ORCO

FINANCIAL INFORMATION

2014

For the period of 6 months ended 30 June 2014

Including the

Consolidated financial statements
&
Report of the Réviseur d'Entreprises

ORCO PROPERTY GROUP S.A. • Société Anonyme • 40 rue de la vallée, L2661 Luxembourg

R.C.S. Luxembourg - B 44.996

ORCO

PROPERTY GROUP

SUMMARY

Part I.	**Management report**
Part II.	**Declaration letter**
Part III.	**Condensed consolidated interim financial information**
Part IV.	**Auditors' Review Report on Interim Financial Information**

Management Report as at 30 June 2014

1 Message from the management 1

2 Key events: first half 2014 and post-closing key events 2

2.1 Zlota 44 2

2.2 Loss of control over GSG Group and sale of shares 2

2.3 Change in the management 2

2.4 Change in the Board of Directors 2

2.5 Partnership with GSG Group on Hospitality Invest portfolio (“Hospitality JV”) 2

2.6 Suncani Hvar d.d. (“SHH”) follow-up and disposal of SHH shares and receivables 2

2.7 Hungarian assets in pre-bankruptcy 3

2.8 Decrease of the corporate capital of the Company 3

2.9 Debt restructuring of its Czech and Slovak portfolio financed by Crédit Agricole CIB 3

2.10 Refinancing of commercial asset in Capellen, Luxembourg 3

2.11 Delisting from the Prague Stock Exchange 3

2.12 Requisition for a meeting of bondholders 3

3 Market environment 3

4 Portfolio: Gross Asset Value and operational performance 4

4.1 Total portfolio evolution 4

4.2 Property Investments evolution 6

4.3 Development evolution 10

5 Liabilities and financial profile 13

5.1 Cash and cash equivalents, Other current financial assets 13

5.2 Loan to value 14

5.3 Financial liabilities 14

6 EPRA Net Asset Value 15

7 Income statement 16

7.1 Consolidated income statement 16

7.2 Operating result 16

7.3 Revenue by Business line 17

7.4 Operating expenses and Employee benefits 18

7.5 Net gain or loss on disposal of assets 18

7.6 Valuation adjustments and impairments 18

7.7 Adjusted EBITDA 19

7.8 Financial result 19

7.9 Transactions with treasury shares 20

8 Table of location of EPRA indicators 21

9 Glossary & definitions 21

ORCO Property Group ('the Group' or 'ORCO') is a real estate investor and developer established in Central and Eastern Europe since 1991, currently owning and managing assets of approximately EUR 400 Million. The Group has a local presence in its main markets, namely Prague, Warsaw and Budapest.

1 Message from the management

Beginning of 2014, the Board of Directors decided to implement a number of corrective measures in order to guarantee the going concern of the Company. Among these measures, the most remarkable ones were the decision to dispose of the Zlota 44 development project, to dispose a significant number of GSG Group shares and to downsize the executive management structure of the Company.

Before the conclusion of the sale of the Zlota 44 project the Group cash capacity remained extremely tight. In order to give some action margin, GSG Group granted in June 2014 an unsecured short term loan of EUR 3.5 Million with an interest rate of 8%. Nevertheless, over the first 8 months of 2014, the new management has been successful in restructuring the financing sources of the Group. As of the publication of this report, excluding the assets held for sale, there are no bank loans in breach of covenants and the LTV, after the sale of Zlota, dropped to 50 %. Such major improvement of the Group financial position is mainly due to the below listed transactions and decisions:

- Acquisition of the loan financing Zlota 44 development project for EUR 55 Million: the loan had been accelerated by the financing bank with a 30 days deadline for the repayment. The Group reached an agreement with the bank to acquire the loan and to transfer all related securities. That acquisition was executed to allow the Group to organize an ordered sale process of Zlota 44.

- Disposal of a significant number of GSG Group shares for EUR 55 Million allowing the Company to mobilize the required liquidity in order to face Zlota 44 bank loan acceleration and potential calls of corporate guarantees.

- Disposal of a significant number of Suncani Hvar ('SHH') shares and receivables for EUR 2 Million: Beginning of 2014, SHH initiated a pre-bankruptcy procedure. Since no progress was achieved in a dialogue with the governmental authorities of the Republic of Croatia, the Board of Directors decided to reduce the Group exposure to SHH. The arbitration for damages caused to the Group by breaches of various obligations by the Republic of Croatia related to SHH investment is still ongoing.

- Completion of a portfolio debt restructuring with Crédit Agricole CIB ("Crédit Agricole"): The transaction relates to three assets pledged as security for loans provided by Crédit Agricole: Bubenska commercial building in Prague, Hlubocky production plant near Olomouc, and Dunaj department store in Bratislava. As a result, the Company transferred the ownership of Hlubocky and Dunaj, together with related debt, to Crédit Agricole. The Group made a down payment of EUR 2 Million, retained the ownership of Bubenská 1 with a decreased leverage and extended debt maturity over the next 3 years.

- Completion of a long term refinancing of Capellen office building in Luxembourg: the asset was pledged as a security for a EUR 18.7 Million bank loan in default, originally granted by BGL BNP PARIBAS and fully covered by a corporate guarantee. The Company managed to obtain a stable and amortized financing, maturing in 2027. New refinancing terms include lowered interest rate and an up-front loan repayment of EUR 2 Million, allowing the Company to hold and manage this income generating asset in a long term.

- Completion of a negotiation and agreement with GSG Group to refinance the Mamaison hospitality joint venture ("Hospitality JV"): After the acquisition by GSG Group of the shares AIG they held in Hospitality JV and subsequently in exchange for a modified cash waterfall between GSG Group and the Company, GSG Group agreed to invest EUR 10.5 Million into that Hospitality JV that was further used for a partial repayment of a current bank financing. As a result, the Group and GSG Group jointly achieved the extension of the bank financing of EUR 62 Million for one year.

The disposal of GSG Group shares and Suncani Hvar shares and receivables was implemented by the Group in order to cover its short term liquidity needs and to allow the restructuring and long term sustainable operation of the Group. The loss on deconsolidation and sale of GSG Group shares amounting to EUR 38 Million will be compensated by the reversal of impairment for EUR 47 Million on Zlota 44 as a result of the sale agreement concluded end of August. This reversal follows major impairment of EUR 121 Million recognized on the project in the income statement of 2013.

The Company received on 27 August a request to convene a general meeting of bondholders in order to submit to their approval some amended terms of the 'New Notes' registered under ISIN code XS0820547742 and issued in October 2012. As that bondholder holds more than 10% of the 'New Notes', the Company will convene the meeting within regulatory and legal delays. Such new terms would only be valid after approval by that general meeting and subsequent acceptance by the Company. At the end of August, after the payment of interests and cash sweep on the partial sale of Stribro project, the principal and accrued PIK interests amount to EUR 79 Million. After review and consultancy with its legal adviser, the Company will communicate on the proposed terms.

After the sale of Zlota 44, the GAV will be reduced to EUR 318 Million and the interest bearing liabilities would be limited to EUR 167 Million. The immediate cash sale proceeds are limited to EUR 50 Million out of which EUR 7 Million could be called by the buyers as a guarantee on construction claims. The remaining net proceeds will be allocated to the coverage of significant historical legacy issues such as the corporate guarantee called on the Hungarian assets, the deleverage of Bubny and Bubenska non-income generating assets, the repayment of the loan granted by GSG GROUP and the New Notes debt service. Even though the LTV has been reduced, the level of revenues is not sufficient to support the debt service of the Group on a long term basis. The management is engaged in establishing a viable long term business plan, determining those assets to hold and those to divest. In particular, the team will identify those projects that will form the core of the Group going forward and into which further investment, both in terms of time and money, will be made. Should the sale of assets not be sufficient, further equity resources will be required.

Tomas Salajka, CEO & Director

Jiri Dedera, Deputy CEO & Managing Director

2 Key events: first half 2014 and post-closing key events

2.1 Zlota 44

On 1 April 2014, the Company received a termination notice concerning the facility agreement on its Zlota 44 development project in Warsaw. The notice was served by the financing bank and called for the repayment within 30 days of the outstanding loans of PLN 170.1 Million and EUR 19.6 Million, excluding interests to be accrued until the effective date of payment. The loan was secured mainly by the pledges on the project and corporate guarantees provided by the Company. The Company concluded on 17 April 2014 an agreement with Bank PEKAO to acquire the loan receivables and collateral related to the Zlota 44 project. Given the high level of securities granted by the Group, no discount was achieved.

The acquisition of the loan by the Company did prevent bankruptcy of Zlota 44 project and allowed to the Company to proceed with an appropriate sale of the project. On 27 August 2014, the Company entered into an agreement concerning a disposal of its stakes in the Zlota 44 project. The transaction with a subsidiary of international consortium of AMSTAR and BBI Development is comprised of the disposal of shares that the Company held in the Zlota 44 project entity as well as of the disposal of loan receivables the Company acquired. The aggregate gross transaction price is EUR 63 Million in cash; partially payable upon completion of transfers and partially deferred upon the realization of certain conditions relating to the construction of the tower.

With the acquisition of the bank loan, the Group invested in the project more than EUR 180 Million cash. Upon the sale of he entity holding the project and subject to final claims on construction, the total cash loss for the Company amounts to some EUR 80 Million.

After the sale of Zlota 44, the GAV will be reduced to EUR 318 Million and the interest bearing liabilities would be limited to EUR 167 Million. The immediate cash sale proceeds are limited to EUR 50 Million out of which EUR 7 Million could be called by the buyers as a guarantee on construction claims. The remaining net proceeds will be allocated to the coverage of significant historical legacy issues such as the corporate guarantee called on the Hungarian assets, the deleverage of Bubny and Bubenska non-income generating assets, the repayment of the loan granted by GSG GROUP and the New Notes debt service. Even though the LTV has been reduced, the level of revenues is not sufficient to support the debt service of the Group on a long term basis. The management is engaged in establishing a viable long term business plan, determining those assets to hold and those to divest. In particular, the team will identify those projects that will form the core of the Group going forward and into which further investment, both in terms of time and money, will be made. Should the sale of assets not be sufficient, further equity resources will be required.

2.2 Loss of control over GSG Group and sale of shares

During March and April 2014, capital increases in GSG Group were subscribed in cash for a total of EUR 51 Million by Stationway Properties Limited, an entity affiliated with Mr. Jean-Francois Ott, and by two other shareholders of ORCO (Alchemy Special Opportunities Fund II LP and Société Générale). Capital increases in GSG Group without participation of ORCO resulted in decrease of interest share below 50% - from 58.5 to 44.4% and accompanied by a change in GSG Group Board of Directors led to loss of control over GSG Group.

On 28 April 2014, the Group entered into an agreement concerning disposal of 108 Million shares it holds in GSG Group. The total sales price amounts to EUR 55 million. The completion of the disposal of the GSG Group shares was subject to certain conditions, including the approval of the Paris Commercial Court which was granted to the Company on 2 June 2014. The purchase price was used to pay for the acquisition of the loan receivables and collateral related to the Zlota project in Warsaw from PEKAO. Following this disposal the remaining shareholding of ORCO in GSG amounts to 93.2 Million shares.

2.3 Change in the management

On 18 March 2014, the Board of Directors decided to terminate the executive contracts of Jean-François Ott, Nicolas Tommasini, Aleš Vobruba and Brad Taylor, and agreed to comply with their termination packages. The change of the executive management resulted in the extraordinary expenses related to the termination of the former management of EUR 12.3 Million, of which EUR 6 Million was paid in cash over Q2 2014. The expenses are fully recognized under the employee benefits. Following the change, the Board has appointed Tomáš Salajka as CEO and Jiří Dedera as Managing Director of ORCO. Furthermore, an indemnity payment was agreed with the management of the former Group subsidiary GSG Group. This was paid by GSG Group directly and included cash payment of EUR 1.15 million and transfer of Hakeburg property in Berlin at the net assets value of EUR 1.9 Million.

2.4 Change in the Board of Directors

The Extraordinary General Meeting of shareholders held on 8 April 2014 acknowledged the resignation of Mr. Jean-Francois Ott from the Board of Directors of the Company as of 27 March 2014. The General Meeting resolved to approve the appointment of Mr. Tomáš Salajka to the Board of Directors.

The Annual General Meeting of the shareholders of ORCO was held on 28 May 2014 in Luxembourg, with approximately 53.79 percent of the voting rights present or represented. The Annual Meeting finally resolved to appoint the following persons as members of the Company's Board of Directors as of the date of the Annual Meeting until the Annual General Meeting of 2015 concerning the approval of the annual accounts for the financial year ending 31 December 2014: Jiří Dedera, Edward Hughes, Tomas Salajka, Radovan Vitek, Guy Wallier, Jiří Dedera was also elected Managing Director (administrateur délégué) of the Company.

2.5 Partnership with GSG Group on Hospitality Invest portfolio ("Hospitality JV")

Over the Q2 2014, GSG Group acquired a 50% share in Hospitality JV from AIG and has joined the partnership agreement with the Company. Subsequently, in exchange for a modified cash waterfall between GSG Group and the Company, GSG Group agreed to invest EUR 10.5 Million into that Hospitality JV that was further used for a partial repayment of a current bank financing. As a result, the Company and GSG Group jointly achieved the extension of the bank financing of EUR 62 Million by one year.

2.6 Suncani Hvar d.d. ("SHH") follow-up and disposal of SHH shares and receivables

SHH has initiated pre-bankruptcy process as all attempts to negotiate with the Republic of Croatia have failed. SHH Management Board has filed a proposed restructuring plan that will now have to be negotiated between creditors and shareholders in order to be finalized and implemented to avoid the bankruptcy. The outcome of such process is not known yet.

On 11 June 2014 the Group entered into a transaction concerning partial disposal of its stakes in Suncani Hvar d.d. ("SHH"). ORCO is disposing of 2,080,000 SHH shares corresponding to 24.94% of the shares and voting rights in SHH. As a consequence, ORCO continues to hold 2,636,734 SHH shares equal to 31.61% of the shares and voting rights in SHH. ORCO is also disposing of its shareholder receivables from SHH. The receivables are being sold at an approximate 65% discount as they were only partially secured by mortgages on some non-refurbished SHH hotels. Shares have been sold for EUR 1 and receivables have been sold for EUR 2.1 Million. As a result of the impairments recognized in 2013, no material loss is expected on this transaction.

2.7 Hungarian assets in pre-bankruptcy

After the opening of insolvency reorganization proceedings on Hungarian subsidiaries holding Paris department store, Vaci 1 and Szervita assets, the Group entered into negotiations with bank creditors on restructuring program. The chances to reach an agreement seem to be remote now and the assets will most likely be taken over by the financing banks while the Group will have to cover a payment of some EUR 9 Million of corporate guarantees. The potential call of the guarantees has been recognized in the financial position of ORCO by accruing a provision while the companies holding the assets pledged in favor of the financing bank have been deconsolidated.

2.8 Decrease of the corporate capital of the Company

The Extraordinary General Meeting held on 8 April 2014 resolved to approve the decrease of the corporate capital of the Company from the amount of EUR 229.0 Million to EUR 114.5 Million without cancellation of shares, by decreasing the accounting par value of the existing shares from EUR 2 to EUR 1 per share. The Extraordinary General Meeting of the shareholders of ORCO held on 28 May 2014 in Luxembourg approved the decrease of the corporate capital of the Company from EUR 114.5 Million to EUR 11.5 Million without cancellation of shares, by decreasing the accounting par value of the existing shares from EUR 1 to EUR 0.10 per share. As such, the corporate capital of the Company amounts to EUR 11,450,762.90 as of 28 May 2014. The Extraordinary Meeting approved resolutions to modify, renew and replace the existing authorised share capital and to set it to an amount of EUR 20 Million for a period of 5 years from 28 May 2014, which would authorize the issuance of up to 200 Million new ordinary shares.

2.9 Debt restructuring of its Czech and Slovak portfolio financed by Crédit Agricole CIB

ORCO completed a portfolio debt restructuring transaction with Crédit Agricole Corporate and Investment Bank ("Crédit Agricole CIB"). The transaction concerns three investment assets located in the Czech Republic and Slovakia with existing leverage of Crédit Agricole CIB that used to be cross collateralized: Bubenska 1, a commercial building in Prague, Czech Republic, Hlubocky production plant near Olomouc, Czech Republic, and Dunaj department stores in Bratislava, Slovakia.

As a result of the transaction, ORCO has transferred the ownership of share interests in entities holding Hlubocky and Dunaj, together with related debt, to Crédit Agricole. ORCO retained the ownership of an entity holding Bubenska 1 building, with decreased leverage and extended debt maturity for the next 3 years.

2.10 Refinancing of commercial asset in Capellen, Luxembourg

ORCO further announces the refinancing of its office building in Capellen, Luxembourg. This asset is bearing EUR 18.7 Million bank loan by BGL BNP PARIBAS, part of which was overdue since January 2014. ORCO managed to obtain a stable and amortized financing, maturing in 2027. New refinancing terms include lowered interest rate and an up-front loan repayment of EUR 2 Million, allowing the Group to hold and manage this income generating asset in a long term.

2.11 Delisting from the Prague Stock Exchange

On 27 August 2014, the Board of Directors of the Company resolved to delist all of the 114,507,629 ordinary shares (ISIN: LU0122624777) of the Company from the regulated market of the Prague Stock Exchange as of 22 September 2014. The last trading day shall be 19 September 2014. Confirmation of the final delisting date is subject to a resolution of the Prague Stock Exchange.

The Company shares will remain listed and traded on the regulated markets of NYSE Euronext in Paris and Warsaw Stock Exchange.

2.12 Requisition for a meeting of bondholders

The Company received on 27 August 2014 a request to convene a general meeting of bondholders in order to submit to their approval some amended terms of the 'New Notes' registered under ISIN code XS0820547742 and issued in October 2012. As that bondholder holds more than 10% of the 'New Notes', the Company will convene the meeting within regulatory and legal delays. Such new terms would only be valid after approval by that general meeting and, subsequently, acceptance by the Company. At the end of August, after the payment of interests and cash sweep on the partial sale of Stribro project, the principal and accrued PIK interests amount to EUR 79 Million. After review and consultancy with its legal adviser, the Company will communicate on the proposed terms.

3 Market environment

Prague office market

The new supply delivered in H1 reached almost 74 Thousand SQM and a further 103 Thousand SQM are expected to be deliverd in H2 2014. Currently about 290 Thousand SQM are under construction, which is the highest pipeline under construction recorded since 2008. Total office stock in Prague reached almost 3.0 Million SQM in Q2 2014. (JLL)

The leasing activity in Q2 2014 reached 61 Thousand SQM, representing a year on year decline of 16%. (JLL)

The Q2 vacancy rate grew to 14.62% and a bigger hike of vacancy is expected in the for coming quarters as there will be more, mainly speculative, projects coming to the market. (JLL)

During Q2 2014, another slight drop in the perception of prime headline rents has been observed for around 50 cent per SQM compared to Q4 2013. The prime office rent stood at EUR 18.50-19.50/SQM/month (city centre). (JLL)

Prague residential market

Indications of a renewed growth of new apartment prices, though very moderate, have now been confirmed by official data. Index of mortgage interest rates reached yet another record low (2,76%). Mortgage volume has slightly decreased from record levels recorded in 2013 but demand is still growing and is expected to set a new record in 2014 with about 5 600 new apartments sold for the year. At the same time, developers have responded to growing demand and started offering more units with outstanding supply of 6 600 units representing a little more than one year's worth of sales (5 000 – 6 000 units). (CSU, MMR, Hypoindex, Skanska, Ekospol, Trigema).

All in all, Prague residential market continued gradually improving in 1H 2014. The outlook is fairly optimistic as well, with no major risks or imbalances currently facing the market. Nevertheless there can be a potential risk of oversupply down the road as the supply has increased at an even faster pace than demand.

Warsaw office market

Polish GDP is expected to grow by 3.2% in 2014, and it expected to improve by a further 3.6% in 2015. (JLL)

The modern office space delivered to the Warsaw market over the course of H1 2014 exceeded 190 Thousand SQM. Construction activity in Warsaw remains high, with almost 580 Thousand SQM under active construction and 62 Thousand SQM under refurbishment. Total office stock reached more than 4.3 Million SQM at the end of H1 2014. (JLL)

In H1 2014, the gross take-up stood at 259 Thousand SQM which represents a decrease of 30% compared to H1 2013. New deals and renewals are still taking a clear lead, with a 50% and 35% share, respectively. (JLL)

In H1 2014, the vacancy rate in Warsaw increased slightly when compared to the end of 2013, from 11.8% to 13.4%. Given the strong pipeline supply expected in 2014 and 2015, the vacancy rates are likely to increase throughout the second half of this year. (JLL)

Prime headline rents currently range between EUR 22-24/SQM/month in central locations. (JLL)

Budapest office market

Hungary came out of recession in 2013 and a GDP growth of 2.7% is forecasted for 2014 and 2.3% in 2015. (JLL)

Almost 36 Thousand SQM were delivered to the office market in H1 2014. The total office stock stands at 3.2 Million SQM at the end of H1 2014.

The half-year take-up totalled 249 Thousand SQM, which set a new record high in the Budapest office market. 51% of it (128 Thousand SQM) was driven by net take up, which is 40% higher than in the corresponding period of 2013. Despite the strong occupier activity in Q2, we do not expect gross take-up to exceed 400 Thousand SQM in 2014. (JLL)

The vacancy rate improved notably by 230 bps year-on-year, sinking to 17.6%. This is the lowest rate over the past 5 years. (JLL)

Prime rent stands at EUR 20/SQM/month. This level is only achievable in a few, selected prime properties in the CBD for the best office units within the building. Average asking rents did not change significantly on the previous quarter; they remained in the range of EUR 11-14/SQM/month for class A offices with generous incentive packages. (JLL)

4 Portfolio: Gross Asset Value[1] and operational performance

4.1 Total portfolio evolution

The Gross Asset Value ("GAV") corresponds to the sum of fair value of all real estate assets held by the Group and real estate financial investments, including participations in real estate funds, loans and receivables from third parties active in real estate and other investments in real estate companies. The value of the assets owned in joint ventures is included at the percentage of economic interest. Real estate assets are appraised at least once a year by an independent expert.

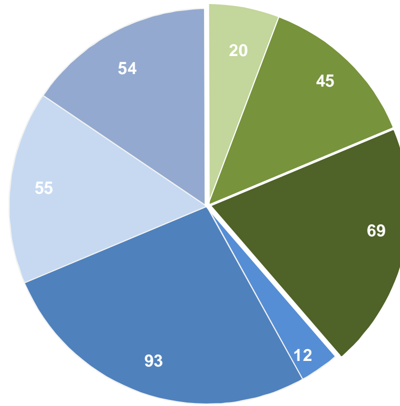
Over the first 6 months of the year 2014, the GAV decreased from EUR 1,035 Million down to EUR 348 Million. The GAV breaks down into 62% of Property Investments and 38% of projects or land bank for the Development business line.

[1] The classification of GAV is in line with the vision of the management and is not always reflecting the IFRS classification disclosed in the Financial Statements.

