives and policy of the firm, subject to the approval of the general meeting of shareholders.

Appointment, Term Length and Dismissal

Directors will be appointed at the general meeting of shareholders upon nomination by the board. The executive directors may not participate in the discussion and decision-making process of the board on making nominations for the appointment of directors.

A resolution to appoint a director nominated by the board may be adopted by an absolute majority of votes cast.

A resolution of the general meeting of shareholders to appoint a director other than in accordance with a nomination by the board may only be adopted by an absolute majority of the votes cast, representing more than one-third of our issued share capital.

The general meeting of shareholders will appoint a director either as an executive or as a non-executive director. In addition, the legal relationship between a director and us will not be considered an employment agreement. In the absence of an employment agreement, directors will not have certain employee rights under Dutch labor law.

Pursuant to our articles of association, directors will be appointed for a maximum term of four years. A non-executive director may be appointed for a maximum of three four-year terms.

The general meeting of shareholders has the authority to suspend or remove directors at any time, with or without cause, by means of a resolution passed by an absolute majority of votes cast. If our shareholders adopt a resolution to remove or suspend a director without a proposal of the board to do so, the resolution must be passed by an absolute majority of the votes cast, representing more than one-third of the issued share capital. Executive directors shall not participate in the discussion and decision-making process of the board on making nominations for suspension and removal.

Executive directors may be suspended by the board, but not for longer than three months in aggregate. The executive directors shall not participate in the discussion and decision-making process of the board on suspensions and removals.

Decision-Making and Approvals

The board can only adopt resolutions by a majority vote if at least a majority of the directors are present or represented. The directors shall however endeavor to achieve that resolutions are, as much as possible, adopted unanimously.

Resolutions can also be adopted without holding a meeting if the proposal is submitted to all directors, none of them has objected to the manner of adopting the resolutions, and a majority of the directors has expressly consented to the manner of adopting the resolutions.

Shareholders have the right to approve resolutions of the board concerning a significant change in our identity or business at a general meeting. A significant change, as defined by the Best Practices of Warsaw Stock Exchange Listed Companies, points II.3 and III.9, includes:

- a change of our investment objectives and policy;
- the transfer of all or substantially all of our business to a third party;
- the entry into or termination of a long term cooperation or partnership with another legal entity, company or partnership, if such cooperation or termination is material to our business; or
- the acquisition or disposal of a participating interest in a company with a value greater than or equal to one-third of our assets as shown on the consolidated statement of financial position included in our most recently adopted annual accounts.

The absence of shareholder approval will not affect the authority of the board to represent us.

The following board resolutions require the consent of a majority of our non-executive directors:

- the issuance of shares or grant of rights to subscribe for shares, as well as to limit or exclude the pre-emption rights;
- a proposal to issue shares, to designate another competent body authorized to issue shares or grant rights to subscribe for shares, as well as to make a proposal to limit or exclude the pre-emption rights;
- the acquisition or alienation of shares in our own capital or depositary receipts thereof;
- temporarily entrust duties and powers of an executive director to another executive director, a non-executive director, a former director or another person if the seats of one or more executive directors are vacant or one or more executive directors are unable to perform his or her duties;
- a resolution to determine which part of the profits (the positive balance on the profit and loss account) is added to the reserves;
- a proposal to make distributions from our distributable reserves taking into account the FII regime;
- a resolution to distribute an interim dividend taking into account the FII regime;
- the decision not to comply with the by-laws of the board, with due observance of applicable laws and regulations;
- concluding any type of transaction or engaging in any relationship with entities in which there is a conflict of interest as referred to in clause 22.6 of the by-laws of the board;
- the proposal to make a dividend payment on shares wholly or partially in shares in us; and
- concluding, amending or terminating a material agreement with a related party or entering into any transaction with a related party, except for typical transactions concluded on the market terms within the scope of operational activities conducted with a subsidiary in which we hold the majority of share capital.

The following resolutions require unanimous votes by the full board and cannot be delegated to one or more directors:

- the appointment and removal of the company secretary;
- changing the environmental, anti-money laundering and integrity policy;
- all acts that, by legislation, our articles of association, our by-laws of the board or any other applicable legislation, require the approval of the full board; and
- such resolutions as the board may determine.

Members of the Board

The board, upon the closing of the Offering and adoption by the Warsaw Stock Exchange of a resolution on the introduction of the shares to trading on the regulated market of the Warsaw Stock Exchange will be composed of the following members:

Name	Age	Position	Term
Executive Directors			
Yannis Delikanakis	46	Chief Executive Officer	4 years
Gerrit Smit	65	Executive director	4 years
Non-Executive Directors			
Victor Pisante	48	Chairman	4 years
Babis Pandis	46	Non-executive director	4 years
Michele Small	50	Non-executive director	4 years
Andreas Beroutsos	47	Non-executive director	4 years

All members of the board have been selected by Bluehouse on the basis of their knowledge and expertise and will be appointed by BH Meridian Participations Ltd. as of closing of Offering and adoption by the Warsaw Stock Exchange of a resolution on the introduction of the shares to trading on the regulated market of the Warsaw Stock Exchange. After the completion of the Offering, the board intends to nominate two more non-executive directors, who may be proposed by major shareholders, such as the EBRD, subject to the terms of the Framework Agreement (see *"Terms of the Offering—Information on Framework Agreement concluded between the Company and the EBRD"*), which non-executive directors will be appointed by the general meeting of shareholders.

Two of the four non-executive directors, Ms. Small and Mr. Beroutsos, are independent. The other two non-executive directors, Mr. Pisante and Mr. Pandis, are non-independent.

The business address of all members of the board will be Muiderstraat 9F, 1011 PZ Amsterdam, the Netherlands.

Biographical Details of the Members of the Board

The following paragraphs contain brief biographies of the members of the board.

Ioannis Delikanakis (Yannis) (Executive Director and Chief Executive Officer), age 46, has 20 years of experience in the real estate sector. Mr. Delikanakis co-founded Bluehouse in 2004 and was responsible for developing and implementing an investment strategy for the Emerging Europe area including identifying, negotiating and executing real estate transactions. Previously, Mr. Delikanakis was President and Managing Director for Crown Properties, a real estate development company. Between 2000 and 2003, Mr. Delikanakis established Technical Olympic's real estate operations in the United States through the acquisition, restructuring and merger of publicly traded companies Newmark Homes Corp. and Engle Homes Inc. in two transactions of a combined size of $350.0 million. Following their merger into Technical Olympic USA Inc., a publicly traded US homebuilding and land development company, Mr. Delikanakis was elected as Executive Vice Chairman of its board of directors and was appointed Executive Vice President. Earlier, Mr. Delikanakis executed the acquisition of the Porto Carras Resort by Technical Olympic Group in a €95.0 million transaction, orchestrated its repositioning and also coordinated Technical Olympic's real estate investments in Romania. Prior to this, Mr. Delikanakis worked as a property consultant for Lambert Smith Hampton Hellas. Mr. Delikanakis holds a Diploma of Civil Engineering from the National Technical University of Athens and a Master of Science in Project Management from the University of Texas at Austin. He is also a graduate of the Advanced Management Development Program in Real Estate from Harvard University.

Gerrit (Gert) A. Smit (*Executive Director*), age 65, has over 40 years of experience in audit and advisory services. Mr. Smit started his career as professional accountant with PricewaterhouseCoopers and its predecessors and became a partner in 1986 when he worked for the firm in Curacao (Netherlands Antilles). After returning to the Netherlands he held several management positions with PwC (business unit leader, regional chairman and member of the Audit and Assurance Board). Mr. Smit was CEO of the Dutch Institute of Chartered Accountants (Royal NIVRA). Currently Mr. Smit is a member of the board of directors of three hedge funds and two private companies. Mr. Smit qualified as registered accountant (auditor) in 1977 through the NIVRA education program.

Vittorio (Victor) Pisante (Non-Executive Director and Chairman), age 48, has 25 years of experience in investment banking and real estate. Mr. Pisante co-founded Bluehouse in 2004 and has been primarily responsible for establishing Bluehouse's investment strategy, finance and operations. Prior to founding Bluehouse, Mr. Pisante was a Founder and Managing Director of the Telesis Group of companies, a leading independent investment banking, asset management and brokerage group in Greece. Mr. Pisante was instrumental is the merger of Telesis with EFG EurobankErgasias S.A. in 2002, a €380 million transaction. Following the merger, Mr. Pisante was appointed Chief Executive Officer of EFG Telesis Finance S.A. and General Manager of EFG EurobankErgasias S.A. and was elected a member of its Executive Committee. Prior to founding Telesis, Mr. Pisante worked as an associate in the M&A and corporate finance departments of Bear Stearns in New York. Mr. Pisante is a non-executive board member of Aegean Airlines S.A. Mr. Pisante holds a Bachelor of Arts (magna cum laude) in Economics and International Relations from Brown University and a Master of Business Administration in Finance from the New York University Graduate School of Business Administration.

Charalampos (Babis) Pandis (Non-Executive Director), age 46, has 20 years of experience in the real estate sector. Mr. Pandis co-founded Bluehouse in 2004 and was responsible for asset management and property development. Prior to launching Bluehouse Capital, Mr. Pandis was a Managing Partner in Hellinotechniki S.A., a leading Greek Project and Development Management service provider. While at Hellinotechniki, Mr. Pandis' development and project management experience included residential, retail, entertainment and office projects, including the Athens International Airport Sofitel Hotel, a high end residential project in Strofili, Athens, the EFG Eurobank Securities Building, the Acharnon Entertainment and Shopping Centre, the Veso Mare Cinema complex, the Microsoft Office Building in Athens and the Athens Concert Hall. At the same time, Mr. Pandis also acted as an expert for the Ministry of National Economy and the European Commission in relation to the financing of major infrastructure by the EU Support Frameworks. Mr. Pandis holds a Diploma of Civil Engineering from the National Technical University of Athens (1990) and a Master of Science in Civil Engineering (1992), with a focus in Construction Project Management, from the Massachusetts Institute of Technology in the United States.

Michele Small (Non-Executive Director), age 50, has over 18 years of experience as an international banker, including 15 years of experience in the real estate sector. Ms. Small is currently a strategic advisor for the Investment Committee for real estate transactions for the Fusion Group, a private equity group focusing on East Africa, and for KSP REIM, a Polish income fund. She is also a member on the Unitholder Advisory Committee of the Heitman IV fund. For 15 years, and until July 2012, Ms. Small worked in the EBRD's Property and Tourism team, where she was the Acting Director and prior to that Senior Banker/Portfolio Manager managing the EBRD's property portfolio, which at that time included 110 projects and was valued at €1.7 billion. In that capacity she advised on the underwriting, structuring and implementation of real estate transactions, including debt, high yield and equity transactions, in Poland, the Czech Republic, Latvia, Slovakia, Romania, Bulgaria, Serbia, Russia and Croatia. Ms. Small has received a Master of Science degree in Real Estate Investment from the City University London, Sir John Cass Business School, London.

Andreas Beroutsos (Non-Executive Director), age 47, has nearly 20 years of experience in investment strategy, private equity and financial institutions consultancy experience. Mr. Beroutsos was the founder of One Point Capital Management and is a non-executive and independent member of the board of the Hellenic Financial Stability Fund. He has been partner and Senior Managing Director at Eton Park Capital Management, as well as a senior partner and head of Global Private Equity at McKinsey. Mr. Beroutsos received a Bachelor of Arts from Harvard University and a Master of Business Administration from Harvard University.

Biographical Details of Senior Management

The following paragraphs contain brief biographies of our senior management.

Alexis Iordanides (Chief Financial Officer), age 42, has 17 years of financial and real estate experience. From 2010 to 2013, Mr. Iordanides was the Chief Financial Officer of Bluehouse. From 2007 to 2010 he was the Finance Director of Assos Capital, a real estate private equity fund with an investment presence in Bulgaria and Ukraine, acting on behalf of institutional investors. While acting as its Finance Director, Assos Capital had a portfolio with a gross value exceeding €250.0 million, including "The Mall," the largest shopping center in Sofia, Bulgaria. Mr. Iordanides was responsible for the company's finances and his duties included group accounting and reporting for a large number of companies, preparation of financial statements under IFRS and their audit, financial reporting and management accounting, tax structuring, deal structuring and execution, tax planning, external financing, cash management and risk management. From 2002 to 2007, he was the Financial Controller of Archirodon Constructions (Overseas), a leading international construction group present in the Middle East and North Africa for over 50 years through a wide range of industrial, infrastructure and marine projects, including the Palm Island in Dubai. Mr. Iordanides was responsible for the financial controlling function of the group, and his duties included the preparation of annual and semi-annual consolidated financial statements in accordance with IFRS, liaising with external auditors, reporting to management regarding financial forecasting and budgeting, concessions and heading the group's internal audit department. Mr. Iordanides was also a Corporate Finance Manager for PricewaterhouseCoopers (Athens). Mr. Iordanides has received a Master of Business Administration from the University of Leicester.

Ioannis (Yannis) Ganos (Chief Investment Officer), age 36, has 12 years of experience in the real estate market. Mr. Ganos was an investment manager at Bluehouse from 2005 to 2013, during which time he was involved in real estate investment transactions in Central Eastern Europe (**CEE**) amounting to approximately €200.0 million and sourced and developed financing in excess of €120.0 million. He also participated in joint partnerships, including McArthurGlen for whom he coordinated the development of the McArthurGlen Athens Designer Outlet mall, approximately a €100.0 million transaction, and exit transactions amounting to approximately €50.0 million. In 2004 Mr. Ganos was the business development director of Crown Properties, for whom he sourced and co-developed a 10-unit luxury residential complex in the mountain of Parnassos, an €8 million transaction. From 2002 to 2003 Mr. Ganos was a real estate associate of Technical Olympic SA, for whom he evaluated investment and development opportunities, including: investment and financial structuring and feasibility studies in excess of €300.0 million. In 2003 he was also appointed to the board of directors of Agrotouristiki SA, representing Technical Olympics SA. During which he coordinated, negotiated and was awarded several projects on behalf of the company, including the tender of the redevelopment of the former Athens International Airport, the development of the Alykes Anavysou recreational theme park and the redevelopment of Xenia Anavysou hotel, transactions amounting to €180.0 million, €70.0 million and €30.0 million, respectively. From 2001 to 2002 Mr. Ganos was an associate of OTE Estate SA, a real estate subsidiary of OTE SA, whom he assisted in the sale and lease back of approximately 2,600 properties, concluded property valuations and investment appraisals amounting to €350.0 million and assisted in the design of the OTE Estate e-register for 2,600 properties, an approximately €1.0 billion transaction. In 1999 Mr. Ganos was a research associate for the Foundation for Economic and Industrial Research, for whom he conducted Greek real estate taxation research. Mr. Ganos has also acted as an independent expert for the Ministry of Finance in relation to the taxation on real estate and has published several academic and professional articles. He is also the Group Commercial Coordinate and Investment Manager for Bluehouse and a Chairman of the Board of RICS Hellas (Royal Institute of Chartered Surveyors). Mr. Ganos has received a Bachelor of Science in Economic and Regional Development from Panteion University, a Master of Science in Real Estate Economics and Finance from the London School of Economics and a professional development course in Real Estate Finance from the Massachusetts Institute of Technology.

Board Agreements and Severance Arrangements

Term

The members of the board will enter into renewable board agreements that end four years after appointment at the general meeting of shareholders or upon termination of the director's board membership.

Severance Arrangements

Mr. Delikanakis as Executive Director

If the service agreement between the Group Holding Company and the chief executive officer is terminated other than for cause, he is entitled to a severance payment equal to one year base compensation, consisting of restricted stock. The restricted stock granted shall vest and become exercisable as provided in the applicable grant agreements. If the board agreement between us and the chief executive officer is terminated other than for cause, he is entitled to a severance payment equal to his annual total cash remuneration hereunder.

Such severance arrangement will be reviewed annually by the nomination, remuneration and governance committee.

Executive Directors, Non-Executive Independent Directors and Non-Executive Non-independent Directors

If the appointment of any other executive director (other than the chief executive officer) or any non-executive independent director or non-executive non-independent director is terminated such director shall be entitled to accrued fees as at the date of termination together with reimbursement of any expenses properly incurred prior to that date.

Loans and Guarantees

We do not grant loans or guarantees, including mortgage loans, to directors.

Remuneration

The Company's remuneration policy will be adopted on an annual basis at the general meeting of the shareholders.

Executive Directors

The board determines remuneration of executive directors based on a proposal by the nomination, remuneration and governance committee and within the scope of the remuneration policy adopted by our general meeting. Any equity incentive scheme shall be submitted to the general meeting for approval.

The annual total cash remuneration of executive members of the board will amount to €440,000 gross.

The following table sets out the breakdown of the annual base remuneration of the executive directors.

Name	Remuneration (euro)	Other
Yannis Delikanakis	380,000	Restricted Shares representing 0.275% of the Company's initial share capital
Gerrit Smit	60,000	–
Total	**440,000**	Restricted Shares representing 0.275% of the Company's initial share capital

The chief executive officer will receive an annual base compensation consisting of cash of €380,000 gross and shares equal to 0.275% of the Company's initial share capital at the time of the Offering in the form of restricted shares, which will be freely transferable after one year from the date of the award to the chief executive officer and are subject to our annual dividend reaching 7.5% of the gross Offering proceeds. If our annual dividend is less than 7.5% of the gross Offering proceeds, the annual stock award will be owed to the chief executive officer by us and will be awarded to him only when our annual dividend has reached 7.5% of the gross Offering proceeds and at a date decided by the nomination, remuneration and governance committee.

The chief executive officer is also entitled to a long term incentive consisting of restricted shares in accordance with the Company's remuneration policy, such policy to be approved by the general meeting of shareholders and implemented by the board. The long term incentive will be up to 100% of his base compensation including the value of the restricted stock which is part of his base compensation. The current remuneration policy related to the annual variable remuneration is described below. The implementation of the annual variable remuneration is at the discretion of the non-executive directors, depending on Company performance and individual performance.

Non-Executive Directors

Our general meeting of shareholders determined the remuneration of the non-executive directors. Each non-executive director, except for Mr. Pisante as Chairman, whose fixed gross annual income will amount to

€70,000, is paid a fixed gross annual payment of €35,000 compensation and a total fixed annual payment of €25,000 for his/her participation in any committee (irrespective of the number of committees in which he/she will participate).

The total cash remuneration of members of the non-executive directors will amount to approximately €275,000 gross. The following table sets out the breakdown of the remuneration of the non-executive directors.

Name	Remuneration (euro)
Victor Pisante	95,000
Babis Pandis	60,000
Michele Small	60,000
Andreas Beroutsos	60,000
Total	**275,000**

Senior Management

The chief financial officer will receive an annual base compensation consisting of cash of €160,000 gross and could be granted shares in the form of restricted shares in accordance with the remuneration policy to be approved by the general meeting of shareholders and implemented by the board, which will be freely transferable after one year from the date of the award to the chief financial officer, and are subject to our annual dividend reaching 7.5% of the gross Offering proceeds. If our annual dividend is less than 7.5% of the gross Offering proceeds, the annual stock award will be owed to the chief financial officer by us and will be awarded to him only when our annual dividend has reached 7.5% of the gross Offering proceeds and at a date decided by the nomination, remuneration and governance committee. The chief financial officer will be also entitled to a long term incentive consisting of restricted shares in accordance with the remuneration policy to be approved by the general meeting of shareholders and implemented by the board. The long term incentive will be up to 100% of his base compensation, including the value of the restricted stock which is part of his base compensation. The current remuneration policy related to the annual variable remuneration is described below. The distribution of the annual variable remuneration is at the discretion of the non-executive directors, depending on our performance and individual performance.

The chief investment officer will receive an annual base compensation consisting of cash €140,000 gross and could be granted shares in the form of restricted shares in accordance with the remuneration policy to be approved by the general meeting of shareholders and implemented by the board, which will be freely transferable after one year from the date of the award to the chief investment officer, and are subject to our annual dividend reaching 7.5% of the gross Offering proceeds. If our annual dividend is less than 7.5% of the gross Offering proceeds, the annual stock award will be owed to the chief investment officer by us and will be awarded to him only when our annual dividend has reached 7.5% of the gross Offering proceeds and at a date decided by the nomination, remuneration and governance committee. The chief investment officer will be also entitled to a long term incentive consisting of restricted shares in accordance with the remuneration policy to be approved by the general meeting of shareholders and implemented by the board. The long term incentive will be up to 100% of his base compensation, including the value of the restricted stock which is part of his base compensation. The current remuneration policy related to the annual variable remuneration is described below. The implementation of the annual variable remuneration is at the discretion of the non-executive directors, depending on Company performance and individual performance.

The employment agreements with the chief financial officer and chief investment officer will be for one year.

Summary of the Remuneration Policy for the Executive Team (Chief Executive Officer and other Executive Officers of the Company including Chief Financial Officer and Chief Investment Officer)

Base Remuneration in Cash

The total annual gross base remuneration in cash for the executive team, relating to all work performed for the Company and its entities, is set at €800,000. The executive team will receive a proportionate part of this annual base remuneration for 2013, the exact amount to depend on the length of time in 2013 during which services are provided. The current remuneration of the executive team is in line with the remuneration objectives and as a result no fundamental changes are considered with respect to the remuneration of the executive team for

2014. During 2014, the nomination, remuneration and governance committee will re-evaluate the current base cash remuneration level. Base cash remuneration levels will be reviewed annually, taking into account developments in the compensation market and other factors (including potential changes in job tasks and responsibilities). The criteria for an annual increase of the base cash remuneration of the executive team are inflation, cost of living, taxes and any other material changes to the competitive environment in which the Company operates.

Base Remuneration in Restricted Stock

Under the "front end restricted stock award agreement," the executive team is entitled to restricted Company stock. The restricted stock will be payable annually and the *pro rata* stock award for the year 2013 will be awarded to the executive team in 2014; there will be no restricted stock payable in 2013. The vesting period of each tranche of the restricted stock awarded to the executive team is one year. The annual value of the restricted shares to be awarded to the executive team is €500,000; the total value of the restricted shares over the course of the four year agreement is €2.0 million. In order for the Company to award restricted stock to the executive team, our annual dividend must have reached 7.5% of the gross Offering proceeds. If our annual dividend is less than 7.5% of the gross Offering proceeds, the annual stock award will be owed to the recipient by us and will be awarded only when our annual dividend has reached 7.5% of the gross Offering proceeds and at a date decided by the nomination, remuneration and governance committee.

Long term Incentive (restricted stock plan)

The Company has established a long term incentive plan in the form of a restricted stock award according to which 20% of our stock over performance (such over performance calculation will be based on the average share price over the three-month period prior to the publication of the Company's third anniversary annual financial statements, taking into account the dividends paid during this three-year period) in comparison to the 'EPRA total return index' over a period of three years will be awarded to the executive team in restricted shares and only 25% of the total number of such restricted shares will be freely transferrable annually (i.e. it will take a period of four years after the award in order for all the restricted shares to be freely transferable). The long term incentive plan will commence in the fourth year from our listing on the Warsaw Stock Exchange.

The executive team is eligible to participate in the Company's long term incentive plan, as amended from time to time. Restricted shares granted under this plan are conditional on the fulfillment of performance conditions and continued employment until the vesting date. The performance criteria are measured over a three year period, which period will start at Offering. Any vesting is conditional to continued employment until such date.

The maximum value of the awarded restricted stock of the Company to the executive team as part of their participation in the Company's long term incentive plan cannot exceed 100% of their base compensation, including the value of the restricted stock which is part of their base remuneration.

The maximum value of the awarded restricted stock to the executive team as part of their participation in the long term incentive plan cannot exceed the amount of €1.8 million annually or 100% of their base compensation, including the value of the restricted stock which is part of their base remuneration.

The performance condition(s) for any restricted shares to be able to vest shall be verified by the nomination, remuneration and governance committee. As these targets may contain commercially sensitive information, the nomination, remuneration and governance committee may decide to keep these confidential and undisclosed.

Remuneration for the Non-Executive Board Members

The compensation package consists of a cash payment to all non-executive members of the board. The 2013 total annual cash payment for all work performed for the Company for the non-executive board members, except for Mr. Pisante as Chairman, whose remuneration amounts to €70,000 gross, is set at €35,000 gross for the board position and €25,000 gross for a participation in any committee of the Company (irrespective of the number of committees).

Other Directorships

In addition to their directorships of the Company or the Company's subsidiaries, the directors hold, or have held, the following directorships and are or were members of the following partnerships, within the past five years:

Name	Directorships / Partnerships
Current Positions	
Yannis Delikanakis	**Companies managed, controlled, affiliated or otherwise related to Bluehouse:** T2 Bluehouse Capital GP Ltd. Bluehouse Capital Advisors Sarl Bluehouse Accession Property Holdings III Sarl Bluehouse Capital Hellas SA **Other:** Crown Properties SA
Gerrit Smit	Non-executive director in LTL Holdings B.V. Non-executive director in T-G Holding B.V. Emmeloord Executive director Ultratech Holding B.V. Amsterdam Oyu Tolgoi Netherlands B.V. Amsterdam Elavon European Holdings B.V. Amsterdam Trocodero Funds British Virgin Islands
Victor Pisante	**Companies managed, controlled, affiliated or otherwise related to Bluehouse:** Bluehouse Capital Hellas SA SEE Car Park Managers Sarl VYB Investment Managers GP Ltd. VYB Investment Adviser Ltd. 3EP Piraeus Stadium Parking SA Central European Infrastructure Finance Ltd. Central European Infrastructure Finance SA Bluehouse Development SA T2 Bluehouse Holdings Ltd. **Other:** Aegean SA Pergamos NEPA
Babis Pandis	**Companies managed, controlled, affiliated or otherwise related to Bluehouse:** T2 Bluehouse Capital GP II Ltd. Bluehouse Capital Advisors Sarl Bluehouse Capital Advisors Ltd. Bluehouse Capital Hellas SA **Other:** HELLINOTECHNIKI SA MAIANDROS SA STADION SA Crown Properties SA

Name	Directorships / Partnerships
Michele Small	**Other:**
	Heitman Fund IV Fusion Group Heitman Fund II Himes Poland and Russia Fund Marbleton Property Fund Global Emerging Property Fund Europolis 1 and 2 Funds GTC Galleria Burgas Georgian Reconstruction and Development Company
Andreas Beroutsos	**Other:**
	One Point Capital Management Navigos Capital Management Hellenic Financial Stability Fund
Previous Positions	
Victor Pisante	Yalco SA Frigoglass S.A.
Michele Small	Georgian Reconstruction and Development Company GTC Galleria Burgas Global Emerging Property Fund Europolis 1 and 2 funds Marbleton Property Fund Heitman Fund II Hines Poland and Russia Fund
Andreas Beroutsos	Eton Park Capital Management

Senior Management Directorship

Name	Directorships / Partnerships
Current Positions	
Alexis Iordanides	Garaže Rijeka d.o.o. 3E Car Park d.o.o. Bluehouse Development S.A. Belbaka A.S.
Ioannis Ganos	MORGAN SA Crown Properties SA

Equity Holdings

Certain of our directors will invest proceeds from the sale of the Initial Portfolio received indirectly by them due to their participation in Bluehouse Funds, as ultimate sellers of the Initial Portfolio. Accordingly, through BH Meridian Participations Ltd., Mr. Delikanakis, Mr. Pisante and Mr. Pandis will hold indirectly a combined total of at least 5% in the aggregate of our outstanding share capital following the Offering.

Liability, Conflict of Interests and Other Information Relating to Members of the Board

Liability of Members of Board

Members of the board may be liable to us for damages in the event of improper or negligent performance of their duties. They may be jointly and severally liable for damages to us and third parties for infringement of our articles of association or certain provisions of the Dutch Civil Code (**DCC**). In certain circumstances, they may also incur additional specific civil and criminal liabilities.

The liability of members of the board and other key employees is covered by a directors' and officers' liability insurance policy. This policy contains customary limitations and exclusions, such as willful misconduct or intentional recklessness (*opzet of bewuste roekeloosheid*).

Conflicts of Interest

Conflicts of interest may arise between the directors and the Company, because each of Mr. Delikanakis, Mr. Pisante and Mr. Pandis indirectly holds our shares, holds directorship positions in companies managed, controlled, affiliated or otherwise related to Bluehouse as listed in *"—Other Directorships"* and holds financial interest in Bluehouse Funds.

There are no family relationships between any member of the board or any key employees and we do not anticipate any such family relationships in the future.

According to the by-laws of the board, a conflict of interests exists, in any event, if (a) the Company intends to enter into a transaction with a legal entity: (i) in which a director personally has a material financial interest; (ii) which has a management board member who has a relationship under family law with a director, (iii) in which a director has a management or supervisory position or (iv) which is a related party or (b) if in the situation at hand the director must be deemed to be unable to serve the interest of the Company and the business connected with it with the required level of integrity and objectivity.

The board has taken the following measures to mitigate any (potential) conflict of interests. A director may not participate in deliberation or decision-making within the board if, with respect to the matter concerned, he or she has a direct or indirect personal interest or an interest which may have the appearance of such an interest that conflicts with the interests of the Company and the business connected with it. This prohibition does not apply if the conflict of interest exists for all directors. Accordingly, no director of the Company who is also a director of a Bluehouse affiliate would participate in deliberation or decision-making with respect to matters involving Bluehouse and/or any Bluehouse affiliate.

Pursuant to the by-laws of the board, a director shall not:

- enter into competition with the Company;
- demand or accept (substantial) gifts from the Company for himself or for his spouse, registered partner or other life companion, foster child or relative by blood or marriage up to the second degree;
- provide unjustified advantages to third parties to the detriment of the Company; and
- take advantage of business opportunities to which the Company is entitled for himself or for his spouse, registered partner or other life companion, foster child or relative by blood or marriage up to the second degree.

A director shall immediately report any conflict of interests or potential conflict of interests that is of material significance to the Company and/or to him to the chairman and the other directors and shall provide all relevant information, including information concerning his spouse, registered partner or other life companion, foster child and relatives by blood or marriage up to the second degree. The director concerned shall not take part in the assessment by the board whether a conflict of interests exists.

A non-executive director shall immediately report to the board on any relationship between him or her and any shareholder holding not less than 5% of all votes at the general meeting of shareholders. This obligation applies to any commercial, financial, family or other relationship that could affect the position of the non-executive director when resolving a matter on the board meeting agenda.

All transactions in which there is a conflict of interests (i) as referred to in the by-laws of the board or (ii) in any other way with a director shall, be agreed on terms that are customary for arm's-length transactions in the branch of business in which the Company and its subsidiaries operate. Decisions to enter into transactions in which there is a conflict of interests with a director that is of material significance to the Company and/or the relevant director requires the majority of the non-executive directors.

After the completion of the Offering, the board intends to nominate two more non-executive directors, who may be proposed by major shareholders, which non-executive directors will be appointed by the general meeting.

Non-Compete Provisions Applicable to Bluehouse-affiliated Directors

Non-compete Provisions Applicable to Mr. Delikanakis as Executive Director

For so long as Mr. Delikanakis remains a director and an officer of the Company and any entity of its Group (the **Employing Entity**) and for a period of 12 months after termination of his agreement with the Employing Entity for any reason (other than termination by the Employing Entity for cause (as defined in the agreement), in which event the foregoing 12 month time period shall be nine months) (the **Restricted Period**), Mr. Delikanakis shall not directly or indirectly (i) engage in (as a principal, shareholder, partner, director, officer, agent, employee, consultant or otherwise) or be financially interested in any business operating within any country of operation of the Employing Entity, which competes with the Employing Entity or any affiliate; provided, however, that nothing contained in this section shall prevent him from holding or owning (directly or indirectly) for passive investment no more than 25% of any class of equity securities of a company whose securities are not publicly traded on a national securities exchange or in a national market system; or (ii) induce or attempt to influence any employee, customer, independent contractor or supplier of the Employing Entity or any affiliate to terminate employment or any other relationship with the Employing Entity or any affiliate. The chairman of the board shall notify Mr. Delikanakis in writing within 30 business days of his termination whether all or any part of the Restricted Period is being waived.

Directors' Indemnification and Insurance

In order to attract and retain qualified and talented persons to serve as members of the board or senior management, the Company has established and will maintain a directors' and officers' insurance policy. This policy protects the present and future directors and officers against any claim made against any one of them for wrongful acts committed by them in their respective capacities.

Other Information Relating to Members of the Board

At the date of this document, none of the current or to be appointed members of the board or senior management has, in the previous five years:

- been convicted of any fraudulent offenses;
- as a member of the administrative, management or supervisory body at any company, or as partner, founder or senior manager at any company, been associated with any bankruptcy, receivership or liquidation of such company;
- been subject to any official public incriminations and/or sanctions by any statutory or regulatory authority (including any designated professional body); or
- been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer.

Committees

The board will appoint the following committees:

Nomination, Remuneration and Governance Committee

The nomination, remuneration and governance committee will have the following duties with respect of nomination:

- draft selection criteria and appointment procedures for non-executive directors;
- periodically assess the size and composition of the board and propose a composition profile of the board;
- at least once a year assess the performance of individual directors, and report their findings to the board;
- make proposals for appointments and reappointments to the board, and prepare a description of the role and capabilities required for a particular appointment;
- ensure that on appointment to the board, non-executive directors receive a formal letter of appointment setting out clearly what is expected of them in terms of time commitment, committee services and involvement outside board meetings;
- supervise the policy of the board on the selection criteria and appointment procedures for senior management;

- prepare the decision-making process of the board on the acceptance by an executive director of the membership of the supervisory board or one tier board of a listed company;
- prepare the decision-making process of the board concerning any conflicts of interest that may arise in the acceptance by members of the board of additional positions; and
- review and advise the board on related party transactions and on conflict of interest matters involving the board members, as stipulated in the by-laws of the board and the articles of association.

This remuneration nomination and governance committee also advises the board on the compensation and benefits of the members of the board. The members of the nomination, remuneration and governance committee will be Mr. Beroutsos (chairman), Ms. Small and an additional non-executive director.

Audit Committee

The audit committee will be responsible for reviewing our annual and interim reports and accounts and monitoring and liaising with our independent auditors. The members of the audit committee will be Ms. Small (chairman), Mr. Pisante and an additional non-executive director.

Investment Committee

The investment committee will consider our investments, dispositions, financial strategy, asset allocation, risk management and financial reporting and will advise respectively the board. The members of the investment committee will be Mr. Delikanakis (chairman), Mr. Pandis, Ms. Small and Mr. Beroutsos.

Limitation of Responsibilities

Under Dutch law, an executive director of a large Dutch company may not hold more than two supervisory positions at another large Dutch company, and may not concurrently serve as chairman of the supervisory board or one tier board of a large Dutch company. A "supervisory position" is a position of supervisory director, non-executive director or member of a supervisory body. Under Dutch law, a large company is a Dutch N.V., B.V. or foundation that fulfills at least two out of the following three criteria on two successive balance sheet dates: (1) the value of the assets according to the consolidated balance sheet with explanatory notes is, on the basis of the purchase price and manufacturing costs, more than €17.5 million; (2) the net turnover is more than €35.0 million; and (3) the average number of employees is 250 or more. Supervisory positions in group companies, Dutch legal entities other than large N.V.'s, B.V.'s and foundations and foreign legal entities do not count toward the maximum number of supervisory positions permitted.

Furthermore, under Dutch law, non-executive directors of a large Dutch company may not hold more than five supervisory positions at another large Dutch company, with a chairmanship counted twice.

The Company is not a statutory large company yet, but all directors will voluntarily comply with these rules. According to the by-laws of the board, the board shall endeavor to ensure that the directors observe the restrictions regarding the nature and number of their positions as set forth in article 2:142a of the DCC.

Diversity Policy

Dutch law requires a large company (see above for the explanation of this term) to pursue a policy of having at least 30% of the seats on the management board held by men and at least 30% of the seats on the management board held by women. This allocation of seats will be taken into account in connection with the following actions: (i) the appointment, or nomination for the appointment, of managing directors. Pursuant to Dutch law, if a large company does not comply with the gender diversity rules, it will be required to explain in its annual report: (i) why the seats are not allocated in a well-balanced manner; (ii) how it has attempted to achieve a well-balanced allocation; and (iii) how it aims to achieve a well-balanced allocation in the future. This rule will cease to have effect on January 1, 2016.

Although the Company does not qualify as a large company yet, the by-laws of the board include a policy that the board shall aim, to the extent practicable and appropriate under circumstances, for a diverse composition of directors in line with the global nature and identity of the Company and its business, in terms of such factors as nationality, background, gender (as referred to Article 2:166 of the DCC) and age.

The Company currently does not comply with the requirements set by law. As board seats become available, the board will have the opportunity to assess the effectiveness of the diversity policy and, if at all, how our implementation of the policy should be changed.

MAJOR SHAREHOLDERS

As at the date of the document the sole shareholder of the Company is BH Meridian Participations Ltd., a limited liability company incorporated in Cyprus, with its seat in Limassol (Cyprus), holding 450,000 ordinary shares in the Company of €0.10 nominal value each, representing 100% of issued share capital and 100% of the general meeting's votes. The sole shareholder of BH Meridian Participations Ltd. is Bluehouse Capital Advisors Ltd., a limited liability company incorporated in Cyprus, with its seat in Limassol (Cyprus). The 450,000 ordinary shares will be repurchased by the Company for a purchase price of €45,000 after the issuance of the shares to be issued in connection with the Offering and before the admission to trading of the shares on the Warsaw Stock Exchange. The Company intends to cancel the repurchased shares after their admission to trading on the Warsaw Stock Exchange.

Following the completion of the Offering, BH Meridian Participations Ltd. will hold at least 5% of the Company's total share capital, by investing €10 million in the Offering. Certain of our directors will invest proceeds from the sale of the Initial Portfolio received indirectly by them due to their participation in Bluehouse Funds, as ultimate sellers of the Initial Portfolio. Accordingly, through BH Meridian Participations Ltd., Mr. Delikanakis, Mr. Pisante and Mr. Pandis will hold indirectly a combined total of at least 5% in the aggregate of our outstanding share capital following the Offering. As of the date of this document, none of the members of the board to be appointed directly holds any shares in the Company or options to acquire shares.

In addition, subject to the terms of the Framework Agreement dated September 23, 2013, entered into between us and the EBRD, the EBRD intends to invest up to €23 million in PLN equivalent, provided that such PLN equivalent cannot be more than PLN 105,250,000, in the Offering and following completion of the Offering is expected to hold an interest of at least 5% in the Company's issued share capital and voting rights at the general shareholders meeting of the Company.

Bluehouse Capital Advisors Ltd. is not a regulated entity. Nevertheless, it is an investment advisor of several Bluehouse funds that are regulated funds in Cyprus and Luxembourg.

No different voting rights are attached to our shares and it is our intention that no different voting rights will be attached to shares held by any future major shareholder. To our knowledge, there is no arrangement that may result in us experiencing a change of control.

OUR RELATIONSHIP WITH BLUEHOUSE

Founded in 2004, Bluehouse is a private equity real estate investment management firm focused in Emerging Europe, including Bulgaria, Croatia, the Czech Republic, Greece, Hungary, Romania and Serbia. Bluehouse manages capital across three funds, investing on behalf of a high-quality institutional investor base, including financial institutions, pension funds, endowments, multimanager funds and family offices.

Bluehouse Capital Advisors Ltd. is a limited liability company incorporated under the laws of Cyprus on December 3, 2004, having its registered office at Chrysorogiatissis and Kolokotroni Corner, 3040, Limassol, Cyprus (registration no. HE 154705), telephone number +35 725274130. Bluehouse Capital Advisors Ltd is not a regulated entity but provides investment advisory services to Bluehouse funds which are regulated entities in Luxembourg and Cyprus.

As part of our relationship with Bluehouse we have entered into several agreements relating to: (i) the provision of property management and administration services; (ii) the provision of transitional services; (iii) the right of first offer and (iv) the reimbursement of certain expenses Bluehouse incurred due to the offering. Through these cost-efficient service agreements, we have access to, and significantly benefit from, the substantial experience of Bluehouse. We believe that our contractual arrangements afford us opportunities that would not be available to us if we conducted the services in-house. The total amount payable under the Property Management Agreement, the Administration Services Agreement and the Transitional Services Agreement will be approximately €1.2 million for the first year.

We believe that the charges payable by us to Bluehouse as consideration for services provided under these agreements have been negotiated on an arm's length basis. The rate of 5% of collected yearly income is accepted market standard for these types of services and comparable to or less than fees charged by third parties.

Property Management and Administration Service Agreements with Bluehouse

The Property Companies and their respective Individual Holding Companies that will become part of the ownership structure of the Initial Portfolio have entered into property management and administration service agreements with certain Bluehouse affiliates for the day-to-day operation and administration of the Property Companies, their real estate assets and their Individual Holding Companies. Under the service agreement for property management (the **Property Management Agreement**), the Bluehouse affiliates will perform a variety of services, including, but not limited to, communicating with tenants and public authorities on behalf of the Property Companies; providing business advice and preparing an annual budget; assisting and advising the Property Companies in securing property insurance; managing the relationship with the property suppliers and consultants, invoicing, and collecting fees from tenants; providing general property maintenance services; and overseeing new lettings. The Bluehouse affiliates will perform, under the service agreement for administration (the **Administration Services Agreement**), a variety of services including, but not limited to, filing and indexing contracts and agreements, director and shareholder resolutions and accounting documents; performing the tasks necessary to comply with statutory filing obligations; and managing any potential litigation and accounting, tax and financial reporting.

Both the Property Management Agreement and the Administration Services Agreement are valid for five years from the effective date (the date of closing of the Offering and adoption by the Warsaw Stock Exchange of a resolution on the introduction of the shares to trading on the regulated market of the Warsaw Stock Exchange) and shall be reviewed annually by the board of directors of the Property Company or the Individual Holding Company. Each party is entitled to terminate the agreements if the other party is in material breach of any of its obligations and fail to remedy such according to the provisions of these agreements. Bluehouse is not entitled to unilaterally terminate for any other reason. The agreements can be terminated by the Property Company or the Individual Holding Company, given at least 12 months' notice or an insolvency event occurring in relation to the Bluehouse affiliate. The Property Company or the Individual Holding Company should indemnify the Bluehouse affiliate in case of termination under specific circumstances. The indemnification cannot exceed the fees of one year.

Under the Property Management Agreement, Bluehouse affiliates will receive 5% of each Property Company's collected yearly income, inclusive of all expenses (i.e., no additional payments with respect to leasing or other fees, reimbursement of costs or any other additional expenses will be owed to the Bluehouse affiliates). The estimated maximum amount to be received by Bluehouse affiliates is €0.9 million. Under the Administration Services Agreement, Bluehouse affiliates will receive a total of approximately €0.2 million per year, indexed to the Eurostat-published consumer price index, which includes fees of €20,000 per real estate asset and €9,000 per Individual Holding Company. We believe that the fees payable by the Property Companies and the Individual Holding Companies under these agreements have been negotiated on an arm's length basis.

Transitional Services Agreement with Bluehouse

We have entered into a Transitional Services Agreement (**TSA**) with Bluehouse to provide certain administrative services for us beginning from the date of completion of the Company's Offering on the Warsaw Stock Exchange. The purpose of the agreement is to enable us to commence operation in a timely fashion, prior to building our own long-term administrative infrastructure. Under the TSA, Bluehouse will support corporate, payroll, IT and office-related services, including, among other services, assistance in the preparation of statutory filing obligations and management reports, support in negotiating a contract with a consultant for outsourced administrative services, the procurement of an IT provider and IT and telecom hardware and the procurement of office space and equipment.

The Transitional Services Agreement extends for six months from the effective date (defined as the date of the completion of the Offering); however we may serve written notice 30 days prior to expiration notifying Bluehouse of our intention to extend the TSA for an additional six-month period. The TSA contemplates that within 90 days of the effective date; we will make reasonable efforts to agree with Bluehouse to a written plan for migration away from Bluehouse's services. Such plan shall include acceptable confidentiality standards in respect of personnel and security and IT systems.

We will pay Bluehouse €20,000 per month for the duration of the agreement. We believe that the charges payable by us to Bluehouse as consideration for services provided under the TSA have been negotiated on an arm's length basis.

Right of First Offer Agreement

We have entered into a Right of First Offer Agreement with Bluehouse. The Right of First Offer Agreement grants us a right of first offer to purchase any real estate asset or real estate company that Bluehouse or certain of its affiliates have undertaken to sell under the terms included in the agreement. More specifically it requires Bluehouse to introduce to us in writing an offer in respect of any real estate asset or real estate company of existing Bluehouse funds as defined in the agreement and prohibits Bluehouse from offering such real estate asset or real estate company to any other party, until the earlier of our written rejection of the offer or the lapse of 15 business days following receipt of the offer, subject to the provisions of the agreement. If we do not exercise our right of first offer in respect of the acquisition of such offered real estate asset or real estate company, Bluehouse is free to offer or sell such real estate asset or real estate company to any other party, provided that Bluehouse enters into a fully executed purchase and sale agreement within nine months following the expiration of our right of first offer. Furthermore, the Right of First Offer Agreement requires Bluehouse to introduce to us in writing an offer in respect of any new investment opportunity which meets our investment criteria and prohibits Bluehouse from offering such new investment opportunity to any other party, until the earlier of our written rejection of the offer or the lapse of 15 business days following receipt of the offer. If we do not exercise our right of first offer in respect of the new investment opportunity, Bluehouse is free to sell to any other party.

The Right of First Offer Agreement is valid for four years and cannot be terminated unilaterally by Bluehouse. We will not pay Bluehouse any fee under the Right of First Offer Agreement.

Rental Guarantee

We entered into a rental guarantee agreement with Bluehouse Accession Property Holdings III Sarl for a three year period after the Offering in respect of Baumax AG, the sole tenant of Baumax Pleven and a key tenant of Retail Park Hradec Kralove. Bluehouse Accession Property Holdings III Sarl entered into the rental guarantee agreement in consideration for our entering into the SSPLAA for each property; we owe Bluehouse Accession Property Holdings III Sarl no payment or other compensation pursuant thereto. Please see "*Our Business—Material Contracts—Rental Guarantee.*"

Fees and Expenses Relating to the Offering

In addition to the above agreements, the Company has also agreed to reimburse Bluehouse in the amount of €750,000 for costs directly incurred by Bluehouse in connection with the Offering. The Company will reimburse Bluehouse from the proceeds of the Offering and this reimbursement is included in the "Commissions and expenses for the Offering" line item presented under "*Use of Proceeds*" above.

Conflicts of Interest with Bluehouse

Bluehouse is the investment advisor of existing real estate funds. We may compete with Bluehouse for real estate investment opportunities. As a result of potential conflict of interests between us and Bluehouse, as well with other investment vehicles sponsored or managed by or affiliated with Bluehouse, we may not be offered favorable investment opportunities identified by Bluehouse when it would otherwise be in our interest to accept such investment opportunities. This could have a material adverse effect on our business, financial condition and results of operations. We have signed a Right of First Offer Agreement with Bluehouse, which provides us with new investment opportunities, an agreement they have exclusively with us. See "*—Right of First Offer Agreement*."

Pursuant to this Right of First Offer Agreement, Bluehouse is obliged to offer to us any investment opportunity which meets our investment criteria before offering such opportunity to any third party for a period of four years. Pursuant to non-compete provisions applicable to the Bluehouse-affiliated executive director, he or she shall not (in)directly engage in (as a principal, shareholder, partner, director, officer, agent, employee, consultant or otherwise) or be financially interested in any business operating within any country of operation of the Company or any entity of its Group.

In the event of any potential conflict of interest between Bluehouse and the Company, all directors will be bound by conflicts of interest provisions, which provide inter alia for a prohibition for such director to participate in deliberation or decision-making within the board if, with respect to the matter concerned, he or she has a direct or indirect personal interest or an interest which may have the appearance of such an interest that conflicts with the interests of the Company and the business connected with it. See "*Management—Liability, Conflict of Interests and Other Information Relating to Members of the Board*."

RELATED PARTY TRANSACTIONS

We have entered into certain agreements with the executive directors and the non-executive directors of the board. See "*Management—Board Agreements and Severance Arrangements*" and "*Management—Remuneration.*"

We have also entered into a shareholder loan with the Group Holding Company to facilitate the flow of proceeds from the Offering.

As described, above, under "*Our Relationship with Bluehouse*," Bluehouse is a related party with whom we have entered into certain commercial agreements. These agreements relate to the provision of transitional services in connection with the Acquisition of Initial Portfolio, the Right of First Offer Agreement and the reimbursement of certain expenses in relation to the Offering. Details of each of these agreements are provided under "*Our Relationship with Bluehouse*" above.

Certain of our directors will invest in the Company proceeds from the sale of the Initial Portfolio received indirectly by them due to their participation in Bluehouse Funds, as ultimate sellers of the Property Companies. These directors will jointly hold indirectly, through BH Meridian Participations Ltd., at least 5% in the aggregate of our outstanding shares following the Offering.

TERMS OF THE OFFERING

We are offering for subscription 18,000,000 newly issued shares with a nominal value of €0.10 per share. The offer shares consist of series A shares and series B shares. Series A and B shares represent identical rights and become immediately fungible once issued. Upon exercise of the over-allotment option granted to the underwriters, we may issue up to 900,000 additional shares. The Offering consists solely of (i) a public offering to professional investors in Poland, (ii) a private placement to Qualified Institutional Buyers as defined in Rule 144A of the Securities Act and (iii) a private placement to certain international institutional investors outside of the United States of America and Poland in reliance on Regulation S under the U.S. Securities Act. The shares are being offered at the offering price, which will be determined through the bookbuilding process.

Upon agreement with Citi, we will determine the final terms on which the shares will be offered, including (i) the final offering price and (ii) the final number of shares.

All of our shares have been assigned the following ISIN code: NL0010511135.

The Offering is directed to professional investors in Poland and institutional investors (i) that understand the potential risk of capital loss and that there may be limited liquidity in the underlying investments of the Company; (ii) for which an investment in our shares is part of a diversified investment program; and (iii) that fully understand and are willing to assume the risks involved in such an investment.

Over Allotment Option

We have granted Citi an option, exercisable for 30 days from date of commencement of trading on the Warsaw Stock Exchange, pursuant to which Citi may require us to issue at the offering price up to 900,000 additional shares. Any shares issued under the option will be issued and sold on the same terms and conditions as the other shares that are the subject of this Offering. The shares issued if the option is exercised will be registered with the NDS as well as admitted and introduced to trading on the Warsaw Stock Exchange. Registration as well as admission and introduction of the shares in to trading will be subject of separate proceedings before the NDS and the Warsaw Stock Exchange.

Currency of the Offering

The offering price will be set in Polish zloty.

Information on Framework Agreement concluded between the Company and the EBRD

On September 23, 2013 we concluded the Framework Agreement with the EBRD. Pursuant to the Framework Agreement, the EBRD confirmed its intention acquire shares in the Offering if certain conditions precedent are satisfied, including: (i) the amount invested by the EBRD for the purpose of acquiring the shares shall not exceed €23 million in PLN equivalent provided that such PLN equivalent cannot be more than PLN 105,250,000; (ii) the total number of shares sold pursuant to the Offering shall be at least 18,000,000; (iii) in the opinion of the EBRD, no material adverse change shall have occurred between the date of the execution of the Framework Agreement and the acquisition of shares by the EBRD pursuant to the Offering; and (iv) the EBRD shall subscribe only for the Series A shares and the Series A shares net subscription shall be utilized by us in full to purchase properties in the Initial Portfolio located in Hungary, Bulgaria and Romania and after confirming such proceeds' utilization to the EBRD we shall use the series B shares net subscription proceeds to acquire Initial Portfolio properties located in the Czech Republic and for other purposes described herein in "Use of Proceeds." We have also agreed with the EBRD to effect the segregation of proceeds from the two series of shares before they are utilized to purchase the respective portions of the Initial Portfolio. Without prejudice to any future binding commitment by the EBRD to acquire shares pursuant to the Offering, the EBRD is under no obligation to participate in the Offering, notwithstanding the entry by the EBRD into the Framework Agreement. Pursuant to the Framework Agreement, to the extent our share capital is increased in the future to finance the acquisition by us or any of our subsidiaries of real estate assets located in EBRD countries of operations, we have undertaken to offer to the EBRD an opportunity to subscribe for such number of such further shares as, to the extent practicable, reflects the extent to which we will use the capital increase for such purpose and the EBRD's shareholding immediately prior to such capital increase and on the condition that we will use any new subscription monies obtained from the EBRD only for the acquisition of real estate assets located in the EBRD's countries of operations.

Moreover, under the Framework Agreement, from such time as the EBRD acquires the shares in the Offering and for as long as the EBRD holds any of these shares, we have agreed, inter alia, that:

(i) the EBRD will have the right to recommend a nominee to be a non-executive member of the Board of Directors and that appointment of such nominee to the Board of Director will be made in accordance with Dutch law and our articles of association and will be decided by our general meeting;

(ii) we will carry out our business in accordance with certain performance requirements which include the development and implementation of environmental, health, safety and social management systems which are tailored to our operations and promote risk management;

(iii) we will coopertate with the EBRD and the EBRD's hired consultants in the development of a green lease standard by reviewing and providing comments on a proposed green lease standard and we will offer (on a best efforts basis) to all of our tenants the option to adopt (on a voluntary basis) Green Leases (as defined herein) developed on the basis of this green lease standard;

(iv) we shall at all times use sound procurement methods which facilitate a sound selection of goods and services at fair market value and make capital investments in a cost effective manner;

(v) we shall not authorize or permit any of our officers, directors, authorized employees, affiliates, agents or representatives to, engage in fraud, corruption or any collusive practices and we will maintain internal procedures satisfactory to EBRD for the purpose of preventing us from becoming an instrument for money laundering, terrorism financing, fraud or other corrupt or illegal purposes and implement and comply with certain integrity guidelines; and

(vi) we will include in our annual report a section on certain environmental and social matters arising in relation to us and to the acquisition of the Initial Portfolio during such financial year and discuss any factors materially and adversely affecting the Initial Portfolio, if any.

In addition, the EBRD agreed that it will not dispose of the shares acquired in the Offering for a period of 180 days following their acquisition, provided that the EBRD shall have the right to sell, transfer or otherwise dispose of the shares acquired in the Offering in the event that the Company fails to comply with any of its material obligations under the Framework Agreement, described above.

Expected Timetable of the Offering

October 1 to October 8, 2013	Bookbuilding process
On or about October 8, 2013	Announcement of the offering price and final number of shares
October 9 to October 11, 2013	Subscription Period
October 14, 2013	Allotment date and the underwriters' subscription for the shares (if required)
On or about October 24, 2013	Listing date

We may decide to change the above dates if necessary for the successful completion of the Offering and admission for trading. Any changes in the dates shall be published in the form of a press release published on our website (*www.meridianproperties.nl*) and in an update communication in accordance with article 52 section 2 of the Polish Public Offerings Act. Information concerning any date changes will be published no later than on the original date for the specified event, provided that if the period of acceptance of subscription orders or the bookbuilding period is shortened, the relevant information will be published no later than on the date immediately prior to the last day (according to the new schedule) for acceptance of subscription orders or of the bookbuilding process.

Determination of the Offering Price

The shares are being offered at the offering price, which shall be determined through a bookbuilding process.

During the bookbuilding process, investors interested in purchasing shares will indicate the number of the shares they are willing to acquire and the price they will pay.

We expect to complete the bookbuilding process on or about October 8, 2013, but the deadline for receipt of declarations of interest from the investors may be extended or shortened at our discretion in consultation with Citi. Information about extending or shortening of the bookbuilding process shall be published in a press release published on our website (*www.meridianproperties.nl*). To obtain more detailed information regarding participation in the bookbuilding process, interested investors should contact Citi.

Prior to this Offering, there has been no public market for our shares. The final offering price of the shares will depend on investors' demand captured during the bookbuilding process and their sensitivity towards the share issue price, and will be determined by the Company in consultation with Citi.

The offering price and the total final number of shares will be set out in a pricing statement that will be deposited with the AFM and the KNF and published in a press release on the Company's website (*www.meridianproperties.nl*). Printed copies of the pricing statement will be available at our registered office.

The offering price will be the same for the offer shares and for the over-allotment shares and will be set in Polish zloty.

Subscription Procedure

After completion of the bookbuilding process, we will make a discretionary selection of the investors that receive invitations to subscribe for our shares. Invitations addressed to Polish investors will be sent by the Offering Agent, while invitations addressed to other investors will be sent by Citi.

For information on detailed rules governing placing of subscriptions, in particular: (i) the documents required if an order is placed by a statutory representative, proxy or any other person acting on behalf of an investor, and (ii) the possibility of placing orders and deposit instructions other than in written form, the investors should contact Citi.

Orders will be accepted only from the investors that, at the time of placing their orders, have opened securities accounts or similar accounts with entities of their choice licensed to provide such services within the Republic of Poland. At the time of placing an order for our shares in the Offering, investors are required to provide an irrevocable instruction to deposit the shares in such securities account or similar account.

Each investor may submit one or more orders for shares. Subscriptions that, when aggregated, pertain to a greater number of shares than such investor was invited to subscribe for will be treated as subscriptions for the maximum number of shares available for subscription by such investor indicated in the invitation to subscribe. Institutions which manage assets on behalf of third parties may place a single collective subscription for multiple professional investors, attaching to the subscription a list of investors containing the data required in the subscription form.

A subscription for our shares is unconditional (save for the right to withdraw from a subscription pursuant to article 51a of the Polish Public Offerings Act), may not contain any objections, and is binding on the person placing the order until the allocation of shares in the Offering or until the date of cancellation of the Offering.

Investors will not bear any additional costs or taxes in filing subscriptions.

Allotment of the Shares

The final number of shares in the Offering may differ from the initial amount stated in this Prospectus. The final total number of our shares offered and the offering price will be published following completion of the bookbuilding process in a press release on the Company's website (*www.meridianproperties.nl*) and will be set out in a pricing statement that will be deposited with the AFM and the KNF. Printed copies of the pricing statement will be available at our registered office.

Shares will be allotted in accordance with subscription invitations subject to subscription and payment. If any investor fails to subscribe for or pay for any shares it was invited to purchase as stated in the subscription invitation, we may invite one or more other investors to subscribe for such shares.

The underwriters, including the Offering Agent, will not be responsible for a failure to transfer our shares due to the date provided by an investor having been incomplete or incorrect.

Investors participating in the Offering will be notified of their allocations by Citi. Investors participating in the Offering will receive relevant notifications in accordance with the instructions of their brokerage accounts. Admission and introduction of our shares to trading on the Warsaw Stock Exchange is not dependent upon informing all investors about their allocations.

Procedure of Payment for the Shares

Subscriptions for shares should be fully paid by the deadline and into a dedicated subscription account of the Offering Agent, as indicated in subscription invitation. Full payment means payment equal to the number of the shares indicated in a subscription form multiplied by the offering price per share. Payments for the shares shall be made in Polish zloty, subject to other arrangements with Citi. The euro equivalent of the offering price will be established based on the average EUR/PLN exchange rates as quoted by the European Central Bank on the day of announcement of the offering price. If an order placed by an investor is not paid in full, we may deem those orders valid for the number of the shares corresponding to the amount actually paid or may deem the order invalid and offer all such shares or the shares not subscribed to other investors.

Investors' Withdrawal from Subscription Orders Submitted

An order for our shares is irrevocable except when a supplement to the document is published describing a significant new factor, material mistake or inaccuracy relating to the information included in this document which new factor, mistake or inaccuracy arises or is noted before share allotment. Pursuant to article 51a of the Polish Public Offerings Act, an investor that has placed an order before publication of the supplement may withdraw its order by submitting a written statement to the client service point of the financial institution accepting subscriptions in the Offering, within two business days from the date of the publication of the supplement.

Cancellation or Postponement of the Offering

We may cancel or postpone the Offering at any time prior to the commencement of the subscription period without stating the reasons for such decision. We may also change the opening and closing dates of the subscription period and bookbuilding process or decide that the Offering will be postponed.

We may cancel the Offering after the commencement of the subscription period for the shares until the moment of registration with the NDS and the delivery of the shares to investors' securities accounts or similar accounts, if we consider it impracticable or inadvisable to proceed with the Offering. Such reasons include, but are not limited to: (i) suspension or material limitations in trading of securities generally on the Warsaw Stock Exchange, as well as any other official stock exchange in the European Union or the United States; (ii) a sudden and material adverse change in the economic or political situation in the Netherlands, Poland or worldwide; (iii) a material loss or interference with our business; (iv) any material change or development in or affecting our general affairs, management, financial position, shareholders' equity or results of operations; (v) an insufficient demand for shares in the bookbuilding process; or (vi) an insufficient expected free float of our shares on the Warsaw Stock Exchange.

Any decision regarding cancellation, suspension or postponement of the Offering will be published in the form of an announcement or supplement to the document pursuant to applicable legislation. In the event of a cancellation, suspension or postponement of the Offering, the validity of the document for any new offer will have to be assessed by the AFM.

If the Offering is suspended, we may decide that orders placed and payments made will remain valid for up to seven days. In such case, investors may withdraw their orders by submitting a withdrawal request within two business days after the suspension or postponement is announced.

If the Offering is cancelled all orders for our shares will be disregarded and any payments made will be returned without interest or other compensation within 14 days from the date of the announcement of the cancellation of the Offering.

All dealings in the shares prior to the commencement of the official trading on the Warsaw Stock Exchange will be at the sole risk of the investor, irrespective of whether or not such investor has been notified of its allocation.

Delivery of the Shares

The National Depository for Securities (*Krajowy Depozyt Papierów Wartościowych S.A.*), with its seat at Książęca 4, 00-498 Warsaw, the Polish central securities depository, will act as depositary of the shares.

We intend to apply for registration of all our shares in the NDS and the listing of 18,450,000 shares, plus up to 900,000 shares being subject to over-allotment option, on the Warsaw Stock Exchange. Our shares will be cleared through the NDS. The NDS will act as a paying agent for any distributions payable to holders of our shares.

Delivery of the shares will be made in accordance with settlement instructions from investors upon placing an order, through the facilities of the NDS, by registration of the shares with the investors' respective securities accounts. The exact delivery dates will depend on the timing of the registration of the shares in the facilities of the NDS.

No share certificates or other documents confirming orders for our shares will be issued to investors. Investors shall be notified of registration of the shares in accordance with the rules applicable at their respective securities accounts or similar accounts. The date of delivery of such notifications shall not affect the date of first listing of our shares and such notices may be delivered following the first day of listing on the Warsaw Stock Exchange.

Public Announcement of the Offering Results

The results of the Offering will be announced within 14 days from the allotment date, by way of a press release published on the Company's website (*www.meridianproperties.nl*).

The Offering will close on the allotment date.

Listing

We intend to apply for admission and introduction of 18,450,000 shares for trading on the main market of the Warsaw Stock Exchange, immediately after the allotment date; see "*Risk Factors—Risks Relating to the Offering—Our failure to meet the requirements set forth in the Warsaw Stock Exchange Rules or the Polish Public Offerings Act may prevent the shares being admitted, or may cause the shares to be delisted, or trading in the shares on the Warsaw Stock Exchange to be suspended*." We expect that trading in our shares on the Warsaw Stock Exchange will commence as soon as possible after the allotment date. We presently do not intend to seek a listing of our shares on any stock exchange other than the Warsaw Stock Exchange, but may consider such listing in the future.

Up to 900,000 shares will be admitted and introduced to trading on the Warsaw Stock Exchange, if the over-allotment option is exercised.

Intentions of the Shareholders and Members of Management, Supervisory and Administrative Bodies of the Company as to Participation in the Offering

Following the completion of the Offering, BH Meridian Participations Ltd. will hold at least 5% of the Company's total share capital, by investing €10 million in the Offering. Certain of our directors will invest in the Company proceeds from the sale of the Initial Portfolio received indirectly by them due to their participation in Bluehouse Funds, as ultimate sellers of the Property Companies. These directors will hold indirectly, through BH Meridian Participations Ltd., at least 5% in the Company's total share capital following the Offering. No different voting rights are attached to our shares held by BH Meridian Participations Ltd. and it is our intention that no different voting rights will be attached to shares held by any future major shareholder. As of the date of this document, none of the members of the board to be appointed directly holds any shares in the Company or options to acquire shares.

UNDERWRITING, STABILIZATION AND LOCK-UP

Underwriting

Citigroup Global Markets Limited is acting as sole book-running manager of the Offering and representative of the underwriters named below. Subject to the terms and conditions stated in the underwriting agreement, which is expected to be signed on or about October 8, 2013, each underwriter named below has severally agreed to purchase or procure purchasers for our shares, and we have agreed to sell our shares to the underwriters or purchasers procured by them.

Underwriter
Citigroup Global Markets Limited
Erste Group Bank AG
Raiffeisen Centrobank AG
Alpha Bank A.E.

Dom Maklerski Banku Handlowego S.A. is also a party to the underwriting agreement. Dom Maklerski Banku Handlowego S.A. is not an underwriter and is party to such agreement as offering agent.

The underwriting agreement provides that the obligations of the underwriters to purchase the shares are subject to approval of legal matters by counsel and to other conditions. The underwriters must purchase all the shares (other than those covered by the option to purchase additional shares described below) if they purchase any of the shares.

The underwriters propose to resell the shares at the offering price within the United States to qualified institutional buyers (as defined in Rule 144A) and outside the United States in reliance on Regulation S.

The shares have not been and will not be registered under the U.S. Securities Act or any State securities laws and may not be offered or sold within the United States, except in transactions exempt from the registration requirements of the U.S. Securities Act.

In addition, until 40 days after the commencement of this Offering, an offer or sale of shares within the United States by a dealer that is not participating in this Offering may violate the registration requirements of the Securities Act if that offer or sale is made otherwise than in accordance with Rule 144A.

We have agreed to indemnify the underwriters against certain liabilities, including liabilities under the U.S. Securities Act or to contribute to payments that the underwriters may be required to make because of any of those liabilities.

The underwriters will receive in connection with this Offering total commission of between €3.8 million and €6.1 million.

Over-allotment and Stabilization

We have granted the underwriters an option, exercisable for 30 days from date of commencement of trading on the Warsaw Stock Exchange, to purchase (or procure purchasers for) up to 900,000 additional shares at the offering price. Any shares issued or sold under the option will be issued and sold on the same terms and conditions as the other shares that are the subject of this Offering.

Stabilizing transactions involve bids to purchase shares so long as the stabilizing bids do not exceed a specified maximum.

Purchases to cover short positions and stabilizing purchases, as well as other purchases by the underwriters for their own account, may have the effect of preventing or retarding a decline in the market price of the shares. They may also cause the price of the shares to be higher than the price that would otherwise exist in the open market in the absence of these transactions. The underwriters may conduct these transactions in the over-the-counter market or otherwise. If the underwriters commence any of these transactions, they may discontinue them at any time. Any stabilizing transactions will be carried out during the period from commencement of trading on the Warsaw Stock Exchange to a date no later than 30 calendar days thereafter.

Stabilizing transactions will be conducted in accordance with the rules set out in the European Commission Regulation (EC) No. 2273/2003 of December 22, 2003 implementing Directive 2003/6/EC of the European Parliament and of the Council as regards exemptions for buyback programs and stabilization of financial instruments.

Lock-up Arrangements

We and BH Meridian Participations Ltd. (our sole shareholder in which certain of our directors, i.e Mr. Pisante, Mr. Delikanakis and Mr. Pandis, indirectly hold interest) have agreed for a period of 180 days and 360 days, respectively, from the date of commencement of trading on the Warsaw Stock Exchange, to not, without the prior written consent of Citi, dispose of or hedge any of our shares or any securities convertible into or exchangeable for our shares.

In addition, pursuant to the Framework Agreement, the EBRD agreed that it will not dispose of the shares acquired in the Offering for a period of 180 days following their acquisition, provided that the EBRD shall have the right to sell, transfer or otherwise dispose of the shares acquired in the Offering in the event that the Company fails to comply with any of its material obligations under the Framework Agreement. The relevant obligations of the Company under the Framework Agreement are described in the section *"Terms of the Offering—Information on Framework Agreement concluded between the Company and the EBRD."*

Underwriters' Dealings

The underwriters are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The underwriters and their respective affiliates have in the past performed commercial banking, investment banking and advisory services for our affiliates from time to time for which they have received customary fees and reimbursement of expenses and may, from time to time, engage in transactions with and perform services for us in the ordinary course of their business for which they may receive customary fees and reimbursement of expenses. In the ordinary course of their various business activities, the underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve our securities and instruments. In addition, affiliates of certain underwriters are our lenders, and in some cases agents or managers for our lenders.

Notice to Prospective Investors in Belgium

The Company has not been and will not be registered with the Belgian Financial Services and Markets Authority (Autoriteit voor Financiële Diensten en Markten / Autorité des services et marchés financiers) (the **FSMA**) as a foreign collective investment institution under Article 149 of the Belgian Law of 3 August 2012 on certain forms of collective management of investment portfolios (the **Law of 3 August 2012**). This Offering is exclusively conducted under applicable private placement exemptions and therefore it has not been and will not be notified to, and any other offering material relating to the Offering has not been, and will not be, approved by the FSMA pursuant to the Belgian laws and regulations applicable to the public offering of securities. Accordingly, this Offering as well as any other materials relating to the Offering may not be advertised, offered or distributed in any other way, directly or indirectly, to any other person located and/or resident in Belgium other than in circumstances which do not constitute an offer to the public pursuant to the Law of 3 August 2012 on certain forms of collective management of investment portfolios. The shares offered by the Company shall not, whether directly or indirectly, be offered, sold, transferred or delivered in Belgium to any individual or legal entity other than to institutional or professional investors within the meaning of the Law of 3 August 2012 on certain forms of collective management of investment portfolios.

Notice to Prospective Investors in the Czech Republic

The shares may not be offered to the public and no public offer of the shares may be made in the Czech Republic. The offer of the shares may only be made and the shares may only be sold into the Czech Republic if such offer or sale is limited to those legal entities which qualify as professional customers (as defined in the Czech Act No. 256/2004 Coll., on Conducting Business on the Capital Markets, as amended, which implements the Directive 2004/39/EC and the Directive 2003/71/EC), and is carried out in strict compliance with the Czech Act No. 240/2013 Coll., on Investment Companies and Investment Funds, which in turn implements the AIFMD.

Notice to Prospective Investors in the European Economic Area

In relation to each member state of the European Economic Area (the **EEA**) (other than the Netherlands and Poland) which has implemented the European Prospectus Directive (each, a **Relevant Member State**), subject to any legal restrictions that may apply in a Relevant Member State due to the implementation of the AIFMD, an offer of our shares may not be made to the public in a Relevant Member State other than:

- to any legal entity which is a qualified investor, as defined in the European Prospectus Directive,
- to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150 natural or legal persons (other than qualified investors as defined in the European Prospectus Directive), subject to obtaining the prior consent of the relevant dealer or dealers nominated by us for any such offer, or
- in any other circumstances falling within Article 3(2) of the European Prospectus Directive,

provided that no such offer of our shares shall require us or any underwriter to publish a prospectus pursuant to Article 3 of the European Prospectus Directive or supplement prospectus pursuant to Article 16 of the European Prospectus Directive.

For purposes of this provision, the expression an "offer to the public" in relation to our shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and our shares to be offered so as to enable an investor to decide to purchase or subscribe our shares, as the expression may be varied in that Member State by any measure implementing the European Prospectus Directive in that member state, and the expression "European Prospectus Directive" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State) and includes any relevant implementing measure in each Relevant Member State. The expression **2010 PD Amending Directive** means Directive 2010/73/EU.

We have not authorized and do not authorize the making of any offer of shares through any financial intermediary on our behalf, other than offers made by the underwriters and their respective affiliates, with a view to the final placement of the shares as contemplated in this document. Accordingly, no purchaser of the shares, other than Citi, is authorized to make any further offer of shares on our behalf or on behalf of the underwriters.

Notice to Prospective Investors in Estonia

This document and the information available in this document should be regarded as strictly private and confidential, and may not be used or forwarded to any third parties in any manner without the written consent of the Company.

This document is being furnished to you solely for your information and may not be reproduced, redistributed or published in whole or in part to any other person, except for your advisors following the same requirement of confidentiality. Upon request recipients must promptly return this document to the Company or destroy it without retaining any copies. In furnishing this document the Company undertakes no obligation to update this document or to correct any inaccuracies that may become apparent.

Neither the Company nor the offering of shares is subject to supervision of the Estonian Financial Supervision Authority. Shares will be offered and sold only as a private placement to selected investors. Shares will not be offered to and may not be subscribed for by the public. Thus, this document may not be distributed or advertised to the public. As used above, the term "offered to the public" in relation to the shares means the communication in any form and by any means of sufficient information on the terms of an offer of the shares to be offered so as to enable an investor to decide to purchase or subscribe thereto.

In relation to persons in Estonia, the information set forth in the document is directed only towards professional investors (*kutselised investorid*) in the meaning of § 6-2 of the Estonian Securities Market Act (*väärtpaberituru seadus*). This document should not be relied on by persons in Estonia who are not professional investors. No investor is allowed to transfer shares in the Fund to any person who is not a professional investor.

This document does not constitute an offer to sell or a solicitation of an offer to purchase any securities of the Company in any jurisdiction in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make such offer or solicitation. Each violation of such restrictions may constitute a violation of applicable securities laws of such countries. Investors are required to inform themselves of any such restrictions and return this document to the Company should such restriction exist.

Notice to Prospective Investors in Finland

The shares may not be offered or sold, directly or indirectly, to any resident of the Republic of Finland or in the Republic of Finland, except pursuant to applicable Finnish laws and regulations. Specifically, the shares may not be offered or sold, directly or indirectly, to the public in the Republic of Finland as defined in the Finnish Securities Market Act (746/2012) and in the upcoming act implementing the Directive 2011/61/EU on Alternative Investment Fund Managers in Finland (not yet entered into force). This document may not be distributed in the Republic of Finland, other than to qualified investors as defined in the Finnish Securities Market Act (746/2012) and to professional investors as defined in the upcoming act implementing the Directive 2011/61/EU on Alternative Investment Fund Managers in Finland (not yet entered into force). The Offering of the shares does not constitute a public offering as defined in the Finnish Securities Market Act. This document has not been approved by the Finnish Financial Supervisory Authority.

Notice to Prospective Investors in Iceland

This document has been issued to you for your use only and exclusively for the purposes of the described investment opportunities. Accordingly, this document and relevant information may not be used for any other purpose or passed on to any other person in Iceland.

The investment described in this document is not a public offering of securities. It is not registered for public distribution in Iceland with the financial supervisory authority pursuant to the Icelandic Act on Undertakings for Collective Investment in Transferable Securities, Investment Funds and Institutional Investment Funds no. 128/2011 and supplementary regulations.

The investment may not be offered or sold by means of this document or anyway later resold otherwise than in accordance with article 47 of act no. 128/2011.

Notice to Prospective Investors in Liechtenstein

The shares in the Company may be acquired by professional investors only. Pursuant to Art. 4 para 1 no. 31 of the Liechtenstein Alternative Investment Fund Managers' Act, professional investors are investors who are considered professional investors in accordance with Schedule II to the Directive 2004/39/EC or who upon application opt-in to be treated as professional investors.

Notice to Prospective Investors in Norway

The offering of shares in the Company is not subject to the Investment Fund Act of 2011. No action has or will be taken for the offering of shares in the Company to be registered under the public offering rules of the Securities Trading Act of 2007. The Company has not been, nor will be, registered or approved by the Financial Supervisory Authority of Norway and, thus, is not under public supervision in Norway. Each investor should carefully consider individual tax issues before investing in the Offering. This document must not be copied or otherwise distributed by the recipient.

Notice to Prospective Investors in Switzerland

The Company has been not licensed by the Swiss Financial Market Supervisory Authority (the **FINMA**) for distribution to non-qualified investors pursuant to Article 120 Para. 1 to 3 of the Swiss Federal Act on Collective Investment Schemes of 23 June 2006, as amended (**CISA**). Accordingly, pursuant to Article 120 Para. 4 CISA, the shares may only be offered and this document may only be distributed in or from Switzerland to qualified investors as defined in the CISA and its implementing ordinance. Further, the shares may be sold under the exemptions of Article 3 Para. 2 CISA. Investors in the shares do not benefit from the specific investor protection provided by CISA and the supervision by the FINMA in connection with the licensing for distribution.

The shares are not publicly offered within the meaning of Article 652a of the Swiss Code of Obligations. As a consequence, this document is not a prospectus within the meaning of this provision and may therefore not comply with the information standards required thereunder. This document is not a listing prospectus according to Article 27 et seq. of the Listing Rules of the SIX Swiss Exchange and may therefore not comply with the information standards required thereunder or under the listing rules of any other Swiss stock exchange.

Notice to Prospective Investors in the United Kingdom

This document is only being distributed to, and is only directed at, persons in the United Kingdom that are qualified investors within the meaning of Article 2(1)(e) of the European Prospectus Directive that are also (i) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the **Order**) or (ii) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (each such person being referred to as a **relevant person**). This document and its contents should not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other persons in the United Kingdom. Any person in the United Kingdom that is not a relevant person should not act or rely on this document or any of its contents.

TRANSFER RESTRICTIONS

Each purchaser of the ordinary shares offered pursuant to Rule 144A under the U.S. Securities Act of 1933, as amended, will be deemed to have represented and agreed as follows:

(i) The purchaser (a) is a qualified institutional buyer, or QIB, as defined in Rule 144A, or a broker-dealer acting for the account of a QIB, (b) is aware, and each beneficial owner of such ordinary shares has been advised, that the sale to it may be made pursuant to Rule 144A, (c) is acquiring such ordinary shares for its own account or for the account of a QIB, and (d) is aware that the ordinary shares are **restricted securities** within the meaning of the Securities Act and may not be deposited into any unrestricted depositary facility, unless at the time of such deposit such ordinary shares are no longer restricted.

(ii) The purchaser understands and agrees that such ordinary shares may not be offered, sold, pledged or otherwise transferred, except (a) to a person that the seller and any person acting on its behalf reasonably believe is a QIB purchasing for its own account or for the account of a QIB in a transaction meeting the requirements of Rule 144A, (b) outside the United States in accordance with Regulation S under the Securities Act, (c) pursuant to an exemption from registration under the Securities Act provided by Rule 144 (if available), (d) pursuant to any other exemption from the registration requirements of the Securities Act, or (e) pursuant to an effective registration statement under the Securities Act, in each case in accordance with any applicable securities laws of any State or territory of the United States or any other jurisdiction.

(iii) The purchaser understands that any offer, sale, pledge or other transfer made other than in compliance with the above stated restrictions may not be recognized by us.

(iv) The purchaser understands that we, the underwriters, their affiliates and others will rely upon the truth and accuracy of the foregoing representations and agreements.

REGULATORY ENVIRONMENT

Regulatory Status

In the Netherlands, we qualify as a closed-end investment institution. We have no obligation to redeem or to issue shares. The shares will be offered in the Netherlands solely to professional investors as defined in the Wft.

For the purposes of the Wft, the Company is internally managed and, therefore, does not have a separate management company (*beheerder*). The Company has notified the AFM and shall be registered with the AFM as investment institution that in accordance with certain (size) criteria is not required to have an investment institution license. In the Netherlands, the Company is not subject to the supervision of the Dutch Central Bank (*De Nederlandsche Bank N.V.*) or the AFM.

We will file our license application if and to the extent required and/or if the Company can no longer benefit from any license exemptions under the Wft. The board has established, implemented and maintains adequate policies and procedures designed to detect any risk of failure by the Company to comply with its obligations under the Wft and the associated risks, and put in place adequate measures and procedures designed to minimize such risk and to enable the competent authorities to exercise their powers effectively under the Wft.

Romania

Expropriation

A property may only be expropriated if required for public use and provided that equitable compensation is paid before expropriation. As a general rule, the amount of compensation (usually decided based on a valuation) may be challenged in court, but in most cases a dispute related to the amount of compensation does not prevent the expropriation from taking place.

Restitution Laws

In Romania, during the communist regime (between 1945 and 1989), massive transfers of real estate assets (land, buildings, factories) to the Romanian State took place by force or based on legal decrees.

Beginning in 1991, various special restitution laws were passed in Romania generally aimed at the restitution of properties to former owners. The provisions of this special legislation have proven to be contradictory and in certain cases incomplete or vague. Consequently, the rules applied in restitution procedures are the result of the practice of each local authority, which has not been uniform and which has been invalidated in certain cases by the courts.

Under Romanian law, apart from restitution claims filed as per the procedures provided under special restitution laws, theoretically a restitution claim based on the general provisions of the Romanian Civil Code is possible for former presumptive owners of assets, even if such claim is filed after the expiry of the terms provided for under the special restitution laws. The prevalent approach taken by the Romanian courts has been to dismiss such restitution actions if they did not comply with the procedures under the special restitution laws. However, court practice in the application of the restitution laws has been subject to scrutiny by the European Court of Human Rights following several resolutions issued against the Romanian State by the European Court of Human Rights.

Land book

The land book is the local system for recording real estate assets. Land book (*cartea funciara*) offices keep land books in respect of each plot of land. Property ownership can only be registered with the land book on the basis of authenticated deeds.

These ownership rights may be transferred upon the execution of the transfer agreement or at a later date as agreed by the parties. The transfer of ownership becomes enforceable as against third parties only once it is duly registered with the relevant public land book.

Currently, registration with the land book does not constitute legal title, but creates a refutable assumption that the entity which registered its ownership of a property is the owner of that property. Once the cadastral works for the administrative units in Romania are finalized, the ownership title over real estate properties will be transferred only upon registration in the land books.

Landlord and Tenant Law

To make a lease agreement enforceable against third parties, leases regarding real estate assets should be registered with the land book. Tenants have the right (but not the obligation) to register lease agreements in the land book. If the owner sells the real estate asset and the lease agreement is not registered in the land book, the tenant's rights under the agreement will not be enforceable against the new owner, who can disregard the unregistered lease. However, lease agreements that are authenticated by a notary public or registered with the competent fiscal authorities represent writs of execution (*titluri executorii*) for the payment of the outstanding and due rent and the vacation of the leased premises upon the expiry of the term.

There is no restriction with regards to the amount of rent in the private sector, other than to negotiate such amount freely and establish it so as not to be "unserious" (i.e. disproportionate to the value that derives from exercising the right to use the property).

Tenants that are individuals or legal entities carrying out business activity have a preference concerning leased premises on the same conditions offered by a new third party tenant if a new lease agreement is intended to be concluded. Failure to comply with the preference gives the tenant the right to substitute itself in the lease agreement concluded between the owner and the third party and may also give rise to damages in favor of the third party.

As a general rule in case of hardship, when unforeseen and exceptional events occur that result in an visibly unjust burden being placed on one of the parties, the courts can, at the request of a party and subject to the conditions provided by Romanian Civil Code, amend the agreement in order to reestablish contractual equilibrium or terminate the agreement. The parties may exclude the application of hardship by agreeing express provisions in the agreement.

Insolvency Procedures

If an insolvency proceeding is opened against a company, none of the agreements to which such company is a party can be terminated by its counterparties because of such insolvency and any contrary contractual provision is null and void.

If a tenant enters into insolvency proceedings, the judicial administrator or judicial liquidator is entitled to unilaterally terminate a lease agreement, if not expired. A claim for damages can be filed as part of the insolvency procedure by the counterparty, but such claim will not arguably benefit from any priority in payment.

Environmental

Entities carrying out activities in Romania have, among others, the following obligations:

- to implement the appropriate environmental solutions when new activities and projects or any changes to the existing activities and projects are contemplated;
- to apply for environmental permits, approvals and authorizations from the environmental protection authorities, if required by law;
- to comply with water and waste management requirements;
- to implement special systems for installations and technological processes to monitor the pollution;
- to keep records of self-monitoring activities and report the results to the competent authorities as required under the applicable environmental permits, approvals and authorizations;
- to notify the competent environmental authorities of the occurrence of any accidental pollution; and
- to prevent, mitigate or remediate the pollution caused by their activities, including any accidental pollution, so as to ensure an environmental balance.

The breach of these obligations may result in administrative fines and may trigger criminal liability and restrictions on the use of the property.

Romanian environmental law prohibits a change in the designated use of land classified as a green area. Moreover, environmental law prohibits the reduction in the surface area of such green areas, as well as their relocation. Any actions performed in breach of these prohibitions can be declared null and void.

Hungary

Expropriation

Real estate may be expropriated (*kisajátítás*) in the public interest, such as for infrastructure projects. The owner of expropriated property is entitled to full, immediate and unconditional compensation, which may be cash compensation at market value, or, alternatively, at the option of the owner of the land, alternative property.

Land Registry

Ownership of real estate assets is created through registration with the land registry. All rights and encumbrances should be registered in the land registry.

A purchaser acting in good faith and relying on land registry information will acquire a right notwithstanding any unregistered third-party rights or encumbrances. However, if a third party acting in good faith acquires a right which was created by an invalid or void document, such right may be challenged within three years from the date of registration with the land registry.

A beneficial right of use (*haszonélvezet*) is a limited non-transferable right to occupy and use a property owned by a third party and to collect the proceeds from such property. This right can be registered in the land registry. It must be granted for a definite period of time ending at the latest at the time of death of the beneficiary of this right.

Stamp Duties

The transfer of properties is subject to the payment of stamp duties. The buyer is required to pay a stamp duty (*vagyonátruházási illeték*) which typically ranges from 2% to 4% of the value of the transaction (subject to the detailed rules of Act No. XCIII of 1990 on stamp duties). Due to a relatively recent change, stamp duties now apply not only to the transfer of real estate, but also to the transfer of shares / business interests in a company owning real estate.

Landlord and Tenant Law

Property leases in Hungary are set out in the Civil Code and Act No. LXXVIII of 1993 on the lease of apartments and premises. Leases relating to commercial real estate commonly include detailed contractual provisions, which deviate from statutory provisions. For example, there are no statutory limitations on the duration of leases and it is possible for the parties to agree on renewal terms and options.

Insolvency Procedures

As of the time of the opening of liquidation, the rights of the shareholder of the debtor company cease to exist and only the liquidator shall be authorized to make any legal statements in connection with the assets of the debtor company.

If the landlord or the tenant is declared bankrupt, the liquidator shall have powers to terminate, with immediate effect, the contracts concluded by the debtor, or to rescind from the contract if neither of the parties rendered any services. Any claim that is due to the other party owing to the above may be enforced by notifying the liquidator within 40 days from the date when the rescission or termination was communicated.

The creditor, and on behalf of the debtor, the liquidator may file challenge within 90 days from the time of gaining knowledge or within a one-year limitation period from the date of publication of the notice of liquidation:

- contracts concluded by the debtor within five years preceding the date when the court received the petition for opening liquidation proceedings or thereafter, or his other commitments, if intended to conceal the debtors assets or to defraud any one creditor or the creditors, and the other party had or should have had knowledge of such intent;
- contracts concluded by the debtor within two years preceding the date when the court received the petition for opening liquidation proceedings or thereafter, or his other commitments, if intended to transfer the debtors assets without any compensation or to undertake any commitment for the encumbrance of any part of the debtors assets, or if the stipulated consideration constitutes unreasonable and extensive benefits to a third party;

- contracts concluded by the debtor within ninety days preceding the date when the court received the petition for opening liquidation proceedings or thereafter, or his other commitments, if intended to give preference and privileges to any one creditor, such as the amendment of an existing contract to the benefit of a creditor, or to provide financial collateral to a creditor that does not have any.

Environmental

Unless the current owner or user of the property can prove that it did not cause any environmental contamination, it is jointly and severally liable, together with the owner at the time of contamination, for the contamination of the property.

Taxation

Upon the transfer of real property a flat 4% transfer tax (*vagyonátruházási illeték* in Hungarian) is payable by the purchaser which is calculated either from the purchase price or from the price as set out in an independent expert opinion, whichever is higher.

Ownership of real estate in Hungary is generally not subject to annual real estate tax. However, municipalities have the right to impose local tax (*kommunális adó* in Hungarian) on the owner or tenant of a building and may determine the rate of such tax up to the limit specified in the act on municipalities.

Bulgaria

Pre-emption rights

Statutory pre-emption rights exist for the benefit of the owner of the land on which a third party owns a building and for the co-owner of a property, which rights allow them to acquire the building or a share in the co-owned property against the same terms and conditions as offered to the third party.

Expropriation

The expropriation of real estate requires statutory grounds and may only take place if the interests of the state or municipality cannot be met in any other way. The owner of expropriated property is entitled to fair compensation to be paid up front.

Property Registry

The property register is a register for all types of immovable property transactions, encumbrances and property claims, as well as optionally for long-term leases, and contains documents relating to the ownership of property, limited rights *in rem* over property, mortgages, attachments and any other actions, facts or circumstances which are subject to registration. Bulgaria has a "personal system of registration," meaning that property rights and other facts and circumstances relating to a piece of real estate are registered in the property registry under the name of the owner rather than under a separate record of the real estate.

Landlord and Tenant Law

If a lease: (i) qualifies as a non-commercial transaction (e.g. a transaction between two individuals, neither of whom enters into the transaction in the ordinary course of a business); or (ii) relates to property owned by the state or municipality, the maximum permissible duration of the lease is ten years (but may be renewed). To make a lease agreement enforceable against third parties, leases regarding real estate assets should be registered in the land book. Any party to the agreement, if it is verified by a notary public, has the right (but not the obligation) to register lease agreements in the land book. If the owner sells the real estate asset and the lease agreement is not registered in the land book, the tenant's rights under the agreement will not be enforceable against the new owner, who can disregard the unregistered lease under certain conditions. However, lease agreements which are verified by a notary public may be grounds for obtaining a writ of execution for the payment of the outstanding and due rent, and eventually for writ requiring vacation of the leased premises on the expiry of the term.

Insolvency Procedures

If an insolvency procedure is opened by a court order, the trustee in bankruptcy is entitled to terminate any pending contract (including lease agreements) by 15-day notice provided that the other party is entitled to compensation for damages suffered but without any priority of its claims. If explicitly agreed in a lease agreement the insolvency procedure may be considered tenant's event of default allowing the landlord to terminate the agreement and to claim compensation.

Any transaction with an asset (including real estate) executed by a company after an insolvency procedure is opened by a court order is null and void in regard to the company creditors unless the transfer is executed in compliance with the insolvency rules and proceedings.

Opened insolvency procedure may not affect the real estate transaction executed by the debtor duly registered with the Property Registry unless the value received is considerably lower than the property transferred and the transaction is executed: (i) not more than two years before the application for insolvency is deposited in the court but (ii) after the date the company become insolvent. In any case the insolvency may not affect third conscientious parties' rights acquired and duly registered before bringing such claim.

Environmental

Certain types of construction or development works are considered potentially harmful to the environment. In such cases a developer has to either: (i) obtain a formal decision from the competent authority as to whether an environmental impact assessment is required; or (ii) obtain an environmental impact assessment if mandatory under the law or an instruction that one is required has been issued by the competent authority. In general, environment impact assessments are required for large industrial projects, infrastructure projects and projects in the tourist and hotel industry.

Taxation

Transfer of real estate in Bulgaria (except for in case of in-kind contribution, merger and other specific occasions) is subject to transfer tax amounting between 0.1% and 3%, depending on the municipality, where the property is located. Considering the Bulgarian real estates in the Company portfolio, the applicable rates are: 2.5% for Sofia and 2.85 % for Pleven. Parties to the transaction may define who bears that cost, otherwise it is split equally. The tax is calculated on the higher of the agreed purchase price and the evaluation of the real estate made by the tax office.

Ownership of real estate in Bulgaria is subject to annual real estate tax at the amount between 0.01% and 0.45%, depending on the type of property (residential or non-residential) and the municipality, where the property is located. Considering the Bulgarian real estates in the Company portfolio, the applicable rates are: 0.1875% for Sofia and 0.39% for Pleven.

Czech Republic

Pre-emption Rights

Neither the state nor the municipality is granted statutory pre-emption rights. However, exceptional pre-emption rights in favor of the state or a municipality exist by operation of law concerning certain land (such as land designated in the zoning plan for public beneficial buildings or land previously owned by the State Land Office) and certain buildings (such as cultural monuments). Also, co-owners of real estate have pre-emption rights to ownership interests of all remaining co-owners of the same real estate. These pre-emption rights (except for the pre-emption right to land designated for public beneficial buildings) are not registered in the land register. Pre-emption right created by agreement can be registered in the land registry as right *in rem*.

Other Rights Regarding Property

An easement (*věcné břemeno*) encumbers real estate and grants the entitled person certain rights (such as right of use, right of way or right of placement and operation of infrastructure) with respect to the encumbered real estate and/or its owner. Easements can be created in favor of a specific person or in favor of real estate (in which case the easement transfers with transfer of title to the entitled real estate). Easements always transfer with the transfer of title to the encumbered real estate. Easements created by agreement arise as rights *in rem* (i.e., rights which transfer together with title and apply to everyone) upon their registration in the land register. Certain easements, however, arise by operation of law and are not subject to registration in the land register (such as easements in favor of telecommunication infrastructure built under Act No. 110/1964 Coll. on the telecommunications, as amended). Other easements arise by a decision of a public body (such as easement in favor of telecommunication infrastructure built under Act No. 151/2000 Coll. on the telecommunications, as amended) and should be registered in the land register. However, failure to register such easements has no effect on its validity.

A mortgage (*zástavní právo*) allows the secured creditor to satisfy its past due claim from the proceeds of the sale of the mortgaged real estate. Easements created by agreement arise as rights in rem (i.e., rights which transfer together with title and apply vis-à-vis everyone) upon their registration in the land register. Certain mortgages, however, arise by a decision of a public body (such as mortgage created by a decision of a tax authority securing tax debt of the owner of the real estate). Although these easements should be registered in the land register, failure to do so has no effect on its validity.

Separate Land and Building

The ownership of land is separate from the ownership of buildings. According to the consistent practice of the Czech courts, a construction becomes a building (i.e., a separate legal entity which can be subject to legal acts independently of the underlying land) when the disposition of the first above-ground floor is evident (i.e. the perimeter walls are completed). If the owner of the building is different from the owner of the land, typically easement rights are registered in the land register in favor of the building or the parties enter into a long term lease agreement. However, separate ownership is created even if the owner of the building has no valid title to use the land.

Expropriation

Real estate may be expropriated (*vyvlastněna*) via statute but only in the public interest, such as for infrastructure projects. The owner of expropriated property is entitled to cash compensation at market value, or, if agreed with the person in whose favor the expropriation was ordered, to alternative real estate.

Restitution

The restitution acts were adopted in the early 1990s. Subject to these acts, restitution periods have lapsed. However, court cases may still be pending. If the claimant succeeds, all previous transfers (since adoption of the relevant act in the early 1990s) will be invalid by the operation of law.

Further, in the beginning of 2013, parliament passed the Act on Church Restitutions enabling all registered churches to newly claim real estate from the state lost during the Communist era. The deadline for claims is January 1, 2014. As a general rule, the churches can only claim restitution of real estate owned by the state. However, if the relevant property was transferred by the state to a third party any time after the fall of Communism, the church can claim that such transfer be held invalid by court (unless the conditions for prescription of the title by the acquirer were satisfied) and, if the church succeeds, the property be transferred to the church. If a church challenges such previous transfer, the deadline for making the restitution claim is 12 months from the final decision of the court in the matter.

Land Registry

Ownership of real estate is created through registration with the land registry. A number of exceptions exist (such as acquisition of title through prescription (*vydržení*) or inheritance (*dědění*)). All *in rem* rights (i.e., easements, mortgages, pre-emption rights and ownership rights) should be registered in the land registry. However, as set out above, these rights can be created by operation of law or by a decision of a public body in which case even if registration is required (which is not always the case) failure to achieve registration does not affect the validity of such *in rem* right.

Czech law does not assume the person registered in the land registry as the owner is the owner of a property. As a result, until recently, a transferee who acquired real estate from a person who was not the legal owner would not become the legal owner of the real estate even though the transferor was registered as an owner in the land registry unless the transferee acquired title through prescription, i.e., the transferee held the real estate for consecutive ten years while being in good faith during the whole period that he is the owner. However, according to recent court decisions a transferee acquires title as long as the transferor was registered in the land registry as the owner and the transferee believed in good faith that the transferor was the owner. It remains to be seen whether this principle will prevail in the decision-making of Czech courts.

Insolvency

A declaration of insolvency in respect of the seller or the purchaser does not per se affect the title to real estate which has already been registered or that is in the registration process. However, transfers at undervalue, preferences and fraudulent transfers may be void under insolvency laws. A transfer at undervalue or a preference may be challenged only if entered into in a period of three years prior to the opening of insolvency proceedings in favor of a connected person or one year prior to the opening of the insolvency proceedings in favor of a third party. A fraudulent transfer may be challenged if made no more than five years prior to the opening of insolvency proceedings.

Upon opening of insolvency proceedings, unless the relevant court decides otherwise, the debtor cannot take any actions (including transfer of real state) which would cause material changes in the composition, use or purpose of its assets.

If the landlord or the tenant is declared bankrupt, the bankruptcy trustee is entitled unilaterally to terminate the lease agreement by giving notice of three months unless the agreement stipulates a shorter notice period. After the tenant is declared bankrupt, the landlord may not withdraw from or terminate the lease agreement on the basis of default of the tenant that occurred before the declaration of bankruptcy or based on its worsened financial situation.

Landlord and Tenant Law

Leases relating to commercial real estate commonly include detailed contractual provisions, which deviate from statutory provisions. However there are formal requirements and mandatory provisions (such as minimum requirements on the content of the lease agreement) which must be complied with, otherwise the lease agreement could be declared invalid by the court. There is no statutory limitation on the duration of lease, however as regards the temporary lease agreements, according to the constant court practice the time period must not be longer than 99 years (if longer, the lease would be deemed entered into for unlimited period subject to termination by either party without cause upon a prior three month notice). Leases transfer with the transfer of ownership of the building. Leases are not registered in the land register.

Czech law provides for lease termination by a tenant mainly for the following reasons:

- the tenant has lost its ability to perform the activity for which it has leased the premises;
- the leased property ceases, without fault of the tenant, to be eligible for the agreed lease; or
- the landlord grossly violates its duties to maintain the leased property and provide common services.

Czech law provides for lease termination by the landlord for the following reasons:

- the tenant uses the premises in violation of the lease agreement;
- the tenant is more than one month in default with payment of the rent or services charges;
- a tenant who is under obligation to perform certain services for the landlord as reimbursement for rent fails to perform these services duly and properly;
- the tenant grossly violates quiet or order after a written notice;
- a decision is made to demolish the property or to change the property in such a way as to prevent use of the leased property;
- the tenant subleases the premises or any part thereof without consent; or
- the tenant has amended the scope of its business activity without prior consent of the landlord.

