

ORCO PROPERTY GROUP S.A.

Condensed consolidated interim financial information

As at 30 June 2011 and for the six-month period ended

The Board of Directors of Orco Property Group, S.A. (the "Group") has approved on 31 August 2011 the condensed consolidated interim financial information as at and for the six months' period ended 30 June 2011. All the figures in this report are presented in thousands of Euros, except if explicitly stated otherwise.

I. Condensed consolidated interim income statement

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

	Note	June 2011	June 2010	June 2010 (proforma)
Revenue	3	73,571	163,076	153,760
Net gain / (loss) from fair value adjustments on investment property	4	-351	26,629	26,629
Other operating income		370	2,333	2,254
Net result on disposal of assets	4	11,052	-273	-273
Cost of goods sold	6	-16,899	-87,899	-87,844
Employee benefits		-14,058	-21,055	-15,896
Amortisation, impairments and provisions	6	-3,585	-8,311	-8,388
Other operating expenses		-31,196	-36,730	-34,897
Operating result		18,904	37,770	35,345
Interest expenses		-41,600	-51,530	-50,582
Interest income		2,419	3,101	1,260
Foreign exchange result		12,664	-6,910	-2,697
Other net financial results	11	5,572	255,405	264,761
Financial result		-20,945	200,066	212,742
Profit/(loss) before income taxes		-2,041	237,836	248,087
Income taxes	12	-443	-4,335	-5,600
Impact of assets held for sale	7	-3,342	-	-8,986
Net profit/(loss) for the period		-5,826	233,501	233,501
Total profit/(loss) attributable to:				
non controlling interests		1,677	-4,232	-4,232
owners of the Company		-7,503	237,733	237,733
Basic earnings in EUR par share	13	-0.55	19.42	19.42
Diluted earnings in EUR par share	13	-0.06	19.42	19.42

'Proforma' here is the Income Statement for 6 months 2010 with an amended contribution of the Russian assets covered by a letter of intent (see note 7) that are transferred to impact of assets held for sale as reported in 2011.

II. Condensed consolidated interim statement of comprehensive income/(loss)

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

	Period ended 30 June	
	2011	2010
Profit/(Loss) for the period:	-5,826	233,501
Other comprehensive income/(loss)		
Currency translation differences	-6,887	13,708
Total comprehensive income/(loss) for the period	-12,713	247,209
Total comprehensive income/(loss) attributable to:		
- owners of the Company	-14,502	248,570
- non controlling interests	1,789	-1,361

III. Condensed consolidated interim balance sheet

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

Assets			
	Note	30 June 2011	31 December 2010
NON-CURRENT ASSETS			
Intangible assets		47,934	48,205
Investment property	4	891,154	888,036
Property, plant and equipment		165,326	237,851
Hotels and own-occupied buildings	5	152,298	222,563
Fixtures and fittings		12,481	15,288
Properties under development		547	0
Financial assets at fair value through profit or loss	14.1	41,418	30,049
Non current loans and receivables	14.2	24,191	0
Deferred tax assets		293	114
CURRENT ASSETS			
Inventories	6	406,325	418,957
Trade receivables		38,887	34,349
Other current assets		38,263	59,105
Derivative instruments		16	0
Current financial assets		382	302
Cash and cash equivalents	8	35,200	53,439
Assets held for sale	7	120,066	131,898
TOTAL		1,809,455	1,902,305
Equity and liabilities			
		30 June 2011	31 December 2010
EQUITY			
Equity attributable to owners of the Company	13	286,754	303,056
Non controlling interests	9	51,440	52,913
LIABILITIES			
Non-current liabilities			
Bonds	10.1	145,285	235,667
Financial debts	10.2	213,513	526,991
Provisions & other long term liabilities		13,980	14,307
Derivative instruments		0	19,323
Deferred tax liabilities		90,344	106,792
Current liabilities			
Current bonds	10.3	118,167	8,222
Financial debts	10.3	681,662	389,282
Trade payables		17,441	21,011
Advance payments		33,869	32,714
Derivative instruments		43,856	27,469
Other current liabilities		74,096	88,064
Liabilities linked to assets held for sale	7 & 10.3	39,048	76,494
TOTAL		1,809,455	1,902,305

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
Balance at 31 December 2009		44,870	400,524	15,776	-19,374	-385,219	56,577	48,153	104,730
Loss for the period :									
Translation differences				10,837			10,837	2,871	13,708
Loss for the period						237,733	237,733	-4,232	233,501
Total comprehensive income				10,837		237,733	248,570	-1,361	247,209
Capital increase		12,751	3,464			-86	16,129		16,129
Non controlling interests' transactions	10					-759	-759	323	-436
Balance at 30 June 2010		57,621	403,988	26,613	-19,374	-148,331	320,517	47,115	367,632
Loss for the period :									
Translation differences				736			736	-1,296	-560
Loss for the period						-4,322	-4,322	-6,525	-10,847
Total comprehensive income				736		-4,322	-3,586	-7,821	-11,407
Own equity instruments					-640		-640		-640
Non controlling interests' transactions	10					-13,234	-13,234	13,618	384
Balance at 31 December 2010		57,621	403,988	27,349	-20,014	-165,887	303,057	52,912	355,969
Profit/(loss) for the period :									
Translation differences				-6,999			-6,999	112	-6,887
Profit/(Loss) for the period						-7,503	-7,503	1,677	-5,826
Total comprehensive income		0	0	-6,999	0	-7,503	-14,502	1,789	-12,713
Own equity instruments					-4,048	48	-4,000		-4,000
Non controlling interests' transactions	10					2,200	2,200	-3,261	-1,061
Balance at 30 June 2011		57,621	403,988	20,350	-24,062	-171,142	286,755	51,440	338,195

V. Condensed consolidated interim cash flow statement

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

	30 June 2011	30 June 2010
Operating result	18,904	37,770
Net (gain) /loss from fair value adjustments on investment property	351	-26,629
Amortisation, impairments and provisions	3,585	8,311
Net result on disposal of assets	-11,052	273
Adjusted operating profit/(loss)	11,788	19,725
Financial result	3,293	-1,596
Income tax paid	-491	-368
Financial result and income taxes paid	2,802	-1,964
Changes in operating assets and liabilities	4,565	59,412
NET CASH FROM /(USED IN) OPERATING ACTIVITIES	19,155	77,173
Capital expenditures and tangible assets acquisitions	-9,353	-8,930
Proceeds from sales of non current tangible assets	105,321	31,329
Purchase of intangible assets	-28	-37
Purchase of financial assets	-1,520	-691
NET CASH FROM INVESTING ACTIVITIES	94,420	21,671
Net issue of equity instruments to shareholders	0	16,129
Purchase of treasury shares and change in ownership interests in subsidiaries	-4,000	0
Proceeds from borrowings	27,960	14,350
Net interest paid	-47,892	-28,437
Repayments of borrowings	-106,411	-94,712
NET CASH USED IN FINANCING ACTIVITIES	-130,343	-92,670
NET DECREASE IN CASH	-16,768	6,174
Cash and cash equivalents at the beginning of the year **	53,439	57,040
Cash and cash equivalents at the beginning of the year of assets reclassified to assets held for sale during 6 months 2011*	-1,905	0
Exchange difference on cash and cash equivalents	434	530
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR **	35,200	63,744

* Opening balance of cash and cash equivalents have been corrected for cash of a group of Russian activities mainly related to reclassified to assets held for sale (see Note 7).

** Cash and cash equivalents are detailed in the note 8.

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 properties 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 L-2661, Luxembourg. The address of its registered office is 42, rue de la Vallée.

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 2011.

