

**First Half Year Results 2010**  
Interim Report as of 30 June 2010

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## **1. Group overview**

### **1.1. Business and Group structure**

#### **1.1.1. Description of business model**

Orco Germany is a real estate group founded in 2004 with a portfolio located in Germany and mainly in Berlin. It invests in, manages, develops and leases out commercial properties.

#### **1.1.2. Group structure**

Orco Germany is a real estate company that has its registered seat in Luxembourg and that is listed on the Prime Standard of the Regulated Market of Frankfurt Stock Exchange. The Orco Germany Group, which operates under the uniform registered trademark Orco Germany, has been pursuing its activities in Germany since 2004.

Orco Germany S.A. is a subsidiary of Orco Property Group. Established in 1991, Orco Property Group has its registered seat in the Grand-Duchy of Luxembourg and is listed on the Euronext Paris, Prague, Budapest and Warsaw stock exchanges. It operates primarily in the Czech Republic, Hungary, Poland, Russia, Croatia, the Slovak Republic and Germany.

Orco Germany was listed on the Open Market in 2006. It was transferred to the Prime Standard at the Frankfurt Stock Exchange on 13 November 2007.

#### **1.1.3. Group strategy**

In 2008 Orco Germany has started its transition from an expanding cash-requiring developer/investor active in most German regions into a focused positive cash flow-generating investor capable of seizing development opportunities. In 2009 the restructuring efforts initiated by the closing of branches were expanded to the headquarter and the core business of Orco-GSG.

Going forward, the Group will focus on commercial investments with a geographic focus on Berlin where it enjoys a strong positioning. Additional services like the high-speed glass fibre network "Hofnetz" have been fostered and on 30 June already 16 assets have been connected. More than 900 tenants are already using the possibilities the new "Hofnetz" is offering, thus producing additional income. Non-core assets, mainly residential apartment blocks, were disposed of, opportunities in project development will only be taken based upon a case by case decision.

## **1.2. Business segments**

### **Asset Management**

Asset Management is the core segment of Orco Germany and comprises investments in commercial properties, in particular through acquisition and rental of properties and property portfolios. As part of its core segment, Orco Germany is interested in long-term ownership of the properties.

The investment portfolio comprises 864,000 sqm of lettable area.

With the acquisition of GSG in 2007, Orco Germany became the largest owner of commercial real estate in Berlin. Orco-GSG is the backbone of Orco Germany's investment activities with around 815,000 sqm of total lettable area. Orco Germany's total lettable area for commercial tenants amounts to 844,000 sqm.

### **Development**

The segment Development comprises development of predominant commercial projects. This includes property acquisition, planning and obtaining building rights, project implementation and sale/rental of the realised projects to investors and tenants.

Development activities have mainly been concentrated on the markets of Berlin and North Rhine-Westphalia.

Following ORCO Germany's decision to focus on Asset Management, the Development business line has been progressively ran-down as projects were completed and no new projects started.

## 2. Relevant real estate market environment

### Berlin<sup>1</sup>

#### Economy

In its current economic report, Investitionsbank Berlin (IBB) assumes that Berlin will see a stabilisation in economic development and forecasts economic growth of 1.7 % for 2010. This expectation is also supported by the latest economic report by Berlin's Chamber of Industry and Commerce. According to the published survey results, 49% of Berlin's companies expect their businesses to remain at the same level as last year and a further 32% expect improved business development.

#### Office Market

Take-up in the office-market area of Berlin in the first half year was 197,400 sqm, which was an increase of 3% over the respective previous year's figure. Still, year-on-year the vacancy rate increased of 0.4% to 9.8% or 1.73 million sqm. The achievable prime rent in Berlin remains stable at €20.00 per sqm/month.

#### Prognosis

Although the take-up could increase to 400,000 sqm in 2010 (411,300 sqm in 2009), a further increase in office space vacancy can be assumed in the coming quarters due to the forthcoming large-scale completions and the resulting relocations in the city centre.

ORCO Germany believes in the short, mid and long term attractiveness of Berlin in particular once the key infrastructural project, the new international airport in Schönefeld will start operating in 2011/2012.

### Dusseldorf<sup>1</sup>

#### Economy

The market signs indicate recovery. The ifo (institute for economic research) business climate index rose slightly to current 101.8 points which means a growth of 17 points compared to the previous year's figures. The published ifo Index for North Rhine-Westphalia is even better, reaching 102.8 points.

#### Office Market

After very low levels in 2009, lettings in the first half year of 2010 bounced back to 232,500 sqm. This figure includes the recent deal by Vodafone of approx. 86,000 sqm, announced shortly before Easter, which has driven take-up high above its normal level. Vacancy was 896,800 sqm in the half year, which corresponds to a vacancy rate of 10.1%. Year-on-year the vacancy rate therefore increased by 0.2%. The achievable prime rent in Düsseldorf is €23.00 per sqm/month.

#### Prognosis

As in Berlin, the take-up is expected to rise further and the tendency of rising vacancy rates will continue, perhaps drastically, as soon as lease contracts for already vacated premises expire.

<sup>1</sup> All data taken from CB Richard Ellis: [http://www.cbre.eu/de\\_de/research/research\\_publications](http://www.cbre.eu/de_de/research/research_publications)

### 3. Group earnings performance

#### 3.1 The Stock of Orco Germany S.A. on 30 June 2010

ISIN	LU0251710041
Market Cap	[15,606,827 EUR] (30 June 2010)
Segment	Prime Standard
Number of shares	48,771,333
Stock Exchange	Frankfurt Stock Exchange
Free float	13.00%

#### 3.2. Key figures

	June 2010	June 2009	change (in k €)
<b>Revenues</b> (in k €)	99 305	36 646	62 659
<b>Operating Result</b> (in k €)	40 481	-92 939	133 420
<b>Net Profit</b> (in k €)	8 341	-104 494	112 835
<b>Adjusted EBITDA</b> (in k €)	19 902	9 763	10 139

	30 June 2010	31 December 2009
<b>Total Assets</b> (in k €)	921 754	971 238
<b>Equity</b> (in k €)	52 668	44 328
<b>Liabilities</b> (in k €)	869 086	926 910

### 3.3. Overview of major events in the first half year 2010

The safeguard plan of Orco Germany's parent company Orco Property Group was approved on 19 May 2010 by the Commercial Court of Paris (Tribunal de Commerce de Paris). This decision puts an end to the observation period that began on 25 March 2009. Orco Property Group's Board of Directors chooses to request the opening of a safeguard procedure in order to accelerate the company's financial restructuring due to the difficult real estate market and credit conditions.

Orco Germany's first half year 2010 ended with a consolidated profit attributable to the Group of €8.3 million (€-104.5 million for the first half year 2009) and therefore marked a turning point as for the first time since the financial crisis the company was able to realize profits. The diluted earnings per share moved from €-2.14 (first half year 2009) to €0.17 (first half year 2010). The main drivers of the gains consisted of fair value profits on investment properties and increasing rental revenues from GSG.

Revenues increased by 171.0% to end up at €99.3 million. Mainly due to the combined sales of the Healthcare portfolio and H2 Office, which boosted development revenues to €71.0 million (a € 60.7 million increase vs H1 2009). The total Asset Management revenues increased from € 27.4 million to € 28.3 million. Although several non-strategic income producing assets were disposed of GSG could compensate the loss in rental income.

The adjusted EBITDA (Net gain or loss on fair value adjustments – Amortisation, impairments and provisions – Correction of costs of goods sold being the reversal of past non cash valuation adjustments and impairments – Net gain or loss on the sale of abandoned developments included in inventories – Net gain or loss on disposal of assets or subsidiaries) increased by 104% in comparison to H1/2009 to end up at €19.9 million, mainly thanks to a positive margin on commercial asset sales and also improving GSG performance.

Most investment properties and inventories were evaluated by the independent valuer DTZ as at 30 June 2010. The corresponding revaluation gains added up to €23.8 million.

The operating result (EBIT) increased by €133.4 million to €40.5 million (€-92.9 million for the first half year 2009) mainly thanks to:

- Decreased amortization, impairments and provisions (€-1.3 million versus €-34.9 million for the first half year 2009)
- Fair value profits recognized on investment properties (€23.8 million versus €-60.1 million for the first half year 2009)

The announced of the mother company Safeguard plan to dispose €230 million non strategic, mainly non cash producing assets is progressing according to plan. In the first half year, the Group managed to transfer or sell properties worth €109.7 million at non distressed prices. The total sales price exceeded the corresponding loans (€79.4 million) by €30.1 million. These non-strategic asset sales will help to further strengthen the Group's liquidity.

- Transfer of 10 non-strategic assets/development projects (accounted for in the first half year 2010) with a volume of €96.9 million, corresponding loan redemption €69.5 million). These assets were sold €4.5 million (respectively 4.8%) above their IFRS balance sheet value of Q4/2009
- Sales of €12.8 million (sold but not yet transferred and accounted for in Q2/2010): These sales were conducted on the level of IFRS balance sheet value of Q4/2009

Asset / Project	Date of Transfer	Sales price (million €)
<b>Closed Transactions</b>		
Helberger	Q1/2010	11.0
Wasserstrasse	Q1/2010	8.2
Geneststrasse 6	Q1/2010	1.8
H2O	Q2/2010	32.5
Kurfürstendamm 103/104	Q2/2010	8.0
Lütticherstrasse 49	Q2/2010	1.0
Sewo (Oranienburg)	Q2/2010	11.3
Alpha (Rostock)	Q2/2010	9.8
Epsilon (Gütersloh)	Q2/2010	11.5
HC Trudering	Q2/2010	1.9
<b>Signed Transactions (not closed on 30 June 2010)</b>		
Max-Planck Straße	not transfered as at 30 June 2010	5.5
Brunnenstraße 27	not transfered as at 30 June 2010	1.7
Danzigerstrasse 73-77	not transfered as at 30 June 2010	5.6
Transferred in HJ 1		96.9
Not transfered in HJ 1 / 2010		12.8
<b>Total</b>		<b>109.7</b>
<b>Signed Transactions (after 30 June 2010)</b>		
Cumberland	Q3/2010	29.0
<b>Total</b>		<b>138.7</b>

The transfer of Orco Leipziger Platz GmbH, holding the Wertheim project on Leipziger Platz in Berlin, has been postponed as it remains still subject to various conditions which fulfilment may not yet be assessed.

