Orco Property Group
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Management Report as at 30 June 2010
31 August 2010

1. Introduction

ORCO Property Group ('the Group') is a real estate investor and developer established in Central and Eastern Europe since 1991, currently owning and managing assets of approximately EUR 1.7 Billion. The Group has a strong local presence in its main markets, namely Prague, Berlin, Warsaw and Budapest, as well as offices in Bratislava, Moscow and Hvar (Croatia).

As a consequence of the restructuring conducted in 2009, all the Group operations and assets now belong to two business lines:

- Asset Management (formerly 'Commercial Investment Properties'): holding and asset managing commercial properties, acting as real estate fund manager for third party investors and holding and operating hotels.
- Development : acquisition and conversion of land bank, office and retail buildings for resale to third parties or to the Asset Management business line, development of residential programs.

2. Market environment

2.1 CEE office markets: higher investment volumes triggered yield compression

The positive trend which started towards the end of 2009 continued throughout 2010 and led to steady yield compression across CEE & German markets:

	Prime Yield - Office	
	Q4 2009	Q2 2010
Berlin	5.5%	5.20%
Budapest	7.75%	7.50%
Prague	7.25%	7.00%
Moscow	12.00%	10.00%
Warsaw	7.25%	7.00%

Source: Jones Lang Lasalle Research

As investor interest returned to the real estate market, yield started compressing again, and valuations of some properties went up for the first time since 2008.

During the first half of 2010, the volume of real estate transactions completed in CEE reached EUR 1,700 Million, representing a 190% increase year-on-year (source: CBRE). Investors continue to predominantly focus on the core Central European markets (Poland, Czech Republic), but also on Russia, which was the second largest market in terms of activity, accounting for 25 % of investment transactions in Q2 2010.

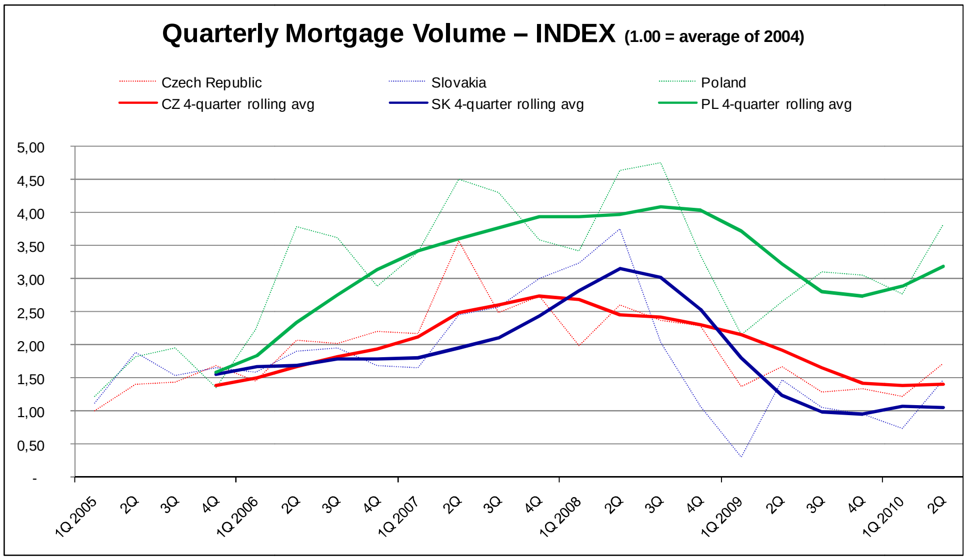
Analysts from Jones Lang LaSalle's offices in Prague, Warsaw, Bucharest and Budapest have noted a revival in the real estate investment market and expect the situation in the region to improve over the remaining months of 2010. A gradual increase of pressure on yields is to be expected as a result of the greater value and number of transactions in the region.

In Berlin, one of the key markets of the Group, Q1 2010 represented the strongest start to the year in terms of lettings since 2005. Indeed, office lettings increased by 22% year-on-year totaling 108,700 sqm. In the first three months of the year, the vacancy rate averaged 9.80% by end of June 2010. Prime headline rents remained unchanged in the city centre, at around EUR 20 /sqm/month for the fifth successive quarter.

Recovery of Prague office market is somewhat slower. Tenant demand is picking up, but there still is oversupply and high vacancy (13.8%). Rental prices have been still under pressure during the first half of 2010 (year-on-year comparison of rents). In the absence of strong economic growth, current market activity remains driven by lease events, portfolio churn and corporate activity including office consolidation and the realization of space efficiencies rather than expansionary plans. However, as the volume of office supply coming to the market in 2010 is minimal, it is expected that vacancy will decrease in H2 2010 and will have a positive impact for landlords.

2.2 CEE residential markets: not all in the same boat

Polish residential market has been in best shape, due to resilient demand and positive macroeconomic development in the country. Czech Republic and Slovakia, however, have been lagging behind because of significant oversupply compared to the volume of demand. In addition, difficult mortgage conditions imposed by the banks since the beginning of the year further weakened the demand.



Czech Republic and Slovakia

In the Czech and Slovak Republic discounts have been at an all time high in H1 2010, due to developers' need to sell the stock on inventory in order to proceed with new projects. In both the Czech and Slovak Republic volumes of unsold stock in the apartment and housing sector are decreasing although at a minimal pace. Supply still outstrips demand. In general the amount of clients able to purchase an apartment or house has decreased to that of years past.

Supply: In Prague, unsold stock is expected to start decreasing by the end of 2010 as construction starts are decreasing. Indeed, in 2009, King Sturge recorded a 16% decrease of commenced construction compared to 2008 and a 17% increase on number of completed dwellings. In addition, for the first four months of 2010, only 786 flats have been started in Prague (year-on-year decrease of 40%) whereas 2,594 dwellings have been completed (year-on-year decrease of 8%).

Demand: seems set to increase before the end of 2010, as banks, which now seem to have accumulated significant liquidity, start being more flexible in mortgage lending:

- **Interest rates are going down and banks are finally competing for mortgage** in the CEE region. This phenomenon should help a significant increase mortgage volume. Year-on-year, it went from 5.6% to 4.9% in Czech Republic and from 6.9% to 5.9% in Poland.
- **Mortgage volume**: the 4-quarter rolling average, displays the mortgage volume as stabilizing in the Czech Republic. Banks, which are now being reported as liquid, should begin lending again to a recovering job market. Mortgage defaults will remain at the low end of the spectrum as in previous years although banks were asking more deposit making the loans more secure. In Poland the mortgage market started to grow steadily since the sudden decline during the second half of 2009. After a still cautious first quarter 2010 banks decided to return to financing individual purchases of residential units. Forecast for 2010 is PLN 50 Billion, a significant increase over PLN 38.7 Billion achieved in 2009.*(Source: Czech Statistics Office, National Bank of Slovakia, www.bankier.pl-Amron-Sarfin Report 2010).*

Since the second half of 2009, sales were recorded mainly for small, affordable apartments. King Sturge expects that the value of mortgages granted this year will range from CZK 75 Billion to CZK 85 Billion. About CZK 74 Billion were granted to households via mortgages in 2009, down 35% compared with the previous year.

As a result of those various factors, asking prices kept declining in over the 2nd quarter of 2010, at a similar rate as in the first quarter and are expected to stabilize by year end.

Poland
The residential market in Poland has proved to be stronger in H1 2010 than in Czech Republic. Here, demand has been positively impacted by the willingness of banks to provide mortgages and by the still attractive interest rates. Prices have also stabilized. The average price of new stock in Warsaw is 9002 PLN/sqm (down by 1.6% since H2 2009). The newly launched residential schemes are by 9% cheaper comparing to overall primary offer.

Supply: in Q1 2010 there was 1,666 dwellings started by developers in Warsaw (i.e. 32% more than in the corresponding period of 2009). In general it is expected than 2010 will be better than the previous year in terms of the number of construction. The market offer increased for the second successive quarter this time by several hundred of units exceeding 13,000 dwellings. Amongst others, this was caused by re-launches of projects where construction had earlier been suspended.

Demand: after a fairly good result recorded in Q4 2009 residential sales remained on satisfying level of 2,400 units in the beginning of 2010. Although current sales result in the Warsaw market are not comparable to results noted during the boom period they are still close to the long-term average.

3. Safeguard Procedure

In March 2009 a “Procédure de Sauvegarde“ (Safeguard Procedure) was opened for the Orco Property Group S. A. (‘the Company’) by the Commercial Court of Paris, expiring on 25 September 2009. At the Company’s application, the Safeguard Procedure was extended for another six months (until 25 March 2010) and then renewed until 25 June 2010. Under the protection of the Safeguard Procedure, the Company made significant progress in implementing its strategic conversion and financial restructuring plan. The second extension was granted by the Court to allow the Company to finalize its Safeguard plan and communicate it to the creditors. The Safeguard plan was circularized to creditors on 31 March 2010. A majority of creditors (57%) were in favor of the proposed plan. The details of the Safeguard plan were published in the management report accompanying the 2009 consolidated financial statements.

3.1 Approval of Safeguard plan

On 19 May 2010, the Paris Commercial Court approved the Company’s Safeguard plan. This plan combines a strategic and operational restructuring and a debt rescheduling plan. The rescheduling plan aims at repaying 100% of the admitted claims (including nominal, accrued interests, and interests to accrue during the Safeguard plan) over ten years as per the schedule below, with effect from 30 April 2011. This repayment schedule is consistent with the Group’s business plan and reflects the necessity for the Group to invest in its current development projects, land bank and assets so as to generate the future cash flows allowing the repayment of all liabilities.

Year	1	2	3	4	5
% of the total liability	2%	5%	5%	5%	5%

Year	6	7	8	9	10
% of the total liability	5%	10%	14%	20%	29%

The Court appointed Maître Laurent le Guernevé as "Commissaire à l'exécution du plan" in charge of overseeing the performance in the implementation of the Safeguard plan by the Company. Maître Le Guernevé will more specifically be in charge of distributing among the Company's creditors the amounts that are due to them under the safeguard plan. The judgment approving the Safeguard plan ended the observation period opened on 25 March 2009.

3.2 Impact of the Safeguard plan approval on financial statements

In line with IFRS standards, the rescheduling of the existing bond debt led to the derecognition of the existing amortized value and accrued interests amounting to EUR 406.0 Million as at 19 May 2010. The counterpart is the recognition of the market value of the new termed out liability.

As a result of the high effective interest rate applicable to the Company (23.1%, as determined in a report established by Grant Thornton), the fair value as at 19 May 2010 of the bonds held by third parties amounts to EUR 136.4 Million, with the difference of EUR 269.6 Million being recognized as a gain.

Until the end of the Safeguard plan, the difference between the market value and the amount to be repaid will accrue through the income statement on the basis of the effective interest rate method. The interest expense of each period (30 April to 30 April) corresponds to the effective interest of 23.1% applied to the bonds' amortized value after repayment. This amount of interest will increase the balance of the bonds on the balance on which the interest will be calculated the next period. The interest expense is therefore set to increase each year. On that basis, the Safeguard rescheduling is set to increase from EUR 30.8 Million if no Safeguard rescheduling to EUR 34.4 Million over 2011 and EUR 38.5 Million over 2012 (if the amount of bonds in circulation remains the same).

3.3 Third party opposition to the judgment approving the Safeguard plan

On 10 June 2010, a third party filed an opposition with the Commercial Court of Paris regarding the 19 May 2010 judgment approving the Company's Safeguard plan.