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 2011 has been prepared in accordance with IAS 34, ‘Interim financial reporting’ as adopted by the European Union.

They should be read in conjunction with the annual consolidated financial statements as at and for the year ended 31 December 2010, which have been prepared in accordance with IFRS as adopted by the European Union.

In determining the appropriate basis of preparation of the condensed consolidated interim financial information, the Directors are required to make an assessment of the Group’s ability to continue as a going concern. In making such an assessment, the Directors have taken into account all available information at their disposal about the future, which is at least, but not limited to twelve months from June 30, 2011.

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 2 of the condensed consolidated interim financial statements as at and for the period ended 30 June 2011.

The financial performance of the Group is naturally dependent upon the wider economic environment in which the Group operates. The uncertainty of the evolution of real estate market in Central Europe could be damaging to the Group’s activities and slow down the asset sales program. It should be noted that this environment has generally stabilized over the last 18 months.

Despite the fact that the residential market remains difficult, a number of positive evolutions have resulted over the first half of 2011 with the resolution of covenant breaches, successful refinancing negotiations and the conclusion of major agreements concerning the Bubny development, the increased control of Orco Germany, the expected future sale of Russian assets and the agreement reached by the major shareholders on the long term financing of Suncani Hvar.

The Group is currently implementing the “Plan de Sauvegarde” (Safeguard plan) which 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 ability to continue as a going concern is primarily dependent upon its ability to implement the Safeguard plan as approved by the Commercial Court in Paris.

When making its assessment of the Group’s ability to continue as a going concern, the Board of Directors has identified the following material uncertainties that relate to events or conditions that may cast significant doubt upon the Group’s ability to continue as a going concern:

- Some subsidiaries and joint ventures held by the Group require funding to continue in operation as a going concern. Some assets or subsidiaries require a successful refinancing of the short term bonds or bank loans. As described in notes 10.3 and 10.5, the Group has an amount of EUR 824 million of short term bank loans and bonds out of which EUR 121 million present one or many breaches of covenants. Compared to December 2010 the amount of loans presenting one or many breaches of covenants has decreased by EUR 56 million as a result of successful negotiations with the financing bank and/or the sale of the financed asset followed by a repayment of the loan. The management is actively working on negotiating with the financing banks in order to either prolong the short term loans or solve the covenants breaches.
- The amount of short term financing has significantly increased over the period mainly as a result of the approaching maturity of major loans and bonds of Orco Germany Group. Some material uncertainties persist on the refinancing of

specific Group assets or activities and the Management is particularly focused on the challenging refinancing of both the GSG portfolio, with an existing loan of EUR 300 Million to be repaid in April 2012, and of Bonds issued by Orco Germany to be repaid in May 2012 for a nominal amount of EUR 100 Million. Negotiations are ongoing for the refinancing of both lines. None of these two loans benefit from guarantee given by the Company.

All other bank loan financing is located in special purpose vehicles. In the eventuality that a guarantee granted prior to the opening of the Safeguard procedure is exercised further to an unsuccessful financing negotiation, this would not have a short term impact on the Group's cash flows as repayment would occur in accordance with the term out plan approved in May 2010.

- The business plan is built on the capacity of the Group to generate sufficient cash from its profitable activities and asset sales in order to support the activities or assets that are currently in development or restructuring. Particularly, assets or activities sales forecasted to generate by June 2012 some EUR 52 million net cash in (out of which EUR 20 million are linked to transactions closed or close to be) are key for the Group to be able to finance its investments and Safeguard dividend. This amount does not include any cash on residential or commercial development sales.

The Board of Directors is in the opinion that the aforementioned material uncertainties, are mutually independent and are mitigated by the reasonability of the assumptions taken in the establishment of the business plan. As a result of the implementation of the Safeguard plan, the contemplated sale of non-core assets, the reasonable expectation that refinancing negotiations will be successful and the continuous reduction of operating expenses, the Board of Directors has concluded that there is a reasonable expectation that the Company can continue its operations in the foreseeable future and has, accordingly, 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 2010, 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 2011.

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

- Revised IAS 24: Related Party Disclosures
- Amendment to IFRS 1: Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters
- Amendment to IAS 32: Classification of Rights Issues
- Improvement to IFRS :
 - Amendment to IFRS 3: Business Combinations
 - Amendment to IFRS 7: Financial Instruments – Disclosures
 - Amendment to IAS 34: Interim Financial Reporting
- IFRIC 14 : Prepayments of a Minimum Funding Requirement

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

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

- IFRS 9, Financial Instruments, initially issued in November 2009 and revised in October 2010. This standard addresses classification and measurement of financial assets and liabilities and is very likely to affect the Group's accounting treatment on financial instruments. This standard is applicable starting 1 January 2013 but can also be early-adopted. However, it has not yet been endorsed by the European Union
- IFRS 10 : Consolidated Financial Statements
- IFRS 11 : Joint Arrangements

- IFRS 12 : Disclosure of Interests in Other Entities
- IFRS 13 : Fair Value Measurement
- IAS 27 : Separate Financial Statements
- IAS 28 R : Investments in Associates and Joint Ventures
- Amendment to IAS 19 : Employee Benefits
- Amendment to IAS 1 : First-time Adoption of International Financial Reporting Standards
- Amendment to IFRS 7 : Enhancing Disclosures about Transfers of Financial Assets
- Amendment to IAS 12 : Deferred Tax: Recovery of Underlying Assets

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

2.3 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

As of 30 June 2011, the Group performed internally a valuation review covering its entire portfolio. For each asset, possible material change of assumptions in comparison with December 2010 appraisal have been researched including :

- change of local market environment factors such as recent transactions, yield and discount rate evolution, change in prime rents, take up and vacancy rates;
- Change of asset characteristics such as for rental properties, change of occupancy rate, rent per sqm, level of costs. Actual operating performance over the first half of 2011 has been compared with assumptions and forecasts underlying December 2010 values to point out possible deviations. Valuation of project under construction integrates the work progress with the decrease of the remaining development costs and adjustment of Gross Development Value. Valuation of inventories respect the independent appraiser methodology as of December 2010 taking into account price level of latest deals and the quality of the remaining units.

The review process concluded on the absence of material change of local market environment between December 2010 and June 2011, with the exception of the local currencies movements against the euro. Valuation of the portfolio as been impacted accordingly as of June 2011. Aside from exchange rate impact, a decrease of EUR 2.6 Million is recorded on the Budapest bank portfolio (Budapest Bank HQ and Small Budapest Bank) which value is now based on a distressed scenario as the bank holding the related loans decided to ask for repayment on a short term basis. Negotiations with the creditors are ongoing, but in order to represent the additional risk the bank's request generates, the Group impacted a discount on the assets' valuations. In the meantime, the valuation of the activity park of Stribro, in Czech Republic, increased by EUR 0.6 Million or 16% compared to December 2010 valuation, due to better than expected letting performance.

Fair value as of June 2011 of ongoing development projects including Zlota 44, Vaci 1 Benice 1B and Mostecka were adjusted according to current status of construction works.

Changes in fair values and impairments are further addressed in notes 5, 6 and 7.