In order to build a sustainable free cash flow producing business, the ambitious restructuring program was accelerated. Reorganisation, cost cutting and redundancies led to the closure of all branches outside of Berlin, to savings of headquarter costs as well as to efficiency gains in our core business Orco-GSG.

In line with Orco Germany's announcement to reduce debts and to strengthen its equity basis, the total amount of liabilities decreased by €57.8 million from €926.9 million (31 December 2009) to €869.1 million (30 June 2010). As at 30 June 2010, the non-current liabilities amounted to €559.8 million, the current liabilities amounted to €285.2 million and the liabilities linked to assets held for sale amounted to €24.1 million. As a consequence of the €+8.3 million profit, the equity increased in the first six month 2010 from €44.3 million to €52.7 million.



### 3.4. Turnover

The total turnover for the first half year 2010 amounted to €99.3 million compared to €36.6 million recognized for the corresponding period in 2009. In line with the strategy of focusing on the core business (Asset Management) the turnover in 2010 was mainly driven by sales of non-strategic development projects (€71.0 million). Rental revenues (€28.3 million) increased slightly.

#### 3.4.1. Asset Management Segment

Orco Germany's leasing income increased from €27.4 million in the first half year of 2009 to €28.3 million in the first half year 2010 based upon the increased rental income achieved by GSG over compensating the loss of rental income from sale of non-strategic assets.

Orco-GSG with its 815,000 sqm of lettable area contributed €25.5 million to leasing income (compared to €23.8 million in the first half year 2009). Orco-GSG's leasing income increased by 7.1%.

Orco Germany's core business did well in a challenging market environment. In contrast to the market tendency of rising vacancy rates Orco-GSG was able to slightly increase both prices and occupancy rates. In the first half year 2010, the Company managed to increase the occupancy rate by 0.6% to 77.1% and to increase the average net rental income per sqm (from €4.80 to €4.82). The net take-up in the first half of 2010 amounted to 5,064 sqm compared to 3,740 sqm for the same period last year and 54,161 sqm since take-over in July 2007. Without the sale of Geneststraße 6 the total net take-up would have been 6,291 sqm for the first six months of 2010. Nevertheless a breakdown of the net leasing result shows that the overall economic difficulties translate in a decrease of new lettings compared to the same period last year (4,553 sqm). This could be more than compensated by a better performance in retaining existing tenants.

Activities to foster letting in the East show further success. The region East, with 5,153 sqm, was the main contributor to the net take-up and thus compensated "losses" in the region Middle-Southwest (- 714 sqm) mainly due to the sale of Geneststraße 6.

Three out of five top performers are from the region East, of which Plauener Straße in Lichtenberg with 2,626 sqm was the leader, followed by Pankstraße in Pankow with 1,165 sqm and Wolfener Straße 32-34 in Marzahn with 857 sqm. In Plauener Straße an educational training company rented app. 760 sqm, an office design and office facility management company with app. 340 sqm of commercial space and another start-up company rented app. 710 sqm, where they produce and sell chocolate individually created online by the customer. In the asset Wolfener Straße, a specialist in electric installations rented app. 250 sqm. Furthermore existing tenants expanded. For instance in Wolfener Straße a company producing cosmetic articles expanded from 230 sqm to 455 sqm and a retailer for orthopaedic articles took up additional space of 330 sqm.

The asset Ackerstraße, number five of the top performers, was fully rented thanks to a contract closed with a postal service company comprising app. 800 sqm. Further progress was made in the asset Schwedenstraße where additional spaces (app. 1,000 sqm) were rented to an existing tenant offering educational trainings.

Orco-GSG continues to welcome new tenants from a large diversity of sectors. A young company from the creative industry, offering an (online)-marketplace to create, share and sale creative ideas, rented app. 300 sqm in the asset Prinzessinnenstraße. Further companies from the service and creative industry settled in the district Kreuzberg, for instance a company specialised in interactive online-mathematics-learning with app. 410 sqm in

the asset Reichenberger Straße and an online-gaming-platform with app. 620 sqm in the asset Schlesische Straße.

	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%

### 3.4.2. Development Segment

#### Interim decline in line with strategy of disposing development projects and focusing on Asset Management

Development revenues increased from €9.2 million to €71.0 million in the first half year 2010 and were mainly composed of the sale of the Health care portfolio (partly transferred in H1/2010 leading to €32.6million revenues), H2 Office in Duisburg (€32.5 million), a plot of land in Munich for €1.9 million and rents recognized on development projects (€3.6 million). The sales conducted were in line with Orco Germany's strategy to dispose of non strategic development assets.

H2-Office, a modern architectural building consisting of 6 floor levels, is located in the most attractive office location in Duisburg, the inner harbour. It was constructed under consideration of the highest environmental standards and is equipped with geothermic heating and cooling, photovoltaic systems, a green roof and rainwater collection. The sale generated a gain of € 3.5 million compared to DTZ valuation at € 29.0 million. While it falls slightly short of total development costs of € 29.8 million, the Company has a 'kicker' of up to € 3 million related to the leasing performance.

Three health care property companies holding assets located in Gütersloh, Rostock, Oranienburg and one inventory holding company were sold and transferred within the first half year 2010 and an extra healthcare asset, currently under construction in Berlin, was sold and will be transferred in the third quarter 2010. The transaction volume for the assets transferred amounted to €32.6 million (€1.4m respectively 4.3% above DTZ Valuation of Q4/2009) compared to bank liabilities of €22.4 million. Total development costs amounted to € 29.6 million.

As at 30 June 2010 the development portfolio primarily includes the project Sky Office in Düsseldorf, where letting activities are being enforced and with every new lease contract closed interior works for unrented spaces were gradually accomplished. In the first half year 2010 the occupancy rate was at 66% leading to a gross rental income of €2.9 million. The Company intends to dispose of Sky Office within 6-9 months once the occupancy of the building is increased.

### **3.5 Net result from Fair value adjustments on investment properties and Amortisation, Impairments and Provisions**

The values appraised by the independent valuer DTZ substantially improved due to rent increases achieved by Orco-GSG and yield reduction.

The fair value adjustments amounted to €23.8 million versus €-60.1 million for the first half year 2009 and only recognized the revaluation of those assets allocated in investment property. The 2009 impairments (€-34.9 million) mainly resulted from revaluation losses realized on Sky Office (€-26.7 million) and H2 Office (€-6.0 million). Ongoing development projects and properties under construction were allocated in inventories and valued at cost decreased by depreciation and impairment. They were not subject to fair value adjustments.

The most important contributors to the revaluation profits were Orco-GSG properties (€25.0 million), Gustav-Meyer-Allee (€2.2 million), Helmholtzstraße (€1.5 million), Lübarser Str. (€1.1 million), Plauener Str. (€1.6 million), Reuchlinstraße (€1.8 million), Sophie-Charlotten-Straße (€1.0 million), Wolfener Str. 32-34 (€1.3 million) and Voltastraße (€2.0 million).

The main contributors of revaluation losses (€1.2 million) were Max-Planck Straße (€0.4 million), Wupperstraße (€0.2 million), Feurigstraße (€0.2 million) and Lobeckstraße (€0.3 million).

### 3.6 Adjusted EBITDA

In the first half year 2010 the adjusted EBITDA was €19.9 million, up 105% from €9.8 million in the first half year 2009 while revenues increased from €36.7 million to €99.3 million in the first half year 2010.

The two business lines of Orco Germany contributed as follows:

- The adjusted EBITDA of the asset management segment, mainly consisting of Orco-GSG, increased by 26.5% to €14.3 million compared to €11.3 million (6 month 2009). Around € 0.9 million of the increased EBITDA is recurrent, driven by increases achieved on rents. Other operating expenses in the first half year 2010 were diluted by special effects and are expected to decrease in the second half year 2010 thanks to restructuring measures taken.
- The adjusted EBITDA of the development segment rose to €5.6 million compared to €-1.5 million (6 month 2009). The three health care properties transferred in the first half year 2010 contributed € 3.0 million and the sale recognized on H2 Office € 2.7 million. This positive contribution is not recurrent.

Orco Germany's strategic refocusing on the profitable Asset Management will lead to an EBITDA improvement going forward aiming at a recurring EBITDA of € 29 million by 2012.

### 3.7. Operating result improving

The first half year 2010 closed with a positive operating result of €40.5 million vs. €-92.9 million in June 2009.

The cumulated operating result 2010 was mainly composed of:

- Asset management revenues of €28.3 million in June 2010 versus €27.4 million in June 2009. H2 Office and the Health Care projects were disposed of and created sales revenues of €65.0 million and relating costs of goods sold amounting to €59.3 million.
- Fair value profits generated on investment properties amounting to €23.8 million (€-60.1 million in June 2009).
- Impairments, amortisation and provisions amounting to €-1.3 million in comparison to €-34.9 million in June 2009 (dedicated to Sky Office (€-26.7 million) and H2 Office (€-6.0 million)).
- Other operating income of €2.0 million (mainly resulting from a legal settlement allowing the cancellation of a provision for €0.9 million and other income generated from write-off of liabilities referring to previous years).
- Personnel costs of €5.0 million by June 2010 compared to €5.1 million by June 2009. The first half year 2010 was affected by a provision (€0.8 million) settled for further restructuring measures. After the finalization of the restructuring measures the staff costs should be around €2.2 million per half year.
- Other operating expenses increased slightly from €17.2 million (first six months 2009) to €17.5 million. Special one-off effects (€2.2 million) and recurring effects recognized for the first time on Sky Office (€1.1 million) led to higher operating expenses than savings achieved by the restructuring process.

	June 2010 (k€)	June 2009 (k€)	Deviation (k€)
Building Maintenance	-1.005	-1.319	314
Communication and IT Maintenance	-389	-508	119
Insurance	-541	-706	165
Cars expenses and car leases	-46	-66	20
Travel Expenses and representation costs	-65	-97	32
Advertising and Marketing	-178	-899	721
Other operating expenses	-126	-890	764
<b>Total savings</b>	<b>-2.350</b>	<b>-4.485</b>	<b>2.135</b>
Leases and rents	-882	-381	-501
Utilities Supplies	-8.047	-7.190	-857
Commissions, fees, consultancy, audit	-2.945	-2.443	-502
Administration Costs	-1.131	-1.370	239
Taxes other than income tax	-2.136	-1.326	-810
<b>special items</b>	<b>-15.141</b>	<b>-12.710</b>	<b>-2.431</b>
<b>Total other operating expenses</b>	<b>-17.491</b>	<b>-17.195</b>	<b>-296</b>

Although the other operating expenses slightly increased in total, the restructuring process led to substantial savings of € 2.1 million in the first half year 2010.

