ORCO PROPERTY GROUP S.A.

Société Anonyme

Condensed consolidated interim financial information

As at 30 June 2013

Orco Property Group's Board of Directors has approved on 29 August 2013 the condensed consolidated interim financial information for the period ended as at 30 June 2013.

All the figures in this report are presented in thousands of Euros and all the comparatives figures have been restated according to the early adoption of IFRS 11 (see Note 2.3), except if explicitly stated.

I. Condensed consolidated interim income statement

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

	Note	6 months 2013	6 months 2012 restated
Revenue	3	**71,354**	**62,208**
Sale of goods		*25,360*	*12,940*
Rent		*31,912*	*34,896*
Hotels, Extended Stay & Restaurants		*5,458*	*4,868*
Services		*8,624*	*9,504*
Net gain or loss from fair value adjustments on Investment Property	3/4	2,226	(4,741)
Other operating income	3	771	5,487
Net result on disposal of assets	3/4/5/8	645	885
Cost of goods sold	3/7	(21,328)	(12,701)
Employee benefits		(10,957)	(11,695)
Amortisation, impairments and provisions	4/5/7	(8,239)	(24,632)
Other operating expenses	3	(23,245)	(23,896)
Operating result		**11,227**	**(9,085)**
Interest expenses	11.4	(19,920)	(38,297)
Interest income		3,681	1,963
Foreign exchange result		(2,415)	8,383
Other net financial results	12	18,032	29,202
Financial result		**(622)**	**1,251**
Share profit or loss from equity affiliates	6.4	**(77)**	**(186)**
Profit or loss before income taxes		**10,527**	**(8,020)**
Income taxes		(6,112)	(4,098)
Profit from continuing operations		**4,415**	**(12,119)**
Profit or loss after tax from discountinued operations		(467)	-
Net profit or loss for the period		**3,948**	**(12,119)**
Total profit or loss attributable to:			
Non controlling interests	10	(3,040)	(3,074)
Owners of the Company		**6,988**	**(9,045)**
Basic earnings in EUR per share	13	0.06	(0.42)
Diluted earnings in EUR per share	13	0.06	(0.42)

*(*) "**Restated**" is the 6 months 2012 Income Statement with an amended presentation of the Joint Ventures contributions, in line with the IFRS 11 transition measures and as detailed in Note 2.3, and Office Sub-fund, as detailed in the 2012 Financial Statements (Note 2.1.3.4).*

II. Condensed consolidated interim statement of comprehensive income

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

	6 months 2013	6 months 2012 Restated
Profit (or Loss) for the period	**3,948**	**(12,119)**
Other comprehensive income (or loss)		
Items that are or may be reclassified subsequently to profit or loss	(6,688)	
Currency translation differences	(6,688)	4,296
Total comprehensive income (or loss) attributable to:	**(2,740)**	**(7,823)**
Owners of the Company	338	(4,626)
Non-controlling interests	(3,078)	(3,197)

III. Condensed consolidated statement of financial position

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

ASSETS	Note	30 June 2013	31 December 2012 restated
NON-CURRENT ASSETS		**1,035,933**	**1,048,083**
Intangible assets		**46,781**	**47,338**
Investment property	4	**776,115**	**782,731**
Property, plant and equipment		**102,257**	**101,882**
Hotels and owner occupied buildings	5	89,468	88,738
Fixtures and fittings		12,789	13,145
Investments in equity affiliates	6.4	**202**	**8,909**
Financial assets at fair value through profit or loss	6.1	**33,577**	**32,919**
Financial assets available-for-sale	6.2	**9,792**	**9,466**
Non current loans and receivables	6.3	**66,825**	**64,486**
Deferred tax assets		**384**	**353**
CURRENT ASSETS		**329,276**	**339,478**
Inventories	7	246,402	262,130
Trade receivables		20,903	22,343
Other current assets		25,092	24,579
Derivative instruments		1,276	20
Current financial assets		-	37
Cash and cash equivalents	9	31,179	23,633
Assets held for sale & Discountinued operations	8	4,424	6,736
TOTAL		**1,365,210**	**1,387,561**

EQUITY & LIABILITIES	Note	30 June 2013	31 December 2012 restated
EQUITY		**457,692**	**443,993**
Equity attributable to owners of the Company	14	**431,621**	**440,156**
Non controlling interests	10	**26,071**	**3,837**
LIABILITIES		**907,518**	**943,568**
Non-current liabilities		**499,736**	**600,096**
Bonds	11.1	61,525	59,193
Financial debts	11.2	309,063	408,196
Provisions & other long term liabilities		24,636	32,574
Deferred tax liabilities		104,512	100,133
Current liabilities		**407,782**	**343,473**
Current bonds	11.3	321	261
Financial debts	11.3	283,119	222,879
Trade payables		24,723	25,570
Advance payments		34,638	32,554
Derivative instruments	11.4	1,882	6,446
Other current liabilities		53,501	45,971
Liabilities linked to assets held for sale & Discountinued operations	8	9,597	9,792
TOTAL		**1,365,210**	**1,387,561**