GAV by Business Line as of June 2014
EUR Million

Land Bank · Residential · Commercial · Assets Held For Development · Rental Assets · Hospitality · Financial assets

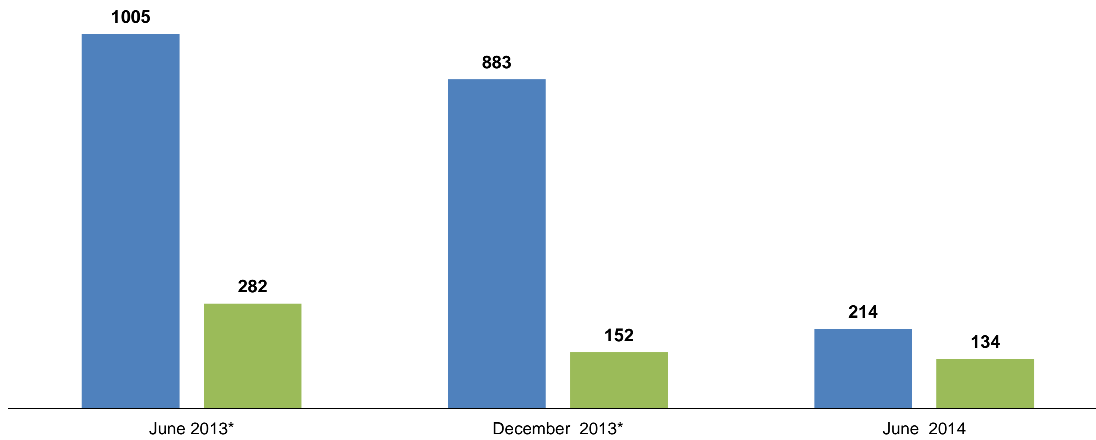
Property Investments
214



Development
134

GAV Evolution

Property Investments · Development

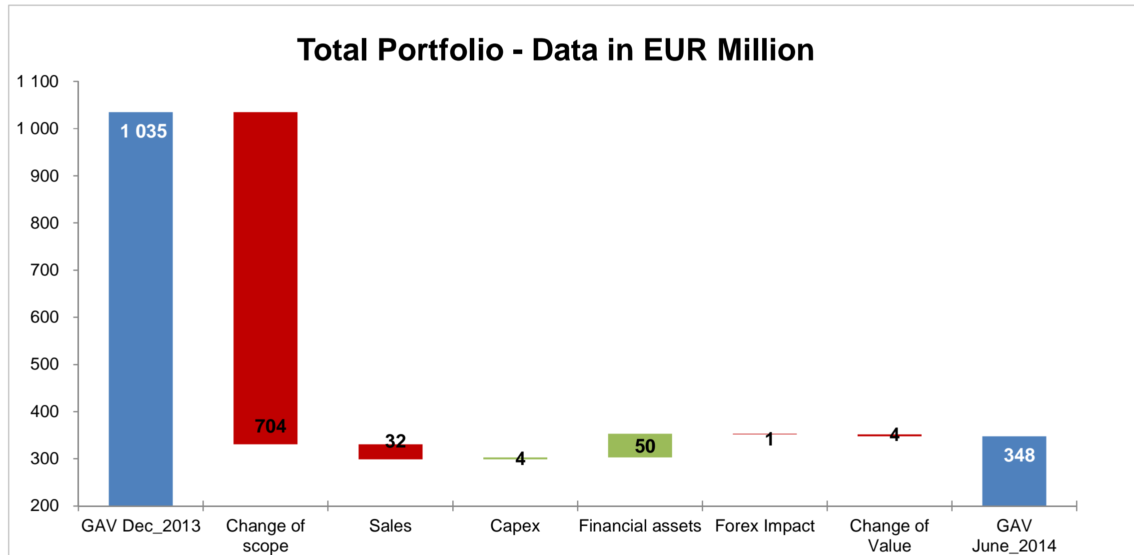


* For values as of June 2013 and December 2013, the hospitality assets of the AIG Joint venture are included at 75% in the GAV, in line with the economic interest owned by the Group at that time. As a consequence, the value of the profit participation loan is not anymore included in the financial assets. Following GAV figures as of June 2014 have been included at 40% in the Gross Asset Value according to the current economic interest.

Over the first semester 2014, the decrease of EUR 687 Million of the GAV results from loss of control over GSG Group, Suncani Hvar, Hungarian assets and decrease of economic interests in the other hotel´s portfolio amounting to EUR 704 Million, sales of inventories up to EUR 32 Million, increase of financial

ORCO PROPERTY GROUP

assets in amount of EUR 50 Million, negative change in market value and forex impact for EUR 5 Million and investment in project under construction and permitting of land bank amounting to EUR 4 Million.



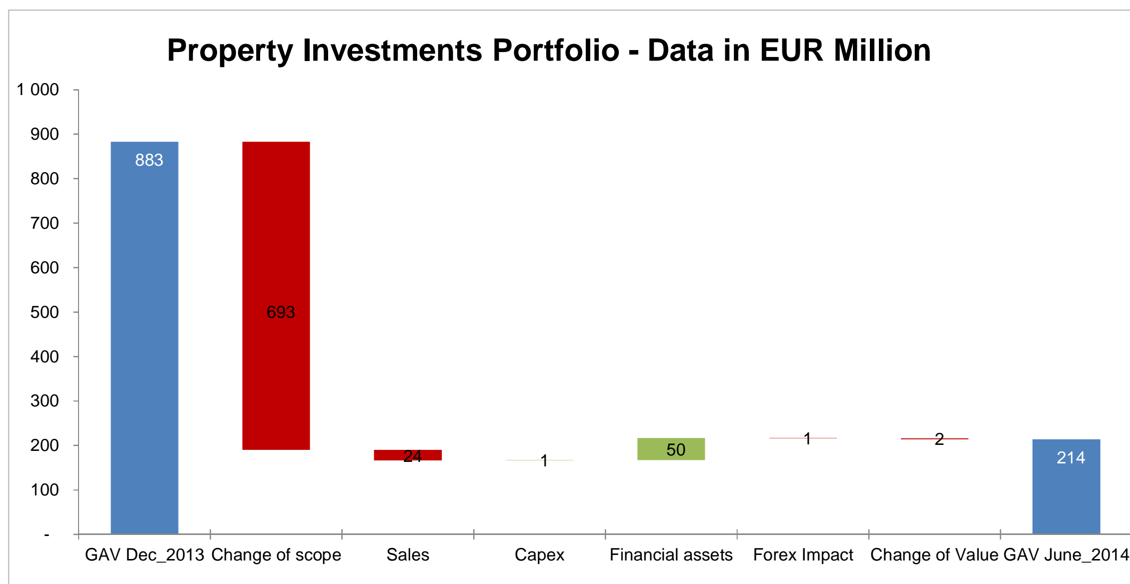
4.2 Property Investments evolution

4.2.1 Gross asset value

As of June 2014, the GAV of the Group's Property Investments business line represents EUR 214 Million in value (44% for rental assets, 26% for hospitality, 25% of financial assets and 5% of Asset held for Development).

The EUR 669 Million decrease, in comparison with amounts as of December 2013 encompasses:

- EUR 693 Million decrased due to loss of control over GSG portfolio, change of scope in Hospitality portfolio and Hungarian assets entering the bankruptcy process;
- EUR 24 Million of sales due to disposal of Hlubocky and Dunaj;
- EUR 1 Million of investments;
- EUR 50 Million increase due to shares of GSG portfolio in financial assets;
- EUR 1 Million of Forex impact;
- EUR 2 Million of net decrease in market value.



4.2.2 Rental assets and Assets held for development

4.2.2.1 Changes in rental assets

As of June 2014, the rental assets' value is estimated at EUR 93 Million. In December 2013 the GAV of rental assets amounted to EUR 678 Million. The EUR 585 Million change is split in:

- EUR 566 Million of deconsolidation of rental assets identified under GSG portfolio and Hungarian assets being in bankruptcy process;
- EUR 19 Million of sales due to disposal of Hlubocky;
- EUR 1 Million of investments;
- EUR 1 Million of positive net change in market value expressed in Euros.

In Central Europe over the first six months of the year 2014, on a like for like basis the valuation of the rental portfolio slightly decreased by EUR 0.5 Million (-0,1% in comparison with December 2013 valuation).

4.2.2.2 Changes in Assets Held for Development

As of June 2014, the Assets held for Development portfolio's value is estimated at EUR 12 Million. In December 2013 the GAV of these assets amounted to EUR 24 Million. The EUR 12 Million change is composed of:

- EUR 6 Million of deconsolidation of Hungarian assets in bankruptcy process;
- EUR 5 Million of sales due to disposal of Dunaj;
- EUR 1 Million of negative change in market value.

The main impact on the decrease in value have deconsolidation of the Hungarian assets due to bankruptcy process (Szervita Office and Parking) and transfer the ownership of share interests in entity Dunaj department stores (part of cross-collateral together with Hlubocky and Bubenska assets).

Meanwhile, Bubenska is the main driver of the decrease in value of the portfolio on like for like basis due to a downward revision of the expected market rent of the project.

4.2.2.3 Business review

The Group rental portfolio encompasses assets focusing on commercial buildings.

ORCO PROPERTY GROUP

Portfolio	GLA (SQM) June 2014	March 2014	Dec. 2013	June 2013	Occupancy (%) June 2014	March 2014	Dec. 2013	June 2013	Average rent EUR / SQM June 2014	March 2014	Dec. 2013	June 2013
Prague, Czech republic	60 497	60 497	60 497	73 333	76,3%	75,0%	76,0%	70,9%	8,92	8,56	8,49	8,36
Budapest, Hungary	15 591	15 591	15 591	16 604	10,8%	10,8%	10,8%	0,0%	4,88	4,37	4,14	0,00
Warsaw, Poland	36 598	36 598	36 598	36 598	24,7%	32,5%	32,5%	81,9%	4,78	4,33	4,91	2,94
Capellen, Luxembourg	7 695	7 695	7 695	7 695	91,1%	90,2%	90,2%	95,6%	22,64	22,60	22,62	22,25
CE Portfolio	**120 381**	**120 381**	**120 381**	**134 230**	**53,1%**	**54,7%**	**55,2%**	**66,5%**	**9,67**	**9,17**	**9,25**	**7,69**
Like for like basis, therefore disposals and reclasified assets are not included												
Reported letable area is based on the current technical conditions and excludes an upside from the possible redevelopment												

Over H1 2014, the occupancy rate of the CE portlolio decreased by 210 bps to 53.1%. Over the same period, average rent increased from 9.25 EUR/SQM/Month up to 9.67 EUR/SQM/Month due to new contract for 50 parking spaces related to project V188 in Budapest. Three Hungarian subsidiaries of the Group have entered bankruptcy proceeding and are not reported on the Like for Like basis in the table above. The Group has transferred the ownership of Hlubocky production plant and Dunaj department stores to a fully owned subsidiary of Crédit Agricole CIB and both assets are as well not reported on the Like for Like basis in the table above.

- In Prague, the Group slightly increased the occupancy rate of its portfolio by 30 bps over H1 2014 with the signing of extension of key significant tenant in the office building of Na Porici at a level of 15 EUR/SQM/Month and improving the average rent up to 13.90 EUR /SQM/Month.

- In Warsaw, the decrease of occupancy rate is due to the departure of an important tenant from the logistic platform of Marki. The occupancy rate dropped down up to 24.7% as of June 2014 in Poland. The asset is currently reviewed for redevelopment together with its important land bank potential.

In Budapest, occupancy rate and average rent are stable while in Luxembourg, the office asset of Capellen is almost fully let with an average rent above 22 EUR/SQM/Month.

4.2.2.4 EPRA indicators

4.2.2.4.1 Property Investments – Valuation data

Asset Class	Location	Market Value of Property Jun 2014 EUR Million	Valuation Movement EUR Million Y-o-Y	Net Initial Yield EPRA (%)	Reversion (%)
	Prague	59,2	-20,3	7%	21%
	Budapest	9,2	-2,0	1%	1616%
	Luxembourg	23,2	-0,3	8%	1%
	Warsaw	4,7	-0,6	7%	1%
Office		**96,3**	**-23,2**	**7%**	**30%**
	Prague	0,9	-2,5	-3%	41%
	Warsaw	3,3	-0,4	-3%	307%
Logistics		**4,1**	**-2,9**	**-3%**	**195%**
Portfolio Total		**100,5**	**-26,1**	**6%**	**37%**

This table and the following include all assets considered as rental in the portfolio of the Group. They exclude:

- The value of the development land attached to the logistic asset of Marki in amount of EUR 4.7 Million, as it do not generate rents. We distinguished this outlet from the rest of the portfolio as it do not directly match the EPRA scope and definitions.
- Three Hungarian subsidiaries of the Group that have entered bankruptcy proceeding.
- Hlubocky production plant and Dunaj department stores that have been transferred to a fully owned subsidiary of Crédit Agricole CIB.

"Market value" is the net market value estimated by our independent expert at least once a year. As of end of June 3 assets have been revaluated (Na Porici, Bubenska and Diana). This market value is used for the Gross Asset Value calculation.

"EPRA NIY" or EPRA Net Initial Yield is based upon the figures provided by the external appraiser at lease once a year in terms of yield. Net Initial Yield is based on the current gross market value of the assets. Following the EPRA scope and definitions mentioned above the market value excludes valuation of lands which are to be used for development.

"Reversion" is the estimated change in rent at review, based on today's market rents expressed as a percentage of the contractual rents passing at the measurement date (but assuming all current lease incentives have expired).

These figures are indicators of the current operating performance of the assets; they are not the basis of the valuation of the assets. They should not be mistaken with valuation yield measure such as "equivalent yield" which are market based figures and are the basis of the valuation of the assets under the capitalization approach.

The change of value on the Central Europe portfolio is the consequence of current low level of prices at local level, improving operational performance in the Czech Republic and still week rental market in Budapest impacting the high vacancy level. The potential of the total portfolio remains strong with a 37% reversion.

4.2.2.4.2 Property Investments – Lease data

Asset Class	Location	Total Passing rent	Average lease length in year		Passing rent of leases expiring in : EUR Million			ERV of leases expiring in : EUR Million			Passing rent of leases breaking in : EUR Million			ERV of leases breaking in : EUR Million		
		EUR Million	To expiry	To break	Yr 1	Yr 2	Yrs 3-5	Yr 1	Yr 2	Yrs 3-5	Yr 1	Yr 2	Yrs 3-5	Yr 1	Yr 2	Yrs 3-5
	Prague	4,7	3,8	3,7	0,9	0,2	2,7	1,2	0,2	2,5	0,7	0,4	2,7	1,0	0,4	2,5
	Budapest	0,1	5,8	4,2	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,1	0,0	0,0	0,3
	Luxembourg	2,0	2,1	2,1	0,0	1,2	0,8	0,0	1,1	0,7	0,0	2,0	0,0	0,0	1,9	0,0
	Warsaw	0,4	0,2	0,2	0,4	0,0	0,0	0,4	0,0	0,0	0,4	0,0	0,0	0,4	0,0	0,0
Office		**7,2**	**3,2**	**3,1**	**1,2**	**1,3**	**3,5**	**1,5**	**1,3**	**3,3**	**1,1**	**2,4**	**2,8**	**1,4**	**2,3**	**2,8**
	Prague	0,1	1,0	1,0	0,1	0,0	0,0	0,2	0,0	0,0	0,1	0,0	0,0	0,2	0,0	0,0
	Warsaw	0,2	1,6	1,0	0,1	0,0	0,1	0,1	0,0	0,1	0,1	0,0	0,1	0,1	0,0	0,1
Logistics		**0,3**	**1,3**	**1,0**	**0,2**	**0,0**	**0,1**	**0,3**	**0,0**	**0,1**	**0,2**	**0,0**	**0,1**	**0,3**	**0,0**	**0,1**
Portfolio Total		**7,4**	**3,1**	**3,0**	**1,4**	**1,3**	**3,6**	**1,8**	**1,3**	**3,4**	**1,3**	**2,4**	**2,8**	**1,7**	**2,3**	**2,9**

This table indicates details on the maturity of the leases and the rents they generate. It also incorporates indications on the reversion potential on a short and medium term basis. Estimated Rental Value (ERV) of leases indicates the market level of rent for areas with lease that are expiring. The expiring date is the date when the lease is finishing. The breaking date is the date when the tenant can decide to leave or sign an extension. In the case of "indefinite contract" the Group considered the date of birth of the lease as the potential breaking date and expiring date.

The analysis of this table requires the following comments:

The average lease length for the all portfolio to expiry is 3.1 years and 1.8 years to break option as of June 2014.

In the assets with the logistic platform, the passing rent as well as the average lease length was influenced by move out of anchor tenant in Poland and by the partial disposal of Stribro in the Czech Republic.

4.2.2.4.3 Property Investments – Rental data

Asset Class	Location	Gross rental income over the past 12 months EUR Million	Net rental income over the past 12 months EUR Million	Lettable space sqm	Passing rent at period end EUR Million	Estimated rental value at period end EUR Million	EPRA Vacancy rate at period end %
	Prague	3,0	2,7	55 807	4,7	5,7	21%
	Budapest	0,1	(0,2)	29 068	0,1	1,3	75%
	Luxembourg	1,2	1,2	7 695	2,0	2,0	0%
	Warsaw	0,2	0,2	1 400	0,4	0,4	0%
Office		**4,5**	**3,9**	**93 970**	**7,2**	**9,3**	**23%**
	Prague	0,1	0,1	8 039	0,1	0,2	39%
	Warsaw	0,0	(0,4)	33 930	0,2	0,7	69%
Logistics		**0,1**	**(0,3)**	**41 969**	**0,3**	**0,8**	**63%**
Portfolio Total		**4,6**	**3,6**	**135 939**	**7,4**	**10,2**	**26%**

The "Rental data" table presents details on the level of rents and the occupancy of the Group Portfolio for assets held as of June 2014. Gross Rental Income and the Net Rental Income are calculated according to EPRA standards. The passing rent according to EPRA terminology is the annualized cash rental income being received as at a certain date excluding the effects of straight-lining for lease incentives. The vacancy rate is based on EPRA standards which take into account the ratio of the ERV of the area to be leased compared to the total ERV of the asset.

The lettable area in the table above is based on the assumptions taken by the valuator and reflects possible upside from the redevelopment. The difference compared to the current area refers to the projects Bubenska, Vaci 190, Marki and Stribro and amounts to the additional area of 15,558 SQM.

All assets disposed during the year 2013 and 2014 have been excluded from the table above. The figures of GRI, NRI, letable space, passing rent, ERV and EPRA vacancy rate only include currently owned assets.

The lettable space in the table above corresponds to the assumptions taken by the independent external valuator and is in line with the calculation of ERV.

4.2.2.4.4 Property Investments – Like for like Net Rental Income

Asset Class	Location	NRI Jun 2013 12 months trailing EUR Million	Disposals	Acquisitions	(Re) development	Like-for-Like	Other & Forex impact	NRI Jun 2014 12 months trailing EUR Million
	Prague	4,2	-	-	-	0,3	(0,3)	4,2
	Budapest	(0,2)	-	-	-	(0,0)	0,0	(0,2)
	Luxembourg	1,8	-	-	-	0,1	-	1,9
	Warsaw	0,3	-	-	-	0,0	0,0	0,3
Office		**6,1**	**-**	**-**	**-**	**0,3**	**(0,3)**	**6,2**
	Prague	2,0	(1,8)	-	-	0,0	(0,0)	0,2
	Warsaw	0,6	-	-	-	(0,6)	(0,0)	(0,0)
Logistics		**2,6**	**(1,8)**	**-**	**-**	**(0,6)**	**(0,0)**	**0,1**
	Bratislava	0,1	(0,1)	-	-	-	0,0	(0,0)
Retail		**0,1**	**(0,1)**	**-**	**-**	**-**	**0,0**	**(0,0)**
Portfolio Total		**8,8**	**(1,9)**	**-**	**-**	**(0,2)**	**(0,3)**	**6,3**

The Net Rental Income generated by the portfolio decreased from EUR 8.8 Million as of June 2013 down to EUR 6.3 Million as of June 2014. The main contributor of the decrease was expiration of the lease of the anchor tenant in Poland (EUR -0.6 Million). The assets sold during last 12 months such as Hlubocky production plant and Dunaj department stores generated EUR 1.9 Million of NRI in June 2013.

4.2.3 Hospitality assets

4.2.3.1 Valuation change

Over H1 2014, value of the hospitality portfolio decreased from EUR 154 Million down to EUR 55 Million. The EUR 99 Million change is composed of:

- EUR 98 Million of decreased due to loss of control over Suncani Hvar portfolio and decrease of economic interest in other hotel´s portfolio;
- EUR 1 Million of negative forex impact and change of value.

CEE Hotels June 2014	Number of Assets	Number of rooms	Market Value June 2014 EUR Million	Market Value Dec. 2013 EUR Million	Change in Market Value
Czech Republic	5	483	26	40	-34%
Poland	3	220	9	17	-47%
Hungary	3	160	6	11	-39%
Russia	1	84	13	27	-51%
Slovakia	1	32	0	0	-47%
Total CEE	**13**	**979**	**55**	**95**	**-42%**

(1) Pachtuv Palace is included

The Group owns, manages and operates a portfolio of hotels and extended stay residences across Central and Eastern Europe capital cities in a joint venture with AIG. The portfolio is presented in the financial statements under equity method, while the Group has a 40% economic interest in cash flows (compared to the year end 2013 the Group had a 75 % economic interest).

4.2.4 Financial assets

The GAV of financial assets increased from EUR 27 Million in December 2013 up to EUR 54 Million in June 2014. The variation is mainly due to:

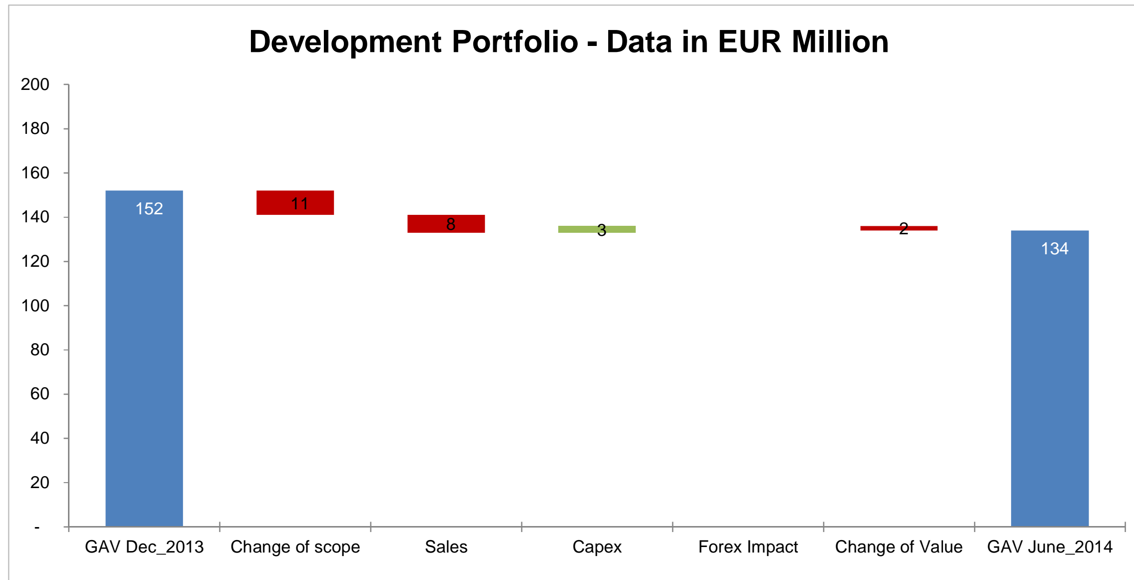
- EUR 23 Million of decrease due to loss of control of GSG portfolio which included financial assets in this amount.
- EUR 50 Million of increase as a result of recognition of GSG Group shares.

In 2013, the profit participation loan (PPL) provided by the Group to the Hospitality JV was transferred from financial assets to hospitality assets portfolio (see note 4.2.3).

4.3 Development evolution

4.3.1 Gross asset value

The Group's development portfolio consists of commercial properties or land designated as future development, to be transferred to the Property Investments business line or sold, and residential projects made of land bank to be developed or buildings to be refurbished/converted, to be sold.



As of June 2014, the Group's development GAV amounts to EUR 134 Million (52% commercial and mixed use developments, 34% of residential developments, 14% of land bank). The development assets are mainly located in the Czech Republic (70%) with key projects such as Bubny and Benice in Prague, and Poland (29%) with Zlota 44 in Warsaw.