One-off effects amounting to a total of € 2.2 million diluted the other operating expenses:

- Leasing and rents: Releases of provision in 2009 for the closing of the branch in Essen of €265 k. The full impact of branch closures will effect the operating expenses in the second half year 2010.
- Utilities supplies: For the first time additional costs for supplies of H2 Office (€147 k) overcompensates the discontinuation of supplies for sold assets. Furthermore higher occupancy rates are being compensated by higher reimbursable recoverable charges on GSG Assets.
- Commission, fees, consultancy: €695 k had to be spent for the corporate consultants accompanying the restructuring process and legal advisory cost dedicated to asset sales (€408 k).
- Taxes other than income taxes: Ground rents of € 610 k which were capitalized in 2009. A one off effect referring to a VAT payment in 2010 for 2008 amounting to €124 k.

Effects recognized for the first time amount to € 1.1 million:

- Utilities supplies: For the first time additional costs for supplies of Sky Office (€897 k).
- Administration costs: company engaged for asset and property management services for tenants in Sky Office approximately €200 k (no asset and property management cost in the first half year 2009).

Over the course of 2010, the restructuring process will be completed and will lead to recurrent economies of approximately €10 million from 2012 onwards excluding financial charges.

### 3.8. Financial result

The net financial result amounted to €-25.7 million compared to €-27.1 million in the first half year of 2009.

The financial result comprised interest expenses of €-21.6 million (versus €-17.1 million in June 2009) and constant interest income of €0.2 million. The interest expenses were in line with the corresponding expenses for the first half year 2009 except the positive impact generated by the capitalization of interests on Sky Office during its construction phase in 2009 (+ €3.9 million). The effects arising from asset sales conducted in 2009 on interest expenses in 2010 were over compensated by higher interest expenses on health care projects, H2 Office and Sky Office where the financing volume reached its peak within the first half year 2010.

In the further run-down of 2010 the asset disposals carried out will decrease interest expenses much stronger.

The amount of bank loans was reduced by repayments of loans conducted on sold assets (€73.5 million) and raised by draw-downs of credit lines for development activities (€2.5 million for Sky Office, € 1.1 million for H2 Office, €1.0 million for Gütersloh).

The other net financial results amounted to €-4.3 million (vs. €-10.2 million in June 2009) and were mainly driven by:

- Financial charges of €3.3million (vs. €1.5 million in 2009) mainly composed of costs for cancellation of swaps for Ku´damm 103 and Brunnenstr. 25 (€1.5 million) and equity bridge fees charged mainly for Sky Office (€1.2 million) and H2 Office (€0.4 million).
- Losses on trading investments (€ 0.9 million) resulting mainly from the revaluation of embedded derivative on bonds €-2.1 million and interest rate derivatives €1.5 million (i.e. swaps/collars/caps).

In the first half year 2009 the other net financial result was severely affected by losses on trading investments (€-8.4 million) due to decreasing interest rates.

In the first half year 2010 the cost of debt after hedging amounted to 5.29%. Excluding the bond, the cost of debt (after hedging) were 5.53%. Variable loans accounted for 85% of which 80% were hedged against interest rates changes through derivative instruments, i.e. cap, collar and swaps.

The net interest expenses over H1 2010 amounted to € 21.6 million to be compared to a total adjusted EBITDA of € 19.9 million. It is a management priority to achieve a full coverage of interest expenses by adjusted EBITDA by 2012 where recurrent EBITDA is expected to reach € 29 million. Three main elements of the Safeguard plan of the mother company Orco Property Group are set to achieve such coverage:

- Continue selling cash flow negative assets (ie which produce more interests expenses than EBITDA) as done with the sale of assets such as Helberger or Wasserstrasse, to continue over H2 with Cumberland or Wertheim.
- Increase occupancy of existing rental assets.
- Continue decrease of overheads costs (largely undertaken over the past 12 months) in both Orco Germany and GSG.
- Adapt interest payments with creditors.

### 3.9. Tax

Total income taxes amounted to €-6.5 million compared to €+15.5 million in June 2009. Current income taxes of €+0.5 million, including a release of provision for property transfer taxes relating to the acquisition of Viterra €+1.2 million, were compensated by deferred tax expenses of €-7.0 million.

Deferred taxes represent mainly the impact of revaluation differences between local GAAP and IFRS on tax calculation not leading to payments or reimbursements.

### 3.10. Net result

Orco Germany closed the half year ended 30 June 2010 with a net gain of €8.3 million compared to a net loss of €-104.5 million for half year ended June 2009.

## 4. Selected Balance Sheet Key Performance Indicators

### 4.1. Net asset value

The method of net asset value calculation is based on portfolio valuation and gives the real estate approach of the net asset value (NAV).

The NAV as at 30 June 2010 amounted to €99.5 million versus €87.3 million as at 31 December 2009. Therefore the NAV per share amounted to €2.04 as at 30 June 2010 (versus €1.79 as at 31 December 2009).

<b>Net Asset Value (in k €)</b>		
	<b>30 June 2010</b>	<b>31 December 2009</b>
<b>Equity attributable to owners of the Company</b>	<b>52 620</b>	<b>44 282</b>
Fair value adjustments on investment portfolio	0	
Fair value adjustments on hotels and own occupied buildings	267	167
Fair value adjustments on properties under development	0	0
Fair value adjustments on inventories	2 093	3 934
Deferred taxes on revaluations	87 767	82 270
Goodwills	-43 285	-43 285
Own equity instruments	0	- 24
<b>Net asset value</b>	<b>99 462</b>	<b>87 344</b>
<b>Net asset value per share</b>	<b>2,04</b>	<b>1,79</b>
Existing shares	48 771 333	48 771 333

## 4.2. Cash, liabilities and Loan to Value (LTV)

### 4.2.1. Cash and cash equivalents

Cash and cash equivalents increased by €4.7 million from €22.5 million at the year end 2009 to €27.2 million as at 30 June 2010 mainly on account of the asset disposals conducted and the increasing performance of our core business Orco-GSG.

The € 27.2 million was composed of € 15.8 million available and restricted cash and € 11.4 million blocked cash. The blocked cash amount constituted of guarantees and security deposits. The blocked cash amount will decrease within the second half year 2010 due to the sale of Cumberland (release of € 1.5 million) and efforts being undertaken to release further cash from guarantees.

### 4.2.2. Liabilities

Orco Germany's financial debt decreased by € 64.3 million from €628.8 million as at 31 December 2009 to €564.5 million (current and non-current) mainly driven by repayments of loans conducted on sold non-strategic assets. The sale and transfer of Orco Leipziger Platz GmbH, holding the Wertheim project on Leipziger Platz in Berlin, which bears € 66 million due in the short term borrowings, has been postponed as it remains still subject to various conditions which fulfilment may not yet be assessed.

<b>Biggest loans maturing in 2010</b>	<b>drawn loan amounts (m. €)</b>
Max-Planck-Straße 24	3,0
Danziger Straße 73	5,5
<b>loans for assets sold in H1 2010 to be transferred in H2 2010</b>	<b>8,5</b>
Hakeburg	1,3
Hochwald	0,8
Cumberland	20,0
Sky Office	101,8
<b>loans expiring in the 2<sup>nd</sup> half year 2010</b>	<b>123,9</b>

In the framework of the financial and operational restructuring plan of the Group, an agreement on the conversion of the Orco Property Group shareholder loan into equity was signed by Orco Germany S.A., MSREF V Turtle B.V (an investment vehicle managed by Morgan Stanley currently owning 28.91% of Orco Germany S.A.) and Orco Property Group S.A. on 26 August, 2009. Orco Property Group S.A obtained an agreement on the future conversion of its €17.6 million (liabilities and accrued interests as at 31 May 2009) shareholder loan to Orco Germany S.A. into 10,991,750 new shares, set to increase the control of Orco Property Group S.A. from 58.10% to a 65% stake in the Group. This agreement was presented and approved at the Extraordinary General Meeting of Orco Germany S.A. held at the end of October 2009.



The agreement, which grants a short term option to minority shareholders of Orco Germany to subscribe at the same price of € 1.6 per share, has led to the issuance of a prospectus for which the Company is still awaiting regulatory approval by the CSSF, expected in the upcoming months.

#### 4.2.3. LTV

The loan to value ratio reaches 78.2% as at 30 June 2010 and remains 1.6 points below the LTV ratio of 79.8% at the end of December 2009. It is a management priority to continue reducing its LTV ratio over the coming quarters.

Loan to Value (in k €)		30 June 2010	31 December 2009
<b>Non current liabilities</b>			
	Financial debts	362 347	360 890
<b>Current liabilities</b>			
	Financial debts	178 051	252 383
	Liabilities linked to assets held for sale	24 065	15 474
<b>Current assets</b>			
	Current financial assets	- 30	- 29
	Cash and cash equivalents	-27 183	-22 494
<b>Net debt</b>		<b>537 250</b>	<b>606 224</b>
	Investment property	611 311	633 257
	Hotels and own-occupied buildings	2 357	2 362
	Financial assets at fair value through profit or loss	33	249
	Inventories	154 969	216 317
	Assets held for sale	35 165	19 360
	Revaluation gains on projects and properties	2 360	4 101
<b>Fair value of portfolio</b>		<b>806 194</b>	<b>875 646</b>
<b>Loan to value before bonds</b>		<b>66,6%</b>	<b>69,2%</b>
	Bonds	92 270	90 374
	Accrued interests on bonds	334	2 330
<b>Loan to value</b>		<b>78,2%</b>	<b>79,8%</b>

## 5. Other reporting requirements

### 5.1. Subsequent closing events

After the balance sheet date the asset Cumberland has been sold for a sales price of €29 million and will be transferred in the third quarter 2010.

### 5.2 Financial Risks Exposure

There were no material changes to the risks and opportunities reported in the 2009 annual report. As reported in the 2009 annual report, the going concern of the Group is depending on the successful implementation of its operating and financing restructuring plan and the disposal of non-strategic assets.