IV. Condensed consolidated interim statement of changes in equity

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

	Share Capital	Share Premium	Translation Reserve	Treasury Shares	Other Reserves	Equity attributable to owners of the Company	Non controlling interests	Equity
Balance at 31 December 2011 (Restated)	**69,921**	**418,688**	**14,041**	**(22,813)**	**(204,160)**	**275,677**	**8,407**	**284,084**
Impact of the change in consolidation method	-	-	-	-	*16,144*	***16,144***	*(3,259)*	***12,885***
Balance at 31 December 2011 (Published)	***69,921***	***418,688***	***14,041***	***(22,813)***	***(220,304)***	***259,533***	***11,666***	***271,199***
Profit (loss) for the period:								
Translation differences			4,418			4,418	(123)	4,295
Profit /(Loss) for the period					(9,044)	(9,044)	(3,074)	(12,118)
Total comprehensive income	**-**	**-**	**4,418**	**-**	**(9,044)**	**(4,626)**	**(3,197)**	**(7,823)**
Capital increase of 14 May 2012	75,283	710			(22,744)	53,248		53,248
Own equity investments				366	(263)	103		103
Non repaid equity part of OCA issued in May 2012					22,024	22,024	(62)	21,962
Non controlling interests' transactions					(1,516)	(1,516)	927	(589)
Balance at 30 June 2012 (Restated)	**145,204**	**419,398**	**18,459**	**(22,447)**	**(215,705)**	**344,909**	**6,075**	**350,985**
Impact of the change in consolidation method	-	-	-	-	*14,101*	***14,101***	*(3,536)*	***10,565***
Prior-Period adjustement (*)	-	-	-	-	*(3,662)*	***(3,662)***	*(338)*	***(4,000)***
Balance at 30 June 2012 (Published)	***145,204***	***419,398***	***18,459***	***(22,447)***	***(226,144)***	***334,470***	***9,949***	***344,419***
Profit (loss) for the period:								
Translation differences			3,265			3,265	(152)	3,113
Profit /(Loss) for the period					(32,697)	(32,697)	(1,988)	(34,685)
Total comprehensive income	**-**	**-**	**3,265**	**-**	**(32,697)**	**(29,432)**	**(2,140)**	**(31,572)**
Capital increase of 3 September 2012	264,768	225,150			(367,221)	122,697		122,697
Capital increase of 28 September 2012	32,177	949			(10,366)	22,759		22,759
Non repaid equity part of OCA issued in May 2012					(22,024)	(22,024)	62	(21,962)
Own equity investments				20,577	(23,390)	(2,813)		(2,813)
Non controlling interests' transactions					4,060	4,060	(161)	3,899
Balance at 31 December 2012 (Restated)	**442,148**	**645,497**	**21,724**	**(1,870)**	**(667,343)**	**440,156**	**3,837**	**443,993**
Impact of the change in consolidation method	-	-	-	-	*14,456*	***14,456***	*(3,490)*	***10,966***
Balance at 31 December 2012 (Published)	***442,148***	***645,497***	***21,724***	***(1,870)***	***(681,799)***	***425,700***	***7,327***	***433,027***
Profit (loss) for the period:								
Translation differences			(6,650)			(6,650)	(38)	(6,688)
Profit /(Loss) for the period					6,988	6,988	(3,040)	3,948
Total comprehensive income	**-**	**-**	**(6,650)**	**-**	**6,988**	**338**	**(3,078)**	**(2,740)**
Decrease of share's nominal value	(226,466)				226,466	-		-
Own equity instruments				1,639	614	2,253		2,253
Non controlling interests' transactions					(11,127)	(11,127)	25,312	14,184
Balance at 30 June 2013	**215,682**	**645,497**	**15,074**	**(231)**	**(444,402)**	**431,621**	**26,071**	**457,692**

(*) See Note 2.1.3.5 of the December 2012 Consolidated Financial Statements.

Definitions

Share Capital is the initial value for which the shareholders subscribed the shares from the issuing company.

Share Premium is an excess amount received by the Company over the par value of its shares. This amount forms a part of the non-distributable reserves of the Company which usually can be used only for purposes specified under corporate legislation.

Translation Reserve includes exchange differences relating to the translation of the results and net assets of the group's foreign operations from operational to the Group's consolidation currency. Exchange differences previously accumulated in the translation reserve are reclassified to profit or loss on the disposal of the respective foreign assets and operations.

Treasury Shares are shares issued by the Company and controlled by itself. Treasury shares come from a repurchase or buyback from shareholders. These shares do not pay dividends, have no voting rights, and are not included in shares outstanding calculations.

Other Reserves are created from accumulated profits and losses and other equity operations, such as scope variations, variation of detention, or revaluation of assets. These reserves may be subject to the distribution of dividends.

Non-controlling interests are interests of the Group's equity not attributable, directly or indirectly, to a parent. They belong to those shareholders who do not have a controlling interest in the Group.

