

# ORCO PROPERTY GROUP

## Condensed consolidated interim financial information

As at 30 June 2010

Orco Property Group's Board of Directors has approved on 31 August 2010 the condensed consolidated interim financial information as at and for the period ended 30 June 2010. All the figures in this report are presented in thousands of Euros, except if explicitly stated.

### I. Condensed consolidated interim income statement

The accompanying notes form an integral part of this condensed consolidated interim financial information.

	Note	June 2010	June 2009
<b>Revenue</b>	3	<b>163,076</b>	<b>132,315</b>
Net profit/(loss) from fair value adjustments on investment property	5	26,629	-153,282
Other operating income		2,333	3,626
Net loss on disposal of assets	5, 8	-273	-769
Cost of goods sold	7	-87,899	-72,327
Employee benefits		-21,055	-23,884
Amortisation, impairments and provisions	6, 7	-8,311	-106,048
Other operating expenses		-36,730	-39,978
<b>Operating result</b>		<b>37,770</b>	<b>-260,347</b>
Interest expenses		-51,530	-41,694
Interest income		3,101	5,052
Foreign exchange result		-6,910	-643
Other net financial results	12	255,405	-20,706
<b>Financial result</b>		<b>200,066</b>	<b>-57,991</b>
<b>Profit/(loss) before income taxes</b>		<b>237,836</b>	<b>-318,338</b>
Income taxes	13	-4,335	60,948
<b>Net profit/(loss) for the period</b>		<b>233,501</b>	<b>-257,390</b>
<b>Total profit/(loss) attributable to:</b>			
non controlling interests		-4,232	-57,533
<b>owners of the Company</b>		<b>237,733</b>	<b>-199,857</b>
Basic earnings per share (in EUR)	15	19.44	-18.26
Diluted earnings per share (in EUR)	15	19.44	-18.26

## II. Condensed consolidated interim statement of comprehensive income

*The accompanying notes form an integral part of this condensed consolidated interim financial information.*

	Period ended 30 June	
	2010	2009
<b>Profit/(Loss) for the period:</b>	<b>233,501</b>	<b>-257,390</b>
<b>Other comprehensive income</b>		
Currency translation differences	13,708	-8,047
<b>Total comprehensive income for the period</b>	<b>247,209</b>	<b>-265,437</b>
Total comprehensive income attributable to:		
- owners of the Company	248,570	-206,634
- non controlling interests	-1,361	-58,803

### III. Condensed consolidated interim balance sheet

The accompanying notes form an integral part of this condensed consolidated interim financial information.

<b>Assets</b>			
	<b>Note</b>	<b>30 June 2010</b>	<b>31 December 2009</b>
<b>NON-CURRENT ASSETS</b>		<b>1,408,926</b>	<b>1,392,979</b>
Intangible assets		48,402	48,903
Investment property	5	1,071,801	1,072,304
<b>Property, plant and equipment</b>		<b>252,451</b>	<b>235,677</b>
Hotels and own-occupied buildings	6	234,281	215,393
Fixtures and fittings and other equipments		18,170	20,284
Financial assets at fair value through profit and loss		33,522	32,353
Deferred tax assets		2,750	3,742
<b>CURRENT ASSETS</b>		<b>555,184</b>	<b>630,554</b>
Inventories	7	398,455	482,605
Trade receivables		28,762	31,379
Other current assets	12	63,821	56,347
Derivative instruments		12	2,695
Current financial assets		390	488
Cash and cash equivalents	9	63,744	57,040
Assets held for sale	8	46,675	48,930
<b>TOTAL</b>		<b>2,010,785</b>	<b>2,072,463</b>
<b>Equity and liabilities</b>			
		<b>30 June 2010</b>	<b>31 December 2009</b>
<b>EQUITY</b>		<b>367,632</b>	<b>104,730</b>
Equity attributable to owners of the Company	14	320,517	56,577
Non controlling interests	10	47,115	48,153
<b>LIABILITIES</b>		<b>1,643,153</b>	<b>1,967,733</b>
<b>Non-current liabilities</b>		<b>847,461</b>	<b>1,021,463</b>
Bonds	11	222,964	409,397
Financial debts	11	490,684	484,634
Provisions & other long term liabilities		16,816	16,918
Derivative instruments		11,720	9,289
Deferred tax liabilities		105,277	101,225
<b>Current liabilities</b>		<b>757,816</b>	<b>894,819</b>
Current bonds	11	8,497	59,219
Financial debts	11	531,919	595,776
Trade payables		31,790	33,480
Advance payments		43,643	53,212
Derivative instruments		41,035	44,380
Other current liabilities		100,932	108,752
Liabilities linked to assets held for sale	8	37,876	51,451
<b>TOTAL</b>		<b>2,010,785</b>	<b>2,072,463</b>

## IV. Condensed consolidated interim statement of changes in equity

The accompanying notes form an integral part of this condensed consolidated interim financial information.

	Note	Share capital	Share premium	Translation reserve	Treasury shares	Other reserves	Equity attributable to owners of the Company	Non controlling interests	Equity
<b>Balance at 31 December 2008</b>		44,870	400,524	18,639	-20,319	-139,081	304,633	116,241	420,874
<b>Loss for the period :</b>									
Translation differences				-6,777			-6,777	-1,270	-8,047
Loss for the period						-199,857	-199,857	-57,533	-257,390
<b>Total comprehensive income</b>				-6,777		-199,857	-206,634	-58,803	-265,437
Own equity instruments					-380		-380		-380
Non controlling interests' transactions	10							-570	-570
<b>Balance at 30 June 2009</b>		44,870	400,524	11,862	-20,699	-338,938	97,619	56,868	154,487
<b>Loss for the period :</b>									
Translation differences				3,914			3,914	371	4,285
Loss for the period						-50,707	-50,707	-7,419	-58,126
<b>Total comprehensive income</b>				3,914		-50,707	-46,793	-7,048	-53,841
Own equity instruments					1,325	2,923	4,248		4,248
Non controlling interests' transactions	10					1,503	1,503	-1,667	-164
<b>Balance at 31 December 2009</b>		44,870	400,524	15,776	-19,374	-385,219	56,577	48,153	104,730
<b>Profit /(Loss) for the period :</b>									
Translation differences				10,837			10,837	2,871	13,708
Profit /(Loss) for the period						237,733	237,733	-4,232	233,501
<b>Total comprehensive income</b>				10,837		237,733	248,570	-1,361	247,209
Capital increase	14	12,751	3,464			-86	16,129		16,129
Non controlling interests' transactions	10					-759	-759	323	-436
<b>Balance at 30 June 2010</b>		57,621	403,988	26,613	-19,374	-148,331	320,517	47,115	367,632

## V. Condensed consolidated interim cash flow statement

The accompanying notes form an integral part of this condensed consolidated interim financial information.

	30 June 2010	30 June 2009
<b>Operating result</b>	<b>37,770</b>	<b>-260,347</b>
Net (profit) /loss from fair value adjustments on investment property	-26,629	153,282
Amortisation, impairments & provisions	8,311	106,048
Net loss on disposal of assets	273	769
<b>Adjusted operating profit/(loss)</b>	<b>19,725</b>	<b>-248</b>
Financial result	-1,596	-227
Income tax paid	-368	-2,096
<b>Financial result and income taxes paid</b>	<b>-1,964</b>	<b>-2,323</b>
<b>Changes in operating assets and liabilities</b>	<b>59,412</b>	<b>-42,700</b>
<b>NET CASH FROM /USED IN OPERATING ACTIVITIES</b>	<b>77,173</b>	<b>-45,271</b>
Capital expenditures and tangible assets acquisitions	-8,930	-19,267
Proceeds from sales of non current tangible assets	31,329	45,992
Purchase of intangible assets	-37	-254
Purchase of financial assets	-691	-905
Net interest paid	-28,437	-34,084
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>-6,766</b>	<b>-8,518</b>
Net issue of equity instruments to shareholders	16,129	380
Proceeds from borrowings	14,350	69,866
Repayments of borrowings	-94,712	-34,084
<b>NET CASH USED IN/ FROM FINANCING ACTIVITIES</b>	<b>-64,233</b>	<b>36,162</b>
<b>NET INCREASE IN CASH</b>	<b>6,174</b>	<b>-17,627</b>
Cash and cash equivalents at the beginning of the period	57,040	83,799
Exchange difference on cash and cash equivalents	530	641
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>63,744</b>	<b>66,813</b>

## **Selected notes to the condensed consolidated interim financial information**

### **1. General information**

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

The Company is a limited liability company incorporated for an unlimited term and registered in Luxembourg. The address of its registered office is 40, Parc d'activités Capellen, L-8308 Capellen.

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

These condensed consolidated interim financial information have been approved for issue by the Board of Directors on 31 August 2010.

### **2. Summary of significant accounting policies**

#### **2.1 Basis of preparation**

This condensed consolidated interim financial information as at and for the half-year ended 30 June 2010 has been prepared in accordance with IAS 34, ‘Interim financial reporting’ as adopted by the European Union and should be read in conjunction with the annual consolidated financial statements as at and for the year ended 31 December 2009, which have been prepared in accordance with IFRS as adopted by the European Union.

##### **2.1.1 Going concern**

In determining the appropriate basis of preparation of the condensed consolidated interim financial information, the Directors are required to consider whether the Group can continue in operational existence for the foreseeable future. The Group’s financial risks including foreign exchange risk, fair value risk, cash flow risk, interest rate risk, price risk, credit risk and liquidity risk are assessed according to the note 3 of the annual consolidated financial statements as at and for the year ended 31 December 2009.

In general, while the residential market remains very difficult, the situation evolved positively over the first half of 2010 with:

- the approval of the Safeguard plan by the Tribunal de Commerce de Paris;
- the capital increases realized in April 2010;
- the values of commercial assets that have bottomed up;
- the operational restructuring in two business lines.

##### **2.1.1.1 2010 results**

As at 30 June 2010, the Group made a profit of EUR 233.5 million (EUR 237.7 million attributable to the Group). After recognizing significant devaluations on investment properties and impairments on developments over 2009 and 2008, the Group recorded valuation gains and impairment write offs over the first half of 2010 (EUR 23.3 million) and a gain of EUR 269.5 million on the derecognition of the Company’s bonds as a result of the approval of the Safeguard plan. The loan to value improved to 69.1% as at June 2010 compared to 84.4% as at December 2009.

Despite intense negotiations with the lending banks, the Group still records a significant amount of loans with breaches of bank financing covenants (see note 11). As a result some bank loans might be recalled by the financing banks. This amount includes EUR 36.5 million of loans financing assets that are held for sale and EUR 159.3 million of loans with a contractual term of more than one year but technically considered in breach while not declared in default by the banks. The remaining part of EUR 85.7 million is planned to be either prolonged upon successful negotiations with the lending bank or repaid upon sale of the financed asset.