At the end of June 2010, short-term borrowings (<1 year) are still significant and amounted to €202.1 million (Sky Office € 101.7 million, Wertheim € 66 million and Cumberland (sold) € 20 million).

On the mid-term run the main challenge will be the refinancing of the €100 million nominal corporate bond and the €299 million loan for GSG both maturing in mid 2012.

The Group has no significant currency risk exposure, as the local and functional currency in almost all Group companies is the € currency.

### 5.3. Management / Board of Directors

As of 30 June 2010 the Board of Directors consists of the following 6 members:

- Ott&Co S.A., represented by Mr Jean-Francois Ott, Managing Director
- Brad Taylor
- Ulf Pleschiutchnig
- Ales Vobruba
- Rainer Bormann
- Nicolas Tommasini

Currently and appointed on 30 August, the following persons are acting as managing directors of the Company and form the executive committee of the Company:

- Mr Rainer Bormann
- Ott & Co. S.A., represented by its legal representative Mr Jean-François Ott
- Mr Nicolas Tommasini

#### **5.4. Related Party Transactions**

There were no significant new related party transactions during the period. OPG has granted a loan to OG amounting to EUR 18.4 million by 30 June 2010 (EUR 17.0 million by 31 December 2009).

ORCO GERMANY S.A.

## CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION AS OF 30 JUNE 2010

Orco Germany S.A.'s Board of Directors has approved on 30 August 2010 the condensed consolidated interim financial information as at and for the period ended 30 June 2010. All the figures in this report are presented in thousands of Euros, except if explicitly stated.

### CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

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

	Note	30 June 2010	30 June 2009
<b>Revenue</b>	3	<b>99,305</b>	<b>36,646</b>
Net gain /(loss) from fair value adjustments on investment property	6	23,829	-60,138
Other operating income		2,030	1,423
Net loss on disposal of assets	6, 9	-196	-2,012
Cost of goods sold	7	-60,722	-11,678
Employee benefits		-4,967	-5,105
Amortisation, impairments and provisions	7	-1,286	-34,862
Other operating expenses		-17,512	-17,213
<b>Operating result</b>		<b>40,481</b>	<b>-92,939</b>
Interest expenses		-21,565	-17,066
Interest income		183	225
Other net financial results	10	-4,279	-10,235
<b>Financial result</b>		<b>-25,661</b>	<b>-27,076</b>
<b>Profit /(loss) before income taxes</b>		<b>14,820</b>	<b>-120,015</b>
Income taxes	11	-6,479	15,521
<b>Net profit/(loss) for the period</b>		<b>8,341</b>	<b>-104,494</b>
<b>Total profit /(loss) attributable to:</b>			
non controlling interests		3	-26
<b>owners of the Company</b>		<b>8,338</b>	<b>-104,468</b>
Basic earnings per share (in EUR)	12	0.17	-2.14
Diluted earnings per share (in EUR)	12	0.17	-2.14

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME**

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

Period ended 30 June

	2010	2009
<b>Profit/(Loss) for the period:</b>	<b>8,341</b>	<b>-104,494</b>
<b>Other comprehensive income</b>		
Currency translation differences	-1	3
<b>Total comprehensive income for the period</b>	<b>8,340</b>	<b>-104,491</b>
Total comprehensive income attributable to:		
- owners of the Company	8,337	-104,465
- non controlling interests	3	-26

**CONDENSED CONSOLIDATED INTERIM BALANCE SHEET**

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

<b>Assets</b>			
	<b>Note</b>	<b>30 June 2010</b>	<b>31 December 2009</b>
<b>NON-CURRENT ASSETS</b>		<b>666,854</b>	<b>689,764</b>
Intangible assets	5	50,581	50,672
Investment property	6	611,311	633,257
<b>Property, plant and equipment</b>		<b>4,929</b>	<b>5,205</b>
Hotels and own-occupied buildings		2,357	2,362
Fixtures and fittings and other equipments		2,572	2,843
<b>Financial assets at fair value through profit or loss</b>		<b>33</b>	<b>249</b>
<b>Deferred tax assets</b>		<b>-</b>	<b>381</b>
<b>CURRENT ASSETS</b>		<b>219,735</b>	<b>262,114</b>
Inventories	7	154,969	216,317
Trade receivables		12,980	10,997
Other current assets		24,563	12,246
Derivative instruments		10	31
Current financial assets		30	29
Cash and cash equivalents	8	27,183	22,494
<b>Assets held for sale</b>	<b>9</b>	<b>35,165</b>	<b>19,360</b>
<b>TOTAL</b>		<b>921,754</b>	<b>971,238</b>
<b>Equity and liabilities</b>			
		<b>30 June 2010</b>	<b>31 December 2009</b>
<b>EQUITY</b>		<b>52,668</b>	<b>44,328</b>
<b>Equity attributable to owners of the Company</b>		<b>52,620</b>	<b>44,283</b>
<b>Non controlling interests</b>		<b>48</b>	<b>45</b>
<b>LIABILITIES</b>		<b>869,086</b>	<b>926,910</b>
<b>Non-current liabilities</b>		<b>559,842</b>	<b>548,554</b>
Bonds	10	92,270	90,374
Financial debts	10	362,347	360,890
Provisions & other long term liabilities		10,425	10,421
Derivative instruments		10,702	8,587
Deferred tax liabilities		84,098	78,282
<b>Current liabilities</b>		<b>285,179</b>	<b>362,882</b>
Financial debts	10	178,051	252,383
Trade payables		8,585	10,737
Advance payments		29,760	27,477
Derivative instruments		26,970	28,514
Other current liabilities		41,813	43,771
<b>Liabilities linked to assets held for sale</b>	<b>9, 10</b>	<b>24,065</b>	<b>15,474</b>
<b>TOTAL</b>		<b>921,754</b>	<b>971,238</b>

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

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

	Share capital	Share premium	Translation reserve	Other reserves	Equity attributable to owners of the Company	Non controlling interests	Equity
<b>Balance at 31 December 2008</b>	60,964	123,658	4	-34,862	149,764	5	149,769
<b>loss for the period :</b>							
Translation differences			3		3		3
loss of the period				-104,468	-104,468	-26	-104,494
<b>Total comprehensive income</b>			3	-104,468	-104,465	-26	-104,491
<b>Balance at 30 June 2009</b>	60,964	123,658	7	-139,330	45,299	-21	45,278
<b>Loss for the period :</b>							
Translation differences			-2		-2		-2
Loss of the period				-1,014	-1,014	66	-948
<b>Total comprehensive income</b>			-2	-1,014	-1,016	66	-950
<b>Balance at 31 December 2009</b>	60,964	123,658	5	-140,344	44,283	45	44,328
<b>Profit for the period :</b>							
Translation differences			-1		-1		-1
Profit of the period				8,338	8,338	3	8,341
<b>Total comprehensive income</b>			-1	8,338	8,337	3	8,340
<b>Balance at 30 June 2010</b>	60,964	123,658	4	-132,006	52,620	48	52,668

**CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT**

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

	30 June 2010	30 June 2009
<b>Operating result</b>	<b>40,481</b>	<b>-92,939</b>
Net (profit) /loss from fair value adjustments on investment property	-23,829	60,138
Amortisation, impairments & provisions	1,286	34,862
Net loss on disposal of assets	196	2,012
<b>Adjusted operating profit</b>	<b>18,134</b>	<b>4,073</b>
Financial result	-558	-859
Income tax paid	512	-3,556
<b>Financial result and income taxes paid</b>	<b>-46</b>	<b>-4,415</b>
<b>Changes in operating assets and liabilities</b>	<b>46,147</b>	<b>-50,420</b>
<b>NET CASH FROM/ USED IN OPERATING ACTIVITIES</b>	<b>64,235</b>	<b>-50,762</b>
Capital expenditures and tangible assets acquisitions	-458	-4,573
Proceeds from sales of non current tangible assets	30,065	25,710
Purchase of intangible assets	-	-59
Purchase of financial assets	-	-54
Net interest paid	-23,514	-18,366
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>6,093</b>	<b>2,658</b>
Proceeds from borrowings	3,716	53,509
Repayments of borrowings	-69,356	-10,627
<b>NET CASH USED IN /FROM FINANCING ACTIVITIES</b>	<b>-65,640</b>	<b>42,882</b>
<b>NET INCREASE / DECREASE IN CASH</b>	<b>4,688</b>	<b>-5,222</b>
Cash and cash equivalents at the beginning of the period	22,494	34,639
Exchange difference on cash and cash equivalents	1	-
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>27,183</b>	<b>29,417</b>



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 1. GENERAL INFORMATION

Orco Germany S.A., société anonyme (the "Company") and its subsidiaries (together the "Group") is a real estate group with a portfolio mainly located in Germany. It is principally involved in leasing out investment properties under operating leases as well as in the development of properties for its own portfolio or intended to be sold in the ordinary course of business.

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

As at 30 June 2010, the Company is 58.1% owned by Orco Property Group S.A., Luxembourg, and its shares are listed on the Prime Standard of the Regulated Market of the Frankfurt Stock Exchange (ISIN LU0251710041; stock exchange symbol: O5G).

The ultimate parent company of Orco Germany S.A., Orco Property Group S.A. ("OPG"), prepares condensed consolidated interim financial information as at 30 June 2010 in which the condensed consolidated interim financial information of Orco Germany S.A. are included. Orco Property Group S.A. is a limited liability company incorporated under Luxembourg law.

The condensed consolidated interim financial information has been approved for issue by the Board of Directors on 30 August 2010.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 2.1 Basis of preparation - Going concern

This condensed consolidated interim financial information for the half-year ended 30 June 2010 has been prepared in accordance with IAS 34, 'Interim financial reporting' as adopted by the European Union and should be read in conjunction with the annual consolidated financial statements as at and for the year ended 31 December 2009, which have been prepared in accordance with IFRS as adopted by the European Union.

In determining the appropriate basis of preparation of the condensed consolidated interim financial information, the Directors are required to consider whether the Group can continue in operational existence for the foreseeable future. In general, the situation is comparable to the one described in the 2009 consolidated financial statements and the economic environment in which the Group operates has stabilized. The Group has made progress in the implementation of its restructuring plans allowing the same conclusion on the going concern.