This third party opposition was filed by Mr. Luc Leroi, bondholder representative for the « OBSAR 2010 » (ISIN FR0010249599), « CONVERTIBLE 2013 » (ISIN FR0010333302), and « OBSAR 2014 » (ISIN XS0291838992 and XS029184062). Regarding these three bonds, the third party opposition contests the maximum bond liability to be reimbursed within the Safeguard plan.

As long as the Commercial Court of Paris has not rendered a decision on the third party opposition, the underlying judgment approving the Safeguard plan is fully effective. A first court hearing is expected in October. The Company sees the risk of this opposition being accepted as remote.

4. Key events

4.1 Capital increases by 3.1 Million new shares for a total equity amount of EUR 16.2 Million and their legal challenge

In April 2010 Orco completed three different capital increases for a total equity amount of EUR 16.2 Million. The new investors are professional investment funds, such as Axa Investment Managers, Neptune Invest, Alandia Investissements, Lansdowne Capital, Hillgrove Investments Group and Finplat.

The Company issued a total of 3,110,000 new shares, priced at EUR 5.61 (for the first capital increase) and EUR 5.00 (for the second and third capital increases). The price per share in the second and third capital increases reflects the fact that the new shares are not immediately admitted to trading and remain recorded, as nominee account ("*compte nominatif pur"*) in the register until a prospectus is approved by the CSSF. As of August 2010, as the CSSF still reviews the various legal arguments regarding the legal challenge (see below), the prospectus for admissions for the new shares issued following the second and third capital increases is not validated and the corresponding shares not yet listed for trading.

The capital increases were legally challenged by certain shareholders. First, three of the Company's minority shareholders acting in concert, Millenius Investments S.A., Clannathone Stern S.A. and Bugle Investments Ltd (collectively the "Applicants") requested in a pleading against the Company dated 14 April 2010 in Luxembourg (before "le Juge des référés de Luxembourg") a suspension of the first and second capital increases. . At the time of pleading the third capital increase had not yet been published. By order dated 22 April 2010, the Vice-President of the Tribunal acting as the "*Juge des Référés*" underlined that « the increases of capital were undertaken in the interest of the Company». This decision was appealed by the Applicants on 25 May 2010. A procedural hearing took place on 8 June 2010. During that hearing it was decided that arguments would be presented on a next hearing to take place on 18 December 2010.

On 23 April 2010, 17 May 2010 and 1 June 2010 the Applicants filed their submissions on the merits ("au fond") against the Company and its new shareholders, AXA Investment Managers, Hillgrove Investments Group Limited, Finplat, Lansdowne Capital, Neptune Invest and Alandia Investments with the District commercial court in Luxembourg ("Tribunal d'arrondissement de Luxembourg, siégeant en matière commercial"). The purpose of these claims is to cancel resolutions number 1 and 2 of the Company's General Assembly held on 8 July 2008 pursuant to which, under Article 5 of the Company's by-laws, the Company's board of directors was authorized to increase the share capital up to EUR 300,000,000 and, alternatively to cancel the resolutions of the board of directors´ decisions dated 6, 8 and 14 April 2010 related to the three capital increases. These claims also aim at cancelling the Company's General Assembly of 26 April 2010.

The Company considers that it has strong arguments to contest the legitimacy of these legal actions and therefore expect that they will be rejected. However, there still remains a risk that the court renders a decision in favor of the Applicants. In this regard, if the judge considers that the annual general meeting shall be cancelled pursuant to a legal technicality (*vice de forme*), the board of directors shall not be allowed to use article 5 of the by-laws in order to complete other share capital increases, the decision will only affect the future. But if the judge considers that the share capital increase shall be cancelled on the basis of other grounds, the cancellation shall have a retroactive effect and would result in an invalidation of one or all of the three capital increases. If this were to happen any of the relevant shares that had been sold, pledged, guaranteed or otherwise transferred would have to be returned and the underlying deals would have to be unwound. Moreover the Company would have to return the capital received. This would result in significant transactional complexity in unwinding those deals. In addition it would result in a change of the shareholding structure and the voting rights. Further, there is a corporate risk that the invalidation of the capital increases would result in the cancelation of the Company´s general meeting held on 26 of April 2010, including the mandates of the board of directors. In turn, this could render the board of directors´ decisions since 26 April 2010 invalid.

4.2 Renewed mandates for the Board of Directors

On the General Assembly held on 26 April 2010 in Capellen, Luxembourg, where approximately 43% of the voting rights were present and/or represented, the shareholders confirmed their confidence in the Company's previous Board of Directors, by renewing the mandate of all its members for another two years: Jean-François Ott (Chairman), Ales Vobruba, Silvano Pedretti, Bernard Kleiner, Nicolas Tommasini, Alexis Juan, Robert Couke, Guy Wallier, S.P.M.B., Ott&Co and Prosperita and Geofin.

In May 2010, S.P.M.B. a.s., a Czech legal entity represented by Ms Eva Janečková, resigned from the Company's Board of Directors. S.P.M.B. was elected to the Company's Board of Directors by the General Assembly held on 8 July 2009. S.P.M.B. announced its resignation from the Board of Directors to the Company on 19 May 2010, and the Board of Directors of the Company acknowledged such resignation during its meeting of 20 May 2010.

4.3 Continued successful renegotiations of bank loans

As of June 2010, bank debt amounts to EUR 1.0 Billion, with 77% of the bank loans financing income producing commercial assets. The GSG loan, which represents 30% of the total bank debt, is secured until June 2012.

In 2010 the Group continued to successfully renegotiate/extend bank loans related to its core projects:

- Mostecká, financed with a EUR 7.8 Million loan; the loan has been turned over from the bridge financing to the development financing maturing in December 2011.
- Bubenská/Vltavska, financed with a EUR 19.0 Million loan has been extended till 2013.
- OD Dunaj Bratislava, financed with a EUR 13.1 Million loan has been extended till 2013.
- Hradčanská, financed with a EUR 13.0 Million loan has been extended till 2011.
- Molcom, refinanced with a USD 20.0 Million loan has been extended till 2016.

The Safeguard Procedure was positive by spurring a 'conciliation process' for restructuring bank loans. The partnership of the Company with its local financing banks has been confirmed by the 92% approval of the Safeguard plan by banks benefiting from the mother Company guarantee on their loans to the Group subsidiaries.

4.4 Update on the Zlota 44 project

The Group began the construction in 2008 on this luxury high-rise apartment tower in downtown Warsaw, Poland. The zoning permit and construction permit were respectively received in 2006 and 2007. 17 floors were already completed representing a total investment on the construction costs amounting to approximately EUR 40 Million when a group of neighbours began filing complaints against both the zoning approval and the construction permit. After the Mazovian Voivode rejected the complaints, the Group filed an appeal to the Provincial Administrative Court who declared the construction permit void in July 2009, thus bringing the project to a standstill.

Subsequently, the case went all the way up to the Supreme Administrative Court and on 15 March 2010, it was ruled that the zoning approval was legal, thus preventing further appeals. However, on 24 June 2010, the Supreme National Court (NSA) decided to send this matter to the Mazovian Voivode for additional consideration thereby further delaying the restart of construction. The Court confirmed that the Group was validly granted the permit for derogation from the legal provisions and did not commit any errors. All charges of the NSA referred to the formal defects and procedures of the administrative authorities, not the actions of the Group.

According to the information from the Mazovian Voivode Office, the final decision on Złota 44 is expected on September 3rd. According to Polish media the Voivode is reported to exclude the possibility of cancelling the building permit; it is only considered to acknowledge the permit or to ask the Warsaw Mayor Office for completing the documentation.

The overwhelming support received locally and throughout the international business community makes the management confident that these challenges will be waived soon so that Złota 44 construction can restart.

4.5 Restructuring of AIG shareholder loan & sale of Peugeot asset in Warsaw

In July 2010, the Company reached an agreement with AIG Global Real Estate Europe and Erste Bank for the restructuring of the shareholder loans granted to its Central European hospitality joint venture and the long term bank financing. The Company recovers upfront EUR 6.7 Million cash and secures increased priority payments from to 75% of future free cash flows after bank loan repayments, while Hospitality Invest S.A. is fully recapitalized and the long term bank loan secured.

At the same time, the Group announced the sale of the commercial development for Peugeot in Warsaw with EUR 5.2 Million cash, out of which EUR 3.8 Million net cash in and EUR 1.4 Million of cash unblocked. This transaction will be reflected in the Q3 2010 development revenues.

4.6 Asset and commercial developments disposals

Over the first 8 months of 2010, EUR 143.6 Million of asset disposals and commercial development sales have been realized.

Asset disposal	Description	Kind of deal	Date of Sale	Date of transfer	Sales price EUR Million	DTZ Value (31,12,2009) EUR Million	Variation Sales price vs DTZ	Loan balance at date of sales incl. Swap Costs EUR Million
1-Asset disposals								
Closed Transactions								
Helberger	Office Asset in Frankfurt	asset	12/14/2009	2/1/2010	11.0	11.0	0.0%	8.5
Wasserstrasse	Office Asset in Duesseldorf	asset	12/23/2009	3/30/2010	8.2	8.4	-2.4%	7.0
Geneststrasse 6	GSG Asset	asset	2/1/2010	29/02/2010	1.8	1.7	8.6%	1.1
Kufuerstendamm 103/104	Asset in Berlin on Kurfuerstendamm	asset	3/29/2010	5/21/2010	8.0	8.2	-2.4%	4.8
Luetticherstrasse 49	Residential Asset in Berlin	asset	3/4/2010	6/30/2010	1.0	1.0	0.0%	0.9
Letenska	Office Asset in Prague	asset	April 2010	April 2010	0.4	0.4	-7.0%	0.4
Americka 3	Appartments in Vinhorady/Prague	fractional sales	H1 2010	H1 2010	0.1	0.1	26.0%	0.0
Amercika Park Residential	Appartments in Vinhorady/Prague	fractional sales	H1 2010	H1 2010	0.3	0.3	0.7%	0.0
Belgicka 36	Appartments in Vinhorady/Prague	fractional sales	May 2010	May 2010	0.1	0.1	-31.8%	0.0
Transferred in H1 2010					30.9	31.2	-0.9%	22.7
Transactions signed as of 31 August 2010 (not recognized in H1 2010)								
Max-Planck Strasse	Office Asset in Koeln	asset	5/10/2010		5.4	5.8	-6.9%	3.0
Brunnenstrasse 27	Asset in Berlin mixte use	asset	5/7/2010		1.7	1.4	21.4%	1.1
Cumberland	empty mixted use building in Berlin	asset	7/9/2010	8/25/2010	29.0	28.0	3.6%	20.0
Kolin	land bank plot	LB	Q3 2010	Q3 2010	0.5	0.2	130.0%	0.0
OBI Decin	retail plot	Land Bnak	Q3 2010	Q3 2010	1.3	1.5	-13.3%	0.0
Not transferred in H1 2010					37.9	36.9	2.6%	24.1
Total Assets disposal					**68.8**	**68.1**	**1.0%**	**46.772**
2-Commercial development sales								
Closed Transactions								
H20	office developemnt in Duisburg	asset	3/30/2010	6/1/2010	32.5	29	12.1%	24.8
Sewo (Oranienburg)*	Health Care development	share	5/3/2010	5/3/2010	10.8	10.6	1.9%	7.1
Alpha (Rostock)*	Health Care development	share	5/3/2010	5/3/2010	9.6	8.8	9.1%	6.9
Epsilon (Guetersloh)*	Health Care development	share	5/3/2010	5/3/2010	12.1	11.9	1.7%	7.4
FFSE (furniture)*	Entity holding the funrniture for Health Care asset	share	5/3/2010	5/3/2010	2	0	N/A	0
HC Trudering*	Plot of Land	asset	8/7/2009	6/25/2010	1.8	1.8	0.0%	0
Transferred in H1 2010					68.8	62.1	10.8%	46.2
Transactions signed as of 31 August 2010 (not recognized in H1 2010)								
Danzigerstrasse 73-77*	Health Care Development	asset	5/3/2010		5.5	5.5	0.0%	5.5
Total Commercial development sales					**74.3**	**67.6**	**9.9%**	**51.7**

Asset disposals: 5 buildings in Germany and some residential apartments in Prague out of the Asset Management portfolio have been sold and transferred for a total amount of EUR 30.9 Million (with average sales prices in line with DTZ valuation). After accounts closing, three more disposals were completed in Germany for a total amount of EUR 36.1 Million: Max Plank office building in Koln, Brunnenstrasse in Berlin, Cumberland in Berlin.

