ORCO PROPERTY GROUP

Condensed consolidated interim financial information

As at June 30, 2009

Orco Property Group's Board of Directors has approved on 26 August 2009 the condensed consolidated interim financial information as at and for the period ended 30 June 2009. 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 2009	June 2008
Revenue	3	**132,315**	**113,242**
Net gain/(loss) from fair value adjustments on investment property	5, 9	-153,282	61,067
Other operating income		3,626	3,075
Net gain/(loss) on disposal of assets	16	-769	10,082
Cost of goods sold	8	-72,327	-33,277
Employee benefits		-23,884	-26,089
Amortisation, impairments and provisions	6, 7, 8	-106,048	-48,370
Other operating expenses		-39,978	-49,206
Operating result		**-260,347**	**30,524**
Interest expenses		-41,694	-41,596
Interest income		5,052	6,452
Foreign exchange result		-643	-8,034
Other net financial results	13	-20,706	13,326
Financial result		**-57,991**	**-29,852**
Profit/(loss) before income taxes		**-318,338**	**672**
Income taxes	14	60,948	-5,550
Net profit/(loss)		**-257,390**	**-4,878**
of which attributable to minority interests		-57,533	9,236
of which attributable to the Equity holders of the Company		**-199,857**	**-14,114**
Basic earnings in EUR per share	15	-18.26	-1.32
Diluted earnings in EUR per share	15	-18.26	-1.32

II. Condensed consolidated interim statement of comprehensive income

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

Statement of comprehensive income	Six month ended 30 June	
	2009	2008
Profit for the period	**-257,390**	**-4,878**
Other comprehensive income		
Currency translation differences	-8,047	31,376
Total comprehensive income for the period	**-265,437**	**26,498**
Total comprehensive income attributable to:		
- owners of the company	-206,634	16,624
- minority's interests	-58,803	9,874

III. Condensed consolidated interim balance sheet

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

Assets	Note	June 2009	December 2008	
NON-CURRENT ASSETS		**1,496,037**	**1,710,798**	
Intangible assets		**50,724**	**57,074**	
Investment property	5	**1,125,522**	**1,211,718**	
Property, plant and equipment		**250,481**	**363,973**	
Hotels and own-occupied buildings	6	224,701	245,273	
Fixtures and fittings and other equipments		16,663	19,027	
Properties under development	7	9,117	99,673	
Financial assets at fair value through profit or loss		**60,093**	**70,681**	
Deferred tax assets		**9,217**	**7,352**	
CURRENT ASSETS		**625,459**	**753,312**	
Inventories	8	460,507	529,827	
Trade receivables		24,021	36,962	
Other current assets		66,541	95,436	
Derivative instruments		5,823	5,098	
Current financial assets		1,754	2,190	
Cash and cash equivalents	10	66,813	83,799	
Assets held for sale	9	**21,380**	**-**	
TOTAL		**2,142,876**	**2,464,110**	

Equity and liabilities	Note	June 2009	December 2008	
EQUITY		**154,487**	**420,874**	
Equity attributable to owners of the Company		**97,619**	**304,633**	
Minority interests	11	**56,868**	**116,241**	(1)
LIABILITIES		**1,988,389**	**2,043,236**	
Non-current liabilities		**1,201,785**	**1,468,366**	
Bonds	12	442,826	429,437	
Financial debts	12	626,340	826,483	
Provisions & other long term liabilities		16,966	29,625	
Derivative instruments		15,735	14,917	
Deferred tax liabilities		99,918	167,904	
Current liabilities		**775,889**	**574,870**	
Financial debt	12	522,040	309,836	
Trade payables		50,531	59,577	
Advance payments		49,995	61,120	
Derivative instruments		42,159	38,382	
Other current liabilities		111,164	105,955	(1)
Liabilities held for sale	9	**10,715**	**-**	
TOTAL		**2,142,876**	**2,464,110**	

(1) See Note 2.1.2 for adjustments on comparatives

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	Minority interests	Equity
Balance at 1 January 2008	**44,431**	**395,762**	**28,498**	**-15,158**	**280,667**	**734,200**	**203,823**	**938,023**
Gains/(losses) for the period :								
Translation differences			30,738			30,738	638	31,376
Profit/(loss) 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
Own equity instruments				-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**	**235,160**	**719,543**	**223,910**	**943,453**
Gains/(losses) for the period :								
Translation differences			-40,597			-40,597	-4,311	-44,908
Profit/(loss) of the period					-376,446	-376,446	-82,494	-458,940
Capital increase							-19	-19
Own equity instruments				-72	-713	-785		-785
Minority interests' transactions					2,918	2,918	-20,845	-17,927
Balance at 31 December 2008	**44,870**	**400,524**	**18,639**	**-20,319**	**-139,081**	**304,633**	**116,241**	**420,874**
Gains/(losses) for the period :								
Translation differences			-6,777			-6,777	-1,270	-8,047
Profit/(loss) of the period					-199,857	-199,857	-57,533	-257,390
Own equity instruments				-380		-380		-380
Minority interests' transactions							-570	-570
Balance at 30 June 2009	**44,870**	**400,524**	**11,862**	**-20,699**	**-338,938**	**97,619**	**56,868**	**154,487**

V. Condensed consolidated interim cash flow statement

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

	June 2009	June 2008
Operating result	**-260,347**	**30,524**
Net gain/(loss) from fair value adjustments	153,282	-61,067
Amortisation, impairments & provisions	106,048	48,370
Gains/(losses) on disposal of investments	769	-10,082
Adjusted operating profit/(loss)	**-248**	**7,745**
Financial result	-227	-3,611
Income tax paid	-2,096	-5,112
Financial result and income taxes paid	**-2,323**	**-8,723**
Changes in operating assets and liabilities	**-42,700**	**-75,776**
NET CASH FROM OPERATING ACTIVITIES	**-45,271**	**-76,754**
Capital expenditures and tangible assets acquisitions	-19,267	-124,352
Proceeds from sales of non current tangible assets	45,992	47,793
Purchase of intangible assets	-254	-1,107
Purchase of financial assets	-905	-14,201
Net interest paid	-34,084	-40,696
NET CASH USED IN INVESTING ACTIVITIES	**-8,518**	**-132,563**
Net issue of equity instruments from shareholders	380	112
Proceeds from borrowings	69,866	135,011
Repayments of borrowings	-34,084	-72,834
Dividend paid to company's shareholders	-	-14,892
NET CASH FROM FINANCING ACTIVITIES	**36,162**	**47,397**
NET VARIATION IN CASH	**-17,626**	**-161,920**
Cash and cash equivalents at the beginning of the period	83,799	257,977
Exchange difference on cash	641	7,263
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**66,813**	**103,320**

Selected notes to the condensed consolidated interim financial information

1. General information

Orco Property Group SA, 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 26 August 2009.

2. Summary of significant accounting policies

2.1 Basis of preparation

This condensed consolidated interim financial information for the half-year ended 30 June 2009 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 2008, which have been prepared in accordance with IFRS as adopted by the European Union.

2.1.1. Going concern

In determining the appropriate basis of preparation of the condensed consolidated interim financial information, the Directors are required to consider whether the Group can continue in operational existence for the foreseeable future. In general, the situation is comparable to the one described in the 2008 consolidated financial statements. Even though the valuation of the investment properties and developments further decreased, the Group has made progress in the establishment of the "Sauvegarde" and restructuring plans allowing the same conclusion on the going concern. Those comments have to be read in conjunction with the note 2.1 of the consolidated financial statements as at December 31, 2008.

Over the first half of 2009, the Group has made a loss of EUR 257.4 million (EUR 199.9 million attributable to the Group) out of which EUR 250.2 million for lower valuation of assets and a further increase of the indebtness.. Valuation in its nature is on an asset by asset basis, with each cities where the Group does business affected at different degrees by the crisis. This being said each project is at a different stage and its success lies in a mix of customer demand and bank financing availability to us as developer, or as landlord when the Group decides to keep a building for rental revenues. As such the portfolio of income producing assets, mainly rent, has been cautiously devaluated down to reflect yields increasing by 50 to 150 basis points and currency risks. Developments are more complex to value due to their uncertain nature. Parameters to take into account are among others the land bank value, permits, pre-sales, sales, construction achievements, replacement cost and developer's expected margins. Management trust that the valuation of the Company assets is appropriate and although one shall not decline the possibility for the market to worsen it shall also see that the value creation in real estate is based on the different parameters listed above and the management capacity to implement them, as such one shall see also the possibility to rebound, in some cases, just by completing construction.