##### **2.1.1.2 “Procédure de Sauvegarde” (Safeguard Procedure)**

Beginning of 2009, Orco Property Group’s Board of Directors decided to apply for the Company to benefit from a Court Protection from creditors, the Safeguard Procedure. A Court Hearing was held on 25 March 2009 with the Paris Commercial Court (“Tribunal de Commerce de Paris”). On the same day, the Court rendered a judgement opening the Safeguard Procedure for the Company, and Vinohrady S.à r.l., a French subsidiary, for a renewable six months period. During the Safeguard

Procedure, the Company is exempted to repay all the liabilities prior to the judgement pronouncement while interests on debts and bonds continue to be accrued based on contractual arrangements.

The initial period has been prolonged twice with the last period to be ended in June 2010 at the latest. The Safeguard plan was circularized to creditors on 31 March 2010. A majority of 57.42% of creditors were in favor of the proposed plan. The details of the safeguard plan were published in the management report accompanying the 2009 consolidated financial statements. On 19 May 2010, the Court approved the Company's Safeguard plan. This plan combines a strategic and operational restructuring plan and a debt rescheduling plan. The rescheduling plan aims at repaying 100% of the admitted claims, including nominal, accrued interests, and interests to accrue during the Safeguard plan, over ten years as per the schedule below, with effect from 30 April 2010 and a first repayment on 30 April 2011. This repayment schedule is consistent with the Group's business plan and reflects the necessity for the Group to invest in its development projects and assets.

Year	1	2	3	4	5
% of the total liability	2%	5%	5%	5%	5%

Year	6	7	8	9	10
% of the total liability	5%	10%	14%	20%	29%

The Court appointed Maître Laurent le Guernevé as "Commissaire à l'exécution du plan" in charge of overseeing the performance of the Company in implementing the Safeguard plan. Maître Le Guernevé will more specifically be in charge of distributing among the Company's creditors the amounts that are due to them under the Safeguard plan.

The judgment approving the Safeguard plan ended the observation period opened in 25 March 2009 and allows the Company to carry out its activity as it did prior to the opening of the Safeguard Procedure.

On 10 June 2010, a third party filed an opposition with the Commercial Court of Paris regarding the 19 May 2010 judgment that approved the Company's Safeguard plan. This third party opposition was filed by Maître François Kopf, attorney for Mr. Luc Leroi, bondholder representative for the « OBSAR 2010 » (ISIN FR0010249599), « CONVERTIBLE 2013 » (ISIN FR0010333302), and « OBSAR 2014 » (ISIN XS0291838992 and XS029184062). Regarding these three bonds, the third party opposition contests the maximum bond liability to be reimbursed within the Safeguard plan.

As long as the Commercial Court of Paris has not rendered a decision on the third party opposition, the underlying judgment approving the Safeguard plan is fully effective. A first court hearing is expected in October 2010. The Company sees the risk of this opposition being accepted as remote.

#### 2.1.1.3 Restructuring plan implemented by the management

The Safeguard Procedure has provided a legal time frame for the implementation of the restructuring plan of the Group that enabled the Company to accelerate its transition to a 'new Orco':

- simplified and streamlined in terms of business and geographical presence;
- integrated in terms of ownership and control of its subsidiaries;
- centered on a cash flow sustainable Orco Property Group S.A.;
- adapted and lighter cost-structure;
- lowered pressure on the short term liquidity by the restructuring of its bond and bank debts;
- preserved potential of the development pipeline.

Many progresses have been made in the restructuring plan of the Group under the protection of the Safeguard procedure opened on the 25<sup>th</sup> of March 2009 and after the approval of the Safeguard plan:

- The Safeguard plan proposing a term out over ten years of all the Company debt has been approved even though a third party opposition has been filed (see above).
- In its restructuring plan the Group has identified assets and activities which are not strategic and/or which financing or cash flows are problematic. Those assets and activities have to be restructured or sold if restructuring can't be achieved in

the short or medium term (see note 11). While some of these assets or activities have already been sold, the restructuring of the assets and activities is not finalized yet.

- Some major Group bank loans have been successfully renegotiated since the beginning of the Safeguard Procedure by either solving existing and potential covenants' breaches or extending construction credit lines repayment schedules. Negotiations are still continuing on the remaining debts with existing or potential covenants breaches and for assets and developments where restructuring needs have been identified in the restructuring plan.
- The restructuring of the operations and teams has already led to significant operating expenses decrease compared to 2008 and 2009. Further decreases are expected in 2010 and 2011 with the decrease in the legal and consulting costs specific to the Safeguard procedure and the restructuring of Orco Germany (fully consolidated subsidiary held at 58.1% as at 30 June 2010, "OG") and the restructuring of the group management in two business lines (Development and Asset management).
- The management is currently discussing with all its joint venture and investment partners in order to restore the liquidity of its loans granted to these joint ventures by having them repaid either in cash or converted in equity. In particular, some achievements with agreements finalized can already be reported :
  - An agreement has been finalized and executed in July 2010 with our Hospitality joint venture partner whereby EUR 20 million out of the Company EUR 46 million shareholder loan will be restructured once all conditions precedents are met. The joint venture's partner will inject EUR 10 million in cash in Hospitality Invest for partial repayment to the Company, while EUR 10 million of shareholder loan will be converted into equity in the joint venture leaving both partners at a 50% shareholding.
  - An agreement has been reached in 2009 on the conversion of its EUR 17.6 million shareholder loan in OG into equity. This operation is made possible thanks to an agreement signed by OG, MSREF V Turtle B.V. (an investment vehicle managed by Morgan Stanley currently holding 28.91% of ORCO Germany S.A.) and the Company on August 26, 2009. Once all conditions precedents are met, the loan will be converted into 10,991,750 OG new shares at an issue price of EUR 1.60 per share where December 2009 net asset value stood at EUR 1.73, increasing the Group control from 58.10% to a 65% stake in its subsidiary.
- The risks on the implementation of the Safeguard plan (particularly on the timing of the non core asset sales forecasted to finance the equity part of the development of the existing land bank) have been mitigated in April 2010 by the completion of three capital increases in cash amounting to EUR 16.2 million that were not included in the sources of funds considered in the business plan. The new investors are professional investment funds, such as Axa Investment Managers, Neptune Invest, Alandia Investissements, Lansdowne Capital, Hillgrove Investments Group and Finplat. The Company issued a total of 3,110,000 new shares, priced at EUR 5.61 (for the first capital increase) and EUR 5.00 (for the 2nd and 3rd capital increases). The price per share in the 2nd and 3rd capital increases reflects the fact that the new shares remain in the form of registered shares until a prospectus is approved by the CSSF.
- The capital increases were legally challenged by certain shareholders. First, three of the Company's minority shareholders acting in concert, Millenius Investments S.A., Clannathone Stern S.A. and Bugle Investments Ltd (collectively the "Applicants") requested in a pleading against the Company dated 14 April 2010 in Luxembourg (before "le Juge des référés de Luxembourg") a suspension of the first and second capital increases. At the time of pleading the third capital increase had not yet been published. By order dated 22 April 2010, the Vice-President of the Tribunal acting as the "Juge des Référés" underlined that « the increases of capital were undertaken in the interest of the Company». This decision was appealed by the Applicants on 25 May 2010. A procedural hearing took place on 8 June 2010. During that hearing it was decided that arguments would be presented on a next hearing to take place on 18 December 2010. The Company considers that it has strong arguments to contest the legitimacy of these legal actions and therefore expect that they will be rejected. However, there still remains a risk that the court renders a decision in favor of the Applicants. In this regard, if the judge considers that the annual general meeting shall be cancelled pursuant to a legal technicality (vice de forme), the board of directors shall not be allowed to use article 5 of the by-laws in order to complete other share capital increases, the decision will only affect the future. But if the judge considers that the share capital increase shall be cancelled on the basis of other grounds, the cancellation shall have a retroactive effect and would result in an invalidation of one or all of the three capital increases. If this were to happen any of the relevant shares that had been sold, pledged, guaranteed or otherwise transferred would have to be returned and the underlying deals would have to be unwound. Moreover the Company would have to return the capital received. This would result in significant transactional complexity in unwinding those deals. In addition it would result in a change of the shareholding structure and the voting rights. Further, there is a corporate risk that the invalidation of the capital increases would result in the cancellation of the Company's general meeting held on 26 of April 2010, including the mandates of the board of directors. In turn, this could render the Board of Directors' decisions since 26 April 2010 invalid.



#### 2.1.1.4 Risks and uncertainties on the ability of the Group to continue as a going concern

While the Safeguard plan has been approved on the basis of a business plan supported by the Board of Directors and estimated as achievable by the Commercial Court, the Juge Commissaire and the Mandataire judiciaire, the Group's status as a going concern depends mainly and directly on its capacity to implement the Safeguard plan as approved by the Commercial Court in Paris.

Some subsidiaries and joint ventures held by the Group require funding to continue as a going concern. The business plan is built on the capacity of the Group to generate sufficient cash from its profitable activities in order to support the assets that are currently in development or restructuring.

The financial performance of the Group is also dependent upon the wider economic environment in which the Group operates. The uncertainty of the evolution of real estate market in Central Europe could damage the Group's activity and slow down the asset sales program. It should be noted that this environment has generally been stabilized over the last 9 months.

The Board of Directors is in the opinion that those risks are mitigated by the reasonability of the assumptions taken in the establishment of the business plan and the capital increases completed over the first half of 2010.

#### 2.1.1.5 Conclusion

The Board of Directors has, as a result of the approval of the Safeguard plan and the restructuring implemented, concluded that there is a reasonable expectation that the Company can continue its operations in the foreseeable future and, accordingly, has formed a judgment that it is appropriate to prepare the condensed consolidated interim financial information on a going concern basis.

## 2.2 Accounting policies

The accounting policies applied by the Group in this condensed consolidated interim financial information are consistent with those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2009, except as described below.

### (a) New and amended standards adopted by the Group

There is no new standard or amendment adopted by the Group for the first half year 2010.

### (b) Standards, amendments and interpretations to existing standards effective in 2010 but not relevant to the Group

- IFRIC 17, 'Distributions of non-cash assets to owners', effective for annual periods beginning on or after 1 July 2009. This is not currently applicable to the Group, as it has not made any non-cash distributions.
- IFRIC 18, 'Transfers of assets from customers', effective for transfer of assets received on or after 1 July 2009. This is not relevant to the Group, as it has not received any assets from customers.
- 'Additional exemptions for first-time adopters' (Amendment to IFRS 1) was issued in July 2009. The amendments are required to be applied for annual periods beginning on or after 1 January 2010. This is not relevant to the Group, as it is an existing IFRS preparer.
- Improvements to International Financial Reporting Standards 2009 were issued in April 2009. The effective dates vary standard by standard but most are effective 1 January 2010.

