Orco Property Group S.A.
Société Anonyme

Condensed consolidated interim financial information as at June 30, 2008

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Auditor's Report on Review of Condensed Consolidated Interim Financial Information

To the Board of Directors of
Orco Property Group S.A.

Introduction

We have reviewed the accompanying condensed consolidated interim balance sheet of Orco Property Group S.A. and its subsidiaries (the "Group") as of June 30, 2008 and the related condensed consolidated interim income statement, interim statement of changes in equity and interim cash flow statement for the six-month period then ended (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 Financial Reporting Standards as adopted by the European Union applicable to interim financial reporting ("IAS 34"). Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of review

We conducted our review in accordance with 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 does not give a true and fair view of the financial position of the Group as at June 30, 2008, and of its financial performance and its cash flows for the six-month period then ended, in accordance with IAS 34.

PricewaterhouseCoopers S.à r.l.
Réviseur d'entreprises
Represented by

Luxembourg, August 28, 2008

Anne-Sophie Preud'homme

ORCO PROPERTY GROUP

Condensed consolidated interim financial information

Orco Property Group's Board of Directors has approved on 28 August 2008 the condensed consolidated interim financial information as at and for the period ended 30 June 2008. All the figures in this report are presented in thousands of Euros, except if explicitly stated.

I. Condensed consolidated interim income statement

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

	Note	June 2008	June* 2007
Revenue	3	**113,242**	**124,764**
Net gain from fair value adjustments on investment property	5	61,067	96,810
Other operating income		3,075	647
Net gain on disposal of assets		10,082	872
Cost of goods sold	13	-33,277	-57,424
Employee benefits		-26,089	-19,758
Amortization, impairments and provisions		-48,370	-10,294
Other operating expenses	13	-49,206	-35,999
Operating result		**30,524**	**99,618**
Interest expenses		-41,596	-18,746
Interest income		6,452	2,623
Foreign exchange result		-8,034	7,388
Other net financial results		13,326	-4,322
Financial result		**-29,852**	**-13,057**
Profit before income taxes		**672**	**86,561**
Income taxes		-5,550	-29,655
Net profit/(loss)		**-4,878**	**56,906**
Attributable to minority interests		9,236	1,816
Attributable to the Group		**-14,114**	**55,090**
Basic earnings in EUR per share	10	-1.32	6.34
Diluted earnings in EUR per share	10	-1.32	5.39

* See note 13 for adjustments on comparatives

II. Condensed consolidated interim balance sheet

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

Assets

	Note	June 2008	December 2007
NON-CURRENT ASSETS		**2 148 768**	**2 147 468**
Intangible assets		**68 497**	**67 016**
Investment property	5	**1 473 212**	**1 564 947**
Property, plant and equipment		**493 852**	**419 575**
Hotels and own-occupied buildings	6	294 373	294 170
Fixtures and fittings and other equipments		21 708	21 036
Properties under development	7	177 771	104 369
Financial assets at fair value through profit & loss		**99 573**	**82 182**
Deferred tax assets		**13 634**	**13 748**
CURRENT ASSETS		**902 808**	**795 795**
Inventories	8	608 325	323 699
Trade receivables		42 733	64 891
Other receivables		97 365	115 610
Derivative Instruments		28 002	22 396
Current Financial Assets		23 063	11 222
Cash and cash equivalents		103 320	257 977
TOTAL		**3 051 576**	**2 943 263**

Equity and liabilities

	Note	June 2008	December 2007
EQUITY		**945 265**	**939 835**
Shareholders'equity	11	**721 355**	**736 012**
Minority interests	11	**223 910**	**203 823**
LIABILITIES		**2 106 311**	**2 003 428**
Non-current liabilities		**1 611 820**	**1 587 783**
Bonds	9	480 608	472 812
Financial debts	9	834 849	831 724
Provisions & other long term liabilities		28 392	18 154
Derivative Instruments		21 632	21 153
Deferred tax liabilities		**246 339**	**243 940**
Current liabilities		**494 491**	**415 645**
Financial debt	9	222 599	175 216
Trade payables		73 043	50 220
Advance payments		99 516	101 678
Derivative Instruments		7 954	4 872
Other current liabilities		91 379	83 659
TOTAL		**3 051 576**	**2 943 263**

III. 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	Shareholders equity	Minority interests	Equity
Balance at 1 January 2007	**34,398**	**197,552**	**19,613**	**0**	**202,669**	**454,232**	**64,193**	**518,425**
Gains or losses for the period :								
Translation differences			-7,439			-7,439	-23	-7,462
Profit of the period					55,090	55,090	1,816	56,906
Dividends relating to 2006					-8,647	-8,647		-8,647
Capital increase	8,294	193,562			-9,018	192,838		192,838
Equity derivative instruments					24,619	24,619	1,989	26,608
Treasury shares				-4,540		-4,540		-4,540
Stock option plan					1,514	1,514		1,514
Minority interests' transactions					4,172	4,172	74,418	78,590
Balance at 30 June 2007	**42,692**	**391,114**	**12,174**	**-4,540**	**270,399**	**711,839**	**142,393**	**854,232**
Gains or losses for the period :								
Translation differences			16,324			16,324	52	16,376
Profit of the period					32,418	32,418	11,580	43,998
Dividends relating to 2006						0	-161	-161
Capital increase	1,739	4,648			-3,008	3,379		3,379
Equity derivative instruments					-13,645	-13,645	-1,502	-15,147
Treasury shares				-10,618	319	-10,299		-10,299
Minority interests' transactions					-4,004	-4,004	51,461	47,457
Balance at 31 December 2007	**44,431**	**395,762**	**28,498**	**-15,158**	**282,479**	**736,012**	**203,823**	**939,835**
Gains or losses for the period :								
Translation differences			30,738			30,738	638	31,376
Profit of the period					-14,114	-14,114	9,236	-4,878
Dividends relating to 2007					-14,892	-14,892	-341	-15,233
Capital increase	439	4,762			-337	4,864	1,254	6,118
Treasury shares				-5,089	-337	-5,426		-5,426
Minority interests' transactions					-15,827	-15,827	9,300	-6,527
Balance at 30 June 2008	**44,870**	**400,524**	**59,236**	**-20,247**	**236,972**	**721,355**	**223,910**	**945,265**