V. Condensed consolidated interim cash flow statement

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

	30 June 2013	30 June 2012 restated
OPERATING RESULT	**11,227**	**(9,085)**
Net gain / loss from fair value adjustments on investment property	(2,226)	4,741
Amortization, impairments and provisions	8,239	24,632
Net result on disposal of assets	(645)	(885)
Adjusted operating profit / loss	**16,595**	**19,403**
Financial result	(556)	(741)
Income tax paid	(1,629)	(1,057)
Financial result and income taxes paid	**(2,185)**	**(1,798)**
Changes in operating assets and liabilities (*)	**(977)**	**(2,856)**
NET CASH FROM /(USED IN) OPERATING ACTIVITIES	**13,433**	**14,749**
Capital expenditures and tangible assets acquisitions	(1,827)	(1,524)
Proceeds from sales of non current tangible assets (**)	5,203	93,905
Purchase of intangible assets	(166)	(184)
Purchase of financial assets	(145)	-
Loans granted to associates	(4,042)	-
Deferred consideration repayment received from long-term receivables (***)	634	1,747
Proceeds from disposal of associates	8,742	-
Proceeds from disposal of financial assets	1,746	-
NET CASH FROM INVESTING ACTIVITIES	**10,145**	**93,944**
Proceeds on disposal of treasury shares	2,253	-
Proceeds on disposal of partial interests in a subsidiary	7,603	-
Proceeds from borrowings	7,079	493
Net interest paid	(9,026)	(15,423)
Repayments of borrowings	(20,304)	(85,584)
Restructuring fees	(3,094)	
NET CASH USED IN FINANCING ACTIVITIES	**(15,489)**	**(100,514)**
NET INCREASE/(DECREASE) IN CASH	**8,089**	**8,179**
Cash and cash equivalents at the beginning of the year (****)	23,633	32,839
Exchange difference on cash and cash equivalents	(543)	286
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (****)	**31,179**	**41,304**

(*) Changes in operating assets and liabilities include EUR 16.0 million of inventories variation related to the land of Bubny sale (see Note 7). Changes in operating assets and liabilities without Bubny land sale's impact amount to EUR -15.0 million.

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

(***) Deferred consideration related to the sale of our Russian assets portfolio in 2011 recognized as a long term receivable (see Note 6.3).

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

Selected notes to the condensed consolidated interim financial information

1 General information

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

The Company is a limited liability company incorporated for an unlimited term and registered in Luxembourg. The address of its registered office is 40 rue de la Vallée, L-2661, Luxembourg.

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

This condensed consolidated interim financial information has been approved for issue by the Board of Directors on 29 August 2013.

2 Summary of significant accounting policies

2.1 Basis of preparation

The condensed consolidated interim financial information for the six months ended 30 June 2013 has been prepared in accordance with IAS 34, Interim Financial Reporting. They do not include all the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the group's financial position and performance since the last annual consolidated financial statements as at and for the year ended 31 December 2012.

Going concern

In determining the appropriate basis of preparation of the condensed consolidated interim financial information, the Directors are required to consider whether the Group can continue in operational existence for the foreseeable future.

The financial performance of the Group is naturally affected by the widely negative macro-economic environment in which the Group has operated over the last 5 years which has generated increased uncertainty about the evolution of the real estate market in Central Europe that damaged the Group's activity and which is slowing down the refinancing negotiations. Nevertheless, economies in Central Europe are recently showing signs of stability if not recovery and 40% of the Group's real estate and financial assets are located in Berlin which is currently amongst the most attractive real estate market in Europe.

The Group's management has been successful in deleveraging the Group with the bonds' restructuring in 2012, stabilizing its bank financing with the resolution of breaches and generating cash by asset sales (mainly Orco Germany SA shares for EUR 8.0 Million in May 2013). On 27 June 2013, the shareholders voted in favor of increasing the authorized capital of OPG which resulted in EUR 15 million of additional investment from the existing shareholders in August 2013.

Besides the assets or subsidiaries requiring successful refinancing of their bank loans, some subsidiaries and joint ventures held by the Group require funding to continue as going concerns. However, these do not threaten the going concern of the Group as a whole. The Group business plan is established on the basis of its capacity to generate sufficient cash from its activities, the shareholders financial support and asset sales in order to fund the activities or assets that are currently in development or restructuring.

Nevertheless with short term liabilities, whether in line with initial contracted term or as a result of covenant breaches, amounting to EUR 293 Million some risks still persist on the refinancing of specific Group assets or activities. (This amount includes EUR 52 Million of long term loan financing of the Zlota 44 development on which an amendment was signed in August 2013 which resolved the covenant breaches and the availability of new drawdowns). Management continuously assesses the status of all refinancing discussions and implications for the Group's ability to continue as a going concern and has noted that there is material uncertainty in respect of the ability to refinance the three loans financing the Hungarian assets - Vaci 1, Paris Department Store and Szervita. OPG has guaranteed the debt servicing for the part that is not covered by the cash flow of local legal entities (as integrated in the Group cash flow forecast). Discussions with the financing bank are on-going in order to secure a joint refinancing of the three loans. If this, and the other significant transactions (shareholder financial support and asset sales) included within the cash flow forecast are cumulatively not successful then this gives rise to a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and therefore, to meet its liabilities as they fall due. The condensed consolidated interim financial information does not include any adjustments that might result from the going concern basis of preparation being inappropriate.

Management is confident that the steps and actions initiated are those that will lead to a successful refinancing of most short-term or defaulting loans currently under negotiation. Nevertheless, the Group is dependent on the decisions of third parties and the refinancing negotiations are not yet sufficiently secure. As the risks and uncertainties covered by the contemplated initiatives described above have been included in the cash flow forecast using conservative assumptions, there is a reasonable expectation that the Company can continue its operations in the foreseeable future and, accordingly, conclude that it is appropriate to prepare the condensed consolidated interim financial information as at 30 June 2013 on a going concern basis.