##### 2.1.1. 2010 results

As at 30 June 2010, the Group made a profit of EUR 8.3 million (EUR 8.3 million attributable to the Group). The diluted loss per share moved from EUR 2.16 in 2009 to a profit of EUR 0.17 for the first half of 2010. As a result of the restructuring plan, the sales of assets linked with debt repayments and the ongoing commercial developments the loan to value has slightly improved from 79.8% as at 31 December 2009 to 78.2% as at 30 June 2010. Revenues increased by 171.0% to end up at EUR 99.3 million, mainly due to the combined sales of the Healthcare portfolio and H2 Office, which boosted development revenues to EUR 71.0 million (a EUR 61.8 million increase vs H1 2009). The total rental revenues increased from EUR 27.4 million to EUR 28.3 million.

##### 2.1.2 Restructuring plan prepared by the management

Beginning of 2009, the Board of Directors of Orco Property Group S.A. („OPG“), has decided to apply to benefit from a Court Protection from creditors ("Procédure de Sauvegarde"). A Court Hearing was held on 25 March 2009 with the Paris Commercial Court ("Tribunal de Commerce de Paris"). On the same day, the Court rendered a judgement opening the "Procédure de Sauvegarde" (the "Sauvegarde") for OPG, and Vinohrady S.à.r.l., a French subsidiary of OPG, for a renewable six months period. Since then, the initial period has been prolonged twice till 19 May 2010. On 19 May 2010, the Court approved the OPG's Safeguard plan. This plan combines a strategic and operational restructuring plan 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 2010 and a first repayment on 30 April 2011. This repayment schedule is consistent with the OPG's business plan and reflects the necessity for the mother company to invest in its development projects and assets.

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 of OPG in implementing the Safeguard plan. Maître Le Guernevé will more specifically be in charge of distributing among OPG's creditors the amounts that are due to them under the Safeguard plan.

The judgment approving the Safeguard plan ended the observation period opened in 25 March 2009 and allows the Company to carry out its activity as it did prior to the opening of the Safeguard Procedure.

### 2.1.3 Restructuring plan of the Group

Faced with liquidity issues that may put at risk the integrity and value of its portfolio, the management team is implementing a restructuring plan focused on cash generation, restoring of the global loan to value ratio at an affordable level. Therefore, the necessary actions to return to the Group to profit have to be implemented. The actions include: selling non core businesses, renegotiation of existing bank loans, improving margins through a cost reduction programme (reduction of opex and capex).

In line with the Group's strategy to dispose of non strategic assets and focus on commercial properties, asset sales were closed with for total consideration of EUR 30.1 million leading to a reduction of EUR 21.4 million in debt and an improvement in liquidity during the first half of 2010.

In order to build a sustainable free cash flow producing business the ambitious restructuring program was accelerated. Reorganisation, cost cutting and redundancies led to the closure of all branches outside of Berlin, to savings of headquarter costs as well as to efficiency gains in our core business Orco-GSG.

In line with Orco Germany's intention to reduce debts and to strengthen its equity basis, the total amount of liabilities decreased by EUR 57.8 million to EUR 869.1 million during the first half of 2010.

In the framework of the financial and operational restructuring plan of the Group an agreement on the conversion of the Orco Property Group shareholder loan into equity was signed by Orco Germany S.A., MSREF V Turtle B.V (an investment vehicle managed by Morgan Stanley currently owning 28.91% of Orco Germany S.A.) and Orco Property Group S.A. on August 26, 2009. Orco Property Group S.A. obtained an agreement on the future conversion of its €17.6 Million shareholder loan to Orco Germany S.A. into 10,991,750 new shares, set to increase the control of Orco Property Group S.A. from 58.10% to a 65% stake in the Group. This agreement was presented and approved at the Extraordinary General Meeting of Orco Germany S.A. held at the end of October 2009.

The agreement, which grants a short term option to minority shareholders of Orco Germany to subscribe at the same price of EUR 1.6 per share, is conditional upon the issuance of a prospectus, to be approved by the regulatory authority, the "Commission de Surveillance du Secteur Financier" in Luxembourg.

### 2.1.4 Risks and uncertainties on the ability of the Group to continue as a going concern

The financial performance of the Group is also dependent upon the wider economic environment in which the Group operates. The uncertainty of the evolution of real estate market in Berlin could damage the Group's activity and slow down the asset sales program. It should be noted that this environment has generally been improved over the last 9 months, which is reflected in the increase of the fair value on the GSG assets over the first half year of 2010 and the amount of asset sales closed.

At the end of June 2010, short-term borrowings (<1 year) are still significant and amounted to EUR 202.1 million (Sky Office EUR 102 million, Wertheim EUR 66 million and Cumberland EUR 20 million). On the mid-term run the main challenge will be the refinancing of the EUR 100 million nominal corporate bond and the EUR 299 million loan for GSG both maturing in mid 2012.

The Board of Directors is in the opinion that those risks are mitigated by the reasonability of the assumptions taken in the establishment of the business plan and the expected capital increase to be completed by both shareholders Orco Property Group S.A. and MSREF V Turtle B.V.

### 2.1.5 Conclusion

The Board of Directors has, as a result of the restructuring in progress, concluded that there is a reasonable expectation that the Company can continue its operations in the foreseeable future and, accordingly, has formed a judgment that it is appropriate to prepare the condensed consolidated interim financial information on a going concern basis.

## 2.2 Accounting policies

The accounting policies applied by the Group in this condensed consolidated interim financial information are consistent with those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2009, except as described below.

### (a) New and amended standards adopted by the Group

There is no new standard or amendment adopted by the Group during the first half year 2010.

### (b) Standards, amendments and interpretations to existing standards effective in 2010 but not relevant to the Group

- IFRIC 17, 'Distributions of non-cash assets to owners', effective for annual periods beginning on or after 1 July 2009. This is not currently applicable to the Group, as it has not made any non-cash distributions.
- IFRIC 18, 'Transfers of assets from customers', effective for transfer of assets received on or after 1 July 2009. This is not relevant to the Group, as it has not received any assets from customers.
- 'Additional exemptions for first-time adopters' (Amendment to IFRS 1) was issued in July 2009. The amendments are required to be applied for annual periods beginning on or after 1 January 2010. This is not relevant to the Group, as it is an existing IFRS preparer.
- Improvements to International Financial Reporting Standards 2009 were issued in April 2009. The effective dates vary standard by standard but most are effective 1 January 2010.

### (c) The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 January 2010 and have not been early adopted:

- IFRS 9, 'Financial instruments', issued in December 2009. This addresses the classification and measurement of financial assets and is likely to affect the Group's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. This standard has not been endorsed by the European Union.
- Revised IAS 24, 'Related party disclosures', issued in November 2009. It supersedes IAS 24, 'Related party disclosures', issued in 2003. The revised IAS 24 is required to be applied from 1 January 2011. Earlier application, in whole or in part, is permitted.
- 'Classification of rights issues' (Amendment to IAS 32), issued in October 2009. For rights issues offered for a fixed amount of foreign currency, current practice appears to require such issues to be accounted for as derivative liabilities. The amendment states that if such rights are issued pro rata to all the entity's existing shareholders in the same class for a fixed amount of currency, they should be classified as equity regardless of the currency in which the exercise price is denominated. The amendment should be applied for annual periods beginning on or after 1 February 2010. Earlier application is permitted.
- 'Prepayments of a minimum funding requirement' (Amendments to IFRIC 14), issued in November 2009. The amendments correct an unintended consequence of IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendments, entities are not permitted to recognise as an asset some voluntary prepayments for minimum funding contributions. This was not intended when IFRIC 14 was issued, and the amendments correct the problem. The amendments are effective for annual periods beginning 1 January 2011. Earlier application is permitted. The amendments should be applied retrospectively to the earliest comparative period presented.
- IFRIC 19, 'Extinguishing financial liabilities with equity instruments'. This clarifies the requirements of IFRSs when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially. The interpretation is effective for annual periods beginning on or after 1 July 2010. Earlier application is permitted.
- Improvements to International Financial Reporting Standards 2010 were issued in May 2010. The effective dates vary standard by standard but most are effective 1 January 2011.

### 2.3 Seasonality

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

### 2.4 Significant accounting estimates and judgements

The methodology and assumptions applied for the valuation of real estate assets and developments are consistent with the ones described in the annual consolidated financial statements as at and for the year ended December 31, 2009, except for the main assumptions used for discounted cash flow projections that have been adjusted to the June 2010 market conditions:

- discount rate: range from 7.50% to 10.25% (8.0% to 10.25% in December 2009);
- exit cap rate: range from 6.0% to 8.25% (6.5% to 8.5% in December 2009).

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

On the basis of EUR 0.8 billion of assets portfolio, 67.5% have been valued by an independent expert, DTZ Debenham Tie Leung ("DTZ"). Each non-valued asset has been reviewed and valued internally (see note 6 and 7).

The fair value of the Orco Germany's financial instruments have been valued based on a credit spread of 54.04%.

## 3. SEGMENT REPORTING - BUSINESS SEGMENTS

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

The Group is organised into two main segments determined in accordance with the type of activity:

- Development: development of projects meant to be disposed off unit by unit, the land bank for which the future destination is still under study and project management.
- Asset Management: leased-out residences, offices or retail buildings, property management and asset management. This segment was previously named "Commercial Investment Properties".

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 disposal of assets) and the net results on sale of assets or subsidiaries.