4.3.2 Commercial developments

4.3.2.1 Changes in commercial developments

The commercial development portfolio consists of properties and land plots that the Company has developed or is developing across CEE region to keep and manage or sell.

The GAV of commercial developments portfolio, which mainly encompasses the Bubny project, remained stable amounting to EUR 69 Million both in June 2014 and December 2013. Though there were changes as:

- EUR 1 Million of investments;
- EUR 1 Million of net decrease in market value.

4.3.2.2 Business review

Key Project held in portfolio as of June 2014							
Committed	Location	Asset type	Area in SQM	Permit status	Construction completion	Current value Dec 2013 EUR Million	ERV EUR Million
Bubny	Czech Republic, Prague	Mixed commercial	24 ha*	Pending	2025	69,0	NA
*3.6 ha of the Bubny landplot are now held at 20% through a joint venture with Unibail Rodamco							

Bubny is a challenging long term development project close to the city centre. Bubny remains the last brownfield plot in the centre of Prague and the Group intends to develop more than 600 thousand sqm GLA of mixed-use area consisting of residential and commercial units, offices and shops as well as educational, medical, and cultural facilities. In addition, a modern train terminal on Vltavská metro station and large green spaces will be incorporated. In 2013, the development of the project Bubny in Prague reached significant milestones.

At the beginning of 2013, the Prague City Assembly granted the City of Prague the authority to restart the procedure required to change the Bubny masterplan, which should reach its completion during 1H 2015. In April 2013, Orco completed the sale of a plot of 3.6 hectares to the joint venture it has constituted with Unibail Rodamco. The parties will focus on implementing the development of the anchor shopping center in the Bubny area with the aim being to start construction in 2016.

4.3.3 Residential developments

4.3.3.1 Changes in residential developments

The Group opportunistic residential developments are aimed at the middle and upper market segments in Prague.

The decrease of EUR 11 Million over the first half of the year 2014 (June 2014 GAV amounting to EUR 45 Million compared to December 2013 EUR 56 Million) is driven by:

- EUR 4 Million of change of scope due to loss of control over GSG portfolio;
- EUR 8 Million of sales;

- EUR 2 Million of investments;
- EUR 1 Million of negative change in value.

Please be aware, that tables below do not include all projects.

Projects completed - Inventory

Over the H1 2014, the completed inventories decreased as follows:

Project completed	Location	Asset type	Comments	Market value June 2014 EUR Million	Market value Dec 2013 EUR Million
Mezihori	Prague	Multi-dwelling houses	Occupancy permit in Q3 2013	0,5	5,3
Mostecka	Prague	Multi-dwelling houses		0,0	2,4
Kosik*	Prague	Multi-dwelling houses		0,0	0,4
Feliz Residence	Warsaw	Multi-dwelling houses		0,0	0,2
Klonowa Aleja	Warsaw	Multi-dwelling houses		0,6	0,9
Mokotowska	Warsaw	Multi-dwelling houses		0,0	0,0
Koliba	Bratislava	Multi-dwelling houses		0,0	0,8
TOTAL				**1,2**	**10,1**

* The Group owns 50% of Kosik. The market value indicated is the market value of the 50% share of the Group. As of January 2013, Kosic is consolidated under the equity method.

- V Mezihori: The site is located in Prague 8, Palmovka, approximately 3 km from Prague City centre, with the metro and tram stations of Palmovka within walking distance. Construction of this project with 138 apartments was completed in Q3 2013 with deliveries starting in Q4 2013. As of June 2014, 96% was delivered. In general, Mezihori project is very successfull with selling faster and for higher prices than budget (by 2.6%, despite two VAT increases) and significant cost savings led to an overall profitability improvement by EUR 1.6 Million. Mezihori project won multiple awards from both reality experts as well as general public (Construction & Investment Journal's "Best Residential Development" award, Conventia' s "Project of the year"). The success of Mezihori serves as a springboard for the upcoming residential projects.
- Mostecka: The project is a mixed-use space with ground floor, basement and inner courtyard designated for retail and commercial space, and upper floors used for apartments. As of June 2014, 100% of the residential area was delivered with remaining of one commercial unit (former cinema) for a total area of 2,6 thousand SQM. This unit was transferred into its own SPV and the Group is now actively working on a marketing of commercial area.
- Kosik 1-3A: Kosik project is a joint venture with GE dedicated to the development of the site into an all-inclusive residential area featuring commercial units, play grounds and sport facilities. All but one commercial unit in Kosik 1 & 2 have been delivered. The value indicated represents the market value of the remaining units owned by the Group at 50%. As of June 2014, 99% of phases 1, 2 and 3A are delivered.
- Feliz Residence: the property, located in Ochota district of Warsaw, comprises a multi-family residential scheme of 40 apartments (4,434 SQM sellable area) and basement car parking for 44 parking spaces. The project is 100% delivered as of June 2014.
- Klonowa Aleja: the Property, located in the Targówek district of Warsaw, comprises 284 apartments as well as retail space and underground car parking facilities (402 parking spaces). The project was completed at the beginning of the year 2010 and as of June 2014, 97% of the total areas are delivered.
- Koliba - Parkville: the project, located on the Koliba hill on the northern edge of Bratislava, consists of 10 residential buildings with 91 flats, 157 parking spaces. As of June 2014, the project is 98% delivered.

Projects under construction

Over H1 2014, the value changed mainly due to Naunynstrasse 68 (part of the deconsolidated GSG Group shares).

Project under construction	Location	Asset type	Comments	Market value June 2014 EUR Million	Market value Dec 2013 EUR Million2
Zlota 44	Warsaw	High rise luxury appartments	Sales launch in Q3 2013	30,1	30,1
Kosik 3B	Prague	Multi-dwelling houses	Sales launch in Q4 2013	2,2	1,7
Benice 1	Prague	Houses	Delivery of units in progress	2,3	2,3
Berlin Naunynstr. 68	Berlin, Kreutzberg	Multi-dwelling houses	Sales started in Q2 2013	0,0	3,5
TOTAL				**34,6**	**37,6**

- The Board of Directors decided to not complete the Zlota 44 development, suspend the works and sell the entire project as is. Hence the Zlota 44 was reclassified as Asset held for sale and the sale procees in deeply engaged. The year-end valuation resulted in a EUR 120.8 million impairment to the group amounting to EUR 30 million and remained the same as of June 2014.
- Benice – Phase 1: the Project Benice is a large scale residential development located in the south east of Prague, about 15 kilometres from the city center. Phase 1B is currently on offer comprising 32 row houses, semi-attached and detached houses, which were completed during H1 2014, and 4 apartments and 2 commercial units to be completed in Q3 2014. As of June 2014, 78% SQM of the project is delivered. An additional phase, Benice 1C is currently under development with construction planned for 2015. Phases II-V, whose value is not included in the table above as they are categorized as land bank, will be developed in the future.

- Kosik 3B – this is the last phase of the Kosik project comprising of 253 units, which is divided into two sub-phases. Having capitalized on its long term experience of this localization of Prague and on the success of the project V Mezihori, the Group is confident in the positive prospect of the project. Sale of the first sub-phase with 153 units was launched in Q4 2013 and has exceeded expectations with 88 units pre-sold as of June 30 and 93 units pre-sold as of mid-August 2014. Completion of the first sub-phase is scheduled for H2 2015 with first deliveries still in 2015, remainder in 2016. The second sub-phase will contain 80 units, with construction completed no later than in 2017.

- Naunynstrasse 68: well located in the extremely attractive area of Kreuzberg in Berlin, the asset encompasses 2,313 SQM of floor area after redesign of the project dedicated to residential and office tenants. The asset is part of GSG Group and was deconsolidated in 1H 2014 as ORCO lost control over GSG Group.

4.3.4 Land bank and assimilated

The total GAV of the land bank and assimilated (including empty buildings and land plots to develop or redevelop classified in the IFRS financial information under investment properties or inventories) decreased from EUR 27 Million in December 2013 down to EUR 20 Million.

This decrease of EUR 7 Million year on year is driven by:

- EUR 7 Million of change of scope due to loss of control over GSG portfolio;

As of June 2014, the Group holds some 1.7 Million SQM of land plots (339 Thousands SQM zoned and 1.4 Million SQM unzoned). The potential GEFA development is currently estimated at 0.8 Million SQM. Potential GEFA is not estimated on all the land plots and should be considered here as only an indication of the potential pipeline on the short to mid-term basis.

The table below summarizes the land bank status per country and gives an estimate of the current projected GEFA. In the "other category" are land plots included in the reported gross asset value of other sub group of the portfolio (rental, commercial development or residential development).

	With zoning		Without zoning		Total	
Country	Land plot area	GEFA estimated	Land plot area	GEFA estimated*	Land plot area	GEFA estimated*
The Czech Republic	112 822 sqm	110 004 sqm	345 622 sqm	66 250 sqm	458 444 sqm	176 254 sqm
Poland	69 681 sqm	59 726 sqm	35 573 sqm	47 256 sqm	105 254 sqm	106 982 sqm
Croatia	6 208 sqm	0 sqm	104 944 sqm	0 sqm	111 152 sqm	0 sqm
Germany	0 sqm	0 sqm	0 sqm	0 sqm	0 sqm	0 sqm
Sub-total land bank	188 711 sqm	169 730 sqm	486 139 sqm	113 506 sqm	674 850 sqm	283 236 sqm
The Czech Republic	18 881 sqm	32 008 sqm	885 813 sqm	530 400 sqm	904 694 sqm	562 408 sqm
Poland	131 130 sqm	0 sqm	0 sqm	0 sqm	131 130 sqm	0 sqm
Sub-total other category	150 011 sqm	32 008 sqm	885 813 sqm	530 400 sqm	1 035 824 sqm	562 408 sqm
Total	338 722 sqm	201 738 sqm	1 371 952 sqm	643 906 sqm	1 710 674 sqm	845 644 sqm

GEFA estimated*: the figure is presented here as an estimation only on the basis of the latest internal study performed. Only building permit determine the authorized GEFA. All the land plot are not systematically covered with a GEFA estimate.

Over H1 2014, the Landbank decreased through the deconsolidation of land bank recognized under GSG Group portfolio due to loss of control.

The land bank provides the support for the future pipeline of the Group. Praga, Benice 2-5 or Nupaky in Prague amounting to circa 870,000 SQM of landbank, of which 31,500 are zoned, are currently under review to be potentially developed for residential development projects over the coming years. The plot of Bubny amounting to nearly 240,000 SQM of land in Prague 7 (including joint venture with Unibail Rodamco) is at the core of the commercial development pipeline in Central Europe.

5 Liabilities and financial profile

5.1 Cash and cash equivalents, Other current financial assets

Cash and cash equivalents have decreased by EUR 80.1 Million over the first six months of 2014 to reach EUR 8.6 Million. Restricted cash (see note 10 of the June 2014 Condensed Consolidated Interim Financial Information) decreased by EUR 17.8 Million to EUR 2.1 Million. Significantly lower amount of cash and cash equivalents reported as of 30 June 2014 compared to 31 December 2013 is a result of deconsolidation due to loss of control over GSG Group and Suncani Hvar (EUR 84.8 Million, respectively EUR 2.6 Million of cash).

In June 2014, the Company sold 108 Million of GSG shares for total consideration of EUR 55.0 Million. EUR 51.4 Million of these proceeds were deposited to an escrow account as advance payment and will be used for financing of purchase of PEKAO receivables towards Zlota project. This deposit is reported in the consolidated statement of financial position in the line "Other current financial assets".

ORCO PROPERTY GROUP

5.2 Loan to value

The calculation of the Loan to value (LTV) as at 30 June 2014 is shown in the table below.

	30 June 2014	31 December 2013
Non current liabilities		
Financial debts	62,274	295,304
Non-current bonds	50,870	64,992
Current liabilities		
Financial debts	23,200	273,041
Current bonds	18,121	321
Accrued interest	1,307	1,244
Liabilities linked to assets held for sale	90,990	27,722
Current assets		
Current financial assets	(51,386)	-
Cash and cash equivalents	(8,572)	(88,669)
Net debt	**186,804**	**573,955**
Investment property	121,795	710,552
Hotels and owner-occupied buildings	-	61,639
Investments in equity affiliates	38	93
Financial assets at fair value through profit or loss	18,992	28,285
Financial assets available-for-sale	51,916	2,435
Non current loans and receivables	4,835	28,533
Inventories	75,638	114,720
Assets held for sale	48,971	29,116
Revaluation gains on projects and properties	147	2,842
Fair value of portfolio	**322,332**	**978,215**
Loan to Value	**58.0%**	**58.7%**

The LTV ratio as at 30 June 2014 is 58.0 % and slightly decreased compared to 58.7 % as at 31 December 2013. The components of LTV ratio have been remarkably influenced by deconsolidation of leveraged assets over the first half of the year.

Both current and non-current debt went down following the derecognition of bank loans mainly related to financing of investment properties in Germany and Hungary and the debt restructuring of the portfolio financed by Crédit Agricole (see 2.9). In line with the decrease of financial debts, the cash held by the Group entities also went down due to the loss of contribution of deconsolidated entities. In June 2014, the Group has partially sold its shares in the GSG Group for total consideration of EUR 55.0 Million, the remaining investment in GSG Group classified as financial assets available-for-sale is valued at EUR 49.4 Million (EUR 0.53 per share). Most of the proceeds have been used to repay the bank liabilities related to Zlota project. The cash has been deposited on an escrow account until all pledges and guarantees are transferred to ORCO and is now presented in the line “Current financial assets” in the amount of EUR 51.4 Million.

5.3 Financial liabilities

Financial liabilities amount to EUR 218.1 Million including EUR 82.0 Million related to bank loans on projects that are not under a disposal process, EUR 63.6 Million related to the bank loans financing the assets held for sale, EUR 69.0 Million related to Safeguard Bonds and New Notes issued by the Company and EUR 3.5 Million related to loan from GSG Group.

The financial liabilities to be repaid within one year include the first amortization of the New Notes to be paid in February 2015 for EUR 17.5 Million.

Analysis of maturities of financial debts

in EUR Million	Less than one year - Bank loans linked to AHS	Less than one year - Others	1 to 3 years	3 to 5 years	More than 5 years	Total
As at 30 June 2014	63.6	41.4	85.1	14.7	13.3	**218.1**
As at 31 December 2013	22.9	273.3	94.5	261.0	4.9	**656.6**
Variation	**40.7**	**(231.9)**	**(9.4)**	**(246.3)**	**8.4**	**(438.5)**

Financial liabilities decreased by EUR 438.5 Million. The decrease is mainly a result of the deconsolidation of GSG GROUP shares with bank loans amounting to EUR 284.1 Million, of Suncani Hvar shares with bank loans amounting to EUR 21.1 Million and Hungarian assets due to bankruptcy proceedings with bank loans amounting to EUR 64.4. Million.

In addtition there were repayments of bank loans for total amount of EUR 56.3 Million related mainly to:

- Hlubocky (EUR 3.1 Million) and Dunaj (EUR 13.1 Million) upon their succesfull restructuring presented in Assets held for sale ("AHS") in 2013;
- Suncani Hvar (EUR 11.5 Million);
- Zlota 44 (EUR 8.2 Million) presented in AHS in 2014;
- Bubenska (EUR 9.7 Million).

The Group actively worked on the refinancing and restructuring of its defaulted and short-term bank loans which significantly decreased the short-term part of bank loans. Out of EUR 80.9 Million short-term bank loans (including bank loans related to AHS) EUR 55.8 Million are bank loans to be restructured or refinanced and EUR 21.9 Million relate to regular contractual amortization.

6 EPRA Net Asset Value[2]

The EPRA Net Asset Value (EPRA NAV) per share as of 30 June 2014 is EUR 0.93 compared to EUR 1.92 as at 31 December 2013.

The Triple NAV amounts to EUR 0.91 per share compared to EUR 1.35 at the end of last year. The calculation is compliant with the EPRA (European Public Real Estate Associations) "Triple Net Asset Value per share" standard methodology which is described below.

	June 2014	December 2013
Consolidated equity	**103,891**	**175,909**
Fair value adjustments on inventories	147	2,842
Deferred taxes on revaluations	2,324	64,027
Goodwills	-	(22,569)
Own equity instruments	61	197
EPRA Net asset value	**106,423**	**220,405**
Existing shares	114,508	114,508
Net asset value in EUR per share	0.93	1.92
EPRA Net asset value	**106,423**	**220,405**
Deferred taxes on revaluations	(2,324)	(64,027)
Fair value adjustment of bonds issued by the Group (*)	-	(1,374)
EPRA Triple Net asset value	**104,099**	**155,004**
Fully diluted shares	114,508	114,508
Triple net asset value in EUR per share	0.91	1.35

(*) The market value of the OPG bonds is established on the basis of the last transaction of the period for the New Notes and at their nominal value for the remaining Safeguard OPG Bonds as they are not traded. In 2014, no liquid market exists for the New Notes and their market value can not be reliably estimated.

Over the first half of 2014 the consolidated equity decreased by EUR 72.0 Million. The main driver of this decrease is the loss of the period amounting to EUR 63.0 Million which is partially compensated by foreign exchange gains of EUR 1.3 Million. Moreover, the Group equity decreased by EUR 10.3 Million due to dilution of ownership interest in GSG Group as a result of capital increase in GSG Group without participation of OPG.

[2] *EPRA Triple Net Asset Value Methodology:*

The triple NAV is an EPRA recommended performance indicator.

Starting from the NAV following adjustments are taken into consideration:

- *Effect of dilutive instruments: financial instruments issued by company are taken into account when they have a dilutive impact on NAV, meaning when the exercise price is lower than the NAV per share. The number of shares resulting from the exercise of the dilutive instruments is added to the number of existing shares to obtain the fully diluted number of shares.*
- *Derivative instruments: the calculation includes the surplus or deficit arising from the mark to market of financial instruments which are economically effective hedges but do not qualify for hedge accounting under IFRS, including related foreign exchange differences.*
- *Market value of bonds: an estimate of the market of the bonds issued by the group. It is the difference between group share in the IFRS carrying value of the bonds and their market value.*

As part of the EPRA requirements, OPG discloses the calculation of EPRA NAV and EPRA NNNAV.

ORCO PROPERTY GROUP

The goodwill presented at the end of 2013 was allocated to GSG Group cash generating unit. The goodwill was derecognized as a result of the deconsolidation together with the deferred taxes on revaluations previously recognized on the GSG Group investment properties.

7 Income statement

Over the first half of 2014, significant group of activities (both investment properties and hotels) were excluded from the scope of consolidation. These activities contribute to the Group results until the date of loss of control and are presented as discontinued operations. As requested by IFRS and to provide more reliable view on the development of the Group activities, the consolidated income statement is presented excluding discontinued operations of which net impact is disclosed on separate line.

The net loss attributable to the owners of the Company in the amount of EUR 63.0 Million has been driven mainly by negative financial result of EUR 36.5 Million and exceptional one-off expenses recognized in the operating result which deteriorated from an operating loss of EUR 17.9 Million over the first half-year of 2013 to a loss of EUR 24.0 Million for the same period in 2014.

7.1 Consolidated income statement

	6 months 2014	6 months 2013 (as restated)	6 months 2013 (as reported)
Revenue	**16,805**	**36,560**	**71,354**
Net gain from fair value adjustments on investment property	(469)	(13,592)	2,226
Other operating income	244	481	771
Net result on disposal of assets	9	658	645
Cost of goods sold	(6,452)	(20,729)	(21,328)
Employee benefits	(15,332)	(5,168)	(10,957)
Amortisation, impairments and provisions	(9,974)	(6,864)	(8,239)
Operating expenses	(8,839)	(9,234)	(23,245)
Operating result	**(24,008)**	**(17,888)**	**11,227**
Interest expense	(13,642)	(10,787)	(19,920)
Interest income	882	2,693	3,681
Foreign exchange result	(2,842)	(3,252)	(2,415)
Other net financial results	(20,933)	13,543	18,032
Financial result	**(36,535)**	**2,197**	**(622)**
Share of profit or loss of entities accounted for using the equity method	**(206)**	**(64)**	**(77)**
Loss before income taxes	**(60,749)**	**(15,755)**	**10,527**
Income taxes	(920)	1,325	(6,112)
Loss from continuing operations	**(61,669)**	**(14,430)**	**4,415**
(Loss) / profit after tax from discontinued operations	**(2,817)**	18,378	(467)
Net (loss)/ profit for the period	**(64,486)**	**3,948**	**3,948**
Total (loss) / profit attributable to:			
Non controlling interests	(1,466)	(3,040)	(3,040)
Owners of the Company	**(63,020)**	**6,988**	**6,988**

The income statement and relevant tables in the Notes which provide detailed breakdown of the income or expense refer to continuing operations only. The amounts as presented in the June 2013 Consolidated Financial Statements are disclosed in the column "as reported".

7.2 Operating result

The operating result as of June 2014 is a loss of EUR 24.0 Million compared to a loss of EUR 17.9 Million over the same period in 2013. The deterioration of EUR 6.1 Million is driven mainly by termination indemnities paid over H1 2014 (EUR 12.3 Million) and a provision for corporate guarantee for deconsolidated Hungarian entities (EUR 9.0 Million).

7.3 Revenue by Business line

Revenue decreased year on year to EUR 16.8 Million for the first half of 2014 compared to EUR 36.6 Million over the same period in 2013 (-54 % y-o-y). This decrease comes primarily from the Development business line with the sale of Bubny retail land plot in April 2013. Barring the effect of Bubny sale, residential development revenues increased by EUR 2.8 Million.

	Development	Property Investments	Total
YTD Revenue			
As at June 2014	8,084	8,721	16,805
As at June 2013	25,319	11,241	36,560
Variation	**(17,235)**	**(2,520)**	**(19,755)**

7.3.1 Development

7.3.1.1 Residential

Residential development sales have increased from EUR 5.2 Million as of June 2013 to EUR 8.0 Million as of June 2014.

55 units have been delivered in H1 2014 including 48 in Prague (+153% Y-o-Y), 4 in Warsaw (-67% Y-o-Y) and 3 in Bratislava (-57% Y-o-Y) to be compared with 49 units over the same period in 2013. The main driver of this increase was the Mezihori project in Prague with 32 units delivered in H1 2014. Decrease in deliveries in other countries is due to lower existing inventory, no new project initiated and loss of control over GSG Group with Naunynstrasse residential project.

The main contributors to the revenue are:

- In Prague: V Mezihori (EUR 4.6 Million), Mostecka (EUR 1.4 Million) and other (EUR 0.5 Million) for total revenue generated in the Czech Republic of EUR 6.6 Million to be compared to EUR 1.9 Million in 2013.
- In Warsaw: Klonowa Aleja (EUR 0.4 Million) and Feliz Residence (EUR 0.2 Million) for total revenue generated in Poland of EUR 0.6 Million to be compared to EUR 1.4 Million in 2013.
- In Bratislava: Koliba for EUR 0.8 Million (Y-o-Y decrease of EUR 1.1 Million).

For projects under construction, namely Benice and first sub-phase of Kosik 3b, total backlog amounts to 167 units of which 98 are covered by a future purchase or reservation contract. The backlog has decrased mainly due to reclassification of Zlota project to the Assets held for sale and deconsolidation of Naunynstrasse.

The total backlog of completed projects is made of 9 units for total expected sales of EUR 0.9 Million and 3 of them are covered by a future purchase or a reservation contract.

7.3.1.2 Commercial

Commercial development revenue of H1 2014 significantly decreased by EUR 20 Million compared to 2013, when the Group closed the sale of a part of the Bubny plot to Unibail Rodamco for that amount.

7.3.2 Property Investments

The Property Investments revenue decreased by 22.3% compared to 2013, it reached EUR 8.7 Million as of June 2014 (compared to EUR 11.2 Million in 2013). The main key performance indicators and events impacting the business over the year are commented in part 4 of this report.