Commercial development sales: H2 Office, an office building located in Duisburg has been sold for EUR 32.5 Million with a gross margin amounting to EUR 2.7 Million. In addition, EUR 34.5 Million have been recognized in revenues for the sale of 4 Healthcare projects in Germany with a gross margin of EUR 3.4 Million. The Danzigerstrasse healthcare project in Berlin and the

Peugeot commercial building in Warsaw have also been sold for a total amount of EUR 9.2 Million but will be transferred in Q3 2010.

In addition, several sites from the Company land bank are in advanced sales negotiation (see section 5.1.3).

4.7 Dispute with Croatian Privatization Fund ("CPF")

Five years ago, the Company entered into a Shareholders' Agreement with the Croatian Privatization Fund ("CPF") regarding the formerly state owned company Suncani Hvar dd.

In sharp contrast to the Group's financial (approximately EUR 60 Million) and managerial commitment, the CPF repeatedly breached many of its contractual obligations, notably with respect to solving ownership issues that were inherited from the former communist regime, participating in Supervisory Board decisions, or simply meeting with the Company representatives. As a result, the CPF's conduct blocked the regular operations and the development of Suncani Hvar dd.

On 12 July 2010, slightly before the expiration date of the agreement, the CPF sent a formal letter improperly alleging that the Company breached the terms of the agreement and that as such, the CPF was entitled to unilaterally terminate it. At the same time, the CPF then launched a widespread media campaign against both the Company and Suncani Hvar dd.

The Company has decided to seek justice against the CPF under the Shareholders' Agreement and to bring claims against the CPF at the international level should a global solution over Suncani Hvar not be found over the fall period.

Despite the information spread in the media, the Company has not lost any shareholding in Suncani Hvar d.d. claimed by the CPF and no legal action was launched by CPF to claim this stake. The Company maintains its shareholding stake in Suncani Hvar d.d. at 55.6% and perceives CPF's claims as completely without ground.

5. Gross Asset Value and NAV

The Gross Asset Value or GAV corresponds to sum of the market value of all real estate assets held by the Group on the basis of the consolidation scope. The IFRS balance sheet only integrates the investment properties at their market value. The GAV is at least once a year (generally at the December closing) determined on the basis of a valuation report established by an independent expert.

As the market conditions remained largely stable since December 2009, the Board of directors is in the opinion that, except on projects where recent residential development sales indicated further price decreases or further investments were realized on projects under construction, only a small number of real estate assets had seen their market value change over the first half of 2010. Therefore only these identified assets were submitted to an independent expert. The total value of the assets revalued went from EUR 693 Million as of December 2009 to EUR 733 Million representing an increase of 5.8%. The list of assets which were revalued on the basis of an independent expert valuation report is shown below:

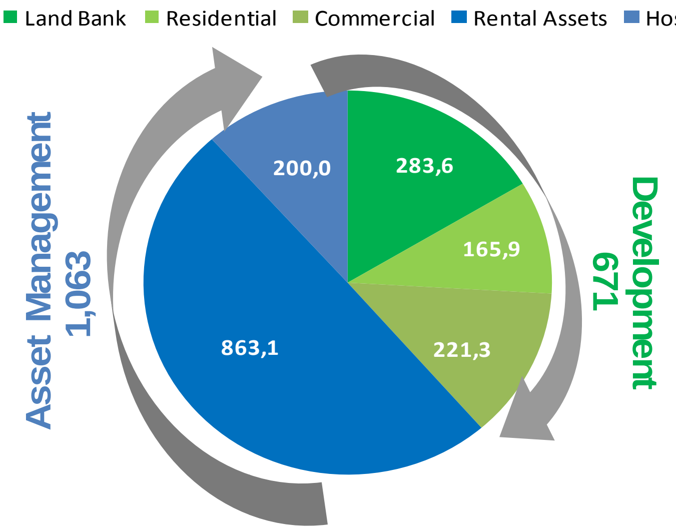
Asset name	Description
GSG portfolio	45 income prodcucing assets located in Berlin
Brunnenstrasse156	Mixed use building located in Berlin
Franklinstrasse 9-15a	Mixed use building located in Berlin
Kudamm 102	Mixed use building located in Berlin
Invalidenstrasse 112	Mixed use building located in Berlin
Capellen	Office building located in Luxembourg
Jeremiasova	Light industrial building located in Greater Prague
Na Porici	Mixed use building located in Prague
Radio Free Europe	Office building located in Prague
Szervita parking	Car park building located in Budapest
Szervita office	Office building located in Budapest
Residence Diana	Office building located in Warsaw
Molcom	Logistic warehouses located in Greater Moscow

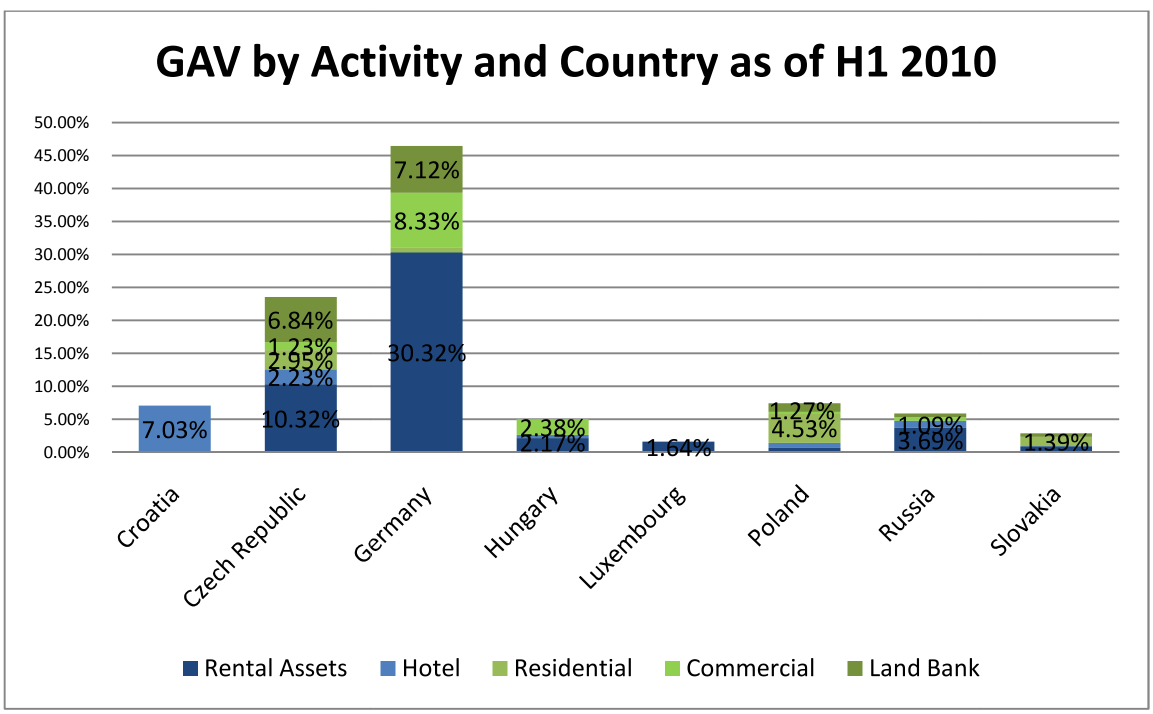
57% of the portfolio fair value has been assessed by the management. On most assets, the management concluded to the stability of the fair value. For assets held for sale, the fair value was adjusted to the expected selling price. For the development assets the fair value changes mainly corresponds to the decrease in the remaining development costs, the adjustment to the sales prices effectively achieved over the first half of 2010, the change in the number of units held as a result of the sales achieved over the first half of the year and the foreign exchange differences.

In EUR Thousand	Gav December 2009	Sales	Capex P&L	Capex BS	COGS	Change in value	GAV June 2010
Asset Management	1,040	(31)	0	4	0	50	1,063
Development	775	(0)	3	5	(86)	(26)	671
Total	**1,815**	**(31)**	**3**	**9**	**(86)**	**24**	**1,734**

As of June 2010, on the basis of a review of the real estate portfolio, the portfolio value of the Group has been estimated at EUR 1,734 Million compared to EUR 1,815 Million as at December 2009. This evolution results from the exit of properties consequently to asset and development sales amounting to EUR 117 Million, the investment in project under construction and permitting of land bank amounting to EUR 12 Million and a net positive change in market value for EUR 24 Million.

GAV by Business Line as of H1 2010
(in Million Euros)





5.1 Development business line

The Group's development portfolio consists of land bank and real estate properties designated as future development, residential and commercial developments designated to be sold or transferred to its Asset Management business line.

As of June 2010, the Group's development GAV amounts to EUR 671 Million (33% commercial developments, 11% of residential under construction developments of the integrality comes from Zlota for EUR 48 Million, Mostecka for EUR 14 Million, Benice for EUR 10 million, 42 % of land bank and 14% of finished goods to be sold mainly composed of Koliba for EUR 25 Million or 4% Klonowa for EUR 21 million or 3%, Kosic for EUR 12 Million or 2%of Minister Gaerten for EUR 11.0 Million or 2%,). Czech and Polish projects represent respectively 29% and 16% of the development gross asset value while the running development business in Germany still represent 42%.

The total valuation of the Development business, corrected from sales and cash investments has been decreasing by EUR 106 Million in the first half of 2010, reflecting mainly the sales closed over the first half while continuing the finalization of existing development.

5.1.1 Commercial developments
The Group's commercial development portfolio consists of properties that the Company has developed or is developing across CEE region to keep and manage or sell. The properties in this portfolio are office, retail or mixed-use buildings.

The GAV of the commercial developments reached EUR 221 Million in June 2010 vs. EUR 280 Million in December 2009. The variation is due to:
- EUR 60 Million decrease due to sales closed over the first half of 2010.
- EUR -3 Million of net change in market value.
- EUR 4 Million investments.

Sales closed during the first half of 2010
Over the first half of 2010, H2 Office, an office building located in Duisburg has been sold for EUR 32.5 Million with a gross margin amounting to EUR 2.7 Million. In addition, EUR 34.7 Million have been recognized in revenues for the sale of 4 Healthcare projects (3 completed developments and one land) in Germany with a gross margin of EUR 3.6 Million.