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 December 31, 2010 :

	New value					
	H1 2011		2010		2009	
Discount Rate	6,5%	11,8%	6,5%	11,8%	7,0%	11,0%
Yield Range	6,7%	13,0%	5,8%	13,0%	6,8%	12,0%
Exit Cap Rate	5,3%	9,0%	5,3%	9,0%	6,0%	9,0%

	Equivalent Yield		Cap Rate		Discount Rate	
	Min	Max	Min	Max	Min	Max
Hospitality	8,0%	12,5%	7,3%	9,0%	9,0%	11,8%
Rental CE	6,7%	13,0%	NA	NA	NA	NA
German assets	NA	NA	5,3%	6,5%	6,5%	7,5%
Developments CE	7,3%	8,8%	NA	NA	NA	NA

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

- Credit spread used on the "Profit participating loan" granted to Hospitality Invest S.à.r.l. : 4.00%;
- Liquidity discount used on the investment in Endurance Fund : 20%;

2.5 Financial risk management

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

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

2.5.1 Market risk

- Foreign exchange risk

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

- Price risk

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

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

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

- Other risks

The Group is also exposed to property price and property rentals risk but it does not pursue any speculative policy. Even though the Group's activities are focused on one geographical area – Western and Eastern Europe and Russia - such activities are spread over several business lines (residences, offices, hotels) and different countries.

2.5.2 Credit risk

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

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 shares, stock options and warrants to executive management) and the net results on sale of subsidiaries.

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

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

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

As at 30 June 2011	Development	Property Investment	TOTAL
Revenue	23,476	50,095	73,571
Net gain /(loss) from fair value adjustments on investment property	1,279	-1,630	-351
Cost of goods sold	-15,921	-978	-16,899
Amortisation, impairments and provisions	528	-4,113	-3,585
Other operating results	325	-34,157	-33,832
Operating result	9,687	9,217	18,904
Net gain /(loss) from fair value adjustments on investment property	-1,279	1,630	351
Amortisation, impairments and provisions	-528	4,113	3,585
Net result on disposal of assets	-10,824	-228	-11,052
Adjusted EBITDA	-2,944	14,732	11,788
Net gain /(loss) from fair value adjustments on investment property	1,279	-1,630	-351
Amortisation, impairments and provisions	528	-4,113	-3,585
Net result on disposal of assets	10,824	228	11,052
Operating result	9,687	9,217	18,904
Financial result			-20,945
Profit before income tax			-2,041

As at 30 June 2011			
Segment assets	635,716	1,041,026	1,676,742
Investment Properties	105,146	786,008	891,154
Property, plant and equipment	4	165,322	165,326
Inventories	406,325	0	406,325
Assets held for sale	18,153	101,913	120,066
Unallocated assets			226,582
Total assets			1,809,454
Segment liabilities	0	39,048	39,048
Liabilities linked to assets held for sale	0	39,048	39,048
Unallocated liabilities			1,770,406
Total liabilities			1,809,454
Cash flow elements			
Capital expenditure	8,941	1,711	10,652

As at 30 June 2010	Development	Asset Management	TOTAL
Revenue	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
Operating result	-4 494	42 264	37 770
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
Adjusted EBITDA	1 062	20 285	21 347
Net gain from fair value adjustments on investment property			26 629
Amortisation, impairments and provisions			-8 311
Past valuation on goods sold			-1 622
Net loss on disposal of assets			-273
Operating result			37 770
Financial result			200 066
Profit before income tax			237 836
Segment assets	750 388	1 141 535	1 891 923
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
Total assets			2 010 785
Segment liabilities	134 431	95 757	230 188
Liabilities linked to assets held for sale	34 876	3 000	37 876
Unallocated liabilities			1 780 597
Total liabilities			2 010 785
Cash flow elements			
Capital expenditure	5 346	4 062	9 408

4. Investment property

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

66 investment properties with a fair value of EUR 707.6 million (EUR 839.2 million as at 31 December 2010) financed by bank loans in local special purpose entities are fully pledged for EUR 491.0 million of bank loans (EUR 605.5 million as at 31 December 2010).

Investment property	Freehold buildings	Extended stay hotels	Land bank	Buildings under construction	Buildings under finance lease	TOTAL
Balance at 31 December 2009	795,704	21,430	214,780	40,110	280	1,072,304
Investments / acquisitions	1,155	255	11,156	13,822	-	26,388
Asset sales	-50,256	-	-82	-	-293	-50,631
Revaluation through income statement	13,513	4,615	15,181	-7,348	-	25,961
Other transfers	-1,527	-	-196,875	-	-	-198,402
Translation differences	7,407	-	6,180	-1,184	13	12,416
Balance at 31 December 2010	765,996	26,300	50,340	45,400	-	888,036
Investments / acquisitions	429	63	216	8,439	-	9,147
Asset sales	-6,379	-	-455	-	-	-6,834
Revaluation through income statement	-2,529	907	503	768	-	-351
Other transfers	7,656	-	-6,500	-	-	1,156
Translation differences	-	-	-	-	-	0
Balance at 30 June 2011	765,173	27,270	44,104	54,607	-	891,154

- **In 2011**

A) Investments / Acquisitions

During the period, the Group invested EUR 9.1 million in investment properties representing mainly EUR 8.4 million in Hungary of capitalization on the development of the Vaci 1 shopping center project, in Budapest.

B) Asset sales

During the period, the net book value ("NBV") of the assets sold amounts to EUR 6.8 million and is composed mainly of the following disposals:

- Sales of Americka Park residential units in Prague have been sold (NBV of EUR 1.2 million) at the sale price of EUR 1.1 million.
- Disposal of Invalidenstr. 112 / Chausseestr. 21 in Berlin (NBV of EUR 5.2 million) at the sale price of EUR 5.6 million.

Net gain/(loss) from fair value adjustmentsThe movement in fair value relates mainly to Freehold buildings and Building under construction:

- In the Czech Republic, the increase/decrease in fair value amounts to EUR 0.9 million (EUR 0.6 million on land bank, EUR 0.9 million on Extended stay hotel, and EUR -0.6 million on freehold buildings).
- In Hungary, the decrease in fair value amounts to EUR -1.1 million (EUR 0.8 million on building under construction and EUR -1.9 million on freehold buildings), the negative impact mainly comes from a discount applied to an arms length valuation on two office buildings to take into account a potential fire sale after the financing bank expressed in June its intention to accelerate the loans.
- In Germany, the decrease in fair value amounts to EUR -0.5 million on Freehold buildings.

C) Transfers

The transfers are mainly made of the following movements:

- The Group is expecting to sell 1 freehold building in Germany and 1 land bank in Russia, which have been transferred in assets held for sale for EUR 16.4 million: Ku-Damm 102 (EUR 6.2 Million),Brunnenstrasse 156 (EUR 3.7 million), Kaluga 145 Ha (EUR 6.5 million).
- The Group stopped the sale process of two assets in Hungary (Szervita Car Park and adjacent office building), which have been transferred from assets held for sale for EUR 15.6 million.
- The Group reclassified part of the office building in Luxembourg which was previously owner occupied for EUR 2.9 million.
- The Group reclassified Hochwald for EUR 1.0 million from Investment Property to Inventories after obtaining building permit and approval by the Investement Committee for completing a land development for resale of parcels

List of major investment properties:

	6 months to 30 June		12 months to 31 December 2010	
	2011 Revaluation	Fair value 30.06.11	2010 Revaluation	Fair value 31.12.10
Freehold Buildings	-2,528	765,171	13,513	765,996
Germany	340	490,515	5,575	506,138
Mixed retail & office	-290	483,445	6,666	492,548
Office	630	0	-620	5,570
Residential	0	7,070	-471	8,020
Czech Republic	-597	175,500	5,951	177,156
Office	-3,795	83,727	7,460	87,500
Mixed retail & office	1,791	65,880	449	64,000
Industrial	1,163	23,663	-1,512	22,470
Residential	244	2,230	-446	3,186
Slovakia	0	15,870	-39	15,821
Mixed retail & office	0	15,870	-39	15,821
Hungary	-2,261	44,758	4,413	31,300
Mixed retail & office	945	15,612	-314	14,550
Mixed office & parking	-602	15,000	4,886	0
Hotel	0	3,000	-335	3,000
Office	-2,604	11,146	176	13,750
Poland	-37	12,201	28	12,230
Mixed logistics & industrial	0	6,588	-122	6,580
Office	-37	5,613	150	5,650
Luxembourg	0	24,967	-2,494	22,017
Office	0	24,967	-2,494	22,017
Other	27	1,360	79	1,334
Residential	27	900	84	874
Mixed retail & residential	0	460	-5	460