IV. Condensed consolidated interim cash flow statement

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

	June 2008	June 2007
Operating result	**30 524**	**99 618**
Net gain from fair value adjustments	-61 067	-96 810
Amortization, impairments & provisions	48 370	10 294
Gains and losses on disposal of investments	-10 082	-872
Stock options plans	-	1 514
Adjusted operating profit	**7 745**	**13 744**
Financial result	-3 611	-3 939
Income tax paid	-5 112	-5 701
Financial result and income taxes paid	**-8 723**	**-9 640**
Changes in operating assets and liabilities	**-75 776**	**39 924**
NET CASH FROM OPERATING ACTIVITIES	**-76 754**	**44 028**
Acquisition of subsidiaries, net of cash acquired	-	-331 034
Capital expenditures and tangible assets acquisitions	-124 352	-260 849
Proceeds from sales of non current tangible assets	47 793	3 130
Purchase of intangible assets	-1 107	-926
Purchase of financial assets	-14 201	-6 623
Net interest paid	-40 696	-14 599
NET CASH USED IN INVESTING ACTIVITIES	**-132 563**	**-610 901**
Issue of equity instruments from shareholders	112	188 298
Issue of equity instruments from minority	-	41 623
Proceeds from borrowings	135 011	674 662
Repayments of borrowings	-72 834	-85 719
Dividend paid to company's shareholders	-14 892	-8 647
NET CASH FROM FINANCING ACTIVITIES	**47 397**	**810 217**
NET INCREASE IN CASH	**-161 920**	**243 344**
Cash and cash equivalents at the beginning of the period	257 977	98 344
Exchange difference on cash	7 263	-343
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**103 320**	**341 345**

Selected notes to the condensed consolidated interim financial information

1. General information

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

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

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

These condensed consolidated interim financial information have been approved for issue by the Board of Directors on 28 August 2008.

2. Summary of significant accounting policies

2.1 Basis of preparation

This condensed consolidated interim financial information for the half-year ended 30 June 2008 has been prepared in accordance with IAS 34, ‘Interim financial reporting’ and should be read in conjunction with the annual consolidated financial statements as at and for the year ended 31 December 2007.

2.2 Accounting policies

Except as described below, the accounting policies adopted are consistent with those of the annual consolidated financial statements as at and for the year ended 31 December 2007, as described in the annual consolidated financial statements for the year ended 31 December 2007.

The presentation of the consolidated income statement has been modified. Cost of sales have been replaced by Cost of goods sold. See note 13 for further details of the reclassification.

In addition, the land portion of buildings under construction that will qualifiy as Investment property as of completion of the project are no longer recognized separately from the building under construction and are therefore recorded at cost as from the the date of transfer to the Properties under development category. See note 5 for further details on the transfer.

No new or amended standards or interpretations mandatory for the year ending 31 December 2008 are expected to have a material impact on the 2008 consolidated financial statements.

The following new standards, amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 January 2008 and have not been early adopted:

- IFRS 8, ‘Operating segments’, effective for annual periods beginning on or after 1 January 2009. IFRS 8 replaces IAS 14, ‘Segment reporting’, and requires a ‘management approach’ under which segment information is presented on the same basis as that used for internal reporting purposes. The expected impact is still being assessed in detail.
- IAS 23 (amendment), ‘Borrowing costs’, effective for annual periods beginning on or after 1 January 2009. This amendment is not relevant to the Group, as the Group currently applies a policy of capitalising borrowing costs.
- IFRS 2 (amendment) ‘Share-based payment’, effective for annual periods beginning on or after 1 January 2009. Management is assessing the impact of changes to vesting conditions and cancellations on the Group’s schemes.
- IFRS 3 (amendment), ‘Business combinations’ and consequential amendments to IAS 27, ‘Consolidated and separate financial statements’, IAS 28, ‘Investments in associates’ and IAS 31, ‘Interests in joint ventures’, effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. Management is assessing the impact of the new requirements regarding acquisition accounting, consolidation and associates on the Group.
- IAS 1 (amendment), ‘Presentation of financial statements’, effective for annual periods beginning on or after 1 January 2009. Management is in the process of developing proforma accounts under the revised disclosure requirements of this standard.
- IAS 32 (amendment), ‘Financial instruments: presentation’, and consequential amendments to IAS 1, ‘Presentation of financial statements’, effective for annual periods beginning on or after 1 January 2009. Management is assessing the impact of the new presentation requirements.
- IFRIC 13, ‘Customer loyalty programmes’, effective for annual periods beginning on or after 1 July 2008. This interpretation is not relevant for the Group.

2.3 Seasonality

Given the seasonal nature of retail sales in the hotel and extended stay residences 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 values, the results for the first six months cannot be extrapolated to the remainder of the year.

3. Segment reporting – business segments

The Group is organised on a European basis into four main segments determined in accordance with the type of activity:

- Development: development of projects meant to be disposed off unit by unit, the land bank and project management.
- Hotels and Residences: all the MaMaison Hotels and Apartments activities with extended stay hotels and small luxury hotels. This segment also includes the Suncani Hvar activities (i.e. leisure hotels in Croatia).
- Renting: leased out residences, offices or retail buildings, property management and asset management and buildings under construction that are meant to be leased.
- Management services: property management, management services to the Group companies and asset management for the Endurance Real Estate Fund.

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

As at 30 June 2008	Development	Hotels and Residences	Renting	Management services	Intersegment activities	TOTAL
Revenue	42 919	14 487	54 446	8 847	-7 457	**113 242**
Net gain from fair value adjustments on investment property	-932	-	61 999	-	-	**61 067**
Cost of goods sold	-33 277	-	-	-	-	**-33 277**
Amortization, impairments and provisions	-25 046	-1 882	-21 351	-91	-	**-48 370**
Other operating results	-18 277	-19 472	-31 060	-739	7 410	**-62 138**
Operating result	**-34 613**	**-6 867**	**64 034**	**8 017**	**-47**	**30 524**
Financial result						-29 852
Profit before income taxes						**672**
Income taxes						-5 550
Net profit						**-4 878**
Attributable to minority interests						9 236
Attributable to the Group						**-14 114**

As at 30 June 2007	Development	Hotels and Residences	Renting	Management services	Intersegment activities	TOTAL
Revenue	90 394	15 959	17 587	7 783	-6 959	**124 764**
Net gain from fair value adjustments on investment property	46 815	2 222	47 773	-	-	**96 810**
Cost of goods sold	-57 424	-	-	-	-	**-57 424**
Amortization, impairments and provisions	-5 806	-2 712	-121	-1 655	-	**-10 294**
Other operating results	-26 505	-19 190	-14 007	1 153	4 311	**-54 238**
Operating result	**47 474**	**-3 721**	**51 232**	**7 281**	**-2 648**	**99 618**
Financial result						-13 057
Profit before income taxes						**86 561**
Income taxes						-29 655
Net profit						**56 906**
Attributable to minority interests						1 816
Attributable to the Group						**55 090**

4. Business combinations

- **In 2008**

There were no material business combinations during the first 6 months of 2008.