The loss, being mainly the consequence of the decrease in the valuations of the properties and developments, caused further breaches of its banking covenants. As a result some bank loans might be recalled by the financing banks. However, no early repayment call was made on that basis during the first half of 2009. The decrease in value is not only the result of the market evolution but also linked to the projects that have been put on hold under the "Sauvegarde". This should allow a fast value creative restart once the balance sheet restructuring will be finalized. The total amount of financial debts to be reimbursed within 12 months amounting to EUR 522.0 million (See note 12) include EUR 253.0 million of loans on which administrative and/or financial covenants have been breached.

Many progress have been made in the restructuring plan of the Group under the protection of the "Procédure de Sauvegarde" opened on the 25th of March this year and in conjunction with the "Administrateur Judiciaire" :

- A calendar has been set in order to achieve a vote of the Group creditors on the Safeguard plan before the end of the observation period ending on the 25 th September, 2009. A repayment schedule has been sent to the main suppliers on which they are invited to vote beginning of September 2009. Bilateral discussions are ongoing with bondholders in order to determine the restructuring to be proposed in the "plan de sauvergarde" to be sent beginning of September 2009 and proposed to their vote before September 25th, 2009. If the plan is not approved by the main suppliers or bondholders, the possible outcome is a court decision of the “Tribunal de commerce de Paris” on the term out of the debts with a repayment schedule over a maximum period of 10 years depending on the Group business plan and cash flows as established by the Board of Directors and the “Administrateur Judiciaire”. In its restructuring plan the Group has identified assets and activities which are not strategic and/or which financing or cash flows are problematic. Those assets and activities have to be restructured or sold if restructuring cannot be achieved in the short or medium term . Some of these assets or activities have already been sold as at June 2009 and particularly the property management activities, the residential Project Fehrbelliner Hofe in Berlin and the residential project City Gate in Bratislava.

- Over 20% of the Group bank debt has been successfully renegotiated since the beginning of the year by either solving existing and potential covenants' breaches or extending construction credit lines repayment schedules. Negotiations are still continuing on the remaining debts with existing or potential covenants breaches and for assets and developments where restructuring needs have been identified in the restructuring plan.
- The restructuring of the operations and teams has already lead a significant operating expenses decrease compared to the first half of 2008. The cost reduction plan already generates improvements with employee benefits decreasing by 9% and the other operating expenses by 19%. The decrease would have been sharper without all the legal and consulting costs specific to the “Procédure de Sauvegarde“ amounting to EUR 1.6 million. Further decreases are expected in the second half of the year.
- The cash flow forecast has been established with the support of Grant Thornton (except for Hvar hotels and Russian assets) in order to demonstrate the Group's ability to implement a recovery plan with the objective to finance its cash needs
- The Group and Colony Capital announced on June 22nd 2009 the modified terms of their agreement signed in April 29th 2009. To preserve the rights of all existing shareholders, the exercise of the warrants granted to ColOG, a company controlled by funds advised by Colony Capital, is subject to the success of the bond restructuring and approval at the Extraordinary Shareholder Meeting. The warrants will allow ColOG to subscribe to an issue of Orco Property Group shares at EUR 7 per share amounting to approximately EUR 80 million. ColOG's equity stake in OPG should not exceed 30%. All OPG shareholders will be offered the right to subscribe to new shares at €7 per share at a ratio of one new share for each existing share.

The Directors believe that a restructuring of its debt is probable within the “Sauvegarde” framework, that residential sales shall at least remain at a similar rhythm, and that selective asset sales will continue. However, should the implementation of the restructuring program fail, the going concern would not be assured. Thus, the condensed consolidated interim financial information would have to be 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 and liabilities into current assets and liabilities.

Considering the situation described above, the Directors have concluded that:

1. the current circumstances represent a material uncertainty that casts some doubt on the Group's ability to continue as a going concern
2. considering the expected outcome of the safeguard period and restructuring program, and after making appropriate enquiries, there is a reasonable expectation that the Group can continue its operations in the foreseeable future and, accordingly, have formed a judgement that it is appropriate to prepare condensed consolidated interim financial information upon a going concern basis.

In its meeting of August 26th 2009, the Board of Directors noticed that the amount of cumulative losses in the statutory accounts of Orco Property Group SA represent more than 75% of the subscribed equity. In accordance with the Luxembourg commercial law, an Extraordinary Shareholders Meeting will be convened within the two months following that meeting Shareholders will be invited to vote on the continuity of the activities as a result of the Board of Directors' expectations that the actions taken will result in a return to profit.

2.1.2 Comparatives

2008 comparatives for Other current liabilities and Minority interests have been reclassified due to the liquidation of Endurance REF CE Hospitality Sub Fund.

In 2008, the Group proceeded to the liquidation of the Endurance REF CE Hospitality Sub-fund, (shareholding of the Group of 88%). It results to a decrease of the minority interests of EUR 5.0 million.

2.2 Accounting policies

Except as described below, the accounting policies adopted are consistent with those described in the annual consolidated financial statements for the year ended 31 December 2008.

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2009:

- IAS 1 (revised), 'Presentation of financial statements'. Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). The Group has elected to present two statements: an income statement and a comprehensive income. The condensed consolidated interim financial information has been prepared under the revised disclosure requirements.
- IFRS 8, 'Operating segments'. IFRS 8 replaces IAS14, 'Segment Reporting'. It requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. This new standard did not have any major impact on the presentation of the condensed consolidated interim financial information.
- IAS40 (amendment) 'Investment property' and consequential amendments to IAS 16 'Property, Plant and Equipment'. Property that is under construction or future use as investment property is within the scope of IAS 40. Therefore, those developments are valued at fair value. According to the first application of the IAS 40 revised, the properties are valued according to the valuation rules of the final destination of the buildings. Assets expected to be rented are valued at fair value and the Group carries out impairment test on the own occupied building. These projects have been disclosed specifically this half year on the final destination classification, no restatement on the 2008 classification has been carried out.

The following amendment has been early adopted by the Group:

- 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. 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 minority interest in the acquiree either at fair value or at minority interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed.

The following amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2009 but are not relevant to the Group's operations:

- IAS 23 (amendment), 'Borrowing costs'. 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'.
- IAS 32 (amendment), 'Financial instruments: presentation', and consequential amendments to IAS 1, 'Presentation of financial statements', effective.
- IFRIC 13, 'Customer loyalty programmes'.
- IFRIC 15, 'agreements for the construction of real estate'.
- IFRIC 16, 'Hedges of a net investment in a foreign operation'.
- IFRIC 17, Distributions of non-cash assets to owners'.
- IFRIC 18, 'Transfers of assets from customers'.
- IAS 39 (amendment), 'Financial instruments: Recognition and measurement'.

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 values, the results for the first six months cannot be extrapolated to the remainder of the year.

2.4 Estimate of fair value of investment properties and impairment of real estate assets and projects

The methodology and assumptions applied for the valuation of real estate assets and developments are consistent with the ones described in the annual consolidated financial statements as at and for the year ended December 31, 2008, except for the main assumptions used for discounted cash flow projections that have been adjusted to the June 2009 market conditions:

- yield: range from 7.25% to 13.00% (6.25% to 11.0% in December 2008);
- discount rate: range from 7.0% to 12.5% (6.0% to 10.0% in December 2008);

- exit cap rate: range from 6.0% to 10.0% (5.0% to 8.5% in December 2008).

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

3. Segment reporting – business segments

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 measure of adjusted earnings before interests, tax, depreciation and amortisation (adjusted EBITDA as defined below).

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.