2.2 Accounting policies

The accounting policies have been consistently applied by the Group's entities and are consistent with those applied by the Group for its 31 December 2012 consolidated financial statements, except for the application of the revised and new standards and interpretations applied as from 1 January 2013 as described below.

a) New and amended standards adopted by the Group in 2013

The Group adopted the following new norms and amendments in 2013 without impact on the consolidated accounts of the Group:

- Improvement to IFRSs 2009-2011 issued on 17 May 2012 which amends the following standards:

  IFRS 1 (Borrowing costs relating to qualifying assets for which the commencement date for capitalization is before the date of transition to IFRSs), IFRS 1 (Permit the repeated application of IFRS 1), IAS 1 (Clarification of the requirements for comparative information), IAS 16 (Classification of servicing equipment), IAS 32 (Clarify that tax effect of a distribution to holders of equity instruments should be accounted for in accordance with IAS 12 Income Taxes), IAS 34 (Clarify interim reporting of segment information for total assets in order to enhance consistency with the requirements in IFRS 8 Operating Segments).

- IFRS 13: Fair Value Measurement.
- Amendment to IFRS 7: Disclosures-Offsetting Financial Assets and Financial Liabilities.

The Group assessed in 2012 (See Note 2.1.3 of the December 2012 Consolidated Financial Statements) that the impact which results from the implementation of the IFRS 10, 11 and 12 is limited to the change in consolidation method of the joint arrangements, in which the Group participates (See Note 2.3). The impact of the implementation of the IAS 19 amendment has been assessed by the Group in 2012 and disclosed in Note 20 of the December 2012 Financial Statements. These assessments were confirmed in 2013.

- IFRS 10: Consolidated Financial Statements
- IFRS 11: Joint Arrangements
- Amendments to IFRS 10, IFRS 11, IFRS 12: Transition guidance
- Amendments IAS 27 (as revised in 2011): Separate Financial Statements
- Amendments IAS 28 (as revised in 2011): Investments in Associates and Joint Ventures
- IFRS 12: Disclosure of Interests in Other Entities
- Amendment to IAS 19 (as revised in 2011): Employee Benefits

b) The following new standards, new interpretations and amendments to standards and interpretations have been adopted by the European Union, but not compulsory before the financial year beginning 1 January 2014 and have not been early adopted by the Group:

- Amendments IAS 32 - Offsetting Financial Assets and Financial Liabilities.

c) The following new standards have been issued by the IASB but are not adopted by the European Union:

- IFRS 9, Financial Instruments. This standard addresses classification and measurement of financial assets and liabilities and is very likely to affect the Group's accounting treatment on financial instruments;
- Amendment IAS 36 – Recoverable Amount Disclosures for Non-Financial Assets;
- Amendment IAS 39 – Novation of Derivatives and Continuation of Hedge Accounting;
- Interpretation IFRIC 21 – Levies.
- Amendment IFRS 10, IFRS 12, IAS 27 – Investment entities.

The Group is referring to the endorsement status of the IFRS new standards new interpretations and amendments to standards and interpretations as they are published by the European Union (http://ec.europa.eu/internal_market/accounting/ias/index_en.htm).

2.3 Change in consolidation method

The Group has early adopted IFRS 11 and changed the criteria for election from Proportionate to Equity Method for consolidation of investments in joint venture (JV). The Group now has to recognize its JVs under the equity method and has consequently restated the opening balance and all the comparative periods. The opening balance of the investments has been measured at the aggregate of the carrying amounts of the assets and liabilities of the entities previously proportionately consolidated which is considered as the deemed cost of the investment at initial recognition.

As of December 2012, the aggregated assets and liabilities of the investment in the Hospitality JV resulted in a net liability of EUR 40.9 Million. As the Group does not have any legal obligation in relation to the negative asset, the Group adjusted the retained earnings and consequently recognized its investment in the Hospitality JV for a nil value. The Profit Participation Loan (PPL) granted to the Hospitality joint venture with the real estate investment funds managed by AIG subsidiary has been fair valued on the basis of management estimates of the expected cash flows from the loans and the specific credit spread depending on the loan characteristics and the legal entity benefiting directly from the loan.

As a result of this change in consolidation method, as of December 2012:

- The Net Result of the Group decreased by EUR 1.7 Million mainly due to the fact that the Hospitality JV is no longer contributes to the Group Net Result (positive contribution before restatement of EUR 0.8 Million) and the complementary loss in fair value recognized on the PPL (EUR -2.5 Million);
- The Equity of the Group increased by EUR 14.4 Million due to the change in Net Result, the gain resulting from the cap of the non-guaranteed liabilities on the Hospitality JV Equity (EUR + 40.8 Million) and the historical revaluation of the PPL in Equity (EUR -26.3 Million);
- The new entities accounted for under the Equity Method are increasing by EUR 0.2 million the value of Investments under Equity Method before early adoption (see Note 6.4).