- **In 2007**

Acquisition of GSG

After almost two years of negotiations, the Group acquired on 12 June 2007 the control of GewerbeSiedlungs-Gesellschaft mbH (GSG). This previously state owned company holds buildings totalling 800 thousand square meters of commercial and light industrial space in Berlin rented out to approximately 1 200 tenants. On the basis of independent valuation reports, the building portfolio and the brand have been fair valued at EUR 408 million and EUR 7 million respectively. Due to the size of GSG on the Berlin market and the new marketing strategy adopted, it has been determined that the brand has an undefinite useful life. This results in an increase compared to the book value before acquisition amounting to EUR 243 million less deferred tax liabilities amounting to EUR 98 million and the recognition of the brand for EUR 7 million. The carrying value of all other assets and liabilities is deemed to approximate their fair value.

The acquisition of the shares of GSG by Orco Germany SA (OG), a subsidiary of Orco Property Group SA (OPG), was governed by an agreement between Morgan Stanley Real Estate Fund V (MSREF V) - that co-financed the first steps of the acquisition of GSG.

While as of June 2007, the GSG shares are held by two companies indirectly held at 50% by OPG and 50% by MSREF V, their interest in OG has been built in two steps. First step has been completed by the issue of 3.5 million of shares entirely subscribed in cash by MSREF V for a total consideration of EUR 35 million. The second step was realised through a contribution in kind by MSREF V against the issue of 10.6 million new shares of Orco Germany (the non cash consideration in the following table). The fair value of the consideration given has been estimated at EUR 39 million as a reference to the cash payment to OPG for the acquisition of the first 50%.

As a result, OG indirectly holds 100% of the issued capital of GSG, the interest of OPG in OG decreased to 57% and MSREF V acquired an interest of 29% in OG.

As at 31 December 2007, GSG contributed to the consolidated revenues for EUR 19.7 million, to the operating result for EUR 37.6 million and to the Group share in the net profit for EUR 25.3 million as a result of nine months of operation since its acquisition. If the acquisition had occurred on 1 January 2007, GSG would have contributed to the consolidated revenue for EUR 26.3 million.

The following table describes the calculation of the cash flow on acquisition, net of the cash and cash equivalents, acquired and the calculation of the goodwill on acquisition. The source of this goodwill is the obligation under IFRS to recognize deferred tax liabilities on the difference between the book values and market values on investment properties.

GSG	
Intangible assets	7,219
Tangible assets	411,470
Inventories	87
Trade receivables	4,572
Other current assets	7,676
Cash and cash equivalents	19,938
Non current financial liabilities	-68,862
Deferred tax liabilities	-98,844
Current payables	-5,701
Short term debts and provisions	-2,534
Net equity acquired	**-275,021**
Goodwill on acquisition	-39,255
Acquisition price	**-314,276**
Less cash acquired	19,938
Less non cash contribution	39,000
Cash flow on acquisition net of cash acquired	**-255,338**

The difference of EUR 2.7 million on cash flow on acquisition as per the above table compare to the June 2007 cash flow on acquisition is linked to the finalisation of the purchase price accounting in the second semester of 2007.

Acquisition of Molcom

On 1 April 2007, the Group gained control over Molcom, a logistics park located at 15 km from the centre of Moscow, following the acquisition of 80% ownership interest. The current management has acquired 20% of the shareholding structure, ensuring the continuity of operating capacities. The project's total area amounts to 106 thousand sq m. This project also includes 4 hectares of land bank that will ensure potential future development in the dynamic logistics and light industrial sector of Russia. On the basis of an independent valuation report (established by DTZ), the building portfolio and land bank have been fair valued at EUR 94.4 million. This results in an increase compared to the book value before acquisition amounting to EUR 90 million less deferred tax liabilities amounting to EUR 21.4 million. The carrying value of all other assets and liabilities is deemed to approximate their fair value.

The purchase accounting has been completed in 2008. No adjustment to initial allocation has been done.

The Group sold a further 10% share in the shareholding structure of Molcom to the current management during the second semester of 2007.The transaction took place at the same price than the acquisition.

As at 31 December 2007, Molcom contributed to the consolidated revenues for EUR 17.0 million, to the operating result for EUR 8.2 million and to the Group share in the net profit for EUR 5.7 million as a result of nine months of operation since its acquisition. The operating and net profit contributions include the negative goodwill on acquisition amounting to EUR 3.2 million.

If the acquisition had occurred on 1 January 2007, Molcom would have contributed to the consolidated revenue for EUR 22.7 million, to the operating result for EUR 6.7 million and to the Group share in the net profit for EUR 3.3 million. These contributions do not include the negative goodwill on acquisition.

The following table describes the calculation of the cash flow on acquisition net of the cash and cash equivalents acquired.