Parties can exclude or modify the termination reasons by agreement.

Environmental

A person who caused any environmental contamination is obliged to pay and, where possible, to remove the contamination, provided that the actual regime may differ depending on the nature of contamination and the environmental segment protected. In general, if the polluter is not known, the relevant public authority can decide that the owner of the land is obliged to remove the contamination or repay the costs of such removal if conducted directly by public authorities in order to protect the public health. However, if a remediation order has been issued, the obligations transfer with the title to the relevant real estate. Failure to comply with this obligation may result in the imposition of a fine by the public authorities.

Taxation

Transfer of real estate in the Czech Republic is taxed at a flat 4% rate which is paid by the purchaser and which is calculated either from the purchase price or from the price as set out in an independent expert opinion, whichever is higher.

Ownership of real estate in the Czech Republic is also generally subject to annual real estate tax. The tax applies to both land and buildings and its calculation is based on the size of the land plot or building space, its type, the average price of land per square meter, number of floors, etc. The tax varies depending on where the real estate is located.

New Civil Code

In 2012 the Czech Parliament adopted a new civil code (Act No. 89/2012 Coll., the civil code) which materially changes the regulation of private law relations including real estate. The main changes include the following:

With certain exceptions (such as infrastructure or temporary constructions or underground structures serving different purpose than the land plot) the buildings and other structures will become part of the land (i.e., they will no longer be separate legal "things" which can be subject to legal acts independently of the land plot). However, under the grandfathering provisions of the new civil code, buildings which will have a different owner than the owner of the land prior to the date of effect of the new civil code will remain separate things until title to the land and building unifies in one owner. With certain exceptions, the owner of the land and the owner of the building will acquire mutual pre-emption rights to their respective real estate by operation of law.

A number of new *in rem* rights will be introduced, including construction right (*právo stavby*) which will be required to separate the ownership of land from the ownership of the building.

The principle of reliance on the land registry records will be materially fortified while the registration will still be subject to challenge but for limited reasons and for a limited time period only.

Right of lease will be eligible for registration in the land register (but the registration will not be mandatory).

The rules governing lease agreements will in most cases be subject to modification by the contracting parties. However, under the grandfathering provisions of the new civil code, as a unique exception, a lease agreement will be governed by the new civil code as of the date of its entry into effectiveness even if the lease agreement was signed prior to the date of its effectiveness. As a result, many provisions which would be viewed detrimental to the landlord and consequently their application expressly excluded in a new lease agreement, will likely apply in respect of lease agreements already entered into (such as the right to petition the court to amend the lease agreement when material changes in circumstances occur which cause gross imbalance by disadvantaging one party or disproportionate increase of costs of performance or disproportionate decrease in the value of performance).

While the new civil code should enter into effect on January 1, 2014, it is still possible that the date of entry into effect will be postponed. Similarly, as the public debate on the new civil code is still on-going, it cannot be excluded that certain of its provisions will be amended prior to its entry into effect.

As the new civil code brings about material changes and the meaning of many of the new provisions is unclear and untested in courts, the new civil code will bring about a material level of uncertainty in real estate relations for certain transitory period.

CERTAIN NETHERLANDS AND POLISH SECURITIES MARKET AND CORPORATE REGULATIONS

Information included in this section describes certain aspects of Dutch and Polish securities market and corporate regulations relevant in connection with the acquisition, holding and disposal of the shares as of the date of this document and is included for general information only. This summary does not purport to be a comprehensive description of all Dutch and Polish regulatory considerations that may be relevant for investors to decide on the acquisition, holding and disposal of the shares. Therefore, investors should review the relevant regulations and consult their own legal advisor regarding legal consequences of acquiring, holding and disposing of the shares under the laws of their country or state of citizenship, domicile or residence.

European Union Tender Offer Regulations

In the absence of regulatory guidance, a clear resolution to conflicts of laws issues relating to various tender offer regulatory regimes cannot be provided. The relevant conflict of laws provisions of the Directive 2004/25/EC of the Parliament and Council of the European Union dated April 21, 2004 on takeover bids (the **Takeover Directive**) provide that if the offeree company's shares are not admitted to trading on a regulated market in the Member State in which the company has its registered office, or if the offeree company's shares are admitted to trading on regulated markets in more than one Member State, the authority competent to supervise the bid shall be that of the Member State on the market of which the shares are (or, if applicable, were first) admitted to trading.

In respect of governing law, matters relating to the consideration offered in the case of a bid, in particular the price, and matters relating to the bid procedure, in particular the information on the offeror's decision to make a bid, the contents of the offer document and the disclosure of the bid, shall be dealt with in accordance with the rules of the Member State of the competent authority. In matters relating to the information to be provided to the employees of the offeree company and in matters relating to company law, in particular the percentage of voting rights which confers control and any derogation from the obligation to launch a bid, the applicable rules and the competent authority shall be those of the Member State in which the offeree company has its registered office.

Netherlands Law

Abuse of Dominant Position under Dutch and EU Law

Under Dutch competition law undertakings are prohibited from abusing a dominant position. A dominant position is a position of one or more undertakings which enables them to prevent effective competition being maintained on the Dutch market or a part thereof, by giving them the power to behave to an appreciable extent independently of their competitors, their suppliers, their customers or their end-users. It is not in itself illegal for an undertaking to hold a dominant position. However, undertakings which do hold a dominant position face more stringent restrictions on their conduct than non-dominant undertakings. The dividing line between what constitutes fair competition on the merits—which is permitted, even for dominant undertakings—and what constitutes an abuse of a dominant position is not an easy one to draw. Similar obligations exist under European Union law. An abuse of dominant position may lead to the imposition of fines of up to 10% of the aggregate turnover of the undertaking concerned.

Merger Control and Notification Requirements under Dutch and EU Law

The acquisition of direct or indirect control (whether by shares or assets, or by contractual or other arrangements and whether on the basis of legal or actual circumstances) of the whole or part of one or more undertakings, the merger of two or more previously independent undertakings or the creation of a joint undertaking which performs all the functions of an autonomous economic entity (each a **Concentration**) may give rise to an obligation under Dutch law to notify such Concentration prior to its implementation to the Dutch Authority for Consumers & Markets (*Autoriteit Consument & Markt*). Under Dutch law a Concentration must be notified if the combined turnover of the undertakings concerned in the preceding calendar year exceeded €113.5 million and each of at least two of the undertakings concerned realized at least €30 million turnover in the Netherlands. Similar obligations exist under European Union law, pursuant to which certain Concentrations must be notified to the European Commission. A failure to notify a Concentration prior to its implementation may lead to the imposition of fines of up to 10% of the aggregate turnover of the undertaking concerned.

Squeeze-out Procedures

Pursuant to Section 2:92a Dutch Civil Code (*Burgerlijk Wetboek*, **DCC**), a shareholder who for his own account provides at least 95% of the Company's shares may institute proceedings against the Company's minority shareholders jointly for the transfer of their shares to him or her. The proceedings are held before the Enterprise Chamber of the Court of Appeals in Amsterdam (the **Enterprise Chamber**) and can be instituted by means of a writ of summons served upon each of the minority shareholders in accordance with the provisions of the Dutch Code of Civil Procedure (*Wetboek van Burgerlijke Rechtsvordering*).

The Enterprise Chamber may grant the claim to buy out all minority shareholders and will determine the price to be paid for the shares, if necessary after appointment of one or three experts who will offer an opinion to the Enterprise Chamber on the value of the shares. Once the order to transfer becomes final, the person acquiring the shares shall give written notice of the date and place of payment and the price to the holders of the shares to be acquired whose addresses are known to him. Unless the addresses of all of them are known to him, he shall also publish this information in a daily newspaper with a national circulation.

With the implementation of the Takeover Directive, the rules for squeeze-out procedures have been supplemented. Section 2:359c DCC provides that the offeror under a public offer is also entitled to start a squeeze-out procedure if, following the public offer, the offeror holds shares for at least 95% of the share capital and at least 95% of the total voting rights. If there are different classes of shares, the claim may only be instituted with regard to the class of ordinary shares for which the offeror alone or jointly with group companies holds at least 95% of the issued capital and 95% of the voting rights. The claim of a takeover squeeze-out needs to be filed with the Enterprise Chamber within three months following the expiry of the acceptance period of the offer. The Enterprise Chamber may grant the claim to buy out all minority shareholders and will determine the price to be paid for the shares, if necessary after appointment of one or three experts who will offer an opinion to the Enterprise Chamber on the value of the shares. In principle, the offering price is considered reasonable as long as 90% or more of the shares have been acquired at that price.

Section 2:359d DCC also entitles those minority shareholders that have not previously tendered their shares under an offer to transfer their shares to the offeror, provided that the offeror has acquired shares for at least 95% of the share capital and at least 95% of the total voting rights. If there are different classes of shares, the claim may only be instituted with regard to the class of ordinary shares for which the offeror alone or jointly with group companies holds at least 95% of the shares and 95% of the voting rights. As regards price, the same procedure as for takeover squeeze-out proceedings initiated by an offeror applies (see previous paragraph). The claim also needs to be filed with the Enterprise Chamber within three months following the expiry of the acceptance period of the offer.

Obligations of Shareholders to Make a Public Offer

Based on Directive 2004/25/EC of the European Parliament and of the Council of the European Union (the **Takeover Directive**) each Member State should ensure the protection of minority shareholders by obliging the person that acquires control of a company to make an offer to all the holders of that company's voting securities for all their holdings at an equitable price. The Takeover Directive applies to all companies governed by the laws of a Member State of which all or some voting securities are admitted to trading on a regulated market in one or more Member States. The laws of each Member State provide a percentage that forms the threshold for control over companies.

Under the laws of the Netherlands, the above mentioned percentage is 30%. A person (whether acting alone or in concert) that acquires 30% or more of the voting rights of a Dutch company whose shares are admitted to trading on a regulated market must make a public offer for the remaining shares of that company.

A person holding more than 30% of the shares at the time of the listing is exempted from this obligation to make an public offer as long as he or she holds and continues to hold, more than 30% of the shares.

Furthermore, in general, it is prohibited to launch a public offer for shares of a listed company unless an offer memorandum has been approved by the AFM or another competent supervisory authority. A public offer is launched by way of publication of the approved offer memorandum.

Transparency Directive

The Company is a public limited liability company incorporated and existing under the laws of the Netherlands. the Netherlands is the home member state of the Company for the purposes of Directive 2004/109/EC (the **Transparency Directive**) as amended by Directive 2010/73/EU as a consequence of which the Company will be subject to the Wft in respect of certain ongoing transparency and disclosure obligations upon listing of the shares.

The Company shall publish its annual accounts within four months after the end of each fiscal year and its half-yearly figures within two months after the end of the first six months of each fiscal year. Furthermore, the Company shall publish interim management statements (containing, among other things, an overview of important transactions and their financial consequences) in the period between ten weeks after the beginning, and six weeks before the end, of the relevant six-month period of each fiscal year, or, alternatively, publish quarterly financial statements. Within five calendar days after adoption of its annual accounts, the Company shall submit its adopted annual accounts to the AFM.

Dutch Financial Reporting Supervision Act

The Dutch Financial Reporting Supervision Act (*Wet toezicht financiële verslaggeving*, the **DFRSA**) applies to fiscal years starting from January 1, 2006. Pursuant to the DFRSA, the AFM supervises the application of financial reporting standards by companies whose corporate seat is in the Netherlands and whose securities are listed on a regulated Dutch or foreign stock exchange. Pursuant to the DFRSA, the AFM has an independent right to (i) request an explanation from the Company regarding its application of the applicable financial reporting standards if, based on publicly known facts or circumstances, it has reason to doubt the Company's financial reporting meets such standards and (ii) recommend to the Company the making available of further explanations. If the Company does not comply with such a request or recommendation, the AFM may request that the Enterprise Chamber orders the Company to (a) provide an explanation of the way it has applied the applicable financial reporting standards to its financial reports or (b) prepare its financial reports in accordance with the Enterprise Chamber's instructions.

Obligations of Shareholders and Members of the Board to Notify Holdings of Shares and Voting Rights

Shareholders may be subject to notification obligations under the Wft. The following description summarizes those obligations.

Any person who, directly or indirectly, acquires or disposes of an actual or potential capital interest and/or voting rights in the Company must immediately give written notice to the AFM of such acquisition or disposal if, as a result of such acquisition or disposal, the percentage of capital interest and/or voting rights held by such person reaches, exceeds or falls below the following thresholds: 3%, 5%, 10%, 15%, 20%, 25%, 30%, 40%, 50%, 60%, 75% and 95%.

For the purpose of calculating the percentage of capital interest or voting rights, the following interests must, *inter alia*, be taken into account: (i) shares and/or voting rights directly held (or acquired or disposed of) by any person; (ii) shares and/or voting rights held (or acquired or disposed of) by such person's controlled entities or by a third party for such person's account (iii) voting rights held (or acquired or disposed of) by a third party with whom such person has concluded an oral or written voting agreement; (iv) voting rights acquired pursuant to an agreement providing for a temporary transfer of voting rights in consideration for a payment; and (v) shares which such person, or any controlled entity or third party referred to above, may acquire pursuant to any option or other right to acquire shares.

Controlled entities (within the meaning of the Wft) do not themselves have notification obligations under the Wft as their direct and indirect interests are attributed to their (ultimate) parent. If a person who has a 5% share or larger in the Company's share capital or voting rights ceases to be a controlled entity it must immediately notify the AFM and all notification obligations under the Wft will become applicable to such former controlled entity.

Special attribution rules apply to shares and/or voting rights which are part of the property of a partnership or other form of joint ownership. A holder of a pledge or right of usufruct in respect of shares can also be subject to notification obligations, if such person has, or can acquire, the right to vote on the shares. The acquisition of (conditional) voting rights by a pledgee or beneficial owner may also trigger notification obligations as if the pledgee or beneficial owner were the legal holder of the shares and/or voting rights.

Furthermore, when calculating the percentage of capital interest a person is also considered to be in possession of shares if (i) such person holds a financial instrument the value of which is (in part) determined by the value of the shares or any distributions associated therewith and which does not entitle such person to acquire any shares, (ii) such person may be obliged to purchase shares on the basis of an option, or (iii) such person has concluded another contract whereby such person acquires an economic interest comparable to that of holding a share.

Under the Wft, the Company is required to notify the AFM promptly after the settlement of the Offering of the Company's issued and outstanding share capital and voting rights. Thereafter the Company is required to notify the AFM promptly of any change of 1% or more in the Company's issued and outstanding share capital or voting rights since the previous notification. Other changes in the Company's issued and outstanding share capital or voting rights must be notified to the AFM within eight days after the end of the quarter in which the change occurred.

If a person's capital interest and/or voting rights reach, exceed or fall below the above-mentioned thresholds as a result of a change in the Company's issued and outstanding share capital or voting rights, such person is required to make a notification not later than on the fourth trading day after the AFM has published the Company's notification as described above.

Each person whose holding of capital interest or voting rights amounts to 3% or more of the Company's issued and outstanding share capital at the settlement of the Offering must notify the AFM of such holding without delay.

In addition, any person with a capital interest or voting rights in the Company of at least 3% will be required to notify the AFM of any changes in the composition (actual or potential) of this interest annually within four weeks from December 31 at 24:00 hours.

Furthermore, each member of the board must notify the AFM (a) immediately after the settlement of the Offering of the number of shares he/she holds and the number of votes he/she is entitled to cast in respect of the Company's issued and outstanding share capital, and (b) subsequently of each change in the number of shares he/she holds and of each change in the number of votes he/she is entitled to cast in respect of the Company's issued and outstanding share capital, immediately after the relevant change.

The AFM keeps a public registry of and publishes all notifications made pursuant to the Wft at its website (*www.afm.nl*).

Non-compliance with these notification obligations is an economic offence and may lead to criminal prosecution. The AFM may impose administrative penalties for non-compliance, and the publication thereof. In addition, a civil court can impose measures against any person who fails to notify or incorrectly notifies the AFM of matters required to be notified. A claim requiring that such measures be imposed may be instituted by the Company, or by one or more shareholders who alone or together with others represent at least 5% of the issued and outstanding share capital of the Company or are able to exercise at least 5% of the voting rights. The measures that the civil court may impose include:

- an order requiring the person with a duty to disclose to make the appropriate disclosure;
- suspension of the right to exercise the voting rights by the person with a duty to disclose for a period of up to three years as determined by the court;
- voiding a resolution adopted by the general meeting of shareholders, if the court determines that the resolution would not have been adopted but for the exercise of the voting rights of the person with a duty to disclose, or suspension of a resolution adopted by the general meeting of shareholders until the court makes a decision about such voiding; and
- an order to the person with a duty to disclose to refrain, during a period of up to five years as determined by the court, from acquiring shares or voting rights in the Company.

Shareholders are advised to consult with their own legal advisors to determine whether the notification obligations apply to them.

Short Positions

Net Short Position

Each person holding a net short position attaining 0.2% of the issued share capital of a Dutch listed company must report it to the AFM. Each subsequent increase of this position by 0.1% above 0.2% will also have to be reported. Each net short position equal to 0.5% of the issued share capital of a Dutch listed company and any subsequent increase of that position by 0.1% will be made public via the AFM short selling register. To calculate whether a natural person or legal person has a net short position, their short positions and long positions must be set off. A short transaction in a share can only be contracted if a reasonable case can be made that the shares sold can actually be delivered, which requires confirmation of a third party that the shares have been located.

Gross Short Position

Each person holding a gross short position in relation to the issued share capital of a Dutch listed company that reaches, exceeds or falls below one of the following thresholds: 3%, 5%, 10%, 15%, 20%, 25%, 30%, 40%, 50%, 60%, 75% and 95%, must immediately give written notice to the AFM.

If a person's gross short position reaches, exceeds or falls below one of the abovementioned thresholds as a result of a change in the Company's issued share capital, such person is required to make a notification not later than on the fourth trading day after the AFM has published the Company's notification in the public register of the AFM.

The AFM keeps a public register of the short selling notifications. Shareholders are advised to consult with their own legal advisors to determine whether any of the above short selling notification obligations apply to them.

Market Abuse Rules

The Wft provides for specific rules intended to prevent market abuse, such as prohibitions on insider trading, divulging inside information and tipping, and market manipulation. This is an implementation of the EU Market abuse directive 2003/6/EC. The Company, the members of the board and other insiders and persons performing or conducting transactions in the Company's securities, as applicable, will be subject to the Dutch insider trading prohibition, the Dutch prohibition on divulging insider information and tipping, and the Dutch prohibition on market manipulation. In certain circumstances, the Company's investors may also be subject to the Dutch market abuse rules.

Any dealings in or from the Netherlands in the shares and other financial instruments the value of which is (co)-determined by the value of the shares (including dealings by the Company itself) are subject to the provisions of the Wft with respect to insider trading, market manipulation and other market abuse rules. It is prohibited for any person to make use of inside information within or from the Netherlands by conducting or effecting a transaction in the Company's securities. In addition, it is prohibited for any person to pass on inside information to a third party or to recommend or induce, on the basis of inside information, any person to conduct a transaction. Furthermore, it is prohibited for any person to manipulate the market, for instance by conducting transactions which could lead to an incorrect or misleading signal of the supply of, the demand for, or the price of the securities.

Inside information is any information of a precise nature relating (directly or indirectly) to the Company, or to trading in the shares, which information has not been made public and which, if it were made public, would be likely to have a significant effect on the price of the shares or on the financial instruments the value of which is (co)-determined by the value of the shares.

Pursuant to the rules on market abuse, the Company has an internal insider trading policy, which will be available on the Company's website. This policy provides for, among other things, rules on the possession of and transactions by the board and other employees in the shares or in financial instruments the value of which is (co)-determined by the value of the shares. In addition, the Company has prepared a list of those persons working for it who may have access to inside information on a regular or incidental basis and will inform the persons concerned of the rules on insider trading and market manipulation including the sanctions which can be imposed in the event of a violation of those rules.

Non-compliance with the reporting obligations under the Wft could lead to civil sanctions, criminal fines, administrative fines, cease-and-desist orders (and the publication thereof), imprisonment or other sanctions, as applicable.

Pursuant to the Wft, the members of the board and any other person who has managerial responsibilities with the Company and in that capacity is authorized to make decisions affecting the future developments and business prospects of the Company and who has regular access to inside information relating, directly or indirectly, to the Company (each, an **Insider**) must notify the AFM of all transactions conducted or carried out for his or her own account, relating to the shares or financial instruments, the value of which is (in part) determined by the value of the shares.

In addition, persons designated by the Market Abuse Decree (*Besluit Marktmisbruik Wft*) who are closely associated with an Insider must notify the AFM of any transactions conducted for their own account relating to the shares or financial instruments, the value of which is (in part) determined by the value of the shares. The Market Abuse Decree designates the following categories of persons as being closely associated: (i) the spouse or any partner considered by national law as equivalent to a spouse; (ii) dependent children; (iii) other relatives who have shared the same household for at least one year at the relevant transaction date; and (iv) any legal person, trust or partnership, among other things, managed or controlled by a member of the board or any other Insider or by a person referred to under (i), (ii) or (iii) above.

The AFM must be notified of transactions effected in either the shares or financial instruments, the value of which is (in part) determined by the value of the shares, no later than the fifth business day following the transaction date by means of a standard form. The notification may be delayed until the moment that the value of the transactions performed for that person's own account, together with the transactions carried out by the persons closely associated with that person, reach or exceed an amount of €5,000 in the calendar year in question. The AFM keeps a public register of the notifications.

Polish Capital Market Regulations

Obligations of Shareholders to Make a Public Offer

In accordance with Takeover Directive 2004/25/EC, each Member State should ensure the protection of minority shareholders by obliging the person that acquires control of a company to make an offer to all the holders of that company's voting securities for all their holdings at an equitable price. The Takeover Directive applies to all companies governed by the laws of a Member State of which all or some voting securities are admitted to trading on a regulated market in one or more Member States. The laws of the Member State in which a company has its registered office, being the Netherlands, will determine the percentage of voting rights that is regarded as conferring control over that company. Below is a general description of the Polish tender offer rules.

The Takeover Directive allows the Member States to introduce additional protection of the interests of the minority shareholders, such as the obligation to make a partial bid where the offeror does not acquire control of the company. Poland introduced such additional instruments under Article72 and Article 73 of the Polish Public Offerings Act.

Tender Pursuant to Article 72 of the Polish Public Offerings Act

According to the Polish Public Offerings Act, an acquisition of shares in a public company in a number resulting in increasing the aggregate number of votes by more than: (i) 10% of the total number of votes within less than 60 days by an entity whose share in the total number of votes was lower than 33%; (ii) 5% of the total number of votes within less than 12 months by an entity whose share in the total number of votes was higher than 33%, may only be effected by announcing a tender offer for the sale or exchange of such shares in the number not lower than 10% or 5%, respectively.

The obligations under Article 72 do not arise if the shares in a public company are acquired on the primary market, as a result of being contributed to a company in-kind, or as a result of merging or demerging with a company.

Tender Pursuant to Article 73 of the Polish Public Offerings Act

Pursuant to Article 73 of the Polish Public Offerings Act, a shareholder may exceed 33% of the total vote in a public company only as a result of a tender offer to sell or exchange shares in such company, concerning a number of shares which confers the right to 66% of the total vote, unless the 33% threshold is to be exceeded as a result of a tender offer for the sale or exchange of all remaining shares.

If a shareholder exceeds the 33% threshold as a result of an indirect acquisition of shares, acquisition of new issue shares, acquisition of shares in a public offering, non-cash contribution to the company, merger or demerger of the company, introduction of amendments to the company's statute, expiry of preference rights attached to shares, or otherwise as a result of a legal event other than a legal transaction, the shareholder or entity which indirectly acquired the shares is obliged, within three months from exceeding the 33% threshold: (i) to announce a tender offer to sell or exchange the shares in the company, concerning a number of shares conferring the right to 66% of the total vote; or (ii) to dispose of such a number of shares as to hold shares conferring the right to no more than 33% of the total vote; unless within that period the share of such shareholder or the entity which indirectly acquired the shares in the total vote decreases below 33% as a result of a share capital increase, introduction of amendments to the company's statute, or expiry of preference rights attached to such shareholder's shares.

If a shareholder exceeds the 33% threshold as a result of inheritance, then the obligation referred to above applies only if following such an acquisition the shareholder's share in the total vote increases further. The time to perform the obligation commences on the day of the event leading to an increase in the shareholder's share in the total vote.

Tender pursuant to Article 74 of the Polish Public Offerings Act

Pursuant to Article 74 of the Polish Public Offerings Act, as a general rule, a shareholder may exceed 66% of the total vote in a public company only as a result of a tender offer to sell or exchange the remaining shares in the company.

If the threshold of 66% of the total number of votes in a public company is exceeded as a result of indirect acquisition of shares, acquisition of new issue shares, acquisition of shares in a public offering, non-cash contribution to the company, merger or demerger of the company, introduction of amendments to the company's statute, expiry of preference rights attached to shares, or otherwise as a result of a legal event other than a legal transaction, the shareholder or the entity which indirectly acquired the shares is obliged, within three months from exceeding the 66% threshold to announce a tender offer to sale or exchange the remaining shares in the company unless within that period the share of such a shareholder or the entity which indirectly acquired the shares in the total vote decreases to 66% or less as a result of a share capital increase, amendments to the company's statute, or expiry of preference rights attached to such shareholder's shares.

If within six months from a tender offer for the sale or exchange of all remaining shares in a public company a shareholder acquires further shares in the company at a price higher than the price set in the tender offer other than by way of a tender offer or as a result of the exercise of the squeeze-out obligation referred to in Article 83 of the Act on Public Offering, then the shareholder is obliged, within a month from such acquisition, to pay the difference in the share price to all persons that sold shares by accepting the tender offer, except for certain persons who accepted the tender offer and from whom shares constituting at least 5% of all shares in the public company were acquired at a reduced price, where the entity announcing the tender and such person decided to reduce the share price. This provision applies accordingly to an entity which indirectly acquired shares in a public company.

If a shareholder exceeds the 66% threshold as a result of inheritance, the obligation to announce a tender offer or to dispose of shares, as referred to above, applies only if following such acquisition the shareholder's share in the total vote increases further; the time for the performance of the obligation commences on the day of the event leading to an increase in the shareholder's share in the total vote.

However, pursuant to Art. 90a of the Polish Public Offerings Act, in the case of a public company with its registered office in a Member State other than the Republic of Poland whose shares have been admitted to trading on a regulated market solely on the territory of the Republic of Poland, Art. 74 of the Polish Public Offerings Act, which provides a 66% threshold for a mandatory takeover bid, will not apply. Given that Polish law explicitly excludes application of Art. 74 of the Polish Public Offerings Act, the Dutch threshold of 30% should apply. At the same time, it is disputable whether an entity announcing a tender offer under Dutch law, due to exceeding the 30% threshold, is obliged as a matter of separate obligation under Art. 73 of the Polish Public Offerings Act to announce a bid for 66% of votes when exceeding the Polish threshold of 33% of votes. Therefore, investors are urged to seek their own legal advice to determine whether such additional obligations will apply to their situation.

Additional Regulations regarding Tender Offers under Articles 72 through 74 of the Act on Public Offering

A tender offer may be announced only after a security is created for not less than 100% of the value of the shares covered by the tender offer. The security should be documented with a certificate issued by a bank or another financial institution which granted, or intermediated in the granting of, the security. A tender offer should be announced and carried out through an entity conducting brokerage activities in Poland. The price in the tender offer must be determined in accordance with the rules set out in detail in Article 79 of the Polish Public Offerings Act.

Upon receipt of the notification of the intention to announce a tender offer, the PFSA may, not later than three business days before opening the subscription period, request that within a specified period of not less than two days the tender offer be amended or supplemented as necessary or that clarifications of its wording be provided. The opening of the subscription period under a tender offer will be suspended until the entity obligated to announce the tender offer carries out the actions specified in the request referred to in the preceding sentence.

A tender offer may not be abandoned unless another entity announces a tender offer for the same shares after the first lender offer has been announced. A tender offer for the remaining shares in a given company may be abandoned only if another entity announces a tender offer for the remaining shares in the company at a price not lower than the price of the first tender offer.

In the period between the notification of the intention to announce a tender offer and the closing of the tender offer: (i) the entity obligated to announce the tender offer; (ii) its subsidiaries; (iii) its parent entity; or (iv) the parties to an agreement concluded with the entity obligated to announce the tender offer regarding the acquisition of a public company's shares by these entities or voting in concert at the general meeting of that company on matters significant for that company:

- may acquire shares in the company whose shares are covered by the tender offer only as part of the tender offer and in a manner defined therein;
- may not during the tender offer dispose of shares in the company whose shares are covered by the tender offer or enter into any agreement under which they would be obligated to dispose of the shares; and
- may not indirectly acquire shares in a public company which the tender offer concerns.

After the tender offer is announced, the entity obligated to announce the tender offer and the management board of the company whose shares are covered by the tender offer should provide information on the tender offer, including the contents of the tender offer document, to the representatives of trade unions active at the company, and if there are no such trade unions, directly to employees.

If shares covered by the tender offer are admitted to trading on a regulated market in Poland and in another Member State, the entity announcing the tender offer is obliged to ensure quick and convenient access, in the territory of such Member State, to all information and documents which are published in connection with the tender offer in a manner defined in the applicable laws and regulations of the member state.

Following the completion of the tender offer, the entity which announced the tender offer is obliged to disclose, in the manner provided for in Article 69 of the Act on Public Offering, the number of shares acquired in the tender offer and their percentage share in the total vote achieved as a result of the tender offer.

Article 75 of the Act on Public Offering sets forth certain exemptions from the obligations arising under Articles 72 and 73 thereof. These obligations are not triggered by an acquisition of shares from the State Treasury:

- in an initial public offering; and
- within three years of the completion of an initial public offering.

The obligations arising under Article 72 of the Polish Public Offerings Act are not triggered if the shareholder acquires shares in primary trading, through a non-cash contribution or as a result of a merger or demerger of a company.

Additionally, pursuant to Article 75 of the Polish Public Offerings Act the following acquisitions of shares do not trigger the obligations arising under Articles 72 through 74 thereof:

- in a company whose shares have been introduced to an alternative trading system only or have not been traded in organized trading;
- from a member of the same group;
- by way of a procedure provided for in bankruptcy regulations or enforcement proceedings;
- under an agreement establishing financial collateral between qualifying entities, concluded on terms and conditions defined in the Act on Certain Types of Financial Collaterals;
- encumbered with a pledge in order to satisfy pledge entitled, under statutes, to satisfy his or her claims by foreclosure of a pledged asset; or
- by inheritance, except for cases referred to in Article 73 and Article 74 of the Polish Public Offerings Act.

Price of the Shares in the Tender Offer

If any of the shares in the company are subject to trading in the regulated market, the share price proposed in the tender offer may not be lower than:

- the average market price in the period of six months preceding the tender offer announcement during which the shares were traded on the main market; or
- the average market price in a shorter period if the trading of the shares on the main market was shorter than the period determined in the above clause.

If the price cannot be determined in accordance with the above rules and in the case of a company in relation to which arrangement or bankruptcy proceedings have been instigated, the price may not be lower than the fair value of the shares.

The price of the shares proposed in the tender offer may also not be lower than:

- the highest price for which the shares subject to the tender offer were purchased within 12 months before the tender offer announcement by the entity obliged to announce the tender offer, the entities dependent on the entity obliged to announce the tender offer or by the parent entity of the same, or by the entity being a party to an arrangement concluded with the entity obliged to announce the tender offer with regard to the purchase by the said entity of the shares of a public company or voting in concert at the general meeting regarding the major affairs of the company; or
- the highest value of the assets or rights issued by the entity obliged to announce the tender offer or the entities mentioned in the above clause in exchange for the shares subject to the tender offer within 12 months before the tender offer announcement.

The share price proposed in the tender offer for the sale or exchange of all the remaining shares in a public company may also not be lower than the average market price within three months of trading the shares in the regulated market preceding the tender offer announcement.

The share price proposed in the tender offer mentioned in Articles 72 to 74 of the Act on Public Offering may be lower with regard to shares constituting at least 5% of all the shares of the company that will be purchased within the tender offer from an identified person replying to the tender offer, should the company obliged to announce the tender offer and the said person so decide.

In the case when the average market price of shares established in accordance with the above rules materially differs from the fair value of those shares due to:

- granting the shareholders pre-emptive right, right to dividend, right to acquire shares of the acquirer in connection with the demerger of a public company by spin-off, or other property rights related to their holding shares of a public company;
- considerable deterioration of financial condition or assets of the company due to events or circumstances that could not have been foreseen or prevented by the company; or
- threat of permanent insolvency of the company,

the entity announcing the tender offer may apply to the PFSA for consent to propose the price in the tender offer which does not comply with the criteria set forth above. The PFSA may give its consent thereto, provided that the proposed price is not lower than the fair value of these shares, and the call for tender does not breach the legitimate interest of the shareholders.

Entities Subject to Regulations on Acquisition of Significant Blocks of Shares

The obligations set out in the provisions regarding the notification to the PFSA about reaching or exceeding a particular threshold of the total number of votes in a public company, tender offers, squeeze-outs or sell-outs are imposed on:

- any entity that reaches or exceeded the threshold of the total vote determined in the Act on Public Offering as a result of acquisition or disposal of depositary receipts issued in connection with the shares in such public company;

- an investment fund also if it reaches or exceeds a given threshold of the total vote determined in the Polish Public Offerings Act in connection with shares held jointly by other investment funds managed by the same investment fund company or other investment funds established outside of the territory of Poland and managed by the same entity;
- an entity that reaches or exceeds a given threshold of the total vote set out in the Polish Public Offering in connection with the possession of shares by: (i) a third party on its own behalf, however to the order or for the benefit of such entity, excluding the shares purchased within the execution of activities which involve buying and selling of broker's financial installments for the benefit of the person giving the order; (ii) within the framework of activities which involve management of a portfolio that includes one or greater number of broker's financial instruments, determined in the Act on Trading and Polish Investment Funds Act of May 27, 2004 (as amended) regarding the shares included in the managed securities portfolios, for which the entity as a management company may enforce the right to vote at the general meeting on behalf of the ordering parties; and (iii) a third party with whom the entity has concluded an agreement to transfer the right to vote;
- the proxy who within a power of attorney to represent the shareholder at the general meeting was authorized to exercise the right to vote resulting from the shares of a public company if the person has not issued any binding orders as to the method of voting;
- all entities which are bound by a written or oral arrangement regarding the purchasing by the entities of the shares of a public company or voting in concert at the general meeting regarding the major affairs of the company, if at least one of such entities made or planned to make activities resulting in the origin of such duties;
- entities that concluded the arrangement mentioned above possessing the shares of a public company in a number ensuring the joint achievement or excess of the given threshold of the total number of votes determined in the regulations. In the cases mentioned above in the two latest sub-items, the duties determined in the regulations regarding the major stakes of shares may be fulfilled by one of the parties to the arrangement identified by the parties to the arrangement.

Obligations set forth in the provisions concerning the notification to the PFSA about reaching and exceeding the specified threshold of votes in a public company, tender offers, squeeze-out or sell-out arise also in the case where the voting rights are related to securities deposited or registered with the entity that may dispose of them at its own discretion.

Squeeze-Out and Sell-Out Rules

Pursuant to Article 82 of the Polish Public Offerings Act, a shareholder in a public company that, on its own or together with its subsidiaries or parent companies or with companies which are parties to an agreement regarding the purchase of shares, voting in concert at the shareholders' meeting or conducting long-term policy against the company, reaches or exceeds 90% of the overall number of votes in such public company, may demand, within three months from the date on which such shareholder reaches or exceeds of the relevant threshold, that the remaining shareholders sell all the shares held by them to such shareholder.

Pursuant to Article 83 of the Polish Public Offerings Act, a shareholder in a public company may demand that another shareholder, which has reached or exceeded 90% of the total number of votes, purchase from it the shares it holds in such company. The demand is made in writing within three months from the date on which such shareholder reaches or exceeds the relevant threshold.

Pursuant to conflict of law rules provided under the Polish Act of February 4, 2011 on International Private Law, in the case of an issuer established in the Netherlands, matters pertaining to transferring or acquiring shareholder status, which should include squeeze-out and sell-out, should be governed by Dutch law. However, given that the Polish Public Offerings Act does not explicitly limit application of its provisions concerning squeeze-out and sell-out in public companies to public companies, which are incorporated in Poland, it cannot be entirely ruled out that an adverse interpretation will be adopted. Investors are urged to seek their own legal advice to determine which law will apply to their particular case.

Disclosure Obligations Regarding Changes in the Public Company Share Ownership

Under the Polish Public Offerings Act, any entity who: (a) has achieved or exceeded 5%, 10%, 15%, 20%, 25%, 33%, 33 1/3%, 50%, 75% or 90% of the total vote in a public company; or (b) held at least 5%, 10%, 15%, 20%, 25%, 33%, 33 1/3%, 50% 75% or 90% of the total vote in a public company, and as a result of a reduction of its equity interest holds 5%, 10%, 15%, 20%, 25%, 33%, 33 1/3%, 50%, 75% or 90% or less of the total vote, respectively—is obliged to notify the PFSA and the company of the fact not later than four business days from the date on which the entity becomes, or by exercising due care could have become, aware of such change, and if the change resulted from the acquisition of shares in a public company in a transaction executed on a regulated market—not later than within six trading days from the date of the transaction.

The notification requirement applies also to a shareholder who: (a) held over 10% of the total vote and this share has changed by at least: (i) 2% of the total vote—in the case of a public company whose shares have been admitted to trading on the official stock-exchange listing market (as of the date of this document, such market is the main market of the Warsaw Stock Exchange); or (ii) 5% of the total vote—in the case of a public company whose shares have been admitted to trading on a regulated market other than the official stock-exchange listing market; (b) held over 33% of the total vote and this share has changed by at least 1%.

The notification requirement also applies to any shareholder who reaches or exceeds a specified threshold of the total vote as a result of: (i) the occurrence of a legal event other than an act in law; (ii) acquisition or disposal of financial instruments conferring the unconditional right or obligation to acquire shares in a public company which are already in issue; and (iii) indirect acquisition of shares in a public company. Furthermore, the obligation arises also if the voting rights are attached to securities comprising collateral; unless the entity for the benefit of which the collateral is established has the right to exercise the voting rights and has declared its intention to do so, in which case the voting rights are deemed to be held by the entity for the benefit of which the collateral was established.

Such notification requirement does not apply if upon the settlement in the depositary of securities of a few transactions executed on the regulated market on a single day, the change of a shareholder's share in the total vote in a public company as at the end of the settlement day does not result in reaching or exceeding any threshold which triggers the notification requirement. The Act on Public Offering specifies the detailed scope of the information to be included in a notification sent to the PFSA and a public company, to which the notification requirement is applied.

Scope and Timing of Ongoing Disclosure

Issuers of securities for which the Republic of Poland is a host state, within the meaning of the Polish Public Offerings Act, are subject to the disclosure requirements specified in the legislation in force in the home state of such issuers. Therefore, under the Polish Public Offering Act, in the case of the Company, the scope of inside, current and periodic information (including the content of annual reports, semi-annual reports and quarterly reports) to be disclosed, as well as the timing of such disclosure, is determined by Dutch law, as the Netherlands is its home state.

Issuers of securities admitted to trading on a regulated market in the Republic of Poland are required to communicate any inside information to the PFSA, the Warsaw Stock Exchange and to the public, as well as to post such information on their website.

In addition, issuers of securities for which the Republic of Poland is the host state are required to communicate any current and periodic information to the PFSA, the Warsaw Stock Exchange and to the public (through a Current Report).

Under the Polish Public Offerings Act, inside, current and periodic information may be disclosed by issuers for whom the Republic of Poland is a host state in either Polish or English at the discretion of such issuers. Upon admission of the shares to trading on the Warsaw Stock Exchange, the Company will be bound by the above-mentioned disclosure requirements.

Use of Inside Information in Trading and Manipulation Involving Financial Instruments

The Act on Trading prohibits the use of inside information in trading. Inside information within the meaning of that Act is any information of a precise nature, relating, whether directly or indirectly, to one or more issuers of financial instruments, one or more financial instruments, or acquisition or disposal of such instruments, which has not been made public and which, if made public, would be likely to have a significant effect on the prices of financial instruments or related derivative financial instruments. The Act on Trading defines a holder of inside information as anyone who (i) gains inside information by virtue of membership in the governing bodies of the company, by virtue of having an interest in the capital of the company, or as a result of having access to inside information in connection with employment, practiced profession, or a mandate contract or any other contract of a similar nature, in particular a) the members of the management board, supervisory board, proxies or attorneys-in-fact of the issuer, its employees, chartered auditors or other persons related to the issuer under any mandate contract or any legal relationship of a similar nature, or b) shareholders of a public company, or c) persons employed or holding posts referred to in a) above in the subsidiary or parent entity of the issuer of financial instruments admitted or sought to be admitted to trading on the regulated market, or bound with such entity under a mandate contract or any other legal relationship of a similar nature, or d) brokers or advisors (original holder of inside information); (ii) gains inside information through criminal activities; or (iii) gains inside information otherwise, provided that such person knew or acting with due diligence, could have known such information to be inside information. In principle, persons holding inside information are forbidden to: (A) acquire or dispose of financial instruments for their own account or for the account of a third party on the basis of the inside information, or effect any other legal transaction undertaken for their own account or for the account of a third party which leads or might lead to disposal of such financial instruments, if such instruments: (I) are admitted or sought to be admitted to trading on a regulated market in the territory of the Republic of Poland or another Member State (irrespective of whether the transaction in such installments is executed on such market), or (II) are not admitted to trading on a regulated market in the territory of the Republic of Poland or another Member State but their price or value depends, whether directly or indirectly, on the price of the financial installment referred to in (I) above, (III) are introduced to trading in an alternative trading system in the territory of the Republic of Poland, or are sought to be introduced to trading in such a system, whether or not the transaction in such instruments is executed on such a market, or (IV) are not introduced to trading in the alternative trading system, but their price or value depends, whether directly or indirectly, on the price of the financial instrument referred to in (III); (B) recommend or induce another person on the basis of the inside information to acquire or dispose of financial instruments to which such information relates; and (C) disclose the inside information.

Any violation of the prohibition to disclose inside information constitutes an offence. In accordance with the Act on Trading, anyone who, in violation of the prohibition discloses inside information or recommends or induces another person on the basis of the inside information to acquire or dispose of financial instruments is liable to a fine of up to PLN 2 million or a penalty of imprisonment for up to three years, or to both these penalties jointly. Furthermore, anyone who in violation of the prohibition buys or sells financial instruments on one's own account or on account of a third party on the basis of inside information, or takes other steps on one's own account or on account of a third party which lead or might lead to disposal of financial instruments, is liable to a fine of up to PLN 5 million or a penalty of imprisonment for a period from three months to five years, or to both these penalties jointly.

In addition to prohibiting the use of inside information, the Act on Trading also forbids manipulation involving financial instruments. Examples of manipulation include manipulating market prices by executing actual or sham transactions, executing other transactions, placing orders, making false representations and disseminating false or misleading information. Depending on the circumstances, manipulation involving financial instruments may constitute: (i) a breach of the administrative law, which is punishable by a fine of up to PLN 200,000 or a fine of up to ten times the benefits derived, or by both these penalties jointly with respect to the perpetrator of the manipulation; or (ii) an offence punishable by a fine of up to PLN 5 million or a penalty of imprisonment for a period from three months to five years, or by both these penalties jointly.

Obligations Connected to the Purchase or Sale of Shares During Lock-Up Periods

Pursuant to the Act on Trading during the restricted periods described below certain persons who have access to level one confidential information are prohibited from participating in the following activities either on their own account or on behalf of a third party: (i) acquiring or disposing of the issuer's shares; (ii) acquiring or disposing of any derivatives connected to the issuer's shares or any other related financial instruments; or (iii) performing other legal actions which could lead to the disposition of such financial instruments. This restriction applies exclusively to an issuer's (a) management board; (b) the supervisory board; (c) registered proxies or attorneys-in-fact; (d) employees; (e) chartered auditors and (f) consultants or other persons who are retained on the basis of a mandate or a similar legal mechanism.

Acting as a body of a legal person, these certain persons who have access to level one confidential information during restricted periods cannot (i) undertake actions aiming at this legal person acquiring or disposing, on its own account or on behalf of a third party, of the issuer's shares or any derivatives for which the issuer's shares are the underlying assets or any other financial instruments linked with the issuer's shares; or (ii) perform other legal actions which lead or might lead this legal person to dispose of such financial instruments on its own account or on account of a third party.

The restricted periods during which the above prohibition applies are:

- The period beginning when a member of the management board or the supervisory board, a proxy or an attorney of the issuer, its employee, auditor, or other persons who remain in a mandate or another similar legal relationship with the issuer, become aware of inside information regarding the issuer or specified financial instruments and ending when such information is publicly disclosed.
- In the case of an annual report two months before the public disclosure of the report or the period between the end of the fiscal year and the public disclosure of the report, if that period is shorter, unless the person referred to in point 1 above did not have access to the financial information on the basis of which the report was drawn up.
- In the case of a semi-annual report one month before the public disclosure of the report or the period between the end of the half-year in question and the public disclosure of that report, if that period, is shorter, unless the natural person referred to in point 1 above did not have access to the financial information on the basis of which the report was drawn up.
- In the case of a quarterly report two weeks before the public disclosure of the report or the period between the end of the quarter in question and the public disclosure of that report, if that period is shorter, unless the natural person referred to in point 1 above did not have access to the financial information on the basis of which the report was drawn up.

The PFSA can impose a fine of up PLN 200,000 upon an insider who breaches the above restrictions. Furthermore, the PFSA's decisions in this respect are made public.

Persons who are members of an issuer's management or supervisory bodies, who are proxies of the issuer or who discharge managerial responsibilities and therefore have permanent access to inside information related, whether directly or indirectly, to the issuer, and are authorized to make decisions concerning the issuer's development and economic prospects must notify the PFSA and the issuer of their dealings in the issuer's shares and other financial instruments. This notification requirement also applies to the dealings of certain connected people of the individuals mentioned above, as defined in accordance with Article 160.2 of the Act on Trading. The PFSA can impose a fine of PLN 100,000 for breach of the above restriction.

TAXATION

U.S. Federal Income Taxation

TO ENSURE COMPLIANCE WITH INTERNAL REVENUE SERVICE (IRS) CIRCULAR 230, EACH TAXPAYER IS HEREBY NOTIFIED THAT: (A) ANY TAX DISCUSSION HEREIN IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED BY THE TAXPAYER FOR THE PURPOSE OF AVOIDING U.S. FEDERAL INCOME TAX PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER; (B) ANY SUCH TAX DISCUSSION WAS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) THE TAXPAYER SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

The following is a summary of certain U.S. federal income tax considerations relevant to U.S. Holders (as defined below) acquiring, holding and disposing of shares. This summary is based on the U.S. Internal Revenue Code of 1986 (the **Code**), final, temporary and proposed U.S. Treasury regulations, administrative and judicial interpretations, as well as on the 1992 Convention between the United States of America and the Kingdom of the Netherlands for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (the **Dutch Treaty**), all of which are subject to change, possibly with retroactive effect.

This summary does not discuss all aspects of U.S. federal income taxation that may be relevant to investors in light of their particular circumstances, such as investors subject to special tax rules (including, without limitation: (i) financial institutions; (ii) insurance companies; (iii) dealers in stocks, securities, or currencies or notional principal contracts; (iv) regulated investment companies; (v) REITs; (vi) tax-exempt organizations; (vii) holders that own (directly, indirectly or constructively) 10% or more of the voting stock of the Company; (viii) investors that hold shares as part of a straddle, hedge, conversion, constructive sale or other integrated transaction for U.S. federal income tax purposes; (ix) U.S. Holders that have a functional currency other than the U.S. dollar; (x) traders in securities that elect to use a mark-to-market method of accounting for securities holdings; (xi) persons liable for alternative minimum tax, and (xii) U.S. expatriates and former long-term residents of the United States), all of whom may be subject to tax rules that differ significantly from those summarized below. If an entity that is classified as a partnership for U.S. federal income tax purposes holds shares, the tax treatment of a partner in the partnership will generally depend upon the status of the partner and the activities of the partnership.

This summary does not address tax consequences applicable to holders of equity interests in a holder of the shares, U.S. federal estate, gift, Medicare or alternative minimum tax considerations, or non-U.S., state or local tax considerations. This summary only addresses investors that will acquire shares in the offering, and it assumes that investors will hold their shares as capital assets for U.S. federal income tax purposes (generally, property held for investment).

For the purposes of this summary, a **U.S. Holder** is a beneficial owner of shares that is for U.S. federal income tax purposes (i) an individual who is a citizen or resident of the United States, (ii) a corporation created in, or organized under the laws of, the United States or any state thereof, including the District of Columbia, (iii) an estate the income of which is includible in gross income for U.S. federal income tax purposes regardless of its source or (iv) a trust that is subject to U.S. tax on its worldwide income regardless of its source.

Distributions

Subject to the passive foreign investment company (**PFIC**) rules discussed below, a distribution made by the Company on the shares (including amounts withheld in respect of foreign income tax, if any) generally will be treated as a dividend includible in the gross income of a U.S. Holder as ordinary income. Such dividends will not be eligible for the dividends-received deduction allowed to corporations.

Dividends on the shares generally will constitute income from sources outside the United States for foreign tax credit limitation purposes and dividends paid will, depending on a U.S. holder's circumstances, be "passive" or "general" income which, in either case, is treated separately from other types of income for purposes of computing the foreign tax credit allowable to such U.S. Holder. The amount of any distribution of property other than cash will be the market value of the property on the date of the distribution.

The U.S. dollar value of any distribution made by the Company in foreign currency must be calculated by reference to the exchange rate in effect on the date of receipt of such distribution by the U.S. Holder, regardless of whether the foreign currency is in fact converted into U.S. dollars. If the foreign currency so received is converted into U.S. dollars on the date of receipt, such U.S. Holder generally will not recognize foreign currency gain or loss on such conversion. If the foreign currency so received is not converted into U.S. dollars on the date of receipt, such U.S. Holder will have a basis in such foreign currency equal to its U.S. dollar value on the date of receipt. Any gain on a subsequent conversion or other disposition of the foreign currency generally will be treated as ordinary income or loss to such U.S. Holder and generally will be income or loss from sources within the United States for foreign tax credit limitation purposes.

Sale or Other Disposition

Subject to the PFIC rules discussed below, a U.S. Holder generally will recognize gain or loss for U.S. federal income tax purposes upon a sale or other disposition of its shares in an amount equal to the difference between the amount realized from such sale or disposition and the U.S. Holder's adjusted tax basis in such shares, in each case as determined in U.S. dollars. Subject to the discussion of foreign currency received below, such gain or loss will be capital gain or loss and will be long-term capital gain (taxable at a reduced rate for non-corporate U.S. Holders, such as individuals) or loss if, on the date of sale or disposition, such shares were held by such U.S. Holder for more than one year. The deductibility of capital losses is subject to significant limitations. Such gain or loss realized by a U.S. Holder generally will be treated as derived from U.S. sources for foreign tax credit limitation purposes.

A U.S. Holder that receives foreign currency from a sale or disposition of shares generally will realize an amount equal to the U.S. dollar value of the foreign currency on the date of sale or disposition or, if such U.S. Holder is a cash basis or electing accrual basis taxpayer and the shares are treated as being traded on an "established securities market" for this purpose, the settlement date. If the shares are so treated and the foreign currency received is converted into U.S. dollars on the settlement date, a cash basis or electing accrual basis U.S. Holder generally will not recognize foreign currency gain or loss on the conversion. If the foreign currency received is not converted into U.S. dollars on the settlement date, the U.S. Holder will have a basis in the foreign currency equal to the U.S. dollar value on the settlement date. Any gain or loss on a subsequent conversion or other disposition of the foreign currency generally will be treated as ordinary income or loss to such U.S. Holder and generally will be income or loss from sources within the United States for foreign tax credit limitation purposes.

Passive Foreign Investment Company Rules

In general, a corporation organized or incorporated outside the United States is a PFIC in any taxable year in which, after taking into account the income and assets of certain subsidiaries, either (i) at least 75% of its gross income is classified as "passive income" or (ii) at least 50% of the average quarterly value attributable to its assets produce or are held for the production of passive income. Passive income for this purpose generally includes dividends, interest, royalties, rents and gains from commodities and securities transactions.

The PFIC rules provide that rents derived in the active conduct of a trade or business of leasing real property with respect to which the lessor, through its own officers or staff of employees, regularly performs active and substantial management and operational functions are not treated as passive income. This test is applied on a company-by-company, rather than on a group, basis. Because the Company does not perform active and substantial management and operational functions through its own officers or staff of employees, there is a significant likelihood that the Company will be classified as a PFIC for the current and future taxable years because its rental income would not be treated as active income. If the Company is classified as a PFIC in any year that a U.S. Holder is a shareholder, the Company generally will continue to be treated as a PFIC for that U.S. Holder in all succeeding years, regardless of whether the Company continues to meet the income or asset test described above, unless the U.S. Holder makes a valid mark-to-market election, as described below.

If a U.S. Holder does not make a valid mark-to-market election as discussed below, and the Company is a PFIC for any taxable year during which an investor is a U.S. Holder, the investor will be subject to special tax rules with respect to any "excess distribution" received and any gain realized from a sale or other disposition (including a pledge) of shares. Distributions received in a taxable year that are greater than 125% of the average annual distributions received during the shorter of the three preceding taxable years or the U.S. Holder's holding period for the shares will be treated as excess distributions. Under these special tax rules, (i) the excess distribution or gain will be allocated ratably over the U.S. Holder's holding period for the shares; (ii) the amount allocated to the current taxable year and other years before the Company was a PFIC will be treated as ordinary income; and (iii) the amount allocated to each other year will be subject to tax at the highest tax rate in effect for that year and an interest charge (at the rate generally applicable to underpayments of tax for the period from such year to the current year) will be imposed on the resulting tax attributable to each such year. Special rules apply with respect to the calculation of the amount of the foreign tax credit with respect to excess distributions by a PFIC. A U.S. Holder will generally be subject to similar rules with respect to distributions to the Company by, and dispositions by the Company of the stock of, any direct or indirect subsidiaries of the Company that are also PFICs (lower-tier PFICs).

Mark-to-Market Election

As an alternative to the PFIC tax consequences discussed above, a U.S. Holder may make an election to include gain or loss on the shares as ordinary income or loss under a mark-to-market method, provided that the shares are regularly traded on a qualified exchange. A non-U.S. stock exchange will be a qualified exchange if (i) it is regulated or supervised by a governmental authority of the country in which it is located; (ii) it has trading volume, listing, financial disclosure, surveillance and other requirements designed to prevent fraudulent and manipulative acts and practices, remove impediments to, and perfect the mechanism of, a free and open, fair and orderly, market, and to protect investors; (iii) the laws of the country in which the exchange is located and the rules of the exchange ensure that these requirements are actually enforced; and (iv) the rules of the exchange effectively promote active trading of listed stocks. Application has been made for the shares to be admitted to the Warsaw Stock Exchange, which the Company has not determined is a qualified exchange for these purposes. The shares would be "regularly traded" for any calendar year during which they are traded, other than in *de minimis* quantities, on at least 15 days during each calendar quarter. No assurance can be given that the shares will be "regularly traded" for purposes of the mark-to-market election.

If a U.S. Holder makes a valid mark-to-market election, the U.S. Holder will include in each year as ordinary income the excess of the fair market value of its shares at the end of the year over its adjusted tax basis in such shares. The U.S. Holder will be entitled to deduct as an ordinary loss each year the excess of its adjusted tax basis in the shares over their fair market value at the end of the year, but only to the extent of the net amount previously included in income as a result of the mark-to-market election. A U.S. Holder's adjusted tax basis in the shares will be increased by the amount of any income inclusion and decreased by the amount of any deductions under the mark-to-market rules. In addition, gains from an actual sale or other disposition of shares will be treated as ordinary income, and any losses will be treated as ordinary losses to the extent of any mark-to-market gains recognized in prior years.

If a U.S. Holder makes a mark-to-market election, it will be effective for the taxable year for which the election is made and all subsequent taxable years unless the shares are no longer regularly traded on a qualified exchange or the IRS consents to the revocation of the election.

A mark-to-market election with respect to the shares would not apply to a lower-tier PFIC (as defined above), and a U.S. Holder would not be able to make such a mark-to-market election in respect of its indirect ownership interest in that lower-tier PFIC. Consequently, U.S. Holders could be subject to the PFIC rules with respect to income of, and gains on, lower-tier PFICs the value of which may have already been taken into account indirectly through mark-to-market adjustments. U.S. Holders are urged to consult their tax advisors regarding the advisability of making a mark-to-market election in their particular circumstances and the issues raised by lower-tier PFICs.

Qualified Electing Fund Election

A further alternative regime is available to investors in a PFIC. This can arise if a U.S. Holder makes an election to treat the PFIC as a qualified electing fund (**QEF**) for U.S. federal income tax purposes. To make a QEF election, the PFIC must provide U.S. Holders with information compiled according to U.S. federal income tax principles. The Company currently does not intend, however, to provide U.S. Holders with the information needed to make such an election, and it is therefore expected that this election will be unavailable.

PFIC Information Reporting Requirements

A U.S. Holder subject to the PFIC rules is required to file IRS Form 8621 with respect to its investment in the shares in the year such U.S. Holder receives any distribution upon, makes any election with respect to or makes any disposition of, such shares, or a mark-to-market election is in effect. Recently enacted legislation creates an additional annual filing requirement for U.S. Holders who are shareholders in a PFIC. Until regulations are issued in respect of such legislation, however, no filing will be required unless such U.S. Holder was already required to make a filing prior to the new legislation. U.S. Holders should consult their tax advisors concerning their filing requirements.

U.S. Information Reporting and Backup Withholding Tax

A U.S. Holder may be subject to information reporting unless it establishes that payments to it are exempt from these rules. Payments that are subject to information reporting may be subject to backup withholding if a U.S. Holder does not provide its taxpayer identification number and otherwise comply with the backup withholding rules. Backup withholding is not an additional tax. Amounts withheld under the backup withholding rules are available to be credited against a U.S. Holder's U.S. federal income tax liability and may be refunded to the extent they exceed such liability, provided the required information is timely provided to the IRS.

Certain categories of U.S. Holders must file information returns with respect to their investment in the equity interests of a foreign corporation. A U.S. Holder that purchases for cash shares will be required to file IRS Form 926 or similar form if the transfer, when aggregated with all transfers made by such person (or any related person) within the preceding 12-month period, exceeds $100,000. In the event a U.S. Holder fails to file any such required form, the U.S. Holder could be required to pay a penalty equal to 10% of the gross amount paid for such shares up to a maximum penalty of $100,000.

Recently enacted legislation may require individual U.S. Holders to report to the IRS certain information with respect to their beneficial ownership of the shares not held through an account with a financial institution. Investors who fail to report required information could be subject to substantial penalties.

Foreign Account Tax Compliance Act

Sections 1471 through 1474 of the U.S. Internal Revenue Code (**FATCA**) impose a new reporting regime and potentially a 30% withholding tax with respect to certain payments to (i) any non-U.S. financial institution (a "foreign financial institution" or **FFI** (as defined by FATCA)) that does not become a **Participating FFI** by entering into an agreement with the IRS to provide the IRS with certain information in respect of its account holders and investors or is not otherwise exempt from or in deemed compliance with FATCA and (ii) any investor (unless otherwise exempt from FATCA) that does not provide information sufficient to determine whether the investor is a U.S. person or should otherwise be treated as holding a "United States Account" of the Company (a **Recalcitrant Holder**). The Company may be classified as an FFI.

The new withholding regime will be phased in beginning January 1, 2014 for payments from sources within the United States and will apply to foreign passthru payments (a term not yet defined) no earlier than January 1, 2017. This withholding would potentially apply to payments in respect of the shares.

The United States and a number of other jurisdictions have announced their intention to negotiate intergovernmental agreements to facilitate the implementation of FATCA (each, an **IGA**). Pursuant to FATCA and the "Model 1" and "Model 2" IGAs released by the United States, an FFI in an IGA signatory country could be treated as a Reporting FI not subject to withholding under FATCA on any payments it receives. Further, an FFI in a Model 1 IGA jurisdiction would not be required to withhold under FATCA or an IGA (or any law implementing an IGA) (any such withholding being **FATCA Withholding**) from payments it makes (unless it has agreed to do so under the U.S. "qualified intermediary," "withholding foreign partnership," or "withholding foreign trust" regimes). The Model 2 IGA leaves open the possibility that a Reporting FI might in the future be required to withhold as a Participating FFI on foreign passthru payments and payments that it makes to Recalcitrant Holders. Under each Model IGA, a Reporting FI would still be required to report certain information in respect of its account holders and investors to the tax authorities in its own jurisdiction or directly to the IRS. Accordingly, shareholders should note that, in certain circumstances, information relating to the shares and shareholders may be required to be reported to the tax authorities of a jurisdiction which has entered into an IGA, or directly to the IRS. The U.S. Department of the Treasury has announced that it is in the process of finalizing an IGA with the Netherlands.

If the Company and other FFIs do not become Participating FFIs, Reporting FIs, or are not treated as exempt from or in deemed compliance with FATCA, the Company and other FFIs in its group may be subject to FATCA Withholding on payments received from U.S. sources and Participating FFIs. Any such withholding imposed on the Company or other FFIs in its group may have a material adverse effect on the group's business, prospects, results of operations and financial position.

If the Company becomes a Participating FFI under FATCA, the Company and financial institutions through which payments on the shares are made may be required to withhold FATCA Withholding if (i) any FFI through or to which payment on such shares is made is not a Participating FFI, a Reporting FI, or otherwise exempt from or in deemed compliance with FATCA or (ii) an investor is a Recalcitrant Holder.

If an amount in respect of FATCA Withholding were to be deducted or withheld from any payments, neither the Company nor any other person will pay additional amounts as a result of such deduction or withholding.

FATCA is particularly complex and its application is uncertain at this time. The above description is based in part on regulations, official guidance and model IGAs, all of which are subject to change or may be implemented in a materially different form. Prospective investors should consult their tax advisors on how these rules may apply to the Company and to payments they may receive in connection with the shares.

Certain Considerations on the Proposed Financial Transactions Tax

In September 2011, the EU Commission attempted to introduce an EU-wide financial transactions tax. However not all the Member States were in favor of such a tax and so the tax could not be implemented in all Member States. Subsequently, 11 Member States of the EU requested that the Commission develop a proposal for the introduction of a common financial transactions tax (**FTT**) for each of those Member States. The Commission developed such a proposal under the EU's enhanced cooperation procedure which allows 9 or more Member States to implement common legislation. In January 2013 the EU Council of Ministers authorized the Commission to proceed with enhanced cooperation for a common FTT and the Commission has now published a draft Directive containing proposals for the FTT. This FTT is intended to be introduced only in the 11 participating Member States (Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia).

If implemented in its proposed form, the FTT would impose a charge on "financial transactions" including purchases and sales of financial instruments. The shares in the Company would qualify as financial instruments. As proposed, the charge would be levied at not less than 0.1% of the sale price, but a participating Member State has the apparent right to implement the FTT at a higher rate.

There are limited exemptions to the proposed FTT; one important exemption is the "primary market transactions" exemption which should cover the issuing, allotting, underwriting or subscribing for shares, bonds and securitized debt.

As proposed, a charge to FTT would arise if at least one party to a financial transaction is established in a participating Member State and either that party, or another party to the financial transaction, is a financial institution established in (or is treated as established in) a participating Member State, participating for its own account or for the account of another person, or if the financial institution is acting in the name of a party to the transaction.

It is important to be aware that a financial institution would be treated as established in a participating Member State if such financial institution's seat is there, it is authorized there (as regards authorized transactions) or it is acting via a branch in that Member State (as regards branch transactions), or for a particular transaction, merely because such financial institution is entering into the financial transaction with another person who is established in that Member State.

Furthermore, a financial institution would be treated as established in a participating Member State in respect of a financial transaction if it is a party (for its own account or for the account of another person) or is acting in the name of a party, to a financial transaction in respect of a financial instrument issued within that Member State and in such circumstances, the other party to such a transaction would also be treated as established in that Member State.

Even though the FTT is to be implemented only in the participating Member States, as proposed, the FTT could impact financial institutions operating inside and outside the 11 participating Member States, and therefore the FTT could be payable in relation to shares issued under this document if the FTT is implemented and the conditions for a charge to arise are satisfied.

The proposed FTT is still under review and it may therefore change before it is implemented. In particular, in April 2013, the UK Government announced that it intends to challenge the legality of the way in which the proposed FTT would apply to financial institutions located in non-participating Member States. This challenge may lead to changes in the scope of the FTT. Additionally, no assurances can be given that the FTT will not ultimately be adopted by additional Member States, or that when finalized the scope of the charge giving rise to the FTT will not be materially greater.

Certain Netherlands Tax Considerations for Shareholders

The following summary outlines certain principal Netherlands tax consequences of the acquisition, holding, redemption and disposal of shares, but does not purport to be a comprehensive description of all Netherlands tax considerations that may be relevant. For purposes of Netherlands tax law, a holder of shares may include an individual or entity who does not have the legal title of these shares, but to whom nevertheless the shares or the income thereof is attributed based on specific statutory provisions or on the basis of such individual or entity having an interest in the shares or the income thereof. This summary is intended as general information only and each prospective investor should consult a professional tax advisor with respect to the tax consequences of the acquisition, holding, redemption and disposal of shares.

This summary is based on tax legislation, published case law, treaties, regulations and published policy, in each case as in force as of the date of this document, and it does not take into account any developments or amendments thereof after that date whether or not such developments or amendments have retroactive effect.

This summary does not address Netherlands tax consequences for:

(i) investment institutions (fiscale beleggingsinstellingen);

(ii) pension funds, exempt investment institutions (vrijgestelde beleggingsinstellingen) or other entities that are not subject to or exempt from Netherlands corporate income tax;

(iii) corporate holders of shares which qualify for the participation exemption (deelnemingsvrijstelling). Generally speaking, a shareholding is considered to qualify as a participation for the participation exemption if it represents an interest of 5% or more of the nominal paid-up share capital;

(iv) holders of shares holding a substantial interest (aanmerkelijk belang) or deemed substantial interest (fictief aanmerkelijk belang) in the Company and holders of shares of whom a certain related person holds a substantial interest in the Company. Generally speaking, a substantial interest in the Company arises if a person, alone or, where such person is an individual, together with his or her partner (statutory defined term), directly or indirectly, holds or is deemed to hold (a) an interest of 5% or more of the total issued share capital of the Company or of 5% or more of the issued share capital of a certain class of shares of the Company, (b) rights to acquire, directly or indirectly, such interest or (c) certain profit-sharing rights in the Company;

(v) persons to whom the shares and the income from the shares are attributed based on the separated private assets (afgezonderd particulier vermogen) provisions of the Netherlands Income Tax Act 2001 (Wet inkomstenbelasting 2001) and the Netherlands Gift and Inheritance Tax Act 1956 (Successiewet 1956);

(vi) entities which are a resident of Aruba, Curacao or Sint Maarten that have an enterprise which is carried on through a permanent establishment or a permanent representative on Bonaire, Sint Eustatius or Saba, to which permanent establishment or permanent representative the shares are attributable;

(vii) holders of shares which are not considered the beneficial owner (uiteindelijk gerechtigde) of these shares or the benefits derived from or realized in respect of these shares; and

(viii) individuals to whom shares or the income therefrom are attributable to activities which are taxed as employment income in the Netherlands.

Where this summary refers to the Netherlands, such reference is restricted to the part of the Kingdom of the Netherlands that is situated in Europe and the legislation applicable in that part of the Kingdom.

Tax Status of the Company

The Company has FII status within the meaning of article 28 of the Netherlands Corporate Income Tax Act 1969 (*Wet op de vennootschapsbelasting 1969*) and as such is subject to Netherlands corporate income tax at a rate of 0%.

In order to qualify for the FII regime, the Company is required to distribute a statutorily defined part its profits within eight months of each fiscal year-end. Furthermore, since the Company will be listed on the Warsaw Stock Exchange, which is a stock exchange as meant in article 1:1 of the Wft, the following restrictions apply to the investors in the Company in order to maintain the FII status:

(i) no individual may hold a direct or indirect interest (*belang*) of 25% or more in the Company;

(ii) no single entity that is subject to tax on its profits (or whose profits are subject to tax at the level of its investors / beneficiaries) may, together with related entities, own 45% or more of the shares in the Company. For the purpose of this test, shares on which an entity may vote at the general shareholders meeting, whether or not on the basis of an agreement with other shareholders, are also taken into account when determining the 45% threshold. This restriction does not apply to participations in the Company held by other FIIs that are listed on a stock exchange or have a permit under the Wft or which are not obliged to have such a permit under this act, as they are resident in and monitored in another EU member state;

(iii) no Netherlands resident entity may hold an interest (*belang*) of 25% or more in the Company through a foreign (non-Netherlands resident) fund for joint account (*fonds voor gemene rekening*) or through a foreign entity with a capital divided into shares (*vennootschap met een in aandelen verdeeld kapitaal*);

(iv) the managing directors (*bestuurders*) and more than 50% of the supervisory directors (*commissarissen*) of an FII, may not also be a managing director, supervisory director or employee of an entity which holds (either alone or together with related entities) an interest of 25% or more in this FII. This condition does not apply if such corporate shareholder is itself an FII

(v) the statutory object and the actual activities of an FII must be that of making portfolio investments. The FII may not be engaged in activities which go beyond those of making passive portfolio investments. As a matter of practice this means that investments must have the objective of realizing a return in terms of yield derived from investment and appreciation in value which one reasonably may expect from regular investment management. Dutch tax law provides for certain deeming provisions pursuant to which, subject to requirements and limitations, and FII is permitted to renovate and improve its properties, to be indirectly engaged in the development (management inclusive) of properties for its own portfolio, to guarantee obligation in the framework of such development for its own portfolio and to be engaged in group financing activities; and

(vi) a company with FII-status may not finance its investments by raising indebtedness in excess of 60% of the book value for Dutch corporate income tax purposes of actual or deemed investments in real estate and 20% of the book value for Dutch corporate income tax purposes of all other investments. For the purpose of this requirement, indebtedness which has been applied to extend loans to group companies the assets of which comprises almost entirely of real estate is exempted.

With respect to (i) up to and including (iii) above and in order to maintain the FII status, pursuant to the articles of association of the Company an investor is not permitted to exceed these limitations. If one or more of these limitations have been or are exceeded, or are likely to be exceeded, by an investor, the board is authorized to take any and all measures to reverse or prevent exceeding these limitations, by obliging the investor to sell one or more of his shares.

Cancellation of the FII Regime

If at any point in time an FII fails to meet any of the requirements to qualify as an FII, such FII status will be canceled as from the start of the accounting year during which such failure occurred, except for a failure of the compulsory distribution which will cancel FII status as from the start of the accounting year the profits of which should have been duly distributed under this requirement. The main consequence of a loss of FII status is that the Company will become a regular taxpayer for Dutch corporate income tax so that its profits and gains determined in accordance with Dutch tax accounting principles will be subject to Dutch corporate income tax at the regular rates (current main rate: 25%). A cancellation of FII status does not in itself trigger a revaluation of its assets to market value so that any unrealized capital gains at the time of cancellation become regularly liable to tax upon realization.

Dividend Tax

Withholding Requirement

The Company is required to withhold 15% Netherlands dividend tax in respect of dividends paid on the shares. In the Netherlands Dividend Tax Act 1965 (*Wet op de dividendbelasting 1965*), dividends are defined as the proceeds from shares, which include:

(i) direct or indirect distributions of profit, regardless of their name or form;

(ii) liquidation proceeds, proceeds on redemption of the shares and, as a rule, the consideration for the repurchase of the shares by the Company in excess of its average paid-in capital recognized for Netherlands dividend tax purposes, unless a particular statutory exemption applies;

(iii) the nominal value of shares issued to a holder of the shares or an increase of the nominal value of the shares, insofar as the (increase in the) nominal value of the shares is funded out of the Company's paid-in capital as recognized for Netherlands dividend tax purposes; and

(iv) partial repayments of paid-in capital recognized for Netherlands dividend tax purposes, if and to the extent there are qualifying profits (*zuivere winst*), unless the general meeting of the shareholders of the Company has resolved in advance to make such repayment and provided that the nominal value of the shares concerned has been reduced by an equal amount by way of an amendment of the articles of association and the paid-in capital is recognized as capital for Netherlands dividend tax purposes.

Residents of the Netherlands

If a holder of shares is a resident or deemed to be a resident of the Netherlands for Netherlands corporate or individual income tax purposes, Netherlands dividend tax which is withheld with respect to proceeds from the shares will generally be creditable for Netherlands corporate income tax or Netherlands income tax purposes.

Non-Residents of the Netherlands

If a holder of shares is a resident of a country other than the Netherlands and if a treaty for the avoidance of double taxation with respect to taxes on income is in effect between the Netherlands and that country, and such holder is a resident for the purposes of such treaty, such holder may, depending on the terms of that particular treaty, qualify for full or partial relief at source or for a refund in whole or in part of the Netherlands dividend tax.

A refund of the Netherlands dividend tax is available to entities resident in another EU member state, Norway, Iceland, or Liechtenstein provided (i) these entities are not subject to corporate income tax there and (ii) these entities would not be subject to Netherlands corporate income tax, if these entities would be tax resident in the Netherlands for corporate income tax purposes and (iii) these entities are not comparable to investment institutions (*fiscale beleggingsinstellingen*) or exempt investment institutions (*vrijgestelde beleggingsinstellingen*). Furthermore, a similar refund of Netherlands dividend tax may be available to entities resident in other countries, under the additional condition that (a) the shares are considered portfolio investments and (b) the Netherlands can exchange information with this other country in line with the international standards for the exchange of information.

Beneficial Owner

A recipient of proceeds from the shares will not be entitled to any exemption, reduction, refund or credit of Netherlands dividend tax if such recipient is not considered to be the beneficial owner of such proceeds. The recipient will not be considered the beneficial owner of these proceeds, if, in connection with such proceeds, the recipient has paid a consideration as part of a series of transactions in respect of which it is likely:

(a) that the proceeds have in whole or in part accumulated, directly or indirectly, to a person or legal entity that would:

   (i) as opposed to the recipient paying the consideration, not be entitled to an exemption from dividend tax; or

   (ii) in comparison to the recipient paying the consideration, to a lesser extent be entitled to a reduction or refund of dividend tax; and

(b) that such person or legal entity has, directly or indirectly, retained or acquired an interest in shares, profit-sharing certificates or loans, comparable to the interest it had in similar instruments prior to the series of transactions being initiated.

Corporate and Individual Income Tax

Residents of the Netherlands

If a holder of shares is a resident of the Netherlands or deemed to be a resident of the Netherlands for Netherlands corporate income tax purposes and is fully subject to Netherlands corporate income tax or is only subject to Netherlands corporate income tax in respect of an enterprise to which the shares are attributable, income derived from the shares and gains realized upon the redemption or disposal of the shares are generally taxable in the Netherlands (at up to a maximum rate of 25%).

If an individual is a resident of the Netherlands or deemed to be a resident of the Netherlands for Netherlands individual income tax purposes or has opted to be treated as a resident of the Netherlands for individual income tax purposes, income derived from the shares and gains realized upon the redemption or disposal of the shares are taxable at the progressive rates (at up to a maximum rate of 52%) under the Netherlands Income Tax Act 2001 if:

(i) the individual is an entrepreneur (*ondernemer*) and has an enterprise to which the shares are attributable or the individual has, other than as a shareholder, a co-entitlement to the net worth of an enterprise (*medegerechtigde*), to which enterprise the shares are attributable; or

(ii) such income or gains qualify as income from miscellaneous activities (*resultaat uit overige werkzaamheden*), which includes activities with respect to the shares that exceed regular, active portfolio management (*normaal, actief vermogensbeheer*).

If neither condition (i) nor condition (ii) above applies, an individual that holds the shares must determine taxable income with regard to the shares on the basis of a deemed return on income from savings and investments (*sparen en beleggen*), rather than on the basis of income actually received or gains actually realized. This deemed return on income from savings and investments have been fixed at a rate of 4% of the individual's yield basis (*rendementsgrondslag*) at the beginning of the calendar year (January 1), insofar as the individual's yield basis exceeds a certain threshold (*heffingvrij vermogen*). The individual's yield basis is determined as the fair market value of certain qualifying assets held by the individual less the fair market value of certain qualifying liabilities on January 1. The fair market value of the shares will be included as an asset in the individual's yield basis. The 4% deemed return on income from savings and investments is taxed at a rate of 30%.

Non-Residents of the Netherlands

If a person is not a resident of the Netherlands nor is deemed to be a resident of the Netherlands for Netherlands corporate or individual income tax purposes, nor has opted to be treated as a resident of the Netherlands for individual income tax purposes, such person is not liable to Netherlands income tax in respect of income derived from the shares and gains realized upon the redemption or disposal of the shares, unless:

(i) the person is not an individual and such person (1) has an enterprise that is, in whole or in part, carried on through a permanent establishment or a permanent representative in the Netherlands to which permanent establishment or permanent representative the shares are attributable, or (2) is (other than by way of securities) entitled to a share in the profits of an enterprise or a co-entitlement to the net worth of an enterprise, which is effectively managed in the Netherlands and to which enterprise the shares are attributable.

This income is subject to Netherlands corporate income tax at up to a maximum rate of 25%.

(ii) the person is an individual and such individual (1) has an enterprise or an interest in an enterprise that is, in whole or in part, carried on through a permanent establishment or a permanent representative in the Netherlands to which permanent establishment or permanent representative the shares are attributable, or (2) realizes income or gains with respect to the shares that qualify as income from miscellaneous activities in the Netherlands which includes activities with respect to the shares that exceed regular, active portfolio management, or (3) is other than by way of securities entitled to a share in the profits of an enterprise that is effectively managed in the Netherlands and to which enterprise the shares are attributable.

Income derived from the shares as specified under (1) and (2) by an individual is subject to individual income tax at progressive rates up to a maximum rate of 52%. Income derived from a share in the profits of an enterprise as specified under (3) that is not already included under (1) or (2) will be taxed on the basis of a deemed return on income from savings and investments (as described above under "Residents of the Netherlands"). The fair market value of the share in the profits of the enterprise (which includes the shares) will be part of the individual's Netherlands yield basis.

Gift and Inheritance Tax

Netherlands gift or inheritance taxes will not be levied on the occasion of the transfer of the shares by way of gift by, or on the death of, a holder of the shares, unless:

(i) the holder of the shares is, or is deemed to be, resident in the Netherlands for the purpose of the relevant provisions; or

(ii) the transfer is construed as an inheritance or gift made by, or on behalf of, a person who, at the time of the gift or death, is or is deemed to be resident in the Netherlands for the purpose of the relevant provisions.

Value Added Tax

In general, no value added tax will arise in respect of payments in consideration for the issue of the shares or in respect of a cash payment made under the shares, or in respect of a transfer of shares.

Other Taxes and Duties

No registration tax, customs duty, transfer tax, stamp duty, capital tax or any other similar documentary tax or duty will be payable in the Netherlands by a holder in respect of or in connection with the subscription, issue, placement, allotment, delivery or transfer of the shares.

Certain Polish Tax Considerations

The following is a discussion of certain Polish tax considerations relevant to an investor resident in Poland or which is otherwise subject to Polish taxation. This statement should not be deemed to be tax advice. It is based on Polish tax laws and, as its interpretation refers to the position as of the date of this document, it may thus be subject to change including a change with retroactive effect. Any change may negatively affect tax treatment, as described below. This description does not purport to be complete with respect to all tax information that may be relevant to investors due to their personal circumstances. Prospective purchasers of the Securities are advised to consult their professional tax advisor regarding the tax consequences of the purchase, ownership, disposal, redemption or transfer without consideration of the Securities. The information provided below does not cover tax consequences concerning income tax exemptions applicable to specific taxable items or specific taxpayers (e.g. domestic or foreign investment funds).

The reference to "dividends" as well as to any other terms in the paragraphs below means dividends or any other term as understood in Polish tax law.

Personal Income Tax: Capital Gains

Polish Tax Residents

Under Article 3 section 1 of the Personal Income Tax Act (the **PIT Act**), natural persons who reside within the territory of Poland are required to pay tax on all their income (revenue) regardless of the location of the source of revenue (unlimited tax liability). A person residing within the territory of Poland is any natural person: (i) whose center of personal or economic interests (the center of vital interests) is within the territory of Poland; or (ii) who stays within the territory of Poland for more than 183 days in any tax year.

Under Article 30b section 1 of the PIT Act, income earned in Poland from the disposal of securities (including shares) in exchange for consideration is taxed at a flat rate of 19%. Taxable income from the disposal of securities in exchange for consideration is calculated as the difference between the proceeds from the disposal of securities (in principle, the value of the securities at the price set forth in the contract for sale) and the tax-deductible costs (expenditures related to the acquisition of these securities or their subscription). In cases where the price of securities expressed in a contract is, without sound reason, significantly different from the market value thereof, revenue from the disposal of securities in exchange for consideration will be determined by the tax authority as the market value thereof. This income is not aggregated with the individual's other income generated from other sources and is taxed separately. Tax on the above-mentioned transaction is not collected by tax remitters. After the end of a given tax year, which in the case of natural persons is the same as the calendar year, taxpayers earning income from the disposal of securities in exchange for consideration are required to disclose this income in their annual tax return, calculate the due amount of tax, and pay it to the account of the appropriate tax office.

In the case of a tax loss generated on the disposal of securities in a given tax year, this loss may decrease the income generated from that source (that is, from the disposal of securities) in the next five consecutive tax years; however, the amount of decrease in a particular year cannot exceed 50% of the loss. The tax loss generated on the disposal of securities is not combined with the tax losses generated by the taxpayer from other titles (sources of revenue).

Taxpayers prepare their annual tax returns by the end of April of the year immediately following the tax year in which the disposal of securities in exchange for consideration was made.

The above regulations do not apply if the securities are sold as a result of the performance of any business activities, as in such case the revenues from the sale of securities should be qualified as originating from the performance of such activities and should be settled according to the general terms.

Non- Polish Tax Residents

Pursuant to Article 3 section 2a of the PIT Act, natural persons who do not reside within the territory of Poland are required to pay tax exclusively on income (revenue) obtained within the territory of Poland (limited tax liability). Although this does not result directly from the provisions of law, further to the tax authorities' approach, income from a sale of shares in a foreign company on the Warsaw Stock Exchange should be considered as income earned in Poland.

According to Article 4a of the PIT Act, the above-mentioned regulation should be applied in connection with the double tax treaties to which Poland is a party.

Individuals subject to limited tax liability who earn income from the disposal of securities in exchange for consideration in Poland should follow the same taxation rules governing the disposal of securities as specified above, save as otherwise stated in the Double Tax Treaties. In light of Article 30b section 3 of the PIT Act, the application of a tax exemption or a lower tax rate resulting from the appropriate Double Tax Treaty is possible, provided that the taxpayer proves his place of residence for tax purposes with a relevant certificate of residence.

Under most tax treaties concluded by Poland, capital gains from the disposal of shares are taxed exclusively in the seller's country of tax residency.

Personal Tax: Dividends

Polish Tax Residents

Pursuant to Article 30a section 1 item 4 of the PIT Act, dividend income and other income (revenue) from a share in the profits of legal persons earned by individuals is subject to taxation at a flat rate of 19% of the income earned. Dividend income and other revenues from a share in the profits of legal persons residing in Poland, on which a flat rate tax was charged, are not aggregated with income from any other sources.

Pursuant to Article 41 section 4 of the PIT Act, a flat rate of income tax on payments made or cash or pecuniary values placed at the taxpayer's disposal (such as dividend payments) is charged by the entities which perform such actions. However, given that foreign entities are, in practice, not responsible for withholding Polish income tax, it can be expected that the Polish income tax will not be withheld by such entity. Moreover, given that the law does not precisely define the term "*person making the payment*," under some interpretations issued by the Polish tax authorities, in certain cases Polish banks or Polish brokerage houses maintaining securities accounts may refuse to withhold the tax based on the fact that they are acting only as an intermediary and therefore should not be obliged under Polish law to remit due tax. According to Article 45.3b of the PIT Act, if the tax is not withheld, the individual is obliged to settle the tax himself / herself by April 30 of the following year.

Under Article 30a section 9 of the PIT Act, taxpayers earning dividend income and other income (revenue) from a share in the profits of legal persons may deduct the amount that corresponds to the amount of tax paid abroad from flat-rate tax calculated for that revenue (income); however the deduction cannot exceed the amount of tax calculated for said revenue (income), applying the 19% rate.

Non-Polish Tax Residents

Under Article 3 section 2a of the PIT Act, individuals who are not Polish tax residents are required to pay tax exclusively on income (revenue) obtained within the territory of Poland. Dividends paid by a non-Polish company should not be considered as income obtained within the territory of Poland, thus non-residents should not be subject to Polish income tax on such income.

Corporate Income Tax: Capital Gains

Polish Tax Residents

Under Article 3 section 1 of the Corporate Income Tax Act (the **CIT Act**), taxpayers that have their registered office or management board within the territory of Poland are required to pay tax on all of their income, irrespective of the location of its source.

Income from the disposal of securities in exchange for consideration earned by legal persons who have their registered office or management board in Poland is subject to taxation under the general rules stipulated in the CIT Act. Taxable income from the disposal of securities in exchange for consideration is the difference between the revenues, i.e. the proceeds from the disposal of securities and the tax-deductible costs, i.e. the expenditure related to the acquisition of these securities. If the price of securities expressed in a given contract is, without a justified reason, significantly different from the market value thereof, revenue from the disposal of securities in exchange for consideration will be determined by the tax authority as the market value thereof. Income from the disposal of securities in exchange for compensation is aggregated with the taxpayer’s income earned from other sources to form the taxable base. Income from the disposal of securities in exchange for consideration is aggregated with income from any other sources and, pursuant to Article 19 section 1 of the CIT Act, this income is taxed at a rate of 19% of the taxable base.

Non-Polish Tax Residents

Under Article 3 section 2 of the CIT Act, taxpayers that do not have their registered office or management board within the territory of Poland are required to pay tax exclusively on income earned within the territory of Poland. Although this does not result directly from the provisions of the law, income from a sale of shares in a foreign company on the Warsaw Stock Exchange should be considered as income earned in Poland.

Persons subject to corporate income tax, subject to limited tax liability, who earn income in Poland from the disposal of securities in exchange for consideration should follow the same taxation rules governing the disposal of securities as specified above, save as otherwise stated in the Double Tax Treaties. Under most tax treaties concluded by Poland, capital gains from the disposal of shares are taxed exclusively in the seller’s country of tax residency.

Corporate Income Tax: Dividends

Polish Tax Residents

Dividend income and other income (revenue) from a share in the profits of legal persons earned by individuals is subject to taxation under the general rules stipulated in the CIT Act at a flat rate of 19% of the income earned.

Under Article 20 section 1 of the CIT Act, if taxpayers which are Polish tax residents also earn income (revenue) outside the territory of Poland and if that income is taxable in a foreign state and such income is not exempt from taxation, that income (revenue) is combined with the income (revenue) earned in the territory of Poland in a tax return for the tax year concerned. If this is the case, the amount equivalent to the tax paid in a foreign state is deducted from the tax due on the aggregate income. However, the deducted amount must not exceed the part of the tax calculated before deduction that is proportionately associated with the income earned in a foreign state.

However, if such foreign income is income from a share in the profits of a company, including a dividend, it can be exempt from Polish income tax, provided certain conditions are met. These conditions, among others, include: (i) the payer of dividends and other revenue from a share in the profits of legal persons is a company whose entire income, irrespective of where it is earned, is subject to income tax in a Member State of the European Union (including the Netherlands) or another Member State of the EEA other than Poland, (ii) the recipient of income (revenue) from dividends and other revenue from a share in the profits of legal persons, as referred to in subparagraph 1, is a company that is an income tax payer and has its registered office or management board in the territory of Poland, (iii) the Polish tax resident income recipient directly holds no less than 10% of shares in the equity of a company paying the income for an uninterrupted period of at least two years, (iv) the income receiving company does not enjoy an exemption from income tax on its entire income, irrespective of the sources from which the income is earned.

The exemption does not apply if dividends or other amounts due on account of a share in the profits of legal persons are paid as a result of the paying company's liquidation.

Non-Polish Tax Residents

Pursuant to Article 3 section 2 of the CIT Act, corporate income taxpayers who are not Polish tax residents are required to pay tax exclusively on income (revenue) obtained within the territory of Poland. Dividends paid by a non-Polish company should not be considered as income obtained within the territory of Poland; thus non-residents should not be subject to Polish income tax on such income.

Tax on Civil Law Transactions (Transfer Tax) on an Agreement for the Sale of Securities

Pursuant to Article 1 section 1 item 1 letter a), in conjunction with Article 1 section 4 of the Tax on Civil Law Transactions Act, transfer tax applies to agreements for the sale or exchange of property and property rights, provided that they cover property located in Poland or property rights exercised in Poland, including securities. In principle, shares in a foreign (non-Polish) company are considered as rights exercisable outside of Poland. These rights are considered to be subject to Tax on Civil Law Transactions only if the buyer has its permanent address or registered seat in Poland and the transaction is concluded in Poland.

Tax liability arises when the civil law transaction (the transfer) is concluded and it is the sole responsibility of the buyer, in the case of a sale agreement, to pay the due tax. The taxable base is the market value of the property or property right. The market value of the subject of the civil law transaction is assessed based on the average prices applied in the trade in property of the same kind and sort, allowing for its location, condition and wear and tear, and in the trade in property rights of the same kind, applicable on the day of such transaction, without deducting debts or charges. As a rule, when selling property rights (including securities) the rate of tax is set at 1% of the taxable base. Taxpayers are required, without being summoned to do so by the tax office, to file a tax return for tax on civil law transactions, and calculate and pay the due amount of tax within 14 days of the tax liability arising, unless the tax is collected by a tax remitter who is a notary public in the case of civil law transactions concluded in the form of a notarial deed.

Simultaneously, under Article 9 item 9 of the Tax on Civil Law Transactions Act, the sale of property rights which are financial instruments: (i) to investment companies or foreign investment companies, or (ii) through the intermediation of investment companies or foreign investment companies, or (iii) through organized trading or (iv) outside organized trading by investment companies or foreign investment companies if such financial instruments were acquired by such companies as a part of organized trading, within the meaning of the Act on Trading, is exempt from tax on civil law transactions.

Taxation of Gifts and Inheritance

Pursuant to Article 2 of the Gifts and Inheritance Tax Act, the Polish tax on inheritance, gifts and donations is paid by natural persons (individuals) who received title to property rights exercised outside the territory of Poland (including, inter alia, shares in foreign companies) by right of succession, as a legacy, further legacy, testamentary instruction or gift only if the acquirers were Polish citizens or had a permanent place of stay within the territory of Poland at the moment of acquiring these property rights.

The taxable base is the value of the property rights received after deducting the debts and charges (i.e. the net value), assessed based on the condition of the property rights on the day of their receipt and based on the market prices applicable on the day the tax liability arose. The tax amount is calculated according to the tax group to which the recipient was assigned. A relevant tax group is assigned according to the recipient's personal relationship with the person from whom the property rights were received or inherited. Inheritances and gifts are taxed at a progressive rate from 3% to 20% of the taxable base, depending on the tax group to which the recipient was assigned. There are certain amounts which are exempt from tax in each group. Except for cases in which the tax is collected and remitted by the tax remitter, taxpayers are required to file a tax return specifying the receipt of the property rights with the competent head of the tax office. The tax return should be accompanied by documents justifying the amount of the taxable base. The tax is paid within 14 days from receiving the decision issued by the head of the tax office assessing the amount of tax liability.

Under Article 4a, section 1 of the Gifts and Inheritance Tax Act, the receipt of title to property or property rights (including securities) by a spouse, descendant, ascendant, stepson, sibling, stepfather and stepmother is tax-exempt, provided that they notify the competent head of the tax office of their receipt of title to the property rights within six months from the date the tax liability arose; in the case of their receipt by right of succession, within six months from the date the court decision on accession to the estate becomes final and binding. In the case of failure to meet the above condition, the receipt of title to the property rights is subject to taxation on general terms.

ADDITIONAL INFORMATION

Documents Available for Inspection

From the date of publication, and throughout the time it remains valid, this document and any supplements and update communications will be available on the Company's website (*www.meridianproperties.nl*). Printed versions of this document and any supplements or update communications will be available in our registered office. In addition during the same time period the following documents will be available on the Company's website:

- the Company's articles of association;
- the by-laws of the board of directors;
- the financial statements of Victoria, Olympia, One BPS and Vaptzarov, together with the relevant auditors' reports, as of and for the three years ended December 31, 2012;
- the financial statements of Astoria and Helios-08, together with the relevant auditors' reports, as of and for the two years ended December 31, 2012;
- the financial statements of Bluebox 6 and Bluebox 7, together with the relevant auditors' reports, as of and for the year ended December 31, 2012;
- the preliminary financial information of Infopark E, together with relevant audit report, as of and for the year ended December 31, 2012;
- the unaudited interim condensed financial statements of Victoria, Olympia, Astoria, One BPS, Vaptzarov, Bluebox 6, Helios-08, Bluebox 7 and Infopark E, together with the relevant review reports, as of and for the six months ended June 30, 2013;
- the financial statements of Meridian Properties N.V., together with the relevant audit report;
- Unaudited *pro forma* Combined Financial Information in respect of the fiscal year ended December 31, 2012 and for the six months ended June 30, 2013; and
- the Valuation Report.

Moreover these documents will be made available for inspection in our registered office.

Interests of Natural and Legal Persons Involved in the Offering

The underwriters and their affiliates may have interests in the Offerings as they have provided from time to time, and may in the future provide, investment and commercial services to the Company and its affiliates in the ordinary course of their respective businesses, for which they may have received and may continue to receive customary fees and commissions. Reference is also made to the discounts, commissions and expenses for the Offering contained under "*Use of Proceeds*," above.

In addition to the underwriters and their affiliates, the Bluehouse Funds affiliates acting as sellers under the Share Sale Purchase and Loan Assignment Agreements entered into in connection with the proposed Acquisition have material interests in the Offering because successful completion of the Offering is a condition precedent to consummation of the share sale purchases and loan assignments thereunder.

Entities Involved in the Offering

The role of lead manager, global coordinator and bookrunner will be performed by Citi, understood as Citigroup Global Markets Limited, with its registered office in London and address at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, United Kingdom. The Global Coordinator is responsible for the coordination of work necessary to prepare and conduct the Offering. Dom Maklerski Banku Handlowego S.A., with its registered office in Warsaw, Poland and address at ul. Senatorska 16, 00-923 Warsaw, Poland, is acting as offering agent and bookrunner. Dom Maklerski Banku Handlowego S.A. is not an underwriter.

The underwriters' fee is closely related to the proceeds of the sale of the shares. In connection with the offering, the underwriters provide services to the Company, including services related to the timetable and structure of the offering. They are also charged with coordinating the public relations efforts with respect to the offering, coordinating contacts and arranging meetings with investors, organizing the bookbuilding process in

Poland and abroad, as well as with other tasks that are typically performed by investment companies under public share offerings. The underwriters do not hold any material interests in the Company. In particular, on the date of this document none of them held shares of the Company.

Information from Experts

Except for the Valuation Reports and the generally available information published, inter alia, by BNP Paribas Real Estate, used in the "*Industry Overview*" section of this document, no information construed as expert representations or reports has been used in the document. Such information has been quoted accurately and, as far as the Company is aware and to the extent that it may determine based on the information published by the experts, no fact has been omitted that could make the quoted information inaccurate or misleading.

At the Company's request, BNP Paribas Real Estate Advisory and Property Management UK Limited (**BNP Real Estate UK**), BNP Paribas Real Estate Advisory and Property Management SP Z O.O. (**BNP Real Estate Poland**) and BNP Paribas Real Estate Advisory S.A. (**BNP Real Estate Romania** and, together with BNP Real Estate UK and BNP Real Estate Poland, **BNP Paribas Real Estate**) jointly prepared valuation reports in respect of the assets contained in the Initial Portfolio, a summary of which has been prepared by BNP Real Estate dated June 30, 2013 (the **Valuation Report**) and is set out in full in Annex 3 "*Valuation Report*." The Valuation Report has been included with the consent of BNP Paribas Real Estate.

BNP Paribas Real Estate UK has its registered office at 5 Aldermanbury Square, London, EC2V 7BP, United Kingdom. BNP Paribas Real Estate Poland has its registered office at Al. Jana Pawla II 25, 00-854 Warsaw, Poland. BNP Paribas Real Estate Advisory S.A. has its registered office at 11 Ion Campineanu St., District 1, Bucharest, Romania. The BNP Paribas Real Estate team comprises RICS-registered valuers and other real estate professionals.

LEGAL ADVISORS TO THE COMPANY

In connection with the Offering, legal services to the Company are provided by the law firm Allen & Overy, A. Pędzich sp.k., with its registered office in Warsaw at Rondo ONZ 1, Warsaw 00-124, Poland, with respect to Polish law, Allen & Overy LLP, with its registered office in London at One Bishops Square, London E1 6AD, United Kingdom, with respect to English law and U.S. law and Allen & Overy LLP at Apollolaan 15, 1077 AB Amsterdam, the Netherlands, with respect to Dutch law. The remuneration of the legal advisors to the Company is not linked to the amount of proceeds from the Offering.

Furthermore, Allen & Overy has provided and may provide other legal advice to the Company in respect of its business activities, pursuant to relevant agreements for the provision of legal advisory services. Allen & Overy does not hold any material interests in the Company. In particular, on the date of this document it did not hold shares of the Company.

LEGAL ADVISORS TO THE UNDERWRITERS

In connection with the Offering, legal services to the underwriters are provided by the law firm Baker & McKenzie Krzyżowski i Wspólnicy sp. k., with its registered office in Warsaw at Rondo ONZ 1, Warsaw 00-124, Poland, with respect to Polish law, Proskauer Rose LLP, with its registered office in London at Ten Bishops Square, London E1 6EG, United Kingdom, with respect to English law and U.S. law, and NautaDutilh N.V., with its registered office at Strawinskylaan 1999, 1077 XV Amsterdam, the Netherlands, with respect to Dutch law. The remuneration of the legal advisors to the underwriters is not linked to the amount of proceeds from the offering.