### (c) The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 January 2010 and have not been early adopted:

- IFRS 9, 'Financial instruments', issued in December 2009. This addresses the classification and measurement of financial assets and is likely to affect the Group's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. This standard has not been endorsed by the European Union.
- Revised IAS 24, 'Related party disclosures', issued in November 2009. It supersedes IAS 24, 'Related party disclosures', issued in 2003. The revised IAS 24 is required to be applied from 1 January 2011. Earlier application, in whole or in part, is permitted.
- 'Classification of rights issues' (Amendment to IAS 32), issued in October 2009. For rights issues offered for a fixed amount of foreign currency, current practice appears to require such issues to be accounted for as derivative liabilities. The amendment states that if such rights are issued pro rata to all the entity's existing shareholders in the same class for a fixed amount of currency, they should be classified as equity regardless of the currency in which the exercise price is denominated. The amendment should be applied for annual periods beginning on or after 1 February 2010. Earlier application is permitted.
- 'Prepayments of a minimum funding requirement' (Amendments to IFRIC 14), issued in November 2009. The amendments correct an unintended consequence of IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendments, entities are not permitted to

recognise as an asset some voluntary prepayments for minimum funding contributions. This was not intended when IFRIC 14 was issued, and the amendments correct the problem. The amendments are effective for annual periods beginning 1 January 2011. Earlier application is permitted. The amendments should be applied retrospectively to the earliest comparative period presented.

- IFRIC 19, 'Extinguishing financial liabilities with equity instruments'. This clarifies the requirements of IFRSs when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially. The interpretation is effective for annual periods beginning on or after 1 July 2010. Earlier application is permitted.
- Improvements to International Financial Reporting Standards 2010 were issued in May 2010. The effective dates vary standard by standard but most are effective 1 January 2011.

### 2.3 Seasonality

Given the seasonal nature of retail sales in the hotel and extended stay residence activities and given high correlation between the sales in the development segment and the number of units ready to be sold, as well as the volatile impact of the valuation of financial instruments and certain categories of lands and buildings at their market value, the results for the first six months cannot be extrapolated to the remainder of the year.

### 2.4 Significant accounting estimates and judgements

The methodology and assumptions applied for the valuation of real estate assets and developments are consistent with the ones described in the annual consolidated financial statements as at and for the year ended December 31, 2009, except for the main assumptions used for discounted cash flow projections that have been adjusted to the June 2010 market conditions:

- yield: range from 6.60% to 9.00% (6.75% to 12.00% in December 2009);
- discount rate: range from 7.50% to 10.25% (7.00% to 11.00% in December 2009);
- exit cap rate: range from 6.0% to 8.25% (6.0% to 9.5% in December 2009).

On the basis of EUR 1.7 billion of assets portfolio, 43% have been valued by an independent expert, DTZ Debenham Tie Leung ("DTZ"). Each non-valued asset has been reviewed and valued internally (see note 5, 6 and 7).

Furthermore, the impairment test carried on the stocks are based on the gross development value of each project adjusted of the remaining development costs.

The fair value of the financial instruments have been adjusted according to the following assumptions:

- Credit spread used on the "Profit participating loan" granted to Hospitality Invest S.à.r.l. : 22%;
- Liquidity discount used on the investment in Endurance Fund : 20%;
- Credit spread used on the Orco Germany S.A. instruments : 50.0% to 54.04%;
- Credit spread used for the valuation of the Company's bonds as at 19 May 2010 : from 60.13 % to 67.06%;

## 3. Segment reporting – business segments

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

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

Adjusted EBITDA is the recurring operational cash result calculated by deducting from the operating result non-cash and non-recurring elements (Net gain or loss on fair value adjustments – Amortisation, impairments and provisions – Correction of costs of goods sold being the reversal of previous years valuation adjustments and impairments – Net gain or loss on the sale of abandoned developments included in inventories – Net gain or loss on disposal of assets – Attribution of stock options and warrants to executive management ) and the net results on sale of subsidiaries.

End of 2009, the Group structure has been fundamentally changed in order to streamline the management lines and reflect the two main activities to which the Investment Committee is allocating the Group investment capacity on the basis of the strategy defined by the Board of Directors. On one hand the Group is investing in land bank or assets for development and effectively developing them once the project presented is satisfactorily approved by the Investment Committee. Once the asset is developed it can be either sold to a third party or kept in the Group own portfolio for value appreciation. On the other hand, the Group is actively managing its own or third parties real estate assets for operational profitability and value appreciation. These two business lines are the segments by which the operations are analysed and this is why the presentation of the segment

reporting has been adjusted by grouping the previous renting, hospitality and management services segments under the common denomination of "Asset Management"(previously named Commercial Investment Properties).

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

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

This new segmentation is presented below.

<b>As at 30 June 2010</b>	Development	Asset Management	TOTAL
<b>Revenue</b>	101,586	61,490	163,076
Net gain or loss from fair value adjustments on investment property	109	26,520	26,629
Cost of goods sold	-86,919	-980	-87,899
Amortisation, impairments and provisions	-4,003	-4,308	-8,311
Other operating results	-15,267	-40,458	-55,725
<b>Operating result</b>	<b>-4,494</b>	<b>42,264</b>	<b>37,770</b>
Net gain from fair value adjustments on investment property	-109	-26,520	-26,629
Amortisation, impairments and provisions	4,003	4,308	8,311
Past valuation on goods sold	1,622	-	1,622
Net loss on disposal of assets	40	233	273
<b>Adjusted EBITDA</b>	<b>1,062</b>	<b>20,285</b>	<b>21,347</b>
Net gain from fair value adjustments on investment property			<b>26,629</b>
Amortisation, impairments and provisions			<b>-8,311</b>
Past valuation on goods sold			<b>-1,622</b>
Net loss on disposal of assets			<b>-273</b>
<b>Operating result</b>			<b>37,770</b>
<b>Financial result</b>			<b>200,066</b>
<b>Profit before income tax</b>			<b>237,836</b>
<b>Segment assets</b>	<b>750,388</b>	<b>1,141,535</b>	<b>1,891,923</b>
Investment Properties	271,276	800,525	1,071,801
Property, plant and equipment	2,478	249,973	252,451
Inventories	392,691	5,764	398,455
Other segment assets	42,738	79,803	122,541
Assets held for sale	41,205	5,470	46,675
Unallocated assets			118,862
<b>Total assets</b>			<b>2,010,785</b>
<b>Segment liabilities</b>	<b>134,431</b>	<b>95,757</b>	<b>230,188</b>
Liabilities linked to assets held for sale	34,876	3,000	37,876
Unallocated liabilities			1,780,597
<b>Total liabilities</b>			<b>2,010,785</b>
<b>Cash flow elements</b>			
Capital expenditure	5,346	4,062	9,408

As at 30 June 2009 ( restated )	Development	Asset Management	TOTAL
<b>Revenue</b>	70,182	62,133	132,315
Net gain or loss from fair value adjustments on investment property	-67,512	-85,770	-153,282
Cost of goods sold	-72,263	-64	-72,327
Amortisation, impairments and provisions	-69,743	-36,305	-106,048
Other operating results	-17,089	-43,917	-61,006
<b>Operating result</b>	<b>-156,425</b>	<b>-103,922</b>	<b>-260,347</b>
Net gain/(loss) from fair value adjustments on investment property	67,512	85,770	153,282
Amortisation, impairments and provisions	69,743	36,305	106,048
Past valuation on goods sold	47	-	47
Net gain/(loss) on abandoned developments	11,592	-	11,592
Net gain/(loss) on disposal of assets	1,089	-320	769
<b>Adjusted EBITDA</b>	<b>-6,441</b>	<b>17,833</b>	<b>11,391</b>
Net gain/(loss) from fair value adjustments on investment property			<b>-153,282</b>
Amortisation, impairments and provisions			<b>-106,048</b>
Net gain/(loss) on abandoned developments			<b>-11,592</b>
Past valuation on goods sold			-47
Net gain/(loss) on disposal of assets			<b>-769</b>
<b>Operating result</b>			<b>-260,347</b>
Financial result			<b>-57,991</b>
<b>Profit before income tax</b>			<b>-318,338</b>
<b>Segment assets</b>	<b>830,860</b>	<b>1,132,097</b>	<b>1,962,957</b>
Investment Properties	371,251	754,271	1,125,522
Property, plant and equipment	6,107	244,374	250,481
Inventories	425,657	34,849	460,506
Other segment assets	25,355	79,713	105,068
Assets held for sale	2,490	18,890	21,380
Unallocated assets			179,919
<b>Total assets</b>			<b>2,142,876</b>
<b>Segment liabilities</b>	<b>113,516</b>	<b>107,802</b>	<b>221,318</b>
Liabilities linked to assets held for sale	10,715	-	10,715
Unallocated liabilities			1,921,558
<b>Total liabilities</b>			<b>2,142,876</b>
<b>Cash flow elements</b>			
Capital expenditure	9,413	10,323	19,736

#### 4. Business combinations

There were no material business combinations during the first 6 months of 2010 and in 2009.

#### 5. Investment property

Investment property	Freehold buildings	Extended stay hotels	Land bank	Buildings under construction	Buildings under finance lease	TOTAL
<b>Balance at 31 December 2008</b>	<b>899,509</b>	<b>22,285</b>	<b>287,124</b>	<b>-</b>	<b>2,800</b>	<b>1,211,718</b>
Investments / acquisitions	3,502	67	7,535	9,023	-	20,127
Asset sales	-60,149	-	-7,279	-	-	-67,428
Revaluation through income statement	-102,698	-917	-65,723	-7,240	-1,020	-177,598
Transfers from properties under development	50,170	-	-	41,682	-	91,852
Other Transfers	3,107	-5	-7,033	-4,744	-1,500	-10,175
Translation differences	2,263	-	156	1,389	-	3,808
<b>Balance at 31 December 2009</b>	<b>795,704</b>	<b>21,430</b>	<b>214,780</b>	<b>40,110</b>	<b>280</b>	<b>1,072,304</b>
Investments / acquisitions	570	7	1,076	3,557	-	5,210
Asset sales	-11,887	-	-60	-	-	-11,947
Revaluation through income statement	26,917	-	-	-	-288	26,629
Transfers	-21,410	-	-1,507	-	-	-22,917
Translation differences	3,320	-	1,553	-2,359	8	2,522
<b>Balance at 30 June 2010</b>	<b>793,214</b>	<b>21,437</b>	<b>215,842</b>	<b>41,308</b>	<b>-</b>	<b>1,071,801</b>

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

As at 30 June 2010, 62% of the investment properties portfolio has been valued by DTZ.

