



PROPERTY GROUP Financial Report

Half Year 2012



SUMMARY

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ORCO PROPERTY GROUP S.A.

42 rue de la Vallée
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R.C.S. Luxembourg B 44996
(the "Company")

**DECLARATION LETTER
CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION
AS AT 30 JUNE 2012**

1.1. Persons responsible for the condensed consolidated interim financial information

- Mr. Jean-Francois Ott, acting as managing director of the Company, with professional address at 25 rue Balzac, F-75406 Paris Cedex 08, France, jfott@orcogroup.com;
- Mr. Nicolas Tommasini, acting as managing director of the Company, with professional address at 25 rue Balzac, F-75406 Paris Cedex 08, France, ntommasini@orcogroup.com.

1.2. Declaration by the persons responsible for the condensed consolidated interim financial information

We, Jean-Francois Ott and Nicolas Tommasini, declare that, to the best of our knowledge, the condensed consolidated interim financial information of the Company as at 30 June 2012, prepared in accordance with International Accounting Standards 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 that the management report includes a fair view of the development and performance of the business and the position of the Company and its subsidiaries included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face.

Approved by the Board of Directors and signed on its behalf by Mr. Ott and M. Tommasini.

Paris, 30 August 2012



Mr. Jean-Francois Ott
Managing Director



Mr. Nicolas Tommasini
Director



PROPERTY GROUP

Management Report as at 30 June 2012

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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 1.5 Billion. The Group has a strong local presence in its main markets, namely Prague, Berlin, Warsaw as well as offices in Budapest, Moscow and Hvar (Croatia).

1 Message from the management

Dear shareholders,

Over the past months, we have been executing the financial restructuring plan presented in our latest annual report.

First and foremost, we have made tremendous progress in the refinancing of the EUR 286 Million GSG Berlin portfolio bank loan, and we have obtained a term sheet from a club of German banks for approximately 95% of that amount. We are confident in being able to close this refinancing and reimburse the full amount of the existing loan by year end. Investing in GSG, with its huge development, leasing and rental level upside, remains a key priority for the Group.

We have executed the exchange for equity instruments of most OG bonds and are about to execute the remaining OG and OPG bonds conversion in September as the securities notes are by approved by market authorities, bringing down our corporate bond liability from EUR 677 Million of notional to only EUR 76 Million. This debt-to-equity swap not only reinforces our balance sheet but also our shareholding structure with new international institutional investors and a reshuffled board made of both professional investors and independent directors.

We have also reduced our leverage at the asset level, through the progresses on our on-going development projects, the value created by active asset management and the selective asset sales. As a result LTV before bonds was reduced from 52% to 50%.

We have also continued deleveraging at the asset level through progress on our on-going development projects and value creation through asset management, and through selective assets sale. As a result, LTV before bonds was reduced from 52% to 50%. Global LTV post restructuring shall reach 55% which shall be further reduced after the Sky sale. We reached key achievements in solving breaches on other subsidiaries, and we expect the amount of liabilities due in the short term to continue to decrease. Given the high quality and prime locations in capital cities of our real estate assets, we keep a long term holding view and a focus on rental income with diversified tenants.

While continuing with deleveraging, our strategy for late 2012 and onwards is to selectively invest in our value and net cash generating opportunities. The example of Mezihori shows that we can develop projects and create value with very little new cash using our existing land bank and pre-sales /pre- leasing know how. We wish to duplicate this success with new projects in Prague, Berlin, Budapest and Warsaw. Berlin shows probably the best prospects from all. We own buildings valued below EUR 1,000 per sqm which could be converted with limited investment into products worth twice or triple. A number of empty plots could allow commercial or mixed development, and we intend to start to crystallize such value over the coming months, starting with permitting. Then, I am confident we can launch construction with limited equity investments from the Company as permits and prelease/ pre sales hurdles are sufficient to obtain construction financing. Such growth shall increase the overall size and value of our existing portfolio of rental commercial properties and allow further arbitrage of mature assets.

We will continue to further strengthen our yielding commercial portfolio through active asset management. We believe that our portfolio, located in some of the most dynamic European markets like Prague, Berlin or Warsaw enjoys strong fundamentals and significant growth potential in terms of take up and rents. Our know-how and historical presence in these markets shall allow us to substantially increase the operating cash flow of some assets by boosting occupancy or repositioning the asset to better meet the market needs, capture additional income, and create additional real estate value.

Reducing interest charges, improving the yield of our current investment properties and generating income out of our land bank shall continue improving our profitability. We are reducing our overheads and centralizing costs in line with the downsizing of our peripheral businesses. Our Adjusted EBITDA almost doubled YoY this semester to EUR 21.2 Million driven by the continuous improvement of profitability of our property investment business line.

We will launch a renewed investors communication strategy, including meeting our existing and future shareholders across Europe and the USA with the goal of expanding the interest of investors from our already vast new shareholders base. Most of the Orco assets are not stabilized yet and therefore show great upside potential in what remains one of the most dynamic area in Europe. Our financial restructuring now allows us to focus all resources into extracting such potential.

Jean-François Ott,
President & CEO

Nicolas Tommasini
Deputy CEO, CFO

2 Key events: first half 2012 and post-closing key events

2.1 Progress in the process of refinancing GSG

OG's subsidiary GSG and its financing bank have signed a standstill agreement until 31 August 2012 which defers the repayment obligation related to the remaining EUR 286 Million financing for GSG portfolio after partial repayments in March, April and May 2012. On 28 August, the Group to obtain a detailed term sheet for financing by a club of German banks in the amount of approximately EUR 270 Million. Such amount, substantially above previous Company estimate, shall cover close to 95% of refinancing needs. The balance shall be contributed through the Sky asset sale.

In light of such progress, the Company expects to obtain a further extension of the standstill agreement.

2.2 Debt reduction by equitizing OG and OPG bonds

Negotiations with Orco Germany SA ("OG") and OPG bondholders led to the signature on 17 April 2012 of a joint agreement on all bonds issued by both companies. Bondholders' and shareholders' general meetings held between end of April and June have all largely voted in favor of the restructuring. Most of the Safeguard creditors also approved the new terms (the couple of creditors who did not approve continue to be served under the 19 May 2010 approved repayment schedule). On 14 May 2012 the Paris Commercial Court heard the Company's request to modify its Safeguard plan in order to implement the bond restructuring plan and approved it on 21 May 2012.

In addition, the general meetings of the 2010, 2013 and 2014 OPG bondholders resolved to finally and definitely waive and withdraw the current lawsuits against OPG and not to make any further challenges regarding its Safeguard plan.

Pursuant to the joint restructuring agreement, on 9 May 2012, approximately 84.5% of the OG bonds were transferred to OPG in exchange for new convertible notes issued by OPG, in a mandatory exchange as voted by the general meeting of the OG bondholders. The convertible notes are convertible into OPG shares in two steps. In the first step, 18.4 Million of shares were issued on 14 May 2012 as the first repayment on the convertible bonds. These new shares were unlisted and restricted from trading until their admission to trading on the regulated markets of NYSE Euronext in Paris on 27 July 2012 and the Prague Stock Exchange on 3 August 2012, following the approval of a prospectus by the CSSF on 18 July 2012. Their admission to trading on the Warsaw Stock Exchange is currently pending. The second repayment on the convertible bonds in an amount of 7.8 Million shares is scheduled for 28 September 2012, subject to prospectus approval by the CSSF.

As for OPG bonds, i.e. approximately 90% of the amount are to be converted at a date estimated in September into approximately 65 Million OPG shares and the remaining OPG bonds can be exchanged for EUR 55.2 Million in New Notes.

On 28 August 2012, the CSSF approved a prospectus relating to 64.6 Million OPG shares to be issued on 3 September 2012 upon the exchange and conversion of approximately 89.9% of the number of OPG bonds (89.3% of the amount of OPG Bond payments under the Safeguard plan).

The New Notes will be issued by OPG on 4 October 2012 and will have a maturity on 28 February 2018. The New Notes will bear an annual interest consisting of a combination of cash interest (decreasing from 5% to 4% upon repayment of at least 50% of the principal) and payment-in-kind interest (decreasing in steps from 5% to 3% upon repayment of 50% and 75% of the principal). The principal will be repaid in four annual payments in 2015, 2016, 2017 and 2018. The total amount of New Notes could be up to EUR 75 Million, assuming 100% participation in the exchange. The New Notes will benefit from a 25% cash sweep from net sale proceeds on selected assets, which will correspondingly reduce the subsequent annual repayment.

Assuming a full implementation of the restructuring, OPG's share capital will increase from 35 Million as of the date of publication of this report, to approximately 108 Million shares, and the only Group bond debt will be at the OPG level for an amount of EUR 75 Million. The Joint Agreement on the restructuring of OPG and OG bonds, besides ensuring the going concern of the Group, allows the Group to lower its LTV to approximately 55% and provides the platform for the Group to maximize the potential value of its portfolio.

2.3 Orco Property Group sells Radio Free Europe Building in Prague

A subsidiary of Orco Property Group has sold the Radio Free Europe office building in Prague to a subsidiary of the L88 Companies (www.l88llc.com), an American owned business, for an overall transaction value of USD 94 Million, in line with DTZ valuation as of December 2011 after taking into account all taxes on the transaction.

Upon closing, L88 delivered USD 80 Million in cash, USD 2 Million in concessions, plus a USD 12 Million note convertible into a 20% stake in the parent company of the entity acquiring the building in the case it would not be fully repaid before end of 2019.

In addition, the parties have entered into a Strategic Alliance for the development and construction of a broad based building platform for the U.S. Department of State.

2.4 Initiation of Bubny master plan change

Prague city council unanimously approved the initiation of the Bubny Master Plan change on 22 May 2012. This decision is a major step in the process of obtaining a new master plan for the whole Bubny development area by the end of 2013.

The Company expects to close its JV transaction with Unibail Rodamco by the end of the year bringing a cash in for the Group before repayment of loan of EUR 19 Million, with a further complement of payment to the Group of EUR 9 Million when obtaining the master plan. The Company shall retain initially a 10% stake in the JV with Unibail but has the option to acquire up to 40% of the JV. The partnership sealed will develop a state of the art anchor shopping center of 112,000 sqm in Bubny.

2.5 Towards the selective launch of new opportunistic development projects

In H1 2012 the Company launched Mezihoří, a new residential project of 138 units in Prague for an expected turn-over of EUR 18.5 Million. The project was launched with very limited cash as the Company paid first construction works with the Pivovar Vrchlabí land and project¹. The Company has also obtained a financing agreement whereas first draw down can occur subject to 35% of the flats pre-sold. At the date of this report, about 33% of the project has been pre-sold and draw down can be expected in Q4 2012.

The Group has a further pipe line of residential projects in the Czech Republic which could be launched over the coming 12-18 months subject to successful pre-sales as for Mezihoří, and particular the projects Kosík phase 3b (expected turnover of EUR 30 Million over the next 3 years) and U Hranic (expected turnover of EUR 23 Million over the next 5 years).

Lastly the Group has been working on a pipe line of Berlin commercial developments (starting with the Gebauer project on Helmoz) and residential re-developments (starting with Kreuzberg assets), see 3.3.2.

3 Business Review

3.1 Market environment

European investment activity and lending market

The European commercial real estate investment activity totaled EUR 25.4 billion in Q2 2012, decreased by 11% compared to Q2 2011. Volumes in CEE have been sharply reducing. Offices continue to be the preferred asset class among investors in CEE markets and accounted for 60% of the investment volume in Q2 2012.

Real estate lending to investment properties has been recovering slowly, fuelled by some activity on the Germany market, although financing remains and is expected to remain much more restricted than during boom times. Hence the real estate lending policies of major lenders in new developments remained tightened and selective.

Financing of commercial office development however remains very limited. Generally, conditions are very tight with focus on high level of pre-lease and quality of location.

Similarly, the recovery of residential development is very slow. Pre-sale requirements for financing are very high. In light of this situation, obtaining bank loan financing for Mezihoří from Unicredit under conditions of 35% equity and 35% of pre-sale is a success marking the resumption of Orco developments albeit in a limited and opportunistic way.

Berlin office market

Within a resilient German economy, Berlin GDP growth has been outweighing the country. Berlin remains one of the most dynamic European markets. The first half closed with a take-up of 262,800 sqm. This places second in Germany behind Munich. The vacancy rate declined by a further percentage point and is now at 7.5%.

The weighted average rent over all the contracts for the first half year was calculated at EUR 11.95/sqm/month compared to EUR 11.3/sqm/month in Q1 2012 and EUR 12.5/sqm/month in 2011. The achievable prime rent remains unchanged at EUR 22/sqm/month.

German residential market

The German residential market remains to be seen as one of the globally securest and most attractive residential markets for national and international investors. The very large demand for residential properties in all groups of investors underlines this trend. According to analysis carried out by CBRE, in H1 2012, the national transaction volume was around 1.7 times higher in a year-on-year comparison. Besides, the number of transacted residential units (127,000) and the sum of residential space (around 8.2 Million sqm) has doubled respectively. With the robust economic development, the positive development on the employment market and historically low financing conditions, this positive trend is expected to continue.

In **Berlin**, the ownership rate is still very low and the demand for rental units is still high. The growth in housing stock was moderate over the past years. New apartments resulting from redevelopment of existing buildings are becoming increasingly important.

The asking rents for accommodation with basic and standard fit-out have also been increasing in residential locations especially in the districts Mitte, Prenzlauer Berg and Friedrichshain-Kreuzberg. In Friedrichshain-Kreuzberg the residential rents for accommodation ranges between EUR 5.28 and EUR 9.32/sqm, with an average of EUR 7.00/sqm which is above the Berlin average of EUR 6.17/sqm. The vacancy rate within the district Friedrichshain-Kreuzberg remains stable at around 3.2%, one of the lowest within Berlin. (DTZ)

Budapest office market

The GDP of Hungary decreased by 1.2% in Q1 2012 compared to the previous quarter. Stagnation was recorded in about half of the industries of the national economy.

No office building was completed in the second quarter of 2012, therefore the modern stock of 334 office buildings remained unchanged. The total office stock stands at 3,175,800 sqm with grade A buildings accounting for 78% of the total rental stock. Development activity is expected to remain low in the forthcoming years.

¹ The project was sold in for EUR 2.2 Million (compared to EUR 1.6 Million DTZ as of December 2010)

Compared to the weak start of the year, leasing activity improved in Q2 2012 with in total 149,000 sqm let in the first half of the year. But the share of renewals remained high, accounting for 51% of the total take-up in H1 2012. The South Buda sub-market represents the largest proportion of the quarterly take-up, with a 25% market share, followed by the Váci ut corridor accounting for 22%.

The vacancy rate still increased by 82 basis points and stood at a very high 21.3% at the end of Q2 2012.

Rental levels remained largely unchanged compared to the previous year. (DTZ)

Budapest retail market

In the first four months of 2012 retail sales decreased by 0.7% compared to the same period previous year. Inflation recorded 5.6% increase year-on-year. Due to future tax rises, it is expected to remain above target during H2 2012.

Budapest and its surroundings account for 1 Million sqm modern retail area, with a resulting retail density (retail stock per thousand inhabitants) of 592 sqm.

Large international tenants already present in the country are still cautious about their expansion in the Hungarian market. Although some new brands are mapping the market, they are still not willing to enter Hungary because of the market climate.

Rental levels remained broadly unchanged. However turnover rental arrangements have become common on the market and several incentives are offered to tenants. Prime rental levels in the high streets of Budapest range between EUR 60 and EUR 80/sqm/month, and in the city's top shopping centers between EUR 50 and EUR 70, while other locations achieve EUR 20 to EUR 30. (DTZ)

Prague office market

The new supply delivered in Q2 (60,200 sqm) was the highest since Q4 2009, ca. 88% of that was pre-leased upon completion. The supply pipeline in H2 2012 will be limited to only 23,400 sqm.

Total leasing activity in 2012 will be approximately 20 to 25% lower than in 2011, due to protracted lease negotiations caused by the increasingly cautious outlook of large occupiers.

The office vacancy rate is expected to decrease in Q3 as no new supply will be completed.

Prime rent is expected to remain stable during 2012. (DTZ)

Prague residential market

There are mixed data regarding sales of new apartments in Prague. Ekospol reports an increase of 17% in Q2 2012 compared to Q2 2011. However, JLL reports 'slower sales pace' in H1 compared to last year. Nonetheless, sales for the full year 2012 are expected by everybody to be 5-20% lower than in 2011 as H2 2012 is not expected to match H2 2011.

Supply has remained fairly constant in 2Q. Total number of unsold apartments (both completed and in progress) hasn't changed much.

Warsaw office market

The Polish economy stands out against the financial turmoil observed in Eurozone. Polish GDP is expected to increase by 2.6% in 2012, a much better result compared to the majority of European countries.

The modern office space delivered to the Warsaw market over the course of H1 2012 exceeded 92 000 sqm and the annual supply in 2012 is expected to reach a relatively high level of 220 000-230 000 sqm. A record volume of supply is expected to be delivered to the market during 2013. Prime headline rents are foreseen to remain stable at EUR 25-27/sqm/month in central locations.

In H1 2012, the vacancy rate in Warsaw increased by 0.7% in comparison to Q2 2011 at 7.4%. High level of new supply combined with a stable level of demand expected for H2 2012 will push up the vacancy ratio to 8-8.5% at the end of 2012. (DTZ)

Warsaw residential market

In Q2 2012, slightly more than 3 200 units were sold which is similar result to the previous quarter. At the same time, there were 5 200 units launched to the market. Over the last 4 quarters, slightly over 14 400 units were launched but only 12 000 units were sold. As a result, total number of apartments on offer grew and reached the highest level in history, which is likely to cause further declines in prices. (REAS)

3.2 Property Investments

The Group Property Investments business line is comprised of commercial rental assets, hospitality assets and Endurance real estate fund management (generating income from management fees as fund manager). The Property Investments business line's gross asset value includes financial assets and receivable, most of them resulting from the sale of assets and activities.

3.2.1 Rental portfolio

The Group rental portfolio encompasses assets focusing on commercial buildings.

Portfolio per Country	GLA (SQM)				Occupancy (%)			Average Rent EUR/SQM				
	June 2012*	March 2012*	Dec 2011*	June 2011	June 2012*	March 2012*	Dec 2011*	June 2011	June 2012*	March 2012*	Dec 2011*	June 2011
Prague, Czech Republic*	130,049	151,249	151,249	154,210	80.6%	83.2%	77.8%	75.1%	5.21	7.39	7.27	7.07
Budapest, Hungary**	40,257	40,257	29,598	29,598	16.6%	15.6%	15.3%	9.3%	14.93	16.16	13.58	21.58
Warsaw, Poland	36,598	36,598	36,630	36,630	81.9%	94.9%	94.9%	83.9%	3.21	3.02	2.81	2.78
Bratislava, Slovakia	8,220	8,220	8,220	8,220	51.8%	44.3%	40.6%	36.0%	5.78	6.74	6.60	6.20
Capellen, Luxembourg	7,744	7,744	7,744	7,744	86.3%	85.9%	85.9%	85.9%	22.83	22.34	22.29	21.99
Berlin, Germany***	839,931	839,244	850,852	853,520	79.3%	78.8%	78.1%	77.4%	5.22	4.81	4.88	4.81
Portfolio Data	1.062.798	1.083.312	1.084.293	1.089.922	77.0%	77.4%	76.7%	75.2%	5.37	5.36	5.33	5.25

*: after audit, the current estimated leasable area of Bubenska got reduced to 17,575 sqm meanwhile potential GLA of the asset is increased to 30,549 sqm. Starting December 2011, ratio and per sqm figures are calculated on the basis of 17,575 sqm. As of June 2012, Radio Free Europe is excluded from the figures of the Czech Republic.

** : Vaci 1 is included in the portfolio of asset in Hungary starting January 2012 and included in the figures presented for March and June 2012 .

***: Assets part of GSG and other office assets in Berlin are now presented on the same line.

Over H1 2012, the Group pursued the improvement of the operational performance of the rental portfolio. The occupancy rate increased from 76.7% in December 2011 up to 77.0% as of June 2012 despite the disposal of the fully let asset Radio Free Europe in Q2 2012. The disposal is reflected in the decrease of occupancy rate occurring between March 2012 and June 2012 in the Czech Republic. The average rent increased from 5.33 EUR/SQM as of December 2011 up to 5.37 EUR/SQM as of June 2012.

- In Berlin, by far Orco's largest market, the Group continues to improve the operational performance of the rental portfolio. Year on year the total occupancy rate of the portfolio increased by 190 bps while average rent is up by 8.5% over the same period.

In 2012 service spaces part of the current area leased have been included for the first time as leased areas. Previously they were only included in the total lettable area, decreasing the actual occupancy rate. As a consequence, 7.181 sqm or 0.88% of total leasable area positively impacted the occupancy rate as a one off effect. 6.399 sqm of the total service spaces attributed to the commercial occupancy increase. This did not have any effect on rental revenues.

Including the positive one off effect and excluding the effect from assets sold the total net take up on commercial spaces amounted to 7.763 sqm in H1/2012 (same store perspective / commercial spaces owned at 31 December 2011 and 30 June 2012) and to 12,454 sqm over a twelve months period (same store).

The eastern asset performed especially well in the first half year 2012. Among the five top performing assets the two eastern assets Döbelnerstrasse and Plauenerstrasse recorded positive developments with further good prospects expected for the later of 2012.

Hence the top performing asset in the first half year 2012 was the asset Döbelnerstrasse in Berlin-Hellersdorf in the region east with a net-take up recorded of 2,269 sqm (without one-off effect on service space 1,736 sqm). Main contributor to the net-take up was a new contract signed with a medical supply store comprising 1,407 sqm with. Thus, the commercial occupancy rate increased by 11.2% from 69.3% (end of 2011) to 80.5% (H1/2012).

Second best performing asset Gustav-Meyer-Allee 25 was located in Berlin-Mitte with a commercial net-take up achieved of 1,664 sqm (without one-off effect on service space 1,459 sqm) elevating the commercial occupancy rate consequently from 96.1% (end of 2011) to 98.2% (H1 2012).

Third and fourth best performers were to be found in the western parts of Berlin. In here the asset Reichenbergstrasse in Berlin-Friedrichshain recorded a net-take up of 1,353 sqm (without one-off effect on service space 1,310 sqm) while on the asset Lübarserstrasse additional 1,038 sqm (without one-off effect on service space 1,038 sqm) could be leased out.

Last, on the eastern asset Plauenerstrasse in Berlin-Lichtenberg thanks to fostered leasing activities a net-take up of 1,014 sqm (without one-off effect) could be recognized driving up the occupancy rate on commercial spaces from 49.6% to 51.3%.

In H1 2012 the Group transferred two assets and three landplots in Berlin - out of them four were sold in 2011 or before. The biggest transfer was the disposal of the residential unit Bergfried- / Ritterstraße in Berlin-Kreuzberg with a sales price of EUR 3.7 Million (+30% above December 2010 DTZ valuation). In addition the company sold the small commercial property Kurfürstenstrasse 13-14 for EUR 2.4 Million (+28% above December 2010 DTZ valuation).

The overall net-take up is expected to further benefit from already signed contracts in the first half year 2012 becoming effective in the second half year 2012.

- In Prague, the Group increased the occupancy rate of its portfolio by 280 bps over H1 2012. This increase is mainly driven by assets located in Prague, namely Na Porici, Hradcanska and Bubenska. In the meantime, the Group successfully completed the disposal of Radio Free Europe, a prime office Building localized in the outlet of Prague rented at the time of its disposal at a EUR 20 per SQM headline rent. The sale of Radio Free Europe induced the decrease of the average rent from EUR 7.39 per SQM as of March 2012 down to EUR 5.21 per SQM as of June 2012. On a like for like basis, the rent of the Czech rental portfolio increased from EUR 5.17 as of March 2012 up to EUR 5.21 per SQM.
- In Budapest, occupancy remains very low as Vaci 188, 're'acquired in H2 2011 remains fully vacant. Over H1 2012, average rent increased by 10% up to EUR 14.93 per SQM as of June 2012 (EUR 13.58 per SQM as of December 2011). Vaci 1, after partial opening end of 2011 is now fully operated as a rental asset. Its addition to the rental portfolio is the main driver of the increase of average rent supported by the excellent performance of first shops opened.