7.3.2.1 Rental and Asset management fees

Rental activity and management services generated revenue of EUR 7.6 Million over H1 2014, which is lower compared to EUR 10.1 Million over the same period in 2013. Main contributors to decrease of EUR 1.3 Million on rental activity are deconsolidated Hungarian assets which are not contributing to the revenue after loss of control as a result of the bankruptcy procedure (EUR -0.6 Million) and Marki in Warsaw (EUR -0.4 Million). Revenue from asset management services decreased as a result of sale of Endurance funds assets.

7.3.2.2 Hospitality activities

Hospitality revenue amounting to EUR 1.1 Million as of June 2014 is at the same level as over the same period in 2013 (EUR 1.2 Million). After loss of control over Suncani Hvar, the only contributor to the revenue from hospitality activities was Pachtuv Palace, reclassified as Asset held for sale as of June 2014.

7.4 Operating expenses and Employee benefits

The total operating expenses including employee benefits amount to EUR 24.2 Million compared to EUR 14.4 Million in 2013. Exluding expenses related to Zlota project and termination indemnities, the total operating expenses would amount to EUR 9.9 Million as at 30 June 2014 (EUR 13.4 Million as at 30 June 2013).

	30 June 2014	30 June 2013	Variation
Leases and rents	(178)	(594)	416
Building maintenance and utilities supplies	(2,078)	(2,574)	496
Marketing and representation costs	(726)	(1,442)	716
Administration costs	(4,954)	(3,333)	(1,621)
Taxes other than income tax	(643)	(869)	226
Hospitality specific costs	(106)	(100)	(6)
Other operating expenses	(155)	(324)	169
Employee benefits	(15,332)	(5,168)	(10,164)
Total operating expenses	**(24,171)**	**(14,402)**	**(9,768)**

Consolidated operating expenses can be split into direct asset or project costs generating revenues ('Operation costs') which amount to EUR 6.0 Million (EUR 6.6 Million in H1 2013) and general management or services expenses ('Service companies costs') in the amount of EUR 18.2 Million (EUR 7.8 Million in H1 2013).

As a result of strong reduction of local teams and termination indemnities paid during H1 2014, employee benefits increased by EUR 10.2 Million compared to H1 2013, reaching EUR 15.3 Million as of June 2014 (EUR 5.2 Million over H1 2013). Employee benefits excluding termination indemnities (EUR 12.3 Million) went down by EUR 2.1 Million, amounting to EUR 3.0 Million as at 30 June 2014 (EUR 5.2 Million over H1 2013).

7.5 Net gain or loss on disposal of assets

Except for the assets derecognized upon deconsolidations, the Group did not proceed with any disposal of investment properties and hotels.

7.6 Valuation adjustments and impairments

The net revaluation loss for the first six months of 2014 amounts to EUR 0.5 Million which is the result of new valuations performed in June on selected properties. After an internal assessment, an independent appraisal was requested for a limited number of investment properties:

- In the Czech Republic: Bubenská with a decrease of market value by EUR -0.8 Million and Na Poříčí with valuation loss of EUR -0.3 Million; and
- In Poland: the market value of Diana Office decreased by EUR -0.2 Million.

Together with investment properties, the Group received new valuation for development inventory Bubny which resulted in an impairment of EUR 1.3 Million. An impairment charge of EUR 0.5 Million was recognized for Benice. This inventory was valued based on an expected transaction price in relation to potential purchase of shares of the SPV from minority shareholder.

In March 2014, the Group management took the decision to sell the project Zlota 44 in Warsaw as is and sought a potential buyer with whom a binding letter of intent was signed in July. However, at the date of the issue of this report the transaction has not been closed and the outcome is not known yet. Therefore, the level of previously recognized impairment (EUR 120.8 Million in 2013) has not been amended.

The impact of fair value and impairments on real estate assets or investments is detailed by country as follows:

	6 months to June 2014			6 months to June 2013		
	Revaluation	Impairment	Total	Revaluation	Impairment	Total
Czech Republic	(703)	(1,821)	**(2,524)**	(3,885)	(3,051)	**(6,936)**
Poland	(151)	-	**(151)**	153	(45)	**108**
Hungary	396	-	**396**	(7,895)	-	**(7,895)**
Slovakia	-	-	**-**	(2,320)	192	**(2,128)**
Luxembourg	-	-	**-**	360	-	**360**
Croatia	-	-	**-**	(6)	-	**(6)**
Total	(458)	(1,821)	**(2,279)**	(13,593)	(2,904)	**(16,497)**

Over the first half of 2014, an insolvency reorganization proceedings have been opened for the Hungarian subsidiaries holding Paris Department Store, Váci 1 and Szervita. Since the chance to reach an agreement with the financing banks is remote, the Group has accrued a provision of EUR 9.0 Million in relation to the potential call of corporate guarantees issued in favor of the financing bank.

7.7 Adjusted EBITDA[3]

The adjusted EBITDA amounts to EUR -1.3 Million as at 30 June 2014 compared to EUR 1.9 Million in 2013. The negative evolution of the Adjusted EBITDA is reflecting decreased revenue mainly in the Development business line. Adjusted EBITDA excluding contribution of Zlota project would amount to EUR +0.5 Million compared to EUR +2.1 Million in 2013.

In Property Investments, the negative variation of EUR 1.9 Million is mainly impacted by EBITDA in Management services activity decreasing by EUR 1.2 Million due to lower amount of management fees from Endurance Fund.

Development segment shows a decrease of EUR 1.3 Million compared to June 2013 driven mainly by negative EBITDA of Zlota project (EUR 1.8 Million). Commercial activity is showing slightly improved EBITDA despite of lower revenue (EUR 20.0 Million from Bubny plot sale in 2013), mainly thanks to positive variation on cost of goods sold on Bubny Shopping Mall (EUR 16.1 Million) and improved other operating result (EUR 4.7 Million).

	Development	Property Investments	TOTAL
Operating Result - 6m 2014	**(14,335)**	**(9,673)**	**(24,008)**
Net gain or loss from fair value adjustments on investment property	12	481	469
Amortisation, impairments and provisions	4,696	5,278	9,974
Termination indemnities	5,919	6,385	12,304
Net result on disposal of assets	-	(9)	(9)
Adjusted EBITDA - 6m 2014	**(3,732)**	**2,462**	**(1,270)**
Adjusted EBITDA - 6m 2013	**(2,401)**	**4,311**	**1,910**
Variation YoY	**(1,315)**	**(1,865)**	**(3,180)**

7.8 Financial result

The financial result deteriorated from a gain of EUR 2.2 Million to a loss EUR 36.5 Million as at 30 June 2014 which is caused mainly by the very high loss in Other net financial results.

	30 June 2014	30 June 2013 as restated	30 June 2013 as reported	Variance
Change in carrying value of liabilities at amortized cost	-	26	26	(26)
Change in fair value and realized result on derivative instruments	(117)	1,241	5,737	(1,358)
Change in fair value and realized result on other financial assets	(20,224)	(2,543)	(2,669)	(17,681)
Other net financial results	(592)	(159)	(40)	(433)
Realized result on repayment of borrowings	-	14,978	14,978	(14,978)
Total Other net financial results	**(20,933)**	**13,543**	**18,032**	**(34,476)**

Other net financial results are mainly impacted by the change in fair value and realized result on other financial assets related to:

- gain on deconsolidation of Hungarian entities for EUR 25.6 Million (compensated by a provision of EUR 9.0 Million to cover corporate guarantees);
- loss of EUR 9.7 Million on Profit participating loan (“PPL”) revaluation;
- loss of EUR 34.8 Million after deconsolidation when comparing the net asset value of the shares and market value of GSG Group and of EUR 2.9 Million from sale of shares of GSG group.

Over the first half of 2014, gross interest expenses recorded in the consolidated income statement reached EUR 13.6 Million compared to EUR 10.8 Million over the same period in 2013 mainly due to the increase of interest on Bonds and stopping capitalizing the interest on Zlota 44 bank loan.

[3] The Adjusted EBITDA is the recurring operational cash result calculated by deduction from the operating result of non-cash items and non-recurring items (Net gain or loss on fair value adjustments – Amortizations, impairments and provisions – Net gain or loss on the sale of abandoned developments – Net gain or loss on disposal of assets) and the net results on sale of assets or subsidiaries. Revenues and costs are allocated at the project level instead of the SPV level as some multi-project SPVs relate to both Development and Asset Management.

7.9 Transactions with treasury shares

As of 30 June 2014, the Group entities hold 118,000 treasury shares of the parent Company. None of them are directly owned by the Company itself. No transactions with treasury shares occurred over the first half of 2014.

8 Table of location of EPRA indicators

Property Investments – Valuation data	Page 8
Property Investments – Lease data	Page 9
Property Investments – Rental data	Page 9
Property Investments – Like for like Net Rental Income	Page 10
EPRA Net Asset Value	Page 15

9 Glossary & definitions

Adjusted EBITDA

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

Average daily rate (ADR)

ADR is calculated by dividing the room revenue by the number of rooms occupied.

EPRA

European Public Real Estate Association.

EPRA NAV per share

EPRA NAV divided by the diluted number of shares at the period end. Formula is available into the EPRA NNNAV definition.

EPRA Net Initial Yield

The annualized rental income based on the cash rents passing at the balance sheet date, less non-recoverable property operating expenses, divided by the gross market value of the property. (Calculated by the Group's external valuer).

EPRA NNNAV or EPRA Triple Net Asset Value

A company's adjusted per-share NAV.

Methodology:

The triple net NAV is an EPRA recommended performance indicator.

Starting from the NAV following adjustments are taken into consideration:

- *Effect to dilutive instruments: financial instruments issued by company are taken into account. When they have a dilutive impact on NAV, meaning when the exercise price is lower than the NAV per share. The number of shares resulting from the exercise of the dilutive instruments is added to the number of existing shares to obtain the fully diluted number of shares.*
- *Derivative instruments: the calculation includes the surplus or deficit arising from the mark to market of financial instruments which are economically effective hedges but do not qualify for hedge accounting under IFRS, including related foreign exchange differences.*
- *Market value of bonds: an estimate of the market of the bonds issued by the group. It is the difference between group share in the IFRS carrying value of the bonds and their market value.*

As part of the EPRA requirements, OPG discloses the calculation of EPRA NAV and EPRA NNNAV.

EPRA Vacancy rate

ERV of vacant space divided by ERV of the whole portfolio.

Estimated rental value (ERV)

The estimated rental value at which space would be let in the market conditions prevailing at the date of valuation. (Calculated by the Group's external appraiser).

Gross asset value (GAV)

The sum of fair value of all real estate assets held by the Group on the basis of the consolidation scope and real estate financial investments (being shares in real estate funds, loans to third parties active in real estate or shares in non-consolidated real estate companies).

Gross Lettable Area (GLA)

GLA is the floor space contained within each tenancy at each floor level by measuring from the dominant portion of the outside faces of walls, to the center line of internal common area/inter-tenancy walls.

Gross operating profit (GOP)

Total gross operating revenues (including room, food & beverage and other revenue) less gross operating expenses.

Gross rental income

Rental income from let properties after taking into account the net effects of straight-lining for lease incentives, including rent free periods. It includes turnover-based rents, surrender premiums, car parking income and other possible rental income.

Interests Cover Ratio (ICR)

The ICR is calculated by dividing the adjusted EBITDA of one period by the company's interests expenses of the same period.

Like-for-Like portfolio (L-f-L)

All properties held in portfolio since the beginning of the period, excluding those acquired, sold or included in the development program at any time during the period

Market value

The estimated amount determined by the Group's external valuer in accordance with the RICS Valuation Standards, for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing.

Net Lettable Area (NLA)

NLA (measured in square meters) is the floor space between the internal finished surfaces of permanent internal walls and the internal finished surfaces of dominant portions of the permanent outer building walls. It generally includes window frames and structural columns and excludes toilets, cupboards, plant/motor rooms and tea rooms where they are provided as standard facilities in the building. It also excludes areas dedicated as public spaces or thoroughfares such as foyers, atrium and building service areas.

Net rental income

Gross rental income less ground rents payable, service charge expenses and other non-recoverable property operation expenses.

Occupancy rate (sq.m)

The ratio of leased premises to leasable premises

Passing rent

The estimated annualised cash rental income being received as at the reporting date, excluding the net effects of straight-lining for lease incentives.

Reversion

The estimated change in rent at review, based on today' market rents expressed as a percentage of the contractual rents passing at the measurement date (but assuming all current lease incentives have expired).

Vacancy

The amount of all physically existing space empty at the end of the period.

ORCO
PROPERTY GROUP

ORCO PROPERTY GROUP S.A.
40 rue de la Vallée
L-2661 Luxembourg
R.C.S. Luxembourg B 44996
(the "**Company**")

DECLARATION LETTER
ANNUAL FINANCIAL REPORTS
AS OF 30 JUNE 2014

1.1. Persons responsible for the Semi-Annual Financial Reports

- Mr. Tomas Salajka, acting as Chief Executive Officer of the Company, with professional address at Palác Archa, Na Poříčí 1047/26, 110 00 Prague 1, Czech Republic, email: tsalajka@orcogroup.com;

- Mr. Jiri Dedera, acting as Managing Directors of the Company, with professional address at Palác Archa, Na Poříčí 1047/26, 110 00 Prague 1, Czech Republic, email: jdedera@orcogroup.com;

1.2. Declaration by the persons responsible for the Semi-Annual Financial Reports

We, Tomas Salajka and Jiri Dedera, declare that, to the best of our knowledge:

- the condensed consolidated interim financial information the Company as at 30 June 2014, prepared in accordance with the International Accounting Standard 34 ("Interim Financial Reporting") as adopted by the European Union, give true and fair view of the assets, liabilities, financial position and profit of the Company and its subsidiaries included in the consolidation taken as a whole; and
- the Management Report includes a fair view of the development and performance of the business and the position of the Company and its subsidiaries included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face.

Approved by the Board of Directors and signed on its behalf by Mr. Tomas Salajka and Mr. Jiri Dedera.

Prague, on 28 August 2014

Mr. Tomas Salajka
Chief Executive Officer

Mr. Jiri Dedera
Managing Director

ORCO PROPERTY GROUP

Société Anonyme

Condensed consolidated interim financial information

for the period of six months ended 30 June 2014

Orco Property Group's Board of Directors has approved on 27 August 2014 the condensed consolidated interim financial information for the period ended 30 June 2014.

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	6 months 2014	6 months 2013 (as restated)	6 months 2013 (as reported)
Revenue	3	**16,805**	**36,560**	**71,354**
Sale of goods		*7,892*	*25,170*	*25,360*
Rent		*5,037*	*6,162*	*31,912*
Hotels, Extended Stay & Restaurants		*1,040*	*1,110*	*5,458*
Services		*2,836*	*4,119*	*8,624*
Net gain from fair value adjustments on Investment Property	3/4	(469)	(13,592)	2,226
Other operating income		244	481	771
Net result on disposal of assets	3/4/5/8	9	658	645
Cost of goods sold	3/7	(6,452)	(20,729)	(21,328)
Employee benefits	3/17	(15,332)	(5,168)	(10,957)
Amortization, impairments and provisions	3/5/7	(9,974)	(6,864)	(8,239)
Other operating expenses	3	(8,839)	(9,234)	(23,245)
Operating result		**(24,008)**	**(17,888)**	**11,227**
Interest expense	12.4	(13,642)	(10,787)	(19,920)
Interest income		882	2,693	3,681
Foreign exchange result		(2,842)	(3,252)	(2,415)
Other net financial results	13	(20,933)	13,543	18,032
Financial result		**(36,535)**	**2,197**	**(622)**
Share of profit or loss of entities accounted for using the equity method	6.4	**(206)**	**(64)**	**(77)**
Loss before income taxes		**(60,749)**	**(15,755)**	**10,527**
Income taxes		(920)	1,325	(6,112)
Loss from continuing operations		**(61,669)**	**(14,430)**	**4,415**
(Loss) / profit after tax from discontinued operations	9	(2,817)	18,378	(467)
Net (loss)/ profit for the period		**(64,486)**	**3,948**	**3,948**
Total (loss) / profit attributable to:				
Non-controlling interests		(1,466)	(3,040)	(3,040)
Owners of the Company		**(63,020)**	**6,988**	**6,988**
Basic earnings in EUR per share	14	(0.55)	0.06	0.06
Diluted earnings in EUR per share	14	(0.55)	0.06	0.06

The condensed consolidated interim income statement and relevant tables in the Notes which provide detailed breakdown of the income or expense refer to continuing operations only. The net result of discontinued operations is disclosed on the line “Profit / (loss) after tax from discontinued operations”. The amounts as presented in the June 2013 condensed consolidated interim financial information are disclosed in the column “as reported”. The contribution of discontinued operations to revenues and expenses is presented in note 9.

II. Condensed consolidated interim statement of comprehensive income

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

	6 months 2014	6 months 2013
(Loss) / profit for the period	**(64,486)**	**3,948**
Other comprehensive income/ (loss)		
Items that may be reclassified subsequently to profit or loss	**1,265**	**(6,688)**
Currency translation differences	1,265	(6,688)
Items that will not be reclassified subsequently to profit or loss	**-**	**-**
Remeasurements of post-employment benefit obligations	-	-
Total comprehensive loss attributable to:	**(63,221)**	**(2,740)**
Owners of the Company	(61,768)	338
Non-controlling interests	(1,453)	(3,078)

III. Condensed consolidated interim statement of financial position

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

ASSETS	Note	30 June 2014	31 December 2013
NON-CURRENT ASSETS		**199,076**	**890,573**
Intangible assets	9	**173**	**46,414**
Investment property	4	**121,795**	**710,552**
Property, plant and equipment		**982**	**73,949**
Hotels and owner occupied buildings	5	-	61,639
Fixtures and fittings		982	12,310
Equity method investments	6.4	**38**	**93**
Financial assets at fair value through profit or loss	6.1	**18,992**	**28,285**
Financial assets available-for-sale	6.2	**51,916**	**2,435**
Non-current loans and receivables	6.3	**4,835**	**28,533**
Deferred tax assets		**345**	**313**
CURRENT ASSETS		**143,113**	**252,156**
Inventories	7	75,638	114,720
Trade receivables		3,156	19,962
Derivative instruments		-	29
Cash and cash equivalents	10	8,572	88,669
Other current financial assets	10	52,545	2,674
Other current non-financial assets		3,202	26,103
ASSETS HELD FOR SALE	8	**48,971**	**29,116**
TOTAL		**391,160**	**1,171,845**

EQUITY & LIABILITIES	Note	30 June 2014	31 December 2013
EQUITY		**89,166**	**263,117**
Equity attributable to owners of the Company	15	**103,891**	**175,909**
Non-controlling interests	11	**(14,725)**	**87,208**
LIABILITIES		**301,994**	**908,728**
Non-current liabilities		**123,384**	**491,269**
Bonds	12.1	50,870	64,992
Financial debts	12.2	62,274	295,304
Provisions and other long term liabilities	9	7,150	23,436
Deferred tax liabilities		3,090	107,537
Current liabilities		**87,620**	**389,737**
Current bonds	12.3.1	18,121	321
Financial debts	12.3.2	23,200	273,041
Trade payables		4,031	22,425
Advance payments		1,108	33,887
Derivative instruments	12.4	654	1,244
Other current financial liabilities	9	8,004	32,994
Other current non-financial liabilities	1.1.2	32,502	25,825
LIABILITIES HELD FOR SALE	8	**90,990**	**27,722**
TOTAL		**391,160**	**1,171,845**

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	Total equity
Balance at 1 January 2013		**442,148**	**645,497**	**21,724**	**(1,870)**	**(669,007)**	**438,493**	**3,797**	**442,290**
Comprehensive income:									
Profit /(loss) for the period						6,988	6,988	(3,040)	3,948
Other comprehensive income				(6,650)	-	-	(6,650)	(38)	(6,688)
Total comprehensive income		**-**	**-**	**(6,650)**	**-**	**6,988**	**338**	**(3,078)**	**(2,740)**
Capital decrease of 4 February 2013	15	(226,466)				226,466	-		-
Own equity transactions					1,639	614	2,253		2,253
Non-controlling interests' transactions						(11,127)	(11,127)	25,312	14,184
Balance at 30 June 2013		**215,682**	**645,497**	**15,074**	**(231)**	**(446,066)**	**429,956**	**26,031**	**455,987**
Comprehensive income:									
Profit /(loss) for the period						(234,015)	(234,015)	(23,483)	(257,498)
Other comprehensive income				(4,807)	-	10	(4,797)	(59)	(4,856)
Total comprehensive income		**-**	**-**	**(4,807)**	**-**	**(234,005)**	**(238,812)**	**(23,542)**	**(262,354)**
Capital increase of 28 August 2013	15	13,333	1,667				15,000		15,000
Non-controlling interests' transactions						(30,235)	(30,235)	84,719	54,484
Balance at 31 December 2013		**229,015**	**647,164**	**10,267**	**(231)**	**(710,306)**	**175,909**	**87,208**	**263,117**
Comprehensive income:									
Profit /(loss) for the period						(63,020)	(63,020)	(1,466)	(64,486)
Translation differences				1,252			1,252	13	1,265
Total comprehensive income		**-**	**-**	**1,252**	**-**	**(63,020)**	**(61,768)**	**(1,453)**	**(63,221)**
Capital decrease of 8 April 2014	15	(114,507)				114,507	-		-
Capital decrease of 28 May 2014	15	(103,057)	-			103,057	-		-
Non-controlling interests' transactions	11					(10,250)	(10,250)	46,252	36,002
Deconsolidation of subsidiaries with non-controlling interests	11						-	(146,732)	(146,732)
Balance at 30 June 2014		**11,451**	**647,164**	**11,519**	**(231)**	**(566,012)**	**103,891**	**(14,725)**	**89,166**

Definitions

Share Capital is the initial nominal (or par) value of the shares which the shareholders subscribed from the issuing company.

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

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

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

Other Reserves are created from accumulated profits and losses and other equity operations, such as scope variations, variation of detention, or revaluation of assets. These reserves may be subject to the distribution of dividends.

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

V. Condensed consolidated interim cash flow statement

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

OPERATING RESULT		**(21,987)**	**11,227**
Net gain / loss from fair value adjustments on investment property	3/4	469	(2,226)
Amortization, impairments and provisions	3/5/7	10,978	8,239
Net result on disposal of assets	3/4/5/8	(7)	(645)
Adjusted operating profit / loss		**(10,547)**	**16,595**
Financial result	13	(1,217)	(556)
Income tax paid		(1,054)	(1,629)
Financial result and income taxes paid		**(2,271)**	**(2,185)**
Changes in operating assets and liabilities		**(29,898)**	**(977)**
NET CASH FROM /(USED IN) OPERATING ACTIVITIES		**(42,716)**	**13,433**
Capital expenditures and tangible assets acquisitions	4	(1,625)	(1,827)
Proceeds from sales of non-current tangible assets		45	5,203
Purchase of intangible assets		(13)	(166)
Purchase of financial assets		(7)	(145)
Loans granted to joint ventures and associates		-	(4,042)
Deferred consideration repayment received from long-term receivables		-	634
Proceeds from disposal of associates		-	8,742
Proceeds from disposal of financial assets		57,119	1,746
Changes in the Group	9	(87,415)	-
NET CASH FROM INVESTING ACTIVITIES		**(31,896)**	**10,145**
Proceeds from capital increase in subsidiary by non-controlling interests		36,000	-
Proceeds on disposal of treasury shares		-	2,253
Proceeds on disposal of partial interests in a subsidiary		-	7,603
Proceeds from borrowings	12.2, 12.3	3,214	7,079
Net interest paid		(5,940)	(9,026)
Repayments of borrowings	12.2, 12.3	(29,738)	(20,304)
Repayment interests on Safeguard bonds	12.3.1	(321)	-
Restructuring fees		-	(3,094)
NET CASH USED IN FINANCING ACTIVITIES		**3,215**	**(15,489)**
NET INCREASE/(DECREASE) IN CASH		**(71,397)**	**8,089**
Cash and cash equivalents at the beginning of the year		88,669	23,633
Cash and cash equivalents at the beginning of the year of assets reclassified to assets held for sale		(8,671)	-
Exchange difference on cash and cash equivalents		(29)	(543)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	10	**8,572**	**31,179**

Selected notes to the condensed consolidated interim financial information

1 General information

ORCO PROPERTY GROUP, *Société Anonyme* (the "Company") and its subsidiaries (together the "Group") is a real estate group with a major portfolio in the Central and Eastern Europe. It is principally involved in leasing investment properties under operating leases as well as in asset management and is also active in the development of properties for its own portfolio or intended to be sold in the ordinary course of business. As a joint partner, the Group is also participating in operating hotels and extended stay hotels.