<b>As at 30 June 2010</b>	Development	Asset Management	TOTAL
<b>Revenue</b>	71,008	28,297	99,305
Net gain/(loss) from fair value adjustments on investment property	148	23,681	23,829
Cost of goods sold	-60,757	35	-60,722
Amortisation, impairments and provisions	-312	-974	-1,286
Other operating results	-6,429	-14,216	-20,645
<b>Operating result</b>	<b>3,658</b>	<b>36,823</b>	<b>40,481</b>
Net gain/(loss) from fair value adjustments on investment property	-148	-23,681	-23,829
Amortisation, impairments and provisions	312	974	1,286
Past valuation on goods sold	1,769	-	1,769
Net gain/(loss) on disposal of assets	-5	201	196
<b>Adjusted EBITDA</b>	<b>5,586</b>	<b>14,317</b>	<b>19,903</b>
Net gain/(loss) from fair value adjustments on investment property	148	23,681	23,829
Amortisation, impairments and provisions	-312	-974	-1,286
Past valuation on goods sold	-1,769	-	-1,769
Net gain/(loss) on disposal of assets	5	-201	-196
<b>Operating result</b>	<b>3,658</b>	<b>36,823</b>	<b>40,481</b>
Financial result			-25,661
<b>Profit before income taxes</b>			<b>14,820</b>
<b>Segment assets</b>	<b>307,158</b>	<b>585,785</b>	<b>892,943</b>
Investment Properties	100,735	510,576	611,311
Property, plant and equipment	1,220	3,709	4,929
Inventories	154,677	292	154,969
Other segment assets	20,831	65,738	86,569
Assets held for sale	29,695	5,470	35,165
Unallocated assets			28,811
<b>Total assets</b>			<b>921,754</b>
<b>Segment liabilities</b>	<b>70,259</b>	<b>48,032</b>	<b>118,291</b>
Liabilities linked to assets held for sale	21,065	3,000	24,065
Unallocated liabilities			803,463
<b>Total liabilities</b>			<b>921,754</b>
<b>Cash flow elements</b>			
Capital expenditure	444	22	466

As at 30 June 2009 ( restated )	Development	Asset Management	TOTAL
<b>Revenue</b>	9,236	27,410	36,646
Net gain or loss from fair value adjustments on investment property	-19,768	-40,370	-60,138
Cost of goods sold	-11,467	-211	-11,678
Amortisation, impairments and provisions	-31,697	-3,165	-34,862
Other operating results	-6,061	-16,845	-22,906
<b>Operating result</b>	<b>-59,757</b>	<b>-33,181</b>	<b>-92,938</b>
Net gain/(loss) from fair value adjustments on investment property	19,768	40,370	60,138
Amortisation, impairments and provisions	31,697	3,165	34,862
Net gain/(loss) on abandoned developments	5,690	-	5,690
Net gain/(loss) on disposal of assets	1,182	830	2,012
<b>Adjusted EBITDA</b>	<b>-1,420</b>	<b>11,184</b>	<b>9,764</b>
Net gain/(loss) from fair value adjustments on investment property	-19,768	-40,370	-60,138
Amortisation, impairments and provisions	-31,697	-3,165	-34,862
Net gain/(loss) on abandoned developments	-5,690	-	-5,690
Net gain/(loss) on disposal of assets	-1,182	-830	-2,012
<b>Operating result</b>	<b>-59,757</b>	<b>-33,181</b>	<b>-92,938</b>
Financial result			-27,076
<b>Profit before income taxes</b>			<b>-120,014</b>
<b>Segment assets</b>	<b>356,541</b>	<b>573,164</b>	<b>929,705</b>
Investment Properties	137,371	505,105	642,476
Property, plant and equipment	3,101	12,078	15,179
Inventories	173,443	15,363	188,806
Other segment assets	41,326	27,928	69,254
Assets held for sale	1,300	12,690	13,990
Unallocated assets			31,914
<b>Total assets</b>			<b>961,619</b>
<b>Segment liabilities</b>	<b>46,587</b>	<b>63,644</b>	<b>110,231</b>
Liabilities linked to assets held for sale	-	10,715	10,715
Unallocated liabilities			851,388
<b>Total liabilities</b>			<b>961,619</b>
<b>Cash flow elements</b>			
Capital expenditure	4,210	363	4,573

The restatement of the 30 June 2009 includes intersegment elimination on the respective segment.

#### 4. BUSINESS COMBINATIONS

There were no business combinations during the first 6 months of 2010 and in 2009.

#### 5. INTANGIBLE ASSETS

The intangible assets mainly include the goodwill recorded on the acquisition of GSG for EUR 43.3 million (EUR 43.3 million in 2009) and the GSG trademark for EUR 7.2 million (EUR 7.2 million in 2009).

The impairment tests carried out on the goodwill led to the recognition of EUR 0.6 million of impairment in 2009 (nil in 2010). The only goodwill recognized as at 30 June 2010 is the GSG goodwill.

The goodwill impairment test is based on the evolution of properties valuation as of 30 June 2010 and on projected increase of occupancy rate and price per sqm over the coming years, as already showed since acquisition.

## 6. INVESTMENT PROPERTY

Investment property	Freehold buildings	Land bank	Buildings under finance lease	TOTAL
<b>Balance at 31 December 2008</b>	<b>628,580</b>	<b>110,970</b>	<b>1,500</b>	<b>741,050</b>
Investments / acquisitions	1,241	2,397	-	3,638
Asset sales	-42,886	-1,466	-	-44,352
Revaluation through income statement	-39,146	-15,761	-	-54,907
Transfers	-1,442	-9,230	-1,500	-12,172
<b>Balance at 31 December 2009</b>	<b>546,347</b>	<b>86,910</b>	<b>-</b>	<b>633,257</b>
Investments / acquisitions	287	-	-	287
Asset sales	-10,897	-	-	-10,897
Revaluation through income statement	23,829	-	-	23,829
Other Transfers	-35,165	-	-	-35,165
<b>Balance at 30 June 2010</b>	<b>524,401</b>	<b>86,910</b>	<b>-</b>	<b>611,311</b>

- **As at 30 June 2010**

53 investment properties (EUR 600.1 million) financed by bank loans in local special purpose entities are fully pledged for EUR 415.8 million.

As at 30 June 2010, 84% of the investment properties portfolio has been valued by DTZ.

### A) Investments / acquisitions

During the period, the Group has invested EUR 0.3 million in freehold buildings in different projects including:

- EUR 0.1 million on the commercial development in Cumberland (Berlin);
- EUR 0.2 million on the commercial development in Hakeburg.

### B) Asset sales

During the period, the net book value ("NBV") of the assets sold represents EUR 10.9 million, out of which EUR 5.9 million have been used to repay the bank loan financing, with a total net loss compared to the 31 December 2009 DTZ valuations amounting to EUR - 0.1 million and composed mainly of the following disposals:

- Sale of the Ku-Damm 103 building in Berlin (NBV of EUR 8.2 million) at a sale price of EUR 8.0 million;
- Sale of Lütticherstrasse building in Berlin (NBV of EUR 1.0 million) at a sale price of EUR 1.0 million;
- Sale of Genestrasse building in Berlin (NBV of EUR 1.7 million) at a sale price of 1.8 million;

### C) Revaluation through income statement

The total amount of increase in the fair value of the assets amounts to EUR 23.8 million on Freehold buildings.

- The revaluation of the projects of GewerbeSiedlungs-Gesellschaft mbH ("GSG") represents a total amount of EUR 23.1 million, in particular Gustav Meyer Allee (EUR 2.2 million), Voltstrasse (EUR 2.0 million), Reuchlinstrasse (EUR 1.8 million), Plauerstrasse (EUR 1.6 million), Helmholtzstrasse (EUR 1.5 million), Wolfenerstrasse 32-36 (EUR 1.3 million), Lubarserstrasse (EUR 1.1 million), Pankow (EUR 1.0 million) and Schwedenstrasse (EUR 1.0 million), all located in Berlin;
- Franklinstrasse 15 (EUR 0.9 million)
- Brunnenstrasse 27 (EUR 0.3 million)
- Max Planck Strasse (EUR -0.4 million)
- Cumberland (EUR -0.1 million)

#### D) Transfers

Transfers represent mainly properties reclassified as Assets held for sale, for which the sales contracts were signed before June 2010 with the handover and delivery after June 2010: Max Planck Strasse (EUR 5.5 million), Cumberland Haus (EUR 28.0 million) and Brunnenstrasse 27 (EUR 1.7 million).

- **In 2009**

58 investment properties (EUR 562.9 million) financed by bank loans in local special purpose entities are fully pledged for EUR 446.8 million.

#### A) Investments / acquisitions

During the year, the Group has invested EUR 3.6 million in the different projects including:

- Freehold buildings:
  - EUR 1.2 million on the commercial development in Berlin (mainly in Cumberland for EUR 0.7 million and Kollwitzstrasse for EUR 0.1 million);
- Landbank
  - EUR 2.4 million on the commercial development (mainly in Wertheim for EUR 1.8 million and Elb Loft for EUR 0.5 million).

#### B) Asset sale

During the period, the net book value ("NBV") of the assets sold represents EUR 44.3 million, out of which EUR 28.8 million have been used to repay the bank loan financing, with a total net loss compared to the 31 December 2008 DTZ valuations amounting to EUR 1.6 million and composed mainly of the following disposals:

- Sale of the Pappelallee 3-4 building in Berlin (NBV of EUR 5.3 million) at the sale price of EUR 4.3 million;
- Sale of the Reinhardtstraße 18 building in Berlin (NBV of EUR 8.6 million) at the sale price of EUR 8.4 million;
- Sale of Immanuelkirchstraße 3 + 4 building in Berlin (NBV of EUR 10.0 million) at the sale price of EUR 10.0 million;
- Sale of Kollwitzstraße 71 building in Berlin (NBV of EUR 3.1 million) at the sale price of EUR 3.1 million;
- Sale of Zionskirchstraße 71 in Berlin (NBV of EUR 2.4 million) at the sale price of 2.4 million;
- Sale of Grugacarree in Essen (NBV of 1.5 million) at the sale price of 1.5 million;
- Small buildings in Berlin have been sold (NBV of EUR 13.4 million) at the sale price of EUR 13.0 million.

#### C) Revaluation through income statement

The total amount of decrease in the fair value of the assets amounts to EUR -54.9 million (EUR -39.1 million on Freehold building and EUR -15.8 million on Land bank).

- In Freehold buildings:
  - The revaluation of the projects of GewerbeSiedlungs-Gesellschaft mbH ("GSG") represents a total amount of EUR - 26.3 million, among which Plauenerstraße (EUR -7.3 million), Wolfenerstraße 32-36 (EUR -5.5 million), Pankow (EUR -4.8 million) and Schwedenstraße (EUR -3.1 million), all located in Berlin;
  - Franklinstraße 15-15A (EUR -3.1 million).

- In Land bank:

The fair value on the projects Wertheim and Helberger decreased by EUR -12.9 million and EUR -1.4 million respectively.



#### D) Transfers

Transfers represent mainly properties reclassified as Assets held for sale, for which the sales contracts were signed in 2009 with the handover and delivery in 2010: Helberger (EUR -11.0 million) and Wasserstraße (EUR -8.4 million).

Trudering 44, Trudering 47 and Trudering 69 have been transferred from Building under finance lease to Inventories (EUR 1.5 million).