- In Warsaw, over the past 12 months the average rent of the portfolio increase by 15% up to EUR 3.21 SQM while occupancy rate decreased from 94.9% as of March 2012 down to 81.9% as of June 2012 and due to the departure of a significant low rent paying tenant of the logistic platform of Marki.
- In Bratislava, the improvement of the occupancy rate from 36% as of June 2011 to up to 52% as of June 2012 is the result of the effort of the company to improve the operational performance of the retail asset of Dunaj with minimal capital investment.

3.2.2 Hospitality assets

As of June 2012, the hospitality portfolios comprised a total of 1,797 operated rooms.

3.2.2.1 Main land Hospitality Portfolio

CEE Hotels - June 2012	Number of Assets	Number of rooms	Occupancy %	ADR (EUR)	Revenues EUR Millions	GOP EUR Millions (3)
Prague, The Czech Republic (4)	5	481	56%	83.9	6.1	2.2
Warsaw, Poland	3	220	53%	111.3	3.6	1.4
Budapest, Hungary (2)	3	160	65%	68.2	1.2	0.6
Pokrovka, Russia	1	84	81%	209.9	3.8	1.9
Bratislava, Slovakia	1	32	58%	60.3	0.2	0.0
Total CEE	13	977	59%	102.8	14.9	6.1
CEE Hotels - June 2011	Number of Assets	Number of rooms	Occupancy %	ADR (EUR)	Revenues EUR Millions	GOP EUR Millions (3)
Prague, The Czech Republic (4)	5	482	57%	82.6	6.2	2.2
Warsaw, Poland	3	220	54%	90.6	3.0	1.1
Budapest, Hungary (2)	3	161	67%	71.9	1.4	0.7
Bratislava, Slovakia	1	84	68%	226.4	3.3	1.6
Moscow, Russia	1	32	73%	67.6	0.3	0.1
Total CEE	13	979	59%	97.2	14.3	5.8

(1) All numbers are at 100%

(2) Starlight is excluded from the Occupancy and ADR as it is a lease

(3) GOP excludes Group management, sales and marketing fees

(4) Pachtuv Palace is included in the table

During the first half 2012, the performance of our Central European hotel portfolio continued improving and outperforming the market.

Despite the traditional negative seasonality effect of the first quarter, the Group witnessed an improving industry environment in comparison with H1 2011. The market showed a slightly positive outlook and together with the effort of a strong stable management the hospitality portfolio achieved a 4.3% increase of revenue over the first half of the year in comparison with H1 2011. The management is confident in the sustainability of this positive trend over H2 2012.

Average occupancy for the first half of the year reached 59%, which is similar to last year. However, the increase of Average Daily Rate and the efficient control of the cost allowed the GOP excluding group management fees to reach a level of EUR 6.1 Million or an increase of 6.4% on a year to year basis.

Figures in the table assume full detention of the assets while assets are owned jointly with an AIG Real Estate Fund (with 75% of economic interests to Orco).

3.2.2.2 Suncani Hvar Hotels

Suncani Hvar Hotel - June 2012	Number of Assets	Number of operated rooms	Occupancy %	ADR EUR	H1 2012 Revenues EUR Million	GOP* EUR Million
Four Star Category	4	437	49%	100.4	3.1	1.1
Two - Three Star Category	4	383	49%	43.3	0.4	-0.3
Total Suncani Hvar Hotel	8	820	49%	88.5	3.5	0.9
Other Revenue	7				0.4	-1.2
Total Suncani Hvar	15	820			3.9	-0.4
Suncani Hvar Hotel - June 2011	Number of Assets	Number of operated rooms	Occupancy %	ADR (EUR)	H1 2011 Revenues EUR Million	GOP* EUR Million
Four Star Category	4	437	59%	91.0	2.9	0.9
Two - Three Star Category	4	383	35%	40.8	0.5	-0.1
Total Suncani Hvar Hotel	8	820	50%	77.6	3.4	0.8
Other Revenue	8				0.2	-0.9
Total Suncani Hvar	16	820			3.7	-0.1

* Gross Operating Profit excludes Group management, sales and marketing fees

The Group owns a 55.6% interest in Suncani Hvar, a company listed on the Zagreb Stock Exchange, which is fully consolidated in the Group's financial statements. Performance of this Hotel portfolio continued to improve following the successful restructuring of last year.

As observed in the rest of Europe, the tourism market is improving in comparison with the year 2011; however this could be mitigated due to the unpredictable weather condition in the Island of Hvar. Total revenue for the period, which is preceding the season, is EUR 3.9 Million which represents an increase of 7% y-o-y. The strong cost containment plan of Suncani Hvar Hotels continues to show results in this year with Departmental Operating Profit increase of 11.2%.

Since the end of 2011 the Company benefits from strong operational restructuring with a new management. As of the date of publication, the first results of the peak season starting in July are positive showing a monthly revenue increase of approximately 14% in comparison with July 2011.

3.3 Development

The Group's Development portfolio consists of:

- commercial properties,
- residential projects,
- land designated as future developments, which when developed are either transferred to the Property Investments business line or sold.

3.3.1 Commercial

The commercial development portfolio consists of properties that the Company is developing across CE region to keep and manage or sell. Since January 2012, and following its completion by the development business line in fall 2011, the shopping mall Vaci I in the center of Budapest is now fully operated as a property investments asset.

Key Project held in portfolio as of June 2012							
Committed	Location	Asset type	Area in SQM	Permit status	Construction completion	Current value June 2012 EUR Million	ERV EUR Million
Sky Office	Germany, Dusseldorf	Office	32,589	Granted	2010	127.8	7.8
Bubny	Czech Republic, Prague	Mixed commercial	24 ha	Pending	2020	153.1	NA

Over 2012, the commercial development activity is focusing on key project Sky office in Düsseldorf and Bubny in Prague.

In Sky Office Düsseldorf, the Group is in advanced negotiations stage with institutional investors to complete the sale of this prime office mid-rise while the occupancy rate of the asset passed 89% and reached core + standards level during the first half of the year 2012. Sky Office is currently let at an average of EUR 21.1/sqm/month.

In Prague, the Bubny land development project reached a significant milestone with the approval of the initiation of the master plan change passed unanimously by the Prague City Council on 22 May 2012. Obtaining the new master plan is scheduled for the end of 2013. This validates the thorough study works for the master plan change of Bubny provided by the Group and its active dedication unleashing the prospects and the value of the project.

The Unibail Rodamco transaction is expected to be closed by the end of the year bringing EUR 18 Million of cash for the Group, with a further complement of price of EUR 9 Million when obtaining the master plan. The Company shall retain initially a 10% stake in the JV with Unibail but has the option to acquire up to 40% of the JV.

3.3.2 Residential

The Group residential developments aim at the middle and upper market segments in Prague, Warsaw and Bratislava with a remaining development. Quality real estate offers, in the current market conditions, a more resilient margin profile and the Group streamlined its residential development portfolio in order to focus its investment capacities on key prime projects and locations such as Zlota 44 in Warsaw and Benice in Prague.

Amounts in units	New orders		Backlog***	Production	Deliveries	Forex & Pricing	Backlog***
Country	H2 2011	H1 2012	Dec 2011				June 2012
Prague, The Czech Republic	30	64	90	138	(24)	-	204
Warsaw, Poland	34	31	354	-	(36)	-	318
Bratislava, Slovakia	14	10	33	-	(12)	-	21
Hvar, Croatia	-	-	12	-	-	-	12
Total units	78	105	489	138	(72)	-	555
Amounts in EUR Million	New orders		Backlog***	Production	Deliveries	Forex & Pricing	Backlog***
Country	H2 2011	H1 2012	Dec 2011		****		June 2012
Prague, The Czech Republic	7	9	19	18	(3)	1	35
Warsaw, Poland	7	10	226	-	(4)	7	229
Bratislava, Slovakia	4	3	11	-	(3)	(2)	6
Hvar, Croatia	-	-	2	-	-	(1)	1
Total in EUR Million	18	22	258	18	(10)	6	272

*: Kosik at 50% and Commercial units excluded

** :New order : the newly contracted units. Those units will be converted into revenue upon delivery

***: Backlog : total amount of unit under contract but not yet delivered and inventory

****: revenue generated by deliveries does not take into account the sale of the plot Pivovar Vrchlabi for EUR 2.2 Million.

Over H1 2012, the Group contracted 105 units for a total revenue contracted of EUR 22 Million representing an increase of 35% in comparison with H2 2011 in terms of unit contracted and 22% of increased in terms of value of contract signed.

- Prague is the main contributor to the significant increase of new sales recorded during H1 2012 supported by the launch of the commercialization of the new residential project of the Group, Mezihori in Prague which encompasses 138 units and which Gross Development Value amounts to EUR 18 Million. The project is currently 30% pre sold and completion work is expected in august 2013. Construction costs of the project are mostly covered by the proceeds of the sale of the project Pivovar Vrchlabi to the contractor. This transaction offered a favorable

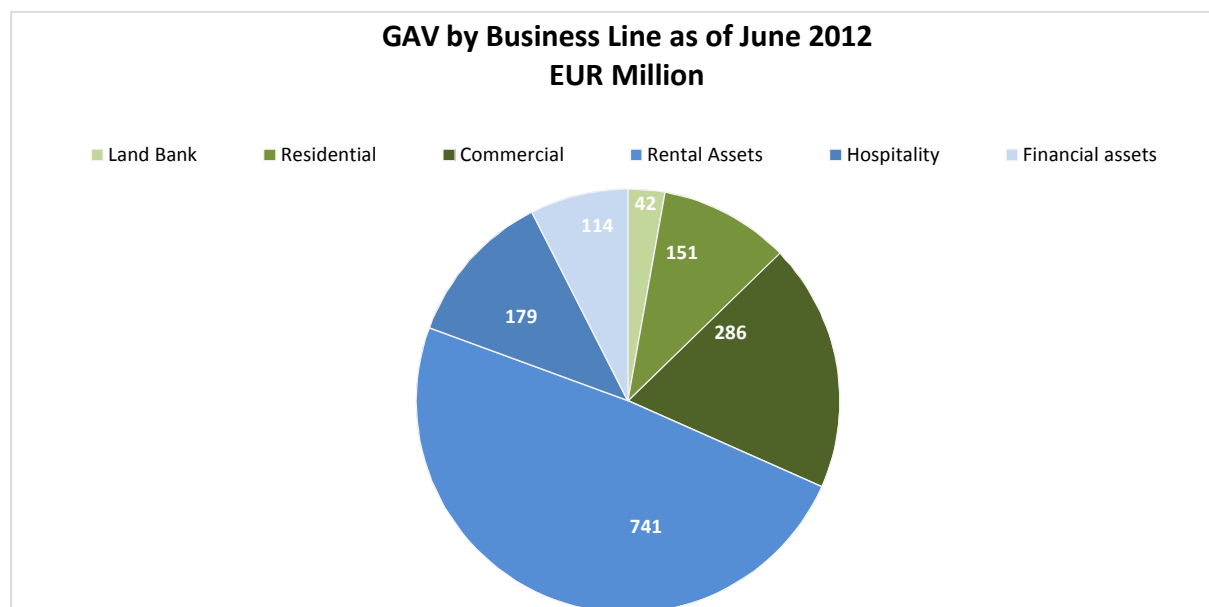
trade off for the Group with the addition of an inventory ideally located in Prague with minimal equity need and the disposal of a non-strategic project. Among the current finished inventories, the Group completed the sale of the units of Hradec Kralove. Meanwhile 41% of the undelivered units of Mostecka as of December 2011 were sold and transferred during H1 2012.

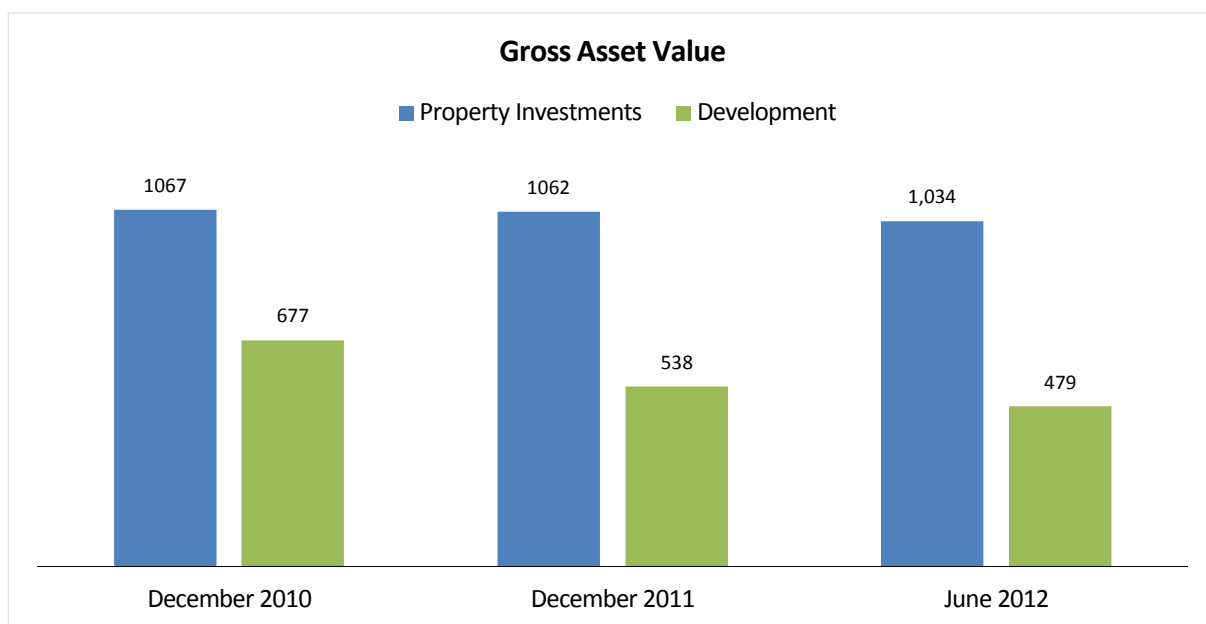
- In Warsaw, the number of unit sold decreased by 9% over H1 2012 in comparison with H2 2011 while the revenue contracted increased by 38% .The increase in revenue contracted is driven by the commercialization of Zlota 44, which pre sales contracts amounts to EUR 6.3 Million. 30% of the 266 apartments are currently under contract while the completion of the construction is expected for the first half of 2013. Klonowa remains the main contributor to the number of unit sold with 21 units sold during H1 2012 (27 units in H2 2011).
- In Bratislava, the commercialization of Koliba slowed down during H1 2012 (-29 % in comparison with H2 2012). The Group aims at completing the commercialization of the project for summer 2013 as 36% of the undelivered unit as of December 2011 have been sold in H1 2012. Out of 91 units produced 19 are still unsold as of end of June 2012.
- In Croatia, on the Island of Hvar, the Group aims at starting the sales of the project Sunny house during the summer season of 2012. The Group is studying whether selling the flats or leasing or selling the property to its subsidiary Suncani Hvar for executives accommodation.
- In Berlin in Germany, the Group pursues the audit and planning of different development project including :
 - the development of circa 8,316 SQM in Gebauer Hofe landplot on Helmutz str. directly on the Spree into a mixed office / residential building. Pre permit (zoning) is expected for end 2012.
 - the development of empty lands into either residential and/or commercial units, particularly in Mitte and Kreuzberg. The first project is expected to be launched at the turn of the year 2013.
 - the redevelopment of some of the smaller assets of GSG located in the district Mitte and Kreuzberg into residential units and condominiums

4 Gross Asset Value and NAV

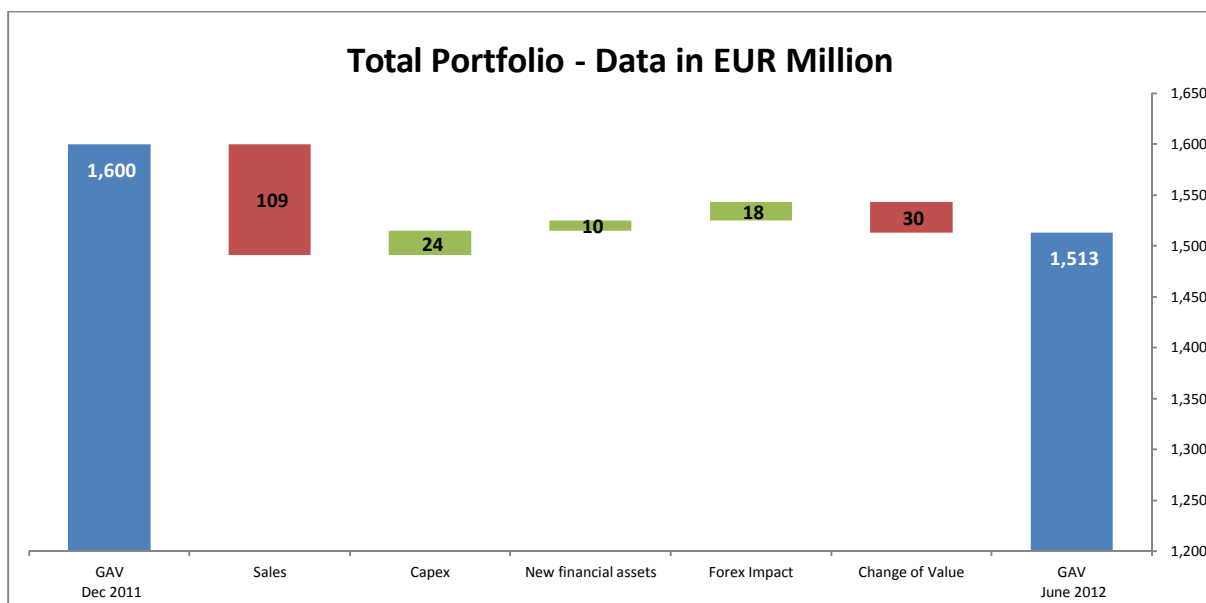
The Gross Asset Value ("GAV") corresponds to the sum of fair value of all real estate assets held by the Group on the basis of the consolidation scope and real estate financial investments, being shares in real estate funds, loans and receivables on third parties active in real estate, shares in non-consolidated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

As of June 2012, on the basis of a review of the real estate portfolio by the independent appraiser and the fair value of the real estate financial investments, the GAV went from EUR 1,600 Million as of December 2011 down to EUR 1,513 Million. The GAV breaks down to 68% of Property Investments and 32% of projects or land bank for the Development business line.





The EUR 87 Million variation results from asset and development sales amounting to EUR 109 Million, additional investment in projects under construction and permitting of land bank amounting to EUR 24 Million, a net positive exchange rate impact of EUR 18 Million and negative change in market value for EUR 30 Million compensating the forex impact as the valuation of the asset is in Euros. Over the first half of the year 2012, the financial assets increased by EUR 10 Million with the addition of the Radio Free Europe transaction's receivable.



4.1 Property Investments

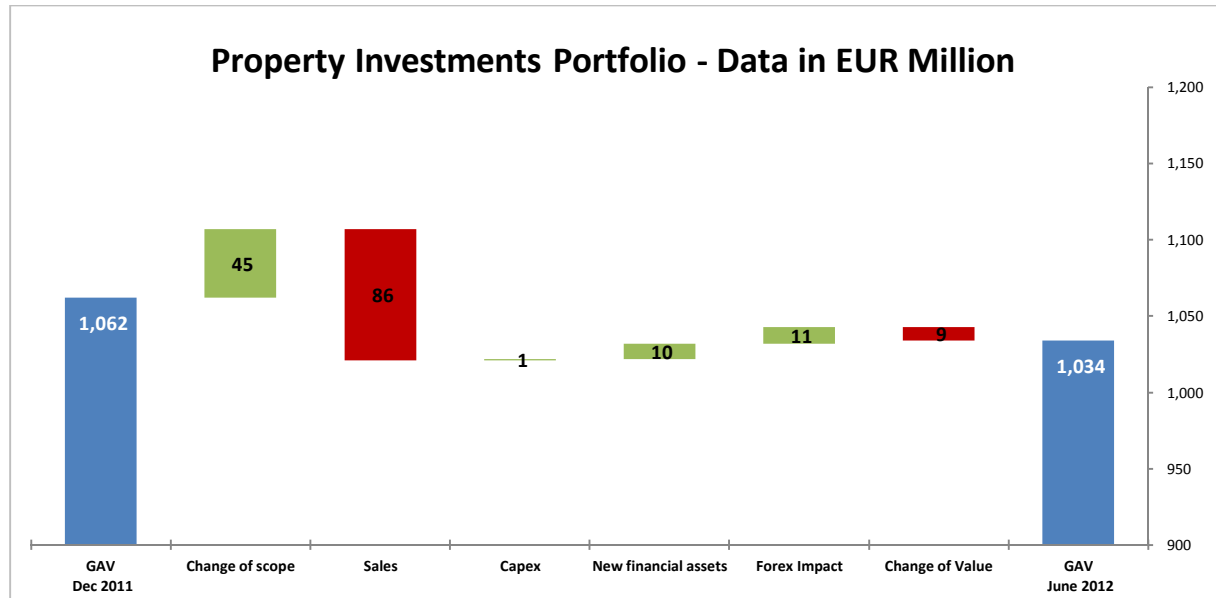
As of June 2012, the GAV of the Group's Property Investments business line (formerly called Asset Management) represented EUR 1,034 Million in value (72% for rental assets, 17% for hospitality assets and 11% of financial assets).

The EUR 28 Million decrease encompasses:

- EUR 45 Million increase with the transfer from Development of the shopping center Vaci 1 completed end of 2011.
- EUR 86 Million decrease due to asset sales closed in H1 2012 which includes the disposal of Radio Free Europe, generating EUR 10 Million of new financial assets, and the disposal of assets in Berlin and Düsseldorf.
- EUR 1 Million of investments.
- EUR 11 Million of positive currency conversion impact due to the weakening of Euro against the Central European currencies, and in particular the Hungarian Forint.

- EUR 9 Million of net decrease in market value.

Corrected from sales of assets and investments and the addition of new assets, the fair value of the Property Investments portfolio has increased by EUR 2 Million.



4.1.1 Rental assets

As of June 2012, the rental assets' value is estimated at EUR 741 Million. In December 2011 the GAV of rental assets amounted to EUR 775 Million. The EUR 34 Million change is split in:

- EUR 45 Million of increase due to the transfer from commercial development to rental assets the shopping center Vaci 1;
- EUR 82 Million of asset disposal which main contributors are the disposal of Radio Free Europe and a few non-core assets in Germany.
- EUR 1 Million increase due to investments;
- EUR 9 Million of positive forex impact
- EUR 7 Million of positive net change in market value expressed in Euros.

Over the first 6 months of the year 2012, on a like for like basis the valuation of the rental portfolio expressed in euros is slightly increasing by EUR 2.3 Million or (+0.3% in comparison with December 2011 valuation).

In Berlin, the rental portfolio's valuation increased by EUR 4.4 Million (+1%) over the first six month of the year. The main driver of this increase is the inclusion in the valuation of a part of the extension potential during H1 2012 on the Berlin rental asset portfolio on which the Management has been working over the past 18 months. As of June 2012, 5,781 SQM of additional plots have been included in the value of the portfolio for a total additional value of EUR 2.2 Million.

In Central Europe, the valuation of the portfolio expressed in Euros, is slightly decreasing (-1% or EUR -2.1 Million on a like for like basis) mainly due to the difficult conditions encountered in Budapest (-EUR 1.4 Million) and Bratislava (-EUR 0.8 Million) while no significant change are recorded in the Czech Republic and Poland.