	2011 Revaluation	Fair Value 30.06.11	2010 Revaluation	Fair Value 31.12.10
Land bank	502	44 106	15 181	50 340
Czech Republic	626	23 268	-88	22 880
Land Bank	165	5 366	116	5 620
Residential development	422	16 509	-12	15 920
Retail & office development	39	1 393	-192	1 340
Germany	0	2 020	19 985	2 020
Mixed use development	0	-	20 725	0
Office development	0	1 100	-800	1 100
Retail & office development	0	920	60	920
Russia	0	0	-2 115	6 500
Land bank	0	0	-2 115	6 500
Poland	-123	18 348	-2 578	18 470
Residential development	-123	18 347	-2 583	18 470
Land bank	0	1	5	0
Croatia	-1	470	-23	470
Land bank	-1	470	-23	470
Other	-	-	0	-
Buildings under finance lease	-	-	0	0
Extended stay hotels	907	27 270	4 615	26 300
Buildings under construction	768	54 607	-7 348	45 400
Retail Hungary	768	54 607	-7 348	45 400
TOTAL	-351	891 154	25 961	888 036

• In 2010

A) Investments/ Acquisitions

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

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

B) Asset sales

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

Freehold buildings:

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

C) Revaluation through the income statement

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

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

D) Transfers

The transfers are mainly made of the following movements:

1) Freehold buildings

Main incoming assets:

- The Group stopped the sale process of 2 projects in Hungary (Main Budapest Bank for EUR 12.9 million and Small Budapest Bank for EUR 0.6 million) which have been transferred from assets held for sale (see note 7).

Main outgoing assets:

- The Group is expecting to sell 2 investment properties in Hungary which have been transferred in assets held for sale: Szervita Car Park (EUR 7.8 million) and Szervita empty office building (EUR 7.2 million, see note 7).

2) Land bank

- In 2010, the Investment committee approved the start of the process of filing the request of change of the Master plan of the Bubny plot with a view to sell totally or partially the urbanized land plots to other developers or co-developers. In that context and following the approval end of September 2010 by the municipal authorities of the project of urbanization of the Bubny area in the Center of Prague, the land development has been transferred to inventories (EUR 80.6 million).
- Na Frantisku in Ostrava in the Czech Republic (EUR 1.5 million) is transferred to assets held for sale (see note 7).

The land plots of Bialystok (EUR 2.1 million) in Poland and Wertheim (EUR 112.7 million) in Germany have been transferred to assets held for sale (see note 7).

5. Hotels and own-occupied buildings

Hotels and owner-occupied buildings	Owner-occupied buildings	Prepaid operating leases	Hotels	TOTAL
GROSS AMOUNT				
Balance as at 31 December 2009	113 199	2 164	181 140	296 503
Investments / acquisitions	231	-	79	310
Disposal	-224	-	-	-224
Transfer	-	-	5 695	5 695
Translation differences	4 031	-	2 582	6 613
Balance as at 31 December 2010	117 237	2 164	189 496	308 897
Investments / acquisitions	76	-	130	206
Transfer	-3 530	-	-	-3 530
Transferred to assets held for sale	-286	-	-	-286
Translation differences	-88	-	894	806
Balance as at 30 June 2011	48 910	2 164	190 520	241 594
AMORTISATION AND IMPAIRMENT				
Balance as at 31 December 2009	50 825	1 167	29 118	81 110
Allowance	296	13	1 186	1 495
Impairments	329	253	11 268	11 850
Write back impairments	-8 401	-	-401	-8 802
Transfer	-	-	599	599
Translation differences	66	-	16	82
Balance as at 31 December 2010	43 115	1 433	41 786	86 334
Allowance	-1	1	106	106
Translation differences	-1	-	66	65
Impairments	2 760	-	416	3 176
Other	(286)	-99	-	-385
Balance as at 30 June 2011	45 587	1 335	42 374	89 296
NET AMOUNT as at 30 June 2011	3 323	829	148 146	152 298
Net amount as at 31 December 2010	74 122	731	147 710	222 563

- In 2011**

25 assets (EUR 37.6 million) financed by bank loans in local special purpose entities are fully pledged for EUR 36.2 million.

The impairment test based on the DTZ valuation as at 31.12.10 amended for operating results of Hotels during 6 months 2011 comprises impairment write off amounting to EUR 2.8 million of which EUR 2.7 Million for Suncani Hvar.

- In 2010**

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

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

As of December 31, 2010, the Group is expecting to sell one hotel in Hvar which has been transferred to assets held for sale: Café Pjaca (EUR 0.6 million) (see note 10).

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

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

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

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

6. Inventories

	30 June 2011	31 December 2010
Opening Balance	418,957	482,605
Net impairments	-4,022	-8
Transfers	-10,926	80,624
Translation differences	3,435	11,231
Development costs	15,614	10,275
Cost of goods sold	-16,733	-165,770
Closing Balance	406,325	418,957

Inventories are properties developed with the intention to resell.

• As at 30 June 2011

Development costs amounting to EUR 15.6 million have been capitalized mainly on Zlota 44 (EUR 8.7 million), Bubny (EUR 2.6 Million), Mostecka (EUR 1.1 million), Sky Office (EUR 1.1 million) and Benice (EUR 1.0 Million).

Cost of goods sold amounting to EUR 16.7 million have been registered mainly for residential projects as following: Mostecka (EUR 3.8 million), Kosic (EUR 2.4 million), Koliba (EUR 2.1 million), Malborska (EUR 1.9 million), Spynderluf Mlyn (EUR 1.2 million), Nove Dvory (EUR 1.1 million), Benice (EUR 0.8 million) and Drawska (EUR 0.6 million).

The transfers arise on Russian activities reclassified to assets held for sale for EUR 11.9 million partially compensated by a reclassification of Hochwald for EUR 1.0 million from Investment Property to Inventories after obtaining building permit and approval by the Investment Committee for completing a land development for resale of parcels: Koliba (EUR -1.6 million), Benice (EUR -1.6 million), Mostecka (EUR -0.8 million), Vavrenova (EUR -0.6 million). Write back of impairments have been recognized mainly on Kosic EUR 0.5 million.

8 projects in development (EUR 353.7 million) are pledged for a total amount of EUR 173.3 million.