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

As at 30 June 2009	Development	Hotels and Residences	Renting	Management services	Intersegment activities	**TOTAL**
Revenue	82,069	9,962	47,761	-1,330	-6,147	**132,315**
Net gain/(loss) from fair value adjustments on investment property	-68,222	-1,453	-83,607	-	-	**-153,282**
Cost of goods sold	-71,979	-114	-234	-	-	**-72,327**
Amortisation, impairments and provisions	-66,579	-5,426	-34,037	-6	-	**-106,048**
Other operating results	-26,175	-13,954	-30,335	3,312	6,147	**-61,006**
Operating result	**-150,885**	**-10,985**	**-100,452**	**1,976**	**0**	**-260,347**
Net gain/(loss) from fair value adjustments on investment property	68,222	1,453	83,607	0	0	153,282
Amortisation, impairments and provisions	66,579	5,426	34,037	6	0	106,048
Correction of cost of goods sold	47	0	0	0	0	47
Net gain/(loss) on abandoned developments	11,592	0	0	0	0	11,592
Net gain/(loss) on disposal of assets	1,201	2	799	-1,232	0	769
Adjusted EBITDA	**-3,246**	**-4,104**	**17,991**	**750**	**0**	**11,391**
Segment assets	**822,610**	**228,719**	**920,124**	**15,305**	**-23,802**	**1,962,956**
Unallocated assets						179,920
Total assets						**2,142,876**
Segment liabilities	**117,668**	**12,499**	**95,670**	**11,455**	**-15,974**	**221,318**
Unallocated liabilities						1,921,558
Total liabilities						**2,142,876**
Cash flow elements						
Amortisation, impairments and provisions	-66,579	-5,426	-34,037	-6	0	**106,048**
Capital expenditure	6,834	291	12,595	16	-	**19,736**

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/(loss) from fair value adjustments	-932	-	61,999		-	**61,067**
Cost of goods sold	-33,277	-	-	-	-	**-33,277**
Amortisation, impairments and provisions	-25,046	-1,882	-21,351	-91	-	**-48,370**
Other operating results	-18,277	-19,472	-31,107	-739	7,457	**-62,138**
Operating result	**-34,613**	**-6,867**	**63,987**	**8,017**	**0**	**30,524**
Net gain/(loss) on fair value adjustements	932	0	-61,999	0	0	-61,067
Amortisation, impairments and provisions	25,046	1,882	21,351	91	0	48,370
Correction of cost of goods sold	3,054	0	0	0	0	3,054
Net gain/(loss) on disposal of assets	-4,760	0	-5,322	0	0	-10,082
Adjusted EBITDA	**-10,341**	**-4,985**	**18,017**	**8,108**	**0**	**10,799**
Segment assets	**1,137,916**	**284,969**	**1,335,778**	**81,044**	**0**	**2,839,708**
Unallocated assets						300,926
Total assets						**3,051,566**
Segment liabilities	**209,934**	**11,523**	**58,053**	**15,862**	**-45,200**	**250,172**
Unallocated liabilities						2,801,396
Total liabilities						**3,051,568**
Cash flow elements						
Amortisation, impairments and provisions	25,046	1,882	21,351	91	0	**48,370**
Capital expenditure	52,745	10,154	60,856	132	0	**123,887**

4. Business combinations

There were no material business combinations during the first 6 months of 2009 as in 2008.

5. Investment property

Investment property	Freehold buildings	Extended stay hotels	Land bank	Land	Buildings under finance lease	Building under construction	TOTAL
Balance at 31 December 2007	**1,060,436**	**59,567**	**388,892**	**54,462**	**1,590**		**1,564,947**
Investments / acquisitions	37,041	1,210	73,675	-	1,972	-	113,898
Partial sales	-	-7,377	-	-	-	-	-7,377
Asset sales	-113,412	-	-39,233	-	-8	-	-152,654
Revaluation through income statement	-117,603	-24,225	-74,369	-	-754	-	-216,950
Transfers	26,943	-6,890	-52,197	-56,572	-	-	-88,716
Translation differences	6,104	-	-9,644	2,110	-	-	-1,430
Balance at 31 December 2008	**899,509**	**22,285**	**287,124**	**-**	**2,800**	**-**	**1,211,718**
Investments / acquisitions	2,226	37	4,140	-	7	6,388	12,798
Asset sales	-41,642	-	-5,771	-	-16	-	-47,429
Revaluation through income statement	-94,185	-428	-53,335	-	43	-5,377	-153,282
Transfers	57,807	-	635	-	-	40,438	98,880
Translation differences	6,143	-	-1,887	-	-	-1,419	2,837
Balance at 30 June 2009	**829,858**	**21,894**	**230,906**	**-**	**2,834**	**40,030**	**1,125,522**

- **In 2009**

A) Investments / Acquisitions

During the period, the Group has invested EUR 12.8 million in investment property representing mainly capitalization of costs for zoning and building permits, EUR 2.7 million for the development of the Budapest Stock Exchange, retail development in Budapest and EUR 3.7 on the office development of Na Porici in Prague.

B) Asset sales

During the period, the net book value ("NBV") of the assets sold represents EUR 47.4 million, with a total net loss compared to the December 2008 DTZ valuation amounting to EUR -1.6 million and composed mainly of the following disposals:

- Small buildings in Berlin have been sold (NBV of EUR 13.8 million) at the sale price of EUR 13.1 million;
- Sale of Pappelallee building in Berlin (NBV of EUR 5.3 million) at the sale price of EUR 4.3 million;
- Sale of Reinhardtstrasse building in Berlin (NBV of EUR 8.6 million) at the sale price of EUR 8.4 million;
- Sales of residential and commercial buildings in Prague (NBV of EUR 13.9 million) at the sales price of EUR 13.2 million;
- Sale of Bezecka (NBV of EUR 0.7 million) at the sale price of EUR 1.5 million;
- Sale of Origo in Budapest (NBV of EUR 5.1 million) at a sale price of EUR 5.3 million.

C) Revaluation through income statement:

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

- In Germany, the total amount of decrease in fair value amounts to EUR -60.1 million (EUR -44.0 million on Freehold Building and EUR -16.1 million on Land Bank);
- In the Czech Republic, the total amount of decrease of fair value amounts to EUR -58.0 million (EUR -28.9 million on Freehold Building and EUR -29.1 million on Land Bank);
- In Hungary, the total amount of decrease of fair value amounts to EUR -14.0 million on Freehold Building;
- The revaluation of the project Budapest Stock exchange according to the DTZ valuation led to a fair value loss of EUR -5.4 million to EUR 40.0 million. This project is the only asset recognized totally as property under development.
- In Poland, the total amount of decrease of fair value amounts to EUR -7.4 million (EUR -0.5 million on Freehold Building and EUR -6.9 million on Land Bank);
- In Slovakia, the total amount of decrease of fair value amounts to EUR -4.8 million on Freehold Building;
- In Luxembourg, the total amount of decrease of fair value amounts to EUR -2.0 million on Freehold Building;
- In Russia, the total amount of decrease of fair value amounts to EUR -1.2 million on Land Bank.

D) Transfers

The transfers are mainly made of the following movements:

- Na Porici (EUR 48.7 million) is transferred from Buildings under construction to Freehold Buildings after its completion.

- Hradcanska (EUR 14.4 million), Pivovar Vrchlabi (EUR 5.4 million) and Logistic Park Hlubocky (EUR 4.9 million) are projects previously recognized as inventories, which are now transferred to investment properties.

- The Group is expecting to sell some investment properties, which have been transferred in assets held for sale for EUR 15.1 million.

The application of the IAS 40 revised led to the following reclassifications in investment properties :

- The project of Budapest Stock Exchange for an amount of EUR 44.2 million;
- The project Na Porici for an amount of EUR 44.7 million.

All investment properties financed by bank loans in local special purpose entities are pledged.

- **In 2008**

A) Investments / Acquisitions

During the period, the Group has invested EUR 113.9 million in investment property detailed as follows:

- Freehold buildings (EUR 37.0 million):

New acquisitions (EUR 12.7 million):

- Germany: various residential and office buildings among which Hüttendorf (EUR 7.9 million), Hakeburg (EUR 3.4 million) and Hochwald (EUR 1.4 million);

Subsequent expenditures on previous acquisitions (EUR 24.3 million), among which:

- in Germany: Cumberland (EUR 5.6 million). GSG purchased during the year the Hereditary Building Rights (HBR) for 7 plots, amounting to EUR 12.5 million;
- Poland: Marki (EUR 2.3 million).