INDEPENDENT AUDITORS

PricewaterhouseCoopers Accountants N.V., Thomas R. Malthusstraat 5, 1066 JR Amsterdam, the Netherlands, have audited the special purpose financial information of Meridian Properties N.V. as of June 30, 2013 and issued an unqualified auditor's report.

The Meridian Properties N.V. Unaudited *Pro Forma* Combined Financial Information as at June 30, 2013 and for the year ended December 31, 2012 and for the six-month period ended June 30, 2013 included in this document has been reported on by PricewaterhouseCoopers Accountants N.V., Meridian Properties N.V.'s independent auditors, as indicated in their report appearing herein.

The auditor signing the auditor's report on behalf of PricewaterhouseCoopers Accountants N.V. is a member of the Netherlands Institute of Chartered Accountants (*Nederlandse Beroepsorganisatie van Accountants*).

PricewaterhouseCoopers Audit OOD, 9-11 Maria Louisa Blvd., 1000 Sofia, Bulgaria, has audited:

- the financial statements of Helios-08 EOOD for the year ended December 31, 2012 and issued an unqualified auditor's report;
- the financial statements of Vaptzarov Business Centre EOOD for the three years ended December 31, 2012 and issued an unqualified auditor's report; and
- the financial statements of One BPS EOOD for the three years ended December 31, 2012 and issued an unqualified auditor's report.

PricewaterhouseCoopers Audit OOD has also performed a review of:

- the condensed interim financial statements of Helios-08 EOOD for the six months ended June 30, 2013 and issued an unqualified review report;
- the condensed interim financial statements of Vaptzarov Business Centre EOOD for the six months ended June 30, 2013 and issued an unqualified review report; and
- the condensed interim financial statements of One BPS EOOD for the six months ended June 30, 2013 and issued an unqualified review report.

PricewaterhouseCoopers Audit SRL, Lakeview Building, 301-311 Barbu Vacarescu Street RO-020276 Bucharest 2, Romania has audited:

- the financial statements of Victoria Center SRL for the three years ended December 31, 2012 and issued an unqualified auditor's report; and
- the financial statements of Olympia Dezvoltare SRL for the three years ended December 31, 2012 and issued an unqualified auditor's report.

PricewaterhouseCoopers Audit SRL has also performed a review of:

- the condensed interim financial statements of Victoria Center SRL for the six months ended June 30, 2013 and issued an unqualified review report; and
- the condensed interim financial statements of Olympia Dezvoltare SRL for the six months ended June 30, 2013 and issued an unqualified review report.

PricewaterhouseCoopers Könyvvizsgáló Kft., 1077 Budapest, Wesselényi u. 16., Hungary has audited the preliminary financial information of Infopark E Építési Terület Ingatlanfejlesztési Kft. for the year ended December 31, 2012 and issued an unqualified auditor's report.

PricewaterhouseCoopers Könyvvizsgáló Kft. has also performed a review of the condensed interim financial statements of Infopark E Építési Terület Ingatlanfejlesztési Kft. for six months ended June 30, 2013 and issued an unqualified review report.

Ernst & Young Assurance Services SRL, Premium Plaza Building, 3rd floor, 63-69 Dr. Iacob Felix Street, Sector 1, 01033 Bucharest, Romania has audited:

- the standalone financial statements of Astoria Business Center SRL for the year ended December 31, 2012 and issued an unqualified auditor's report; and

Ernst &Young Assurance Services SRL has also performed a review of:

- the condensed interim financial statements of Astoria Business Center SRL for the six months ended June 30, 2013 and issued an unqualified review report; and

KPMG Ceska republika Audit, s.r.o., Pobrezni 648/1a, 186 00 Praha, Ceska republika have audited:

- the financial statements (non-consolidated) of Bluebox 6 Znaim s.r.o. for the period from January 1, 2012 to December 31, 2012 and issued an unqualified auditor’s report;
- the financial statements (non-consolidated) of Bluebox 7 Hradec s.r.o. for the period from January 1, 2012 to December 31, 2012 and issued an unqualified auditor’s report.

KPMG Ceska republika Audit, s.r.o. has also performed a review of:

- the condensed interim financial statements of Bluebox 6 Znaim s.r.o. for the six months ended June 30, 2013 and issued an unqualified review report; and
- the condensed interim financial statements of Bluebox 7 Hradec s.r.o. for the six months ended June 30, 2013 and issued an unqualified review report.

With respect to the reviews of all condensed interim financial statements as described above, the respective auditors reported that they have applied limited procedures in accordance with professional standards for a review of such information. However, their reports state that they did not audit and they do not express an opinion on the unaudited condensed interim financial statements. Accordingly, the degree of reliance on their reports should be restricted in light of the limited nature of the review procedures applied.

In the period covered by the historical financial statements included in this document, there were no events of resignation or dismissal of a certified auditor appointed to audit the financial statements of the Company or the Group.

ABBREVIATIONS AND DEFINITIONS

The following definitions apply throughout this document unless the context requires otherwise:

Act on Trading	Polish Act on Trading in Financial Instruments dated July 29, 2005 (as amended).
Admission	The admission of the shares to the Warsaw Stock Exchange in connection with the Offering.
Acquisition	The acquisition of the Property Companies and the Individual Holding Companies.
AFM	The Dutch Authority for the Financial Markets (*Stichting Autoriteit Financiële Markten*).
Bluehouse	Bluehouse Capital Advisors Ltd., a limited liability company incorporated under the laws of Cyprus, having its registered office at Chrysorogiatissis and Kolokotroni Corner, 3040, Limassol, Cyprus (registration no. HE 154705), together with its affiliated companies.
Bluehouse Accession Property III FCP-SIF	A property investment fund established in Luxembourg, governed by the law of February 2007 on specialized investment funds, having its registered address at Rue de la Poste 20, L-2346, Luxembourg.
Bluehouse Funds	Bluehouse Accession Property III FCP-SIF and T2 Bluehouse Capital Partners LP.
BNP Real Estate	BNP Real Estate Romania, BNP Real Estate UK and BNP Real Estate Poland.
BNP Real Estate Poland	BNP Paribas Real Estate Advisory and Property Management SP Z O.O.
BNP Real Estate Romania	BNP Paribas Real Estate Advisory S.A.
BNP Real Estate UK	BNP Paribas Real Estate Advisory and Property Management UK Limited.
CEE	Central Eastern Europe.
CIT Act	Polish Corporate Income Tax Act, dated February 15, 1992 (as amended).
Citi	Citigroup Global Markets Limited.
Company	Meridian Properties N.V., a property investment company established as a public limited liability company (*naamloze vennootschap*) organized under the laws of the Netherlands.
DCB	Dutch Central Bank (*De Nederlandische Bank*).
DCC	Dutch Civil Code (*Burgerlijk weboek*).
DFRSA	The Dutch Financial Reporting Supervision Act (*Wet toezicht financiële verslaggeving*).

EC Merger Regulation	Council Regulation (EC) No. 139/2004 of January 20, 2004 on the control of concentrations between undertakings.
Emerging Europe	Bulgaria, Croatia, the Czech Republic, Estonia, Macedonia, Hungary, Latvia, Lithuania, Moldova, Montenegro, Poland, Romania, Serbia, the Slovakia and Slovenia.
Employing Entity	The Company and any entity of its Group.
Enterprise Chamber	The Enterprise Chamber of the Dutch Court of Appeals in Amsterdam (*Ondernemingskamer van het Gerechtshof te Amsterdam*).
Environmental and Social Exclusion List	The EBRD's environmental and social exclusion list and referral list of activities which are excluded from financing under all circumstances because they are illegal or severely restricted under national or international law or due to the very serious environmental and social consequences associated with them. This includes, for example, financing the production or trade in hazardous substances subject to international bans or ozone depleting substances subject to international phase out. The list can be found at http://www.ebrd.com/environment/e-manual/r020xlst.html.
EPRA	European Public Real Estate Association.
EPRA NAV	Net asset value as per EPRA is a non-IFRS measurement intended to provide an indicator of the underlying value of a company that intends to own and operate investment property for the long term. As such, deferred taxes on property revaluations are excluded, as the investment property is not expected to be sold and the tax liability is unlikely to materialize. In addition, the fair market value of financial instruments, which are held to maturity, is also excluded.
EPRA NNNAV	Triple Net Asset Value as per EPRA, a non-IFRS measurement based on EPRA NAV adjusted to include the fair market values of financial instruments, deferred taxes and goodwill.
EU IFRS	IFRS, as adopted by the EU.
EURIBOR	The Euro Interbank Offered Rate (Euribor) is a daily reference rate based on the average interest rates at which banks in the Eurozone offer to lend unsecured funds to other banks in the euro wholesale money market.
FFO	Funds From Operations, a non-IFRS measurement in which cash flow is reported profit, adjusted for non-cash items relating to fair value gain / (loss) on investment properties, net financial cost, tax, depreciation and amortization.
FII	Fiscal Investment Institution (*fiscale beleggingsinstelling*) within the meaning of article 28 of the Netherlands Corporate Income Tax Act 1969 (*Wet op de vennootschapsbelasting 1969*).
GBA	Gross building area, measured in square meters.

GLA	GLA represents total floor space in square meters available for rent to tenants, including a notional allocation of common areas.
Global Coordinator	Citigroup.
Green Leases	Green Leases are voluntary agreements between landlords and tenants of commercial buildings which define both parties' obligations in respect of technologies, equipment, systems and management practices which optimize the use of energy and water and minimize the amount of waste generated and in general reduce the environmental footprint of the buildings. Green Leases provide the legal framework for facilitating investment in cost savings measures as they define how landlords and tenants can share the costs, the benefits as well as the responsibility of the operation and the performance of the buildings used.
Gross Income	Gross income according to Valuation Standard 3.3 of the Professional Standards ("Red Book") of the Royal Institution of Chartered Surveyors.
Group	The capital group involving the Company as the controlling entity with entities subject to consolidation.
Group Holding Company	Meridian Properties Holdings Cyprus Ltd., an investment holding company incorporated in Cyprus and wholly owned by us. Together with the Group Holding Company, we will use the funds from the Offering to acquire the Property Companies.
HICP	Harmonized Index of Consumer Prices.
IAS	International Accounting Standards, as adopted by the EU.
IAS 34	International Accounting Standard 34 "Interim Financial Reporting" as adopted by the EU.
IFRS	International Financial Reporting Standards.
IMF	International Monetary Fund.
Individual Holding Companies	The Cypriot holding companies which ultimately own the properties in the Initial Portfolio located in Bulgaria, the Czech Republic and Hungary to be acquired by the Group Holding Company.
Initial Portfolio	The nine pre-identified properties that we intend to acquire in connection with the Offering under the SSPLAAs.
KDPW or **NDS**	The Polish National Depository for Securities (*Krajowy Depozyt Papierów Wartościowych S.A.*).
KNF or **PFSA**	The Polish Financial Supervision Authority (*Komisja Nadzoru Finansowego*).
Market Ordinance	Polish Ordinance of the Minister of Finance on determination of detailed terms and conditions that must be satisfied by the official stock-exchange listing market and issuers of securities admitted to trading on such market dated May 12, 2010.

Member State	A Member State of the EEA.
NAV	The net asset values of our shares determined in accordance with EU IFRS accounting policies.
Non-executive director	Director of the Company appointed as non-executive director.
Occupancy	Occupancy is calculated from GLA less strategic and real vacancies, expressed as a percentage of GLA for a given property or real estate portfolio as of June 30, 2013 (unless otherwise indicated).
OECD	The Organization for Economic Co-operation and Development.
Offering Agent	Dom Maklerski Banku Handlowego S.A.
PIT Act	Polish Personal Income Tax Act, dated July 26, 1991 (as amended).
PLN	The Polish zloty, the lawful currency of Poland.
Polish Public Offerings Act	Polish Act dated July 29, 2005 on Public Offering, Conditions Governing the Introduction of financial instruments to Organized Trading and on Public Companies (as amended).
Primary Insiders	Individuals with access to insider information.
Property Companies	The special purpose vehicle property companies that own the properties in the Initial Portfolio located in Romania.
REIT	Real Estate Investment Trust.
Restricted Period	The 12-month period following the termination of this agreement with the Employing Entity.
RON	The Romanian leu, the lawful currency of Romania.
SSPLAAs	The Shareholder Loans and the Sale Share Purchase and Loan Assignment Agreements.
Stabilization Regulation	Commission Regulation (EC) No 2273/2003 of December 22, 2003 implementing Directive 2003/6/EC of the European Parliament and of the European Council.
Stabilized property	A property which is no longer under development, and therefore not subject to development risk, because it has been completed and therefore would be included in a portfolio of investment properties.
T2 Bluehouse Capital Partners LP	a limited liability partnership established in Cyprus under ICIS law no. 47(I)/1999, having its registered address at 4 Pikioni Street, PC 3075, Limassol, Cyprus (registration no. ∑11030).
Takeover Directive	Directive 2004/25/EC of the Parliament and Council of the European Union dated April 21, 2004.

Takeover Law	Cyprus Takeover Bids Law N.41 (I) of 2007 as amended.
Underwriting Agreement	The underwriting agreement entered into between the Company and the Underwriters in connection with the Offering.
Valuation Report	The BNP Paribas Real Estate Valuation Report dated June 30, 2013 prepared by BNP Paribas Real Estate, constituting Annex 5 to this document.
Warsaw Stock Exchange	The Warsaw Stock Exchange (*Giełda Papierów Wartościowych w Warszawie S.A.*).
Warsaw Stock Exchange Code of Best Practices	"Best Practices of Warsaw Stock Exchange Listed Companies" being a collection of rules and recommendations concerning corporate governance applicable on the Warsaw Stock Exchange.
Warsaw Stock Exchange Rules	The Warsaw Stock Exchange Rules.
Wft	Dutch Act on Financial Supervision (*Wet op het financieel toezicht*).

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Meridian Properties N.V.

Amsterdam

Special purpose financial information as per 30 June 2013

MERIDIAN PROPERTIES N.V.
Muiderstraat 9 F, 1011 PZ, Amsterdam, the Netherlands

Meridian Properties

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Meridian Properties

Statement of financial position as at 30 June 2013
(expressed in Euro)
Before appropriation of results

	Note	30 June 2013	8 May 2013
Current assets			
Cash and cash equivalents	5	45,715	46,000
Deferred costs and prepayments	9	654,094	0
VAT receivables		81,586	0
Total assets		**781,395**	**46,000**
Shareholder's equity			
Share capital	7	45,000	45,000
Result for the period		(33.726)	0
		11.274	45,000
Current liabilities			
Payables	9	770,121	1,000
Total liabilities and shareholder's equity		**781,395**	**46,000**

The accompanying notes form an integral part of this special purpose financial information.

Meridian Properties

Income statement and statement of comprehensive income for the period ended 30 June 2013
(expressed in Euro)

	Note	Period from 8 May until 30 June 2013
Income	–	–
General and administrative expenses	10	(33.726)
		–
Result before tax		**(33,726)**
Corporate income tax	**11**	–
Result after tax		**(33,726)**
Other comprehensive income for the period		–
Result attributable to owners of the Company / total comprehensive result attributable to owners of the Company		**(33,726)**

The accompanying notes form an integral part of this special purpose financial information

Meridian Properties

Statement of changes in shareholder's equity for the period ended 30 June 2013
(expressed in Euro, unless stated otherwise)

	Number of shares	Share capital	Result for the period
Issue of shares	450,000	45,000	–
Result for the period	–	–	(33,726)
Other comprehensive income for the period	–	–	–
Balance at 30 June 2013	**450,000**	**45,000**	**(33,726)**

The accompanying notes form an integral part of this special purpose financial information.

Meridian Properties

Cash flow statement for the period ended 30 June 2013
(expressed in Euro)

	Note	Period from 8 May until 30 June 2013
Result for the period	–	(33,726)
Cash flows from operating activities		**–**
Movement other payables	**9**	769.121
Movement receivables	**9**	(735,680)
Cash flows from investing activities	**–**	**–**
Cash flows from financing activities		**–**
Net decrease in cash and cash equivalents		**(285)**
Cash and cash equivalents at the beginning of the period	**5**	**46,000**
Cash and cash equivalents at the end of the period	**5**	**45,715**

The accompanying notes form an integral part of this special purpose financial information

Meridian Properties

NOTES TO THE SPECIAL PURPOSE FINANCIAL INFORMATION

1. General

Incorporation:

Meridian Properties N.V. (hereinafter: "the Company") was incorporated as a public limited company by shares under the laws of the Netherlands on 8 May 2013 and has its statutory seat in Amsterdam. The address of its registered office is Muiderstraat 9 F, Amsterdam, the Netherlands. The Company's year-end is 31 December.

Structure:

The sole shareholder of the Company is BH Meridian Participations Ltd. incorporated under the laws of Cyprus. The sole shareholder of BH Meridian Participations Ltd. is Bluehouse Capital Advisors Ltd. incorporated under the laws of Cyprus.

Activities:

The principal activity of the Company is to act as a holding company. The activities of the group comprise in the area of real estate.

Tax status:

The Company has the tax status of a fiscal investment institution (FII) in accordance with section 28 of the Dutch 'Wet op de Vennootschapsbelasting 1969'. This means that no corporation tax is due in the Netherlands, provided that certain conditions are met. The main conditions concern the requirement to distribute a statutorily defined portion of the taxable profit as dividend and the restrictions with respect to financing of investments with loans. There is no requirement to include surpluses, arising on disposal of investments, in the taxable profit to be distributed.

Purpose of this special purpose financial information:

The Company will apply for admission and introduction of its shares to trading on the regulated market of the Warsaw Stock Exchange (WSE).

This special purpose financial information has been prepared for inclusion in the prospectus of the Company. The prospectus has been made for the listing at the WSE.

This special purpose financial information presents the financial position of the Company as at 30 June 2013.

If the initial public offering of Meridian Properties N.V. on the Warsaw Stock Exchange is successful, the Company will acquire a portfolio of 9 properties located in Hungary, Bulgaria, Czech Republic and Romania, with a market value of EUR 197.6 million as at 30 June 2013. Consistent with customary practice in the real estate industry, the Company will acquire the assets through the acquisition of the shares of the entities that ultimately own the 9 properties.

For the basis of preparation of this special purpose financial information, reference is made to paragraph 2, below.

The accounting policies as set out in paragraph 2, below, are described taking into account the balance sheet and income statement items of the subsidiaries that will be acquired by the Company after the initial public offering. Accordingly, it sets forth accounting policies for balance sheet and income statement line items that are currently not presented in the balance sheet or income statement of the Company.

Going Concern

As at 30 June 2013, Meridian Properties N.V. has a positive shareholder's equity of EUR 11,274 and a positive working capital of EUR 11,274. The amount payable of EUR 770,121 comprises mainly expenses directly related to the initial public offering of Meridian Properties N.V. on the Warsaw Stock Exchange. Meridian Properties N.V. expects that the initial public offering will be successful and therefore the costs spent on the initial public offering to be recovered. If the initial public offering is not successful, the sellers of the 9 properties to the Company have agreed to support Meridian Properties N.V. with sufficient funds to be able to meet its liabilities within the next 12 months as of the date of approval of this special purpose financial information. Considering the above, the directors of Meridian Properties N.V. are convinced to have sufficient funds to meet the Company's obligations for at least the next 12 months as of the date of approval of this special purpose financial information and therefore this special purpose financial information is prepared under the going concern assumption.

Approval:

This special purpose financial information is approved by the Board of Directors on 29 August 2013.

2. Summary of significant accounting policies

Basis of preparation

The accounting policies applied in the preparation of this special purpose financial information are set out below.

The accounting policies applied in this special purpose financial information are in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code.

The special purpose financial information has been prepared on a going concern basis, which assumes that the Company will be in operational existence for the foreseeable future.

The preparation of special purpose financial information in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement of complexity, or areas where assumptions and estimates are significant to the special purpose financial information are disclosed in Note 4.

This special purpose financial information presents the opening balance sheet of the Company as at the date of its incorporation, as the comparative figures.

Consolidation

The consolidation includes the financial information of the Company, its subsidiaries and other entities over which it exercises control or whose central management it conducts. Subsidiaries are entities in which the Company exercises direct or indirect control based on a shareholding of more than one half of the voting rights, or whose financial and operating policies it has the power to govern. Potential voting rights that can directly be exercised at the balance sheet date are also taken into account.

Subsidiaries and other entities in which the Company exercises control or whose central management it conducts are consolidated in full. Minority interests in group equity and group profit are disclosed separately.

Intercompany transactions, profits and balances among subsidiaries and other consolidated entities are eliminated, unless these results are realised through transactions with third parties. Unrealised losses on intercompany transactions are eliminated as well, unless such a loss qualifies as an impairment. Where needed, the accounting policies of subsidiaries and other consolidated entities are aligned to the prevailing group accounting policies.

Acquisitions and disposals of group companies

Identifiable assets acquired and liabilities assumed in a business combination are recognized in the consolidated financial statements from the acquisition date, being the moment that control can be exercised in the acquired company.

The acquisition price consists of the cash consideration, or equivalent, agreed for acquiring the company plus any directly attributable expenses. If the acquisition price exceeds the net amount of the fair value of the identifiable assets and liabilities, the excess is capitalised as goodwill under intangible assets. If the consideration transferred is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Entities continue to be consolidated until they are sold; they are deconsolidated from the date that control ceases and if they are classified as disposal groups held for sale.

Foreign currency translation

(a) Functional and presentation currencies

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The Company's main shareholder is from the eurozone and the performance of the Company is measured and reported in euro. The Board of Directors considers the euro as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions of the Company. The financial statements are presented in euros, which is the Company's functional and presentation currency.

(b) Transactions and balances

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

Investment property

Property that is held for long-term rental yields and/or for capital appreciation, and that is not occupied by the Company, is classified as investment property. Investment property principally comprises freehold land and office and commercial buildings.

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 Company uses alternative valuation methods, such as recent prices on less active markets or discounted cash flow projections. Valuations are performed as of the financial position date by professional external appraisers who hold recognised and relevant professional qualifications and have recent experience in the location and category of the investment property being valued.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

Changes in fair values are recognised in the income statement. Investment properties are derecognised when they have been disposed.

Property, plant and equipment

All property, plant and equipment (PPE) is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items and (where applicable) borrowing costs.

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

Depreciation, based on a component approach, is calculated using the straight-line method to allocate the cost over the assets' estimated useful lives.

Leases

Operating lease

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

Finance lease

Leases of assets where the Company has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are recognised 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 treated as borrowing costs and expensed / capitalised over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Investment properties recognised under finance leases are carried at their fair value.

Goodwill

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the net assets of the subsidiary acquired, the difference is recognised in the income statement.

Impairment of non-financial assets

Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised 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). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date. Impairment losses on goodwill are not reversed.

Financial instruments

a) Financial assets

Financial assets are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity financial assets and available-for-sale financial assets, as appropriate. The Company determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Financial assets are derecognised only when the contractual rights to the cash flows from the financial asset expire or the Company transfers substantially all risks and rewards of ownership.

The Company's financial assets consist of loans, receivables and derivatives.

Financial assets included in trade and other receivables are classified as loans and receivables. They are recognised initially at fair value and subsequently measured at amortised cost less provision for impairment.

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

Derivative financial assets and liabilities are classified as financial assets at fair value through profit or loss (held for trading). The Company does not apply hedge accounting in accordance with IAS 39.

Derivative financial assets and liabilities comprise interest rate swaps.

Recognition of the derivative financial instruments takes place when the economic hedging contracts are entered into. They are measured initially and subsequently at fair value; transaction costs are included directly in finance costs. Gains or losses on derivatives are recognised as change in their fair value through profit and loss. Interest income and expenses on derivative financial assets are included in profit and loss in finance income and finance costs, respectively.

Derivatives are presented in the balance sheet as financial assets when their fair value is positive and as financial liabilities when their fair value is negative.

The Company assesses at each financial position date whether there is objective evidence that a financial asset or group of financial assets is impaired. If there is objective evidence (such as significant financial difficulty of the obligor, breach of contract, or it becomes probable that the debtor will enter bankruptcy), the asset is tested for impairment. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred), discounted at the financial asset's original effective interest rate (that is, the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognised in the profit or loss.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice. Impaired debts are derecognised when they are assessed as uncollectible.

If in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date. Any subsequent reversal of an impairment loss is recognised in the income statement.

b) Financial liabilities

Liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss or other liabilities, as appropriate. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

All loans and borrowings are classified as other financial liabilities. Initial recognition is at fair value less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Financial liabilities included in trade and other payables are recognised initially at fair value and subsequently at amortised cost. The fair value of a non-interest bearing liability is its discounted repayment amount. If the due date of the liability is less than one year, discounting is omitted.

Derivative financial liabilities are measured initially and subsequently at fair value through profit and loss.

Offsetting financial assets and liabilities

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Loans

Loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a debtor with no intention of trading the receivable. Loans are recognised initially at fair value plus transaction costs that are directly attributable to their acquisition or origination. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Trade and other receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. 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 recognised in the statement of comprehensive income.

Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid financial assets and liabilities with original maturities of three months or less, and bank overdrafts. Balances restricted from being exchanged or used to settle a liability for at least twelve months after the balance sheet date are included in non-current trade and other receivables.

Share capital

Ordinary shares are classified as equity. Amounts spent upfront for a share issue are presented as prepayments until the actual share issue has taken place. In that case the costs related to the issuance of the shares are deducted from equity. If no share issue takes place, these costs will be expensed in the income statement.

Dividend distribution

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

Trade and other payables

Other payables are recognised initially at fair value and subsequently stated at amortised cost using the effective interest rate method.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Borrowings

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

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some of or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs.

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

Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in profit and loss in the period in which they are incurred.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Current income tax and deferred tax

The tax expense for the period comprises current and deferred tax.

Current income tax payable on profits, based on the applicable tax law in each jurisdiction, is recognised as an expense in the period in which profits arise. The tax effects of income tax losses available for carry forward are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the financial statements. However, 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 temporary differences can be utilized. The future taxable profits and the amount of tax benefits that are probable in the future are based on a medium term business plan prepared by management and extrapolated results thereafter. The business plan is based on management expectations that are believed to be reasonable under the circumstances.

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 taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents the amount receivable as a result of the ordinary course of the Company's activities.

The Company recognises revenue when the amount of revenue can be reliably estimated; it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Company's activities. The Company bases its estimates on historical results, taking into consideration, the type of transaction and the specifics of each arrangement.

Revenue includes rental income and service charges from tenants.

Rental income from operating leases is recognised on a straight-line basis over the lease term. When the Group provides incentives to its tenants, the cost of incentives is recognised over the lease term, on a straight-line basis, as a reduction of rental income. Service charges are recognised in the accounting period in which the services are rendered.

Service and operational costs

Service and operational costs are shown on a gross basis when the Company acts as a principal. In case the Company acts as an agent only the non-recoverable amount of the service and operational costs is presented. In the presentation on a gross basis, costs and charges are shown separately.

Property expenses

Property expenses consist of operational cost for the account of the Company attributable to the accounting period, such as:

- Maintenance;
- Property tax;
- Insurance premiums;
- Property management; and
- Letting expenses.

General costs

The amount comprises general costs attributable to the accounting period.

Interest income and expense

Interest income and expense are recognised in the statement of comprehensive income for all debt instruments using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or a shorter period where appropriate, to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

3. Financial risk management

The Company may be exposed to market risk (including foreign exchange risk, fair value interest rate risk and price risk), credit risk, liquidity risk and interest rate risk arising from the financial instruments it holds. The main risk management policies employed by the Company to manage these risks are discussed below.

(a) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Group's market risks arise from open positions in (i) foreign currencies; and (ii) interest-bearing assets and liabilities, to the extent that these are exposed to general and specific market movements.

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk, primarily with respect to the Bulgarian Lev, Czech Koruna, Hungarian Forint and Romanian Leu. Foreign exchange risk arises in respect of those recognised monetary financial assets and liabilities that are not in the functional currency of the respective group entity.

Management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

(ii) Interest rate risk

Interest rate is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates.

The derivative transactions the Group enters into are primarily interest rate swaps. The purpose is to manage the interest rate risks arising from the Group's operations and its sources of financing (economy hedges).

The Company's management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

(iii) Price risk

The Company is not exposed to equity securities price risk because the investments held by the Company, which are classified on the balance sheet as investments in group companies, are not publicly traded. The Company is not exposed to commodity price risk.

The Company does not have any formal policies for managing price risk.

(b) Credit risk

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Company. Financial assets, which potentially expose the Company to credit risk, consist of cash due from banks. The Company's cash balances are primarily with high credit quality, well-established financial institutions. There is no significant concentration of credit risk as the Company has no significant receivables.

(c) Liquidity risk

Prudent liquidity risk management ensures maintaining sufficient cash in order to ensure payment of short-term liabilities. Management monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs.

Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

IFRS 7 for financial instruments that are measured in the balance sheet at fair value requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)

- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2)
- Inputs for the asset or liability that are no based on observable market data (that is, unobservable inputs) (level 3)

4. Critical accounting estimates and judgments

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. For the special purpose financial information, the Company has not made significant estimates and judgements

5. Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents includes the following:

	30 June 2013	8 May 2013
	EUR	EUR
Current bank account	45,715	46,000
	45,715	**46,000**

6. Contingencies and commitments

If the initial public offering of Meridian Properties N.V. on the Warsaw Stock Exchange is successful, the Company will acquire a portfolio of 9 properties located in Hungary, Bulgaria, Czech Republic and Romania with a market value of EUR 197.6 million. Consistent with customary practice in the real estate industry, the Company will acquire the assets through the acquisition of the shares of the entities that ultimately own the 9 properties.

The company issued a letter of support to Meridian Properties Holdings Cyprus Limited (it's future 100% subsidiary when the initial public offering will be successful) to provide that entity financial support within the next 12 months after the approval by the board of directors of the interim financial statements of Meridian Properties Holding Cyprus Limited as per 30 June 2013.

7. Ordinary share capital

The authorised share capital of the Company amounts to EUR 225,000 divided into 2,250,000 ordinary shares of EUR 0.10 each. As at 30 June 2013, 450,000 shares of EUR 0.10 were issued and fully paid up (as at 8 May 2013, 450,000 shares of EUR 0.10 were issued and fully paid up). All issued and paid up shares are held by BH Meridian Participations Ltd.

8. Related party transactions

Parties are generally considered to be related if they are under common control or if one party has the ability to control the other party or can exercise significant influence or joint control over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

The Company is controlled by BH Meridian Participations Ltd. (incorporated in Cyprus), which owns 100% of the Company's shares. The transactions carried out with BH Meridian Participations Ltd. are disclosed in Note 6 and 7.

9. Payables

The payables include the following:

	30 June 2013	8 May 2013
	EUR	EUR
BH Meridian Participations Ltd	1,000	1,000
IPO related fees	722,532	0
Administration and legal fees	46,589	0
	770,121	**1,000**

All payables are due within one year.

The main part of the payables relates to costs directly incurred with respect to the Initial Public Offering. These are presented in the balance sheet under deferred costs and prepayments. These costs are capitalised until the shares are issued. After the issuance of the shares these cost will be deducted from equity.

10. General and administrative expenses

The general and administrative expenses include the following:

	30 June 2013	8 May 2013
	EUR	EUR
Directors fee	1,458	0
Administration expenses	32,268	0
	33,726	**0**

11. Income tax

The company has an amount of EUR 33,726 of loss carry forward. Against the applicable tax rate of 0% the effective reclaimable tax amounts to EUR nil.

12. Employees

The Company does not have any employees.

13. Directors

The Company has two managing directors, Mr. P. Oosthoek and Mr. P.M. Blöte who both receive an annual all-in fixed fee in the amount of EUR 4,500 (excl. VAT). The Company has no supervisory directors. The ultimate Shareholder of the Company is Bluehouse Capital Advisors Ltd.

Amsterdam, 29 August 2013.

P. Oosthoek
Executive Director A

P.M. Blöte
Executive Director A

Meridian Properties

OTHER INFORMATION

1. Statutory regulations of result appropriation

Subject to the provisions under Dutch law that no dividends can be declared until all losses have been recovered, other reserves and un-appropriated results are at the disposal of the shareholder in accordance with the Company's articles of association. Furthermore, Dutch law prescribes that any profit distribution may only be made to the extent that the shareholder's equity exceeds the amount of the issued capital and the legal reserves.

2. Independent auditor's report

Reference is made to the independent auditor's report as included on the following pages.

3. Subsequent events

There were no material post balance sheet events, which have a bearing on the understanding of the special purpose financial information.

INDEPENDENT AUDITOR'S REPORT

To: the Board of Directors of Meridian Properties N.V.

We have audited the accompanying Special purpose financial information as per 30 June 2013, comprising the Statement of financial position as at 30 June 2013, the Income statement and statement of comprehensive income for the period 8 May—30 June 2013, the Statement of changes in shareholder's equity for the period 8 May—30 June 2013, the Cash flow statement for the period 8 May—30 June 2013 and the related notes of Meridian Properties N.V., Amsterdam (hereafter: the special purpose financial information).

Board of Directors' responsibility

The Board of Directors are responsible for the preparation of the special purpose financial information in accordance with the accounting policies as set out in paragraph 2 'Summary of significant accounting policies' of the special purpose financial information. Furthermore, the Board of Directors are responsible for such internal control as it determines is necessary to enable the preparation of the special purpose financial information that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on this special purpose financial information based on our audit. We conducted our audit in accordance with Dutch Law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether this special purpose financial information is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in this special purpose financial information. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of this special purpose financial information, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the company's preparation of this special purpose financial information 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 company'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 this special purpose financial information.

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

PricewaterhouseCoopers Accountants N.V., Thomas R. Malthusstraat 5, 1066 JR Amsterdam, P.O. Box 90357, 1006 BJ Amsterdam, The Netherlands, ref.: BO/e0301132
T: +31 (0) 88 792 00 20, F: +31 (0) 88 792 96 40, www.pwc.nl

Opinion

In our opinion, the special purpose financial information is prepared, in all material respects, in accordance with the accounting policies as set out in paragraph 2 'Summary of significant accounting policies' of the special purpose financial information.

Basis of preparation and restriction of use

We draw attention to paragraph 1 'General' of the special purpose financial information, which describes the special purpose of the special purpose financial information, including the basis of preparation. As a result, the special purpose financial information and our auditor's report thereto are intended solely for the Board of Directors of Meridian Properties N.V. for including these in the prospectus made for the initial offering of ordinary shares and are not suitable for any other purpose. Our report is not qualified in respect of this matter.

Amsterdam, 29 August 2013
PricewaterhouseCoopers Accountants N.V.

Original has been signed by L.H.J. Oosterloo RA

INFOPARK E ÉPÍTÉSI TERÜLET INGATLANFEJLESZTÉSI KFT.

INTERNATIONAL FINANCIAL REPORTING STANDARDS
PRELIMINARY FINANCIAL INFORMATION

YEAR ENDED 31 DECEMBER 2012

The accompanying notes are an integral part of this preliminary financial information.

INFOPARK E ÉPÍTÉSI TERÜLET INGATLANFEJLESZTÉSI KFT.
PRELIMINARY FINANCIAL INFORMATION FOR YEAR ENDED 31 DECEMBER 2012
BALANCE SHEETS

In thousand Euro	Note	As at 31 December 2012	As at 1 January 2012
ASSETS			
Non-current assets			
Investment property	6	22,717	21,521
Property, plant and equipment	7	22	25
Deferred income tax asset	8	289	361
Total non-current assets		**23,028**	**21,907**
Current assets			
Trade and other receivables	9	1,736	366
Current income tax receivable	8	63	35
Cash and cash equivalents	10	3,945	65
Total current assets		**5,744**	**466**
TOTAL ASSETS		**28,772**	**22,373**
EQUITY AND LIABILITIES			
Equity			
Share capital	11	69	64
Other reserves	11	2,506	2,360
Retained earnings /(Accumulated losses)		(1,577)	(2,506)
TOTAL EQUITY		**998**	**(82)**
Non-current liabilities			
Borrowings from banks	12	19,456	–
Trade and other payables	13	410	173
Total non-current liabilities		**19,866**	**173**
Current liabilities			
Borrowings from related parties	12	6,920	5,347
Borrowings from banks	12	682	16,743
Trade and other payables	13	306	192
Total current liabilities		**7,908**	**22,282**
Total liabilities		**27,774**	**22,455**
TOTAL EQUITY AND LIABILITIES		**28,772**	**22,373**

The accompanying notes are an integral part of this preliminary financial information.

INFOPARK E ÉPÍTÉSI TERÜLET INGATLANFEJLESZTÉSI KFT.
PRELIMINARY FINANCIAL INFORMATION FOR YEAR ENDED 31 DECEMBER 2012
STATEMENT OF COMPREHENSIVE INCOME

In thousand Euro	Note	Year ended 31 December 2012
Rental revenue	14	2,117
Other revenue	14	512
Total revenue		**2,629**
Operating expenses arising from investment properties that generate rental revenue	15	(1,588)
Gross profit		**1,041**
Administrative expenses	16	(418)
Operating profit		**623**
Finance income	17	1,936
Finance costs	17	(1,259)
Profit before tax		**1,300**
Income tax	8	(201)
Profit for the year		**1,099**
Foreign currency translation difference		(15)
Other comprehensive income for the year		**(15)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**1,084**

The accompanying notes are an integral part of this preliminary financial information.

INFOPARK E ÉPÍTÉSI TERÜLET INGATLANFEJLESZTÉSI KFT.
PRELIMINARY FINANCIAL INFORMATION FOR YEAR ENDED 31 DECEMBER 2012
STATEMENT OF CHANGES IN EQUITY

In thousand Euro	Note	Share capital	Other reserves—capital reserve	Other reserves—Translation reserve	Retained earnings / (Accumulated losses)	Total equity
Balance at 1 January 2012		**64**	**2,360**		**(2,506)**	**(82)**
Currency translation difference on equity items		5	161		(170)	(4)
Profit for the year					1,099	1,099
Other comprehensive income for the year				(15)		(15)
Total comprehensive income for the year		—	—	(15)	1,099	1,084
Balance at 31 December 2012		**69**	**2,521**	**(15)**	**(1,577)**	**998**

The accompanying notes are an integral part of this preliminary financial information.

INFOPARK E ÉPÍTÉSI TERÜLET INGATLANFEJLESZTÉSI KFT.
PRELIMINARY FINANCIAL INFORMATION FOR YEAR ENDED 31 DECEMBER 2012
STATEMENT OF CASH FLOWS

In thousand Euro	Note	Year Ended 31 December 2012
Cash flows from operating activities		
Profit before tax		1,300
Depreciation of property, plant and equipment	7	5
Depreciation of investment property	6	814
Finance income	17	(1,936)
Finance costs	17	1,259
Changes in working capital:		
—Increase in trade and other receivables		(1,370)
—Increase in trade and other payables		114
—Increase/decrease in deferred revenue		–
Tenants deposits received		237
Tenants deposits paid		–
Income tax paid		(156)
Net cash used in operating activities		**267**
Cash flows from investing activities		
Purchases of investment property	6	(535)
Net cash used in investing activities		**(535)**
Cash flows from financing activities		
Proceeds from borrowings		25,978
Repayment of borrowings		(20,722)
Interest paid		(856)
Net cash from financing activities		**4,400**
Net increase in cash and cash equivalents		**4,132**
Cash and cash equivalents at the beginning of the year	10	**65**
Effect of exchange rate changes		(252)
Cash and cash equivalents at the end of the year	10	**3,945**

The accompanying notes are an integral part of this preliminary financial information.

NOTES TO THE PRELIMINARY SPECIAL PURPOSE IFRS FINANCIAL INFORMATION—31 DECEMBER 2012

1 General Information

Infopark E Építési Terület Ingatlanfejlesztési Kft (the ''Company'') was established 5 October 2007 by IVG Development GmbH. The Company's ultimate controlling party as of 31 December 2012 is Bluehouse Accession Property III FCP FIS following the acquisition of the Company 20 December 2012 by Bluehouse Group (in the period before this acquisition, the ultimate controlling party was IVG Immobilien AG).

The Company is a limited liability company not listed on any stock exchange, incorporated and domiciled in Hungary. The Company's registered office and principal place of business is located at the following address: Hungary, 1143, Budapest, Stefánia str 101-103 3rd floor.

The Company's activity is leasing its investment properties to tenants.

This preliminary financial information has been prepared for inclusion in prospectus of Meridian Properties and approved by management on the date of the prospectus.

This preliminary financial information differ from the financial statements issued for statutory purposes as described in Note 5.

2 Summary of Significant Accounting Policies

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

2.1 Basis of preparation

This preliminary financial information (also referred to as the "preliminary financial statements") as at 1 January 2012 and 31 December 2012 and for the year ended 31 December 2012 has been prepared in accordance with IFRS 1 *First-time Adoption of IFRS* in order to assist the Bluehouse Group in its conversion to IFRS as adopted by European Union ('IFRS') for the year ended 31 December 2013. The date of transition to IFRS is 1 January 2012. The period ended 31 December 2012 is a comparative period for the first financial statements of the Company prepared in accordance with IFRS . The financial statements of the Company as at 31 December 2011 were prepared in accordance with the National Regulations (Standards) of Accounting in Hungary (Hungarian GAAP). These were considered to be the previous generally accepted accounting principles as defined in IFRS 1 for the preparation of the preliminary opening IFRS statement of financial position as at 1 January 2012. The Company also issued its financial statements for the year ended 31 December 2012 in accordance with Hungarian GAAP. Hungarian GAAP differs in certain respects from IFRS. In preparing these preliminary IFRS financial statements, management has used its best knowledge as of the date of signing these preliminary IFRS financial statements of the expected standards and interpretations, and accounting policies that will be applied when the Company and the Bluehouse Group prepares its first full IFRS financial statements as at 31 December 2013.

This preliminary financial information is prepared in accordance with the IFRS that are issued and effective for the year ended 31 December 2013 i.e. the period for which the first IFRS financial statements will be prepared. Not all IFRS issued by IASB and effective for the year ended 31 December 2013 has been adopted by EU thus these standards were not applied in the preparation of the preliminary financial information for the year ended 31 December 2012. Nevertheless, these standards will not have impact on the Company's financial statements when applied after adoption by EU.

Although the preliminary IFRS financial statements are based on management's best knowledge of expected standards and interpretations, and accounting policies to be applied when the Company prepares its first full IFRS financial statements as at 31 December 2013, these may change. For example, amended or additional standards or interpretations may be issued by IASB and other regulatory authorities may change its regulations. Therefore, until the Company prepares its first full IFRS financial statements and establishes its transition date as defined by IFRS 1, the possibility cannot be excluded that the preliminary IFRS financial statements may need to be subsequently adjusted.

In preparing these preliminary IFRS financial statements in accordance with IFRS 1, the Company has applied mandatory exceptions to retrospective application of other IFRS and has elected not to apply the optional exemptions.

Reconciliations and descriptions of the adjustments from local GAAP to IFRS as at 31 December 2012 and 1 January 2012 and for the year ended 31 December 2012 are provided in Note 5.

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

Only a complete set of financial statements together with comparative financial information can provide a fair presentation of the Company's financial position, results of operations and cash flows in accordance with IFRS. As these preliminary IFRS financial statements do not contain comparative financial information, these are not considered to represent a complete set of IFRS financial statements.

These preliminary IFRS financial statements have been prepared in accordance with the basis described above on a going concern basis, which contemplates continuity of operations, realisation of assets and payment of liabilities in the course of the normal business activity.

The Company does not have control, joint control or significant influence over other entities, therefore there are no subsidiaries, jointly controlled entities or associates included in the preliminary financial statements.

Adoption of new and revised Standards

a) Standards, amendments and interpretations that are not yet effective in EU in the year ended 31 December 2013 and have not been early adopted by the Company

The following standards were published but are not early adopted or not adopted by the European Union. The Company assessed the impact of changes on the financial statements as not material.

- Amendments to IAS 32 on Financial instruments asset and liability offsetting Financial instruments asset and liability offsetting.
- IFRS 9 Financial Instruments
- IFRS 10—Consolidated Financial Statements, IFRS 11—Joint Arrangements, IFRS 12—Disclosures of Interests in Other Entities and amendments to IAS 27—Separate Financial Statements and IAS 28—Investments in Associates and Joint Ventures
- IFRS 10, IFRS 12, IAS 27 (amended)—Investment Entities
- Improvements to International Financial Reporting Standards issued in May 2012

Other new or amended standards and interpretations not listed above are not relevant for the Company.

2.2 Foreign currency translation

a) Functional and presentation currency

Presentation currency: All amounts in these preliminary IFRS financial statements are presented in thousand Euro ("EUR"), unless otherwise stated. **Functional currency** of the Company is the Hungarian Forint since this is the currency of the primary economic environment in which the entity operates.

This preliminary financial information has been prepared in EUR because it will be included in prospectus of Meridian Properties where the financial information will be presented in EUR for all of the entities involved.

b) Transactions and balances

Monetary assets and liabilities are translated into the functional currency at the official exchange rate of the Hungarian National Bank ("HNB") at the end of the respective reporting period. Foreign exchange gains and losses resulting from the settlement of transactions and from the translation of monetary assets and liabilities into the functional currency at year-end official exchange rates of the HNB are recognised in profit or loss for the year (as finance income or finance costs). Translation at year-end rates does not apply to non-monetary items that are measured at historical cost.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured.

c) Translation from functional to presentation currency.

The results, equity and financial position of entity are translated into the presentation currency as follows:

(i) assets, liabilities and components of equity (i.e. share capital , share premium, treasury shares and retained earnings) for each statement of financial position are translated at the closing rate of HNB at the end of the respective reporting period;

(ii) income and expenses are translated at exchange rates of at the dates of the transactions;

(iii) exchange differences on translation of the equity components (i.e. share capital , capital reserves and retained earnings) are recognized directly in equity whereas all other resulting exchange differences are recognised in other comprehensive income and accumulated in equity in foreign currency translation reserves.

2.3 Investment property

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Company, is classified as investment property. Investment property also includes property that is being constructed or developed for future use as investment property. Investment property is measured initially at its cost, including related transaction costs and (where applicable) borrowing costs (see Note 2.13)

After initial recognition, investment property is carried at cost less accumulated depreciation.

Subsequent expenditure is capitalised to the asset’s carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

Investment property is derecognized when it has been disposed of or permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of investment property are recognized in the profit or loss in the year of retirement or disposal.

Gains or losses on the disposal of the investment property are determined as the difference between the net disposal proceeds and the carrying value of the asset.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner occupation or commencement of an operating lease. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sale.

Depreciation on investment property is calculated using the straight-line method to allocate their cost less residual value over their estimated useful lives. The estimated useful life of the investment property is 40 years. The assets’ residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Tenant specific interior construction costs are depreciated over the term of the relating lease contracts. Other elements having a useful life less than 40 years are depreciated on a straight line basis over their actual useful life which ranges from 7 to 30 years.

Accounting policy relating to impairment of investment property is presented in Note 2.6

2.4 Property, plant and equipment

An item of property, plant and equipment is carried at its cost less any accumulated depreciation and any accumulated impairment losses.

Costs of minor repairs and maintenance are expensed when incurred.

Accounting policy relating to impairment of property plant and equipment is presented in Note 2.6

Depreciation. Depreciation on other items of property, plant and equipment is calculated using the straight-line method to allocate their cost less residual value over their estimated useful lives:

	Useful lives in years
Machinery	7
Motor vehicles	5
Furniture, fittings and other equipment	2-3

2.5 Leases

(a) A Company is the lessee in an operating lease

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

(b) A Company is the lessor in an operating lease

Properties leased out under operating leases are included in investment property in the balance sheet (Note 6). See Note 2.15 for the recognition of rental income.

The Company makes payments to agents for services in connection with negotiating lease contracts with the Company's lessees. The letting fees are capitalised within the carrying amount of the related investment property and amortised over the lease term.

Lease incentives are recognised as a reduction of rental income on a straight-line basis over the lease term.

2.6 Impairment of non-financial assets

Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised 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). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.7 Financial instruments

(a) Financial assets

Financial assets are classified loans and receivables, The Company determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value plus, directly attributable transaction costs.

Financial assets are derecognised only when the contractual rights to the cash flows from the financial asset expire or the Company transfers substantially all risks and rewards of ownership.

Financial assets classified as loan and receivables are subsequently measured at amortised cost less provision for impairment.

The Company regularly obtains deposits from tenants as a guarantee for returning the property at the end of the lease term in a specified good condition or for the lease payments for generally 3 months. Such deposits are repayable and treated as financial assets in accordance with IAS 39, and they are initially recognised at fair value and presented as trade and other receivables in the statement of financial position. The deposit is subsequently measured at amortised cost.

Cash and cash equivalents are also classified as loans and receivables. (see Note 2.8 for the accounting policy on cash and cash equivalents)

The Company assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If there is objective evidence of an impairment (such as significant financial difficulty of the debtor, default or delinquency in interest or principal payments, breach of contract, or it becomes probable that the debtor will enter bankruptcy), the asset is tested for impairment. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred), discounted at the financial asset's original effective interest rate (that is, the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognised in the profit or loss.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice. Impaired debts are derecognised when they are assessed as uncollectible.

If in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed in the profit or loss.

(b) Financial liabilities

Liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss or other liabilities, as appropriate. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

All borrowing are classified as other liabilities. Initial recognition is at fair value less directly attributable transaction costs. After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest method (see Note 2.12 for the accounting policy on borrowings).

Financial liabilities included in trade and other payables are recognised initially at fair value and subsequently measured at amortised cost. The initial fair value of a non-interest bearing liability is its discounted repayment amount. If the due date of the liability is less than one year, discounting is omitted.

Derivatives are classified as financial liabilities at fair value through profit or loss and measured initially and subsequently at fair value with the gains/losses recognized in profit or loss.

2.8 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are carried at amortised cost using the effective interest method. Balances restricted from being exchanged or used to settle a liability for at least twelve months after the balance sheet date are included in non-current trade and other receivables.

2.9 Share capital

Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.10 Trade and other payables

Trade and other payables are accrued when the counterparty performed its obligations under the contract, recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.11 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised as finance costs over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs if it is not probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

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 reporting date.

2.12 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition or construction of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

The Company capitalises borrowing costs on qualifying investment properties and Property plant and equipment. None of the investment properties or subsequent costs incurred (i.e. specific interior construction costs with the average construction period of such projects only commence up to 2 months) met the criteria of the qualifying assets thus none of the borrowing costs were capitalised.

2.13 Trade and other payables long term

The Company presents tenant deposits as trade and other long term liabilities, initially recognized at fair value and subsequently measured at amortised cost. Any difference between the initial fair value and the nominal amount is included as a component of operating lease income and recognized on a straight line basis over the lease term.

2.14 Current and deferred income tax

Income taxes have been provided for in these preliminary financial statements in accordance with Hungarian legislation enacted or substantively enacted by the balance sheet date. The income tax charge comprises current tax and deferred tax and is recognised in profit or loss for the year unless it relates to transactions that are recognised, in the same or a different period, in other comprehensive income or directly in equity. In this case, the income tax is also recognised in other comprehensive income or directly in equity, respectively.

Current tax is the amount expected to be paid to or recovered from the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxes other than on income are recorded within other expenses. The Company classifies corporate income tax, local business tax and the innovational contribution as income tax. Tax base of the local business tax and the innovation contribution is calculated as the difference of total revenues and cost of sales; the tax rates are 2% and 0.3% respectively.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts . In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit.

Deferred tax balances are measured at tax rates enacted or substantively enacted at the balance sheet date which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised. Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

2.15 Revenue recognition

Revenue includes rental revenue, service charges and management charges from properties.

Rental income from operating leases is recognised on a straight-line basis over the lease term. When the Group provides incentives to its tenants, the cost of incentives is recognised over the lease term, on a straight-line basis, as a reduction of rental income. Amounts received from tenants to terminate leases or to compensate for dilapidations are recognised in the profit or loss when they arise.

Service and management charges are recognised in the accounting period in which the services are rendered. Service charges and other such receipt are included gross in revenue as management considers the Company acts as principal in this respect.

2.16 Dividend distribution

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

2.17 Interest income and expense

Interest income and expense are recognised within 'finance income' and 'finance costs' in profit or loss using the effective interest rate method, except for borrowing costs relating to qualifying assets, which are capitalised as part of the cost of that asset (note 2.13).

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or a shorter period where appropriate, to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument (for example, pre-payment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

2.18 Expenses

Expenses include legal, accounting, auditing and other fees. They are recognised in profit or loss in the period in which they are incurred (on an accruals basis)

3 Financial Risk Management

3.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

Risk management is carried out by a central treasury department of the parent company (Group Treasury) under policies approved by the Board of Directors. Group Treasury identifies, evaluates and hedges financial risks. The Board provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity.

a) Market risk.

The Company takes on exposure to market risks. Market risks can arise from open positions in (i) foreign currencies, (ii) interest bearing assets and liabilities, all of which are exposed to general and specific market movements. Management sets limits on the value of risk that may be accepted, which is monitored on a daily basis. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

i) Currency risk.

The Company is exposed to foreign exchange risk primarily with respect to the EUR. Foreign exchange risk arises in respect of those recognised monetary financial assets and liabilities that are not in the functional currency of the entity.

The table below summarises the reports provided to key management personnel and used to monitor the Company's exposure to foreign currency risk arising from financial instruments at 31 December. The Company's financial assets and liabilities are included in the table categorised by currency at their carrying amount (data in thousand EUR).

As at 31 December 2012	Note	EUR	HUF	Other	Total
Financial assets					
Trade and other receivables	9	263	–	1	264
Cash and cash equivalents	10	3,913	32	–	3,945
Total financial assets		**4,176**	**32**	**1**	**4,209**
Financial liabilities					
Borrowings from related parties	12	6,920	–	–	6,920
Borrowings from third parties	12	20,138	–	–	20,138
Trade and other payables—current	13	97	66	–	163
Trade and other payables—non current	13	401	9	–	410
Total financial liabilities		**27,556**	**75**	**–**	**27,631**

As at 1 January 2012	Note	EUR	HUF	Other	Total
Financial assets					
Trade and other receivables	9	357	9	–	366
Cash and cash equivalents	10	40	25	–	65
Total financial assets		**397**	**34**	**–**	**431**
Financial liabilities					
Borrowings from related parties	12	5,347	–	–	5,347
Borrowings from third parties	12	16,743	–	–	16,743
Trade and other payables—current	13	112	–	6	118
Trade and other payables—non current	13	166	7	–	173
Total financial liabilities		**22,368**	**7**	**6**	**22,381**

The Company tries to match its receivables and payables in foreign currencies to reduce its currency risk exposure. The Management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

The functional currency of the Company is the Hungarian Forint.

At 31 December 2012 if the HUF weakened/strengthened by 10% with all other variables held constant, post-tax profit for the year would have been EUR 1.985 thousands lower /higher, respectively.

ii) Interest rate risk

As the Company's interest-bearing assets do not generate significant amounts of interest, changes in market interest rates do not have any significant direct effect on the Company's income.

The Company's interest rate risk principally arises from long-term and short term borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk. Borrowings issued at fixed interest rates expose the Company to fair value interest rate risk. Intercompany borrowings are at fixed rate 4,75 % rate and bank borrowings are at EURIBOR + 3.7% rate.

As of 31 December 2012, if interest rates of EUR denominated borrowings had been 100 basis points higher with all other variables held constant, post-tax profit for the year would have been EUR 229 thousands lower, as a result of higher interest expense on the floating rate loan.

b) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk arises from cash and cash equivalents held at banks, restricted cash balances held at banks, as well as credit exposures to lessees, including outstanding receivables, and committed transactions.

Financial institutes providing banking services for the Company are rated as A-1 and A-2 on a short term rating by Standard&Poors.

For lessees, management of the Company assesses the credit quality of the party, taking into account its financial position, past experience and other factors. Guarantee deposits or bank guarantees are requested from lessees when considered necessary to minimise the credit risk exposure. The entire amounts of the year end trade receivables are covered by deposits or bank guarantees. Payments from lessees are requested in advance. In management's assessment, the Company is dealing with high reputable good quality tenants. The management does not expect any losses from non-performance by these counterparties.

Deposits refundable to tenants may be withheld by the Company in part or in whole if receivables due from the tenant are not settled or in case of other breaches of contract.

c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the nature of the underlying businesses, the Company manages its liquidity risk through maintenance of sufficient cash and cash equivalents balances and credit facilities to meet its obligations when they fall due.

For the year ended 31 December 2012 current liabilities exceed current assets by EUR 2,164 thousand (as at 31 December 2011 by EUR 21,816 thousand). As at 31 December 2011 the Company's net assets are negative at the amount of EUR 82 thousand.

The Company was provided with a binding letter of support from Bluehouse Accession Property Holdings III S.a.r.l., as the ultimate parent company, which states that adequate funds and full support would be provided to enable the Company to continue operations at least by 31 December 2013.

The Company's shareholder confirms that it will maintain its investment in the Company and that it is its current policy to ensure that Infopark E Építési Terület Ingatlanfejleszési Kft. is in the position to meet its debts and capital expenditure commitments as they fall due. If the Company's shareholder does not provide financial support to Infopark E Építési Terület Ingatlanfejleszési Kft. and the going concern basis could not be applied, the Company's assets and liabilities should be measured at the values that could be substantially different than the amounts presented in these financial statements prepared on a going concern basis.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

As at 31 December 2012	Up to 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Liabilities					
Bank Borrowings					
—principal repayments	682	726	18,730	–	20,138
—interest payments	798	807	2,258	–	3,863
Related party borrowings					
—principal repayments	6,920	–	–	–	6,920
—interest payments	329	–	–	–	329
Trade and other payables—current	163	–	–	–	163
Trade and other payables—non-current	–	65	344	1	410
Total future payments, including future principal and interest payments	**8,892**	**1,598**	**21,332**	**1**	**31,823**

As at 1 January 2012	Up to 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Liabilities					
Bank Borrowings					
—principal repayments	16,743	–	–	–	16,743
—interest payments	584	–	–	–	584
Related party borrowings					
—principal repayments	5,347	–	–	–	5,347
—interest payments	279	–	–	–	279
Trade and other payables—current	118	–	–	–	118
Trade and other payables—non-current	–	9	164	–	173
Total future payments, including future principal and interest payments	**23,071**	**9**	**164**	**–**	**23,244**

3.2 Capital Management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders; and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Company has also to maintain certain ratios, related to its capital, which are imposed by the agreement for the Bank loan obtained. In general, these requirements relate to:

- actual debt service cover, determined as the ratio between the net rental income generated by the Company and the debt service payments for the last 6 month period, and maintain the expenses for management and maintenance of the properties within certain limit of the rental income, respectively for each 6 month period ended at the end of June and December each calendar year during the period of the agreement; at the same dates, the Company has to maintain certain ratio between the outstanding loan principal and interest payable and the fair value of the investment property.

As at 31 December 2012, the Company is in compliance with the above requirements.

The following capital requirements have been established for public limited companies by the Hungarian legislation (based on statutory financial statements of the Company):

- share capital cannot be lower than 500 thousand HUF (equivalent of thousands EUR 2);
- if the value of the net assets at the end of the second and each subsequent financial year is less than its share capital, the Company shall decrease its share capital or the owners shall provide additional capital to cover the losses generated
- if the value of the net assets at the end of the financial year is less than the 50% of the share capital, the Company shall decrease its share capital or the owners shall provide additional capital to cover the losses generated.

The equity of the Company under Hungarian GAAP was negative at 31 December, 2012, mainly due to unrealized foreign exchange losses. However, in case of the Company, taking into consideration paragraph 336/F of the Act IV of 2006 on Business Organizations, there is no requirement to take steps to rectify the equity issue until 31 May 2014 as equity at 31 December 2012, adjusted by the unrealized foreign exchange losses which arose in the years 2011 and 2012, meets the minimum capital requirements.

The owners of the Company will consider to take the necessary steps in order to stabilize the equity.

3.3 Fair value estimation

The nominal value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of borrowings is disclosed in Note 12. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current interest rate that is available to the company for similar financial instruments.

At 31 December 2012 and 31 December 2011 the Company does not have financial instruments that are measured in the balance sheet at fair value.

4 Critical Accounting Estimates, and Judgments in Applying Accounting Policies

The Company makes estimates and assumptions that affect the amounts recognised in the preliminary IFRS financial statements and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgments, apart from those involving estimations, in the process of applying the accounting policies. Judgments that have the most significant effect on the amounts recognised in the preliminary IFRS financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

a) Useful life of investment property and its significant components.

The estimation of the useful life of the investment property and its significant components is a matter of judgment based on the experience with similar assets. The future economic benefits embodied in the asset are consumed principally through use. However, other factors, such as technical or commercial obsolescence and wear and tear, often result in the diminution of the economic benefits embodied in the assets. Management assesses the remaining useful lives in accordance with the current technical conditions of the assets and estimated period during which the assets are expected to earn benefits for the Company. The following primary factors are considered: (a) expected usage of the assets; (b) expected physical wear and tear, which depends on operational factors and maintenance programme; and (c) technical or commercial obsolescence arising from changes in market conditions.

Were the estimated useful lives to differ by 10% from management's estimates, the impact on depreciation expense for the year ended 31 December 2012 would be to increase/decrease it by EUR thousands 81.

b) Operating lease of land

The Company holds a land under a lease agreement on which the investment property is located. In order to assess the classification of the land lease as finance or operating lease, the Company has assessed whether the agreement transfers significant portion of the risks and rewards of ownership. The management assessed the agreement to be an operating lease based on IAS 17.7-13, taking into account the consideration that the land normally has an indefinite economic life so the lease term is not for the major part of the economic life of the land (the remaining time of the lease term as of 31 December 2012: 89 years (as of 1 January 2012: 90 years), and at the inception of the lease the present value of the minimum lease payments was significantly lower than the fair value of the leased asset.

c) Recognition of deferred tax assets

The Company has significant amount of tax loss carry forward. According to Hungarian tax regulations such losses can be carried forward without any limitation; however the utilization of the tax loss in each year is limited to 50% of the tax base before deducting the tax loss. The management assessed the Company's expected tax base for the next five years. Based on the anticipated level of income tax losses will be fully utilized.

5 First-Time Adoption of IFRS

The Company's financial statements for the year ended 31 December 2013 will be the first annual financial statements that comply with IFRS. The Company's IFRS transition date is 1 January 2012. The Company prepared its preliminary IFRS financial statements as at 1 January 2012 and 31 December 2012 and for the year ended 31 December 2012 in accordance with the basis described in Note 2. The period ended 31 December 2012 is a comparative period for the first financial statements of the Company prepared in accordance with IFRS. The Company applied IFRS 1 in preparing these preliminary financial statements.

Subject to certain exceptions, IFRS 1 requires retrospective application of the version of IFRS effective for the first reporting year under IFRS. In preparing these preliminary IFRS financial statements, the Company has applied the mandatory exceptions full retrospective application of IFRS that are expected to be effective at 31 December 2013.

Exceptions from retrospective application which are mandatory under IFRS 1 are:

(a) ***Derecognition of financial assets and liabilities exception.*** Financial assets and liabilities derecognised before the date of the transition to IFRS are not re-recognised under IFRS. Management did not choose to apply the IAS 39 derecognition criteria from an earlier date.

(b) **Hedge accounting exception.** The Company does not apply hedge accounting.

(c) **Non-controlling interest exception.** The Company has no non-controlling interest.

(d) **Estimates exception.** Estimates under IFRS at 1 January 2012 should be consistent with estimates made for the same date under previous GAAP, unless there is evidence that those estimates were in error. There were no errors in the estimations made under previous GAAP at the date of transition, so no adjustment is needed under IFRS 1.

The latest Company's financial statements prepared in accordance with Hungarian GAAP are as of 31 December 2012.

The following reconciliations provide a quantification of the effect of the transition from Hungarian GAAP to IFRS at 1 January 2012, 31 December 2012 and for the year ended 31 December 2012:

Reconciliation of equity under Hungarian GAAP to equity under IFRS

	As at				
	31 December 2012	Profit for the year	Forex recognized in OCI	Forex translation differences on equity items	1 January 2012
Equity under Hungarian GAAP	**(1,142)**	**320**		**(94)**	**(1,368)**
Effect of differences between HAS and IFRS accounting policies					
a) Adjustment for items to be capitalized in the value of investment property (IAS 40)	(214)	(8)		(6)	(200)
b) Adjustment for depreciation of investment property (IAS 40)	1,814	627	(9)	71	1,125
c) Adjustment for lease incentives (SIC 15)	64	64			
d) Adjustment for transaction cost related to borrowings (IAS 39)	187	190	(3)		
FOREX					
e) Adjustment for deferred taxes (IAS 12)	289	(94)	(3)	25	361
IFRS Equity	**998**	**1,099**	**(15)**	**(4)**	**(82)**

Reconciliation of net assets as at 31 December 2012 under Hungarian GAAP and IFRS

In thousand Euro	IFRS	Adjustments	Hungarian GAAP
ASSETS			
Non-current assets			
Investment property (adjustment (a) and (b))	22,717	(1,600)	21,117
Property, plant and equipment	22	–	22
Trade and other receivables	–	–	–
Derivative financial instruments	–	–	–
Deferred income tax asset (adjustment (e))	289	(289)	–
Total non-current assets	**23,028**	**(1,889)**	**21,139**
Current assets			
Trade and other receivables (adjustment (c)	1,736	(64)	1,672
Current income tax receivable	63	–	63
Derivative financial instruments	–	–	–
Cash and cash equivalents	3,945	–	3,945
Total current assets	**5,744**	**(64)**	**5,680**
TOTAL ASSETS	**28,772**	**(1,953)**	**26,819**
EQUITY AND LIABILITIES			
Equity			
Share capital	69	–	69
Other reserves	2,506	15	2,521
Retained earnings /(Accumulated losses)	(1,577)	(2,155)	(3,732)
TOTAL EQUITY	**998**	**(2,140)**	**(1,142)**

In thousand Euro	IFRS	Adjustments	Hungarian GAAP
Non-current liabilities			
Borrowings from related parties	–	–	–
Borrowings from banks (adjustment (d))	19,456	140	19,596
Trade and other payables	410	–	410
Derivative financial instruments	–	–	–
Deferred income tax liability	–	–	–
Total non-current liabilities	**19,866**	**140**	**20,006**
Current liabilities			
Borrowings from related parties	6,920	–	6,920
Borrowings from banks (adjustment (d))	682	47	729
Trade and other payables	306	–	306
Deferred revenue	–	–	–
Derivative financial instruments	–	–	–
Current income tax payable	–	–	–
Total current liabilities	**7,908**	**47**	**7,955**
Total liabilities	**27,774**	**187**	**27,961**
TOTAL LIABILITIES AND EQUITY	**28,772**	**(1,953)**	**26,819**

Reconciliation of net assets as at 1 January 2012 under Hungarian GAAP and IFRS

In thousand Euro	IFRS	Adjustments	Hungarian GAAP
ASSETS			
Non-current assets			
Investment property	21,521	(925)	20,596
Property, plant and equipment	25	–	25
Trade and other receivables	–	–	–
Derivative financial instruments	–	–	–
Deferred income tax asset	361	(361)	–
Total non-current assets	**21,907**	**(1,286)**	**20,621**
Current assets			
Trade and other receivables	366	–	366
Current income tax receivable	35	–	35
Derivative financial instruments	0	–	0
Cash and cash equivalents	65	–	65
Total current assets	**466**	**–**	**466**
TOTAL ASSETS	**22,373**	**(1,286)**	**21,087**
EQUITY AND LIABILITIES			
Equity			
Share capital	64	–	64
Other reserves	2,360	–	2,360
Retained earnings /(Accumulated losses)	(2,506)	(1,286)	(3,792)
TOTAL EQUITY	**(82)**	**(1,286)**	**(1,368)**
Non-current liabilities			
Borrowings from related parties	–	–	–
Borrowings from banks	–	–	–
Trade and other payables	173	–	173
Derivative financial instruments	–	–	–
Deferred income tax liability	–	–	–
Total non-current liabilities	**173**	**–**	**173**

In thousand Euro	IFRS	Adjustments	Hungarian GAAP
Current liabilities			
Borrowings from related parties	5,347	–	5,347
Borrowings from banks	16,743	–	16,743
Trade and other payables	192	–	192
Deferred revenue	–	–	–
Derivative financial instruments	–	–	–
Current income tax payable	–	–	–
Total current liabilities	**22,282**	**–**	**22,282**
Total liabilities	**22,455**	**–**	**22,455**
TOTAL LIABILITIES AND EQUITY	**22,373**	**(1,286)**	**21,087**

Reconciliation of net profit under Hungarian GAAP to total comprehensive income under IFRS

	Year ended 31 December 2012
Profit under Hungarian GAAP	**320**
Effect of differences between HAS and IFRS accounting policies	
(a) and (b) Adjustment for cost and depreciation of investment property (IAS 40)	619
c) Adjustment for lease incentives (SIC 15)	64
d) Adjustment for transaction cost related to borrowings (IAS 39)	190
e) Adjustment for deferred taxes (IAS 12)	(94)
Effect of translation to presentation currency under IFRS	
f) Recording of foreign currency translation reserve	(15)
Total comprehensive income under IFRS	**1,084**

The key adjustments for the differences between Hungarian GAAP and IFRS have been made to correct the Hungarian statutory accounts and to fully comply with IFRS.

Below are described key adjustments made to Hungarian GAAP accounts:

a) Adjustment for items to be capitalized in the value of investment property (IAS 40)

Under Hungarian GAAP specific list of items are stated that should be capitalized in the value of the investment. Some of these items, mainly capitalization of foreign exchange differences are not eligible for capitalization in the IFRS financial statements.

b) Adjustment for depreciation of investment property (IAS 40)

The management is recognizing the depreciation straight line basis under IFRS based on the estimated useful life and residual value, which results in a different depreciation from the Hungarian GAAP account. Under Hungarian GAAP depreciation rates are used given by the corporate income tax law and investment property is depreciated over 20 years.

c) Adjustment for lease incentives (SIC 15)

The Company is accounting for lease incentives as a reduction of rental income on a straight-line basis over the lease term under IFRS. Under Hungarian GAAP if the lease incentive is provided by payment to the tenant is expensed when settled.

d) Adjustment for transaction cost related to borrowings (IAS 39)

The Company is recognizing the borrowings net of transactions cost under IFRS and the transaction cost is recognised over the period of the borrowings using the effective interest method. Under Hungarian GAAP the transaction cost related to the borrowing is expensed as incurred.

e) Adjustment for deferred taxes (IAS 12)

Previously, under Hungarian GAAP the Group did not recognise deferred income tax assets and liabilities. The effect of the transition to IFRS was to recognise the deferred tax under the balance sheet liability method. Please refer to Note 8 on deferred taxes.

f) Recording of foreign currency translation reserve

As a result of the different presentation currency under IFRS than the functional currencies of the entity , the difference on translation is recorded in other comprehensive income in line with IAS 21. Hungarian statutory financial statements are prepared in the Entity’s functional currency, therefore under Hungarian GAAP there is no need to record translation reserve.

6 Investment Property

Movements in the carrying amount of investment property were as follows:

In thousand Euro	Investment property
Gross book value at 1 January 2012	23,026
Accumulated depreciation	(1,505)
NBV at 1 January 2012	**21,521**
Additions	535
Depreciation charge	(814)
Foreign currency translation differences	1,475
NBV at 31 December 2012	**22,717**
Cost at 31 December 2012	25,130
Accumulated depreciation	(2,413)

The investment property comprises of one building: Hungary, 1117, Budapest, Neumann Janos str 1 building E.

The fair value of the investment property as of 31 December 2012 is EUR 36,500 thousand.

The investment property serves as a pledge on the bank loans obtained.

7 Property, Plant and Equipment

Movements in the carrying amount of property, plant and equipment were as follows:

In thousand Euro	Note	Plant and equipment	Other	Total
Cost at 1 January 2012		35	14	49
Accumulated depreciation		(10)	(14)	(24)
Carrying amount at 1 January 2012		**25**		**25**
Depreciation charge		(5)		(5)
Effect of translation to presentation currency		2	—	2
Carrying amount at 31 December 2012		**22**		**22**
Cost at 31 December 2012		35	14	49
Accumulated depreciation		(15)	(14)	(29)

8 Income Taxes

Income tax charge comprises the following:

In thousand Euro	Year ended 31 December 2012
Current tax	(104)
Deferred tax	(97)
Income tax	**(201)**

The reconciliation between the estimated and actual tax charges is provided below:

In thousand Euro		Year ended 31 December 2012
Profit before tax		**1,300**
Corporate income tax at 10% statutory rates		(130)
Tax effect of items not deductible or assessable for taxation purposes:		
—Non-deductible expenses		(30)
Effect of other income taxes	*(a)*	(50)
Other		9
Income tax for the year		**(201)**

According to the amended tax laws effective from 1 July 2010, corporate income taxes are progressive: a 10% favourable rate is applicable up to a yearly positive tax base of 500 HUF million (equivalent of thousand EUR 1,717), and a 19% rate is applicable above that tax base.

Since the tax base of the Company is expected to be below 500 HUF million the Group used 10% for calculating deferred tax liability as of 31 December 2012 and as at 1 January 2012 as well, therefore the change of legislation mentioned above have no effect on the deferred tax recognized.

Differences between IFRS and Hungarian statutory taxation regulations give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases.

(a) Effect of other income taxes

Other income taxes include local business tax and innovation fee levied in Hungary on the companies' net margins, determined at a substantially higher level than the corporate tax base, but with substantially lower tax rates. As the first line of the reconciliation calculates theoretical tax expense calculated using the corporate tax rate, the Hungarian local business tax and the innovation fee impose additional income tax expenses for the Hungarian entity, included in this line of the reconciliation.

Current income tax receivable

In thousand Euro	As at 31 December 2012	As at 1 January 2012
Corporate income tax	62	33
Local business tax	1	2
Total income tax receivable	**63**	**35**

Deferred income tax asset

The reconciliation between the deferred tax recognized in statement of comprehensive income and the change in deferred income tax assets and liability in the balance sheet is provided below:

In thousand Euro	
Deferred income tax asset as of 1 January	361
Deferred income tax asset as of 31 December	289
Change in deferred income tax asset in 2012	**(72)**

In thousand Euro	1 January 2012	Deferred tax recognized in profit or loss in 2012	31 December 2012
Tax effect of deductible temporary differences and tax losses			
Tax loss carried forward	388	(29)	359
Gross deferred tax asset	**388**	**(29)**	**359**
Tax effect of taxable temporary differences			
Investment property	(27)	(24)	(51)
Lease incentives	–	(19)	(19)
Gross deferred tax liability	**(27)**	**(43)**	**(70)**
Recognized deferred tax asset	**361**	**(72)**	**289**

9 Trade and Other Receivables

In thousand Euro	As at 31 December 2012	As at 1 January 2012
Current receivables		
Rent and service charge receivables	264	356
Other receivables and prepayments	217	10
Prepayment for fit out construction	1,255	–
Total	**1,736**	**366**

Management considers that the fair values of the trade and other receivables equal their book value.

Rent receivable on current and future lease contracts serves as a pledge on the bank loans obtained.

The carrying value of trade and other receivables are denominated in EURO and Hungarian Forint.

			Past due but not impaired				
	Total	Neither past due, not impaired	<30 days	30-60 days	60-90 days	90-120 days	>120 days
31 December 2012	264	251	2	3	–	–	8
1 January 2012	356	319	12	12	2	2	9

10 Cash and Cash Equivalents

	As at 31 December 2012	As at 1 January 2012
Cash at bank and in hand	3,945	65
Cash and cash equivalents	**3,945**	**65**

The cash and cash equivalents are dominated in the following currencies:

	As at	
	31 December 2012	1 January 2012
HUF	32	25
Euro	3,913	40
	3,945	**65**

For the purposes of cash flow statement, the cash and cash equivalents comprise the following:

	As at	
	31 December 2012	1 January 2012
Cash at bank	3,945	65

11 Equity

In thousand Euro	Share capital Euro '000
As at 1 January 2012	64
As at 31 December 2012	69

	Total
At 01 January 2012	**64**
Currency translation differences	5
At 31 December 2012	**69**

The shareholder of the Company as at 31 December 2012 is Odiny Investments S.á r.l.(LU-1331 Luxembourg, Boulevard Grande—Duchesse Charlotte 65.) The ultimate parent entity is Bluehouse Accession Property Holdings III S.a.r.l., Luxembourg.

	As at	
	31 December 2012	1 January 2012
Other reserves		
Capital reserve	2,360	2,360
Currency translation difference on capital reserve	161	–
Translation reserve	(15)	–
Total	**2,506**	**2,360**

Capital reserve consist of additional cash contribution of the previous owner of the Company.

12 Borrowings

In thousand Euro	As at 31 December 2012	As at 1 January 2012
Non-current		
Borrowings from third parties	19,456	–
Total non-current	**19,456**	**–**
Current		
Borrowings from related parties	6,920	5,347
Borrowings from third parties	682	16,743
Total current borrowings	**7,602**	**22,090**
Total borrowings	**27,058**	**22,090**

The Company obtained a long-term bank loan from a Hungarian Credit Institute, denominated in Euro, on 12 December 2012.

The long-term bank loan is secured by a pledge on the owners share of the Company and on the rental receivables of the Company. Furthermore a mortgage for the Hungarian Credit Institute, was registered on the investment property of the Company.

The loan is repayable by 30 September 2017. The loan bears floating interest rates, determinable for each 3-month period on the basis of 3 month EURIBOR. The effective annual interest rate on the loan as at the balance sheet date is 3,884%. The bank covenants are disclosed in Note 3.2.

The Company also obtained an inter-company long-term borrowing from Bluehouse Accession Project X Ltd, denominated in Euro, on 12 December 2012. The loan is repayable upon the lenders request. The loan bears a fixed annual interest rate. The effective annual interest rate on the loan as at the balance sheet date is 4.75%.

The principal repayment of the long-term bank loan with a maturity up to 1 year is disclosed as current bank loan as at 31 December 2012.

The fair values are based on discounted cash flows using a discount rate based upon the borrowing rate, which the management expects to be available to the Company at the balance sheet date. The carrying amounts of the borrowings approximate their fair value.

In the comparative period the Company had an intercompany loan from IVG Development GmbH denominated in Euro with a maturity of 30 September 2012 and a fix interest rate of 5%. The loan was prolonged and was finally repaid on the 20 December 2012 due to the change of the controlling party .

The Company had furthermore a bank loan from an Austrian Credit Institute, denominated in Euro, with a maturity date of 31 August 2012. The effective annual interest rate on the loan as at the balance sheet date is 4.06%. The bank loan was prolonged in 2012 until 30 September 2014. but then early repaid due to the change of the controlling party of the Company.

13 Trade and Other Payables

Trade and other payables

In thousand Euro	As at 31 December 2012	As at 1 January 2012
Non-current		
Tenants deposits	410	173
Total	**410**	**173**

	As at 31 December 2012	As at 1 January 2012
Current		
Trade payables	163	118
Taxes payable	18	4
Other payables	125	70
Total	**306**	**192**

Deferred income relates to the Company’s policy of invoicing in advance the rent towards the tenants.

14 Revenue

In thousand Euro	Year ended 31 December 2012
Rental revenue	2,117
Service and management charges	512
Total	**2,629**

The period of leases whereby the Group leases out its investment property under operating leases varies from 5 years to 19 years.

Contingent rents have not been recognised as income in 2012 .

The future aggregate minimum rentals receivable under non-cancellable operating leases are as follows:

	31 December 2012
No later than 1 year	2,210
Later than 1 year and no later than 5 years	5,855
Later than 5 years	6,427
Total	**14,492**

15 Operating Expenses Arising from Investment Properties that Generate Rental Revenue

In thousand Euro	Year ended 31 December 2012
Depreciation and impairment	814
Maintenance and repairs expenses	114
Energy and water	506
Insurance	3
Other	151
Total operating expenses arising from investment properties that generate rental revenue	**1,588**

Other costs contain an annual operating leasing fee of EUR 106 thousands.

The company entered into an operating lease agreement for the land usage right for a period of 90 years. No renewal options or contingent rents are associated to the contract. Further lease commitments are presented in Note 18.

16 Administrative Expenses

In thousand Euro	Year ended 31 December 2012
Professional fees	111
Bank charges	89
Employee benefits	–
Other	218
Total administrative expense	**418**

17 Finance Income and Costs

In thousand Euro	Year ended 31 December 2012
Interest on bank deposit	3
Foreign exchange gains	1,933
Total finance income	**1,936**
Interest expense from related parties	(11)
Interest expense from related parties (previous owner)	(279)
Interest expense from third parties	(584)
Foreign exchange loss	(385)
Total finance costs	**(1,259)**

The total foreign exchange gain recognised in the profit or loss during 2012 amounted to 1,548.

18 Contingencies and Commitments

a) Review of tax accounts

The tax authorities may at any time inspect the books and records within 5 years subsequent to January 1 of the year, following the year in which the taxes are payable, and may impose additional tax assessments and penalties. The Company's management is not aware of any circumstances, which may give rise to a potential material liability in this respect.

b) Assets pledged and restricted.

The long-term bank loan from Hungarian Credit Institute, is secured by a pledge on the owners share of the Company and on the rental receivables of the Company. Furthermore a mortgage for Hungarian Credit Institute, was registered on the investment property of the Company.

c) Operating lease commitments.

Where the Company is the lessee, the future minimum lease payments under non-cancellable operating leases are as follows:

Period	As at 31 December 2012	As at 31 December 2011
Not later than one year	106	106
Later than one year and not later than five years	424	424
Later than five years	3,392	3,498
Total	**3,922**	**4,028**

The future minimum payments under operating lease agreements relate to operating leases of the land. The lease terms as disclosed in the Note 15.

19 Related Party Transactions

The Company's immediate parent company is Odiny Investments S.á r.l. (LU-1331 Luxembourg, Boulevard Grande—Duchesse Charlotte 65 (incorporated in Luxembourg), which owns 100% of the Company's shares.

Bluehouse Group became a related party of the Company with the aquisition on 20 December 2012. Before the aquisition the Company was member of IVG Group (ultimate controling party was Infopark Immobilien AG) this means that related party information in the comparative figures relate to IVG Group.

The Company has borrowings from Bluehouse Accession Project X Ltd which is a higher level parent of the Company as follows (the comparatives as at 1 January 2012 is the loan from the previous owner of the Company):

a) Borrowings from related parties

	31 December 2012	1 January 2012
Loan received		
Beginning of the year	–	4,799
Loans advanced during the year	6,909	300
Interest accrued	11	248
End of year	**6,920**	**5,347**
End of the year, analysed by:		
Loan principal	6,909	5,339
Interest payable	11	8
	6,920	**5,347**

The loan is repayable upon the lenders request, so the amount was reclassified to current liabilities at 31 December 2012.

b) Purchases from related parties

During the year the Company was not charged or paid any management fee.

The Company does not have any employees, therefore no key management compensation is provided and presented.

20 Events After the Date of the Statement of Financial Position

There are no post-balance sheet events to be reported.

INDEPENDENT AUDITOR'S REPORT ON PRELIMINARY IFRS FINANCIAL INFORMATION

To the Managing Directors of Infopark E Építési Terület Ingatlanfejlesztési Kft.

We have audited the accompanying special purpose financial information of Infopark E Építési Terület Ingatlanfejlesztési Kft. ("the Company") which comprises the preliminary special purpose IFRS balance sheet as at 31 December 2012, and the preliminary special purpose IFRS statement of cash flows, statement of comprehensive income and statement of changes in shareholders' equity for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the special purpose financial information

Management is responsible for the preparation of this special purpose financial information in accordance with the basis set out in note 2.1, as part of the Company's conversion to International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), and for such internal control as management determines is necessary to enable the preparation of special purpose financial information that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on this special purpose financial information based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the special purpose financial information is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the special purpose financial information. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the special purpose financial information, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the special purpose financial information 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 management, as well as evaluating the overall presentation of the special purpose financial information.

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 special purpose financial information as at 31 December 2012 and for the year then ended has been prepared, in all material respects, in accordance with the basis set out in Note 2.1, which describes the accounting policies of the Company based on IFRS as adopted by the EU applied under IFRS 1 '*First-time adoption of International Financial Reporting Standards*', including the assumptions management has made about the standards and interpretations expected to be effective, and the policies expected to be adopted when the Company prepares its first complete set of IFRS financial statements as at 31 December 2013.

Emphasis of matter—Basis of Preparation

We draw attention to the fact that Note 2.1 explains why there is a possibility that the accompanying preliminary IFRS financial information may require adjustment before constituting the final comparative information in the Company's first complete set of IFRS financial statements as at 31 December 2013. Moreover, we draw attention to the fact that financial information without comparative information in respect of the previous period does not comprise a full set of financial statements prepared in accordance with IFRS as adopted by the EU. Our opinion is not modified in respect of these matters.

PricewaterhouseCoopers Könyvvizsgáló Kft.
1077 Budapest, Wesselényi u. 16.,
Hungary
4 June 2013

INFOPARK E ÉPÍTÉSI TERÜLET INGATLANFEJLESZTÉSI KFT.

CONDENSED INTERIM FINANCIAL STATEMENTS
FOR SIX MONTHS ENDED 30 JUNE 2013

(All amounts in Euro thousands unless indicated otherwise)

INTERIM BALANCE SHEET

	Note	As at 30 June 2013 Unaudited	31 December 2012 Audited	1 January 2012 Unaudited
ASSETS				
Non-current assets				
Investment property	9	22,319	22,717	21,521
Property, plant and equipment		19	22	25
Deferred income tax asset		377	289	361
Total non-current assets		**22,715**	**23,028**	**21,907**
Current assets				
Trade and other receivables	10	1,467	1,736	366
Current income tax receivable		–	63	35
Cash and cash equivalents		2,923	3,945	65
Total current assets		**4,390**	**5,744**	**466**
TOTAL ASSETS		**27,105**	**28,772**	**22,373**
EQUITY AND LIABILITIES				
Equity				
Share capital	11	68	69	64
Other reserves		2,488	2,506	2,360
Accumulated losses		(1,850)	(1,577)	(2,506)
TOTAL EQUITY		**706**	**998**	**(82)**
Non-current liabilities				
Borrowings from banks	12	19,086	19,456	–
Trade and other payables	13	247	410	173
Total non-current liabilities		**19,333**	**19,866**	**173**
Current liabilities				
Borrowings from related parties	17	6,082	6,920	5,347
Borrowings from banks	12	713	682	16,743
Trade and other payables	13	271	306	192
Total current liabilities		**7,066**	**7,908**	**22,282**
Total liabilities		**26,399**	**27,774**	**22,455**
TOTAL EQUITY AND LIABILITIES		**27,105**	**28,772**	**22,373**

The accompanying notes are an integral part of these condensed interim financial statements

(All amounts in Euro thousands unless indicated otherwise)

INTERIM STATEMENT OF COMPREHENSIVE INCOME

	Note	Six months ended 30 June 2013	Six months ended 30 June 2012
		Unaudited	
Rental revenue		1,201	1,036
Other revenue		264	238
Total revenue		**1,465**	**1,274**
Operating expenses arising from investment properties that generate rental revenue	14	(770)	(754)
Gross profit		**695**	**520**
Administrative expenses	15	(223)	(122)
Operating profit		**472**	**398**
Finance income	16	14	1,771
Finance costs	16	(834)	(456)
Profit/(Loss) before tax		**(348)**	**1,713**
Income tax	8	60	(265)
Profit/(Loss) for the period		**(288)**	**1,448**
Foreign currency translation difference		9	20
Items of other comprehensive income that are reclassifiable to profit or loss when specific conditions are met		**9**	**20**
Other comprehensive income for the period		**9**	**20**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**(279)**	**1,468**

The accompanying notes are an integral part of these condensed interim financial statements

INTERIM STATEMENT OF CHANGES IN EQUITY

In thousand Euro	Note	Share capital	Other reserves—capital reserve	Other reserves—Translation reserve	Retained earnings / (Accumulated losses)	Total equity
Balance at 1 January 2012 (Unaudited)		**64**	**2,360**	**–**	**(2,506)**	**(82)**
Currency (translation difference on equity items		**5**	**167**	**–**	**(205)**	**(33)**
Profit for the period		**–**	**–**	**–**	**1,448**	**1,448**
Other comprehensive income for the period		**–**	**–**	**20**	**–**	**20**
Total comprehensive income for the period		**–**	**–**	**20**	**1,448**	**1,468**
Balance at 30 June 2012 (Unaudited)		**69**	**2,527**	**20**	**(1,263)**	**1,353**
Balance at 1 January 2013		**69**	**2,521**	**(15)**	**(1,577)**	**998**
Currency translation difference on equity items		(1)	(27)	–	15	(13)
Profit for the period		–	–	–	(288)	(288)
Other comprehensive income for the period		–	–	9	–	9
Total comprehensive income for the period		–	–	9	(288)	(279)
Balance at 30 June 2013 (Unaudited)		**68**	**2,494**	**(6)**	**(1,850)**	**706**

The accompanying notes are an integral part of these condensed interim financial statements

(All amounts in Euro thousands unless indicated otherwise)

INTERIM STATEMENT OF CASH FLOWS

	Note	Six months ended 30 June 2013	30 June 2012
		Unaudited	
Cash flows from operating activities			
Profit/(Loss) before tax		(348)	1,713
Depreciation of property, plant and equipment		4	4
Depreciation of investment property	9	422	402
Finance income	16	(14)	(1,771)
Finance costs	16	834	456
Change in working capital:			
—Increase/decrease in trade and other receivables		269	(73)
—Increase/decrease in trade and other payables		(35)	76
Tenants deposits received		–	39
Tenants deposits paid		(163)	–
Interest received		10	1
Net cash from operating activities		**979**	**847**
Cash flows from investing activities			
Purchases of property, plant and equipment		–	–
Purchases of investment property		(253)	(220)
Net cash used in investing activities		**(253)**	**(220)**
Cash flows from financing activities			
Proceeds from borrowings		222	200
Repayment of borrowings		(1,559)	(617)
Interest paid		(399)	–
Net cash used in financing activities		**(1,736)**	**(417)**
Net increase/(decrease) in cash and cash equivalents		**(1,010)**	**210**
Cash and cash equivalents at the beginning of the period		**3,945**	**65**
Effect of exchange rate changes		(12)	2
Cash and cash equivalents at the end of the period		**2,923**	**277**

The accompanying notes are an integral part of these condensed interim financial statements

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

1 General information

Infopark E Építési Terület Ingatlanfejlesztési Kft (the ''Company'') operates in the area of real estate (leases its investment properties to tenants).

The Company is a limited liability company, incorporated and domiciled in Hungary. The Company's registered office is located at the following address: Hungary, 1143, Budapest, Stefánia str 101-103 3rd floor.

These condensed interim financial statements have been prepared for inclusion in prospectus of Meridian Properties N.V. and approved by management on 30 July 2013. These condensed interim financial statements have been reviewed, not audited.

2 Basis of preparation

These condensed interim financial statements for the six months ended 30 June 2013 have been prepared in accordance with IAS 34, 'Interim financial reporting' and are covered by IFRS 1 'First-time Adoption of IFRS' as adopted by European Union, because they are part of the period covered by the Company's first financial statements for the year ended 31 December 2013 that will be prepared in accordance with IFRS as adopted by the European Union.

These condensed interim financial statements have been prepared in accordance with those IFRS standards and IFRIC interpretations issued and effective and adopted by the European Union for the financial year ended 31 December 2013. These IFRS standards and IFRIC interpretations that will be applicable at 31 December 2013 are not known with certainty at the time of preparing these interim financial statements.

These condensed interim financial statements should be read in conjunction with the preliminary financial information for the year ended 31 December 2012, which has been prepared in accordance with IFRS 1 'First-time Adoption of IFRS' to present a comparative period for the first financial statements of the Company prepared in accordance with IFRS as adopted by the EU.

The date of transition to IFRS is 1 January 2012. The Company's financial statements were prepared in accordance Hungarian GAAP until 31 December 2012. Hungarian GAAP differs in some areas from IFRS. Reconciliations and descriptions of the adjustments from local GAAP to IFRS as adopted by the EU are provided in Note 5.

3 Accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as described below. These policies have been consistently applied to all the periods presented.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss.

4 Estimates

The preparation of interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed interim financial statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the preliminary financial information for the year ended 31 December 2012, with the exception of changes in estimates that are required in determining the provision for income taxes.

5 First-time adoption of IFRS

The Company's financial statements for the year ended 31 December 2013 will be the first annual financial statements that comply with IFRS as adopted by the European Union ('IFRS'). The Company's date of transition to IFRS is 1 January 2012. The Company prepared its opening IFRS balance sheet at that date.

(All amounts in Euro thousands unless indicated otherwise)

The period ended 31 December 2012 is a comparative period for the first financial statements of the Company prepared in accordance with IFRS. The Company has presented the preliminary financial information for that period. The accounting policies (including exemptions applied under IFRS 1) are consistent with those applied in the preparation of the preliminary financial information as at 31 December 2012.

The Company applied IFRS 1 in preparing these interim condensed financial statements.

In preparing these condensed interim financial statements in accordance with IFRS 1, the Company has applied mandatory exceptions to retrospective application of other IFRS and has elected not to apply the optional exemptions.

Exceptions from retrospective application which are mandatory under IFRS 1 are:

(a) ***Derecognition of financial assets and liabilities exception.*** Financial assets and liabilities derecognised before the date of the transition to IFRS are not re-recognised under IFRS. Management did not choose to apply the IAS 39 derecognition criteria from an earlier date.

(b) ***Hedge accounting exception.*** The Company does not apply hedge accounting.

(c) ***Non-controlling interest exception.*** The Company has no non-controlling interest.

(d) ***Estimates exception.*** Estimates under IFRS at 1 January 2012 should be consistent with estimates made for the same date under previous GAAP, unless there is evidence that those estimates were in error. There were no errors in the estimations made under previous GAAP at the date of transition, so no adjustment is needed under IFRS 1.

Following reconciliations provide a quantification of the effect of the transition from Hungarian GAAP to IFRS at 1 January 2012, 31 December 2012 and for the year ended 31 December 2012.

Due to the fact that the Company has not presented interim financial statements for the comparable interim period of the immediately preceding financial year under previous GAAP, it does not present reconciliation of its equity in accordance with previous GAAP at the end of that comparable interim period to its equity under IFRSs at that date; and a reconciliation to its total comprehensive income in accordance with IFRSs for that comparable interim period.

Reconciliation of equity under Hungarian GAAP to equity under IFRS

	As at				
	31 December 2012	**Profit for the year**	**Forex recognized in OCI**	**Forex translation differences on equity items**	**1 January 2012**
Equity under Hungarian GAAP	**(1,142)**	**320**		**(94)**	**(1,368)**
Effect of differences between HAS and IFRS accounting policies					
a) Adjustment for items to be capitalized in the value of investment property (IAS 40)	**(214)**	**(8)**	**–**	**(6)**	**(200)**
b) Adjustment for depreciation of investment property (IAS 40)	1,814	627	(9)	71	1,125
c) Adjustment for lease incentives (SIC 15)	64	64	–	–	–
d) Adjustment for transaction cost related to borrowings (IAS 39)	187	190	(3)	–	–
e) Adjustment for deferred taxes (IAS 12)	289	(94)	(3)	25	361
IFRS Equity	**998**	**1,099**	**(15)**	**(4)**	**(82)**

Reconciliation of net assets as at 31 December 2012 under Hungarian GAAP and IFRS

In thousand Euro	IFRS	Adjustments	Hungarian GAAP
ASSETS			
Non-current assets			
Investment property (adjustment (a) and (b))	22,717	(1,600)	21,117
Property, plant and equipment	22	–	22
Trade and other receivables	–	–	–
Derivative financial instruments	–	–	–
Deferred income tax asset (adjustment (e))	289	(289)	–
Total non-current assets	**23,028**	**(1,889)**	**21,139**
Current assets			
Trade and other receivables (adjustment (c)	1,736	(64)	1,672
Current income tax receivable	63	–	63
Derivative financial instruments	–	–	–
Cash and cash equivalents	3,945	–	3,945
Total current assets	**5,744**	**(64)**	**5,680**
TOTAL ASSETS	**28,772**	**(1,953)**	**26,819**
EQUITY			
Equity			
Share capital	69	–	69
Other reserves	2,506	15	2,521
Accumulated losses	(1,577)	(2,155)	(3,732)
TOTAL EQUITY	**998**	**(2,140)**	**(1,142)**
LIABILITIES			
Non-current liabilities			
Borrowings from related parties	–	–	–
Borrowings from banks (adjustment (d))	19,456	140	19,596
Trade and other payables	410	–	410
Derivative financial instruments	–	–	–
Deferred income tax liability	–	–	–
Total non-current liabilities	**19,866**	**140**	**20,006**
Current liabilities			
Borrowings from related parties	6,920	–	6,920
Borrowings from banks (adjustment (d))	682	47	729
Trade and other payables	306	–	306
Deferred revenue	–	–	–
Derivative financial instruments	–	–	–
Current income tax payable	–	–	–
Total current liabilities	**7,908**	**47**	**7,955**
Total liabilities	**27,774**	**187**	**27,961**
TOTAL LIABILITIES AND EQUITY	**28,772**	**(1,953)**	**26,819**

Reconciliation of net assets as at 1 January 2012 under Hungarian GAAP and IFRS

In thousand Euro	IFRS	Adjustments	Hungarian GAAP
ASSETS			
Non-current assets			
Investment property	21,521	(925)	20,596
Property, plant and equipment	25	–	25
Trade and other receivables	–	–	–
Derivative financial instruments	–	–	–
Deferred income tax asset	361	(361)	–
Total non-current assets	**21,907**	**(1,286)**	**20,621**
Current assets			
Trade and other receivables	366	–	366
Current income tax receivable	35	–	35
Derivative financial instruments	0	–	0
Cash and cash equivalents	65	–	65
Total current assets	**466**	**–**	**466**
TOTAL ASSETS	**22,373**	**(1,286)**	**21,087**
EQUITY AND LIABILITIES			
Equity			
Share capital	64	–	64
Other reserves	2,360	–	2,360
Retained earnings /(Accumulated losses)	(2,506)	(1,286)	(3,792)
TOTAL EQUITY	**(82)**	**(1,286)**	**(1,368)**
Non-current liabilities			
Borrowings from related parties	–	–	–
Borrowings from banks	–	–	–
Trade and other payables	173	–	173
Derivative financial instruments	–	–	–
Deferred income tax liability	–	–	–
Total non-current liabilities	**173**	**–**	**173**
Current liabilities			
Borrowings from related parties	5,347	–	5,347
Borrowings from banks	16,743	–	16,743
Trade and other payables	192	–	192
Deferred revenue	–	–	–
Derivative financial instruments	–	–	–
Current income tax payable	–	–	–
Total current liabilities	**22,282**	**–**	**22,282**
Total liabilities	**22,455**	**–**	**22,455**
TOTAL LIABILITIES AND EQUITY	**22,373**	**(1,286)**	**21,087**

(All amounts in Euro thousands unless indicated otherwise)

Reconciliation of net profit under Hungarian GAAP to total comprehensive income under IFRS

	Year ended 31 December 2012
Profit under Hungarian GAAP	**320**
Effect of differences between HAS and IFRS accounting policies	
(a) and (b) Adjustment for cost and depreciation of investment property (IAS 40)	619
c) Adjustment for lease incentives (SIC 15)	64
d) Adjustment for transaction cost related to borrowings (IAS 39)	190
e) Adjustment for deferred taxes (IAS 12)	(94)
Effect of translation to presentation currency under IFRS	
f) Recording of foreign currency translation reserve	(15)
Total comprehensive income under IFRS	**1,084**

Below are described key adjustments made to Hungarian GAAP accounts to comply with IFRS:

a) Adjustment for items to be capitalized in the value of investment property (IAS 40)

Under Hungarian GAAP specific list of items are stated that should be capitalized in the value of the investment. Some of these items, mainly capitalization of foreign exchange differences are not eligible for capitalization in the IFRS financial statements.

b) Adjustment for depreciation of investment property (IAS 40)

The management is recognizing the depreciation straight line basis under IFRS based on the estimated useful life and residual value, which results in a different depreciation from the Hungarian GAAP account. Under Hungarian GAAP depreciation rates are used given by the corporate income tax law and investment property is depreciated over 20 years.

c) Adjustment for lease incentives (SIC 15)

The Company is accounting for lease incentives as a reduction of rental income on a straight-line basis over the lease term under IFRS. Under Hungarian GAAP if the lease incentive is provided by payment to the tenant is expensed when settled.

d) Adjustment for transaction cost related to borrowings (IAS 39)

The Company is recognizing the borrowings net of transactions cost under IFRS and the transaction cost is recognised over the period of the borrowings using the effective interest method. Under Hungarian GAAP the transaction cost related to the borrowing is expensed as incurred.

e) Adjustment for deferred taxes (IAS 12)

Previously, under Hungarian GAAP the Group did not recognise deferred income tax assets and liabilities. The effect of the transition to IFRS was to recognise the deferred tax under the balance sheet liability method.

f) Recording of foreign currency translation reserve

As a result of the different presentation currency under IFRS than the functional currencies of the entity, the difference on translation is recorded in other comprehensive income in line with IAS 21. Hungarian statutory financial statements are prepared in the Entity's functional currency, therefore under Hungarian GAAP there is no need to record translation reserve.