• In 2010

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

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

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

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

Impairments have been recognized mainly on the following projects:

- Benice: EUR 1.7 Million
- Radotin: EUR 0.9 Million

- Koliba: EUR 0.5 Million
- Bedrichov: EUR 0.5 Million
- Kosic: EUR 0.5 Million

Impairments have been reversed on the following projects:

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

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

7. Assets held for sale and liabilities linked to assets held for sale

Assets held for sale	June 2011	December 2010	Liabilities linked to assets held for sale	June 2011	December 2010
Opening Balance	131,898	48,930	Opening Balance	76,494	51,451
Asset Sales	-114,762	-19,360	Asset sales	-	-15,473
Transfer	117,887	112,707	Transfer	39,049	54,402
			Accrued interest	-	285
			Repayment of loans	-66,000	-
Reclassified from assets held for sale due to changes to plans of sale	-15,602	-10,000	Reclassified from liabilities linked to assets held for sale due to changes to plans of sale	-10,916	-13,616
Translation differences	645	-379	Translation differences	421	-555
Closing Balance	120,066	131,898	Closing Balance	39,048	76,494

- **In 2011**

As at 30 June 2011 the Group approved the sale of following assets:

- 2 assets from its Berlin investment properties portfolio: Kurfurstendamm 102 with a value of EUR 6.2 million and EUR 5.4 million of liabilities and Brunnen Strasse with a value of EUR 3.7 million of assets and EUR 2 million of liabilities.
- A group of Russian assets and liabilities covering non Hospitality activities mainly related to assets and liabilities in Molcom, Kaluga, Radishevskaya and Otrada with value of EUR 112.5 million and EUR 31.6 million of liabilities. The group shows in the net assets value of EUR 53 million of recognition of impairment amounting to EUR 4.6 million recorded in the Income Statement with results of assets held for sale.

Total liabilities linked to assets held for sale include bank loans amounting to EUR 24.7million and other operating liabilities for EUR 14.5 million.

Condensed consolidated interim Income Statement of Russian group of activities for 6 months:

	June 2011	June 2010
Revenue	12,018	9,316
Net gain /(loss) from fair value adjustments		
on investment property	-9	0
Other operating income	44	79
Net result on disposal of assets	0	0
Cost of goods sold	166	-55
Employee benefits	-8,242	-5,159
Amortisation, impairments and provisions	-4,563	78
Other operating expenses	-2,091	-1,834
Operating result	-2,677	2,425
Interest expenses	-751	-948
Interest income	1,162	1,841
Foreign exchange result	-699	-4,213
Other net financial results	-10	-9,356
Financial result	-298	-12,676
Profit/(loss) before income taxes	-2,975	-10,251
Income taxes	-367	1,265
Net profit/(loss) for the year	-3,342	-8,986

Impairment amounting to EUR 4.5 million comprise difference between net assets and potential consideration on third parties receivables.

Over the first half a year 2011 Leipziger Platz plot of land with a value of EUR 113.5 million and Bialystok plot of land with a value of EUR 2.09 million were sold. EUR 66 million of bank loan have been repaid upon the sale of Leipziger Platz.

The sale plans of Szervita office and car park buildings with a total value of EUR 15.6 million and EUR 10.9 million of liabilities have been canceled and reclassified accordingly.

- **In 2010**

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

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

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

Moreover, the Group deconsolidated the project Stein located in Slovakia (EUR 10.0 million) as this entity is in liquidation. The bank debt on this asset amounts to EUR 13.3 million and accrued interest amounts to EUR 0.3 million. As the bank loan was covered by a guarantee issued by the Company, a provision (corresponding to the net present value of the difference between the expected payments by the company and the restated net sales price of the asset) has been recognized for an amount of EUR 1.1 million (See note 19).

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

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

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

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

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

8. Cash and cash equivalents

As at 30 June 2011, the cash and cash equivalents consist of short term deposits for EUR 1.1 million (EUR 3.9 million as at 31 December 2010), cash in bank for EUR 35.0 million (EUR 49.4 million as at 31 December 2010) and cash in hand for EUR 0.7 million (EUR 0.1 million as at 31 December 2010).

Cash in bank include restricted cash amounting to EUR 18.1 million (EUR 24.3 million as at 31 December 2010), representing:

- cash deposited in the Group's joint ventures as both parties' approval is needed for withdrawal, for EUR 3.5 million (EUR 2.9 million as at 31 December 2010);
- cash deposited in escrow accounts pledged as collateral for development projects and the use is restricted to the financing of the project. The cash, lifted after sales of units, amounts to EUR 3.9 million (EUR 4.2 million as at 31 December 2010);
- cash deposited in escrow accounts pledged as collateral for loans related to the acquisition of property, for EUR 10.8 million (EUR 17.2 million as at 31 December 2010). The use of this cash is restricted to the operating costs in relation to these properties and costs relating to the service of the bank loans.

9. Non-controlling interests transactions

• 2011

In January 2011 a 100% subsidiary of ORCO Property Group S.A. bought 1.9 million shares and 1.0 million warrants of ORCO Germany S.A. for EUR 1.5 million from the former management of that company. This transaction resulted in a direct and indirect increase of the percentage of interest of the Group in Orco Germany S.A. and its subsidiaries from 58.94% to 62.84% and a net increase of the consolidated reserves group share of EUR 1.7 million.

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

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

• 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.

10. Borrowings

At 30 June 2011, the long term Bank loans amortized cost of bank loans amounts to EUR 195.0 million (see note 10.2) and the current Bank loans amortized cost of bank loans amounts to EUR 681.4 million (see note 10.3) have together an estimated fair value of EUR 876.4 million.

10.1 Non-current bonds

Non-current bonds	Convertible bonds	Non Convertible bonds	TOTAL
Balance at 31 December 2010	57 109	178 557	235 667
Own bonds	1 391	7 821	9 212
Interest	6 576	11 996	18 571
Transfer to Short term	-7 731	-110 435	-118 166
Balance at 30 June 2011	57 347	87 939	145 286

As at June 2011, the fair value of the long term part and the short term part (see note 10.3) of the Safeguard bonds together with the bonds issued by Orco Germany S.A. is established at EUR 272.8 million compared to EUR 250.5 million as at 31 December 2011. The increase is mainly driven by the change in net present value.

On 19 May 2010 the company's safeguard plan was approved (see point 2.1.2). This resulted 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 2.1.2. 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 an independent expert (Grant Thornton). On the basis of comparables, the fair value of the Safeguard bonds was set at a total value excluding deductions from own bonds of EUR 142.9 million at 19 May 2010 of which EUR 133.9 million was classified as Non Current. The derecognition of the debts results in a gain of EUR 269.5 million.

As a 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.

10.2 Non-current financial debts

Non-current financial debts	Bank loans	Other non-current borrowings	Finance lease liabilities	TOTAL
Balance at 31 December 2009	469 402	14 110	1 122	484 634
Issue of new loans and drawdowns	13 006	4 042	0	17 048
Repayments of loans	-47 733	-1 500	-1 213	-50 446
Transfers	70 792	-39	36	70 789
Translation differences	4 418	493	55	4 966
Balance at 31 December 2010	509 885	17 106	0	526 991
Issue of new loans and drawdowns	14 968	935	0	15 903
Repayments of loans	-16 031	-	0	-16 031
Transfers	-311 628	370	0	-311 258
Translation differences	-2 192	100	0	-2 092
Balance at 30 June 2011	195 002	18 511	-	213 513

- **As at June 2011**

Issue of new loans and drawdowns (EUR 15.0 million) arise mainly from the new drawdown of Molcom for EUR 14.4 million.

Repayment of loans relate mainly from Molcom (EUR 12.6 million), Gebauer Hofe (EUR 2.0 million) as extraordinary repayment and Apple Tree Investment for EUR 0.7 million.

During the first half transfer of bank loans (EUR 311.6 million) are mainly due to loans coming due within 12 months after 30 June 2011 as GSG for EUR 299.9 million or Na Porici for EUR 38.9 million and to the reclassification to liabilities linked to assets held for sales mainly Molcom for EUR 14.3 million partially compensated by the resolution of covenants breaches leading to a transfer to long term debt as for Gebauer Hofe (EUR 28.9 million), Paris Department Store (EUR 16.7 million) and Szervita (EUR 10.2 million) linked to assets held for sales. These covenant breaches have been solved by the signature of amendments to the original loan agreements during the first semester.

Other non-current borrowings are mainly equity loans from joint ventures and loans from partner companies.