The Danziger str. health care project in Berlin and the Peugeot commercial building in Warsaw have also been sold for a total amount of EUR 9.2 Million but will be transferred in Q3 2010.

Projects under construction
As of end of June 2010, the main commercial project under construction is Vaci 1 in downtown Budapest (estimated delivery in Q3 2011). During the first half of 2010 significant rental progress was made: 33% pre-leased (+13% Head of Terms signed) as of June 2010, compared to 19% in December 2009. EUR 3.6 Million investment was realized during the first half of 2010.

Projects finalized but not sold yet
Over the eleven commercial assets completed during 2009, four were sold, four transferred to Asset Management before the end of 2009 and three are still to be sold:
- Sky Office in Dusseldorf generated EUR 2.9 Million revenues in 1H 2010. While occupancy remained stable at 66%, interests are covered by contractual rent. The

average rental income for the rented space stands at 22 €/sqm. The Group is actively working on the sale and leasing with the aim of closing a deal within the coming 6 to 9 months.
- Vysocany Gate, which contributed with EUR 0.3 Million rental revenues in 1H 2010, is subject to sales negotiations.
- Radischevskaya for which the Company is currently considering two strategies: provide standard fit-out with further leasing or sale of the asset in its current status. A final decision is to be reached following the potential buyers visits which are still ongoing.

5.1.2 Residential development

The Group residential developments are aimed at the middle and upper middle segment of the Prague, Warsaw and Bratislava.

The variance of EUR -46 Million over the first half of 2010 with a gross asset value amounting to EUR 166 Million) compared to December 2009 (EUR 212 Million) is driven by:
- EUR 26 Million decrease due to sales closed over the first half of 2010.
- EUR -23 Million of net change in market value.
- EUR 3 Million of investments.

Projects finalized with ongoing deliveries

The portfolio of projects which are contributing to the 2010 residential revenues is essentially made of 9 projects, most of them being completed in terms of construction in 2009 or earlier. These projects are:
- Klonowa Aleja, Feliz Residence and Mokotowska 59 in Warsaw, Poland;
- Kosik 3A, Radotin, Citadella (Nove Dvory) Tyrsuv Vrch (Michle) and Benice I in Prague;
- Plachta 3 in Hradec Kralove;
- Le Mont and Bellevue in Spindelruv Mlyn;
- Parkville in Bratislava.

During the first six months of 2010, a total of 106 FPC's (forward purchase contracts) were signed showing a 38% decrease year-on-year.

This variance is mainly driven by the sluggish performance of the Czech market (44 units in 2010 versus 105 in 2009), where most of the projects which were under construction in the summer 2009 have now been completed and new sales are booked directly as PC's (purchase contracts). These FPC figures do not include the pre-sales signed on Americka 11, Mostecka and Benice 1B, which are under reservation contracts mainly.

As for Poland, as a result of the slight market rebound, the number of transactions closed has been picking up since Q4 2009 on all three projects open for sale in Warsaw: Klonowa Aleja, Feliz Residence and Mokotowska 59. In Klonowa Aleja, a popular residential project which will be the main revenue contributor in 2H 2010, transaction prices grew by over 3% from Q4 2009 to Q1 2010 and by a further 1.9% from Q1 2010 to Q2 2010.

The backlog on projects either finalized or under construction amounts to 1.014 units including an order backlog (units covered by a future purchase or a reservation contract) of 171 units:

- 493 units in the Czech Republic including an order backlog of 31 units,
- 455 units in Poland including an order backlog of 130 units,
- 66 units in Slovakia including an order backlog of 10 units.

As of June 2010, the inventories include 436 completed residential units (Poland 204 units, Czech Republic 166 units, Slovakia 66 units), for a total expected sales price of EUR 79.5 Million with a remaining bank debt of EUR 23.9 Million.

Projects under construction

During the first six months of 2010, the Company completed construction works on Americka 11 (14 units) and started refurbishment works on Mostecka (55 units). Both projects are located in central Prague. As of July, Mostecka was already pre-sold by 16.3% and Americka 11 by 20%. Benice 1B (38 units) in the outskirts of Prague is also making progress, with two houses already fitted out in the first half of 2010 and planning to finish another 8 units in 2H 2010.

Zlota 44 is the only residential project where construction works were put on hold before finalization (see point 4.4 for the latest news on the building permit).

Although a number of additional residential projects are ready for ground break, for example U Hranic or Kamelie in Prague, Orco intends to first decrease its existing inventory and reach a certain level of reservation contracts before launching those new projects.

5.1.3 Land bank

The total GAV of the land bank (including empty buildings and land plots to develop or redevelop classified in the IFRS financial information under investment properties or inventories) as of June 2010 is stable at EUR 283.6 Million (compared to EUR 282.5 Million as at December 2009) of which EUR 202.7 Million of commercial land bank (including Bubny), EUR 55.8 Million of land bank with a residential project in place and EUR 25.1 Million of land bank having other kind of projects (plotting programs, solar farms, etc). No change in the fair value assumptions has been recorded over the first half of 2010.

As of June 2010, Orco held some 4.2 Million sqm of land plots (0.9 Million sqm are zoned while 3.3 Million sqm are unzoned) in its land bank which development constitute one of the main leverage of its 10 years business plan. Land is considered zoned when there is a valid building or planning permit, or when existing master/urban plan allows construction in line with the Group intentions. Land is considered unzoned when there is no master/urban plan in place or when it needs to be changed.

Land Bank as of June 30, 2010 (sqm)		
Czech Republic	zoned	124,000
	unzoned	1,420,000
Poland	zoned	135,000
	unzoned	253,000
Slovakia	zoned	0
	unzoned	17,000
Russia	zoned	0
	unzoned	1,455,000
Germany	zoned	82,000
	unzoned	0
Croatia	zoned	0
	unzoned	134,000
Total	zoned	341,000
	unzoned	3,279,000
Grand Total	zoned & unzoned	**3,619,000**

In the Czech Republic, besides several zoned projects (Kamelie in Prague 8, Trinovia in Prague 4, U hranic and Kosik 3b in Prague 10) the Group owns a number of unzoned sites with enormous potential.

The most important one is Bubny, a 25 ha site located in central Prague. As reflected in the approved Safeguard plan, the Company changed its development strategy which is now refocused around two main activities:

- Land development which consists in obtaining zoning permits on parcels and sell them once buildable. This activity has a shorter development process than the traditional real estate development and allows better margins on costs. In Q1 2010, a Letter of Intent for sale of 1 ha was signed and the sale contract is expected to be signed before the end of 2010. First part of sale price shall result in total revenues of EUR 7.9 Million before the end of 2010. Supplementary revenues will be recognized upon realization of the permitting.
- Residential and Commercial development realized by the Company itself or in joint ventures. In that purpose significant progress was made in terms of land permitting and partnerships. A memorandum of understanding for 50% partnership on the development of a retail scheme on a surface of 3ha in Bubny was signed with ECE in August 2010. Due diligence process is currently ongoing before closing the transaction. There should be both free cash paid to the Group and financing equity for the development in the joint venture.

The Group is currently actively working on the Master Plan in order to be able to start concrete marketing of the plots and developments.

In the Czech Republic, the Company is working on the zoning on Benice (phases 2-5), Nupaky, Doupovkska and Praga.

In Poland, zoning of Phase 1 of the Bialystok site (approximately 220,000 sqm) is in the final stage and the Group is confident in achieving master plan in the coming months. In addition, in June 2010 the building permit for Przy Parku project was validated (4,000 sqm residential project in Warsaw, Ochota district).

In Russia, the Company expects to restart zoning works for Kaluga by the end of the year.

Land bank disposal

No sale of land bank has been recorded during the first half 2010. The Group however is in advanced sales negotiations of several sites, as presented below:

- Wertheim site (2 ha) in downtown Berlin: a sales contract has been signed; both parties are working towards solving contractual bound open items, including related short term bank financing (current loan amounts stands at EUR 66 Million). More details will be communicated at a later stage.
- Cumberland in downtown Berlin: a sales contract has been signed. The property should be transferred by the end of August at a price slightly above latest valuation.
- A forward purchase agreement for a zoned residential site of 3,100 sqm in Kolin (located some 50km away from Prague) was signed in April 2010. The site also has a building permit in place for 93 units.
- Rudna assets in Prague: two industrial halls, known as Rudna II project, were sold for EUR 4.5 Million in August 2010. The site Rudna III is still in the process of sale.
- Sale contract of two residential sites of 11 000 Sqm (59 units) and 5000 sqm (32 units) with building permit in Ostrava, Czech Rep. has been finalized in August 2010.
- A future SPA was signed for land with permit for retail DIY project in Decin, Czech Rep. The transaction is expected to be closed in Q4 2010.
- The SPV holding the Stein land in Bratislava which was marketed for sale in H2, filed for bankruptcy proceedings in August, as the level of debt is higher than the latest valuations of the property.

5.2 Asset Management

The Group Asset Management business line (formerly named ‘Commercial Investment Properties’) is comprised of rental assets, hospitality assets and Endurance real estate fund management (generating income from management fees as fund manager).

As of June 2010, the GAV of the Group asset management represented EUR 1,063 Million in value (81% for rental assets and 19% for hospitality assets). Corrected from sales of assets and investments, the fair value of the Asset Management portfolio has increased by EUR 37 Million.

5.2.1 The rental assets

The Group rental portfolio encompasses assets focusing on commercial buildings. As indicated in the beginning of this chapter, a part of the rental portfolio was revalued as of June 2010, thus bringing its value up to EUR 863 Million. In December 2009 the GAV of rental assets amounts to EUR 853 Million. The 10 million change is split in:

- EUR 31 Million decrease due to disposals of assets closed over the first half of 2010
- EUR 4 Million investments
- EUR 37 Million of positive net change in market value

Asset disposals
Please refer to point 4.6 of this report.

Investments
Over the first half of 2010 EUR 3.8 Million investments have mainly been realized for the finalization the class A warehouse of Molcom with first clients moving in over the second quarter.

Change in market value
The change in value is mainly driven by a better operational performance on the GSG portfolio and Molcom, a slight yield compression on key assets and a positive currency effect (decrease of 6% of the HUF/EUR, increase of 14% of USD/EUR and increase of 12% of RUB/EUR).

GSG Berlin performance
The entire GSG portfolio in Berlin has been submitted to an external valuer for the reassessment of its fair value. It is estimated to EUR 465.8 Million compared to EUR 445.2 Million as at December 2009. The positive valuation gain is due to increase in occupancy and rental income and decrease of yield and discount rates by 25 bp for the 10 best assets of the portfolio. GSG disposed of Genesstrasse 6 during the first quarter of 2010 (sold for EUR 1.8 Million). The 815,000 sqm of leasable area contributed with EUR 25.5 Million to the Group revenues (compared to EUR 23.7 Million over the first half of 2009), i.e. an increase by 9.3%.

In a remaining challenging environment, prices and occupancy rates slightly increased on average on the GSG portfolio. Over the first half of 2010, the Group managed to increase the occupancy rate by 0.6% to 77.1% and to increase the average commercial net rental income per sqm (from EUR 4.80 to EUR 4.82)1. The net take-up in the first half of 2010 amounted to 5,064 sqm and since take-over in July 2007 is totaling 54,161 sqm. During the same period the average net rental income per sqm increased by 7.3%. New leases were contracted 10% above existing prices at an average of EUR 5.20/ sqm net-rent.