The following tables give detail on the portfolio according to the EPRA requirements.

4.1.1.1 Property Investments – Valuation data

Segment		Market Value of Property June 2012 EUR Million	Valuation Movement EUR Million Y-o-Y	Net Initial Yield EPRA (%)	Net Reversionary Yield (%)
Asset Class	Location				
	Prague, Czech Rep.	87.7	1.1	4%	10%
	Budapest, Hungary	38.1	-0.9	2%	12%
	Berlin & Lux.*	65.4	0.0	6%	7%
	Warsaw, Poland	5.9	0.1	6%	7%
Office		197.0	0.3	4%	9%
	Prague, Czech Rep.	21.6	-0.9	10%	12%
	Warsaw, Poland*	4.2	-0.3	13%	20%
Logistic		25.8	-1.2	11%	13%
	Bratislava, Slovakia	13.1	-0.8	2%	9%
	Budapest, Hungary	44.7	0.2	-1%	7%
Retail		57.8	-0.6	-1%	7%
Mixed Comm.	Berlin, Germany	452.6	2.4	6%	7%
Total portfolio**		733.2	1.0	5%	8%

*As of June 2012 some assets such as Marki in Poland, the GSG portfolio and Franklinstrasse in Germany are valued with the inclusion of additional land development. In order to present meaningful EPRA yield only the value of the rental asset is included here.

**Total Portfolio excluding the value of the development land attached to Marki, GSG and other German offices and the last units to be sold of the Vinohrady portfolio.

This table and the following include all assets considered as rental in the portfolio of the Group. They exclude the Vinohrady portfolio located in Prague which is made of residential assets that are now empty and are currently being sold on a unit by unit basis as the decrease in value of this specific portfolio reflects the decrease of the inventory of unit. It also excludes the value of the development land attached to the logistic asset of Marki and the additional land plots attached to GSG and which were included in the valuation for the first time for the closing of June 2012, as they do not generate rents. We distinguished these outlets from the rest of the portfolio as they don't directly match the EPRA scope and definitions.

- "Market value" is the net market value estimated by our independent expert at year end. 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 as of June 2012 in terms of yield.
- The reversionary yield is based upon the assumption of a fully rented asset at today's market rent. As of June 2012, we decided to use the figures provided by the external appraiser.

Net Initial Yield and Reversionary Yield are based on the current gross market value of the assets. Those figures are indicator of the current operating performance of the assets and 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.

4.1.1.2 Property Investments – Lease data

		Lease expiry data									Lease break data					
		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		
		Total Passing rent	To expiry	To break	Yrs			Yrs			Yrs			Yrs		
Segment		EUR Million			Yr 1	Yr 2	3-5	Yr 1	Yr 2	3-5	Yr 1	Yr 2	3-5	Yr 1	Yr 2	3-5
Asset Class	Location															
	Prague, Czech Rep	4.4	4.8	4.8	0.1	1.1	2.1	0.1	1.4	2.4	0.1	1.1	2.1	0.1	1.4	2.4
	Budapest, Hungary	1.0	5.9	5.9	0.3	0.0	0.2	0.8	0.0	0.1	0.3	0.0	0.2	0.8	0.0	0.1
	Berlin & Lux.	5.1	2.6	1.6	0.2	0.0	1.9	0.1	0.0	1.8	1.7	0.2	0.2	1.6	0.2	0.2
	Warsaw, Poland	0.3	2.2	2.2	0.0	0.0	0.3	0.0	0.0	0.4	0.0	0.0	0.3	0.0	0.0	0.4
Office		10.8	3.8	3.3	0.5	1.2	4.4	1.0	1.5	4.8	2.0	1.4	2.7	2.5	1.7	3.1
	Prague, Czech Rep	2.3	5.9	5.9	0.3	0.0	0.0	0.4	0.0	0.0	0.3	0.0	0.0	0.4	0.0	0.0
	Warsaw, Poland	0.8	1.2	1.2	0.6	0.0	0.3	0.5	0.0	0.3	0.6	0.0	0.3	0.5	0.0	0.3
Logistic		3.1	4.6	4.6	0.8	0.0	0.3	0.9	0.0	0.3	0.8	0.0	0.3	0.9	0.0	0.3
	Bratislava, Slovakia	0.3	1.0	1.0	0.0	0.3	0.0	0.0	0.7	0.0	0.0	0.3	0.0	0.0	0.7	0.0
	Hungary	1.0	7.5	7.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Retail		1.3	6.0	6.0	0.0	0.3	0.0	0.0	0.7	0.0	0.0	0.3	0.0	0.0	0.7	0.0
Mixed Comm.	Berlin, Germany	34.8	0.9	0.9	26.8	3.6	2.5	24.7	3.3	2.3	26.8	3.6	2.5	24.7	3.3	2.3
Total portfolio		50.1	1.9	1.8	28.1	5.1	7.2	26.7	5.5	7.4	29.6	5.3	5.5	28.1	5.7	5.8

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 office portfolio: the average lease length of the portfolio decreased from 16.0 years as of December 2011 down to 3.8 years due to the disposal of Radio Free Europe which had as of December 2011 a lease maturity of 41.8 years.
- In Hungary, the revenue of the Szervita car park is assumed to be of less than 1 year maturity. As the car park is meant to be at full occupancy and no figure of lease maturity can be used, the amount of ERV considered as "to expire in less than 1 year" for the Szervita car park is its total potential ERV. It should be understood that a lease up period will occur before the target of potential ERV is to be reached. And this lease up period is estimated to be of more than a year.
- The GSG portfolio presents a specific profile of lease maturity. A significant part of the contracts do not include an expiry date and are short term contracts which are automatically renewed. The average length of lease amount to 0.9 years. We have assumed very conservatively that those contracts would expire in the next year. As a consequence the average maturity of GSG is 0.9 years.

The specificity of GSG short leases explain the short consolidated maturity of Orco's leases.

4.1.1.3 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, Czech Rep.	4.2	3.3	64,933	4.4	8.8	40%
	Budapest, Hungary	1.0	0.3	29,163	1.0	4.7	77%
	Berlin & Lux.	4.7	4.3	39,925	5.1	5.5	12%
	Warsaw, Poland	0.4	0.4	1,400	0.3	0.4	0%
Office		10.3	8.3	135,421	10.8	19.4	40%
	Prague, Czech Rep.	2.1	1.8	77,181	2.3	2.6	12%
	Warsaw, Poland	0.9	0.7	35,230	0.8	0.9	2%
Logistic		3.0	2.5	112,411	3.1	3.5	10%
	Bratislava, Slovakia	0.3	0.0	8,220	0.3	1.2	40%
	Budapest, Hungary*	0.5	0.1	11,904	1.0	3.2	66%
Retail		0.7	0.1	20,124	1.3	4.3	59%
Mixed Comm.	Berlin, Germany	34.8	32.9	807,884	34.8	41.5	21%
Total portfolio		48.9	43.8	1,075,840	50.1	68.7	29%

Hungary*: Starting January 2012, Vaci 1 is part of the property investment portfolio. As a consequence, GRI and NRI figures included in this table for Vaci 1 are annualized.

The "Rental data" table presents details on the level of rents and the occupancy of the Group Portfolio for assets held as of June 2012. 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. Gross Rental Income was used as proxy when EPRA data could not be provided. 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.

4.1.1.4 Property Investments – Like for like Net Rental Income

Asset Class	Country	NRI H1 2011 EUR Million	Disposals	Acquisitions	(Re) development	Like-for-Like	Other & Forex impact	NRI H1 2012 EUR Million
	Prague, Czech Rep.	3.2	0.0	0.0	0.0	0.6	0.0	3.8
	Budapest, Hungary	0.1	0.0	0.0	0.0	0.0	0.0	0.1
	Berlin & Lux.	2.5	-0.2	0.0	0.0	-0.2	0.0	2.1
	Warsaw, Poland	0.2	0.0	0.0	0.0	0.0	0.0	0.2
Office		6.0	-0.3	0.0	0.0	0.5	0.0	6.2
	Prague, Czech Rep.	0.8	0.0	0.0	0.0	0.1	0.0	0.9
	Warsaw, Poland	0.3	0.0	0.0	0.0	0.1	0.0	0.4
Logistic		1.1	0.0	0.0	0.0	0.2	0.0	1.3
	Bratislava, Slovakia	-0.1	0.0	0.0	0.1	0.0	0.0	0.0
	Budapest, Hungary	0.0	0.0	0.1	0.0	0.0	0.0	0.1
Retail		-0.1	0.0	0.1	0.1	0.0	0.0	0.1
Mixed Commercial	Berlin, Germany	16.3	-0.1	0.0	0.0	0.7	0.0	16.9
Total portfolio		23.3	-0.4	0.1	0.1	1.4	0.0	24.5

The like-for-like net rental income increased by EUR 1.4 Million year on year. The main contributors are Na Porici and Hradskanka (+EUR 0.6 Million) and GSG (+EUR 0.7 Million).

The disposal of assets in Berlin during the years 2011 and 2012, namely Brünnerstrasse, Invalidenstrasse 112, Kudamm 102, Bergfriedstrasse and Kufurstentrasse 13,14 decreases the total NRI by EUR 0.4 Million. The sale of Radio Free Europe, which occurred in May 2012 will only significantly impact the net rental income during H2 2012.

Vaci I, the prime shopping center, previously classified as a commercial development and since January 2012, fully operated as a rental asset is increasing the Net Rental Income by EUR 0.1 Million and is classified as an acquisition.

4.1.2 Hospitality assets

Suncani Hvar Hotel	Number of Assets	Number of operated rooms	Occupancy %	Market Value H1 2012 EUR Million	Market Value December 2011 EUR Million	Change in Market Value 2011 vs 2010
Four Star Category	4	437	49.0%	76	76	0%
Two - Three Star Category	4	383	48.8%	12	12	0%
Total Suncani Hvar Hotel	8	820	49.0%	88	88	0%
Other	7			13	14	-11%
Total Suncani Hvar	15	820		100	102	-1%

For June 2012, DTZ has performed a review of December 2011 valuations. Globally the aggregate value of the Portfolio is similar to the one as of December 2011.

For the Croatian portfolio values are unchanged, the variation in comparison with December 2011 is due to the sales of the Café Placja during H1 2012.

CEE Hotels	Number of Assets	Number of rooms	Occupancy %	Market Value June 2012 EUR Million	Market Value 2011 EUR Million	Change June 2012 vs Dec 2011
Prague, The Czech Republic	5	481	56%	61.2	61.6	-0.6%
Warsaw, Poland	3	220	53%	24.8	24.2	2.5%
Budapest, Hungary	3	160	65%	14.2	14.8	-4.1%
Pokrovka, Russia	1	84	81%	39.0	37.8	3.2%
Bratislava, Slovakia	1	32	58%	0.5	0.4	4.5%
Total CEE	13	977	59%	139.7	138.9	0.6%

All numbers are at 100%

The CEE portfolio saw variations in the values. Russia and Poland showed strong performance thus increase in values while Hungary saw small decrease in values mainly caused by the difficult economic environment.

These trends are confirmed by hotel industry data which indicate overall modest growth in occupancy and rates over the first six months of the year. The latest report from the European Travel Commission states that Hotel demand in Europe is contrasted with positive sign in Western, Central and Eastern Europe. This market trend is confirmed at group level by reasonable improvement in operational performance of the hospitality portfolios. As a result, and in absence of significant major transaction in the CEE countries, exchange rate impact are the main drivers of valuation changes between December 2011 and June 2012.

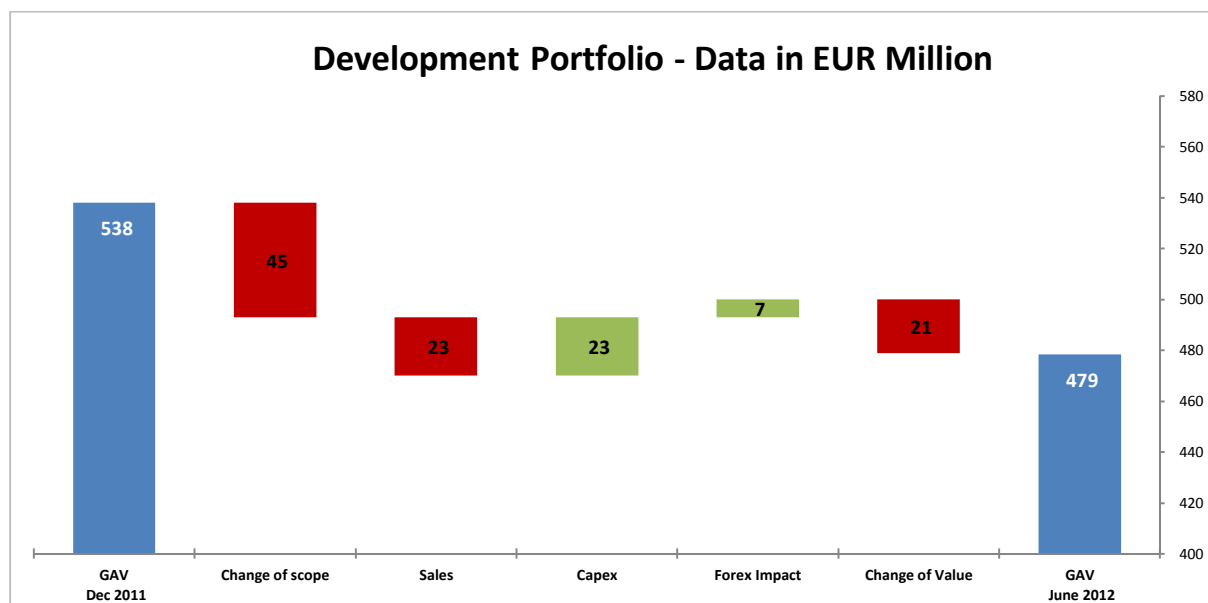
4.1.3 Financial assets

The GAV of financial assets increased to EUR 114 Million in June 2012 from EUR 107 Million in December 2011. The variation is due to:

- EUR 3 Million of decrease due to the repayment of a loan granted by the Group to the endurance fund asset BB Centrum and partial repayments on the receivable relating to the Russian activities transaction.
- EUR 10 Million of increase with the addition of the Radio Free Europe USD 12 Million promissory notes.

4.2 Development

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 2012, the Group's development GAV amounts to EUR 479 Million (60% commercial and mixed used developments, 31% of residential developments, 9% of land bank). The development assets are mainly located in Prague the Czech Republic (44%) with key projects such as Bubny and Benice in Prague, Germany (29%) mainly Sky Office (as the German other developments being part of the investment portfolio are not specifically carved out), and Poland (26%) with Zlota 44 in Warsaw.

The total value of the Development business line, corrected from sales, cash investments depreciated by EUR 14 Million during the first 6 months of 2012. The main drivers of this decrease of value in value are the commercial projects (-EUR 10 Million after forex impact) with in particular Sky Office in Berlin (EUR 10 Million).

4.2.1 Commercial developments

The commercial development portfolio consists of properties that the Company has developed or is developing across CEE region to keep and manage or sell. The ongoing and finished projects are office, retail or mixed-use projects but also land plots for which the Group acts as a land developer.

Over the first six months 2012, the Group pursued the selective development of commercial projects. The Bubny project passed a significant milestone with the initiation of the Master Plan changed being unanimously voted by Prague City Council in May 2012. In the meantime, the Group completed the sale of projects in Dusseldorf (Hüttenstrasse) while the selling process of Sky Office is ongoing.

The project Vaci 1 in Budapest, completed end of 2011 is now part of the Property Investment portfolio.

The GAV of commercial developments decreased to EUR 286 Million in June 2012 from EUR 344 Million in December 2011. The variation is due to:

- EUR 45 Million of change of scope with the transfer of Vaci 1 to Property investments portfolio
- EUR 7 Million decrease due to sales closed over the first six months of the year in Dusseldorf (Hüttenstrasse)
- EUR 4 Million of investments for Sky office and Bubny
- EUR 1 Million of positive exchange rate impact.
- EUR 11 Million of net decrease in market value.

4.2.2 Residential developments

The Group opportunistic residential developments are aimed at the middle and upper market segments in Prague, Warsaw and Bratislava. Since 2010, the Group refocused its strategy on key large projects such as Zlota 44 in Warsaw and Benice in Prague.

The increase of EUR 5 Million over the first half of the year 2012 (June 2012 GAV amounting to EUR 151 Million compared to December 2011 EUR 146 Million) is driven by:

- EUR 3 Million positive impact of change in scope with the transfer of Mezihori from landbank with the starting of the project
- EUR 12 Million of sales.
- EUR 19 Million of investments.
- EUR 5 Million of positive exchange rate impact.
- EUR 10 Million of negative change in value.

Projects completed - Inventory

Over the H1 2012, the commercialization of finished inventories is progressing.

Project completed	Location	Asset type	Comments	Market value June 2012	Market value Dec 2011
				EUR Million	EUR Million
Hradec Kralove	Hradec Kralove	Multi-dwelling houses	Sold-out	0.0	0.5
Kosic*	Prague	Multi-dwelling houses		3.4	3.9
America 11	Prague	Multi-dwelling houses		0.2	0.7
Feliz Residence	Warsaw	Multi-dwelling houses		0.9	1.4
Klonowa Aleja	Warsaw	Multi-dwelling houses		5.2	8.1
Mokotowska	Warsaw	Multi-dwelling houses		2.0	2.4
Koliba	Bratislava	Multi-dwelling houses		5.2	11.4
Rising sun house	Hvar, Croatia	Multi-dwelling houses	Completed in 2011	1.4	1.4
TOTAL				18.1	29.7

* The Group owns 50% of Kosic. The market value indicated is the market value of the 50% share of the Group

- Hradec Kralove – Phase III: the project is now sold out.
- Kosik: the Group slowed down on purpose the marketing of the project as in August 2012 the sales will benefit from a VAT exemption status. The price list will then be redesigned in order to offer more competitive prices while improving the profitability. The value indicated represents the market value of the remaining units which is owned by the Group at 50%. As of June 2012, 94% of phases I, II and III are delivered.
- America 11: the Property is sold as shell and core. As of June 2012, 93% of the residential area is delivered.
- Klonowa Aleja: as of June 2012, 82% of the residential areas are delivered.
- Feliz Residence: the Property is located in Ochota district of Warsaw. The project is 92% delivered as of December 2011.
- Mokotowska 59: the project is 71% delivered as of June 2012.
- Parkville: project is 76% delivered as of June 2012.

Projects under construction

Over H1 2012, the Group launched the project Mezihori in Prague 8, while the delivery of Mostecka, Benice 1B in Prague and Zlota 44 in Warsaw are being processed.

Project under construction	Location	Asset type	Comments	Market value June 2012	Market value Dec 2011
				EUR Million	EUR Million
Zlota 44	Warsaw	High rise luxury apartments		101.6	85.9
Mostecka	Prague	Multi-dwelling houses	Delivery of units started	5.2	6.4
Benice	Prague	Houses	Delivery of units started	5.0	6.4
Mezihori	Prague	Multi-dwelling houses		3.2	2.7
TOTAL				115.0	101.3

- Zlota 44 (www.zlota44tower.com) is a unique high-rise development, offering an unprecedented dimension of luxury lifestyle in midtown Warsaw. The project offers a complete range of luxury services to its residents, such as a 24h doorman and concierge services, an oversized pool, with a spa and club facilities, in addition to on-site parking and fantastic views from its floor to ceiling windows.

Zlota 44, the highest residential tower in European Union, has been designed by world class architect Daniel Libeskind in accordance with the most exacting environmental and technological standards; such as a triple glazed façade, the first one in Poland, or its flat screen accessible domotics.

The Zlota 44 project works are now nearly 60% complete. The reinforced concrete structure of the tower was completed in February 2012. Over 66% of the hi-tech façade panels are in place. At the same time, interior finishing works have reached height of intensity, which include, among others, installation of wall partitions, plumbing and electricals. The works under way also include the installation on the Libeskind Sail of its characteristic steel structure final. Works are expected to be completed mid-2013.

Event though still under construction, Zlota 44 has already become the new icon of modern Poland; recognizable internationally. In the course of the recently completed UEFA EURO 2012 championships Zlota 44 was the second most admired landmark of modern architecture of the city, right after the National Stadium. The project received the CNBC European Property Award in three different categories and the Eurobuild CEE award in the Business Achievement of the Year 2011 category.

In 2011, the re-opening of the sales induced the requirement of obtaining confirmation of the previous contracted sales. As of the date of publication of this report, 30% units of the project are contracted.

- Mostecka: as of June 2012, 75% of the residential units are delivered and 2,600 sqm of commercial space is still uncontracted.

- Benice 1B: 32% of the units produced as of June 2012 are delivered. The phase II-V covering 59 ha which value is not included in the table above, will be developed at the completion of phase 1B and until 2021.
- Mezihori: the development was launched in March 2012 with a completion date scheduled for Summer 2013. As of 30 June 2012, 30% of the unit planned are contracted. The site is located in Prague 8, Palmovka. It comprises a land plot of 3,600 sqm with a GEFA potential of 19,050 sqm. The site is approximately located 3 km from Prague City centre, with the metro station of Palmovka, and two tramway stations at walking distance. Construction costs of the project are mostly covered by a barter transaction with the contractor on the project Pivovar Vrchlabi contractor. This transaction offered a favorable trade off for the Group with the addition of an inventory ideally located in Prague with minimal equity need and the disposal of a non-strategic project.

4.2.3 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 48 Million in December 2011 down to EUR 42 Million.

This decrease of EUR 6 Million year on year is driven by:

- EUR 3 Million decrease with the change of scope of Mezihori now actively developed as a residential project.
- EUR 4 Million of sales
- EUR 1 Million of positive exchange rate impact
- No change in value

As of June 2012, the Group holds some 1.9 Million sqm of land plots (478 Thousands sqm zoned and 1.4 Million sqm unzoned). The potential GEFA development is currently estimated at 1.0 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 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).

Country	With zoning		Without zoning		Total	
	Land plot area	GEFA estimated	Land plot area	GEFA estimated*	Land plot area	GEFA estimated*
The Czech Republic	133,590 sqm	152,251 sqm	353,446 sqm	80,000 sqm	487,036 sqm	232,251 sqm
Poland	130,368 sqm	112,434 sqm	35,573 sqm	47,256 sqm	165,941 sqm	159,690 sqm
Slovakia	0 sqm	0 sqm	0 sqm	0 sqm	0 sqm	0 sqm
Croatia	6,208 sqm	0 sqm	104,944 sqm	0 sqm	111,152 sqm	0 sqm
Germany	36,425 sqm	11,465 sqm	0 sqm	0 sqm	36,425 sqm	11,465 sqm
Sub-total land bank	306,591 sqm	276,150 sqm	493,963 sqm	127,256 sqm	800,554 sqm	403,406 sqm
The Czech Republic	0 sqm	0 sqm	907,839 sqm	600,000 sqm	907,839 sqm	600,000 sqm
Poland	131,130 sqm	0 sqm	0 sqm	0 sqm	131,130 sqm	0 sqm
Germany	39,860 sqm	43,549 sqm	0 sqm	0 sqm	39,860 sqm	43,549 sqm
Sub-total other category	170,990 sqm	43,549 sqm	907,839 sqm	600,000 sqm	1,078,829 sqm	643,549 sqm
Total	477,581 sqm	319,699 sqm	1,401,802 sqm	727,256 sqm	1,879,383 sqm	1,046,955 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 2012, the Landbank decreased though the disposal of Przy Parky (-4,197 sqm) in Poland and of German plots (-9,771 sqm) through the sale of Ackerstrasse 83-84 and plots of Hochwald in Berlin

In the meantime, the reviewed development potential of rental assets in Berlin part of the portfolio Gebauer Strasse and GSG concluded to the availability of 43,549 sqm not recorded until now. This development potential is currently only partially included in the valuation of the portfolio of assets in Berlin by the independent appraiser as the required authorizations for development are still pending. The Group is actively pursuing the opportunity to take advantage of this extension reserve in Berlin.