- **In 2010**

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

Repayment of bank loans (EUR -47.7 million) mainly relate to the following operations in Germany: sales of healthcare developments (EUR -27.9 million), sale of the Brunnenstr. 27 (EUR -1.1 million), Ku-dammstr. 103 (EUR -4.7 million), sale of part of the project Genestr. 5-6 (EUR -1.0 million) and repayment of the loan in Molcom after refinancing of the debt (EUR -10.1 million).

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

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

- to the reclassification in short term of the bank loan that has been repaid early 2011 (EUR -1.9 million) upon reception of the funds on Jeremiasova project sold in 2010.

- to settlement of previous breaches on financial covenants for the bank loans financing the following projects:

 - In Slovakia: Dunaj (EUR 13.1 million);

 - In Germany: Invalidenstr. 112 (EUR 2.9 million);

 - In the Czech Republic: Bubny (EUR 5.5 million) and Vlatska (EUR 19.1 million).

- to renegotiation of bank loans financing the following projects:

 - Koliba (EUR 3.5 million) in Slovakia, extended till 2012, with an increase of the margin of 0.75% ;

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

As at 31 December 2010, the total carrying value of non-current loans in breach due to non respected covenants amounts to EUR 101.9 million (EUR 156.0 million as at 31 December 2009) (not included in the table above).

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

10.3 Current financial debts

As at 30 June 2011, the movements in current loans are the following:

Current financial debts	Bank Loans	Bank loans linked to assets held for sales	Other current borrowings	TOTAL
Balance at 31 December 2009	593 474	51 451	2 302	647 227
Issue of new loans and drawdowns	6 924	0	307	7 231
Repayments of loans	-75 224	-29 088	-6 152	-110 455
Write off of Bank loan	-13 606		-	-13 616
Transfers	-130 023	54 686	4 490	-70 846
Translation differences	-209	-554	9	6 235
Balance at 31 December 2010	388 326	76 494	956	465 776
Issue of new loans and drawdowns	10 421	-	1 636	12 057
Repayments of loans	-16 475	-66 000	-6 692	-89 167
Transfers	294 893	13 829	4 297	313 019
Translation differences	4 279	421	23	4 724
Balance at 30 June 2011	681 444	24 745	220	706 409

The total current financial debts includes the loans linked to assets held for sales for EUR 24.7 million (see note 7 assets held for sales) and excludes the short term portion of bonds for EUR 118.2 million (see table below).

The issue of new loans (EUR 10.4 million) mainly relates to further drawdowns in Vaci 1 and Jozefslaw (EUR 6.8 million and EUR 1.5 million respectively).

The repayment of bank loans (EUR 82.5 million) is mainly related to the sales of Leipziger Platz (EUR 66.0 million) then Invalidenstrasse (EUR 3.9 million) for the assets sales, Mostecka (EUR 4.6 million), Koliba (EUR 2.9 million) and Klonowa (EUR 1.8 million) for the residential projects.

Transfers of bank loans (EUR 308.7 million) are mainly due to loans that have become due within the next 12 months after 30 June 2011 as GSG (EUR 299.9 million) and transfer in liabilities linked to assets held for sales as Molcom (EUR 14.3 million).

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

Current bonds	Convertible bonds	Non Convertible bonds	TOTAL
Balance at 31 December 2010	2,925	5,297	8,222
Repayment of bonds	-2,925	-5,297	-8,222
Transfer from Long term	7,806	110,359	118,165
Balance at 30 June 2011	7,806	110,359	118,165

10.4 Borrowings maturity

• In 2011

At 30 June 2011	Less than one year	1 to 2 years	2 to 5 years	More than 5 years	Total
Non-current					
Bonds	-	23,505	92,422	29,358	145,285
Convertible bonds		9,356	46,106	9,007	64,469
Non Convertible	-	14,149	46,316	20,351	80,816
Financial debts	-	45,475	110,183	57,856	213,514
Bank loans	-	45,475	110,183	39,345	195,003
Bank loans fixed rate	-	10,434	1,449	8,282	20,165
Bank loans floating rate	-	35,041	108,734	31,063	174,838
Other non-current borrowings	-	-	-	18,511	18,511
Total	-	68,980	202,605	87,213	358,798
Current					
Bonds	118,165	-	-	-	118,165
Convertible bonds	9,267		-	-	9,267
Non Convertible	108,898		-	-	108,898
Financial debts	681,662	-	-	-	681,662
Bank loans	681,442	-	-	-	681,442
Bank loans fixed rate	655	-	-	-	655
Bank loans floating rate	680,787	-	-	-	680,787
Other borrowings	220	-	-	-	220
Liabilities linked to assets held for sale	24,745	-	-	-	24,745
Bank loans floating rate	2,011	-	-	-	2,011
Bank loans fixed rate	22,734	-	-	-	22,734
Total	824,572	-	-	-	824,572
TOTAL	824,572	68,980	202,605	87,213	1,183,370

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

The Group has entered into interest rate derivatives representing 54% of the non-current floating rate borrowings (81% in 2010) and 50% of the current floating rate borrowings (22% in 2010), in order to limit the risk of the effects of fluctuations of market interest rates on its financial position and future cash flows. Most floating interest debt instruments have a fixing period of maximum 3 months.

Bank loans include amounts secured by a mortgage on properties with a value of EUR 0.920 billion (EUR 0.969 billion as at 31 December 2010), in addition to a pledge on the shares of the special purpose vehicles.

Liabilities linked to assets held for sales in current represent the loans in respect of Molcom, Ku-Damm 102, Brunnestrasse 156, and Wertheim which are classified as held for sale and accrued interests amounting to EUR 24.7 million.

- **In 2010**

At 31 December 2010	Less than one year	1 to 2 years	2 to 5 years	More than 5 years	Total
Non-current					
Bonds	-	115,474	82,107	38,086	235,667
Convertible bonds	-	7,611	37,466	12,032	57,109
Non Convertible	-	107,863	44,641	26,054	178,558
Financial debts	-	368,372	91,562	67,057	526,991
Bank loans	-	368,372	91,562	49,951	509,885
Bank loans fixed rate	-	12,940	8,969	11,058	32,967
Bank loans floating rate	-	355,432	82,593	38,893	476,918
Other non-current borrowings	-	-	-	17,106	17,106
Total	-	483,846	173,669	105,143	762,658
Current					
Bonds	8,222	-	-	-	8,222
Convertible bonds	2,925	-	-	-	2,925
Non Convertible	5,297	-	-	-	5,297
Financial debts	389,282	-	-	-	389,282
Bank loans	388,326	-	-	-	388,326
Bank loans fixed rate	23,534	-	-	-	23,534
Bank loans floating rate	364,792	-	-	-	364,792
Other borrowings	956	-	-	-	956
Liabilities linked to assets held for sale	76,494	-	-	-	76,494
Bank loans floating rate	10,215	-	-	-	10,215
Bank loans fixed rate	66,000	-	-	-	66,000
Accrued interests	279	-	-	-	279
Total	473,998	-	-	-	473,998
TOTAL	473,998	483,846	173,669	105,143	1,236,656

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

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

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

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

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

The tables above describe the maturity of the Group's borrowings. As at 30 June 2011, the total bonds and financial debts amount to EUR 1,186 million (EUR 1,237 million at 31 December 2010).