- Land bank (EUR 73.7 million):

New acquisitions (EUR 38.7 million):

- Germany: Gethsemanestrasse (EUR 2.9 million);
- Czech Republic: Nupaky (EUR 6.4 million) and OBI Decin (EUR 2.2 million);
- Croatia: Obonjan Rivijera (EUR 2.2 million);
- Poland: new plot in Krakow (EUR 7.6 million);
- Russia: new plot in Kaluga (EUR 17.4 million).

Subsequent expenditures on previous acquisitions (EUR 35.0 million), among which:

- Germany: Wertheim in Berlin (EUR 2.7 million);
- Czech Republic: Bubny (EUR 12.6 million);
- Hungary: Origo plot (EUR 3.8 million);
- Poland: Jozefoslaw (EUR 2.3 million).

B) Partial Sales

During the third quarter, the projects Diana Residence in Poland (EUR 4.2 million) and the Residence Belgicka in Czech Republic (EUR 3.2 million), previously owned 100% by the Group, have been sold to Hospitality Invest Sarl, owned 50% by the Group, at the sale price of EUR 6.8 million.

C) Asset sales

During the period, the net book value ("NBV") of the assets sold represents EUR 152.7 million, with a total net loss compared to the December 2007 DTZ valuation amounting to EUR 0.5 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 net book value amounting to EUR 31.6 million;
- The former Luxembourg Head Office building (NBV of EUR 2.3 million) has been sold at the price of EUR 2.3 million;
- Sales of apartments from the Vinohrady portfolio (NBV of EUR 45.1 million) at the sale price of EUR 46.6 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 12.3 million) at the sale price of EUR 12.6 million;
- Sales of appartments from the Americka residential buildings for a NBV of EUR 2.4 million at the sale price of 3.9 million;
- Sales of a part of the project Gethsemannstrasse (NBV of EUR 3.0 million) at the sale price of EUR 3.1 million;
- The project in Slovakia Kohal Kosice (NBV of EUR 5.8 million) has been sold at the sale price of EUR 3.9 million;
- The Revay Utca 10 project (NBV of EUR 4.2 million) in Budapest has been sold for at the sale price of EUR 3.4 million;
- The CIB Bank in Budapest (NBV of EUR 7.6 million) has been sold at the sale price of EUR 7.1 million;
- The Otrada project in Russia (NBV of EUR 35.8 million) has been sold at the sale price of EUR 35.8 million.

D) Revaluation through income statement (see details below):

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

- In Germany, the total amount of decrease in fair value amounts to EUR -50.7 million (EUR -36.7 million on Freehold Building and EUR -14.0 million on Land Bank);

- In the Czech Republic, the total amount of decrease of fair value reaches EUR -78.1 million (EUR -38.5 million on Freehold Building and EUR -39.6 million on Land Bank);
- The decrease in fair value registered on the period, on the other countries amount to EUR 63.2 million considering the Freehold Buildings (EUR -42.4 million) and the land bank (EUR -20.8 million);

On the Extended stay hotels category, the total amount of decrease of fair value reaches EUR 24.2 million.

E) Transfers

Transfers represent 3 types of reclassifications:

- The first category relates to the reclassification of the lands or buildings, that were previously recognised as investment properties, and have been transferred as inventories in order to be sold, with or without the building permit (EUR -115.4 million).
    - From the land category, the main project transferred is the Paris Department store (EUR 7.3 million) in Budapest, which is planned to be sold;
    - In the buildings category, Pivovar Vrchlabi (former brewery with 20 000 sqm of residential and commercial units), the Hradcanska project (retail and office), the Danziger Strasse project (commercial and office), the H2 Office project (office) and the City Gate project have been transferred to inventories for development after obtaining the building construction permit for a total amount of EUR 62.4 million.
    - Some projects have also been transferred from the land bank category to inventories after obtaining the building permit: Benice (EUR 30.8 million), Slunecny Vrsek (EUR 4.1 million), Vavrenova (EUR 3.6 million), Nové Dvory (EUR 2.9 million), Rudna (EUR 2.7 million) and the Drawska project in Warsaw (EUR 1.6 million).
- The second category of reclassification relates to the projects, which are transferred from investment properties to construction in progress, after obtaining the building permit (EUR -37.9 million).
    - Na Porici (EUR 17.5 million) in the Czech Republic, and the Budapest Stock Exchange (EUR 18.1 million) in Hungary, have been transferred to properties under development.
    - the Molcolm free plot of land (EUR 2.3 million) has been transferred to properties under development for the construction of a new class A warehouse.
- The third category of transfer relates to the projects previously recognised as construction in progress, which have been completed during the period and transferred into investment properties. It concerned mainly the Radio Free Europe Building transferred in Building (EUR 65.3 million).

All investment properties financed by bank loans in local special purpose entities are pledged.

List of major investment properties:

Freehold Buildings	2008 Revaluation	Fair Value 31.12.08	2009 Revaluation	Fair Value 30.06.09
Germany				
GSG	28,125	463,300	-33,894	429,655
Franklinstrstraße 15	-7,370	40,350	-2,916	37,450
Cumberland Haus	-37,028	30,280	-1,631	29,400
Immanuelkirchstrasse 3-4	-1,775	10,720	-730	-
Wasserstrasse	-1,061	9,520	-1,080	8,440
Reinhardtstrasse 18	-643	8,570	-	-
Kurfustendamm 102	-2,067	7,770	-1,360	6,410
Hüttendorf	-546	7,347	-2,199	5,160
Brunnenstraße 156 & Invalidenstraße 112	-2,035	7,070	920	7,990
Max Planck Strasse	-5,350	6,620	-790	5,830
Pappelallee 3-4	-456	5,290	-	-
Wupperstrasse 9	-230	4,790	-80	4,710
Kollwitzstrasse 71	386	3,060	-	-
Hakeburg	-1,275	2,436	206	2,500
Zionkirchstrasse 7	48	2,360	-	-
Boxhagener Str 106	-280	2,130	-	-
Breite Str 15	-432	2,080	-	-
John Schehr Str 64	-332	1,980	-	-
Orco Elb Loft	-538	1,770	-	-
Prenzlauer Allee 195	-463	1,680	-180	-
Brunnenstrasse 25	-571	1,600	-	-
Berlin Gorschtr. 18	-230	1,480	-280	-
Brunnenstr. 27 - OG	-450	1,370	70	1,440
Hosemannstrasse 6-7, Berlin	-430	1,350	-50	-
Lutticher Str. 49	-567	1,210	-	1,210
Wilhelm - Kuhr - Str. 86	-644	1,110	-	1,110
Hochwald	-469	927	-39	890
Total Freehold Buildings Germany :	**-36,683**	**628,170**	**-44,033**	**542,195**

Freehold Buildings	2008 Revaluation	Fair Value 31.12.08	2009 Revaluation	Fair Value 30.06.09
Czech Republic				
Radio Free Europe	-18,832	55,700	-6,823	51,000
Vlatvska	-819	34,250	-7,253	27,000
Hlubocky	-985	15,150	-883	19,990
Mostecka	-12,541	10,580	3,789	15,020
Amerika Park Residential	-2,414	9,890	-3,392	3,740
Stribro	-1,310	7,890	-3,924	4,050
Brno Shopping Centre	-1,831	5,100	-	-
Belgicka 36 - Na Kozacce	49	5,010	-297	1,410
Jeremiasova	-	3,050	-500	2,550
Nad Petruskou 8	-536	2,650	-88	560
Amerika 11	244	2,600	-1,366	1,280
Americka 3	463	-	2,054	2,030
Na Porici	-	-	-5,300	45,500
Hradcanska	-	-	-2,016	13,000
Pivovar Vrchlabi	-	-	-3,004	2,520
Slovakia				
Dunaj	-3,286	18,480	-2,665	16,000
Pivovar Stein	-9,468	15,000	-2,128	13,000
Hungary				
Headquarters of Budapest Bank	-14,723	23,330	-8,831	14,500
Szervita Square	-6,148	13,700	-2,758	11,300
Starlight Suite Hotel (50% sold to AIG)	-288	4,365	-1,135	3,230
Budapest Bank	-4,100	2,320	-1,294	1,070
Poland				
Marki	-2,689	7,360	-570	6,950
Diana Office	-1,300	5,590	110	5,700
Luxembourg				
Orco House	460	26,750	-2,031	24,738
Other	-866	2,574	153	1,525
Total Freehold Buildings :	**-117,603**	**899,509**	**-94,185**	**829,858**