(All amounts in Euro thousands unless indicated otherwise)

6 Financial risk management

6.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

The condensed interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the Company's preliminary financial information as at 31 December 2012. There have been no changes in the risk management policies.

6.2 Credit risk

No impairment loss was recognised or reversed in the interim period or the comparative interim period.

6.3 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the nature of the underlying businesses, the Company manages its liquidity risk through maintenance of sufficient cash and cash equivalents balances and credit facilities to meet its obligations when they fall due.

As at 30 June 2013 current liabilities exceed current assets by EUR 2,676 thousand (as at 31 December 2012 by EUR 2,164 thousand).

The Company was provided with a binding letter of support from Bluehouse Accession Property Holdings III S.a.r.l., as the ultimate parent company, which states that adequate funds and full support would be provided to enable the Company to continue operations at least by 31 December 2013.

The Company's shareholder confirms that it will maintain its investment in the Company and that it is its current policy to ensure that Infopark E Építési Terület Ingatlanfejleszési Kft. is in the position to meet its debts and capital expenditure commitments as they fall due. If the Company's shareholder does not provide financial support to Infopark E Építési Terület Ingatlanfejleszési Kft. and the going concern basis could not be applied, the Company's assets and liabilities should be measured at the values that could be substantially different than the amounts presented in these financial statements prepared on a going concern basis.

The tables below presents the maturity analysis of financial liabilities. The amounts disclosed in the tables are the contractual undiscounted cash flows. Undiscounted cash flows in respect of balances due within 12 months generally equal their carrying amounts in the balance sheet, as the impact of discounting is not significant.

As at 30 June 2013	Up to 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Liabilities					
Bank Borrowings					
—principal repayments	713	759	18,327	–	19,799
—interest payments	801	803	1,863	–	3,467
Related party borrowings					
—principal repayments	5,931	–	–	–	5,931
—interest payments	151	–	–	–	151
Trade and other payables—current	271	–	–	–	271
Trade and other payables—non-current	–	26	220	1	247
Total future payments, including future principal and interest payments	**7,867**	**1,588**	**20,410**	**1**	**29,866**

As at 31 December 2012	Up to 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Liabilities					
Bank Borrowings					
—principal repayments	682	726	18,730	–	20,138
—interest payments	798	807	2,258	–	3,863
Related party borrowings					
—principal repayments	6,920	–	–	–	6,920
—interest payments	329	–	–	–	329
Trade and other payables—current	163	–	–	–	163
Trade and other payables—non-current	–	65	344	1	410
Total future payments, including future principal and interest payments	**8,892**	**1,598**	**21,332**	**1**	**31,823**

6.4 Fair value estimation

The carrying values of trade receivables and payables, as well as borrowings are assumed to approximate their fair values.

7 Seasonality of operations

The operation of the Company is not affected by seasonality

8 Income taxes

Income tax expense is recognised based on management's estimate of the weighted average annual effective income tax rate expected for the full financial year. The estimated average annual effective tax rate used for the six months ended 30 June 2013 is 17.24% (the estimated tax rate for the six months ended 30 June 2012 was 15.47%). The estimated tax rate has increased as the calculation of the tax base of the local business tax has changed compared to prior year. Tax base of the local business tax was calculated until 31 December 2012 as the difference of total revenues and cost of sales. From 1 January 2013 cost of sales are not entirely deductible.

9 Investment property

In thousand Euro	Six months ended 30 June 2013	Year ended 31 December 2012
Gross book value at the beginning of the period	25,130	23,026
Accumulated depreciation	(2,413)	(1,505)
NBV at the beginning of the period	**22,717**	**21,521**
Additions	323	535
Depreciation charge	(422)	(814)
Foreign currency translation differences	(299)	1,475
NBV at the end of the reporting period	**22,319**	**22,717**
Gross book value at the end of the reporting period	25,124	25,130
Accumulated depreciation	(2,805)	(2,413)

The fair value of the investment property as at 30 June 2013 is EUR 38,675 thousand (31 December 2012: EUR 36,500 thousand).

10 Trade and other receivables

In thousand Euro	As at 30 June 2013	As at 31 December 2012
Current receivables		
Rent and service charge receivables	377	264
Other receivables and prepayments	191	217
Prepayment for fit out construction	899	1,255
Total	**1,467**	**1,736**

11 Share capital

In thousand Euro	Share capital Euro '000
As at 31 December 2012	69
As at 30 June 2013	68

The shareholder of the Company as at 30 June 2013 is Odiny Investments S.á r.l.(LU-1331 Luxembourg, Boulevard Grande—Duchesse Charlotte 65.) The ultimate parent entity is Bluehouse Accession Property Holdings III S.a.r.l., Luxembourg.

12 Borrowings from banks

Six months ended 30 June 2013

Opening balance as at 1 January 2013	20,138
Translation difference	20
Issuance of borrowings	–
Interest	399
Repayment of borrowings	(359)
Interest repaid	(399)
At 30 June 2013	**19,799**
non-current	19,086
Current	713

Six months ended 30 June 2012

Opening balance as at 1 January 2012	16,743
Translation difference	–
Issuance of borrowings	–
Interest	309
Repayment of borrowings	(617)
Interest repaid	–
At 30 June 2012	**16,435**
non-current	–
Current	16,435

13 Trade and other payables

Trade and other payables

In thousand Euro	As at 30 June 2013	As at 31 December 2012
Non-current		
Tenants deposits	247	410
Total	**247**	**410**

(All amounts in Euro thousands unless indicated otherwise)

	As at	
	30 June 2013	31 December 2012
Current		
Trade payables	101	163
Taxes payable	40	18
Other payables	130	125
Total	**271**	**306**

14 Operating expenses arising from investment properties that generate rental revenue

	Six months ended	
	30 June 2013	30 June 2012
Depreciation and impairment	422	402
Maintenance and repairs expenses	25	57
Energy and water	267	242
Insurance	4	1
Other	52	52
Total operating expenses arising from investment properties that generate rental revenue	**770**	**754**

15 Administrative expenses

	Six months ended	
	30 June 2013	30 June 2012
Professional fees	152	25
Bank charges	21	1
Other	50	96
Total administrative expenses	**223**	**122**

16 Finance income and costs

	Six months ended	
	30 June 2013	30 June 2012
Interest income	10	1
Foreign exchange gains	4	1,770
Total finance income	**14**	**1,771**

	Six months ended	
	30 June 2013	30 June 2012
Interest expense from related parties (current owner)	(140)	–
Interest expense from related parties (previous owner)	–	(140)
Interest expense from third parties	(393)	(309)
Foreign exchange loss	(301)	(7)
Total finance costs	**(834)**	**(456)**

(All amounts in Euro thousands unless indicated otherwise)

17 Related party transactions

The Company has borrowings from Bluehouse Accession Project X Ltd which is a higher level parent of the Company as follows (the comparatives is the loan from the previous owner of the Company):

	2013	2012
Borrowings from related parties—Bluehouse Accession Project X Ltd		
Opening balance as at 1 January	6,920	–
Translation difference	–	–
Loans advanced during the year	222	–
Loans repaid during the year	(1,200)	–
Interest accrued	140	–
Interest repaid	–	–
At 30 June	**6,082**	**–**
non- current	–	–
current	6,082	–

	2013	2012
Borrowings from related parties—IVG Development GmbH		
Opening balance as at 1 January	–	5,347
Translation difference	–	–
Loans advanced during the year	–	200
Loans repaid during the year	–	–
Interest accrued	–	140
Interest repaid	–	–
At 30 June	**–**	**5,687**
non- current	–	–
current	–	5,687

During the interim period and the comparative period the Company was not charged or paid any management fee.

18 Events after the reporting period

There are no post-balance sheet events to be reported.

REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

To the Managing Directors of Infopark E Építési Terület Ingatlanfejlesztési Kft.

Introduction

We have reviewed the accompanying condensed interim balance sheet of Infopark E Építési Terület Ingatlanfejlesztési Kft. (the "Company") as of 30 June 2013 and the related condensed interim statements of comprehensive income, changes in equity and cash flows for the six-month period then ended. Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" and IFRS 1 'First-time Adoption of IFRS" as adopted by the European Union. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, "Interim Financial Reporting" and IFRS 1 'First-time Adoption of IFRS" as adopted by the European Union.

PricewaterhouseCoopers Könyvvizsgáló Kft.
1077 Budapest, Wesselényi u. 16.,
Hungary
30 July 2013

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VAPTZAROV BUSINESS CENTRE EOOD

**INTERNATIONAL FINANCIAL REPORTING STANDARDS
FINANCIAL STATEMENTS**

THREE YEARS ENDED 31 DECEMBER 2012

BALANCE SHEETS

(all amounts in Euro thousand)	Note	As at 31 December 2012	2011	2010
ASSETS				
Non-current assets				
Investment property	5	24,717	25,356	26,270
Property, plant and equipment		–	1	–
Deferred income tax asset	9	201	41	1
Total non-current assets		**24,918**	**25,398**	**26,271**
Current assets				
Trade and other receivables	7	113	193	119
Cash and cash equivalents	8	679	564	743
Total current assets		**792**	**757**	**862**
Total assets		**25,710**	**26,155**	**27,133**
EQUITY AND LIABILITIES				
Equity				
Share capital	10	3	3	3
Retained earnings/(Accumulated losses)		(541)	154	(12)
Total equity		**(538)**	**157**	**(9)**
Non-current liabilities				
Borrowings from banks	11	15,113	16,210	14,951
Borrowings from related parties	11	8,400	8,400	–
Derivative financial instruments	12	540	–	–
Total non-current liabilities		**24,053**	**24,610**	**14,951**
Current liabilities				
Trade and other payables	13	162	60	254
Current income tax liability		53	47	–
Borrowings from banks	11	1,097	1,008	979
Borrowings from related parties	11	632	273	10,958
Derivative financial instruments	12	251	–	–
Total current liabilities		**2,195**	**1,388**	**12,191**
Total liabilities		**26,248**	**25,998**	**27,142**
Total equity and liabilities		**25,710**	**26,155**	**27,133**

The accompanying notes set out on pages 6 to 34 form an integral part of these financial statements.

VAPTZAROV BUSINESS CENTRE EOOD
FINANCIAL STATEMENTS FOR THREE YEARS ENDED 31 DECEMBER 2012
STATEMENTS OF COMPREHENSIVE INCOME

(all amounts in Euro thousand)	Note	Year ended 31 December 2012	2011	2010
Rental revenue		2,497	2,814	2,683
Other revenue		90	191	125
Total revenue		**2,587**	**3,005**	**2,808**
Operating expenses arising from investment properties that generate rental revenue	14	(1,142)	(1,138)	(863)
Gross profit		**1,445**	**1,867**	**1,945**
Administrative expenses	14	(29)	(106)	(36)
Operating profit		**1,416**	**1,761**	**1,909**
Finance income	15	8	31	25
Finance costs	15	(2,174)	(1,619)	(1,582)
(Loss)/profit before tax		**(750)**	**173**	**352**
Income tax	16	55	(7)	(51)
(Loss)/profit for the year		**(695)**	**166**	**301**
Other comprehensive income for the year		**–**	**–**	**–**
Total comprehensive income for the year		**(695)**	**166**	**301**

The accompanying notes set out on pages 6 to 34 form an integral part of these financial statements.

VAPTZAROV BUSINESS CENTRE EOOD
FINANCIAL STATEMENTS FOR THREE YEARS ENDED 31 DECEMBER 2012
STATEMENTS OF CHANGES IN EQUITY

(all amounts in Euro thousand)	Note	Share capital	Retained Earnings/ (Accumulated losses)	Total
Balance at 1 January 2010	10	**3**	**(313)**	**(310)**
Profit for the year		–	301	301
Other comprehensive income		–	–	–
Total comprehensive income for the year		**–**	**301**	**301**
Balance at 31 December 2010	10	**3**	**(12)**	**(9)**
Balance at 1 January 2011	10	**3**	**(12)**	**(9)**
Profit for the year		–	166	166
Other comprehensive income		–	–	–
Total comprehensive income for the year		**–**	**166**	**166**
Balance at 31 December 2011	10	**3**	**154**	**157**
Balance at 1 January 2012		**3**	**154**	**157**
Loss for the year		–	(695)	(695)
Other comprehensive income		–	–	–
Total comprehensive income for the year		–	(695)	(695)
Balance at 31 December 2012	10	**3**	**(541)**	**(538)**

The accompanying notes set out on pages 6 to 34 form an integral part of these financial statements.

VAPTZAROV BUSINESS CENTRE EOOD
FINANCIAL STATEMENTS FOR THREE YEARS ENDED 31 DECEMBER 2012
STATEMENTS OF CASH FLOWS

(all amounts in Euro thousand)	Note	Year ended 31 December 2012	2011	2010
Cash flows from operating activities				
Profit/(loss) before tax		(750)	173	352
Depreciation expense	5	921	914	724
Interest expense	15	1,445	1,616	1,580
Interest income	15	(8)	(31)	(25)
Fair value losses on derivative financial instruments	15	728	–	–
Changes in working capital:				
—(increase)/decrease in trade and other receivables		80	(74)	715
—increase/(decrease) in trade and other payables		119	49	(277)
Interest received		8	31	25
Income tax paid		(99)	–	(81)
Net cash from operating activities		**2,444**	**2,678**	**3,013**
Cash flows from investing activities				
Purchases of property, plant and equipment		–	(1)	–
Purchases of investment property		(281)		(631)
Net cash (used in)/from investing activities		**(281)**	**(1)**	**(631)**
Cash flows from financing activities				
Borrowings received	11,20	–	17,500	–
Repayment of borrowings	11,20	(1,057)	(18,611)	(577)
Interest paid		(991)	(1,745)	(1,531)
Net cash (used in)/from financing activities		**(2,048)**	**(2,856)**	**(2,108)**
Net increase/(decrease) in cash and cash equivalents		**115**	**(179)**	**274**
Cash and cash equivalents at the beginning of the year		**564**	**743**	**469**
Cash and cash equivalents at the end of the year	8	**679**	**564**	**743**

The accompanying notes set out on pages 6 to 34 form an integral part of these financial statements.

1 General information

Vaptzarov Business Centre EOOD (the Company) is a private limited liability company, which shares are not publicly traded. The Company operates in the area of real estate. The Company is incorporated and domiciled in the Republic of Bulgaria and has the following address as its registered office, which coincides with the principal place of business:

103 James Boucher Blvd., floor 2, office 5
Lozenets district, Sofia, Bulgaria.

The intermediate parent of the Company as at 31 December 2012 is Bluehouse Accession Project V Ltd, Cyprus. The ultimate controlling party as at 31 December 2012 is Bluehouse Accession Property III FCP- FIS, Luxembourg.

These financial statements have been prepared for inclusion in the prospectus of Meridian Properties and approved by management on the date of the prospectus.

2 Summary of significant accounting policy

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

2.1 Basis of preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. They have been prepared under the historical cost convention, except in the cases of revaluations of derivative financial assets and liabilities measured at fair value through the profit or loss.

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

The Company's financial statements are prepared on a going concern basis, which assumes that the Company will be in operational existence for the foreseeable future.

The Company incurred loss in 2012 (EUR 695 thousand), profit in 2011 (EUR 166 thousand) and profit in 2012 (EUR 301 thousand). For the year ended 31 December 2012 current liabilities exceed current assets by EUR 1,403 thousand (as at 31 December 2011 current liabilities exceeded current assets by EUR 631 thousand and as at current 31 December 2010 current liabilities exceed current assets by EUR 11,329 thousand). As at 31 December 2012 the Company's net assets are negative at the amount of EUR 538 thousand.

The Company was provided with a binding letter of support from Bluehouse Accession Property Holdings III S.a.r.l., Luxembourg, as the intermediate parent company, which states that adequate funds and full support would be provided to enable the Company to continue operations at least until 31 December 2013.

The Company's shareholder confirms that it will maintain its investment in the Company and that it is its current policy to ensure that Vaptzarov Business Centre EOOD is in the position to meet its debts and capital expenditure commitments as they fall due. If the Company's shareholder does not provide financial support to Vaptzarov Business Centre EOOD and the going concern basis could not be applied, the Company's assets and liabilities should be measured at the values that could be substantially different than the amounts presented in these financial statements prepared on a going concern basis.

(a) None of the new and amended standards, and improvements to IFRS mandatory for the first time for the financial year beginning on or after 1 January 2012 was relevant to the Company:

Disclosures—Transfers of Financial Assets—Amendments to IFRS 7 (issued in October 2010 and effective for annual periods beginning on or after 1 July 2011).

(b) Also the following standards and interpretations were published but are not early adopted or not adopted by the European Union. The Company assessed the impact of changes on the financial statements as not material or is currently assessing the impact of changes on the financial statements:

Recovery of Underlying Assets—Amendments to IAS 12 (issued in December 2010 and effective for annual periods beginning on or after1 January 2013). The amendment introduced a rebuttable presumption that an investment property carried at fair value is recovered entirely through sale.

Amendments to IAS 1, Presentation of Financial Statements (issued June 2011, effective for annual periods beginning on or after 1 July 2012), changes the disclosure of items presented in other comprehensive income.

Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters—Amendments to IFRS 1 (issued in December 2010 and effective for annual periods beginning on or after1 January 2013)

IFRS 10, Consolidated Financial Statements (issued in May 2011 and effective for annual periods beginning on or after 1 January 2014)

IFRS 11, Joint Arrangements (issued in May 2011 and effective for annual periods beginning on or after 1 January 2014)

IFRS 12, Disclosure of Interest in Other Entities (issued in May 2011 and effective for annual periods beginning on or after 1 January 2014)

IFRS 13, Fair value measurement (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013)

IAS 27, Separate Financial Statements (revised in May 2011 and effective for annual periods beginning on or after 1 January 2014)

IAS 28, Investments in Associates and Joint Ventures (revised in May 2011 and effective for annual periods beginning on or after 1 January 2014)

Amended IAS 19, Employee Benefits (issued in June 2011, effective for periods beginning on or after 1 January 2013)

IFRIC 20, Stripping Costs in the Production Phase of a Surface Mine (issued in October 2011 and effective for annual periods beginning on or after 1 January 2013).

Offsetting Financial Assets and Financial Liabilities—Amendments to IAS 32 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2014)

Disclosures—Offsetting Financial Assets and Financial Liabilities—Amendments to IFRS 7 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2013)

Amendments to IFRS 1 First-time adoption of International Financial Reporting Standards—Government loans (effective for annual periods beginning on or after 1 January 2013)

IFRS 9, Financial Instruments: Classification and Measurement. IFRS 9 (issued in November 2009, amended in October 2010 and effective for annual periods beginning on or after 1 January 2015)

Improvements to International Financial Reporting Standards (issued in May 2012 and effective for annual periods beginning 1 January 2013)

Transition Guidance Amendments to IFRS 10, IFRS 11 and IFRS 12 (issued on 28 June 2012 and effective for annual periods beginning 1 January 2013)

Amendments to IFRS 10, IFRS 12 and IAS 27—Investment entities (issued on 31 October 2012 and effective for annual periods beginning 1 January 2014)

2.2 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'), which is Bulgarian Lev (BGN). The presentation currency used in these financial statements prepared for inclusion in the prospectus of Meridian Properties is Euro because all amounts in the prospectus will be presented in Euro. All amounts in these financial statements are stated in thousands of Euro unless otherwise stated. Bulgarian Lev is pegged to the Euro as from 1 January 2000 in accordance with the rules of the Currency Board. The translation of the amounts in the financial statements from Bulgarian Lev to the Euro is done by dividing the amounts in Lev by the fixed rate of EUR/BGN 1.95583.

(b) Transactions and balances

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

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the profit and loss within 'finance income' and 'finance costs', respectively.

2.3 Investment property

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Company is classified as investment property.

Investment property principally comprises freehold land and office buildings.

Investment property is measured initially at its cost, including related transaction costs and borrowing costs (see Note 2.11). After initial recognition, investment property is carried at cost less any accumulated depreciation and any accumulated impairment losses.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

Land is not depreciated.

Depreciation on the buildings is calculated using the straight-line method to allocate their cost or their residual values over their estimated useful lives of 25 years.

Significant parts of the building that have different useful life are depreciated separately. Depreciation on the components to the building is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives between 2 and 15 years.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.5).

The fair value of investment property for disclosure purposes is updated to reflect market conditions at the end of the reporting period. Fair value of investment property is the price at which the property could be exchanged between knowledgeable, willing parties in an arm's length transaction. A "willing seller" is not a forced seller prepared to sell at any price. The best evidence of fair value is given by current prices in an active market for similar property in the same location and condition. In the absence of current prices in an active market, the Company considers information from a variety of sources, including:

a) current prices in an active market for properties of different nature, condition or location, adjusted to reflect those differences;

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

c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by 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.

2.4 Property, plant and equipment

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

Subsequent costs are included in the assets carrying amount or recognised as a separate asset, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Depreciation on the items of property, plant and equipment is calculated using the straight-line method to allocate their cost to their cost or residual value over their estimated useful lives (2 years).

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal are determined by comparing proceeds with carrying amount. These are included in the profit or loss.

2.5 Impairment of non-financial assets

Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised 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). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date. Impairment losses on goodwill are not reversed.

2.6 Financial instruments

a) Financial assets

Financial assets are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity financial assets and available-for-sale financial assets, as appropriate. The Company determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Financial assets are derecognised only when the contractual rights to the cash flows from the financial asset expire or the Company transfers substantially all risks and rewards of ownership.

The Company's financial assets consist of loans and receivables and derivatives (Note 2.12).

Financial assets included in trade and other receivables are classified as loans and receivables. They are recognised initially at fair value and subsequently measured at amortised cost less provision for impairment.

Cash and cash equivalents are also classified as loans and receivables. They are subsequently measured at amortised cost. Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

Derivative financial assets and liabilities are classified as financial assets at fair value through profit or loss (held for trading). The Company does not apply hedge accounting in accordance with IAS 39.

The Company assesses at each financial position date whether there is objective evidence that a financial asset or group of financial assets is impaired. If there is objective evidence (such as significant financial difficulty of the obligor, breach of contract, or it becomes probable that the debtor will enter bankruptcy), the asset is tested for impairment. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred), discounted at the financial asset's original effective interest rate (that is, the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognised in the profit or loss.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice. Impaired debts are derecognised when they are assessed as uncollectible.

If in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date. Any subsequent reversal of an impairment loss is recognised in profit and loss.

b) Financial liabilities

Liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss or other liabilities, as appropriate. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

All loans and borrowings are classified as other financial liabilities. Initial recognition is at fair value less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method (see Note 2.11 for the accounting policy on borrowings).

Financial liabilities included in trade and other payables are recognised initially at fair value and subsequently at amortised cost. The fair value of a non-interest bearing liability is its discounted repayment amount. If the due date of the liability is less than one year, discounting is omitted.

Derivative financial liabilities are measured initially and subsequently at fair value through profit and loss (Note 2.12).

2.7 Trade receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as noncurrent assets. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in profit and loss.

2.8 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are carried at amortised cost using the effective interest method. Balances restricted from being exchanged or used to settle a liability for at least twelve months after the balance sheet date are included in non-current trade and other receivables.

2.9 Share capital

Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.10 Trade payables

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

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

2.11 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some of or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs.

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

Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in profit and loss in the period in which they are incurred.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

2.12 Derivative financial instruments

Derivative financial assets and liabilities are classified as financial assets at fair value through profit and loss (held for trading).

Derivative financial assets and liabilities comprise interest rate swaps.

The Company does not apply hedge accounting in accordance with IAS 39. Recognition of the derivative financial instruments takes place when the economic hedging contracts are entered into. They are measured initially and subsequently at fair value; transaction costs are included directly in finance costs. Gains or losses on derivatives are recognised in profit and loss in net change in fair value of financial instruments at fair value through profit and loss. Interest income and expenses on derivative financial assets are included in profit and loss in finance income and finance costs, respectively.

Derivatives are presented in the balance sheet as financial assets when their fair value is positive and as financial liabilities when their fair value is negative.

2.13 Current and deferred income taxes

The tax expense for the period comprises current and deferred tax.

Tax is recognised in the profit and loss, except to the extent that it relates to items recognised, in the same or a different period, in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in Bulgaria.

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 basis of assets and liabilities and their carrying amounts in the financial statements. However, 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 temporary differences can be utilized. The future taxable profits and the amount of tax benefits that are probable in the future are based on a medium term business plan prepared by management and extrapolated results thereafter. The business plan is based on management expectations that are believed to be reasonable under the circumstances.

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 taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.14 Provisions

Provisions are recognised when the Company 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. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

2.15 Leases

(a) A Company is the lessor in an operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the Company, the lessor, are classified as operating leases.

Properties leased out under operating leases are included in investment property in the balance sheet (Note 5). See Note 2.16 for the recognition of rental income.

(b) A Company is the lessor—fees paid in connection with arranging leases and lease incentives

The Company makes payments to agents for services in connection with negotiating lease contracts with the Company's lessees. The letting fees are capitalised within the carrying amount of the related investment property and amortised over the lease term.

Lease incentives are recognised as a reduction of rental income on a straight-line basis over the lease term.

2.16 Revenue recognition

Revenue includes rental income, and service and management charges from the investment property.

Rental income from operating leases is recognised on a straight-line basis over the lease term. When the Company provides incentives to its tenants, the cost of incentives is recognised over the lease term, on a straight-line basis, as a reduction of rental income. Amounts received from tenants to terminate leases or to compensate for dilapidations are recognised in the profit or loss when they arise.

Service and management charges are recognised in the accounting period in which the services are rendered.

2.17 Dividend distribution

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

2.18 Direct property operating expenses and other expenses

Expenses include legal, accounting, auditing and other items. They are recognised in profit and loss in the period in which they are incurred (on an accrual basis).

2.19 Interest income and expense

Interest income and expense are recognised within 'finance income' and 'finance costs' in the profit and loss using the effective interest method, except for the borrowing costs relating to qualifying assets, which are capitalised as part of the cost of that asset (Note 2.11).

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or a shorter period where appropriate, to the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

3 Financial risk management

3.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Bluehouse Group's (the Group) overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's and the Group's financial performance.

Risk management is carried out by a central treasury department (Group Treasury) under policies approved by the Board of Directors. Group Treasury identifies, evaluates and hedges financial risks. The Board provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity.

(a) Market risks

The Company takes on exposure to market risks. Market risks can arise from open positions in (a) foreign currencies, (b) interest bearing assets and liabilities and (c) equity instruments, all of which are exposed to general and specific market movements. Management sets limits on the value of risk that may be accepted, which is monitored on a daily basis. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

(i) Foreign exchange risk

The management of the Company manages the foreign exchange risk via performing the transactions in the Bulgarian Lev or Euro, the Euro being fixed to the Bulgarian Lev.

(ii) Price risk

The Company has no significant exposure to price risk as it does not hold any equity securities or commodities.

(iii) Interest rate risk

As the Company's interest-bearing assets do not generate significant amounts of interest, changes in market interest rates do not have any significant direct effect on the Company's income.

The Company's interest rate risk principally arises from long-term borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk. Borrowings issued at fixed interest rates expose the Company to fair value interest rate risk. Intercompany borrowings are at fixed rate and bank borrowings are at variable rate.

As of 31 December 2012, if interest rates of EUR denominated borrowings had been 100 basis points higher/lower with all other variables held constant, post-tax profit/loss for the year would have been EUR 129 thousand lower/higher, as a result of higher/lower interest expense on the floating rate loan. (31 December 2011: EUR 158 thousand and 31 December 2010: EUR 163 EUR thousand).

The Company uses interest rate swap as an economic hedge. As of 31 December 2012, if expected interest rates related to the variable leg of the interest rate swap had been 100 basis points higher with all other variables held constant, post-tax profit/loss for the year would have been EUR 595 thousand higher, as a result of the measurement of the interest rate swap as at 31 December 2012.

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to lessees, including outstanding receivables and committed transactions. For banks and financial institutions, only parties with high credit rating are accepted. For other parties, management of the Company assesses the credit quality of the party, taking into account its financial position, past experience and other factors. Bank guarantee at the amount of EUR 1,867 thousand as at 31 December 2012 (2011: EUR 2,092 thousand; 2010: EUR 2,035 thousand) is provided from the lessee. Guarantees are requested to minimise the credit risks exposure and the concentration of credit risk, as the building is leased to only one tenant and the receivables from this lessee comprise all of the receivables as at 31 December 2012, 31 December 2011 and 31 December 2010. The management does not expect any losses from non-performance by these counterparties. The maximum credit risk exposure is the carrying amount of financial assets, disclosed in Note 6B.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the nature of the underlying businesses, the Company manages its liquidly risk through maintenance of sufficient cash and cash equivalents and credit facilities to meet its obligations when fall due. The liquidity issue resulting from the excess of the current liabilities over current assets is discussed in the Note 2.1.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

(in EUR thousand)

As at 31 December 2012	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Bank borrowings (Note 11)				
—principal repayments	1,145	1,232	13,978	–
—interest payments	717	664	1,108	–
Related parties borrowings (Note 20)				
—principal repayments	260	–	8,400	–
—interest payments	771	386	740	–
Derivative financial instruments	251	225	319	–
Trade and other payables (Note 13)	124	–	–	–
	3,268	**2,507**	**24,545**	**–**

As at 31 December 2011	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Bank borrowings (Note 11)				
—principal repayments	1,057	1,145	15,210	–
—interest payments	998	931	2,299	–
Related parties borrowings (Note 20)				
—principal repayments	260	–	8,400	–
—interest payments	399	386	1,159	–
Trade and other payables (Note 13)	6	–	–	–
	2,720	**2,462**	**27,068**	**–**

As at 31 December 2010	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Bank borrowings (Note 11)				
—principal repayments	825	925	14,200	–
—interest payments	1,161	886	1,402	–
Related parties borrowings (Note 20)				
—principal repayments	10,902	–	–	–
—interest payments	56	–	–	–
Trade and other payables (Note 13)	206	–	–	–
	13,150	**1,811**	**15,602**	**–**

3.2 Capital risks management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Company has also to maintain certain ratios, related to its capital, which are imposed by the agreement for the bank loan obtained. In general, these requirements relate to:

—actual and forecasted debt service cover, determined as the ratio between the net operating income generated by the Company increased by the collateralised amount and the debt service payments for the last 12 month period, respectively next 12 month period ended/commencing at the end of June and December each calendar year during the period of the agreement; and maintain the expenses for management and maintenance of the properties within certain limit of the net operating income for each year.

The first period for calculation of the covenants is June 2012; there were no covenant restrictions as at 31 December 2011. As at 31 December 2010, the Company was in compliance with the restrictions of the covenants as per the pervious loan agreement.

As at 31 December 2012, the Company is in compliance with the above requirements.

3.3 Fair value estimation

The nominal value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current interest rate that is available to the Company for similar financial instruments.

IFRS 7 for financial instruments that are measured in the balance sheet at fair value requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2)
- Inputs for the asset or liability that are no based on observable market data (that is, unobservable inputs) (level 3)

The following table presents the Company's liabilities that are measured at fair value at 31 December 2012:

(in EUR thousand)	Level 1	Level 2	Level 3	Total balance
Derivative financial instruments	–	791	–	**791**

4 Critical accounting estimates and judgments

The Company makes estimates and assumptions that affect the amounts recognised in the financial statements and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgments, apart from those involving estimations, in the process of applying the accounting policies. Judgments that have the most significant effect on the amounts recognised in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below.

(a) Critical judgments and estimates in applying the Company's accounting policies

The Company made the following critical accounting judgments and estimates in 2012, 2011 or 2010:

(i) Going concern, as described in Note 2.1;

(ii) The recognition of the deferred tax asset, as described in Note 2.13, 9 and 16;

(iii) The fair value of the derivative, as described in Note 2.12 and 12

(iv) Useful life of investment property.

The estimation of the useful life of the investment property is a matter of judgment based on the experience with similar assets. The future economic benefits embodied in the asset are consumed principally through use. However, other factors, such as technical or commercial obsolescence and wear and tear, often result in the diminution of the economic benefits embodied in the assets.

Management assesses the remaining useful lives in accordance with the current technical conditions of the assets and estimated period during which the assets are expected to earn benefits for the Company. The following primary factors are considered: (a) expected usage of the assets; (b) expected physical wear and tear, which depends on operational factors and maintenance programme; and (c) technical or commercial obsolescence arising from changes in market conditions.

Were the estimated useful lives to differ by 10% from management's estimates, the impact on depreciation for the year ended 31 December 2012 would be to increase/decrease it by EUR 91 thousand (2011: EUR 92 thousand; 2010: EUR 73 thousand).

(b) Impact of the ongoing global financial and economic crisis

The ongoing global financial and economic crisis that emerged out of the severe reduction in global liquidity which commenced in the middle of 2008 (often referred to as the "Credit Crunch") has resulted in, among other things, a lower level of capital market funding, lower liquidity levels across the banking sector and wider economy, and, at times, higher interbank lending rates and very high volatility in stock and currency markets. The uncertainties in the global financial markets have also led to failures of banks and other corporates, and to bank rescues in the United States of America, Western Europe, Russia and elsewhere. The full extent of the impact of the ongoing global financial and economic crisis is proving to be difficult to anticipate or completely guard against.

Management is unable to reliably determine the effects on the Company's future financial position of any further deterioration in the Company's operating environment as a result of the ongoing crisis. Management believes it is taking all the necessary measures to support the sustainability and growth of the Company's business in the current circumstances.

Impact on liquidity:

The volume of wholesale financing has significantly reduced since August 2008. Such circumstances may affect the ability of the Company to obtain new borrowings and re-finance its existing borrowings at terms and conditions similar to those applied to earlier transactions. However, the Company's borrowings are of long-term nature and the market conditions are expected to improve upon their expiry. In addition, no necessity of new financing before the expiry of the existing borrowings is estimated.

(In all notes all amounts are shown in Euro thousand unless otherwise stated)

Impact on customers:

Debtors of the Company may be adversely affected by the financial and economic environment which could in turn impact their ability to repay the amounts owed. Deteriorating economic conditions for customers may also have an impact on management's cash flow forecasts and assessment of the impairment of financial and non-financial assets. To the extent that information is available, management has properly reflected revised estimates of expected future cash flows in its impairment assessments.

Fair values of investment property:

The market in the country for many types of real estate has been affected by the recent volatility in global financial markets.

Deteriorating economic conditions may also have an impact on management's assessment of the impairment of investment properties.

5 Investment property

	Year ended 31 December		
	2012	2011	2010
Year ended 31 December			
Beginning of the year	25,356	26,270	26,963
Addition	282	–	31
Depreciation charge (Note 14)	(921)	(914)	(724)
End of the year	**24,717**	**25,356**	**26,270**
Cost	27,710	27,428	27,428
Accumulated depreciation	(2,993)	(2,072)	(1,158)
End of the year	**24,717**	**25,356**	**26,270**

The investment property comprising of land and building generates rental income and is leased to one tenant.

The fair value of the investment property as at 31 December 2012 is EUR 37,600 thousand (2011: EUR 30,290 thousand and 2010: EUR 29,400 thousand)

The investment property serves as a pledge on the bank loans obtained by Vaptzarov Business Centre EOOD.

6A Financial instruments by category

	As at 31 December		
	2012	2011	2010
Loans and receivables—assets per balance sheet			
Trade receivables (Note 7)	97	177	100
Cash and cash equivalents (Note 8)	679	564	743
	776	**741**	**843**
Financial liabilities at amortised cost			
Trade and other payables (Note 13)	124	6	206
Borrowings (Note 11)	25,242	25,891	26,888
	25,366	**25,897**	**27,094**
Financial liabilities at fair value through profit of loss			
Derivative financial instruments (Note 12)	791	–	–

(In all notes all amounts are shown in Euro thousand unless otherwise stated)

6B Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

	As at 31 December		
	2012	2011	2010
Existing customers with no defaults in the past			
Trade receivables (Note 7)	97	177	100
Cash and cash equivalents (Note 8)			
Credit rating BBB (Standard and Poor's)	679	564	743

All financial assets are fully performing and none has been renegotiated in the periods covered by these financial statements.

7 Trade and other receivables

	As at 31 December		
	2012	2011	2010
Trade receivables	97	177	100
Prepayments	16	15	15
Other receivables	–	1	4
	113	**193**	**119**

All trade receivables are due from one customer.

As of 31 December 2012, 2011 and 2010 there were no trade receivables past due but not impaired.

Management considers that the fair values of the trade and other receivables equal their book value.

Rent receivable on current and future lease contracts serves as a pledge on the bank loans obtained.

The carrying amounts of trade and other receivables are denominated in Bulgarian Lev.

8 Cash and cash equivalents

	As at 31 December		
	2012	2011	2010
Cash at bank	679	564	743
	679	**564**	**743**

The cash and cash equivalents are denominated in the following currencies:

	As at 31 December		
	2012	2011	2010
Bulgarian Lev	139	45	53
Euro	540	519	690
	679	**564**	**743**

For the purposes of cash flow statement, the cash and cash equivalents comprise the following:

	As at 31 December		
	2012	2011	2010
Cash at bank balances	679	564	743
	679	**564**	**743**

9 Deferred income taxes

Deferred tax assets and liabilities are calculated under the liability method using an enacted effective tax rate of 10%.

Deferred tax assets are recognised for the amount of the interest expense subject to thin capitalisation (i.e. interest that could be recognised in different periods for tax purposes) and the fair value revaluation of derivative financial instruments to the extent that that the realisation of the related tax benefit through future taxable profits is probable.

	Interest expense not yet recognized for tax	Investment property depreciation	Fair value revaluation of derivative financial instruments	Total
As at 1 January 2010	**–**	**(1)**	**–**	**(1)**
Charge/(credit) to the profit or loss	–	–	–	–
As at 31 December 2010	**–**	**(1)**	**–**	**(1)**
Charge/(credit) to the profit or loss (note 16)	**(38)**	**(2)**	**–**	**(40)**
As at 31 December 2011	**(38)**	**(3)**	**–**	**(41)**
Charge/(credit) to the profit or loss (note 16)	(87)	–	(73)	(160)
As at 31 December 2012	**(125)**	**(3)**	**(73)**	**(201)**

10 Share capital

	Number of Shares	Share capital Euro '000
As at 1 January 2010	500	3
As at 31 December 2010	500	3
As at 31 December 2011	500	3
As at 31 December 2012	500	3

All shares give equal rights to the owner and are fully paid. The total authorised number of shares is 500 having a par value of BGN 10 (EUR 5.11) per share.

The intermediate parent of the Company as at 31 December 2012 is Bluehouse Accession Project V Ltd, Cyprus (2011 and 2010: Bluehouse Accession Project V Ltd, Cyprus). The ultimate controlling party as at 31 December 2012 is Bluehouse Accession Property III FCP- FIS, Luxembourg (2011 and 2010: Bluehouse Accession Property III FCP- FIS, Luxembourg)

11 Borrowings

	As at 31 December		
	2012	2011	2010
Current borrowings			
Bank borrowings	1,097	1,008	979
Borrowings from related parties (Note 20)	632	273	10,958
	1,729	1,281	11,937
Non-current borrowings			
Bank borrowings	15,113	16,210	14,951
Borrowings from related parties (Note 20)	8,400	8,400	–
	23,513	24,610	14,951
Total	**25,242**	**25,891**	**26,888**

(In all notes all amounts are shown in Euro thousand unless otherwise stated)

Maturity of the non-current bank borrowings is as follows:

	As at 31 December		
	2012	2011	2010
Between 1 and 2 years	1,187	1,097	845
Between 2 and 5 years	13,926	15,113	14,106
	15,113	**16,210**	**14,951**

Bank loan from Piraeus Bank Bulgaria AD was obtained in October 2009. It is secured by a mortgage on the property held by the Company and pledge on the share of the Company, the Company's going concern and the Company's shares, and receivables of the Company. The loan' interest rate was floating, determinable for each three-month period on the basis of EURIBOR. The annual effective interest rate on the loan as at 31 December 2011 was 6.56% (2010: 5.9%). The loan was fully repaid in November 2011.

Bank loan from Unicredit BulBank AD was obtained in November 2011. It is secured by a mortgage on the property held by the Company, the Company's shares, the future receivables of the Company, and the cash deposited with the bank at the amount of EUR 300 thousand. The loan bears floating interest rate, determinable for each three-month period on the basis of EURIBOR. The effective annual interest rate on the loan as at 31 December 2012 is 4.47%.

All assets, liabilities and existing and future contractual relationships are pledged as collateral for the bank borrowings.

The bank covenants are disclosed in Note 3.2.

All borrowings are denominated in Euro.

The carrying amounts of the borrowings approximate their fair value. Fair values are based on discounted cash flows using a discount rate based upon the borrowing rate, which the directors expect to be available to the Company at the balance sheet date.

12 Derivative financial instrument

	As at 31 December		
	2012	2011	2010
Interest-rate swaps			
—current liabilities	251	–	–
—non-current liabilities	540	–	–
	791	**–**	**–**

In 2012 the Company entered in an interest rate swap agreement to swap annual variable rate of 3 month Euribor to fixed rate of 1.73% per annum (the Company is the fixed rate payer) with the bank with maturity date of 30 November 2016. The notional principal amounts of the outstanding interest rate swap contract as at 31 December 2012 was EUR 16,533 thousand.

The derivative is classified at the balance sheet as financial asset or liability measured at fair value through profit and loss. The fair value of the instrument as at 31 December 2012 is liability at the amount of EUR 791 thousand.

(In all notes all amounts are shown in Euro thousand unless otherwise stated)

13 Trade and other payables

	Year ended 31 December		
	2012	2011	2010
Trade payables	124	6	14
Loan fees payable	–	–	192
Taxes payable	35	54	48
Other payables	3	–	–
	162	**60**	**254**

All trade and other payables are due within 12 months after the balance sheet date.

14 Administrative expenses and operating expenses arising from investment properties that generate rental income

	Year ended 31 December		
	2012	2011	2010
Depreciation expenses (Note 5)	921	914	724
Real estate taxes	131	110	107
Insurance	13	13	3
Management charges	60	60	15
Professional fees	8	16	–
Maintenance and repairs expenses	5	24	14
Other	4	1	–
Operating expenses arising from investment properties that generate rental revenue	**1,142**	**1,138**	**863**
Professional fees	29	106	36
Administrative expenses	**29**	**106**	**36**

15 Finance income and costs

	Year ended 31 December		
	2012	2011	2010
Interest income	8	31	25
Finance income	**8**	**31**	**25**
Interest expense	(1,445)	(1,616)	(1,580)
Fair value losses on derivatives	(728)	–	–
Other financial expenses	(1)	(3)	(2)
Finance costs	**(2,174)**	**(1,619)**	**(1,582)**

16 Income tax

	Year ended 31 December		
	2012	2011	2010
Current tax	105	47	51
Deferred income tax (Note 9)	(160)	(40)	–
	(55)	**7**	**51**

(In all notes all amounts are shown in Euro thousand unless otherwise stated)

The tax on the Company's profit before tax equals the theoretical amount that would arise using the weighted average tax rate applicable to profits of the Company as follows:

	Year ended 31 December		
	2012	**2011**	**2010**
(Loss)/profit before tax	(750)	173	352
Tax calculated at a tax rate of 10%	(75)	17	35
Non-recognised deferred tax on temporary differences on initial recognition	20	20	20
Non-recognised deferred tax assets on interest expense subject to thin capitalisation	–	–	15
Previously non-recognised deferred tax asset that is recognised in the current period	–	(15)	–
Other	–	–	(7)
Utilisation of tax losses on which no deferred tax has been recognised	–	(15)	(12)
Income tax	**(55)**	**7**	**51**

Taxable losses carried forward for which no deferred tax asset was recognised due to the uncertainties about their recoverability expire as follows:

	As at 31 December		
	2012	**2011**	**2010**
Year of expiry			
2015	–	–	150

Deferred tax asset on interest expense subject to thin capitalisation (i.e. interest that could be recognised in different periods for tax purposes) was not recognised due to the uncertainties for its recoverability. The amounts of interest expense subject to regulation for thin capitalisation and their expiry period are as follows:

	Year ended 31 December		
	2012	**2011**	**2010**
Due to expire in:			
2015	–	–	150
	–	–	150

17 Contingent liabilities

The tax authorities may at any time inspect the books and records within 5 years subsequent to January 1 of the year, following the year in which the taxes are payable, and may impose additional tax assessments and penalties. The Company's management is not aware of any circumstances, which may give rise to a potential material liability in this respect.

18 Operating lease receivables—where the Company is a lessor

The future aggregate minimum rentals receivable under non-cancellable operating leases are as follows:

	As at 31 December		
	2012	**2011**	**2010**
Not later than 1 year	2,716	2,887	2,790
Later than 1 year but not later than 5 years	11,192	11,548	11,159
Later than 5 years	25,884	14,435	16,101
	39,792	**28,870**	**30,050**

The lease agreement is signed for 12 years and for the entire property owned by the Company. In 2012 the lease agreement was extended with additional 6 years until 2027. The agreement can be terminated only by the agreement between the lessor and the lessee. If the lessee wants to terminate the lease, it has to pay the rental income for the remaining of the lease term unless he notifies the lessor that he wants to buy the building at a price, which is calculated in accordance with the lease contract but not less than the amount of the outstanding minimum lease payments due

(In all notes all amounts are shown in Euro thousand unless otherwise stated)

19 Provisions

The Company does not have provisions as at the balance sheet dates.

20 Related party transactions

Parties are generally considered to be related if the parties are under common control or if one party has the ability to control the other party or can exercise significant influence or joint control over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

At 31 December 2012, 2011 and 2010, the outstanding balances, income and expense with related parties were as follows:

(i) Borrowings from related parties

	Year ended 31 December		
	2012	**2011**	**2010**
Loan received from Bluehouse Accession Project V Ltd, Cyprus (parent company)			
Beginning of the year	8,673	10,958	11,380
Loans repaid during the year	–	(2,242)	(348)
Interest accrued	399	498	514
Interest repaid	(40)	(541)	(588)
End of year	**9,032**	**8,673**	**10,958**

	Year ended 31 December		
	2012	**2011**	**2010**
End of the year, analysed by:			
Loan principal	8,660	8,660	10,902
Interest payable	372	13	56
	9,032	**8,673**	**10,958**

The maximum principal amount of the loan facility provided with loan agreement dated 24 September 2009 is Euro 11,500 thousand and bears a fixed interest rate of 4.6% per annum. The loan facility is provided for the period of seven years and is also payable upon lender's request.

(In all notes all amounts are shown in Euro thousand unless otherwise stated)

Subordination agreement dated 18 November 2011 is signed pursuant to the loan agreement, where the parties agree to extend the term of the loan till 29 December 2016. The parties agree that before the full repayment of the bank loan on 30 November 2016, only this part of the shareholder loan which exceeds the amount of EUR 8,400 thousand can be repaid upon lender's request. As at 31 December 2012 and 2011, the amount of the loan liability which exceeds Euro 8,400 is recognised as the current liability (31 December 2012: Euro 632 thousand, 31 December 2011: Euro 273 thousand).

	Year ended 31 December		
	2012	2011	2010
BH Bulgaria I Ltd (common control company)			
Beginning of the year	–	–	34
Loans advanced during the year	–	–	–
Loans repaid during the year	–	–	(29)
Interest accrued	–	–	1
Interest repaid	–	–	(6)
End of the year	**–**	**–**	**–**

21 Post-balance sheet events

There are no post-balance sheet events to be reported.

INDEPENDENT AUDITOR'S REPORT

To the General Managers of Vaptzarov Business Centre EOOD

Report on the Financial Statements

We have audited the accompanying financial statements of Vaptzarov Business Centre EOOD ("the Company"), which comprise the balance sheets as of 31 December 2012, 31 December 2011 and 31 December 2010 and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 management, as well as evaluating the overall presentation of the 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 accompanying financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2012, 31 December 2011 and 31 December 2010, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

PricewaterhouseCoopers Audit OOD
Sofia, Bulgaria
4 June 2013

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Registered with the Sofia City Court under company file number 13424/1997.

VAPTZAROV BUSINESS CENTRE EOOD

CONDENSED INTERIM FINANCIAL STATEMENTS
FOR SIX MONTHS ENDED 30 JUNE 2013

(All amounts in euro thousands unless indicated otherwise)

INTERIM BALANCE SHEET

	Note	As at 30 June 2013 Unaudited	As at 31 December 2012 Audited
ASSETS			
Non-current assets			
Investment property	8	24,246	24,717
Deferred income tax asset		178	201
Total non-current assets		**24,424**	**24,918**
Current assets			
Trade and other receivables		227	113
Current income tax receivable		27	–
Cash and cash equivalents		607	679
Total current assets		**861**	**792**
TOTAL ASSETS		**25,285**	**25,710**
EQUITY AND LIABILITIES			
Equity			
Share capital	9	3	3
Retained earnings/(Accumulated losses)		(293)	(541)
TOTAL EQUITY		**(290)**	**(538)**
Non-current liabilities			
Borrowings from banks	10	14,523	15,113
Borrowings from related parties	15	8,400	8,400
Derivative financial instruments	11	318	540
Total non-current liabilities		**23,241**	**24,053**
Current liabilities			
Borrowings from banks	10	1,142	1,097
Borrowings from related parties	15	820	632
Trade and other payables		142	162
Derivative financial instruments	11	230	251
Current income tax payable		–	53
Total current liabilities		**2,334**	**2,195**
Total liabilities		**25,575**	**26,248**
TOTAL EQUITY AND LIABILITIES		**25,285**	**25,710**

The accompanying notes are an integral part of these condensed interim financial statements.

(All amounts in euro thousands unless indicated otherwise)

INTERIM STATEMENT OF COMPREHENSIVE INCOME

	Note	Six months ended 30 June 2013	Six months ended 30 June 2012
		Unaudited	
Rental revenue		1,317	1,444
Other revenue		66	65
Total revenue		**1,383**	**1,509**
Operating expenses arising from investment properties that generate rental revenue	12	(573)	(559)
Gross profit		**810**	**950**
Administrative expenses	13	(82)	(14)
Operating profit		**728**	**936**
Finance income	14	6	4
Finance costs	14	(458)	(1,239)
Profit before tax		**276**	**(299)**
Income tax	7	(28)	22
Profit for the period		**248**	**(277)**
Other comprehensive income for the period		**–**	**–**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**248**	**(277)**

The accompanying notes are an integral part of these condensed interim financial statements.

(All amounts in euro thousands unless indicated otherwise)

INTERIM STATEMENT OF CHANGES IN EQUITY

	Note	Share capital	Retained earnings / (Accumulated losses)	Total equity
Balance at 1 January 2012		**3**	**154**	**157**
Profit for the period		–	(277)	(277)
Other comprehensive income for the period		–	–	–
Total comprehensive income for the period		**–**	**(277)**	**(277)**
Balance at 30 June 2012 (Unaudited)		**3**	**(123)**	**(120)**
Balance at 1 January 2013	9	**3**	**(541)**	**(538)**
Profit for the period		–	248	248
Other comprehensive income for the period		–	–	–
Total comprehensive income for the period		**–**	**248**	**248**
Balance at 30 June 2013 (Unaudited)	9	**3**	**(293)**	**(290)**

The accompanying notes are an integral part of these condensed interim financial statements.

(All amounts in euro thousands unless indicated otherwise)

INTERIM STATEMENT OF CASH FLOWS

	Note	Six months ended 30 June 2013	Six months ended 30 June 2012
		Unaudited	
Cash flows from operating activities			
Profit before tax		276	(299)
Depreciation expense	12	471	457
Interest income	14	(6)	(4)
Interest expense	14	695	720
Fair value (gains)/losses on derivative financial instruments	14	(237)	519
Changes in working capital:			
—(Increase)/decrease in trade and other receivables		(114)	(49)
—Increase/(decrease) in trade and other payables		(12)	69
Income tax paid		(84)	(73)
Interest received		6	4
Net cash from/(used in) operating activities		**995**	**1,344**
Cash flows from financing activities			
Repayment of borrowings		(569)	(438)
Interest paid		(498)	(412)
Net cash from/(used in) financing activities		**(1,067)**	**(850)**
Net increase in cash and cash equivalents		**(72)**	**494**
Cash and cash equivalents at the beginning of the period		679	564
Cash and cash equivalents at the end of the period		**607**	**1,058**

The accompanying notes are an integral part of these condensed interim financial statements.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

1 General information

Vaptzarov Business Centre EOOD (the ''Company'') operates in the area of real estate (leases its investment properties to tenants).

The Company is a limited liability company, incorporated and domiciled in the Republic of Bulgaria. The Company's registered office is located at the following address:

103 James Boucher Blvd., floor 2, office 5
Lozenets district, Sofia, Bulgaria.

These condensed interim financial statements have been prepared for inclusion in prospectus of Meridian Properties N.V. and approved by management on 30 July 2013. These condensed interim financial statements have been reviewed, not audited.

2 Basis of preparation

These condensed interim financial statements for the six months ended 30 June 2013 have been prepared in accordance with IAS 34, 'Interim financial reporting' as adopted by the European Union. The condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2012, which have been prepared in accordance with IFRSs as adopted by the European Union.

The Company's financial statements are prepared on a going concern basis, which assumes that the Company will be in operational existence for the foreseeable future.

The Company generated profit for the six-month period ended 30 June 2013 (EUR 248 thousand) and loss for the six-month period ended 30 June 2012 (EUR 277 thousand). For the period ended 30 June 2013 current liabilities exceed current assets by EUR 1,473 thousand (as at 31 December 2012 current liabilities exceeded current assets by EUR 1,403 thousand). As at 30 June 2013 the Company's net assets are negative at the amount of EUR 290 thousand.

The Company was provided with a binding letter of support from Bluehouse Accession Property Holdings III S.a.r.l., Luxembourg, as the intermediate parent company, which states that adequate funds and full support would be provided to enable the Company to continue operations at least until 30 June 2014.

The Company's shareholder confirms that it will maintain its investment in the Company and that it is its current policy to ensure that Vaptzarov Business Centre EOOD is in the position to meet its debts and capital expenditure commitments as they fall due. If the Company's shareholder does not provide financial support to Vaptzarov Business Centre EOOD and the going concern basis could not be applied, the Company's assets and liabilities should be measured at the values that could be substantially different than the amounts presented in these financial statements prepared on a going concern basis.

3 Accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as described below.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss.

New and amended standards adopted by the Company

The new or amended IFRSs or IFRICs that are effective in the European Union for the first time from 1 January 2013 do not have any impact on the Company.

(All amounts in euro thousands unless indicated otherwise)

4 Estimates

The preparation of interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed interim financial statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended 31 December 2012, with the exception of changes in estimates that are required in determining the provision for income taxes.

5 Financial risk management

5.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

The condensed interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the Company's annual financial statements as at 31 December 2012. There have been no changes in the risk management policies.

5.2 Credit risk

There are no impairment losses recognized or reversed for the six months ended 30 June 2013 and for the six months ended 30 June 2012.

5.3 Liquidity risk

The tables below present the maturity analysis of financial liabilities. The amounts disclosed in the tables are the contractual undiscounted cash flows. Undiscounted cash flows in respect of balances due within 12 months generally equal their carrying amounts in the balance sheet, as the impact of discounting is not significant.

As at 30 June 2013	Up to 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Liabilities					
Borrowings from related parties	1,218	386	8,949	–	**10,553**
Borrowings from banks	1,879	1,910	14,121	–	**17,910**
Trade and other payables	26	–	–	–	**26**
Derivative financial instruments	230	174	147	–	**551**
Total future payments, including future principal and interest payments	**3,353**	**2,470**	**23,217**	**–**	**29,040**

As at 31 December 2012	Up to 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Liabilities					
Borrowings from related parties	1,031	386	9,140	–	**10,557**
Borrowings from banks	1,862	1,896	15,086	–	**18,844**
Trade and other payables	124	–	–	–	**124**
Derivative financial instruments	251	225	319	–	**795**
Total future payments, including future principal and interest payments	**3,268**	**2,507**	**24,545**	**–**	**30,320**

5.4 Fair value estimation

The following table presents the Company's liabilities that are measured at fair value at 30 June 2013 and 31 December 2012:

(in EUR thousand)	Level 1	Level 2	Level 3	Total balance
Liabilities				
Derivative financial instruments—30 June 2013	–	548	–	**548**
Derivative financial instruments—31 December 2012	–	791	–	**791**

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. Otherwise, the instrument is included in level 3

The carrying values of trade receivables and payables, as well as borrowings are assumed to approximate their fair values.

6 Seasonality of operation

The Company's business is not seasonal.

7 Income taxes

Income tax expense is recognised based on management's estimate of the weighted average annual effective income tax rate expected for the full financial year. The estimated average annual effective tax rate used for the six months ended 30 June 2013 is 10% (equal to current tax rate) as the expected accounting profit for 2013 will not trigger interest not recognized for tax purposes as it was the case in the prior year (the estimated tax rate for the six months ended 30 June 2012 was 7.33%).

8 Investment property

	Six months ended 30 June 2013	Year ended 31 December 2012
Beginning of the period	24,717	25,356
Additions	–	282
Depreciation charge (Note 12)	(471)	(921)
End of the period	**24,246**	**24,717**
Cost	27,710	27,710
Accumulated depreciation	(3,464)	(2,993)
End of the period	**24,246**	**24,717**

The fair value of the investment property as at 30 June 2013 is EUR 34,600 thousand (31 December 2012: EUR 37,600 thousand).

9 Share capital

	Number of shares (thousands)	Share capital
Opening balance as at 1 January 2013	**500**	**3**
Proceeds from shares issued		–
At 30 June 2013	**500**	**3**

(All amounts in euro thousands unless indicated otherwise)

10 Borrowings from banks

Six months ended 30 June 2013	
Opening balance as at 1 January 2013	16,210
Repayment of borrowings	(569)
Interest accrued	384
Interest repaid	(360)
At 30 June 2013	**15,665**
non-current	14,523
current	1,142
Six months ended 30 June 2012	
Opening balance as at 1 January 2012	17,218
Repayment of borrowings	(438)
Interest accrued	489
Interest repaid	(402)
At 30 June 2012	**16,867**
non-current	15,665
current	1,202

There are no new significant borrowings in 2013.

11 Derivative financial instruments

	As at	
	30 June 2013	31 December 2012
Interest-rate swaps		
current liabilities	230	251
non-current liabilities	318	540
Total	**548**	**791**

In 2012 the Company entered in an interest rate swap agreement to swap annual variable rate of 3 month Euribor to fixed rate of 1.73% per annum (the Company is the fixed rate payer) with the bank with maturity date of 30 November 2016. The notional principal amounts of the outstanding interest rate swap contract as at 30 June 2013 was EUR 15,972 thousand (31 December 2012: EUR 16,533 thousand).

12 Operating expenses arising from investment properties that generate rental revenue

	Six months ended	
	30 June 2013	30 June 2012
Depreciation and impairment	471	457
Real estate taxes	66	66
Management charges	30	30
Insurance	6	6
Total operating expenses arising from investment properties that generate rental revenue	**573**	**559**

(All amounts in euro thousands unless indicated otherwise)

13 Administrative expenses

	Six months ended	
	30 June 2013	**30 June 2012**
Professional fees	78	12
Other	4	2
Total administrative expenses	**82**	**14**

14 Finance income and costs

	Six months ended	
	30 June 2013	**30 June 2012**
Interest income	6	4
Total finance income	**6**	**4**

	Six months ended	
	30 June 2013	**30 June 2012**
Interest expense	(695)	(720)
Fair value gains/(losses) on derivative financial instruments	237	(519)
Total finance costs	**(458)**	**(1,239)**

15 Related party transactions

	Six months ended	
	30 June 2013	**30 June 2012**
Borrowings from related parties—Bluehouse Accession Project V Ltd, Cyprus (parent company)		
Opening balance as at 1 January	9,032	8,673
Interest accrued	198	198
Interest repaid	(10)	(10)
At 30 June	**9,220**	**8,861**
non- current	8,400	8,400
current	820	461

16 Events after the reporting period

There are no post-balance sheet events to be reported.

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REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

To the General Managers of Vaptzarov Business Centre EOOD

Introduction

We have reviewed the accompanying condensed interim balance sheet of Vaptzarov Business Centre EOOD (the "Company") as of 30 June 2013 and the related condensed interim statements of comprehensive income, changes in equity and cash flows for the six-month period then ended. Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" as adopted by the European Union. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, "Interim Financial Reporting" as adopted by the European Union.

PricewaterhouseCoopers Audit OOD
Sofia, Bulgaria
30 July 2013

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Registered with the Sofia City Court under company file number 13424/1997.

VICTORIA CENTER SRL

INTERNATIONAL FINANCIAL REPORTING STANDARDS

FINANCIAL STATEMENTS

THREE YEARS ENDED 31 DECEMBER 2012

BALANCE SHEETS
(in EUR thousand, unless otherwise stated)

	Note	As at 31 December 2012	2011	2010
Assets				
Non-current assets				
Investment property	5	16,570	17,479	18,135
Deferred income tax assets	11	18	–	–
Total non-current assets		**16,588**	**17,479**	**18,135**
Current assets				
Trade and other receivables	7	683	605	595
Cash and cash equivalents	8	1,736	2,169	2,022
Total current assets		**2,419**	**2,774**	**2,617**
Total assets		**19,007**	**20,253**	**20,752**
Equity and liabilities				
Equity				
Share capital	9	157	161	162
Accumulated losses		(2,516)	(2,579)	(2,886)
Translation reserve		429	374	361
Total equity		**(1,930)**	**(2,044)**	**(2,363)**

The accompanying notes on pages 6 to 42 form an integral part of these financial statements.

BALANCE SHEETS
(in EUR thousand, unless otherwise stated)

	Note	As at 31 December 2012	2011	2010
Non-current liabilities				
Borrowings from banks	10	18,198	18,778	19,351
Tenant deposits	6	96	68	54
Derivative financial instruments	14	361	261	–
Deferred income tax liabilities	11	–	–	110
Total non-current liabilities		**18,655**	**19,107**	**19,515**
Current liabilities				
Borrowings from banks	10	710	696	556
Borrowings from related parties	10	398	1,203	1,625
Trade and other payables	12	150	413	696
Deferred revenue	13	827	786	723
Derivative financial instruments	14	197	92	–
Total current liabilities		**2,282**	**3,190**	**3,600**
Total liabilities		**20,937**	**22,297**	**23,115**
Total equity and liabilities		**19,007**	**20,253**	**20,752**

The accompanying notes on pages 6 to 42 form an integral part of these financial statements.

STATEMENTS OF COMPREHENSIVE INCOME
(in EUR thousand, unless otherwise stated)

		Year ended 31 December		
	Note	2012	2011	2010
Rental revenue	15	2,429	2,137	2,005
Other revenue		578	531	703
Total revenue		**3,007**	**2,668**	**2,708**
Operating expenses arising from investment property that generates rental revenue	16	(944)	(850)	(902)
Gross profit		**2,063**	**1,818**	**1,806**
Administrative Expenses	16	(206)	(69)	(590)
Operating profit		**1,857**	**1,749**	**1,216**
Finance income	17	47	51	14
Finance costs	17	(1,859)	(1,604)	(1,360)
Profit/(loss) before tax		**45**	**196**	**(130)**
Income tax	18	18	111	(113)
Profit / (loss) for the year		**63**	**307**	**(243)**
Other comprehensive income for the year, net of tax		–	–	–
Total comprehensive income for the year		**63**	**307**	**(243)**

The accompanying notes on pages 6 to 42 form an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY
(in EUR thousand, unless otherwise stated)

	Share capital	Translation reserve	Accumulated losses	Total Equity
Balance at 1 January 2010	164	325	(2,643)	(2,154)
Currency translation differences on equity items	(2)	36	–	34
Comprehensive income				
Loss for the year	–	–	(243)	(243)
Other comprehensive income for the year, net of tax	–	–	–	–
Total comprehensive income	–	–	(243)	(243)
Balance at 31 December 2010	162	361	(2,886)	(2,363)
Balance at 1 January 2011	162	361	(2,886)	(2,363)
Currency translation differences on equity items	(1)	13	–	12
Comprehensive income				
Profit for the year	–	–	307	307
Other comprehensive income for the year, net of tax	–	–	–	–
Total comprehensive income	–	–	307	307
Balance at 31 December 2011	161	374	(2,579)	(2,044)
Balance at 1 January 2012	161	374	(2,579)	(2,044)
Currency translation differences on equity items	(4)	55	–	51
Comprehensive income				
Profit for the year	–	–	63	63
Other comprehensive income for the year, net of tax	–	–	–	–
Total comprehensive income	–	–	63	63
Balance at 31 December 2012	157	429	(2,516)	(1,930)

The accompanying notes on pages 6 to 43 form an integral part of these financial statements.

STATEMENTS OF CASH FLOWS
(in EUR thousand, unless otherwise stated)

	Note	Year ended 31 December 2012	2011	2010
Cash flows from operating activities				
Cash generated from operations	19	2,085	2,038	3,243
Repayment of tenant deposits		–	(35)	–
Proceeds from tenant deposits		29	70	396
Income taxes paid		–	–	(2)
Net cash generated from operating Activities		**2,114**	**2,073**	**3,637**
Cash flows from investing activities				
Subsequent expenditure on investment Property	5	(13)	(4)	(90)
Interest received	17	47	51	14
Net cash generated from/ (used in) investing activities		**34**	**47**	**(76)**
Cash flows from financing activities				
Proceeds from borrowings	10	–	–	19,832
Repayments of borrowings	10	(1,420)	(567)	(21,358)
Interest paid	10	(1,111)	(1,388)	(823)
Net cash used in financing activities		**(2,531)**	**(1,955)**	**(2,349)**
Net (decrease) / increase in cash and cash equivalents		**(383)**	**165**	**1,212**
Cash and cash equivalents at beginning of year	8	**2,169**	**2,022**	**820**
Currency translation differences		(50)	(18)	(10)
Cash and cash equivalents at end of year	8	**1,736**	**2,169**	**2,022**

The accompanying notes on pages 6 to 43 form an integral part of these financial statements.

1 General information

Victoria Center SRL ("the Company") was established in June 2004 and its main area of activity is investment and development of real estate. The Company developed a building that provides class A office accommodation, as well as retail areas. Construction started in mid 2007 and was completed in October 2009.

The Company is a limited liability company incorporated and domiciled in Romania. The address of its registered office is: 10, Montreal Square, World Trade Center Building, Entrance E, 3rd floor, office A9, Sector 1, Bucharest, Romania.

The Company's sole shareholder is Eurynome Ltd. The ultimate shareholder of the Company is T2 Bluehouse Capital Partners, registered in Cyprus as a partnership under the Partnerships and Trade Names Law, Cap. 116, of Cyprus and has been recognised by the Central Bank of Cyprus as a private International Collective Investment Scheme (ICIS). Through its subsidiaries the Partnership invests in real estate assets, portfolios, joint ventures and operating companies. The ultimate shareholder has investments in properties in Bulgaria, Croatia, Serbia and Romania.

The Company is managed by the administrators Stefan Oana and Andreea Enescu.

These financial statements have been prepared for inclusion in the prospectus of Meridian Properties and approved by the management on the date of the prospectus.

2 Summary of significant accounting policies

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

2.1 Basis of preparation

Statement of compliance

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

Income and cash flow statement

The Company has elected to present a single statement of comprehensive income and presents its expenses by function on the face of the income statement and by nature in Note 16.

The Company reports cash flows from operating activities using the indirect method. Interest paid is presented within financing cash flows, while interest received is presented under investing cash flows.

Preparation of the stand alone financial statements

The financial statements have been prepared on a going concern basis, applying the historical cost convention, except for derivative financial instruments that are measured at fair value through profit and loss in these financial statements (Note 14).

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

(in EUR thousand, unless otherwise stated)

Changes in accounting policies and disclosures

a) New and amended standards and interpretations adopted by the Company

There are no new or amended IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2012 that would be expected to have a material impact on the Company.

b) New standards, amendments and interpretations amendments to standards effective on or after 1 January 2012, but not relevant to the Company

Standard / Interpretation	Content	Applicable for financial years beginning on/after
IAS 19	IAS 19, 'Employee benefits', was amended in June 2011.	1 January 2012
IFRS 7	Amendment to IFRS 7, 'Financial instruments: Disclosures', on transfer of financial assets	1 July 2011
IFRS 1	Amendment to IFRS 1, 'First time adoption', on hyperinflation and fixed dates	1 July 2011
IAS 12	Amendment to IAS 12, 'Income taxes', on deferred tax	1 January 2012

c) New standards, amendments and interpretations issued but not yet effective

The following new and amended standards and interpretations have been issued and are mandatory for the Company's accounting periods beginning on or after 1 January 2013 or later periods and are expected to be relevant to the Company:

Standard / Interpretation	Content	Applicable for financial years beginning on/after
IAS 1	Presentation of items of other comprehensive income	1 July 2012
IFRS 9	Financial instruments	1 January 2015
IFRS 13	Fair value measurement	1 January 2013

IAS 1 "Presentation of items of 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 reclassifiable to profit and loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI.

IFRS 9 "Financial instruments"

IFRS 9 addresses the classification, measurement and recognition of financial assets and financial 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. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements.

The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the profit and loss, unless this creates an accounting mismatch. The Company is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after 1 January 2015. The Company will also consider the impact of the remaining phases of IFRS 9 when completed by the IASB.

(in EUR thousand, unless otherwise stated)

IFRS 13 "Fair value measurement"

IFRS 13 aims to improve consistency and reduce complexity 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, which are largely aligned between IFRSs and US GAAP, 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 or US GAAP. The Company is yet to assess IFRS 13's full impact and intends to adopt IFRS 13 no later than the accounting period beginning on 1 January 2013.

The following new and amended standards and interpretations issued but not yet effective are not expected to be relevant to the Company for the future accounting periods:

Standard / Interpretation	Content	Applicable for financial years beginning on/after
IAS 19	Amendment to IAS 19, 'Employee benefits'	1 January 2013
IFRS 1	Amendment to IFRS 1, 'First time adoption', on government loans	1 January 2013
IFRS 7	Amendment to IFRS 7, 'Financial instruments: Disclosures', on asset and liability offsetting	1 January 2013
IFRSs 10, 11 and 12	Amendment to IFRSs 10, 11 and 12 on transition guidance	1 January 2013
IFRS 10	IFRS 10, 'Consolidated financial statements'	1 January 2013
Standard / Interpretation	**Content**	**Applicable for financial years beginning on/after**
IFRS 11	IFRS 11, 'Joint arrangements'	1 January 2013
IFRS 12	IFRS 12, 'Disclosures of interests in other entities'	1 January 2013
IAS 27	IAS 27 (revised 2011), 'Separate financial statements'	1 January 2013
IAS 28	IAS 28 (revised 2011), 'Associates and joint ventures'	1 January 2013
IFRIC 20	IFRIC 20, 'Stripping costs in the production phase of a surface mine'	1 January 2013
IAS 32	Amendment to IAS 32, 'Financial instruments: Presentation', on asset and liability offsetting	1 January 2014

d) Early adoption of standards

The Company did not early adopt any new or amended standards in the years ended 31 December 2012, 31 December 2011 and 31 December 2010.

2.2 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements are measured using the Romanian lei ("RON") which is the currency of the primary economic environment in which the Company operates ("the functional currency"). These financial statements are presented in Euro ("EUR"), thousand in order to be more understandable for the Company's stakeholders.

The Company's financial statements were translated into EUR according to the requirements of IAS 21 (revised) "The effects of changes in foreign exchange rates", as follows:

- Assets and liabilities are translated at the closing rate existing at the date of each balance sheet presented;
- Income and expense items are translated at average exchange rates that approximate the actual exchange rates;
- Equity items other than the net profit or loss for the period that is included in the balance of accumulated loss are translated at the closing rate existing at the date of each balance sheet presented; Accumulated loss is translated at average exchange rates;
- All exchange differences resulting from translation from measurement to presentation currency are recognized directly in equity.

(b) Transactions and balances

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

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the profit and loss within 'finance income' and 'finance costs', respectively.

2.3 Going concern

The Company recorded a profit of EUR 63 thousand for the year ended 31 December 2012 (2011: EUR 307 thousand, 2010: loss of EUR 243 thousand). The accumulated loss is EUR 2,516 thousand as at 31 December 2012 (31 December 2011: EUR 2,579 thousand, 31 December 2010: EUR 2,886 thousand).

The Company completed its real estate project in 2009 and, as of 31 December 2012, 100% of the building is leased out (31 December 2011 and 31 December 2010: 97%). The annual lease revenue based on existing leases as at 31 December 2012 is EUR 2.4 million (31 December 2011: EUR 2.1 million, 31 December 2010: EUR 2 million) in accordance with management's expectations. See Note 21.

In addition, the Company has in operation a long term loan from a reputable bank operating in Romania. The maturity is 5 years from granting date. See Note 10.

Based on the above factors, management is confident that the Company will continue in operational existence for the foreseeable future and the going concern basis for preparing the financial statements is appropriate, therefore no adjustments relating to this uncertainty have been included in these financial statements.

2.4 Investment property

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Company, is classified as investment property.

Investment property comprises freehold land and buildings. Investment property is measured initially at its cost, including related transaction costs and borrowing costs (see Note 2.14). Following initial recognition, investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Land is not depreciated. Depreciation on other investment property is calculated using the straight-line method to allocate the costs over the estimated useful life of the building, currently standing at 40 years. Significant parts of the building that have different useful life are depreciated separately. Depreciation on the significant components of the investment property is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives between 2 and 20 years.

Subsequent expenditure is capitalized to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred.

Letting fees are initial direct costs incurred with negotiating and arranging leases; they are capitalised on the carrying amount of the investment property and subsequently amortised as a reduction of gross revenue over the lease term, in accordance with IAS 17.

2.5 Leases

The Company is the Lessor in an operating lease

Properties leased out under operating leases are included in investment property in the balance sheet (Note 5). See Note 2.16 for the recognition of rental income.

2.6 Impairment of non-financial assets

Assets that are subject to amortization 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). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.7 Financial instruments

(a) Financial assets

Financial assets are classified as financial assets at fair value through profit and loss and loans and receivables, as appropriate. The Company determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value.

Financial assets are derecognised only when the contractual rights to the cash flows from the financial asset expire or the Company transfers substantially all risks and rewards of ownership.

The Company's financial assets consist of loans and receivables and derivatives (Note 2.12).

Financial assets included in trade and other receivables are classified as loans and receivables. They are recognised initially at fair value and subsequently measured at amortised cost less provision for impairment.

Cash and cash equivalents are also classified as loans and receivables. They are subsequently measured at amortised cost. Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. If there is objective evidence (such as significant financial difficulty of the obligor, breach of contract, default or delinquency in payments—more than 30 days overdue—or it becomes probable that the debtor will enter bankruptcy or financial reorganisation) the asset is tested for impairment. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (that is, the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognised in profit and loss.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice. Impaired trade receivables are derecognized when they are assessed as uncollectible.

If in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date. Any subsequent reversal of an impairment loss is recognized in profit and loss.

Value added tax (VAT) is payable to the Tax Authorities based on the monthly VAT return by the 25th of the following month irrespective of collection of receivables from customers. The Fiscal Authorities permit the settlement of VAT on a net basis. When input VAT is higher than output VAT, the difference is refundable at the Company's request. The VAT refund may be made after a tax inspection is performed or without a tax inspection, if certain conditions are met. VAT related to sales and purchases which has not been settled at the balance sheet date is recognized in the balance sheet on a net basis and disclosed as a current asset or liability.

Where provision has been made for impairment of receivables, impairment loss is recorded for the gross amount of the debtor, including VAT. The related VAT needs to be paid to the State and can only be recovered after the debtor is declared bankrupt. Moreover, the writing off of a bad debt is a lengthy process which should be performed considering special circumstances and in some cases a prescription period of three years should be considered.

(b) Financial liabilities

Liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit and loss or other liabilities, as appropriate.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

All loans and borrowings are classified as other financial liabilities. Initial recognition is at fair value less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method (see Note 2.13 for the accounting policy on borrowings).

Financial liabilities included in trade and other payables are recognised initially at fair value and subsequently at amortised cost. The fair value of a non-interest bearing liability is its discounted repayment amount. If the due date of the liability is less than one year, discounting is omitted.

Derivative financial liabilities are measured initially and subsequently at fair value through profit and loss. (Note 2.12)

2.8 Cash and cash equivalents

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

2.9 Share capital

Shares are classified as equity when there is no obligation to transfer cash or other assets.

2.10 Trade and other payables

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

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

The Company obtains deposits from tenants—as a guarantee for returning the property at the end of the lease term in a specified good condition or for the lease payments—for a period of 3 months. Such deposits are treated as financial liabilities in accordance with IAS 39 and they are initially recognised at fair value. The difference between fair value and cash received is considered to be part of the minimum lease payments received for the operating lease (see Note 2.16 for the recognition of rental income). The deposit is subsequently measured at amortised cost.

2.11 Deferred revenue

Deferred revenue includes rents and service charges invoiced in advance to the tenants for future periods.

2.12 Derivative financial instruments

Derivative financial assets and liabilities are classified as financial assets at fair value through profit and loss (held for trading).

Derivative financial assets and liabilities comprise interest rate swaps.

The Company does not apply hedge accounting in accordance with IAS 39. Recognition of the derivative financial instruments takes place when the contracts are entered into. They are measured initially and subsequently at fair value; transaction costs are included directly in finance costs. Gains or losses on derivatives are recognised in profit and loss in Finance Costs category. Interest income and expenses on derivative financial assets or liabilities are included in profit and loss in finance income and finance costs, respectively.

Derivatives are presented in the balance sheet as financial assets when their fair value is positive and as financial liabilities when their fair value is negative.

2.13 Borrowings

Borrowings from banks are recognized initially at fair value, net of transaction costs incurred.

Borrowings from banks are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized as finance cost over the period of the borrowings from banks using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some of or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs.

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

2.14 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in profit and loss in the period in which they are incurred.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

2.15 Current and deferred income tax

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

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in Romania.

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 basis of assets and liabilities and their carrying amounts in the financial statements. However, 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 substantively 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 temporary differences can be utilized. The future taxable profits and the amount of tax benefits that are probable in the future are based on a medium term business plan prepared by management and extrapolated results thereafter. The business plan is based on management expectations that are believed to be reasonable under the circumstances.

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 on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.16 Revenue recognition

Revenue includes rental revenue, and other revenue (service and management charges from the investment property).

Rental revenue from operating leases is recognised on a straight-line basis over the lease term. When the Company provides incentives to its tenants, the cost of incentives is recognised over the lease term, on a straight-line basis, as a reduction of rental revenue (“rent-free adjustment”).

Service and management charges are recognised in the accounting period in which the services are rendered.

2.17 Direct property operating expenses and other expenses

Expenses include legal, accounting, auditing and other items. They are recognised in profit and loss in the period in which they are incurred (on an accrual basis).

2.18 Interest income and expense

Interest income and expense are recognised within ‘finance income’ and ‘finance costs’ in the profit and loss using the effective interest method, except for the borrowing costs relating to qualifying assets, which are capitalised as part of the cost of that asset (Note 2.14). The Company has chosen to capitalise borrowing costs on all qualifying assets, irrespective of whether they are measured at fair value or not.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or a shorter period where appropriate, to the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

(in EUR thousand, unless otherwise stated)

3.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

The Company does not have formal arrangements to mitigate financial risks, other than the derivative transaction described in Note 3 (a), ii) below. Despite the fact that no formal policies exist, the management is actively involved in the business activity through regular meetings with the finance department monitoring the financial risks, and could take immediate decisions to address the risks generated by the impact of the current economic downturn.

The financial risks are monitored at the higher level considering the financial needs of this business in order to make sure that the opportunities and threats are matched efficiently. The financial department prepares monthly cash flows which help management in the decision-making process.

(a) Market risk

i) Foreign exchange risk

The Company operates locally, but is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the EUR. Foreign exchange risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the Company's functional currency.

The Company's borrowings from banks and from related parties (Note 10) are denominated in EUR. The cash and cash equivalents (Note 8) are denominated in EUR and RON. The trade and other receivables and trade and other payables are denominated in RON.

In 2012, 2011 and 2010, the operating revenue (rental income) was expressed in EUR, as per the rental agreements concluded. However, receivables arising are invoiced in RON; therefore they do not generate an exposure.

In the year ended 31 December 2012, if the RON had strengthened/weakened by 10% against the EUR with all other variables held constant, the profit for the year would have been EUR 1,931 thousand (2011: EUR 2,068 thousand, 2010: EUR 2,153 thousand) higher /lower, mainly as a result of the change in foreign exchange losses on translation of EUR denominated borrowings.

The result is less sensitive to movement in RON/EUR exchange rates in 2012 than 2011 and 2010 because of the decreased amount of EUR denominated borrowings, following reimbursements throughout the year ended 31 December 2012.

The period-end RON exchange rates with EUR were as follows:

	31 December		
	2012	2011	2010
	EUR	EUR	EUR
Closing rate	4.4287	4.3197	4.2848
Average rate	4.4573	4.2379	4.2099

The Company does not have formal arrangements to mitigate the currency risk of its operations; consequently the Company does not apply hedge accounting.

ii) Cash flow and fair value interest rate risk

As the Company does not have any significant interest bearing assets, its income and operating cash inflows are substantially independent of changes in market interest rates.

(in EUR thousand, unless otherwise stated)

The Company's interest rate risk arises from floating rate and fixed rate borrowings (Note 10). During 2012, 2011 and 2010, the Company had borrowings from banks at variable interest rate and loans from shareholders at a fixed rate (Note 10).

Borrowings from banks issued at variable rates expose the Company to cash flow interest rate risk.

The Company's objective is to fix the interest rate on its variable interest borrowings from banks. To manage this, the Company entered into an interest rate swap transaction in which the Company agreed to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed upon notional principal amount. At 31 December 2012 and 31 December 2011, after taking into account the effect of the interest rate swap, nearly 50% of the Company's borrowings from banks are at a fixed rate of interest (31 December 2010: nil).

In the year ended 31 December 2012, if the interest rate on the bank borrowing had been 0.5% higher/lower with all other variables held constant, pre-tax profit for the period would have been EUR 95 thousand lower/higher (2011: EUR 98 thousand, 2010: EUR 100 thousand), mainly as a result of higher/lower interest expense.

Borrowings from related parties at fixed interest rates expose the Company to fair value interest rate risk. The carrying amounts of short-term borrowings from related parties approximate the fair value as the impact of discounting is not significant. During 2012, 2011 and 2010 the Company's borrowings from related parties at fixed rates were denominated in EUR and no hedging instruments were used to mitigate this risk.

The Company's financial liabilities (other than tenant deposits) are interest free and have settlement dates within one year.

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Company has no significant concentration of credit risk. Credit risk arises from cash and cash equivalents and deposits with financial institutions. As at 31 December 2012, 31 December 2011 and 31 December 2010, the Company had cash transactions with a local bank. The international Credit Rating agencies have assigned the following ratings to this bank:

Agency	Long-Term	Short-Term	Date of report
Fitch	BBB+	F2	November 2012
Moody's	Ba1	NP	June 2012

Source: https://www.bcr.ro/ro/investitori/rating-bcr

The fair value of cash and cash equivalents and other financial assets at 31 December 2012, 31 December 2011 and 31 December 2010 approximates their carrying values.

The Company's income is generated by tenants to whom the property is rented under non cancellable operating leases concluded for a minimum period of three years. Rent is paid either monthly, quarterly or semi-annually in advance and bank guarantee letters or cash collateral are received, covering the rent for three months.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash to pay its liabilities and the availability of funding through an adequate amount of committed credit facilities.

(in EUR thousand, unless otherwise stated)

The Company used cash proceeds from loans received from banks and shareholders to pay the liabilities arising from the completion of the project. The bank construction loan was refinanced into a long term facility with another bank (see Note 10).

The Company's liquidity position is monitored on a weekly basis by management.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 yrs	Total
At 31 December 2012				
Borrowings from banks	1,559	1,460	18,441	21,460
Borrowings from related parties	406	–	–	406
Tenant deposits	–	–	96	96
Derivatives	411	403	363	1,177
Trade and other payables (Note 12)	97	–	–	97
Total	2,569	1,863	18,804	23,236
At 31 December 2011				
Borrowings from banks	1,492	1,479	19,901	22,872
Borrowings from related parties	1,203	–	–	1,203
Tenant deposits	–	–	68	68
Derivatives	201	176	328	705
Trade and other payables (Note 12)	234	–	–	234
Total	3,198	1,655	20,229	25,082
At 31 December 2010				
Borrowings from banks	1,363	1,547	20,265	23,175
Borrowings from related parties	1,625	–	–	1,625
Tenant deposits	54	–	–	54
Trade and other payables (Note 12)	548	–	–	548
Total	3,590	1,547	20,265	25,402

The amounts disclosed in the table are the contractual undiscounted cash flows.

Undiscounted cash flows in respect of balances due within 12 months generally equal their carrying amounts in the balance sheet, as the impact of discounting is not significant. As the amount of contractual undiscounted cash flows related to borrowings from banks is based on variable rather than fixed interest rates, the amount disclosed is determined by reference to the conditions existing at the reporting date — that is, the actual spot interest rates effective as of 31 December 2012, 31 December 2011 and 31 December 2010 are used for determining the related undiscounted cash flows.

3.2 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders; and to maintain an optimal capital structure to reduce the cost of capital, as well as to comply with the requirements of the loan agreement concluded with the bank.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

(in EUR thousand, unless otherwise stated)

The Company has also to maintain certain ratios, related to its capital, which are imposed by the agreement for the bank loan obtained. In general, these requirements relate to:

debt service cover ratio, determined as the ratio between the net rental income generated by the Company and the debt service payments for the next 6 month period, loan to value requirements, establishment and maintenance of a debt service reserve account.

As at 31 December 2012, the Company is in compliance with the above requirements.

3.3 Fair value estimation

The nominal value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current interest rate that is available to the Company for similar financial instruments.

IFRS 7 for financial instruments that are measured in the balance sheet at fair value requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2);
- Inputs for the asset or liability that are no based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Company's liabilities that are measured at fair value at 31 December 2012:

Derivative financial instruments	31 December 2010	31 December 2011	31 December 2012
Level 3	–	353	558

4 Critical accounting estimates and judgments

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

4.1 Critical accounting estimates and assumptions

Management 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 discussed below.

4.2 Critical judgements in applying the Company's accounting policies

The Company made the following critical accounting judgements in 2012, 2011 and 2010:

(i) Going concern, as described in Note 2.3;

(ii) The recognition of the deferred tax asset, as described in Notes 2.15, 11 and 18;

(iii) The fair value of the derivative, as described in Notes 2.12 and 14 and

(iv) Useful life of the investment property.

The investment property can be depreciated over a period ranging from 40 to 60 years. The management of the Company believes that a 40-year useful life is in line with the business expectations and therefore has chosen to depreciate the investment property over this period of time.

In the year ended 31 December 2012, if the depreciation period had been 1 year longer/shorter with all other variables held constant, the pre-tax profit for the period would have been EUR 11.6 thousand (2011: EUR 11.6 thousand, 2010: EUR 11.6 thousand) lower/higher.

4.3 Credit crunch

Recent volatility on global and Romanian financial markets

The ongoing global liquidity crisis which commenced in the middle of 2007 has resulted in, among other things, a lower level of capital market funding, lower liquidity levels across the banking sector, and, at times, higher interbank lending rates and very high volatility on stock markets. Also, the volatility in the exchange rate of RON and of the main currencies used in international exchanges was very high. Indeed, the full extent of the impact of the ongoing financial crisis proves to be impossible to anticipate or completely guard against.

Management is unable to reliably estimate the effects on the Company's financial position of any further deterioration in the liquidity of the financial markets and the increased volatility in the currency and equity markets. Management believes it took all the necessary measures to support the sustainability and growth of the Company's business in the current circumstances.

Impact on liquidity

The volume of wholesale financing has significantly reduced recently. Such circumstances may affect the ability of the Company to obtain new borrowings and re-finance its existing borrowings under terms and conditions similar to those applied to earlier transactions.

Impact on customers

Customers of the Company may be affected by the lower liquidity situation which could, in its turn, impact their ability to repay the amounts owed. Deteriorating operating conditions for debtors may also have an impact on management's cash flow forecasts and assessment of the impairment of financial and non-financial assets. To the extent to which there is available information, management have properly reflected revised estimates of expected future cash flows in their impairment assessments.

Fair value of investment property

The local market for many types of real estate has been affected by the recent volatility in global financial markets. Deteriorating economic conditions may also have an impact on management assessment of the impairment of the investment property.

(in EUR thousand, unless otherwise stated)

5 Investment property

	As at 31 December		
	2012	2011	2010
At 1 January			
Cost	19,078	19,085	18,995
Accumulated depreciation	(1,203)	(690)	(173)
Currency translation differences	(397)	(260)	(19)
Opening net book amount	17,479	18,135	18,803
Currency translation differences	(434)	(136)	(241)
Subsequent expenditure	13	4	56
Capitalised letting fees	–	–	34
Amortisation of capitalised letting fees (Note 15)	(49)	(51)	(49)
Depreciation charge (Note 16)	(439)	(473)	(468)
Closing net book amount	16,570	17,479	18,135
At 31 December			
Cost	19,091	19,078	19,085
Accumulated depreciation	(1,691)	(1,203)	(690)
Currency translation differences	(830)	(396)	(260)
Closing net book amount	16,570	17,479	18,135

The fair value of investment property as at 31 December 2012, as determined by an external, independent and professionally qualified valuator is 31.37 million EUR (31 December 2011: EUR 30.25 million, 31 December 2010: EUR 29.2 million).

The Company developed a building that provides class A office accommodation, as well as retail areas. The construction started mid 2007 and the building was fully operational starting with October 2009. The useful life of the building is estimated at 40 years.

No borrowing costs were capitalized in respect of the project during 2012, 2011 and 2010.

Bank borrowings are secured in full by the Investment Property of the Company (Note 10).

6 Financial instruments by category

a) Financial instruments by category

The accounting policies for financial instruments have been applied to the line items below:

	As at 31 December		
	2012	2011	2010
Financial assets			
Cash and cash equivalents (Note 8)	1,736	2,169	2,022
Trade and other receivables, excluding non-financial assets (Note 7)	679	603	595
Total financial assets	2,415	2,772	2,617
Financial liabilities			
Tenant deposits	96	68	54
Borrowings (Note 10)	19,306	20,677	21,532
Derivative financial instruments (Note 14)	558	353	–
Trade and other payables, excluding non-financial liabilities (Note 12)	97	234	548
Total financial liabilities	20,057	21,332	22,134

(in EUR thousand, unless otherwise stated)

b) Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

	As at 31 December		
	2012	2011	2010
Trade and other receivables, excluding non-financial assets, net (Note 7)			
Counterparties without external credit rating:			
Group 1	17	–	–
Group 2	613	571	566
Group 3	49	32	29
Total	679	603	595

Where:

Group 1—new customers (less than 6 months)
Group 2—existing customers (more than 6 months) with no defaults in the past
Group 3—existing customers with some defaults in the past. All defaults were fully recovered.

	As at 31 December		
	2012	2011	2010
Cash and cash equivalents (Note 8)			
Fitch F2	1,736	2,169	2,022

7 Trade and other receivables

	As at 31 December		
	2012	2011	2010
Financial assets			
Trade receivables	720	582	576
Less: provision for impairment of trade receivables	(70)	–	–
Trade receivables—net	650	582	576
Other debtors	29	21	19
Total	679	603	595
Non financial assets			
VAT non-eligible	4	2	–
Total trade and other receivables	683	605	595

Trade and other receivables are not interest bearing and the carrying values approximate their fair values.

(in EUR thousand, unless otherwise stated)

Analysis by credit quality of financial assets is as follows:

	As at 31 December		
	2012	2011	2010
Trade receivables, gross:			
Neither past due nor impaired:	649	566	584
Past due but not impaired	30	37	11
Individually determined to be impaired (gross):	70	–	–
Less: provision for impairment of trade receivables	(70)	–	–
Total trade receivables, net of provision for impairment	679	603	595

The other classes within trade and other receivables do not contain impaired assets.

Movements on the Company's provision for impairment of trade receivables are as follows:

	As at 31 December		
	2012	2011	2010
At 1 January	–	–	–
Currency translation differences	1	–	–
Provision for impairment of trade receivables	69	–	–
At 31 December	70	–	–

8 Cash and cash equivalents

	As at 31 December		
	2012	2011	2010
Cash at bank in RON	2	128	929
Cash at bank in foreign currencies	74	15	816
Short term bank deposits in RON	203	741	156
Short term bank deposits in EUR	1,456	1,285	121
Cash in hand	1	–	–
Total	1,736	2,169	2,022

As of 31 December 2012, the Company holds deposits with banks with maturities ranging from 1 to 3 months (31 December 2011 and 31 December 2010: 1 to 3 months). The weighted average interest rate for EUR denominated deposits is 1.8 % (31 December 2011: 3.16%, 31 December 2010: 3.5%). The weighted average interest rate for RON denominated deposits is 4.2 % (31 December 2011: 5.7%, 31 December 2010: 6%).

9 Share capital

	Number of shares	Amount
At 1 January 2010	69,552	164
Currency translation differences	–	(2)
At 31 December 2010	69,552	162
At 1 January 2011	69,552	162
Currency translation differences	–	(1)
At 31 December 2011	69,552	161
At 1 January 2012	69,552	161
Currency translation differences	–	(4)
At 31 December 2012	69,552	157

(in EUR thousand, unless otherwise stated)

The authorized number of ordinary shares as at 31 December 2012, 31 December 2011 and 31 December 2010 is 69,552 with a nominal value of RON 10 per share. The Company is controlled by Eurynome Ltd, which owns 100% of the Company's shares. All authorized shares have been issued and fully paid. All shares have equal voting rights.

10 Borrowings

	As at 31 December		
	2012	**2011**	**2010**
Non-current			
Borrowings from banks	18,289	18,920	19,541
Undiscounted debt issue costs	(91)	(142)	(190)
	18,198	18,778	19,351
Current			
Borrowings from banks	757	742	568
Undiscounted debt issue costs	(47)	(46)	(12)
Borrowings from related parties	398	1,203	1,625
	1,108	1,899	2,181
Total	19,306	20,677	21,532

Borrowings from banks—Romanian Commercial Bank

In 2010, the Company contracted a credit facility from the Romanian Commercial Bank ("BCR") in maximum amount of EUR 20 million, carrying an interest rate of EURIBOR 3M + variable margin, payable quarterly. The variable margin is either 3.5% or 3.75% p.a., depending on certain indicators which need to be met by the Company during a financial year.

In the year ended 31 December 2012, the interest rate for the facility was EURIBOR 3M + 3.75% p.a. (2011 and 2010: EURIBOR 3M + 3.5% p.a.) following a 12-month temporary agreement to increase the margin.

The due date of the facility is 18 November 2015. The facility is repayable as follows:

- 15% of principal in the period 2010 to 2015;
- 85% of bullet repayment at the end of the contract term, on 18 November 2015.

The facility was contracted in order to refinance a construction loan from another bank in total amount of EUR 18.6 million and to partially reimburse a shareholder loan in total amount of EUR 1.4 million.

As of 31 December 2012, the balance of the facility is EUR 18.919 million, the accrued interest payable amounts to EUR 127 thousand and the deduction for undiscounted debt issue costs amounts to EUR 138 thousand (31 December 2011: balance of EUR 19.54 million, accrued interest payable of EUR 122 thousand and deduction for undiscounted debt issue costs of EUR 188 thousand; 31 December 2010: balance of EUR 20 million, accrued interest payable of EUR 107 thousand and deduction for undiscounted debt issue costs of EUR 200 thousand).

The facility is secured as follows:

- first-ranking mortgage in respect of the site, the building and all other assets situated on the site or relating to the building;
- first-ranking pledge on the Company's shares;
- pledge on the Company's trade receivables from all existing and future tenants lease contracts and related guarantees received;
- pledge on all the Company's existing and future insurance contracts for investment property;

(in EUR thousand, unless otherwise stated)

- pledge on all the Company's bank accounts opened at BCR;
- assignment of all the payables owed by the Company towards its shareholder.