	6 months 2012 As published	Impact of the change in consolidation method of the JVs	6 months 2012 As restated
Revenue	**69,455**	**(7,247)**	**62,208**
Sale of goods	*14,002*	*(1,062)*	*12,940*
Rent	*35,096*	*(199)*	*34,896*
Hotels, Extended Stay & Restaurants	*10,749*	*(5,881)*	*4,868*
Services	*9,608*	*(105)*	*9,504*
Net gain or loss from fair value adjustments on Investment Property	(5,309)	568	(4,741)
Other operating income	5,522	(36)	5,487
Net result on disposal of assets	886	(1)	885
Cost of goods sold	(13,610)	909	(12,701)
Employee benefits	(13,593)	1,898	(11,695)
Amortisation, impairments and provisions	(25,806)	1,173	(24,632)
Other operating expenses	(26,557)	2,661	(23,896)
Operating result	**(9,012)**	**(73)**	**(9,085)**
Financial result	**3,053**	**(1,802)**	**1,251**
Share profit or loss from equity affiliates	**-**	**(186)**	**(186)**
Profit or loss before income taxes	**(5,958)**	**(2,062)**	**(8,020)**
Income taxes	(3,839)	(259)	(4,098)
Profit from continuing operations	**(9,798)**	**(2,321)**	**(12,119)**
Profit or loss after tax from discountinued operations	-	-	-
Net profit or loss for the period	**(9,798)**	**(2,321)**	**(12,119)**
Total profit or loss attributable to:			
Non controlling interests	(2,796)	(278)	(3,074)
Owners of the Company	**(7,002)**	**(2,042)**	**(9,045)**
Basic earnings in EUR per share	(0.33)	(0.10)	(0.42)
Diluted earnings in EUR per share	(0.24)	(0.18)	(0.42)

ASSETS	31 December 2012 *As published*	Impact of the change in consolidation method of the JVs	31 December 2012 *As restated*
NON-CURRENT ASSETS	**1,084,801**	**(36,718)**	**1,048,083**
Intangible assets	**47,652**	**(314)**	**47,338**
Investment property	**791,881**	**(9,150)**	**782,731**
Property, plant and equipment	**144,308**	**(42,426)**	**101,882**
Hotels and owner occupied buildings	130,580	(41,843)	88,738
Fixtures and fittings	13,728	(583)	13,145
Investments in equity affiliates	**8,738**	**171**	**8,909**
Financial assets at fair value through profit or loss	**17,918**	**15,001**	**32,919**
Financial assets available-for-sale	**9,466**	**-**	**9,466**
Non current loans and receivables	**64,486**	**-**	**64,486**
Deferred tax assets	**353**	**-**	**353**
CURRENT ASSETS	**345,069**	**(5,591)**	**339,478**
Inventories	265,497	(3,366)	262,130
Trade receivables	22,406	(62)	22,343
Other current assets	25,172	(592)	24,579
Derivative instruments	20	-	20
Current financial assets	37	-	37
Cash and cash equivalents	25,203	(1,570)	23,633
Assets held for sale & Discountinued operations	6,736	-	6,736
TOTAL	**1,429,871**	**(42,309)**	**1,387,561**

EQUITY & LIABILITIES			
EQUITY	**433,039**	**10,954**	**443,993**
Equity attributable to owners of the Company	**425,712**	**14,444**	**440,156**
Non controlling interests	**7,327**	**(3,490)**	**3,837**
LIABILITIES	**996,832**	**(53,264)**	**943,568**
Non-current liabilities	**648,350**	**(48,254)**	**600,096**
Bonds	59,193	-	59,193
Financial debts	451,420	(43,224)	408,196
Provisions & other long term liabilities	36,404	(3,829)	32,574
Deferred tax liabilities	101,334	(1,201)	100,133
Current liabilities	**348,482**	**(5,009)**	**343,473**
Current bonds	261	-	261
Financial debts	223,697	(819)	222,879
Trade payables	26,085	(515)	25,570
Advance payments	32,752	(198)	32,554
Derivative instruments	8,323	(1,878)	6,446
Other current liabilities	47,571	(1,600)	45,971
Liabilities linked to assets held for sale & Discountinued operations	9,792	-	9,792
TOTAL	**1,429,871**	**(42,309)**	**1,387,561**

2.4 Seasonality

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

2.5 Significant accounting estimates and judgments

The methodology and assumptions applied for the valuation of real estate assets and developments are consistent with the ones described in the annual consolidated financial statements as at December 31, 2012.

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

- Credit spread used on the “Profit participating loan” granted to Hospitality Invest S.a.r.l. : 4.00%;
- Liquidity discount used on the investment in Endurance Fund : 57.5%

	2013		2012	
Per rate type	Min	Max	Min	Max
Discount rate	6,0%	14,0%	5,5%	14,3%
Capitalization yield	NA	NA	7,0%	15,3%
Cap rate	6,0%	18,0%	5,6%	18,0%

Per asset type	Capitalization yield		Cap rate		Discount rate	
	Min	Max	Min	Max	Min	Max
Hospitality	NA	NA	7,5%	17,0%	8,0%	14,0%
Berlin portfolio	NA	NA	6,0%	8,3%	6,0%	9,4%
Central Europe portfolio AHD	NA	NA	8,5%	13,0%	8,0%	13,0%
Central Europe portfolio Rental	NA	NA	7,5%	18,0%	7,3%	12,5%

The principal assumptions underlying management's estimation of fair value are those related to: the potential use of the asset, the receipt of contractual rentals; expected future market rentals; void periods; maintenance requirements; and appropriate discount rates. The fair value is based on the potential use of the properties as determined by the Group. Fair value is the highest value, determined from market evidence, by considering any other use that is financially feasible, justifiable and reasonably probable. The "highest and best-use" value results in a property's value being determined on the basis of redevelopment of the site. These valuations are regularly compared to actual market yield data, actual transactions by the Group and those reported by the market.