The land bank provides the support of the future pipeline of the Group. Kosic 3b, Praga or U Hranic in Prague are currently under review to be potentially developed over the coming years.

4.3 Liabilities and financial profile

4.3.1 Cash and cash equivalents

Cash and cash equivalents have increased by EUR 6.8 Million over the first six months of 2012 to reach EUR 43.9 Million. Restricted cash (see note 9 of the interim consolidated financial statements on restricted cash) increased by EUR 13.4 Million to EUR 27.6 Million compared to EUR 14.2 Million as at December 2011.

4.3.2 Loan to value

The calculation of the Loan to value (LTV) as of June 2012 is shown in the table below:

	June 2012	December 2011
Non current liabilities		
Financial debts	231 630	239 225
Current liabilities		
Financial debts	566 563	620 835
Current assets		
Current financial assets	(244)	(29)
Liabilities held for sale	-	15 892
Cash and cash equivalents	(43 936)	(37 095)
Net debt	754 014	838 829
Investment property	805 576	872 316
Hotels and owner-occupied buildings	140 628	142 659
Financial assets at fair value through profit or loss	45 754	46 787
Financial assets available-for-sales	9 596	-
Non current loans and receivables	64 577	66 666
Inventories	381 206	382 279
Assets held for sale	3 575	24 129
Revaluation gains (losses) on projects and properties	67 809	70 049
Fair value of portfolio	1 518 722	1 604 884
Loan to value before bonds	49.6%	52.3%
Bonds and accrued interests on bonds	223 300	285 631
Loan to value after bonds	64.4%	70.1%
New Notes	74 823	
Equitization bond debt	(223 300)	
Loan to value after approved restructuring	54.6%	52.3%

As at June 2012, the LTV ratio before full accounting of bonds' restructuring decreases from 70% to 64% and to 55% after taking into account the full restructuring of the bonds issued by the Group and the issuance of New Notes as described in note **Erreur ! Source du renvoi introuvable.** of this report.

4.3.3 Financial liabilities

The financial debts decrease as a result of the acquisition of 85% of the bonds issued by Orco Germany SA that had at the time of acquisition a book value of EUR 109 Million. The other steps of the bonds' restructuring have no impact on the June 2012 consolidated accounts. On top of the bonds' restructuring the decrease also results from the repayment of bank loans upon sale of inventories and investment properties (EUR 62 Million), partial early redemption of GSG and Sky office bank loans (EUR 16 Million) and other repayments of bank loans (EUR 3 Million). This is partially compensated by the capitalization of the redemption premium and unpaid interests of OG bonds (EUR 29 Million), the accrual of actuarial interests (EUR 20 Million) and foreign exchange differences (EUR 5 Million).

Out of the EUR 1.0 Billion borrowings, EUR 784 Million relate to bank loans, EUR 223 Million relate to bonds issued by the Company or OG and EUR 14 Million relate to loans from joint venture partners and finance leases.

78% of the bank loans relate to income producing assets (development projects under delivery and buildings producing rents or other operational revenues), compared to 77% as at December 2011. While in continuing decrease, 22% of the bank loans still relate to non-income producing land bank and projects under construction.

Over the first half of 2012 the Group managed to renegotiate a total of EUR 484 Million bank loans, some of the most important ones being listed below:

- Vaci I (EUR 40 Million) prolonged until September 2012.
- Szervita (EUR 10 Million) prolonged until May 2013
- Paris Department Store (EUR 16 Million) prolonged till October 2013.
- GSG (EUR 286 Million) prolonged till 31.08.2012 and early redemption for EUR 15 Million.
- Sky Office financed with a EUR 95 Million loan has been extended till October 2012 with an early redemption for EUR 1.4 Million.
- Hakeburg financed with a EUR 0.7 Million loan has been extended till end of September 2012
- Na Porici (EUR 37 Million) prolonged till December 2016.

4.3.3.1 Analysis of maturities of financial debts:

in EUR Million	Less than one year	1 to 2 years	2 to 5 years	More than 5 years	Total
As at 30 June 2012	566.6	112.1	219.4	123.5	1,021.5
As at 31 December 2011	756.7	71.4	217.1	114.2	1,159.3
Variation	(190.1)	40.7	2.3	9.3	(137.8)

The sharp decrease in short term liabilities is mainly related to the acquisition by OPG against the issuance of equity instruments of bonds initially issued by OG for EUR 109.1 Million and the repayment of bank loans upon sale of assets for EUR 55.4 Million other repayments of bank loans for EUR 25.6 Million of which GSG for EUR 14.6 Million.

Access to debt financing for development projects remained difficult except with high pre-lease or pre-sale ratios, and no major changes are expected in the short term. Banks still only accept low loan-to-value ratios for new projects, especially outside Germany, while the spread between yields and interests rates remains high.

4.4 EPRA Net Asset Value²

Using identical calculation methodologies as in previous years, the EPRA Net Asset Value (EPRA NAV) per share as of June 2012 is EUR 10.43 compared to EUR 22.40 as at December 2011.

Triple NAV amounts to EUR 8.12 per share compared to EUR 16.02 last year and its calculation is compliant to the EPRA (European Public Real Estate Associations) "Triple Net Asset Value per share" standard methodology which is described below, and which all major publicly traded property investors apply. The market value of bonds as at June 2012 is based on a valuation report established by an independent expert.

	June 2012	December 2011
Consolidated equity	334,470	263,195
Fair Value adjustment on asset held for sales	-	-
Fair value adjustments on investment portfolio	-	-
Fair value adjustments on hotels and own occupied buildings	8,037	7,399
Fair value adjustments on inventories	59,772	62,650
Deferred taxes on revaluations	83,532	83,659
Goodwills	(35,574)	(35,942)
Own equity instruments	799	1,074
EPRA Net asset value	451,036	382,035
Net asset value in EUR per share	10.43	22.40
Existing shares (*)	43,263	17,054
EPRA Net asset value	451,036	382,035
Effect of dilutive instruments (**)	-	32,308
Deferred taxes on revaluations	(83,532)	(83,659)
Market value of bonds (***)	(16,349)	22,338
EPRA Triple Net asset value	351,154	353,021
Triple net asset value in EUR per share	8.12	16.02
Fully diluted shares	43,263	22,043

(*) The increase of the existing shares by 26.2 Million takes into account the 18.4 Million of OPG shares issued with the first step of the OCA conversion and the 7.8 Million OPG shares to be issued after the second step of the OCA conversion, as in the IFRS consolidated accounts these remaining OCA have been fully booked in the equity.

(**) As the exercise price of the warrants is higher than the Net Asset Value per share as at 30 June 2012, they have no dilutive effect.

(***) As of 30 June 2012, the market value of the OPG bonds has been established on the basis of the agreed restructuring as described in the point 2.1 of this report, i.e. the market value, as of June 30, of the 65 Million new OPG shares and the EUR 55 Million New Notes to be issued as repayment.

Over the first semester of 2012 the consolidated equity increased by EUR 71.3 Million. The main drivers of this increase are the OG bonds restructuring for EUR 73.7 Million net³, the loss of the period for EUR 7.0 Million and the foreign exchange gains in CTA⁴ for EUR 4.4 Million.

Based on the terms of the agreed restructuring described in the Note 2.1 of this document, the post restructuring NAV is amounting to EUR 5.58 per share. This estimate is taking into account a full implementation of the Safeguard Bonds restructuring.

² EPRA Triple Net Asset Value 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.

³ See Note IV of the Condensed consolidated interim financial information

⁴ Cumulative Translation Adjustment

OPG Shares as at 31 December 2011	17,053,866
<i>Shares issued in repayment of the first step of the OCA conversion (*)</i>	<i>18,361,540</i>
OPG Shares as at 30 June 2012	35,415,406
<i>Shares to be issued in repayment of the second step of the OCA conversion</i>	<i>7,848,089</i>
<i>Shares to be issued in conversion of the Safeguard Bonds</i>	<i>65,000,000</i>
OPG Shares -	108,263,495

(*) 14 May 2012

5 Half Year 2012 Financial Results

Throughout 2012, the Group recorded a net loss amounting to EUR 7.0 Million compared to a net loss of EUR 7.5 Million in 2011.

The Net result is strongly impacted by the equitization of the OG bonds generating a gain of 32.6 Million which is the difference between the market value of the OCA (as at 9 May 2012) and the booked value of the 85% of the OG Bonds acquired by OPG.

Excluding this gain the Net result amounts to a loss of EUR 39.6 Million which is, on a difficult market and environment, mainly due to a net loss in fair value of EUR 5.5 Million, impairments on Sky Office for EUR 13.6 Million and a conservative approach taken by the Group generating EUR 4.6 Million of provisions mainly related to the deferred considerations on assets sold.

In the meantime, as a result of the continuous efforts on the costs and Group's structure rationalization, the EBITDA has been improved by EUR 9.4 Million compared to June 2011 to EUR 21.1 Million.

5.1 Consolidated income statement

	6 months 2012	6 months 2011
Revenue	69,455	73,571
Net gain / (loss) from fair value adjustments on investment property	(5,309)	(351)
Other operating income	5,522	370
Net result on disposal of assets	886	11,052
Cost of goods sold	(13,610)	(16,899)
Employee benefits	(13,593)	(14,058)
Amortisation, impairments and provisions	(25,806)	(3,585)
Operating expenses	(26,557)	(31,196)
Operating result	(9,012)	18,904
Interest expenses	(39,610)	(41,600)
Interest income	1,746	2,419
Foreign exchange result	9,926	12,664
Other net financial results	30,992	5,572
Financial result	3,053	(20,945)
Profit/(loss) before income taxes	(5,958)	(2,041)
Income taxes	(3,839)	(443)
Profit from continuing operations	(9,798)	(2,484)
Profit / (loss) after tax from discontinued operations	-	(3,342)
Net profit / (loss) for the period	(9,798)	(5,826)
Total profit/(loss) attributable to:		
Non controlling interests	2,796	(1,677)
Owners of the Company	(7,002)	(7,503)

5.2 Revenue by Business line

Revenue decreased year on year to EUR 69.5 Million for the first half of 2012 compared to EUR 73.6 Million over the same period in 2011 (-5.6 % y-o-y). The strong decreasing of development revenues has only been partially compensated by the increase of rents and Endurance Fund management fees in the Property Investments business line. The decrease of development revenues results mainly from a lower number of residential units available for sale in the Czech Republic.



PROPERTY GROUP

	Development	Property Investments	Total
Revenue H1 2012	16,863	52,593	69,456
Revenue H1 2011	23,476	50,095	73,571
Variation	(6,613)	2,498	(4,115)

5.2.1 Development

5.2.1.1 Residential

Residential development sales have decreased from EUR 19.4 Million over H1 2011 to EUR 13.7 Million over the same period in 2012. 72 units have been delivered including 24 in Prague (-67% y-o-y), 36 in Warsaw (+89% y-o-y), 12 in Bratislava (+100% y-o-y) to be compared with 98 units over the same period in 2011. The Group repositioning from mass development to specific opportunistic developments led to a reduced number of new projects launched and completed over the years 2010 and 2011. In comparison with H1 2011, the projects Le Mont, Michle, Nove Dvory and Radotin in Prague were supporting the level of sales during H1 2011 for a total amount of EUR 4.7 Million and their commercialization was completed by end of December 2011. Reduction of current completed inventory is therefore the main driver of reduced deliveries. In the meantime, over H1 2012, the Group started the project Mezihori encompassing 138 units in the Palmovka area in Prague 8. As of August 2012, circa 35% of the project is pre-sold and the financing is secured. First deliveries will occur mid of 2013.

The main contributors to the revenue are:

- In Prague : Pivovar Vrchlabi (EUR 2.2 Million), Mostecka (EUR 1.2 Million), Kosic (EUR 0.6 Million), Hradec Kralove III (EUR 0.5 Million), Benice (EUR 0.4 Million), Americka 11 (EUR 0.4 Million),
- In Warsaw : Klonowa Aleja (EUR 3.0 Million) and Feliz Residence (EUR 0.5 Million) to be compared with EUR 2.6 Million in H1 2011
- In Bratislava: Koliba for EUR 3.3 Million (+EUR 1.3 Million in comparison with H1 2012) due to the re dynamisation of the sales during H2 2011

For projects under construction, total backlog amounts to 449 units of which 110 are covered by a future purchase or a reservation contract. This includes 266 units in Poland (64 contracted) and 183 in the Czech Republic (46 units contracted).

The total backlog of completed projects is made of 106 units, for total expected sales of EUR 24.1 Million with remaining bank debt of EUR 0.5 Million, and 11 of them are covered by a future purchase or a reservation contract.

The Company expects to launch a number of new projects in Prague (Kosik 3b, U Hranic) and in Berlin (Kreuzberg) on existing plots / buildings.

5.2.1.2 Commercial

Over H1 2012, the commercial development activity recorded EUR 3.1 Million of revenue. Over the same period in 2011, the revenue of the commercial development activity amounted to EUR 3.9 Million.

The main contributors to commercial development revenue are the rent generated by the project Sky Office for EUR 2.9 Million (EUR 2.7 Million in H1 2011). The sale of Sky which has been postponed is expected to occur during H2 2012.

5.2.2 Property Investments

The Property Investments business line revenue increased by 5% at EUR 52.6 Million as of June 2012 (EUR 50.1 Million in June 2011). The main key performance indicators and events impacting the business over the year are commented in part 3 of this report.

5.2.2.1 Rental

Rental and asset management generate stable revenue of EUR 40.7 Million over H1 2012 compared to EUR 38.5 Million over the same period in 2011 as a result of the transaction fees on the asset sales of Endurance Fund (EUR 1.8 Million compared to EUR 1.3 Million over the same period in 2011), the improvement of GSG portfolio occupancy (EUR 0.6 Million) and the partial opening of Vaci 1 (EUR 0.6 Million) partially compensated by the disposal of small assets in Berlin (-EUR 0.5 Million). Radio Free Europe office building contributed to H1 revenue until May 2012 for EUR 2.2 Million, over H2 2011 this asset was contributing for EUR 2.6 Million.

5.2.2.2 Hospitality activities

Hospitality revenue is slightly increasing at EUR 11.9 Million as of June 2012 (EUR 11.6 Million over H1 2011). Revenues of Suncani Hvar in Croatia generated over the start of the season increased by EUR 0.2 Million (+5%).

5.2.3 Operating expenses and Employee benefits

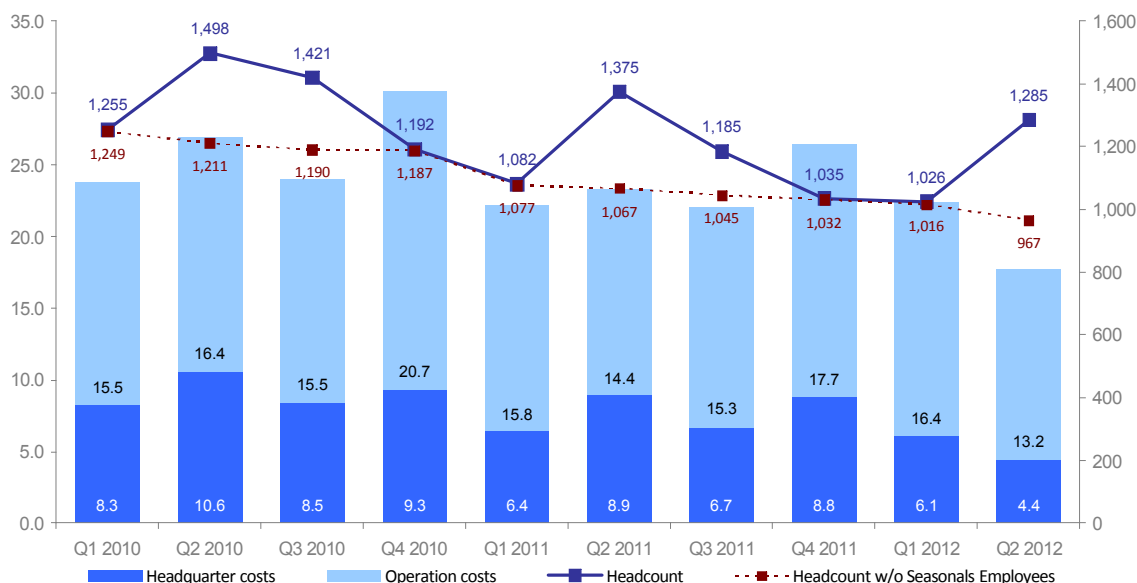
The "Operating expenses" and "Employee benefits" amount to EUR 40.1 Million compared to EUR 45.2 Million in 2011. The main driver to this improvement of 11.3% is the improvement of the headquarter costs by EUR 4.7 Million.

	30 June 2012	30 June 2011	Variation
Leases and rents	(1,251)	(1,488)	237
Building maintenance and utilities supplies	(12,992)	(14,326)	1,333
Marketing and representation costs	(2,246)	(2,233)	(13)
Administration costs	(7,284)	(9,651)	2,367
Taxes other than income tax	(1,945)	(2,892)	947
Hospitality specific costs	(407)	(465)	57
Other operating expenses	(426)	(140)	(286)
Employee benefits	(13,593)	(14,058)	466
Operating Expenses and Headcounts	(40,145)	(45,254)	5,108

Consolidated operating expenses can be split into direct asset or project costs generating revenues ('Operation costs') for EUR 29.6 Million (EUR 30.1 Million in 2011) and general management or services expenses including run down activities in Germany ('Headquarter costs') for EUR 10.5 Million (EUR 15.3 Million in 2011). In H1 2012 headquarter costs represent 26% of operating expenses while they were representing 34% over H1 2011.

Employee benefits represent 34% of the Group operating expenses and by excluding hospitality activities this proportion goes down to 23%. As of June 2012 the total Group headcounts reached 1,285 employees compared to the 1,375 in June 2011. The increase by 259 employees compared to December 2011 is explained by the summer season in Hvar. Excluding seasonal employees, the headcount is decreasing by 65 employees over H1 2012.

Operations and headquarters expenses have reached their lowest level on the second trimester 2012 since March 2010 and it is expected that overheads shall further reduce over the coming quarters as the Company continues its cost cutting plan across the board.



5.2.4 Net gain or loss on disposal of assets

Assets and Activities were sold for a total consideration of EUR 93.9 Million generating a consolidated net gain of EUR 0.9 Million of which Przy Parku for EUR 1.3 Million, Café Placja for EUR 1.2 Million compensated by losses on the sales of Radio Free Europe for EUR 0.8 Million, Vinohrady for EUR 0.5 Million and Hüttenstrasse for EUR 0.4 Million and a net cash inflow of EUR 34.9 Million. Deferred payments for EUR 9.6 Million in the form of a USD 12 Million convertible bond related to Radio Free Europe are recognised in the balance sheet as financial assets available-for-sales.

5.2.5 Valuation adjustments and impairments

The net result from fair value adjustments on investment properties, as at June 2012, amounts to a loss of EUR 5.3 Million compared to a net loss of EUR 0.4 Million as at June 2011.

Valuation gains have been recognized on the best located assets as in Berlin with a total increase of EUR 5.2 Million (Franklinstrasse for EUR 1.0 Million, Helmholtz str. for EUR 0.9 Million, Reuchlin str. for EUR 0.7 Million, Schlesische str. for EUR 0.5 Million and Berlin Pankow for EUR 0.5 Million) and in the Prague surroundings with an increase of EUR 0.7 Million (Bellevue winter resort for EUR 1.3 Million), while buildings with low occupancy have seen their valuation go down as in Budapest with a total decrease of EUR 9.4 Million (Vaci 1 for EUR 4.3 Million, Paris Department Store for EUR 2.0 Million, Szervita for EUR 1.2 Million and Vaci 188 for EUR 1.1 Million).

At end of June 2012, amortizations, impairments and provisions amount to EUR 25.8 Million and are mainly explained by the impairments booked on Sky Office in Dusseldorf (EUR 13.6 Million), Koliba in Bratislava (EUR 2.1 Million), Mostecka in Prague (EUR 1.9 Million) and EUR 4.6 million of provisions mainly related to the Leipziger Platz sale.

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

	6 months to June 2012			6 months to June 2011		
	Revaluation	Impairment	Total	Revaluation	Impairment	Total
Germany	5,205	(13,750)	(8,545)	340	-	340
Czech Republic	749	(3,024)	(2,275)	962	(2,453)	(1,491)
Poland	(1,425)	(842)	(2,266)	(159)	-	(159)
Hungary	(9,367)	-	(9,367)	(1,493)	-	(1,493)
Slovakia	(775)	(2,080)	(2,856)	-	(1,571)	(1,571)
Luxembourg	310	-	310	-	-	-
Croatia	(4)	-	(4)	(1)	(2,747)	(2,748)
Total	(5,307)	(19,696)	(25,003)	(351)	(6,771)	(7,123)

5.2.6 Operating result

The operating result consists in a loss EUR 9.0 Million compared to a profit EUR 18.9 Million in 2011 over the same period. The drop in revenue is mainly explained by the decrease of the sales level in Land Bank and by an increase of the provisions and impairments recognized on the Commercial and Land bank activities.

5.2.7 Adjusted EBITDA⁵

The adjusted EBITDA amounts to EUR 21.2 Million as at 30 June 2012 compared to EUR 11.8 Million in 2011. The Positive evolution of the Adjusted EBITDA reflects the stronger decrease of operating expenses than decrease in revenue. The improvement of the adjusted EBITDA in the Development business line is driven by the Land Bank activity where the operating costs are decreasing. In the Property Investments business line, the decrease is operating expenses is coupled with the improved revenues from rents, fund management fees and hospitality revenue.

	Development	Property Investments	TOTAL
Operating Result 2012	(22,654)	13,644	(9,010)
Net gain or loss from fair value adjustments on investment property	(1,579)	6,888	5,309
Amortisation, impairments and provisions	23,676	2,130	25,806
Past valuation on goods sold	(61)	-	(61)
Net result on disposal of assets	(922)	37	(886)
Adjusted EBITDA 2012	(1,540)	22,699	21,159
Adjusted EBITDA 2011	(2,944)	14,733	11,788
Variation YoY	1,404	7,966	9,371

5.2.8 Financial result

In 2012, gross interest expenses recorded in the P&L reached EUR 39.6 Million compared with EUR 41.6 Million over the same period in 2011. Non cash interests on bonds are increasing by EUR 1.5 Million to EUR 20.8 Million. Interest on other long liabilities are decreasing by EUR 3.5 Million mainly as a result of loan repayment upon asset sales, decrease of penalty interest on Hvar liabilities and the decrease of short term interest rates.

Total or partial loan repayment upon asset and development sales account for EUR 1.3 Million in decrease of interest expenses, notably with the small assets sale in Berlin.

The on-going restructuring of the bonds issued by the Company is already partially recognized in the June accounts and notably regarding Orco Germany SA with the recognition of a gain corresponding of the difference between the fair value of the issued OCA (based on the value at the date of issuance of Company shares promised as repayment) and the book value of 85% of the bonds acquired by the Company as of June 2012. This gain, net of the refinancing costs and included in the other net financial results, amounts to EUR 32.8 Million. Other net financial results over the first half of 2012 also include the gains on interests rate swaps more than compensated by the valuation of the profit participation loan granted to the joint venture.

⁵ 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. Segment reporting was revised in 2011. Revenue and costs are now allocated at the project level instead of the SPV level as some multi-project SPVs were related to both Development and Asset Management.

The Interests Coverage Ratio (ICR) on bank interests amounts to 1.1 compared to 0.5 in June 2011.