Land and Land bank	2008 Revaluation	Fair Value 31.12.08	2009 Revaluation	Fair Value 30.06.09
Czech Republic				
Bubny	-25,706	88,000	-13,669	75,000
Praga	-1,289	15,730	-11,229	5,000
Nupaky 1	-1,003	5,000	-526	4,650
Doupovska	-702	4,000	-491	3,720
Mezihori	-1,423	3,010	-381	2,830
Bellvue Grand	-1,519	2,650	-461	2,273
U Hranic Prague 10, CZ	-560	2,550	-1,052	1,550
Hradec Kralové Plachta Jih	-3,282	1,870	-720	-
OBI Decin	-474	1,700	-217	1,580
Rubeska	18	1,470	-142	1,380
Ostrava - Na Frantisku	-1,399	1,350	185	1,690
Bezecka	-1,447	670	-	-
Kolin, CZ	-813	260	-29	240
Germany				
Leipziger Platz	-5,950	95,320	-12,621	84,300
Helberger	-7,841	12,300	-2,442	9,920
Essen Gruga Carree	-218	2,440	-975	1,467
GSG	-	910	-50	860
Orco Elb Loft	-	-	-61	2,200
Russia				
Kaluga 145 Ha	-6,192	9,600	-1,161	7,900
Poland				
Jozefoslaw	-4,701	8,450	-1,683	6,260
Szosa Polska	120	8,000	-1,749	5,700
Kraków Ruczaj	-1,241	6,000	-1,615	4,160
Przy Parku	-1,272	4,550	-1,046	3,190
Bialystok	801	2,790	-756	1,840
Hungary				
Origo Film Studios	-8,335	5,250	-	-
Croatia				
Obonjan Rivijera	69	2,286	-50	2,245
Istria plot (595 k.o. Pican)	29	960	-21	943
Other	-39	8	-373	8
Total Land and Land bank:	**-74,369**	**287,124**	**-53,335**	**230,906**
Buildings under finance lease:	**-754**	**2,800**	**43**	**2,834**
Extended stay hotels:	**-24,225**	**22,285**	**-428**	**21,894**
Building under construction			**-5,377**	**40,030**
TOTAL :	**-216,951**	**1,211,718**	**-153,282**	**1,125,522**

6. Hotels and own-occupied buildings

buildings	buildings	leases		
GROSS AMOUNT				
Balance as at 31 December 2007	**112,430**	**1,955**	**185,226**	**299,611**
Investments / acquisitions	2,174	-	6,194	8,368
Disposal	-5,897	-	-	-5,897
Transfer and other movements	1,956	-	3,687	5,643
Translation differences	-8,004	209	-3,237	-11,032
Balance as at 31 December 2008	**102,659**	**2,164**	**191,870**	**296,693**
Investments / acquisitions	28	-	93	121
Disposal	-13	-	-	-13
Transfer	-1,054	-	-5,402	-6,456
Translation differences	-2,786	-31	68	-2,749
Balance as at 30 June 2009	**98,834**	**2,133**	**186,629**	**287,596**
AMORTISATION				
Balance as at 31 December 2007	**951**	**107**	**4,383**	**5,441**
Allowance	1,090	17	947	2,054
Disposal	-582	-	-	-582
Impairments	37,873	-	6,877	44,750
Transfer and other movements	65	-	-88	-23
Translation differences	-121	13	-112	-220
Balance as at 31 December 2008	**39,276**	**137**	**12,007**	**51,420**
Allowance	332	8	543	883
Impairments	7,464	133	3,570	11,167
Transfer	-	-	-536	-536
Translation differences	-149	-	110	-39
Balance as at June 2009	**46,923**	**278**	**15,694**	**62,895**
NET AMOUNT AS AT 30 June 2009	**51,911**	**1,855**	**170,935**	**224,701**
Net amount as at 31 December 2008	**63,383**	**2,027**	**179,863**	**245,273**

- In 2009

During the first half of 2009, the completion of the Hvar constructions has been reallocated between the Headquarter and the hotel segment (EUR 0.7 million).

Moreover, the Group planned to sell the hotel Sirena on the Island of Hvar, this asset has been recognized as Assets held for sale during this half year (EUR 6.2 million).

The impairment test based on the DTZ valuation led to the recognition of the following impairments:

- Own-occupied: Molcom Logistics (EUR 6.9 million), Orco Germany's headquarters in Berlin (EUR 0.4 million) and Orco Luxembourg in Capellen (EUR 0.2 million).

- Hotels: Riverside I & II in Prague (EUR 1.0 million), Andrassy Hotel in Budapest (EUR 0.7 million), and on the Hvar Island, the following impairments have been recognized: Sirena Hotel (EUR 1.5 million), Bodul Hotel (EUR 0.1 million), and Camping Vira (EUR 0.3 million).

- Prepaid operating lease: Sulekova Hotel in Slovakia (EUR 0.1 million).

- In 2008

The investment movement refers to the improvement works in the Pokrovka Hotel in Moscow (EUR 0.5 million) and in various hotels located on Hvar island in Croatia (EUR 5.9 million).

The Group sold the Lux Plaza office building to Endurance 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).

After the last phase of refurbishment works the Riverside II in Prague (EUR 5.1 million), the buildings have been transferred from construction in progress to hotels caption.

Since the NBV of some buildings exceeds the DTZ valuation, impairments have been recognised as followed:

_ Own-occupied: Molcom Logistics (EUR 34.0 million), Orco Germany's headquarters (EUR 1.7 million) in Berlin and Suncani Hvar headquarters (EUR 2.1 million).

_ Hotels: Riverside I & II in Prague (EUR 5.7 million), Andrassy Hotel in Budapest (EUR 0.7 million) and Camping Vira (EUR 0.4 million) on Hvar island.

7. Properties under development – advance payments

Properties under development	June 2009	December 2008
Opening Balance	**99,673**	**104,369**
Work in progress	4,408	84,213
Finalised projects	-113	-
Impairments	-6,589	-27,367
Transfers and other movements	-89,261	-56,302
Translation differences	-632	-2,640
Movements in advance payments for work in progress	1,631	-2,600
Closing Balance	**9,117**	**99,673**

In the first half of 2009, the advance payments for EUR 4.2 million, compared to EUR 2.5 million as at 31 December 2008 have been transferred in other current assets. These advance payments essentially relate to the development of various projects in the Czech Republic and in Germany.

- In 2009

During the first half year, the Group invested EUR 4.3 million in the new warehouse of Molcom.

According to the first application of the IAS 40 revised, the Group has changed its accounting policy on the properties under developement. These properties are valued according to the valuation rules of the final destination of the building. Assets expected to be rented are valued at fair value and the Group carries out impairment test on the own occupied building. These projects have been disclosed specifically this half year according to the final destination classification. Thus the only remaining project of this category is the Molcom Warehouse in construction.

The transfers relate mainly to two reclassifications in Investment Property:

- Na Porici, which has been completed (EUR 44.7 million):
- Budapest Stock exchange (EUR 44.1 million), due to the application of the IAS 40 revised.

The impairment test based on the DTZ valuation led to the recognition of an impairment of EUR 6.6 million on the new Molcom warehouse.

- In 2008

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

- Radio Free Europe (EUR 45.1 million), office development in Prague;
- Budapest Stock Exchange (EUR 2.8 million), retail development in Budapest;
- Paris Department Store (EUR 7.3 million), retail and development in Budapest;
- Molcom (EUR 12.5 million), construction of a warehouse in Moscow;
- Na Porici (EUR 13.3 million), office development in Prague.

Additional impairments have been recognised on the basis of the value established by DTZ on the following properties:

- Na Porici impaired for EUR -19.1 million;
- 190 Vaci Road impaired for EUR -2.0 million;
- Molcom Warehouse impaired for EUR -6.2 million.