79 investment properties (EUR 1,018.8 million) financed by bank loans in local special purpose entities are fully pledged for EUR 711.1 million.

- **In 2010**

A) Investments / Acquisitions

During the period, the Group invested EUR 5.2 million in investment properties representing mainly EUR 3.6 million in Hungary of capitalization on the development of the Vaci 1 project (Budapest Stock Exchange), retail development in Budapest.

The investments have been financed by bank loans of EUR 2.3 million (Budapest Stock Exchange for EUR 1.5 million, Bubny for EUR 0.8 million).

B) Asset sales

During the period, the net book value ("NBV") of the assets sold amounts to EUR 11.9 million, with a total net loss compared to the December 2009 DTZ valuation amounting to EUR -0.1 million and composed mainly of the following disposals:

- Small buildings in Berlin have been sold (NBV of EUR 2.7 million) at the sale price of EUR 2.9 million;
- Sale of Ku-Damm 103 building in Berlin (NBV of EUR 8.2 million ) at the sale price of EUR 8.0 million;
- Sales of residential and commercial buildings in Prague (NBV of EUR 1.0 million) at the sales price of EUR 0.9 million;

The asset sales have resulted in a repayment of bank loans amounting to EUR 5.9 million.

C) Revaluation through income statement:

The movement in fair value relates mainly to Freehold buildings and to Building under finance lease:

- In Germany, the total amount of increase in fair value amounts to EUR 23.8 million on Freehold Buildings;
- In the Czech Republic, the increase in fair value amounts to EUR 3.1 million on Freehold Buildings and to EUR -0.3 million in building under finance lease;
- In Hungary, the decrease in fair value amounts to EUR -0.7 million on Freehold Building;
- In Poland, the increase in fair value amounts to EUR 0.1 million on Freehold Building;
- In Luxembourg, the increase in fair value amounts to EUR 0.6 million on Freehold Building;

D) Transfers

The transfers are mainly made of the following movements:

- The Group is expecting to sell 3 investment properties in Germany and 1 Land bank in the Czech Republic, which have been transferred in assets held for sale for EUR 36.7 million: Max Planck Str. (EUR 5.5 million), Cumberland (EUR 28.0 million), Brunnestr. 27 (EUR 1.7 million) and Na Frantisku (EUR 1.5 million).
- The Group stopped the sale process of 2 projects in Hungary (Small Budapest Bank and Main Budapest Bank), which have been transferred from assets held for sale for EUR 13.8 million.

- **In 2009**

82 investment properties (EUR 897.2 million) financed by bank loans in local special purpose entities are fully pledged for EUR 711.7 million.

A) Investments / Acquisitions

During the year, the Group has invested EUR 20.1 million in investment property representing mainly capitalization on buildings under construction and investments for zoning and building permits.

- EUR 4.3 million for the development of the Budapest Stock Exchange, retail development in Budapest;
- EUR 4.7 million on the office development of Na Porici in Prague;
- EUR 3.0 million on the commercial development in Berlin (Wertheim for EUR 1.8 million, Cumberland for EUR 0.7 million, Elb Loft for EUR 0.5 million);
- EUR 2.1 million on the residential development in Czech Republic (Doupovska for EUR 1.5 million, Uhranic for EUR 0.5 million, Praga for EUR 0.1 million);
- EUR 1.6 million on mixed development of Bubny in Prague;
- EUR 0.3 million on residential development of Ruczaj in Krakow.

Out of the EUR 20.1 million of investments, EUR 6.8 million have been financed by bank loan draw downs.

#### B) Asset sales

During 2009, the net book value ("NBV") of the assets sold represents EUR 67.4 million, for a total sale price of EUR 65.7 million out of which EUR 30.3 million have been used to repay the bank loan financing, with a total net loss compared to the December 2008 DTZ valuation amounting to EUR -1.7 million and composed mainly of the following disposals:

##### Freehold buildings:

- Small buildings in Berlin have been sold (NBV of EUR 19.0 million) at the sale price of EUR 18.6 million;
- Sale of Pappelallee building in Berlin (NBV of EUR 5.3 million ) at the sale price of EUR 4.3 million;
- Sale of Reinhardtstrasse building in Berlin (NBV of EUR 8.6 million ) at the sale price of EUR 8.4 million;
- Sale of Immanuelkirchstrasse 3+4 in Berlin (NBV of EUR 10.0 million) at the sale price of EUR 10.0 million;
- Sales of residential in properties in Czech Republic (NBV of EUR 17.2 million) at the sale price of EUR 16.0 million.

##### Land bank:

- Sale of Bezecka (NBV of EUR 0.7 million) at the sale price of EUR 1.6 million;
- Sale of Origo in Budapest (NBV of EUR 5.1 million) at a sale price of EUR 5.3 million;
- Sale of GrugaCarree (NBV of EUR 1.5 million) at a sale price of EUR 1.5 million.

#### C) Revaluation through the income statement:

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

- In Germany, the total decrease in fair value amounts to EUR -54.9 million (EUR -39.1 million on Freehold Buildings and EUR -15.8 million on Land Bank);
- In Czech Republic, the decrease in fair value amounts to EUR -66.2 million (EUR -27.1 million on Freehold Buildings, EUR -38.1 million on Land Bank and EUR -1.0 million on Buildings under finance lease);
- In Hungary, the total decrease of fair value amounts to EUR -32.0 million (EUR -24.5 million on Freehold Buildings and EUR -7.2 million on property under development and EUR -0.3 million on Extended Stay Hotels);
- In Poland, the total decrease of fair value amounts to EUR -10.4 million (EUR -1.6 million on Freehold Buildings, EUR -7.9 million on Land Bank and EUR -0.9 million on Extended Stay Hotels);
- In Slovakia, the total decrease of fair value amounts to EUR -8.1 million on Freehold Buildings;
- In Luxembourg, the total decrease of fair value amounts to EUR -2.1 million on Freehold Buildings;
- In Russia, the total decrease of fair value amounts to EUR -1.2 million on Land Bank;
- In Croatia, the total decrease of fair value amounts to EUR -2.7 million on Land Bank.

#### D) Transfers

The transfers are mainly made of the following movements:

##### 1/ Freehold buildings

##### Main Incoming Assets

- Na Porici (EUR 45.4 million) and Budapest Stock Exchange (EUR 41.7 million) have been transferred from Properties under development to Investment Property as at 1st January 2009, due to the application of IAS40 Revised.

- Hradcanska (EUR 14.8 million), Logistic Park Hlubocky (EUR 5.0 million) and Paris Department Store (EUR 21.5 million) are projects previously recognized as Inventories, which are now transferred to Investment Property.
- Ku-Damm 103 (EUR 8.7 million) is transferred from Own Occupied Buildings to Investment Property. This asset will be rented to third parties as Orco Germany's headquarters have moved to another office in Berlin.

#### Main Outgoing Assets

- Mostecka (EUR 10.8 million) and Americka 11 (EUR 2.6 million) are transferred from Investment Property to Inventories as the development of these projects has been approved by the Investment Committee.
- Main Budapest Bank (EUR 12.8 million), Stein in Bratislava (EUR 10.0 million), Wasserstrasse in Düsseldorf (EUR 8.4 million),
- Small Budapest Bank (EUR 0.6 million) are transferred to Assets held for sale.

#### Other movement

- Elb Loft (EUR 1.8 million) is transferred from Freeholdbuildings to Landbank.

#### 2/ Land bank

- Helbeger (EUR 11 million) is transferred to Assets held for sale.

List of major investment properties:

	6 months to 30 June 2010		12 months to 31 December 2009	
	2010 Revaluation	Fair Value 30.06.10	2009 Revaluation	Fair Value 31.12.09
<b>Freehold Buildings</b>	26,917	793,214	-102,698	795,704
<b>Germany</b>	23,829	524,401	-39,146	546,347
GSG	23,081	463,226	-26,658	441,832
Franklinstraße 15	900	38,150	-3,128	37,250
Cumberland Haus	-127	-	-2,959	28,000
Brunnenstraße 156 & Invalidenstraße 112	60	8,340	1,210	8,280
Ku dam m 103	-	-	-518	8,170
Kurfürstendamm 102	20	6,210	-1,580	6,190
Max Planck Strasse	-360	-	-790	5,830
Hüttendorf	-	5,100	-2,259	5,100
Hakeburg	-	2,465	159	2,375
Lutticher Str. 49	-	-	-240	970
Hochwald	-	910	-52	910
<b>Transferred to assets held for sale</b>	255	-	-2,331	1,440
<b>Czech Republic</b>	3,081	174,564	-27,234	166,880
Radio Free Europe	5,419	57,000	-6,831	50,000
Na Porici	-1,541	47,550	-2,632	47,600
Vltavska	-	26,800	-7,457	26,800
Hlubocky	-	19,111	-2,048	18,500
Hradcanska	-	12,833	-2,380	12,450
Stribro	-	4,410	-3,582	4,410
Jeremiasova	20	2,610	-460	2,590
Americka Park Residential	-672	1,418	-3,336	2,380
Belgicka 36 - Na Kozacce	-5	756	-118	950
Americka 3	-17	684	1,679	760
Nad Petruskou 8	-57	396	-160	440
Residence Masaryk, Jana Masaryka 40	-	441	249	441
Letenska	-	31	-78	440
Americka 13, Prague 2, Czech Rrepublic	-39	270	-60	300
Zahrebska 35, Prague 2, Czech republic	-27	254	-20	280
<b>Slovakia</b>	-	15,860	-8,082	15,860
Dunaj	-	15,860	-2,805	15,860
<b>Transferred to assets held for sale</b>	-	-	-5,277	-
<b>Hungary</b>	-660	40,961	-24,511	28,395
Paris Department Store	-	14,445	-6,972	15,000
Szervita Square	-660	9,400	-4,248	10,060
Starlight Suite Hotel	-	3,335	-1,030	3,335
Headquarters of Budapest Bank	-	13,135	-10,568	-
Small Budapest Bank	-	646	-1,693	-
<b>Poland</b>	100	12,270	-1,618	12,170
Marki	-	6,670	-951	6,670
Diana Office	100	5,600	-667	5,500
<b>Luxembourg</b>	567	25,158	-2,122	24,591
Or∞ House	567	25,158	-2,122	24,591
<b>Other</b>	-	-	15	-