Ku-Damm 103 (EUR 8.7 million) is transferred from Own Occupied Buildings to Investment Property. This asset will be rented to third parties as Orco Germany's headquarters have moved to another office in Berlin.

	6 months to June 2010		12 months to December 2009	
	2010 Revaluation	Fair Value 30.06.10	2009 Revaluation	Fair Value 31.12.09
<b>Freehold Buildings</b>	23,829	524,401	-39,146	546,347
<b>Germany</b>				
GSG	23,081	463,226	-26,658	441,832
Franklinstraße 15	900	38,150	-3,128	37,250
Brunnenstraße 156 & Invalidenstraße 112	60	8,340	1,210	8,280
Ku damm 103	-	-	-518	8,170
Kurfürstendamm 102	20	6,210	-1,580	6,190
Hüttendorf	-	5,100	-2,259	5,100
Hakeburg	-	2,465	159	2,375
Lutticher Str. 49	-	-	-240	970
Hochwald	-	910	-52	910
<b>Transferred to assets held for sale</b>	-232	-	-6,080	35,270
<b>Land bank</b>	-	86,910	-15,761	86,910
<b>Germany</b>				
Leipziger Platz	-	84,300	-12,832	84,300
Orco Elb Loft	-	1,750	-542	1,750
GSG	-	860	-50	860
Helberger	-	-	-1,362	-
Essen Gruga Carree	-	-	-975	-
<b>TOTAL</b>	<b>23,829</b>	<b>611,311</b>	<b>-54,907</b>	<b>633,257</b>

## 7. INVENTORIES

Inventories	30 June 2010	31 December 2009
<b>Opening Balance</b>	<b>216,317</b>	<b>171,868</b>
Net impairments	-497	-17,505
Transfers	-1,309	1,500
Development costs	1,180	80,210
Cost of goods sold	-60,722	-19,756
<b>Closing Balance</b>	<b>154,969</b>	<b>216,317</b>

Inventories properties are developed with the intention to resell.

- **As at 30 June 2010**

As at 30 June 2010, the valuation of the development projects has been reviewed by the management.

Development costs amounting to EUR 1.2 million have been capitalized on the following projects:

- Danzigerstrasse (EUR 0.4 million) and H2 Office (EUR 0.8 million).

Cost of goods sold amounting to EUR 60.7 million relate mainly to the following project sales:

H2 Office in Duisburg (EUR -29.8 million), 3 Healthcare projects (EUR -29.6 million) and the Trudering projects (EUR -1.5 million).

The impairment tests carried out on the development projects led to the recognition of an impairment on Danzigerstr. (EUR -0.5 million).

2 projects in development (EUR 140.4 million) are pledged for a total amount of EUR 107.2 million.

- **In 2009**

The Group decided to not finalize and to sell the project Fehrbelliner Hofe in Berlin for a net result of EUR - 5.6 million (NBV of EUR 10.6 million).

Development costs amounting to EUR 80.2 million, out of which EUR 66.8 million have been financed by bank loan drawdowns, have been mainly capitalized on the following projects:

- Sky Office in Düsseldorf (EUR 47.4 million);
- H2 Office in Duisburg (EUR 21.0 million);
- Neuenkirchener Straße (EUR 5.7 million);
- Tschaikowskistraße 33 (EUR 4.2 million).

Impairments have been recognized on the basis of the valuation established by DTZ in December 2009 mainly on the following properties:

- Sky Office: EUR -15.0 million
- H2 Office: EUR -3.8 million

Write back has been booked on the project Oranienburger strasse for EUR 1.3 million.

5 projects in development (EUR 64.2 million) are pledged for a total amount of EUR 51.2 million.

## 8. CASH AND CASH EQUIVALENTS

As at 30 June 2010, the cash and cash equivalents consist of cash in bank for EUR 27.2 million (EUR 22.5 million in 2009).

Cash in bank includes restricted cash amounting to EUR 11.4 million (EUR 13.2 million in 2009), representing:

- cash deposited in escrow accounts pledged as collateral for development projects and lifted after sales of units, for EUR 0.1 million (EUR 0.1 million in 2009);
- cash deposited in escrow accounts pledged as collateral for loans related to the acquisition of property, for EUR 11.1 million (EUR 12.9 million in 2009);
- cash deposited in the Group's joint ventures as both parties' approval is needed for withdrawal, for EUR 0.2 million (EUR 0.2 million in 2009).

## 9. ASSETS HELD FOR SALE AND LIABILITIES LINKED TO ASSETS HELD FOR SALE

The following projects have been reclassified as Assets held for sale, as the sales were contracted in the first half of 2010 with the handover and delivery in the third quarter of this year: Brunnenstr. 27 (EUR 1.7 million for a debt amounting to EUR 1.1 million), Max Planck (EUR 5.5 million for a debt amounting to EUR 3.0 million), Cumberland (EUR 28.0 million for a debt amounting to EUR 20.0 million).

As a consequence, the financing of these projects has been reclassified as liabilities linked to assets held for sale in current liabilities.

2 assets previously recognized as held for sale have been sold during the first six months of 2010:

- the project Hellberger in Frankfurt has been sold at its net book value (EUR 11.0 million for a debt of EUR 8.5 million);
- the project Wasserstr. in Düsseldorf has been sold for EUR 8.2 million (NBV of EUR 8.4 million for a debt of EUR 7.0 million).

All assets held for sale (EUR 35.2 million) are fully pledged (EUR 24.1 million).

## 10. BORROWINGS

### 10.1 Non-current bonds

During the first half 2010, the movements in non-current bonds and loans are the following:

Non-current bonds	Non Convertible bonds
<b>Balance at 31 December 2008</b>	<b>86,793</b>
Interest accumulated during the year	3,581
<b>Balance at 31 December 2009</b>	<b>90,374</b>
Interest accumulated during the period	1,896
<b>Balance at 30 June 2010</b>	<b>92,270</b>

No bonds have been issued during the first half 2010.

## 10.2 Non-current financial debts

No n-current financial debts	Bank loans	Other non-current borrowings	TOTAL
<b>Balance at 31 December 2008</b>	<b>437,797</b>	<b>10,908</b>	<b>448,705</b>
Issue of new loans and drawdowns	21,638	4,505	26,143
Repayments of loans	-28,761	-3,434	-32,195
Transfers	-86,889	5,126	-81,763
<b>Balance at 31 December 2009</b>	<b>343,785</b>	<b>17,105</b>	<b>360,890</b>
Issue of new loans and drawdowns	803	244	1,047
Repayments of loans	-28,791	-320	-29,111
Transfers	28,119	1,402	29,521
<b>Balance at 30 June 2010</b>	<b>343,916</b>	<b>18,431</b>	<b>362,347</b>

### In 2010 (6 first months)

Repayments of bank loans are mainly due to the sale of the Healthcare projects in Germany (EUR -22.4 million) in addition to repayments in Ku'damm (EUR -4.7 million) and GSG (EUR -1.6 million).

Transfers of bank loans are mainly due to the resolution of breaches on Gebauer Höfe in Germany (EUR 28.9 million) and the reclassification of Brunnenstr. 27 (EUR -1.0 million) as liabilities linked to assets held for sale.

Other non current loans consist mainly of equity loan from the parent (Orco Property Group) and loans from other OPG Group companies. The transfer relates to accrued interests from 31 December 2009 which is capitalized on the equity loan.

### In 2009

Issue of new bank loans and drawdowns (EUR 21.6 million) are mainly related to further drawdowns for the construction of Oranienburg in Germany (EUR 7.0 million) and Healthcare projects (EUR 13.7 million).

Repayments of loans are mainly due to the reimbursements of some bank loans (EUR 28.8 million) linked to the sale of the following projects:

- Immanuelkirchstrasse 3-4 (EUR -7.2 million)
- Reinhardtstrasse (EUR -6.8 million)
- Berlin Pappelallee (EUR -2.6 million)
- Brunnenstrasse (EUR -1.5 million)
- John Schehr Strasse, Prenzlauer Allee, and Kollwitzstrasse (EUR -1.4 million each)
- Görschstrasse and Wilhelm Kuhr Strasse (EUR -1.3 million)
- Breite Strasse and Zionskirchstrasse (EUR -1.1 million each)
- Hosemannstrasse and Boxhagener Strasse (EUR -0.7 million each).

Transfers of bank loans (EUR -86.9 million) are mainly due to:

- the reclassification of the bank loan related to the Sky Office project (EUR -65.2 million) and to the H2 Office project (EUR -7.9 million) in short term whose maturity falls within 12 months of 31 December 2009;
- breaches on financial covenants for the bank loans financing the project Franklinstrasse (EUR -29.4 million), as the repayment for this loan can be requested on demand, the non-current part is reclassified as current.

Transfers of loans classified as current in 2008 and for which the covenants are no longer in breach in 2009 (EUR +17.3 million).

Other non current loans consist mainly of equity loans from the parent (Orco Property Group) and loans from other Group companies. The issue of other non-current loans mainly represents the increase in the equity loan granted by OPG (EUR 4.3 million). The transfers relate to GSG (EUR -1.4 million) and the repayment of Orco Grundstücks (EUR -0.6 million).

### 10.3 Current financial debts

Current financial debts	Bank loans	Other current borrowings	TOTAL
<b>Balance at 31 December 2009</b>	<b>267,738</b>	<b>119</b>	<b>267,857</b>
Issue of new loans and drawdowns	2,457	212	2,669
Repayments of loans	-39,983	-262	-40,245
Transfers	-28,119	-46	-28,165
<b>Balance at 30 June 2010</b>	<b>202,093</b>	<b>23</b>	<b>202,116</b>

The table includes bank loans linked to assets held for sale (EUR 24.1 million).

The issue of new loans relates to further drawdowns for Sky Office.

The repayment of bank loans (EUR -40.0 million) is mainly related to three asset sales, H2 Office in Duisburg (EUR -24.2 million) and two assets previously recognized as held for sale: Hellberger (EUR -8.5 million) and Wasserstr. (EUR -7.0 million).

Transfers of bank loans are mainly due to the resolution of breaches on Gebauer Höfe in Germany (EUR 28.9 million) and the reclassification of Brunnenstr. 27 (EUR -1.0 million) as liabilities linked to assets held for sale.