The facility is subject to a number of covenants required to be complied with by the Company. For the years ended 31 December 2012, 31 December 2011 and 31 December 2010, the Company was in compliance with the covenants agreed in the contract.

As of 31 December 2012, 31 December 2011 and 31 December 2010, the undrawn amount of the facility is nil.

Borrowings from related parties– Eurynome Ltd.

In 2005, the Company contracted a short term credit facility from Eurynome Ltd., a related party, in the maximum amount of EUR 2.5 million (subsequently amended up to EUR 17 million), carrying a fixed interest rate of 6% p.a. The purpose of the facility was to finance the construction of the real estate project. The facility is not secured. The due date of the facility is 2 May 2013; this was modified by addendums to the contract, the last one being dated 3 June 2012.

As of 31 December 2012, the balance of the facility is EUR 397 thousand (31 December 2011: EUR 1.197 million, 31 December 2010: EUR 1.304 million). The accrued interest payable as at 31 December 2012 is EUR 1 thousand (31 December 2011: EUR 6 thousand, 31 December 2010: EUR 321 thousand).

As of 31 December 2012, the undrawn amount of the facility is EUR 16.603 million (31 December 2011: 15.803 million, 31 December 2010: EUR 15.696 million).

The carrying amount of the Company's borrowings approximates their fair value, as the impact of discounting is not significant.

The gross movements in borrowings during the year are as follows:

	Year ended 31 December		
	2012	**2011**	**2010**
Opening balance	20,677	21,532	22,817
Interest expense (Note 17)	1,111	1,075	1,091
Drawdown of borrowings from bank	–	–	19,832
Repayments of borrowings	(1,420)	(567)	(21,358)
Repayments of interest	(1,111)	(1,388)	(823)
Amortisation of debt issue costs (Note 17)	45	11	–
Currency translation differences	4	14	(27)
Closing balance	19,306	20,677	21,532

11 Deferred income tax

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 taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(in EUR thousand, unless otherwise stated)

The amounts after offsetting are as follows:

	As at 31 December		
	2012	2011	2010
Deferred tax assets			
—to be recovered after more than 12 months	137	117	–
—to be recovered within 12 months	5	13	62
Deferred tax liabilities			
—reversing after more than 12 months	(124)	(130)	(172)
Deferred tax asset (net)	18	–	(110)

The gross movement on the deferred income tax asset and liability is as follows:

	Year ended 31 December		
	2012	2011	2010
Deferred tax asset			
Opening balance	130	62	–
(Charge)/credit to the profit and loss	18	70	62
Currency translation differences	(6)	(2)	–
Closing balance	142	130	62
Deferred tax liability			
Opening balance	(130)	(172)	–
(Charge)/credit to the profit and loss	6	41	(172)
Currency translation differences	–	1	–
Closing balance	(124)	(130)	(172)

The movement in deferred tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Fiscal losses carried forward	Trade and other receivables	Total
Deferred tax assets			
At 1 January 2010	–	–	–
(Charge)/credit to the profit and loss	–	62	62
At 31 December 2010	–	62	62
At 1 January 2011	–	62	62
(Charge)/credit to the profit and loss	120	(50)	70
Currency translation differences	(2)	–	(2)
At 31 December 2011	117	13	130
At 1 January 2012	117	13	130
(Charge)/credit to the profit and loss	25	(7)	18
Currency translation differences	(6)	–	(6)
At 31 December 2012	137	5	142

(in EUR thousand, unless otherwise stated)

	Investment property	Borrowings	Trade and other payables	Total
Deferred tax liabilities				
At 1 January 2010	–	–	–	–
(Charge)/credit to the profit and loss	(85)	(32)	(55)	(172)
At 31 December 2011	(85)	(32)	(55)	(172)
At 1 January 2011	(85)	(32)	(55)	(172)
(Charge)/credit to the profit and loss	(5)	2	44	41
Currency translation differences	1	–	–	1
At 31 December 2011	(89)	(30)	(11)	(130)
At 1 January 2012	(89)	(30)	(11)	(130)
(Charge)/credit to the profit and loss	(11)	6	11	6
At 31 December 2012	(100)	(24)	–	(124)

There are no other significant unrecognised deferred tax assets and liabilities except for deferred tax assets with respect to fiscal losses carried forward expiring in 2013 (as further described in Note 18 Income Tax Expense).

12 Trade and other payables

	As at 31 December		
	2012	2011	2010
Financial liabilities			
Trade payables	88	213	482
Payables to related parties	9	21	66
Total	97	234	548
Non-financial liabilities			
Other taxes payable	53	179	148
Total trade and other payables	150	413	696

The estimated fair values of the above financial liabilities are the discounted amounts of the estimated future cash flows expected to be received and approximate their carrying amounts. Trade payables are denominated in RON.

13 Deferred revenue

	As at 31 December		
	2012	2011	2010
Rents received	741	706	643
Service charges received	86	80	80
Total	827	786	723

14 Derivative financial instruments

As at 31 December 2012 and 31 December 2011 the Company holds in its balance sheet a capped interest rate swap instrument (31 December 2010: EUR nil).

The Company does not apply hedge accounting in accordance with IAS 39. Interest rate swaps are used to fix the interest payments of variable debt instruments.

(in EUR thousand, unless otherwise stated)

The notional principal amount of the outstanding interest rate swap contract as at 31 December 2012 is EUR 9,460 thousand (31 December 2011: EUR 9,770 thousand, 31 December 2010: EUR 0).

	Year ended 31 December		
	2012	2011	2010
Opening balance	353	–	–
Fair value loss (Note 17)	212	359	–
Currency translation differences	(7)	(6)	–
Closing balance	558	353	–

15 Rental revenue

	Year ended 31 December		
	2012	2011	2010
Rental revenue	2,478	2,188	2,054
Amortisation of capitalised letting fees (Note 5)	(49)	(51)	(49)
Total	2,429	2,137	2,005

16 Expenses by nature

	Year ended 31 December		
	2012	2011	2010
Operating expenses arising from investment property that generate rental revenue			
Depreciation (Note 5)	439	462	468
Impairment (Note 5)	–	11	–
Maintenance and repairs expenses	212	176	228
Energy and water	200	181	184
Allowance for bad debts (Note 7)	70	–	–
Insurance	23	20	22
Total	944	850	902

	Year ended 31 December		
	2012	2011	2010
Administrative expenses			
Real estate taxes	126	133	253
Professional fees	74	80	147
Bank charges	2	(149)	176
Other expenses	4	5	14
Total	206	69	590

In 2011, the credit of bank charges refers to reversing an accrued bank fee recognised as at 31 December 2010.

(in EUR thousand, unless otherwise stated)

17 Finance income and costs

	Year ended 31 December		
	2012	2011	2010
Finance costs			
—Interest expense on borrowings from banks	879	975	933
—Interest expense on borrowings from banks (net outflow due to derivative)	186	22	–
—Interest expense on borrowings from related parties	46	78	158
—Amortisation of debt issue costs	45	11	–
—Net foreign exchange losses on financing activity	491	159	269
—Fair value loss on derivative financial instruments (Note 14)	212	359	–
Total	1,859	1,604	1,360
Finance income			
—Interest income on short-term bank deposits	47	51	14
Finance costs, net	(1,812)	(1,553)	1,346

18 Income tax

During the financial years ended 31 December 2012, 31 December 2011 and 31 December 2010, the applicable tax rate was 16%. Corporate income tax expense is nil for the three years ended 31 December 2012.

The tax on the Company's result before tax differs from the theoretical amount that would arise using the applicable weighted average tax rate as follows:

	Year ended 31 December		
	2012	2011	2010
Profit/ (loss) before tax	45	196	(130)
Tax charge/ (recovery) calculated at 16% tax rate applicable to profits	7	31	(21)
Revenues not subject to tax	(33)	(3)	–
Expenses not deductible for tax purposes	13	13	1,045
Recognition of previously unrecognised tax losses	18	–	139
Temporary differences for which no deferred tax asset was recognised	13	70	(1,276)
Total tax	18	111	(113)

As of 31 December 2010, the expenses not deductible for tax purposes include the tax effect of a downwards statutory revaluation of the investment property, treated as non-deductible in accordance with the local tax provisions.

As of 31 December 2012, the Company has fiscal losses carried forward in total amount of EUR 1.771 million (31 December 2011: EUR 2.314 million, 31 December 2010: EUR 2.641 million). These fiscal losses may be recovered against future taxable profits for a period of 7 years from the balance sheet date.

The fiscal losses are expiring in the following periods:

	Year ended 31 December		
	2012	2011	2010
2012	–	499	811
2013	915	938	945
2017	626	642	647
2018	230	235	238
Total	1,771	2,314	2,641

(in EUR thousand, unless otherwise stated)

At 31 December 2012, the Company recognized a deferred tax asset with respect of the fiscal losses carried forward and expiring in 2017 and 2018.

At 31 December 2011, the Company did not recognise a deferred tax asset in respect of fiscal losses carried forward except to eliminate any deferred tax liabilities.

At 31 December 2010, the Company did not recognise any deferred tax asset in respect of fiscal losses.

Interest Expense on borrowings from related parties and net exchange differences resulted from the revaluation of borrowings from related parties are not deductible where the debt to equity ratio is negative or higher than 3 to 1.

As of 31 December 2012, the Company has accumulated interest and net exchange losses in total amount of EUR 546 thousand (December 2011: EUR 483 thousand, 31 December 2010: EUR 406 thousand). The Company did not recognise a deferred tax asset in total amount EUR 87 thousand (31 December 2011: EUR 77 thousand, 31 December 2010: EUR 65 thousand) in respect of these expenses in 2012, 2011 and 2010 as it is uncertain when it will comply with the debt to equity ratio.

19 Cash generated from operations

	Year ended 31 December		
	2012	**2011**	**2010**
Profit/ (loss) before tax	45	196	(130)
Adjustments for:			
—Interest income (Note 17)	(47)	(51)	(14)
—Interest expense (Note 17)	1,111	1,075	1,091
—Depreciation expense (Note 5, 16)	439	462	468
Impairment (Note 5, 16)	–	11	–
—Amortisation of tenant incentives (“rent-free adjustment” Note 2.16)	39	78	–
—Amortisation of capitalised letting fees (Note 5)	49	51	49
—Provision for impairment of trade receivables (Note 7)	70	–	–
—Fair value loss on derivative financial instruments (Note 14, 17)	212	359	–
—Amortisation of debt issue costs (Note 10, 17)	45	11	–
—Unrealised exchange losses on monthly revaluation of EUR denominated balances	517	168	269
Changes in working capital:			
—Trade and other receivables increase / (decrease)	(202)	(92)	755
—Trade and other payables (decrease) / increase	(253)	(299)	163
—Deferred revenue increase	60	69	592
Cash generated from operations	2,085	2,038	3,243

20 Related-party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions as defined by IAS 24 “Related Party Disclosure”. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related parties may enter into transactions, which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

For the three years ended 31 December 2012 the Company has had the following transactions with related parties:

- Immediate parent: shareholder loans for partially financing the development of the Investment Property and for working capital needs;
- Entity under common management: property management and administration services.

(in EUR thousand, unless otherwise stated)

Balances and transactions with related parties of the Company as at and for the three years ended 31 December 2012are presented below:

Balances with related parties

	As at 31 December		
	2012	2011	2010
Payables to entity under common management (Note 12)	9	21	66
Borrowings from immediate parent (Note 10)	398	1,203	1,625

Transactions with related parties

(a) Borrowings from immediate parent (Note 10)

	As at 31 December		
	2012	2011	2010
Opening balance (Note 10)	1,203	1,625	2,868
Interest expense (Note 17)	46	78	158
Repayments of borrowings	(799)	(108)	(1,400)
Repayments of interest	(51)	(392)	–
Currency translation differences	(1)	–	(1)
Closing balance (Note 10)	398	1,203	1,625

(b) Purchases of services

	Year ended 31 December		
	2012	2011	2010
Entity under common management	46	31	78

(c) Key management compensation

No compensation was paid to management or administrators during 2012, 2011 and 2010.

21 Operating lease receivables—where the company is a lessor

The Company leases the building held under several non-cancellable operating lease agreements. The lease terms are signed for a period ranging from 5 to 8 years, and agreements are renewable at the end of the lease period at market rates.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As at 31 December		
	2012	2011	2010
No later than 1 year	2,253	2,179	2,110
Later than 1 year and no later than 5 years	6,110	8,042	9,004
Later than 5 years	–	–	828
Total	8,363	10,221	11,942

22 Events after the balance sheet date

There were no material events after the balance sheet date that have a bearing on the understanding of these financial statements.

23 Contingencies

(a) Taxation

The Romanian taxation system is undergoing a process of consolidation and harmonization with the European Union legislation. However, there are still different interpretations of the fiscal legislation. In various circumstances, the tax authorities may have different approaches to certain issues, and assess additional tax liabilities, together with late payment interest and penalties (currently, penalties determined by the duration of delay, plus 0.04% per day delay). In Romania, tax periods remain open for tax inspection for 5 years. The Company's management considers that the tax liabilities included in these financial statements are fairly stated.

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INDEPENDENT AUDITOR'S REPORT

To the Administrators of Victoria Center SRL

Report on the Financial Statements

1 We have audited the accompanying financial statements of Victoria Center SRL (the "Company") which comprise the balance sheets as of 31 December 2012, 2011 and 2010, and the statements of comprehensive income, changes in equity and cash flows for each of the years then ended and notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

3 Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

4 An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

6 In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2012, 2011 and 2010, and its financial performance and its cash flows for each of the years then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

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J40/17223/1993, RO4282940

Emphasis of matter

7 Without qualifying our opinion, we draw attention to the fact that the Company's net assets, determined as the difference between its total assets and its total liabilities, are lower than half the Company's share capital. In accordance with the Romanian Company Law no 31/1990 republished the Company's administrators, together with the sole shareholder, should immediately convene an Extraordinary General Meeting to decide a capital increase, a capital decrease at least equal to the losses that cannot be covered from existing reserves or the liquidation of the Company. The possible effects of the above-mentioned matter cannot be estimated as at the date of this report, and accordingly these financial statements do not include adjustments or disclosures resulting from the above matter.

PricewaterhouseCoopers Audit SRL — Bucharest, 4 June 2013

VICTORIA CENTER SRL

CONDENSED INTERIM FINANCIAL STATEMENTS

FOR SIX MONTHS ENDED 30 JUNE 2013

VICTORIA CENTER SRL
CONDENSED INTERIM FINANCIAL STATEMENTS
FOR SIX MONTHS ENDED 30 JUNE 2013
INTERIM BALANCE SHEET
(All amounts in EURO thousands unless indicated otherwise)

	Note	30 June 2013	31 December 2012
		Unaudited	Audited
ASSETS			
Non-current assets			
Investment property	8	16,214	16,570
Deferred income tax asset		25	18
Total non-current assets		**16,239**	**16,588**
Current assets			
Trade and other receivables		445	683
Cash and cash equivalents		2,142	1,736
Total current assets		**2,587**	**2,419**
Total assets		18,826	19,007
EQUITY AND LIABILITIES			
Equity			
Share capital	9	156	157
Translation reserve		445	429
Accumulated losses		(2,114)	(2,516)
Total equity		**(1,513)**	**(1,930)**
Non-current liabilities			
Borrowings from banks	10	17,904	18,198
Tenants deposits		95	96
Derivative financial instruments	11	240	361
Total non-current liabilities		**18,239**	**18,655**
Current liabilities			
Borrowings from related parties	15	209	398
Borrowings from banks	10	707	710
Trade and other payables		235	150
Deferred revenue		769	827
Derivative financial instruments	11	180	197
Total current liabilities		**2,100**	**2,282**
Total liabilities		20,339	20,937
TOTAL EQUITY AND LIABILITIES		18,826	19,007

The accompanying notes on pages 5 to 13 are an integral part of these condensed interim financial statements.

VICTORIA CENTER SRL
CONDENSED INTERIM FINANCIAL STATEMENTS
FOR SIX MONTHS ENDED 30 JUNE 2013
INTERIM STATEMENT OF COMPREHENSIVE INCOME
(All amounts in EURO thousands unless indicated otherwise)

	Note	Six months ended 30 June 2013 Unaudited	Six months ended 30 June 2012 Unaudited
Rental revenue		1,186	1,135
Other revenue		284	286
Total revenue		**1,470**	**1,421**
Operating expenses arising from investment property that generates rental revenue	12	(469)	(434)
Gross profit		**1,001**	**987**
Administrative expenses	13	(120)	(107)
Operating profit		**881**	**880**
Finance income	14	8	24
Finance costs	14	(487)	(1,287)
Profit/(loss) before tax		**402**	**(383)**
Income tax recovery / (charge)	7	–	20
Profit/(loss) for the period		402	(363)
Other comprehensive income for the period		–	–
Total comprehensive income for the period		**402**	**(363)**

The accompanying notes on pages 5 to 13 are an integral part of these condensed interim financial statements.

VICTORIA CENTER SRL
CONDENSED INTERIM FINANCIAL STATEMENTS
FOR SIX MONTHS ENDED 30 JUNE 2013
INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
(All amounts in EURO thousands unless indicated otherwise)

	Share capital	Translation reserve	Accumulated losses	Total equity
Balance at 1 January 2012	**161**	**374**	**(2,579)**	**(2,044)**
Currency translation differences on equity items	(5)	71	–	66
Comprehensive income				
Loss for the period	–	–	(363)	(363)
Other comprehensive income for the period	–	–	–	–
Total comprehensive income for the period	–	–	(363)	(363)
Balance at 30 June 2012	**156**	**445**	**(2,942)**	**(2,341)**

	Share capital	Translation reserve	Accumulated losses	Total equity
Balance at 1 January 2013	**157**	**429**	**(2,516)**	**(1,930)**
Currency translation differences on equity items	(1)	16	–	15
Comprehensive income				
Profit for the period	–	–	402	402
Other comprehensive income for the period	–	–	–	–
Total comprehensive income for the period	–	–	402	402
Balance at 30 June 2013	**156**	**445**	**(2,114)**	**(1,513)**

The accompanying notes on pages 5 to 13 are an integral part of these condensed interim financial statements.

VICTORIA CENTER SRL
CONDENSED INTERIM FINANCIAL STATEMENTS
FOR SIX MONTHS ENDED 30 JUNE 2013
INTERIM STATEMENT OF CASH FLOWS
(All amounts in EURO thousands unless indicated otherwise)

	Note	Six months ended 30 June 2013 Unaudited	Six months ended 30 June 2012 Unaudited
Cash flows from operating activities			
Profit / (loss) before tax		402	(383)
Adjustments for:			
Amortisation of tenants incentives ("rent free adjustment")		34	16
Amortisation of capitalised letting fees		26	24
Depreciation expense	11	222	223
Interest income	14	(8)	(24)
Interest expense	14	474	584
Fair value (gain) / loss on derivative financial instruments	14	(136)	118
Amortisation of debt issue costs	10, 14	24	23
Unrealised exchange losses on monthly revaluation of EUR denominated balances		127	554
Changes in working capital:			
Trade and other receivables decrease/ (increase)		199	(35)
Trade and other payables decrease		87	19
Deferred revenue (decrease)/ increase		(53)	28
Proceeds from tenant deposits		–	29
Net cash generated from operating activities		**1,398**	**1,176**
Cash flows from investing activities			
Subsequent expenditure on investment property		–	(13)
Interest received		8	24
Net cash generated from investing activities		**8**	**11**
Cash flows from financing activities			
Repayment of borrowings	10, 15	(502)	(793)
Interest paid	10, 15	(483)	(562)
Net cash used in financing activities		**(985)**	**(1,355)**
Net increase/(decrease) in cash and cash equivalents		421	(168)
Cash and cash equivalents at the beginning of the period		**1,736**	**2,169**
Currency translation differences		(15)	(10)
Cash and cash equivalents at the end of the period		**2,142**	**1,991**

The accompanying notes on pages 5 to 13 are an integral part of these condensed interim financial statements.

1 General information

Victoria Center SRL ("the Company") was established in June 2004 and its main area of activity is investment and development of real estate. The Company developed a building that provides class A office accommodation, as well as retail areas. Construction started in mid 2007 and was completed in October 2009.

The Company is a limited liability company incorporated and domiciled in Romania. The address of its registered office is: 10, Montreal Square, World Trade Center Building, Entrance E, 3rd floor, office A9, Sector 1, Bucharest, Romania.

The Company's sole shareholder is Eurynome Ltd. The ultimate shareholder of the Company is T2 Bluehouse Capital Partners, registered in Cyprus as a partnership under the Partnerships and Trade Names Law, Cap. 116, of Cyprus and has been recognised by the Central Bank of Cyprus as a private International Collective Investment Scheme (ICIS). Through its subsidiaries the Partnership invests in real estate assets, portfolios, joint ventures and operating companies. The ultimate shareholder has investments in properties in Bulgaria, Croatia, Serbia and Romania.

The Company is managed by the administrators Stefan Oana and Andreea Enescu.

These condensed interim financial statements have been prepared for inclusion in prospectus of Meridian Properties N.V. and approved by management on 30 July 2013. These condensed interim financial statements have been reviewed, not audited.

2 Basis of preparation

These condensed interim financial statements for the six months ended 30 June 2013 have been prepared in accordance with IAS 34, 'Interim financial reporting' as adopted by the European Union. The condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2012, which have been prepared in accordance with IFRSs as adopted by the European Union.

The Company recorded a profit of EUR 402 thousand for the six months ended 30 June 2013 (year ended 31 December 2012: profit of EUR 63 thousand). The accumulated loss is EUR 2,114 thousand at 30 June 2013 (31 December 2012: EUR 2,516 thousand).

As of 30 June 2013 and 31 December 2012, 100% of the building is leased out. The annual lease revenue based on existing leases as at 30 June 2013 is EUR 2.4 million, in accordance with management's expectations.

In addition, the Company has in operation a long term loan from a reputable bank operating in Romania.

Based on the above factors, management is confident that the Company will continue in operational existence for the foreseeable future and the going concern basis for preparing the financial statements is appropriate.

3 Accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as described below.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss.

New and amended standards adopted by the Company

There are no new or amended IFRSs or IFRIC interpretations that are effective for the first time for the periods beginning on or after 1 January 2013 that would be expected to have a material impact on the Company.

(All amounts in EURO thousands unless indicated otherwise)

4 Estimates

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed interim financial statements, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended 31 December 2012, with the exception of changes in estimates that are required in determining the provision for income taxes.

5 Financial risk management

5.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

The condensed interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the Company's annual financial statements as at 31 December 2012. There have been no changes in the risk management policies.

5.2 Credit risk

No impairment losses have been recognized or reversed for the financial assets in the six months ended 30 June 2013 or in the six months ended 30 June 2012.

5.3 Liquidity risk

The tables below present the maturity analysis of financial liabilities. The amounts disclosed in the tables are the contractual undiscounted cash flows. Undiscounted cash flows in respect of balances due within 12 months generally equal their carrying amounts in the balance sheet, as the impact of discounting is not significant.

As at 30 June 2013	Up to 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
Financial Liabilities				
Borrowings from related parties	220	–	–	220
Borrowings from banks	1,578	1,486	17,739	20,803
Trade and other payables	57	–	–	57
Tenant deposits	–	66	29	95
Derivatives	392	384	160	936
Total future payments, including future principal and interest payments	2,247	1,936	17,928	22,111

As at 31 December 2012	Up to 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
Financial Liabilities				
Borrowings from related parties	406	–	–	406
Borrowings from banks	1,559	1,460	18,441	21,460
Trade and other payables	97		–	97
Tenant deposits	–	–	96	96
Derivatives	411	403	363	1,177
Total future payments, including future principal and interest payments	2,473	1,863	18,900	23,236

5.4 Fair value estimation

The carrying values of trade receivables and payables, as well as borrowings, are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current interest rate that is available to the Company for similar financial instruments.

The following table presents the Company's liabilities that are measured at fair value:

Derivative financial instruments	30 June 2013	31 December 2012
Level 3	420	558

6 Seasonality of operations

The Company operates in the office rental business and does not experience seasonality in the level of business.

7 Income taxes

Income tax expense is recognised based on management's estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the six months ended 30 June 2013 is 0% (six months ended 30 June 2012: 5%). This variation is because in 2013 the Company estimates it will utilise fiscal losses for which no deferred tax asset was recognised at 31 December 2012.

8 Investment property

There were no significant acquisitions or disposals of items of investment property in the six months ended 3o June 2013.

	Six months ended 30 June 2013	Year ended 31 December 2012
Beginning of the period	16,570	17,479
Depreciation charge (Note 11)	(222)	(439)
Subsequent expenditure	–	13
Amortisation of capitalised letting fees	(26)	(49)
Translation gain/ (loss)	(108)	(434)
End of period	16,214	16,570
Cost	19,091	19,091
Accumulated depreciation	(1,939)	(1,691)
Translation gain/ (loss)	(938)	(830)
End of period	16,214	16,570

The fair value of the investment property as at 30 June 2013, as determined by an external, independent and professionally qualified valuator is EUR 32.64 million (31 December 2012: EUR 31.37 million). The increase in value in the six months ended 30 June 2013 is mostly due to the forecast indexation of rental revenue from tenants which affects the future cash flow forcast from tenants.

8 Share capital

	Number of shares (thousands)	Share capital
Opening balance as at 1 January 2012	70	161
Currency translation differences	–	(4)
At 31 December 2012	70	157

	Number of shares (thousands)	Share capital
Opening balance as at 1 January 2013	70	157
Currency translation differences	–	(1)
At 30 June 2013	70	156

9 Borrowings from banks

Movements in borrowings from banks are analysed as follows:

Six months ended 30 June 2013	Amount
Opening balance as at 1 January 2013	18,908
Repayment of borrowings	(313)
Interest expense	463
Interest paid	(472)
Amortisation of debt issue costs	24
Currency translation differences	1
At 30 June 2013	18,611
Non-current	17,904
Current	707

Six months ended 30 June 2012	Amount
Opening balance as at 1 January 2012	19,474
Repayment of borrowings	(309)
Interest expense	559
Interest paid	(546)
Amortisation of debt issue costs	23
Currency translation differences	(25)
At 30 June 2012	19,176
Non-current	18,567
Current	609

10 Derivative financial instruments

Six months ended 30 June 2013	Amount
Opening balance as at 1 January 2013	558
Fair value gain (Note 14)	(136)
Currency translation differences	(2)
At 30 June 2013	420
Non-current	240
Current	180

Six months ended 30 June 2012	Amount
Opening balance as at 1 January 2012	353
Fair value loss (Note 14)	118
Currency translation differences	(12)
At 30 June 2012	459
Non-current	321
Current	138

(All amounts in EURO thousands unless indicated otherwise)

12 Operating expenses arising from investment property that generates rental revenue

	30 June 2013	Six months ended 30 June 2012
Depreciation and impairment	222	223
Maintenance and repairs expenses	128	103
Energy and water	108	97
Insurance	11	11
Total operating expenses arising from investment property that generates rental revenue	469	434

13 Administrative expenses

	30 June 2013	Six months ended 30 June 2012
Professional fees	54	39
Bank charges	2	1
Real estate taxes	60	64
Other	4	3
Total administrative expenses	120	107

14 Finance income and costs

	30 June 2013	Six months ended 30 June 2012
Interest income	8	24
Total finance income	8	24

	30 June 2013	Six months ended 30 June 2012
Interest expense	(474)	(584)
Amortisation of debt issue costs (Note 10)	(24)	(23)
Fair value gain / (loss) on derivative financial Instruments (Note 11)	136	(118)
Net foreign exchange losses on financing activities	(125)	(562)
Total finance costs	(487)	(1,287)

15 Related party transactions

Movements in borrowings from related parties are analysed as follows:

Six months ended 30 June 2013	Amount
Opening balance as at 1 January 2013	398
Interest expense	11
Interest paid	(11)
Repayment of borrowings	(189)
At 30 June 2013	209
Non-current	–
Current	209

Six months ended 30 June 2012	Amount
Opening balance as at 1 January 2012	1,203
Repayment of borrowings	(484)
Interest expense	25
Interest paid	(16)
At 30 June 2012	728
Non-current	–
Current	728

During the period ended 30 June 2013 the Company was charged a management fee of EUR 10,000 plus VAT (not in thousands) by an entity under the same management (period ended 30 June 2012: EUR 10,000 plus VAT, not in thousands).

No compensation was paid to management or administrators during the six months ended 30 June 2013 and 30 June 2012.

16 Events after the reporting period

There are no post-balance sheet events to be reported.

REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

To the Administrators of Victoria Dezvoltare SRL

Introduction

1 We have reviewed the accompanying condensed interim balance sheet of Victoria Center SRL (the "Company") as of 30 June 2013 and the related condensed interim statements of comprehensive income, changes in equity and cash flows for the six-month period then ended. Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with International Accounting Standard 34, 'Interim financial reporting' as adopted by the European Union. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

Scope of Review

2 We conducted our review in accordance with International Standard on Review Engagements 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

3 Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union.

Emphasis of matter

4 Without qualifying our conclusion, we draw attention to the fact that the Company's net assets, determined as the difference between its total assets and its total liabilities, are lower than half the Company's share capital. In accordance with the Romanian Company Law no 31/1990 republished the Company's administrators, together with the sole shareholder, should immediately convene an Extraordinary General Meeting to decide a capital increase, a capital decrease at least equal to the losses that cannot be covered from existing reserves or the liquidation of the Company. The possible effects of the above-mentioned matter cannot be estimated as at the date of this report, and accordingly these condensed interim financial statements do not include adjustments or disclosures resulting from the above matter.

PricewaterhouseCoopers Audit SRL Bucharest, 2 August 2013

OLYMPIA DEZVOLTARE SRL

INTERNATIONAL FINANCIAL REPORTING STANDARDS

FINANCIAL STATEMENTS

THREE YEARS ENDED

31 DECEMBER 2012

OLYMPIA DEZVOLTARE SRL
FINANCIAL STATEMENTS FOR THREE YEARS ENDED 31 DECEMBER 2012
BALANCE SHEETS
(in EUR thousand, unless otherwise stated)

		As at 31 December		
	Note	2012	2011	2010
Assets				
Non-current assets				
Investment property	5	13,808	14,385	15,283
Debt issue cost		–	–	4
Total non-current assets		**13,808**	**14,385**	**15,287**
Current assets				
Trade and other receivables	7	423	130	106
Cash and cash equivalents	8	628	1,355	1,789
Total current assets		**1,051**	**1,485**	**1,895**
Total assets		**14,859**	**15,870**	**17,182**
Equity and liabilities				
Equity				
Share capital	9	145	149	150
Accumulated losses		(4,636)	(4,096)	(3,656)
Translation reserve		499	412	377
Total equity		**(3,992)**	**(3,535)**	**(3,129)**

The accompanying notes on pages 6 to 39 form an integral part of these financial statements.

BALANCE SHEETS

(in EUR thousand, unless otherwise stated)

	Note	31 December 2012	2011	2010
Non-current liabilities				
Borrowings from banks	10	13,675	–	–
Tenant deposits	6	197	68	20
Deferred income tax liabilities	11	–	–	56
Total non-current liabilities		**13,872**	**68**	**76**
Current liabilities				
Borrowings from banks	10	500	15,000	15,380
Borrowings from related parties	10	4,124	3,935	3,748
Trade and other payables	12	131	243	977
Deferred revenue	13	224	159	130
Total current liabilities		**4,979**	**19,337**	**20,235**
Total liabilities		**18,851**	**19,405**	**20,311**
Total equity and liabilities		**14,859**	**15,870**	**17,182**

The accompanying notes on pages 6 to 39 form an integral part of these financial statements.

STATEMENTS OF COMPREHENSIVE INCOME
(in EUR thousand, unless otherwise stated)

		Year ended 31 December		
	Note	**2012**	**2011**	**2010**
Rental revenue	14	1,503	1,201	1,134
Other revenue		503	537	387
Total revenue		**2,006**	**1,738**	**1,521**
Operating expenses arising from investment property that generates rental revenue	15	(778)	(762)	(877)
Gross profit		**1,228**	**976**	**644**
Administrative expenses	15	(262)	(264)	(405)
Operating profit		**966**	**712**	**239**
Finance income	17	33	29	21
Finance costs	17	(1,539)	(1,237)	(1,227)
Loss before tax		**(540)**	**(496)**	**(967)**
Income tax	18	–	56	(58)
Loss for the year		**(540)**	**(440)**	**(1,025)**
Other comprehensive income for the year, net of tax		–	–	–
Total comprehensive loss for the year		**(540)**	**(440)**	**(1,025)**

The accompanying notes on pages 6 to 39 form an integral part of these financial statements.

OLYMPIA DEZVOLTARE SRL
FINANCIAL STATEMENTS FOR THREE YEARS ENDED 31 DECEMBER 2012
STATEMENT OF CHANGES IN EQUITY
(in EUR thousand, unless otherwise stated)

	Share capital	Translation Reserve	Accumulated losses	Total Equity
Balance at 1 January 2010	152	329	(2,631)	(2,150)
Currency translation differences on equity items	(2)	48	–	46
Comprehensive income				
Loss for the year	–	–	(1,025)	(1,025)
Other comprehensive income for the year, net of tax	–	–	–	–
Total comprehensive income	–	–	(1,025)	(1,025)
Balance at 31 December 2010	150	377	(3,656)	(3,129)
Balance at 1 January 2011	150	377	(3,656)	(3,129)
Currency translation differences on equity items	(1)	35	–	34
Comprehensive income				
Loss for the year	–	–	(440)	(440)
Other comprehensive income for the year, net of tax	–	–	–	–
Total comprehensive income	–	–	(440)	(440)
Balance at 31 December 2011	149	412	(4,096)	(3,535)
Balance at 1 January 2012	149	412	(4,096)	(3,535)
Currency translation differences on equity items	(4)	87	–	83
Comprehensive income				
Loss for the year	–	–	(540)	(540)
Other comprehensive income for the year, net of tax	–	–	–	–
Total comprehensive income	–	–	(540)	(540)
Balance at 31 December 2012	145	499	(4,636)	(3,992)

The accompanying notes on pages 6 to 39 form an integral part of these financial statements.

OLYMPIA DEZVOLTARE SRL
FINANCIAL STATEMENTS FOR THREE YEARS ENDED 31 DECEMBER 2012
STATEMENT OF CASH FLOWS
(in EUR thousand, unless otherwise stated)

		Year ended 31 December		
	Note	2012	2011	2010
Cash flows from operating activities				
Cash generated from operations	19	1,072	956	918
Proceeds from tenants deposits		131	–	45
Income taxes paid		–	–	(1)
Net cash generated from operating activities		**1,203**	**956**	**962**
Cash flows from investing activities				
Subsequent expenditure on investment property		(191)	(131)	(100)
Interest received	17	33	29	22
Net cash used in investing activities		**(158)**	**(102)**	**(78)**
Cash flows from financing activities				
Repayments of borrowings	10	(825)	(17)	(671)
Loan conversion fee paid	17	(120)	–	–
Interest paid	10	(793)	(1,256)	(587)
Net cash used in financing activities		**(1,738)**	**(1,273)**	**(1,258)**
Net decrease in cash and cash equivalents		**(693)**	**(419)**	**(374)**
Cash and cash equivalents at beginning of year	8	**1,355**	**1,789**	**2,158**
Currency translation differences		(34)	(15)	5
Cash and cash equivalents at end of year	8	**628**	**1,355**	**1,789**

The accompanying notes on pages 6 to 39 form an integral part of these financial statements.

1 General information

Olympia Dezvoltare SRL ("the Company") was established in July 2005 and its main area of activity is investment and development of real estate. The Company developed a building that provides class A office accommodation, as well as retail areas. Construction started in October 2007 and was completed in October 2009.

The Company is a limited liability company incorporated and domiciled in Romania. The address of its registered office is: 10, Piata Montreal, World Trade Center Building, Entrance E, 3rd floor, office A10, District 1, Bucharest, Romania.

The Company's sole shareholder is Fredisius Ltd. The ultimate shareholder of the Company is T2 Bluehouse Capital Partners, registered in Cyprus as a partnership under the Partnerships and Trade Names Law, Cap. 116, of Cyprus and has been recognised by the Central Bank of Cyprus as a private International Collective Investment Scheme (ICIS). Through its subsidiaries the Partnership invests in real estate assets, portfolios, joint ventures and operating companies. The ultimate shareholder has investments in properties in Bulgaria, Croatia, Serbia and Romania.

The Company is managed by the administrators Stefan Oana and Andreea Enescu.

These financial statements have been prepared for inclusion in the prospectus of Meridian Properties and approved by the management on the date of the prospectus.

2 Summary of significant accounting policies

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

2.1 Basis of preparation

Statement of compliance

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

Income and cash flow statement

The Company has elected to present a single statements of comprehensive income and presents its expenses by function on the face of the income statement and by nature in Note 16.

The Company reports cash flows from operating activities using the indirect method. Interest paid is presented within financing cash flows, while interest received is presented under investing cash flows.

Preparation of the stand alone financial statements

The financial statements have been prepared on a going concern basis, applying the historical cost convention.

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

Changes in accounting policies and disclosures

(a) New and amended standards and interpretations adopted by the Company

There are no new or amended IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2012 that would be expected to have a material impact on the Company.

(In EUR thousand, unless otherwise stated)

(b) New standards, amendments and interpretations amendments to standards effective on or after 1 January 2012, but not relevant to the Company

Standard / Interpretation	Content	Applicable for financial years beginning on/after
IAS 19	IAS 19, 'Employee benefits', was amended in June 2011.	1 January 2012
IFRS 7	Amendment to IFRS 7, 'Financial instruments: Disclosures', on transfer of financial assets	1 July 2011
IFRS 1	Amendment to IFRS 1, 'First time adoption', on hyperinflation and fixed dates	1 July 2011
IAS 12	Amendment to IAS 12, 'Income taxes', on deferred tax	1 January 2012

(c) New standards, amendments and interpretations issued but not yet effective

The following new and amended standards and interpretations have been issued and are mandatory for the Company's accounting periods beginning on or after 1 January 2013 or later periods and are expected to be relevant to the Company:

Standard / Interpretation	Content	Applicable for financial years beginning on/after
IAS 1	Presentation of items of other comprehensive income	1 July 2012
IFRS 9	Financial instruments	1 January 2015
IFRS 13	Fair value measurement	1 January 2013

IAS 1 "Presentation of items of 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 reclassifiable to profit and loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI.

IFRS 9 "Financial instruments"

IFRS 9 addresses the classification, measurement and recognition of financial assets and financial 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. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements.

The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the profit and loss, unless this creates an accounting mismatch. The Company is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after 1 January 2015. The Company will also consider the impact of the remaining phases of IFRS 9 when completed by the IASB and adopted by the European Union.

(In EUR thousand, unless otherwise stated)

IFRS 13 "Fair value measurement"

IFRS 13 aims to improve consistency and reduce complexity 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, which are largely aligned between IFRSs and US GAAP, 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 or US GAAP. The Company is yet to assess IFRS 13's full impact and intends to adopt IFRS 13 no later than the accounting period beginning on 1 January 2013.

The following new and amended standards and interpretations issued but not yet effective are not expected to be relevant to the Company for the future accounting periods:

Standard / Interpretation	Content	Applicable for financial years beginning on/ after
IAS 19	Amendment to IAS 19, 'Employee benefits'	1 January 2013
IFRS 1	Amendment to IFRS 1, 'First time adoption', on government loans	1 January 2013
IFRS 7	Amendment to IFRS 7, 'Financial instruments: Disclosures', on asset and liability offsetting	1 January 2013
IFRSs 10, 11 and 12	Amendment to IFRSs 10, 11 and 12 on transition guidance	1 January 2013
IFRS 10	IFRS 10, 'Consolidated financial statements'	1 January 2013
IFRS 11	IFRS 11, 'Joint arrangements'	1 January 2013
IFRS 12	IFRS 12, 'Disclosures of interests in other entities'	1 January 2013
IAS 27	IAS 27 (revised 2011), 'Separate financial statements'	1 January 2013
IAS 28	IAS 28 (revised 2011), 'Associates and joint ventures'	1 January 2013
IFRIC 20	IFRIC 20, 'Stripping costs in the production phase of a surface mine'	1 January 2013
IAS 32	Amendment to IAS 32, 'Financial instruments: Presentation', on asset and liability offsetting	1 January 2014

(d) Early adoption of standards

The Company did not early adopt any new or amended standards in the years ended 31 December 2012, 31 December 2011 and 31 December 2010.

2.2 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements are measured using the Romanian lei ("RON") which is the currency of the primary economic environment in which the Company operates ("the functional currency"). These financial statements are presented in Euro ("EUR") thousand, in order to be more understandable for the Company's stakeholders.

The Company's financial statements were translated into EUR according to the requirements of IAS 21 (revised) "The effects of changes in foreign exchange rates", as follows:

- Assets and liabilities are translated at the closing rate existing at the date of each balance sheet presented;
- Income and expense items are translated at average exchange rates that approximate the actual exchange rates;
- Equity items other than the net profit or loss for the period that is included in the balance of accumulated loss are translated at the closing rate existing at the date of each balance sheet presented; Accumulated loss is translated at average exchange rates;
- All exchange differences resulting from translation from measurement to presentation currency are recognized directly in equity.

(b) Transactions and balances

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

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the profit and loss within 'finance income' and 'finance costs', respectively.

2.3 Going concern

The Company incurred a loss of EUR 540 for the year ended 31 December 2012 (2011: loss of EUR 440; 2010: loss of EUR 1,025).

The Company completed its real estate project in 2009 and, as at 31 December 2012, 93% of the building is leased out (31 December 2011: 65%, 31 December 2010: 60%). The annual lease revenue based on existing leases as at 31 December 2012 is approximately EUR 1.8 million (31 December 2011: EUR 1.3 million; 31 December 2010: EUR 1.2 million) in accordance with management's expectations (see Note 21).

Moreover, the Company converted, as at 31 December 2012, its construction loan to a long term loan in accordance with the terms of the loan agreement (See Note 10).

The ultimate shareholder, T2 Bluehouse Capital Partners, issued on 23 January 2013 a letter of support to the Company through which it guarantees to provide continuing financial support to the Company to enable it to meet its liabilities as and when they fall due and to enable it to continue trading for the foreseeable future and at minimum for twelve months from the date on which the financial statements of the Company for the year ended 31 December 2012 are approved and signed by the Directors.

Based on the above factors, management is confident that the Company will continue in operational existence for the foreseeable future and the going concern basis for preparing the financial statements is appropriate, therefore no adjustments relating to this uncertainty have been included in these financial statements.

2.4 Investment property

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Company is classified as investment property.

Investment property comprises freehold land and buildings. Investment property is measured initially at its cost, including related transaction costs and borrowing costs (see Note 2.13). Following initial recognition, investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Land is not depreciated. Depreciation on other investment property is calculated using the straight-line method to allocate the costs over the estimated useful life of the building, currently standing at 40 years.

Depreciation on the significant components of the investment property is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives between 2 and 20 years.

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 Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred.

Letting fees are initial direct costs incurred with negotiating and arranging leases; they are capitalised on the carrying amount of the investment property and subsequently amortised as a reduction of gross revenue over the lease term, in accordance with IAS 17.

2.5 Leases

The Company is the Lessor in an operating leases

Properties leased out under operating leases are included in investment property in the statement of financial position (Note 5). See Note 2.15 for the recognition of rental income.

2.6 Impairment of non-financial assets

Assets that are subject to depreciation or amortization 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). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.7 Financial instruments

(a) Financial assets

Financial assets are classified as loans and receivables. The Company determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value.

Financial assets are derecognised only when the contractual rights to the cash flows from the financial asset expire or the Company transfers substantially all risks and rewards of ownership.

The Company's financial assets consist of loans and receivables.

Financial assets included in trade and other receivables are classified as loans and receivables. They are recognised initially at fair value and subsequently measured at amortised cost less provision for impairment.

Cash and cash equivalents are also classified as loans and receivables. They are subsequently measured at amortised cost. Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. If there is objective evidence (such as significant financial difficulty of the obligor, breach of contract, default or delinquency in payments—more than 30 days overdue—or it becomes probable that the debtor will enter bankruptcy or financial reorganisation) the asset is tested for impairment. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (that is, the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognised in profit and loss.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice. Impaired debts are derecognized when they are assessed as uncollectible.

If in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date. Any subsequent reversal of an impairment loss is recognized in profit and loss.

Value added tax (VAT) is payable to the Tax Authorities based on the monthly VAT return by the 25th of the following month irrespective of collection of receivables from customers. The Fiscal Authorities permit the settlement of VAT on a net basis. When input VAT is higher than output VAT, the difference is refundable at the Company's request. The VAT refund may be made after a tax inspection is performed or without a tax inspection, if certain conditions are met. VAT related to sales and purchases which has not been settled at the balance sheet date is recognized in the balance sheet on a net basis and disclosed as a current asset or liability. Where provision has been made for impairment of receivables, impairment loss is recorded for the gross amount of the debtor, including VAT. The related VAT needs to be paid to the State and can only be recovered after the debtor is declared bankrupt. Moreover, the writing off of a bad debt is a lengthy process which should be performed considering special circumstances and in some cases a prescription period of three years should be considered.

(b) Financial liabilities

Liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit and loss or other liabilities, as appropriate.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

All loans and borrowings are classified as other financial liabilities. Initial recognition is at fair value less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method (see Note 2.12 for the accounting policy on borrowings).

Financial liabilities included in trade and other payables are recognised initially at fair value and subsequently at amortised cost. The fair value of a non-interest bearing liability is its discounted repayment amount. If the due date of the liability is less than one year, discounting is omitted.

2.8 Cash and cash equivalents

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

2.9 Share capital

Shares are classified as equity when there is no obligation to transfer cash or other assets.

2.10 Trade and other payables

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

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

The Company obtains deposits from tenants as a guarantee for returning the property at the end of the lease term in a specified good condition or for the lease payments for a period of 3 months. Such deposits are treated as financial liabilities in accordance with IAS 39 and they are initially recognised at fair value. The difference between fair value and cash received is considered to be part of the minimum lease payments received for the operating lease (refer to note 2.15 for the recognition of rental income). The deposit is subsequently measured at amortised cost.

2.11 Deferred revenue

Deferred revenue includes rents and service charges invoiced in advance to the tenants for the future periods.

2.12 Borrowings

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 as a finance cost over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some of or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs.

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

2.13 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in profit and loss in the period in which they are incurred.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

2.14 Current and deferred income tax

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

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in Romania.

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 basis of assets and liabilities and their carrying amounts in the financial statements. However, 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 substantively 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 temporary differences can be utilized. The future taxable profits and the amount of tax benefits that are probable in the future are based on a medium term business plan prepared by management and extrapolated results thereafter. The business plan is based on management expectations that are believed to be reasonable under the circumstances.

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 taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.15 Revenue recognition

Revenue includes rental revenue, and other revenue (service and management charges from the investment property).

Rental revenue from operating leases is recognised on a straight-line basis over the lease term. When the Company provides incentives to its tenants, the cost of incentives is recognised over the lease term, on a straight-line basis, as a reduction of rental revenue ("rent-free adjustment").

Service and management charges are recognised in the accounting period in which the services are rendered.

2.16 Direct property operating expenses and other expenses

Expenses include legal, accounting, auditing and other items. They are recognised in profit and loss in the period in which they are incurred (on an accrual basis).

2.17 Interest income and expense

Interest income and expense are recognised within 'finance income' and 'finance costs' in profit and loss using the effective interest method, except for borrowing costs relating to qualifying assets, which are capitalised as part of the cost of that asset (Note 2.13). The Company has chosen to capitalise borrowing costs on all qualifying assets irrespective of whether they are measured at fair value or not.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or a shorter period where appropriate, to the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

(In EUR thousand, unless otherwise stated)

3 Financial risk management

3.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

The Company does not have formal arrangements to mitigate financial risks; consequently the Company does not enter into derivative transactions. Despite the fact that no formal policies exist, the management is actively involved in the business activity through regular meetings with the finance department monitoring the financial risks, and could take immediate decisions to address the risks generated by the impact of the current economic downturn.

The financial risks are monitored at the higher level considering the financial needs of this business in order to make sure that the opportunities and threats are matched efficiently. The financial department prepares monthly cash flows which help management in the decision-making process.

(a) Market risk

(i) Foreign exchange risk

The Company operates locally, but is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the EUR. Foreign exchange risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the Company's functional currency.

The Company's borrowings from banks and from related parties (Note 10) are denominated in EUR. The cash and cash equivalents (Note 8) are denominated in EUR and RON. The trade and other receivables and trade and other payables are denominated in RON.

In 2012, 2011 and 2010, the operating revenue (rental income) was expressed in EUR, as per the rental agreements concluded. However, receivables arising are invoiced in RON; therefore they do not generate an exposure.

In the year ended 31 December 2012, if the RON had strengthened/weakened by 10% against the EUR with all other variables held constant, the loss for the year then ended would have been EUR 1,830 thousand (2011: EUR 1,894 thousand; 2010: EUR 1,913 thousand) lower/higher, mainly as a result of the reduction in foreign exchange losses on translation of EUR denominated borrowings.

The period-end RON exchange rates with EUR were as follows:

	31 December		
	2012	2011	2010
	(EUR)	(EUR)	(EUR)
Closing rate	4.4287	4.3197	4.2848
Average rate	4.4573	4.2379	4.2099

The Company does not have formal arrangements to mitigate the currency risk of its operations; consequently the Company does not apply hedge accounting.

(ii) Cash flow and fair value interest rate risk

As the Company does not have any significant interest bearing assets, the Company's income and operating cash inflows are substantially independent of changes in market interest rates.

(In EUR thousand, unless otherwise stated)

The Company's interest rate risk arises from floating rate and fixed rate borrowings (Note 10). During 2012, 2011 and 2010, the Company had bank borrowings at variable interest rate and loans from shareholders at a fixed rate (Note 10).

Borrowings issued at variable rates expose the Company to cash flow interest rate risk.

In the year ended 31 December 2012, if the interest rate on bank borrowings had been 0.5 % higher/lower with all other variables held constant, loss for the period would have been EUR 71 thousand higher/lower (2011: EUR 75 thousand; 2010: EUR 75 thousand), mainly as a result of higher/lower interest expense.

Borrowings at fixed interest rates expose the Company to fair value interest rate risk. The carrying amounts of short-term borrowings approximate their fair value, as the impact of discounting is not significant. During 2012 , 2011 and 2010 the Company's borrowings at fixed rate were denominated in EUR and no hedging instruments have been used to mitigate this risk.

The Company's financial liabilities (other than tenant deposits) are interest free and have settlement dates within one year.

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Company has no significant concentration of credit risk. Credit risk arises from cash and cash equivalents and deposits with financial institutions. As at 31 December 2012, 31 December 2011 and 31 December 2010, the Company had cash transactions with an international bank. The international credit rating agencies have assigned the following ratings to this bank:

Agency	Long-term	Short-Term	Last date of report
Moody's	Caa2	NP	31 December 2012
Standard & Poor's	CCC	C	31 December 2012
Fitch	CCC	C	31 December 2012

Source: http://www.alpha.gr/page/default.asp?la=2&id=547

The fair value of cash and cash equivalents and other financial assets at 31 December 2012, 31 December 2011 and 31 December 2010 approximates their carrying values.

The Company's income is generated by its tenants to whom the property is rented under non cancellable operating leases concluded for a minimum period of three years. Rent is paid either monthly or quarterly in advance and bank guarantee letters are concluded, covering the rent for three months.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash to pay its liabilities and the availability of funding through an adequate amount of committed credit facilities.

The Company used cash proceeds from loans received from banks and shareholders to pay the liabilities arising from the completion of the project. The bank construction loan was refinanced into a long term facility with the same bank (see Note 10).

The Company's liquidity position is monitored on a weekly basis by management. The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date.

(In EUR thousand, unless otherwise stated)

	Less than 1 year	1 - 2 years	2 - 5 years	Total
At 31 December 2012				
Borrowings from banks	1,205	1,180	13,503	15,888
Borrowings from related parties	4,223			4,223
Tenant deposits	–	44	153	197
Trade and other payables (Note 12)	87	–	–	87
Total	5,515	1,224	13,656	20,395
At 31 December 2011				
Borrowings from banks	15,846	–	–	15,846
Borrowings from related parties	4,051			4,051
Tenant deposits	–	–	68	68
Trade and other payables (Note 12)	177	–	–	177
Total	20,074	–	68	20,142
At 31 December 2010				
Borrowings from banks	16,228	–	–	16,228
Borrowings from related parties	3,878			3,878
Tenant deposits	–	20	–	20
Trade and other payables (Note 12)	959	–	–	959
Total	21,065	20	–	21,085

The amounts disclosed in the table are the contractual undiscounted cash flows. Undiscounted cash flows in respect of balances due within 12 months generally equal their carrying amounts in the balance sheet, as the impact of discounting is not significant. As the amount of contractual undiscounted cash flows related to borrowings from banks is based on variable rather than fixed interest rates, the amount disclosed is determined by reference to the conditions existing at the reporting date—that is, the actual spot interest rates effective as of 31 December 2012, 31 December 2011 and 31 December 2010 are used for determining the related undiscounted cash flows.

3.2 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure in order to reduce the cost of capital, as well as to comply with the requirements of the loan agreement concluded with the bank.

In order to maintain or adjust the capital structure, the Company may, after observing the commitments in the loan agreement, adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Company has also to maintain certain ratios, related to its capital, which are imposed by the agreement for the bank loan obtained. In general, these requirements relate to: debt service cover ratio, determined as the ratio between the net rental income generated by the Company and the debt service payments for the next 6 month period, loan to value requirements, establishment and maintenance of a debt service reserve account.

As at 31 December 2012, the Company is in compliance with the above requirements.

3.3 Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

4 Critical accounting estimates and judgments

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

4.1 Critical accounting estimates and assumptions

Management 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 outlined below.

4.2 Critical judgements in applying the Company's accounting policies

The Company made the following critical accounting judgements in 2012, 2011 and 2010:

(i) Going concern, as described in Note 2.3;

(ii) Useful life of the investment property.

The investment property can be depreciated over a period ranging from 40 to 60 years. The management of the Company believes that a 40-year useful life is in line with the business expectations and therefore has chosen to depreciate the investment property over this period of time.

In the year ended 31 December 2012, if the depreciation period had been 1 year longer/shorter with all other variables held constant, the loss for the period would have been EUR 9 lower/ higher (2011: EUR 9; 2010: EUR 9).

Credit crunch

Recent volatility on global and Romanian financial markets

The ongoing global liquidity crisis which commenced in the middle of 2007 has resulted in, among other things, a lower level of capital market funding, lower liquidity levels across the banking sector, and, at times, higher interbank lending rates and very high volatility on stock markets. Also, the volatility in the exchange rate of RON and of the main currencies used in international exchanges was very high. Indeed, the full extent of the impact of the ongoing financial crisis proves to be impossible to anticipate or completely guard against.

Management is unable to reliably estimate the effects on the Company's financial position of any further deterioration in the liquidity of the financial markets and the increased volatility in the currency and equity markets. Management believes it took all the necessary measures to support the sustainability and growth of the Company's business in the current circumstances.

Impact on liquidity

The volume of wholesale financing has significantly reduced recently. Such circumstances may affect the ability of the Company to obtain new borrowings and re-finance its existing borrowings under terms and conditions similar to those applied to earlier transactions.

Impact on customers

Customers of the Company may be affected by the lower liquidity situation which could, in its turn, impact their ability to repay the amounts owed. Deteriorating operating conditions for debtors may also have an impact on management's cash flow forecasts and assessment of the impairment of financial and non-financial assets. To the extent to which there is available information, management have properly reflected revised estimates of expected future cash flows in their impairment assessments.

(In EUR thousand, unless otherwise stated)

Fair value of investment property

The local market for many types of real estate has been affected by the recent volatility in global financial markets. Deteriorating economic conditions may also have an impact on management assessment of the impairment of the investment property.

5 Investment property

	As at 31 December		
	2012	2011	2010
At 1 January			
Cost	15,641	16,026	15,927
Accumulated depreciation	(896)	(492)	(88)
Currency translation differences	(360)	(251)	(49)
Opening net book amount	14,385	15,283	15,790
Currency translation differences	(356)	(109)	(202)
Subsequent expenditure	–	3	99
Capitalised letting fees	191	35	–
Amortisation of capitalised letting fees (Note 14)	(63)	(48)	(28)
Depreciation charge (Note 16)	(349)	(356)	(376)
Other items	–	(423)	–
Closing net book amount	13,808	14,385	15,283
At 31 December			
Cost	15,831	15,641	16,026
Accumulated depreciation	(1,308)	(896)	(492)
Currency translation differences	(715)	(360)	(251)
Closing net book amount	13,808	14,385	15,283

The fair value of investment property as at 31 December 2012, as determined by an external, independent and professionally qualified valuator is EUR 24.48 million (31 December 2011: EUR 23 million, 31 December 2010: EUR 21 million).

No borrowing costs have been capitalized in respect of the project during 2012, 2011 and 2010.

Bank borrowings are secured in full by the Investment Property of the Company (Note 10).

In the year ended 31 December 2009, the Company capitalised to the value of the investment property an estimated accrual of EUR 536 thousand for the remaining expenditure incurred by the general constructor. In the two years ended 31 December 2011, it became certain that the constructor would no longer invoice the Company for these costs, therefore the Company decided to decrease the value of the investment property by an amount of EUR 423 thousand, presented in the note above under “Other items”. The amount of EUR 113 thousand has been paid to the general constructor and presented in the cash flows from investing activities, in the Subsequent expenditure line.

(In EUR thousand, unless otherwise stated)

6 Financial instruments by category

a) Financial instruments by category

The accounting policies for financial instruments have been applied to the line items below:

	As at 31 December		
	2012	2011	2010
Financial assets			
Cash and cash equivalents (Note 8)	628	1,355	1,789
Trade and other receivables, excluding non-financial assets (Note 7)	408	126	86
Total financial assets	1,036	1,481	1,875

	As at 31 December		
	2012	2011	2010
Financial liabilities			
Tenant deposits—non current	197	68	20
Borrowings (Note 10)	18,299	18,935	19,128
Trade and other payables, excluding non-financial liabilities (Note 12)	87	177	959
Total financial liabilities	18,583	19,180	20,107

b) Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

	As at 31 December		
	2012	2011	2010
Trade and other receivables, excluding non-financial assets (Note 7)			
Counterparties without external credit rating:			
Group 1	127	37	–
Group 2	281	89	86
Group 3	–	–	–
Total	408	126	86

Group 1—new customers (less than 6 months)
Group 2—existing customers (more than 6 months) with no defaults in the past
Group 3—existing customers with some defaults in the past. All defaults were fully recovered.

	As at 31 December		
	2012	2011	2010
Cash and cash equivalents (Note 8)			
Standard & Poor's C	628	1,355	1,789

7 Trade and other receivables

	As at 31 December		
	2012	2011	2010
Financial assets			
Trade receivables	390	97	23
Other debtors	23	34	68
Less: provision for impairment of trade receivables	(5)	(5)	(5)
	408	126	86

(In EUR thousand, unless otherwise stated)

	As at 31 December		
	2012	2011	2010
Non financial assets			
VAT recoverable	6	4	20
Prepaid insurance expenses	9	–	–
Total	15	4	20
Total trade and other receivables	423	130	106

Trade and other receivables are not interest bearing and the carrying values approximate their fair values.

Analysis by credit quality of financial assets is as follows:

	As at 31 December		
	2012	2011	2010
Trade receivables, gross:			
Neither past due nor impaired:	404	92	59
Past due but not impaired	4	34	27
Individually determined to be impaired (gross):	5	5	5
Less: provision for impairment of trade receivables	(5)	(5)	(5)
Total trade receivables, net of provision for impairment	408	126	86

The other classes within trade and other receivables do not contain impaired assets.

The movements on the Company's provision for impairment of trade receivables are as follows:

	As at 31 December		
	2012	2011	2010
At 1 January	5	5	–
Impairment charge	–	–	5
At 31 December	5	5	5

8 Cash and cash equivalents

	As at 31 December		
	2012	2011	2010
Cash at bank in RON	73	187	152
Cash at bank in EUR	85	168	1,637
Short term bank deposits in RON	–	1,000	–
Short term bank deposits in EUR	470	–	–
Total	628	1,355	1,789

As at 31 December 2012, short term bank deposits are expressed in EUR, have three months maturity and bear an interest rate of 3% p.a.

As at 31 December 2011, short term bank deposits are expressed in RON, have three months maturity and bear an interest rate of 3.5% p.a.

(In EUR thousand, unless otherwise stated)

9 Share capital

	Number of shares	Amount
At 1 January 2010	64	152
Currency translation differences	–	(2)
At 1 January 2011	64	150
Currency translation differences	–	(1)
As at 31 December 2011	64	149
At 1 January 2012	64	149
Currency translation differences	–	(4)
At 31 December 2012	64	145

The authorized number of ordinary shares as at 31 December 2012, 31 December 2011 and 31 December 2010 is 64,285 with a nominal value of RON 10 per share. The Company is controlled by Fredisius Ltd, which owns 100% of the Company's shares. All authorized shares have been issued and fully paid. All shares have equal voting rights.

10 Borrowings

	As at 31 December		
	2012	2011	2010
Non-current			
Borrowings from banks	13,675	–	–
Current			
Borrowings from banks	500	15,000	15,380
Borrowings from related parties	4,124	3,935	3,748
Total borrowings	18,299	18,935	19,128

Borrowings from banks—Alpha Bank London/ Alpha Bank Romania

In 2007, the Company contracted a long term credit facility from Alpha Bank London, with a maximum amount of EUR 17.4 million for the purpose of financing the construction of the investment property.

On 24 September 2012, Alpha Bank AE London transferred the facility agreement to Alpha Bank Romania. At 31 December 2012, the facility was re-financed through a long term credit facility with the same bank for the value of EUR 15 million, repayable in yearly installments of minimum EUR 500 thousand and a bullet repayment in June 2015. The loan covenants established in this new addendum are to be fulfilled by the Company, starting with 2013.

In the year ended 31 December 2012, the interest rate was EURIBOR 3M+4.75% (2011: EURIBOR 3M+4.5%, 2010: 3M+4.5%).

At 31 December 2012, the balance of the facility is EUR 14.175 million (31 December 2011: EUR 15 million), (31 December 2010: EUR 15 million). The accrued interest payable at 31 December 2012 is nil (31 December 2011: nil; 31 December 2010: EUR 380 thousand).

At 31 December 2012 the undrawn amount of the facility is nil (31 December 2011: EUR 2.4 million, 31 December 2010: EUR 2.4 million).

The loan is secured by the investment property (Note 5), by a pledge over all receivables and cash accounts opened at Alpha bank and by a pledge over the Company's proceeds from insurance contracts.

(In EUR thousand, unless otherwise stated)

The credit facility is subject to a number of covenants required to be complied with by the Company as well as other parties such as, but not limited to the Company's shareholder. As at 31 December 2012, 31 December 2011 and 31 December 2010, the Company was in compliance with the loan covenants agreed in the loan contract. For the year ended 31 December 2012, the Company was in compliance with loan covenants as it signed a supplemental agreement for the refinancing of the loan.

Borrowings from related parties—Fredisius Ltd.

In 2006, the Company contracted two long term credit facilities from Fredisius Ltd., a related party, in total maximum amount of EUR 8,200 thousand, both carrying a fixed interest rate of 6% p.a.. The purpose of the facilities was to finance the construction of the real estate project. The facilities are not secured. The due date of the facilities is June and August 2013; this was modified by addendums to the contracts, the last ones being dated July and September 2012, respectively.

As of 31 December 2012, the total balance of the facilities is EUR 3,126 (31 December 2011: EUR 3,126; 31 December 2010: EUR 3,126). The accrued interest payable as at 31 December 2012 is EUR 998 (31 December 2011: EUR 809, 31 December 2010: EUR 362).

As of 31 December 2012, 31 December 2011 and 31 December 2010, the undrawn amount of the facilities is EUR 5.074 million.

The carrying amount of the Company's borrowings approximates their fair value, as the impact of discounting is not significant.

The gross movements in borrowings during the year are as follows:

	Year ended 31 December		
	2012	2011	2010
Opening balance	18,935	19,128	19,375
Interest expense (Note 17)	981	1,096	990
Proceeds from borrowings, net of granting fees	–	–	45
Repayments of borrowing from banks	(825)	(17)	(671)
Repayments of interest	(793)	(1,256)	(587)
Currency translation differences	1	(16)	(24)
Closing balance	18,299	18,935	19,128

11 Deferred income tax

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 taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

The amounts after offsetting are as follows:

	Year ended 31 December		
	2012	2011	2010
Deferred tax assets			
—Deferred tax asset to be recovered after more than 12 months	167	103	86
Deferred tax liabilities			
—Deferred tax liability reversing after more than 12 months	(167)	(103)	(142)
Deferred tax liabilities (net)	–	–	(56)

(In EUR thousand, unless otherwise stated)

The gross movements on the deferred income tax account are as follows:

	Year ended 31 December		
	2012	2011	2010
Deferred tax asset			
Opening balance	103	86	–
Credit to the profit and loss	62	18	86
Currency translation differences	2	(1)	–
Closing balance	167	103	86
Deferred tax liability			
Opening balance	(103)	(142)	–
(Charge)/credit to the profit and loss	(62)	39	(142)
Currency translation differences	(2)	–	–
Closing balance	(167)	(103)	(142)

The movement in deferred tax liability and assets during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Fiscal losses carried forward	Trade and other payables	Total
Deferred tax assets			
At 1 January 2010	–	–	–
(Charge)/credit to the profit and loss	–	86	86
At 31 December 2010	–	86	86
At 1 January 2011	–	86	86
(Charge)/credit to the profit and loss	104	(86)	18
Currency translation differences	(1)	–	(1)
At 31 December 2011	103	–	103
At 1 January 2012	103	–	103
(Charge)/credit to the profit and loss	62	–	62
Currency translation differences	2	–	2
At 31 December 2012	167	–	167

	Investment property	Trade and other receivables	Total
Deferred tax liability			
At 1 January 2010	–	–	–
(Charge)/credit to the profit and loss	(142)	–	(142)
At 31 December 2010	(142)	–	(142)
At 1 January 2011	(142)	–	(142)
(Charge)/credit to the profit and loss	43	(4)	39
Currency translation differences	–	–	–
At 31 December 2011	(99)	(4)	(103)
At 1 January 2012	(99)	(4)	(103)
(Charge)/credit to the profit and loss	(45)	(17)	(62)
Currency translation differences	2	(4)	(2)
At 31 December 2012	(142)	(25)	(167)

(In EUR thousand, unless otherwise stated)

There are no other significant unrecognised deferred tax assets and liabilities except for deferred tax assets with respect to fiscal losses carried forward as further described in Note 18 Income Tax Expense.

12 Trade and other payables

	31 December		
	2012	2011	2010
Financial liabilities			
Trade payables	28	42	63
Payables to related parties	9	95	96
Performance guarantees	–	–	253
Accruals	50	40	547
Total	87	177	959
Non-financial liabilities			
Other taxes payable	44	66	18
Total trade and other payables	131	243	977

The estimated fair values of the above financial liabilities are the discounted amounts of the estimated future cash flows expected to be paid and approximate their carrying amounts. Trade payables are denominated in RON.

13 Deferred revenue

	31 December		
	2012	2011	2010
Rents received	185	132	110
Service charges received	39	27	20
Total	224	159	130

14 Rental revenue

	Year ended 31 December		
	2012	2011	2010
Rental income	1,566	1,249	1,162
Amortisation of capitalised letting fees (Note 5)	(63)	(48)	(28)
Total	1,503	1,201	1,134

15 Other revenue

	Year ended 31 December		
	2012	2011	2010
Service charges	462	269	387
Penalties received from tenants	–	176	–
Other penalties received	41	92	–
Total	503	537	387

(In EUR thousand, unless otherwise stated)

16 Expenses by nature

	Year ended 31 December		
	2012	2011	2010
Operating expenses arising from investment property that generate rental revenue			
Depreciation (Note 5)	349	356	376
Amortisation of debt issue costs	–	4	4
Maintenance and repairs	236	247	330
Energy and water	161	134	149
Fire fighting services	12	–	–
Insurance	20	21	18
Total	778	762	877

	Year ended 31 December		
	2012	2011	2010
Administrative expenses			
Real estate taxes	127	133	236
Professional fees	102	118	137
Insurance events	21	–	–
Bank charges	7	10	19
Other expenses	5	3	13
Total	262	264	405

17 Finance income and costs

	Year ended 31 December		
	2012	2011	2010
Finance costs			
—Interest expense on borrowings from banks (Note 10)	(793)	(908)	(801)
—Interest expense on borrowings from related parties (Notes 10 and 19)	(188)	(188)	(189)
—Net foreign exchange losses on financing activity	(438)	(141)	(237)
—Loan conversion fee	(120)	–	–
Total	(1,539)	(1,237)	(1,227)
Finance income			
—Interest income on short-term bank deposits	33	29	21
Finance costs, net	(1,506)	(1,208)	(1,206)

18 Income tax

During the financial year ended 31 December 2012 and 31 December 2011, the applicable tax rate was 16%. Corporate income tax expense is nil for the three years ended 31 December 2012.

(In EUR thousand, unless otherwise stated)

The tax on the Company's result before tax differs from the theoretical amount that would arise using the applicable weighted average tax rate applicable to profits of the entity as follows:

	Year ended 31 December		
	2012	2011	2010
Loss before tax	(540)	(495)	(967)
Tax recovery calculated at 16% tax rate applicable to profits	(86)	(79)	(155)
Expenses not deductible for tax purposes	32	34	17
Temporary differences for which no deferred tax asset was recognised	54	(11)	196
Total income tax	–	(56)	58

As of 31 December 2012, the Company has fiscal losses carried forward in total amount of EUR 3.423 million (31 December 2011: EUR 3.273 million; 31 December 2010: EUR 2.704 million). These fiscal losses may be recovered against future taxable profits for a period of 7 years from the balance sheet date. The Company did not recognise a deferred tax asset in respect of fiscal losses carried forward in 2012, 2011 and 2010, except to eliminate any deferred tax liabilities, as it lacks the certainty regarding future taxable profits.

The fiscal losses are expiring in the following periods:

	31 December		
	2012	2011	2010
2012	–	674	680
2013	657	678	684
2016	552	569	574
2017	737	760	766
2018	572	592	–
2019	905	–	–
Total	3,423	3,273	2,704

Interest Expense on shareholder borrowings and net exchange differences resulted from the revaluation of shareholder borrowings are not deductible where the debt to equity ratio is negative or higher than 3 to 1.

As of 31 December 2012, the Company has accumulated interest and net exchange losses in total amount of EUR 1.297 million (31 December 2011: EUR 1,038 million; 31 December 2010: EUR 834 thousand)). The Company did not recognise a deferred tax asset in total amount EUR 207 thousand (31 December 2011: EUR 166 thousand; 31 December 2010: EUR 134 thousand) in respect of these expenses in 2012 ,2011 and 2010 as it lacks certainty regarding the occurrence of taxable profits and being in compliance with the debt to equity ratio.

19 Cash generated from operations

	31 December		
	2012	2011	2010
Loss before tax	(540)	(496)	(967)
Adjustments for:			
—Interest income (Note 17)	(33)	(29)	(21)
—Interest expense (Note 17)	981	1,096	990
—Depreciation expense (Note 5, 16)	349	356	376
—Impairment	–	22	–
—Amortisation of debt issue costs (Note 16)	–	4	4
—Amortisation of capitalised letting fees (Note 5)	63	26	28
—Amortisation of tenant incentives ("rent-free adjustment", see Note 2.15)	(127)	(45)	–
—Loan conversion fee (Note 17)	120	–	–

(In EUR thousand, unless otherwise stated)

	31 December		
	2012	2011	2010
—Unrealised foreign exchange losses on monthly revaluation of EUR denominated balances	464	152	212
Changes in working capital:			
—Trade and other receivables (increase)/Decrease	(298)	21	699
—Trade and other payables increase/(decrease)	25	(180)	(407)
—Deferred revenue increase	68	29	4
Cash generated from operations	1,072	956	918

20 Related-party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions as defined by IAS 24 “Related Party Disclosure”. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related parties may enter into transactions, which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

For the three years ended 31 December 2012 the Company has had the following transactions with related parties:

- Immediate parent: shareholder loans for partially financing the development of the Investment Property and for working capital needs;
- Entity under common management: property management and administration services.

Balances and transactions with related parties of the Company as at and for the three years ended 31 December 2012 are presented below.

Balances with related parties

	As at 31 December		
	2012	2011	2010
Payables to entity under common management (Note 12)	9	95	96
Borrowings from immediate parent (Note 10)	4,124	3,935	3,748

Transactions with related parties

(a) Borrowings from immediate parent (Note 10)

	As at 31 December		
	2012	2011	2010
Opening balance (Note 10)	3,935	3,748	3,560
Interest expense (Note 17)	188	188	189
Currency translation differences	1	(1)	(1)
Closing balance (Note 10)	4,124	3,935	3,748

(b) Purchases of services

	Year ended 31 December		
	2012	2011	2010
Entity under common management	46	31	30

(In EUR thousand, unless otherwise stated)

(c) Key management compensation

No compensation was paid to management or administrators during 2012, 2011 and 2010.

21 Operating lease receivables—where the company is a lessor

The Company leases the building held under several non-cancellable operating lease agreements. The lease terms are signed for a period ranging from 3 years to 20 years, and agreements are renewable at the end of the lease period at market rates.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	Year ended 31 December		
	2012	2011	2010
No later than 1 year	1,770	1,271	1,165
Later than 1 year and no later than 5 years	4,580	4,058	4,621
Later than 5 years	2,641	2,839	3,284
Total	8,991	8,168	9,071

22 Events after the balance sheet date

There were no material events after the balance sheet dates that have a bearing on the understanding of these financial statements.

23 Contingencies

(a) Taxation

The Romanian taxation system is undergoing a process of consolidation and harmonization with the European Union legislation. However, there are still different interpretations of the fiscal legislation. In various circumstances, the tax authorities may have different approaches to certain issues, and assess additional tax liabilities, together with late payment interest and penalties (currently, penalties determined by the duration of delay, plus 0.04% per day delay). In Romania, tax periods remain open for tax inspection for 5 years. The Company's management considers that the tax liabilities included in these financial statements are fairly stated.

INDEPENDENT AUDITOR'S REPORT

To the Administrators of Olympia Dezvoltare SRL

Report on the Financial Statements

1 We have audited the accompanying financial statements of Olympia Dezvoltare SRL (the "Company") which comprise the balance sheets as of 31 December 2012, 2011 and 2010, and the statements of comprehensive income, changes in equity and cash flows for each of the years then ended and notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

3 Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

4 An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

6 In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2012, 2011 and 2010, and its financial performance and its cash flows for each of the years then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

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Emphasis of matter

7 Without qualifying our opinion, we draw attention to the fact that the Company's net assets, determined as the difference between its total assets and its total liabilities, are lower than half the Company's share capital. In accordance with the Romanian Company Law no 31/1990 republished the Company's administrators, together with the sole shareholder, should immediately convene an Extraordinary General Meeting to decide a capital increase, a capital decrease at least equal to the losses that cannot be covered from existing reserves or the liquidation of the Company. The possible effects of the above-mentioned matter cannot be estimated as at the date of this report, and accordingly these financial statements do not include adjustments or disclosures resulting from the above matter.

PricewaterhouseCoopers Audit SRL — Bucharest, 4 June 2013

OLYMPIA DEZVOLTARE SRL

CONDENSED INTERIM FINANCIAL STATEMENTS

FOR SIX MONTHS ENDED 30 JUNE 2013

OLYMPIA DEZVOLTARE SRL
CONDENSED INTERIM FINANCIAL STATEMENTS
FOR SIX MONTHS ENDED 30 JUNE 2013
INTERIM BALANCE SHEET
(All amounts in euro thousands unless indicated otherwise)

	Note	30 June 2013 Unaudited	31 December 2012 Audited
ASSETS			
Non-current assets			
Investment property	8	13,502	13,808
Total non-current assets		**13,502**	**13,808**
Current assets			
Trade and other receivables		349	423
Cash and cash equivalents		1,061	628
Total current assets		**1,410**	**1,051**
Total assets		**14,912**	**14,859**
EQUITY AND LIABILITIES			
Equity			
Share capital	9	144	145
Translation reserve		525	499
Accumulated losses		(4,479)	(4,636)
Total equity		**(3,810)**	**(3,992)**
Non-current liabilities			
Borrowings from banks	10	13,675	13,675
Tenants deposits		195	197
Total non-current liabilities		**13,870**	**13,872**
Current liabilities			
Borrowings from related parties	14	3,942	4,124
Borrowings from banks	10	504	500
Trade and other payables		119	131
Deferred revenue		287	224
Total current liabilities		**4,852**	**4,979**
Total liabilities		**18,722**	**18,851**
TOTAL EQUITY AND LIABILITIES		**14,912**	**14,859**

The accompanying notes on pages 5 to 12 are an integral part of these condensed interim financial statements.

OLYMPIA DEZVOLTARE SRL
CONDENSED INTERIM FINANCIAL STATEMENTS
FOR SIX MONTHS ENDED 30 JUNE 2013
INTERIM STATEMENT OF COMPREHENSIVE INCOME
(All amounts in euro thousands unless indicated otherwise)

		Six months ended	
	Note	30 June 2013	30 June 2012
		Unaudited	Unaudited
Rental revenue		921	664
Other revenue		306	237
Total revenue		**1,227**	**901**
Operating expenses arising from investment property that generates rental revenue	11	(415)	(378)
Gross profit		**812**	**523**
Administrative expenses	12	(112)	(134)
Operating profit		**700**	**389**
Finance income	13	14	17
Finance costs	13	(557)	(1,036)
Profit/ (loss) before tax		**157**	**(630)**
Income tax	7	–	–
Profit/ (loss) for the period		**157**	**(630)**
Other comprehensive income for the period		–	–
Total comprehensive income/ (loss) for the period		157	(630)

The accompanying notes on pages 5 to 12 are an integral part of these condensed interim financial statements.

OLYMPIA DEZVOLTARE SRL
CONDENSED INTERIM FINANCIAL STATEMENTS
FOR SIX MONTHS ENDED 30 JUNE 2013
INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
(All amounts in euro thousands unless indicated otherwise)

	Share capital	Translation reserve	Accumulated losses	Total equity
Balance at 1 January 2012	**149**	**412**	**(4,096)**	**(3,535)**
Currency translation differences on equity items	(5)	116	–	111
Comprehensive income				
Loss for the period	–	–	(630)	(630)
Other comprehensive income for the period	–	–	–	–
Total comprehensive income for the period	–	–	(630)	(630)
Balance at 30 June 2012	**144**	**528**	**(4,726)**	**(4,054)**

	Share capital	Translation reserve	Accumulated losses	Total equity
Balance at 1 January 2013	**145**	**499**	**(4,636)**	**(3,992)**
Currency translation differences on equity items	(1)	26	–	25
Comprehensive income				
Profit for the period	–	–	157	157
Other comprehensive income for the period	–	–	–	–
Total comprehensive income for the period	–	–	157	157
Balance at 30 June 2013	**144**	**525**	**(4,479)**	**(3,810)**

The accompanying notes on pages 5 to 12 are an integral part of these condensed interim financial statements.

OLYMPIA DEZVOLTARE SRL
CONDENSED INTERIM FINANCIAL STATEMENTS
FOR SIX MONTHS ENDED 30 JUNE 2013
INTERIM STATEMENT OF CASH FLOWS
(All amounts in euro thousands unless indicated otherwise)

	Note	Six months ended 30 June 2013 Unaudited	Six months ended 30 June 2012 Unaudited
Cash flows from operating activities			
Profit / (loss) before tax		157	(630)
Adjustments for:			
Amortization of tenant incentives ("rent free adjustment")		(7)	30
Depreciation of capitalized letting fees		38	22
Depreciation expense	11	177	177
Interest income	13	(14)	(17)
Interest expense	13	450	510
Unrealized exchange losses on monthly revaluation of EUR denominated balances		118	558
Changes in working capital:			
—Trade and other receivables decrease / (increase)		75	(174)
—Trade and other payables decrease		(11)	(45)
—Deferred revenue increase		65	29
Net cash generated from operating activities		**1,048**	**460**
Cash flows from investing activities			
Interest received		14	17
Subsequent expenditure on investment property		–	(106)
Net cash generated from investing activities		**14**	**(89)**
Cash flows from financing activities			
Interest paid		(629)	(422)
Proceeds from tenant deposits		–	132
Net cash used in financing activities		**(629)**	**(290)**
Net increase in cash and cash equivalents		**433**	**81**
Cash and cash equivalents at the beginning of the period		628	1,355
Currency translation differences		–	(42)
Cash and cash equivalents at the end of the period		**1,061**	**1,394**

The accompanying notes on pages 5 to 12 are an integral part of these condensed interim financial statements.

1 General information

Olympia Dezvoltare SRL ("the Company") was established in July 2005 and its main area of activity is investment and development of real estate. The Company developed a building that provides class A office accommodation, as well as retail areas. Construction started in October 2007 and was completed in October 2009.

The Company is a limited liability company incorporated and domiciled in Romania. The address of its registered office is: 10, Piata Montreal, World Trade Center Building, Entrance E, 3rd floor, office A10, District 1, Bucharest, Romania.

The Company's sole shareholder is Fredisius Ltd. The ultimate shareholder of the Company is T2 Bluehouse Capital Partners, registered in Cyprus as a partnership under the Partnerships and Trade Names Law, Cap. 116, of Cyprus and has been recognised by the Central Bank of Cyprus as a private International Collective Investment Scheme (ICIS). Through its subsidiaries the Partnership invests in real estate assets, portfolios, joint ventures and operating companies. The ultimate shareholder has investments in properties in Bulgaria, Croatia, Serbia and Romania.

The Company is managed by the administrators Stefan Oana and Andreea Enescu.

These condensed interim financial statements have been prepared for inclusion in prospectus of Meridian Properties N.V. and approved by management on 30 July 2013. These condensed interim financial statements have been reviewed, not audited.

2 Basis of preparation

These condensed interim financial statements for the six months ended 30 June 2013 have been prepared in accordance with IAS 34, 'Interim financial reporting' as adopted by the European Union. The condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2012, which have been prepared in accordance with IFRSs as adopted by the European Union.

The Company incurred a profit of EUR 157 thousand for the six months ended 30 June 2013 (year ended 31 December 2012: loss of EUR 540 thousand).

The Company completed its real estate project in 2009 and, as at 30 June 2013 96% of the building is leased out (31 December 2012: 93%). The annual lease revenue based on existing leases as at 30 June 2013 is around EUR 1.8 million (31 December 2012: EUR 1.8 million) in accordance with management's expectations.

The ultimate shareholder, T2 Bluehouse Capital Partners, issued on 26 July 2013 a letter of support to the Company through which it guarantees to provide continuing financial support to the Company to enable it to meet its liabilities as and when they fall due and to enable it to continue trading for the foreseeable future and at minimum for twelve months from the date on which the financial statements of the Company for the six months ended 30 June 2013 are approved and signed by the Directors.

3 Accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as described below.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss.

(All amounts in euro thousands unless indicated otherwise)

New and amended standards adopted by the Company

There are no new or amended IFRSs or IFRIC interpretations that are effective for the first time for the periods beginning on or after 1 January 2013 that would be expected to have a material impact on the Company.

4 Estimates

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed interim financial statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended 31 December 2012, with the exception of changes in estimates that are required in determining the provision for income taxes.

5 Financial risk management

5.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

The condensed interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the Company's annual financial statements as at 31 December 2012. There have been no changes in the risk management policies.

5.2 Credit risk

No impairment losses have been recognized or reversed for the financial assets in the six months ended 30 June 2013 or in the six months ended 30 June 2012.

5.3 Liquidity risk

The tables below present the maturity analysis of financial liabilities. The amounts disclosed in the tables are the contractual undiscounted cash flows. Undiscounted cash flows in respect of balances due within 12 months generally equal their carrying amounts in the balance sheet, as the impact of discounting is not significant.

As at 30 June 2013	Up to 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
Financial Liabilities				
Borrowings from related parties	4,054	–	–	4,054
Borrowings from banks	1,205	1,180	13,175	15,560
Trade and other payables	52	–	–	52
Tenant deposits	29	51	115	195
Total future payments, including future principal and interest payments	5,340	1,231	13,290	19,861

(All amounts in euro thousands unless indicated otherwise)

As at 31 December 2012	Up to 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
Financial Liabilities				
Borrowings from related parties	4,223	–	–	4,223
Borrowings from banks	1,205	1,180	13,503	15,888
Trade and other payables	87		–	87
Tenant deposits	–	44	153	197
Total future payments, including future principal and interest payments	5,515	1,224	13,656	20,395

5.4 Fair value estimation

The carrying values of trade receivables and payables, as well as borrowings, are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current interest rate that is available to the Company for similar financial instruments.

6 Seasonality of operations

The Company operates in the office rental business and does not experience seasonality in the level of business.

7 Income taxes

Income tax expense is recognized based on management's estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the six months ended 30 June 2013 is 0% (the estimated tax rate for the six months ended 30 June 2012 was 0%). Estimated tax rate of 0% in 2013 is due to the fact that the Company estimates it will utilise fiscal losses for which no deferred tax asset was recognised at 31 December 2012.

8 Investment property

There were no significant acquisitions or disposals of items of investment property in the six months ended 30 June 2013 or in the six months ended 30 June 2012.

	Six months ended 30 June 2013	Year ended 31 December 2012
Beginning of the period	13,808	14,385
Depreciation charge (Note 11)	(177)	(349)
Capitalized letting fees	–	191
Amortisation of capitalised letting fees	(38)	(63)
Translation loss	(91)	(356)
End of period	13,502	13,808
Cost	15,831	15,831
Accumulated depreciation	(1,523)	(1,308)
Translation gain/ (loss)	(806)	(715)
End of period	13,502	13,808

The fair value of the investment property as at 30 June 2013, as determined by an external, independent and professionally qualified valuator is EUR 26.2 million (31 December 2012: EUR 24.48 million). The increase in value in the six months ended 30 June 2013 is mostly due to the forecast indexation of rental revenue from tenants which affects the future rental cash flows.

9 Share capital

	Number of shares (thousands)	Share capital
Opening balance as at 1 January 2012	64	149
Currency translation differences	–	(4)
At 31 December 2012	64	145
Opening balance as at 1 January 2013	64	145
Currency translation differences	–	(1)
At 30 June 2013	64	144

10 Borrowings from banks

Movements in borrowings from banks are analysed as follows:

Six months ended 30 June 2013	Amount
Opening balance as at 1 January 2013	14,175
Interest accrued	356
Interest paid	(354)
Currency translation differences	2
At 30 June 2013	14,179
Non-current	13,675
Current	504

Six months ended 30 June 2012	Amount
Opening balance as at 1 January 2012	15,015
Interest accrued	416
Interest paid	(422)
At 30 June 2012	15,009
Non-current	9
Current	15,000

11 Operating expenses arising from investment property that generates rental revenue

	30 June 2013	Six months ended 30 June 2012
Depreciation and impairment	177	177
Maintenance and repairs expenses	110	108
Energy and water	101	76
Insurance	11	10
Other	16	7
Total operating expenses arising from investment property that generates rental revenue	415	378

12 Administrative expenses

	30 June 2013	Six months ended 30 June 2012
Professional fees	47	50
Bank charges	3	1
Real estate taxes	60	64
Insurance events	–	15
Other	2	4
Total administrative expenses	112	134

13 Finance income and costs

	30 June 2013	Six months ended 30 June 2012
Interest income	14	17
Total finance income	14	17

	30 June 2013	Six months ended 30 June 2012
Interest expense	(450)	(510)
Net foreign exchange losses on financing activities	(107)	(526)
Total finance costs	(557)	(1,036)

14 Related party transactions

Movements in borrowings from related parties are analysed as follows:

Six months ended 30 June 2013	Amount
Opening balance as at 1 January 2013	4,124
Interest accrued	94
Interest paid	(275)
Currency translation differences	(1)
At 30 June 2013	3,942
Non-current	–
Current	3,942

Six months ended 30 June 2012	Amount
Opening balance as at 1 January 2012	3,935
Interest accrued	94
At 30 June 2012	4,029
Non-current	–
Current	4,029

During the period ended 30 June 2013 the Company was charged a management fee of EUR 10,000 plus VAT (not in thousands) by an entity under the same management (period ended 30 June 2012: EUR 10,000 plus VAT, not in thousands).

No compensation was paid to management or administrators during the six months ended 30 June 2013 and 30 June 2012.

15 Events after the reporting period

There are no post-balance sheet events to be reported.

REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

To the Administrators of Olympia Dezvoltare SRL

Introduction

1 We have reviewed the accompanying condensed interim balance sheet of Olympia Dezvoltare SRL (the "Company") as of 30 June 2013 and the related condensed interim statements of comprehensive income, changes in equity and cash flows for the six-month period then ended. Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with International Accounting Standard 34, 'Interim financial reporting' as adopted by the European Union. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

Scope of Review

2 We conducted our review in accordance with International Standard on Review Engagements 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

3 Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union.

Emphasis of matter

4 Without qualifying our conclusion, we draw attention to the fact that the Company's net assets, determined as the difference between its total assets and its total liabilities, are lower than half the Company's share capital. In accordance with the Romanian Company Law no 31/1990 republished the Company's administrators, together with the sole shareholder, should immediately convene an Extraordinary General Meeting to decide a capital increase, a capital decrease at least equal to the losses that cannot be covered from existing reserves or the liquidation of the Company. The possible effects of the above-mentioned matter cannot be estimated as at the date of this report, and accordingly these condensed interim financial statements do not include adjustments or disclosures resulting from the above matter.

PricewaterhouseCoopers Audit SRL — Bucharest, 2 August 2013

ASTORIA BUSINESS CENTER SRL

STANDALONE FINANCIAL STATEMENTS

International Financial Reporting Standards

31 DECEMBER 2012

ASTORIA BUSINESS CENTER SRL
Standalone Financial Statements
for the year ended 31 December 2012

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ASTORIA BUSINESS CENTER SRL
STATEMENT OF FINANCIAL POSITION
for the year ended 31 December 2012
(in EUR, unless otherwise stated)

	Note	31 December 2012	31 December 2011	31 December 2010
ASSETS				
Non-current assets				
Completed investment property	14	3,373,346	3,530,068	3,590,248
Non current receivables	15	26,449	27,117	–
Total non-current assets		**3,399,795**	**3,557,185**	**3,590,248**
Current assets				
Trade and other receivables	15	160,839	154,072	70,127
Cash and cash equivalents	16	138,282	372,294	824,227
Total current assets		**299,121**	**526,366**	**894,354**
TOTAL ASSETS		**3,698,916**	**4,083,551**	**4,484,602**
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Ordinary shares	17	45	46	47
Accumulated deficit	18	(6,922,604)	(6,725,950)	377,401
Currency translation differences		122,319	(43,010)	(7,929)
Total equity		**(6,800,240)**	**(6,768,914)**	**369,519**
LIABILITIES				
Non current liabilities				
Interest bearing loans and borrowings	22	5,512,424	5,793,973	–
Deferred tax liabilities	13	17,761	14,687	–
Deposits from tenants	21	82,922	84,415	99,817
Total non current liabilities		**5,613,107**	**5,893,075**	**99,817**
Current liabilities				
Trade and other payables	19	37,462	194,296	3,807,191
Interest bearing loans and borrowings	22	4,725,423	4,625,874	–
Income tax payable		3,489	–	30,951
Provision for liabilities and charges		–	5,787	–
Deposits from tenants	21	13,542	33,728	18,910
Deferred income	20	106,133	99,705	158,214
Total current liabilities		**4,886,049**	**4,959,390**	**4,015,266**
TOTAL EQUITY AND LIABILITIES		**3,698,916**	**4,083,551**	**4,484,602**

Approved for issue and signed on behalf of the Administrators on 26 April, 2013:

Stefan Oana

Andreea Enescu

The accompanying notes on pages 8 to 31 form an integral part of these financial statements.

ASTORIA BUSINESS CENTER SRL
STATEMENT OF INCOME—by function of expense
for the year ended 31 December 2012
(in EUR, unless otherwise stated)

	Note	Year ended 31 December 2012	Year ended 31 December 2011	Year ended 31 December 2010
Rental income	5	913,391	1,060,279	960,826
Service charge income	6	170,084	189,346	180,514
Service charge expense	8	(107,304)	(133,323)	(118,799)
Other property operating expenses	9	(187,390)	(162,856)	(163,877)
Net rental Income		788,781	953,446	858,664
Administration expenses	10	(81,577)	(238,506)	(46,269)
Operating profit		707,204	714,940	812,395
Finance income	11	10,158	29,130	11,941
Finance costs	12	(885,907)	(479,714)	(48,766)
(Loss) / Profit before income tax		(168,545)	264,356	775,570
Income tax expense	13	(28,109)	(65,642)	(79,688)
(Loss) / Profit for the year		**(196,654)**	**198,714**	**695,882**

Approved for issue and signed on behalf of the Administrators on 26 April, 2013:

Stefan Oana

Andreea Enescu

The accompanying notes on pages 8 to 31 form an integral part of these financial statements.

ASTORIA BUSINESS CENTER SRL
STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2012
(in EUR, unless otherwise stated)

	Year ended 31 December 2012	Year ended 31 December 2011	Year ended 31 December 2010
(Loss) / Profit for the year	**(196,654)**	**198,714**	**695,882**
Other comprehensive income:			
Currency translation differences	165,328	(35,082)	(7,959)
Total comprehensive income for the year	(31,326)	163,632	687,923
Attributable to:			
—equity holders of the Company	(31,326)	163,632	687,923

The accompanying notes on pages 8 to 31 form an integral part of these financial statements.

ASTORIA BUSINESS CENTER SRL
STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2012
(in EUR, unless otherwise stated)

	Share Capital	Foreign ccy transl reserve	Retained earnings	Total equity
Balance at 01 December 2010	**47**	**30**	**(318,481)**	**(318,404)**
Profit for the year	–	–	695,882	695,882
Other Comprehensive Income	–	(7,959)	–	(7,959)
Total Comprehensive Income	**–**	**(7,959)**	**695,882**	**687,923**
Balance at 01 January 2011	**47**	**(7,929)**	**377,401**	**369,519**
Profit for the year	–	–	198,714	198,714
Other Comprehensive Income	(1)	(35,081)	–	(35,082)
Total Comprehensive Income	**(1)**	**(35,081)**	**198,714**	**163,632**
Merger impact	–	–	(6,860,900)	(6,860,900)
Dividends paid	–	–	(441,165)	(441,165)
Balance at 31 December 2011	**46**	**(43,010)**	**(6,725,950)**	**(6,768,914)**
(Loss) for the year	–	–	(196,654)	(196,654)
Other Comprehensive Income	(1)	165,329	–	165,328
Total Comprehensive Income	**(1)**	**165,329**	**(196,654)**	**(31,326)**
Balance at 31 December 2012	**45**	**122,319**	**(6,922,604)**	**(6,800,240)**

The accompanying notes on pages 8 to 31 form an integral part of these financial statements.

ASTORIA BUSINESS CENTER SRL
STATEMENT OF CASH FLOWS
for the year ended 31 December 2012
(in EUR, unless otherwise stated)

	Note	Year ended 31 December 2012	Year ended 31 December 2011	Year ended 31 December 2010
Cash flows from operating activities				
Cash generated by / (used in) operations	23	592,088	418,448	1,133,914
Interest paid		(383,497)	(223,737)	–
Income taxes paid		–	(96,407)	(47,472)
Net cash generated by / (used in) operating activities		**208,591**	**98,304**	**1,086,442**
Cash flows from investing activities				
Payment of investment property price		–	(3,768,520)	–
Interest received		4,683	27,264	11,941
Net cash generated by investing activities		**4,683**	**(3,741,256)**	**11,941**
Cash flows from financing activities				
Proceeds from borrowings		–	3,900,000	–
Repayments of borrowings		(427,000)	(260,638)	(399,544)
Dividends paid		–	(446,047)	–
Net cash (used in) / from financing activities		**(427,000)**	**3,193,315**	**(399,544)**
Net decrease in cash and cash equivalents		**(213,726)**	**(449,637)**	**698,839**
Cash and cash equivalents at beginning of year	16	372,294	824,227	127,066
Cash received in the merger process		–	4,363	–
Translation differences		(20,286)	(6,659)	(1,678)
Cash and cash equivalents at the end of year	16	**138,282**	**372,294**	**824,227**

The accompanying notes on pages 8 to 31 form an integral part of these financial statements.

1 General information

Astoria Business Center SRL (the Company) was established in December 2008 and its main area of activity is leasing and sub-leasing of real estate properties.

Astoria Business Center owns a newly built office building with a total gross lettable area of approximately 4,207.19 sq m (including terraces), erected on 2 underground levels, ground floor, mezzanine, and 4 upper levels. The subject property is erected on a site with a total area of 1,229.43 sq m. The property address is located on 64-66 Dionisie Lupu Street, 1st District, Bucharest, Romania.

The Company is a limited liability company incorporated and domiciled in Romania. The address of its registered office is: 64-66 Dionisie Lupu St., ground floor, Sector 1, Bucharest, Romania.

The Company's ultimate shareholders, starting with 29 April 2011, are Bluehouse Accession Project II and Bluehouse Accession Project VI.

As at 31 December 2012 and 31 December 2011 the Company is managed by the administrators Stefan Oana and Andreea Enescu.

As at 31 December 2010 the Company was jointly controlled by:

- Hubner Investments Limited—10 social parts with a nominal value of 10 RON
- Olberg Holdings Limited—10 social parts with a nominal value of 10 RON

In September 2011 the Company merged with Laroblue Investitii SRL, its immediate parent company owned by Bluehouse Accession Project II and Bluehouse Accession Project VI. Since the merger is a transaction between companies under common control, it is excluded from the scope of IFRS 3 "Business Combinations". On the date of the merger, the assets and the liabilities of the absorbed entity (Laroblue Investitii SRL) were added to the assets and liabilities of the Company, at their carrying value. The resulting difference of Euro 6,860,900 was recorded in equity.

Assets and liabilities on the date of the merger, of the absorbed entity are analysed as follows:

Assets	
Cash and Banks	1,737,989
Other receivables	382
	1,738,371
Liabilities	
Loans	(7,042,778)
Trade and other payables	(1,556,493)
	(8,599,271)
Difference	**(6,860,900)**

The Company is not listed on any stock exchange.