Transfers and other movements represent three categories of reclassifications (EUR 56.3 million):

- The first category relates to the reclassification of the lands and land bank, that were previously recognised as investment properties, and have been transferred to Properties under development. The main transfers are:
  - Budapest Stock Exchange: EUR 18.1 million;
  - Molcom: EUR 2.3 million;
  - Na Porici: EUR 17.5 million.
- The second category 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 -18.2 million;
  - The Peugeot Showroom project in Warsaw: EUR -3.3 million.
- Finally, 2 projects have been completed during the third and fourth quarter:
  - The project Radio Free Europe is recognised as Investment Property (EUR -65.3 million);
  - The project of the hotel Riverside II is recognised in the Hotels category (EUR -5.1 million);

2 projects (Vaci 1 in Hungary and Na Porici in the Czech Republic) are pledged for a total amount of EUR 52.2 million (nil in 2007).

8. Inventories

Inventories	**June 2009**	**December 2008**
Opening Balance	**529,827**	**323,699**
Abandoned development projects	-39,956	-
Net impairments	-81,103	-82,773
Transfers	-24,665	137,435
Translation differences	-6,517	-26,209
Development costs	115,292	305,437
Cost of goods sold	-32,371	-127,762
Closing Balance	**460,507**	**529,827**

Inventories properties are developped with the intention to resell.

- **In 2009**

The Group sold during the first half of the year 2 abandoned projects :

- the company owning the City Gate project was sold for a net result of EUR -5.9 million (NBV of EUR 29.4 million).
- the project Fehbelliner Hofe in Berlin has been sold for a net result of EUR - 5.6 million (NBV of EUR 10.6 million).

The main development costs have been incurred on the following projects: Sky Office (EUR 37.5 million), Zlota tower (EUR 13.5 million), Duisburg (EUR 12.2 million), Vysocany gate (EUR 7.4 million), Oranienburg, Bernauer Straße (EUR 5.2 million), Gütersloh, Neuenkirchener Straße (EUR 4.9 million), Slunecny vrsek (EUR 4.4 million), City Gate (EUR 3.7 million) Targowek / Malborska (EUR 3.5 million), Tschaikowskistraße 33 (EUR 3.2 million), Warsaw – Drawska (EUR 3.1 million), Nové Dvory (EUR 2.8 million), Benice 1 (EUR 2.4 million) and Paris Department Store (EUR 2.0 million). The remaining development costs are bellow EUR 2 million per project.

The transfers arise from the following properties: Hradcanska (EUR -14.4 million), Logistic Park Hlubocky (EUR -4.9 million) and Pivovar Vrchlabi (EUR -5.4 million), which are now expected to be rented and are reclassified as investment properties.

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

- Dusseldorf Sky Office: EUR -26.7 million;
- Zlota: EUR -6.9 million;
- Duisburg: EUR -6.0 million;
- Slunecnyvrsek, Kosic: EUR -5.0 million;
- Benice 1: EUR -4.1 million;
- Benice 2 – 5: EUR -3.3 million;
- Nove Dvory: EUR -2.5 million;
- Koliba: EUR -2.7 million;
- Radishevskaya: EUR -3.3 million;
- Malborska: EUR -1.5 million;
- Mokotovska: EUR -2.2 million;
- Paris Department Store: EUR -8.9 million;
- Vavrenova: EUR -2.8 million;
- Vysocany Gate: EUR -2.1 million;
- Danziger Strasse 73 – 77: EUR -1.8 million;
- Rudna 3: EUR -0.8 million;
- Hamburg Laemmersieth: EUR -0.5 million.

13 projects in development are pledged for a total amount of EUR 231.0 million (16 projects for EUR 214.0 million in 2008).

- **In 2008**

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

EUR 62.4 million from Freehold buildings, EUR 45.7 million from Land bank, EUR 22.1 million from Construction in progress, EUR 7.3 million from Land.

The main transfers arise from the following properties: Benice (EUR 30.8 million), City Gate (EUR 28.3 million), Hradcanska (EUR 23.4 million), Paris Department Store (EUR 25.5 million), Danziger Straße (EUR 7.1 million), Duisburg (EUR 3.9 million), Vavrenova (EUR 3.6 million), Peugeot Showroom (EUR 3.3 million), Slunecny Vrsek (EUR 4.1 million), Michle (EUR 2.4 million).

Additional impairments have been recognised mainly on the following properties:

- Fehrbelliner Hofe: EUR -16.5 million;
- Benice: EUR -17.2 million;
- Hradcanska: EUR -13.0 million;
- City Gate: EUR -7.5 million;
- Duesseldorf Sky Office: EUR -6.2 million;
- Danziger Straße: EUR -5.3 million.

The main development costs have been incurred on the following projects: Sky Office (EUR 59.3 million), Zlota tower (EUR 40.8 million), Targowek (EUR 21.8 million), Koliba (EUR 16.4 million), Benice (EUR 12.3 million), Rudna II (EUR 11.9 million), Vysocany Gate (EUR 11.2 million), Hradec Kralové (EUR 8.2 million), Duisburg (EUR 7.8 million), Minstergarten (EUR 6.1 million), Fehrbelliner (EUR 3.7 million). The remaining development costs are below EUR 5 million per project.

16 projects in development are pledged for a total amount of EUR 214.0 million (8 projects for EUR 63.7 million in 2007).

9. Assets and liabilities held for sale

As at 30 June 30, 2009, the Group decided to sell 5 assets from its investment property portfolio, as the due date of the financing of these non strategic assets is in short term. These assets have been transferred in assets held for sale. 4 of them are in Berlin: Immanuelkirchstrasse (EUR 10.0 million), Prenzlauer Allee 195 (EUR 1.5 million), Görschstrasse 18 (EUR 1.2 million) and Hosemannstrasse 6 – 7 (EUR 1.3 million). The last project is located in Prague: Hradec Kralové (EUR 1.1 million). The fair value adjustment on these 5 assets amounts to EUR 2.0 million.

Finally, the hotel Sirena on the Hvar Island, previously classified as hotel is planned to be sold and has been recognized as asset held for sale (EUR 6.2 million).

10. Cash and cash equivalents

As at 30 June 2009, the cash and cash equivalents consist of short term deposits for EUR 6.0 million (EUR 17.1 million in 2008), cash in bank for EUR 60.6 million (EUR 66.5 million in 2008) and cash in hand for EUR 0.2 million (EUR 0.2 million in 2008).

Cash in bank include restricted cash amounting to EUR 31.8 million (EUR 55.0 million in 2008), representing:

- cash deposited in the Group's joint ventures as both parties' approval is needed for withdrawal, for EUR 7.8 million (EUR 7.9 million in 2008);
- cash deposited in escrow accounts pledged as collateral for development projects and lifted after sales of units, for EUR 12.4 million (EUR 15.4 million in 2008);
- cash deposited in escrow accounts pledged as collateral for loans related to the acquisition of property, for EUR 11.6 million (EUR 31.7 million in 2008).

11. Minority interests transactions

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

- **2008**
  - In January 2008, Suncani Hvar d.d. proceeded to a capital increase that has been subscribed by the Group. As a result the minority interests in absolute terms decreased by EUR 8.6 million and the shareholding of the Group in Suncani Hvar dd has slightly gone up from 47.6% to 55.6%.
  - In June 2008, the Group sold 1% of Orco Molcom BV (shareholding of the Group of 69% as at December 2008). It results to a decrease of the equity attributable to owners of the Company of EUR 1.1 million.
  - The sale to the residential Endurance sub-fund of 25% in one residential development in Czech Republic (Benice) resulted in a decrease of the equity attributable to owners of the Company amounting to 3.3 million.

12. Borrowings

At 30 June 2009, the movements in non-current bonds and loans are the following:

12.1 Non-current bonds

Non-current bonds	Convertible bonds	Exchangeable bonds	Bonds with repayable subscription warrants	TOTAL
Balance at 31 December 2008	**135,044**	**19,395**	**274,998**	**429,437**
Interests accumulated during the period	6,743	68	6,925	13,736
Sale of own bonds	1,200	-	-	1,200
Purchase of own bonds	-	-1,547	-	-1,547
Balance at 30 June 2009	**142,987**	**17,916**	**281,923**	**442,826**

- **In 2009**

No bonds have been issued in the first half 2009. Since the opening of the "Procédure de Sauvegarde", no interests on the Orco Property Group SA Bonds have been paid. EUR 9.5 million of interests have been recognized in other current liabilities (EUR 5.4 million in 2008), out of which EUR 6.4 million are past due as a result of the "Procédure de sauvegarde".