	2010		2009				2008	2007
	Today 30.06.	31.03.	31.12.	30.09.	30.06.	31.03.	31.12.	Takeover 30.06.
Net rents/sqm	4,82	4,82	4,80	4,78	4,76	4,72	4,66	4,49
occupancy rate (%)	77,1%	76,9%	76,5%	75,6%	75,1%	75,0%	74,6%	70,5%

Moscow Molcom Logistics
Molcom Logistic Complex has introduced as of May 2010 a new billing system, which charges tenants per operations (per palette, inbound, outbound, storage, packaging, labeling etc.) rather than by square meter. All new clients are being charged according to this new billing system, while the existing clients are migrating to it gradually. Molcom has obtained a Certificate about entry into the Register of potentially dangerous industrial enterprises and is appropriate in accordance with the legislation of the Russian Federation for the purposes of storage of the type of goods with the different danger factors. In order to secure higher revenue stream, Molcom is

[1] please note that the increase is based on the commercial business line which represents 79% of the total GSG portfolio and due to the EPRA/BPR Standard adoption GSG depicts now rents without service charges to tenants in contrast to early reports where gross rents were reported

now focusing on optimizing the occupied area. As of June 2010, occupancy reached 68.5%. However, Molcom has already signed agreements bringing occupancy at 81%. Given the new billing system, the average rent per sqm has also increased from RUB 20.3 per sqm per day as of Dec 2009 to RUB 27.5 per sqm per day as of June 2010. As a result of the operational achievements, the evolution of the currency and the improvement of the attractiveness of the Russian market, the logistic complex fair value went up over the first half of 2010 by EUR 11.0 Million to EUR 63.9 Million.

Central European properties
The letting activity in Central and Eastern European markets has remained very challenging, especially for large assets. However, as the amount of new supply coming to the market is minimal and macroeconomic recovery seems on the way, it is expected that vacancy will start dropping and positively impact the letting activity over the second half of the year.

Rental Assets portfolio	GLA (sq m)	Occupancy (%)	Average rent (€/sq m)
Czech Republic	158,075	78.1%	6.36
Hungary	29,598	57.6%	15.76
Poland	35,487	78.8%	3.09
Slovakia	10,355	8.0%	23.08
Luxembourg	7,744	99.2%	20.53
Germany	855,608	77.4%	5,9
ow GSG portfolio	815,284	77.1%	5.83
ow Other German assets	40,324	84.3%	7.87
Russia	110,535	68.5%	19.23
Total Portfolio	**1207,402**	**75.8%**	**7.58**

During the first six months of 2010, the performance of the rental portfolio was negatively impacted by the expiration of several important leases in Central Europe, such as Ceska sporitelna in Bubenska, Prague (28,000 sqm office building, released as of January 2010), Budapest Bank (14,000 sqm office building, released by the main tenant in January and July 2010), Stribro Industrial Park (22,400 sqm released in June 2010). Over the first half of 2009, these buildings generated EUR 3.5 Million compared to EUR 1.9 Million over the first half of 2010. The Company also received release notice for its Budapest Bank building (14,000 sqm) which was subsequently emptied in July 2010.

Moreover, leasing of the newly developed assets has been moving slowly in the first half of the year, as many prospective tenants asking for price offers remained more interested in getting better rental rates for their existing locations rather than actually moving out.

The average commercial leasing deal at the moment takes around 6 months from 1st viewing to signing of the contract. For a large sqm request from a company using one of the big International leasing agents, it is not uncommon for the deal to take around 9 months. The activity of Q2 should lead to a crystallization of closed deals in Q3.

In Prague, new lease contracts or letters of intent were signed on Hradcanska and Palace Archa (Na Porici), thus bringing occupancy at 33.6% and 54.6% respectively. The attractiveness of Hradcanska offices has been substantially reduced by the construction works on the neighbouring Blanka tunnel, which shall be completed in September of this year. Leasing activities on Bubenska started in June 2010, after having repositioned the asset for small companies as tenants. Letting of Stribro has started during the summer 2010; a first deal is to be signed with a canteen operator, which will provide much needed service for new tenants.

In Budapest, a pre-lease contract was signed for a high-end restaurant on the top floor of Paris Departments Store in Budapest, with expected start in Q1 2011.

5.2.2 Hospitality assets

As of June 2010, the hospitality assets total 1,734 of operated rooms divided in two portfolios. The investment market and operational performances of hotels remained stable compared to projections and therefore no external valuation was requested as of June 2010.

CEE hotels

The Group owns a portfolio of boutique hotels and extended stay residences across Central and Eastern Europe capital cities managed and operated until beginning of July 2010 by a fully owned subsidiary of the Company under the MaMaison brand, Starlight and Courtyard by Marriott. All hotels are owned through a joint venture (excluding the Pachtuv Palace owned at 100%) and are as a result integrated at 50% in the Group portfolio and consolidated accounts.

The properties are overall of a very good quality with no need of significant capital expenditures.

The first half of 2010 was clearly divided in two periods. Over the first quarter, the market experienced a decrease in occupancy and ADR as a consequence of a still depressed touristic market. However over the second quarter the market lived a rebound and together with the effort of the management and the new sales team the hotels achieved improved results compared to last year which allows us to have a positive outlook for the rest of the year. Average occupancy for the first half of the year reached almost 55%. Figures in the table below are at 100% before taking into account the integration percentage.

CEE hotels June YTD	Number of assets	Number of rooms	Occupancy %	YTD June 2010 revenues EUR Million	YTD June 2010 GOP EUR Million	YTD June 2010 NOP EUR Million
Czech Republic	5	484	54.2%	5.6	1.3	0.8
Poland	3	220	47.9%	2.9	0.7	0.4
Slovakia	1	32	66.8%	0.3	0.1	6.5
Russia	1	84	65.2%	3.1	1.2	0.7
Hungary	3	161	61.4%	1.3	0.5	0.4
Total CEE hotels	**13**	**981**	**54.9%**	**13.2**	**3.8**	**8.8**

Suncani Hvar Hotels

The Group also owns a 55.6 % interest in Suncani Hvar, a company listed on the Zagreb Stock Exchange, which is fully consolidated into the Company. Suncani Hvar owns and operates 10 hotels on the Hvar island off the coast of Split, Croatia, that together have over 1,000 rooms which is approximately 90 per cent of the total hotel capacity of Hvar City.

No major capital expenditure was undertaken in the hotels over the first half of 2010 as they are either fully refurbished or in need of complete refurbishment. Some of the hotels were closed or used as staff accommodation. As the hotels are highly reliant on the summer season due to their location in the Island of Hvar, most of them are closed until early June.

Despite the media noise over disputes with the State as joint venture partner, the summer season is expected to see results in substantial improvement compared to last year.

5.3 Liabilities and financial profile

5.3.1 Cash and cash equivalents

Cash and cash equivalents have increased by EUR 6.7 Million over the first half of 2010, to reach EUR 63.7 Million. Unrestricted cash (see note 9 of the condensed consolidated interim financial information on restricted cash) increased by EUR 13.7 Million to EUR 35.5 Million compared to EUR 21.8 Million as at December 2009. EUR 17.4 Million of the Group available cash is held within companies that are not directly or indirectly held at 100%.

5.3.2 Loan to value

The calculation of the Loan to value (LTV) as of June 2010 is shown in the table below:

In EUR Thousand	June 2010	December 2009	June 2009
Non current liabilities			
Financial debts	490 684	484 634	626 340
Current liabilities			
Financial debts	531 919	595 776	522 040
Current assets			
Current financial assets	-390	-488	-1 754
Liabilities held for sale	37 876	51 451	10 715
Cash and cash equivalents	-63 744	-57 040	-66 813
Net debt	**996 345**	**1 074 333**	**1 090 528**
Investment property	1 071 801	1 072 304	1 125 522
Hotels and own-occupied buildings	234 281	215 393	224 701
Properties under development	0	-	9 117
Financial assets	33 522	32 353	60 093
Inventories	398 455	482 605	460 507
Assets held for sale	46 675	48 930	21 380
Revaluation gains on projects and prop.	-8 039	-3 095	25 967
Fair value of portfolio	**1 776 695**	**1 848 490**	**1 927 287**
Loan to value before bonds	**56,1%**	**58,1%**	**56,6%**
Bonds	231 461	468 616	442 826
Accrued interests on bonds	0	16 860	11 293
Loan to value	**69,1%**	**84,4%**	**80,1%**

As at June 2010, the LTV stands at 69.1% compared to 84.4% in December 2009. The sharp decrease of the LTV ratio is mainly the consequence of the approval of the Safeguard plan resulting in the recognition of the new debt at fair value and an improvement of the valuations of selected properties. The LTV ratio before bonds also reduces from 58.1% to 56.1% due to the decrease of current liabilities. Over the first half of 2010 (excluding Hvar and Vysocany Gate project company), the Group steadily repaid most suppliers invoices that were overdue as at December 2009.

As developed in the Group business plan, management remains committed to the improvement of the LTV ratio over the coming quarters as a top strategic priority, which could take the form of additional assets sale / debt repayments or reduction, and further share capital increase. The LTV level of the major Group subsidiary Orco Germany, which stands at 78.2%, remains an important concern for the Group.

5.3.3 Financial liabilities

The financial debts strongly decrease as a result of the derecognition of the amortized cost of the Company's bonds as at 19 May 2010 and the recognition at fair value of the "Safeguard bonds" at the same date (net decrease of EUR -252.9 Million) and the repayment of bank loans upon the sale of assets and developments (EUR -81.5 Million) and other repayments of bank loans (EUR -13.2 Million). This is partially compensated by foreign exchange differences (EUR +8.8 Million), the accrual of actuarial interests (EUR 15.9 Million) and new bank draw downs (EUR 14.4 Millions).

Analysis of maturities of financial debts:

in EUR Million	Less than one year	1 to 2 years	2 to 5 years	More than 5 years	Total
As at 30 June 2010	578,3	337,6	276,7	99,3	1 291,9
As at 31 December 2009	706,4	18,5	650,8	224,7	1 600,4

Out of the EUR 1.3 billion borrowings, EUR 1,043.7 Million relate to bank loans, EUR 231.5 Million relate to bonds issued by the Company or Orco Germany S.A. and EUR 16.8 Million relate to loans from joint venture partners and finance leases.

77% of the bank loans relate to income producing assets (development projects under delivery and buildings producing rents or other operational revenues), compared to 62% as at December 2009. While in sharp decrease, 23% of the bank loans still relate to non income producing land bank and projects under construction. It is a priority of the Group, as developed in the Business Plan, to continue reducing that ratio by completing or initiating development projects on existing land bank, land sales and sale of non core assets.

The amount of borrowings classified as 'to be repaid within one year has substantially decreased by EUR -128.1 Million as a result of the asset and development sales (EUR -54.4 Million), other repayments of bank loans (EUR -3.6 Million), the derecognition of the Company's bonds subject to the Safeguard plan (EUR -52.0 Million), and transfers to longer maturity mainly as a result of loan extensions obtained or breaches of covenants solved (EUR -26.1 Million). These amounts are partially offset by increases due to foreign exchange (EUR +1.5 Million), new draw downs (EUR +5.2 Million) and accrued actuarial interest (EUR +1.3 Million).