These financial statements were approved and authorized for issue on 26 April, 2013.

2 Summary of significant accounting policies

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

2.1 Basis of preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. The financial statements have been prepared under the historical cost convention.

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

IFRS requires that these financial statements are prepared in accordance with those International Accounting Standards, International Financial Reporting Standards, SIC and IFRIC Interpretations effective as at the reporting date 31 December 2012.

The preparation of financial statements in conformity with IFRS as adopted by the European Union requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

2.1.1 Changes in accounting policy and disclosures

(a) New and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and amended IFRS and IFRIC interpretations effective as of 1 January 2012:

IAS 12 Income Taxes—Recovery of Underlying Assets

The amendment clarified the determination of deferred tax on investment property measured at fair value and introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. It implies the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 always be measured on a sale basis of the asset. The amendment becomes effective for annual periods beginning on or after 1 January 2012, but will not have any effect in the entity's performance or in its disclosures because the Company is using the cost model for disclosing the investment property in these financial statements.

IFRS 7 Financial Instruments: Disclosures—Enhanced Derecognition Disclosure Requirements

The amendment requires additional disclosures about financial assets that have been transferred but not derecognised to enable the user of the Company's financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognised assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognised assets. The amendment becomes effective for annual periods beginning on or after 1 July 2011. The entity did not have any assets with these characteristics, so there has not been any effect in the presentation of its financial statements.

(b) Standards issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. This listing of standards and interpretations issued are those that the Company reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Company intends to adopt these standards when they become effective.

IAS 1 Financial Statement Presentation—Presentation of Items of Other Comprehensive Income

The amendments to IAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment will have no impact on the Company's financial position. The amendment becomes effective for annual periods beginning on or after 1 July 2012.

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2011, moved the mandatory effective date to 1 January 2015. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The completion of this project is expected by the end of 2012. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but is not expected to have any impact on classification and measurements of financial liabilities. The Company has chosen to defer a full impact analysis of the new standard until it is completed by inclusion of the still outstanding phases, and quantitative information of the effects of the new standard is therefore not available.

IFRS 10 Consolidated Financial Statements

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in IAS 27. This standard becomes effective for annual periods beginning on or after 1 January 2013, and management considers that it will not have any impact on the Company's financial statements.

IFRS 11 Joint Arrangements

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities—Non-monetary Contributions by Venturers. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, joint arrangements that meet the definition of a Joint Venture must be accounted for using the equity method. Otherwise joint arrangements are accounted for by recognizing the group's share of the arrangements assets and liabilities.

The application of this new standard will not impact the financial position of the Company. IFRS 11 becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 12 Disclosure of Involvement with Other Entities

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required including:

- A requirement to disclose judgements made in determining if the Company controls, has joint control or significant influence over an entity;
- A requirement to disclose judgements made in determining the type of joint arrangement in which the Company has an interest.

The application of this new standard will not impact the financial position of the Company.

This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The Company does not consider that the definition of fair value that is applied in IFRS 13 differs in a material way from its current approach and consequently anticipates there will not be any impact from this standard on its financial position. However, IFRS 13 does expand the disclosure requirements in respect of fair value measurement. In particular, the financial statements will in the future, as well as other disclosures, contain:

- An analysis of the fair value hierarchy for investment property (as well as for financial instruments);
- Information about the sensitivity of fair value measurements to changes in unobservable estimation inputs;
- A detailed commentary on the Company's valuations methods and procedures.

IFRS 13 becomes effective for annual periods beginning on or after 1 January 2013.

2.2 Significant accounting judgments, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Judgments other than estimates

In the process of applying the Company's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the financial statements:

Classification of property

The Company determines whether a property is classified as investment property or inventory property:

- Investment property comprises land and buildings (principally offices property) which are not occupied substantially for use by, or in the operations of, the Company, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation.
- Inventory property comprises property that is held for sale in the ordinary course of business.

Operating lease contracts—the Company as lessor

The Company has entered into commercial property leases on its investment property portfolio. The Company has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these property and so accounts for the leases as operating leases.

Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of tax changes, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective country in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the Company's domicile.

Valuation of property

The fair value of investment property is determined by independent real estate valuation experts using recognized valuation techniques. These techniques comprise both the Yield Method and the Discounted Cash Flow Method. In some cases, the fair values are determined based on recent real estate transactions with similar characteristics and location to those of the Company's assets.

The determination of the fair value of investment property requires the use of estimates such as future cash flows from assets (such as lettings, tenants' profiles, future revenue streams, capital values of fixtures and fittings, plant and machinery, any environmental matters and the overall repair and condition of the property) and discount rates applicable to those assets. In addition, development risks (such as construction and letting risks) are also taken into consideration when determining the fair value of investment properties under construction. Future revenue streams comprise contracted rent (passing rent) and estimated rental income (ERV) after the contract period. In calculating ERV, the potential impact of future lease incentives to be granted to secure new contracts is taken into consideration. All these estimates are based on local market conditions existing at the reporting date.

Volatility in the global financial system is reflected in commercial real estate markets. There was a significant reduction in transaction volumes in 2011 and, to a lesser extent, into 2012. Therefore, in arriving at their estimates of market values as at 31 December 2011 and 31 December 2012, valuers used their market knowledge and professional judgment and did not rely solely on historical transactional comparables. In these circumstances, there was a greater degree of uncertainty in estimating the market values of investment property than would exist in a more active market.

2.3 Foreign currency translation

a) Functional and presentation currency

Items included in the financial statements are measured using the RON which is the currency of the primary economic environment in which the Company operates ("the functional Currency").

These financial statements are presented in Euro ("EUR"), in order to increase their understandability to the Company's stakeholders.

The Company's financial statements were translated into EUR according to the requirements of IAS 21 (revised) "The effects of changes in foreign exchange rates", as follows:

- Assets and liabilities are translated at the closing rate existing at the date of each balance sheet presented;
- Income and expense items are translated at average exchange rates that approximate the actual exchange rates;
- Equity items other than the net profit or loss for the period that is included in the balance of accumulated loss are translated at the closing rate existing at the date of each balance sheet presented; Accumulated loss is translated at the average exchange rates;
- All exchange differences resulting from translation from measurement to presentation currency are recognized directly in equity.

b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or cost'. All other foreign exchange gains and losses are presented in the income statement within Finance costs/income.

2.4 Going concern

The Company has a negative equity position for the years ended 31 December 2012 and 31 December 2011. Its current liabilities exceed its current assets by Euro 4,586,928 (31 December 2011: EUR 4,433,024). Management is confident in the continuity of the Company as a going concern based on the support from its shareholders. The shareholders have issued a letter of support to the Company through which they guarantee to provide the Company with financial support in order to assist it in complying with its financial liabilities as they fall due, as to ensure its going concern.

The annual lease revenue based on existing leases as at 31 December 2012 is approximately EUR 0.9 million (31 December 2011: 1million), according to management expectations.

Management is confident in the continuity of the Company as a going concern based on the financial results obtained, the quality of tenants and the structure of the leases.

Consequently, these financial statements have been prepared assuming the Company will continue as a going concern and, therefore, no adjustments relating to this uncertainty have been included in these financial statements.

2.5 Borrowing costs

Borrowing costs directly attributable to the acquisition of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of costs that an entity incurs in connection with the borrowing of funds.

2.6 Investment property

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Company is classified as investment property.

Investment property is measured initially at cost including transaction costs. Transaction costs include transfer taxes, professional fees, legal services and initial leasing commissions to bring the property to the condition necessary for it to be capable of operating.

Investment property comprises freehold land and buildings. Investment property is measured initially at its cost, including related transaction costs and borrowing costs. External specialist valuations are carried out for impairment testing purposes. After initial recognition, investment property is carried at cost less accumulated depreciation and accumulated impairment losses (if any).

The useful life of the investment property is 40 years.

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 Company and the cost of item can be measured reliably.

Investment property is derecognized when it has been disposed of or permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of investment property are recognized in the income statement in the year of retirement or disposal.

Gains or losses on the disposal of investment property are determined as the difference between net disposal proceeds and the carrying value of the asset.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner occupation or commencement of an operating lease. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sell.

2.7 Impairment of non-financial assets

Assets that have an indefinite useful life, for example land, are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization 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). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.8 Rent and other receivables

Rent and other receivables are recognized initially at fair value. Where the time value of money is material, the receivables are discounted and subsequently carried at amortized cost. Provision is made when there is objective evidence that the Company will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

2.9 Cash and cash equivalents

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

2.10 Value added tax

Value added tax (VAT) is payable to the Tax Authorities based on the monthly VAT return by the 25th of the following month irrespective of collection of receivables from customers. The Fiscal Authorities permit the settlement of VAT on a net basis. When input VAT is higher than output VAT, the difference is refundable at the Company's request. The VAT refund may be made after a tax inspection is performed or without a tax inspection, if certain conditions are met. VAT related to sales and purchases which has not been settled at the balance sheet date is recognized in the balance sheet on a net basis and disclosed as a current asset or liability. Where provision has been made for impairment of receivables, impairment loss is recorded for the gross amount of the debtor, including VAT. The related VAT needs to be paid to the State and can only be recovered after the debtor is declared bankrupt. Moreover, the writing off of a bad debt is a lengthy process which should be performed considering special circumstances and in some cases a prescription period of three years should be considered.

2.11 Share capital

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

2.12 Trade payables

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

2.13 Interest bearing loans and borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method. Borrowing costs are capitalized if they are related to the construction or development, or expensed as incurred otherwise. Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.14 Dividend distribution

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

2.15 Fair value of financial instruments

Fair value is the amount for which a financial instrument could be exchanged between knowledgeable and willing parties in an arm's length transaction. Financial instruments carried on the balance sheet include cash and bank balances, trade and other receivables, trade and other payables and borrowings. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item. The amounts disclosed in the financial statements approximate their fair value, except for borrowings.

2.16 Revenue recognition

Rental income

Rental income receivable from operating leases, less the Group's initial direct costs of entering into the leases, is recognised on a straight-line basis over the term of the lease, except for contingent rental income which is recognised when it arises.

Incentives for lessees to enter into lease agreements are capitalised and amortised evenly over the lease term, even if the payments are not made on such a basis. The lease term is the non-cancellable period of the lease together with any further term for which the tenant has the option to continue the lease, where, at the inception of the lease, the directors are reasonably certain that the tenant will exercise that option.

Amounts received from tenants to terminate leases or to compensate for dilapidations are recognised in the income statement when they arise.

Interest income

Interest income is recognised as it accrues using the effective interest rate method.

Service charges and expenses recoverable from tenants

Income arising from expenses recharged to tenants is recognised in the period in which the related expense has been incurred. Service charges and other such receipts are included gross of the related costs in revenue, as the directors consider that the Company acts as principal in this respect.

2.17 Deferred income

Deferred income includes rents and service charges paid in advance by the tenants for the future periods.

2.18 Deposits from tenants

The Company obtains deposits from tenants as a guarantee for returning the property at the end of the lease term in a specified good condition or for the lease payments for a period ranging from 1 to 3 months. Such deposits are treated as financial liabilities in accordance with IAS 39 and they are initially recognised at fair value. The difference between fair value and cash received is considered to be part of the minimum lease payments received for the operating lease (refer to note 2.17 for the recognition of rental income). The deposit is subsequently measured at amortised cost.

3 Financial risk management

3.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, and cash flow interest rate risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. The Company however, does not use derivative financial instruments to hedge certain risk exposures.

The Company has trade and other receivables, trade and other payables and cash and short term deposits that arise directly from its operations.

The Company does not have formal arrangements to mitigate financial risks; consequently the Company does not enter into derivative transactions. Despite the fact that no formal policies exist, the management is actively involved in the business activity through regular meetings with the finance department monitoring the financial risks, and could take immediate decisions to address the risks generated by the impact of the financial crisis.

The financial risks are monitored at the higher level considering the financial needs of this business in order to make sure that the opportunities and threats are matched efficiently. The financial department prepares monthly cash flows which help management in the decision-making process.

(a) Market risk

Market risk is the risk that the fair values of the financial instruments will fluctuate because of changes in market prices.

(i) Foreign exchange risk

The Company operates in Romania and is exposed to foreign exchange risk arising from various currency exposures including the foreign currency borrowings obtained from relevant banks and shareholders. Foreign exchange risk arises when future commercial transactions or recognized assets and liabilities are denominated in a currency that is not the Company's functional currency. Currently, the Company manages its foreign exchange risk by matching the maturity of its assets and liabilities denominated in the same foreign currency.

The year-end RON exchange rates with Euro (EUR) were as follows:

	31 December 2012	31 December 2011	31 December 2010
	EUR	EUR	EUR
Closing rate	4.4287	4.3197	4.2848
Average rate	4.4573	4.2379	4.2099

The following table details the Company's sensitivity to a 10% increase and decrease in RON exchange rate against EUR.

	31 December 2012	31 December 2011	31 December 2010
Borrowing	10,237,847	10,419,847	–
Closing EUR rate	4.4287	4.3197	4.2848
Change in FX rate	-10%	-10%	-10%
	(0.44)	(0.43)	(0.43)
Change in forex result	(1,023,785)	(1,041,985)	–

(ii) Cash flow and fair value interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long term debt obligations with floating interest rate.

The Company's interest rate risk arises from borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk. Borrowings issued at fixed rates expose the Company to fair value interest rate risk. During 2011 the Company has obtained finance from banks, at variable interest rate and from shareholders, at fixed rates (Note 22). The Company did not use any hedging instruments to mitigate this risk.

The analysis below describes reasonably possible movements in interest rates, with all other variables held constant, showing the impact on profit before tax and equity. It should be noted that the impact of movement in the variable is not necessarily linear:

	Increase / decrease in basic points	Effect on profit before tax	Effect on equity
2012			
Euribor	+50	(34,282)	(34,282)
Euribor	-50	34,282	34,282
2011			
Euribor	+50	(21,839)	(21,839)
Euribor	-50	21,839	21,839
2010			
Euribor	+50	–	–
Euribor	-50	–	–

(b) Real estate Risk

The Company has identified the following risk associated with the real estate portfolio: there is a limited number of tenants in the building and they might become insolvent causing a significant loss of rental income and a reduction in the value of the property. To reduce this risk, the company reviews the published financial statements of its tenants and decides on the appropriate level of security required via cash deposits.

(c) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations leading to a financial loss. The Company is exposed to credit risk from its financing activities, including deposits with bank and financial institutions. Credit risk is managed by requiring tenants to pay rentals in advance. The credit quality of the tenant is assessed based on an internal scorecard at the time of entering into a lease agreement. Outstanding tenants' receivables are regularly monitored. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial asset.

As at 31 December 2012, 31 December 2011 and 31 December 2010, the Company had cash transactions with an international bank. The International Credit Rating Agencies have assigned the following ratings to this bank:

Agency	Long-Term	Short-Term	Outlook	Date of report
Moody's	Caa1	Not prime	Review for downgrade	2012
Fitch	BB-	B	Negative	2012

Source: http://www.marfinbank.com/EN/InvestorRelations/CorporateInformation/CreditRatings/Pages/Home.aspx

Credit risk related to cash deposits

The Company's policy is to maintain bank accounts at satisfactory levels, with amounts in EUR deposited in short-term, interest-bearing deposits.

Tenant receivables

The Company's income is generated by several tenants to which the property is rented under non cancellable operating lease.

(d) 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.

The table below analyses the Company's financial liabilities including interest, into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 Years	Total
31 December 2012					
Borrowings from related parties	4,414,485	–	–	–	4,414,485
Borrowings from third-parties	638,037	650,803	2,254,059	4,293,236	7,836,135
Trade payables	34,262	–	–	–	34,262
Deposits from tenants	13,542	–	67,185	15,737	96,464
	5,100,326	**650,803**	**2,321,244**	**4,308,973**	**12,381,346**
31 December 2011					
Borrowings from related parties	4,173,828	–	–	–	4,173,828
Borrowings from third-parties	427,000	843,764	2,342,914	4,997,564	8,611,242
Trade payables	173,306	–	–	–	173,306
Deposits from tenants	33,728	–	–	84,415	118,143
	4,807,862	**843,764**	**2,342,914**	**5,081,979**	**13,076,519**
31 December 2010					
Trade payables	3,777,149	–	–	–	3,777,149
Deposits from tenants	18,910	–	–	99,817	118,727
	3,796,059	**–**	**–**	**99,817**	**3,895,876**

3.2 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new social parts or sell assets to reduce debt. Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated as equity as shown in the balance sheet plus net debt.

The gearing ratios at 31 December 2012, 31 December 2011 and 31 December 2010 were as follows:

	31 December 2012	31 December 2011	31 December 2010
Total borrowings (note 22)	10,237,847	10,419,847	–
Less: cash and cash equivalents (note 16)	(138,282)	(372,294)	(824,227)
Net debt	10,099,565	10,047,553	(824,227)
Equity	(6,800,240)	(6,768,914)	369,519
Total capital and debt	**3,299,325**	**3,278,639**	**(454,708)**
Gearing ratio	**306%**	**306%**	**n/a**

3.3 Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments of 5.7%.

4 Financial instruments by category

Financial instruments by category

The accounting policies for financial instruments have been applied to the line items below:

	31 December 2012	31 December 2011	31 December 2010
Assets as per balance sheet			
Trade and other receivables	182,175	154,207	68,746
Cash and cash equivalents	138,282	372,294	824,227
Total	**320,457**	**526,501**	**892,973**
Liabilities as per balance sheet			
Borrowings	10,237,847	10,419,847	–
Trade payables	34,262	173,306	3,777,149
Total	**10,272,109**	**10,593,153**	**3,777,149**

5 Rental income

	Year ended 31 December 2012	Year ended 31 December 2011	Year ended 31 December 2010
Rental income	919,963	1,060,279	960,826
Amortization of capitalised leasing fees	(6,572)	–	–
	913,391	**1,060,279**	**960,826**

6 Service charge income

	Year ended 31 December 2012	Year ended 31 December 2011	Year ended 31 December 2010
Fixed charges	103,897	103,627	99,876
Re-invoicing of utilities	66,187	85,719	80,638
	170,084	**189,346**	**180,514**

7 Operating leases—company as lessor

The Company has entered into leases on its property portfolio. The commercial property leases typically have lease terms between three and 5 years and include clauses to enable periodic upward revision of the rental charge according to prevailing market conditions. Some leases contain options to break before the end of the lease term.

The future aggregate minimum lease payments under non-cancellable operating lease is as follows:

	Year ended 31 December 2012	Year ended 31 December 2011	Year ended 31 December 2010
No later than 1 year	701,497	783,531	1,050,180
Later than 1 year and no later than 5 years	2,592,773	2,577,248	2,774,019
Later than 5 years	521,421	803,468	1,390,228
	3,815,691	**4,164,247**	**5,214,427**

8 Service charge expense

	Year ended 31 December 2012	Year ended 31 December 2011	Year ended 31 December 2010
Repairs, maintenance and utilities	76,694	89,236	77,474
Local property taxes	24,864	39,928	40,204
Property insurance costs	5,746	4,159	1,121
	107,304	**133,323**	**118,799**

9 Other property operating expenses

	Year ended 31 December 2012	Year ended 31 December 2011	Year ended 31 December 2010
Property management and administration expenses	85,546	93,880	83,350
Building depreciation	62,861	66,115	83,194
Repairs, maintenance and utilities	29,916	–	–
Property technical consultancy	9,126	2,861	–
Other operating income, net	(59)	–	(2,667)
Total operating expenses	**187,390**	**162,856**	**163,877**
Property expenses arising from investment property that generate rental income	187,390	162,856	163,877

10 Administration expenses

	Year ended 31 December 2012	Year ended 31 December 2011	Year ended 31 December 2010
Non deductible VAT and state charges	48,582	59,948	39,587
Financial consultancy fees	20,489	13,572	712
Legal fees	8,316	27,173	–
Professional fees	2,533	118,674	–
Bank charges	588	7,466	769
Other expenses, net	1,069	11,673	5,201
Total administration expenses	**81,577**	**238,506**	**46,269**

11 Finance income

	Year ended 31 December 2012	Year ended 31 December 2011	Year ended 31 December 2010
Bank interest	4,683	27,264	11,941
Other gains, net	5,475	1,866	–
Interest income	**10,158**	**29,130**	**11,941**

12 Finance costs

	Year ended 31 December 2012	Year ended 31 December 2011	Year ended 31 December 2010
Interest Expense	618,076	288,586	–
Foreign exchange loss, net	257,023	178,355	48,766
Amortisation of Debt Issue Cost	6,033	4,230	–
Other expenses	4,775	8,543	–
	885,907	**479,714**	**48,766**

13 Taxation

The major components of income tax expense for the years 31 December 2012, 2011 and 2010 are:

	Year ended 31 December 2012	Year ended 31 December 2011	Year ended 31 December 2010
Current income tax			
Current income tax charge	24,695	50,672	79,688
Deferred income tax			
Relating to origination and reversal of temporary differences	3,414	14,970	–
Income tax expense reported in the income statement	**28,109**	**65,642**	**79,688**

A reconciliation between tax expense and the product of accounting profit multiplied by Romania's tax rate for the years ended 31 December 2012, 2011 and 2010, is as follows:

	Year ended 31 December 2012	Year ended 31 December 2011	Year ended 31 December 2010
(Loss) / Profit before tax	(168,545)	264,356	775,570
At Romanian statutory rate of 16% (2011: 16%)	(26,967)	42,297	124,091
Non-deductible expenses	55,727	21,163	5,895
Effect of other IFRS adjustments	(651)	2,182	(50,298)
Total tax expense reported in the income statement	**28,109**	**65,642**	**79,688**

	BALANCE SHEET			INCOME STATEMENT		
	2012	2011	2010	2012	2011	2010
Deferred tax liability						
Capitalization of loan fees	8,096	9,297	–	(861)	9,476	–
Adjustments relating to capitalization of lease Costs	9,665	5,390	–	4,275	5,494	–
Deferred income tax expense	**–**	**–**	**–**	**3,414**	**14,970**	**–**
Deferred tax liabilities	**17,761**	**14,687**	**–**	**–**	**–**	**–**

The Company has capitalized the initial debit issue cost for the borrowing contracted during 2011, as detailed in Note 21.

Also, the company has capitalized the letting fees incurred during 2011 for lease contract prolongation and is amortizing them over the lease term starting January 2012.

14 Completed investment property

	Land	Buildings	Total
At 31 December 2009			
Cost or valuation	1,114,637	2,650,682	3,765,319
Cumulated Depreciation	–	(44,177)	(44,177)
Net book amount	**1,114,637**	**2,606,505**	**3,721,142**
Year ended 31 December 2010			
Opening net book amount	1,114,637	2,606,505	3,721,142
Currency translation differences	(14,723)	(32,977)	(47,700)
Depreciation charge	–	(83,194)	(83,194)
Net book amount	**1,099,914**	**2,490,334**	**3,590,248**
At 31 December 2010			
Cost or valuation	1,099,914	2,617,705	3,717,619
Cumulated Depreciation	–	(127,371)	(127,371)
Net book amount	**1,099,914**	**2,490,334**	**3,590,248**
Year ended 31 December 2011			
Opening net book amount	1,099,914	2,490,334	3,590,248
Currency translation differences	(8,887)	(18,869)	(27,756)
Capitalised letting fees	–	33,691	33,691
Depreciation charge	–	(66,115)	(66,115)
Net book amount	**1,091,027**	**2,439,041**	**3,530,068**
At 31 December 2011			
Cost or valuation	1,099,914	2,651,396	3,751,310
Cumulated depreciation	–	(193,486)	(193,486)
Currency translation difference	(8,887)	(18,869)	(27,756)
Net book amount	**1,091,027**	**2,439,041**	**3,530,068**
Year ended 31 December 2012			
Opening net book amount	1,091,027	2,439,041	3,530,068
Currency translation differences	(26,853)	(60,436)	(87,289)
Amortisation of Capitalised letting fees	–	(6,572)	(6,572)
Depreciation charge	–	(62,861)	(62,861)
Net book amount	**1,064,174**	**2,309,172**	**3,373,346**
At 31 December 2012			
Cost or valuation	1,099,914	2,644,824	3,744,738
Cummulated depreciation	–	(256,347)	(256,347)
Currency translation difference	(35,740)	(79,305)	(115,045)
Net book amount	**1,064,174**	**2,309,172**	**3,373,346**

The fair value of the investment property as at 31 December 2012, as evaluated by an independent valuator, is EUR 11,000,000 (31 December 2011: EUR 11,000,000, 31 December 2010: EUR 11,600,000).

In arriving at their estimates of market values, the valuers have used their market knowledge and professional judgment and not only relied on historical transactional comparables. The valuations were performed by an accredited valuer with a recognized and relevant professional qualification and with recent experience in the location and category of the investment property being valued.

As at 31 December, the building had the following vacancy rates:

	31 December 2012	31 December 2011	31 December 2010
Vacancy rate (%)	8%	3.35%	10.44%
Duration (months)	12	12	7

15 Trade and other receivables

	31 December 2012	31 December 2011	31 December 2010
Non current receivables			
Prepaid expenses	26,449	27,117	–
Current receivables			
Rent and service charge receivables	155,726	127,090	68,746
Other receivables	2,572	2,552	–
Prepaid expenses	1,934	1,290	1,381
Taxes receivable	607	23,140	–
	187,288	**181,189**	**70,127**

Rent and service charge receivables are non-interest bearing and are typically due within 15 days.

As at 31 December 2012, 31 December 2011 and 31 December 2010 there were no receivables impaired.

The tenants are represented by well-known entities such as an embassy, a law office, a media distributor and a projects developer.

As at 31 December, the analysis of trade receivables that were past due but not impaired is set out below.

				Past due but not impaired			
	Total	Neither past due, nor impaired	<30 days	30-60 days	60-90 days	90-120 days	>120 days
2012	155,726	77,111	54,078	23,033	1,504	–	–
2011	127,090	93,018	–	32,607	828	637	–
2010	68,746	1,640	67,106	–	–	–	–

The Company holds cash deposits as collateral in respect of these receivables.

16 Cash and cash equivalents

	31 December 2012	31 December 2011	31 December 2010
Short term bank deposits	119,000	209,260	823,111
Escrow accounts	–	135,011	–
Cash at bank and on band	19,282	28,023	1,116
	138,282	**372,294**	**824,227**

Short term bank deposits are made for varying periods between one day to three months, depending on the immediate cash requirements of the Company.

17 Share capital

	Number of shares	Ordinary shares	Total
At 01 January 2010	**20**	**47**	**47**
At 01 January 2011	**20**	**47**	**47**
Currency translation differences	–	(1)	(1)
At 31 December 2011	**20**	**46**	**46**
Currency translation differences	–	(1)	(1)
At 31 December 2012	**20**	**45**	**45**

The authorized number of ordinary shares is 20 with a nominal value of RON 10 per share. The Company has two shareholders, one holding 95% of the share capital (Bluehouse Accession Project VI) and the other (Bluehouse Accession Project II), the remaining 5% of the share capital. All authorized shares have been issued and fully paid. All shares have equal voting rights.

18 Accumulated deficit

At 01 January 2010	**(318,481)**
Profit for the year	695,882
At 01 January 2011	**377,401**
Profit for the year	198,714
Retained earnings merger	(6,860,900)
Dividends paid relating to 2010	(441,165)
At 31 December 2011	**(6,725,950)**
Loss for the year	(196,654)
At 31 December 2012	**(6,922,604)**

19 Trade and other payables

	31 December 2012	31 December 2011	31 December 2010
Fixed assets suppliers	–	–	3,770,000
Trade payables	21,676	33,668	7,149
Amounts due to related parties—administration fees	12,586	4,627	–
Payables from escrow agreements (merger)	–	135,011	–
Other taxes payable	3,200	20,990	30,042
	37,462	**194,296**	**3,807,191**

Trade payables are non interest bearing and are normally settled on 30-day term.

20 Deferred income

Deferred income relates to the Company’s policy of invoicing in advance the quarterly rent towards the tenants.

21 Deposits from tenants

The Company obtains as collateral from the tenants cash deposits covering from 1 to 3 months equivalent of rental income. The deposits are revalued to their EUR equivalent on a monthly basis.

22 Interest bearing loans and borrowings

	31 December 2012	31 December 2011	31 December 2010
Non Current Borrowings			
Bank Borrowings	5,512,424	5,793,973	–
	5,512,424	**5,793,973**	**–**
Current Borrowings			
Short term borrowing from Bank	312,000	450,000	–
Accrued interest on loan from shareholder	414,485	173,828	–
Short term borrowing from shareholder—principal	4,000,000	4,000,000	–
Debt issue cost—current portion	(2,024)	(2,075)	–
Accrued interest on loan from bank	962	4,121	–
	4,725,423	4,625,874	–
	10,237,847	**10,419,847**	**–**

The carrying amounts of borrowings approximate their fair value, as the impact of discounting is not significant.

The carrying amounts of the Company's borrowings were denominated in the following currencies:

	31 December 2012	31 December 2011	31 December 2010
Euro	10,237,847	10,419,847	–

The shareholders loans were transferred at the merger date, namely September 2011, to the absorbing company currently named Astoria Business Center. The loans bear an interest of 6% and are payable as follows:

- Bluehouse Accesion Project VI—3,802,500 EUR having maturity 09 October 2013
- Bluehouse Accesion Project II—197,500 EUR having maturity 20 December 2013

Presently the Company has two long term credit facilities from Marfin Bank, one bearing an interest rate of EURIBOR 3M plus 5.5% and the other one EURIBOR 3M plus 6%.

The bank loan agreements are governed by Romanian Law.

The bank loans granted by the bank have as securities the following:

(i) pledge on current accounts of the Company opened with the bank;

(ii) assignment in favour of the bank of the proceeds and of the bank guarantee from the lease agreements concluded;

(iii) first-ranking mortgage in respect of the site, the building and all other assets situated on the site or relating to the building;

(iv) assignment of Insurance of the building in favour of the bank.

As of 31 December 2012, the undrawn amount of the facility is EUR 5 million (31 December 2011: EUR 5 million, 31 December 2010: EUR 0).

The gross movements in borrowings during the year are as follows:

	Year ended 31 December 2012	Year ended 31 December 2011	Year ended 31 December 2010
Opening balance	**10,419,847**	**–**	**400,000**
Interest expense (Note 12)	618,076	288,586	–
Drawdown of borrowings	–	6,600,000	–
Borrowings from merger	–	4,000,000	–
Repayments of borrowings	(427,000)	(244,056)	(399,544)
Repayments of interest	(383,497)	(223,737)	–
Amortisation of debt issue costs (Note 18)	6,033	4,230	–
Currency translation differences	4,388	(5,176)	(456)
Closing balance	**10,237,847**	**10,419,847**	**–**

23 Cash generated from operations

	Year ended 31 December 2012	Year ended 31 December 2011	Year ended 31 December 2010
Profit / (Loss) before taxation	**(168,545)**	**264,356**	**775,570**
Adjustment for:			
—Foreign exchange differences	271,283	28,794	(10,185)
—Interest expense	618,076	288,586	–
—Interest income	(4,683)	(27,264)	(11,941)
—Leasing fees capitalization	6,572	(33,691)	–
—Debt Issue Cost amortization	6,033	4,230	–
—Depreciation	62,861	66,115	83,194
	791,597	**591,126**	**836,638**
Changes in working capital:			
—Receivables	(10,560)	(111,628)	68,122
—Deferred income	8,885	(57,229)	20,254
—Movement in tenants deposits	(19,104)	5,590	99,817
—Trade and other payables	(178,730)	(9,411)	109,083
	(199,509)	**(172,678)**	**297,276**
Cash generated in operations	**592,088**	**418,448**	**1,133,914**

24 Related-party transactions

The Company is controlled by Bluehouse Accession Project II and Bluehouse Accession Project VI.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions as defined by IAS 24 “Related Party Disclosure”. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related parties may enter into transactions, which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

The following table provides the details of balances and transactions that have been entered into with related properties for the relevant financial year:

	31 December 2012	31 December 2011	31 December 2010
a) Payables to related parties	12,586	4,627	–
Loans (Note 22)	4,000,000	4,000,000	–
Accrued interest on loan	–	–	–
from shareholders (Note22)	414,485	173,828	–
	4,427,071	**4,178,455**	**–**

Terms and conditions of transactions with related party:

Outstanding balances as at year end are unsecured and settlement occurs in cash.

b) Purchase of services

	31 December 2012	31 December 2011	31 December 2010
Entity under common management	20,000	10,114	–

c) Key Management compensation

No compensation was paid to management or administrators during the years ended at 31 December 2012, 2011 and 2010.

25 Contingencies

Taxation

The Romanian taxation system has just undergone a process of consolidation and harmonization with European Union legislation. However, there are still different interpretations of the fiscal legislation. In various circumstances, the tax authorities may have different approaches to certain issues, and assess additional tax liabilities, together with late payment interest and penalties (accruing at a rate of approximately 30% p.a. in 2012, same for 2011 and 2010). In Romania, tax periods remain open for 5 years. The Company's management considers that the tax liabilities included in these financial statements are fairly stated, and they are not aware of any circumstances which may give rise to a potential material liability in this respect.

Transfer pricing

The Romanian transfer pricing legislative framework provides for the arm's length principle, the definition of related parties and the methods for setting transfer prices at arm's length, as well as detailing the scope and application of transfer pricing rules to related party transactions. The burden of proof lies with the taxpayers engaged in related party transactions who are required to prepare a transfer pricing documentation file that needs to be presented upon request of the tax authorities during a tax audit. Thus, it is possible that the tax authorities may perform in depth inspections of the transfer prices, in order to ensure that the taxable profit and / or the customs value of imported goods are not misstated by the effects of transfer prices between related parties. The Company's management cannot assess the outcome of any such inspection.

Insurance policies

The Company holds insurance policies in relation to its assets, operations, or in respect of public liability or other insurable risks.

Environmental matters

The enforcement of environmental regulation in Romania is evolving and the enforcement posture of government authorities is continuously being reconsidered. The Company periodically evaluates its obligations under environmental regulations. As obligations are determined, they are recognized immediately. Potential liabilities, which might arise as a result of changes in existing regulations, civil litigation or legislation, cannot be estimated but could be material. In the current enforcement climate under existing legislation, management believes that there are no significant liabilities for environmental damage.

Operating Environment of the Company

The Company, through its operations, has a significant exposure to the economy and financial markets of Romania. Romania displays certain characteristics of an emerging market, including relatively high inflation and a significant current account deficit. The banking sector in Romania is sensitive to adverse fluctuations in confidence and economic conditions and may occasionally experience reductions in liquidity and increased levels of volatility in market prices as witnessed during 2011. Management is unable to predict all developments which could have an impact on the real estate and / or the banking sector and consequently what effect, if any, they could have on the financial position of the Company.

The tax, currency and customs legislation in Romania is subject to varying interpretations and frequent changes. The future economic direction of Romania is largely dependent upon the effectiveness of economic, financial and monetary measures undertaken by the Government, together with tax, legal, regulatory, and political developments.

Recent volatility in global and Romanian financial markets

While the Company does not have any exposure to the US sub-prime market, the ongoing global liquidity crisis which commenced in the middle of 2007 has resulted in, among other things, a lower level of capital market funding, lower liquidity levels across the Romanian banking sector, and higher lending rates. Such circumstances could affect the ability of the Company to obtain new borrowings and re-finance its existing borrowings at terms and conditions similar to those applied to earlier transactions. The borrowers of the Company may also be affected by the tighter liquidity situation which could in turn impact their ability to repay their outstanding loans or trade debts. Deteriorating operating conditions for borrowers/debtors may also have an impact on Management’s cash flow forecasts and assessment of the impairment of financial and non-financial assets.

Management is unable to reliably estimate the effects on the Company’s financial position of any further deterioration in the liquidity of the financial markets and the increased volatility in the currency and debt markets. Management believes it is taking all the necessary measures to support the sustainability and growth of the Company’s business in the current circumstances.

The real estate market in Romania is still in a process of development and, given the current market conditions, may be subject to significant price volatility, as well as liquidity.

26 Subsequent events

At the beginning of 2013, the Company negotiated and obtained from Marfin Bank a reschedule of the principal payments, so that up to October 2014, the principal payments will be lower compared to the payments made in 2012. Based on this rescheduling, the Company will incur principal payments to the bank of EUR 169 thousands.

In 2013, a tenant renounced to a part of the previously rented space. However the Company is in advanced negotiations with a tenant to rent the remaining available space, taking the overall occupancy of the building to 100%.

Based on the above subsequent events and the continuous financial support from the Group if and to the extent needed, management is confident that the Company will be able to continue its activity on a going concern basis.

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Astoria Business Center SRL

Report on the Financial Statements

We have audited the accompanying financial statements of Astoria Business Center SRL ("the Company"), which comprise the statement of financial position as at 31 December 2012 and 2011, and the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the years then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the International Standards of Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 management, as well as evaluating the overall presentation of the 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 financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2012 and 2011, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Other matters

This report is made solely to the Company's shareholders, as a body. Our audit work has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders as a body, for our audit work, for this report, or for the opinion we have formed.

Ernst & Young Assurance Services SRL

26 April 2013

Bucharest, Romania

ASTORIA BUSINESS CENTER SRL

CONDENSED INTERIM FINANCIAL STATEMENTS

FOR SIX MONTHS ENDED 30 JUNE 2013

INTERIM BALANCE SHEET

	Note	As at 30 June 2013 Unaudited	As at 31 December 2012 Audited
ASSETS			
Non-current assets			
Investment property	7	3,341,884	3,373,346
Trade and other receivables		25,929	26,449
Total non-current assets		**3,367,813**	**3,399,795**
Current assets			
Trade and other receivables		135,416	160,839
Income tax receivable		7,315	–
Cash and cash equivalents		144,035	138,282
Total current assets		**286,766**	**299,121**
TOTAL ASSETS		**3,654,579**	**3,698,916**
EQUITY			
Equity attributable to owners of the parent			
Share capital	8	45	45
Currency translation differences		169,743	122,319
Accumulated losses		(7,021,216)	(6,922,604)
TOTAL EQUITY		**(6,851,428)**	**(6,800,240)**
LIABILITIES			
Non-current liabilities			
Borrowings from third parties	10	5,494,754	5,512,424
Tenants deposits		132,130	82,922
Deferred income tax liability		7,280	17,761
Total non-current liabilities		**5,634,164**	**5,613,107**
Current liabilities			
Borrowings from related parties	9	4,533,498	4,414,485
Borrowings from third parties	10	251,083	310,938
Trade and other payables		40,531	37,462
Deferred revenue		33,189	106,133
Tenants deposits		13,542	13,542
Current income tax payable		–	3,489
Total current liabilities		**4,871,843**	**4,886,049**
Total liabilities		**10,506,007**	**10,499,156**
TOTAL EQUITY AND LIABILITIES		**3,654,579**	**3,698,916**

Approved for issue and signed by the Administrators on 01 August, 2013.

Stefan Oana ________________________ Andreea Enescu ________________________

The accompanying notes are an integral part of these condensed interim financial statements.

ASTORIA BUSINESS CENTER SRL
CONDENSED INTERIM FINANCIAL STATEMENTS FOR SIX MONTHS ENDED 30 JUNE 2013
(ALL AMOUNTS IN EUR UNLESS INDICATED OTHERWISE)

INTERIM STATEMENT OF COMPREHENSIVE INCOME

	Note	Six months ended 30 Jun 2013	Six months ended 30 Jun 2012
		Unaudited	
Rental revenue		372,239	468,001
Other revenue		87,398	81,324
Total revenue		**459,637**	**549,325**
Operating expenses arising from investment properties that generate rental revenue	11	(140,769)	(158,488)
Gross profit		**318,868**	**390,837**
General administration expenses	12	(47,041)	(45,728)
Operating profit		**271,827**	**345,109**
Finance income	14	2,433	4,352
Finance costs	14	(376,451)	(630,309)
Loss before tax		**(102,191)**	**(280,848)**
Income tax	6	3,579	2,465
Loss for the period		**(98,612)**	**(278,383)**
Items of other comprehensive income that are potentially reclassifiable to profit or loss			
Other comprehensive income for the year			
Currency translation differences		47,424	201,098
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**(51,188)**	**(77,285)**
Loss for the period attributable to			
Owners of the Parent		(98,612)	(278,383)
Total comprehensive income for the period attributable to			
Owners of the Parent		(51,188)	(77,285)

Approved for issue and signed by the Administrators on 01 August, 2013.

Stefan Oana

Andreea Enescu

The accompanying notes are an integral part of these condensed interim financial statements.

ASTORIA BUSINESS CENTER SRL
CONDENSED INTERIM FINANCIAL STATEMENTS FOR SIX MONTHS ENDED 30 JUNE 2013
(ALL AMOUNTS IN EUR UNLESS INDICATED OTHERWISE)
INTERIM STATEMENT OF CHANGES IN EQUITY

	Note	Share capital	Other reserves	(Accumulated losses)	Total equity
Balance at 1 January 2012		**46**	**(43,010)**	**(6,725,950)**	**(6,768,914)**
Loss for the year		–	–	(278,383)	(278,383)
Other comprehensive income for the year		(1)	201,099	–	201,098
Total comprehensive income for the year		**(1)**	**201,099**	**(278,383)**	**(77,285)**
Balance at 30 June 2012		**45**	**158,089**	**(7,004,333)**	**(6,846,199)**

	Note	Share capital	Other reserves	(Accumulated losses)	Total equity
Balance at 1 January 2013		**45**	**122,319**	**(6,922,604)**	**(6,800,240)**
Loss for the year		–	–	(98,612)	(98,612)
Other comprehensive income for the year		–	47,424	–	47,424
Total comprehensive income for the year		**–**	**47,424**	**(98,612)**	**(51,188)**
Balance at 30 June 2013		**45**	**169,743**	**(7,021,216)**	**(6,851,428)**

The accompanying notes are an integral part of these condensed interim financial statements.

ASTORIA BUSINESS CENTER SRL
CONDENSED INTERIM FINANCIAL STATEMENTS FOR SIX MONTHS ENDED 30 JUNE 2013
(ALL AMOUNTS IN EUR UNLESS INDICATED OTHERWISE)

INTERIM STATEMENT OF CASH FLOWS

	Note	Six months ended 30 Jun 2013	Six months ended 30 June 2012
		Unaudited	
Cash flows from operating activities			
Loss before tax		(102,191)	(280,848)
Adjustments for:			
Amortisation of tenant incentives (“rent free adjustment”)		4,202	(37,580)
Amortisation of capitalized leasing fees		3,315	3,271
Depreciation of investment property		31,911	31,920
Interest income	13	(2,433)	(2,232)
Interest expense	13	300,350	320,375
Fair value (gain) / loss on derivative financial Instruments		–	–
Amortisation of debt issue costs		3,063	3,064
Unrealised exchange losses on monthly revaluation of EUR denominated balances		69,854	321,338
Operating cash flows before working capital changes		**308,071**	**359,308**
Changes in working capital:			
Trade and other receivables (decrease) / increase		(12,766)	17,341
Trade and other payables increase / (decrease)		20,080	(146,379)
Deferred revenue (decrease) / increase		(72,230)	18,870
Tenants deposits received		49,314	–
Tenants deposits paid		–	(13,764)
		(15,602)	**(123,932)**
Income tax paid		(17,617)	–
Net cash generated from operating activities		**274,852**	**235,376**
Cash flows from investing activities			
Purchases of property, plant and equipment		–	–
Subsequent investment in investment property		(7,830)	–
Interest received		2,433	2,232
Net cash (used in) / generated from investing activities		**(5,397)**	**2,232**
Cash flows from financing activities			
Proceeds from borrowings		–	–
Repayment of borrowings		(83,000)	(225,000)
Interest paid		(178,189)	(201,946)
Net cash used in financing activities		**(261,189)**	**(426,946)**
Net increase / (decrease) in cash and cash equivalents		**8,266**	**(189,338)**
Cash and cash equivalents at the beginning of the period		**138,282**	**372,294**
Effect of exchange rate changes		(2,513)	(24,026)
Cash and cash equivalents at the end of the period		**144,035**	**158,930**

The accompanying notes are an integral part of these condensed interim financial statements.

1 General information

Astoria Business Center SRL (the ‘‘Company’’) leases its investment properties to tenants.

The Company is a limited liability company, incorporated and domiciled in Romania. The Company's registered office is located at the following address: 64-66, Dionisie Lupu St., ground floor, District 1, Bucharest, Romania.

These condensed interim financial statements have been prepared for inclusion in prospectus of Bluehouse and approved by management on the date of the prospectus. These condensed interim financial statements have been reviewed, not audited.

2 Basis of preparation

These condensed interim financial statements for the six months ended 30 June 2013 have been prepared in accordance with IAS 34, 'Interim financial reporting', and in compliance with IFRS as adopted by the European Union. The condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2012, which have been prepared in accordance with IFRSs as adopted by the European Union.

3 Accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as described below.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss.

The interest paid has been included in the interim statement of cashflows under financing flows, as this reflects better the activity of the company.

New and amended standards adopted by the Company

Amendment to IAS 1, "Presentation of items of other comprehensive income"—the Company revised the way other comprehensive income is presented: separate subtotals for those elements which may be reclassified to the profit or loss section of the statement of comprehensive income (recycled) and those elements that will not.

Going concern

The Company has a negative equity position for the period ended 30 June 2013 and year ended 31 December 2012. Its current liabilities exceed its current assets by Euro 4,585,077 (31 December 2012: EUR 4,586,928). Management is confident in the continuity of the Company as a going concern based on the support from its shareholders. The shareholders have issued a letter of support to the Company through which they guarantee to provide the Company with financial support in order to assist it in complying with its financial liabilities as they fall due, as to ensure its going concern.

Also, management is confident in the continuity of the Company as a going concern based on the financial results obtained, the quality of tenants and the structure of the leases.

Consequently, these financial statements have been prepared assuming the Company will continue as a going concern and, therefore, no adjustments relating to this uncertainty have been included in these financial statements.

4 Estimates

The preparation of interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed interim financial statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended 31 December 2012.

5 Financial risk management

5.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

The condensed interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the Company's annual financial statements as at 31 December 2012. There have been no changes in the risk management policies.

5.2 Credit risk

No impairment losses have been recognized for financial assets category in the six months ended 30 June 2013 or in the six months ended 30 June 2012.

5.3 Liquidity risk

The tables below present the maturity analysis of financial liabilities. The amounts disclosed in the tables are the contractual undiscounted cash flows. Undiscounted cash flows in respect of balances due within 12 months generally equal their carrying amounts in the balance sheet, as the impact of discounting is not significant.

As at 30 June 2013	Up to 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Liabilities					
Borrowings from related parties	4,603,201	–	–	–	4,603,201
Borrowings from third parties	599,213	764,997	2,292,308	3,978,167	7,634,685
Trade and other payables	38,384	–	–	–	38,384
Tenant deposits	13,542	–	116,499	15,631	145,672
Total future payments, including future principal and interest payments	**5,254,340**	**764,997**	**2,408,807**	**3,993,798**	**12,421,942**

As at 31 December 2012	Up to 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Liabilities					
Borrowings from related parties	4,414,485	–	–	–	4,414,485
Borrowings from third parties	638,037	650,803	2,254,059	4,293,236	7,836,135
Trade and other payables	34,262		–	–	34,262
Tenant deposits	13,542	–	67,185	15,737	96,464
Total future payments, including future principal and interest payments	**5,100,326**	**650,803**	**2,321,244**	**4,308,973**	**12,381,346**

6 Income taxes

The Company calculates the period income tax expense using the tax rate that would be applicable to the expected total annual earnings.

The major components of income tax expense in the interim condensed income statement are:

	For the six months ended 30 June	
	2013	2012
Current income tax expense	6,942	–
Deferred income tax expense related to origination and reversal of deferred taxes	(10,523)	2,465
Income tax expense recognized in income statement	**3,579**	**2,465**

7 Investment property

There were no significant acquisitions or disposals of items in the six months ended 30 June 2013, except for the capitalization of the fit-out of a new tenant during the six months ended 30 June 2013, amounting to EUR 25,994.

The fair value of the investment property as at 30 June 2013, as determined by an external, independent and professionally qualified valuator is EUR 11.3 million (31 December 2012: EUR 11 million).

8 Share capital

	Number of shares (thousands)	Share capital
Opening balance as at 1 January 2013	**20**	**45**
Proceeds from shares issued	–	–
Currency translation differences	–	–
At 30 June 2013	**20**	**45**

9 Borrowings from related parties

Six months ended 30 June 2013

Opening balance as at 1 January 2013	4,414,485
Issuance of borrowings	–
Repayment of borrowings	–
Interest expense	119,013
Interest paid	–
Currency translation differences	–
At 30 June 2013	**4,533,498**
non-current	–
Current	4,533,498

Six months ended 30 June 2012

Opening balance as at 1 January 2012	4,173,828
Issuance of borrowings	–
Repayment of borrowings	–
Interest expense	119,671
Interest paid	–
Currency translation differences	(1)
At 30 June 2012	**4,293,498**
non-current	–
Current	4,293,498

10 Borrowings from third parties

Six months ended 30 June 2013

Opening balance as at 1 January 2013	5,823,362
Issuance of borrowings	–
Repayment of borrowings	(83,000)
Interest expense	181,337
Interest paid	(178,189)
Amortisation of debt issue costs	(3,063)
Currency translation differences	5,390
At 30 June 2013	**5,745,837**
non-current	5,494,754
Current	251,083

Six months ended 30 June 2012

Opening balance as at 1 January 2012	6,246,019
Issuance of borrowings	–
Repayment of borrowings	(225,000)
Interest expense	200,704
Interest paid	(201,946)
Amortisation of debt issue costs	(3,064)
Currency translation differences	6,983
At 30 June 2012	**6,023,696**
non-current	5,577,657
Current	446,039

11 Operating expenses arising from investment properties that generate rental revenue

	Six months ended	
	30 June 2013	30 June 2012
Depreciation and impairment	31,911	31,920
Maintenance and repairs expenses	59,903	75,404
Energy and water	35,046	35,662
Allowance for bad debts	–	–
Real estate taxes	11,000	12,751
Insurance	2,909	2,812
Other	–	(61)
Total operating expenses arising from investment properties that generate rental revenue	**140,769**	**158,488**

12 General administration expense

	Six months ended	
	30 June 2013	30 June 2012
Professional fees	23,528	20,384
Bank charges	751	404
Real estate taxes	–	–
Non deductible VAT and state charges	22,201	28,261
Other	561	(3,321)
Total general administration expense	**47,041**	**45,728**

13 Finance income and costs

	Six months ended 30 June 2013	Six months ended 30 June 2012
Interest income	2,433	2,232
Foreign exchange gain, net	–	–
Other exchange gains	–	2,120
Total finance income	**2,433**	**4,352**

	Six months ended 31 June 2013	Six months ended 31 June 2012
Interest expense	(300,350)	(320,375)
Amortisation of debt issue costs	(3,063)	(3,064)
Other	–	(2,641)
Foreign exchange loss, net	(73,038)	(304,229)
Total finance costs	**(376,451)**	**(630,309)**

14 Related party transactions

BLUEHOUSE ACCESSION PROJECT VI	2013	2012
Borrowings from related parties		
Opening balance as at 1 January	4,196,549	3,967,774
Loans advanced during the year	–	–
Loans repaid during the year	–	–
Interest accrued	113,137	113,762
Interest repaid	–	–
Currency translation differences	–	–
At 30 June	**4,309,686**	**4,081,536**
non- current	–	–
Current	4,309,686	4,081,536

BLUEHOUSE ACCESSION PROJECT II	2013	2012
Borrowings from related parties		
Opening balance as at 1 January	217,936	206,054
Loans advanced during the year	–	–
Loans repaid during the year	–	–
Interest accrued	5,876	5,909
Interest repaid	–	–
Currency translation differences	–	(1)
At 30 June	**223,812**	**211,962**
non- current	–	–
Current	223,812	211,962

During the period the Company was not charged with management fees.

Key management compensation amounted to nil for the six months ended 30 June 2013 (six months ended 30 June 2012: nil).

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Report on Review of Interim Condensed Financial Statements to the shareholders of Astoria Business Center SRL

Introduction

1. We have reviewed the accompanying Interim condensed financial statements of S.C. Astoria Business Center SRL which comprise the interim statement of financial position as at 30 June 2013, the interim statements of income, changes in equity and cash flows for the six-month period then ended and explanatory notes.

   Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with the International Financial Reporting Standard *IAS 34 Interim Financial Reporting* ("IAS 34") as adopted by the European Union. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of review

2. We conducted our review in accordance with the International Standards on Review Engagements 2410, Review of Interim Financial Information Performed by The Independent Auditor of the Entity. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less than an audit conducted in accordance with International Standard on Auditing. Consequently, it does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit.

   Accordingly, we do not express an audit opinion.

Conclusion

3. Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with IAS 34 as adopted by the European Union.

Restriction on Distribution and Use

4. The interim financial information presented above has been prepared at the request of the shareholders of the Company and does not constitute a full set of financial statements (containing all notes and disclosures) as required by the International Financial Reporting Standards adopted by the European Union. As a result, the interim financial information may not be suitable for any other purpose. Our auditor's report is intended solely for use by the shareholders of the Company and should not be distributed to or used by any other parties.

Ernst & Young Assurance Services SRL

Bucharest, Romania
1 August 2013

ONE BPS EOOD

INTERNATIONAL FINANCIAL REPORTING STANDARDS

FINANCIAL STATEMENTS

THREE YEARS ENDED 31 DECEMBER 2012

ONE BPS EOOD
FINANCIAL STATEMENTS FOR THREE YEARS ENDED 31 DECEMBER 2012
BALANCE SHEETS

(all amounts in Euro thousand)

	Note	As at 31 December 2012	2011	2010
ASSETS				
Non-current assets				
Investment property	5	3,751	3,978	4,206
Derivative financial instruments	11	62	–	–
Total non-current assets		**3,813**	**3,978**	**4,206**
Current assets				
Trade and other receivables	7	39	18	39
Current income tax receivable		2	–	2
Cash and cash equivalents	8	87	111	124
Total current assets		**128**	**129**	**165**
Total assets		**3,941**	**4,107**	**4,371**
EQUITY AND LIABILITIES				
Equity				
Share capital	9	1,048	1,048	1,048
Other reserves	10	26	36	47
Retained Earnings/(Accumulated losses)		(252)	(264)	(98)
Total equity		**822**	**820**	**997**
Non-current liabilities				
Borrowings from banks	11	2,732	2,919	3,083
Deferred income tax liabilities	12	1	1	1
Trade and other payables	13	30	29	30
Deferred revenue		–	1	2
Derivative financial instruments	11	–	17	4
Total non-current liabilities		**2,763**	**2,967**	**3,120**
Current liabilities				
Trade and other payables	13	28	30	19
Deferred revenue		54	37	1
Borrowings from banks	11	196	179	163
Borrowings from related parties	11	78	74	71
Total current liabilities		**356**	**320**	**254**
Total liabilities		**3,119**	**3,287**	**3,374**
Total equity and liabilities		**3,941**	**4,107**	**4,371**

The accompanying notes set out on pages 6 to 33 form an integral part of these financial statements.

ONE BPS EOOD
FINANCIAL STATEMENTS FOR THREE YEARS ENDED 31 DECEMBER 2012
STATEMENTS OF COMPREHENSIVE INCOME

(all amounts in Euro thousand)	Note	Year ended 31 December 2012	2011	2010
Rental revenue	14	451	403	447
Other revenue	14	49	114	152
Total revenue		**500**	**517**	**599**
Operating expenses arising from investment properties that generate rental revenue	15	(368)	(437)	(381)
Gross profit		**132**	**80**	**218**
Administrative expenses	15	(15)	(21)	(80)
Operating profit		**117**	**59**	**138**
Finance income	16	80	1	3
Finance costs	16	(185)	(224)	(163)
Profit/(loss) before tax		**12**	**(164)**	**(22)**
Income tax	17	–	(2)	4
Profit/(loss) for the year		**12**	**(166)**	**(18)**
Other comprehensive income for the year				
Cash flow hedges	10	(10)	(11)	(17)
Total comprehensive income for the year		**2**	**(177)**	**(35)**

The accompanying notes set out on pages 6 to 33 form an integral part of these financial statements.

ONE BPS EOOD
FINANCIAL STATEMENTS FOR THREE YEARS ENDED 31 DECEMBER 2012
STATEMENTS OF CHANGES IN EQUITY

(all amounts in Euro thousand)	Note	Share capital	Other reserves	Retained Earnings/ (Accumulated losses)	Total
Balance at 1 January 2010		**1,048**	**64**	**(80)**	**1,032**
Loss for the year		–	–	(18)	(18)
Other comprehensive income					
Cash flow hedges, net of tax	10	–	(17)	–	(17)
Total comprehensive income for the year		**–**	**(17)**	**(18)**	**(35)**
Balance at 31 December 2010		**1,048**	**47**	**(98)**	**997**
Balance at 1 January 2011		**1,048**	**47**	**(98)**	**997**
Loss for the year		–	–	(166)	(166)
Other comprehensive income					
Cash flow hedges, net of tax	10	–	(11)	–	(11)
Total comprehensive income for the year		**–**	**(11)**	**(166)**	**(177)**
Balance at 31 December 2011		**1,048**	**36**	**(264)**	**820**
Balance at 1 January 2012		**1,048**	**36**	**(264)**	**820**
Profit for the year		–	–	12	12
Other comprehensive income					
Cash flow hedges, net of tax	10	–	(10)	–	(10)
Total comprehensive income for the year		**–**	**(10)**	**12**	**2**
Balance at 31 December 2012		**1,048**	**26**	**(252)**	**822**

The accompanying notes set out on pages 6 to 33 form an integral part of these financial statements.

ONE BPS EOOD
FINANCIAL STATEMENTS FOR THREE YEARS ENDED 31 DECEMBER 2012
STATEMENTS OF CASH FLOWS

(all amounts in Euro thousand)

		Year ended 31 December		
	Notes	**2012**	**2011**	**2010**
Cash flows from operating activities				
Profit/(loss) before tax		12	(164)	(22)
Depreciation expense	5	227	228	233
Loss on disposal of investment property		–	–	16
Interest income	16	(1)	(1)	(3)
Interest expense	16	195	223	168
Fair value gains on derivative financial instruments — interest rate swap	16	(10)	(11)	(19)
Fair value (gains)/losses on derivative financial instruments — refundable cap		(79)	13	4
Changes in working capital:				
—(increase)/decrease in trade and other receivables		(21)	21	50
—increase/(decrease) in trade and other payables		–	7	(46)
—increase/(decrease) in deferred revenue		16	35	(72)
Interest received		–	1	3
Income tax paid		(2)	–	–
Net cash generated from operating activities		**337**	**352**	**312**
Cash flows from investing activities				
Purchases of investment property		–	–	(50)
Net cash (used in)/from investing activities		**–**	**–**	**(50)**
Cash flows from financing activities				
Proceeds from borrowing from related parties		–	–	70
Repayment of bank borrowings	11	(170)	(150)	(150)
Interest paid	11,19	(191)	(215)	(159)
Net cash used in financing activities		**(361)**	**(365)**	**(239)**
Net (decrease)/increase in cash and cash equivalents		**(24)**	**(13)**	**23**
Cash and cash equivalents at the beginning of the year		**111**	**124**	**101**
Cash and cash equivalents at the end of the year	8	**87**	**111**	**124**

The accompanying notes set out on pages 6 to 33 form an integral part of these financial statements.

1 General information

One BPS EOOD (the Company) is a private limited liability company, which shares are not publicly traded. One BPS EOOD was incorporated in November 2005. The Company operates in the area of real estate. The Company is incorporated and domiciled in the Republic of Bulgaria and has the following address as its registered office, which coincides with the principal place of business:

103 James Boucher Blvd., floor 2, office 5
Lozenets district
Sofia, Bulgaria

The intermediate parent of the Company as at 31 December 2012 is Bolesan Ltd, Cyprus. The ultimate controlling party as at 31 December 2012 is T2 Bluehouse Capital Partners, Limassol, Cyprus.

These financial statements have been prepared for inclusion in the prospectus of Meridian Properties and approved by management on the date of the prospectus.

2 Summary of significant accounting policy

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

2.1 Basis of preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. They have been prepared under the historical cost convention, except in the cases of revaluations of financial assets and liabilities (including derivative instruments), measured at fair value through profit and loss.

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

The Company's financial statements are prepared on a going concern basis, which assumes that the Company will be in operational existence for the foreseeable future.

The Company incurred profit in 2012 (EUR 12 thousand), loss in 2011 (EUR 166 thousand) and loss in 2010 (EUR 18 thousand). For the year ended 31 December 2012 current liabilities exceed current assets by EUR 228 thousand (as at 31 December 2011 current liabilities exceeded current assets by EUR 191 thousand and as at 31 December 2010 current liabilities exceeded current assets by EUR 89 thousand).

The Company was provided with a binding letter of support from T2 Bluehouse Capital Partners, Cyprus, as the ultimate parent company, which states that adequate funds and full support would be provided to enable the Company to continue operations at least until 31 December 2013.

The Company's shareholder confirms that it will maintain its investment in the Company and that it is its current policy to ensure that One BPS EOOD is in the position to meet its debts and capital expenditure commitments as they fall due. If the Company's shareholder does not provide financial support to One BPS EOOD and the going concern basis could not be applied, the Company's assets and liabilities should be measured at the values that could be substantially different than the amounts presented in these financial statements prepared on a going concern basis.

(a) None of the new and amended standards, and improvements to IFRS mandatory for the first time for the financial year beginning on or after 1 January 2012 was relevant to the Company:

Disclosures—Transfers of Financial Assets—Amendments to IFRS 7 (issued in October 2010 and effective for annual periods beginning on or after 1 July 2011).

(b) Also the following standards and interpretations were published but are not early adopted or not adopted by the European Union. The Company assessed the impact of changes on the financial statements as not material or is currently assessing the impact of changes on the financial statements:

Recovery of Underlying Assets—Amendments to IAS 12 (issued in December 2010 and effective for annual periods beginning on or after1 January 2013). The amendment introduced a rebuttable presumption that an investment property carried at fair value is recovered entirely through sale.

Amendments to IAS 1, Presentation of Financial Statements (issued June 2011, effective for annual periods beginning on or after 1 July 2012), changes the disclosure of items presented in other comprehensive income.

Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters—Amendments to IFRS 1 (issued in December 2010 and effective for annual periods beginning on or after1 January 2013)

IFRS 10, Consolidated Financial Statements (issued in May 2011 and effective for annual periods beginning on or after 1 January 2014)

IFRS 11, Joint Arrangements (issued in May 2011 and effective for annual periods beginning on or after 1 January 2014)

IFRS 12, Disclosure of Interest in Other Entities (issued in May 2011 and effective for annual periods beginning on or after 1 January 2014)

IFRS 13, Fair value measurement (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013)

IAS 27, Separate Financial Statements (revised in May 2011 and effective for annual periods beginning on or after 1 January 2014)

IAS 28, Investments in Associates and Joint Ventures (revised in May 2011 and effective for annual periods beginning on or after 1 January 2014)

Amended IAS 19, Employee Benefits (issued in June 2011, effective for periods beginning on or after 1 January 2013)

IFRIC 20, Stripping Costs in the Production Phase of a Surface Mine (issued in October 2011 and effective for annual periods beginning on or after 1 January 2013).

Offsetting Financial Assets and Financial Liabilities—Amendments to IAS 32 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2014)

Disclosures—Offsetting Financial Assets and Financial Liabilities—Amendments to IFRS 7 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2013)

Amendments to IFRS 1 First-time adoption of International Financial Reporting Standards—Government loans (effective for annual periods beginning on or after 1 January 2013)

IFRS 9, Financial Instruments: Classification and Measurement. IFRS 9 (issued in November 2009, amended in October 2010 and effective for annual periods beginning on or after 1 January 2015)

Improvements to International Financial Reporting Standards (issued in May 2012 and effective for annual periods beginning 1 January 2013)

Transition Guidance Amendments to IFRS 10, IFRS 11 and IFRS 12 (issued on 28 June 2012 and effective for annual periods beginning 1 January 2013)

Amendments to IFRS 10, IFRS 12 and IAS 27—Investment entities (issued on 31 October 2012 and effective for annual periods beginning 1 January 2014)

2.2 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'), which is Bulgarian Lev (BGN). The presentation currency used in these financial statements prepared for inclusion in the prospectus of Meridian Properties is Euro because all amounts in the prospectus will be presented in Euro. All amounts in these financial statements are stated in thousands of Euro unless otherwise stated. Bulgarian Lev is pegged to the Euro as from 1 January 2000 in accordance with the rules of the Currency Board. The translation of the amounts in the financial statements from Bulgarian Lev to the Euro is done by dividing the amounts in Lev by the fixed rate of EUR/BGN 1.95583.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the profit and loss within 'finance income' and 'finance costs', respectively.

2.3 Investment property

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Company is classified as investment property.

Investment property principally comprises freehold land and office buildings.

Investment property is measured initially at its cost, including related transaction costs and borrowing costs (see Note 2.11).

After initial recognition, investment property is carried at cost less any accumulated depreciation and any accumulated impairment losses.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

Land is not depreciated.

Depreciation on the buildings is calculated using the straight-line method to allocate their cost or their residual values over their estimated useful lives of 25 years.

Significant parts of the building that have different useful life are depreciated separately. Depreciation on the components to the building is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives between 5 and 6.7 years.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.4).

The fair value of investment property for disclosure purposes is updated to reflect market conditions at the end of the reporting period. Fair value of investment property is the price at which the property could be exchanged between knowledgeable, willing parties in an arm's length transaction. A "willing seller" is not a forced seller prepared to sell at any price. The best evidence of fair value is given by current prices in an active market for similar property in the same location and condition. In the absence of current prices in an active market, the Company considers information from a variety of sources, including:

a) current prices in an active market for properties of different nature, condition or location, adjusted to reflect those differences;

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

c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by 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.

2.4 Impairment of non-financial assets

Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised 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). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date. Impairment losses on goodwill are not reversed.

2.5 Financial instruments

a) Financial assets

Financial assets are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity financial assets and available-for-sale financial assets, as appropriate. The Company determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Financial assets are derecognised only when the contractual rights to the cash flows from the financial asset expire or the Company transfers substantially all risks and rewards of ownership.

The Company's financial assets consist of loans and receivables and derivatives (Note 2.12).

Financial assets included in trade and other receivables are classified as loans and receivables. They are recognised initially at fair value and subsequently measured at amortised cost less provision for impairment.

Cash and cash equivalents are also classified as loans and receivables. They are subsequently measured at amortised cost. Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

Derivative financial assets and liabilities are classified as financial assets at fair value through profit or loss (held for trading). The Company does not apply hedge accounting in accordance with IAS 39, however it used to apply hedge accounting in prior periods (see note 2.12).

The Company assesses at each financial position date whether there is objective evidence that a financial asset or group of financial assets is impaired. If there is objective evidence (such as significant financial difficulty of the obligor, breach of contract, or it becomes probable that the debtor will enter bankruptcy), the asset is tested for impairment. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred), discounted at the financial asset's original effective interest rate (that is, the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognised in the profit or loss.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice. Impaired debts are derecognised when they are assessed as uncollectible.

If in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date. Any subsequent reversal of an impairment loss is recognised in profit and loss.

b) Financial liabilities

Liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss or other liabilities, as appropriate. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

All loans and borrowings are classified as other financial liabilities. Initial recognition is at fair value less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method (see Note 2.11 for the accounting policy on borrowings).

Financial liabilities included in trade and other payables are recognised initially at fair value and subsequently measured at amortised cost. The fair value of a non-interest bearing liability is its discounted repayment amount. If the due date of the liability is less than one year, discounting is omitted.

Derivative financial liabilities are measured initially and subsequently at fair value through profit and loss (Note 2.12).

2.6 Trade receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as noncurrent assets. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in profit and loss.

2.7 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are carried at amortised cost using the effective interest method. Balances restricted from being exchanged or used to settle a liability for at least twelve months after the balance sheet date are included in non-current trade and other receivables.

2.8 Share capital

Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.9 Trade payables

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

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

2.10 Deferred revenue

Deferred revenue includes rents and service charges invoiced in advance to the tenants for the future periods.

2.11 Borrowings

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

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some of or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs.

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

Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in profit and loss in the period in which they are incurred.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

2.12 Derivative financial instruments and hedging activities

Derivative financial assets and liabilities are classified as financial assets at fair value through profit and loss (held for trading).

Derivative financial assets and liabilities comprise refundable cap instruments.

The Company does not apply hedge accounting in accordance with IAS 39 in respect of these instruments. Recognition of the derivative financial instruments takes place when the economic hedging contracts are entered into. They are measured initially and subsequently at fair value; transaction costs are included directly in finance costs. Gains or losses on derivatives are recognised in profit and loss in net change in fair value of financial instruments at fair value through profit and loss. Interest income and expenses on derivative financial assets are included in profit and loss in finance income and finance costs, respectively.

Derivatives are presented in the balance sheet as financial assets when their fair value is positive and as financial liabilities when their fair value is negative.

2.12 Derivative financial instruments and hedging activities

Cash flow hedge—interest rate swap

The effective portion of changes in the fair value of derivatives (that are designated and qualify as cash flow hedges and where the Company applies hedge accounting in accordance with IAS 39) are recognised in other comprehensive income. The gain or loss relating to any ineffective portion of changes in the fair value is recognised immediately in profit and loss.

Amounts accumulated in equity are recycled in the profit and loss in the periods when the hedged item affects profit or loss (when the interest expense on the hedged borrowings is accrued). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the profit and loss within 'finance costs'.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the profit or loss.

2.13 Current and deferred income taxes

The tax expense for the period comprises current and deferred tax.

Tax is recognised in the profit and loss, except to the extent that it relates to items recognised, in the same or a different period, in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in Bulgaria.

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 basis of assets and liabilities and their carrying amounts in the financial statements. However, 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 temporary differences can be utilized. The future taxable profits and the amount of tax benefits that are probable in the future are based on a medium term business plan prepared by management and extrapolated results thereafter. The business plan is based on management expectations that are believed to be reasonable under the circumstances.

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 taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.14 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

2.15 Leases

(a) A Company as the lessor in an operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the Company, the lessor, are classified as operating leases.

Properties leased out under operating leases are included in investment property in the balance sheet (Note 5). See Note 2.16 for the recognition of rental income.

(b) A Company as the lessor—fees paid in connection with arranging leases and lease incentives

The Company makes payments to agents for services in connection with negotiating lease contracts with the Company’s lessees. The letting fees are capitalised within the carrying amount of the related investment property and amortised over the lease term.

Lease incentives are recognised as a reduction of rental income on a straight-line basis over the lease term.

2.16 Revenue recognition

Revenue includes rental income, and service and management charges from the investment property.

Rental income from operating leases is recognised on a straight-line basis over the lease term. When the Company provides incentives to its tenants, the cost of incentives is recognised over the lease term, on a straight-line basis, as a reduction of rental income. Amounts received from tenants to terminate leases or to compensate for dilapidations are recognised in the profit and loss when they arise.

Service and management charges are recognised in the accounting period in which the services are rendered.

2.17 Dividend distribution

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

2.18 Direct property operating expenses and other expenses

Expenses include legal, accounting, auditing and other items. They are recognised in profit and loss in the period in which they are incurred (on an accrual basis).

2.19 Interest income and expense

Interest income and expense are recognised within 'finance income' and 'finance costs' in the profit and loss using the effective interest method, except for the borrowing costs relating to qualifying assets, which are capitalised as part of the cost of that asset (Note 2.11).

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or a shorter period where appropriate, to the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

3 Financial risk management

3.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Bluehouse Group's (the Group) overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's and the Group's financial performance.

Risk management is carried out by a central treasury department (Group Treasury) under policies approved by the Board of Directors. Group Treasury identifies, evaluates and hedges financial risks. The Board provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity.

(a) Market risks

The Company takes on exposure to market risks. Market risks can arise from open positions in (a) foreign currencies, (b) interest bearing assets and liabilities and (c) equity instruments, all of which are exposed to general and specific market movements. Management sets limits on the value of risk that may be accepted, which is monitored on a daily basis. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

(i) Foreign exchange risk

The management of the Company manages the foreign exchange risk via performing the transactions in the Bulgarian Lev or Euro, the Euro being fixed to the Bulgarian Lev.

(ii) Price risk

The Company has no significant exposure to price risk as it does not hold any equity securities or commodities.

(iii) Cash flow and fair value interest rate risk

As the Company's interest-bearing assets do not generate significant amounts of interest, changes in market interest rates do not have any significant direct effect on the Company's income.

The Company's interest rate risk principally arises from long-term borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk. Borrowings issued at fixed interest rates expose the Company to fair value interest rate risk. Intercompany borrowings are at fixed rate and bank borrowings are at variable rate.

The Company uses the refundable cap derivative as an economic hedge.

As of 31 December 2012, if interest rates of EUR denominated borrowings had been 100 basis points higher/lower with all other variables held constant, post-tax profit/loss for the year would have been EUR 32 thousand lower/higher, as a result of higher/lower interest expense on the floating rate loan. (2011: EUR 33 thousand; 2010: 33 thousand).

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to lessees, including outstanding receivables and committed transactions. For banks and financial institutions, only parties with high credit rating are accepted. For other parties, management of the Company assesses the credit quality of the party, taking into account its financial position, past experience and other factors. Bank guarantee at the amount of EUR 98 thousand as at 31 December 2012 (2011: none; 2010: none) is provided from one of the lessees which comprise approximately half of the fully performing receivables as at 31 December 2012 to minimise the credit risks exposure. Payments from lessees are requested in advance. The management does not expect any losses from non-performance by these counterparties. The maximum credit risk exposure is the carrying amount of financial assets, disclosed in Note 6B.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the nature of the underlying businesses, the Company manages its liquidly risk through maintenance of sufficient cash and cash equivalents balances to meet its obligations when fall due. The liquidity issue resulting from the excess of the current liabilities over current assets is discussed in the Note 2.1.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

(in EUR thousand)

As at 31 December 2012	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**
Bank borrowings (Note 11)				
—principal repayments	190	210	2,530	–
—interest payments	144	124	114	–
Borrowings from related parties (Note19)				
—principal repayments	70	–	–	–
—interest payments	8	–	–	–
Trade and other payables (Note 13)	9	30	–	–
	421	**364**	**2,644**	**–**

As at 31 December 2011	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**
Bank borrowings (Note 11)				
—principal repayments	170	190	2,740	–
—interest payments	197	173	306	–
Borrowings from related parties (Note19)				
—principal repayments	70	–	–	–
—interest payments	4	–	–	–
Derivative financial instruments	12	12	–	–
Trade and other payables (Note 13)	16	29	–	–
	469	**404**	**3,046**	**–**

As at 31 December 2010	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Bank borrowings (Note 11)				
—principal repayments	150	170	2,930	–
—interest payments	192	171	445	–
Borrowings from related parties (Note19)				
—principal repayments	70	–	–	–
—interest payments	1	–	–	–
Derivative financial instruments	12	12	–	–
Trade and other payables (Note 13)	19	–	30	–
	444	**353**	**3,405**	**–**

3.2 Capital risks management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders; and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

3.3 Fair value estimation

The nominal value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current interest rate that is available to the Company for similar financial instruments.

In accordance with IFRS 7 for financial instruments that are measured in the balance sheet at fair value, the Company uses the following fair value measurement hierarchy:

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

The following table presents the Company's assets and liabilities that are measured at fair value at 31 December 2012, 31 December 2011 and 31 December 2010:

(in EUR thousand)	Level 1	Level 2	Level 3	Total balance
Liabilities	**–**	**–**	**–**	**–**
Derivative financial instruments 2010	–	4	–	4
Derivative financial instruments 2011	–	17	–	17

	Level 1	Level 2	Level 3	Total balance
Assets	**–**	**–**	**–**	**–**
Derivative financial instruments 2012	–	62	–	62

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. Otherwise, the instrument is included in level 3.

4 Critical accounting estimates and judgments

The Company makes estimates and assumptions that affect the amounts recognised in the financial statements and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgments, apart from those involving estimations, in the process of applying the accounting policies. Judgments that have the most significant effect on the amounts recognised in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below.

(a) Critical judgements and estimates in applying the Company's accounting policies

The Company made the following critical accounting judgments and estimates in 2012, 2011 or 2010:

(i) Going concern, as described in Note 2.1;

(ii) The recognition of the deferred tax asset, as described in Note 2.13, 12 and 17;

(iii) The fair value of the derivative, as described in Note 2.12 and 11

(iv) Useful life of investment property.

The estimation of the useful life of the investment property is a matter of judgment based on the experience with similar assets. The future economic benefits embodied in the asset are consumed principally through use. However, other factors, such as technical or commercial obsolescence and wear and tear, often result in the diminution of the economic benefits embodied in the assets. Management assesses the remaining useful lives in accordance with the current technical conditions of the assets and estimated period during which the assets are expected to earn benefits for the Company. The following primary factors are considered: (a) expected usage of the assets; (b) expected physical wear and tear, which depends on operational factors and maintenance programme; and (c) technical or commercial obsolescence arising from changes in market conditions.

Were the estimated useful lives to differ by 10% from management's estimates, the impact on depreciation for the year ended 31 December 2012 would be to increase/decrease it by EUR 23 thousand (2011: EUR 23 thousand; 2010: EUR 22 thousand).

(b) Impact of the ongoing global financial and economic crisis

The ongoing global financial and economic crisis that emerged out of the severe reduction in global liquidity which commenced in the middle of 2008 (often referred to as the "Credit Crunch") has resulted in, among other things, a lower level of capital market funding, lower liquidity levels across the banking sector and wider economy, and, at times, higher interbank lending rates and very high volatility in stock and currency markets. The uncertainties in the global financial markets have also led to failures of banks and other corporates, and to bank rescues in the United States of America, Western Europe, Russia and elsewhere. The full extent of the impact of the ongoing global financial and economic crisis is proving to be difficult to anticipate or completely guard against.

Management is unable to reliably determine the effects on the Company's future financial position of any further deterioration in the Company's operating environment as a result of the ongoing crisis. Management believes it is taking all the necessary measures to support the sustainability and growth of the Company's business in the current circumstances.

Impact on liquidity:

The volume of wholesale financing has significantly reduced since August 2008. Such circumstances may affect the ability of the Company to obtain new borrowings and re-finance its existing borrowings at terms and conditions similar to those applied to earlier transactions. However, the Company's borrowings are of long-term nature and the market conditions are expected to improve upon their expiry. In addition, no necessity of new financing before the expiry of the existing borrowings is estimated.

Impact on customers:

Debtors of the Company may be adversely affected by the financial and economic environment which could in turn impact their ability to repay the amounts owed. Deteriorating economic conditions for customers may also have an impact on management's cash flow forecasts and assessment of the impairment of financial and non-financial assets. To the extent that information is available, management has properly reflected revised estimates of expected future cash flows in its impairment assessments.

Fair values of investment property:

The market in the country for many types of real estate has been affected by the recent volatility in global financial markets.

Deteriorating economic conditions may also have an impact on management's assessment of the impairment of investment properties.

5 Investment property

	Year ended 31 December		
	2012	2011	2010
1 January			
Cost	5,288	5,288	5,273
Accumulated depreciation	(1,310)	(1,082)	(868)
Carrying amount	**3,978**	**4,206**	**4,405**
Year ended 31 December			
Carrying value at 1 January	3,978	4,206	4,405
Additions	–	–	50
Disposals (net)	–	–	(16)
Depreciation charge (Note 15)	(227)	(228)	(233)
Balance at 31 December	**3,751**	**3,978**	**4,206**
31 December			
Cost	5,288	5,288	5,288
Accumulated depreciation	(1,537)	(1,310)	(1,082)
Carrying amount	**3,751**	**3,978**	**4,206**

The fair value of the investment property as at 31 December 2012 is EUR 5,700 thousand (2011: EUR 6,070 thousand and 2010: EUR 5,600 thousand).

The investment property comprising of land and building generates rental income and is leased to tenants.

The investment property serves as a pledge on the bank loans obtained.

(In all notes all amounts are shown in Euro thousand unless otherwise stated)

6A Financial instruments by category

The company's financial instruments are classified in the following categories (as described in the accounting policy):

Assets and liabilities as per the balance sheet	Loans and receivables	Assets/(liabilities) measured at fair value through the profit and loss	Other financial liabilities measured at amortised cost
31 December 2012			
Trade and other receivables (Note 7)	8	–	–
Cash and cash equivalents (Note 8)	87	–	–
Borrowings (Note 11)	–	–	(3,006)
Trade and other payables (Note 13)	–	–	(39)
Derivative financial instruments (Note 11)	–	62	–
	95	**62**	**(3,045)**
31 December 2011			
Trade receivables (Note 7)	9	–	–
Cash and cash equivalents (Note 8)	111	–	–
Borrowings (Note 11)	–	–	(3,172)
Trade and other payables (Note 13)	–	–	(45)
Derivative financial instruments (note 11)	–	(17)	–
	120	**(17)**	**(3,217)**
31 December 2010			
Trade receivables (Note 7)	19	–	–
Cash and cash equivalents (Note 8)	124	–	–
Borrowings (Note 11)	–	–	(3,317)
Trade and other payables (Note 13)	–	–	(49)
Derivative financial instruments (note 11)	–	(4)	–
	143	**(4)**	**(3,366)**

6B Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

	As at 31 December		
	2012	2011	2010
Existing customers with no defaults in the past:			
Trade receivables (Note 7)	8	9	19
	8	**9**	**19**

	As at 31 December		
	2012	2011	2010
Cash at bank and bank deposits (Note 8)			
Counterparties with external credit rating Eurobank EFG Bulgaria—Fitch A-	87	–	–
Counterparties with external credit rating Eurobank EFG Bulgaria—Fitch BB	–	111	124
	87	**111**	**124**

All financial assets are fully performing and none has been renegotiated in the periods covered by these financial statements.

7 Trade and other receivables

	As at 31 December		
	2012	2011	2010
Trade receivables	51	52	62
Less: allowance for doubtful accounts	(43)	(43)	(43)
Other receivables	–	5	6
Prepayments	3	4	14
Advance to suppliers	28	–	–
	39	**18**	**39**

As of 31 December 2012 there were no trade receivables past due but not impaired.

Management considers that the fair values of the trade and other receivables equal their book value.

Rent receivable on current and future lease contracts serves as a pledge on the bank loans obtained.

Trade and other receivables are denominated in Bulgarian Lev.

8 Cash and cash equivalents

	As at 31 December		
	2012	2011	2010
Cash at bank	87	111	124
	87	**111**	**124**

For the purposes of cash flow statement, the cash and cash equivalents comprise the following:

	As at 31 December		
	2012	2011	2010
Cash at bank	87	111	124
	87	**111**	**124**

Breakdown of cash balances by currency:

	As at 31 December		
	2012	2011	2010
Currency			
Bulgarian Lev	12	77	14
Euro	75	34	110
	87	**111**	**124**

9 Share capital

	Number of shares	Share capital Euro '000
As at 1 January 2010	20,500	1,048
As at 31 December 2010	20,500	1,048
As at 31 December 2011	20,500	1,048
As at 31 December 2012	20,500	1,048

(In all notes all amounts are shown in Euro thousand unless otherwise stated)

All shares give equal rights to the owner and are fully paid. The total authorised number of shares is 20,500 (2011: 20,500) having a par value of BGN 100 (EUR 51.13) per share.

The shareholder of the Company as at 31 December 2012, 2011 and 2010 is Bolesan Ltd, Cyprus. The ultimate parent party as at 31 December 2012, 2011 and 2010 is T2 Bluehouse Capital Partners, Limassol, Cyprus.

10 Other reserves

Other reserve represents hedging reserve arising on fair value measurement of interest rate swap designated as a cash flow hedge. Gains and losses recognised in the hedging reserve in equity on interest rate swap contract as of 31 December 2012 will be continuously released to the profit or loss until the repayment of the bank borrowing (the swap was sold in 2008). Changes in the hedging reserve are as follows:

	Year ended 31 December		
	2012	2011	2010
Balance at 1 January	36	47	64
Tax on fair value gains (Note 12)	–	–	2
Transfer to interest expense (Note 16)	(10)	(11)	(19)
Balance at 31 December	26	36	47

11 Borrowings

	As at 31 December		
	2012	2011	2010
Current borrowings			
Current portion of non-current bank loans	196	179	163
Borrowings from related parties (Note 19)	78	74	71
	274	**253**	**234**
Non-current borrowings			
Bank loans			
—between 1 and 2 years	206	187	170
—between 2 and 5 years	2,526	2,732	2,913
	2,732	**2,919**	**3,083**
Total	**3,006**	**3,172**	**3,317**

The Company obtained a long-term bank loan, denominated in Euro, on 8 December 2005. The loan is repayable by 8 June 2016 via six-month instalments. The effective interest rate on the loan as at the balance sheet date is 4.82% (2011: 6.2%; 2010: 5.76%). The interest rate on the loan is six-month EURIBOR for the day of the first utilisation of the facility and changeable every six months thereafter plus a margin of 4.5 points.

The loan is secured via a mortgage on the plot of land and the building owned by the Company as well as via special pledge of all rent receivable on current and future lease contracts for the building. In 2010, the owner of the Company Bolesan Limited has also entered into a pledge agreement with the bank for a first rank special pledge over all owned by it shares, representing 100% of the capital of One BPS EOOD.

The carrying amounts of the borrowings approximate their fair value. Fair values are based on discounted cash flows using a discount rate based upon the borrowing rate, which the directors expect to be available to the Company at the balance sheet date.

The Company also entered into a floating to fixed interest rate swap on 8 December 2005, which effectively converts the floating rate of the loan to a fixed rate. The swap was sold in 2008.

(In all notes all amounts are shown in Euro thousand unless otherwise stated)

Derivative financial instruments

In 2010 the Company entered in a refundable cap agreement with the bank with maturity date of 8 June 2016. The bank, has taken the obligation if on a fixing date the reference rate (six-month EURIBOR) is higher than the cap level of 3%, to pay for the respective interest period an amount, calculated as the difference between the value of the reference rate as of the respective fixing date and the cap level, and based on the respective notional amount.

If for the whole period of the contract, the reference rate is less than or equal to the refund-barrier of 3% on any fixing date, then on the termination date of the contract the client will receive back the periodically paid premium. If on any fixing date the reference rate is greater than the refund barrier, the bank will not pay back the received premium.

The notional principal amount of the outstanding refundable cap derivative contract as at 31 December 2012 were EUR 2,930 thousand (2011: EUR 3,100 thousand; 2010: EUR 3,250 thousand).

The derivative is classified in the balance sheet as financial asset or liability measured at fair value through profit and loss. The fair value of the instrument as at 31 December 2012 is an asset at the amount of EUR 62 thousand (31 December 2011: liability of EUR 17 thousand; 31 December 2010: liability of EUR 4 thousand).

12 Deferred income taxes

Deferred tax assets and liabilities are calculated under the liability method using an effective tax rate of 10% (2011: 10%, 2010: 10%).

Deferred tax balances arising on fair value measurement of derivatives and impairment of receivables which is initially recognised in 2010 are as follows:

	Year ended 31 December		
	2012	**2011**	**2010**
Deferred tax liability At beginning of year	(1)	(1)	(7)
Credit/(debit) in the other comprehensive income due to change in temporary differences — interest rate swap	–	–	2
Credit/(debit) in the comprehensive income due to change in temporary differences — impairment of receivables	–	–	4
Deferred tax liability at end of year	**(1)**	**(1)**	**(1)**

Deferred tax asset on tax losses carried forward was not recognised due to the uncertainties for its recoverability. The amounts of losses carried forward and their expiry period are as follows:

	Year ended 31 December		
	2012	**2011**	**2010**
Due to expire in:			
2013	–	–	3
2017	35	–	–
	35	**–**	**3**

(In all notes all amounts are shown in Euro thousand unless otherwise stated)

Deferred tax asset on interest expense subject to thin capitalisation (i.e. interest that could be recognised in different periods for tax purposes) was not recognised due to the uncertainties for its recoverability. The amounts of interest expense subject to regulation for thin capitalisation and their expiry period are as follows:

	Year ended 31 December		
	2012	2011	2010
Due to expire in:			
2015	51	51	51
2016	171	171	–
2017	33	–	–
	255	**222**	**51**

13 Trade and other payables

	As at 31 December		
	2012	2011	2010
Current			
Trade payables	9	16	19
Taxes payable	17	14	–
Other payables	2	–	–
	28	**30**	**19**
Non-current			
Lessee's deposits	30	29	30
	30	**29**	**30**
	58	**59**	**49**

14 Revenue

The rental revenue comprises rental income from tenants.

The other revenue in 2012 includes building services to two of the tenants at the amount of EUR 43 thousand.

The other revenue in 2011 includes sale of repair and building services to one of the tenants at the amount of EUR 75 thousand and other service charges to the tenants.

The other revenue in 2010 includes the indemnity at the amount of EUR 120 thousand for cancellation of a rental contract and other service charges to the tenants.

15 Administrative expenses and operating expenses arising from investment properties that generate rental income

	Year ended 31 December		
	2012	2011	2010
Depreciation (Note 5)	227	228	233
Real estate taxes	29	30	38
Insurance	5	5	5
Maintenance and repairs expenses	1	80	28
Electricity, heat and water	43	33	29
Management charges	62	60	48
Other	1	1	–
Operating expenses arising from investment properties that generate rental income	**368**	**437**	**381**

(In all notes all amounts are shown in Euro thousand unless otherwise stated)

	Year ended 31 December		
	2012	2011	2010
Allowance for doubtful accounts	–	–	43
Professional fees	14	21	19
Other	1	–	18
Administrative expenses	**15**	**21**	**80**

16 Finance income and costs

	Year ended 31 December		
	2012	2011	2010
Interest income	1	1	3
Other financial income	79	–	–
Finance income	**80**	**1**	**3**
Interest expense	(195)	(223)	(168)
Cash flow hedges—fair value gains transferred from equity (Note 10)	10	11	19
Other financial expenses	–	(12)	(14)
Finance costs	**(185)**	**(224)**	**(163)**

17 Income tax

	Year ended 31 December		
	2012	2011	2010
Current tax	–	(2)	–
Deferred income tax (Note 12)	–	–	4
	–	(2)	4

The tax on the Company's profit before tax equals the theoretical amount that would arise using the weighted average tax rate applicable to profits of the Company:

	Year ended 31 December		
	2012	2011	2010
Profit/(loss) before tax	12	(164)	(22)
Tax calculated at a tax rate of 10% (2011: 10%; 2010: 10%)	1	(16)	(2)
Non-recognised deferred tax assets on interest expense subject to thin capitalisation	3	17	5
Utilisation of tax losses from prior periods on which no deferred tax has been recognised	–	–	(7)
Non-recognised deferred tax assets on tax losses carried forward	4	–	–
Non-recognised (income)/expense for tax purposes	(8)	1	–
Income tax	–	2	(4)

18 Operating lease receivables—where the Company is a lessor

The future aggregate minimum rentals receivable under non-cancellable operating leases are as follows:

	As at 31 December		
	2012	2011	2010
Not later than 1 year	447	455	393
Later than 1 year but not later than 5 years	1,365	1,258	1,307
Later than 5 years	38	–	127
	1,850	**1,713**	**1,827**

(In all notes all amounts are shown in Euro thousand unless otherwise stated)

The lease agreements with the tenants have remaining lease terms between 1 and 6 years. The lease agreements can be terminated only by the agreement between the lessor and the lessee. If the lessee wants to terminate the lease, it has to pay the rental income due for the remaining period of the lease term.

19 Related party transactions

Parties are generally considered to be related if the parties are under common control or if one party has the ability to control the other party or can exercise significant influence or joint control over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

At 31 December 2012, 2011 and 2010, the outstanding balances, income and expense with related parties were as follows:

	As at 31 December		
	2012	2011	2010
Borrowings from related parties			
Bolesan Ltd (parent company)			
Beginning of the year	74	71	–
Loans provided	–	–	70
Interest accrued	4	3	1
End of the year	**78**	**74**	**71**

The loan does not have specified repayment schedule. Nevertheless, the principal and interest have to be repaid by 2015. Interest on the loan is fixed at 6%.

20 Contingent liabilities

The tax authorities may at any time inspect the books and records within 5 years subsequent to January 1 of the year, following the year in which the taxes are payable, and may impose additional tax assessments and penalties. The Company's management is not aware of any circumstances which may give rise to a potential material liability in this respect.

21 Post-balance sheet events

There are no post-balance sheet events to be reported.

INDEPENDENT AUDITOR'S REPORT

To the General Managers of One BPS EOOD

Report on the Financial Statements

We have audited the accompanying financial statements of One BPS EOOD ("the Company"), which comprise the balance sheets as of 31 December 2012, 31 December 2011 and 31 December 2010 and the statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 management, as well as evaluating the overall presentation of the 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 accompanying financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2012, 31 December 2011 and 31 December 2010, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

PricewaterhouseCoopers Audit OOD
Sofia, Bulgaria
4 June 2013

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ONE BPS EOOD

**CONDENSED INTERIM FINANCIAL STATEMENTS
FOR SIX MONTHS ENDED 30 JUNE 2013**

(All amounts in euro thousands unless indicated otherwise)

INTERIM BALANCE SHEET

	Note	As at 30 June 2013 Unaudited	As at 31 December 2012 Audited
ASSETS			
Non-current assets			
Investment property	8	3,640	3,751
Derivative financial instruments		78	62
Total non-current assets		**3,718**	**3,813**
Current assets			
Trade and other receivables		25	39
Current income tax receivable		2	2
Cash and cash equivalents		43	87
Total current assets		**70**	**128**
TOTAL ASSETS		**3,788**	**3,941**
EQUITY AND LIABILITIES			
Equity			
Share capital	9	1,048	1,048
Other reserves		21	26
Retained earnings/(Accumulated losses)		(319)	(252)
TOTAL EQUITY		**750**	**822**
Non-current liabilities			
Borrowings from banks	10	2,629	2,732
Deferred income tax liabilities		1	1
Trade and other payables		30	30
Total non-current liabilities		**2,660**	**2,763**
Current liabilities			
Borrowings from related parties	14	80	78
Borrowings from banks	10	205	196
Deferred revenue		64	54
Trade and other payables		29	28
Total current liabilities		**378**	**356**
Total liabilities		**3,038**	**3,119**
TOTAL EQUITY AND LIABILITIES		**3,788**	**3,941**

The accompanying notes are an integral part of these condensed interim financial statements.

(All amounts in euro thousands unless indicated otherwise)

INTERIM STATEMENT OF COMPREHENSIVE INCOME

	Note	Six months ended 30 June 2013	Six months ended 30 June 2012
		Unaudited	
Rental revenue		232	220
Other revenue		24	24
Total revenue		**256**	**244**
Operating expenses arising from investment properties that generate rental revenue	11	(210)	(184)
Gross profit		**46**	**60**
Administrative expenses	12	(48)	(5)
Operating profit		**(2)**	**55**
Finance income	13	16	–
Finance costs	13	(81)	(99)
Loss before tax		**(67)**	**(44)**
Income tax	7	–	–
Loss for the period		**(67)**	**(44)**
Other comprehensive income for the period			
Cash flow hedges—amount that will be reclassified subsequently to profit or loss when specific conditions are met		(5)	(5)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**(72)**	**(49)**

The accompanying notes are an integral part of these condensed interim financial statements.

(All amounts in euro thousands unless indicated otherwise)

INTERIM STATEMENT OF CHANGES IN EQUITY

	Note	Share capital	Other reserves	Retained earnings / (Accumulated losses)	Total equity
Balance at 1 January 2012 (Audited)		**1,048**	**36**	**(264)**	**820**
Loss for the period		–	–	(44)	(44)
Other comprehensive income for the period		–	–	–	–
Cash flow hedges, net of tax—amounts that will be reclassified subsequently to profit or loss when specific conditions are met		–	(5)	–	(5)
Total comprehensive income for the period		**–**	**(5)**	**(44)**	**(49)**
Balance at 30 June 2012 (Unaudited)		**1,048**	**31**	**(308)**	**771**
Balance at 1 January 2013	9	**1,048**	**26**	**(252)**	**822**
Profit for the period		–	–	(67)	(67)
Other comprehensive income for the period		–	–	–	–
Cash flow hedges, net of tax—amounts that will be reclassified subsequently to profit or loss when specific conditions are met		–	(5)	–	(5)
Total comprehensive income for the period					
Balance at 30 June 2013 (Unaudited)	9	**1,048**	**21**	**(319)**	**750**

The accompanying notes are an integral part of these condensed interim financial statements.

(All amounts in euro thousands unless indicated otherwise)

INTERIM STATEMENT OF CASH FLOWS

	Note	Six months ended 30 June 2013	Six months ended 30 June 2012
		Unaudited	
Cash flows from operating activities			
Loss before tax		(67)	(44)
Depreciation expense	11	111	114
Interest expense	13	86	104
Fair value gains on derivative financial instruments—interest rate swap	13	(5)	(5)
Fair value gains on derivative financial instruments—refundable cap	13	(16)	–
Changes in working capital:			
—Decrease/(increase) in trade and other receivables		14	(21)
—Increase/(decrease) in trade and other payables		1	(9)
—Increase/(decrease) in deferred revenue		10	11
Income tax paid		–	(1)
Net cash from/(used in) operating activities		**134**	**149**
Cash flows from financing activities			
Repayment of borrowings		(95)	(85)
Interest paid		(83)	(103)
Net cash from/(used in) financing activities		**(178)**	**(188)**
Net decrease in cash and cash equivalents		**(44)**	**(39)**
Cash and cash equivalents at the beginning of the period		87	111
Cash and cash equivalents at the end of the period		**43**	**72**

The accompanying notes are an integral part of these condensed interim financial statements.

1 General information

One BPS EOOD (the ''Company'') operates in the area of real estate (leases its investment properties to tenants).

The Company is a limited liability company, incorporated and domiciled in the Republic of Bulgaria. The Company's registered office is located at the following address:

103 James Boucher Blvd., floor 2, office 5
Lozenets district
Sofia, Bulgaria

These condensed interim financial statements have been prepared for inclusion in prospectus of Meridian Properties N.V. and approved by management on 30 July 2013. These condensed interim financial statements have been reviewed, not audited.

2 Basis of preparation

These condensed interim financial statements for the six months ended 30 June 2013 have been prepared in accordance with IAS 34, 'Interim financial reporting' as adopted by the European Union. The condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2012, which have been prepared in accordance with IFRSs as adopted by the European Union.

The Company's financial statements are prepared on a going concern basis, which assumes that the Company will be in operational existence for the foreseeable future.