Molcom	
Intangible assets	41
Tangible assets	97 326
Inventories	863
Trade receivables	985
Other current assets	282
Cash and cash equivalents	7 523
Provisions	-653
Deferred tax liabilities	-21 393
Current payables	-1 293
Net equity acquired	**-83 681**
Gain on first consolidation	3 207
Acquisition price	**-80 474**
Less cash acquired	7 523
Cash flow on acquisition net of cash acquired	**-72 951**

5. Investment property

Investment Property	Freehold Buildings	Extended Stay Hotels	Land Bank	Land	Buildings under Finance Lease	TOTAL
Balance as at 31 December 2006	**469 666**	**58 701**	**154 296**	**65 400**	**1 375**	**749 438**
Scope movements	406 172	-	2 305	-	-	408 477
Investments / acquisitions	239 630	84	164 756	-	60	404 530
Partial Sale	-4 510	-3 267	-	-	-	-7 777
Asset Sale	-32 798	-	-	-	-	-32 798
Revaluation through income statement	97 890	4 182	39 352	2 584	155	144 163
Transfer	-119 033	-	22 107	-14 147	-	-111 073
Translation differences	3 419	-133	6 076	625	-	9 987
Balance as at 31 December 2007	**1 060 436**	**59 567**	**388 892**	**54 462**	**1 590**	**1 564 947**
Investments / acquisitions	29 802	1 028	37 342	-	1 300	69 472
Asset Sale	-40 816	-	-514	-	-2	-41 332
Revaluation through income statement	52 378	-	8 689	-	-	61 067
Transfer	-61 526	-4	-86 131	-56 363	-	-204 024
Translation differences	11 503	-	9 678	1 901	-	23 082
Balance as at 30 June 2008	**1 051 777**	**60 591**	**357 956**	**0**	**2 888**	**1 473 212**

- **In 2008**

During the period, the Group has invested EUR 69.5 million in Investment property detailed as follows:

- Freehold buildings:

New acquisitions (EUR 29.8 million):

- Germany: various residential and office buildings among which Hüttendorf (EUR 7.9 million), Hakeburg (EUR 3.4 million), Hochwald (EUR 1.4 million), and Heritage building rights on Lubarserstrasse (EUR 2.4 million), Schwedenstrasse (EUR 2.0 million), Whilelm von Siemens Strasse (EUR 1.8 million), Reichenberger strasse (EUR 1.7 million), Sophie-Charlotten-strasse (EUR 1.5 million), Gneisenaustrasse (EUR 1.2 million) and Lobeckstrasse (EUR 1.0 million).
- Poland: Marki (EUR 2.1 million).

- Land bank :

New acquisitions (EUR 25.2 million):

  - Germany: Gethsemanestrasse (EUR 2.9 million)
  - Czech Republic: Nupaky (EUR 4.2 million), Megalciar (EUR 2.4 million) and Palito (EUR 5.9 million).
  - Croatia: Obonjan Rivijera (EUR 2.2 million).
  - Poland: new plot in Krakow (EUR 7.6 million).

Subsequent expenditures on previous acquisitions (EUR 12.1 million):

  - Germany: Wertheim in Berlin (EUR 0.3 million)
  - Czech Republic: Bubny (EUR 3.7 million)
  - Hungary: Origo Project (EUR 2.4 million).

During the period, the net book value ("NBV") of the assets sold represents EUR 41.3 million, with a total net gain compared to the December 2007 DTZ valuation amounting to EUR 0.6 million and composed mainly of the following disposals:

  - The Lux Plaza office building has been sold to the Endurance Real Estate Fund for a sale price equivalent to the book value amounting to EUR 31.6 million.
  - The former Luxembourg Head Office building (EUR 2.3 million of assets sold) has been sold at the price of EUR 2.3 million.
  - Sales of appartments from the Vinohrady portfolio for a NBV of EUR 1.6 million at the sale price of EUR 1.8 million.
  - The building Londynska 26 (NBV of EUR 2.6 million), at the sale price of EUR 1.9 million.
  - Small Buildings in Berlin have been sold (NBV of EUR 1.3 million) at the sale price of EUR 1.5 million.
  - Sales of appartments from the Americka residential buildings for a NBV of EUR 1.6 million at the sales price of 1.9 million.
  - Small plots of land in Russia and in Czech Republic have been sold (NBV of EUR 0.5 million) at the sale price of EUR 0.9 million.

The revaluation of the assets mainly relates to Freehold buildings and Land Banks:

- In Germany:
  - The revaluation of the projects of GSG represents a total amount of EUR 60.3 million, among which Wolfenerstrasse 32 – 36 (EUR 9.8 million), Reuchlinstrasse (EUR 8.0 million), Geneststrasse in Berlin (EUR 7.2 million), Berlin Gustav-Meyer-Allee (EUR 4.6 million), Berlin Plauenerstrasse (EUR 4.3 million) and Berlin Helmholtzstrasse (EUR 3.7 million).
  - Decrease in the fair value on the project Cumberland by EUR 8.8 million which amounts to EUR 53.0 million.
- In the Czech Republic, the fair value on the Bubenska office building increased by EUR 1.7 million.

In the Building category, Pivovar Vrchlabi (former brewery with 20 000 sqm of residential and commercial units), the Hradcanska project (retail and office) and the City Gate project have been transferred to Inventories after obtaining the building construction permit for a total amount of EUR 53.4 million.

Some projects have also been transferred from the Land bank category to Inventories after obtaining the building permit: Benice (EUR 30.7 million), Hellberger (EUR 19.8 million), Jozefoslaw (EUR 12.6 million), Slunecny Vrsek (EUR 4.1 million), Vavrenova (EUR 3.6 million), Mezihori (EUR 3.0 million), Nové Dvory (EUR 2.9 million), Rudna (EUR 2.6 million), Michle (EUR 2.4 million). Finally, the Molcolm free plot of land (EUR 2.2 million) has been transferred to Properties under development for the construction of a new class A warehouse.

The transfers out of the Land category are mainly as follows:

- The Paris Department store (EUR 7.2 million) in Budapest, which is planned to be sold, has been transferred to Inventories;
- Radio Free Europe (EUR 13.4 million) and Na Porici (EUR 17.5 million), both in the Czech Republic, and the Budapest Stock Exchange (EUR 18.1 million) in Hungary, have been transferred to Properties under development.

- **In 2007**

The scope movements refer principally to GSG's (Gewerbesiedlungs-Gesellschaft mbH) buildings acquired by Orco Germany SA (see note 4 on business combinations) and plots of land owned by Molcom, a logistics company acquired in Russia. End of 2007, the Group sold 50% of its hotel portfolio to AIG among which the Starlight Suite Hotel (- EUR 4.5 million) and the Residence Izabella (- EUR 3.3 million). The decrease reflects the change in consolidation methodology from global consolidation to proportionate and of such the exit of the 50% of the assets.