This amount includes EUR 8.5 Million of bonds' first instalment within the Safeguard plan, EUR 102.3 Million of loans financing assets that are held or planned for sale and EUR 168.5 Million of assets and developments that are finalized or under construction. The management is confident in its abilities to further refinance or prolong the remaining EUR 299.0 Million of debt where needed. The amount of debt to be renegotiated in the short term amounts to EUR 100.9 Million.

Access to debt financing for real estate projects remains difficult and no major changes are expected in the short term. Banks still only accept very low loan-to-value ratios for new projects (65% in Western Europe) while the spread between yields and interest rates remains high. Refinancing has become more available for stable income producing properties. We expect financing will become more freely available going forward, although very gradually.

To the Company's knowledge, there is no or very little liquidity on OPG bonds 2011, 2012 and 2014. Small or medium sized deals have occurred for the Bonds 2010 and 2013 since March 2010 for a volume of EUR 5.4 Million. The weighted average trading price of the Bond 2013 stands at 22% of nominal value, whereas only four deals have been observed for the bond 2010 at 26% of nominal value. Nevertheless, it cannot be concluded that a price ranging between 22% and 26% of nominal value is the price at which OPG bonds are traded on average as traded volume on the market is too low. The Company has not been provided with over the counter data.

5.4 Net Asset Value

Using similar calculation methodologies as in previous years, the Group Net Asset Value (NAV) per share as of June 2010 is at EUR 25.3 compared to EUR 8.2 as at December 2009. The NAV per share decreased to EUR 7.5 as a result of the capital increases at an average price per share of EUR 5.2. This dilution has been more than compensated by the impact of the bonds revaluation upon approval of the Safeguard plan amounting to EUR 19.2 per share.

Major publicly traded property investors however do not use the Group's historic methodology and follow the EPRA (European Public Real Estate Associations) recommendations. The Company therefore plans to introduce in 2010 the EPRA "Triple Net Asset Value per share" methodology described below, whereby triple net NAV reaches EUR 23.9 per share.

	June 2010	December 2009
Consolidated equity	**320,517**	**56,578**
Fair value adjustments on investment portfolio	0	0
Fair value adjustments on hotels and own occupied buildings	8,972	10,562
Fair value adjustments on properties under development	0	0
Fair value adjustments on inventories	-17,011	-13,657
Deferred taxes on revaluations	65,236	58,438
Goodwills	-22,748	-22,748
Own equity instruments	78	82
Net asset value	**355,045**	**89,255**
Net asset value per share	25.26	8.16
Existing shares	14,054	10,944
New total of shares after April capital increases		14,054
Net asset value per share after April capital increases		7.50

	June 2010	December 2009
Net asset value	**355,045**	**89,255**
Effect of dilutive instruments		169,547
Deferred taxes on revaluations	-65,236	-58,438
Market value of bonds (50% discount on Orco Germany at 2010.06)	46,135	231,185
Triple Net asset value	**335,943**	**431,548**
Triple net asset value per share	23.90	12.27
Fully diluted shares	14,054	35,165

Orco historic NAV Methodology:
The net asset value as a consequence of the definition below is calculated as follows:

- the real estate portfolio value, to which other financial and operational assets are added,
- from which all financial and operational liabilities are deducted.

Finally, only the part attributable to owners of the Company is retained.
The Net Asset Value is calculated on a group share basis starting from the IFRS consolidated balance sheet values (see the balance sheet and the variation thereon reported in the IFRS consolidated financial statements) with adjustments:

- Fair value adjustments: as for real estate assets and developments, only investment properties are at fair value on the IFRS balance, the fair value adjustments are the difference between their carrying value in the consolidated balance sheet and their fair market value.
- Deferred taxes on revaluations: Group share in the deferred taxes recognized in the IFRS balance sheet on the valuation adjustments on real estate assets and developments.
- Goodwill: IFRS goodwill is not recognized in the real estate net asset value calculation.
- Own equity instruments: as they are not recognized in the IFRS balance sheet and the net asset value estimate uses all the shares in circulation for the calculation of the per share data, own equity instruments are added at their fair market value.

Triple net NAV Methodology:
The triple net NAV is an EPRA recommended performance indicator.
Starting from the NAV following adjustments are taken into consideration:
- Effect to dilutive instruments: financial instruments issued by company are taken into account. When they have a dilutive impact on NAV, meaning when the exercise price is lower than from the NAV. The number of shares resulting from the exercise of the dilutive instruments is added to the number of existing shares to obtain the fully diluted number of shares.
- Derivative instruments: the calculation includes the surplus or deficit arising from the mark to market of financial instruments which are economically effective hedges but do not qualify for hedge accounting under IFRS, including related foreign exchange differences.
- Market value of bonds: an estimate of the market of the bonds issued by the group. It is the difference between group share in the IFRS carrying value of the bonds and their market value. As at December 31 2009 the Group share of the bonds' carrying value and accrued interests amount to EUR 465.2 Million.

6. Financial results over the first half of 2010

Over the first half of 2010 the Group recorded a net profit amounting to EUR 237.7 Million compared to a net loss of EUR 199.9 Million last year. This profit includes a net gain of EUR 269.6 Million on the recognition at fair value of the bonds of the Company included in the amortization rescheduling of the Safeguard plan.

Revenues increased by 23% to EUR 163.1 Million from EUR 132.3 Million over the same period in 2009, mainly as a result of the sale of major commercial developments sales in Germany.

The improvement of the operating performance and margin on sales of commercial developments explain the significant increase of the adjusted EBITDA by EUR 9.9 Million (compared to 30 June 2009) to EUR 21.3 Million as at 30 June 2010.

6.1 Consolidated Income statement

In EUR Thousand	30 June 2010	30 June 2009	31 December 2009
Revenue	**163 076**	**132 315**	**251 531**
Net profit/(loss) from fair value adjustments	26 629	-153 282	-177 598
Other operating income	2 333	3 626	3 150
Net loss on disposal of assets	-273	-769	-631
Cost of goods sold	-87 899	-72 327	-115 726
Employee benefits	-21 055	-23 884	-49 286
Amortisation, impairments and provisions	-8 311	-106 048	-89 354
Other operating expenses	-36 730	-39 978	-76 303
Operating result	**37 770**	**-260 347**	**-254 217**
Interest expenses	-51 530	-41 694	-86 850
Interest income	3 101	5 052	8 707
Foreign exchange result	-6 910	-643	4 686
Other net financial results	255 405	-20 706	-36 700
Financial result	**200 066**	**-57 991**	**-110 157**
Result before income taxes	**237 836**	**-318 338**	**-364 374**
Income taxes	-4 335	60 948	48 858
Net Result for the year	**233 501**	**-257 390**	**-315 516**
Result attributable to:			
non controlling interests	-4 232	-57 533	-64 952
Net Result Group Share	**237 733**	**-199 857**	**-250 564**

6.1.1 Revenues by Business line

Revenues have increased year on year by 23% to EUR 163.1 Million as at June 2010. This strong increase mainly results from major commercial development deliveries over the second quarter with the development business line revenues amounting to EUR 101.6 Million. The Asset Management business line revenues slightly decreased by EUR 0.6 Million, down to EUR 61.5 Million.

In EUR Thousand	Development	Asset management	TOTAL
Revenues H1 2010	101 586	61 490	163 076
Revenues H1 2009	70 182	62 133	132 315
Variation YoY	31 404	-643	30 761

Development business line

Revenues of the Development business line increased by EUR 31.4 Million as a result of the major commercial developments sales in Germany, partially compensated by lower residential sales in Central Europe. Excluding sales of two abandoned projects over H1 2009 (Fehrbelliner Hofe and City Gate amounting to EUR 28.4 Million), the development business line turnover over that period amounted to EUR 41.8 Million. The analysis below excludes the sales related to abandoned projects.

Residential development

The residential development sales have decreased from EUR 35.4 Million over the first half of 2009 to EUR 29.8 Million over the same period in 2010. Over the first six months of 2010, 188 units have been delivered compared to 226 over the same period in 2009.

The mortgage market conditions in Prague and Bratislava remained restricted, thus impacting the sales results. Only on Kosik project in Prague some 44 contracts were cancelled, mainly due to the fact that buyers were not able to get their mortgage applications approved. Warsaw however remained resilient, as sales remained constant in terms of revenue and volume year over year. The decrease is also partially the consequence of the rundown of residential developments in Germany that were contributing by EUR 1.1 Million over H1 2009.

As decribed in section 2 of this report, the market outlook is however slightly improving for the second half 2010.

In H1 2010, main developments contributing to the revenues are Malborska for EUR 12.8 Million, Drawska for EUR 3.7 Million and Mokotowska for EUR 1.5 Million in Poland; Kosic for EUR 3.5 Million, Nove Dvory for EUR 1.8 Million, Radotin for EUR 1.6 Million and Benice for EUR 1.5 Million in the Czech Republic.

The Group continues preparing permit applications for new developments to be launched in 2011 and 2012 depending on the level of reservations.

Commercial developments

During the first half of 2010, the commercial development revenues reached EUR 71.7 Million compared to EUR 5.4 Million over the same period in 2009. In 2009, those revenues mainly included the revenues of NWDC (company sold during the second quarter of 2009) and some rents on commercial developments in inventory. Over the first half of 2010, the revenues include EUR 4.0 Million of rents (mainly Sky Office for EUR 3.0 Million) on unsold developments in inventory and EUR 67.7 Million from sales of projects.

The significant increase in 2010 mainly results from the sales closed in Germany on H2Office development in Duisburg, the German healthcare portfolio. H2 Office development in Duisburg has been contracted for EUR 32.5 Million, while the bank liabilities reached EUR 24.8 Million. The gross margin on this sale amounts to EUR 2.7 Million.

The three German healthcare completed and operating centers, together with one plot ready for healthcare development, were sold for a total consideration of EUR 32.8 Million while the bank liabilities reached EUR 22.4 Million. The gross margin on the healthcare sales and including the plots amounts to EUR 3.6 Million. The sale of healthcare portfolio also included the Danziger development in Berlin which will be transferred in H2 2010.

Asset Management business line

Revenues from the Asset Management business line include revenues from rental assets, hospitality and services (mainly Endurance Fund). In H1 2010, the revenues generated by this business line reached EUR 61.5 Million (EUR 62.1 Million in H1 2009). While rental revenues slightly decrease by EUR 0.2 Million and hospitality revenues increase by EUR 0.5 Million, the decrease is mainly due to the decrease of EUR 0.9 Million in the revenue stream from management service (essentially Endurance Fund).

Rental

Rental and asset management revenues slightly decreased year on year from EUR 48.1 Million in June 2009 to EUR 47.9 Million in June 2010. This small variance is the consequence of major compensations with a decrease of EUR 1.7 Million on the assets sales closed in 2009 and beginning of 2010, a decrease of EUR 1.6 Million on Bubenska/Vltavska as the major tenant has left the building, a decrease of EUR 0.6 Million on Radio Free Europe building as rent was cashed in USD in November 2009, a decrease of EUR 0.4 Million on Molcom as a result of reduced occupancy partially compensated by foreign exchange gains and a net increase of EUR 2.0 Million on GSG portfolio.

In the second half of 2010, while revenues should grow on all Prague properties and on Molcom with an improved market outlook, the business line will be impacted by the departure of the Budapest Bank single tenant in Budapest.

GSG in Berlin, with a total NLA of approximately 800 Thousand sqm, contributed with EUR 25.5 Million revenue in the first half of 2010 compared to EUR 23.8 Million over the same period in 2009. Occupancy rate increased to 77.1% versus 76.5% as of December 2009 and average rent remained stable at EUR 4.8 per sqm.