The Company incurred losses for the six-month period ended 30 June 2013 (EUR 72 thousand) and losses for the six-month period ended 30 June 2012 (EUR 49 thousand). For the period ended 30 June 2013 current liabilities exceeded current assets by EUR 308 thousand (as at 31 December 2012 current liabilities exceeded current assets by EUR 228 thousand).

The Company was provided with a binding letter of support from T2 Bluehouse Capital Partners, Cyprus, as the ultimate parent company, which states that adequate funds and full support would be provided to enable the Company to continue operations at least until 30 June 2014.

The Company's shareholder confirms that it will maintain its investment in the Company and that it is its current policy to ensure that One BPS EOOD is in the position to meet its debts and capital expenditure commitments as they fall due. If the Company's shareholder does not provide financial support to One BPS EOOD and the going concern basis could not be applied, the Company's assets and liabilities should be measured at the values that could be substantially different than the amounts presented in these financial statements prepared on a going concern basis.

3 Accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as described below.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss.

New and amended standards adopted by the Company

The Company has applied from 1 January 2013, the amendment to IAS 1, "Presentation of items of other comprehensive income"—the Company revised the way other comprehensive income is presented: separate subtotals for those elements which may be reclassified to the profit or loss section of the statement of comprehensive income (recycled) and those elements that will not. The Company has only items of the other comprehensive income that will be reclassified to profit or loss when conditions are met.

(All amounts in euro thousands unless indicated otherwise)

All other new or amended IFRSs or IFRICs that are effective in European Union for the first time from 1 January 2013 do not have any impact on the Company.

4 Estimates

The preparation of interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed interim financial statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended 31 December 2012, with the exception of changes in estimates that are required in determining the provision for income taxes. Notes to the condensed interim financial statements (continued)

5 Financial Risk Management

5.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

The condensed interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the Company's annual financial statements as at 31 December 2012. There have been no changes in the risk management policies.

5.2 Credit risk

There are no impairment losses recognized or reversed for the six months ended 30 June 2013 and for the six months ended 30 June 2012.

5.3 Liquidity risk

The tables below present the maturity analysis of financial liabilities. The amounts disclosed in the tables are the contractual undiscounted cash flows. Undiscounted cash flows in respect of balances due within 12 months generally equal their carrying amounts in the balance sheet, as the impact of discounting is not significant.

As at 30 June 2013	Up to 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Liabilities					
Borrowings from related parties	80	–	–	–	**80**
Borrowings from banks	330	340	2,471	–	**3,141**
Trade and other payables	15	30	–	–	**45**
Total future payments, including future principal and interest payments	**425**	**370**	**2,471**	**–**	**3,266**

As at 31 December 2012	Up to 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Liabilities					
Borrowings from related parties	78	–	–	–	**78**
Borrowings from banks	334	334	2,644	–	**3,312**
Trade and other payables	9	30	–	–	**39**
Total future payments, including future principal and interest payments	**421**	**364**	**2,644**	**–**	**3,429**

5.4 Fair value estimation

The following table presents the Company's assets that are measured at fair value at 30 June 2013 and 31 December 2012:

(in EUR thousand)	Level 1	Level 2	Level 3	Total balance
Assets				
Derivative financial instruments—30 June 2013	–	78	–	**78**
Derivative financial instruments—31 December 2012	–	62	–	**62**

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. Otherwise, the instrument is included in level 3.

The carrying values of trade receivables and payables, as well as borrowings are assumed to approximate their fair values.

6 Seasonality of operation

The Company's business is not seasonal.

7 Income taxes

Income tax expense is recognised based on management's estimate of the weighted average annual effective income tax rate expected for the full financial year. The estimated average annual effective tax rate used for the six months ended 30 June 2013 is 0% (the estimated tax rate for the six months ended 30 June 2012 was 0%).

8 Investment property

	Six months ended 30 June 2013	Year ended 31 December 2012
Beginning of the period	3,751	3,978
Depreciation charge (Note 11)	(111)	(227)
End of the period	**3,640**	**3,751**
Cost	5,288	5,288
Accumulated depreciation	(1,648)	(1,537)
End of the period	**3,640**	**3,751**

The fair value of the investment properties as at 30 June 2013 is EUR 5,700 thousand (31 December 2012: EUR 5,700 thousand).

9 Share capital

	Number of shares (thousands)	Share capital
Opening balance as at 1 January 2013	**20,500**	**1,048**
At 30 June 2013	**20,500**	**1,048**

(All amounts in euro thousands unless indicated otherwise)

10 Borrowings from banks

Six months ended 30 June 2013	
Opening balance as at 1 January 2013	2,928
Repayment of borrowings	(95)
Interest accrued	72
Interest repaid	(71)
At 30 June 2013	**2,834**
non-current	2,629
current	205
Six months ended 30 June 2012	
Opening balance as at 1 January 2012	3,098
Repayment of borrowings	(85)
Interest accrued	89
Interest repaid	(89)
At 30 June 2012	**3,013**
non-current	2,826
current	187

There are no new significant borrowings in 2013.

11 Operating expenses arising from investment properties that generate rental revenue

	Six months ended	
	30 June 2013	30 June 2012
Depreciation and impairment	111	114
Maintenance and repairs expenses	30	1
Energy and water	22	22
Real estate taxes	14	14
Management charges	32	31
Insurance	1	2
Total operating expenses arising from investment properties that generate rental revenue	**210**	**184**

12 Administrative expenses

	Six months ended	
	30 June 2013	30 June 2012
Professional fees	47	5
Other	1	–
Total administrative expenses	**48**	**5**

13 Finance income and costs

	Six months ended	
	30 June 2013	30 June 2012
Other financial income	16	–
Total finance income	**16**	**–**

(All amounts in euro thousands unless indicated otherwise)

	Six months ended	
	30 June 2013	30 June 2012
Interest expense	(86)	(104)
Cash flow hedges—fair value gains transferred from equity	5	5
Total finance costs	**(81)**	**(99)**

14 Related party transactions

	Six months ended	
	30 June 2013	30 June 2012
Borrowings from related parties—Bolesan Ltd (parent company)		
Opening balance as at 1 January	78	74
Interest accrued	2	2
At 30 June	**80**	**76**
non- current	–	–
current	**80**	**76**

15 Events after the reporting period

There are no post-balance sheet events to be reported.

REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

To the General Managers of One BPS EOOD

Introduction

We have reviewed the accompanying condensed interim balance sheet of One BPS EOOD (the "Company") as of 30 June 2013 and the related condensed interim statements of comprehensive income, changes in equity and cash flows for the six-month period then ended. Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" as adopted by the European Union. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, "Interim Financial Reporting" as adopted by the European Union.

PricewaterhouseCoopers Audit OOD
Sofia, Bulgaria
30 July 2013

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Registered with the Sofia City Court under company file number 13424/1997.

FINANCIAL STATEMENTS AS AT 31 DECEMBER 2012

BLUEBOX 6 ZNAIM S.R.O.

BLUEBOX 6 ZNAIM S.R.O.
FINANCIAL STATEMENTS (NON-CONSOLIDATED)
FOR THE PERIOD FROM 1 JANUARY 2012 TO 31 DECEMBER 2012
in thousand euro (TEUR)

STATEMENT OF FINANCIAL POSITION

	Note	31 December 2012	31 December 2011	1 January 2011
ASSETS				
Non-current assets				
Investment property	3.1	6,152	6,349	6,910
Total non-current assets		**6,152**	**6,349**	**6,910**
Current assets				
Trade and other receivables	3.2	30	27	91
Cash and cash equivalents	3.3	199	42	135
Total current assets		**229**	**69**	**226**
TOTAL ASSETS		**6,381**	**6,418**	**7,136**
EQUITY				
Share capital	3.4	7	7	7
Other funds	3.4	2,745	631	631
Retained earnings		-2,430	-2,457	-2,164
Currency translation reserve		-120	-89	-155
TOTAL EQUITY		**202**	**-1,908**	**-1,681**
LIABILITIES				
Non-current liabilities				
Interest-bearing loans and borrowings	3.5	5,584	–	7,600
Deferred tax liabilities	3.7	134	147	168
Total non-current liabilities		**5,718**	**147**	**7,768**
Current liabilities				
Trade and other payables	3.6	58	17	34
Interest-bearing loans and borrowings	3.5	365	8,162	816
Derivative financial instruments	5.4	38	–	199
Total current liabilities		**461**	**8,179**	**1,049**
TOTAL LIABILITIES		**6,179**	**8,326**	**8,817**
TOTAL EQUITY AND LIABILITIES		**6,381**	**6,418**	**7,136**

The notes to financial statements on pages 6 to 33 are an integral part of these financial statements.

BLUEBOX 6 ZNAIM S.R.O.
FINANCIAL STATEMENTS (NON-CONSOLIDATED)
FOR THE PERIOD FROM 1 JANUARY 2012 TO 31 DECEMBER 2012
in thousand euro (TEUR)

STATEMENT OF COMPREHENSIVE INCOME

	Note	2012	2011
Gross rental income	4.1	754	730
Property operating expenses	4.2	-36	-11
Service charge income	4.1	16	19
Service charge expenses	4.1	-16	-19
NET RENTAL AND SERVICE RELATED INCOME		**718**	**719**
Depreciation	3.1	-363	-381
Administrative expenses	4.3	-235	-152
Other income		3	–
RESULTS FROM OPERATING ACTIVITIES		**123**	**186**
Finance income	4.4	153	23
Finance expense	4.5	-266	-519
NET FINANCE EXPENSE		**-113**	**-496**
PROFIT/(LOSS) BEFORE INCOME TAX		**10**	**-310**
Income tax income	4.6	17	17
PROFIT/(LOSS) FOR THE PERIOD		**27**	**-293**
Currency translation differences		-32	66
OTHER COMPREHENSIVE INCOME/(EXPENSE)		**-32**	**66**
TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE PERIOD		**-5**	**-227**
Profit/(Loss) attributable to owners		27	-293
Total comprehensive income/(expense) attributable to owners		-5	-227

The notes to financial statements on pages 6 to 33 are an integral part of these financial statements.

BLUEBOX 6 ZNAIM S.R.O.
FINANCIAL STATEMENTS (NON-CONSOLIDATED)
FOR THE PERIOD FROM 1 JANUARY 2012 TO 31 DECEMBER 2012
in thousand euro (TEUR)

STATEMENT OF CASH FLOW

	2012	2011
OPERATING ACTIVITIES		
Loss before income tax	10	-310
Adjusted by:		
Depreciation	363	381
Net finance income	75	519
Derivative financial instruments	38	-23
Other non-cash movements	-47	-13
Profit/(Loss) before income tax, changes in working capital and provisions	**439**	**554**
Changes in trade and other receivables	-1	64
Changes in trade and other payables	42	-194
Net cash flows from operating activities	**480**	**424**
INVESTING ACTIVITIES		
Net cash flows from investing activities	**–**	**–**
FINANCING ACTIVITIES		
Proceeds from borrowings	1,590	1
Repayment of borrowings	-1,728	-259
Interest paid	-185	-259
Net cash flows from financing activities	**-323**	**-517**
Net increase in cash and cash equivalents	**157**	**-93**
Cash and cash equivalents at the beginning of the year	**42**	**135**
Cash and cash equivalents at the end of the year	**199**	**42**

The notes to financial statements on pages 6 to 33 are an integral part of these financial statements.

BLUEBOX 6 ZNAIM S.R.O.
FINANCIAL STATEMENTS (NON-CONSOLIDATED)
FOR THE PERIOD FROM 1 JANUARY 2012 TO 31 DECEMBER 2012
in thousand euro (TEUR)

STATEMENT OF CHANGES IN EQUITY

	Share capital	Other funds	Currency translation reserve	Retained earnings	Total equity
BALANCE AT 1 JANUARY 2011	**7**	**631**	**-155**	**-2,164**	**-1,681**
Loss for the period	–	–	–	-293	-293
Other comprehensive income					
Foreign currency translation differences	–	–	66	–	66
BALANCE AT 31 DECEMBER 2011	**7**	**631**	**-89**	**-2,457**	**-1,908**
BALANCE AT 1 JANUARY 2012	**7**	**631**	**-89**	**-2,457**	**-1,908**
Profit for the period	–	–	–	27	27
Debt to equity swap	–	2,114	–	–	2,114
Other comprehensive income					
Foreign currency translation differences	–	–	-31	–	-31
BALANCE AT 31 DECEMBER 2012	**7**	**2,745**	**-120**	**-2,430**	**202**

The notes to financial statements on pages 6 to 33 are an integral part of these financial statements.

1 General information

Bluebox 6 Znaim s.r.o. ("the Company") is a company incorporated under the laws of the Czech Republic.

The Company was established on 8 April 2005 and was incorporated in the Commercial Register kept by the Municipal Court in Prague. The registration number of the Company is 272 34 282.

The address of its registered office is Prague 8, Karolinská 661, 186 00.

The Company was renamed from Carpathian Znaim s.r.o. to Bluebox 6 Znaim s.r.o. The change in the name was entered into the Commercial Register on 23 May 2012.

Principal activities

The Company rents and manages its investment property comprising the Interspar hypermarket in Znojmo.

Shareholder

The sole shareholder of the Company is DDC Znaim s.r.o., with its registered office at Prague 8, Karolinská 661, Postcode 186 00. The registration number of the sole shareholder is 278 68 320. The Company is part of BLUEHOUSE ACCESSION PROJECT XI LIMITED and BLUEHOUSE ACCESSION PROJECT XII LTD which are controlled by Bluehouse Capital Advisor Ltd, a private equity real estate investment management firm focused on emerging European economies. In June 2012 Bluehouse acquired a retail park portfolio in the Czech Republic consisting of the Interspar hypermarket in Znojmo and EuroCenter, a retail warehousing scheme in Hradec Kralove from Chesnut Holdings S.á.r.l. (previously owner of a 99% share in DDC Znaim s.r.o.) and Carpathian Properties S.á.r.l. (previously owner of a 1% share in DDC Znaim s.r.o.).

The share of DDC Znaim s.r.o. in the Company is fully pledged on the basis of an agreement on the establishment of a lien closed on 16 May 2012 between DDC Znaim s.r.o. (as pledgor) and Deutsche Pfandbriefbank AG (as pledgee) as a security for receivables arising from the credit agreement of 16 May 2012 in the amount of TEUR 24,200 (3.5).

Management as at 31 December 2012

Board of Executive Directors

Members

Barbora Brühlová (from 3 October 2007)

Kateřina Němcová (from 11 January 2012; Lenka Říhová until 11 January 2012).

The change was entered into the Commercial Register on 2 February 2012.

Each Executive Director acts and signs on behalf of the Company in all matters separately.

Employees

The Company has no employees as at 31 December 2012 and as at 31 December 2011. Administration is provided by RSM TACOMA a.s.

2 Summary of significant accounting policies

2.1 Basis of preparation

a) Statement of compliance

The financial statements are prepared for the year ended 31 December 2012. The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. These are the Company's first consolidated financial statements prepared under IFRSs, and IFRS 1—First-time Adoption of International Financial Reporting Standards has been applied.

An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Company is provided in note 10.

The financial statements were authorised for issue by the Board of Directors on 19 April 2013.

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2012, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Company, except for IFRS 13 *Fair Value Measurements* and IFRS 9 *Financial Instruments*, which become mandatory for the Company's 2013 and 2015 financial statements, respectively, and could change the classification and measurement of financial assets.

- ***IFRS 9 Financial Instruments***

The new standard replaces the guidance in IAS 39, Financial Instruments: Recognition and Measurement, regarding classification and measurement of financial assets. The standard eliminates the existing IAS 39 categories of held to maturity, available for sale and loans and receivables.

Financial assets will be classified into one of two categories on initial recognition: financial assets measured at amortised cost; or financial assets measured at fair value.

The 2010 amendments to IFRS 9 replace the guidance in IAS 39 Financial Instruments: Recognition and Measurement mainly in relation to liabilities "designated at fair value through profit or loss" in case of changes in fair value, attributable to changes in the credit risk of that liability. The standard requires changes in fair value to be presented directly in other comprehensive income. Amounts presented in other comprehensive income are not subsequently reclassified to profit or loss but may be transferred within equity.

The new standard eliminates the requirement to separate embedded derivatives from the host contract. It requires that the hybrid (combined) contract be measured at amortised cost or fair value.

Additionally, the amendments change the disclosure and restatement requirements relating to the initial application of IFRS 9 Financial Instruments.

The Company does not expect the standard to have an impact on the measurement of financial instruments upon its initial application. Based on the standard, the classification of financial instruments into their respective categories will change.

- ***IFRS 13 Fair Value Measurement***

IFRS 13 replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 explains how to measure fair value when it is required or permitted by other IFRSs.

The Company does not expect IFRS 13 to have a significant impact on the financial statements, except for more extensive disclosure in the notes to the financial statements.

The Company does not plan to adopt these standards early and the extent of the impact has not been determined.

b) Basis of measurement

The financial statements have been prepared on a historical cost basis except for the derivative financial instruments.

c) Functional and presentation currency

These financial statements are presented in euro; the Company's functional currency is the Czech Koruna. All financial information presented in euro has been rounded to the nearest thousand (TEUR), unless otherwise indicated.

d) Use of estimates and judgements

The preparation of the financial statements in conformity with IFRS adopted by European Union requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience, internal calculations and various other factors that the management believes to be reasonable under the circumstances, and the results of which form the basis of judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. The actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about assumptions, estimated uncertainties and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in note 2.2 (b)—Investment property and note 5.5—Fair values.

2.2 Significant accounting policies

The accounting policies set out below have been applied over the entire period presented in these financial statements.

a) Foreign currency

(i) Functional currency

The functional currency of the Company is the Czech Koruna, as the entity is incorporated and carries out its operations in the Czech Republic.

(ii) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period.

Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on retranslation are recognised in profit or loss.

(iii) Presentation currency

Assets and liabilities are translated at the closing rate at the date of the statement of financial position. Equity is translated at the historical rate. Income and expenses for each statement presenting profit or loss and other comprehensive income are translated at the average rate for the period. Arising foreign currency differences are recognised as currency translation reserve within equity.

Presentation currency was selected differently from functional currency as it better reflects understanding of the investors.

b) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both. Investment property is measured at cost.

Items of investment property are measured at cost less accumulated depreciation (see below) and impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of material and direct labour, any other costs directly attributable to bringing the investment property to a working condition for its intended use and capitalised borrowing costs.

Investment property	2012
Land	indefinite useful life
Buildings	25 years

c) Financial instruments

(i) Non-derivative financial assets

Non-derivative financial assets comprise provided loans, trade and other receivables, and cash and cash equivalents.

The Company initially recognises loans, receivables and deposits on the date that they are originated. All other financial assets (including financial assets designated as at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Provided loans

Loans are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, provided loans are measured at amortised cost using the effective interest method less any impairment losses.

Finance charges, including premiums receivable on settlement or redemption and direct issue costs, are recognised in profit or loss on an accrual basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

The recoverable amount of the Company's provided loans is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate calculated at initial recognition of the financial assets). Loan receivables with a short duration are not discounted.

The Company classifies as a current portion any part of long-term loans that is due within one year from the date of the statement of financial position.

Trade and other receivables

Trade and other receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments. Bank accounts and call deposits that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the cash-flow statement.

(ii) Non-derivative financial liabilities

Non-derivative financial liabilities comprise loans and borrowings and trade and other payables. The Company initially recognises debt securities issued and subordinated liabilities on the date that they are originated. The financial liabilities (including financial liabilities designated as at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

The Company classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest-bearing loans and borrowings

Interest-bearing loans and borrowings are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, the interest-bearing loans and borrowings are measured at amortised cost using the effective interest method. Bank overdrafts form an integral part of the Company's cash management.

Finance charges, including premiums payable on settlement or redemption and direct issue costs, are recognised in profit or loss on an accrual basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

The Company classifies as a current portion any part of long-term loans that is due within one year from the date of the statement of financial position.

Trade and other payables

Trade and other payables are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these payables are measured at amortised cost using the effective interest method.

(iii) Financial instruments

A derivative is a financial instrument or other contract which fulfils the following conditions:

- its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract;
- it requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors; and
- it is settled at a future date.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted in profit or loss.

Fair values are obtained from quoted market prices or discounted cash-flow models, as appropriate. All non-hedge derivatives are carried as current assets when their fair value is positive and as current liabilities when their fair value is negative.

d) Share capital and other funds

Share capital

Share capital is classified as equity. Incremental costs directly attributable to the issue of new shares and share options, other than upon a business combination, are recognised as a deduction from equity, net of any tax effects.

Other funds

Other funds represent funds from mergers realised prior to 1 January 2011 and other capital contributions of the owners.

e) Impairment

(i) Non-derivative financial assets

A financial asset not classified as at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that the loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant period of prolonged decline in its fair value below its cost is objective evidence of impairment.

The Company considers evidence of impairment for financial assets measured at amortised cost (provided loans, trade and other receivables) at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified.

Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Company uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against provided loans, trade and other receivables or held-to-maturity financial assets. Interest on the impaired asset continues to be recognised. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(ii) Non-financial assets

The carrying amounts of the Company's non-financial assets, other than deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill and indefinite-lived intangible assets are tested annually for impairment. An impairment loss is recognised if the carrying amount of an asset or cash-generating unit (CGU) exceeds its recoverable amount.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset of CGU. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Subject to an operating segment ceiling test, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro-rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

f) Revenue

(i) Rental income

Rental income from investment property is recognised as revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

The term of the lease is the non-cancellable period of the lease. Any further term for which the tenant has the option to continue the lease is not considered.

(ii) Services rendered

Revenue from services rendered is recognised in profit and loss when the transaction under the service agreement has been completed.

The Company accounts for real estate tax and insurance paid for tenant as an expenses in item service expenses. At the same time revenues from rebilling of real estate tax and insurance are recognized as services rendered.

(iii) Sale of investment property

Revenue from the sale of investment property is recognised in profit or loss when the significant risks and rewards of ownership have been transferred to the buyer.

g) Expenses

(i) Service costs and property operating expenses

Service costs for service contracts entered into and property operating expenses are expensed as incurred.

(ii) Operating lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease.

h) Finance income and finance costs

Finance income comprises bank interest and interest on provided loans.

Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Company's right to receive payment is established.

Finance costs comprise interest expense on loans and borrowings and bank charges.

Foreign currency gains and losses are reported on a net basis as either finance income or finance costs, depending on whether foreign currency movements are in a net gain or net loss position.

i) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current and deferred income tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;

- temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantially enacted at the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

j) Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components.

Each segment within the Company is periodically evaluated during the regular meetings of established task forces and the results of such evaluations are reported during Board of Directors meetings. Segment results that are reported to the Board of Directors, which is the chief operating decision-maker, include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise corporate assets (primarily the Company's headquarters), head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, investment property, intangible assets other than goodwill and trading property.

Segment information is presented in respect of the Company's operating and geographical segments. The Company's primary format for segment reporting is based on operating segments. The operating segments are determined based on the Company's management and internal reporting structure.

Inter-segment pricing is determined on an arm's length basis.

The Company classifies its operations into one segment—retail. In respect of geographical segments, all activities are carried out in the Czech Republic.

3 Statement of financial position

3.1 Investment property

	Land	Buildings	Total
Cost			
Balance at 1 January 2011	747	8,778	9,525
Additions	–	–	–
Disposals	–	–	–
Effect of movements in exchange rates	-21	-253	-274
Balance at 31 December 2011	**726**	**8,525**	**9,251**
Depreciation and impairment losses			
Balance at 1 January 2011	–	-2,615	-2,615
Depreciation for the year	–	-381	-381
Disposals	–	–	–
Effect of movements in exchange rates	–	94	94
Balance at 31 December 2011	**–**	**-2,902**	**-2,902**
CARRYING AMOUNTS			
At 1 January 2011	**747**	**6,163**	**6,910**
At 31 December 2011	**726**	**5,623**	**6,349**
Cost			
Balance at 1 January 2012	726	8,525	9,251
Additions	–	–	–
Disposals	–	–	–
Effect of movements in exchange rates	19	224	243
Balance at 31 December 2012	**745**	**8,749**	**9,494**
Depreciation and impairment losses			
Balance at 1 January 2012	–	-2,902	-2,902
Depreciation for the year	–	-363	-363
Disposals	–	–	–
Effect of movements in exchange rates	–	-77	-77
Balance at 31 December 2012	**–**	**-3,342**	**-3,342**
CARRYING AMOUNTS			
At 1 January 2012	**726**	**5,623**	**6,349**
At 31 December 2012	**745**	**5,407**	**6,152**

Investment property represents the Interspar hypermarket in Znojmo (Brněnská 2937/21 669 02 Znojmo). Interspar is the sole tenant. The market value of the investment property as at 31 December 2012 was estimated at TEUR 9,500 by the independent valuer (BNP Paribas Real Estate), who holds a required and relevant professional qualification. The market value was estimated using the discounted cash flow model and comparable market yields.

All investment property is pledged as a security for a bank loan from Deutsche Pfandbriefbank AG (note 3.5).

3.2 Trade and other receivables

Current

	31 December 2012	31 December 2011
Trade receivables due from third parties	–	3
Other receivables due from third parties	6	1
Loans to related parties	24	23
Total current trade and other receivables	**30**	**27**
Total impairment to current trade and other receivables	**–**	**–**
Total trade and other receivables net of impairment	**30**	**27**

Loans to related parties are described in detail in note 6.
Other receivables due from third parties represent prepaid expenses.

3.3 Cash and cash equivalents

	31 December 2012	31 December 2011
Bank balances	199	42
Total cash and cash equivalents	**199**	**42**

3.4 Equity

Changes in equity

The statement of changes in equity is presented on the face of the financial statements.

Share capital

Share capital of the Company in the amount of TEUR 7 (2011—TEUR 7) consists of the 100% share of DDC Znaim s.r.o.

Other funds

The Company reported negative equity of TEUR 1,908 as at 31 December 2011. The owner of the Company decided to realise swap of intercompany loans into equity in the amount of TEUR 2,114. No gain or loss has been recognised. The swap into other funds was accomplished on 30 November 2012.

3.5 Interest-bearing loans and borrowings

Non-current

	31 December 2012	31 December 2011
Bank loan	5,584	–
Total non-current interest-bearing loans and borrowings	**5,584**	**–**

Current

	31 December 2012	31 December 2011
Bank loan	303	7,600
Loans from related parties	62	562
Total current interest-bearing loans and borrowings	**365**	**8,162**

The detailed split as at 31 December 2012 can be summarised as follows:

	Currency	Nominal interest rate	Due within 1 year	Due within 1-5 years	Due in following years	Total
Bank loan	EUR	EURIBOR + 2% margin (until 31 March 2015) and 3% margin (after this date)	303	5,584	–	5,887
Loans from related parties	CZK	3.50%	62	–	–	62
Total			**365**	**5,584**	**–**	**5,949**

The detailed split as at 31 December 2011 can be summarised as follows:

	Currency	Nominal interest rate	Due within 1 year	Due within 1- 5 years	Due in following years	Total
Bank loan	EUR	EURIBOR + 2% margin (until 31 March 2015) and 3% margin (after this date)	7,600	–	–	7,600
Loans from related parties	CZK	3.50%	562	–	–	562
Total			**8,162**	**–**	**–**	**8,162**

The investment bank loan is provided by Deutsche Pfandbriefbank AG (formerly: Hypo Real Estate Bank Aktiengesellschaft). The bank loan agreement was negotiated together for the Company and Bluebox 7 Hradec s.r.o. (affiliated company) on 16 June 2012. Individual loan amounts were allocated to each of the borrowers pursuant to an agreement between the Company and Bluebox 7 Hradec s.r.o.

The maturity of the bank loan is in quarterly instalments with the final instalment of TEUR 4,510 due on 31 March 2016. The bank grants to the borrowers an option to extend the term of the loan until 31 March 2017.

There was an extraordinary repayment of the bank loan of TEUR 1,714 in 2012.

The following securities/collaterals for the bank loan are valid:

- Full cross-collateralisation of the investment property without release pricing
- First ranking mortgages on all properties (loans + hedging)
- Pledge of all shares of the borrowers
- Pledge over the rental and reserve accounts
- Subordination of shareholder loans
- Assignment/pledge of receivables from
    - lease agreements
    - hedging instruments
    - insurance agreements
    - property management agreements

Bluebox 6 Znaim s.r.o. and Bluebox 7 Hradec s.r.o. have to fulfil the bank loan covenants jointly. As at 31 December 2012 all bank covenants were met.

3.6 Trade and other payables

Current

	31 December 2012	31 December 2011
Trade payables due to third parties	15	3
Value added tax payables	5	11
Property tax payables	28	0
Other payables due to third parties	10	3
Total	**58**	**17**

3.7 Deferred tax

Recognised deferred tax assets and liabilities

The deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011	31 December 2012	31 December 2011
Investment property	–	–	-134	-147	-134	-147
Deferred tax liabilities	**–**	**–**	**-134**	**-147**	**-134**	**-147**

For the calculation of deferred tax an expected tax rate of 19% was used.

Unrecognised deferred tax assets

The tax loss amounted to TEUR 121 in 2011 which increased the accumulated tax loss to TEUR 561 as at 31 December 2011. In 2012 the Company utilised tax losses from previous years in the total amount of TEUR 142 and the accumulated tax loss decreased to TEUR 433 as at 31 December 2012. The deferred tax assets have not been recognised in respect of the tax losses carried forward due to the uncertainty that sufficient future taxable profits will be available for utilisation. The unrecognised deferred tax asset amounts to EUR 82 as at 31 December 2012 (EUR 106 as at 31 December 2011).

The tax losses will expire in 2014 and 2016.

Movements in temporary differences during the period

2012

	Balance at 1 January 2012	Recognised in profit or loss	Effect of movements in exchange rates	Balance at 31 December 2012
Investment property	-147	17	-4	-134
Total	**-147**	**17**	**-4**	**-134**

2011

	Balance at 1 January 2011	Recognised in profit or loss	Effect of movements in exchange rates	Balance at 31 December 2011
Investment property	-168	17	4	-147
Total	**-168**	**17**	**4**	**-147**

4 Statement of comprehensive income

4.1 Gross rental income

	2012	2011
Gross rental income	754	730

The Company has a sole tenant, with a rental contract valid until 25 November 2019; the monthly rental fee is TEUR 63.

Expected future non-cancellable operating lease payments from the existing rental contracts can be summarised as follows:

	2012	2011
Not later than 1 year	755	755
Later than 1 year and not later than 5 years	3,018	3,018
Later than 5 years	1,446	2,201

	2012	2011
Service charge income	16	19
Service charge expense	-16	-19
Net service charge income	**–**	**–**

Service charge expenses

	2012	2011
Real estate tax	-10	-14
Insurance	-6	-5
Service charge expenses	**-16**	**-19**

4.2 Property operating expenses

	2012	2011
Facility management	12	10
Property insurance expenses	24	1
Total property operating expenses	**36**	**11**

All property tax and part of the property insurance expenses are reinvoiced to tenant at cost.

4.3 Administrative expenses

	2012	2011
Management charges	54	58
Accounting, tax and audit services	77	51
Legal and property valuation and consulting services	99	41
Other administrative expenses	5	2
Total administrative expenses	**235**	**152**

Management charges relate to property management services, reinvoicing services and management fees.

4.4 Finance income

	2012	2011
Interest income on intercompany loans	1	1
Interest rate swap income	–	22
Foreign exchange gains (net)	152	–
Total finance income	**153**	**23**

in thousand euro (TEUR)

4.5 Finance expense

	2012	2011
Interest expense on intercompany loans	43	20
Interest expense on bank loan	185	258
Interest rate swap expense	38	–
Foreign exchange losses (net)	–	241
Total finance expense	**266**	**519**

Interest expense on the bank loan decreased in 2012 due to the extraordinary loan repayment in 2012.

Interest income and expense on intercompany loans are described in detail in note 6.

4.6 Taxation

Income tax expense recognised in profit or (loss)

	2012	2011
Current income tax expense	–	–
Deferred income tax	17	17
Total income tax recognised in profit or (loss)	**17**	**17**

Reconciliation of the effective tax rate

	2012	2011
Profit/(Loss) for the period	27	-293
Total income tax recognised in profit or (loss)	-17	-17
Profit (Loss) before income tax	10	-310
Current income tax rate	19%	19%
Income tax using the current income tax rate	-2	59
Tax effect of non-deductible expenses	-8	-19
Change in the unrecognised deferred tax asset from tax losses carried forward (note 3.7)	27	-23
Income tax recognised in profit or (loss)	**17**	**17**

The item “Tax effect of Non-deductible expense” contains, among others, the tax impact of intercompany interests which were not tax deductible due to thin capitalisation rules.

5 Financial risk management

5.1 Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk mainly from its rental activities (primarily for trade receivables).

Customer credit risk is managed reflecting the Company’s established policy, procedures and control relating to customer credit risk management. Credit quality of the customer is assessed based on an extensive credit rating scorecard at the time of entering into a rental agreement. Outstanding customer receivables are regularly monitored.

The Company’s maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

in thousand euro (TEUR)

The following tables present financial assets reflecting their classification based on its ageing structure and impairment if applicable:

Credit risk concentration at 31 December 2012:

	Total neither past due nor impaired	Total past due but not impaired	Impaired	Total
Cash and cash equivalents	199	–	–	199
Trade and other receivables	30	–	–	30
Total	**229**	**–**	**–**	**229**

Credit risk concentration at 31 December 2011:

	Total neither past due nor impaired	Total past due but not impaired	Impaired	Total
Cash and cash equivalents	42	–	–	42
Trade and other receivables	27	–	–	27
Total	**69**	**–**	**–**	**69**

5.2 Liquidity risk

Liquidity risk refers to the possibility of the Company being unable to meet its cash obligations mainly in relation to the settlement of amounts due to suppliers and bank loans and facilities. The Company monitors its risk of experiencing a shortage of funds using different liquidity planning tools. These tools comprise, e.g. the following activities:

- maintenance of a sufficient balance of liquid funds
- flexible utilisation of the bank loan, overdrafts and facilities
- projection of future cash flows from operating activities

Liquidity risk analysis

The following table summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments including accrued interest. The table reflects the earliest settlement of the Company's liabilities based on contractual maturity.

Liquidity risk concentration at 31 December 2012

	Carrying amount	< 1 year	1-2 years	2-5 years	> 5 year	Total
Loans and borrowings	5,949	365	385	5,534	–	6,284
Trade and other payables	58	58	–	–	–	58
Derivative financial instruments	38	38	–	–	–	38
Total	**6,045**	**461**	**385**	**5,534**	**–**	**6,380**

Liquidity risk concentration at 31 December 2011

	Carrying amount	<1 year	1-2 years	2-5 years	> 5 year	Total
Loans and borrowings	8,162	8,162	–	–	–	8,162
Trade and other payables	17	17	–	–	–	17
Derivative financial instruments	–	–	–	–	–	–
Total	**8,179**	**8,179**	**–**	**–**	**–**	**8,179**

5.3 Foreign currency risk

The Company is exposed to foreign currency risk from the flows that are denominated in currency different from the functional currency. The most significant foreign currency transactions include the bank loan and interest rate swap, which are denominated in EUR.

Foreign currency risk concentration at 31 December 2012:

	CZK currency denominated in TEUR	EUR currency denominated in TEUR	Total
Assets			
Cash and cash equivalents	194	5	199
Trade and other receivables	30	–	30
Total	**224**	**5**	**229**
Liabilities			
Loans and borrowings	62	5,887	5,949
Trade and other payables	58	–	58
Derivative financial instruments	–	38	38
Total	**120**	**5,925**	**6,045**

Foreign currency risk concentration at 31 December 2011:

	CZK currency denominated in TEUR	EUR currency denominated in TEUR	Total
Assets			
Cash and cash equivalents	39	3	42
Trade and other receivables	23	4	27
Total	**62**	**7**	**69**
Liabilities			
Loans and borrowings	562	7,600	8,162
Trade and other payables	14	3	17
Derivative financial instrument	–	–	–
Total	**576**	**7,603**	**8,179**

Sensitivity analysis

A strengthening (weakening) of the Czech Koruna against the EUR at reporting date would have affected the measurement of financial instruments denominated in foreign currency and increased (decreased) net result by the amounts shown below. The analysis assumes that all other variables, in the particular interest rates, remain constant and ignores any impact of forecast sales and purchases. The analysis is performed on the same basis for 2011.

	Profit or loss impact	
	2012	2011
A CZK strengthening against the EUR (+5% movement)	296	380
A CZK weakening against the EUR (-5% movement)	-296	-380

5.4 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The risk to the Company relating to changes in market interest rates is primarily attributable to bank loans with floating interest rates (refer to Note 3.5). The risk of an increase in interest rates is continuously monitored and the use of standard instruments to eliminate the risk (interest rate swaps) is considered.

In order to mitigate the above risks, the following derivative financial instruments were concluded:

Fair value of derivative instruments

	As at 31 December 2012		As at 31 December 2011	
	Assets	Liabilities	Assets	Liabilities
Interest rate swaps	**–**	**-38**	**–**	**–**

Sensitivity analysis

An increase (decrease) in interest rates at reporting date would have affected the measurement of variable financial instruments and decreased (increased) net result by the amounts shown below.

	Profit or loss impact	
31 December 2012	**1% increase in interest rates**	**1% decrease in interest rates**
Variable rate instruments (bank loans)	-69	69

	Profit or loss impact	
31 December 2011	**1% increase in interest rates**	**1% decrease in interest rates**
Variable rate instruments (bank loans)	-78	78

According to the loan agreement of 16 May 2012, the borrowers are obliged to enter into a hedging agreement in the form of an interest rate swap agreement which eliminates at least the 50% of the interest rate exposure of the outstanding principal balance of the loan.

The Company has concluded an interest rate swap with Deutsche Pfandbriefbank AG (together with Bluebox 7 Hradec s.r.o.) with a trade date of 23 August 2012 and a termination date of 31 March 2016. The fixed interest rate is 0.74% (payer Bluebox 7 Hradec s.r.o.) and the floating rate is the EUR-EURIBOR-Telerate (payer Deutsche Pfandbriefbank AG). The notional amount attributable to Bluebox 6 Znaim s.r.o. is TEUR 3,025.

The Company concluded an interest rate swap with Deutsche Pfandbriefbank AG (together with Bluebox 7 Hradec s.r.o.) with a trade date of 3 August 2009 and a termination date of 30 December 2011. The fixed interest rate was 3.65% (payer Bluebox 6 Znaim s.r.o.) and the floating rate is the EUR-EURIBOR-Telerate (payer Deutsche Pfandbriefbank AG). The notional amount attributable to Bluebox 6 Znaim s.r.o. was TEUR 7,867.

5.5 Fair values

	Carrying amount		Fair value	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011
Financial assets				
Trade and other receivables	199	42	199	42
Cash and cash equivalents	30	27	30	27
Financial liabilities				
Interest-bearing loans and borrowings	5,949	8,162	5,949	8,162
Trade and other payables	58	17	58	17
Derivative financial instruments	38	–	38	–

6 Related parties

The Company has a related-party relationship with its members of Board of Directors and shareholder, and companies in which these parties hold a controlling or significant influence or are party to joint ventures.

The Board of Directors did not obtain any remuneration from the Company in 2012 and 2011.

Breakdown of balances between the Company and related parties is as follows:

Receivables from related parties

	31 December 2012	31 December 2011
Trade receivables from related parties	–	–
Loan receivable from DDC Hradec Kralove s.r.o.	24	23
Total receivables due from related parties	**24**	**23**

Loans receivable from DDC Hradec Kralove s.r.o. are denominated in CZK; the interest rate is 3.5%.

Payables to related parties

	31 December 2012	31 December 2011
Loan 1 payable to Bluebox 7 Hradec s.r.o.	2	2
Loan 2 payable to Bluebox 7 Hradec s.r.o.	60	56
Loan 1 payable to DDC Znaim s.r.o.	–	504
Total payables to related parties	**62**	**562**

All loans payable to related parties are denominated in CZK and have an interest rate of 3.5%.

In 2012 the Company received a loan of TEUR 1,667 from DDC Znaim s.r.o. The loan was used to repay a bank loan and, together with other intercompany loans in the amount of TEUR 2,114 was subsequently swapped to other funds of the Company on 30 November 2012 (see note 3.4).

During the year the Company entered into the following transactions with related parties:

Interest income

	2012	2011
Loan receivable from DDC Hradec Kralove s.r.o.	1	1
Total interest income related to related parties	**1**	**1**

Interest expense

	2012	2011
Loan payable to Bluebox 7 Hradec s.r.o.	3	2
Loan 1 payable to DDC Znaim s.r.o.	15	18
Loan 2 payable to DDC Znaim s.r.o.	25	–
Total interest expense related to related parties	**43**	**20**

7 Contingent assets and liabilities

7.1 Contingent assets

The Company is not aware of the existence of any contingent assets as at 31 December 2012.

7.2 Contingent liabilities

The Company does not have records of any contingent liabilities. There are no legal proceedings in process whose outcome would influence the financial statements, and the Company is not aware of any potential litigation.

8 Capital commitments

The Company has no capital commitments as at 31 December 2012.

9 Subsequent events

In 2013, a merger of the parent company DDC Znaim s.r.o. and its subsidiary Bluebox 6 Znaim s.r.o. is planned. The effective date of the merger is 1 January 2013. The successor company will be Bluebox 6 Znaim s.r.o.

No other significant events occurred between the reporting date and the date of preparation of the Company's financial statements.

10 Explanation of transition to IFRS

The transition to IFRS has not influenced the positions of any financial statements captions.

Prague, 19 April 2013

Barbora Brühlová
Member of the Board of Directors

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF BLUEBOX 6 ZNAIM S.R.O.

We have audited the accompanying financial statements of Bluebox 6 Znaim s.r.o., which comprise the statement of financial position as of 31 December 2012, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management of Bluebox 6 Znaim s.r.o. is responsible for the preparation and fair presentation of financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the 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 controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the 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 financial statements give a true and fair view of the financial position of Bluebox 6 Znaim s.r.o. as of 31 December 2012, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Prague, 19 April 2013

KPMG Česká republika Audit, s.r.o.

BLUEBOX 6 ZNAIM S.R.O.

CONDENSED INTERIM FINANCIAL STATEMENTS
FOR SIX MONTHS ENDED 30 JUNE 2013

(All amounts in Euro thousands ("TEUR") unless indicated otherwise)

STATEMENT OF FINANCIAL POSITION

	Note	30 June 2013	31 December 2012
ASSETS			
Investment property	8	5,788	6,152
Non-current assets		**5,788**	**6,152**
Trade and other receivables	11	184	30
Cash and cash equivalents		76	199
Current assets		**260**	**229**
TOTAL ASSETS		**6,048**	**6,380**
EQUITY			
Share capital		7	7
Other funds	9	2,745	2,745
Retained earnings		-2,507	-2,430
Currency translation reserve		-126	-121
TOTAL EQUITY		**119**	**202**
LIABILITIES			
Interest-bearing loans and borrowings	9	5,417	5,584
Deferred tax liabilities	7	122	134
Non-current liabilities		**5,539**	**5,718**
Trade and other payables	11	–	58
Interest-bearing loans and borrowings	9	378	365
Derivative financial instruments	10	11	38
Current liabilities		**390**	**461**
TOTAL LIABILITIES		**5,929**	**6,179**
TOTAL EQUITY AND LIABILITIES		**6,048**	**6,380**

The accompanying notes on pages 6-13 are an integral part of these condensed interim financial statements.

(All amounts in Euro thousands ("TEUR") unless indicated otherwise)

STATEMENT OF COMPREHENSIVE INCOME

	Note	6 months ended 30 June 2013	6 months ended 30 June 2012
Gross rental income		386	383
Property operating expenses	11	-15	-36
Service charge income	11	8	8
Service charge expense	11	-8	-8
NET RENTAL AND SERVICE RELATED INCOME		**371**	**347**
Depreciation	8	-173	-182
Administrative expenses	12	-71	-178
Other income		27	–
RESULTS FROM OPERATING ACTIVITIES		**154**	**-13**
Finance income	12	14	–
Finance expense	12	-253	-146
NET FINANCE INCOME/(EXPENSE)		**-239**	**-146**
PROFIT/(LOSS) BEFORE INCOME TAX		**-85**	**-159**
Income tax income	7	8	8
PROFIT/(LOSS) FOR THE PERIOD		**-77**	**-151**
Currency translation differences		-6	-8
OTHER COMPREHENSIVE EXPENSE		**-6**	**-8**
TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE PERIOD		**-82**	**-159**
Profit/(Loss) attributable to owners		-77	-151
Total comprehensive income/(expense) attributable to owners		-82	-159

The accompanying notes on pages 6-13 are an integral part of these condensed interim financial statements.

(All amounts in Euro thousands ("TEUR") unless indicated otherwise)

STATEMENT OF CASH FLOW

	6 months ended 30 June 2013	6 months ended 30 June 2012
OPERATING ACTIVITIES		
Profit / (Loss) before income tax	-85	-159
Adjusted by:		
Depreciation	173	182
Net finance expense	239	146
Other non-cash movement	-9	-102
Profit/(Loss) before income tax, changes in working capital and provisions	**318**	**67**
Changes in trade and other receivables	-2	-5
Changes in trade and other payables	-79	118
Net cash flows from operating activities	**238**	**180**
INVESTING ACTIVITIES		
Provided loans	-145	–
Net cash flows from investing activities	**-145**	**–**
FINANCING ACTIVITIES		
Proceeds from borrowings	–	1,579
Repayment of borrowings	-151	-1,539
Interest paid	-64	-88
Net cash flows from financing activities	**-215**	**-48**
Net increase/(decrease) in cash and cash equivalents	-122	132
Cash and cash equivalents at the beginning of the period	199	42
Cash and cash equivalents as at end of the period	76	174

The accompanying notes on pages 6-13 are an integral part of these condensed interim financial statements.

(All amounts in Euro thousands ("TEUR") unless indicated otherwise)

STATEMENT OF CHANGES IN EQUITY

	Share capital	Other funds	Currency translation reserve	Retained earnings	Total equity
Balance at 1 January 2012	**7**	**631**	**-89**	**-2,457**	**-1,908**
Loss for the period	–	–	–	-151	**-151**
Other comprehensive income					
Foreign currency translation differences	–	–	-8	–	-8
Balance at 30 June 2012	**7**	**631**	**-97**	**-2,608**	**-2,067**
Balance at 1 January 2013	**7**	**2,745**	**-121**	**-2,430**	**202**
Loss for the period	–	–	–	-77	**-77**
Other comprehensive income					
Foreign currency translation differences	–	–	-6	–	-6
Balance at 30 June 2013	**7**	**2,745**	**-126**	**-2,507**	**119**

The accompanying notes on pages 6-13 are an integral part of these condensed interim financial statements.

(All amounts in Euro thousands ("TEUR") unless indicated otherwise)

1 General information

Bluebox 6 Znaim s.r.o. ("the Company") is a limited liability company, incorporated and domiciled in the Czech Republic. The Company's registered office is located at the following address: Prague 8, Karolinská 661, 186 00.

The Company rents and manages its investment property comprising the Interspar hypermarket in Znojmo.

These condensed interim financial statements have been prepared for inclusion in prospectus of Meridian Properties NV and approved by management on 5 August 2013. These condensed interim financial statements have been reviewed, not audited.

2 Basis of preparation

These condensed interim financial statements for the six months ended 30 June 2013 have been prepared in accordance with IAS 34, 'Interim financial reporting'. The condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2012, which have been prepared in accordance with IFRSs as adopted by EU.

3 Accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as described below.

New and amended standards adopted by the Company

No such standards occurred during the period.

4 Estimates

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed interim financial statements, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended 31 December 2012.

5 Financial risk management

The Company's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

The condensed interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the Company's annual financial statements as at 31 December 2012. There have been no changes in the risk management policies.

6 Income taxes

Income tax income recognised in profit or (loss)

	6 months ended 30 June 2013	**6 months ended 30 June 2012**
Current income tax expense	–	–
Deferred income tax	8	8
Total income tax income recognised in profit or (loss)	**8**	**8**

(All amounts in Euro thousands ("TEUR") unless indicated otherwise)

The tax loss was generated for the reporting period and the deferred tax assets have not been recognised in respect of the tax losses carried forward due to the uncertainty that sufficient future taxable profits will be available for utilisation.

The recognised deferred tax liabilities are attributable to the following:

	Assets		Liabilities		Net	
	30 June 2013	31 December 2012	30 June 2013	31 December 2012	30 June 2013	31 December 2012
Investment property	–	–	-122	-134	-122	-134
Deferred tax liabilities	**–**	**–**	**-122**	**-134**	**-122**	**-134**

For the calculation of deferred tax a tax rate of 19% was used.

Movements in temporary differences during the period

2013

	Balance at 31 December 2012	Recognised in profit or loss	Effect of movements in exchange rates	Balance at 30 June 2013
Investment property	-134	8	4	-122
Total	**-134**	**8**	**4**	**-122**

2012

	Balance at 1 January 2012	Recognised in profit or loss	Effect of movements in exchange rates	Balance at 30 June 2012
Investment property	-147	8	-1	-140
Total	**-147**	**8**	**-1**	**-140**

7 Dividends

No dividends were granted or paid during the period.

8 Investment property

	Land	Buildings	Total
Cost			
Balance at 1 January 2012	726	8,543	9,269
Additions	–	–	–
Disposals	–	–	–
Effect of movements in exchange rates	4	54	58
Balance at 30 June 2012	**730**	**8,597**	**9,327**
Depreciation and impairment losses			
Balance at 1 January 2012	–	-2,920	-2,920
Depreciation for the period	–	-182	-182
Disposals	–	–	–
Effect of movements in exchange rates	–	-15	-15
Balance at 30 June 2012	**–**	**-3,117**	**-3,117**
CARRYING AMOUNTS			
Balance at 1 January 2012	**726**	**5,623**	**6,349**
Balance at 30 June 2012	**730**	**5,480**	**6,210**
Cost			
Balance at 1 January 2013	745	8,767	9,512
Additions	–	–	–
Disposals	–	–	–
Effect of movements in exchange rates	-23	-274	-297
Balance at 30 June 2013	**721**	**8,494**	**9,215**
Depreciation and impairment losses			
Balance at 1 January 2013	–	-3,360	-3,360
Depreciation for the period	–	-173	-173
Disposals	–	–	–
Effect of movements in exchange rates	–	106	106
Balance at 30 June 2013	**–**	**-3,427**	**-3,427**
CARRYING AMOUNTS			
Balance at 1 January 2013	**745**	**5,407**	**6,152**
Balance at 30 June 2013	**721**	**5,067**	**5,788**

The market value of the investment property as at 31 March 2013 was estimated at 9,800 TEUR by the independent valuer (BNP Paribas Real Estate), who holds a required and relevant professional qualification. The market value of the investment property was stated as at 30 June 2013 in the amount of TEUR 9,600. There has been a decline in the market value of the investment property due to the effect of indexation for the given period. The market value was estimated using the discounted cash flow model and comparable market yields.

9 Equity

Changes in equity

The statement of changes in equity is presented on the face of the interim financial statements. For all changes in equity during 2012 see annual financial statements for the year ended 31 December 2012.

10 Interest-bearing loans and borrowings

Non-current

	30 June 2013	31 December 2012
Bank loan	5,417	5,584
Total non-current interest bearing loans and borrowings	**5,417**	**5,584**

Current

	30 June 2013	31 December 2012
Bank loan	317	303
Loans from related parties	61	62
Total current interest bearing loans and borrowings	**378**	**365**

The detailed split as at 30 June 2013 can be summarised as follows:

	Currency	Nominal interest rate	Due within 1 year	Due within 1- 5 years	Due in following years	Total
Bank loan	EUR	EURIBOR + 2% margin (until 31 March 2015) and 3% margin (after this date)	317	5,417	–	5,735
Loans from related parties	CZK	3,50%	61	–	–	61
Total			**378**	**5,417**	**–**	**5,796**

The detailed split as at 31 December 2012 can be summarised as follows:

	Currency	Nominal interest rate	Due within 1 year	Due within 1- 5 years	Due in following years	Total
Bank loan	EUR	EURIBOR + 2% margin (until 31 March 2015) and 3% margin (after this date)	303	5,584	–	5,887
Loans from related parties	CZK	3,50%	62	–	–	62
Total			**365**	**5,584**	**–**	**5,949**

The investment bank loan is provided by Deutsche Pfandbriefbank AG (formerly: Hypo Real Estate Bank Aktiengesellschaft). The bank loan agreement was negotiated together for the Company and Bluebox 7 Hradec s.r.o. (affiliated company) on 16 June 2012. Individual loan amounts were allocated to each of the borrowers pursuant to an agreement between the Company and Bluebox 7 Hradec s.r.o.

The maturity of the bank loan is in quarterly instalments with the final instalment of TEUR 4,510 due on 31 March 2016. The bank grants to the borrowers an option to extend the term of the loan until 31 March 2017.

The following securities/collaterals for the bank loan are valid:

- Full cross-collateralisation of the investment property without release pricing
- First ranking mortgages on all properties (loans + hedging)
- Pledge of all shares of the borrowers
- Pledge over the rental and reserve accounts
- Subordination of shareholder loans
- Assignment/pledge of receivables from
  - lease agreements
  - hedging instruments
  - insurance agreements
  - property management agreements

Bluebox 6 Znaim s.r.o. and Bluebox 7 Hradec s.r.o. have to fulfil the bank loan covenants jointly. As at 30 June 2013 all bank covenants were met.

10.1 Derivative financial instruments

According to the loan agreement from 16 May 2012, the borrowers are obliged to enter into a hedging agreement in the form of an interest rate swap agreement which eliminates at least the 50% of the interest rate exposure of the outstanding principal balance of the loan.

The Company has concluded an interest rate swap with Deutsche Pfandbriefbank AG (together with Bluebox 7 Hradec s.r.o.) with a trade date of 23 August 2012 and a termination date of 31 March 2016. The fixed interest rate is 0.74% (payer Bluebox 7 Hradec s.r.o.) and the floating rate is the EUR-EURIBOR-Telerate (payer Deutsche Pfandbriefbank AG). The notional amount attributable to Bluebox 6 Znaim s.r.o. is TEUR 3,025.

Fair value of derivative instruments

	As at 30 June 2013		As at 31 December 2012	
	Assets	Liabilities	Assets	Liabilities
Interest rate swaps	–	11	–	38

11 Trade and other payables and receivables

11.1 Trade and other payables

Current

	30 June 2013	31 December 2012
Trade payables due to third parties	–	15
Value added tax payables	–	5
Property tax payables	–	28
Other payables due to third parties	–	10
Total	**–**	**58**

11.2 Trade and other receivables

Current

	30 June 2013	31 December 2012
Trade receivables due from third parties	15	0
Other receivables due from third parties	0	6
Loans to related parties	169	24
Total current trade and other receivables	**184**	**30**
Total impairment to current trade and other receivables	**–**	**–**
Total trade and other receivables net of impairment	**184**	**30**

13 Net service charge income

Net service charge income

	6 months ended 30 June 2013	6 months ended 30 June 2012
Service charge income	8	8
Service charge expense	-8	-8
Net service charge income	**–**	**–**

No material expenses were re-invoiced during the period.

(All amounts in Euro thousands ("TEUR") unless indicated otherwise)

14 Property operating expenses

	6 months ended 30 June 2013	6 months ended 30 June 2012
Facility management	4	6
Property insurance expenses	6	25
Real estate tax	5	5
Total property operating expenses	**15**	**36**

15 Administrative expenses

	6 months ended 30 June 2013	6 months ended 30 June 2012
Management charges	–	52
Accounting, tax and audit services	63	42
Legal and property valuation and consulting services	7	83
Other administrative expenses	1	1
Total administrative expenses	**71**	**178**

16 Finance income and expense

16.1 Finance income

	6 months ended 30 June 2013	6 months ended 30 June 2012
Interest rate swap income	14	–
Total finance income	**14**	**–**

16.2 Finance expense

	6 months ended 30 June 2013	6 months ended 30 June 2012
Interest expense on intercompany loans	–	11
Interest expense on bank loan	64	109
Foreign exchange losses (net)	189	26
Total finance expense	**253**	**146**

Interest expense on the bank loan decreased due to the extraordinary loan repayment in 2012 and due to decrease in EURIBOR.

17 Contingent assets and liabilities

The Company is not aware of the existence of any contingent assets or liabilities as at 30 June 2013. There are no legal proceedings in process whose outcome would influence the financial statements, and the Company is not aware of any potential litigation.

18 Related party transactions

The Board of Directors did not obtain any remuneration from the Company in 2013 and 2012. During the period the Company was not charged with and paid no management fee.

Receivables from related parties

	30 June 2013	31 December 2012
Loan receivable from DDC Hradec Králove s.r.o.	24	24
Loan receivable from Bluebox 7 Hradec s.r.o.	145	–
Total receivables due from related parties	**169**	**24**

Loan is denominated in CZK; the interest rate is 3.5%.

Payables to related parties

	30 June 2013	31 December 2012
Trade payables to related parties	–	–
Loan I payable to Bluebox 7 Hradec s.r.o.	2	2
Loan II payable to Bluebox 7 Hradec s.r.o.	59	60
Total payables to related parties	**61**	**62**

All loans payable to related parties are denominated in CZK and have an interest rate of 3.5%. In 2012 the Company received a loan of TEUR 1,667 from DDC Znaim s.r.o. The loan was used to repay a bank loan and, together with other intercompany loans in the amount of TEUR 2,114, was subsequently swapped to other funds of the Company on 30 November 2012 (see note 9). Interest on these receivables and payables charged for the period is immaterial (see note 15.2).

19 Events after the reporting period

In 2013, a merger of the parent company DDC Znaim s.r.o. and its subsidiary Bluebox 6 Znaim s.r.o. is planned. The effective date of the merger is 1 January 2013. The successor company will be Bluebox 6 Znaim s.r.o.

No other significant events occurred between the reporting date and the date of preparation of the Company's financial statements.

Prague, 5 August 2013

Barbora Brühlová
Member of the Board of Directors

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INDEPENDENT AUDITOR'S REPORT ON REVIEW OF INTERIM FINANCIAL STATEMENTS

Introduction

We have reviewed the accompanying condensed statement of financial position of Bluebox 6 Znaim s.r.o. as at 30 June 2013, the condensed statements of comprehensive income, changes in equity and cash flows for the six month period then ended, and the notes to the interim financial statements ("the condensed interim financial statements"). Management is responsible for the preparation and presentation of this condensed interim financial statements in accordance with IAS 34, "Interim Financial Reporting" as adopted by the European Union. Our responsibility is to express a conclusion on this condensed interim financial statements based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financials consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements as at 30 June 2013 are not prepared in all material respects, in accordance with IAS 34, "Interim Financial Reporting" as adopted by the European Union.

Prague, 5 August 2013

KPMG Česká republika Audit, s.r.o.

FINANCIAL STATEMENTS AS AT 31 DECEMBER 2012

Bluebox 7 Hradec s.r.o.

Bluebox 7 Hradec s.r.o.
FINANCIAL STATEMENTS (NON-CONSOLIDATED)
FOR THE PERIOD FROM 1 JANUARY 2012 TILL 31 DECEMBER 2012
in thousand euro (TEUR)

STATEMENT OF FINANCIAL POSITION

	Note	31 December 2012	31 December 2011	1 January 2011
ASSETS				
Non-current assets				
Investment property	3.1	20,926	21,543	23,393
Total non-current assets		**20,926**	**21,543**	**23,393**
Current assets				
Trade and other receivables	3.2	463	358	580
Cash and cash equivalents	3.3	748	165	122
Total current assets		**1,211**	**523**	**702**
TOTAL ASSETS		**22,137**	**22,066**	**24,095**
EQUITY				
Share capital	3.4	7	7	7
Other funds	3.4	9,644	2,457	2,457
Retained earnings		-6,063	-5,947	-5,092
Currency translation reserve		-169	-133	-266
TOTAL EQUITY		**3,419**	**-3,616**	**-2,894**
LIABILITIES				
Non-current liabilities				
Interest-bearing loans and borrowings	3.5	16,651	–	22,700
Deferred tax liabilities	3.7	719	782	892
Trade and other payables	3.6	57	80	81
Total non-current liabilities		**17,427**	**862**	**23,673**
Current liabilities				
Trade and other payables	3.6	223	225	276
Current tax liabilities		34	–	–
Interest-bearing loans and borrowings	3.5	908	24,595	2,446
Derivative financial instruments	5.4	126	–	594
Total current liabilities		**1,291**	**24,820**	**3,316**
TOTAL LIABILITIES		**18,718**	**25,682**	**26,989**
TOTAL EQUITY AND LIABILITIES		**22,137**	**22,066**	**24,095**

The notes to financial statements on pages 6 to 35 are an integral part of these financial statements.

in thousand euro (TEUR)

STATEMENT OF COMPREHENSIVE INCOME

	Note	2012	2011
Gross rental income	4.1	2,250	2,186
Property operating expenses	4.2	-136	-44
Service charge income	4.3	805	813
Service charge expense	4.3	-805	-813
NET RENTAL AND SERVICE RELATED INCOME		**2,114**	**2,142**
Depreciation	3.1	-1,182	-1,237
Administrative expenses	4.4	-749	-400
Other income	4.5	2	14
RESULTS FROM OPERATING ACTIVITIES		**185**	**519**
Finance income	4.6	451	77
Finance expense	4.7	-802	-1,540
NET FINANCE EXPENSE		**-351**	**-1,463**
LOSS BEFORE INCOME TAX		**-166**	**-944**
Income tax income	4.8	50	89
LOSS FOR THE PERIOD		**-116**	**-855**
Currency translation differences		-36	133
OTHER COMPREHENSIVE INCOME/(EXPENSE)		**-36**	**133**
TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE PERIOD		**-152**	**-722**
Loss attributable to owners		-116	-855
Total comprehensive income/(expense) attributable to owners		-152	-722

The notes to financial statements on pages 6 to 35 are an integral part of these financial statements.

Bluebox 7 Hradec s.r.o.
FINANCIAL STATEMENTS (NON-CONSOLIDATED)
FOR THE PERIOD FROM 1 JANUARY 2012 TILL 31 DECEMBER 2012
in thousand euro (TEUR)

STATEMENT OF CASH FLOW

	2012	2011
OPERATING ACTIVITIES		
Loss before income tax	-166	-944
Adjusted by:		
Depreciation	1,182	1,237
Net finance expense	225	1,531
Gain on sale of investment property	-2	–
Derivative financial instruments	126	-68
Other non-cash movements	-158	-46
Profit/(Loss) before income tax, changes in working capital and provisions	**1,207**	**1,710**
Changes in trade and other receivables	-32	225
Changes in trade and other payables	-27	-579
Net cash flows from operating activities	**1,148**	**1,356**
INVESTING ACTIVITIES		
Provided loans	-54	–
Proceeds from sale of investment property	2	–
Net cash flows from investing activities	**-52**	**–**
FINANCING ACTIVITIES		
Proceeds from issue of share capital	–	–
Proceeds from borrowings	5,263	–
Repayment of borrowings	-5,223	-539
Interest paid	-553	-774
Net cash flows from financing activities	**-513**	**-1,313**
Net increase in cash and cash equivalents	**583**	**43**
Cash and cash equivalents at the beginning of the year	**165**	**122**
Cash and cash equivalents at the end of the year	**748**	**165**

The notes to financial statements on pages 6 to 35 are an integral part of these financial statements.

Bluebox 7 Hradec s.r.o.
FINANCIAL STATEMENTS (NON-CONSOLIDATED)
FOR THE PERIOD FROM 1 JANUARY 2012 TO 31 DECEMBER 2012
in thousand euro (TEUR)

STATEMENT OF CHANGES IN EQUITY

	Share capital	Other funds	Currency translation reserve	Retained earnings	Total equity
BALANCE AT 1 JANUARY 2011	**7**	**2,457**	**-266**	**-5,092**	**-2,894**
Loss for the period	–	–	–	-855	-855
Other comprehensive income					
Foreign currency translation differences	–	–	133	–	133
BALANCE AT 31 DECEMBER 2011	**7**	**2,457**	**-133**	**-5,947**	**-3,616**
BALANCE AT 1 JANUARY 2012	**7**	**2,457**	**-133**	**-5,947**	**-3,616**
Loss for the period	–	–	–	-116	-116
Debt to equity swap	–	7,187	–	–	7,187
Other comprehensive income					
Foreign currency translation differences	–	–	-36	–	-36
BALANCE AT 31 DECEMBER 2012	**7**	**9,644**	**-169**	**-6,063**	**3,419**

The notes to financial statements on pages 6 to 35 are an integral part of these financial statements.

Bluebox 7 Hradec s.r.o.
FINANCIAL STATEMENTS (NON-CONSOLIDATED)
FOR THE PERIOD FROM 1 JANUARY 2012 TO 31 DECEMBER 2012
NOTES TO THE FINANCIAL STATEMENTS
in thousand euro (TEUR)

1 General information

Bluebox 7 Hradec s.r.o. ("the Company") is a company incorporated under the laws of the Czech Republic.

The Company was established on 2 February 2006 and was incorporated in the Commercial Register kept by the Municipal Court in Prague, section C, insert 111750.

The address of its registered office is Prague 8, Karolinská 661, Postcode 186 00, identification number 274 20 787.

The Company was renamed from Carpathian Hradec Kralove s.r.o. to Bluebox 7 Hradec s.r.o. The change in the name was entered into the Commercial Register on 24 May 2012.

Principal activities

The Company rents and manages its investment property, which comprises EuroCenter Hradec Králové and is located in Víta Nejedleho 1063, Hradec Králové in the Czech Republic. EuroCenter is a shopping centre comprising Baumax building materials and garden centre, Interspar hypermarket and a shopping gallery, totalling 23,900 sq m.

Shareholder

The sole shareholder of the Company is DDC Hradec Kralove s.r.o. with its registered office at Prague 8, Karolinská 661, 186 00, identification number 278 68 222; registered with the Commercial Register held by the Municipal Court of Prague in section C, inset 122861; represented by Barbora Brühlová, the executive director.

The Company is part of BLUEHOUSE ACCESSION PROJECT XI LIMITED and BLUEHOUSE ACCESSION PROJECT XII LTD, which are controlled by Bluehouse Advisor Ltd, a private equity real estate investment management firm focused in emerging European economies. In June 2012 Bluehouse acquired a retail park portfolio in the Czech Republic consisting of the Interspar hypermarket in Znojmo and the EuroCenter, a retail warehousing scheme in Hradec Kralove from Chesnut Holdings S.á.r.l. (previously owner of a 99% share in DDC Znaim s.r.o.) and Carpathian Properties S.á.r.l. (previously owner of a 1% share in DDC Znaim s.r.o.).

Bluebox 7 Hradec s.r.o. is wholly owned by DDC Hradec Kralove s.r.o. DDC Hradec Kralove s.r.o. is owned by Bluehouse Accession Project XI Limited, with its registered office at Chrysorogiatissis & Kolokotroni, 3040 Limassol, Cyprus, registered with the Registrar of Companies under number HE 289201 ("Bluehouse Project XI").

Management as at 31 December 2012

Board of Executive Directors

Members

Barbora Brühlová—from 3 October 2007

Kateřina Němcová—from 11 January 2012 (Lenka Říhová until 11 January 2012).

The change was entered into Commercial Register on 27 January 2012.

Each Executive Director acts and signs on behalf of the Company in all matters separately.

Employees

The Company has no employees as at 31 December 2012 and as at 31 December 2011. Administration is provided by RSM TACOMA a.s.

2 Summary of significant accounting policies

2.1 Basis of preparation

a) Statement of compliance

The financial statements are prepared for the year ended 31 December 2012. The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by European Union. These are the Company's first consolidated financial statements prepared with IFRSs and IFRS 1—First-time Adoption of International Financial Reporting Standards has been applied.

An explanation of how the transition of the IFRS has affected the reported financial position, financial performance and cash flows of the Company is provided in note 10.

The financial statements were authorised for issue by the Board of Directors on 19 April 2013.

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2012, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Company, except for IFRS 13 *Fair Value Measurements* and IFRS 9 *Financial Instruments*, which becomes mandatory for the Company's 2013 and 2015 financial statements respectively and could change the classification and measurement of financial assets.

- ***IFRS 9 Financial Instruments***

The new standard replaces the guidance in IAS 39, Financial Instruments: Recognition and Measurement, regarding classification and measurement of financial assets. The standard eliminates the existing IAS 39 categories of held to maturity, available for sale and loans and receivables.

Financial assets will be classified into one of two categories on initial recognition: financial assets measured at amortised cost; or financial assets measured at fair value.

The 2010 amendments to IFRS 9 replace the guidance in IAS 39 Financial Instruments: Recognition and Measurement mainly in relation to liabilities "designated at fair value through profit or loss" in case of changes in fair value, attributable to changes in credit risk of that liability. The standard requires changes in fair value to be presented directly in other comprehensive income. Amounts presented in other comprehensive income are not subsequently reclassified to profit or loss but may be transferred within equity.

The new standard eliminates the requirement to separate embedded derivatives from the host contract. It requires that the hybrid (combined) contract be measured at amortised cost or fair value.

Additionally, the amendments change the disclosure and restatement requirements relating to the initial application of IFRS 9 Financial Instruments.

The Company does not expect the standard to have an impact on the measurement of financial instruments upon its initial application. Based on the standard, the classification of financial instruments into their respective categories will change.

- ***IFRS 13 Fair Value Measurement***

IFRS 13 replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 explains how to measure fair value when it is required or permitted by other IFRSs.

The Company does not expect IFRS 13 to have a significant impact on the financial statements, except for more extensive disclosure in the notes to the financial statements.

The Company does not plan to adopt these standards early and the extent of the impact has not been determined.

b) Basis of measurement

The financial statements have been prepared on a historical cost basis except for the derivative financial instruments.

c) Functional and presentation currency

These financial statements are presented in euro; the Company's functional currency is the Czech Koruna. All financial information presented in euro has been rounded to the nearest thousand (TEUR), unless otherwise indicated.

d) Use of estimates and judgements

The preparation of the financial statements in conformity with IFRS as adopted by European Union requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience, internal calculations and various other factors that the management believes to be reasonable under the circumstances, and the results of which form the basis of judgements about the carrying values of assets and liabilities that are not readily apparent from other sources. The actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about assumptions, estimated uncertainties and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in note 2.2 (b)—Investment property and note 5.5—Fair values.

2.2 Significant accounting policies

The accounting policies set out below have been applied over the entire period presented in these financial statements.

a) Foreign currency

(i) Functional currency

The functional currency of the Company is the Czech Koruna, as the entity is incorporated and carries out its operations in the Czech Republic.

(ii) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period.

Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on retranslation are recognised in profit or loss.

(iii) Presentation currency

Assets and liabilities are translated at the closing rate at the date of the statement of financial position. Equity is translated at the historical rate. Income and expenses for each statement presenting profit or loss and other comprehensive income are translated at the average rate for the period. Arising foreign currency differences are recognised as currency translation reserve within equity.

Presentation currency was selected differently from functional currency as it better reflects understanding of the investors.

b) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both. Investment property is measured at cost.

Items of investment property are measured at cost less accumulated depreciation (see below) and impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of material and direct labour, any other costs directly attributable to bringing the investment property to a working condition for its intended use and capitalised borrowing costs.

Investment property	2012
Land	indefinite useful life
Buildings	25 years

c) Financial instruments

(i) Non-derivative financial assets

Non-derivative financial assets comprise provided loans, trade and other receivables, and cash and cash equivalents.

The Company initially recognises loans, receivables and deposits on the date that they are originated. All other financial assets (including financial assets designated as at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Provided loans

Loans are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, provided loans are measured at amortised cost using the effective interest method less any impairment losses.

Finance charges, including premiums receivable on settlement or redemption and direct issue costs, are recognised in profit or loss on an accrual basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

The recoverable amount of the Company's provided loans is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate calculated at initial recognition of the financial assets). Loan receivables with a short duration are not discounted.

The Company classifies as a current portion any part of long-term loans that is due within one year from the date of the statement of financial position.

Trade and other receivables

Trade and other receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments. Bank accounts and call deposits that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the cash-flow statement.

(ii) Non-derivative financial liabilities

Non-derivative financial liabilities comprise loans and borrowings and trade and other payables. The Company initially recognises debt securities issued and subordinated liabilities on the date that they are originated. The financial liabilities (including financial liabilities designated as at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

The Company classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest-bearing loans and borrowings

Interest-bearing loans and borrowings are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, the interest-bearing loans and borrowings are measured at amortised cost using the effective interest method. Bank overdrafts form an integral part of the Company's cash management.

Finance charges, including premiums payable on settlement or redemption and direct issue costs, are recognised in profit or loss on an accrual basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

The Company classifies as a current portion any part of long-term loans that is due within one year from the date of the statement of financial position.

Trade and other payables

Trade and other payables are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these payables are measured at amortised cost using the effective interest method.

(iii) Financial instruments

A derivative is a financial instrument or other contract which fulfils the following conditions:

- its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract;
- it requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors; and
- it is settled at a future date.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted in profit or loss.

Fair values are obtained from quoted market prices or discounted cash-flow models, as appropriate. All non-hedge derivatives are carried as current assets when their fair value is positive and as current liabilities when their fair value is negative.

d) Share capital and other funds

Share capital

Share capital is classified as equity. Incremental costs directly attributable to the issue of new shares and share options, other than upon a business combination, are recognised as a deduction from equity, net of any tax effects

Other funds

Other funds represent funds from mergers realised prior to 1 January 2011 and other capital contributions of the owners.

e) Impairment

(i) Non-derivative financial assets

A financial asset not classified as at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that the loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant period of prolonged decline in its fair value below its cost is objective evidence of impairment.

The Company considers evidence of impairment for financial assets measured at amortised cost (provided loans, trade and other receivables) at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified.

Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Company uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against provided loans, trade and other receivables or held-to-maturity financial assets. Interest on the impaired asset continues to be recognised. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(ii) Non-financial assets

The carrying amounts of the Company's non-financial assets, other than deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill and indefinite-lived intangible assets are tested annually for impairment. An impairment loss is recognised if the carrying amount of an asset or cash-generating unit (CGU) exceeds its recoverable amount.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset of CGU. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Subject to an operating segment ceiling test, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro-rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

f) Revenue

(i) Rental income

Rental income from investment property is recognised as revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

The term of the lease is the non-cancellable period of the lease. Any further term for which the tenant has the option to continue the lease is not considered.

(ii) Services rendered

Revenue from services rendered is recognised in profit and loss when the transaction under the service agreement has been completed.

The Company accounts for purchased media supply (heat, water, electricity, etc.) as an expenses in item service expenses. At the same time revenues from rebilling of media to tenants are recognized as services rendered.

(iii) Sale of investment property

Revenue from the sale of investment property is recognised in profit or loss when the significant risks and rewards of ownership have been transferred to the buyer.

g) Expenses

(i) Service costs and property operating expenses

Service costs for service contracts entered into and property operating expenses are expensed as incurred.

(ii) Operating lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease.

h) Finance income and finance costs

Finance income comprises bank interest and interest on provided loans.

Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Company's right to receive payment is established.

Finance costs comprise interest expense on loans and borrowings and bank charges.

Foreign currency gains and losses are reported on a net basis as either finance income or finance costs, depending on whether foreign currency movements are in a net gain or net loss position.

i) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current and deferred income tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;

- temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantially enacted at the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

j) Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company’s other components.

Each segment within the Company is periodically evaluated during the regular meetings of established task forces and the results of such evaluations are reported during Board of Directors meetings. Segment results that are reported to the Board of Directors, which is the chief operating decision-maker, include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise corporate assets (primarily the Company’s headquarters), head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, investment property, intangible assets other than goodwill and trading property.

Segment information is presented in respect of the Company’s operating and geographical segments. The Company’s primary format for segment reporting is based on operating segments. The operating segments are determined based on the Company’s management and internal reporting structure.

Inter-segment pricing is determined on an arm’s length basis.

The Company classifies its operations into one segment—retail. In respect of geographical segments, all activities are carried out in the Czech Republic.

3 Statement of financial position

3.1 Investment property

	Land	Buildings	Total
Cost			
Balance at 1 January 2011	3,401	29,033	32,434
Effect of movements in exchange rates	-97	-833	-930
Balance at 31 December 2011	**3,304**	**28,200**	**31,504**
Depreciation and impairment losses			
Balance at 1 January 2011	–	-9,042	-9,042
Depreciation for the year	–	-1,237	-1,237
Effect of movements in exchange rates	–	318	318
Balance at 31 December 2011	**–**	**-9,961**	**-9,961**
CARRYING AMOUNTS			
At 1 January 2011	**3,401**	**19,991**	**23,392**
At 31 December 2011	**3,304**	**18,239**	**21,543**
Cost			
Balance at 1 January 2012	3,304	28,200	31,504
Disposals	–	-7	-7
Effect of movements in exchange rates	87	741	828
Balance at 31 December 2012	**3,391**	**28,934**	**32,325**
Depreciation and impairment losses			
Balance at 1 January 2012	–	-9,961	-9,961
Depreciation for the year	–	-1,182	-1,182
Disposals	–	6	6
Effect of movements in exchange rates	–	-262	-262
Balance at 31 December 2012	**–**	**-11,399**	**-11,399**
CARRYING AMOUNTS			
At 1 January 2012	**3,304**	**18,239**	**21,543**
At 31 December 2012	**3,391**	**17,535**	**20,926**

Investment property represents EuroCenter, a retail warehousing complex in Hradec Králové (Víta Nejedlého 1063, Hradec Králové) (see note 1). The market value of the investment property as at 31 December 2012 was estimated at TEUR 27,000 by independent the valuer (BNP Paribas Real Estate), who holds a required and relevant professional qualification. The market value was estimated using the discounted cash flow model and comparable market yields.

All investment property is pledged as a security for a bank loan from Deutsche Pfandbriefbank AG (note 3.5).

3.2 Trade and other receivables

Current

	31 December 2012	31 December 2011
Trade receivables due from third parties	96	77
Other receivables due from third parties	29	14
Loans to related parties	338	267
Total current trade and other receivables	**463**	**358**
Total impairment to current trade and other receivables	**–**	**–**
Total trade and other receivables net of impairment	**463**	**358**

Loans to related parties are described in detail in note 6.

Other receivables due from third parties represent prepaid expenses and a VAT receivable from the tax office.

3.3 Cash and cash equivalents

	31 December 2012	31 December 2011
Bank balances	747	164
Cash in hand	1	1
Total cash and cash equivalents	**748**	**165**

3.4 Equity

Changes in equity

The statement of changes in equity is presented on the face of the financial statements.

Share capital

Share capital of the Company in the amount of TEUR 7 (2011—TEUR 7) consists of the 100% share of DDC Hradec Kralove s.r.o.

Other funds

The Company reported negative equity of TEUR 3,616 as at 31 December 2011. The owner of the Company decided to realise swap of intercompany loans into equity in the amount of TEUR 7,187. No gain or loss has been recognised. The swap into other funds was accomplished on 30 November 2012.

3.5 Interest-bearing loans and borrowings

Non-current

	31 December 2012	31 December 2011
Bank loan	16,651	–
Total non-current interest bearing loans and borrowings	**16,651**	**–**

Current

	31 December 2012	31 December 2011
Bank loan	908	22,700
Loans from related parties	–	1,895
Total current interest-bearing loans and borrowings	**908**	**24,595**

The detailed split as at 31 December 2012 can be summarised as follows:

	Currency	Nominal interest rate	Due within 1 year	Due within 1 - 5 years	Due in following years	Total
Bank loan	EUR	EURIBOR + 2% margin (until 31 March 2015) and 3% margin (after this date)	908	16,651	–	17,559
Total			**908**	**16,651**	**–**	**17,559**

The detailed split as at 31 December 2011 can be summarised as follows:

	Currency	Nominal interest rate	Due within 1 year	Due within 1 - 5 years	Due in following years	Total
Bank loan	EUR	EURIBOR + 2% margin (until 31 March 2015) and 3% margin (after this date)	22,700	–	–	22,700
Loans from related parties	CZK	2% and 3.50%	1,895	–	–	1,895
Total			**24,595**	**–**	**–**	**24,595**

The investment bank loan is provided by Deutsche Pfandbriefbank AG (formerly: Hypo Real Estate Bank Aktiengesellschaft). The bank loan agreement was negotiated together for the Company and Bluebox 6 Znaim s.r.o. (affiliated company) on 16 June 2012. Individual loan amounts were allocated to each of the borrowers pursuant to an agreement between the Company and Bluebox 6 Znaim s.r.o.

The maturity of the bank loan is in quarterly instalments with the final instalment of TEUR 13,430 due on 31 March 2016. The bank grants to the borrowers an option to extend the term of the loan until 31 March 2017.

There was an extraordinary repayment of the bank loan of TEUR 5,141 in 2012.

The following securities/collaterals for the bank loan are valid:

- Full cross-collateralisation of the investment property without release pricing
- First ranking mortgages on all properties (loans + hedging)
- Pledge of all shares of the borrowers
- Pledge over the rental and reserve accounts
- Subordination of shareholder loans
- Assignment/pledge of receivables from
    - lease agreements
    - hedging instruments
    - insurance agreements
    - property management agreements

Bluebox 6 Znaim s.r.o. and Bluebox 7 Hradec s.r.o. have to fulfil the bank loan covenants jointly. As at 31 December 2012 the loans covenants were met.

3.6 Trade and other payables

Non-current

	31 December 2012	31 December 2011
Advances received	57	80
Total	**57**	**80**

Current

	31 December 2012	31 December 2011
Trade payables due to third parties	136	131
Value added tax payables	2	38
Other payables due to third parties	85	56
Total	**223**	**225**

Other payables due to third parties represent estimated payables.

3.7 Deferred tax

Recognised deferred tax assets and liabilities

The deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011	31 December 2012	31 December 2011
Investment property	–	–	-719	-782	-719	-782
Deferred tax liabilities	**–**	**–**	**-719**	**-782**	**-719**	**-782**

For the calculation of deferred tax an expected tax rate of 19% was used.

Unrecognised deferred tax assets

The tax loss amounted to TEUR 174 in 2011 which increased the accumulated tax loss to TEUR 220 as at 31 December 2011. In 2012 the Company utilised tax losses from previous years in the total amount of TEUR 220 and no unitilised tax losses remain as at 31 December 2012. The deferred tax assets have not been recognised in respect of the tax losses carried forward due to the uncertainty that sufficient future taxable profits will be available for utilisation. The unrecognised deferred tax asset amounts to EUR 0 as at 31 December 2012 (EUR 41 as at 31 December 2011).

Movements in temporary differences during the period

2012

	Balance at 1 January 2012	Recognised in profit or loss	Effect of movements in exchange rates	Balance at 31 December 2012
Investment property	-782	84	-21	-719
Total	**-782**	**84**	**-21**	**-719**

2011

	Balance at 1 January 2011	Recognised in profit or loss	Effect of movements in exchange rates	Balance at 31 December 2011
Investment property	-892	89	21	-782
Total	**-892**	**89**	**21**	**-782**

4 Statement of comprehensive income

4.1 Gross rental income

	2012	2011
Gross rental income	2,250	2,186

Expected future non-cancellable operating lease payments from the existing rental contracts can be summarised as follows:

	2012	2011
Not later than 1 year	2,168	2,189
Later than 1 year and not later than 5 years	8,019	8,210
Later than 5 years	20,593	22,553

The Company has two main tenants, who represent about 80% of rent revenues, and about 30 smaller tenants. The main rental contracts are valid until 17 January 2027 (with a break-option in 2017) and until 30 September 2031 (with a break-option in 2016). Regarding the calculation of the minimum lease payments the annual rent indexation and break-options were not considered.

in thousand euro (TEUR)

4.2 Property operating expenses

	2012	2011
Facility management	81	30
Property insurance expenses	34	6
Property tax	21	8
Total property operating expenses	**136**	**44**

4.3 Service charge income and expenses

Most utilities (energy, water, etc.) consumed by tenants and services such as building security, cleaning, repairs, maintenance, promotion and advertising are reinvoiced to the tenants at cost. Property tax, property insurance and facility management are partially reinvoiced to the tenants at cost.

	2012	2011
Service charge income	805	813
Service charge expense	-805	-813
Net service charge income	**–**	**–**

Service charge expenses

	2012	2011
Utility (energy, water, heating)	255	221
Security and cleaing	213	216
Facility management	162	169
Repears and maintenance	78	75
Other service charge expenses (incl. property tax and promotion)	97	132
Service charge expenses	**805**	**813**

4.4 Administrative expenses

	2012	2011
Management charges	170	175
Accounting, tax and audit services	126	83
Legal and property valuation and consulting services	448	137
Other administrative expenses	5	5
Total administrative expenses	**749**	**400**

Management charges relate to property management services, reinvoicing services and management fees.

4.5 Other Income

	2012	2011
Compensation payment from insurance	–	13
Recovery from written off receivables	–	1
Gain on sale of investment property	2	–
Total other income	**2**	**14**

4.6 Finance income

	2012	2011
Interest income on intercompany loans	9	9
Interest rate swap income	–	67
Bank interest income	1	1
Foreign exchange gains (net)	441	–
Total finance income	**451**	**77**

in thousand euro (TEUR)

4.7 Finance expense

	2012	2011
Interest expense on intercompany loans	123	44
Interest expense on bank loan	553	772
Interest rate swap expense	126	–
Foreign exchange losses (net)	–	724
Total finance expense	**802**	**1,540**

For details on the interest rate swap, see note 5.4.

Interest expense on the bank loan decreased in 2012 due to the extraordinary loan repayment in 2012.

Interest income and expense on intercompany loans are described in detail in note 6.

4.8 Taxation

Income tax expense recognised in profit and loss

	2012	2011
Current income tax expense	-34	–
Deferred income tax	84	89
Total income tax recognised in profit or loss	**50**	**89**

Reconciliation of effective tax rate

	2012	2011
Loss for the period	-116	-855
Total income tax recognised in profit or loss	-50	-89
Loss before income tax	-166	-944
Current income tax rate	19%	19%
Income tax using the current income tax rate	31	179
Tax effect of non-deductible expense	-24	-58
Change in the unrecognised deferred tax asset from tax losses carried forward (note 3.7)	42	-33
Income tax recognised in profit and loss	**50**	**89**

The item "Tax effect of Non-deductible expense" contains, among others, the tax impact of intercompany interests which were not tax deductible due to thin capitalisation rules.

5 Financial risk management

5.1 Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk mainly from its rental activities (primarily for trade receivables).

Customer credit risk is managed reflecting the Company's established policy, procedures and control relating to customer credit risk management. Credit quality of the customer is assessed based on an extensive credit rating scorecard at the time of entering into a rental agreement. Outstanding customer receivables are regularly monitored.

The Company's maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

in thousand euro (TEUR)

The following tables present financial assets reflecting their classification based on its ageing structure and impairment if applicable:

Credit risk concentration at 31 December 2012:

	Total neither past due nor impaired	Total past due but not impaired	Impaired	Total
Cash and cash equivalents	748	–	–	748
Trade and other receivables	441	22	–	463
Total	**1,189**	**22**	**–**	**1,211**

Credit risk concentration at 31 December 2011:

	Total neither past due nor impaired	Total past due but not impaired	Impaired	Total
Cash and cash equivalents	165	–	–	165
Trade and other receivables	357	1	–	358
Total	**522**	**1**	**–**	**523**

Breakdown of overdue financial assets which are not impaired at 31 December 2012:

	Past due 1-90 days	Past due 91-180 days	Past due 181-360 days	Past due more than 360 days	Total
Trade and other receivables	19	2	–	1	22
Total	**19**	**2**	**–**	**1**	**22**

Breakdown of overdue financial assets which are not impaired at 31 December 2011:

	Past due 1-90 days	Past due 91-180 days	Past due 181-360 days	Past due more than 360 days	Total
Trade and other receivables	–	1	–	–	1
Total	**–**	**1**	**–**	**–**	**1**

5.2 Liquidity risk

Liquidity risk refers to the possibility of the Company being unable to meet its cash obligations mainly in relation to the settlement of amounts due to suppliers and bank loans and facilities. The Company monitors its risk of experiencing a shortage of funds using different liquidity planning tools. These tools comprise, e.g. the following activities:

- maintenance of a sufficient balance of liquid funds
- flexible utilisation of the bank loan, overdrafts and facilities
- projection of future cash flows from operating activities

Liquidity risk analysis

The following table summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments including accrued interest. The table reflects the earliest settlement of the Company's liabilities based on contractual maturity.

Liquidity risk concentration at 31 December 2012

	Carrying amount	<12 months	1-2 years	2-5 years	Undefined	Total
Loans and borrowings	17,559	908	1,106	16,545	–	18,559
Trade and other payables	280	223	–	–	57	280
Total	**17,839**	**1,131**	**1,106**	**16,545**	**57**	**18,839**

Liquidity risk concentration at 31 December 2011

	Carrying amount	<12 months	1-2 years	2-5 years	Undefined	Total
Loans and borrowings	24,595	24,595	–	–	–	24,595
Trade and other payables	305	225	–	–	80	305
Total	**24,900**	**24,820**	**–**	**–**	**80**	**24,900**

5.3 Foreign currency risk

The Company is exposed to foreign currency risk from the flows that are denominated in currency different from the functional currency. The most significant foreign currency transactions include the bank loan and interest rate swap, which are denominated in EUR.

Foreign currency risk concentration at 31 December 2012:

	CZK currency denominated in TEUR	EUR currency denominated in TEUR	Total
Assets			
Cash and cash equivalents	347	401	748
Trade and other receivables	463	–	463
Total	**810**	**401**	**1,211**
Liabilities			
Loans and borrowings	–	17,559	17,559
Trade and other payables	222	58	280
Derivative financial instruments	–	126	126
Total	**222**	**17,743**	**17,965**

Foreign currency risk concentration at 31 December 2011:

	CZK currency denominated in TEUR	EUR currency denominated in TEUR	Total
Assets			
Cash and cash equivalents	146	19	165
Trade and other receivables	358	–	358
Total	**504**	**19**	**523**
Liabilities			
Loans and borrowings	1,895	22,700	24,595
Trade and other payables	250	55	305
Derivative financial instrument	–	–	–
Total	**2,145**	**22,755**	**24,900**

Sensitivity analysis

A strengthening (weakening) of the Czech Koruna against the EUR at reporting date would have affected the measurement of financial instruments denominated in foreign currency and increased (decreased) net result by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Company considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in the particular interest rates, remain constant and ignores any impact of forecast sales and purchases. The analysis is performed on the same basis for 2011.

	Profit or loss impact	
	2012	**2011**
A CZK strengthening against the EUR (+5% movement)	907	1,139
A CZK weakening against the EUR (-5% movement)	-907	-1,139

5.4 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The risk to the Company relating to changes in market interest rates is primarily attributable to bank loans with floating interest rates (refer to Note 3.5). During the credit relationship the risk of an increase in interest rates is continuously monitored and the use of standard instruments to eliminate the risk (interest rate swaps) is considered.

In order to mitigate the above risks, the following derivative financial instruments were concluded:

Fair value of hedging derivative instruments

	As at 31 December 2012		As at 31 December 2011	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Interest rate swaps	–	126	–	–

Sensitivity analysis

An increase (decrease) in interest rates at reporting date would have affected the measurement of variable financial instruments by the amounts shown below.

	Profit or loss impact	
31 December 2012	**1% increase in interest rates**	**1% decrease in interest rates**
Variable rate instruments (bank loans)	-205	205

	Profit or loss impact	
31 December 2011	**1% increase in interest rates**	**1% decrease in interest rates**
Variable rate instruments (bank loans)	-233	233

According to the loan agreement as of 16 May 2012, the borrowers are obliged to enter into a hedging agreement in the form of an interest rate swap agreement which eliminates at least the interest exposure in respect of 50% of the outstanding principal balance of the loan.

The Company concluded an interest rate swap with Deutsche Pfandbriefbank AG (together with Bluebox 6 Znaim s.r.o.) with a trade date of 23 August 2012 and a termination date of 31 March 2016. The fixed interest rate is 0.74% (payer Bluebox 7 Hradec s.r.o.) and the floating rate is the EUR-EURIBOR-Telerate (payer Deutsche Pfandbriefbank AG). The notional amount attributable to Bluebox 7 Hradec s.r.o. is TEUR 9,075.

The Company concluded an interest rate swap with Deutsche Pfandbriefbank AG (together with Bluebox 6 Znaim s.r.o.) with a trade date of 3 August 2009 and a termination date of 30 December 2011. The fixed interest rate was 3.65% (payer Bluebox 7 Hradec s.r.o.) and the floating rate was the EUR-EURIBOR-Telerate (payer Deutsche Pfandbriefbank AG). The notional amount attributable to Bluebox 7 Hradec s.r.o. was TEUR 23,527.

5.5 Fair values

	Carrying amount		Fair value	
	31 December 2012	31 December 2011	31 December 2012	31 December 2011
Financial assets				
Trade and other receivables	463	358	463	358
Cash and cash equivalents	748	165	748	165
Financial liabilities				
Interest-bearing loans and borrowings	17,559	24,595	17,559	24,595
Trade and other payables	280	305	280	305

6 Related parties

The Company has a related-party relationship with its members of Board of Directors and shareholder, and companies in which these parties hold a controlling or significant influence or are party to joint ventures.

The Board of Directors did not obtain any remuneration from the Company in 2012 and 2011.

Breakdown of balances between the Company and related parties is as follows:

Receivables from related parties

	31 December 2012	31 December 2011
Loan receivable from DDC Znaim s.r.o.	62	58
Loan II receivable from DDC Znaim s.r.o.	160	151
Loan receivable from Bluebox 6 Znaim s.r.o.	2	2
Loan II receivable from Bluebox 6 Znaim s.r.o.	60	56
Loan receivable from DDC Hradec Kralove s.r.o.	54	–
Total receivables due from related parties	**338**	**267**

All loans receivable from related parties are denominated in CZK; the interest rate is 2% and 3.5%. In 2012 the Company received a loan of TEUR 5,081 from DDC Hradec Kralove s.r.o. (the interest rate was 3,5%). The loan was used to repay a bank loan and, together with other intercompany loans received, was subsequently swapped to other funds of the Company (see note 3.4).

Payables to related parties

	31 December 2012	31 December 2011
Loan I payable to DDC Hradec Kralove s.r.o.	–	341
Loan II payable to DDC Hradec Kralove s.r.o.	–	1,554
Total payables to related parties	**–**	**1,895**

All loans payable to related parties are denominated in CZK.

As at 30 November 2012 the loan from DDC Hradec Kralove s.r.o. in the amount of TEUR 7,187 (including unpaid interest) was swapped to other funds of the Company.

For maturity of loans payable, see note 3.5.

in thousand euro (TEUR)

During the year the Company entered into the following transactions with related parties:

Interest income

	2012	2011
Loan receivable from DDC Znaim s.r.o.	2	2
Loan II receivable from DDC Znaim s.r.o.	5	5
Loan receivable from Bluebox 6 Znaim s.r.o.	2	2
Total interest income related to related parties	**9**	**9**

Interest expense

	2012	2011
Loan I payable to DDC Hradec Kralove s.r.o.	10	11
Loan II payable to DDC Hradec Kralove s.r.o.	28	33
Loan III payable to DDC Hradec Kralove s.r.o.	85	–
Total interest expense related to related parties	**123**	**44**

7 Contingent assets and liabilities

7.1 Contingent assets

The Company is not aware of the existence of any contingent assets as at 31 December 2012.

7.2 Contingent liabilities

The Company does not have records of any contingent liabilities. There are no legal proceedings in process whose outcome would influence the financial statements, and the Company is not aware of any potential litigation.

8 Capital commitments

The Company has no capital commitments as at 31 December 2012.

9 Subsequent events

In 2013, a merger of the parent company DDC Hradec Kralove s.r.o. and its subsidiary Bluebox 7 Hradec s.r.o. is planned. The effective date of the merger is 1 January 2013. The successor company will be Bluebox 7 Hradec s.r.o.

No other significant events occurred between the reporting date and the date of preparation of the Company’s financial statements.

10 Explanation of transition to IFRS

The transition to IFRS has not influenced the positions of any financial statements captions.

Prague, 19 April 2013

Barbora Brühlová

Member of the Board of Directors

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF BLUEBOX 7 HRADEC S.R.O.

We have audited the accompanying financial statements of Bluebox 7 Hradec s.r.o., which comprise the statement of financial position as of 31 December 2012, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management of Bluebox 7 Hradec s.r.o. is responsible for the preparation and fair presentation of financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the 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 controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the 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 financial statements give a true and fair view of the financial position of Bluebox 7 Hradec s.r.o. as of 31 December 2012, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Prague, 19 April 2013

KPMG Česká republika Audit, s.r.o.

BLUEBOX 7 HRADEC S.R.O.

CONDENSED INTERIM FINANCIAL STATEMENTS
FOR SIX MONTHS ENDED 30 JUNE 2013

(All amounts in Euro thousands ("TEUR") unless indicated otherwise)

STATEMENT OF FINANCIAL POSITION

	Note	30 June 2013	31 December 2012
ASSETS			
Investment property	8	19,712	20,926
Non-current assets		**19,712**	**20,926**
Trade and other receivables	11	846	463
Cash and cash equivalents		482	748
Current assets		**1,327**	**1,211**
TOTAL ASSETS		**21,039**	**22,137**
EQUITY			
Share capital		7	7
Other funds	9	9,645	9,645
Retained earnings		-6,626	-6,063
Currency translation reserve		-270	-169
TOTAL EQUITY		**2,756**	**3,419**
LIABILITIES			
Interest-bearing loans and borrowings	9	16,152	16,651
Deferred tax liabilities	7	708	719
Trade and other payables	11	54	57
Non-current liabilities		**16,914**	**17,427**
Trade and other payables	11	238	223
Current tax liabilities		–	34
Interest-bearing loans and borrowings	9	1,098	908
Derivative financial instruments	10	34	126
Current liabilities		**1,370**	**1,290**
TOTAL LIABILITIES		**18,283**	**18,717**
TOTAL EQUITY AND LIABILITIES		**21,039**	**22,137**

The accompanying notes on pages 6-14 are an integral part of these condensed interim financial statements.