	6 months to 30 June 2010		12 months to 31 December 2009	
	2010	Fair Value	2009	Fair Value
	Revaluation	30.06.10	Revaluation	31.12.09
<b>Land bank</b>	-	215,842	-65,723	214,780
<b>Czech Republic</b>	-	97,238	-38,273	97,080
Bubny	-	75,862	-14,871	75,000
Nupaky 1	-	4,728	-497	4,590
Praga	-	3,751	-12,483	3,640
Doupovska	-	3,576	-3,854	3,340
Mezihori	-	2,566	-751	2,550
Bellvue Grand	-	2,266	-816	2,200
U Hranic Prague 10, CZ	-	1,526	-1,627	1,460
Ostrava - Na Frantisku	-	-	-224	1,460
OBI Decin	-	1,492	-372	1,450
Hradec Kralové Plachta Jih	-	854	-1,529	820
Rubeska	-	371	-1,188	360
Kolin, CZ	-	246	-61	210
<b>Germany</b>	-	86,910	-15,761	86,910
Leipziger Platz	-	84,300	-12,832	84,300
Oroo Elb Loft	-	1,750	-542	1,750
GSG	-	860	-50	860
Helberger	-	-	-1,362	-
Essen Gruga Carree	-	-	-975	-
<b>Russia</b>	-	9,090	-1,145	8,000
Kaluga 145 Ha	-	9,090	-1,145	8,000
<b>Poland</b>	-	22,098	-7,929	22,290
Jozefoslaw	-	6,600	-1,913	6,660
Szoza Polska	-	5,903	-2,059	5,950
Kraków Ruczaj	-	4,182	-2,067	4,220
Przy Parku	-	3,421	-1,111	3,450
Bialystok	-	1,992	-779	2,010
<b>Croatia</b>	-	506	-2,745	500
Istria plot (595 k.o. Pican)	-	506	-462	500
Obonjan Rivijera	-	-	-2,283	-
<b>Other</b>	-	-	130	-
<b>Buildings under finance lease</b>	-288	-	-1,020	280
<b>Extended stay hotels</b>	-	21,437	-917	21,430
<b>Buildings under construction</b>	-	41,308	-7,240	40,110
Budapest Stock Exchange	-	41,308	-7,240	40,110
<b>TOTAL</b>	<b>26,629</b>	<b>1,071,801</b>	<b>-177,598</b>	<b>1,072,304</b>

## 6. Hotels and own-occupied buildings

Hotels and own-occupied buildings	Own-occupied buildings	Prepaid operating leases	Hotels	TOTAL
<b>GROSS AMOUNT</b>				
<b>Balance as at 31 December 2008</b>	<b>102,659</b>	<b>2,164</b>	<b>191,870</b>	<b>296,693</b>
Investments / acquisitions	1,571	-	80	1,651
Disposal	-227	-	-	-227
Transfer	10,510	-	-11,335	-825
Translation differences	-1,314	-	525	-789
<b>Balance as at 31 December 2009</b>	<b>113,199</b>	<b>2,164</b>	<b>181,140</b>	<b>296,503</b>
Investments / acquisitions	3,310	-	5	3,315
Transfer	-	-	6,356	6,356
Translation differences	7,491	-	2,850	10,341
<b>Balance as at 30 June 2010</b>	<b>124,000</b>	<b>2,164</b>	<b>190,351</b>	<b>316,515</b>
<b>AMORTISATION AND IMPAIRMENT</b>				
<b>Balance as at 31 December 2008</b>	<b>39,276</b>	<b>137</b>	<b>12,007</b>	<b>51,420</b>
Allowance	146	-	938	1,084
Impairments	10,727	1,030	19,013	30,770
Transfer	-119	-	-2,546	-2,665
Translation differences	795	-	-294	501
<b>Balance as at 31 December 2009</b>	<b>50,825</b>	<b>1,167</b>	<b>29,118</b>	<b>81,110</b>
Allowance	158	8	480	646
Impairments	-425	-	-	-425
Transfer	-	-	635	635
Translation differences	128	-	140	268
<b>Balance as at 30 June 2010</b>	<b>50,686</b>	<b>1,175</b>	<b>30,373</b>	<b>82,234</b>
<b>NET AMOUNT as at 30 June 2010</b>	<b>73,314</b>	<b>989</b>	<b>159,978</b>	<b>234,281</b>
<b>Net amount as at 31 December 2009</b>	<b>62,374</b>	<b>997</b>	<b>152,022</b>	<b>215,393</b>

As at 30 June 2010, 30% of the hotels and own-occupied buildings portfolio has been valued by DTZ.

24 projects (EUR 213.2 million) financed by bank loans in local special purpose entities are fully pledged for EUR 100.7 million.

During the first half of 2010, the hotel Sirena on the Island of Hvar has been transferred back from asset held for sale to the hotel portfolio, as the Group does not intend to sell this property on a short term basis (EUR 5.7 million).

In the first six months of 2010, Molcom has invested EUR 3.3 million for the new warehouse facility.

The impairment test based on the DTZ valuation as at June 30, 2010 led to the derecognition of part of the impairment from 2009 on the Molcom Logistics project for EUR 0.4 million.

- In 2009**

23 projects (EUR 195.2 million) financed by bank loans in local special purpose entities are fully pledged for EUR 99.3 million.

A new warehouse completed in Russia at the end of 2009 has been transferred from Properties under development to Own-occupied buildings (EUR 19.3 million).

The building located in Ku-Damm 103 has been transferred from own-occupied buildings to Investment Property (EUR 8.7 million) as the Orco Germany headquarters moved to another building in Berlin.

The Sirena Hotel (EUR 5.7 million) has been transferred to Assets held for sale.

The impairment tests based on the DTZ valuation at end of 2009 led to the recognition of the following impairments:

- Own-occupied: Molcom Logistics (EUR 10.5 million) and Orco Luxembourg in Capellen (EUR 0.2 million).
- Hotels: Andrassy Hotel in Budapest (EUR 1.3 million), and on the Hvar Island: Amfora (EUR 6.8 million), Pharos Hotel (EUR 4 million), Sirena Hotel (EUR 1.9 million), Bodul Hotel (EUR 1.8 million), Adriana (EUR 1.6 million), Camping Vira (EUR 0.7 million) and Riva Hotel (EUR 0.4 million).
- Prepaid operating leases: Sulekova Hotel in Slovakia (EUR 1.0 million).

## 7. Inventories

Inventories	30 June 2010	31 December 2009
<b>Opening Balance</b>	<b>482,605</b>	<b>529,827</b>
Abandoned development projects	-	-39,956
Net impairments	-3,744	-39,659
Transfers	74	-29,626
Translation differences	4,109	2,582
Development costs	3,310	135,207
Cost of goods sold	-87,899	-75,770
<b>Closing Balance</b>	<b>398,455</b>	<b>482,605</b>

Inventories properties are developed with the intention to resell.

### • As at 30 June 2010

As at 30 June 2010, the development projects have been reviewed and tested by the management for potential impairment.

Development costs amounting to EUR 3.3 million have been capitalized on the following projects:

- in the Czech Republic (EUR 1.6 million) on Benice (EUR 0.9 million), Americka 11 (EUR 0.5 million), Mostecka (EUR 0.2 million);
- in Poland (EUR 0.5 million);
- in Germany (EUR 1.2 million) on Danzigerstrasse (EUR 0.4 million) and H2 Office (EUR 0.8 million).

Cost of goods sold amounting to EUR 87.9 million relate mainly to the following project sales:

- in Germany (EUR -60.9 million): H2 Office in Duisburg (EUR -29.8 million), 3 Healthcare projects (EUR -29.6 million) and the Trudering projects (EUR -1.5 million);
- in Poland (EUR -16.0 million): Malborska (EUR -11.7 million), Drawska (EUR -3.0 million) and Mokotowska (EUR -1.3 million);
- in the Czech Republic (EUR -9.7 million), mainly on: Kotic (EUR -3.1 million), Benice (EUR -1.5 million), Nove Dvory (EUR -1.2 million), Hradec Kralove (EUR -1.1 million), Radotin (EUR -1.1 million) and Michle (EUR -1.0 million);
- in Slovakia (EUR -0.4 million): Koliba (EUR -0.4 million).

Impairments have been recognised mainly on the following projects:

- in the Czech Republic (EUR -2.9 million): Benice phase I (EUR -2.2 million), Spynderuv Mlyn (EUR -0.5 million), Americka 11 (EUR -0.1 million) and Michle (EUR -0.1 million);
- In Germany (EUR -0.5 million): Danzigerstr. (EUR -0.5 million);
- in Poland (EUR -0.1 million): Mokotowska (EUR -0.1 million);
- in Slovakia (EUR -0.2 million): Koliba (EUR -0.2 million).

9 projects in development (EUR 313.2 million) are pledged for a total amount of EUR 185.9 million.

- **In 2009**

The Group decided to not finalize and to sell two projects:

- the City Gate project in Bratislava was sold for a net result of EUR -5.9 million (NBV of EUR 29.4 million).
- the Fehrbelliner Hofe project in Berlin was sold for a net result of EUR - 5.6 million (NBV of EUR 10.6 million).

Development costs amounting to EUR 135.2 million, out of which EUR 87.5 million have been financed by bank loan draw downs, have been capitalized on the following projects: Sky Office (EUR 47.4 million), H2 Office (EUR 21.0 million), Vysocany gate (EUR 6.8 million), Bernauer Straße (EUR 5.9 million), Zlota 44 (5.7 million), Neuenkirchener Straße (EUR 5.7 million), Targowek / Malborska (EUR 4.6 million), Tschaikowskistraße 33 (EUR 4.2 million), Paris Department store (EUR 2.9 million), Warsaw – Drawaska (EUR 4.0 million) and Danzigerstrasse (EUR 2.1 million).

The transfers arise from the following properties: Hradanska (EUR -14.8 million), Paris Department Store (EUR -21.5 million in Investment Property and EUR 2.2 million in fixtures and fittings) -which are now rented and are reclassified as Investment Property.

The project Mostecka in Czech Republic (EUR +10.8 million) was transferred from Investment Property to Inventories, as it is intended to be developed and sold.

Impairments have been recognized mainly on the following properties:

- Sky Office: EUR -15.0 million
- Benice: EUR -4.8 million
- Duisburg (H2 Office): EUR -3.8 million
- Vavrenova: EUR -2.9 million
- Szczecin/Szoza Polska: EUR -2.3 million
- Pivovar Vrchlabi: EUR -3.8 million
- Vysocany Gate: EUR -2.8 million

12 projects in development (EUR 238.5 million) are pledged for a total amount of EUR 147.5 million.

## 8. Assets held for sale and liabilities linked to assets held for sale

Assets held for sale	June 2010	December 2009	Liabilities linked to assets held for sale	June 2010	December 2009
<b>Opening Balance</b>	<b>48 930</b>	<b>-</b>	<b>Opening Balance</b>	<b>51 451</b>	<b>-</b>
Asset Sales	-19 360	-	Asset sales	-15 473	-
Transfer	17 171	48 411	Interests	195	-
Translation differences	-66	519	Transfer	1 846	50 677
			Translation differences	-143	774
<b>Closing Balance</b>	<b>46 675</b>	<b>48 930</b>	<b>Closing Balance</b>	<b>37 876</b>	<b>51 451</b>

In 2010 assets held for sale (EUR 45.2 million) financed by bank loans in local special purpose entities are fully pledged for EUR 37.4 million.