Property Investments drives the improvement of the ICR from 0.8 in June 2011 to 1.6 in June 2012 explained by the increase of EUR 8.0 Million of adjusted EBITDA mainly resulting from the Radio Free Europe transaction and Endurance Fund contribution, the reduction of Hospitality costs and the decrease of interests bank loans linked to the loan redemption upon assets' sales especially in Germany. Despite the improvement of the adjusted EBITDA for EUR 1.1 Million ICR on bank interests of the development business line remains negative amounting to -0.4 compared -0.7 in June 2011.

The ICR on the total debt after approved restructuring of the bond debt should amount to 0.8 compared to 0.3 as at 30 June 2011.

5.3 Balance sheet

Assets		
	30 June 2012	31 December 2011
NON-CURRENT ASSETS	1,127,374	1,190,417
Intangible assets	47,299	47,783
Investment property	805,576	872,316
Property, plant and equipment	154,572	156,865
Hotels and owner occupied buildings	140,628	142,659
Fixtures and fittings	13,944	14,206
Financial assets at fair value through profit or loss	45,754	46,787
Financial assets available-for-sale	9,596	-
Non current loans and receivables	64,577	66,666
Deferred tax assets	-	-
CURRENT ASSETS	494,986	511,956
Inventories	381,206	382,279
Trade receivables	29,834	36,145
Other current assets	36,190	32,279
Derivative instruments	1	-
Current financial assets	244	29
Cash and cash equivalents	43,936	37,095
Assets held for sale	3,575	24,129
TOTAL	1,622,360	1,702,373
Equity and liabilities		
	30 June 2012	31 December 2011
EQUITY	344,419	275,199
Equity attributable to owners of the Company	334,470	263,195
Non controlling interests	9,950	12,004
LIABILITIES	1,277,940	1,427,174
Non-current liabilities	573,384	509,439
Bonds	223,300	163,380
Financial debts	231,630	239,225
Provisions & other long term liabilities	24,643	14,326
Deferred tax liabilities	93,811	92,508
Current liabilities	704,557	917,735
Current bonds	-	119,923
Financial debts	566,563	620,835
Trade payables	21,161	16,366
Advance payments	38,601	35,250
Derivative instruments	14,751	41,153
Other current liabilities	63,482	68,316
Liabilities linked to assets held for sale	-	15,892
TOTAL	1,622,360	1,702,373

5.4 Cash flow statement

	30 June 2012	30 June 2011
OPERATING RESULT	(9,012)	18,904
Net gain / loss from fair value adjustments on investment property	5,309	351
Amortization, impairments and provisions	25,806	3,585
Net result on disposal of assets	(886)	(11,052)
Adjusted operating profit / loss	21,217	11,788
Financial result	(833)	3,293
Income tax paid	(1,178)	(491)
Financial result and income taxes paid	(2,011)	2,802
Changes in operating assets and liabilities	(8,215)	4,565
NET CASH FROM /(USED IN) OPERATING ACTIVITIES	10,991	19,155
Capital expenditures and tangible assets acquisitions	1,595	(9,353)
Proceeds from sales of non current tangible assets (*)	93,906	105,321
Purchase of intangible assets	(191)	(28)
Purchase of financial assets	-	(1,520)
Loan repayment received from long-term receivables	1,747	-
NET CASH FROM INVESTING ACTIVITIES	97,057	94,420
Net issue of equity instruments to shareholders	-	-
Purchase of treasury shares and change in ownership interests in subsidiaries	-	(4,000)
Proceeds from borrowings	493	27,960
Net interest paid	(16,085)	(47,892)
Repayments of borrowings	(85,993)	(106,411)
NET CASH USED IN FINANCING ACTIVITIES	(101,585)	(130,343)
NET INCREASE/(DECREASE) IN CASH	6,463	(16,768)
Cash and cash equivalents at the beginning of the year (**)	37,095	53,439
Cash and cash equivalents at the beginning of the year of assets reclassified to assets held for sale	-	(1,905)
Exchange difference on cash and cash equivalents	377	434
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (**)	43,936	35,200

(*) Proceeds from sales of non-current tangible assets comprise mostly proceeds from sales of assets held for sale (Note 8 of the Condensed consolidated interim financial information) and sales of investment property (Note 4 of the Condensed consolidated interim financial information).

(**) Cash and cash equivalent referred to the note 9 of the Condensed consolidated interim information.

5.5 Transactions on treasury shares

As of 30 June 2012, the Company owns 270,915 treasury shares including the 9,761 OPG shares directly owned by the Company itself.

The table hereafter summarizes the transactions realized by the Company as of 30 June 2012 on its own shares:

	Acquisitions	Sales and commitments
Number of shares (% of total shares)	-	45,000 (14.24 %)
Total Price (EUR)	-	102,600
Average price per share (EUR)	-	2.28

5.6 Miscellaneous

5.6.1 Activities in the field of research and development

Not applicable

5.6.2 Financial Risks Exposure

For a thorough description of the principal risks and uncertainties, see notes 2.1, 3 and 4 to the year end 2011 Consolidated financial statements.

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

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

5.6.2.1 The Group is exposed to financing risk

Management is particularly focused on the refinancing of the GSG portfolio, with an existing loan of approximately EUR 286 Million to be repaid on 31 August 2012 as per the current standstill agreement, which the Group seeks to prolong. The loan does not benefit from a guarantee given by the Company. Negotiations are ongoing for the refinancing of the loan. Although these negotiations have substantially progressed, there remains a material uncertainty related to the short term ability to repay the current loan.

5.6.2.2 Risk of the Company acting as guarantor of its subsidiaries under bank loans

The Company is frequently a guarantor of loans granted by various banks in different countries to the Company's various subsidiaries.

If a subsidiary is unable to meet its obligations under a particular loan agreement pursuant to which the Company has provided a guarantee, the Company may be required to reimburse the bank all amounts owed under such a loan agreement. While the Company was under the jurisdiction of the Tribunal de Commerce de Paris pursuant to a Safeguard Procedure, such guarantees from the Company were not enforceable. Following the approval of the Safeguard plan, however, all such subsidiary guarantees could be enforced against the Company and would be repaid according to the terms of the Safeguard plan.

5.6.2.3 Certain subsidiaries may be in breach of loan covenants

As of the date of this report, certain of the Company's subsidiaries failed to comply with financial ratios specified in their respective loan agreement and administrative covenants. Several of the Group's loan documents contain cross-default provisions that could be triggered. As a consequence, the lending banks may accelerate such loans which may result in a default and a forced sale of the pledged assets.

As of the date of this report, none of the banks are accelerating the loans but instead are continuing to accept regular payments of principal and interest under the loan agreements. However, the acceptance of payments under the loan agreements does not constitute a modification of the various loan agreements, or a waiver of any of the covenants and the bank's rights or remedies under the loan agreements, including the right to accelerate the loan in the future after the giving of notice. There can be no assurance, however, that the various banks will agree to modify or waive any of the loan covenants and rights or remedies under the loan agreements or require partial repayment of the relevant loans.

5.6.2.4 The Group's financing arrangements could give rise to additional risk

When the Group acquires a property using external financing, the Group usually gives a mortgage over the acquired property and pledges the shares of the specific subsidiary acquiring the property. There can be no assurance that the registration of mortgages and pledges has been concluded in accordance with applicable local law, and a successful challenge against such mortgages or pledges may entitle the lender to demand early repayment of its loan to the Group. Group's financing agreements contain financial covenants that could, among other things, require the Group to maintain certain financial ratios. In addition, some of the financing agreements require the prior written consent of the lender to any merger, consolidation or corporate changes of the borrower and the other obligors. Should the Group breach any representations, warranties or covenants contained in any such loan or other financing agreement, or otherwise be unable to service interest payments or principal repayments, the Group may be required immediately to repay such borrowings in whole or in part, together with any related costs. If the Group does not have sufficient cash resources or other credit facilities available to make such repayments, it may be forced to sell some or all of the properties comprising the Group's investment portfolio, or refinance those borrowings with the risk that borrowings may not be able to be refinanced or that the terms of such refinancing may be less favorable than the existing terms of borrowing.

5.6.2.5 Market risk

Foreign exchange risk

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

Price risk

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

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

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

Other risks

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

5.6.2.6 Credit risk

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

6 Table of location of EPRA indicators

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Property Investments – Like for like Net Rental Income	Page 12
EPRA Net Asset Value	Page 18

7 Glossary

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 in the note 4.4.

EPRA Net Initial Yield

The annualised 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

A company's adjusted per-share NAV. Formula is available in the note 4.4.

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

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's 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 S.A.

Société Anonyme

Condensed consolidated interim financial information

As at 30 June 2012

Orco Property Group's Board of Directors has approved on 30 August 2012 the condensed consolidated interim financial information for the period ended as at 30 June 2012.

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.

		6 months 2012	6 months 2011
	Note		
Revenue	3	69,455	73,571
<i>Sale of goods</i>		<i>14,002</i>	<i>19,599</i>
<i>Rent</i>		<i>35,096</i>	<i>34,214</i>
<i>Hotels, Extended Stay & Restaurants</i>		<i>10,749</i>	<i>10,595</i>
<i>Services</i>		<i>9,608</i>	<i>9,163</i>
Net gain / (loss) from fair value adjustments on investment property	4	(5,309)	(351)
Other operating income		5,522	370
Net result on disposal of assets		886	11,052
Cost of goods sold	7	(13,610)	(16,899)
Employee benefits		(13,593)	(14,058)
Amortisation, impairments and provisions	5/7	(25,806)	(3,585)
Other operating expenses		(26,557)	(31,196)
Operating result		(9,012)	18,904
Interest expenses		(39,610)	(41,600)
Interest income		1,746	2,419
Foreign exchange result		9,926	12,664
Other net financial results	12	30,992	5,572
Financial result		3,053	(20,945)
Profit/(loss) before income taxes		(5,958)	(2,041)
Income taxes		(3,839)	(443)
Profit from continuing operations		(9,798)	(2,484)
Profit / (loss) after tax from discontinued operations		-	(3,342)
Net profit / (loss) for the period		(9,798)	(5,826)
Total profit/(loss) attributable to:			
Non controlling interests	10	(2,796)	1,677
Owners of the Company		(7,002)	(7,503)
Basic earnings in EUR per share	13	(0.33)	(0.55)
Diluted earnings in EUR per share	13	(0.24)	(0.06)

II. Condensed consolidated interim statement of comprehensive income

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

	6 months 2012	6 months 2011
Profit /(Loss) for the period:	(9,798)	(5,826)
Other comprehensive income (loss):		
Currency translation differences	4,296	(6,887)
Total comprehensive income/(loss) for the period attributable to:	(5,502)	(12,713)
- owners of the Company	(2,584)	(14,502)
- non controlling interests	(2,918)	1,789

III. Condensed consolidated statement of financial position

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

ASSETS			
	Note	30 June 2012	31 December 2011
NON-CURRENT ASSETS		1,127,374	1,190,417
Intangible assets		47,299	47,783
Investment property	4	805,576	872,316
Property, plant and equipment		154,572	156,865
Hotels and owner occupied buildings	5	140,628	142,659
Fixtures and fittings		13,944	14,206
Financial assets at fair value through profit or loss	6.1	45,754	46,787
Financial assets available-for-sale	6.2	9,596	-
Non current loans and receivables	6.3	64,577	66,666
Deferred tax assets		-	-
CURRENT ASSETS		494,986	511,956
Inventories	7	381,206	382,279
Trade receivables		29,834	36,145
Other current assets		36,190	32,279
Derivative instruments		1	-
Current financial assets		244	29
Cash and cash equivalents	9	43,936	37,095
Assets held for sale	8	3,575	24,129
TOTAL		1,622,360	1,702,373
EQUITY & LIABILITIES			
		30 June 2012	31 December 2011
EQUITY		344,419	275,199
Equity attributable to owners of the Company	14.1	334,470	263,195
Non controlling interests	10	9,950	12,004
LIABILITIES		1,277,940	1,427,174
Non-current liabilities		573,384	509,439
Bonds	11.1	223,300	163,380
Financial debts	11.2	231,630	239,225
Provisions & other long term liabilities		24,643	14,326
Deferred tax liabilities		93,811	92,508
Current liabilities		704,557	917,735
Current bonds	11.3	-	119,923
Financial debts	11.3	566,563	620,835
Trade payables		21,161	16,366
Advance payments		38,601	35,250
Derivative instruments		14,751	41,153
Other current liabilities		63,482	68,316
Liabilities linked to assets held for sale	8	-	15,892
TOTAL		1,622,360	1,702,373

IV. Condensed consolidated interim statement of changes in equity

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

	Share Capital	Share Premium	Translation Reserve	Treasury Shares	Other Reserves	Equity attributable to owners of the Company	Non controlling interests	Equity
Balance at 31 December 2010	57,621	403,988	27,349	(20,014)	(165,887)	303,057	52,912	355,969
Profit (loss) for the period:	-	-	-	-	-	-	-	-
Translation differences	-	-	(6,999)	-	-	(6,999)	112	(6,887)
Profit / (Loss) for the period	-	-	-	-	(7,503)	(7,503)	1,677	(5,826)
Total comprehensive income	-	-	(6,999)	-	(7,503)	(14,502)	1,789	(12,713)
Capital increase	-	-	-	-	-	-	-	-
Own equity investments	-	-	-	(4,048)	48	(4,000)	-	(4,000)
Non controlling interests' transactions	-	-	-	-	2,200	2,200	(3,261)	(1,061)
Balance at 30 June 2011	57,621	403,988	20,350	(24,062)	(171,142)	286,755	51,440	338,195
Profit (loss) for the period:	-	-	-	-	-	-	-	-
Translation differences	-	-	(6,309)	-	-	(6,309)	(296)	(6,605)
Profit / (Loss) for the period	-	-	-	-	(45,753)	(45,753)	121	(45,632)
Total comprehensive income	-	-	(6,309)	-	(45,753)	(52,062)	(175)	(52,237)
Capital increase	12,300	14,700	-	-	(9,240)	17,760	-	17,760
Own equity investments	-	-	-	1,249	(596)	653	-	653
Non controlling interests' transactions	-	-	-	-	10,090	10,090	(39,262)	(29,172)
Balance at 31 December 2011	69,921	418,688	14,041	(22,813)	(216,642)	263,195	12,004	275,199
Profit (loss) for the period:	-	-	-	-	-	-	-	-
Translation differences	-	-	4,418	-	-	4,418	(123)	4,295
Profit / (Loss) for the period	-	-	-	-	(7,002)	(7,002)	(2,796)	(9,798)
Total comprehensive income	-	-	4,418	-	(7,002)	(2,584)	(2,919)	(5,503)
Dividends	-	-	-	-	-	-	-	-
Increase in capital	75,283	710	-	-	(22,744)	53,248	-	53,248
Own equity instruments	-	-	-	366	(263)	103	-	103
Non repaid equity part of OCA issued in May 2012	-	-	-	-	22,024	22,024	(62)	21,962
Non controlling interests' transactions (*)	-	-	-	-	(1,516)	(1,516)	927	(589)
Balance at 30 June 2012	145,204	419,398	18,459	(22,447)	(226,144)	334,470	9,949	344,420

(*) See Note 10

V. Condensed consolidated interim cash flow statement

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

	30 June 2012	30 June 2011
OPERATING RESULT	(9,012)	18,904
Net gain / loss from fair value adjustments on investment property	5,309	351
Amortization, impairments and provisions	25,806	3,585
Net result on disposal of assets	(886)	(11,052)
Adjusted operating profit / loss	21,217	11,788
Financial result	(833)	3,293
Income tax paid	(1,178)	(491)
Financial result and income taxes paid	(2,011)	2,802
Changes in operating assets and liabilities	(8,215)	4,565
NET CASH FROM /(USED IN) OPERATING ACTIVITIES	10,991	19,155
Capital expenditures and tangible assets acquisitions	1,595	(9,353)
Proceeds from sales of non current tangible assets (*)	93,906	105,321
Purchase of intangible assets	(191)	(28)
Purchase of financial assets	-	(1,520)
Loan repayment received from long-term receivables	1,747	-
NET CASH FROM INVESTING ACTIVITIES	97,057	94,420
Net issue of equity instruments to shareholders	-	-
Purchase of treasury shares and change in ownership interests in subsidiaries	-	(4,000)
Proceeds from borrowings	493	27,960
Net interest paid	(16,085)	(47,892)
Repayments of borrowings	(85,993)	(106,411)
NET CASH USED IN FINANCING ACTIVITIES	(101,585)	(130,343)
NET INCREASE/(DECREASE) IN CASH	6,463	(16,768)
Cash and cash equivalents at the beginning of the year (**)	37,095	53,439
Cash and cash equivalents at the beginning of the year of assets reclassified to assets held for sale	-	(1,905)
Exchange difference on cash and cash equivalents	377	434
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (**)	43,936	35,200

(*) Proceeds from sales of non-current tangible assets comprise mostly proceeds from sales of assets held for sale (Note 8) and sales of investment property (Note 4).

(**) Cash and cash equivalent referred to the note 9.

Selected notes to the condensed consolidated interim financial information

1 General information

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

The Company is a limited liability company incorporated for an unlimited term and registered in Luxembourg. The address of its registered office is 42 rue de la Vallée, L-2661, Luxembourg.

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

This condensed consolidated interim financial information has been approved for issue by the Board of Directors on 30 August 2012.

2 Summary of significant accounting policies

2.1 Basis of preparation

This condensed consolidated interim financial information as at and for the half year ended 30 June 2012 has been prepared in accordance with IAS 34, 'Interim financial reporting' as adopted by the European Union and should be read in conjunction with the annual consolidated financial statements as at and for the year ended 31 December 2011, which have been prepared in accordance with IFRS as adopted in the European Union.

In determining the appropriate basis of preparation of the condensed consolidated interim financial information, the Directors are required to consider whether the Group can continue in operational existence for the foreseeable future. The Group's financial risks including foreign exchange risk, fair value risk, cash flow risk, interest rate risk, price risk, credit risk and liquidity risk are assessed according to the note 3 of the annual consolidated financial statements as at and for the year ended 31 December 2011.

The financial performance of the Group is naturally dependent upon the wider economic environment in which the Group operates. The negative macro-economic evolution generates increased uncertainty on the evolution of real estate market in Central Europe that could damage the Group's activity and is slowing down the refinancing negotiations and the asset sales program. Nevertheless the Group has been successful in deleveraging with the bonds' restructuring as described in point 11.1 of this report, the resolution of breaches and the generation of cash with asset sales.

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

- The still very high short term liabilities of EUR 567 million mainly relate to the GSG financing that is currently under standstill agreement for EUR 286 million. A material uncertainty persists on the refinancing of specific Group assets or activities. OG's subsidiary GSG and its financing bank have signed 3 successive standstill agreements until 31 August 2012 which defer the repayment obligation related to the remaining EUR 286 million financing for GSG portfolio after partial repayments in March, April and May 2012. A term sheet has been signed on 28 August 2012 with 4 German banks for a new loan amount of approximately EUR 270 million, leaving a refinancing gap of around EUR 16 Million. The finalization of the sale process of Sky office building is one of the possibilities identified by the Management to fill that refinancing gap. The Management is confident that RBS will give a 4th extension in order to finalize the refinancing.
- Negotiations with Orco Germany SA ("OG") and OPG bondholders led to the signature on 17 April 2012 of a joint agreement on all bonds issued by both companies. Bondholders' and shareholders' general meetings held between end of April and June have all largely voted in favor of the restructuring. Most of the Safeguard creditors also approved the new terms (the couple of creditors who did not approve continue to be served under the 19 May 2010 approved repayment schedule). On 14 May 2012 the Paris Commercial Court heard the Company's request to modify its Safeguard plan in order to implement the bond restructuring plan and approved it on 21 May 2012. The Group's ability to continue as a going concern is primarily dependent upon its ability to implement the Safeguard plan as approved by the Commercial Court in Paris.
- Some subsidiaries and joint ventures held by the Group require funding to continue in operation as a going concern. The business plan is built on the capacity of the Group to generate sufficient cash from its profitable activities and asset sales in order to support the activities or assets that are currently in development or restructuring. All bank loan financing is located in special purpose vehicles. In the eventuality that a guarantee granted prior to the opening of the Safeguard procedure is exercised further to an unsuccessful financing negotiation, this would not have a short term impact of the Group's cash flows as repayment would occur in accordance with the term out plan approved in May 2010 and amended in May 2012. The Management is actively working on negotiating with the financing banks in order to either prolong the short term loans or solve the covenants breaches.

The Directors are confident that the steps and actions initiated are the ones that might lead to a successful refinancing and is in the opinion that the risks are mitigated by the actions undertaken. Nevertheless, the Group is dependent on the decisions of third parties and the refinancing negotiations cannot be considered as secured yet.

The Board of Directors is in the opinion that, as a result of the financial restructuring currently being implemented, and considering the risks and uncertainties described above, there is a reasonable expectation that the Company can continue its operations in the foreseeable future and, accordingly, has formed the judgment that it is appropriate to prepare the condensed consolidated interim financial information as at 30 June 2012 on a going concern basis. If the Company is not successful in its restructurings, the going concern assumption might not be relevant any longer for the Group or its components. The condensed consolidated interim financial information would then need to be totally or partially amended to an extent which today cannot be estimated in respect of the valuation of the assets at their liquidation value, the incorporation of any potential liability and the reclassification of non-current assets or liabilities into current assets and liabilities.

The major going concern risk is now considered to be at the level of GSG and not at the Group level. Would the Management not be successful in the conclusion of this extension until refinancing, the financing bank might initiate a sales process of the portfolio leading to a potential liquidation of the whole entity if the cash collected from such process would not be sufficient. It must be underlined that the risk is limited to the companies holding the portfolio as

no guarantee has been issued neither by the Company nor by OG. The GSG contribution to the Group's consolidated balance sheet and income statement is disclosed hereafter:

GSG contribution to the Group's estimated consolidated balance sheet and income statement

GSG	30 June 2012
Non-current assets	526,504
Intangible assets	46,012
Investment property	450,611
Property, plant and equipment	3,940
Hotels and own-occupied buildings	2,902
Fixtures and fittings	991
Properties under development	48
Financial assets at fair value through profit or loss	25,941
Current assets	(49,905)
Inventories	38
Trade receivables	3,238
Other current assets	16,271
Intercompany accounts	(72,542)
Cash and cash equivalents	2,492
Assets held for sale	600
TOTAL ASSETS	476,599
Non-current liabilities	88,507
Financial debts	54
Deferred tax liabilities	88,453
Current liabilities	305,675
Financial debts	285,644
Trade payables	279
Advance payments	12,729
Other current liabilities	10,079
Net assets & Liabilities toward the group	(3,055)
TOTAL LIABILITIES	394,182

GSG	30 June 2012
Revenue	26,176
Net gain /(loss) from fair value adjustments on investment property	3,884
Other operating income	388
Net result on disposal of assets	138
Cost of goods sold	6
Employee benefits	(2,125)
Amortisation, impairments and provisions	(261)
Other operating expenses	(11,146)
Operating result	17,060
Interest expenses	(7,164)
Interest income	931
Other net financial results	4,002
Financial result	(2,232)
Profit/(loss) before income taxes	14,829
Income taxes	(3,486)
Net profit/(loss) for the period	11,343
Total profit/(loss) attributable to:	
non controlling interests	957
Owners of the Company	10,385

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 2011 consolidated financial statements, except for the application of the revised and new standards and interpretations applied as from 1 January 2012 as described below.

a) New and amended standards adopted by the Group in 2012

Amendment to IAS 12: 'Deferred Tax: Recovery of Underlying Assets' was adopted by the Group in 2012. It amends to provide a presumption that recovery of the carrying amount of an asset measured using the fair value model in IAS 40 Investment Property will, normally, be through sale. On the other hand, the assets held for sale in the group are already measured at the carrying amount, and are presented separately in the balance sheet. So, there is no impact on the consolidated accounts of the group.

b) Standards, amendments and interpretations to existing standards effective as at December 2011

- IAS 24 (Revised): Related Party Disclosures;
- Amendment to IFRS 1: Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters;
- IFRS 3 (revised): 'Business combinations' was early adopted by the Group in 2009 and applied prospectively from 1 January 2009. The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payment classified as debt subsequently re-measured through the statement of comprehensive income. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed;
- Amendment to IAS 32: Classification of Rights Issues;
- Improvement to IFRS :
 - o Amendment to IFRS 3: Business Combinations;
 - o Amendment to IAS 1 : Clarification of Content of Statement of Changes in Equity;
 - o Amendment to IFRS 7: Enhancing Disclosures about Transfers of Financial Assets;
 - o Amendment to IAS 34: Interim Financial Reporting;
- IFRIC 14: Prepayments of a Minimum Funding Requirement.