The interest expenses include interests on bonds for EUR 219 million (EUR 22.3 million in 2008) out of which EUR 3.8 million on the Orco Germany OBSAR (EUR 3.7 million in 2008).

- **In 2008**

No bonds have been issued in 2008.

Based on requests for early redemption received from individual holders of the straight Czech bond (the "Bond CZK") that was issued in November 2005, the Group has reimbursed 110 bonds (out of 140 outstanding) amounting to CZK 1,100,000,000 (EUR 40.8 million). The Bond CZK has been reclassified to short term (EUR -11.1 million). Its repayment can be asked at first demand because of a breach (the Group's bonds have been downgraded by Moody's during the year).

12.2 Non-current loans

Non-current loans	Bank loans	Other non-current loans	Finance lease liabilities	TOTAL
Balance at 31 December 2008	**793,418**	**31,939**	**1,126**	**826,483**
Issue of new loans and drawdowns	69,352	485	10	69,847
Repayments of loans	-15,327	-599	-33	-15,959
Transfers	-244,652	430	29	-244,193
Translation differences	-9,205	-678	45	-9,838
Balance at 30 June 2009	**593,586**	**31,577**	**1,177**	**626,340**

- **In 2009**

In 2009, issue of new bank loans and drawdowns (EUR 69.4 million) are mainly related to the following projects:

- further drawdowns for the construction of the Sky Office tower, Bernauer Straße and H2 Office in Germany (respectively EUR 24.3 million, EUR 6.6 million and EUR 5.9 million);

- further drawdowns for the construction of Na Porici in the Czech Republic (EUR 4.9 million);

- new financing for the projects Neuenkirchener Straße 85 and Tschaikowskistraße 33 in Germany (respectively EUR 4.9 million and EUR 4.4 million).

Repayments of bank loans (EUR -15.3 million) mainly relate to the following operations:

- repayment of loans linked to the sales of some assets in Germany, among which Zionkirchstraße 71, Kollwitzstraße 71, Boxhagener Straße 106, Breite Straße 15, Brunnenstraße 25 and John-Schehr Straße 64 for a total amount of EUR -7.6 million;

- sale of Brno Shopping Centre in the Czech Republic (EUR -2.6 million).

Transfers of bank loans (EUR -244.7 million) are mainly due to:

- breaches on financial covenants for the bank loans financing the Hospitality joint-venture (EUR -26.7 million) and the projects in Hungary (EUR -56.8 million), in the Czech Republic (EUR -50.2 million), in Poland (EUR -44.3 million), in Croatia (EUR -32.6 million). As the repayment for these loans can be requested at first demand, the non-current part is reclassified as current. The Group is having intense negotiation with the banks in order to solve the identified breaches and prevent other breaches. For the Na Porici bank loan in the Czech Republic, amendments have been signed in July in order to solve the loan covenants' breach;

- bank loans financing Assets held for sale have been reclassified to Liabilities held for sale (EUR -10.7 million).

- **In 2008**

Issue of new bank loans and draw-downs (EUR 278.6 million) are mainly related to the following projects:

- further draw-downs for the construction of the Sky Office tower in Germany (EUR 46.8 million);

- refinancing of Radio Free Europe and Na Porici projects in the Czech Republic (respectively EUR 41.3 million and EUR 9.9 million);

- refinancing of Hospitality projects (EUR 34.3 million);

- refinancing of Vaci 1 (Budapest Stock Exchange) in Hungary (EUR 23.6 million);

- financing of acquisition of land plots Malborska and Przy Parku in Poland (respectively EUR 18.4 million and EUR 4.4 million).

Repayments of bank loans (EUR -105.8 million) mainly related to the following operations:

- sale of the Luxembourg Plaza building (EUR -26.0 million);

- early repayments of Hospitality loans as the result of their refinancing (EUR -16.9 million);

- sale of Avenue Gardens in Hungary (EUR -11.7 million);

- repayments of loans linked to the sale of Vinhorady building portfolio (Anglicka 26, Belgicka 40, Londynska 41 and Manesova 28) for a total amount of EUR -9.9 million;

- repayment of one of the loan financing Mostecka project in the Czech Republic for EUR -6.8 million;

- repayment of some Suncani Hvar loans (EUR -3.9 million).

Transfers of bank loans (EUR -152.6 million) are due:

- to the reclassification of the bank loans related to for the following projects:

  - Wertheim and Wasserstraße in Germany for respectively EUR -65.6 million and EUR -7.0 million;
  - Bubny in the Czech Republic for EUR -27.9 million;
  - City Gate and Dunaj in Slovakia for respectively EUR -16.7 million and EUR -12.7 million;
  - Szervita in Hungary for EUR -10.3 million.

Most of these projects are expected to be refinanced within 12 months.

- to breaches on financial covenants for the bank loans financing the following projects: Reinhardtstraße (EUR -6.8 million), Brunnenstraße 156 and Invalidenstraße 112 (EUR -6.7 million at all), Danzigerstraße 73-77 (EUR -5.5 million), Prenzlauer Allee (EUR -1.4 million), Jeremiasova (EUR -2.2 million), Wilhelm-Kuhr-Straße and Görschtraße 18 (EUR -1.3 million both). As the repayment for these loans can be requested at first demand, the non-current part is reclassified as current.

The issue of new other non-current loans (EUR 10.2 million) mostly represents the increase of equity loans for three projects of which the Group sold 25% of its shares (companies which hold Zlota tower, Szoza Polka and Jozefoslaw projects). The total increase is EUR 8.1 million.

The repayments of other non-current loans are mainly due to the repayment of a part of the Profit Participating Loan (PPL) granted by AIG (EUR -7.0 million).

The long term portion of the loans financing the development projects classified as inventories amounts to EUR 175.2 million (EUR 63.7 million in 2007).

12.3 Borrowings maturity

The following tables describe the maturity of the Group's borrowings. As of 30 June 2009, the non-current bonds and financial debts amount to EUR 1 069.1 million (EUR 1 281.0 million at 31 December 2008).

At 30 June 2009	Less than one year	1 to 2 years	2 to 5 years	More than 5 years	Total
Non-current					
Bonds	-	**46,694**	**396,132**	**-**	**442,826**
Convertible bonds	-	-	142,987	-	142,987
Exchangeable bonds	-	-	17,916	-	17,916
Fixed rate bonds	-	46,694	235,229	-	281,923
Financial debts	-	**126,687**	**384,029**	**115,624**	**626,340**
Bank loans	**-**	126,624	379,529	87,433	593,586
Fixed rate	-	5,284	23,384	14,685	43,353
Floating rate	-	121,340	356,145	72,748	550,233
Other non-current borrowings	-	63	4,500	27,014	31,577
Finance lease liabilities	-	-	-	1,177	1,177
Total	**-**	**173,381**	**780,161**	**115,624**	**1,069,166**
Current					
Bonds and financial debts					
Floating rate bonds	11,536	-	-	-	11,536
Bank loans fixed rate	69,200	-	-	-	69,200
Bank loans floating rate	437,148	-	-	-	437,148
Others borrowings	4,156	-	-	-	4,156
Total	**522,040**	**-**	**-**	**-**	**522,040**

At 31 December 2008	Less than one year	1 to 2 years	2 to 5 years	More than 5 years	Total
Non-current					
Bonds	-	**45,488**	**241,232**	**142,717**	**429,437**
Convertible bonds	-	-	135,044	-	135,044
Exchangeable bonds	-	-	19,395	-	19,395
Fixed rate bonds	-	45,488	86,793	142,717	274,998
Financial debts	-	**175,918**	**408,443**	**242,122**	**826,483**
Bank loans	-	175,918	406,533	210,967	793,418
Fixed rate	-	10,073	23,969	19,887	53,929
Floating rate	-	165,845	382,564	191,080	739,489
Other non-current borrowings	-	-	1,910	30,029	31,939
Finance lease liabilities	-	-	-	1,126	1,126
Total	**-**	**221,406**	**649,675**	**384,839**	**1,281 020**
Current					
Bonds and financial debts					
Floating rate bonds	11,075	-	-	-	11,075
Bank loans fixed rate	13,658	-	-	-	13,658
Bank loans floating rate	279,504	-	-	-	279,504
Others borrowings	5,599	-	-	-	5,599
Total	**309,836**	**-**	**-**	**-**	**309,836**

- **In 2009**

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

The increase in current bank loans compared to 31 December 2008 is mainly due to the reclassification of non-current loans with breaches on financial covenants of EUR 244.7 million (see note 12.2 Non-current loans). The bank loans relating to the Wertheim project in Germany have been renegotiated from floating rate to fixed rate (EUR 65.6 million).