The expected future market rentals are determined on the basis of current market rentals for similar properties in the same location and condition.

Change of the Discount Rate and of the Exit Capitalization Rate would have the following impact on the portfolio of rental assets:

Figures in EUR Million

Portfolio	Discount Rate		Exit Cap Rate	
	DR - 25 bps	DR + 25 bps	ECR - 25 bps	ECR + 25 bps
Berlin Portfolio	9,76	(9,56)	9,41	(8,79)
Central Europe Portfolio	3,77	(3,69)	3,28	(3,09)
Total	13,53	(13,25)	12,69	(11,88)

DR : Discount rate, ECR : Exit Capitalization Rate

Out of the short term liabilities, whether in line with initial contracted term or as a result of covenants' breaches, amounting to EUR 293 Million a total amount of EUR 279 Million need to be restructured or refinanced. Such loans have Group assets pledged in guarantee amounting to EUR 469 Million. For all of them the Group has retained the same valuation principles than any other comparable asset even though there is a risk that refinancing talks might not have a positive achievement. Indeed, the risk is considered as remote on the basis of the constructive oral and written exchanges with financing banks at the time of the publication of this report.

3 Segment reporting

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

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

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

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

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

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

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

3.1 Segment Reporting - 30 June 2013

Profit & Loss 30 June 2013	Development	Property Investments	TOTAL
Revenue	**25.593**	**45.760**	**71.353**
Sale of goods	*25.281*	*79*	***25.360***
Rent	*170*	*31.743*	***31.913***
Hotels, Extended Stay & Restaurants	*23*	*5.435*	***5.458***
Services	*120*	*8.504*	***8.624***
Net gain or loss from fair value adjustments on investment property	(489)	2.715	**2.226**
Cost of goods sold	(20.686)	(642)	**(21.328)**
Impairments - Allowance	(3.291)	(575)	**(3.866)**
Impairments - Write-Back	122	253	**375**
Amortization and provisions	(770)	(3.980)	**(4.750)**
Other operating results	(5.851)	(26.935)	**(32.786)**
Operating Result	**(5.371)**	**16.597**	**11.226**
Net gain or loss from fair value adjustments on investment property	489	(2.715)	**(2.226)**
Impairments - Allowance	3.291	575	**3.866**
Impairments - Write-Back	(122)	(253)	**(375)**
Amortization and provisions	770	3.980	**4.750**
Net result on disposal of assets	(525)	(119)	**(644)**
Adjusted EBITDA	**(1.469)**	**18.064**	**16.595**
Financial Result			**(622)**
Share profit or loss from equity affiliates			**(77)**
Profit & Loss before Income Tax			**10.527**

Balance Sheet & Cash Flow 30 June 2013	Development	Property Investments	TOTAL
Segment Assets	**265,981**	**844,190**	**1,110,171**
Investment Property	21,637	754,478	**776,115**
Property, plant and equipment	-	89,510	**89,510**
Inventories (*)	244,344	-	**244,344**
Assets held for sale	-	-	**-**
Investments in equity affiliates	-	202	**202**
Unallocated assets			*255,038*
Total Assets			**1,365,209**
Segment Liabilities	**-**	**-**	**-**
Liabilities linked to assets held for sale	-	-	**-**
Unallocated liabilities			*1,365,209*
Total Liabilities			**1,365,209**
Cash flow elements	**96**	**1,104**	**1,200**
Capital expenditure	96	1,104	**1,200**

Direct Operating Expenses 30 June 2013	Development	Property Investments	TOTAL
Direct operating expenses arising from investment property that :			
- generated rental income	(34)	(17,716)	**(17,750)**
- did not generated rental income	(41)	(125)	**(166)**

(*) The only allocable inventories are related to the real estate properties.

3.2 Segment Reporting - 30 June 2012 restated

Profit & Loss 30 June 2012 (restated)	Development	Property Investments	TOTAL
Revenue	16,321	45,887	62,208
Sale of goods	*12,857*	*84*	***12,941***
Rent	*3,345*	*31,551*	***34,896***
Hotels, Extended Stay & Restaurants	*-*	*4,868*	***4,868***
Services	*119*	*9,384*	***9,503***
Net gain or loss from fair value adjustments on investment property	1,579	(6,319)	**(4,740)**
Cost of goods sold	(12,226)	(475)	**(12,701)**
Impairments - Allowance	(18,962)	(697)	**(19,659)**
Impairments - Write-Back	(835)	868	**33**
Amortization and provisions	(3,897)	(1,110)	**(5,007)**
Other operating results	(4,843)	(24,376)	**(29,219)**
Operating Result	(22,862)	13,778	(9,084)
Net gain or loss from fair value adjustments on investment property	(1,579)	6,319	**4,740**
Impairments - Allowance	18,962	697	**19,659**
Impairments - Write-Back	835	(868)	**(33)**
Amortization and provisions	3,897	1,110	**5,007**
Net result on disposal of assets	(923)	38	**(885)**
Adjusted EBITDA	**(1,671)**	**21,074**	**19,403**
Financial Result			1,251
Share profit or loss from equity affiliates			(186)
Profit & Loss before Income Tax			(8,020)