During the period, the Group has invested EUR 404.5 million mainly in the following projects :

- Freehold buildings:
  - Germany: various residential and office buildings among which Gebauer Höfe (EUR 42.9 million), Reinhardtstrasse (EUR 9.5 million), Apple Tree (EUR 9.5 million), Pappelallee (EUR 5.2 million), Tucholskystrasse (EUR 2.5 million) and Boxhagenerstrasse (EUR 2.3 million).
  - Czech Republic: Mostecka residential building (EUR 22.5 million), Hradcanska (EUR 21.2 million), Hlubocky (EUR 10.0 million), Stribro (EUR 6.9 million) and Jeremiasova (EUR 3.1 million).
  - Luxembourg: Total investment reaches EUR 31.2 million among which EUR 27.5 million are reported as Freehold buildings let to first class tenants and the remaining 12% are dedicated to the Group's new headquarters and are classified in own-occupied.
  - Slovakia: City Gate (EUR 21.0 million), Dunaj (EUR 18.9 million) and Hotel Kohal in Kosice (EUR 4.2 million).
  - Hungary: Szervita Square (EUR 8.8 million).
  - Poland: Marki (EUR 7.1 million).
- Land bank :
  - Germany: Wertheim in the centre of Berlin (EUR 78.9 million), Elb Loft Bau in Hamburg (EUR 2.0 million).
  - Russia: Otrada for potential development of residential buildings on 10.0 ha plot (EUR 41.3 million).
  - Poland: Szosa Polska, a 7.3 ha parcel in Szczecin (EUR 7.7 million) and Przy Parku, plot located in Warsaw (EUR 5.6 million).
  - Hungary: Origo Film Studios (EUR 9.2 million).
  - Czech Republic: U Hranic (EUR 2.8 million), Vavrenova (EUR 2.4 million), Rudna III (EUR 2.1 million), Hradec Kralove Plachta jih (EUR 1.6 million) and Bezecka (EUR 1.2 million).

During the period the sales of appartments in Prague in the Zahrebska, Masaryk, Belgicka 36, Londynska 26 and Letenska buildings amount to EUR 4.0 million. In Germany, the Pier Eins building in Duisburg (EUR 24.6 million) and the Singer Strasse 109 (EUR 4.3 million) were sold. The sales net result amounts to EUR 2.3 million.

In the Freehold buildings and land categories, the Budapest Stock Exchange, the Paris Department Store, the Riverside II and Na Poříčí have been transferred to properties under development after the obtention of the construction permit and to Land where it is fair valued.

Since the Berlin headquarters moved to Kurfürstendamm 103, the building is as of now classified as own-occupied buildings under IAS16.

In the end of December, the Lubarser Str, GSG building, was devasted by a fire. The fair value has been decreased by the indemnity to be received from the insurance company. As a result, EUR 2.3 million were transferred from investment properties to receivables as reported.

In the land bank caption, since the development projects did not start, some plots of land moved from Inventories among which H2 Office in Duisburg and Drawska in Warsaw.

The total revaluation of investment properties amounts to EUR 144.2 million. This amount does not include the negative goodwill of EUR 3.2 million on the first consolidation of Molcom which is recognised on the same line in the income statement.

6. Hotels and own-occupied buildings

Hotels and own-occupied buildings	Own-occupied buildings	Prepaid operating leases	Hotels	TOTAL
GROSS AMOUNT				
Balance at 31 December 2006	**8,265**	**3,852**	**157,788**	**169,905**
Scope variation	94,548 (a)	-	-	94,548
Partial sale Hotel portfolio to AIG (b)	-	-1,967	-48,329	-50,296
Investments / acquisitions	7,619 (c)	-	38,318 (e)	45,937
Disposal	-12	-	-	-12
Transfer and other movements	5,337 (d)	-	36,825 (f)	42,162
Translation differences	-3,327	70	624	-2,633
Balance at 31 December 2007	**112,430**	**1,955**	**185,226**	**299,611**
Investments / acquisitions	-	-	4,416 (g)	4,416
Disposal	-5,817 (h)	-	-	-5,817
Transfer	-238	-	-	-238
Translation differences	-2,360	208	4,405	2,253
Balance at 30 June 2008	**104,015**	**2,163**	**194,047**	**300,225**
AMORTIZATION				
Balance at 31 December 2006	**468**	**203**	**3,731**	**4,402**
Partial sale Hotel portfolio to AIG	-	-108	-1,046	-1,154
Allowance	488	7	801	1,296
Transfer and other movements	5	-	845	850
Translation differences	-10	5	52	47
Balance at 31 December 2007	**951**	**107**	**4,383**	**5,441**
Allowance	543	4	290	837
Disposal	-543	-	-	-543
Transfer	-72	13	-	-59
Translation differences	35	13	128	176
Balance at 30 June 2008	**914**	**137**	**4,801**	**5,852**
NET AMOUNT AT 30 June 2008	**103,101**	**2,026**	**189,246**	**294,373**
Net amount at 31 December 2007	**111,479**	**1,848**	**180,843**	**294,170**

- **In 2008**

The investment movement [g] refers to the last phase of refurbishement works of Amfora Hotel located on Hvar island in Croatia (EUR 4.4 million).

The Group sold the Lux Plaza office building [h] to the Endurance Real Estate Fund where 20% are dedicated to Orco's headquarters in Prague and were as a result classified under the IAS16 own-occupied caption (EUR - 5.8 million).

- **In 2007**

The scope movement [a] refers mostly to the acquisition of Molcom (EUR 92.1 million), a logistics company acquired in Russia (please refer to note 4 for more information detailing this business combination) and to GSG's headquarters acquired by Orco Germany S.A. for EUR 2.4 million.

In the end of November 2007, the Group sold 50% of its hotel portfolio to AIG [b]. The decrease (EUR – 49.1 million) reflects the change in the consolidation methodology from global consolidation to proportionate consolidation and as such the exit of the 50% of the assets.

The Group acquired the Orco House building [c1] in the Grand-Duchy of Luxembourg, of which 12% (EUR 3.7 million) are used as Orco Property Group's headquarters. Consequently, the former headquarters has been reclassified to investment properties (EUR - 1.9 million) [d1].

In the same way, the Kurfürstendamm 103 has become the Berlin's headquarters and as reported, EUR 3.5 million [c2] was invested during the year and EUR 7.2 million [d2] were transferred from investment properties to own-occupied.

During 2007, after global refurbishment of the hotels [e] Adriana (EUR 12.4 million) and Amfora (EUR 25.0 million), both located on Hvar island in Croatia, have opened.