Hospitality activities

After a weak first quarter 2010, the hospitality market revived in the second quarter with strong improvement in occupancy and revenues. Over the first half of 2010, hospitality activities show a slight increase in revenues to EUR 11.0 Million compared to EUR 10.6 Million over the same period in 2009.

6.1.2 Operating expenses and Headcounts

Operating expenses correspond to the sum of the “Employee benefits” and the “Other operating expenses” lines of the income statement. The operating expenses amount to EUR 57.8 Million compared to EUR 63.9 Million over the same period in 2009, a decrease of 10%. This decrease is the consequence of the restructuring plan implemented in 2009 and accelerated under the Safeguard protection. The most important evolutions can be seen on Employee benefits (-12%), sales and marketing costs (-31%), Administration costs (-11%), and Other operating expenses (-72%).

The table below (with figures in EUR Million) gives a detail of the consolidated operating expenses.

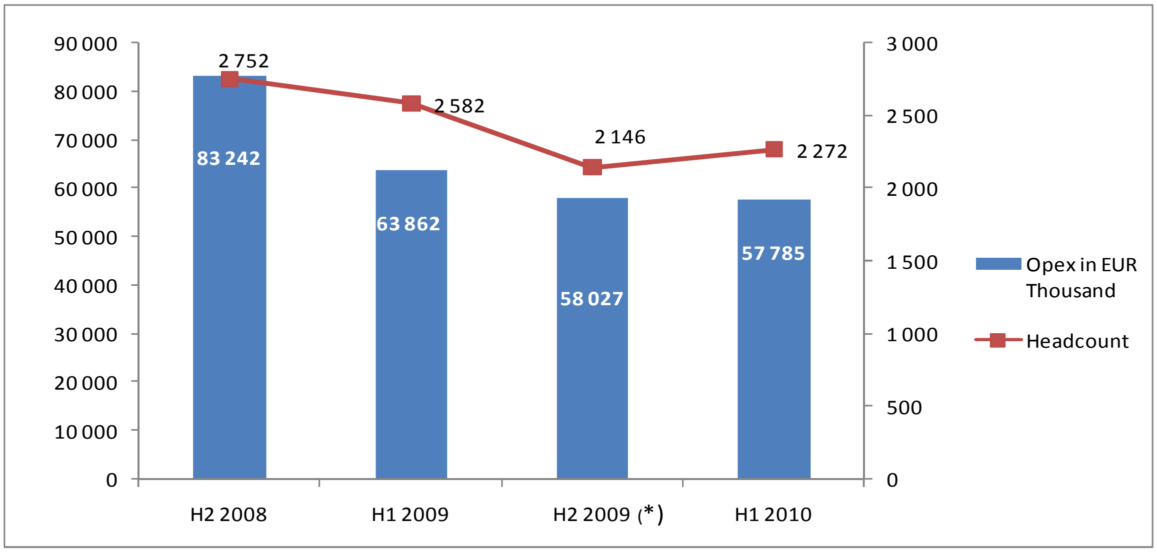
	30 June 2009	30 June 2010	Variation
Employee benefits	-23,884	-21,055	2,830
Leases and rents	-2,168	-2,617	-449
Building maintenance and utilities supplies	-16,118	-16,320	-202
Marketing and representation costs	-3,047	-2,088	959
Administration costs	-13,394	-11,864	1,530
Taxes other than income tax	-3,313	-3,303	10
Other operating expenses	-1,937	-540	1,398
Total	**-63,862**	**-57,785**	**6,076**

Operating expenses on the German run down activities amount to EUR 8.5 Million compared EUR 8.7 Million over the first half of 2009. While the restructuring already impacts the recurring operations, the stability of operating expenses is marked by the costs of the major commercial development sales closed over the first half of 2010. Those costs are to steadily go down to zero over the coming 12 months as the current non core assets and developments are sold. Including GSG, operating expenses of the German activities decreased by EUR 0.4 Million.

Hvar operating expenses have decreased by EUR 1.4 Million as a result of the cost cutting measures implemented in the low season. Other hospitality activities operating expenses also decreased by EUR 0.6 Million.

Excluding Germany and hospitality, operating expenses have decreased by 3.8 Million out of which EUR 1.2 Million on employee benefits.

Full time equivalent headcount shows a slight increase over the first half as a result of the presence of seasonal staff at June end for the summer season start in Hvar. Excluding hospitality and Molcom activities, headcount decrease by 54 FTE compared to December 2009.



(*): restatement of EUR 3.5 Million allocation of warrant

6.1.3 Net gain/ loss on disposal of assets

It is the Group strategy to orderly proceed on its strategic asset disposal program, and the Safeguard Procedure helped to avoid sale of assets at distressed prices.

In H1 2010, EUR 30.9 Million real estate asset sales have been recognized in profit and loss statement, mainly in Germany with Helberger in Frankfurt for EUR 11.0 Million, Wasserstrasse in the Ruhr Region for EUR 8.2 Million and Ku-Damm 103 in Berlin for EUR 8.0 Million. The asset sales generated a net accounting loss of EUR 0.3 Million and net cash inflow of EUR 9.5 Million.

6.1.4 Adjusted EBITDA

The adjusted EBITDA amounts to EUR 21.3 Million compared to EUR 11.4 Million as at June 2009. This significant increase results from the combination of reduced operating expenses and sale of major commercial developments.

in Eur Thousand	Development	Asset Management	TOTAL
Operating result	**-4 494**	**42 264**	**37 770**
Net gain from fair value adjustments on investment property	-109	-26 520	-26 629
Amortisation, impairments and provisions	4 003	4 308	8 311
Past valuation on goods sold	1 622	-	1 622
Net gain/(loss) on abandoned developments		-	0
Net loss on disposal of assets	40	234	274
Stock options and warrants	-	-	0
Adjusted EBITDA H1 2010	**1 062**	**20 285**	**21 347**
Adjusted EBITDA H1 2009	**-6 441**	**17 833**	**11 391**
Variation	7 503	2 452	9 956

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 – Net gain or loss on disposal of assets) and the net results on sale of assets or subsidiaries.

While the average gross margin on residential developments sold over the first half of 2010 decreased from 21% to 13%, a total gross margin of EUR 6.5 Million was recorded on the sale of commercial developments. Such sales and margins (unless a sale could be closed on Sky Office development within 6 months) will not be repeated over the second half. Hotels contribute negatively by EUR 1.7 Million.

6.1.5. Valuation adjustments and impairments

The net result from fair value adjustments on investment properties as at June 2010 amounts to EUR 26.6Million (EUR -153.3 Million in June2009).

Valuation gains have been recognized on the best located assets with a selection comprising mainly the top 10 office buildings of GSG and Radio Free Europe building in Prague.

The amortization, impairments and provisions amounting to EUR -8.3 Million as at June 2010 include EUR -1.9Million impairments on properties and development projects (EUR -99.0 Million in 2009). Most impairments were recognized on residential developments in the Czech Republic.

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

In EUR Million	June 10			June 09		
	Revaluation	Impairment	Total	Revaluation	Impairment	Total
Germany	23,829	877	**24,707**	-60,138	-35,384	**-95,522**
Czech Republic	2,793	-2,906	**-113**	-57,672	-21,561	**-79,233**
Poland	100	-130	**-30**	-7,710	-10,602	**-18,312**
Hungary	-660	0	**-660**	-19,704	-9,594	**-29,298**
Slovakia	0	-201	**-201**	-4,793	-2,837	**-7,630**
Luxembourg	567	0	**567**	-2,031	-158	**-2,189**
Croatia	0	0	**0**	-71	-1,947	**-2,018**
Russia	0	425	**425**	-1,161	-16,795	**-17,956**
Total	**26,629**	**-1,935**	**24,694**	**-153,282**	**-98,878**	**-252,160**

6.1.6. Financial result

Out of a total of gross interest expenses of EUR 51.5 Million, interests on bonds account for EUR 21.0 Million (EUR 17.1 Million over 2009) out of which:

- EUR 17.2 Million on the Company bonds (including IRS) restructured by the Safeguard plan (versus EUR 18.1 Million using the previous bond valuation). The impact of the restructured schedule of amortization for interests and principal is detailed in point 3.2 of this Management Report.
- EUR 3.9 Million relating to Orco Germany bond (EUR 3.7 Million in 2009).

The increase of interest expenses is also the consequence of lower capitalization on major projects under development such as Sky or Zlota, the balances of which is now being booked in P&L.

Interests on other loans amount to EUR 30.5 Million:

- Interests on loans financing rental properties amount to EUR 15.1 Million to be compared to an adjusted EBITDA contribution of EUR 19.9 Million.
- Interests on loans financing hospitality and residential properties excluding Hvar (EUR 1.1 Million) amount to EUR 1.5 Million.
- Interests on loans financing on land bank, on hold and finalized projects amount to EUR 7.7 Million (German projects sold or to be sold EUR 4.3 Million; Poland EUR 2.2 Million; Czech and others EUR 1.2 Million).
- Interest on land bank amount to EUR 5.1 Million.

The net interest expenses over H1 2010 amount to EUR 48.4 Million to be compared to a total Adjusted EBITDA of EUR 21.3 Million. It is a management priority to achieve a full coverage of interest expenses by adjusted EBITDA. Three main elements of the Safeguard plan are set to achieve such coverage:

- Adjust bonds debt service to the structure of revenues is a key part of the approved Safeguard plan (see point 3.2), although the lower bond valuation will lead to an increase of non cash interests bookings on bonds.
- Restart frozen projects such as Zlota 44, start delayed but 'ready to go' projects such as Kamelie and sell or develop the land bank once zoning is obtained.

- Sell cash flow negative assets (ie which produce more interests expenses than EBITDA). It has particularly started in Germany with the sale of assets such as Cumberland, Helberger or Wasserstrasse, to continue over H2.
- Increase occupancy of existing rental and hospitality assets

The financial result shows a gain of EUR 200.1 Million compared to a loss of EUR 58.0 Million over the same period in 2009. The financial result has been positively influenced by the gain on the revaluation of the bonds following the Safeguard plan (see point 3.2). Apart from the impact of the derecognition of the Company's bonds upon approval of the Safeguard plan, the 'Other net financial results' essentially relate to interest rate swaps at fair value through profit and loss and the still conservative approach for impairment tests on financial receivables, with for example no change on the USD 25 million on Russian Rubin advance (written down to 0 in the 2008 accounts despite possibilities of recovery).

in EUR Thousand	30 June 2010	30 June 2009
Change in carrying value of liabilities at amortised cost	269 602	0
Change in fair value and realised result on derivative instruments	-1 238	-2 666
Change in fair value and realised result on other financial assets	257	-14 738
Other net finance charges	-13 216	-3 302
Total	**255 405**	**-20 706**

6.1.7 Income taxes

The income taxes amount to EUR -4.3 Million composed mainly of EUR 4.3 Million of deferred income taxes losses (most of them on the revaluation gains of GSG and Radio Free Europe buildings).

6.1.8 Outlook

Achieve between EUR 280 and 300 million of revenues in 2010 depending on the timing in the sale of commercial developments and the delivery of residential developments.