10.5 Loans with covenant breaches

	As at 30 June 2011			As at 31 December 2010		
	Principal	Accrued Interest	Total	Principal	Accrued Interest	Total
Long term loans presented in ST						
due to Financial covenant breach	3,799	-	3,799	37,686	-	37,686
due to Non repayment	41,320	-	41,320	41,320	-	41,320
due to Administrative breach	4,300	-	4,300	4,300	-	4,300
due to Financial and administrative breach and/or non repayment	21,767	-	21,767	18,566	-	18,566
Total LT loans presented in ST	71,186	-	71,186	101,872	-	101,872
Short term loans in breach						
due to Financial covenant breach	13,080	0	13,080	13,980	70	14,050
due to Non repayment	36,649	11,004	47,653	32,807	8,131	40,938
due to Financial and administrative breach and/or non repayment	190	789	979	18,272	687	18,959
Total ST loans in breach	49,919	11,793	61,712	65,059	8,888	73,947
Total loans linked to assets held for sale	-	-	-	10,215	892	11,107
Total Loans in Breach	121,105	11,793	132,898	177,146	9,780	186,926

While as at December 2010 EUR 101.9 million of long term loans were presented as short term, as at June 30 the long term loans presented in short term amount to EUR 69.4 million and are mainly composed of Suncani Hvar bank loans for EUR 40.9 million due to non repayment, Main Budapest Bank for EUR 20.6 million due to financial and administrative breaches, Huettenstrasse for EUR 4.3 million due to administrative breaches and Marki EUR 3.8 million due to financial covenants breaches. The change over the first half of 2011 is due to the closing of an admendment solving the breaches for the loan financing the Gebauer Hofe office building and the sale of Invalidenstrasse.

The decrease of the amount of short term loans with covenant breaches is mainly explained by the signature of an admendment solving the breach for the loan financing the project Paris Department Store.

The decrease of the amount of short term loans linked to assets held for sale with covenant breaches is mainly explained by the signature of an admendment solving the breach for the loan financing the Szervita buildings.

10.6 Undrawn bank credit facilities

	30 June 2011	31 December 2010
Expiring within one year	25,046	63,042
Expiring after one year	10,212	49,681
Total	35,258	112,723

The decrease is undrawn facilities is mainly due to the repayment of the credit lines on residential projects with the sale of units and the draw downs on construction facilities.

11. Other net financial results

	30 June 2011	30 June 2010
Change in carrying value of liabilities at amortised cost	0	269,549
Change in fair value and realised result on derivative instruments	3,848	-1,238
Change in fair value and realised result on other financial assets	1,680	257
Other net finance gains/ (charges)	44	-13,163
Gain (loss) on other financial results	5,572	255,405

Over the first half of 2010, the change in 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 10.

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.

12. Income Taxes

The current income tax expense recognized in the income statement amounts to EUR 0.1 million mainly as a result of current year transactions reflected in the Income Statement.

13. Earnings per share

	30 June 2011	30 June 2010
At the beginning of the period	13,964,411	10,934,765
Shares issued	14,053,866	10,943,866
Treasury shares	-89,455	-9,101
Weighted average movements	-244,805	1,304,000
Issue of new shares		1,304,000
Treasury shares	-244,805	
Weighted average outstanding shares for the purpose of calculating the basic earnings per share	13,719,606	12,238,765
Dilutive potential ordinary shares	1,086,956	-
Convertible bond	1,086,956	-
Weighted average outstanding shares for the purpose of calculating the diluted earnings per share	14,806,562	12,238,765
Net profit/(loss) attributable to the Equity holders of the Company	-7,503	237,733
Effect of assumed conversions / exercises	6,578	-
Convertible bond	6,578	-
Net profit /(loss) attributable to the Equity holders of the Company after assumed conversions / exercises	-926	237,733
Basic earnings in EUR per share	-0.55	19.42
Diluted earnings in EUR per share	-0.06	19.42

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.

14. Non Current Financial assets

14.1 Financial assets at fair value through Profit or Loss

This line includes mainly 3 financial assets:

- The fair value of the investment in the Endurance Real Estate Fund for Central Europe amounting to EUR 14.0 million (EUR 10.9 million in 2010). The Endurance fund managed by the Group is divided in three specialised sub-funds. Two are investing in office investment properties and one is investing in residential developments and properties. These investments are accounted for at their fair value with change in fair value going through the income statement. The change in fair value recorded in 2010, based on the net asset value as provided by the fund Manager in its report as at 31 March 2011, with a liquidity discount of 20% (20% in 2010).
- The fair value of the 10% shareholding of the Group in the Filion retail center located in Moscow for an amount of EUR 6.4 million stable compared to December 2010. This shareholding results from the exchange at the beginning of 2011 with an advance payment that was previously recognized under the current assets.
- The non eliminated portions of the equity loans (including accrued interest) granted to joint-ventures correspond to 50% of the loan granted to the hospitality joint-venture with real estate investment funds managed by AIG subsidiary. The profit participation loan granted to the joint venture holding company has been fair valued on the basis of management estimates of the expected cash flows from the loans and the specific credit spread depending on the loan characteristics and the legal entity benefiting directly from the loan. The fair value amounts to EUR 20.3 million as at 30 June 2011 (EUR 17.3 million in 2010).

14.2 Non current loans and receivables

This balance sheet caption includes only the net present value of the deferred consideration on the sale of Leipziger Platz amounting to EUR 24.2 million.

15. Development capital commitments

As a developer of buildings and residential properties, the Group is committed to finalize the construction of properties in different countries. The commitments for the projects started as at June 2011 amount to EUR 95 million (EUR 104 million in December 2010). This does not take into account the potential investments in future projects like Bubny in Prague or hotels to be refurbished in Suncani Hvar.

16. Related party transactions

• Transactions with key management personnel

(a) Remuneration of key management personnel

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

Over the first half of 2011, total compensation given as short term employee benefits to the members of the Executive Committee amounted to EUR 2.6 Million (EUR 1.8 Million for the full year in 2010). This compensation includes an amount of EUR 750 thousand paid in cash with the obligation to reinvest immediately in the acquisition from the Company of treasury shares (such transactions are described under point c of this note). As at 30 June 2011, the cumulated balance to be paid at the termination of the contract of current executive board members amounts to EUR 0.5 Million (EUR 0.4 Million as at December 2010).

In November 2009, the Board of Directors of the Company approved the remuneration plan for Board, Committee and General Meeting attendances that applies to all Board members except the management who is paid by the Company. A compensation of EUR 1,000 is granted to each Board and Committee member for all physical attendance. A compensation of EUR 1,500 is granted for the attendance as president to all Committee meetings. EUR 4,500 is granted to compensate the President presiding an ordinary and extraordinary general meeting of shareholders. Over the first half of 2011 the Board and Committees attendance compensation amounts to EUR 130,500 (EUR 96,500 for the full year in 2010), including General Meetings

presidency compensations. On its meeting held 25 May 2011, the Board of Directors agreed that compensation granted to each Board and Committee member for all physical attendance shall be increased to EUR 4,000. The compensation to the President presiding an ordinary and extraordinary general meeting of shareholders shall be increased to EUR 9,000.

In a decision taken in 2006, the Board of Directors of the Company granted to some members of the management of the Group a termination indemnity payment for a total amount of EUR 34 Million. As a result of the reduction of the number of persons covered by this termination agreement as at 31 December 2010, the potential termination indemnity payment amounted to EUR 16 Million (EUR 16 Million as at 31 December 2009). This indemnity would become payable by the Company to the relevant management members only in case of change of control of the Company and in case the relationship between the Company and the management member is terminated by either party within a period of 6 months after the change of control.

(b) Loans and advances with key management personnel

On 16 February 2007, the Company has granted a loan of EUR 61,732 to Steven Davis, one former executive of the Company with maturity date on 1 March 2008. In 2009, the loan has been fully impaired as a result of the dispute on the termination of the employment contract of Steven Davis. As at 30 June 2011, litigation is pending in front of Luxembourg court.