Since the Pokrovka Hotel in Moscow [f] was opened in September (EUR 32.4 million), the building was transferred from Properties under development to this caption.

7. Properties under development

	June 2008	December 2007
Opening Balance	**99 198**	**28 159**
Work in progress	43 920	40 700
Finalized projects	-	-18 476
Impairment	-19 006	-3 983
Transfer and other movements	37 620	50 673
Translation differences	12 725	2 125
Closing Balance	**174 457**	**99 198**

In 2008, the caption Properties under development also includes advance payments for EUR 3.3 million, compared to EUR 5.1 million as at 31 December 2007. These advance payments essentially relate to the acquisition of various projects in Czech Republic.

- **In 2008**

The work in progress represents several investments made during the period for the following projects :

- Radio Free Europe (EUR 29.8 million), office development in Prague;
- Budapest Stock Exchange (EUR 1.1million), retail development in Budapest;
- Molcom (EUR 4.3 million), construction of a warehouse in Moscow;
- Riverside II (EUR 1.9 million), hotel development in Prague;
- Na Porici (EUR 7.0 million), office development in Prague.

Impairments have been recognized on the basis of the value established by DTZ on the following properties:

- Radio Free Europe impaired for EUR - 10.7 million;
- Na Porici impaired for EUR - 8.3 million.

Transfers and other movements represent two types of reclassifications. The first type relates to the reclassification of the lands, which were previously separately recognized under Investment property, and which have been transferred to Properties under development. The main transfers are:

- Radio Free Europe: EUR 13.4 million;
- Budapest Stock Exchange: EUR 18.1 million;
- Molcom: EUR 2.3 million;
- Na Porici: EUR 17.5 million.

The second type relates to the projects that are meant to be sold and have been transferred to Inventories. The main transfers are:

- The Paris Department Store: EUR 10.9 million;
- Avenue Garden: EUR 1.1 million;
- The Peugeot Showroom project in Warsaw: EUR 3.3 million.

- **In 2007**

The work in progress represents several investments made during the year for the following projects :

- Radio Free Europe (EUR 16.8 million) and Na Porici (EUR 2.0 million), located in Prague;
- Sky Office (commercial development in Düsseldorf), for EUR 10.4 million;
- Budapest Stock Exchange (EUR 2.1million) and Paris Department Store (EUR 2.0 million), both located in Budapest;
- Pokrovka Hotel (EUR 2.7 million) in Moscow;
- Peugeot Showroom (EUR 1.2 million) in Warsaw.

After its finalization, the Pokrovka hotel has been transferred in Hotels and own-occupied buildings (EUR 15.4 million). Refurbishment of Amphora and Adriana hotels in Hvar Island (Croatia) has been finished, and reclassified in Hotels and own-occupied buildings (EUR 3.1 million).

Transfers and other movements represent several reclassifications of projects, among which :

- Sky Office, in Germany, reclassified from Properties under development to Inventories (EUR -10.4 million);
- Na Porici (office development in Prague, Czech Republic), reclassified from Investment properties to Properties under development (EUR 30.3 million);
- Budapest Stock Exchange and Paris Department Store in Hungary, reclassified from Investment properties to Properties under development (respectively EUR 21.7 million and EUR 8.1 million).

In addition, impairments amounting to EUR -4.0 million have been recognized, mainly on the property Radio Free Europe (EUR -3.2 million).

8. Inventories

	June 2008	December 2007
Opening balance	**323 699**	**248 884**
Acquisition of Molcom	-	953
Sky Office transfer from property under construction	-	41 300
Net impairments	-22 431	-5 879
Transfer to/from investment property	168 934	-10 802
Translation differences	27 924	7 546
Development costs	143 476	99 121
Cost of goods sold	-33 277	-57 424
Total	**608 325**	**323 699**

- **In 2008**

Following the change in the intended use of various properties the following transfers have occurred:

EUR 85.0 million from Land Bank, EUR 7.2 million from Land, EUR 61.3 million from Freehold buildings and EUR 15.4 million from Properties under development.

The main transfers arise from the following properties: Benice (EUR 30.7 million), Hradcanska (EUR 23.3 million), Helberger (EUR 19.8 million), Paris Department Store (EUR 18.1 million), Jozefoslaw (EUR 12.6 million), Slunecny Vrsek (EUR 4.1 million), Vavrenova (EUR 3.6 million), Mezihori (EUR 3.0 million), Nové Dvory (EUR 2.9 million), Rudna (EUR 2.6 million), Michle (EUR 2.4 million) and City Gate (EUR 27.6 million).

Additional impairments have been recognized on the basis of the valuation established by DTZ mainly on the following properties:

- Fehrbelliner Hofe: EUR -10.3 million;
- Hradcanska: EUR -4.6 million; and
- Helberger: EUR -7.0 million.

The main development costs have been incurred on the following projects: Zlota Tower (EUR 25.7 million), Sky Office (EUR 22.1 million), Targowek (EUR 9.1 million), Hlubocky (EUR 6.8 million) and Koliba (EUR 5.6 million). The remaining development costs are below EUR 5 million per project.

- **In 2007**

The other variations mainly include the capitalisation of inventories costs, the other acquisitions and the disposals of inventories.

Since the Sky Office (EUR 41.3 million) construction started in Düsseldorf, the whole project was transferred from Properties under development to Inventories as the destination of the project changed. All the other transfers relate to plots and buildings transferred to Investment properties when the building permit has not yet been obtained: H2 Office in Duisburg (EUR - 3.3 million), Kosic phase III (EUR - 3.1 million), Novè Dvory (EUR - 1.4 million), Peugeot project (EUR - 1.9 million) and Drawska (EUR - 1.6 million) both located in Warsaw. On the basis of a new DTZ valuation, impairments have been recognised on Nove Medlanky in Brno (EUR - 2.7 million), Kosic phase I (EUR -1.5 million) and various projects within IPB Real amounting to (EUR -1.1million).