As at 30 June, 2010, the Group validated the sale of 4 assets from its investment property portfolio. These assets have been transferred in assets held for sale. 3 of them are located in Germany: Cumberland in Berlin (EUR 28.0 million for a debt amounting to EUR 20.0 million), Brunnenstr. 27 in Berlin (EUR 1.7 million for a debt amounting to EUR 1.1 million) and Max Planck Str. in Cologne (EUR 5.5 million for a debt amounting to EUR 3.0 million). The last project is located in Ostrava in Czech Republic: Na Frantisku (EUR 1.5 million, debt free asset).

As at 30 June 2010, 3 assets previously recognized as held for sale have been transferred in investment property or in the Hotel portfolio for EUR 19.5 million:

- In Hungary: Small Budapest and Main Budapest Bank projects have been transferred in freehold building for EUR 13.8 million for a total debt of EUR 22.3 million;
- In Croatia: the Hotel Sirena on the Island of Hvar has been transferred in Hotel portfolio for EUR 5.7 million.

2 assets located in Germany and previously recognized as held for sale have been sold during the first six months of 2010:

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

The Group is seeking for selling the Stein project in Slovakia (NBV of EUR 10.0 million) with the lending bank in order to recover part of the bank loan granted to the company (EUR 13.8 million). The company is currently in bankruptcy process.

The bank debts linked to the assets held for sale amount to EUR 37.9 million as at June 30, 2010.

- **In 2009**

As at December 31, 2009, the Group decided to sell 5 assets from its investment property portfolio (nil in 2008), as the due date of the financing of these non strategic assets is in short term.

These assets have been transferred in assets held for sale.

Two of them are in Germany: Helberger in Frankfurt (EUR 11.0 million, Development segment) and Wasserstr. in Düsseldorf (EUR 8.4 million, Renting segment).

Two projects are located in Hungary, Small Budapest Bank (EUR 0.7 million, Renting Segment) and Main Budapest Bank (EUR 13.2 million, Renting segment).

The last project is located in Slovakia: Stein (EUR 10.0 million, Development segment). The bank debt on these assets amounts to EUR 51.5 million.

Finally, the hotel Sirena on the Hvar Island, previously classified as hotel is planned to be sold and has been recognized as asset held for sale (EUR 5.7 million, Hospitality segment).

## 9. Cash and cash equivalents

As at 30 June 2010, the cash and cash equivalents consist of short term deposits for EUR 3.6 million (EUR 2.2 million as at 31 December 2009), cash in bank for EUR 60.0 million (EUR 54.6 million as at 31 December 2009) and cash in hand for EUR 0.2 million (EUR 0.2 million as at 31 December 2009).

Cash in bank include restricted cash amounting to EUR 28.2 million (EUR 35.2 million as at 31 December 2009), representing:

- cash deposited in the Group's joint ventures as both parties' approval is needed for withdrawal, for EUR 3.8 million (EUR 6.5 million as at 31 December 2009);
- cash deposited in escrow accounts pledged as collateral for development projects and lifted after sales of units, for EUR 5.4 million (EUR 10.0 million as at 31 December 2009);
- cash deposited in escrow accounts pledged as collateral for loans related to the acquisition of property, for EUR 19.0 million (EUR 18.7 million as at 31 December 2009).

## 10. Non-controlling interests transactions

- **2010**

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

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

- **2009**

In 2009, the Group sold the company NWDC Company s.r.o. (shareholding of the Group of 51% as at December 2008). It results to a decrease of the non-controlling interests of EUR -0.5 million.

The Group increased its participation of 1.31% in Orco Germany by integration of some Orco Germany shares previously disclosed as current financial assets. This operation led to an impact on the non controlling interests of EUR -1.8 million.

## 11. Borrowings

At 30 June 2010, the movements in non-current bonds and loans are the following:

### 11.1 Non-current bonds

Non-current bonds	Convertible bonds	Non Convertible bonds	TOTAL
<b>Balance at 31 December 2009</b>	<b>150,375</b>	<b>259,022</b>	<b>409,397</b>
Interest from 31 Dec to 19 May	6,057	4,783	10,840
<b>Balance at 19 May 2010</b>	<b>156,432</b>	<b>263,805</b>	<b>420,237</b>
Derecognition of bonds	-156,432	-171,978	-328,410
Entry of new bonds	51,141	82,744	133,885
Own bonds	-424	-6,055	-6,479
Interest from 19 May to 30 June	1,299	2,432	3,731
<b>Balance at 30 June 2010</b>	<b>52,016</b>	<b>170,948</b>	<b>222,964</b>

- **In 2010**

On 19 May 2010 the company's safeguard plan was approved (see point 2.1.1.2). This results in a rescheduling of the repayment of the bonds nominal, accrued interests, and interest to accrue during the Safeguard plan, over ten years with effect from 30 April 2010 as described by the amortisation table included in note 2.1.1.2. This rescheduling results in a major change as previous bonds have been derecognised and restructured bonds have been recorded at fair value at the date of the approval of the Safeguard plan. The fair value has been estimated by Management with the assistance of an independent expert (Grant Thornton). On the basis of comparables, the effective interest rate of the "Safeguard bonds" was set at 23.1% resulting in a total value excluding deductions from own bonds of EUR 142.9 million at 19 May 2010 of which EUR 133.9 million is classified as Non Current. The derecognition of the debts results in a gain of EUR 269.6 million. See note 12 for further discussion.

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

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

The changes in the derivatives terms and market conditions resulted in income statement recognition of a gain amounting to EUR 6.6 million.

- **In 2009**

No new bonds have been issued in 2009.

The transfer of bonds to short term (EUR -47.9 million) relates to the OBSAR 1 bond which is due for redemption in November 2010.

In 2009 Orco Property Group sold 76,279 convertibles bonds on the open market for a total consideration of EUR 1.2 million.

Based on requests for early redemption received from individual holders of the Czech bond (the "Bond CZK") that was issued in February 2006, the Group reimbursed 110 bonds (out of 140 outstanding) in 2008 amounting to CZK 1,100,000,000 (EUR 40.8

million). During the year 2009, bondholders requested the reimbursement of 27 bonds CZK, out of the 30 bonds still outstanding, for a value of CZK 200,000,000 (EUR 7.7 million). The Bond CZK is classified in short term for CZK 300,000,000 (EUR -11.3 million) as its repayment can be requested on demand due to a breach of loan covenant (the CZK bonds were downgraded by Moody's in 2008).

## 11.2 Non-current financial debts

Non-current financial debts	Bank loans	Other non-current borrowings	Finance lease liabilities	TOTAL
<b>Balance at 31 December 2008</b>	<b>793,418</b>	<b>31,939</b>	<b>1,126</b>	<b>826,483</b>
Issue of new loans and drawdowns	41,912	1,456	20	43,388
Amortized cost review	-	-17,972	-	-17,972
Repayments of loans	-44,803	-378	-44	-45,225
Transfers	-317,480	-1,095	-	-318,575
Translation differences	-3,645	160	20	-3,465
<b>Balance at 31 December 2009</b>	<b>469,402</b>	<b>14,110</b>	<b>1,122</b>	<b>484,634</b>
Issue of new loans and drawdowns	8,315	890	-	9,205
Repayments of loans	-34,214	-1,723	-739	-36,676
Transfers	26,124	39	-	26,163
Translation differences	7,208	117	33	7,358
<b>Balance at 30 June 2010</b>	<b>476,835</b>	<b>13,433</b>	<b>416</b>	<b>490,684</b>

### • In 2010

In 2010, issue of new bank loans and drawdowns (EUR 8.3 million) is mainly due to new financing for the Brno project in the Czech Republic and Molcom in Russia (respectively EUR 2.7 million and EUR 4.8 million).

Transfers of bank loans (EUR 26.1 million) are mainly due to the resolution of breaches on Gebauer Höfe in Germany (EUR 28.9 million) and reclassification of Kosic loan (EUR -1.6 million), which falls due within 12 months.

Repayments of loans mainly relate to the sale of Healthcare projects in Germany (EUR -22.4 million); the repayment of Kosic (EUR -2.9 million) in Czech Republic, Ku'damm (EUR -4.7 million) and GSG (EUR -1.6 million) in Germany. In addition, the refinancing of Brno project in Czech Republic led to the repayment of EUR -2.1 million.

### • In 2009

Issue of new bank loans and drawdowns (EUR 41.9 million) are mainly related to the following projects:

- further drawdowns for the construction of Oranienburg senior residence in Germany (EUR 7.0 million);
- further drawdowns for Na Porici (EUR 6.9 million);
- drawdowns for Healthcare projects (EUR 13.7 million);
- drawdowns for Kosic (EUR 4.4 million);
- refinancing for the Paris department store (EUR 2.8 million) and Budapest Stock Exchange (EUR 2.0 million) in Hungary;
- refinancing for Diana development (EUR 2.5 million) in Poland and Belgicka residence (EUR 1.2 million) in Czech Republic;
- various other small projects (EUR 1.4 million).

Repayments of bank loans (EUR -44.8 million) are mainly related to the following operations:

- Asset sales in Germany: Immanuelkirchstrasse (EUR -7.2 million), Reinhardtstrasse (EUR -6.8 million), Prenzlauer (EUR -1.4 million), Kollwitzstrasse (EUR -1.4 million), Wilhelm Kuhr Str. (EUR -1.3 million), Görschstrasse (EUR -1.3 million), John Schehr Str. (EUR -1.4 million), Brunnenstrasse (EUR -1.5 million) and Pappelallee (EUR -2.6 million).
- Sale of Nove Dvory (EUR -5.1 million), Brno Shopping (EUR -2.6 million) in the Czech Republic.

Transfers of bank loans (EUR -317.5 million) are mainly due:

- to the reclassification of the bank loans, that will fall due within twelve months of year end, of Sky Office in Dusseldorf (EUR - 65.2 million); of Na Porici and Hradcanska in the Czech Republic (EUR -35.9 million and EUR -13.2 million respectively); of Paris Department store (EUR -16.5 million) in Hungary; and of Targowek/Malborska (EUR -15.8 million) and Viterra (EUR -2.7 million) in Poland.

- to new breaches on financial covenants for the bank loans financing the following projects: Suncani Hvar (EUR -41.1 million) in Croatia; Zlota (EUR -40.7 million), Marki (EUR -3.7 million), and Przy Parku (EUR -3.6 million) in Poland; Franklinstrasse (EUR - 29.4 million) in Germany; Main Budapest Bank (EUR -19.6 million), and Budapest Stock Exchange (EUR -24.2 million) in Hungary. These loans would be repayable on demand if they are declared in default by the bank hence the non-current part has been reclassified as current.