Steven Davis also benefited from a loan of CZK 1,520,000 (EUR 56,438) from Orco Project Management s.r.o. (now Orco Prague, a.s.), a fully owned subsidiary of the Company, granted on 20 November 2006, with maturity date at 31 December 2008. In 2009, the Company has launched legal action to recoup this receivable and the loan has been fully impaired. In 2010, the first instance court in Prague pronounced a judgment by which Mr. Davis shall return to Orco Prague a.s. CZK 1,020,000, but accepted Mr. Davis's defense counterclaim for CZK 500,000. Orco Prague a.s. appealed the decision with respect to CZK 500,000. The court of appeals sided with Orco Prague's appeal and ordered Steven Davis to repay the remaining CZK 500,000. Mr. Davis already paid CZK 1,020,000. Orco Prague a.s. also sued Mr. Davis for CZK 700,000 for unjust enrichment and IPB Real a.s. sued Mr. Davis for CZK 86,000 for unpaid rent. These litigations are pending as at 30 June 2011.

(c) Other transactions with key management personnel

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

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

Two entities closely associated to Gabriel Lahyani, a member of the Board of Directors acquired 8,890 bonds (ISIN: XS0302623953) of ORCO Germany S.A. from the Company's subsidiary for a total of EUR 4,4 Million. As of the date of this report, the amount of EUR 227,480 is owed to the Company as a consequence of this transaction.

A subsidiary of ORCO Germany S.A. acquired from an entity closely associated to Rainer Bormann, a former ORCO Germany Board member 1,150,000 ORCO Germany Warrants (ISIN XS0302626889) and 1,900,000 ORCO Germany ordinary shares (ISIN LU0251710041) for a total of EUR 1,520,000.

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

The Group is the sponsor of a Luxembourg regulated closed end umbrella investment fund dedicated to qualified investors, the Endurance Real Estate Fund. This fund has opted for the form of a "Fonds Commun de Placement". The Company is the shareholder of the management company of the Fund and has also invested in the three sub-funds existing as at 30 June 2011 (see note 14). As at 30 June 2011, the Group's subscription to the office I, office II and residential sub-funds represent respectively 16.16%, 15.69% and 5.79% of the total subscription (in 2010, 16.16%, 15.69% and 5.79% respectively).

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

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

As at 30 June 2011, open invoices for unpaid management fees amounted to EUR 8.8 Million (EUR 8.8 Million as at December 2010). The investment process foresees that any investment proposed by the fund manager has first to be approved by the investment committee. This committee is made of a representative of each investor. The Company provided a subordinated bridge loan to BB C – Building E, k.s., a Czech subsidiary of the Endurance Fund, pursuant to the loan agreement dated 15

October 2010. The loan was used to cover an extraordinary payment required by the financing bank. The loan amounting to EUR 798 123 has a final repayment date of 26 August, 2013 and bears an annual interest of 30%.

Besides the fund management, there are transactions between the Group and Endurance Fund companies as a consequence of OPG companies renting offices in Endurance Fund buildings and OPG companies rendering administrative, financial or property management services. These transactions resulted in the recognition of EUR 0.6 Million revenue (EUR 0.7 Million in 2010) and EUR 0.2 Million expenses (EUR 0.5 Million in 2010). They also resulted as at 30 June 2011 in a net payable of EUR 0.01 Million (a net receivable of EUR 0.4 Million as at 31 December 2010)

In 2007, the Group sold in the form of Future Purchase Contract 24 apartments to a subsidiary of the residential Endurance sub-fund for a total amount of EUR 11.1 Million. In 2009, the investment board of the Fund decided to cancel this acquisition and the advance payment of EUR 1.3 Million has been registered in the consolidated income statement.

17. Litigations

- **Third party opposition to the judgment approving the Safeguard plan**

On 10 June 2010, a third party filed an opposition with the Commercial Court of Paris regarding the 19 May 2010 judgment approving the Company's Safeguard plan. This third party opposition was filed by Maitre François Kopf attorney for bondholder representative for the "OBSAR 2012"(ISIN FR0010249599), "convertible 2013" (ISIN FR0010333302), and "OBSAR 2014" (ISIN XS0291838992 and XS029184062). This third party opposition contests the maximum bond liability to be reimbursed within the Safeguard plan.

On 17 May 2011, the bondholders' representative filed a request to the juge commissaire to obtain an interpretation of the juge commissaire's admission of the bond debt. The requests were pleaded in front of the juge commissaire on 21 June 2011. The decision shall be rendered in the course of September 2011. Then on 27 September 2011, a new hearing will occur on the request of the Bondholders' representative to contest that the total amount of bond debt admitted by the "juge commissaire" is complete.

The pleadings in front of the Commercial Court of Paris on the Tierce opposition can only continue validly once the juge commissaire decision will be rendered and becomes definitive. As long as the Court has not rendered a decision on the third party opposition, the underlying judgment approving the Safeguard plan is fully effective. The Company deplores that the Court hearing has been postponed in several occasions.

If the creditors are successful in challenging the Safeguard plan, the Court may determine to put the Company in a rehabilitation or judicial liquidation proceeding. A rehabilitation proceeding or judicial liquidation may materially adversely affect the Group's business, financial condition, results of operations or prospects. The Company sees the risk of this opposition being accepted as remote.

- **Settlement agreement entered into among Orco Property Group, Millenius, Fideicom, Clannathone and Bugle**

On 22 February 2011 the Company announced that a settlement agreement was reached by Orco Property Group and Millenius, Fideicom and Bugle (collectively 'the Parties'). As a result, the parties have agreed to end the legal claims which aimed to cancel the resolutions adopted by the General Assembly of 8 July, 2010 and the capital increases of 6, 8 and 14 April, 2010. Millenius, Fideicom, and Bugle have formally and irrevocably agreed to withdraw from all legal proceedings and abandon the positions they took during the course of these proceedings. Orco Property Group has accepted their withdrawal and abandonment without reservation.

18. Events after balance sheet date

- **Joint venture agreement for a retail development on the Bubny plot**

Orco Property Group has signed on 29 July 2011 an agreement for the sale of a plot of 3,7ha on its downtown Bubny land in Prague to a joint venture between Orco and Unibail Rodamco, where Unibail Rodamco will be at minimum 60% ownership. Closing of the transaction is expected by early 2012 while the opening of the premium large shopping centre would take place in 2017.

- **Increase of the shareholding in Orco Germany**

Orco Property Group and Funds advised by Morgan Stanley Real Estate Investing ("MSREI") have entered into an agreement regarding MSREI's investment in Orco. Subject to regulatory and internal approvals and final closing, Orco and MSREI have agreed that Orco will issue 3 Million ordinary shares in a private placement. The subscriptions of said Orco shares will be paid by MSREI through contributions of its stakes in Orco Germany and Endurance Real Estate Fund. Following the completion of the transaction, MSREI will become the largest shareholder of Orco with app. 18.7%. Orco will increase its stake in Orco

Germany to app. 87.3% and in the two Sub-funds of Endurance Real Estate Fund as follows, 14.8 % in the Residential Sub-fund and 27 % in the Office I Sub-fund.

- **Orco Property Group enters into agreement to sell Russian assets for EUR 53 million pursuant to restructuring strategy**

Orco Property Group and Surmena Enterprises Company Limited have entered into an agreement to sell the Group stake in its several Russian assets, including its logistic business, residential projects, office real estate and land plots for a total amount of EUR 53.0 million. The agreement remains subject to formal closing which is scheduled for September 2011. The first payment (15% of the sales price) is due upon closing with the balance to be paid over the coming 15 months.