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

The Company's shares are listed on the regulated markets of NYSE EuroNext Paris, the Prague Stock Exchange, and the Warsaw Stock Exchange. Delisting from the Prague Stock Exchange is expected to occur in the second half of September 2014.

This condensed consolidated interim financial information has been approved for issue by the Board of Directors on 27 August 2014.

1.1 Changes in the Group structure

Over the first half 2014, the following changes occurred in the structure of the Group:

1.1.1 Loss of control over GSG Group and Suncani Hvar

The Group lost control over GSG GROUP (former ORCO Germany S.A, hereinafter also as "GSG Group" or "GSG") and its subsidiaries and over the portfolio of Suncani Hvar hotels. The events and circumstances leading to loss of control and the result on loss of control are described in Note 11. The assets and liabilities belonging to the deconsolidated entities met the IFRS classification of discontinued operations and, in order to be clearly distinguished from continuing activities of the Group, their impact is presented separately in the condensed consolidated interim income statement. Also, the comparative period has been restated for the effect of discontinued operations, the impact of which is disclosed in Note 9.

1.1.2 Deconsolidation of Hungarian assets in bankruptcy

Hungarian entities holding three rental assets in Budapest (Paris Department Store, Szervita and Váci 1) were deconsolidated from the Group statement of financial position after the opening of insolvency proceedings. The Group entered into negotiation with bank and other creditors on restructuring program, however the chances to reach an agreement are remote and the assets will most likely be taken over by the financing bank while the Group will have to cover a payment of EUR 9 million of corporate guarantees. The potential call of the guarantees has been recognized in the statement of financial position by accruing a provision. The impact upon deconsolidation is presented in the other financial result (see Note 13).

1.1.3 Deconsolidation of Hlubočky and Dunaj due to transfer of ownership

In June 2014, the Group completed restructuring of its rental portfolio financed by Crédit Agricole CIB. The transaction encompasses two investment properties located in the Czech Republic (Hlubočky) and Slovakia (Dunaj), which were transferred to the financing bank together with the related debt. At the same time, the transaction allowed the Group to retain the ownership in Bubenská commercial building in Prague and to achieve financing at more favorable conditions for this property.

Hlubočky and Dunaj were classified as assets held for sale as at 31 December 2013 (see Note 8).

2 Summary of significant accounting policies

2.1 Basis of preparation

The condensed consolidated interim financial information for the six months ended 30 June 2014 has been prepared in accordance with IAS 34, Interim Financial Reporting. It does not include all the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the group's financial position and performance since the last annual consolidated financial statements as at and for the year ended 31 December 2013.

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 management has been successful in deleveraging the Group with LTV decreasing to 50% after the sale of the Zlota 44 project but this required material cash repayments and will continue to require major cash allocation over the coming months. With the successful sale of the Zlota 44 project the Group has received EUR 50 million out of which EUR 7 million could be called by the buyers as a guarantee on construction claims. The remaining net proceeds will be mainly allocated to the coverage of significant historical legacy issues such as the corporate guarantee called on the Hungarian assets, the deleverage of Bubny and Bubenská non-income generating assets, the repayment of the loan granted by GSG Group and the New Notes debt service. The Board of Directors has not identified any material uncertainty casting doubt on the Group's ability to continue as a going concern in the next 12 months and therefore going concern assumption is appropriate as a basis for the preparation of this condensed consolidated interim financial information as at 30 June 2014.

Even though the LTV has been reduced and the cash flow is sufficient to support the needs of coming 12 months, the level of revenues is not sufficient to support the debt service of the Group on a long term basis. The Group is still in need of additional cash resources before being able to finance its operations and deleverage at a sustainable level. The management is engaged in establishing a viable long term business plan, determining those assets to hold and those to divest. In particular, the team will identify those projects that will form the core of the Group going forward and into which further investment, both in terms of time and money, will be made. Should the sale of assets not be sufficient, further equity resources will be required.

2.2 Accounting policies

The accounting policies have been consistently applied by the Group's entities and are consistent with those applied by the Group for its 31 December 2013 consolidated financial statements.

In 2013, the Group has early applied the following standards which are effective from 1 January 2014: IFRS 10 - Consolidated Financial Statements, IFRS 11 - Joint Arrangements, IFRS 12: Disclosure of interests in other entities. The impact of the application has been described in the 2013 Consolidated Financial Statements. Other standards and amendments effective from 1 January 2014 do not have significant impact on the Group financial statements.

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

2.2.1 Loss of control

When the Group loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary and any related non-controlling interest and other components of equity. Any retained interest in the former subsidiary is re-measured to its fair value at the date when control is lost. Any resulting gain or loss is recognized in the profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset.

In addition, any amounts previously recognized in other comprehensive income in respect of that subsidiary are reclassified to profit or loss.

2.2.2 Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographical area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to re-sale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held for sale. When an operation is classified as a discontinued operation, the comparative consolidated statements of profit or loss and other comprehensive income are re-presented as if the operation had been discontinued from the start of the comparative year.

2.3 Seasonality

Given the seasonal nature of retail sales in the hotel and extended stay residence activities and given the 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 Critical accounting estimates and judgments

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

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

2.4.1 Properties fair value measurement and valuation process

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

The principal assumptions underlying management's estimation of fair value are those related to: the potential use of the asset, the receipt of contractual rentals; expected future market rentals; void periods; maintenance requirements; and appropriate discount rates. The expected future market rentals are determined on the basis of current market rentals for similar properties in the same location and condition.

Valuation results are regularly compared to actual market yield data, actual transactions by the Group and those reported by the market.

2.4.1.1 Valuation update

After an internal assessment and analysis of changes in the market, the management of the Group has appointed an external appraiser to perform an independent valuation of selected investment properties. An updated valuation was provided for the investment properties for which there were indications of changes in theirs fair value: Na Poříčí, Bubenská, Diana Office and for the development site Bubny. For the remaining investment properties, the management of the Group believes that there are no changes in the market environment or properties related conditions which would lead to changes in theirs market value.

In relation to potential purchase of remaining shares from minority shareholder in the entities holding properties Praga, Benice I and Benice II, new valuation was prepared by two independent appraisers. In order to arrive at the market value, comparison and/or residual method was used. The book value of these development inventories was adjusted to reflect the expected purchase price, where needed.

2.4.1.2 Main observable and non-observable inputs

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

Per rate type	2014 Min	2014 Max	2013 Min	2013 Max	2012 Min	2012 Max
Discount rate	8.0%	8.0%	6.0%	20.0%	5.5%	14.3%
Capitalization yield	7.0%	15.0%	6.5%	16.0%	7.0%	15.3%
Cap rate	7.0%	15.0%	6.0%	15.0%	5.6%	18.0%

Per asset type	Capitalization yield Min	Capitalization yield Max	Cap Rate Min	Cap Rate Max	Discount rate Min	Discount rate Max
Central Europe portfolio	7.0%	15.0%	7.0%	15.0%	8.0%	8.0%

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

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

Change of the valuation rates would have the following impact on the portfolio of rental assets valued by discounted cash flow valuation method and income capitalization:

Portfolio - Investment Properties	Discount Rate		Exit Cap Rate		Equivalent Yield	
	DR - 25 bps	DR + 25 bps	ECR - 25 bps	ECR + 25 bps	EY - 25 bps	EY + 25 bps
Czech Republic	-	-	-	-	2.1	(2.0)
Hungary	-	-	-	-	0.3	(0.3)
Luxembourg	0.4	(0.4)	0.4	(0.4)	-	-
Poland	-	-	-	-	0.2	(0.2)
Total	0.4	(0.4)	0.4	(0.4)	2.6	(2.4)

DR: Discount rate, ECR: Exit Capitalization Rate, EY: Equivalent Yield

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

2.4.2 Determination of remaining construction costs and impairment on developments

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

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

When a development is suspended the impairment test is based on its fair value if it were to be sold as is (as determined by an independent expert) and not based on the present development value. Mainly the difference relates to the margin that an acquiring developer would request in order to take over the development risks.

2.4.3 Estimate of fair value of financial instruments

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

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

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

Valuations are performed regularly on the basis of the management best estimates of the credit risk the Group is exposed to or of the specific entity concerned in the light of existing, available and observable market data.

- For the derivatives (interest rate swaps, options and forwards), the valuation is provided by the Group's banks;

- For the valuation of Profit Participating Loan (PPL) granted to Hospitality joint venture, the fair value as of 31 December 2013 and 30 June 2014 is estimated based on the net asset value of the joint venture (including properties measured at fair value as detailed in the Note 2.4.1) and the proportion of the Group contractual rights in the cash distribution from the joint venture. In July 2014, new repayment schedule has been agreed with the financing bank. One of the conditions precedent to successfully close the refinancing agreement was partial repayment of EUR 10.0 million. The GSG Group, which acquired the 50 % stake in the joint venture from the former joint partner, provided this amount to meet the renegotiation conditions. As a result of this additional cash contribution, the joint venture partners agreed on a new distribution of cash from the joint venture: 40% for the Group, 60 % for GSG;

- For the "Residential" sub-fund of Endurance Real Estate Fund the liquidity discount of 57.5% remains unchanged compared to 31 December 2013, as the liquidity discount reflects the last observed transactions which occurred in December 2012 and the sale of its units by the Group realized in March 2013. This liquidity discount takes also into account the increase of the sub-fund illiquidity as a result of the decision not to extend it over its initial maturity (the liquidation started on the 29th of March 2013 and should be finalized during 2015, after the disposal of the remaining portfolio);

- For the GSG Group shares the fair value is determined by market price; and

- The value of the deferred consideration on the sale of Molcom is based on the expected transaction price of the receivable.

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

Accounting classification and fair values

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

The decrease of financial assets at fair value through profit or loss by EUR 9.3 million in 2014 is mainly due to the following:

- The "Residential" sub-fund of Endurance Real Estate Fund with an increase by EUR 0.1 million resulting from the increase of the net asset value as provided by the Fund Manager;

- The Profit Participating Loan (PPL) granted to the Hospitality joint venture with a decrease by EUR 9.2 million resulting from the change of net asset value of the joint venture (EUR 1.5 million) and a change in the proportion of contractual rights to cash from 75% to 40% (EUR 7.7 million; refer to note 6.1).

Decrease in derivative instruments relates to reduction of time value of such financial instruments in 2014 and due to the deconsolidation of GSG Group (refer to Note 11).

30 June 2014	Carrying amount		Fair value		
	Financial assets & liabilities measured at fair value	Financial assets & liabilities not measured at fair value (*)	Level 1	Level 2	Level 3
Financial assets					
Investments in joint ventures	-	38	-	-	-
Equity method investments	***-***	***38***			
Investment in Endurance Fund	1,195	-	-	-	1,195
PPL granted to the Hospitality Joint venture	17,797	-	-	-	17,797
Financial assets at fair value through profit or loss (**)	***18,992***	***-***			
Radio Free Europe promissory note	2,532	-	-	-	2,532
GSG Group shares	49,384	-	49,384	-	-
Financial assets available-for-sale	***51,916***	***-***			
Loan granted to the Uniborc joint venture	-	4,385	-	-	-
Other	-	450	-	-	
Non-current loans and receivables	***-***	***4,835***			
Trade and other receivables	-	3,156	-	-	-
Other current financial assets	-	52,545	-	-	-
Cash and cash equivalent	-	8,572	-	-	-
Current financial assets	***-***	***64,273***			
Molcom deferred consideration	1 000	-	-	1,000	-
Financial instruments in held for sales assets	***1 000***	***-***			
Financial liabilities					
New Notes	-	49,084	-	-	-
Safeguard Bonds	-	1,786	-	-	-
Financial debt (floating rate bank debts)	-	53,432	-	-	-
Financial debt (fixed rate bank debts)	-	8,790	-	-	-
Financial debt (other borrowings)	-	52	-	-	-
Long term liabilities	-	1,274			
Non-current financial liabilities	***-***	***114,417***			
New Notes	-	17,843	-	-	-
Safeguard bonds	-	278	-	-	-
Financial debt (floating rate bank debts)	-	19,246	-	-	-
Financial debt (fixed rate bank debts)	-	490	-	-	-
Financial debt (other borrowings)	-	3,464	-	-	-
Derivative instruments	654	-	-	654	-
Advanced payments	-	1,108	-	-	-
Trade payables	-	4,031	-	-	-
Other financial current liabilities	-	8,004	-	-	-
Current financial liabilities	***654***	***54,464***			

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

(**) Designated at fair value.

For the New Notes due to non-existing liquid market the fair value cannot be reliably measured and presented.

31 December 2013	Carrying amount		Fair value		
	Financial assets & liabilities measured at fair value	Financial assets & liabilities not measured at fair value (*)	Level 1	Level 2	Level 3
Financial assets					
Investments in joint ventures	-	93	-	-	-
Equity method investments	***-***	***93***			
Investment in Endurance Fund	1,077	-	-	-	1,077
PPL granted to the Hospitality Joint venture	27,015	-	-	-	27,015
Long-term Equity investments	193	-	-	-	193
Financial assets at fair value through profit or loss (**)	***28,285***	***-***			
Radio Free Europe promissory note	2,387	-	-	-	2,387
Other financial assets available-for-sale	48	-	-	-	48
Financial assets available-for-sale	***2,435***	***-***			
Leipziger Platz deferred consideration	-	22,597	-	-	-
Molcom deferred consideration	905	-	-	905	-
Loan granted to the Uniborc joint venture	-	4,239	-	-	-
Other	-	792	-	-	-
Non-current loans and receivables	***905***	***27,628***			
Trade and other receivables	-	19,962	-	-	-
Derivative instruments	29	-	-	29	-
Other current financial assets	-	2,674	-	-	-
Cash and cash equivalent	-	88,669	-	-	-
Current financial assets	***29***	***111,305***			
Financial liabilities					
New Notes	-	63,102	-	61,728	-
Safeguard Bonds	-	1,890	-	-	-
Financial debt (floating rate bank debts)	-	294,520	-	-	-
Financial debt (fixed rate bank debts)	-	611	-	-	-
Financial debt (other borrowings)	-	173	-	-	-
Long term liabilities	-	1,453			
Non-current financial liabilities	***-***	***361,748***			
Safeguard Bonds	-	321	-	-	-
Financial debt (floating rate bank debts)	-	258,734	-	-	-
Financial debt (fixed rate bank debts)	-	14,274	-	-	-
Financial debt (other borrowings)	-	33	-	-	-
Derivative instruments	1,244	-	-	1,244	-
Advanced payments	-	33,887	-	-	-
Trade payables	-	22,425	-	-	-
Other financial current liabilities	-	32,994	-	-	-
Current financial liabilities	***1,244***	***362,668***			

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

(**) Designated at fair value.

2.4.4 Estimate of present value of provisions

To estimate the net present value of the Stein provision the effective interest rate on New Notes of 19.1% plus Euribor 3M risk in 2014 (19.1% plus Euribor 3M risk in 2013) margin was used.

3 Segment reporting

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

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

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

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

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

- Development business line covers all real estate assets under construction or designated as a future development in order to be sold to a third party or to be transferred to the Property Investment Business line once completed;

- Property Investment business line (formerly called Asset Management) covers all real estate assets operated (as hotels and logistic parks) and rented out assets or that will be so without any major refurbishment.

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

3.1 Segment Reporting - 30 June 2014

Profit or loss 30 June 2014	**Development**	**Property Investments**	**TOTAL**
Revenue	**8,080**	**8,725**	**16,805**
Sale of goods	*7,836*	*56*	***7,892***
Rent	*161*	*4,876*	***5,037***
Hotels, Extended Stay & Restaurants	*-*	*1,040*	***1,040***
Services	*83*	*2,753*	***2,836***
Net gain or loss from fair value adjustments on investment property	12	(481)	**(469)**
Cost of goods sold	(6,435)	(17)	**(6,452)**
Impairments - Allowance	(1,853)	(132)	**(1,985)**
Impairments - Write-Back	399	481	**880**
Amortization and provisions	(3,242)	(5,627)	**(8,869)**
Other operating results	(11,296)	(12,623)	**(23,919)**
Operating Result	**(14,335)**	**(9,673)**	**(24,008)**
Net gain or loss from fair value adjustments on investment property	(12)	481	**469**
Impairments - Allowance	1,853	132	**1,985**
Impairments - Write-Back	(399)	(481)	**(880)**
Amortization and provisions	3,242	5,627	**8,869**
Termination expenses	5,919	6,385	**12,304**
Net result on disposal of assets	-	(9)	**(9)**
Adjusted EBITDA	**(3,732)**	**2,462**	**(1,270)**
Financial Result			**(36,535)**
Share of profit or loss of entities accounted for using the equity method	(116)	(90)	**(206)**
Loss before Income Tax			**(60,749)**

Statement of financial position & Cash Flow 30 June 2014	**Development**	**Property Investments**	**TOTAL**
Segment Assets	**127,991**	**118,397**	**246,388**
Investment Property	16,616	105,180	**121,796**
Property, plant and equipment	-	-	**-**
Inventories (*)	75,583	-	**75,583**
Assets held for sale	35,792	13,179	**48,971**
Equity method investments	-	38	**38**
Unallocated assets			*144,772*
Total Assets			**391,160**
Segment Liabilities	**85,364**	**5,626**	**90,990**
Liabilities held for sale	85,364	5,626	**90,990**
Unallocated liabilities			*211,004*
Total Liabilities			**301,994**
Cash flow elements	**12**	**1,154**	**1,166**
Capital expenditure	12	1,154	**1,166**

Direct Operating Expenses 30 June 2014	**Development**	**Property Investments**	**TOTAL**
Direct operating expenses arising from investment property that :			
- generated rental income	(4)	(10,714)	**(10,718)**
- did not generated rental income	(35)	(32)	**(67)**

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

3.2 Segment Reporting - 30 June 2013 (as restated)

Profit or loss 30 June 2013	Development	Property Investments	TOTAL
Revenue	**25,318**	**11,242**	**36,560**
Sale of goods	*25,091*	*79*	***25,170***
Rent	*124*	*6,038*	***6,162***
Hotels, Extended Stay & Restaurants	*-*	*1,109*	***1,109***
Services	*103*	*4,016*	***4,119***
Net gain or loss from fair value adjustments on investment property	(480)	(13,112)	**(13,592)**
Cost of goods sold	(20,685)	(44)	**(20,729)**
Impairments – Allowance	(3,280)	(62)	**(3,342)**
Impairments - Write-Back	89	35	**124**
Amortization and provisions	(2,210)	(1,436)	**(3,646)**
Other operating results	(6,495)	(6,768)	**(13,263)**
Operating Result	**(7,742)**	**(10,146)**	**(17,888)**
Net gain or loss from fair value adjustments on investment property	480	13,112	**13,592**
Impairments – Allowance	3,280	62	**3,342**
Impairments - Write-Back	(89)	(35)	**(124)**
Amortization and provisions	2,210	1,436	**3,646**
Net result on disposal of assets	(539)	(119)	**(658)**
Adjusted EBITDA	**(2,400)**	**4,310**	**1,910**
Financial Result			**2,197**
Share of profit or loss of entities accounted for using the equity method	(64)	-	**(64)**
Loss before Income Tax			**(15,755)**

Statement of financial position & Cash Flow 31 December 2013	Development	Property Investments	TOTAL
Segment Assets	**139,804**	**775,996**	**915,799**
Investment Property	20,886	689,666	**710,552**
Property, plant and equipment	-	61,639	**61,639**
Inventories (*)	114,400	-	**114,400**
Assets held for sale	4,425	24,691	**29,116**
Equity method investments	93	-	**93**
Unallocated assets			*256,046*
Total Assets			**1,171,845**
Segment Liabilities	**10,388**	**17,334**	**27,722**
Liabilities held for sale	10,388	17,334	**27,722**
Unallocated liabilities			*881,006*
Total Liabilities			**908,728**
Cash flow elements	**96**	**1,104**	**1,200**
Capital expenditure	96	1,104	**1,200**

Direct Operating Expenses 30 June 2013	Development	Property Investments	TOTAL
Direct operating expenses arising from investment property that:			
- generated rental income	(38)	(5,504)	**(5,542)**
- did not generated rental income	(37)	(116)	**(153)**

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

3.3 Segment Reporting - 30 June 2013 (as reported)

Profit & Loss 30 June 2013	Development	Property Investments	TOTAL
Revenue	**25,594**	**45,760**	**71,354**
Sale of goods	*25,281*	*79*	***25,360***
Rent	*170*	*31,742*	***31,912***
Hotels, Extended Stay & Restaurants	*23*	*5,435*	***5,458***
Services	*120*	*8,504*	***8,624***
Net gain or loss from fair value adjustments on investment property	(489)	2,715	**2,226**
Cost of goods sold	(20,686)	(642)	**(21,328)**
Impairments - Allowance	(3,291)	(575)	**(3,866)**
Impairments - Write-Back	122	253	**375**
Amortization and provisions	(770)	(3,980)	**(4,750)**
Other operating results	(5,851)	(26,935)	**(32,786)**
Operating Result	**(5,371)**	**16,597**	**11,227**
Net gain or loss from fair value adjustments on investment property	489	(2,715)	**(2,226)**
Impairments - Allowance	3,291	575	**3,866**
Impairments - Write-Back	(122)	(253)	**(375)**
Amortization and provisions	770	3,980	**4,750**
Net result on disposal of assets	(525)	(119)	**(644)**
Adjusted EBITDA	**(1,469)**	**18,064**	**16,595**
Financial Result			**(622)**
Share profit or loss from equity affiliates			**(77)**
Profit & Loss before Income Tax			**10,527**

Statement of financial position & Cash Flow 31 December 2013	Development	Property Investments	TOTAL
Segment Assets	**139,804**	**775,996**	**915,799**
Investment Property	20,886	689,666	**710,552**
Property, plant and equipment	-	61,639	**61,639**
Inventories (*)	114,400	-	**114,400**
Assets held for sale	4,425	24,691	**29,116**
Equity method investments	93	-	**93**
Unallocated assets			*256,046*
Total Assets			**1,171,845**
Segment Liabilities	**10,388**	**17,334**	**27,722**
Liabilities held for sale	10,388	17,334	**27,722**
Unallocated liabilities			*881,006*
Total Liabilities			**908,728**
Cash flow elements	**96**	**1,104**	**1,200**
Capital expenditure	96	1,104	**1,200**

Direct Operating Expenses 30 June 2013	Development	Property Investments	TOTAL
Direct operating expenses arising from investment property that:			
- generated rental income	(34)	(17,716)	**(17,750)**
- did not generated rental income	(41)	(125)	**(166)**

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

4 Investment property

The main assumptions used to calculate the fair value of the properties are disclosed in note 2.4 of these condensed consolidated interim financial information.