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

c) The following new standards, new interpretations and amendments to standards and interpretations have been issued by the IASB but are (a) not adopted by the European Union or (b) adopted by the European Union, not compulsory before the financial year beginning 1 January 2013 and have not been early adopted by the Group:

- IFRS 9, Financial Instruments. This standard addresses classification and measurement of financial assets and liabilities and is very likely to affect the Group's accounting treatment on financial instruments;
- IFRS 10, Consolidated Financial Statements;
- IFRS 11, Joint Arrangements;
- IFRS 12, Disclosure of Interests in Other Entities;
- IFRS 13, Fair Value Measurement;
- IAS 27, Separate Financial Statements;
- IAS 28, Investments in Associates and Joint Ventures;
- Amendment to IAS 19, Employee Benefits;
- Amendment to IAS 1, Presentation of items of Other Comprehensive Income;
- Amendment to IFRS 7, Disclosures-Offsetting Financial Assets and Financial Liabilities.

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).

2.3 Seasonality

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

2.4 Significant accounting estimates and judgments

The methodology and assumptions applied for the valuation of real estate assets and developments are consistent with the ones described in the annual consolidated financial statements as at December 31, 2011.

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

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

Per rate type	June 2012		2011		2010	
	Min	Max	Min	Max	Min	Max
Discount rate	5.3%	17.0%	5.3%	17.0%	6.5%	11.8%
Capitalization yield	5.5%	19.0%	5.4%	19.1%	5.8%	13.0%
Cap rate	6%	17%	5%	17%	5%	9%

June 2012 per category of assets	Capitalization yield		Cap rate		Discount rate	
	Min	Max	Min	Max	Min	Max
Hospitality	NA	NA	7.0%	11.0%	9.5%	17.0%
Rental CE	7.0%	19.0%	7.5%	17.0%	7.3%	12.5%
German assets	5.5%	7.5%	5.5%	8.3%	5.3%	9.6%

3 Segment reporting

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

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

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

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

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

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

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

In order to maintain the accuracy of segment reporting the methodology has been revised in 2011 by allocating revenue and costs at the project level instead of the special purpose vehicles ("SPV") level. As a result of the Group restructuring, multi-project SPVs related to both Development and Property Investments are now more frequent. Before this restructuring, the allocation to segments was based on the SPV activity as they were mainly mono-segment. A project is defined as an Investment property, a hotel, owner occupied building or real estate inventory asset.

Segment Reporting - 30 June 2012

Profit & Loss 30 June 2012	Development	Property Investments	TOTAL
Revenue	16,863	52,593	69,456
Net gain or loss from fair value adjustments on investment property	1,579	(6,888)	(5,309)
Cost of goods sold	(12,691)	(919)	(13,610)
Amortisation, impairments and provisions	(23,676)	(2,130)	(25,806)
Other operating results	(4,729)	(29,012)	(33,741)
Operating Result	(22,655)	13,644	(9,011)
Net gain or loss from fair value adjustments on investment property	(1,579)	6,888	5,309
Amortisation, impairments and provisions	23,676	2,130	25,806
Past valuation on goods sold			
Net result on disposal of assets	(922)	37	(886)
Adjusted EBITDA	(1,481)	22,699	21,218
Net gain or loss from fair value adjustments on investment property	1,579	(6,888)	(5,309)
Amortisation, impairments and provisions	(23,676)	(2,130)	(25,806)
Net result on disposal of assets	922	(37)	886
Operating Result	(22,655)	13,644	(9,011)
Financial Result			3,053
Profit & Loss before Income Tax			(5,958)

Balance Sheet & Cash Flow 30 June 2012	Development	Property Investments	TOTAL
Segment Assets	419,795	909,036	1,328,831
Investment Properties	37,170	768,406	805,576
Property, plant and equipment	-	140,630	140,630
Inventories	379,050	-	379,050
Assets held for sale	3,575		3,575
<i>Unallocated assets</i>			293,529
Total Assets			1,622,360
Segment Liabilities	-	-	-
Liabilities linked to assets held for sale	-	-	-
<i>Unallocated liabilities</i>			1,622,360
Total Liabilities			1,622,360
Cash flow elements	317	921	1,238
Capital expenditure	317	921	1,238

Profit & Loss 30 June 2011	Development	Property Investments	TOTAL
Revenue	23,476	50,095	73,571
Net gain or loss from fair value adjustments on investment property	1,279	(1,630)	(351)
Cost of goods sold	(15,921)	(978)	(16,899)
Amortisation, impairments and provisions	529	(4,113)	(3,584)
Other operating results	324	(34,157)	(33,833)
Operating Result	9,687	9,217	18,904
Net gain or loss from fair value adjustments on investment property	(1,279)	1,630	351
Amortisation, impairments and provisions	(529)	4,114	3,585
Net result on disposal of assets	(10,824)	(228)	(11,052)
Adjusted EBITDA	(2,944)	14,733	11,788
Net gain or loss from fair value adjustments on investment property	1,279	(1,630)	(351)
Amortisation, impairments and provisions	529	(4,114)	(3,585)
Net result on disposal of assets	10,824	228	11,052
Operating Result	9,687	9,217	18,904
Financial Result			(20,945)
Profit & Loss before Income Tax			(2,041)

Balance Sheet & Cash Flow 30 June 2011	Development	Property Investments	TOTAL
Segment Assets	529,628	1,053,243	1,582,871
Investment Properties	105,146	786,008	891,154
Property, plant and equipment	4	165,322	165,326
Inventories	406,325	-	406,325
Assets held for sale	18,153	101,913	120,066
<i>Unallocated assets</i>			226,582
Total Assets			1,809,453
Segment Liabilities	-	39,048	39,048
Liabilities linked to assets held for sale		39,048	39,048
<i>Unallocated liabilities</i>			1,770,405
Total Liabilities			1,809,453
Cash flow elements	8,941	1,711	10,652
Capital expenditure	8,941	1,711	10,652

4 Investment property

The main assumptions used to calculate the fair value of the projects are disclosed in note 4.1 of the year end 2011 consolidated financial statement. Even though the Group is controlling the majority of the voting rights, the operation and the strategy, the disposal of real estate assets located in entities where the Group does not hold 100% of the shares, needs the agreement of the partner.

	Freehold buildings	Extended stay hotels	Land bank	Buildings under construction	Buildings under finance lease	TOTAL
Balance at 31 December 2010	765,996	26,300	50,340	45,400	-	888,036
Scope movements	0	-	(6,277)	-	-	(6,277)
Investments / acquisitions	1,444	85	455	6,184	-	8,168
Asset sales	(10,892)	(1)	(1,317)	-	-	(12,210)
Revaluation through income statement	17,667	747	1,146	-	-	19,560
Transfers from properties under development	50,434	-	-	(50,434)	-	-
Transfers in/from asset held for sale	(3,860)	-	(4,030)	-	-	(7,890)
Other transfers	(1,431)	(1)	1,783	0	-	351
Translation differences	(12,370)	(1,257)	(2,627)	(1,150)	-	(17,403)
Balance at 31 December 2011	806,988	25,874	39,472	-	-	872,334
Investments / acquisitions	806	4	185	-	-	995
Asset sales	(71,439)	(1)	-	-	-	(71,440)
Revaluation through income statement	(6,535)	(352)	1,579	-	-	(5,308)
Changes in classification	-	-	(790)	-	-	(790)
Transfers in/from asset held for sale	-	-	(2,077)	-	-	(2,077)
Other transfers	(0)	(8)	7	-	-	(1)
Translation differences	10,699	462	701	-	-	11,862
Balance at 30 June 2012	740,520	25,980	39,077	-	-	805,576

❖ In 2012

64 investment properties (EUR 765.5 million) financed by bank loans located in special purpose entities are fully pledged for EUR 518.8 million.

a) Investments / Acquisitions

During the first of the half year, the Group has invested EUR 1.0 million in Investment Properties representing mainly capitalization on commercial development in Budapest (Vaci 1 retail center) for EUR 0.5 million.

b) Asset sales

During the first of the half year, the net book value ("NBV") of the assets sold represents EUR 71.4 million, for a total sale price of EUR 70.4 million out of which EUR 39.3 million have been used to repay the bank loan on Radio Free Europe in Czech Republic, composed mainly of the following disposals:

- Residence Masaryk in Prague (NBV of EUR 0.5 million) at the sale price of EUR 0.2 million;
- Americka 13 in Prague (NBV of EUR 0.3 million) at the sale price of EUR 0.3 million;
- Na Kozacce 1 in Prague (NBV of EUR 0.8 million) at the sale price of EUR 0.6 million;
- Radio Free Europe in Prague (NBV of EUR 69.7 million) at the sale price of EUR 69.1 million.

The total net loss compared to the December 2011 net book value of the assets amounts to EUR 1.0 million in P&L which is mainly explained by the foreign exchange loss in Balance Sheet amounting to EUR 1.7 million on Radio Free Europe.

c) Revaluation through the income statement

The movement in fair value of the assets relates mainly to freehold buildings and land bank:

- In Germany, the total amount of increase in fair value amounts to EUR 5.2 million of which EUR 4.5 million on freehold buildings and EUR 0.7 million on land banks;
- In the Czech Republic, the increase in fair value amounts to EUR 0.7 million of which a decrease of EUR 0.6 million on freehold buildings and an increase of EUR 1.4 million on land banks;
- In Poland, the decrease in fair value amounts to EUR 1.4 million of which EUR 0.9 million on Freehold buildings and EUR 0.5 million on land banks;
- In Hungary, the decrease in fair value amounts to EUR 9.4 million of which EUR 9.0 million on freehold buildings and EUR 0.4 million on extended stay hotels;
- In Slovakia, the decrease in fair value amounts to EUR 0.8 million mainly explained by Dunaj an rental property;
- In Luxembourg, the increase in fair value amounts to EUR 0.3 million on freehold building.

d) Transfers

Land banks – Changes in classification

The Group is not anymore the operator of the Vira camping in Suncani Hvar (Croatia). This asset is now rented out and as a consequence has been transferred from Hotels and Owner-occupied buildings to Investment Property for EUR 1.9 million.

The residential development of the Mezihoří started in 2012 and the Group has already registered pre-sales. In consequence this asset has been transferred in Inventories of EUR 2.7 million.

Land banks – Transfers to Held for Sale Assets

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

- Orco Elb Loft in Hamburg for EUR 1.5 million;
- Kurfürstenstrasse in Berlin for EUR 0.6 million.

❖ In 2011

65 investment properties (EUR 824.7 million) financed by bank loans located in special purpose entities are fully pledged for EUR 558.4 million. The decrease by EUR -6.3 million for the investment properties presented in scope movements is related to the sale of Molcom (Russian portfolio) as disclosed in note 6 of the year end 2011 consolidated financial statements.

a) Investments / Acquisitions

During the year, the Group has invested EUR 8.2 million in investment property representing mainly capitalization on commercial development in Budapest. The main investment, on the Vaci 1 retail center (Budapest) has been partially financed by further loan drawdowns:

- EUR 6.2 million for the development of the Vaci 1 (commercial development in Budapest);
- EUR 0.8 million in the Czech Republic mainly on Na Porici (renting) for EUR 0.3 million and Doupovska (residential) for EUR 0.1 million;
- EUR 0.5 million in Germany mainly on Kurfürstendamm 102 (transferred to asset held for sale asset at the end of 2011) for EUR 0.2 million.

b) Asset sales

During the year, the net book value ("NBV") of the assets sold represents EUR 12.2 million, for a total sale price of EUR 13.4 million out of which EUR 6.7 million have been used to repay the bank loan on Invalidenstrasse, with a total net gain compared to the December 2010 DTZ valuation amounting to EUR 2.5 million and composed mainly of the following disposals:

- Invalidenstrasse in Berlin (NBV of EUR 5.2 million) at the sale price of EUR 5.6 million;
- Brunnenstrasse 156 in Berlin (NBV of EUR 3.4 million) at the sale price of EUR 3.7 million;
- Plachta Jih, a residential property in Czech Republic (NBV of EUR 0.9 million) at the sale price of EUR 1.7 million;
- Vinohrady, a residential property in Prague (NBV of EUR 2.0 million) at the sale price of EUR 2.0 million;
- Kolin a development property in Czech Republic (NBV of EUR 0.4 million) at the sale price of EUR 0.4 million.

c) Revaluation through the income statement

The movement in fair value of the assets relates mainly to freehold buildings and land bank:

- In Germany, the total amount of increase in fair value amounts to EUR 13.1 million of which EUR 12.8 million on freehold buildings and EUR 0.3 million on land banks;
- In the Czech Republic, the increase in fair value amounts to EUR 8.5 million of which EUR 0.2 million on land banks and EUR 8.3 million on freehold buildings;
- In Poland, the increase in fair value amounts to EUR 5.4 million of which EUR 4.9 million on Freehold (including a EUR 3.2 million revaluation of Marki a logistic property), EUR 0.5 million on extended stay hotels and EUR -0.1million on land banks;
- In Hungary, the decrease in fair value amounts to EUR -5.7 million, of which EUR -6.0 million on freehold buildings and EUR 0.3 million on extended stay hotels;
- In Slovakia, the decrease in fair value amounts to EUR -2.0 million mainly explained by Dunaj an rental property;
- In Croatia, the increase in fair value amounts to EUR 0.8 million on land bank;
- In Luxembourg, the decrease in fair value amounts to EUR -0.3 million on freehold building.

d) Transfers

Freehold buildings – Main incoming assets

The Group stopped the sale process of 2 projects in Hungary which have been transferred from assets held for sale:

- Szervita Car Park for EUR 7.8 million;
- Szervita office building for EUR 7.2 million.

Freehold buildings – Main outgoing assets

The Group has decided to sell 4 investment properties in Germany which have been transferred to assets held for sale:

- Hüttenstrasse in Düsseldorf for EUR 6.5 million;
- Kurfurstendamm 102 in Berlin for EUR 6.3 million;
- Bergfriedstrasse 2,4,6 & Ritterstrasse 114 in Berlin for EUR 3.7 million;
- Kurfurstenstrasse 13-14 in Berlin for EUR 2.4 million.

Land banks

The Group is expecting to sell 2 land bank properties in Germany and Poland which have been transferred in assets held for sale:

- Przy Parku in Poland for EUR 3.4 million;
- Ackerstrasse 83-84 in Berlin for EUR 0.7 million.

List of major investment properties

	6 months to June 2012		12 months to December 2011	
	Revaluation	Fair value	Revaluation	Fair value
Freehold Buildings	(6,533)	740,520	17,668	806,988
Germany	4,475	492,306	12,826	487,899
Residential	-	-	1,860	-
Office	-	-	481	-
Mixed Retail & Office	4,475	492,306	10,485	487,899
Czech Republic	(623)	109,809	8,070	179,299
Residential	(75)	489	(67)	1,707
Office	(264)	21,680	5,098	89,830
Mixed Retail & Residential	-	-	14	460
Mixed Retail & Office	751	66,010	2,351	64,800
Industrial	(1,035)	21,630	674	22,502
Slovakia	(775)	13,130	(1,978)	13,900
Mixed Retail & Office	(775)	13,130	(1,978)	13,900
Hungary	(9,011)	85,140	(6,035)	85,850
Retail	(4,310)	44,680	(5,924)	44,510
Office	(1,203)	13,720	1,584	13,700
Mixed Office & Parking	(1,235)	10,690	(2,886)	10,870
Mixed Retail & Office	(2,049)	13,650	1,482	14,370
Hotel	(214)	2,400	(291)	2,400
Poland	(909)	15,195	5,115	15,390
Office	(198)	5,860	834	5,790
Mixed Logistics & Industrial	(711)	9,335	4,281	9,600
Luxembourg	310	24,940	(330)	24,650
Office	310	24,940	(330)	24,650
Land Bank	1,580	39,077	1,145	39,472
Czech Republic	1,381	19,850	230	20,910
Residential Development	1,408	14,400	1,249	15,490
Retail & Office Development	(2)	1,120	(216)	1,110
Land bank	(25)	4,330	(803)	4,310
Germany	730	2,750	269	4,090
Residential	-	2,750	320	2,750
Office Development	370	-	-	1,100
Retail & Office Development	360	-	(51)	240
Poland	(527)	13,350	(123)	13,252
Residential Development	(527)	13,350	(123)	13,252
Croatia	(4)	3,127	769	1,220
Land bank	(4)	3,127	769	1,220
Buildings under finance lease	-	-	-	-
Extended stay hotels	(351)	25,980	747	25,870
Buildings under construction	-	-	-	-

5 Hotels and owner-occupied buildings

Hotels and owner-occupied buildings	Owner-occupied Buildings	Prepaid operating leases	Hotels	TOTAL
GROSS AMOUNT				
Balance as at 31 December 2010	117,237	2,164	189,496	308,897
Scope variations	(102,964)	-	6	(102,957)
Investments / acquisitions	385	-	(279)	106
Disposal	-	-	(8)	(8)
Transfer	(4,247)	-	6,172	1,926
Translation differences	(3,735)	(87)	(5,392)	(9,213)
Balance as at 31 December 2011	6,677	2,077	189,996	198,751
Investments / acquisitions	64	-	32	96
Disposal	-	-	(615)	(615)
Transfer	-	-	(3,560)	(3,560)
Translation differences	13	20	1,491	1,524
Balance as at 30 June 2012	6,754	2,098	187,344	196,195
AMORTISATION AND IMPAIRMENT				
Balance as at 31 December 2010	43,115	1,433	41,786	86,334
Scope Variations	(39,989)	-	(21)	(40,010)
Amortisations - Allowance	184	3	1,238	1,425
Impairments - Allowance	116	-	9,622	9,738
Impairments - Write-Back	-	-	(2,332)	(2,332)
Transfer	294	-	3,525	3,819
Translation differences	(1,461)	-	(1,423)	(2,884)
Balance as at 31 December 2011	2,260	1,436	52,395	56,091
Amortisations - Allowance	14	1	558	574
Impairments - Allowance	32	-	815	847
Impairments - Write-Back	-	(34)	(2,082)	(2,116)
Transfer	(0)	-	(1,657)	(1,657)
Translation differences	7	2	413	422
Balance as at 30 June 2012	2,313	1,405	51,850	55,568
NET AMOUNT				
Balance as at 30 June 2012	4,441	693	135,493	140,627
<i>Balance as at 31 December 2011</i>	<i>4,417</i>	<i>641</i>	<i>137,601</i>	<i>142,660</i>
<i>Balance as at 31 December 2010</i>	<i>74,122</i>	<i>731</i>	<i>147,710</i>	<i>222,563</i>

❖ In 2012

24 assets (EUR 138.2 million) financed by bank loans in local special purpose entities are fully pledged for EUR 86.2 million.

The EUR 615 thousand of disposals disclosed in the Gross Amount is mainly explained by the sale of the Café Pjaca on the Island of Hvar.

The transfer of EUR 1.9 million (EUR 3.6 million of Gross Value less EUR 1.7 million of Amortization and Impairment) is explained by the change in classification of the Riva camping (see Note 4).

The impairment tests based on the DTZ valuation reported as at June 2012 led to the recognition of EUR 0.8 million of impairments, mainly related to the following hotels: Vienna (EUR 0.2 million), Andrassy (EUR 0.4 million) and Imperial (EUR 0.2 million).

Moreover, the impairment test led to the reversal of EUR 0.7 million of the impairment previously booked on the hotels, including the Riva hostel for EUR 0.6 million.

❖ In 2011

25 projects (EUR 140.3 million) financed by bank loans located in special purpose entities are fully pledged for EUR 86.4 million.

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

Moreover, Capellen Orco house (EUR 2.9 million) is not anymore occupied by Orco since January 2011 and has consequently been transferred to investment property increasing the value of the rental project named Cappellen II.

The impairment tests based on the DTZ valuation reported as at December 2011 led to the recognition of the following impairments:

- Hotels: Amfora (EUR 4.7 million), Pharos (EUR 2.6 million), Vienna (EUR 0.9 million), Adriana (EUR 0.4 million), Dalmacija (EUR 0.4 million), Delfin (EUR 0.3 million) and Camp Vira (EUR 0.3 million);
- Owner-occupied building: Franklinstrasse 27 in Berlin (EUR 0.1 million).

Moreover, the impairment test led to the reversal of part of the impairment previously booked on the hotels: Riva (EUR 1.7 million), Riverside (EUR 0.3 million), Palace (EUR 0.2 million) and Sirena (EUR 0.1 million).

6 Non-Current Financial assets

6.1 Financial assets at fair value through Profit or Loss

This line includes mainly 3 financial assets:

- The fair value of the investment in the Endurance Real Estate Fund for Central Europe amounting to EUR 22.8 million (EUR 22.8 million in 2011). The Endurance fund managed by the Group is divided in three specialized sub-funds (see note 16). Two are investing in office investment properties and one is investing in residential developments and properties. These investments are accounted for at their fair value with change in fair value going through the income statement. The change in fair value recorded in 2012, based on the net asset value as provided by the fund Manager in its report as at 31 March 2012, with a liquidity discount of 20% (20% in 2011).
- The fair value of the 10% shareholding of the Group in the Filion retail center located in Moscow for an amount of EUR 6.1 million stable compared to December 2011. This shareholding results from the exchange at the beginning of 2011 with an advance payment that was previously recognized under the current assets.
- The non-eliminated portions of the equity loans (including accrued interest) granted to joint-ventures correspond to 50% of the loan granted to the hospitality joint-venture with real estate investment funds managed by AIG subsidiary. The profit participation loan granted to the joint venture holding company has been fair valued on the basis of management estimates of the expected cash flows from the loans and the specific credit spread depending on the loan characteristics and the legal entity benefiting directly from the loan. The fair value amounts to EUR 16.7 million as at 30 June 2012 (EUR 18.0 million in 2011).

6.2 Available-for-sale financial assets

This balance sheet caption is the Convertible Promissory Note related to the sale of Radio Free Europe, for EUR 9.4 million. The group has the option to convert the Promissory Note, at the earliest of several conditions including a period of conversion from May 2015 until due term in 2019, into 20% of the entity holding (L88 Companies) the Radio Free Europe building sold in May 2012. As the fair value of this unlisted instrument cannot be reliably measured, this asset is carried at cost with capitalized interests and annually reviewed to look for any indicator of impairment.

6.3 Non-current loans and receivables

This balance sheet caption includes the net present value of the deferred consideration on the sale of Leipziger Platz amounting to EUR 25.9 million compared to EUR 25.1 million as at December 2011, Molcom for EUR 37.9 million compared to EUR 39.7 million after repayment of EUR 1.8 million

7 Inventories

	June 2012	December 2011
Opening Balance	382,279	418,957
Net impairments	(19,557)	(8,626)
Transfers	2,736	1,004
Scope exit	9	(12,216)
Translation differences	5,450	(16,186)
Development costs	23,899	34,656
Cost of goods sold	(13,610)	(35,310)
Closing Balance	381,206	382,279

Inventories properties are developed with the intention to be resold.