Balance Sheet & Cash Flow 30 June 2012 (restated)	Development	Property Investments	TOTAL
Segment Assets	411,757	882,566	1,294,323
Investment Property	37,170	758,856	**796,026**
Property, plant and equipment	-	97,118	**97,118**
Inventories (*)	371,012	-	**371,012**
Assets held for sale	3,575	-	**3,575**
Investments in equity affiliates	-	26,592	**26,592**
Unallocated assets			*240,188*
Total Assets			**1,534,511**
Segment Liabilities	-	-	-
Liabilities linked to assets held for sale	-	-	**-**
Unallocated liabilities			*1,534,511*
Total Liabilities			**1,534,511**
Cash flow elements	599	1,646	2,245
Capital expenditure	599	1,646	**2,245**

Direct Operating Expenses 30 June 2012 (restated)	Development	Property Investments	TOTAL
Direct operating expenses arising from investment property that :			
- generated rental income	(49)	(18,444)	**(18,493)**
- did not generated rental income	(67)	(75)	**(142)**

(*) The only allocable inventories are related to the real estate properties.

"Restated": *See Note 2.3 of the present Financial Statements and Note 2.1.3.4 of the December 2012 Consolidated Financial Statements.*

4 Investment property

The main assumptions used to calculate the fair value of the projects are disclosed in Note 4.1 of the December 2012 Consolidated Financial Statements.

	Freehold buildings	Extended stay hotels	Land bank	TOTAL
Balance at 31 December 2011 (*)	**804,588**	**18,724**	**39,472**	**862,784**
Scope movements	-	-	(6,322)	(6,322)
Investments / acquisitions	1,511	5	599	2,114
Asset sales	(73,530)	-	(1,073)	(74,603)
Revaluation through income statement	(8,007)	16	477	(7,514)
Changes in classification	(1,380)	-	(5,450)	(6,830)
Transfers in/from asset held for sale	(1,450)	-	928	(522)
Other transfers	-	(20)	(1,206)	(1,226)
Translation differences	12,711	482	1,656	14,849
Balance at 31 December 2012 (*)	**734,443**	**19,207**	**29,081**	**782,731**
Investments / acquisitions	1,031	-	96	1,127
Asset sales	(181)	-	(4,467)	(4,648)
Revaluation through income statement	3,682	(967)	(490)	2,226
Transfers in/from asset held for sale	1,450	-	-	1,450
Other transfers	-	-	39	39
Translation differences	(5,186)	(590)	(1,032)	(6,808)
Balance at 30 June 2013	**735,239**	**17,650**	**23,227**	**776,115**

(*) Restated

❖ In 2013

54 investment properties (EUR 739.9million) financed by bank loans located in special purpose entities are fully pledged for EUR 469.3 million.

a) Investments / Acquisitions

Over the first 6 months of 2013, the Group has invested EUR 1.1 million representing mainly the capitalization on mixed retail and office portfolio in Berlin for EUR 0.7 million.

b) Asset sales

The main disposal recognized over the period is the sale of U Hranic SPV, in Prague, for a total sale price of EUR 4.3 million.

The net gain of the asset sale amounts to EUR 0.5 million in P&L which is mainly explained by accumulated foreign exchange losses in consolidated equity amounting to EUR 0.3 million.

c) Revaluation through the income statement (6 months – June 2013)

	Freehold buildings	Extended stay hotels	Land bank	TOTAL
Czech Republic	(2,344)	(967)	(574)	(3,885)
Germany	15,827	-	-	15,827
Poland	53	-	100	153
Croatia	-	-	(16)	(16)
Hungary	(7,895)	-	-	(7,895)
Slovakia	(2,320)	-	-	(2,320)
Luxembourg	360	-	-	360
Balance at 30 June 2013	**3,682**	**(967)**	**(490)**	**2,226**

The movements in fair value of the assets are mainly related to the freehold buildings and land bank:

- In Germany with a positive revaluation of the Kreuz-Berg (EUR 12.4 million), Rest-West (EUR 6.2 million) and Gebauer-Hofe (EUR 0.6 Million) buildings and a negative revaluation of the None-Core (EUR -0.5 million) and East (EUR -2.9 million) buildings.
- In the Czech Republic with the Freehold buildings of Bubenska (EUR -2.9 million) and Na Porici (EUR 1.0 million), the Land bank of Bellevue Grand (EUR -0.6 million) and the Pachtuv Palac, extended stay hotel in Prague (EUR -1.0 million);
- In Poland with a land bank in Krakow and Diana Office for a total of EUR 0.1 million;
- In Hungary with the freehold buildings Vaci 1 (EUR -4.8 million), Szervita (EUR -1.5 million) and the Main Budapest Bank (EUR -1.6 million);
- In Slovakia with an decrease in fair value mainly explained by Dunaj (EUR -2.3 million) an rental property;
- In Luxembourg with the freehold building of Cappellen (EUR 0.4 million).

d) Transfers

Land banks – Changes in classification

The EUR 0.2 million are related to the Szczecin project variances (including translation differences for EUR 0.2 million) over the period which have to be reclassified in Discontinued Operation, according to the change in classification of this project in 2012.