The Group has entered into interest rate derivatives representing 88.9% of the non-current floating rate borrowings (72.8% in 2008) and 44.3% of the current floating rate borrowings (51.3% in 2008), in order to limit the risk of the effects of fluctuations of market interest rates on its financial position and future cash flows. Most floating interest debt instruments have a fixing period of maximum 3 months.

- **In 2008**

The increase in current floating rate bank loans is due to the transfer of Wertheim, Bubny and City Gate bank loans from long term to short term debt for respectively EUR 65.6 million, EUR 27.9 million and EUR 16.7 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 has entered into interest rate derivatives representing 72.8% of the non-current floating rate borrowings (70.1% in 2007) and 51.3% of the current floating rate borrowings (43.7% in 2007), in order to limit the risk of the effects of fluctuations of market interest rates on its financial position and future cash flows.

12.4 Undrawn bank credit facilities

	June 2009	December 2008
Expiring within one year	69,872	63,383
Expiring after one year	55,865	238,200
Total	**125,737**	**301,583**

The decrease in undrawn credit facilities in 2009 mainly relates to drawn amounts made for the following projects:

- Sky Office in Germany (EUR -24.3 million);
- H2 Office in Germany (EUR -5.9 million);
- Danziger Straße 73-77 in Germany (EUR -7.7 million);
- City Gate in Slovakia (EUR -17.3 million) and Origo in Hungary (EUR -41 million), due to the sales of both projects cancelling the attached credit facilities;
- Molcom CJSC (USD -11million), due to a new agreement decreasing the credit line.

13. Other net financial results

	June 2009	June 2008
Change in fair value of derivative instruments	-2,666	20,053
Change in fair value and realised on other financial assets	-14,738	-4,871
Other net finance charges	-3,302	-1,856
Other net financial results	**-20,706**	**13,326**

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

Change in the fair value of other financial assets essentially relates to financial assets at fair value through profit or loss (mainly investment in Endurance Fund subfunds for EUR -13.6 million in 2009 compared to EUR +0.3 million in 2008) and to short term trading instruments within the treasury management (mainly Les Nouveaux Constructeurs for EUR -4.5 million in 2008).

14. Income Taxes

The income tax benefit recognized in the income statement amounts to EUR 60.9 million and composed of EUR -5.7 million of current income tax expenses and EUR 66.6 million of deferred income taxes gain arising from reversal of deferred tax liabilities made following the booking of negative revaluations and impairments booked on properties (EUR 253.8 million).

15. Earnings per share

	June 2009	June 2008
At the beginning of the period	**10 943 740**	**10 687 392**
Shares issued	10 943 866	10 836 794
Treasury shares	-126	- 149 402
Weighted average movements	**- 504**	**- 19 306**
Issue of new shares	-	18 338
Treasury shares	-504	- 37 644
Weighted average outstanding shares for the purpose of calculating the basic earnings per share	**10 943 236**	**10 668 086**
Weighted average outstanding shares for the purpose of calculating the diluted earnings per share	**10 943 236**	**10 668 086**
Net profit/(loss) attributable to the Equity holders of the Company	**-199,857**	**- 14 114**
Net profit/(loss) attributable to the Equity holders of the Company after assumed conversions / exercises	**- 199 857**	**- 14 114**
Basic earnings in EUR per share	-18.26	-1.32
Diluted earnings in EUR per share	-18.26	-1.32

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 adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

16. Gain on disposal of assets

During the first half of 2009, in the framework of the restructuring plan, assets and activities have been sold for a total consideration of EUR 46.0 million generating a consolidated net loss of EUR 0.8 million and a net cash inflow after financial debt repayment amounting to EUR 25.5 million. The property management services have been sold and externalized for a total consideration of EUR 0.4 million.

17. Related party transactions

- Transactions with key management personnel

(a) Loans and advances with key management personnel

On December 4, 2008, the Company has granted a seller's financing of EUR 1.4 million to Vignette Investissements S.A., a French company managed by one member of the Executive Committee, against transferring 10% of the shares of MMR Management s.r.o., a limited liability company, incorporated under Czech's Law and a wholly owned subsidiary of the Company to Vignette Investissements S.A.. This advance, granted for a period of 7 years ending on December 2015, bears an annual interest rate of 5%.

On 18 July 2007, CJSC MOPT(s)R-MOLCOM, a subsidiary of the Company, has granted a loan RUR 28 million to one of its Director (equivalent EUR 0.6 as at June 30, 2009 and EUR 0.7 as at December 31, 2008). Considering the addendum dated 21 January 2009, this loan has a maturity date on 21 January 2012 and bears an interest rate of 10% per year payable at repayment date. This loan has been reimbursed in August 2009.

On 22 February 2007, the Company has granted a loan of EUR 216,068 to OTT&CO S.A. (previously Orco Holding). This loan had a maturity date on 1st March 2008 and an interest rate of 9% per year payable at the repayment date. The purpose of this loan was to facilitate the acquisition of 46,667 new shares of Orco Germany S.A. by OTT&CO S.A.. As at 30 June 2009, this loan (nominal and interests) has not been repaid.

Between 2006 and 2008, Orco Charter, a wholly owned subsidiary of OTT&CO S.A., has granted a loan of EUR 184,000 to Blue Yachts, a 70% subsidiary of Suncani Hvar, itself a subsidiary of the Company is a subsidiary of OPG, which has not been reimbursed to date.

On May 15, 2008, the Company granted a loan of 825,000 USD to a Luxembourg subsidiary of OTT&CO S.A.. This loan had a final repayment date as of May 15th, 2009, and an interest rate of 10% per year payable at the repayment date. The purpose of this loan was to acquire a forest in Chile in order to launch an 'Endurance forest fund' in conjunction with Orco and the Endurance Fund, which failed due to the current financial context. On April 30, 2009, the OTT&CO. subsidiary pledged 90 660 Company shares to the benefit of the Company in order to secure the reimbursement of its debt. In May 2009, the Company exercised its pledge and received 39.589 shares end of June and 51.071 beginning of July 2009. As of June 30 2009, the fair value of those shares is KEUR 140 below the carrying value of the debt.

(b) Other transactions with key management personnel

Over the first half of 2009, apartments built by the Group in the Czech Republic have been sold to 3 members of the executive committee for a total amount of EUR 0.4 million (EUR 3.6 million over the same period in 2008) with an average discount of 5.7% (in 2008: 2.5%) compared to market conditions.

In accordance with the resolution of the Board of Directors of Orco Germany S.A. dated May 22, 2007, 1,260,000 warrants have been offered for sale at a price of EUR 1.45 per warrant for a total consideration of EUR 1,812,500 to OTT&CO S.A assuming that OTT&CO S.A. had agreed to purchase those warrants. In the 30 June 2008 interim financial report, the Group declared a receivable of EUR 1,812,500. This receivable was based on the assumption that OTT&CO S.A. had agreed to purchase Orco Germany S.A. warrants. However, in 2009, OTT &CO SA confirmed it never agreed to complete the purchase of those warrants. On June 10, 2009, the Board of Directors of CEREM, discussing and voting on the issue in the absence of Mr. Jean-François Ott as provided by law, concluded that, in absence of an agreement to purchase the warrants, there were insufficient legal grounds to execute the transaction. The Board of Directors of CEREM is still considering the opportunity to sell the 1 260 000 warrants for a total amount of EUR 1 812 500 to Orco Germany in accordance with the prospectus relating to those warrants issued on May 24, 2007.

(c) Transaction with other related parties:

In 2007, the Group sold in the form of Future Purchase Contract 24 apartments to a subsidiary of the residential Endurance sub-fund for a total amount of EUR 11.1 million. In 2009, the management of the Fund cancelled this sale and the advance payment of EUR 1.3 million has been registered in the condensed consolidated interim income statement.

18. Events after balance sheet date

No relevant event occurred after balance sheet date.