❖ In 2012

5 projects (EUR 335.3 million) financed by bank loans located in special purpose entities are fully pledged for EUR 158.5 million.

Development costs amount to EUR 23.9 million capitalized mainly on Zlota 44 (EUR 15.8 million), Sky Office (EUR 2.2 million), Mezihori (EUR 1.5 million), Bubny (EUR 1.4 million) and Benice (EUR 1.1 million).

Cost of goods sold amounting to EUR 13.6 million have been registered mainly for EUR 9.9 million on the following residential projects: Koliba (EUR 3.9 million), Klonowa Aleja (3.0 million), Mostecka (EUR 1.1 million), Americka 11 (EUR 0.5 million), Feliz (EUR 0.5 million) and Benice (EUR 0.5 million).

Impairments allowances are mainly related to Sky Office in Dusseldorf for EUR 13.6 million, Koliba in Bratislava for EUR 2.1 million and Mostecka for EUR 1.9 million.

❖ In 2011

7 projects (EUR 339.5 million) financed by bank loans located in special purpose entities are fully pledged for EUR 164.9 million.

Development costs amount to EUR 34.7 million capitalized mainly on Zlota 44 (EUR 21.8 million), Bubny (EUR 4.7 million), Benice (EUR 2.5 million), Mostecka (EUR 1.6 million) and Sky Office (EUR 0.7 million).

Cost of goods sold amounting to EUR 35.3 million have been registered mainly for EUR 32.1 million on the following residential projects: Koliba (EUR 5.9 million), Mostecka (EUR 5.5 million), Klonowa Aleja (4.9 million), Benice (EUR 3.4 million), Kosic (EUR 2.6 Million), Feliz (EUR 2.1 million), Nove Dvory (EUR 2.1 million), Americka 11 (EUR 1.7 million), Bedrichov (EUR 1.0 million), Radotin (EUR 1.0 million) and Plachta III (EUR 0.9 million).

The scope exit is coming from the sale of Molcom for EUR 12.2 million, including Radishevskaya for EUR 10.9 million and EUR 1.4 million of others inventories.

Impairments have been recognized mainly on the following projects:

- Benice I & II: EUR 5.4 million;
- Mostecka: EUR 1.9 million;
- Vavrenova: EUR 0.7 million.

Impairments have been reversed on Sky Office for EUR 0.7 million.

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

Assets held for sale	June 2012	December 2011	Liabilities linked to assets held for sale	June 2012	December 2011
Opening Balance	24,129	131,898	Opening Balance	15,892	76,494
Asset sales	(22,639)	(114,683)	Asset sales	-	-
Transfer in	2,083	22,897	Transfer in		16,313
Transfer out (*)	-	(15,589)	Repayment of loans	(15,890)	(66,000)
Translation differences	2	(394)	Transfer out (*)		(10,470)
			Translation differences	(2)	(445)
Closing Balance	3,575	24,129	Closing Balance	-	15,892

(*) Due to changes in plans of sale.

❖ In 2012

As at 30 June 2012 the following assets were sold and transferred:

- in Germany: Kurfurstendamm 102 with a net book value of EUR 6.2 million and small assets for a net book value of EUR 6.7 million in Berlin and Hüttenstrasse in Dusseldorf for a net book value of EUR 6.5 million: liabilities financing Kurfurstendamm 102 for a value of EUR 6.4 million finally sold for a sales's price of EUR 6.1 million and Hüttenstrasse for a value EUR 4.3 million have been fully repaid upon sales of these assets.
- In Poland: Przy Parku for a net book value of EUR 3.2 million and EUR 5.6 million of liabilities fully repaid.

As at 30 June 2012 the assets held for sales include the asset Na Frantisku with a net book value of EUR 1.5 million and the new transfers Elb Loft in Hamburg with a net book value of EUR 1.5 million and Kufurstenstrasse 11 in Berlin with a value of EUR 0.6 million.

❖ In 2011

As at 31 December 2011 the Group validated the sale of following assets:

- 4 assets from its Berlin investment properties portfolio: Kurfustendamm 102 with a value of EUR 6.3 million and EUR 6.5 million of liabilities and Hüttenstrasse with a value of EUR 6.5 million of assets and EUR 4.3 million of liabilities, Berlin Bergfriedstrasse. 2,4,6 and Kurfürstenstrasse 13,14 with a value of EUR 6.7 million of assets;
- 1 asset in Poland: land plot Przy Parku with a value of EUR 3.4 million and EUR 5.6 million of liabilities

Over the year 2011, sale of Leipziger Platz plot of land with a value of EUR 113.5 million and Bialystok plot of land with a value of EUR 2.1 million were sold. EUR 66.0 million of bank loan have been repaid upon the sale of Leipziger Platz.

The sale plans of Szervita office and car park buildings with a total value of EUR 15.6 million and EUR 10.5 million of liabilities have been cancelled as the buyer was not willing anymore and reclassified accordingly

9 Cash and cash equivalents

As at 30 June 2012, the cash and cash equivalents consist of short term deposits for EUR 1.3 million (EUR 0.4 million as at 31 December 2011), cash in bank for EUR 42.4 million (EUR 36.6 million as at 31 December 2011) and cash in hand for EUR 0.2 million (EUR 0.2 million as at 31 December 2011).

Cash in bank include restricted cash amounting to EUR 27.6 million (EUR 14.2 million as at 31 December 2011), representing:

- Cash deposited in the Group's joint ventures as both parties' approval is needed for withdrawal, for EUR 2.6 million (EUR 4.2 million as at 31 December 2011);
- Cash deposited in escrow accounts pledged as collateral for development projects and lifted after sales of units, for EUR 5.6 million (EUR 2.2 million as at 31 December 2011);
- Cash deposited in escrow accounts pledged as collateral for loans related to the acquisition of property, for EUR 19.3 million (EUR 7.8 million as at 31 December 2011).

10 Non-controlling interests transactions

❖ In 2012

In January 2012, the joint venture company Kosic S.à.r.l. repaid part of the share premium to one of the joint venture partners, GECGE Kosik Investors S.à.r.l. for EUR 3.0 million, with a net impact on the consolidated reserves of the Group of EUR - 1.5 million.

❖ In 2011

In January 2011 a 100% subsidiary of ORCO Property Group S.A. bought 1.9 million shares and 1.0 million warrants of ORCO Germany S.A. for EUR 1.5 million from the former management of that company. This transaction resulted in a direct and indirect increase of the percentage of interest of the Group in Orco Germany S.A. and its subsidiaries from 58.94% to 62.84% and a net increase of the consolidated reserves group share of EUR 23.1 million.

The Company has issued on 22 September 2011 3 million ordinary new shares without nominal value ("New Shares") to funds advised by Morgan Stanley Real Estate Investing ("MSREI"). The New Shares, issued under the Company's authorized capital, were fully paid by the contribution in kind of MSREI's 14,100,000 shares in Orco Germany SA, 1,500,000 units in the Office I Sub-Fund of the Endurance Real Estate Fund and 1,404,276 units in the Residential Sub-Fund of the Endurance Real Estate Fund. The contribution in kind has been valued on the basis of the equity instruments granted at the date of issuance. The New Shares are assimilated with the existing ordinary shares of Orco and listed on the regulated market of Paris, Prague and Warsaw stock exchanges. This transaction resulted in a direct and indirect increase of the percentage of interest of the Group in Orco Germany S.A. and its subsidiaries from 62.84% to 91.56% and a net increase of the consolidated reserves group share of EUR 9.9 million.

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

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

11 Borrowings, bank loans, bonds and derivatives

At 30 June 2012, the long term amortized cost of bank loans amounts to EUR 217.4 million (see note 11.2) and the short term amortized cost of bank loans amounts to EUR 566.6 million (see note 11.4) have together an estimated fair value of EUR 780.1 million.

11.1 Non-current bonds

Non-current bonds	Convertible bonds	Non Convertible bonds	TOTAL
Balance at 31 December 2010	57,109	178,558	235,667
Own bonds	1,466	8,307	9,773
Interest	13,614	24,250	37,864
Transfer to Short term	(7,806)	(112,118)	(119,924)
Balance at 31 December 2011	64,383	98,995	163,378
Own bonds	-	(25)	(25)
Repayment	-	(191)	(191)
Interest	-	17,954	17,954
Refinancing 85% OG Bonds based on the facial value	-	109,118	109,118
Transfer from non current bonds OG Bonds - OPG part to equity loan	-	(109,118)	(109,118)
Transfer from ST to long term	7,806	34,378	42,184
Balance at 30 June 2012	72,189	151,112	223,300

❖ In 2012

Negotiations with OG (Orco Germany SA) and OPG bondholders started as early as the summer 2011 and culminated with the signature on 17 April 2012 of a joint agreement¹ on all bonds issued by both companies. General meetings, held end of April and beginning of May have all duly and overwhelmingly voted in favor of the restructuring. The request for modification of OPG Safeguard plan has been circularized to all the Safeguard creditors to approve or not the new terms (as none of them apart from the bondholders approved, they will continue to be served under the 19 May 2010 repayment schedule). The Paris Commercial Court approved on 21 May 2012 OPG's request to modify its Safeguard plan in order to implement the bonds' restructuring plan.

As a result of the approval of all bondholders' general assemblies, only one scenario of the joint agreement is applicable, i.e. approximately 90% of the OPG bonds will be converted into approximately 65 million OPG shares, the remaining OPG bonds can be exchanged for EUR 55.2 million in newly issued OPG bonds (the "New Notes") and approximately 85% of the OG bonds are converted into OPG issued bonds convertible into shares which will in turn be repaid with 26 million OPG shares, the remaining OG bonds can be exchanged for EUR 20 million in New Notes.

As at the date of publication of this report, approximately 85% of the OG bonds have already been converted into OPG issued bonds convertible into shares which were in turn partially repaid with 18 million OPG shares, bringing the total number of OPG shares issued to 35 million. The remaining OG bonds can be exchanged for EUR 20 million in New Notes issued by OPG. After this last transaction and the conversion by OPG of the OG bonds exchanged into OG shares, OG will no longer have any bond liability if all remaining 15% OG bonds are exchanged for new notes.

The EUR 75 million New Notes to be issued by OPG upon the voluntary exchange of the remainder of the OPG and OG bonds will have a maturity in 2018 and will bear an annual interest consisting of a combination of cash interest (decreasing from 5% to 4% upon repayment of at least 50% of the principal) and payment-in-kind interest (decreasing in steps from 5% to 3% upon repayment of 50% and 75% of the principal). The principal will be repaid in four annual payments in 2015, 2016, 2017 and 2018. The total amount of New Notes will therefore be EUR 75 million, all of them bearing the same characteristics and rights. The New Notes will benefit from a 25% cash sweep from net sale proceeds on selected assets, which will correspondingly reduce the subsequent annual repayment. This cash sweep is seen as essential to give flexibility to the Group in the implementation of its asset sales program under the current very challenging economic conditions.

As of 30 June 2012, OG is still the issuer of the bonds. The exchange has taken place outside the company with OPG being the holder of 85% of the bonds (EUR 109.1 Million of book value) and the remaining ones are in the hands of third parties (mainly the ones voting at the bondholders' general meetings of May 2012).

Nevertheless major terms have been changed by the bondholders' general meetings, setting the interest at a far below market 0.5% and the redemption date in 2050. Those changes were set to make the new note to be issued by OPG undoubtedly more favorable than the 15% OG bonds remaining in third parties' hands. Furthermore, the joint agreement and the terms approved by the general meetings include the irrevocable engagement of OPG to exchange the OG bonds (held as a result of the transaction against the convertible loan and that will be held as result of the transaction against New Notes) into OPG shares at agreed price.

It is not known which portion of the 15% third party bondholders will accept the public exchange offer for the new notes. However the financial conditions are so advantageous compared to the amended terms of the existing OG bonds and the percentage of bondholders having voted in favor of the transaction is so high that the portion of refusal can be estimated as marginal.

OPG has acquired 85% of the bonds issued by its fully consolidated subsidiary. The consideration given in exchange is a convertible bond redeemable in two tranches:

- The first tranche has been automatically redeemed a few days after issuance in OPG shares at agreed price.
- The second tranche will be converted into OPG shares at agreed price if certain conditions relating to the OPG bonds restructuring are met. Such conditions are considered to be met after the approval of the restructuring by the OPG shareholders' general meeting held on 28 June 2012.

The acquired bonds are intercompany liabilities and as such eliminated in the consolidation process. The Obligations Convertibles en Actions (OCA) issued as consideration is in fact a bond redeemable in shares. The fair value of the equity instrument is determined by difference between the fair value of the bond issued and the net present value of the liability part. The fair value of the bond is determined as corresponding to the market price at the OCA issuance day of the OPG shares that would be given in repayment. The difference between the book value of the 85% of the OG bonds and the OCA amounting to EUR 33.1 million is recognized directly in financial income. The liability part of the first tranche of the OCA is close to zero as there will never be any cash payment. Would the repayment in shares not take place, the net present value of the second tranche is close to zero as it is a bond cumulating an interest of 0.01% per annum with an indefinite term while the actual credit margin attributable to OPG before its Safeguard bonds' restructuring is above 20%. This transaction results in the recognition at issuance of an increase of the consolidated equity for EUR 109.1 million out of which EUR 50.1 million of capital increase based on market value for the first repayment as of 14 May 2012 with 18,361,548 new OPG shares.

In the framework of the OG and OPG bonds' restructuring the majority of the OG shares held by OPG have been pledged in the favor of the OG bondholders. Such pledge would be exercisable if the ongoing restructuring of the OPG bonds would not be implemented as voted by the May and June Bonds' and shareholders assemblies.

The remaining 15% of OG bonds not eliminated in the consolidated accounts are recognized on the balance sheet at their book value as their fair value based on the new terms and the exchange against New Notes end of September 2012 is not significantly different than their book value. The book value of the 15% OG bond liability amounts to EUR 20.0 million as of 30 June 2012.

❖ In 2011

On 16 September 2011, the Commercial Court of Paris issued three orders (each order related to an original bond) specifying the interpretation of the bonds accepted liability. Based on the bondholder declaration to the Court and the order of acceptance issued, the interest should not be accrued after the initial redemption term.

This order is decreasing the Safeguard liability of the tranches initially redeemable in 2010, 2012, 2013 and 2014.

¹ Refer to the Press Releases of the 10 April 2012, 18 April 2012 and 25 April 2012.

Based on that Court decision the Company decided to integrate in the total Bond liability the redemption premium of EUR 10.0 million on the Bonds initially redeemable in 2010 – that was unconditionally accepted as part of the Safeguard liability while initially it was submitted to a minimum market price for the company shares that were traded in November 2010.

As a result total Safeguard liability on the Bonds issued by the Company decreased by 47.1 million.

Main impacts based on Commercial Court decision on 16 September 2011 are:

- Calculate for each original bond the new effective interest rate;
- Determine for each original bond the reduced repayment schedule.

The specific effective rate and updated repayment schedules are shown hereafter.

Repayment schedule for interests and principal according to Safeguard Plan (based on Commercial Court of Paris decision on 16 September 2011) excluding any potential deduction due to own bonds:

EUR	30 April 2012	30 April 2013	30 April 2014	30 April 2015	30 April 2016	30 April 2017	30 April 2018	30 April 2019	30 April 2020	Total
Principal	3,437	10,396	25,646	24,989	25,311	51,155	71,874	102,960	190,275	506,043
Interest	19,104	12,672	7,796	841	520	505	450	361	220	42,468
Total	22,541	23,068	33,442	25,830	25,830	51,660	72,324	103,321	190,494	548,511

Repayment schedule for interests and principal according to the Safeguard Plan before changes on 16 September 2011 excluding any potential deduction due to own bonds:

EUR	30 April 2012	30 April 2013	30 April 2014	30 April 2015	30 April 2016	30 April 2017	30 April 2018	30 April 2019	30 April 2020	Total
Principal	3,433	7,544	22,804	17,011	19,020	48,526	72,996	109,783	194,870	495,988
Interests	19,788	16,436	13,289	11,561	10,158	9,288	8,384	6,662	4,016	99,584
Total	23,222	23,980	36,094	28,572	29,178	57,814	81,380	116,445	198,886	595,572

While the original effective rate was established at 23.1% for all Bonds issued by the Company, it is now determined specifically for each Bond with a weighted average of 21.2%.

As at 31 December 2011, the fair value of the bonds, valued by Management, amounts to EUR 168.3 million for the termed out bonds and to EUR 118.2 million for Orco Germany bonds.

	Carrying value of termed out bonds	Fair value of termed out bonds	Carrying value of OG bonds	Fair value of OG bonds
Bonds	185,764	168,278	97,777	95,334
Derivative instruments on bonds	-	-	22,914	22,914
Bonds as at 31 December 2011	185,764	168,278	120,691	118,248

11.2 Non-current bank loans and other borrowings

Non-current financial debt	Bank loans	Other non-current borrowings	TOTAL
Balance at 31 December 2010	509,885	17,106	526,991
Issue of new loans and drawdowns	29,816	535	30,351
Repayments of loans	(29,602)	(166)	(29,768)
Sales of Russian non hospitality activities	(17,126)	-	(17,126)
Transfers	(269,371)	1,073	(268,298)
Translation differences	(1,688)	(1,237)	(2,925)
Balance at 31 December 2011	221,914	17,311	239,225
Issue of new loans and drawdowns	-	208	208
Repayments of loans	(39,755)	(3,513)	(43,268)
Transfers	33,289	(434)	32,855
Translation differences	1,966	645	2,610
Balance at 30 June 2012	217,414	14,217	231,630

❖ In 2012

Repayments of loans for EUR 39.8 million relate mainly from Radio Free Europe (EUR 37.7 million) and Benice (EUR 1.6 million)

During the first half of the year, transfers of bank loans for EUR 33.3 million are mainly due to the new loan agreement achieved for the financing Na Porici for EUR 31.7 million till December 2016.

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

❖ In 2011

Issue of new bank loans and drawdowns (EUR 29.8 million) relates mainly to the refinancing of Molcom (EUR 16.8 million) and Szervita (EUR 9.9 million).

Repayments of bank loans (EUR 29.6 million) are mainly related to assets / share deals and changes of bank loan contracts:

- Repayment of the loan related to Molcom (EUR 12.3 million);
- Reimbursement of Szervita bank loan (EUR 10.2 million) due to the merger of the three credit lines;
- Sale of Brunnenstrasse (EUR 2.8 million);
- Partial Reimbursement of Gebauer Hofe bank loan (EUR 2.2 million) and Mostecka bank loan (EUR 0.9 million).

Transfers of bank loans (EUR 269.4 million) are mainly due:

- Reclassifications of bank loans, that will fall due within twelve months (EUR 352.7 million) of which GSG for EUR 300.0 million and Na Porici for EUR 38.7 million;
- Reclassification of bank loans due to breach of covenants (EUR 4.7 million) from long term to short term;
- Reclassification of bank loans linked to assets held for sales (EUR 5.4 million) from long term to short term in Germany with Ku-Damm 102;
- Settlement of long term bank loan covenant breaches from 31 December 2010 which led to the reclassification of bank loans into long term debts for EUR 48.1 million and prolongation of bank loans which were expiring within one year as at 31 December 2010 and reclassified as at 31 December 2011 in long term debt for EUR 42.8 million after successful renegotiation.

The EUR 13.6 million bank loan of Stein has been derecognized in 2010 as the company has been deconsolidated due to bankruptcy process. The guarantee given by Orco Property Group S.A. is still valid and has been exercised by the lending bank but due to the application of the Safeguard plan, the repayment schedule will follow the one of the Safeguard Plan. In this context, the Net Present Value of the guarantee has been recognized for EUR 0.9 million as a provision.

Other non-current borrowings are mainly related to equity loans from joint ventures and partner companies as in Poland for EUR 6.0 million (Zlota for EUR 2.6 million, Szczecin EUR 2.3 million and Jozefoslaw for EUR 0.8 million) in the Czech Republic for EUR 4.4 million (Benice for EUR 2.8 million, Praga for EUR 1.6 million) and Hospitality for EUR 6.3 million (EUR 0.3 million corresponding to increase in fair value of the loan).

11.3 Current financial debts

❖ In 2012

As at 30 June 2012, the movements in current loans are the following:

Current financial debt	Bank Loans	Bank loans linked to assets held for sales	Other current borrowings	TOTAL
Balance at 31 December 2010	388,326	76,494	956	465,776
Issue of new loans and drawdowns	9,918	-	417	10,335
Sales of Russian rental & development operations	(856)	-	-	(856)
Repayments of loans	(34,992)	(66,000)	(24,411)	(125,403)
Transfers	265,807	5,841	23,459	295,107
Translation differences	(7,736)	(445)	(53)	(8,234)
Balance at 31 December 2011	620,467	15,890	368	636,725
Issue of new loans and drawdowns	13	-	272	285
Repayments of loans	(25,253)	(15,890)	(1,397)	(42,534)
Transfers	(32,020)	-	920	(31,106)
Translation differences	3,179	-	14	3,193
Balance at 30 June 2012	566,386	-	177	566,563

The repayments of bank loans (EUR 25.0 million) are mainly related to GSG (EUR 14.6 million), Koliba (EUR 3.0 million), the sale of Radio Free Europe (EUR 1.6 million), land plots in Berlin (EUR 1.3 million), Sky Office (EUR 1.4 million), Mostecka (EUR 0.9 million) and to the hospitality assets (EUR 0.7 million).

During the first half of the year transfers of bank loans (EUR 31.9 million) are mainly due to the new loan agreement achieved for the financing Na Porici (EUR 31.7 million) till December 2016.

As at 30 June 2012, the movements in current bonds are the following:

Current bonds	Convertible bonds	Non Convertible bonds	TOTAL
Balance at 31 December 2011	7,776	112,148	119,924
Own bonds	-	-	-
Interests	-	2,323	-
Repayment of bonds	-	(191)	(191)
Transfer from short term of bonds under restructuring to LT	(7,776)	(114,282)	(122,058)
Balance at 30 June 2012	-	-	-

❖ In 2011

The issuance of new loans mainly relates to further drawdowns on Sky Office and Vaci 1 credit lines (respectively for EUR 1.3 million and EUR 7.9 million).

The repayments of bank loans (EUR 108.4 million) are mainly related to sale of investment properties, land plots and residential development units:

- In Germany: Leipziger Platz (EUR 66.0 million), Invalidenstrasse (EUR 3.9 million), Sky Office (EUR 2.0 million);
- In Hungary: Vaci 188 (EUR 6.7 million) and Vaci 190 (EUR 0.7 million): The two assets were auctioned during the period by the lending Bank and taken over by the Group itself. The loans were partially repaid for the sales price (EUR 7.5 million) as defined in the agreement between the companies financing the assets and the Group. The remaining balances of the loans are still integrated in the consolidated accounts for an amount of EUR 15.0 million but as there is no real asset in the specific entities they will probably be bankrupted in 2012;
- In the Czech Republic with Mostecka (EUR 6.8 million);
- In Slovakia: Koliba (EUR 5.9 million);
- In Russia: Molcom (EUR 2.5 million) ;
- In Poland: Klonowa (EUR 2.6 million).

The transfers of bank loans from long term (EUR 265.8 million) are mainly explained as follow:

- Reclassification of bank loans, that will fall due within twelve months (EUR 352.7 million) of which GSG for (EUR 300.0 million) and Na Porici (EUR 38.7 million);
- Reclassification of bank loans due to breach of covenants for EUR 1.9 million and assets held for sales for EUR 11.5 million from long term to short term;
- Settlement of long term bank loan covenant breaches from 31 December 2010 which led to the reclassification of bank loans into long term debts for EUR 48.1 million and renegotiation of bank loans which were expiring within one year as at 31 December 2010 and reclassified as at 31 December 2011 as long term debt for EUR 42.8 million
- Reclassification of bank loans linked to asset held for sales (EUR-8.1 million) from long term to short term in Germany with Hüttenstrasse (EUR 4.3 million) and in Poland with Przy Parku (EUR 3.8 million).