9. Borrowings

At 30 June 2008, the movements in non-current bonds and loans are the following:

Non-current Bonds	Convertible bonds	Exchangeable bonds	Bonds with repayable subscription warrants	Bond CZK	Total
Balance at 31 December 2007	129 762	20 628	270 216	52 206	**472 812**
Interest accumulated during the period	6 784	86	6 838	62	13 770
Translation differences	-	-	-	5 998	5 998
Change in own bonds	-5 732	-	-6 240	-	-11 972
Balance at 30 June 2008	**130 814**	**20 714**	**270 814**	**58 266**	**480 608**

Non-current Loans	Bank loans	Other non-current loans	Finance lease liabilities	Total
Balance at 31 December 2007	806 738	23 855	1 131	**831 724**
Issue of new loans	93 056	12 286	18	105 360
Repayments of loans	-35 346	-402	-2	-35 750
Transfers	-78 712	-409	-	-79 121
Translation differences	11 676	833	127	12 636
Balance at 30 June 2008	**797 412**	**36 163**	**1 274**	**834 849**

Issuance of new bank loans (EUR 93.1 million) are mainly related to the following projects:

- refinancing of Vaci 1 (Budapest Stock Exchange) and Paris Department Store projects in Hungary (respectively EUR 20.3 million and EUR 11.0 million);
- further draw downs for the construction of the Sky Office tower in Germany (EUR 15.0 million);
- Malborska, Szoza Polska and Przy Parku projects in Poland (respectively EUR 8.1 million, EUR 6.3 million and EUR 4.5 million); and
- further draw downs for the Medlanky project and refinancing of the Na Porici project in the Czech Republic (respectively EUR 2.8 million and EUR 5.7 million).

Repayments of bank loans (EUR -35.3 million) mainly relate to the sale of the Luxembourg Plaza building (EUR -26.0 million) and the reimbursement of some loans linked to the Avenue Gardens project (EUR -4.1 million).

Transfers of bank loans are mainly due to the reclassification in short-term loan of Orco Leipziger Platz GmbH (which holds the Wertheim project in Germany) and TQE Asset, a.s. (which holds Letenska and Mostecka projects in the Czech Republic) bank loans for respectively EUR 65.6 million and 15.6 million. These projects will be refinanced within 12 months.

The long term portion of the loans financing the development projects classified as inventories amounts to EUR 123.9 million (EUR 63.7 million in 2007).

The issue of new other non-current loans (EUR 12.3 million) mostly represents the increase of equity loans of three Polish and two Czech companies of which the Group sold 25% of its shares (companies which hold Zlota Tower, Szoza Polka and Jozefoslaw projects in Poland and Benice and Praga projects in the Czech Republic). The total increase is respectively EUR 7.4 million in Poland and EUR 3.3 million in the Czech Republic.

No new bonds have been issued in 2008.

Borrowings maturity

The following tables describe the maturity of the Group's borrowings. As of 30 June 2008, the non-current bonds and financial debts amount to EUR 1.32 billion (EUR 1.30 billion at 31 December 2007).

At 30 June 2008	Less than one year	1 to 5 years	More than 5 years	Total
Non-current				
Bonds	-	**339 241**	**141 367**	**480 608**
Convertible bonds	-	130 814	-	130 814
Exchangeable bonds	-	20 714	-	20 714
Fixed rate bonds	-	129 447	141 367	270 814
Floating rate bonds	-	58 266	-	58 266
Financial debts	-	**641 732**	**193 117**	**834 849**
Bank loans	-	641 386	156 026	797 412
Fixed rate	-	26 103	39 164	65 267
Floating rate	-	615 283	116 862	732 145
Other non-current borrowings	-	346	35 817	36 163
Finance lease liabilities	-	-	1 274	1 274
Total	**-**	**980 973**	**334 484**	**1 315 457**
Current				
Bonds and financial debts				
Bank loan fixed rate	20 429	-	-	20 429
Bank loan floating rate	199 579	-	-	199 579
Others borrowings	2 591	-	-	2 591
Total	**222 599**	**-**	**-**	**222 599**

At 31 December 2007	Less than one year	1 to 5 years	More than 5 years	Total
Non-current				
Bonds	-	**199 474**	**273 338**	**472 812**
Convertible bonds	-	-	129 762	129 762
Exchangeable bonds	-	20 628	-	20 628
Fixed rate bonds	-	126 640	143 576	270 216
Floating rate bonds	-	52 206	-	52 206
Financial debts	-	**650 458**	**181 266**	**831 724**
Bank loans	-	650 018	156 720	806 738
Fixed rate	-	28 193	34 672	62 865
Floating rate	-	621 825	122 048	743 873
Other non-current borrowings	-	440	23 415	23 855
Finance lease liabilities	-	-	1 131	1 131
Total	**-**	**849 932**	**454 604**	**1 304 536**
Current				
Bonds and financial debts				
Bank loan fixed rate	40 669	-	-	40 669
Bank loan floating rate	119 667	-	-	119 667
Others borrowings	14 880	-	-	14 880
Total	**175 216**	**-**	**-**	**175 216**

The increase in current floating rate bank loans is due to the transfer of Orco Leipziger Platz and TQE Asset, a.s. bank loans from long term to short term debt for respectively EUR 65.6 million and EUR 15.6 million.

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

The Group hedged 65.3% of the non-current floating rate borrowings and 46.4% of the current floating rate borrowings, in order to limit the risk of the effects of fluctuations of market interest rates on its financial position and future cash flows. The floating rate on the ordinary bond issued in CZK (sole bond issued in foreign currency) is 100% hedged.

Undrawn bank credit facilities

	June 2008	December 2007
Expiring within one year	35 175	46 246
Expiring after one year	370 272	285 695
Total	**405 447**	**331 941**

Increase in undrawn facilities in 2008 results mainly from new contracted credit lines for the following projects:

- Molcom in Russia (EUR 15.9 million)
- refinancing of Paris Department Store and Vaci 1 (Budapest Stock Exchange) projects in Hungary (respectively EUR 10.4 million and EUR 7.4 million)
- Malborska and Przy Parku in Poland (respectively EUR 14.3 million and EUR 4.6 million)