As at 31 December 2009, the total carrying value of loans in breach due to financial covenants amounts to EUR 364.7 million. As at 30 March 2010, none of the loans with breach of covenants as at 31 December 2009 have been restructured. The objective of the management is to restructure and renegotiate these loans in priority to comply as soon as possible with the bank loan covenants.

Other non-current loans are mainly equity loans from joint ventures and loans from partner companies. The new loans (EUR 1.5 million) mainly relate to MS Invest and Hospitality (EUR +0.7 million and EUR +1.0 million respectively). The transfers relate mainly to a reclassification of advance payments (EUR -0.7 million) in Gebauer Höfe.

As a result of the amortized cost review, the net present value of the profit participating loan granted to the Hospitality joint venture by the partners has been decreased by an amount of EUR 18.0 million.

### 11.3 Current financial debts

As at 30 June 2010, the movements in current loans are the following:

Current financial debts	Bank loans	Other current borrowings	TOTAL
<b>Balance at 31 December 2009</b>	<b>644,925</b>	<b>2,302</b>	<b>647,227</b>
Issue of new loans and drawdowns	4,169	986	5,155
Repayments of loans	-57,686	-349	-58,035
Transfers	-26,124	-39	-26,163
Translation differences	1,604	7	1,611
<b>Balance at 30 June 2010</b>	<b>566,888</b>	<b>2,907</b>	<b>569,795</b>

The table includes loans linked to assets held for sale (EUR 37.9 million).

The issue of new loans mainly relates to further drawdowns in Sky Office and Vaci 1 (EUR 2.5 million and EUR 1.5 million respectively).

The repayment of bank loans (EUR -57.7 million) is mainly related to asset sales (EUR -54.4 million): H2 Office (EUR -24.2 million), Hellberger (EUR -8.5 million) and Wasserstr. (EUR -7.0 million) in Germany; Targowek/Marborska (EUR -8.6 million) and Drawska (EUR -3.5 million) in Poland; Benice (EUR -2.2 million) and TQE (EUR -0.4 million). In addition there were repayments in Koliba in Slovakia (EUR -0.6 million); Main Budapest Bank, Orco Budapest, and other projects in Hungary (EUR - 0.4 million); Gebauer Höfe and other projects in Germany (EUR -0.5 million); and refinancing of Molcom in Russia and Brno shopping centre (EUR -1.1 million and -0.7 million respectively).



Transfers of bank loans (EUR -26.1 million) are mainly due to the resolution of breaches on Gebauer Höfe in Germany (EUR -28.9 million) and reclassification of Kosic loan which falls due within 12 months (EUR 1.6 million).

As at 30 June 2010, the movements in current bonds are the following:

Current bonds	Convertible bonds	Non Convertible bonds	TOTAL
<b>Balance at 31 December 2009</b>	-	59,219	59,219
Interest from 31 Dec - 19 May	-	1,306	1,306
<b>Balance at 19 May 2010</b>	-	60,525	60,525
Derecognition of bonds	-	-60,525	-60,525
Entry of new bonds	3,000	5,978	8,978
Own bonds	-25	-456	-481
<b>Balance at 30 June 2010</b>	2,975	5,522	8,497

The table shows the current portion of the Safeguard bonds. As at 19 May 2010 the current portion of the total bonds has been valued at EUR 8.5 million.

#### 11.4 Borrowings maturity

The following tables describe the maturity of the Group's borrowings. As at 30 June 2010, the total bonds and financial debts amount to EUR 1,291.9 million (EUR 1,600.5 million at 31 December 2009).

At 30 June 2010	Less than one year	1 to 2 years	2 to 5 years	More than 5 years	Total
<b>Non-current</b>					
<b>Bonds</b>	-	21,983	176,882	24,099	222,964
Convertible bonds	-	7,741	38,109	6,166	52,016
Non Convertible	-	14,242	138,773	17,933	170,948
<b>Financial debts</b>	-	315,637	99,831	75,216	490,684
Bank loans	-	315,637	99,831	61,368	476,836
Bank loans fixed rate	-	2,684	18,134	12,865	33,683
Bank loans floating rate	-	312,953	81,697	48,503	443,153
Other non-current borrowings	-	-	-	13,433	13,433
Finance lease liabilities	-	-	-	415	415
<b>Total</b>	-	337,620	276,713	99,315	713,648
<b>Current</b>					
<b>Bonds</b>	8,497	-	-	-	8,497
Convertible bonds	2,975	-	-	-	2,975
Non Convertible	5,522	-	-	-	5,522
<b>Financial debts</b>	531,919	-	-	-	531,919
Bank loans	529,013	-	-	-	529,013
Bank loans fixed rate	102,844	-	-	-	102,844
Bank loans floating rate	426,169	-	-	-	426,169
Other borrowings	2,906	-	-	-	2,906
<b>Liabilities linked to assets held for sale</b>	37,876	-	-	-	37,876
Bank loans floating rate	37,876	-	-	-	37,876
<b>Total</b>	578,292	-	-	-	578,292
<b>TOTAL</b>	578,292	337,620	276,713	99,315	1,291,940

At 31 December 2009	Less than one year	1 to 2 years	2 to 5 years	More than 5 years	Total
<b>Non-current</b>					
<b>Bonds</b>	-	-	258,720	150,677	409,397
Convertible bonds	-	-	150,375	-	150,375
Non Convertible	-	-	108,345	150,677	259,022
<b>Financial debts</b>	-	18,492	392,094	74,048	484,634
Bank loans	-	18,492	392,094	58,816	469,402
Fixed rate	-	2,599	17,932	9,768	30,299
Floating rate	-	15,893	374,162	49,048	439,103
Other non-current borrowings	-	-	-	14,110	14,110
Finance lease liabilities	-	-	-	1,122	1,122
<b>Total</b>	-	18,492	650,814	224,725	894,031
<b>Current</b>					
<b>Bonds</b>	59,219	-	-	-	59,219
Convertible bonds	-	-	-	-	-
Non Convertible	59,219	-	-	-	59,219
<b>Financial debts</b>	595,776	-	-	-	595,776
Bank loans	593,475	-	-	-	593,475
Bank loans fixed rate	99,798	-	-	-	99,798
Bank loans floating rate	493,677	-	-	-	493,677
Other borrowings	2,301	-	-	-	2,301
<b>Liabilities linked to assets held for sale</b>	51,451	-	-	-	51,451
Bank loans floating rate	51,451	-	-	-	51,451
<b>Total</b>	706,446	-	-	-	706,446
<b>TOTAL</b>	706,446	18,492	650,814	224,725	1,600,477

- **In 2010**

The other non-current borrowings mainly relate to 50% of the equity loan granted to Hospitality Invest S.à r.l. by AIG, the joint-venturer.

The decrease in current bank loans compared to 31 December 2009 is mainly due to the reclassification of non-current loans with breaches on financial covenants of EUR 28.9 million (see note 11.2 Non-current Financial debts). This is partly offset by a reduction of EUR -1.6 million due to the reclassification of Kotic bank loan which falls due within one year.

The Group has entered into interest rate derivatives representing 88.1% of the non-current floating rate borrowings (72.7% in 2009) and 37.0% of the current floating rate borrowings (35.7% in 2009), in order to limit the risk of the effects of fluctuations of market interest rates on its financial position and future cash flows. Most floating interest debt instruments have a fixing period of maximum 3 months.

- **In 2009**

The increase in current floating rate bank loans is mainly due to the transfer of breached loans in respect of Suncani Hvar, Franklinkstrasse, and main Budapest Bank for respectively EUR 41.1 million, EUR 29.4 million and EUR 19.6 million. In addition there was a transfer of Sky Office (EUR -65.2 million), Na Porici and Hradcanska in the Czech Republic (EUR -35.9 million and EUR -13.2 million respectively); and Viterra (-2.7 million) loans which are due in 2010.

The fixed rate bond in current liabilities (EUR 47.9 million) was transferred from non-current bonds in 2009 as this is due to be repaid in 2010 (nil in 2008).

The other non-current borrowings relate mainly to 50% of the equity loan granted to Hospitality Invest S.à r.l. by AIG, the joint-venturer.

The Group has entered into interest rate derivatives representing 72.7% of the non-current floating rate borrowings (in 2008: 72.8%) and 35.7% of the current floating rate borrowings (in 2008: 51.3% ) in order to limit the risk of the effects of fluctuations of market interest rates on its financial position and future cash flows. Most floating interest debt instruments have a fixing period of maximum 3 months.

Bank loans include amounts secured by a mortgage on properties with a value of EUR 1.108 billion (1.087 billion as at 31 December 2008).

Held for sale liabilities in Current represent the loans in respect of Helberger, Stein, Budapest Bank, and Wasserstrasse which are classified as held for sale and accrued interests amounting to EUR 0.3 million.

### 11.5 Breached Loans

At 30 June 2010	Principal	Accrued Interest	Total
<b>Long term loans reclassified in ST</b>			
due to Financial covenant breach	12,660	-	<b>12,660</b>
due to non repayment	71,085	-	<b>71,085</b>
due to Financial and administrative breach and/or non repayment	75,572	-	<b>75,572</b>
<b>Total LT loans reclassified in ST</b>	<b>159,317</b>	<b>-</b>	<b>159,317</b>
<b>Short term loans in breach</b>			
due to Financial covenant breach	272	18	<b>290</b>
due to non repayment	50,783	5,835	<b>56,618</b>
due to Financial and administrative breach and/or non repayment	27,995	822	<b>28,817</b>
<b>Total ST loans in breach</b>	<b>79,050</b>	<b>6,675</b>	<b>85,725</b>
<b>Total loans linked to assets held for sale</b>	<b>36,278</b>	<b>195</b>	<b>36,473</b>
<b>Total Loans in Breached</b>	<b>274,645</b>	<b>6,870</b>	<b>281,515</b>

### 11.6 Undrawn bank credit facilities

	30 June 2010	31 December 2009
Expiring within one year	92,423	98,064
Expiring after one year	51,977	34,771
<b>Total</b>	<b>144,400</b>	<b>132,835</b>

### 12. Other net financial results

	30 June 2010	30 June 2009
Change in carrying value of liabilities at amortised cost	269,549	-
Change in fair value and realised result on derivative instruments	-1,238	-2,666
Change in fair value and realised result on other financial assets	257	-14,738
Other net finance charges	-13,163	-3,302
<b>Gain (loss) on other financial results</b>	<b>255,405</b>	<b>-20,706</b>

Change in the carrying value of liabilities relates to gains on the revaluation of bonds following the approval of the Safeguard plan. This arises from the derecognition of the value of bonds on the date of approval of the Safeguard plan (19 May 2010) of EUR 388.9 million and EUR 17.1 million accrued interest and recognition of the new valuation of EUR 135.9 million and own bonds of EUR 7.0 million. For further discussion see note 2.1 and note 11.