(All amounts in Euro thousands ("TEUR") unless indicated otherwise)

STATEMENT OF COMPREHENSIVE INCOME

	Note	6 months ended 30 June 2013	6 months ended 30 June 2012
Gross rental income		1,114	1,139
Property operating expenses	12	-55	-91
Service charge income	12	414	409
Service charge expense	12	-414	-409
NET RENTAL AND SERVICE RELATED INCOME		**1,059**	**1,048**
Depreciation	8	-578	-591
Administrative expenses	13	-355	-632
RESULTS FROM OPERATING ACTIVITIES		**126**	**-175**
Finance income	13	58	5
Finance expense	13	-758	-868
NET FINANCE EXPENSE		**-700**	**-863**
LOSS BEFORE INCOME TAX		**-574**	**-1,038**
Income tax income	7	11	44
LOSS FOR THE PERIOD		**-563**	**-994**
Currency translation differences		-101	-1
OTHER COMPREHENSIVE EXPENSE		**-101**	**-1**
TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD		**-664**	**-995**
Loss attributable to owners		-563	-994
Total comprehensive expense attributable to owners		-664	-995

The accompanying notes on pages 6-14 are an integral part of these condensed interim financial statements.

(All amounts in Euro thousands ("TEUR") unless indicated otherwise)

STATEMENT OF CASH FLOW

	6 months ended 30 June 2013	6 months ended 30 June 2012
OPERATING ACTIVITIES		
Loss before income tax	-574	-1,038
Adjusted by:		
Depreciation	578	591
Net finance expense	753	864
Other non-cash movement	-32	-769
Derivative financial instruments	-53	–
Profit/(Loss) before income tax, changes in working capital and provisions	**672**	**-352**
Changes in trade and other receivables	-391	-25
Changes in trade and other payables	-22	331
Cash generated from operations	260	-47
Taxation paid	-24	–
Net cash flows from operating activities	**235**	**-47**
INVESTING ACTIVITIES		
Net cash flows from investing activities	**–**	**–**
FINANCING ACTIVITIES		
Proceeds from borrowings	145	5,257
Repayment of borrowings	-453	-4,643
Interest paid	-193	82
Net cash flows from financing activities	**-501**	**696**
Net increase/(decrease) in cash and cash equivalents	-266	650
Cash and cash equivalents at the beginning of the period	748	165
Cash and cash equivalents as at end of the period	482	815

The accompanying notes on pages 6-14 are an integral part of these condensed interim financial statements.

(All amounts in Euro thousands ("TEUR") unless indicated otherwise)

STATEMENT OF CHANGES IN EQUITY

	Share capital	Other funds	Currency translation reserve	Retained earnings	Total equity
Balance at 1 January 2012	**7**	**2,457**	**-133**	**-5,947**	**-3,616**
Loss for the period	–	–	–	-995	**-995**
Other comprehensive expense					
Foreign currency translation differences	–	–	-1	–	-1
Balance at 30 June 2012	**7**	**2,457**	**-134**	**-6,941**	**-4,612**
Balance at 1 January 2013	**7**	**9,645**	**-169**	**-6,063**	**3,420**
Loss for the period	–	–	–	-563	-563
Other comprehensive expense					
Foreign currency translation differences	–	–	-101	–	-101
Balance at 30 June 2013	**7**	**9,645**	**-270**	**-6,626**	**2,756**

The accompanying notes on pages 6-14 are an integral part of these condensed interim financial statements.

(All amounts in Euro thousands ("TEUR") unless indicated otherwise)

1 General information

Bluebox 7 Hradec s.r.o. ("the Company") is a limited liability company, incorporated and domiciled in the Czech Republic. The Company's registered office is located at the following address: Prague 8, Karolinská 661, 186 00.

The Company rents and manages its investment property, which comprises EuroCenter Hradec Králové and is located in Víta Nejedleho 1063, Hradec Králové in the Czech Republic.

These condensed interim financial statements have been prepared for inclusion in prospectus of Meridian Properties NV and approved by management on 5 August 2013. These condensed interim financial statements have been reviewed, not audited.

2 Basis of preparation

These condensed interim financial statements for the six months ended 30 June 2013 have been prepared in accordance with IAS 34, 'Interim financial reporting'. The condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2012, which have been prepared in accordance with IFRSs as adopted by EU.

3 Accounting policies

The accounting policies adopted are consistent with those of the previous financial year.

New and amended standards adopted by the Company

No such standards occurred during the period.

4 Estimates

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed interim financial statements, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended 31 December 2012.

5 Financial risk management

The Company's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

The condensed interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the Company's annual financial statements as at 31 December 2012. There have been no changes in the risk management policies.

6 Income taxes

Income tax recognised in profit or (loss)

	6 months ended 30 June 2013	6 months ended 30 June 2012
Current income tax income (previous year)	23	–
Deferred income tax income / (expenses)	-12	44
Total income tax recognised in profit or (loss)	**11**	**44**

(All amounts in Euro thousands ("TEUR") unless indicated otherwise)

The tax loss was generated for the reporting period and the deferred tax assets have not been recognised in respect of the tax losses carried forward due to the uncertainty that sufficient future taxable profits will be available for utilisation.

The recognised deferred tax liabilities are attributable to the following:

	Assets		Liabilities		Net	
	30 June 2013	31 December 2012	30 June 2013	31 December 2012	30 June 2013	31 December 2012
Investment property	–	–	-653	-719	-653	-719
Other	–	–	-55	–	-55	–
Deferred tax liabilities	**–**	**–**	**-708**	**-719**	**-708**	**-719**

For the calculation of deferred tax a tax rate of 19% was used.

Movements in temporary differences during the period

2013

	Balance at 31 December 2012	Recognised in profit or loss	Effect of movements in exchange rates	Balance at 30 June 2013
Investment property	-719	43	23	-653
Other	–	-55	–	-55
Total	**-719**	**-12**	**23**	**-708**

2012

	Balance at 1 January 2012	Recognised in profit or loss	Effect of movements in exchange rates	Balance at 30 June 2012
Investment property	-782	44	-5	-743
Total	**-782**	**44**	**-5**	**-743**

7 Dividends

No dividends were granted or paid during the period.

8 Investment property

	Land	Buildings	Total
Cost			
Balance at 1 January 2012	3,304	28,208	31,512
Additions	–	–	–
Disposals	–	-5	-5
Effect of movements in exchange rates	21	181	202
Balance at 30 June 2012	**3,325**	**28,384**	**31,709**
Depreciation and impairment losses			
Balance at 1 January 2012	–	-9,969	-9,969
Depreciation for the period	–	-591	-591
Disposals	–	5	5
Effect of movements in exchange rates	–	-56	-56
Balance at 30 June 2012	**–**	**-10,611**	**-10,611**
CARRYING AMOUNTS			
Balance at 1 January 2012	**3,304**	**18,239**	**21,543**
Balance at 30 June 2012	**3,325**	**17,773**	**21,098**
Cost			
Balance at 1 January 2013	3,390	28,943	32,333
Additions	–	–	–
Disposals	–	–	–
Effect of movements in exchange rates	-105	-903	-1,008
Balance at 30 June 2013	**3,285**	**28,040**	**31,325**
Depreciation and impairment losses			
Balance at 1 January 2013	–	-11,407	-11,407
Depreciation for the period	–	-578	-578
Disposals	–	–	–
Effect of movements in exchange rates	–	372	372
Balance at 30 June 2013	**–**	**-11,613**	**-11,613**
CARRYING AMOUNTS			
Balance at 1 January 2013	**3,390**	**17,536**	**20,926**
Balance at 30 June 2013	**3,285**	**16,427**	**19,712**

The valuation report of 30 June 2013 estimated the market value of the investment property at TEUR 29,000. The valuation report was prepared by the independent valuer (BNP Paribas Real Estate), who holds a required and relevant professional qualification. The market value was estimated using the discounted cash flow model and comparable market yields.

9 Equity

Changes in equity

The statement of changes in equity is presented on the face of the interim financial statements. For all changes in equity during 2012 see annual financial statements for the year ended 31 December 2012.

10 Interest-bearing loans and borrowings

Non-current

	30 June 2013	31 December 2012
Bank loan	16,152	16,651
Total non-current interest bearing loans and borrowings	**16,152**	**16,651**

Current

	30 June 2013	31 December 2012
Bank loan	953	908
Loans from related parties	145	–
Total current interest bearing loans and borrowings	**1,098**	**908**

The detailed split as at 30 June 2013 can be summarised as follows:

	Currency	Nominal interest rate	Due within 1 year	Due within 1- 5 years	Due in following years	Total
Bank loan	EUR	EURIBOR + 2% margin (until 31 March 2015) and 3% margin (after this date)	953	16,152	–	17,105
Loans from related parites	CZK	3,5%	145	–	–	145
Total			**1,098**	**16,152**	**–**	**17,250**

The detailed split as at 31 December 2012 can be summarised as follows:

	Currency	Nominal interest rate	Due within 1 year	Due within 1- 5 years	Due in following years	Total
Bank loan	EUR	EURIBOR + 2% margin (until 31 March 2015) and 3% margin (after this date)	908	16,651	–	17,559
Total			**908**	**16,651**	**–**	**17,559**

The investment bank loan is provided by Deutsche Pfandbriefbank AG (formerly: Hypo Real Estate Bank Aktiengesellschaft). The bank loan agreement was negotiated together for the Company and Bluebox 6 Znaim s.r.o. (affiliated company) on 16 June 2012. Individual loan amounts were allocated to each of the borrowers pursuant to an agreement between the Company and Bluebox 6 Znaim s.r.o.

The maturity of the bank loan is in quarterly instalments with the final instalment of TEUR 13,430 due on 31 March 2016. The bank grants to the borrowers an option to extend the term of the loan until 31 March 2017.

The following securities/collaterals for the bank loan are valid:

- Full cross-collateralisation of the investment property without release pricing
- First ranking mortgages on all properties (loans + hedging)
- Pledge of all shares of the borrowers
- Pledge over the rental and reserve accounts
- Subordination of shareholder loans
- Assignment/pledge of receivables from
    - lease agreements
    - hedging instruments
    - insurance agreements
    - property management agreements

Bluebox 6 Znaim s.r.o. and Bluebox 7 Hradec s.r.o. have to fulfil the bank loan covenants jointly. As at 30 June 2013 the loans covenants were met.

10.1 Derivative financial instruments

According to the loan agreement as of 16 May 2012, the borrowers are obliged to enter into a hedging agreement in the form of an interest rate swap agreement which eliminates at least the interest exposure in respect of 50% of the outstanding principal balance of the loan.

The Company concluded an interest rate swap with Deutsche Pfandbriefbank AG (together with Bluebox 6 Znaim s.r.o.) with a trade date of 23 August 2012 and a termination date of 31 March 2016. The fixed interest rate is 0.74% (payer Bluebox 7 Hradec s.r.o.) and the floating rate is the EUR-EURIBOR-Telerate (payer Deutsche Pfandbriefbank AG). The notional amount attributable to Bluebox 7 Hradec s.r.o. is TEUR 9,075.

Fair value of hedging derivative instruments

	As at 30 June 2013		As at 31 December 2012	
	Assets	Liabilities	Assets	Liabilities
Interest rate swaps	–	34	–	126

11 Trade and other payables and receivables

11.1 Trade and other payables

Non-current

	30 June 2013	31 December 2012
Advances received	54	57
Total	**54**	**57**

Current

	30 June 2013	31 December 2012
Trade payables due to third parties	153	136
Value added tax payables	–	2
Other payables due to third parties	85	85
Total	**238**	**223**

Other payables due to third parties represent estimated payables.

11.2 Trade and other receivables

Current

	30 June 2013	31 December 2012
Trade receivables due from third parties	416	113
Other receivables due from third parties	98	12
Loans to related parties	332	338
Total current trade and other receivables	**846**	**463**
Total impairment to current trade and other receivables	**–**	**–**
Total trade and other receivables net of impairment	**846**	**463**

Other receivables due from third parties represent prepaid expenses, provided rent incentives and a VAT receivable from the tax office. As at 30 June 2013 the Company recognised as other receivables the cash incentive provided to tenants in amount of TEUR 290. The Company recognises the aggregate cost of incentives as a reduction of rental income over the lease term, on a straight-line basis.

(All amounts in Euro thousands ("TEUR") unless indicated otherwise)

12 Net service charge income

Most utilities (energy, water, etc.) consumed by tenants and services such as building security, cleaning, repairs, maintenance, promotion and advertising are re-invoiced to the tenants at cost. Property insurance and facility management are partially re-invoiced to the tenants at cost. Property tax is not re-invoiced at all.

Net service charge income

	6 months ended 30 June 2013	6 months ended 30 June 2012
Service charge income	414	409
Service charge expense	-414	-409
Net service charge income	**–**	**–**

Service charge expenses

	6 months ended 30 June 2013	6 months ended 30 June 2012
Utility (energy, water, heating)	121	134
Security and cleaning	96	108
Facility management	118	96
Repairs and maintenance	54	45
Other service charge expenses (incl. property tax, property insurance expenses and promotion)	25	26
Service charge expenses	**414**	**409**

13 Property operating expenses

	6 months ended 30 June 2013	6 months ended 30 June 2012
Facility management	21	–
Property insurance expenses	9	66
Real estate tax	25	25
Total property operating expenses	**55**	**91**

14 Administrative expenses

	6 months ended 30 June 2013	6 months ended 30 June 2012
Management charges	–	168
Accounting, tax and audit services	80	55
Legal and property valuation and consulting services	19	143
Other administrative expenses	256	266
Total administrative expenses	**355**	**632**

15 Finance income and expense

15.1 Finance income

	6 months ended 30 June 2013	6 months ended 30 June 2012
Interest income on intercompany loans	5	5
Interest rate swap income	53	–
Foreign exchange gains (net)	–	–
Total finance income	**58**	**5**

15.2 Finance expense

	6 months ended 30 June 2013	6 months ended 30 June 2012
Interest expense on intercompany loans	–	29
Interest expense on bank loan	190	326
Foreign exchange losses (net)	568	513
Total finance expense	**758**	**868**

Interest expense on the bank loan decreased due to the extraordinary loan repayment in 2012 and due to decrease in EURIBOR.

16 Contingent assets and liabilities

The Company is not aware of the existence of any contingent assets or liabilities as at 30 June 2013. There are no legal proceedings in process whose outcome would influence the financial statements, and the Company is not aware of any potential litigation.

17 Related party transactions

The Board of Directors did not obtain any remuneration from the Company in 2013 and 2012. During 2013 the Company was not charged and paid any management fee.

Receivables from related parties

	30 June 2013	31 December 2012
Trade receivables from related parties	–	–
Loan receivable from DDC Znaim s.r.o.	61	62
Loan II receivable from DDC Znaim s.r.o.	157	160
Loan receivable from Bluebox 6 Znaim s.r.o.	2	2
Loan II receivable from Bluebox 6 Znaim s.r.o.	59	60
Loan receivable from DDC Hradec Králove s.r.o.	53	54
Total receivables due from related parties	**332**	**338**

Loans receivable are denominated in CZK; the interest rate is 3.5%.

Payables to related parties

	30 June 2013	31 December 2012
Trade payables to related parties	–	–
Loan I payable to DDC Hradec Kralove s.r.o.	–	–
Loan II payable to DDC Hradec Kralove s.r.o.	–	–
Loan I payable to Bluebox 6 Znaim s.r.o.	145	–
Total payables to related parties	**145**	**–**

All loans payable to related parties are denominated in CZK and have an interest rate of 3.5%. In 2012 the Company received a loan of TEUR 5,081 from DDC Hradec Kralove s.r.o. The loan was used to repay a bank loan and, together with other intercompany loans received, was subsequently swapped to other funds of the Company on 30 November 2012. Interest on these receivables and payables charged for the period is immaterial (see note 15.2).

18 Events after the reporting period

In 2013, a merger of the parent company DDC Hradec Kralove s.r.o. and its subsidiary Bluebox 7 Hradec s.r.o. is planned. The effective date of the merger is 1 January 2013. The successor company will be Bluebox 7 Hradec s.r.o.

No other significant events occurred between the reporting date and the date of preparation of the Company's financial statements.

Prague, 5 August 2013

Barbora Brühlová
Member of the Board of Directors

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INDEPENDENT AUDITOR'S REPORT ON REVIEW OF INTERIM FINANCIAL STATEMENTS

Introduction

We have reviewed the accompanying condensed statement of financial position of Bluebox 7 Hradec s.r.o. as at 30 June 2013, the condensed statements of comprehensive income, changes in equity and cash flows for the six month period then ended, and the notes to the interim financial statements ("the condensed interim financial statements"). Management is responsible for the preparation and presentation of this condensed interim financial statements in accordance with IAS 34, "Interim Financial Reporting" as adopted by the European Union. Our responsibility is to express a conclusion on this condensed interim financial statements based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financials consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements as at 30 June 2013 are not prepared in all material respects, in accordance with IAS 34, "Interim Financial Reporting" as adopted by the European Union.

Prague, 5 August 2013

KPMG Česká republika Audit, s.r.o.

HELIOS - 08 EOOD

INTERNATIONAL FINANCIAL REPORTING STANDARDS
FINANCIAL STATEMENTS

TWO YEARS ENDED 31 DECEMBER 2012

HELIOS - 08 EOOD
FINANCIAL STATEMENTS FOR TWO YEARS ENDED 31 DECEMBER 2012
BALANCE SHEETS
(all amounts in Euro thousand)

	Note	As at 31 December 2012	As at 31 December 2011 Unaudited
ASSETS			
Non-current assets			
Investment property	5	5,739	5,961
Deferred income tax assets	9	23	73
Total non-current assets		**5,762**	**6,034**
Current assets			
Trade and other receivables	7	101	92
Current income tax receivable		5	–
Cash and cash equivalents	8	112	–
Total current assets		**218**	**92**
Total assets		**5,980**	**6,126**
EQUITY AND LIABILITIES			
Equity			
Share capital	10	382	382
Retained earnings/(Accumulated losses)		(2,774)	(664)
Total equity		**(2,392)**	**(282)**
Non-current liabilities			
Borrowings from banks	12	4,869	5,203
Derivative financial instruments	13	–	275
Total non-current liabilities		**4,869**	**5,478**
Current liabilities			
Trade and other payables	14	17	85
Borrowings from banks	12	369	410
Borrowings from related parties	12	3,117	338
Derivative financial instruments	13	–	97
Total current liabilities		**3,503**	**930**
Total liabilities		**8,372**	**6,408**
Total equity and liabilities		**5,980**	**6,126**

The accompanying notes set out on pages 6 to 32 form an integral part of these financial statements.

HELIOS - 08 EOOD
FINANCIAL STATEMENTS FOR TWO YEARS ENDED 31 DECEMBER 2012
STATEMENTS OF COMPREHENSIVE INCOME
(all amounts in Euro thousand)

	Note	Year ended 31 December 2012	Year ended 31 December 2011 Unaudited
Rental revenue		840	621
Other revenue		13	32
Total revenue		**853**	**653**
Operating expenses arising from investment properties that generate rental revenue	15	(278)	(200)
Gross profit		**575**	**453**
Administrative expenses	15	(48)	(3)
Other losses	21	–	(269)
Operating profit		**527**	**181**
Finance income	16	353	15
Finance costs	16	(381)	(684)
Profit/(loss) before tax		**499**	**(488)**
Income tax	17	(50)	56
Profit/(loss) for the year		**449**	**(432)**
Other comprehensive income for the year		**–**	**–**
Total comprehensive income for the year		**449**	**(432)**

The accompanying notes set out on pages 6 to 32 form an integral part of these financial statements.

HELIOS - 08 EOOD
FINANCIAL STATEMENTS FOR TWO YEARS ENDED 31 DECEMBER 2012
STATEMENTS OF CHANGES IN EQUITY
(all amounts in Euro thousand)

	Note	Share capital	Retained Earnings/ (Accumulated losses)	Total
Balance at 1 January 2011 (unaudited)	10	**382**	**(232)**	**150**
Loss for the year		–	(432)	(432)
Other comprehensive income		–	–	–
Total comprehensive income for the year		**–**	**(432)**	**(432)**
Balance at 31 December 2011 (unaudited)	10	**382**	**(664)**	**(282)**
Balance at 1 January 2012 (unaudited)		**382**	**(664)**	**(282)**
Profit for the year		–	449	449
Other comprehensive income		–	–	–
Total comprehensive income for the year		**–**	**449**	**449**
Effect of merger	11	–	(2,559)	**(2,559)**
Transactions with owners		**–**	**(2,559)**	**(2,559)**
Balance at 31 December 2012	10	**382**	**(2,774)**	**(2,392)**

The accompanying notes set out on pages 6 to 32 form an integral part of these financial statements.

HELIOS - 08 EOOD
FINANCIAL STATEMENTS FOR TWO YEARS ENDED 31 DECEMBER 2012
STATEMENTS OF CASH FLOWS
(all amounts in Euro thousand)

	Note	Year ended 31 December 2012	Year ended 31 December 2011 Unaudited
Cash flows from operating activities			
Profit/(loss) before tax		499	(488)
Depreciation expense	5	222	165
Interest expense	16	377	405
Interest income	16	(1)	(15)
Fair value (gains/losses on derivative financial instruments	16	(352)	246
Loss on disposal of investment property		–	269
Changes in working capital:			
—(increase)/decrease in trade and other receivables		203	1,476
—increase/(decrease) in trade and other payables		(91)	100
Interest received		1	15
Income tax paid		(5)	–
Net cash from operating activities		**853**	**2,173**
Cash flows from investing activities			
Purchases of investment property		–	(1,821)
Net cash (used in)/from investing activities		**–**	**(1,821)**
Cash flows from financing activities			
Borrowings received	12,21	–	554
Repayment of borrowings	12,21	(339)	(529)
Interest paid		(402)	(401)
Net cash (used in)/from financing activities		**(741)**	**(376)**
Net increase in cash and cash equivalents		**112**	**(24)**
Cash and cash equivalents at the beginning of the year		**–**	**24**
Cash and cash equivalents at the end of the year	8	**112**	**–**

The accompanying notes set out on pages 6 to 32 form an integral part of these financial statements.

1 General information

Helios - 08 EOOD (the Company) is a private limited liability company, which shares are not publicly traded. The Company operates in the area of real estate. The Company is incorporated and domiciled in the Republic of Bulgaria and has the following address as its registered office, which coincides with the principal place of business:

53 Nicola Vaptzarov Blvd., floor 3
Lozenets district, Sofia, Bulgaria.

The intermediate parent of the Company as at 31 December 2012 is Bluehouse Accession Project III Ltd, Cyprus (2011: Horizont Ivanov EOOD, Bulgaria). The ultimate controlling party as at 31 December 2012 is Bluehouse Accession Property III FCP- FIS, Luxembourg (2011: Lyubomir Ivanov—owner of Horizont Ivanov EOOD, Bulgaria).

These financial statements have been prepared for inclusion in the prospectus of Meridian Properties and approved by management on the date of the prospectus.

2 Summary of significant accounting policy

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

2.1 Basis of preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. They have been prepared under the historical cost convention, except in the cases of revaluations of derivative financial assets and liabilities measured at fair value through the profit or loss.

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

The Company’s financial statements are prepared on a going concern basis, which assumes that the Company will be in operational existence for the foreseeable future.

The financial statements of Helios 08 EOOD as at 31 December 2011 and for the year then ended were not audited.

The Company generated profit in 2012 EUR 449 thousand and loss in 2011 (EUR 432 thousand). Despite of the profit generated in 2012, the net assets have decreased from negative EUR 282 as at 31 December 2011 to negative EUR 2,392 as at 31 December 2012. This results from the effect of the legal merger of the Company with its direct parent company in 2012 as the result of which the Company has recognised negative net assets of parent company of EUR 2,559 with the corresponding entry in equity (Note 11).

For the year ended 31 December 2012 current liabilities exceed current assets by EUR 3,285 thousand (as at 31 December 2011 current liabilities exceeded current assets by EUR 838 thousand). Excluding impact of the related party short term borrowings (EUR 3,117), the current liabilities exceeds current only by EUR 168 as at 31 December 2012, therefore the Company’s liquidity in next 12 months is depended on the support from the parent company.

The Company was provided with a binding letter of support from Bluehouse Accession Property Holdings III S.a.r.l., Luxembourg, as the intermediate parent company, which states that adequate funds and full support would be provided to enable the Company to continue operations at least until 31 December 2013.

The Company's shareholder confirms that it will maintain its investment in the Company and that it is its current policy to ensure that Helios - 08 EOOD is in the position to meet its debts and capital expenditure commitments as they fall due. If the Company's shareholder does not provide financial support to Helios - 08 EOOD and the going concern basis could not be applied, the Company's assets and liabilities should be measured at the values that could be substantially different than the amounts presented in these financial statements prepared on a going concern basis.

(a) None of the new and amended standards, and improvements to IFRS mandatory for the first time for the financial year beginning on or after 1 January 2012 was relevant to the Company:

Disclosures—Transfers of Financial Assets—Amendments to IFRS 7 (issued in October 2010 and effective for annual periods beginning on or after 1 July 2011).

(b) Also the following standards and interpretations were published but are not early adopted or not adopted by the European Union. The Company assessed the impact of changes on the financial statements as not material or is currently assessing the impact of changes on the financial statements:

Recovery of Underlying Assets—Amendments to IAS 12 (issued in December 2010 and effective for annual periods beginning on or after 1 January 2013). The amendment introduced a rebuttable presumption that an investment property carried at fair value is recovered entirely through sale.

Amendments to IAS 1, Presentation of Financial Statements (issued June 2011, effective for annual periods beginning on or after 1 July 2012), changes the disclosure of items presented in other comprehensive income.

Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters—Amendments to IFRS 1 (issued in December 2010 and effective for annual periods beginning on or after 1 January 2013)

(b) Also the following standards and interpretations were published but are not early adopted or not adopted by the European Union. The Company assessed the impact of changes on the financial statements as not material or is currently assessing the impact of changes on the financial statements (continued):

IFRS 10, Consolidated Financial Statements (issued in May 2011 and effective for annual periods beginning on or after 1 January 2014)

IFRS 11, Joint Arrangements (issued in May 2011 and effective for annual periods beginning on or after 1 January 2014)

IFRS 12, Disclosure of Interest in Other Entities (issued in May 2011 and effective for annual periods beginning on or after 1 January 2014)

IFRS 13, Fair value measurement (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013)

IAS 27, Separate Financial Statements, (revised in May 2011 and effective for annual periods beginning on or after 1 January 2014)

IAS 28, Investments in Associates and Joint Ventures (revised in May 2011 and effective for annual periods beginning on or after 1 January 2014)

Amended IAS 19, Employee Benefits (issued in June 2011, effective for periods beginning on or after 1 January 2013)

IFRIC 20, Stripping Costs in the Production Phase of a Surface Mine (issued in October 2011 and effective for annual periods beginning on or after 1 January 2013)

Offsetting Financial Assets and Financial Liabilities—Amendments to IAS 32 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2014)

Disclosures—Offsetting Financial Assets and Financial Liabilities—Amendments to IFRS 7 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2013)

Amendments to IFRS 1 First-time adoption of International Financial Reporting Standards—Government loans (effective for annual periods beginning on or after 1 January 2013)

IFRS 9, Financial Instruments: Classification and Measurement. IFRS 9 (issued in November 2009, amended in October 2010 and effective for annual periods beginning on or after 1 January 2015)

Improvements to International Financial Reporting Standards (issued in May 2012 and effective for annual periods beginning 1 January 2013)

Transition Guidance Amendments to IFRS 10, IFRS 11 and IFRS 12 (issued on 28 June 2012 and effective for annual periods beginning 1 January 2013)

(b) Also the following standards and interpretations were published but are not early adopted or not adopted by the European Union. The Company assessed the impact of changes on the financial statements as not material (continued):

Amendments to IFRS 10, IFRS 12 and IAS 27—Investment entities (issued on 31 October 2012 and effective for annual periods beginning 1 January 2014)

2.2 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'), which is Bulgarian Lev (BGN). The presentation currency used in these financial statements prepared for inclusion in the prospectus of Meridian Properties is Euro because all amounts in the prospectus will be presented in Euro. All amounts in these financial statements are stated in thousands of Euro unless otherwise stated. Bulgarian Lev is pegged to the Euro as from 1 January 2000 in accordance with the rules of the Currency Board. The translation of the amounts in the financial statements from Bulgarian Lev to the Euro is done by dividing the amounts in Lev by the fixed rate of EUR/BGN 1.95583.

(b) Transactions and balances

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

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the profit and loss within 'finance income' and 'finance costs', respectively.

2.3 Investment property

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Company is classified as investment property.

Investment property principally comprises freehold land and office and commercial buildings.

Investment property is measured initially at its cost, including related transaction costs and borrowing costs (see Note 2.10).

After initial recognition, investment property is carried at cost less any accumulated depreciation and any accumulated impairment losses.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

Land is not depreciated.

Depreciation on the buildings is calculated using the straight-line method to allocate their cost or their residual values over their estimated useful lives of 25 years.

Significant parts of the building that have different useful life are depreciated separately. Depreciation on the components to the building is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives of 15 years.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.4).

The fair value of investment property for disclosure purposes is updated to reflect market conditions at the end of the reporting period. Fair value of investment property is the price at which the property could be exchanged between knowledgeable, willing parties in an arm's length transaction. A "willing seller" is not a forced seller prepared to sell at any price. The best evidence of fair value is given by current prices in an active market for similar property in the same location and condition. In the absence of current prices in an active market, the Company considers information from a variety of sources, including:

a) current prices in an active market for properties of different nature, condition or location, adjusted to reflect those differences;

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

c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by 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.

2.4 Impairment of non-financial assets

Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised 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). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date. Impairment losses on goodwill are not reversed.

2.5 Financial instruments

a) Financial assets

Financial assets are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity financial assets and available-for-sale financial assets, as appropriate. The Company determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Financial assets are derecognised only when the contractual rights to the cash flows from the financial asset expire or the Company transfers substantially all risks and rewards of ownership.

The Company's financial assets consist of loans and receivables and derivatives (Note 2.11).

Financial assets included in trade and other receivables are classified as loans and receivables. They are recognised initially at fair value and subsequently measured at amortised cost less provision for impairment.

Cash and cash equivalents are also classified as loans and receivables. They are subsequently measured at amortised cost. Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

Derivative financial assets and liabilities are classified as financial assets at fair value through profit or loss (held for trading). The Company does not apply hedge accounting in accordance with IAS 39.

The Company assesses at each financial position date whether there is objective evidence that a financial asset or group of financial assets is impaired. If there is objective evidence (such as significant financial difficulty of the obligor, breach of contract, or it becomes probable that the debtor will enter bankruptcy), the asset is tested for impairment. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred), discounted at the financial asset's original effective interest rate (that is, the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognised in the profit or loss.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice. Impaired debts are derecognised when they are assessed as uncollectible.

If in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date. Any subsequent reversal of an impairment loss is recognised in profit and loss.

b) Financial liabilities

Liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss or other liabilities, as appropriate. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

All loans and borrowings are classified as other financial liabilities. Initial recognition is at fair value less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method (see Note 2.10 for the accounting policy on borrowings).

Financial liabilities included in trade and other payables are recognised initially at fair value and subsequently at amortised cost. The fair value of a non-interest bearing liability is its discounted repayment amount. If the due date of the liability is less than one year, discounting is omitted.

Derivative financial liabilities are measured initially and subsequently at fair value through profit and loss (Note 2.11).

2.6 Trade receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as noncurrent assets. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in profit and loss.

2.7 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less. Cash and cash equivalents are carried at amortised cost using the effective interest method. Balances restricted from being exchanged or used to settle a liability for at least twelve months after the balance sheet date are included in non-current trade and other receivables.

2.8 Share capital

Shares are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.9 Trade payables

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

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

2.10 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some of or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs.

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

Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in profit and loss in the period in which they are incurred.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

2.11 Derivative financial instruments

Derivative financial assets and liabilities are classified as financial assets at fair value through profit and loss (held for trading).

Derivative financial assets and liabilities comprise interest rate swaps.

The Company does not apply hedge accounting in accordance with IAS 39. Recognition of the derivative financial instruments takes place when the economic hedging contracts are entered into. They are measured initially and subsequently at fair value; transaction costs are included directly in finance costs. Gains or losses on derivatives are recognised in profit and loss in net change in fair value of financial instruments at fair value through profit and loss. Interest income and expenses on derivative financial assets are included in profit and loss in finance income and finance costs, respectively.

Derivatives are presented in the balance sheet as financial assets when their fair value is positive and as financial liabilities when their fair value is negative.

2.12 Current and deferred income taxes

The tax expense for the period comprises current and deferred tax.

Tax is recognised in the profit and loss, except to the extent that it relates to items recognised, in the same or a different period, in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in Bulgaria.

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 basis of assets and liabilities and their carrying amounts in the financial statements. However, 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 temporary differences can be utilized. The future taxable profits and the amount of tax benefits that are probable in the future are based on a medium term business plan prepared by management and extrapolated results thereafter. The business plan is based on management expectations that are believed to be reasonable under the circumstances.

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 taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.13 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

2.14 Leases

(a) A Company is the lessor in an operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the Company, the lessor, are classified as operating leases.

Properties leased out under operating leases are included in investment property in the balance sheet (Note 5). See Note 2.15 for the recognition of rental income.

(b) A Company is the lessor—fees paid in connection with arranging leases and lease incentives

The Company makes payments to agents for services in connection with negotiating lease contracts with the Company's lessees. The letting fees are capitalised within the carrying amount of the related investment property and amortised over the lease term.

Lease incentives are recognised as a reduction of rental income on a straight-line basis over the lease term.

2.15 Revenue recognition

Revenue includes rental income, and service and management charges from the investment property.

Rental income from operating leases is recognised on a straight-line basis over the lease term. When the Company provides incentives to its tenants, the cost of incentives is recognised over the lease term, on a straight-line basis, as a reduction of rental income. Amounts received from tenants to terminate leases or to compensate for dilapidations are recognised in the profit or loss when they arise.

Service and management charges are recognised in the accounting period in which the services are rendered.

2.16 Dividend distribution

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

2.17 Downstream merger accounting

In December 2012 the downstream merger between Blue-Box 2 EOOD (parent) and Helios - 08 EOOD (subsidiary) occurred, the subsidiary being the surviving entity.

The merger of the holding entity with its operating subsidiary where the surviving entity is a subsidiary, was accounted for a recapitalisation i.e. the merger resulting in recognition of the debt obtained by the parent to acquire the subsidiary with the corresponding entry (decrease) in equity of the subsidiary.

The amounts recognised in these financial statements are the continuation of the carrying amounts of the assets and liabilities of subsidiary. The assets and liabilities of the parent are incorporated in the financial statements of subsidiary from the date of the legal merger at their carrying amounts from the financial statement of the parent. The comparatives in these financial statements represent the carrying amounts of assets and liabilities of the subsidiary only.

2.18 Direct property operating expenses and other expenses

Expenses include legal, accounting, auditing and other items. They are recognised in profit and loss in the period in which they are incurred (on an accrual basis).

2.19 Interest income and expense

Interest income and expense are recognised within 'finance income' and 'finance costs' in the profit and loss using the effective interest method, except for the borrowing costs relating to qualifying assets, which are capitalised as part of the cost of that asset (Note 2.10).

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or a shorter period where appropriate, to the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

3 Financial risk management

3.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Bluehouse Group's (the Group) overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's and the Group's financial performance.

Risk management is carried out by a central treasury department (Group Treasury) under policies approved by the Board of Directors. Group Treasury identifies, evaluates and hedges financial risks. The Board provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity.

(a) Market risks

The Company takes on exposure to market risks. Market risks can arise from open positions in (a) foreign currencies, (b) interest bearing assets and liabilities and (c) equity instruments, all of which are exposed to general and specific market movements. Management sets limits on the value of risk that may be accepted, which is monitored on a daily basis. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

(i) Foreign exchange risk

The management of the Company manages the foreign exchange risk via performing the transactions in the Bulgarian Lev or Euro, the Euro being fixed to the Bulgarian Lev.

(ii) Price risk

The Company has no significant exposure to price risk as it does not hold any equity securities or commodities.

(iii) Interest rate risk

As the Company's interest-bearing assets do not generate significant amounts of interest, changes in market interest rates do not have any significant direct effect on the Company's income.

The Company's interest rate risk principally arises from long-term borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk. Borrowings issued at fixed interest rates expose the Company to fair value interest rate risk. Intercompany borrowings are at fixed rate and bank borrowings are at variable rate.

As of 31 December 2012, if interest rates of EUR denominated borrowings had been 100 basis points higher/lower with all other variables held constant, post-tax profit/loss for the year would have been EUR 55 thousand lower/higher, as a result of higher/lower interest expense on the floating rate loan. (31 December 2011: EUR 58 thousand).

The Company uses interest rate swap as an economic hedge. As of 31 December 2011, if expected interest rates related to the variable leg of the interest rate swap had been 100 basis points higher with all other variables held constant, post-tax profit/loss for the year would have been EUR 304 thousand higher, as a result of the measurement of the interest rate swap as at 31 December 2011.

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to lessees, including outstanding receivables and committed transactions. For banks and financial institutions, only parties with high credit rating are accepted. For other parties, management of the Company assesses the credit quality of the party, taking into account its financial position, past experience and other factors.

Corporate guarantee at the amount of EUR 280 thousand as at 31 December 2012 (2011: EUR 280 thousand) is provided from the lessee. Guarantees are requested to minimise the credit risks exposure and the concentration of credit risk, as the building is leased to only one tenant and the receivables from this lessee comprise all of the receivables as at 31 December 2012 and 31 December 2011.

The management does not expect any losses from non-performance by these counterparties. The maximum credit risk exposure is the carrying amount of financial assets, disclosed in Note 6B.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the nature of the underlying businesses, the Company manages its liquidly risk through maintenance of sufficient cash and cash equivalents and credit facilities to meet its obligations when fall due. The liquidity issue resulting from the excess of the current liabilities over current assets is discussed in the Note 2.1.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

(in EUR thousand) **As at 31 December 2012**	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**
Bank borrowings (Note 12)				
—principal repayments	361	389	1,278	3,220
—interest payments	331	297	738	419
Related parties borrowings (Note 21)				
—principal repayments	3,061	–	–	–
—interest payments	56			
Trade and other payables (Note 14)	12	–	–	–
	3,821	**686**	**2,016**	**3,639**

(in EUR thousand) **As at 31 December 2011**	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**
Bank borrowings (Note 12)				
—principal repayments	385	414	1,422	3,367
—interest payments	294	270	665	419
Related parties borrowings (Note 21)				
—principal repayments	338	–	–	–
—interest payments	–	–	–	–
Derivative financial instrument	98	106	164	13
Trade and other payables (Note 14)	15	–	–	–
	1,130	**790**	**2,251**	**3,799**

3.2 Capital risks management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Company has also to maintain certain ratios, related to its capital, which are imposed by the agreement for the bank loan obtained. In general, these requirements relate to:

—actual debt service cover, determined as the ratio between the net rental income generated by the Company and the debt service payments for the last 6 month period, and maintain the expenses for management and maintenance of the properties within certain limit of the rental income, respectively for each 6 month period ended at the end of June and December each calendar year during the period of the agreement; at the same dates, the Company has to maintain certain ratio between the outstanding loan principal and interest payable and the fair value of the investment property.

According to the contract, the Company shall be in compliance with the above requirements starting as of 30 June 2013.

3.3 Fair value estimation

The nominal value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current interest rate that is available to the Company for similar financial instruments.

IFRS 7 for financial instruments that are measured in the balance sheet at fair value requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2)
- Inputs for the asset or liability that are no based on observable market data (that is, unobservable inputs) (level 3)

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

(in EUR thousand)	Level 1	Level 2	Level 3	Total balance
Liabilities				
Derivative financial instruments	–	372	–	**372**

4 Critical accounting estimates and judgments

The Company makes estimates and assumptions that affect the amounts recognised in the financial statements and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgments, apart from those involving estimations, in the process of applying the accounting policies. Judgments that have the most significant effect on the amounts recognised in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below.

(a) Critical judgments and estimates in applying the Company's accounting policies

The Company made the following critical accounting judgments and estimates in 2012 and 2011:

(i) Going concern, as described in Note 2.1

(ii) The recognition of the deferred tax asset, as described in Note 2.12, 9 and 17

(iii) The fair value of the derivative, as described in Note 2.11 and 13

(iv) Useful life of investment property.

The estimation of the useful life of the investment property and its significant components is a matter of judgment based on the experience with similar assets. The future economic benefits embodied in the asset are consumed principally through use. However, other factors, such as technical or commercial obsolescence and wear and tear, often result in the diminution of the economic benefits embodied in the assets.

Management assesses the remaining useful lives in accordance with the current technical conditions of the assets and estimated period during which the assets are expected to earn benefits for the Company. The following primary factors are considered: (a) expected usage of the assets; (b) expected physical wear and tear, which depends on operational factors and maintenance programme; and (c) technical or commercial obsolescence arising from changes in market conditions.

Were the estimated useful lives to differ by 10% from management's estimates, the impact on depreciation for the year ended 31 December 2012 would be to increase/decrease it by EUR 31 thousand (2011: EUR 17 thousand).

(b) Impact of the ongoing global financial and economic crisis

The ongoing global financial and economic crisis that emerged out of the severe reduction in global liquidity which commenced in the middle of 2008 (often referred to as the "Credit Crunch") has resulted in, among other things, a lower level of capital market funding, lower liquidity levels across the banking sector and wider economy, and, at times, higher interbank lending rates and very high volatility in stock and currency markets.

The uncertainties in the global financial markets have also led to failures of banks and other corporates, and to bank rescues in the United States of America, Western Europe, Russia and elsewhere. The full extent of the impact of the ongoing global financial and economic crisis is proving to be difficult to anticipate or completely guard against.

Management is unable to reliably determine the effects on the Company's future financial position of any further deterioration in the Company's operating environment as a result of the ongoing crisis. Management believes it is taking all the necessary measures to support the sustainability and growth of the Company's business in the current circumstances.

Impact on liquidity:

The volume of wholesale financing has significantly reduced since August 2008. Such circumstances may affect the ability of the Company to obtain new borrowings and re-finance its existing borrowings at terms and conditions similar to those applied to earlier transactions. However, the Company's borrowings are of long-term nature and the market conditions are expected to improve upon their expiry. In addition, no necessity of new financing before the expiry of the existing borrowings is estimated.

Impact on customers:

Debtors of the Company may be adversely affected by the financial and economic environment which could in turn impact their ability to repay the amounts owed. Deteriorating economic conditions for customers may also have an impact on management's cash flow forecasts and assessment of the impairment of financial and non-financial assets. To the extent that information is available, management has properly reflected revised estimates of expected future cash flows in its impairment assessments.

(In all notes all amounts are shown in Euro thousand unless otherwise stated)

Fair values of investment property:

The market in the country for many types of real estate has been affected by the recent volatility in global financial markets. Deteriorating economic conditions may also have an impact on management's assessment of the impairment of investment properties.

5 Investment property

	Year ended 31 December	
	2012	2011
Year ended 31 December 2012		
Beginning of the year	5,961	4,745
Additions	–	1,821
Disposals	–	(440)
Depreciation charge (Note 15)	(222)	(165)
End of the year	**5,739**	**5,961**
Cost	6,126	6,126
Accumulated depreciation	(387)	(165)
End of the year	**5,739**	**5,961**

The fair value of the investment property as at 31 December 2012 is EUR 10,000 thousand (2011: EUR 8,984 thousand).

The investment properties that generate rental income comprise the Baumax store in Pleven.

The investment properties serve as a pledge on the bank loans obtained by Helios - 08 EOOD.

6A Financial instruments by category

	As at 31 December	
	2012	2011
Loans and receivables—assets per balance sheet		
Trade receivables (Note 7)	84	90
Cash and cash equivalents (Note 8)	112	–
	196	**90**
Financial liabilities at amortised cost		
Trade and other payables (Note 14)	12	15
Borrowings (Note 12)	8,355	5,951
	8,367	**5,966**
Financial liabilities at fair value through profit and loss		
Derivative financial instrument	–	372

(In all notes all amounts are shown in Euro thousand unless otherwise stated)

6B Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

	As at 31 December	
	2012	2011
Existing customers with no defaults in the past:		
Trade receivables (Note 7)	84	90
Cash and bank (Note 8)		
Credit rating BBB (Standard and Poor's)	112	–

All financial assets are fully performing and none has been renegotiated in the periods covered by these financial statements.

7 Trade and other receivables

	As at 31 December	
	2012	2011
Trade receivables	84	90
VAT refundable	14	–
Other	3	2
	101	**92**

All trade receivables are due from one customer.

As of 31 December 2012 and 31 December 2011 there were no trade receivables past due but not impaired. Management considers that the fair values of the trade and other receivables equal their book value.

Rent receivable on current and future lease contracts serves as a pledge on the bank loans obtained.

Trade and other receivables are denominated in Bulgarian Lev.

8 Cash and cash equivalents

	As at 31 December	
	2012	2011
Cash at bank	112	–
	112	**–**

The cash and cash equivalents are denominated in the following currencies:

	As at 31 December	
	2012	2011
Bulgarian Lev	1	–
Euro	111	–
	112	**–**

For the purposes of cash flow statement, the cash and cash equivalents comprise the following:

	As at 31 December	
	2012	2011
Cash at bank balances	112	–
	112	**–**

9 Deferred income taxes

Deferred tax assets and liabilities are calculated under the liability method using an enacted rate of 10%. Deferred tax assets are recognised for the amount of the interest expense subject to thin capitalisation (i.e. interest that could be recognised in different periods for tax purposes), tax losses and fair value revaluation of derivative financial instruments to the extent that that the realisation of the related tax benefit through future taxable profits is probable.

Deferred income tax assets

	Interest not yet recognised for tax	Investment property depreciation	Fair value revaluation of derivative financial instruments	Tax losses	Total
As at 1 January 2011	**(6)**	**–**	**(11)**	**–**	**(17)**
Charge/(credit) to the profit or loss (note 17)	(30)	(2)	(24)	–	(56)
As at 31 December 2011	**(36)**	**(2)**	**(35)**	**–**	**(73)**
Charge/(credit) to the profit or loss (note 17)	23	–	35	(8)	50
As at 31 December 2012	**(13)**	**(2)**	**–**	**(8)**	**(23)**

10 Share capital

	Number of Shares	Share capital Euro '000
As at 1 January 2011	7,460	382
As at 31 December 2011	7,460	382
As at 31 December 2012	7,460	382

All shares give equal rights to the owner and are fully paid. The total authorised number of shares is 7,460 having a par value of BGN 100 (EUR 51.13) per share.

The shareholder of the Company as at 31 December 2012 is Bluehouse Accession Project III Ltd, Cyprus (2011: Horizont Ivanov EOOD, Bulgaria). The ultimate parent entity is Bluehouse Accession Property III FCP-FIS, Luxembourg (2011: Lyubomir Ivanov—owner of Horizont Ivanov EOOD, Bulgaria).

11 Effect of merger

	As at 31 December	
	2012	2011
Balance at 1 January	–	–
Effect of merger—recognised in equity	(2,559)	–
Balance at 31 December	**(2,559)**	**–**

In December 2012, the downstream merger between Blue-Box 2 EOOD (parent) and Helios - 08 EOOD (subsidiary) occurred, the subsidiary being the surviving entity.

The merger of the holding entity with its operating subsidiary where the surviving entity is a subsidiary, was accounted for a recapitalisation i.e. the merger resulting in recognition of the net assets of the parent (net assets consisting primarily of the debt obtained by the parent to acquire the subsidiary) with the corresponding entry in equity of the subsidiary.

The amounts recognised in these financial statements are the continuation of the carrying amounts of the assets and liabilities of Helios - 08 EOOD. The assets and liabilities of Blue-Box 2 EOOD are incorporated in the financial statements of Helios - 08 EOOD from the date of the legal merger at their carrying amounts from the financial statement of Blue-Box 2 EOOD. The comparatives in these financial statements represent the carrying amounts of assets and liabilities of Helios - 08 EOOD only.

(In all notes all amounts are shown in Euro thousand unless otherwise stated)

As the result of the legal merger, the following amounts were recognised in the financial statement of Helios - 08 EOOD.

	As at the date of the legal merger 4 December 2012
Receivables from related parties (note 11)	550
Borrowings (note 12)	(3,107)
Trade and other payables (note 14)	(2)
Equity—effect of merger	**(2,559)**

12 Borrowings

	As at 31 December	
	2012	**2011**
Current borrowings		
Bank borrowings	369	410
Borrowings from related parties (Note 21)	3,117	338
	3,486	**748**
Non-current borrowings		
Bank borrowings	4,869	5,203
	4,869	**5,203**
Total	**8,355**	**5,951**

Maturity of the non-current bank borrowings is as follows:

	As at 31 December	
	2012	**2011**
Between 1 and 2 years	386	414
Between 2 and 5 years	1,270	1,422
Above 5 years	3,213	3,367
	4,869	**5,203**

Bank loan was obtained in July 2010. It is secured by a mortgage on the property held by the Company, the current and future receivables of the Company and pledge over the Company's shares held by the Parent. The loan bears floating interest rate, determinable for each three-month period on the basis of EURIBOR. The effective annual interest rate on the loan as at the balance sheet date is 6.22% (2011: 5.3%).

All assets, liabilities and existing and future contractual relationshipsare pledged as collateral for the bank borrowings.

The bank covenants are disclosed in Note 3.2.

All borrowings are denominated in Euro.

The carrying amounts of the borrowings approximate their fair value. Fair values are based on discounted cash flows using a discount rate based upon the borrowing rate, which the directors expect to be available to the Company at the balance sheet date.

(In all notes all amounts are shown in Euro thousand unless otherwise stated)

13 Derivative financial instrument

	As at 31 December	
	2012	2011
Interest-rate swaps		
—liabilities current	–	97
—liabilities non-current	–	275
	–	**372**

In 2010 the Company entered in an interest rate swap agreement to swap annual variable rate of 3 month Euribor to fixed rate of 3% per annum (the Company is the fixed rate payer) with the bank with maturity date of 1 June 2020. The notional principal amounts of the outstanding interest rate swap contract as at 31 December 2011 was EUR 5,618 thousand. The contract was cancelled in 2012.

The derivative is classified at the balance sheet as financial asset or liability measured at fair value through profit and loss. The fair value of the instrument as at 31 December 2011 is liability at the amount of EUR 372 thousand.

14 Trade and other payables

	As at 31 December	
	2012	2011
Trade payables	12	15
Taxes payable	2	69
Other payables	3	1
	17	**85**

All trade and other payables are due within 12 months after the balance sheet date.

15 Administrative expenses and operating expenses arising from investment properties that generate rental income

	Year ended 31 December	
	2012	2011
Depreciation expenses (Note 5)	222	165
Real estate taxes	24	23
Insurance	10	3
Management charges	11	–
Professional fees	11	–
Electricity, heat and water	–	9
Operating expenses arising from investment properties that generate rental revenue	**278**	**200**
Professional fees	46	1
Other	2	2
Administrative expenses	**48**	**3**

(In all notes all amounts are shown in Euro thousand unless otherwise stated)

16 Finance income and costs

	Year ended 31 December	
	2012	2011
Interest income	1	15
Fair value gains on derivatives	352	–
Finance income	**353**	**15**
Interest expense	(377)	(405)
Fair value losses on derivatives	–	(246)
Other financial expenses	(4)	(33)
Finance cost	**(381)**	**(684)**

17 Income tax

	Year ended 31 December	
	2012	2011
Current tax	–	–
Deferred income tax (Note 9)	(50)	56
	(50)	**56**

The tax on the Company's profit before tax equals the theoretical amount that would arise using the weighted average tax rate applicable to profits of the Company as follows:

	Year ended 31 December	
	2012	2011
Profit/(loss) before tax	499	(488)
Tax calculated at a tax rate of 10%	50	(49)
Utilisation of tax losses on which no deferred tax has been recognised	–	(7)
Income tax	**50**	**(56)**

Tax losses carried forward for which no deferred tax asset was recognised due to the uncertainties about their recoverability expire as follows:

	As at 31 December	
	2012	2011
Year of expiry		
2015	27	27
	27	**27**

18 Contingent liabilities

The tax authorities may at any time inspect the books and records within 5 years subsequent to January 1 of the year, following the year in which the taxes are payable, and may impose additional tax assessments and penalties. The Company's management is not aware of any circumstances, which may give rise to a potential material liability in this respect.

(In all notes all amounts are shown in Euro thousand unless otherwise stated)

19 Operating lease receivables—where the Company is a lessor

The future aggregate minimum rentals receivable under non-cancellable operating leases are as follows:

	As at 31 December 2012	As at 31 December 2011
Not later than 1 year	840	840
Later than 1 year but not later than 5 years	3,360	3,360
Over 5 years	1,890	2,730
	6,090	**6,930**

The lease agreement with the tenant is signed in April 2011 for 10 years and for the entire property owned by the Company. The lease agreement can be terminated only by the agreement between the lessor and the lessee. If the lessee wants to terminate the lease, he has to pay the rental income due for the remaining period of the lease term. The rental contract has renewal options upon lessee's request for an additional period of 5 years. In April 2013 the lease agreement was extended with additional 1.5 years.

20 Provisions

The Company does not have provisions as at the balance sheet date.

21 Related party transactions

Parties are generally considered to be related if the parties are under common control or if one party has the ability to control the other party or can exercise significant influence or joint control over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

At 31 December 2012 and 2011, the outstanding balances, income and expense with related parties were as follows:

(i) Borrowings from related parties

	Year ended 31 December	
	2012	2011
Loan received from Horizont Ivanov EOOD, Bulgaria (parent company as at 31 December 2011)		
Beginning of the year	338	–
Loans advanced during the year—offsetting with payments to Company's suppliers by the parent company	–	338
Loans repaid during the year—transfer to loan to Blue—box 2 EOOD (parent company since 14 February 2012)	(338)	–
End of year	**–**	**338**
End of the year, analysed by:		
Loan principal	–	338
Interest payable	–	–
	–	**338**

(In all notes all amounts are shown in Euro thousand unless otherwise stated)

After the legal merger of the Company with Blue Box 2 EOOD (4 December 2012) the balance of EUR 550 thousand payable to Blue—box 2 EOOD was eliminated.

	Year ended 31 December	
	2012	**2011**
Loan received from Bluehouse Accession Project III Ltd, Cyprus (parent company as at 31 December 2012)		
Beginning of the year	–	–
Loans advanced during the year—effect of merger	3,107	–
Interest accrued	10	–
End of year	**3,117**	**–**

	Year ended 31 December	
	2012	**2011**
End of the year, analysed by:		
Loan principal	3,061	–
Interest payable	56	–
	3,117	**–**

The maximum principal amount of the loan facility is Euro 8,000 thousand and bears a fixed interest rate of 4.6% per annum. The loan facility is provided for undetermined period of time and is also payable upon lender's request.

(ii) Sales to related parties

	Year ended 31 December	
	2012	**2011**
Loss on sale of land to Horizont Ivanov EOOD, Bulgaria (parent company as at 31 December 2011)	–	(269)
	–	**(269)**

The loss on sale of land is realised by selling land with net book of EUR 440 thousand for an income of EUR 171 thousand.

22 Post-balance sheet events

In April 2013 the lease agreement with the tenant was extended for additional 1.5 year.

INDEPENDENT AUDITOR'S REPORT

To the General Managers of Helios - 08 EOOD

Report on the Financial Statements

We have audited the accompanying financial statements of Helios - 08 EOOD ("the Company"), which comprise the balance sheet as of 31 December 2012 and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 management, as well as evaluating the overall presentation of the 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 accompanying financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2012, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Other matters

The accompanying financial statements include comparative information as at 31 December 2011 and for the year then ended. This comparative information has not been audited.

PricewaterhouseCoopers Audit OOD

Sofia, Bulgaria

4 June 2013

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Registered with the Sofia City Court under company file number 13424/1997.

HELIOS - 08 EOOD

CONDENSED INTERIM FINANCIAL STATEMENTS
FOR SIX MONTHS ENDED 30 JUNE 2013

(All amounts in Euro thousands unless indicated otherwise)

INTERIM BALANCE SHEET

	Note	As at 30 June 2013 Unaudited	As at 31 December 2012 Audited
ASSETS			
Non-current assets			
Investment property	8	5,628	5,739
Deferred income tax asset		23	23
Total non-current assets		**5,651**	**5,762**
Current assets			
Trade and other receivables		122	101
Current income tax receivable		5	5
Cash and cash equivalents		88	112
Total current assets		**215**	**218**
TOTAL ASSETS		**5,866**	**5,980**
EQUITY AND LIABILITIES			
Equity			
Share capital	9	382	382
Retained earnings/(Accumulated losses)		(2,769)	(2,774)
TOTAL EQUITY		**(2,387)**	**(2,392)**
Non-current liabilities			
Borrowings from banks	10	4,675	4,869
Total non-current liabilities		**4,675**	**4,869**
Current liabilities			
Borrowings from related parties	14	3,183	3,117
Borrowings from banks	10	382	369
Trade and other payables		12	17
Current income tax payable		1	–
Total current liabilities		**3,578**	**3,503**
Total liabilities		**8,253**	**8,372**
TOTAL EQUITY AND LIABILITIES		**5,866**	**5,980**

The accompanying notes are an integral part of these condensed interim financial statements.

(All amounts in Euro thousands unless indicated otherwise)

INTERIM STATEMENT OF COMPREHENSIVE INCOME

	Note	Six months ended 30 June 2013	30 June 2012
		Unaudited	
Rental revenue		419	420
Other revenue		9	13
Total revenue		**428**	**433**
Operating expenses arising from investment properties that generate rental revenue	11	(144)	(126)
Gross profit		**284**	**307**
Administrative expenses	12	(43)	(37)
Operating profit		**241**	**270**
Finance income	13	1	330
Finance costs	13	(236)	(142)
Profit before tax		**6**	**458**
Income tax	7	(1)	(46)
Profit for the period		**5**	**412**
Other comprehensive income for the period		**–**	**–**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**5**	**412**

The accompanying notes are an integral part of these condensed interim financial statements.

(All amounts in Euro thousands unless indicated otherwise)

INTERIM STATEMENT OF CHANGES IN EQUITY

	Note	Share capital	Retained earnings / (Accumulated losses)	Total equity
Balance at 1 January 2012 (Unaudited)		**382**	**(664)**	**(282)**
Profit for the period		–	412	412
Other comprehensive income for the period		–	–	–
Total comprehensive income for the period		**–**	**412**	**412**
Balance at 30 June 2012 (Unaudited)		**382**	**(252)**	**(130)**
Balance at 1 January 2013	9	**382**	**(2,774)**	**(2,392)**
Profit for the period		–	5	5
Other comprehensive income for the period		–	–	–
Total comprehensive income for the period		**–**	**5**	**5**
Balance at 30 June 2013 (Unaudited)	9	**382**	**(2,769)**	**(2,387)**

The accompanying notes are an integral part of these condensed interim financial statements.

(All amounts in Euro thousands unless indicated otherwise)

INTERIM STATEMENT OF CASH FLOWS

	Note	Six months ended 30 June 2013	Six months ended 30 June 2012
		Unaudited	
Cash flows from operating activities			
Profit before tax		6	458
Depreciation expense	11	111	111
Interest income	13	(1)	(1)
Interest expense	13	236	142
Fair value gains on derivative financial instruments		–	(329)
Changes in working capital:			
—(Increase)/decrease in trade and other receivables		(21)	63
—(Decrease)/increase in trade and other payables		(4)	113
Interest received		–	1
Net cash from/(used in) operating activities		**327**	**558**
Cash flows from financing activities			
Repayment of borrowings		(180)	(173)
Interest paid		(171)	(203)
Net cash from/(used in) financing activities		**(351)**	**(376)**
Net increase in cash and cash equivalents		**(24)**	**182**
Cash and cash equivalents at the beginning of the period		112	–
Cash and cash equivalents at the end of the period		**88**	**182**

The accompanying notes are an integral part of these condensed interim financial statements.

1 General Information

Helios - 08 EOOD (the "Company") operates in the area of real estate (leases its investment properties to tenants).

The Company is a limited liability company, incorporated and domiciled in the Republic of Bulgaria. The Company's registered office is located at the following address:

53 Nicola Vaptzarov Blvd., floor 3
Lozenets district, Sofia, Bulgaria.

These condensed interim financial statements have been prepared for inclusion in prospectus of Meridian Properties N.V. and approved by management on 30 July 2013. These condensed interim financial statements have been reviewed, not audited.

2 Basis of Preparation

These condensed interim financial statements for the six months ended 30 June 2013 have been prepared in accordance with IAS 34, 'Interim financial reporting' as adopted by the European Union. The condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2012, which have been prepared in accordance with IFRSs as adopted by the European Union.

The Company's financial statements are prepared on a going concern basis, which assumes that the Company will be in operational existence for the foreseeable future.

The Company generated profit for the six-month period ended 30 June 2013 (EUR 5 thousand) and profit for the six-month period ended 30 June 2012 (EUR 412 thousand).

Despite of the profit generated in 2012, the net assets have decreased from negative EUR 282 as at 31 December 2011 to negative EUR 2,392 as at 31 December 2012. This results from the effect of the legal merger of the Company with its direct parent company in 2012 as the result of which the Company has recognised negative net assets of parent company of EUR 2,559 with the corresponding entry in equity.

For the period ended 30 June 2013 current liabilities exceed current assets by EUR 3,363 thousand (as at 31 December 2012 current liabilities exceeded current assets by EUR 3,285 thousand). Excluding impact of the related party short term borrowings (EUR 3,183 thousand), the current liabilities exceeds current only by EUR 180 thousand as at 30 June 2013, therefore the Company's liquidity in next 12 months is dependent on the support from the parent company.

The Company was provided with a binding letter of support from Bluehouse Accession Property Holdings III S.a.r.l., Luxembourg, as the intermediate parent company, which states that adequate funds and full support would be provided to enable the Company to continue operations at least until 30 June 2014.

The Company's shareholder confirms that it will maintain its investment in the Company and that it is its current policy to ensure that Helios - 08 EOOD is in the position to meet its debts and capital expenditure commitments as they fall due. If the Company's shareholder does not provide financial support to Helios - 08 EOOD and the going concern basis could not be applied, the Company's assets and liabilities should be measured at the values that could be substantially different than the amounts presented in these financial statements prepared on a going concern basis.

3 Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year except as described below.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss.

(All amounts in Euro thousands unless indicated otherwise)

New and amended standards adopted by the Company

The new or amended IFRSs or IFRICs that are effective in European Union for the first time from 1 January 2013 do not have any impact on the Company.

4 Estimates

The preparation of interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed interim financial statements, the significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended 31 December 2012, with the exception of changes in estimates that are required in determining the provision for income taxes.

5 Financial Risk Management

5.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

The condensed interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the Company's annual financial statements as at 31 December 2012. There have been no changes in the risk management policies.

5.2 Credit risk

There are no impairment losses recognized or reversed for the six months ended 30 June 2013 and for the six months ended 30 June 2012.

5.3 Liquidity risk

The tables below present the maturity analysis of financial liabilities. The amounts disclosed in the tables are the contractual undiscounted cash flows. Undiscounted cash flows in respect of balances due within 12 months generally equal their carrying amounts in the balance sheet, as the impact of discounting is not significant.

As at 30 June 2013	Up to 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Liabilities					
Borrowings from related parties	3,183	–	–	–	**3,183**
Borrowings from banks	684	673	2,002	3,318	**6,677**
Trade and other payables	10	–	–	–	**10**
Total future payments, including future principal and interest payments	**3,877**	**673**	**2,002**	**3,318**	**9,870**

As at 31 December 2012	Up to 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Liabilities					
Borrowings from related parties	3,117	–	–	–	**3,117**
Borrowings from banks	692	686	2,016	3,639	**7,033**
Trade and other payables	12	–	–	–	**12**
Total future payments, including future principal and interest payments	**3,821**	**686**	**2,016**	**3,639**	**10,162**

5.4 Fair value estimation

The carrying values of trade receivables and payables, as well as borrowings are assumed to approximate their fair values.

6 Seasonality of Operation

The Company's business is not seasonal.

7 Income Taxes

Income tax expense is recognized based on management's estimate of the weighted average annual effective income tax rate expected for the full financial year. The estimated average annual effective tax rate used for the six months ended 30 June 2013 is 10% (the estimated tax rate for the six months ended 30 June 2012 was 10%).

8 Investment Property

	Six months ended 30 June 2013	Year ended 31 December 2012
Beginning of the period	5,739	5,961
Depreciation charge (Note 11)	(111)	(222)
End of the period	**5,628**	**5,739**
Cost	6,126	6,126
Accumulated depreciation	(498)	(387)
End of the period	**5,628**	**5,739**

The fair value of the investment property as at 30 June 2013 is EUR 9,900 thousand (31 December 2012: EUR 10,000 thousand).

9 Share Capital

	Number of shares (thousands)	Share capital
Opening balance as at 1 January 2013	**7,460**	**382**
At 30 June 2013	**7,460**	**382**

10 Borrowings From Banks

Six months ended 30 June 2013

Opening balance as at 1 January 2013	5,238
Repayment of borrowings	(180)
Interest accrued	162
Interest repaid	(163)
At 30 June 2013	**5,057**
non-current	4,675
current	382

(All amounts in Euro thousands unless indicated otherwise)

Six months ended 30 June 2012

Opening balance as at 1 January 2012	5,613
Repayment of borrowings	(173)
Interest accrued	120
Interest repaid	(157)
At 30 June 2012	**5,403**
non-current	5,051
current	352

There are no new significant borrowings in 2013.

11 Operating Expenses Arising From Investment Properties That Generate Rental Revenue

	Six months ended	
	30 June 2013	30 June 2012
Depreciation and impairment	111	111
Real estate taxes	21	12
Insurance	6	3
Management charges	6	–
Total operating expenses arising from investment properties that generate rental revenue	**144**	**126**

12 Administrative Expenses

	Six months ended	
	30 June 2013	30 June 2012
Professional fees	42	37
Other	1	–
Total administrative expenses	**43**	**37**

13 Finance Income and Costs

	Six months ended	
	30 June 2013	30 June 2012
Interest income	1	1
Fair value gains on derivatives	–	329
Total finance income	**1**	**330**

	Six months ended	
	30 June 2013	30 June 2012
Interest expense	(236)	(142)
Total finance costs	**(236)**	**(142)**

(All amounts in Euro thousands unless indicated otherwise)

14 Related Party Transactions

	Six months ended	
	30 June 2013	**30 June 2012**
Borrowings from related parties—Horizont Ivanov EOOD, Bulgaria (parent company as at 31 December 2011)		
Opening balance as at 1 January	–	338
Repayment of borrowings by new parent company—transfer to loan to Blue—box 2 EOOD (parent company since 14 February 2012)	–	(338)
At 30 June	**–**	**–**
non-current	–	–
current	–	–

	Six months ended	
	30 June 2013	**30 June 2012**
Borrowings from related parties—Blue—box 2 EOOD (parent company since 14 February 2012)		
Opening balance as at 1 January	–	–
Transfer from borrowing from previous owners due to the repayment of this loan by Blue—box 2 EOOD	–	338
At 30 June	**–**	**338**
non-current	–	–
current	–	338
Trade payables (current)	–	212

After the legal merger of the Company with Blue Box 2 EOOD (4 December 2012) the balance payable to Blue—box 2 EOOD was eliminated.

	Six months ended	
	30 June 2013	**30 June 2012**
Borrowings from related parties—Bluehouse Accession Project III Ltd, Cyprus (parent company as at 31 December 2012)		
Opening balance as at 1 January	3,117	–
Interest accrued	71	–
Interest repaid	(5)	–
At 30 June	**3,183**	**–**
non-current	–	–
current	3,183	–

15 Events After The Reporting Period

There are no post-balance sheet events to be reported.

REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

To the General Managers of Helios - 08 EOOD

Introduction

We have reviewed the accompanying condensed interim balance sheet of Helios - 08 EOOD (the "Company") as of 30 June 2013 and the related condensed interim statements of comprehensive income, changes in equity and cash flows for the six-month period then ended. Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" as adopted by the European Union. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, "Interim Financial Reporting" as adopted by the European Union.

PricewaterhouseCoopers Audit OOD
Sofia, Bulgaria
30 July 2013

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INDEX TO ANNEXES

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Assurance report

To the Board of Directors of Meridian Properties N.V.

Introduction

We have examined the unaudited pro forma combined financial information, which has been compiled on the basis described in section Unaudited Pro Forma Combined Financial Information of the Prospectus, for illustrative purposes only, to provide information about how the acquisition of the Initial Portfolio and use of the Proceeds from the Offering might have affected the financial information presented on the basis of the accounting policies adopted by Meridian Properties N.V. (the Company) in preparing the special purpose financial information as per 30 June 2013.

The Company's Board of Directors are responsible for the compilation of the unaudited pro forma combined financial information in accordance with the requirements of the Commission Regulation (EC) No 809/2004. Our responsibility is to express an opinion as required by item 7 of Annex II of the Commission Regulation (EC) No 809/2004, as to the proper compilation of the unaudited pro forma combined financial information and the consistency of accounting policies.

In providing this opinion we are not updating or refreshing any reports or opinions previously issued by us on any financial information used in the compilation of the unaudited pro forma combined financial information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue and nor does the aforementioned conclusion require an audit or review of historical financial information on the assumptions summarized in the accompanying notes.

Scope

We conducted our examination in accordance with Dutch law, including Standard 3850N "Assurance and other engagements in connection with prospectuses". The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, including their adjustment to the Company's accounting policies nor of the pro forma assumptions stated in the pro forma notes, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the pro forma adjustments and discussing the unaudited pro forma combined financial information with the Company's Board of Directors. We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the unaudited pro forma combined financial information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company as described in the notes to the special purpose financial information as per 30 June 2013.

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

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Opinion

Based on our examination, in our opinion:

- the unaudited pro forma combined financial information has been properly compiled on the basis stated in section Unaudited Pro Forma Combined Financial Information of the Prospectus; and
- such basis is consistent with the accounting policies of the Company as described in the notes to the special purpose financial information as per 30 June 2013.

Other matters

1 Hypothetical situation of unaudited pro forma combined financial information

Because of its nature, the unaudited pro forma combined financial information addresses a hypothetical situation and therefore does not represent the Company's actual financial position or results had the transaction or event occurred at the beginning of the reporting period. Moreover, the unaudited pro forma combined financial information is not intended to, and does not, provide all the information and disclosures necessary to present a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU.

2 Restriction of use

This report is required by the Commission Regulation (EC) No 809/2004 and is issued for the purpose of complying with that Regulation. The unaudited pro forma combined financial information and our assurance report thereon are therefore intended solely for enclosure in the Prospectus in connection with the first admission to listing and trading on the Warsaw Stock Exchange and are not suitable for any other purpose.

In addition, this report is not intended to be relied on in the United States of America and we accept no responsibility for any use that you may make of it in the United States of America. Our work has not been carried out in accordance with auditing standards generally accepted in the United States of America and accordingly should not be relied upon as if it had been carried out in accordance with those standards.

Amsterdam, 23 September 2013
PricewaterhouseCoopers Accountants N.V.

Original has been signed by L.H.J. Oosterloo RA

INITIAL PORTFOLIO COMBINED FINANCIAL INFORMATION

UNAUDITED COMBINED INCOME STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2012

	PROPERTY COMPANIES									
For the year ended December 31, 2012	**Victoria Center Srl**	**Olympia Dezvoltare Srl**	**One BPS EOOD**	**SC Astoria Business Center Srl**	**Vaptzarov Business Center EOOD**	**Infopark E kft**	**Helios 08 EOOD**	**Bluebox 7 Hradec sro**	**Bluebox 6 Znaim sro**	**(1) Total Property Companies (unaudited)**
	(euro million)									
Rental revenue	2.4	1.5	0.5	0.9	2.5	2.1	0.8	2.3	0.8	13.9
Service charges re-invoiced to tenants	0.6	0.5	0.0	0.1	–	0.5	0.0	0.8	0.0	2.5
Other revenue (extraordinary)	–	–	–	0.1	0.1	–	–	–	–	0.1
Total revenue	**3.0**	**2.0**	**0.5**	**1.1**	**2.6**	**2.6**	**0.9**	**3.1**	**0.8**	**16.5**
Fair value gain / (loss) on investment properties	–	–	–	–	–	–	–	–	–	–
Property related expenses	(0.6)	(0.6)	(0.1)	(0.2)	(0.2)	(0.9)	(0.1)	(1.0)	(0.1)	(3.8)
Depreciation	(0.4)	(0.3)	(0.2)	(0.1)	(0.9)	(0.8)	(0.2)	(1.2)	(0.4)	(4.6)
Corporate overheads	(0.2)	(0.1)	(0.0)	(0.1)	(0.0)	(0.3)	(0.0)	(0.7)	(0.2)	(1.6)
Total operating expenses	**(1.2)**	**(1.0)**	**(0.4)**	**(0.4)**	**(1.2)**	**(2.0)**	**(0.3)**	**(2.9)**	**(0.7)**	**(10.0)**
Operating profit / (loss)	**1.9**	**1.0**	**0.1**	**0.7**	**1.4**	**0.6**	**0.5**	**0.2**	**0.1**	**6.5**
Interest income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1
Interest expense	(1.1)	(1.0)	(0.2)	(0.6)	(1.4)	(0.9)	(0.4)	(0.8)	(0.2)	(6.0)
Other financial gains / (loss), net	(0.7)	(0.6)	0.1	(0.3)	(0.7)	1.5	0.3	0.4	0.1	(0.4)
Net financial cost	**(1.8)**	**(1.5)**	**(0.1)**	**(0.9)**	**(2.2)**	**0.7**	**(0.0)**	**(0.4)**	**(0.1)**	**(6.3)**
Profit / (loss) before tax	**0.0**	**(0.5)**	**0.0**	**(0.2)**	**(0.8)**	**1.3**	**0.5**	**(0.2)**	**(0.0)**	**0.2**
Current tax	–	–	–	(0.0)	0.1	(0.1)	–	0.1	0.0	(0.1)
Deferred tax	0.0	–	–	–	(0.2)	(0.1)	(0.1)	–	–	–
Profit / (loss) for the year	**0.1**	**(0.5)**	**0.0**	**(0.2)**	**(0.7)**	**1.1**	**0.4**	**(0.1)**	**(0.0)**	**0.0**

UNAUDITED COMBINED INCOME STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2012

For the year ended December 31, 2012	Odiny s.a r.l.	DDC Hradec Kralove sro	DDC Znaim sro	Bluehouse Accession Project III Ltd.	Bluehouse Accession Project V Ltd.	Bolesan Ltd.	Bluehouse Accession Project XI Ltd.	Bluehouse Accession Project XII Ltd.	Bluehouse Accession Project X Ltd.	(2) Total Individual Holding Companies (unaudited)	(3)=(1)+(2) Grand Total (unaudited)
	INDIVIDUAL HOLDING COMPANIES										
	(euro million)										
Rental revenue	–	–	–	–	–	–	–	–	–	–	13.9
Service charges re-invoiced to tenants	–	–	–	–	–	–	–	–	–	–	2.5
Other revenue (extraordinary)	–	–	–	–	–	–	–	–	–	–	0.1
Total revenue	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**16.5**
Fair value gain / (loss) on investment properties	–	–	–	–	–	–	–	–	–	–	–
Property related expenses	–	–	–	–	–	–	–	–	–	(0.0)	(3.8)
Depreciation	–	–	–	–	–	–	–	–	–	–	(4.6)
Corporate overheads	(0.0)	(0.1)	(0.1)	(0.2)	(0.1)	(0.0)	(0.5)	(0.0)	(0.7)	(1.7)	(3.3)
Total operating expenses	**(0.0)**	**(0.1)**	**(0.1)**	**(0.2)**	**(0.1)**	**(0.0)**	**(0.5)**	**(0.0)**	**(0.7)**	**(1.7)**	**(11.7)**
Operating profit / (loss)	**(0.0)**	**(0.1)**	**(0.1)**	**(0.2)**	**(0.1)**	**(0.0)**	**(0.5)**	**(0.0)**	**(0.7)**	**(1.7)**	**4.8**
Interest income	–	0.0	0.0	0.1	0.4	0.0	0.2	–	0.0	0.9	1.0
Interest expense	–	(0.0)	(0.0)	(0.1)	(0.3)	(0.0)	(0.2)	–	(0.0)	(1.0)	(7.0)
Other financial gains / (loss), net	–	0.1	0.1	–	–	–	(0.0)	–	–	0.2	(0.3)
Net financial cost	**–**	**(0.1)**	**0.1**	**0.0**	**0.1**	**0.0**	**(0.0)**	**–**	**(0.0)**	**0.0**	**(6.3)**
Profit / (loss) before tax	**(0.0)**	**(0.0)**	**(0.0)**	**(0.2)**	**(0.0)**	**(0.0)**	**(0.5)**	**(0.0)**	**(0.8)**	**(1.6)**	**(1.5)**
Current tax	(0.0)	–	–	(0.0)	(0.0)	(0.0)	–	–	(0.0)	(0.0)	(0.1)
Deferred tax	–	–	–	–	–	–	–	–	–	–	–
Profit / (loss) for the year	**(0.0)**	**(0.0)**	**(0.0)**	**(0.2)**	**(0.0)**	**(0.0)**	**(0.5)**	**(0.0)**	**(0.8)**	**(1.7)**	**(1.6)**

UNAUDITED COMBINED INCOME STATEMENT FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2013

	PROPERTY COMPANIES									
For the six months ended June 30, 2013	**Victoria Center Srl**	**Olympia Dezvoltare Srl**	**One BPS EOOD**	**SC Astoria Business Center Srl**	**Vaptzarov Business Center EOOD**	**Infopark E kft**	**Helios 08 EOOD**	**Bluebox 7 Hradec sro**	**Bluebox 6 Znaim sro**	**(1) Total Property Companies (unaudited)**
	(euro million)									
Rental revenue	1.2	0.9	0.2	0.4	1.3	1.2	0.4	1.1	0.4	7.1
Service charges re-invoiced to tenants	0.3	0.3	0.0	0.1	0.1	0.3	0.0	0.4	0.0	1.5
Other revenue (extraordinary)	–	–	–	–	–	–	–	–	–	–
Total revenue	**1.5**	**1.2**	**0.3**	**0.5**	**1.4**	**1.5**	**0.4**	**1.5**	**0.4**	**8.6**
Fair value gain / (loss) on investment properties	–	–	–	–	–	–	–	–	–	0.0
Property related expenses	(0.3)	(0.3)	(0.1)	(0.1)	(0.1)	(0.4)	(0.0)	(0.5)	(0.0)	(1.7)
Depreciation	(0.2)	(0.2)	(0.1)	(0.0)	(0.5)	(0.4)	(0.1)	(0.5)	(0.2)	(2.3)
Corporate overheads	(0.1)	(0.1)	(0.0)	(0.0)	(0.1)	(0.2)	(0.0)	(0.4)	(0.1)	(1.1)
Total operating expenses	**(0.6)**	**(0.5)**	**(0.3)**	**(0.2)**	**(0.7)**	**(1.0)**	**(0.2)**	**(1.4)**	**(0.3)**	**(5.1)**
Operating profit / (loss)	**0.9**	**0.7**	**(0.0)**	**0.3**	**0.7**	**0.5**	**0.2**	**0.1**	**0.2**	**3.5**
Interest income	0.0	0.0	0.0	(0.1)	0.0	0.0	0.0	0.1	0.0	0.1
Interest expense	(0.5)	(0.5)	(0.1)	(0.3)	(0.7)	(0.5)	(0.2)	(0.2)	(0.0)	(3.0)
Other financial gains / (loss), net	0.0	(0.1)	0.0	(0.0)	0.2	(0.3)	–	(0.6)	(0.2)	(0.9)
Net financial cost	**(0.5)**	**(0.5)**	**(0.1)**	**(0.4)**	**(0.5)**	**(0.8)**	**(0.2)**	**(0.7)**	**(0.2)**	**(3.9)**
Profit / (loss) before tax	**0.4**	**0.2**	**(0.1)**	**(0.1)**	**0.3**	**(0.3)**	**0.0**	**(0.6)**	**(0.1)**	**(0.3)**
Current tax	–	–	–	(0.0)	(0.0)	(0.0)	(0.0)	0.0	–	(0.0)
Deferred tax	–	–	–	0.0	–	0.1	–	(0.0)	0.0	0.1
Profit / (loss) for the period	**0.4**	**0.2**	**(0.1)**	**0.1**	**0.2**	**(0.3)**	**0.0**	**(0.6)**	**(0.1)**	**(0.3)**

UNAUDITED COMBINED INCOME STATEMENT FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2013

	INDIVIDUAL HOLDING COMPANIES										
For the six months ended June 30, 2013	Odiny s.a r.l.	DDC Hradec Kralove sro	DDC Znaim sro	Bluehouse Accession Project III Ltd.	Bluehouse Accession Project V Ltd.	Bolesan Ltd.	Bluehouse Accession Project XI Ltd.	Bluehouse Accession Project XII Ltd.	Bluehouse Accession Project X Ltd.	(2) Total Individual Holding Companies (unaudited)	(3)=(1)+(2) Grand Total (unaudited)
						(euro million)					
Rental revenue	–	–	–	–	–	–	–	–	–	–	7.1
Service charges re-invoiced to tenants	–	–	–	–	–	–	–	–	–	–	1.5
Other revenue (extraordinary)	–	–	–	–	–	–	–	–	–	–	–
Total revenue	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**8.6**
Fair value gain / (loss) on investment properties	–	–	–	–	–	–	–	–	–	–	–
Property related expenses	–	–	–	–	–	–	–	–	–	–	(1.7)
Depreciation	–	–	–	–	–	–	–	–	–	–	(2.3)
Corporate overheads	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)	(0.1)	(0.3)	(1.3)
Total operating expenses	**(0.0)**	**(0.0)**	**(0.0)**	**(0.0)**	**(0.0)**	**(0.0)**	**(0.0)**	**(0.0)**	**(0.1)**	**(0.3)**	**(5.3)**
Operating profit / (loss)	**(0.0)**	**(0.0)**	**(0.0)**	**(0.0)**	**(0.0)**	**(0.0)**	**(0.0)**	**(0.0)**	**(0.1)**	**(0.3)**	**3.3**
Interest income	–	–	–	0.1	0.2	0.0	0.0	–	0.1	0.4	0.5
Interest expense	–	(0.0)	(0.0)	(0.1)	(0.2)	(0.0)	(0.1)	–	(0.3)	(0.7)	(3.7)
Other financial gains / (loss), net	(0.0)	(0.1)	(0.0)	–	–	–	–	–	–	(0.0)	(1.0)
Net financial cost	**(0.0)**	**(0.1)**	**(0.0)**	**0.0**	**0.0**	**–**	**(0.1)**	**–**	**(0.1)**	**(0.3)**	**(4.2)**
Profit / (loss) before tax	**(0.0)**	**(0.1)**	**(0.0)**	**(0.0)**	**(0.0)**	**(0.0)**	**(0.1)**	**(0.0)**	**(0.2)**	**(0.6)**	**(0.9)**
Current tax	(0.0)	–	–	(0.0)	(0.0)	–	–	–	–	(0.0)	(0.1)
Deferred tax	–	–	–	–	–	–	–	–	–	–	0.1
Profit / (loss) for the year	**(0.0)**	**(0.1)**	**(0.0)**	**(0.0)**	**(0.0)**	**(0.0)**	**(0.1)**	**0.0**	**(0.2)**	**(0.6)**	**(0.9)**

UNAUDITED COMBINED STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2013

As at June 30, 2013	Victoria Center Srl	Olympia Dezvoltare Srl	One BPS EOOD	SC Astoria Business Center Srl	Vaptzarov Business Center EOOD	Infopark E kft	Helios 08 EOOD	Bluebox 7 Hradec sro	Bluebox 6 Znaim sro	(1) Total Property Companies (unaudited)
	PROPERTY COMPANIES (euro million)									
Assets										
Non-current assets										
Investment property	16.2	13.5	3.6	3.3	24.2	22.3	5.6	19.7	5.8	114.4
Goodwill	–	–	–	–	–	–	–	–	–	–
Receivables and prepayments	–	–	–	0.0	–	–	–	–	–	0.0
Investment in subsidiaries	–	–	–	–	–	–	–	–	–	–
Deferred tax assets	0.0	–	–	–	0.2	0.4	0.0	–	–	0.6
Derivative financial instruments	–	–	0.1	–	–	–	–	–	–	0.1
Total non-current assets	**16.2**	**13.5**	**3.7**	**3.4**	**24.4**	**22.7**	**5.7**	**19.7**	**5.8**	**115.1**
Current assets										
Receivables and prepayments	0.4	0.3	0.0	0.1	0.2	1.5	0.1	0.8	0.2	3.8
Cash and cash equivalents	2.1	1.1	0.0	0.1	0.6	2.9	0.1	0.5	0.0	7.6
Total current assets	**2.6**	**1.4**	**0.1**	**0.3**	**0.9**	**4.4**	**0.2**	**1.3**	**0.2**	**11.4**
Total assets	**18.8**	**14.9**	**3.8**	**3.7**	**25.3**	**27.1**	**5.9**	**21.0**	**6.0**	**126.5**
Shareholders' equity and liabilities										
Share capital and share premium	0.2	0.1	1.0	0.0	0.0	2.6	0.4	9.7	2.7	16.7
Other reserves	0.4	0.5	0.0	0.2	–	–	–	(0.3)	(0.1)	0.8
Retained profits / (losses)	(2.1)	(4.5)	(0.3)	(7.0)	(0.3)	(1.9)	(2.8)	(6.6)	(2.5)	(28.0)
Total shareholders' equity	**(1.5)**	**(3.8)**	**0.8**	**(6.9)**	**(0.3)**	**0.7**	**(2.4)**	**2.8**	**0.1**	**(10.5)**
Non-current liabilities										
Borrowings	17.9	13.7	2.6	5.5	22.9	19.1	4.7	16.2	5.4	108.0
Deferred tax liabilities	–	–	0.0	0.0	–	–	–	0.7	0.1	0.8
Trade and other payables	0.1	0.2	0.0	0.1	–	0.2	–	0.0	–	0.8
Deferred revenue	–	–	–	–	–	–	–	–	–	–
Derivative financial instruments	0.2	–	–	–	0.3	–	–	–	–	0.6
Total non-current liabilities	**18.2**	**13.9**	**2.7**	**5.6**	**23.2**	**19.3**	**4.7**	**16.9**	**5.5**	**110.1**
Current liabilities										
Trade and other payables	0.2	0.1	0.0	0.0	0.1	0.3	0.0	0.3	–	1.1
Deferred revenue	0.8	0.3	0.1	0.0	–	–	–	–	–	1.2
Borrowings	0.9	4.4	0.3	4.8	2.0	6.8	3.6	1.0	0.4	24.2
Derivative financial instruments	0.2	–	–	–	0.2	–	–	0.0	0.0	0.5
Total current liabilities	**2.1**	**4.9**	**0.4**	**4.9**	**2.3**	**7.1**	**3.6**	**1.3**	**0.4**	**26.9**
Total liabilities	**20.3**	**18.7**	**3.0**	**10.5**	**25.6**	**26.4**	**8.3**	**18.3**	**5.9**	**137.0**
Total shareholders' equity and liabilities	**18.8**	**14.9**	**3.8**	**3.7**	**25.3**	**27.1**	**5.9**	**21.0**	**6.0**	**126.5**

UNAUDITED COMBINED STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2013

	INDIVIDUAL HOLDING COMPANIES									(2)	(3)=(1)+(2)
As at June 30, 2013	Odiny s.a r.l.	DDC Hradec Kralove sro	DDC Znaim sro	Bluehouse Accession Project III Ltd.	Bluehouse Accession Project V Ltd.	Bolesan Ltd.	Bluehouse Accession Project XI Ltd.	Bluehouse Accession Project XII Ltd.	Bluehouse Accession Project X Ltd.	Total Individual Holding Companies (unaudited)	Grand Total (unaudited)
						(euro million)					
Assets											
Non-current assets											
Investment property	–	–	–	–	–	–	–	–	–	–	114.4
Goodwill	–	–	–	–	–	–	–	–	–	–	–
Receivables and prepayments	–	–	–	–	8.4	0.1	–	–	–	8.5	8.5
Investment in subsidiaries	9.9	3.3	3.7	0.0	0.0	1.1	6.2	0.0	9.6	33.7	33.7
Deferred tax assets	–	–	–	–	–	–	–	–	–	–	0.6
Derivative financial instruments	–	–	–	–	–	–	–	–	–	–	0.1
Total non-current assets	**9.9**	**3.3**	**3.7**	**0.0**	**8.4**	**1.1**	**6.2**	**0.0**	**9.6**	**42.2**	**157.3**
Current assets											
Receivables and prepayments	–	0.0	0.0	3.2	0.8	–	0.9	–	6.1	11.1	14.9
Cash and cash equivalents	0.0	0.0	0.1	0.0	0.0	–	–	0.0	0.1	0.2	7.8
Total current assets	**0.0**	**0.0**	**0.1**	**3.2**	**0.8**	**–**	**0.9**	**0.0**	**6.2**	**11.3**	**22.7**
Total assets	**9.9**	**3.3**	**3.8**	**3.2**	**9.2**	**1.1**	**7.1**	**0.0**	**15.8**	**53.5**	**180.0**
Shareholders' equity and liabilities											
Share capital and share premium	9.9	10.8	4.0	0.0	0.0	0.0	0.0	0.0	0.0	24.8	41.5
Other reserves	–	(7.0)	(0.1)	–	–	–	–	–	–	(7.1)	(6.3)
Retained profits / (losses)	(0.0)	(1.2)	(0.7)	(0.3)	(0.1)	(0.1)	(0.7)	(0.0)	(1.0)	(4.2)	(32.2)
Total shareholders' equity	**9.8**	**2.6**	**3.2**	**(0.3)**	**(0.1)**	**(0.1)**	**(0.7)**	**(0.0)**	**(1.0)**	**13.5**	**3.0**
Non-current liabilities											
Borrowings	–	–	–	–	–	–	–	–	–	–	108.0
Deferred tax liabilities	–	–	–	–	–	–	–	–	–	–	0.8
Trade and other payables	–	–	–	–	–	–	–	–	–	–	0.8
Deferred revenue	–	–	–	–	–	–	–	–	–	–	–
Derivative financial instruments	–	–	–	–	–	–	–	–	–	–	0.6
Total non-current liabilities	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**110.1**
Current liabilities											
Trade and other payables	0.0	0.0	0.0	0.2	0.1	1.2	0.7	0.0	1.1	3.4	4.4
Deferred revenue	–	–	–	–	–	–	–	–	–	–	1.2
Borrowings	–	0.7	0.6	3.3	9.2	0.1	7.1	0.0	15.7	36.6	60.8
Derivative financial instruments	–	–	–	–	–	–	–	–	–	–	0.5
Total current liabilities	**0.0**	**0.7**	**0.6**	**3.5**	**9.3**	**1.2**	**7.8**	**0.0**	**16.8**	**40.0**	**66.9**
Total liabilities	**0.0**	**0.7**	**0.6**	**3.5**	**9.3**	**1.2**	**7.8**	**0.0**	**16.8**	**40.0**	**177.0**
Total shareholders' equity and liabilities	**9.9**	**3.3**	**3.8**	**3.2**	**9.2**	**1.1**	**7.1**	**0.0**	**15.8**	**53.5**	**180.0**

BNP PARIBAS
REAL ESTATE

Valuation

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Our ref: PGS/

29 July 2013

Dear Sirs

MERIDIAN N.V. ("THE COMPANY") VALUATION AS AT 30 JUNE 2013

1 TERMS OF REFERENCE

1.1 The portfolio comprises eight freehold properties and one long leasehold property as listed on the attached schedule ("The Properties"). The Properties are all held for investment.

1.2 This valuation is prepared in accordance with your joint instructions to BNP Paribas Real Estate UK, BNP Real Estate Poland, as set out in our proposal of 28 March 2013 and as confirmed on 1 April 2013.

1.3 We understand that our valuation report is required for the purpose of inclusion in a prospectus relating to an Initial Public Offering ("IPO") of the Company on the Warsaw Stock Exchange (the "Prospectus") and will be relied on by investors in making investment decisions.

1.4 This valuation has been prepared in accordance with the RICS Appraisal and Valuation Standards (the "Red Book") together with Rule 5.6.5G of the Prospectus Rules published by the Financial Services Authority and paragraphs 128 to 130 of the Committee of European Securities Regulators (''CESR'') recommendations for the consistent implementation of the European Commission's Regulation on Prospectuses no 809/2004 and EU Directive 2003/71/EC.

1.5 This valuation has been prepared by John Palmer FRICS SIOR, Denis Donoiu MRICS and Peter Sudell MA FRICS. We confirm that they have the knowledge, skills and understanding to undertake this valuation competently.

1.6 We are required by RICS regulations to disclose the following:

- We have previously valued these assets on behalf of Bluehouse managed funds. Peter Sudell has supervised these valuations since 2009, when BNP Paribas Real Estate first valued these properties.
- This company does not undertake any other work for Meridian Properties N.V. or for other Bluehouse related entities other than those valuations referred to above.
- In our financial year ending 31 December 2012, the total fees earned from these properties, Meridian Properties N.V. and connected parties were less than 5% of our company turnover.

1.7 We can confirm that we have no material interest in any of the properties and that this report represents our objective and independent opinion. We have undertaken this valuation in the capacity of External Valuer.

2 SOURCES OF INFORMATION AND DUE DILIGENCE

2.1 The Properties were inspected internally during March and April 2013.

2.2 We have relied upon floor areas provided by the Company.

2.3 We have had regard to the Technical Due Diligence reports prepared by Reesco Sp. z.o.o. Our valuation otherwise assumes, that except for any defects specifically noted in the Technical Due Diligence reports:

- The properties are in good condition.
- That no construction materials have been used that are deleterious, or likely to give rise to structural defects.
- That no hazardous materials are present.
- That all relevant statutory requirements relating to use or construction have been complied with.
- That any services, together with any associated computer hardware and software, are fully operational and free from impending breakdown or malfunction.

We have, however, reflected the general condition noted during the course of our valuation inspection and any defects or hazards of which we become aware in the course of our investigations.

2.4 We have not been provided with Environmental Reports in respect of the Properties. We have therefore assumed:

- That the Properties are physically capable of development or redevelopment, when appropriate, and that no special or unusual costs will be incurred in providing foundations and infrastructure.
- That there are no archaeological remains on or under the land which could adversely impact on value.
- That the Properties are not adversely affected by any form of pollution or contamination.
- That there is no abnormal risk of flooding.
- That there are no other potentially hazardous, harmful or deleterious materials, plants or organisms affecting the property.

2.5 We have read lease documentation provided to us by the Company and have confirmed our understanding of these leases accords with that of the Company. Our valuations have been based on the assumption that there is good and marketable title to each of the Properties and that, other than as referred to in the Prospectus, they are free from rights of way or easements, restrictive covenants, disputes or onerous or unusual outgoings. However, for the purpose of the valuations we have assumed that Properties are free from mortgages, charges or other encumbrances.

2.6 We have not instigated formal searches of the local planning and highway authorities. Except where stated to the contrary, we shall assume that there are no local authority planning or highway proposals that might involve the use of compulsory purchase powers or otherwise directly affect the property.

2.7 We have included in our valuations those items of plant and machinery normally considered to be part of the service installations to a building and which would normally pass with the property on a sale or letting. We have excluded all items of process plant and machinery and equipment, together with their special foundations and supports, furniture and furnishings, vehicles, stock and loose tools, and tenants fixtures and fittings.

3 VALUATION

3.1 Our valuation is on the basis of Market Value. This is an internationally recognised basis and is defined as:

"The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."

3.2 We are of the opinion that the aggregate of the Market Values of your interest in each of the Properties described as at 30 June 2013 is:

€197,615,000

**(One Hundred and Ninety Seven Million
Six Hundred and Fifteen Thousand Euros)**

The valuations were made up as follows:

Properties held as investments:

Freehold	€158,940,000
Leasehold (over 50 years unexpired)	€ 38,675,000
	€197,615,000

3.3 This aggregate figure makes no allowance for any effect that placing the whole portfolio on the market contemporaneously may have on the overall realisation. The Market Value of the portfolio sold as a single entity would not necessarily be the same as the aggregate figure reported.

3.5 Our valuation has been arrived at primarily after consideration of market evidence for similar property.

3.6 Property values may change significantly over a relatively short period. Consequently our valuation may not be valid on any date other than the stated valuation date.

3.7 The Market Value is the price that would be agreed, with no adjustment made for costs that would be incurred by the parties in any transaction, including any liability for VAT, stamp duty or other taxes. It is also gross of any mortgage or similar financial encumbrance.

4 GENERAL CONDITIONS

4.1 This report and valuation has been prepared on the basis that there has been full disclosure of all relevant information and facts which may affect the valuation. It has been prepared solely for the purpose of advising on the current value of the Properties in context of the proposed Initial Public Offering in the Company and may be inappropriate for any other purpose.

4.2 We consent to the inclusion in the Prospectus of this report to the Company, and to other references to it and the form and context in which they appear and accept responsibility for the report in compliance with the requirements of Act of 29 July 2005 on Public Offers and Conditions for introducing financial instruments to the organized trading system and on Public Companies, and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import.

Yours faithfully

Peter Sudell MA FRICS
Executive Director
RICS Registered Valuer

For and on behalf of BNP Paribas Real Estate Advisory and Property Management UK Limited

John Palmer FRICS
Head of Valuations and Consultancy

For and on behalf of BNP Paribas Real Estate Advisory and Property Management Poland SP Z.O.O.

APPENDIX 1: SCHEDULE OF VALUES

PROPERTY	TENURE	USEABLE AREA sq m	GROSS INCOME €	MARKET VALUE AS AT 30 JUNE 2013 €
Romania				
Astoria, Bucharest	Freehold	4,636	916,352	**11,300,000**
Olympia, Bucharest	Freehold	9,938	2,172,949	**26,200,000**
Victoria, Bucharest	Freehold	8,256	2,465,967	**32,640,000**
Bulgaria				
Baumax, Pleven	Freehold	10,659	841,820	**9,900,000**
Autounion, Sofia	Freehold	19,475	2,839,670	**34,600,000**
1 BPS, Sofia	Freehold	3,767	397,712	**5,700,000**
Czech Republic				
EuroCentre, Hradec	Freehold	21,933	2,238,109	**29,000,000**
Interspar, Znojmo	Freehold	7,694	756,594	**9,600,000**
Hungary				
Info Park E, Budapest	Long Leasehold	17,214	3,074,880	**38,675,000**
Total		*103,572*	*15,704,053*	*197,615,000*

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18,000,000 Shares

Meridian Properties N.V.

Ordinary Shares

Meridian Properties

September 30, 2013

Citigroup

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