6.2 Balance sheet

in EUR Thousand

Assets	30 June 2010	31 December 2009
NON-CURRENT ASSETS	**1,408,926**	**1,392,979**
Intangible assets	**48,402**	**48,903**
Investment property	**1,071,801**	**1,072,304**
Property, plant and equipment	**252,451**	**235,677**
Hotels & own-occ.buildings	234,281	215,393
Fixt. and fittings & other equip.	18,170	20,284
Financial assets at Fair Value through Profit and Loss statement	**33,522**	**32,353**
Deferred tax assets	**2,750**	**3,742**
CURRENT ASSETS	**555,184**	**630,554**
Inventories	398,455	482,605
Trade receivables	28,762	31,379
Other current assets	63,821	56,347
Derivative instruments	12	2,695
Current financial assets	390	488
Cash and cash equivalents	63,744	57,040
Assets held for sale	**46,675**	**48,930**
TOTAL	**2,010,785**	**2,072,463**

in EUR Thousand

Equity and liabilities	30 June 2010	31 December 2009
EQUITY	**367,632**	**104,730**
Equity attributable to the owners of the Company	**320,517**	**56,577**
Non controlling interests	**47,115**	**48,153**
LIABILITIES	**1,643,153**	**1,967,733**
Non-current liabilities	**847,461**	**1,021,463**
Bonds	**222,964**	409,397
Financial debts	**490,684**	484,634
Provisions & other Long Term liabilities	**16,816**	16,918
Derivative instruments	**11,720**	9,289
Deferred tax liabilities	**105,277**	101,225
Current liabilities	**757,816**	**894,819**
Current bonds	**8,497**	59,219
Financial debts	**531,919**	595,776
Trade payables	**31,790**	33,480
Advance payments	**43,643**	53,212
Derivative instruments	**41,035**	44,380
Other current liabilities	**100,932**	108,752
Liabilities linked to assets held for sale	**37,876**	**51,451**
TOTAL	**2,010,785**	**2,072,463**

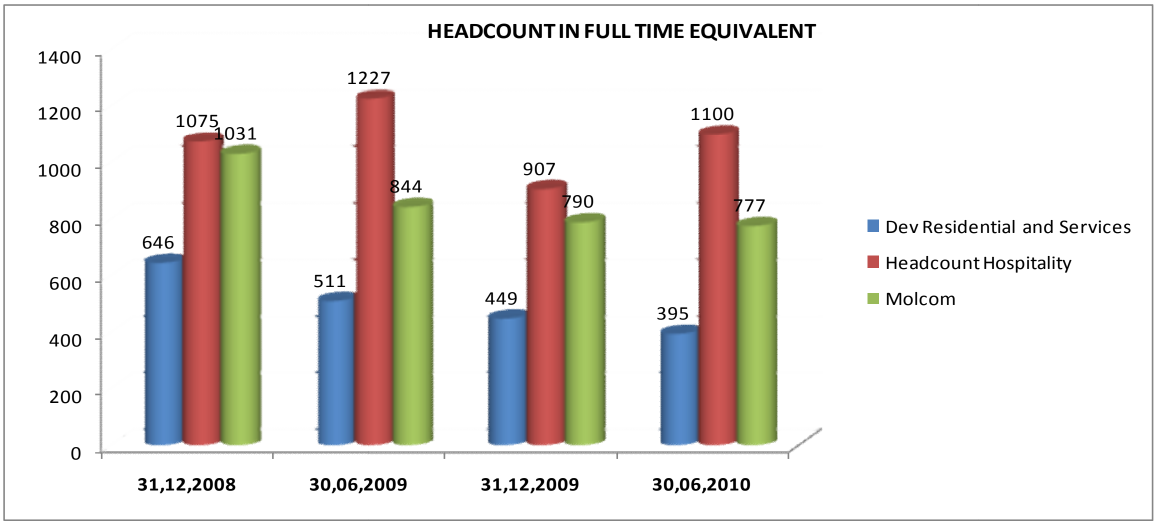
6.3. Cash flow statement

	30 June 2010	30 June 2009
Operating result	**37,770**	**-260,347**
Net (profit) /loss from fair value adjustments on investment property	-26,629	153,282
Amortisation, impairments & provisions	8,311	106,048
Net loss on disposal of assets	273	769
Adjusted operating profit/(loss)	**19,725**	**-248**
Financial result	-1,596	-227
Income tax paid	-368	-2,096
Financial result and income taxes paid	**-1,964**	**-2,323**
Changes in operating assets and liabilities	**59,412**	**-42,700**
NET CASH FROM /USED IN OPERATING ACTIVITIES	**77,173**	**-45,271**
Capital expenditures and tangible assets acquisitions	-8,930	-19,267
Proceeds from sales of non current tangible assets	31,329	45,992
Purchase of intangible assets	-37	-254
Purchase of financial assets	-691	-905
Net interest paid	-28,437	-34,084
NET CASH USED IN INVESTING ACTIVITIES	**-6,766**	**-8,518**
Net issue of equity instruments to shareholders	16,129	380
Proceeds from borrowings	14,350	69,866
Repayments of borrowings	-94,712	-34,084
NET CASH USED IN/ FROM FINANCING ACTIVITIES	**-64,233**	**36,162**
NET INCREASE IN CASH	**6,174**	**-17,627**
Cash and cash equivalents at the beginning of the period	57,040	83,799
Exchange difference on cash and cash equivalents	530	641
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**63,744**	**66,813**

7. Human resources

As of the beginning of 2010, Orco has introduced a new headcount methodology, which recalculates the part-time employees to a full time equivalent. At the same time, this method includes only the active employees (incl. contracted staff) at the time of reporting, meaning that those on long-term sick leave or maternity leave are not included.

As of June 2010 the total Company headcount reached 2,272. This value is comparably lower to the one reached in June 2009 (2582 employees), reflecting the continuous downsizing across all countries. The positive variation when compared to December 2009 figures is due to additional hospitality employees during the summer season.



8. Shareholding

8.1 Amount of share capital

As of 19 April 2010, the subscribed and fully paid-up capital of EUR 57,620,850.60 (EUR 44,869,850.60 in 2009) is represented by 14,053,866 shares (10,943,866 in 2009) without nominal value.

8.2 Shareholding structure

To the best of the Company's knowledge, the following table sets out information regarding the ownership of the Company's shares as of 30 June 2010.

On 19 March 2010, the Company was notified by Millenius Investments S.A. ("Millenius"), a Luxembourg company having its registered office at 37 rue d'Anvers, L-1130 Luxembourg, registered with the Luxembourg Trade and Companies Register under number B149.601 that it crossed the threshold of 5% of the voting rights of the Company on 16 March 2010 and holds 7.744% of the voting rights in the Company.

Shareholders	No. of shares	% of capital	% of voting rights
Lansdowne Capital	1 000 000	7,12%	7,12%
Axa Investment Managers	874 835	6,22%	6,22%
Millenius*	847 600	6,03%	6,03%
Neptune Invest S.à.r.l	740 000	5,27%	5,27%
Hillgrove Investments Group	300 000	2,13%	2,13%
FINPLAT SA	300 000	2,13%	2,13%
Clannathone*	227 000	1,62%	1,62%
Ott&Co S.A	176 343	1,23%	1,23%
Bugle*	30 000	0,21%	0,21%
Treasury shares	9 101	0,06%	0,06% (suspended)
Other	9 548 987	67,97%	67,97%
Total	**14 053 866**	**100%**	**100%**

*NB: shareholders who are acting in concert

On 24 March 2010, a group of shareholders declared to the Company a holding of 10.09% of the Company's shares and voting rights. They asked the Company's Board of Directors to convene a General Assembly before the end of April 2010. They are composed of:

- **Millenius Investments S.A.**, a « société anonyme » located 37 rue d'Anvers, L-1130 Luxembourg, RCS B 149.601, whose directors are Gaël Paclot, a French National residing in Switzerland, Jean Van den Esche and Mario Brero and which economic beneficiary is Gaël Paclot, 44 rue Berard, CH-1936 Verbier (Switzerland).
- **Clannathone Stern S.A.**, a « société anonyme » located 11, rue des Colonies, B-1000 Bruxelles, RCS 0867341435, represented by MM Alain Bremont, Jean-Louis Geylard and Johanna Klerk, and whose economic beneficiary is Eric Cleton, a French national..
- **Bugle Investments Ltd.**, an « international business company » located in Seychelles, Suite 13, First Floor, Oliaji Trade Centre, Francis Rachel Street, Victoria, Mahe, Republic of Seychelles, which representative and economic beneficiary is Marc Catellani, a French national residing in Switzerland.

On 19 April 2010, **Axa Investment Managers S.A.** notified on behalf of its subsidiaries: **Axa Investment Managers UK Ltd.**, with registered office at 7 Newgate Street London, EC1A 7NX, United Kingdom, incorporated under number 1431068 holds 704,835 shares representing 5.86 % of voting rights of the Company and **Axa Investment Managers Paris** with registered office at Coeur Défense Tour B La Défense 4, 100 esplanade du Général de Gaulle 92400 Courbevoie, RCS number : 393 051 826 RCS Nanterre holds 170,000 shares representing 1.41 % of voting rights of Company. In total Axa Investment Managers holds via its subsidiaries 874,835 shares representing 7.27 % of voting rights of the Company.

On 23 April 2010 **Neptune Invest S.à.R.L.** with registered office at F-92086 Paris la Défense cedex, Tour Allianz Neptune, 20, place de Seine, France, registered with RCS Nanterre, number 444 592 455 notified the Company that it holds 740,000 of the Company's shares, representing 5.50 % of voting rights of Company

On 23 April 2010 **Lansdowne Capital S.A.** a stock company with registered office at Avenue de la Liberté 25, L-1931 Luxembourg, Grand Duchy of Luxembourg, R.C.S. Luxembourg notified the Company that it holds 1,000,000 of Company's shares, representing 7.43% of the voting rights of the Company.

None of the Company's principal shareholders has voting rights different from any other holders of the Company's Shares.
To the Company's knowledge, the Company is not aware of any person who owns, directly or indirectly, or exercises control of the Company.

The information collected is based on the notifications received by the Company from any shareholder exceeding either up or down the thresholds of 2,5%, 5%, 10%, 15%, 20%, 33%, 50% and 66% of the aggregate rights of vote in the Company.

Any shareholder crossing down the threshold of 2.5% has been withdrawn from the chart, as no obligation exists under Luxembourg law to inform the Company when the 0% threshold has been reached.

8.3 Stock subscription rights

During 2009, the stock option plan voted by the Board of Directors on 21 January 2008 was not allocated due to the financial conditions. No options were exercised in 2010. As at 30 June 2010, 63,000 options at EUR 75.6 are outstanding.

8.4 Authorized capital not issued

The Extraordinary Shareholders' Meeting of 8 July 2008 renewed the authorisation granted by shareholders to the Board of Directors on 18 May 2000, in accordance with article 32-3 (5) of Luxembourg corporate law and in addition enhanced the limit of the authorised capital. The Board of Directors was granted full powers to proceed with the capital increases within the revised authorised capital of EUR 300,000,001.20 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 authorised capital.

The Board of Directors has been authorised 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 capitalisation 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, terms and conditions of subscription and payment of new shares. This authorisation is valid for a five-year period ending on 8 July 2013.

A total of EUR 57,620,850.60 has been used to date under this authorisation.

As such, the Board of Directors still has a potential of EUR 242,379,150.60 at its disposal. Considering that all new shares are issued at the par value price of EUR 4.10, a potential total of 59,116,866 new shares may still be created.

8.5 Transactions on treasury shares

No transaction on treasury shares occurred during the first six months of 2010.