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

Other finance charges consist mainly of impairment of loan receivables registered in other current assets to third party (EUR - 9.4 million), finance and legal fees relating to the financial restructuring, and bank charges.

### 13. Income Taxes

The income tax expense recognized in the income statement amounts to EUR -4.3 million and is mainly composed of deferred income taxes expense linked to the revaluation of the GSG properties portfolio (EUR -8.2 million) and from the derecognition of the deferred tax liabilities on the Kaluga project in Russia (EUR 1.8 million).

### 14. Capital

	Number of shares	Capital	Share premium
Balance at 31 December 2008	10,943,866	44,870	400,524
Balance at 31 December 2009	10,943,866	44,870	400,524
Capital increase	3,110,000	12,751	3,464
Balance at 30 June 2010	14,053,866	57,621	403,988

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

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

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

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

The Company is preparing a prospectus for approval by the Commission de Surveillance du Secteur Financier (CSSF) in Luxembourg, so that the New Shares from the second and third capital increases can be listed and admitted for trading on Euronext Paris, the Prague Stock Exchange, the Warsaw Stock Exchange and the Budapest Stock Exchange. Until the New Shares are listed and admitted for trading on the above regulated markets, the New Shares shall be recorded, and remain recorded, as nominee account (compte nominatif pur) in the register of the Company held by CACEIS Corporate Trust. Following their listing and admission for trading on the above regulated markets, the New Shares will be fully fungible with the existing shares.

#### **Authorized capital not issued**

The Extraordinary Shareholders' Meeting held on 8 July 2008 renewed the authorisation granted by shareholders to the Board of Directors on 18 May 2000, in accordance with article 32-3 (5) of Luxembourg corporate law and in addition enhanced the limit of the authorised capital. The Board of Directors was granted full powers to proceed with the capital increases within the revised authorised capital of EUR 300,000,001.20 under the terms and conditions it will set, with the option of eliminating or limiting the shareholders' preferential subscription rights as to the issuance of new shares within the authorised capital.

The Board of Directors has been authorised and empowered to carry out capital increases, in a single operation or in successive tranches, through the issuance of new shares paid up in cash, capital contributions in-kind, transformation of trade receivables, conversion of convertible bonds into shares or, upon approval of the Annual General Shareholders' Meeting, through the capitalisation of earnings or reserves, as well as to set the time and place for the launching of one or a succession of issues, the issuance price, terms and conditions of subscription and payment of new shares. This authorisation is valid for a five-year period ending on 8 July 2013.

A total of EUR 57,620,850.60 has been used to date under this authorisation.

As such, the Board of Directors still has a potential of EUR 242,379,150.60 at its disposal. Considering that all new shares are issued at the par value price of EUR 4.10, a potential total of 59,116,866 new shares may still be created.”

#### **New amendments on warrants**

Following the execution of the “safeguard Plan” and the capital increases over the period, the following amendments have been adopted:

- Warrants 2012 (ISIN code : LU0234878881):

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

- Warrants 2014 (ISIN code : XS0290764728):

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

The exercise ratio has been adjusted following the capital increases. Each warrant 2014 shall entitle the holder to acquire 1.73 existing shares and/or subscribe to 1.73 new shares at the exercise price of EUR 11.20 to be paid in cash.

## 15. Earnings per share

	30 June 2010	30 June 2009
<b>At the beginning of the period</b>	<b>10,934,765</b>	<b>10,943,740</b>
Shares issued	10,943,866	10,943,866
Treasury shares	-9,101	-126
<b>Weighted average movements</b>	<b>1,304,000</b>	<b>-504</b>
Issue of new shares	1,304,000	-
Treasury shares	-	-504
<b>Weighted average outstanding shares for the purpose of calculating the basic earnings per share</b>	<b>12,238,765</b>	<b>10,943,236</b>
<b>Weighted average outstanding shares for the purpose of calculating the diluted earnings per share</b>	<b>12,238,765</b>	<b>10,943,236</b>
<b>Net profit/(loss) attributable to the Equity holders of the Company</b>	<b>237,733</b>	<b>-199,857</b>
<b>Net profit/(loss) attributable to the Equity holders of the Company after assumed conversions / exercises</b>	<b>237,733</b>	<b>-199,857</b>
Basic earnings in EUR per share	19.44	-18.26
Diluted earnings in EUR per share	19.44	-18.26

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

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

The PACEO signed with Société Générale on 13 August 2008 and for a period of 2 years expired in August 2010. As the Group does not intend to exercise this PACEO, the potential dilution has not been taken into account in the calculation of the earning per share ratio.

## 16. Related party transactions

- **Loans and advances with key management personnel**

On 15 May 2008, the Company granted a loan of 825,000 USD to Urso Verde S.A., a Luxembourg subsidiary of OTT&CO S.A.. This loan had a final repayment date as of 15 May 2009, and an interest rate of 10% per year payable at the repayment date. The purpose of this loan was to acquire a forest in Chile in order to launch an 'Endurance forest fund' in conjunction with Orco and the Endurance Fund, which failed due to the current financial context. Urso Verde S.A. pledged 90 660 Company shares to the benefit of the Company in order to secure the reimbursement of its debt (collateralized debt) and the Company exercised its pledge. On 28 and 31 August 2009, the Company sold 90,000 of the shares for an aggregate amount of EUR 812,250 (sale proceeds). Pursuant to the Share Pledge Agreement, the shares remaining after Urso Verde S.A.'s debt has been reduced to zero shall be returned unencumbered. Urso Verde S.A. requested return of the surplus EUR 132,298 in the form of shares.

On 18 June 2010 Urso Verde S.A. requested the Company to return 660 shares that were not sold by the Company during exercise of its pledge to repay debt of Urso Verde S.A. towards the Company. Urso Verde S.A. instructed that these shares shall be transferred to the account of OTT&CO.S.A. As at 30 June 2010, the Company had not returned the shares to Urso Verde S.A..

On 22 February 2007, the Company has granted a loan of EUR 216,068 to OTT&CO S.A. (previously Orco Holding). This loan had a maturity date on 1 March 2008 and an interest rate of 9% per year payable at the repayment date. The purpose of this loan was to facilitate the acquisition of 46,667 new shares of Orco Germany S.A. by OTT&CO S.A.. As at 31 December 2009, this loan (nominal and interests) had not been repaid (the "OPG Receivable").

On 24 March 2010, Urso Verde S.A., OTT & CO S.A. and the Company have agreed to restructure their debts described in the previous paragraphs. The Company and Urso Verde S.A. agreed, that the Company shall return to Urso Verde S.A. surplus of EUR 132,298 left after sale of the shares in cash instead of returning of the shares, and that this amount shall bear an interest of 9% p.a. from 1 September 2009 until repayment (the "Urso Verde Receivable"). On 24 March 2010 Urso Verde S.A. assigned the Urso Verde Receivable amounting to EUR 138,985 (EUR 132,298, plus interest of EUR 6,687 as of 24 March 2010) to OTT&CO S.A. The Company and OTT & CO S.A. agreed to offset the Urso Verde Receivable of EUR 138,985 with the OPG

receivable amounting to EUR 276,058 (EUR 216,068 principal, plus interest accrued of EUR 59,990) as of 24 March 2010, leaving EUR 137,073, being the outstanding principal of the OPG Receivable as of this date. As at 30 June 2010, the OPG Receivable has not been repaid and amounts to EUR 140,385 (nominal + accrued interests).

Besides, Orco Charter, a wholly owned subsidiary of OTT&CO S.A., remains creditor of Blue Yachts, a 70% subsidiary of Suncani Hvar, itself a subsidiary of the Company, for an amount of EUR 181,649 as of 30 June 2010, which has not been reimbursed to date.

- **Transactions with the Endurance Real Estate Fund**

As at 30 June 2010, open invoices for unpaid management fees amounted to EUR 6.9 million (EUR 7.2 million as at 31 December 2009). The investment process foresees that any investment proposed by the fund manager has first to be approved by the investment committee. This committee is made of a representative of each investor.

Besides the fund management, there are transactions between the Group and Endurance Fund companies as a consequence of OPG companies renting offices in Endurance Fund buildings and OPG companies rendering administrative, financial or property management services. These transactions resulted in the recognition of EUR 2.2 million revenues (EUR 1.2 million for the year 2009) and EUR 0.2 million expenses (EUR 1.3 million for the year 2009). They also resulted as at 30 June 2010 in a payable of EUR 0.1 million (EUR 0.3 million as at 31 December 2009) and a net loan payable of EU 0.3 million.

## **17. Events after balance sheet date**

In July 2010, the sale of the commercial development for Peugeot in Warsaw has been finalised with a cash impact of EUR 5.2 million, out of which EUR 3.8 million net cash in and EUR 1.4 million of cash unblocked.

In July 2010, the sale of the commercial development Cumberland in Berlin has been finalised with a cash impact of EUR 9.0 million. The sale revenue amounts to EUR 29 million, EUR 1.0 million above the 31 December 2009 DTZ valuation.

In July 2010, the Group closed the restructuring of Hospitality Invest S.à r.l. (the "joint venture") with AIG Global Real Estate Europe.. The Group recovers upfront EUR 6.7 million cash and secures increased priority payments from future cash flows, while Hospitality Invest S.A. is recapitalized and the medium term bank loan secured.

The Profit Participating Loan ("PPL") is a loan granted by both shareholders of the joint venture to the joint venture. These PPLs have a fixed interest rate of 1% and a variable interest rate determined by the accounting profit of the joint venture. These loans are subordinated to all other ordinary creditors.

As at July 8, 2010, the shareholders of the joint venture entered into an agreement which provided for its recapitalization under the terms of this agreement, including the followings:

- Additional Cash amounting to EUR 5.9 million was advanced by AIG Global Real Estate Europe to the joint venture, as an additional PPL, from which EUR 5 million was used to make a repayment on a loan granted by the Company to one of the subsidiary of the joint venture ("Pokrovka loan"). This will lead to the derecognition of the Pokrovka loan granted by the Company, currently recognised in the consolidated accounts as financial assets at fair value through profit or loss, and an increase of the PPLs recognized both in assets and in liabilities.
- Liabilities of the joint venture and its subsidiaries amounting to EUR 1.6 million due to the Group were set off against a corresponding increase in the PPLs;
- The Company assigned its interest as Lender on Pokrovka loan to the joint venture in consideration for an increase in the PPL advanced by the Group for an amount equal to the outstanding balance on Pokrovka loan of EUR 43.7 million.

The PACEO signed with Société Générale on 13 August 2008 and for a period of 2 years expired in August 2010 without being exercised.