In Germany and Croatia, bank loans for a total amount of EUR 150.9 million are classified as short term liabilities and do not present as of today a fully secured refinancing or repayment solution. Nevertheless, negotiations for such refinancing or repayment through the sale of the asset are sufficiently advanced.

11.4 Borrowings maturity

At 30 June 2012	Note	Less than one year	1 to 2 years	2 to 5 years	More than 5 years	Total	Unaccrued liabilities
Non-current bonds							
		-	22,627	100,839	99,834	223,300	203,991
Convertible bonds	11.1		9,010	46,613	33,956	89,579	90,307
Non Convertible	11.1	-	13,617	54,226	65,878	133,721	113,684
Financial debts		-	89,425	118,535	23,671	231,631	
Bank loans	11.2	-	89,425	118,535	9,454	217,414	
Bank loans fixed rate		-	539	1,535	7,745	9,819	
Bank loans floating rate		-	88,886	117,000	1,709	207,595	
Other non-current borrowings		-	-	-	14,217	14,217	
Total		-	112,052	219,374	123,504	454,930	
Current bonds							
Bonds		-	-	-	-	-	
Convertible bonds	11.3	-	-	-	-	-	
Non Convertible	11.3	-	-	-	-	-	
Financial debts		566,563	-	-	-	566,563	
Bank loans	11.3	566,386	-	-	-	566,386	
Bank loans fixed rate		15,168	-	-	-	15,168	
Bank loans floating rate		551,218	-	-	-	551,218	
Other borrowings		177	-	-	-	177	
Liabilities linked to assets held for sale		-	-	-	-	-	
Total		566,563	-	-	-	566,563	
TOTAL		566,563	112,052	219,374	123,504	1,021,493	

❖ In 2012

The Group has entered into interest rate derivatives representing 22.1% of the non-current floating rate borrowings (54.3% in 2011) and 7.9% of the current floating rate borrowings (51.3% in 2011), 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 decrease is mainly related to the expiration of the swap contract on GSG and the reimbursement of the liabilities (including the swap) upon the sales of Ku Damm 102.

Bank loans include amounts secured by a mortgage on properties with a value of EUR 0.761 billion (0.842 billion as at 31 December 2011).

The interests on bank loans decreased from EUR 23.6 million as at 30 June 2011 to EUR 19.8 million as at 30 June 2012 mainly due to the total or partial redemption upon assets and development sales in 2012.

❖ In 2011

The Group has entered into interest rate derivatives representing 54.3% of the non-current floating rate borrowings (81.2% in 2010) and 51.3% of the current floating rate borrowings (21.7% in 2010), in order to limit the risk of the effects of fluctuations of market interest rates on its financial position and future cash flows. Most floating interest debt instruments have a fixing period of maximum 3 months.

Bank loans include amounts secured by a mortgage on properties with a value of EUR 0.842 billion (0.969 billion as at 31 December 2010).

The interests on bank loans decreased from EUR 59.6 million as at 31 December 2010 to EUR 48.8 million as at 31 December 2011 mainly due to the total or partial redemption upon assets and development sales in 2011.

As agreed with the Banks EUR 5.0 million of late and penalty interests related to Suncani Hvar hotels have been cancelled. This profit is presented in reduction of the interests expenses of the period.

At 31 December 2011	Less than one year	1 to 2 years	2 to 5 years	More than 5 years	TOTAL	Unaccrued liabilities
Non-current						
Bonds	-	22,672	83,919	56,789	163,380	230,536
Convertible bonds (*)	-	9,010	42,782	20,856	72,648	101,929
Non Convertible (**)	-	13,662	41,137	35,933	90,732	128,608
Financial debts	-	48,634	133,166	57,425	239,225	
Bank loans	-	48,634	133,166	40,114	221,914	
Bank loans fixed rate	-	401	1,488	8,124	10,013	
Bank loans floating rate	-	48,233	131,678	31,990	211,901	
Other non-current borrowings	-	-	-	17,311	17,311	
TOTAL - NON CURRENT	-	71,306	217,085	114,213	402,604	
Current						
Bonds	119,924	-	-	-	119,924	
Convertible bonds (*)	8,921	-	-	-	8,921	
Non Convertible (**)	111,003	-	-	-	111,003	
Financial debts	620,835	-	-	-	620,835	
Bank loans	620,467	-	-	-	620,467	
Bank loans fixed rate	9,825	-	-	-	9,825	
Bank loans floating rate	610,642	-	-	-	610,642	
Other borrowings	368	-	-	-	368	
Liabilities linked to assets held for sale	15,891	-	-	-	15,891	
Bank loans floating rate	7,777	-	-	-	7,777	
Bank loans fixed rate	5,491	-	-	-	5,491	
Swaps	824	-	-	-	824	
Accrued interests	1,799	-	-	-	1,799	
TOTAL - CURRENT	756,649	-	-	-	756,649	
TOTAL	756,649	71,306	217,085	114,213	1,159,253	

11.5 Loans with covenant breaches

	As at 30 June 2012			As at 31 December 2011		
	Principal	Accrued Interest	Total	Principal	Accrued Interest	Total
Long term loans presented in ST						
due to Financial covenant breach	-	-	-	24,981	-	24,981
due to Non repayment	-	-	-	40,285	-	40,285
due to Administrative breach	-	-	-	0	-	0
due to Financial and administrative breach and/or non repayment	-	-	-	0	-	0
Total LT loans presented in ST	-	-	-	65,266	-	65,266
Short term loans in breach						
due to Financial covenant breach	15,182	422	15,604	942	0	942
due to Non repayment	9,066	4,640	13,706	63,387	6,685	70,072
due to Financial and administrative breach and/or non repayment	-	-	-	15,182	91	15,273
Total ST loans in breach	24,248	5,062	29,310	79,511	6,776	86,287
Total loans linked to assets held for sale	-	-	-	7,777	3,995	11,772
Total Loans in Breach	24,248	5,062	29,310	162,554	10,771	163,325

While as at December 2011 EUR 65.3 million of long term were presented as short term are mainly composed of the Suncani Hvar long term part loan for EUR 40.3 million and Paris Department Store for EUR 15.8 million respectively due to non-repayment and due to breach of financial covenants, as at 30 June 2012 those breaches have been solved through the signature of stand-still agreements.

The decrease of the short term is mainly due to the signature of agreements on Vaci I (EUR 40.1 million) and the Szervita buildings (EUR 9.8 million) in Hungary and Marki (EUR 3.8 million) in Poland.

The short term loans in breach due to financial covenant breach are composed of the loans financing the two assets Vaci 188 and Vaci 190 and the short term due to non-repayment are composed of the two polish plots in Jozefoslaw and in Szczecin.

Over the period the loans financing the assets classified in held for sales as at 31 December 2011 have been fully repaid upon the sales of Przy Parku and Hüttenstrasse.

12 Other net financial results

	6 months 2012	6 months 2011
Change in carrying value of liabilities at amortised cost	32,760	-
Change in fair value and realised result on derivative instruments	1,426	3,848
Change in fair value and realised result on other financial assets	(1,897)	1,680
Other net finance gains or losses	(1,298)	44
Total	30,991	5,572

Change in carrying value of liabilities at amortized cost are composed of EUR 33.1 million corresponding to the difference between the market value of the OCA as at 09.05.2012 and the book value of the 85% of OG bonds acquired by OPG as described in the note 11.4 "Non-current bonds".

Change in the fair value of derivative instruments essentially relates to movements in fair value of derivative instruments are related to:

- Losses on Embedded derivatives on bonds for EUR 2.2 million;
- Gains on derivatives for EUR 3.8 million composed of EUR 4.6 million of gain related to the expiration of the swap contract as for GSG and EUR 0.8 million of losses on market to market actualization.

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

- Losses on revaluation of the investment in Endurance Fund for EUR 0.6 million,
- Loss on PPL reevaluation for EUR 1.3 million.

Other finance charges are mainly composed of bank expenses as bank loan and credit card commissions.

13 Earnings per share

	30 June 2012	30 June 2011
At the beginning of the period	16,737,951	13,964,411
Shares issued	17,053,866	14,053,866
Treasury shares	(315,915)	(89,455)
Weighted average movements	4,728,973	(244,805)
Issue of new shares	4,728,725	
Treasury shares	247	(244,805)
Weighted average outstanding shares for the purpose of calculating the basic earnings per share	21,466,924	13,719,606
Dilutive potential ordinary shares	7,848,081	1,086,956
Bonds redeemable in shares	7,848,081	1,086,956
Weighted average outstanding shares for the purpose of calculating the diluted earnings per share	29,315,005	14,806,562
Net profit/(loss) attributable to the Equity holders of the Company	(7,002)	(7,503)
Effect of assumed conversions / exercises	-	6,578
Convertible bonds	-	6,578
Net profit/(loss) attributable to the Equity holders of the Company after assumed conversions / exercises	(7,002)	(925)
Basic earnings in EUR per share	(0.33)	(0.55)
Diluted earnings in EUR per share	(0.24)	(0.06)

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

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

14 Equity holders

14.1 Share capital

	Number of shares	Capital	Share premium
Balance at 31 December 2010	14,053,866	57,621	403,988
Capital increase	3,000,000	12,300	14,700
Balance at 31 December 2011	17,053,866	69,921	418,688
Capital increase	18,361,540	75,283	710
Balance at 30 June 2012	35,415,406	145,204	419,398

All the shares of the Company have no par value and are fully paid. Each share is entitled in the profits and corporate capital to a prorated portion of the percentage of the corporate capital it represents, as well as to a voting right and representation at the time of General Meeting, the whole in accordance with statutory and legal provisions.

Authorized capital not issued:

The Company's Extraordinary General Meeting of 28 April 2011 granted to the Board of Directors, authorization to increase the Company's share capital in accordance with article 32-3 (5) of Luxembourg corporate law.

The Board of Directors was granted full power to proceed with the capital increases within the revised authorized capital of EUR 410,000,000 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 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 April 2011, without prejudice to any renewals, to increase the issued capital on one or more occasions within the limits of the authorized 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.

As at the end of 2011, the Board of Directors still had a potential of EUR 340,079,149.40 at its disposal. Considering that all new shares shall be issued at the minimum at par value amounting to EUR 4.10, a maximum total of 82,946,134 new shares may still be created.

The Extraordinary Meeting held on the 28th of June 2012 unanimously approved the Company's proposal to increase its authorized share capital by an additional EUR 63,582,861.50, which equates to 15,508,015 shares. As such, the Company can substitute approximately 89.9% of its bonds into new shares of the Company, issue new shares as the second payment on the bonds convertible into shares issued to former ORCO Germany bondholders and issue new shares to non-bondholder creditors under the Company's Safeguard plan. The Extraordinary meeting also decided to have sufficient authorized share capital to timely issue shares in the event existing warrant holders exercise their warrants.

Thus, on the 30 of June 2012, the authorized share capital amounts to EUR 476,582,861.50.

❖ In 2012

The company issued on 14 May 2012 18,361,540 new ordinary shares as a first payment on the Obligations Convertibles en Actions issued by OPG on 9 May 2012 against the contribution of approximately 84.5% of the Orco Germany bonds (see note 11.1). OPG's share capital has increased from EUR 69,920,850.60 represented by 17,053,866 shares to EUR 145,203,164.60 represented by 35,415,406 shares.

The new shares cannot be publicly traded until a prospectus has been approved by the CSSF. Upon approval of the prospectus, the new shares will be fully fungible with the existing shares of OPG and the procedure for admission to trading of the new shares on the regulated markets of the Paris, Prague and Warsaw stock exchanges will commence. The new shares carry the same voting rights as the existing shares.

Moreover, the Extraordinary Meeting of the 28 June 2012 unanimously approved the increase of the share capital from its current value of EUR 145,203,164.60 by an amount of up to EUR 266,500,000 through the creation and issue of up to 65 million new shares of the Company, against the conversion and contribution in kind to the Company of approximately 89.9 % of the bonds issued by the Company valued at approximately EUR 493.3 million.

❖ In 2011

The Company issued on 22 September 2011 3 million ordinary new shares without nominal value ("New Shares") to funds advised by Morgan Stanley Real Estate Investing ("MSREI"). The New Shares, issued under the Company's authorized capital, were fully paid by the contribution in kind of MSREI's 14,100,000 shares in Orco Germany SA, 1,500,000 units in the Office I Sub-Fund of the Endurance Real Estate Fund and 1,404,276.226 units in the Residential Sub-Fund of the Endurance Real Estate Fund. The New Shares are assimilated with the existing ordinary shares of Orco and listed on the regulated market of Paris, Prague and Warsaw stock exchanges.

With this transaction, the number of Company's shares issued is increased to 17,053,866 shares.

The regulated market of the Budapest Stock Exchange (the "BSE") resolved to remove the Company shares from its product list. After 1 December, 2011 the Shares were delisted and removed from the BSE product list. The Shares will remain listed and tradable on the regulated markets of NYSE Euronext Paris, Prague Stock Exchange, and Warsaw Stock Exchange.

As at 31 December 2011, the Group holds 315,915 treasury shares, 1,472 warrants 2014 and 546 warrants 2012.

14.2 Employee stock options

All existing stock options granted to employees on the 3 of March 2006 were cancelled during 2012.

Movements in the number of share options:

	2012		2011	
	Average exercise price in EUR	Number of options	Average exercise price in EUR	Number of options
Outstanding at the beginning of the year	75.60	60,000	75.60	60,000
Granted	-	-	-	-
Exercised	-	-	-	-
Cancelled	(75.60)	(60,000)	-	-
Outstanding at the end of the year	0.00	0	75.60	60,000

14.3 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 2011.

15 Capital and other commitments

Capital commitments

Orco Property Group S.A. entered into a Subscription Agreement with the Endurance Real Estate Fund for Central Europe. The Group subscribed to the three existing sub-funds. As at 30 June 2012, the remaining balances to be called amount to:

- EUR 19.0 million out of EUR 36.9 million subscribed for the residential sub-fund;
- EUR 3.4 million out of EUR 42.0 million subscribed for the office sub-fund;
- EUR 32.5 million out of EUR 35.0 million subscribed for the office II sub-fund (EUR 33.1 million out of 35.0 million in 2011).

As a developer of buildings and residential properties, the Group is committed to finalize the construction of properties in different countries. The commitments for the projects started as at June 2012 amount to EUR 0.1 billion as in December 2011. This does not take into account the potential investments in future projects like Bubny in Prague or hotels to be refurbished in Suncani Hvar.

End of 2007, the Group entered into an agreement for the acquisition of a retail building under construction to be delivered in 2009. This engagement of USD 300 million is covered by an advance payment of USD 25 million. This advance payment recorded in the consolidated financial statements as a long term receivable amounts to EUR 6.4 million (fully impaired as at December 2009). This impairment was partially reversed in 2010 on the basis of the Net Asset Value of the entity holding the project, for which a 10% shareholding will be exchanged with the advance payment).

Bank loans covenants (see note 11.5)

16 Related party transactions

Transactions with key management personnel

(a) Remuneration of key management personnel

The members of the Board of Directors of the Company and of the Executive Committee are considered as the key management personnel of the Group. In 2011, the Executive Committee was made of 7 people. After one departure in 2012, the Executive Committee is made of 6 members.

A total compensation given as short term employee benefits to the members of the Executive Committee for the year 2012 amounted to EUR 1.9 million (EUR 2.6 million for the same period in 2011). In 2011, this compensation included an amount of EUR 750 thousand paid in cash with the obligation to reinvest immediately in the acquisition from the Company of treasury shares. As at 30 June 2012 the cumulated balance to be paid at the termination of the contract of current executive board members amounts to EUR 0.5 million (EUR 0.5 million as at December 2011).

(b) Other transactions with key management personnel

Over 2012, no sales of asset with members of the Executive Committee were closed. Over 2011, one apartment was sold to a member of the Board of Directors for a total amount of EUR 305 thousand at no discount.

Transactions with the Endurance Real Estate Fund

Orco's remuneration from the Office, Office II and residential sub-funds amounting to EUR 2.0 million in 2012 (EUR 1.6 million over the same period in 2011) is linked to:

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

As at 30 June 2012, open invoices for unpaid management fees owed by Endurance Fund to the management company amounted to EUR 0.8 million (EUR 4.3 million as at December 2011).

17 Litigations

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

On 17 May 2011, the bondholders' representative filed a request to the juge commissaire to obtain an interpretation of the juge commissaire's admission of the bond debt. The requests were pleaded in front of the juge commissaire on 21 June 2011. The decision was rendered in September 2011. The juge commissaire denied third party requests and stated that the 26 October, 2009 decisions did not need to be reviewed. As such, the overall bond debt remained the same.

The general meetings of the 2010, 2013 and 2014 OPG bondholders held in April 2012 resolved to finally and definitely waive and withdraw the current lawsuits against OPG and not to make any further challenges regarding its Safeguard plan upon approval of the prospectus on the listing of the new OPG shares and of their issuance by the OPG shareholder general meeting. The bonds' restructuring has for principal object to reduce the total amount of EUR 548.5 million of total bonds Safeguard liability by converting 90% of it into shares and into a new note for the remaining portion.

The French market regulation authority (AMF, Autorité des Marchés Financiers) is challenging some elements in the financial communication of the Company over the second half of 2008. The Company has had the opportunity to present its arguments and defense. It is not expected that the outcome of this proceeding would have a material impact on the Group financial position.

18 Events after balance sheet date

18.1 28 August 2012 - Refinancing of GSG

At the end of August the Company has obtained a detailed term sheet for financing from a club of German banks in the amount of approximately EUR 270 million. In light of such progress, the Company expects to obtain a further extension of the standstill agreement on the existing EUR 286 million financing beyond 31 August 2012.

18.2 29 August 2012 - CSSF approval of prospectus

On 29 August 2012, the Commission de Surveillance du Secteur Financier (the "CSSF") in Luxembourg approved two OPG prospectuses, which were the final conditions for implementation of the OG and OPG bonds' restructuring described under section 2.1.1.1.. One prospectus is for the admission to trading of 65 million new ordinary shares to be issued by OPG in a mandatory exchange for 89.9% of its bonds, in the first step of the OPG bond restructuring. A second prospectus is for the offer and admission to trading of up to EUR 75.2 million of new notes to be issued by OPG (the "New Notes") in a voluntary exchange offer for the remaining bonds issued by OPG and its subsidiary Orco Germany S.A. ("OG").

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To the Shareholders of
Orco Property Group, Société Anonyme
42, rue de la Vallée,
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REVIEW REPORT ON INTERIM FINANCIAL INFORMATION

Introduction

We have reviewed the accompanying condensed consolidated interim balance sheet of Orco Property Group, Société Anonyme (“Orco Property Group”, the “Company” or the “Group”) as of 30 June 2012, and the related condensed consolidated interim income statement, condensed consolidated interim statement of comprehensive income, condensed consolidated interim statement of changes in equity and condensed consolidated interim cash flow statement for the 6 month period then ended and the accompanying explanatory notes (collectively the “condensed consolidated interim financial information”). The Board of Directors is responsible for the preparation and fair presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard 34, *Interim Financial Reporting*, as adopted in the European Union. Our responsibility is to express a conclusion on condensed consolidated interim financial information based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34, Interim Financial Reporting, as adopted in the European Union.

Emphasis of Matter

Going concern of the Group

We draw attention to note 2.1 in the condensed consolidated interim financial information which describes the basis upon which the Board of Directors has deemed it appropriate to utilise the going concern assumption in preparing the condensed consolidated interim financial information.

As at 30 June 2012, the Group has substantial outstanding debt service obligations, including a significant amount of short term financing amounting to EUR 567 million. A significant portion of such financing is classified as short-term as a consequence of pending negotiations with credit institutions and covenant breaches.

A significant number of subsidiaries and joint ventures included within the accompanying interim condensed consolidated financial statements require funding to continue in operation as a going concern. The Board of Directors has determined that; considering that all individual amounts due to credit institutions are structured in such a fashion that the consequence of each single default would solely impact distinct real estate assets provided as collateral; the eventuality that a subsidiary is unable to continue in operation as a going concern should not have a direct impact on the Group's ability to continue in operation as a going concern. Moreover, in the eventuality that a guarantee granted prior to the opening of the Safeguard procedure is exercised further to an unsuccessful financing negotiation, this would not have a short term impact of the Group's cash flows as repayment would occur in accordance with the term out Plan approved in May 2010 and amended in May 2012.

The Board of Directors and the management are actively working on negotiating with the financing banks in order to either prolong the short term loans or solve the covenants breaches that result in their classification as current.

Furthermore, the implementation of the "Safeguard Plan" referred to in Note 2.1. is based on a business plan approved by Board of Directors that assumes; inter alia; operational achievements and successful restructuring of the activities of certain subsidiaries.

The Group's ability to continue in operation as a going concern is primarily dependent upon the successful completion of the aforementioned negotiations which are currently underway with the financing banks, and the successful implementation of the Safeguard Plan as described above.

The matters described above, together with the other elements described in note 2.1. in the condensed consolidated interim financial statements are indicative of the existence of material uncertainties that may cast significant doubt about the Group's ability to continue as a going concern.

Our conclusion is not qualified in respect of this matter.

Going concern of certain subsidiaries

Included within the short term liabilities mentioned above amounting to EUR 567 million, are amounts due to credit institutions in relation to the GSG portfolio. This debt amounts to EUR 286 million and falls due on 31 August 2012, the working day subsequent to the approval of the accompanying condensed consolidated interim financial statements and the issuance of this report.

During 2012, GSG and its financing bank have signed three successive standstill agreements which, further to partial repayments in March, April and May 2012, defer the repayment obligation related to the remaining of EUR 286 million until 31 August 2012. The last standstill agreement includes two major conditions subsequent, these being:

- (i) the provision of an unbinding term sheet by a new banking pool in relation to the refinancing of the larger part of the current loan; and
- (ii) the provision of an executed and binding letter of intent in relation to the sale of real estate assets that would provide sufficient proceeds to fund the difference between the current loan and the refinancing obtained as per i) above.

Condition (i) has been fulfilled on 28 August 2012 as the Group has obtained a signed term-sheet from a pool of 4 German banks for fresh financing of approximately EUR 270 million. Condition (ii) has not been fulfilled as of the date of this report. Despite the non-fulfilment of the latter condition; and considering:

- a) the progress that has been made with a number of potential purchasers in relation to the sale of certain real estate assets; and
- b) the fact that, when considering the signed term-sheet referred to above, the portion of the current loan that shall be reimbursed through the proceeds from the sale of real estate assets amounts to EUR 16 million; and
- c) the state of the negotiations with the current bank;

the Board of Directors is of the opinion that it shall succeed in obtaining a further extension to the current loan in a manner that will provide sufficient time to finalize the refinancing.

The failure of such negotiations would result in the current financing bank having the possibility to exercise its pledge on the Group's shares in GSG and might initiate a sales process of the portfolio leading to a potential liquidation of the whole entity if the cash collected from such process would not be sufficient. In such a scenario, the Board of Directors would be required to present the assets and liabilities stemming from GSG on a break-up basis.

Pending the completion of such negotiations, and on the basis of the considerations listed above, the Board of Directors has determined that it is still appropriate to continue to record the relevant GSG assets and liabilities at their going concern value. The contribution of GSG in the condensed consolidated interim statement of financial position as of 30 June 2012 is disclosed in note 2.1.

The matters described above, together with the other elements described in note 2.1 in the condensed consolidated interim financial information are indicative of the existence of a material uncertainty that may cast significant doubt about the ability of certain significant subsidiaries to continue in operation as a going concern.

Our conclusion is not qualified in respect of this matter.

For Deloitte Audit, *Cabinet de révision agréé*



Christiane Chadoeuf, *Réviseur d'entreprises agréé*
Partner

30 August 2012