### 10.4 Borrowings maturity

The following tables describe the maturity of the Group's borrowings. As at 30 June 2010, the non-current bonds and financial debts amount to EUR 656.7 million (EUR 719.1 million at 31 December 2009).

At 30 June 2010	Less than one year	1 to 2 years	2 to 5 years	More than 5 years	TOTAL
<b>Non-current</b>					
<b>Fixed rate bonds</b>	-	-	<b>92,270</b>	-	<b>92,270</b>
<b>Financial debts</b>	-	<b>306,670</b>	<b>27,960</b>	<b>27,717</b>	<b>362,347</b>
Bank loans	-	306,670	27,883	9,363	343,916
Floating rate	-	306,670	27,883	9,363	343,916
Other non-current borrowings	-	-	77	18,354	18,431
<b>Total</b>	-	<b>306,670</b>	<b>120,230</b>	<b>27,717</b>	<b>454,617</b>
<b>Current</b>					
<b>Financial debts</b>	<b>178,051</b>	-	-	-	<b>178,051</b>
Bank loans	178,028	-	-	-	178,028
Fixed rate	71,173	-	-	-	71,173
Floating rate	106,855	-	-	-	106,855
Other borrowings	23	-	-	-	23
<b>Liabilities linked to assets held for sale</b>	<b>24,065</b>	-	-	-	<b>24,065</b>
<b>Total</b>	<b>202,116</b>	-	-	-	<b>202,116</b>
<b>TOTAL</b>	<b>202,116</b>	<b>306,670</b>	<b>120,230</b>	<b>27,717</b>	<b>656,733</b>

At 31 December 2009	Less than one year	1 to 2 years	2 to 5 years	More than 5 years	TOTAL
<b>Non-current</b>					
<b>Fixed rate bonds</b>	-	-	<b>90,374</b>	-	<b>90,374</b>
<b>Financial debts</b>	-	<b>7,895</b>	<b>321,162</b>	<b>31,833</b>	<b>360,890</b>
Bank loans	-	7,895	321,094	14,796	343,785
Floating rate	-	7,895	321,094	14,796	343,785
Other non-current borrowings	-	-	68	17,037	17,105
<b>Total</b>	-	<b>7,895</b>	<b>411,536</b>	<b>31,833</b>	<b>451,264</b>
<b>Current</b>					
<b>Financial debts</b>	<b>252,383</b>	-	-	-	<b>252,383</b>
Bank loans	252,264	-	-	-	252,264
Fixed rate	75,699	-	-	-	75,699
Floating rate	176,565	-	-	-	176,565
Other borrowings	119	-	-	-	119
<b>Liabilities linked to assets held for sale</b>	<b>15,474</b>	-	-	-	<b>15,474</b>
<b>Total</b>	<b>267,857</b>	-	-	-	<b>267,857</b>
<b>TOTAL</b>	<b>267,857</b>	<b>7,895</b>	<b>411,536</b>	<b>31,833</b>	<b>719,121</b>

- **In 2010**

The other non-current borrowings (more than 5 years) represent equity loan granted by OPG.

The decrease in current bank loans compared to 31 December 2009 is mainly due to the reclassification of non-current loans with breaches on financial covenants of EUR 28.9 million and the repayment of EUR 39.7 bank loans related to asset sales (see note 10.3 Current Financial debts).

The Group hedged 98,8% of the non-current floating rate borrowings and 77,3% of the current floating rate borrowings, in order to limit the risk of the effects of fluctuations in market interest rates on its financial position and cash flows.

- **In 2009**

The other non-current borrowings (more than 5 years) represent equity loan granted by OPG.

The increase of current floating rate bank loans is mainly due to the transfer of Sky Office bank loan which is due to expire in 2010 (EUR 65.2 million) and the reclassification of loans previously in breach (EUR -17.3 million) that are no longer in breach as at 31 December 2009.

The Group has entered into interest rate derivatives representing 74.2% of the non-current floating rate borrowing amounts (92.6% in 2008) and 73.4% of the current floating rate borrowing amounts (60.1% in 2008), in order to limit the risk of the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Most floating interest debt instruments have a fixing period of maximum 3 months.

Bank loans include amounts secured by a mortgage on properties and/or a pledge on the shares of the companies benefiting from the loan to the value of EUR 596.0 million (EUR 572.6 million as at 31 December 2008). Orco Germany S.A. usually grants its guarantee in favour of the bank for each of the subsidiaries. The guarantees granted to financial institutions remain fully valid until complete reimbursement of credits. No partial waiver on pledge or mortgage has been scheduled.

The Group's borrowings are fully denominated in euro.

## 10.5 Breached Loans

At 30 June 2010	Principal	Accrued Interest	Total
<b>Long term loans reclassified in ST</b>			
due to Financial covenant breach	7,556	-	7,556
<b>Total LT loans reclassified in ST</b>	<b>7,556</b>	<b>-</b>	<b>7,556</b>
<b>Short term loans in breach</b>			
due to Financial covenant breach	48	17	65
<b>Total ST loans in breach</b>	<b>48</b>	<b>17</b>	<b>65</b>
<b>Total loans linked to assets held for sale</b>	<b>23,000</b>	<b>-</b>	<b>23,000</b>
<b>Total Loans in Breach</b>	<b>30,604</b>	<b>17</b>	<b>30,621</b>

## 10.6 Undrawn bank credit facilities

	30 June 2010	31 December 2009
Expiring within one year	16,807	32,123
Expiring after one year	14,867	15,504
<b>Total</b>	<b>31,674</b>	<b>47,627</b>

The reduction of undrawn credit facilities is mainly due to the following asset sales: H2 Office (EUR -5.2 million), Hellberger (EUR -6.6 million), Bernauerstr. (EUR -0.8 million) and Healthcare projects (EUR -0.9 million). In addition there were further drawdowns in Sky Office which reduced available facilities by EUR -2.8 million.

## 10.7 Other net financial results

	30 June 2010	30 June 2009
Change in fair value and realised result on derivative instruments	(2,314)	(8,689)
Change in fair value and realised result on other financial assets	1	11
Other net finance charges	(1,966)	(1,557)
<b>Gain (loss) on other financial results</b>	<b>(4,279)</b>	<b>(10,235)</b>

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

Change in the fair value of other financial assets essentially relates to movements in fair value of financial assets at fair value through profit or loss.

## 11. INCOME TAXES

The income tax expense recognized in the condensed consolidated interim income statement amounts to EUR -6.5 million and is composed of EUR 0.5 million of current income tax income and EUR -7.0 million of deferred income taxes expenses arising mainly from the deferred tax liabilities made following the booking of revaluations booked on the GSG properties portfolio (EUR -8.2 million).

## 12. EARNINGS PER SHARE

	30 June 2010	30 June 2009
Shares issued at the beginning of the period	48,771,333	48,771,333
Weighted average outstanding shares for the purpose of calculating the basic earnings per share	48,771,333	48,771,333
Weighted average outstanding shares for the purpose of calculating the diluted earnings per share	48,771,333	48,771,333
<b>Net profit /(loss) attributable to Equity holders of the Company</b>	<b>8,338</b>	<b>-104,468</b>
<b>Net profit /(loss) attributable to Equity holders of the Company after assumed conversions / exercises</b>	<b>8,338</b>	<b>-104,468</b>
Basic earnings in EUR per share	0.17	-2.14
Diluted earnings in EUR per share	0.17	-2.14

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

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

## 13. RELATED PARTY TRANSACTIONS

There were no new significant related party transactions during the period. OPG has granted a loan to OG amounting to EUR 18.4 million as at 30 June 2010 (EUR 17.0 million as at 31 December 2009). The accrued interests on this loan amount to EUR 0.8 million.

## 14. EVENTS AFTER BALANCE SHEET DATE

In July 2010, the sale of the commercial development Cumberland in Berlin has been finalised with a cash impact of EUR 9.0 million. The sale revenue amounts to EUR 29 million, EUR 1.0 million above the 31 December 2009 DTZ valuation.



## **Report on Review of Condensed Consolidated Interim Financial Information**

To the Board of Directors of  
**Orco Germany S.A.**

### **Introduction**

We have reviewed the accompanying condensed consolidated interim balance sheet of Orco Germany S.A. and its subsidiaries (the "Group") as of June 30, 2010 and the related condensed consolidated interim income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes (the "condensed consolidated interim financial information"). The Board of Directors is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34, "Interim financial reporting" as adopted by the European Union. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

### **Scope of Review**

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity" as adopted for Luxembourg by the Commission de Surveillance du Secteur Financier. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

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

**Emphasis of matter**

Without qualifying our conclusion, we draw attention to Note 2.1 to the condensed consolidated interim financial information. This note indicates that the Group has substantial outstanding debts service obligation and capital requirements and its operations have been affected and will continue to be affected for the foreseeable future by the uncertainty in real estate market. Management has initiated a restructuring plan that assumes among other things the disposal of some assets, the renegotiation of bank loans and the recapitalisation of Orco Germany S.A.. These conditions, along with other matters as set forth in Note 2.1, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

In the event that the actions contemplated by Management such as the implementation of the restructuring plan described in the Note 2.1 are not successful, Orco Germany S.A.'s ability to continue as a going concern would not be assured. The condensed consolidated interim financial information would have to be prepared on a break-up basis of accounting having impacts on the valuation and on the classification of assets and liabilities, the amounts of which cannot be measured at present.

PricewaterhouseCoopers S.à r.l.  
Represented by

Luxembourg, September 1, 2010



Marc Minet

Declaration Letter  
Interim Report  
as at 30 June 2010

Orco Germany S.A.  
société anonyme  
40, Parc d'Activités Capellen, L-8308 Capellen  
RCS Luxembourg B 102.254

**Responsibilities statement by the person responsible for  
Interim Report as at 30 June 2010**

Mr. Rainer Bormann, director of Orco Germany S.A. and CEO, residing at Sophie-Charlotte-Straße 20, D-14169 Berlin hereby confirms that to the best of his knowledge:

the condensed consolidated interim financial information as at and for the period ended June 30, 2010, prepared in accordance with IAS 34 'Interim financial reporting' as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of Orco Germany S.A. and its subsidiaries included in the consolidation taken as a whole, and the management report includes a fair review of the development and performance of the business and the position of Orco Germany S.A. and the subsidiaries included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Signed by Mr. Rainer Bormann



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Managing Director  
Orco Germany S.A.

In Luxemburg, on 31st August 2010