	Freehold buildings	Extended stay hotels	Land bank	TOTAL
Balance at 1 January 2013	**734,443**	**19,207**	**29,081**	**782,731**
Investments / acquisitions	2,789	19	736	3,545
Asset sales	(2,352)	-	(4,473)	(6,825)
Revaluation through income statement	(23,010)	(7,077)	(4,356)	(34,444)
Changes in classification	(1,970)	-	1,970	-
Transfers in/from asset held for sale	(22,189)	-	-	(22,189)
Translation differences	(9,591)	(1,227)	(1,448)	(12,265)
Balance at 31 December 2013	**678,120**	**10,922**	**21,510**	**710,552**
Changes in the Group	(570,650)	-	(4,917)	(575,567)
Investments / acquisitions	1,003	-	12	1,015
Revaluation through income statement	(943)	463	22	(458)
Transfers to/from asset held for sale	-	(11,375)	-	(11,375)
Translation differences	(2,350)	(10)	(12)	(2,372)
Balance at 30 June 2014	**105,180**	**-**	**16,615**	**121,795**

❖ **In 2014**

7 investment properties with a net book value of EUR 98.3 million located in special purpose entities have been pledged as a security for bank loans amounting to EUR 72.9 million. The number of pledged assets decreased as a result of the loss of control over GSG Group and deconsolidation of three Hungarian assets and two investment properties within the Suncani Hvar porfolio.

a) Changes in the Group

As a result of the loss of control referred to above, freehold buildings in the amount of EUR 570.7 million and land bank of EUR 4.9 million were derecognized from the consolidated balance sheet. The book value of deconsolidated freehold buildings and land plots in GSG Group amounts to EUR 533.2 million and the value of Hungarian assets at the date of derecognition was EUR 41.4 million. See note 11 for further details about the deconsolidation.

b) Investments / Acquisitions

In the first quarter of 2014 (when still contributing to OPG results), the GSG Group has invested EUR 0.6 million into refurbishment of buildings in the mixed retail and office portfolio in Berlin. GSG Group has also acquired an asset in Berlin (Voltastraße 29, 30) for EUR 0.4 million.

c) Revaluation through the income statement

	Freehold buildings	Extended stay hotels	Land bank	TOTAL
Czech Republic	(1,182)	463	16	(703)
Poland	(157)	-	6	(151)
Croatia	-	-	-	-
Hungary	396	-	-	396
Total for the first 6 months 2014	**(943)**	**463**	**22**	**(458)**

The movements in fair value of the assets are mainly related to the freehold buildings:

- In the Czech Republic, the fair value decreased for Bubenská (EUR -0.8 million) and Na Poříčí (EUR -0.3 million);
- In Poland, the market value of Diana Office went down by EUR 0.2 million;
- In Hungary, the increase is mainly attributable to the freehold building Váci 188 (EUR 0.3 million).

The value of Pachtuv Palace hotel was adjusted by EUR 0.5 million to its fair value prior to the reclassification to held for sale (see below).

d) Transfers

Transfer to assets held for sale

In the first half of 2014, the Group reached an agreement with former management regarding compensation for their dismissal from managerial functions. The Pachtuv Palace hotel in Prague forms part of the compensation in-kind of the former management's indemnity package and, since the formal transfer administration procedure has not been completed by the reporting date, it was transferred to held-for-sale category.

❖ In 2013

55 investment properties with a net book value of EUR 683.8 million located in special purpose entities have been pledged as a security for bank loans amounting to EUR 442.9 million.

a) Investments / Acquisitions

In 2013, the Group invested EUR 3.5 million in Investment Properties mainly in the form of improvement and installing new equipment and fit-outs in existing freehold buildings in Berlin for EUR 1.4 million. EUR 1.0 million were invested into Budapest office premises and further EUR 0.6 million into the land bank in the Czech Republic out of which EUR 0.4 million was paid for acquisition of a land.

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

b) Asset sales

The Group disposed of 63 % of industrial park in Stříbro (CZ) for a total sales price of EUR 1.7 million. The net book value of the asset as of the date of the sale amounted to EUR 2.2 million.

The main disposal recognized over 2013 is the sale of project U Hranic in Prague (CZ) for a total sales price of EUR 4.3 million. The sale of the SPV shares resulted in a net consolidated gain of EUR 0.6 million recorded in the income statement.

c) Revaluation through the income statement

	Freehold buildings	Extended stay hotels	Land bank	TOTAL
Czech Republic	(17,437)	(7,077)	(2,281)	(26,795)
Germany	25,403	-	(805)	24,598
Poland	(1,793)	-	110	(1,683)
Croatia	-	-	(1,382)	(1,382)
Hungary	(24,405)	-	-	(24,405)
Slovakia	(4,888)	-	-	(4,888)
Luxembourg	110	-	-	110
Balance at 31 December 2013	**(23,010)**	**(7,077)**	**(4,357)**	**(34,444)**

The movements in fair value of the assets represent mainly the following changes in freehold buildings and land bank:

- In the Czech Republic, the fair value decreased for freehold buildings Na Poříčí (EUR -9.0 million), Bubenská (EUR -7.8 million) and Hradčanská (EUR -1.5 million). The decrease in land bank is attributable mainly to Bellevue Grand (EUR -0.7 million).
- In Germany, the most remarkable increase in the fair value of freehold buildings is for Schlessische Str. (EUR 3.4 million), Gustav Meyer (EUR 2.2 million), Zossener Str. (EUR 1.9 million) and Volta Str. 5 (EUR 1.8 million).
- In Poland, the lower occupancy of Marki resulted in a reduction of fair value amounting to EUR 1.2 million. Diana office lost EUR 0.6 million of its value.
- The most significant decreases in fair value in Hungary relate to Vaci 1 (EUR -15.0 million) followed by Vaci 188 (EUR -3.9 million) and Szervita (EUR -3.9 million). Even though there is a material uncertainty on the going concern of the SPV's holding these assets, the fair value as determined by the independent expert has been retained as the SPV liabilities are higher that fair value.
- In Slovakia, a decrease of fair value is explained by shopping center Dunaj (EUR -4.5 million).
- The decrease of land bank fair value in Croatia relates to Camping Vira (EUR -0.9 million) and Obonjan Rivjera (EUR -0.5 million).
- In Luxembourg, the freehold building of Capellen slightly increased by EUR 0.1 million.

The decrease of extended stay hotels relates to Pachtuv Palace located in Prague (EUR -7.0 million).

d) Transfers

Freehold Buildings – Transfers from assets held for sale

As the sale was canceled the Group has decided to transfer back the freehold building Skalitzer Str. in Berlin from Held for Sale Asset to investment property amounting to EUR 1.45 million.

Freehold Buildings – Transfers into assets held for sale

The Group agreed on restructuring of its rental portfolio financed by Crédit Agricole CIB comprised of Bubenská, Hlubočky and Dunaj projects that were cross-pledged. The agreement resulted in a transfer of ownership in Dunaj and Hlubočky SPVs (Special Purpose Vehicle) to the financing bank after a partial repayment and a transfer of part of the liability for which Bubenská has been pledged to the Dunaj and Hlubočky SPVs. As a consequence, the buildings held by these SPVs have been transferred into Held for Sale category at the transaction value less costs to sell.

Freehold Buildings & Land banks – Changes in classification

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

5 Hotels and owner-occupied buildings

Hotels and owner-occupied buildings	Owner-occupied buildings	Hotels	TOTAL
GROSS AMOUNT			
Balance at 1 January 2013	**6,767**	**131,991**	**138,759**
Investments / acquisitions	108	62	170
Transfer	(58)	-	(58)
Translation differences	(44)	(1,594)	(1,639)
Balance at 31 December 2013	**6,773**	**130,459**	**137,232**
Changes in the group	(6,802)	(131,582)	(138,385)
Investments / acquisitions	-	150	150
Disposal	-	(89)	(89)
Translation differences	30	1,062	1,092
Balance at 30 June 2014	**-**	**-**	**-**
DEPRECIATION AND IMPAIRMENT			
Balance at 1 January 2013	**2,335**	**47,686**	**50,021**
Depreciation - Allowance	28	799	827
Impairments - Allowance	1,554	24,076	25,631
Impairments - Write-Back	(80)	-	(80)
Translation differences	(38)	(767)	(804)
Balance at 31 December 2013	**3,799**	**71,794**	**75,593**
Changes in the group	(3,800)	(73,191)	(76,991)
Depreciation - Allowance	8	897	905
Depreciation - Disposal	-	(89)	(89)
Impairment – Write-back	(36)	-	(36)
Translation differences	30	590	620
Balance at 30 June 2014	**-**	**-**	**-**
NET AMOUNT			
Balance at 30 June 2014	**-**	**-**	**-**
Balance at 31 December 2013	*2,974*	*58,665*	*61,639*
Balance at 1 January 2013	*4,432*	*84,306*	*88,738*

❖ In 2014

The only owner-occupied building (German headquarters) was deconsolidated as part of the portfolio of the GSG Group.

Following the decrease of ownership in the portfolio of seaside hotels at Suncani Hvar, all the assets were derecognized from the consolidated statement of financial position and are now consolidated at equity. See Note 11 for further details about the deconsolidation.

❖ In 2013

10 assets with a net book value of EUR 61.6 million located in special purpose entities have been pledged as a security for bank loans amounting to EUR 55.5 million.

Following the uncertainty regarding the going concern of Suncani Hvar operations (see note 34.2 of 2013 Consolidated Financial Statements), the Group recognized an impairment of the related assets amounting to total of EUR 25.6 million, of which EUR 24.1 million was attributable to hotels and EUR 1.6 million to owner occupied buildings. The real estate assets were impaired (valued by an expert at EUR 93.2 million including EUR 2.4 million of Investment Property) to a total value of EUR 59.6 million including EUR 0.9 million of Investment Property corresponding to the value of the net liabilities under the assumption that in a bankruptcy procedure the assets will be sold to repay the liabilities to third parties and no cash available would remain for the Group investments and receivables. The assets were, as a result, recorded at the expected transaction value.

6 Non-Current Financial assets

6.1 Financial assets at fair value through Profit or Loss

This balance sheet line includes 2 financial assets:

- The fair value of the investments in the "Residential" Sub-funds of Endurance Real Estate Fund amounts to EUR 1.2 million as at 30 June 2014 (EUR 1.1 million as at 31 December 2013). The Endurance Real Estate Fund is managed by the Group (refer to note 17). The change in fair value recorded in 2014 of EUR 0.1 million is based on the net asset value as provided by the Fund Manager in its report and a liquidity discount of 57.5 % in 2014 (57.5% in 2013) (refer to Note 2.4.3);

- The profit participating loan (PPL) granted to the Hospitality joint venture. Subject to an approval by the Group, GSG acquired 50 % share in Hospitality Invest S.à r.l. from AIG in April 2014. The PPL has been fair valued on the basis of the management estimates regarding the net asset value of the joint venture (See Note 2.4.3). The PPL fair value amounts to EUR 17.8 million as at 30 June 2014 (EUR 27.0 million as at 31 December 2013). The Group did not grant any guarantee in favor of the joint venture and, as the equity value in the Group consolidated financial information is nil, the maximum risk to the Group is limited to the PPL value. The capacity to recover the PPL value depends on the capacity of the joint venture to refinance its bank loan with a balance as at 30 June 2014 of EUR 72.5 million which matures in July 2014. With approval of the Group, GSG negotiated with ERSTE bank the possibility to refinance the existing bank loan. One of the conditions precedent to accomplish successful refinancing is the up-front payment of EUR 10.0 million. The GSG provided this amount to meet the renegotiations conditions. As a result of this additional cash contribution the joint venture partners agreed the following share in the distribution of cash from the joint venture: 40% for the Group, 60 % for GSG. As of end of July, the refinancing has been approved which guarantee going concern of the joint venture and increases the capacity to collect the fair value of the PPL (See Note 19).

6.2 Available-for-sale financial assets

This balance sheet line is made of 2 financial assets:

- Convertible promissory note corresponding to the deferred part of the consideration for the sale of the Radio Free Europe / Hagibor Office building in Prague, in the amount of EUR 2.5 million as at 30 June 2014 (EUR 2.4 million in 2013). The promissory note is convertible into 20.2% ownership of the entity holding (L88 Companies) the Radio Free Europe / Hagibor Office building, which was sold by the Group in May 2012. The promissory note is convertible upon occurrence of several conditions and mandatory upon its maturity in 2019. As the fair value of this instrument cannot be reliably measured, it is carried at cost with capitalized interest and annually submitted to impairment test. The SPV holding that promissory note has an overdue VAT payable and the tax authorities can declare the SPV bankrupt at any moment. Considering the existing cash need priorities the Group does not have the cash resources to allocate to that short term potential cash need. The asset value was decreased to the amount of liabilities of the entity;

- As a result of loss of control over GSG Group and dilution of the participation interest, the shares of GSG group are classified as financial assets available-for-sale. The fair value of these shares amounts to EUR 49.4 million as at 30 June 2014.

6.3 Non-current loans and receivables

The "Non-current loans and receivables" mainly include:

- The loan granted to the company Uniborc amounts to EUR 4.4 million in 2014 (EUR 4.2 million in 2013). This joint venture with Unibail, started in April 2013, is mainly financed through equity loan by both partners in the same proportion as their respective shareholdings.

- The loans and receivables owed by the subsidiaries over which the Group lost control, namely Suncani Hvar and Hungarian entities, were recognized in the consolidated statement of financial position at fair value. Since the recoverability of the amount due is not probable, the fair value of these financial assets is nil, according to the assessment of the Group management. The difference between carrying amount of the loans and receivables and theirs fair value was recognized in profit or loss and forms part of the result from deconsolidation presented in other financial result.

6.4 Equity method investments

As of June 2014, the Group is involved in the following joint ventures recognized under the equity method:

- The Hospitality JV which is recognized at a nil value in 2014 (nil value in 2013);

- The Kosik JV (Kosic Sarl & SV Faze II s.r.o) recognized at a nil value in 2014 (EUR 0.1 million in 2013);

- After the loss of control, the retained interest in Suncani Hvar was recognized at fair value and classified as an investment in associate accounted for under the equity method. The fair value of the retained interest is nil;

- The Group has a 20 % stake in the joint venture Uniborc constituted with Unibail-Rodamco. The net liabilities of the joint venture amount to EUR 1.2 million as at 30 June 2014. A respective provision amounting the Group's share on the joint venture's losses of EUR 0.2 million had been created in the financial statements to provide for the negative net assets value.

7 Inventories

	June 2014	December 2013
Opening Balance	**114,720**	**262,130**
Impairments – Allowance	(1,974)	(133,266)
Impairments - Write-Back	30	254
Transfers	(30,530)	(880)
Translation differences	(166)	(11,036)
Increase in inventories	3,922	35,954
Cost of goods sold	(6,993)	(38,437)
Changes in the group	(3,371)	-
Closing Balance	**75,638**	**114,720**

Inventories properties are developed with the intention to be sold.

❖ In 2014

1 project with a carrying amount of EUR 64.9 million located in special purpose entities has been pledged as a security for bank loans amounting to EUR 4.3 million.

Over the first half of 2014, an impairment charge has been recognized on Bubny plot in the amount of EUR 1.3 million based on an updated valuation performed as at 30 June 2014.

New valuation of the residential development Benice I and Benice II was prepared by two independent valuators in relation to potential buy-out of minority interests in the SPV holding the property. The project book value has been adjusted to the expected transaction price resulting in an impairment charge for the land plot in Benice II project which book value has been written down by EUR 0.5 million.

In March 2014, the Board of Directors decided to sell the project Zlota 44 in Warsaw as is. The Group has valued the Zlota 44 project using the external valuation dated 28 February 2014 for impairment purposes. As of 30 June 2014 the Group used external valuation prepared for 31 December 2013 financial statements purposes for determining the impairment on the project Zlota 44. The carrying value of the project Zlota 44 as at 30 June 2014 is EUR 30.3 million. Management believes that this is the best estimate available as at 30 June 2014 due to the illiquidity of the market for this type of project, to the fact that the project was put on hold beginning of 2014 and to the fact that, as a result, additional cost incurred in 2014 were fully expensed through the income statement. The assumption included in the external valuation (dated 28 February 2014) are consistent with these disclosed below for 2013 purposes. Additionally, external valuation includes uncertainties, primarily related to the capacity of high luxury residential market in Poland.

After meeting the IFRS definition, the inventories related to Zlota 44 project were transferred to assets held for sale as at 30 June 2014 in the amount of EUR 30.3 million (see Note 8).

Increase in inventories represents development costs related mainly to capitalization of expenses and development investments.

Significant part of the costs of sold units is attributable to the Prague residential project V Mezihoří (EUR 3.3 million) where almost 96 % of apartments were delivered by the end of June. Over the first half of 2014, last remaining units were sold at another Prague project Mostecká with a book value of EUR 1.3 million and Koliba in Bratislava (EUR 0.8 million).

❖ In 2013

2 projects with a carrying amount of EUR 95.1 million located in special purpose entities have been pledged as a security for bank loans amounting to EUR 64.4 million.

The increase in inventories represents mainly the development costs which primarily relate to development investments in Zlota 44 (EUR 22.1 million), V Mezihoří (EUR 5.4 million), Bubny (EUR 2.8 million) and Benice (EUR 2.0 million). Increase in inventories other than development cost are those related to provision of accommodation and restaurant services and amount to EUR 1.9 million.

Major part of the costs of development inventories sold are attributable to the sale of Bubny plot to Unibail Rodamco for future joint development of shopping mall, amounting to EUR 16.0 million. EUR 9.3 million relate to project V Mezihoří of which more than 70 % of units were delivered over the last quarter of 2013. Another projects count Parkville - Koliba with EUR 3.1 million of cost of goods sold, Klonowa Aleja with EUR 2.6 million and Benice with EUR 2.4 million. Cost of goods sold for Mostecká amounts to EUR 1.8 million and EUR 0.6 million both for Mokotowska and Feliz.

Impairment charges were mainly recognized on the following development projects:

- The luxury residential project Zlota 44 was exposed as a major financial failure for the Group in the fall of 2013. There are many causes of this situation, including lack of bank financing due to covenants default, termination of the general contractor, unsuccessful sales re-launch on the local Warsaw residential market. Therefore late in 2013 the Board of Directors decided to terminate this strategy, suspend the works and later to sell the entire project as is and not to complete the development.

  The year-end valuation results (provided by REAS Spółka z ograniczoną odpowiedzialnością Spółka Komandytowa) in a EUR 120.8 million impairment to the Group. The valuation assumes a 25 % profit margin on expected revenue (20% as at December 2012), which is included in the impairment test to reflect the new scenario of sale of the project. The valuation as of December 2013, in comparison with December 2012, includes a longer period of commercialization (9 years) that is in line with the currently recorded pace of sales for the remaining unsold units and a cost of money over the period of 9 % in line with market practice. The Gross Development Value decreased by 2.1 % (EUR 219 million) in comparison with December 2012 while remaining development costs increased by 38% (EUR 83 million) as the Group improved the quality of the fit out to be proposed to the clients.

In addition to the pledge on the Zlota project SPV, other guarantees have been granted in 2010 and 2011 to the financing bank and in 2012 to the general contractor by OPG for up to EUR 56 million (December 2013) of which EUR 44 million would have to be paid from the Group available cash if the project SPV would not be able to repay the defaulted loan upon request of the bank. Such guarantees are not specifically disclosed in the consolidated accounts as the liabilities they cover are fully recognized. Based on the situation described above, the management has decided to seek to acquire the Zlota loans and credits secured by guarantees. Management believes that this strategy will lead to a better financial outcome for the Group than allowing the creditors to call the guarantees in total.

- Benice I and Benice II in total amount of EUR 9.8 million as a consequence of the current difficulties to obtain a change of master plan on Benice II. Based on the assumption of a successful change of zoning, the land plot of Benice, currently covered by agricultural zoning, was valued on the basis of 24 EUR/sqm as of December 2012, integrating partially the steps already achieved to get the expected residential zoning permit. But recent failures on the master plan change induced a valuation on the basis of 11 EUR /SQM in line with neighboring agricultural land. The land potential for residential was reviewed and reduced down to 490,000 sqm from 600,000 sqm as of 31 December 2012.
- Bubny in an amount of EUR 1.9 million. In the absence of valid recent comparable transactions and considering the low liquidity on the Prague investment market for an asset of similar size, the value of the land plot has been further revised downwards as of December 2013. The liquidity discount has been increased from 25% as of December 2012 up to 30% as of December 2013 and market price per sqm before liquidity discount has been decreased from 782 EUR/sqm down to 483 EUR/sqm.

8 Assets and liabilities classified as held for sale

Assets held for sale	June 2014	December 2013
Opening Balance	**29,116**	**6,736**
Transfer of ownership / Asset sales	(24,690)	(600)
Transfers to	44,562	24,690
Transfers from	-	(1,450)
Variations	(17)	(185)
Translation differences	-	(75)
Closing Balance	**48,971**	**29,116**

Liabilities held for sale	June 2014	December 2013
Opening Balance	**27,722**	**9,792**
Accrued interest	369	-
Transfers to	80,233	17,930
Variations	-	-
Transfer of ownership	(17,335)	-
Closing Balance	**90,990**	**27,722**

(*) This table does not present the Discontinued Operations - See Note 9 of this Consolidated Financial Statements.

❖ In 2014

In March 2014, Board of Directors decided to sell Zlota project (Poland) as is. After meeting criteria set by IFRS, all assets and liabilities related to this project were reclassified as held for sale (total assets amounting to EUR 31.4 million – including inventories of EUR 30.3 million - and total liabilities amounting to EUR 74.6 million).

In addition, the Group reached an agreement with former management regarding compensation for their dismissal from the managerial functions. In line with that, Pachtuv Palace hotel in Prague – part of this compensation - was transferred to assets held for sale, because the transfer administration procedure was not completed by the reporting date. Assets transferred to held for sale amounting to EUR 12.2 million, liabilities EUR 5.6 million.

Hlubočky (Czech Republic) and Dunaj (Slovakia) projects, classified as held for sale in 2013, were sold in June 2014 as part of a portfolio debt restructuring transaction with Crédit Agricole Corporate and Investment Bank, which concerned three assets that used to be cross collateralized: two in the Czech Republic (Bubenska, Hlubočky) and one in Slovakia (Dunaj department stores). As a result of this transaction, the Group transferred the ownership of Hlubočky and Dunaj, together with related debt to a fully owned subsidiary of Crédit Agricole CIB. In return, the Group retained the ownership of Bubenska 1 with leverage decreased to EUR 9 million with extended debt maturity to June 2017. This transaction does not have any major impact to financial result of the Group, as fair value of transferred assets was adjusted as at 31 December 2013 according to the value agreed for the purposes of expected transaction. Impact to assets classified as held for sale is reported in this note on line “Transfer of ownership”.

The Group received an offer to sell the receivable for deferred consideration on the sale of Molcom. The Group management considers the received offer as the best probable outcome for estimation of the fair value (refer to Note 2.4.3). After repayment of EUR 0.6 million and impairment of EUR 35.2 million (no accrual of interests in 2014 or 2013), the fair value of the receivable is EUR 1.0 million in 2014 (EUR 0.9 million in 2013) and is classified as asset held for sale as at 30 June 2014. The receivable was reclassified from financial assets to assets held for sale as at 30 June 2014. The receivable was sold in July 2014 (see Note 19).

❖ In 2013

The Group sold during the year an asset located in Berlin, Kufurstenstrasse 11, for EUR 0.6 million with a net book value of EUR 0.6 million. Following the cancellation of the disposal of Skalitzerstrasse 127/128, the asset has been transferred back to Investment Property at its fair value of EUR 1.5 million (see Note 4).

Over the year 2013, Hlubočky (Czech Republic) and Dunaj (Slovakia) have been classified as held for sale (see Note 4) for EUR 25.1 million. The variation of the period is related to Szczecin.

9 Discontinued operations

During the first half of 2014, the Group lost control over GSG Group and its subsidiaries and Suncani Hvar. As a result of these changes, GSG Group and Suncani Hvar were classified as discontinued operations. Further details are disclosed in Note 11.