10. Earnings per share

	June 2008	June 2007
At the beginning of the period	**10 687 392**	**8 389 646**
Shares issued	10 836 794	8 389 646
Treasury shares	- 149 402	-
Weighted average movements	**- 19 306**	**298 976**
Issue of new shares	18 338	307 054
Treasury shares	- 37 644	- 8 078
Weighted average outstanding shares for the purpose of calculating the basic earnings per share	**10 668 086**	**8 688 622**
Dilutive potential ordinary shares	**-**	**2 280 311**
Share subscription rights BSAR 2012	-	471 211
Convertible bond 04-11	-	84 962
Convertible bond 06-13	-	1 086 956
Employee stock options	-	87 182
PACEO	-	550 000
Weighted average outstanding shares for the purpose of calculating the diluted earnings per share	**10 668 086**	**10 968 933**
Net profit attributable to the Group	**- 14 114**	**55 090**
Effect of assumed conversions / exercises	**-**	**4 639**
Share subscription rights BSAR 2012	-	1 477
Convertible bond 06-13	-	1 775
PACEO	-	1 387
Effect of assumed conversions of potential ordinary shares in subsidiaries	**-**	**- 586**
Orco Germany Warrants	-	- 586
Net profit attributable to the Group after assumed conversions / exercises	**- 14 114**	**59 143**
Basic earnings in EUR per share	-1.32	6.34
Diluted earnings in EUR per share	-1.32	5.39

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

11. Capital and share premium

	Number of shares	Capital	Share premium
Balance at 31 December 2006	**8 389 646**	**34 398**	**197 552**
Exercise of employee stock options	294 000	1 205	20 615
Capital increase	1 500 000	6 150	166 350
Conversion of convertible bonds	257 027	1 054	7 274
Dividend paid in shares	36 834	151	3 971
PEO Bsar 2012 vs 2014	359 287	1 473	-
Balance at 31 December 2007	**10 836 794**	**44 431**	**395 762**
Dividend paid in shares	107 072	439	4 762
Balance at 30 June 2008	**10 943 866**	**44 870**	**400 524**

The Extraordinary Shareholders' Meeting of 14 June 2006 renewed the authorization granted by the shareholders to the Board of Directors on May 18, 2000, in accordance with article 32-3 (5) of Luxembourg corporate law, and in addition enhanced the limit of the authorized capital. The Board of Directors was granted full power to proceed with the capital increases within the revised authorized capital of EUR 100,000,000, 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 has been authorized and empowered to carry out capital increases, in a single operation or in successive tranches, through the issuance of new shares paid up in cash, capital contributions in-kind, transformation of trade receivables, the conversion of convertible bonds into shares, or, upon approval of the Annual General Shareholders' Meeting, through the capitalization of earnings or reserves, as well as to set the time and place for the launching of one or a succession of issues, the issuance price, and the terms and conditions of subscription and payment of new shares. This authorization is valid for a five-year period ending on 14 June 2011.

A total of EUR 44,869,850.60 has been used to date under this authorization. As such, the Board of Directors still has EUR 55,130,149.40 of remaining authorized capital at its disposal. Considering that all new shares are issued at the par value price of EUR 4.10, a potential total of 13,446,378 new shares may still be created.

During the first six months of the year, the Group has repurchased 55,184 own shares for an amount of EUR 3.7 million which has been deducted from shareholders' equity.

Part of the dividend distributed during the period has been reinvested in capital.

Callable warrants on OPG shares

On February 18, 2008, the Board of Directors has decided to decrease the strike price of the 2014 callable warrants (ISIN code: XS0290764728) from EUR 143.39 to EUR 100.00. As at 30 June 2008, no warrants have been exercised.

12. Gain on disposal of assets

During the period, the Group has sold 25% of its investment in Jihovychodni Mesto, a.s. and realized a gain on disposal of EUR 3.6 million. The Group also disposed of 100% of Orco Property a.s. (Luxembourg Plaza office building) and realized a gain on disposal of EUR 6.2 million. Both transactions have been done with the Endurance Real Estate Fund.

13. Comparatives

2007 comparatives for Operating expenses and Cost of goods sold have been reclassified following the change in presentation from Cost of sales to Cost of goods sold. The Operating expenses have been increased by EUR 16.1 million and the Cost of sales has been decreased by EUR 16.1 million and renamed Cost of goods sold. Cost of goods sold includes changes in inventories and construction costs of the inventories sold during the period.

14. Related party transactions

As at June 30 2008, the Group has a receivable on Ott & Co (main shareholder of Orco Property Group and represented at the Board of Directors) amounting to EUR 1.8 million. The Group has also receivables from members of the Executive Committee amounting to EUR 0.3 million. These transactions were carried out at arms' length.

In February 2008 Orco Germany took over development projects in Kleinmachnow "Neue Hakeburg" and "Hochwald" by acquiring the majority in the companies Vivaro GmbH & Co. Grundbesitz KG and Vivaro GmbH & Co. Zweite Grundbesitz KG. The development projects have been initiated by members of the Board of Directors of Orco Gerrmany S.A. The acquisition involves an investment of approx. EUR 2 million for the reimbursement of invested funds. Transactions have done at arm's length.

During the first six months of 2008, appartments located in Prague have been sold to Group employees for a global amount of CZK 86.4 million and an average discount of 2.5% compared to prices offered on the market.

Orco has an investment of EUR 5.0 million in NOVY Fund (EUR 2.0 million in 2007) showing a fair value of EUR 6.0 million (EUR 2.9 million in 2007). This Fund is managed by some key management members of OPG. NOVY Fund is an opportunistic and value-creating fund which provides exposure to the Central European equity and bond market.

During the period, the Group has entered into several transactions with the Endurance Real Estate Fund, see note 12 for further details. Furthermore, Orco's remuneration from the office and residential sub-funds amounts to EUR 4.7 million as at June 30 2008 (EUR 4.3 million for the same period in 2007).

15. Events after balance sheet date

Following the early redemption of the ordinary bond issued in CZK, the Group will reimburse on 31 August 2008 97 bonds out of 140 outstanding that were issued in February 2006 for CZK 1,400,000,000 (EUR 58.6 million). Today, this early redemption amounts to CZK 970,000,000 (EUR 40.6 million). The Group has already secured the treasury position allowing for these repayments. Aside from this case, the Group is not exposed to any other early redemption clauses in its bond portfolio, or in its bank financing portfolio.

On 13 August 2008 the Group has concluded with Société Générale a third PACEO in the overall limit of 2,000,000 new shares over a period of 24 months through the issuance of unlisted share subscription rights (Bon d'Emission d'Actions or BEA). The exercise of each BEA obliges Société Générale to subscribe to one of Orco Property Group's common shares. Until now, no BEA have been exercised and as a result no new shares have been issued.