The following tables show the effect of deconsolidation of discontinued operations.

__GSG Group__

(i) Results of discontinued operation

For the six months ended 30 June	2014	2013
Revenue	**16,050**	**30,271**
Operating result	**3,525**	**29,703**
Financial result	**(399)**	**(1,059)**
Profit before income taxes	**3,126**	**28,643**
Income taxes	(1,568)	(6,202)
Net profit from discontinued operations	**1,559**	**22,441**

(ii) Effect of deconsolidation on the consolidated statement of financial position

NON-CURRENT ASSETS	**609,731**
Intangible assets	45,837
Investment property	533,226
Property, plant and equipment	7,143
Non-current loans and receivables	23,525
Deferred tax assets	**(1,198)**
CURRENT ASSETS	**123,294**
Inventories	2,994
Trade receivables	11,998
Other current assets	23,501
Derivative instruments	16
Cash and cash equivalents	84,787
NON-CURRENT LIABILITIES	**265,458**
Bonds	43
Financial debts	250,423
Provisions and other long term liabilities	14,992
Deferred tax liabilities	**104,806**
CURRENT LIABILITIES	**67,183**
Financial debts	33,919
Trade payables	3,095
Advance payments	16,649
Derivative instruments	2,518
Other current liabilities	11,003
NET ASSETS	**294,381**
of which:	
Net assets attributable to owners of the Company	141,591
Non-controlling interests	152,790

Suncani Hvar

(i) Results of discontinued operation

For the six months ended 30 June	2014	2013
Revenue	4,728	4,523
Operating result	**(1,503)**	**(606)**
Financial result	(2,715)	(2,222)
Loss before income taxes	**(4,219)**	**(2,828)**
Income taxes	(156)	(1,235)
Net loss from discontinued operations	**(4,376)**	**(4,063)**

(ii) Effect of deconsolidation on the consolidated statement of financial position

NON-CURRENT ASSETS	**65,028**
Intangible assets	137
Investment property	923
Property, plant and equipment	63,568
Non-current loans and receivables	399
Deferred tax assets	**95**
CURRENT ASSETS	**5,509**
Trade receivables	1,524
Other current assets	980
Cash and cash equivalents	2,628
NON-CURRENT LIABILITIES	**39,291**
Financial debts	38,894
Provisions and other long term liabilities	397
CURRENT LIABILITIES	**45,297**
Financial debts	21,071
Trade payables	3,386
Advance payments	148
Other current liabilities	20,692
NET LIABILITIES	**(13,956)**
of which:	
Net liabilities attributable to owners of the Company	(7,899)
Non-controlling interests	(6,058)

Cash flows from / (used in) discontinued operations

	30 June 2014	30 June 2013
Net cash from operating activities	268	(101)
Net cash from investing activities	(1,543)	(328)
Net cash used in financing activities	33,528	620
NET CASH INCREASE/(DECREASE) FROM DISCONTINUED OPERATIONS	**33,253**	**191**

10 Cash and cash equivalents, Other current financial assets

As at 30 June 2014, cash and cash equivalents consist of cash in bank for EUR 8.6 million (EUR 85.2 million in December 2013) and cash in hand for EUR 0.02 million (EUR 0.06 million in December 2013). There were short-term deposits for EUR 3.4 million in December 2013, but none reported in June 2014.

The cash in bank includes restricted cash for EUR 2.1 million in 2014 (EUR 19.9 million as of December 2013) representing:

- Cash deposited in accounts reserved as collateral for development projects and lifted after sales of units for EUR 0.2 million (EUR 10.6 million as of 31 December 2013);
- Cash deposited in accounts reserved as collateral for loans related to property for EUR 1.9 million (EUR 9.1 million as of 31 December 2013).

Escrow account with EUR 51.4 million deposited as advance payment and used for financing of PEKAO receivable towards Zlota project is reported in the consolidated statement of financial position in line Other current financial assets.

11 Non-controlling interest transactions

❖ **In 2014**

Deconsolidation and disposal of GSG Group shares

On 3 March 2014, GSG Group resolved to raise EUR 36.0 million in a reserved capital increase in favor of Stationway Properties Limited ("Stationway"), an entity affiliated with Mr. Jean-François Ott. Stationway subscribed 76,600,000 new shares which were issued on 5 March 2014. The total number of shares comprising the share capital of GSG Group as well as the number of voting rights was 421,256,445 shares as of 5 March 2014. This capital increase results from the 29 November 2013 decision of the GSG Group's Board of Directors to raise up to EUR 100 million pursuant to the authorization granted by shareholders during the extraordinary meeting of 26 April 2012.

As a result of the capital increase by Stationway without participation of OPG, the Group's shareholding interest was diluted to 47.85 % represented by 201,571,194 shares and the equity attributable to the owners of the Company decreased by EUR 10.3 million. Consequently, the amount of non-controlling interests increased by EUR 46.3 million.

On 18 March 2014, GSG Group's Board of Directors decided to implement changes in the management structure and to terminate the executive contracts of Mr. Jean-François Ott, Mr. Nicolas Tommasini and Mr. Brad Taylor, Group representatives in the management of GSG Group. The Group and the former management agreed on 27 March 2014 on a settlement and mutual general release agreement by which the Group settled all the existing and potential future obligations and claims arising from the termination.

As a consequence of the dilution of participation and the removal of the Group's representatives from the management of GSG Group, the Company lost control over GSG Group and its subsidiaries. As at the date of loss of control, assets, liabilities and non-controlling interest attributable to the GSG Group were derecognized from the consolidated statement of financial position and the remaining shares were recognized at their fair value in the category financial asset available-for-sale. The fair value of the retained interest was determined based on the market price at closing as at the date of losing control (EUR 0.53 per share) multiplied by the total number of GSG Group shares held by OPG. In the opinion of the Group management, the market price represents the best indicator of the fair value. The deconsolidation and recognition of financial assets available for sale measured at fair value, as described above, resulted in a loss of EUR 34.8 million recorded as at 30 June 2014. The non-controlling interests in the former subsidiaries have been derecognized in the carrying amount of EUR 152.8 million. The change in non-controlling interests is presented as an impact of deconsolidation of subsidiaries in the statement of changes in equity.

In order to meet the liquidity requirements, in particular to finance the acquisition of PEKAO receivable related to Zlota project, the Company entered on 28 April 2014 into an agreement to dispose of 108,395,743 shares it held in GSG Group for a total purchase price of EUR 55.0 million. The completion of the disposal of the shares was subject to certain conditions, including the approval of the Paris Commercial Court. The court approved the disposal of the shares on 2 June 2014. Following this disposal the shareholding of the Group in GSG Group decreased from 201,571,194 shares to 93,175,451 shares equal to 20.53% of the voting rights at the time of disposal.

The disposal of the GSG Group shares under distressed conditions but at market price gave rise to an accounting loss of EUR 2.9 million.

Over June 2014, Mr. Vítek contributed its company Czech Properties Investments, a.s. ("CPI") into GSG Group as a consideration in-kind for the issuance of newly GSG Group shares, which led to further reduction of OPG shareholding interest in GSG Group to 3.19 % as at end of June 2014.

Disposal of Suncani Hvar shares

On 11 June 2014, Company entered into a transaction concerning partial disposal of its stake held in Suncani Hvar d.d. (SHH). OPG disposed of 2,080,000 shares corresponding to 24.94 % of the voting rights. After the disposal, the Company holds 2,636,734 SHH shares equal to 31.61 % of the voting rights. Together with the shares, the Company transferred to the buyer shareholder receivables from SHH. The shares and receivables were sold at an aggregate purchase price of EUR 2.1 million.

After having recognized impairments in 2013 in relation to SHH as a result of the uncertainty regarding the going concern of the activities, the disposal of SHH shares and receivables resulted in an accounting gain of EUR 0.5 million.

Since the shareholding interest in SHH was reduced below 50 % and, consequently, the Company lost control over SHH activities, related assets and liabilities were deconsolidated from the Group statement of financial position, including the non-controlling interest share in negative net assets of EUR 6.1 million.

Nevertheless the Group continues to have a significant influence and as at 30 June 2014, the retained investment in SHH is classified as an investment in associate and accounted for under the equity method.

❖ **In 2013**

On 3 June 2013, the Board of Directors of GSG Group, pursuant to the extraordinary shareholders meeting resolution of 2012 (See Note 19.1 of the December 2012 Consolidated Financial Statements), took a decision to further partially implement the capital increase by converting the bonds held by the Group into shares. As a result, 28,028,982 of new GSG Group ordinary shares were issued on 6 June and the Group increased the percentage of its interest in GSG Group from 98.02% to 98.28%. This transaction led to a decrease of equity attributable to owners of the Company by EUR 0.4 million.

In June 2013, the Group sold 20,003,250 shares of GSG Group on the market and 3,141,393 shares were sold to managers of the Group. Consequently, the Group participation and controlling interest in GSG Group was diluted by 10.06 % and decreased to 88.22 %. The sale resulted in a decrease of equity attributable to owners of the Company by EUR 10.6 million.

During second half of 2013, the Group sold 1,386,364 shares of GSG Group on the market for a total consideration of EUR 613,000, leading to dilution of its shareholding by 0.41 %. The sales gave rise to a reduction of consolidated reserves by EUR 0.4 million.

On 29 November 2013, the Board of Directors of GSG Group resolved to implement a reserved capital increase and raise up to EUR 100 million pursuant to the authorization granted to it by its shareholders during the extraordinary meeting of 26 April 2012. A Czech company Tandis, a.s., an entity closely associated to Mr. Radovan Vítek, subscribed to a EUR 53,862,000 investment in GSG Group via subscription of 114,600,000 new ordinary shares at a subscription price of EUR 0.47 per share. The new shares were issued on 4 December 2013. Since the Group did not participate in the capital increase, its ownership decreased by 29.33 % to 58.48 % and the Group equity was reduced by EUR 27.8 million.

On 29 August 2013, the Group has subscribed to 723,943 of new shares issued by its subsidiary Orco Property sp. z .o. o. The new investment into the subsidiary amounted to EUR 16.9 million. As the second shareholder (Endurance Residential Assets) did not participate in the contribution, the capital increase led to an increase of Group shareholding by 2.47 % to 93.59 % and resulted in a decrease of consolidated reserves by EUR -2.0 million.

During 2013, the Company capitalized the equity loans granted to Orco Praga, s.r.o. and Jihovychodni Mesto, a.s simultaneously and proportionally with Endurance Residential Finance S.à. r.l, owning 25% of the subsidiaries. As a result, the percentage of interests of the Group didn't change, but the consolidated reserves of the non-controlling interests increased by EUR 5.2 million.

12 Borrowings, bank loans and bonds

12.1 Non-current bonds

Non-current bonds	Non-convertible bonds and New Notes
Balance at 1 January 2013	**59,193**
Interest on Safeguard Bonds	413
Interest on New Notes	10,562
Transfer from long term to short term on Safeguard Bonds	(321)
Transfer of accrued interest on New Notes	(3,636)
Repayment on New Notes	(420)
Others	(799)
Balance at 31 December 2013	**64,992**
Interest on Safeguard Bonds	218
Interest on New Notes	5,712
Transfer from long term to short term on Safeguard Bonds	(278)
Transfer from long term to short term on New Notes	(17,843)
Transfer of accrued interest on New Notes	(1,888)
Changes in the Group	(43)
Balance at 30 June 2014	**50,870**

❖ **In 2014**

No new bonds or new notes have been issued during the first half of the year. The transfer corresponds to the interest related to the Safeguard Bonds to be paid in April 2015 and to the principal on New Notes to be repaid in 2015 and to the accrued interest related to New Notes.

❖ **In 2013**

No new bonds or new notes have been issued during the year. The transfer corresponds to the interest related to the Safeguard Bonds to be paid in April 2014 and to the accrued interest related to New Notes. The EUR 0.4 million were repaid as part of the cash sweep as a consequence of the Sky Office's sale which is one of the assets included in the protocol.

12.2 Non-current bank loans and other borrowings

Non-current liabilities - Financial debts	Bank loan	Other non-current borrowings	Total
Balance at 1 January 2013	**402,404**	**5,792**	**408,196**
Issue of new loans and drawdowns	4,745	40	4,785
Repayments of loans	(3,635)	(8,026)	(11,661)
Other transfers	(103,136)	2,563	(100,573)
Translation differences	(5,248)	(195)	(5,443)
Balance at 31 December 2013	**295,130**	**174**	**295,304**
Issue of new loans and drawdowns	2,908	9	2,917
Repayments of loans	-	(26)	(26)
Changes in the Group	(250,243)	(162)	(250,405)
Transfers to Liabilities held for sale	(4,821)	-	(4,821)
Other transfers	19,293	21	19,314
Translation differences	(45)	36	(9)
Balance at 30 June 2014	**62,222**	**52**	**62,274**

❖ **In 2014**

Issue of new bank loans fully corresponds to Solar project in Germany.

As a result of loss of control the Group excluded from the consolidation following subsidiary with impact shown on the row Changes in the Group (for more detail refer to Note 11):

- GSG with bank loans amounting to EUR -250.2 million including the new loans in respect of the Solar project.

The transfers to Liabilities linked to assets held for sale are wholly related to Pachtuv Palace which is part of the settlement in kind agreed with the former management, refer to Note 12.3.2.

The Other transfers are mainly explained as following, refer to Note 12.3.2:

- Transfer from short-term part to long-term related to the bank loans financing Capellen (EUR +15.6 million) and Bubenska (EUR +6.0 million) after successful renegotiation process with the bank;
- Current part of the non-current bank loans (EUR -2.4 million).

Other non-current borrowings are mainly equity loans from joint ventures and loans from related parties.

❖ **In 2013**

Issue of new loans and drawdowns were mainly related to the project V Mezihori (EUR 4.7 million).

Repayments of loans included mainly EUR 4.3 million of cash repayment relating to GSG.

The Other transfers were mainly explained as following:

- Transfer of bank loans from long-term to short-term due to covenant breaches related to the loan financing Zlota 44 (EUR 48.7 million);
- Transfer of bank loans from long-term to short-term due to both covenant breaches and current part of the non-current loan financing Capellen (EUR 9.5 million) and Gebauer Hofe (EUR 26.2 million);
- Current part of the non-current loans mainly related to the loans financing the project Krakow (EUR 4.5 million) and GSG (EUR 4.1 million);
- Full repayment of loan financing V Mezihori following transfer of EUR 6.6 million of long-term part to the short-term;
- Transfer out of bank loans for EUR 3.1 million related to Hlubocky loan to Liabilities linked to assets held for sale.

Other non-current borrowings were mainly equity loans from joint ventures and loans from affiliated companies. The line repayment of loans was mainly due to the conversion into equity of the loans granted by Endurance Fund residential sub funds to the Group projects in which both are in partnership.

12.3 Current financial debts

12.3.1 Current bonds

Current bonds	Non-convertible bonds and New Notes
Balance at 1 January 2013	**261**
Repayment interests on Safeguard Bonds	(261)
Transfer from long term to short term on Safeguard Bonds	321
Balance at 31 December 2013	**321**
Repayment interests on Safeguard Bonds	(321)
Transfer from long term to short term on Safeguard Bonds	278
Transfer from long term to short term on New Notes	17,843
Balance at 30 June 2014	**18,121**

As at 30 June 2014 the current part of the Safeguard Bonds amounts to EUR 278 thousand corresponding to the interests to be repaid in April 2015 in accordance with the repayment schedule of the Safeguard Plan and EUR 17.5 million corresponding to the principal of the New Notes to be repaid in February 2015.

12.3.2 Current loans and other borrowings

Current liabilities - Financial debts and Liabilities held for sale	Long-term Debt - current part	Other current borrowings	Bank loans and Other borrowings linked to Liabilities held for sale	Total
Balance at 1 January 2013	**222,724**	**155**	**6,844**	**229,723**
Issue of new loans and drawdowns	9,693	2,758	-	12,451
Repayments of loans	(43,983)	(80)	-	(44,063)
Other transfers	87,223	(2,801)	16,080	100,502
Translation differences	(2,649)	1	-	(2,648)
Balance at 31 December 2013	**273,008**	**33**	**22,924**	**295,965**
Issue of new loans and drawdowns	306	3,464	-	3,770
Repayments of loans	(39,105)	(948)	-	(40,053)
Repayments of loans upon sales	-	-	(16,176)	(16,176)
Changes in the Group	(119,332)	(22,920)	-	(142,252)
Transfers to Liabilities held for sale	(52,041)	-	56,862	4,821
Other transfers	(41,954)	23,595	-	(18,359)
Translation differences	(1,146)	240	-	(906)
Balance at 30 June 2014	**19,736**	**3,464**	**63,609**	**86,809**

❖ In 2014

Issue of new loans and drawdowns related to Other current borrowings is mainly composed of short-term loan provided by GSG to the Group.

The repayments of bank loans are mainly related to Suncani Hvar (EUR -11.5 million), Bubenska (EUR -9.7 million), Zlota 44 (EUR -8.2 million), Capellen (EUR -2.3 million) and Na Porici (EUR -3.3 million). The repayments of bank loans upon sales are related to successful debt restructuring of Bubenska, Hlubocky and Dunaj assets. As a result of the transaction, the Group has transferred the ownership of share interests in entities Hlubocky and Dunaj to the bank, refer to Note 8.

As a result of loss of control the Group excluded from the consolidation following subsidiaries with impact shown on row the Changes in the Group, for more detail refer to Note 11:

- GSG Group with bank loans amounting to EUR -33.9 million;
- Hungarian assets with bank loans amounting to EUR -64.4 million;
- Suncani Hvar with bank loans amounting to EUR -21.1 million and Other current borrowings amounting to EUR -22.9 million.

The transfers to Liabilities held for sale are related to Pachtuv Palace which is part of the settlement in kind agreed with the former management (EUR 0.5 million) and related to Zlota 44 project (EUR 51.5 million). In April 2014 the Group decided to acquire the loan receivables and collateral related to the Zlota 44 project from Pekao bank. The agreed price was partly repaid from cash blocked in the SPV related to Zlota 44 project and the remaining part of EUR 51.4 Million has been deposited on escrow account (refer to Note 10) till the transfer of pledges from Pekao bank to the Group in July 2014. The deposit is reported in consolidated statement of financial position on line Other current financial assets.

During the first half of the year the Other transfers of bank loans and Other current borrowings are mainly explained as following, refer to Note 12.2:

- Transfer from short-term part of bank loans to long-term related to the loans financing Capellen (EUR -15.6 million) and Bubenska (EUR -6.0 million) after successful renegotiation process with bank;
- Transfer from short-term part to Other current borrowings related to Suncani Hvar (EUR 22.6 million);
- Current part of the non-current loans (EUR +2.4 million).

Other current borrowings are mainly loans from related parties, refer to Note 17.

❖ In 2013

The repayments of bank loans (EUR 44.0 million) were mainly related to the buyback of the bank debt financing the assets Vaci 188 and Vaci 190 (EUR 15.1 million) repaid for EUR 1.0 million generating a gain of EUR 14.9 million including EUR 0.2 million of accrued interests. Others contributors were Bubny (EUR 13.8 million), GSG (EUR 3.0 million), Na Porici (EUR 2.8 million), V Mezihori (EUR 6.6 million) and Capellen (EUR 1.0 million).

Transfers of bank loans, other current borrowings and bank loans linked to assets held for sales for EUR 102.5 million were mainly explained as follows:

- Transfer of bank loans from long-term to short-term due to covenant breaches related to the loan financing Zlota 44 (EUR 48.7 million);
- Transfer of bank loans from long-term to short-term due to both covenant breaches and current part of the non-current loan financing Capellen (EUR 9.5 million) and Gebauer Hofe (EUR 26.2 million);
- Current part of the non-current loans mainly related to the loans financing the project Krakow (EUR 4.5 million) and GSG (EUR 4.1 million);
- Full repayment of loan financing V Mezihori following transfer of EUR 6.6 million of long-term part to the short-term;

- Transfer out of bank loans for EUR 13.1 million related to Dunaj loan to Liabilities linked to assets held for sale.

12.4 Borrowings maturity

- **In 2014**

At 30 June 2014	Less than one year	1 to 3 years	3 to 5 years	More than 5 years	Total
Bonds	**-**	**36,525**	**12,558**	**1,787**	**50,870**
Financial debts	**-**	**48,594**	**2,165**	**11,515**	**62,274**
Bank loans	***-***	***48,594***	***2,165***	***11,463***	***62,222***
Bank loans fixed rate	*-*	*1,045*	*1,163*	*6,582*	*8,790*
Bank loans floating rate	*-*	*47,549*	*1,002*	*4,881*	*53,432*
Other non-current borrowings	***-***	***-***	***-***	***52***	***52***
Sub-total - Non current	**-**	**85,119**	**14,723**	**13,302**	**113,144**
Current bonds	**18,121**	**-**	**-**	**-**	**18,121**
Financial debts	**23,200**	**-**	**-**	**-**	**23,200**
Bank loans - current part	***19,736***	***-***	***-***	***-***	***19,736***
Bank loans fixed rate	*490*	*-*	*-*	*-*	*490*
Bank loans floating rate	*19,246*	*-*	*-*	*-*	*19,246*
Other current borrowings	***3,464***	***-***	***-***	***-***	***3,464***
Borrowings linked to liabilities held for sale (*)	**63,609**	**-**	**-**	**-**	**63,609**
Bank loans	*61,149*	*-*	*-*	*-*	*61,149*
Other borrowings	*2,460*	*-*	*-*	*-*	*2,460*
Sub-total - Current	**104,930**	**-**	**-**	**-**	**101,497**
Total	**104,930**	**85,119**	**14.723**	**13,302**	**218,074**

(*) Includes only the financial debts.

The Group has entered into interest rate derivatives representing 50.6% of the non-current floating rate borrowings (95.4% in 2013) and 22.5% of the current floating rate borrowings (16% in 2013), 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.

The interest on bank loans increased from EUR 10.8 million as at 30 June 2013 to EUR 13.6 million as at 30 June 2014 mainly due to the increase on interest on Bonds and stopping to capitalize interest on Zlota 44 bank loan.

The bank loans are made of EUR 54.9 million for which the financing banks have no recourse on the Group. These loans finance assets with a total secured value of EUR 78.5 million.

❖ In 2013

At 31 December 2013	Less than one year	1 to 3 years	3 to 5 years	More than 5 years	Total
Bonds	**-**	**36,525**	**26,576**	**1,891**	**64,992**
Financial debts	**-**	**57,961**	**234,379**	**2,964**	**295,304**
Bank loans	***-***	***57,788***	***234,379***	***2,964***	***295,131***
Bank loans fixed rate	*-*	*11*	*600*	*-*	*611*
Bank loans floating rate	*-*	*57,777*	*233,779*	*2,964*	*294,520*
Other non-current borrowings	***-***	***173***	***-***	***-***	***173***
Sub-total - Non current	**-**	**94,486**	**260,955**	**4,855**	**360,296**
Current bonds	**321**	**-**	**-**	**-**	**321**
Financial debts	**273,041**	**-**	**-**	**-**	**273,041**
Bank loans - current part	***273,008***	***-***	***-***	***-***	***273,008***
Bank loans fixed rate	*14,274*	*-*	*-*	*-*	*14,274*
Bank loans floating rate	*258,734*	*-*	*-*	*-*	*258,734*
Other current borrowings	***33***	***-***	***-***	***-***	***33***
Borrowings linked to liabilities held for sale (*)	**22,924**	**-**	**-**	**-**	**22,924**
Bank loans	*20,464*	*-*	*-*	*-*	*20,464*
Other borrowings	*2,460*	*-*	*-*	*-*	*2,460*
Sub-total - Current	**296,286**	**-**	**-**	**-**	**296,286**
Total	**296,286**	**94,486**	**260,955**	**4,855**	**656,582**

(*) Includes only the financial debts.

The Group has entered into interest rate derivatives representing 95.4% of the non-current floating rate borrowings and 16.0% of the current floating rate borrowings, 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.

The interest on bank loans decreased from EUR 36.5 million as at 31 December 2012 to EUR 28.1 million as at 31 December 2013 mainly due to the total or partial redemption upon assets and development sales in 2013.

The bank loans were made of EUR 336.7 million for which the financing banks had no recourse on the Group. These loans financed total assets with a total value of EUR 651.1 million.

12.5 Loans with covenant breaches

	At 30 June 2014			At 31 December 2013		
	Principal	Accrued Interest	Total	Principal	Accrued Interest	Total
Long-term loans presented in short-term	-	-	**-**	68,934	851	**69,785**
due to Non repayment	-	-	-	9,036	-	9,036
due to Administrative breach (*)	-	-	-	59,898	851	60,749
Short-term loans in breach	3,149	42	**3,191**	160,449	8,525	**168,974**
due to Financial covenant breach (**)	-	-	-	29,833	87	29,920
due to Non repayment	3,149	42	3,191	130,616	8,438	139,054
Loans linked to assets held for sale in breach	55,832	-	**55,832**	4,287	-	**4,287**
due to Non repayment	55,832	-	55,832	4,287	-	4,287
Total Loans in Breach	**58,981**	**42**	**59,023**	**233,670**	**9,376**	**243,046**

(*) Administrative covenant requires the borrower to fulfill certain conditions or which prevails the borrower from undertaking certain actions.

(**) Financial covenant is a standard for the financial strength and performance of the borrower.

At the end of June 2014 the loans linked to assets held for sale in breach are related to the entity Szczecin in the amount of EUR 4.3 million and entity Zlota 44 of EUR 51.5 million which is planned to be bought back from Pekao bank (refer to Note 12.3.2).

13 Other net financial results

	30 June 2014	30 June 2013 (as restated)	30 June 2013 (as reported)	Variance
Change in carrying value of liabilities at amortized cost	-	26	26	(26)
Change in fair value and realized result on derivative instruments	(117)	1,241	5,737	(1,358)
Change in fair value and realized result on other financial assets	(20,224)	(2,543)	(2,669)	(17,681)
Other net financial results	(592)	(159)	(40)	(433)
Realized result on repayment of borrowings	-	14,978	14,978	(14,978)
Total	**(20.933)**	**13,543**	**18,032**	**(34,476)**

Change in fair value of derivative instruments is mainly from the fair value losses on derivatives of EUR 0.1 million for Na Poříčí.

Change in fair value and realized result on other financial assets relates to:

- gain recognized in relation to the deconsolidation of Hungarian entities of EUR 25.6 million;
- loss on PPL revaluation of EUR -9.7 million;
- loss upon deconsolidation of GSG Group of EUR -34.8 million and a loss on disposal of GSG Group shares of EUR -2.9 million (for more detail refer to Note 11).

14 Earnings per share

	30 June 2014	30 June 2013
At the beginning of the period	**114,625,629**	**106,885,588**
Shares issued	114,507,629	107,840,962
Treasury shares	118,000	(955,374)
Weighted average movements	**-**	**737,928**
Issue of new shares	-	-
Treasury shares	-	737,928
Weighted average outstanding shares for the purpose of calculating the basic earnings per share	**114,625,629**	**107,623,516**
Weighted average outstanding shares for the purpose of calculating the diluted earnings per share	**114,625,629**	**107,623,516**
Net (loss)/ profit attributable to the Equity holders of the Company	**(63,020)**	**6,988**
Net (loss)/ profit attributable to the Equity holders of the Company after assumed conversions / exercises	**(63,020)**	**6,988**
Total Basic earnings in EUR per share	**(0.55)**	**0.06**
o/w continuing operations	(0.53)	(0.12)
o/w discontinued operations	(0.02)	0.18
Diluted earnings in EUR per share	**(0.55)**	**0.06**
o/w continuing operations	(0.53)	(0.12)
o/w discontinued operations	(0.02)	0.18

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 warrants were not taken into account in the EPS calculation as the conversion of the warrants had an anti-dilutive impact in 2014 and 2013.

As at 30 June 2014, the treasury shares of the Company held by the Group represent 118,000 shares and theirs book value amounts to EUR 0.2 million. They are held entirely by ORCO Russian Retail S.A.

15 Equity holders

15.1 Share capital

	Number of shares	Share Capital	Share premium
Balance at 31 December 2012	**107,840,962**	**442,148**	**645,497**
Capital decrease of 4th of February 2013		(226,466)	
Capital increase of 28th of August 2013	6,666,667	13,333	1,667
Balance at 31 December 2013	**114,507,629**	**229,015**	**647,164**
Reduction of nominal value of shares - 8 April 2014		(114,508)	
Reduction of nominal value of shares - 28 May 2014		(103,057)	
Balance at 30 June 2014	**114,507,629**	**11,451**	**647,164**

All the shares of the Company have an accounting par value of EUR 0.10 per share with no nominal value and are fully paid. Each share is entitled to a prorate portion of the profits and share capital of the Company, as well as to a voting right and representation at the time of a general meeting, all in accordance with statutory and legal provisions.

During 2014, the share capital of the Company decreased twice. The extraordinary general meeting of 8 April 2014 resolved to approve the decrease of the share capital of the Company from the amount of EUR 229,015,258 to EUR 114,507,629 without cancellation of shares, by decreasing the accounting par value of the existing shares from EUR 2 to EUR 1 per share, with allocation of the reduction proceeds to reserves. As such, the share capital of the Company amounted to EUR 114,507,629 as of 8 April 2014. The extraordinary general meeting of 28 May 2014 resolved to approve the decrease of the share capital of the Company from the amount of EUR 114,507,629 to EUR 11,450,762.90 without cancellation of shares, by decreasing the accounting par value of the existing shares from EUR 1 to EUR 0.1 per share, with allocation of the reduction proceeds to reserves. As such, the share capital of the Company amounts to EUR 11,450,762.90 since 28 May 2014.

Authorized capital not issued:

The Company's extraordinary general meeting of 28 May 2014 granted to the Board of Directors an authorization to increase the Company's share capital in accordance with article 32-3 (5) of the 1915 Luxembourg company law. The extraordinary general meeting of 28 May 2014 resolved to modify, renew and replace the Company's existing authorized, but unissued and unsubscribed share capital and to set it to an amount of twenty million euros (EUR 20,000,000). As of the publication date of this report, the Board of Directors is therefore authorized to increase the share capital of the Company by an amount of EUR 20,000,000 in addition to the issued and subscribed corporate share capital of EUR 11,450,762.90.

The Board of Directors was granted full power to proceed with the capital increases within the authorized share capital under the terms and conditions it will set, with the option of eliminating or limiting the shareholders' preferential subscription rights as to the issuance of new shares within the authorized share capital.

The Board of Directors is authorized, during a period of five (5) years from the date of the general meeting of shareholders held on 28 May 2014, without prejudice to any renewals, to increase the issued share capital on one or more occasions within the limits of the authorized share capital. The Board of Directors is authorized to determine the conditions of any capital increase including through contributions in cash or in kind, among others, the conversion of debt into equity, by offsetting receivables, by the incorporation of reserves, issue premiums or retained earnings, with or without the issue of new shares, or following the issue and the exercise of subordinated or non-subordinated bonds, convertible into or repayable by or exchangeable for shares (whether provided in the terms at issue or subsequently provided), or following the issue of bonds with warrants or other rights to subscribe for shares attached, or through the issue of stand-alone warrants or any other instrument carrying an entitlement to, or the right to subscribe for, shares.

Securities giving access to equity (warrants)

Within the authorized capital, the Board of Directors decided to issue Bonds with Warrants ("OBSAR") without preferential subscription rights:

- "2012 Warrants" issued under the ISIN code LU0234878881 with the following major terms: number of outstanding 2012 Warrants: 21,161; exercise ratio: one warrant gives the right to subscribe to 1.03 share; exercise period: 31 December 2019; exercise price: EUR 7.21; listing: Euronext Paris.
- "2014 Warrants" issued under the ISIN code XS0290764728 with the following major terms: number of outstanding 2014 Warrants: 2,871,021; exercise ratio: one warrant gives the right to subscribe to 1.73 share; exercise period: 31 December 2019; exercise price: EUR 11.20; listing: Euronext Brussels and Paris.

Under the Securities Note and Summary dated 22 March 2007, with respect to the issue of the 2014 Warrants, the occurrence of a Change of Control (as described in Condition 4.1.8.1.2.1 of the Securities Note and Summary dated 22 March 2007) could result in an aggregate potential liability for the Company due to "Change of Control Compensation Amount" of up to EUR 23,685,923.25. According to the Securities Note and Summary each 2014 Warrant would need to be repurchased by the Company at a price of EUR 8.25/ 2014 Warrant in the event of a Change of Control. This Change of Control Compensation Amount per 2014 Warrant decreases as time goes by. Change of Control is defined as "the acquisition or control of more than 50 per cent of the voting rights of that entity or (b) the right to appoint and/or remove all or the majority of the members of the Board of Directors or other governing body of that entity, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise [.]" The former management transferred a total of 1,606,159 2014 Warrants to the Company as part of the settlement, decreasing the potential Change of Control Compensation Amount by EUR 13.25 million. The Change of Control Compensation Amount with respect to 2014 Warrants has been admitted in the Company's Safeguard plan in the amount of EUR 707,826.24.

❖ **In 2013**

During 2013, the share capital of the Company decreased from its previous amount of EUR 442,147,944.20 by EUR 226,466,020 to EUR 215,681,924. This decrease was approved by the Company's extraordinary general meeting on 4 February 2013 and realized without cancellation of shares by decreasing the accounting par value of the existing shares from EUR 4.1 to EUR 2.0 per share, with allocation of the reduction proceeds to a reserve.

The share capital of the Company has been increased on 28 August 2013 to EUR 229,015,258 as a consequence of the issue of 6,666,667 new shares to the Company's largest shareholders, Gamala Limited, Kingstown Capital Management, LP, Alchemy Special Opportunities Fund II L.P. and Stationway Properties Limited. This capital increase was a private placement within the framework of the Company's authorized capital approved by the shareholders on 27 June 2013.

15.2 Dividends per share

The Board of Directors has decided not to propose any dividend payment at the Annual General Meeting of Orco Property Group S.A. for the year 2013.

16 Capital and other commitments

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 projects which have been launched as of 30 June 2014 amount to EUR 2.5 million (EUR 75.5 million as at 31 December 2013). This does not take into account the potential investments in future projects like Bubny in Prague.

As at 4 February 2013, the Company sold all its position in the Office I sub-Funds to a third party. Moreover, all positions in Office II sub-Funds were sold as at 15 of March 2013 too. Consequently, the Company transferred all its rights and engagements in relation to these sub-funds. The residential sub-fund, in which the Group holds a 14.8 % stake, is in liquidation and therefore no further capital calls are foreseeable.

Bank loans covenants (see Note 12.5)

17 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 management of the Company are considered the key management personnel of the Group. As of 30 June 2014, the management was made of three members.

The Board and Committees attendance compensation for the first half of 2014 amounts to EUR 36,000. The annual general meeting of the Company held on 28 May 2014 resolved to approve, with the effect as of 1 January 2014, the payment of attendance fees to all independent, non-executive Directors of the Company in the amount of EUR 3,000 per calendar month as a base fee and empowers the Board of Directors to decide at its sole discretion about the payment of additional fees up to EUR 3,000 per calendar month to each independent, non-executive Directors of the Company.

b) Termination and change of control clauses

On 18 March 2014, the Company's Board of Directors decided to dismiss and to terminate the executive contracts of Jean-François Ott, Nicolas Tommasini, Aleš Vobruba and Brad Taylor. Following negotiations and approvals from the Board of Directors, on 27 March 2014 the Group and the former management entered into a confidential settlement and mutual general release agreement by which the Group settled all the existing and future potential obligations and claims arising from the termination and the holding of warrants by the former management. This agreement settled all the termination and change of control clauses. Under this settlement agreement, the former executives received EUR 6.0 million in cash. In addition, settlements in kind (non-core assets) were agreed with the former management to transfer Pachtuv Palace hotel in Prague at the net asset value EUR 6.5 million. Furthermore, an indemnity payment was agreed with the management of the former Group subsidiary GSG Group. This was paid by GSG Group directly and included cash payment of EUR 1.15 million and transfer of Hakeburg property in Berlin at the net assets value of EUR 1.9 million.

An indemnity to some members of the management and executive Board members agreed in their respective contracts amounts to EUR 465,000 as at 30 June 2014 (EUR 2.7 million as of 30 June 2013) and is payable in the event of termination of their contracts.

a) Loans and advances with key management personnel

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

Steven Davis also benefited from a loan of CZK 1,520,000 (app. EUR 56,438) from Orco Project Management s.r.o. (now Orco Prague, a.s.), a fully owned subsidiary of the Company, granted on 20 November 2006, with maturity date at 31 December 2008. In 2009, the Company 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. Mr. Davis paid the entire amount. Orco Prague a.s. also sued Mr. Davis for CZK 799,099 for unjust enrichment and for CZK 19,500 and EUR 500 for unpaid expenses. First instance court decided that Mr. Davis shall pay to ORCO Prague, a.s. the amount of CZK 529,930.67. Mr. Davis filed an appeal against this judgment. Bubny Development sued Mr. Davis for damages in the amount of CZK 30,981,461. These litigations are pending as at 30 June 2014.

b) Other transactions with key management personnel

Over 2014 and 2013, no sales of assets to members of the Executive Committee or the Board of Directors were closed.

During 2013 the Company transferred one of its treasury shares to one member of the Board of Directors for free and for the duration of his function on the Board. During 2014 the Company transferred two of its treasury shares to two members of the Board of Directors for free and for the duration of their function on the Board.

In the first half of 2011, two entities closely associated to Gabriel Lahyani, then member of the Board of Directors acquired 8,890 bonds (ISIN: XS0302623953) of ORCO Germany S.A. from the Company's subsidiary for a total of EUR 4.4 million. As of the date of this report, the amount of EUR 227.480 plus statutory late interest accrued thereon is owed to the Company's subsidiary as a consequence of this transaction. Although the Company firmly intends to pursue full recovery of this amount, the receivable has been impaired in the 2012 accounts. As of today a litigation is pending with respect to the delivery and payment of these bonds.

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 had an ownership interest of 14.8% in the Residential Sub-fund as at 30 June 2014.

Orco's remuneration from the Residential sub-fund amounting to EUR 0.3 million in 1H 2014 (EUR 1.7 million in 2013) is linked to:

- the liquidation fee for the Residential Sub-fund;

- the disposal fee calculated as 0.5% of the value of the assets sold.

As at 30 June 2014, there are no open invoices for unpaid management fees owed by Endurance Fund to the management company. The total of invoices issued in 1H 2014 by the management company to the sub-funds of the Endurance Fund, mainly composed of management fees, is amounting to EUR 0.3 million (EUR 1.1 million in FY year 2013).

Besides the fund management, there are transactions between the Group and Endurance Fund companies as a consequence of OPG companies rendering administrative and financial services. These transactions resulted in the recognition in 1H 2014 of EUR 38 thousand revenue (EUR 0.6 million in FY 2013). They also resulted in a net receivable of EUR 4 thousand as at 30 June 2014 (EUR 0.3 million as at 31 December 2013).

Moreover the Group subscribed for loans with Endurance Fund partners that amount to EUR 0.8 million, interests included (EUR 0.8 million in 2013).

During first half of 2014, Residential Sub-fund didn't distribute any dividends (in 2013 the Company's income from Residential Sub-fund's dividends was EUR 0.2 million).

Transactions with Foncière Paris Nord

In the second half of 2012, the Company entered into a service contract with Foncière Paris Nord (FPN). Under the terms of this contract, the Company is to carry out a preliminary feasibility study for the renovation of a group of four buildings in Le Blanc-Mesnil, a commune in the northeastern suburbs of Paris, in return for a fee of EUR 0.5 million. If Foncière Paris Nord decides to carry out the renovation project, the Company would earn a fee equal to 10% of the project cost, which is preliminarily estimated at EUR 50 million. The project is subject to relevant authorizations and approvals. An amendment of this service contract has been signed in June 2013 in order to prolong the initial contract and adjust the agreed fee.

Over the year 2013, the Company recognized a revenue of EUR 0.4 million with FPN. Over the year 2012, the Company recognized a revenue of EUR 0.3 million with FPN. Due to the over indebtedness of FPN, the Company has fully impaired the amount of receivable recognized as of December 2013 for EUR 0.7 million.

The Company disposed of its shares and receivable in FPN in the first half of 2014 for EUR 0.4 million.

Transactions with GSG Group and CPI group

CPI Property, s.r.o., an entity affiliated with Mr. Radovan Vítek, has provided property management services to certain assets of the Company in the Czech Republic. The value of such services amounted to EUR 54 thousand in 2013.

CPI Management, s.r.o., an entity affiliated with Mr. Radovan Vítek, has started outsourcing services in the field of general administration, tax, accounting, reporting, human resources, and IT to certain assets of the Company in the Czech Republic as of 1 July 2014. The value of such services amounted to EUR 58 thousand a month.

In June 2014 GSG Group provided the Company with a short term loan with the following main characteristics: EUR 3.5 Million principal, 3 months term with a possibility repay earlier without penalty and 8% p.a. interests to be paid with repayment. For details and developments concerning the Mamaison portfolio hospitality joint venture with GSG Group please refer to Note 6.1.

18 Litigations

On 28 December 2012, the Company filed a request for arbitration against the State Property Management Agency of the Republic of Croatia, also known as AUDIO, which is the legal successor to the Croatian Privatization Fund. The Company's statement of claims for damages filed with the ICC International Court of Arbitration amounts to approximately EUR 17.1 Million. The claims relate to underlying title disputes to properties on the island of Hvar in Croatia held through the Croatian company Suncani Hvar d.d. In 2013 AUDIO has transformed into the Croatian Centre for Restructuring and Sales (CERP) and the State Property Management Administration (DUUDI).

As of 31 December 2013, there were 2 contingent liabilities of EUR 5.9 million related to BAR (Leipziger Platz transaction – see Note 20 of 2013 Consolidated Financial Statements) and EUR 1.52 Million related to the arbitration against CERP, the legal successor to the Croatian Privatization Fund exist. These contingent liabilities relate to GSG Group and Suncani Hvar respectively, which were deconsolidated in the first half of 2014 after losing control.

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

19 Events after the reporting period

Completion of the buyback of Zlota 44 receivables

On 17 April 2014, the Group concluded an agreement with Bank PEKAO to acquire the loan receivables and collateral related to the Zlota 44 project (see note 12.3.2). The Group completed the buyback of the Zlota loan on 3 July 2014.

Sale of Zlota 44

On 27 August 2014, the Group entered into an agreement concerning a disposal of its stakes in the Zlota 44 project in Warsaw. The transaction with a subsidiary of international consortium of AMSTAR and BBI Development is comprised of the disposal of shares that the Group held in the Zlota 44 project entity as well as of the disposal of loan receivables that the Group acquired from Bank Polska Kasa Opieki S.A. The aggregate gross transaction price is EUR 63 million in cash; partially payable upon completion of transfers and partially deferred upon the realization of certain conditions relating to the construction of the tower.

Sale of Molcom

On 2 July 2014, the Group sold receivable from deferred consideration related to sale of Molcom for EUR 1.0 million. The receivable was reclassified from financial assets to assets held for sale as at 30 June 2014.

New notes

The Company received on 27 August 2014 a request to convene a general meeting of bondholders in order to submit to their approval some amended terms of the 'New Notes' registered under ISIN code XS0820547742 and issued in October 2012. As that bondholder holds more than 10% of the 'New Notes', the Company will convene the meeting within regulatory and legal delays. Such new terms would only be valid after approval by that general meeting and subsequent acceptance by the Company. At the end of August, after the payment of interests and cash sweep on the partial sale of Stribro project, the principal and accrued PIK interests amount to EUR 79 Million. After review and consultancy with its legal adviser, the Company will communicate on the proposed terms.

Refinancing of the Hospitality portfolio

On 21 July 2014, the Group and the GSG Group jointly achieved the extension of the bank loan of EUR 62.5 million by one year.

Index of the notes to the condensed consolidated interim financial information

1 General information ... 8

1.1 Changes in the Group structure ... 8

2 Summary of significant accounting policies ... 8

2.1 Basis of preparation ... 8

2.2 Accounting policies ... 9

2.3 Seasonality ... 9

2.4 Critical accounting estimates and judgments ... 9

3 Segment reporting ... 14

3.1 Segment Reporting - 30 June 2014 ... 15

3.2 Segment Reporting - 30 June 2013 (as restated) ... 16

3.3 Segment Reporting - 30 June 2013 (as reported) ... 17

4 Investment property ... 18

5 Hotels and owner-occupied buildings ... 20

6 Non-Current Financial assets ... 21

6.1 Financial assets at fair value through Profit or Loss ... 21

6.2 Available-for-sale financial assets ... 21

6.3 Non-current loans and receivables ... 21

6.4 Equity method investments ... 21

7 Inventories ... 22

8 Assets and liabilities classified as held for sale ... 23

9 Discontinued operations ... 24

10 Cash and cash equivalents, Other current financial assets ... 25

11 Non-controlling interest transactions ... 26

12 Borrowings, bank loans and bonds ... 27

12.1 Non-current bonds ... 27

12.2 Non-current bank loans and other borrowings ... 27

12.3 Current financial debts ... 28

12.4 Borrowings maturity ... 30

12.5 Loans with covenant breaches ... 31

13 Other net financial results ... 32

14 Earnings per share ... 32

15 Equity holders ... 33

15.1 Share capital ... 33

15.2 Dividends per share ... 34

16 Capital and other commitments ... 34

17 Related party transactions ... 34

18 Litigations ... 35

19 Events after the reporting period ... 36

KPMG Luxembourg S.à r.l.
9, allée Scheffer
L-2520 Luxembourg

Telephone +352 22 51 51 1
Fax +352 22 51 71
Internet www.kpmg.lu
Email info@kpmg.lu

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

Report of the Réviseur d'Entreprises agréé on the review of the condensed consolidated interim financial information

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of Orco Property Group S.A. ("the Company") and its subsidiaries ("the Group") as at 30 June 2014, the condensed consolidated interim statements of income, comprehensive income, changes in equity and cash flow for the six-month period then ended, and notes to the condensed consolidated interim financial information ("the condensed consolidated interim financial information"). The Board of Directors is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34, "Interim Financial Reporting" as adopted by the European Union. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" as adopted, for Luxembourg, by the Institut des Réviseurs d'Entreprises. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information as at 30 June 2014 is not prepared, in all material respects, in accordance with IAS 34, "Interim Financial Reporting" as adopted by the European Union.

KPMG Luxembourg S.à r.l., a Luxembourg private limited company and a member of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

T.V.A. LU 24892177
Capital 12.502 €
R.C.S. Luxembourg B 149133

KPMG

Emphasis of Matter

Without qualifying our conclusion, we draw attention to Notes 7 and 19 to the condensed consolidated interim financial information. The Group management used the external valuation for 31 December 2013 consolidated financial statements for determining the impairment of the project Zlota 44. The carrying value of the project Zlota 44 as at 30 June 2014 is EUR 30.3 million. Management believes that this is the best estimate available as at 30 June 2014 due to the illiquidity of the market for this type of project, to the fact that the project was put on hold beginning of 2014 and to the fact that, as a result, additional cost incurred in 2014 were fully expensed through the income statement. On 27 August 2014, the Group sold the shares in Zlota 44 project including the loan receivable that the group acquired from Bank Polska Kasa Opieki S.A. for an aggregate gross transaction price of EUR 63 million in cash to a consortium of AMSTAR and BBI Development.

Luxembourg, 28 August 2014

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

Alison Macleod