Freehold buildings – Transfers from Held for Sale Assets

As the sale was canceled the Group has decided to transfer back the freehold building Skalitzer Str. in Berlin from Held for Sale Assets for EUR 1.5 million.

❖ In 2012

54 investment properties (739.8 million) financed by bank loans located in special purpose entities are fully pledged for EUR 478.0 million.

a) Investments / Acquisitions

Over the year 2012, the Group has invested EUR 2.1 million in Investment Properties representing mainly capitalization on mixed retail and office in Berlin for EUR 1.0 million, land banks in the Czech Republic and Poland for EUR 0.6 million and the Szervita mixed office and parking property in Budapest for EUR 0.3 million.

Over the year 2012, the Group did not proceed to any asset acquisition or any acquisition through business combinations.

b) Asset sales

As of 31st of December 2012, the net book value ("NBV") of the assets sold represents EUR 74.6 million, for a total sale price of EUR 75.9 million out of which EUR 39.3 million have been used to repay the bank loan on Radio Free Europe in Czech Republic, composed mainly of the following disposals:

- Radio Free Europe in Prague (NBV of EUR 70.0 million) at the sale price of EUR 69.3 million;
- 4 assets in Vinohrady, Prague (NBV of EUR 1.9 million) at the sale price of EUR 1.4 million;
- Ackerstrasse 81 and 93 in Berlin (NBV of EUR 1.5 million) at the sale price of EUR 2.0 million;
- Elb loft in Hamburg (NBV of EUR 1.1 million) at the sale price of EUR 1.5 million.

The total net loss compared to the December 2011 net book value of the assets amounts to EUR 2.1 million in P&L which is mainly explained by accumulated foreign exchange losses in consolidated equity amounting to EUR 1.8 million on Radio Free Europe.

c) Revaluation through the income statement (12 months – December 2012)

	Freehold buildings	Extended stay hotels	Land bank	TOTAL
Czech Republic	(5,393)	16	1,099	(4,278)
Germany	17,690	-	360	18,050
Poland	(1,824)	-	(654)	(2,478)
Croatia	-	-	(327)	(327)
Hungary	(13,114)	-	-	(13,114)
Slovakia	(3,837)	-	-	(3,837)
Russia	-	-	-	-
Luxembourg	(1,530)	-	-	(1,530)
Balance at 31 December 2012 (*)	**(8,007)**	**16**	**477**	**(7,514)**

(*) Restated

The movements in fair value of the assets are mainly related to the freehold buildings and land bank:

- In Germany with the freehold buildings Gneisenaustrasse (EUR 1.0 million), Pankow (EUR 1.1 million), Schlesische Str. (EUR 1.3 million), Kopenicker Str. (EUR 1.4 million) Reichenberger Str. (EUR 1.4 million), Helmholtz Str. (EUR 1.5 million) Zossener Str. (EUR 1.6 million) and Franklinstrasse (EUR 2.9 million).
- In the Czech Republic with the Freehold buildings of Bubenska (EUR -3.5 million), Na Porici (EUR -1.3 million) and the Land banks of Decin (EUR -0.8 million), Na Frantisku (EUR 0.6 million), U Hranic (EUR 0.9 million) and Praga (EUR 1.5 million);
- In Poland with the Freehold buildings Marki (EUR -1.1 million) and Diana Office (EUR -0.7 million);
- In Hungary with the freehold buildings Vaci 1 (EUR -6.0 million), Paris Department Store (EUR -3.0 million), Szervita (EUR -2.3 million) and the Main Budapest Bank (EUR -1.6 million);
- In Slovakia with an decrease in fair value mainly explained by Dunaj (EUR -3.8 million) an rental property;
- In Croatia with the decrease in fair value mainly related to the Camping Vira (EUR 0.3 million);
- In Luxembourg with the freehold building of Cappellen (EUR -1.5 million).

d) Transfers

Land banks – Changes in classification

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

The Mezihori residential development started in 2012 with more than 50% of pre-sales registered. In consequence this asset has been transferred in Inventories for EUR 2.7 million.

The Szczecin project is reclassified in Discontinued Operation for EUR 4.7 million.

Freehold Buildings – Changes in classification

The Group started in 2012 the residential development of Naunynstrasse 68 a rental property located in Berlin and as a consequence the asset has been transferred in Inventories for EUR 1.4 million.

Land banks – Transfers from / to Held for Sale Assets

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

- Skalitzer Str. in Berlin for EUR 1.5 million;
- Kufurstenstrasse in Berlin for EUR 0.6 million.

As the sale was cancelled the Group has decided to transfer back the land bank Na Frantisku in Ostrava from Held for Sale Assets for EUR 1.5 million.

List of major investment properties

	6 months to June 2013		12 months to December 2012 (*)	
	Revaluation	Fair value	Revaluation	Fair value
Freehold Buildings	3,681	735,238	(8,007)	734,443
Germany	**15,827**	**519,919**	**17,690**	**501,995**
Mixed Retail & Office	15,827	519,919	17,690	501,995
Czech Republic	**(2,344)**	**101,232**	**(5,393)**	**107,003**
Residential	-	-	(6)	185
Office	(2,981)	15,405	(3,487)	18,925
Mixed Retail & Office	403	64,042	(1,041)	65,654
Industrial	234	21,785	(859)	22,239
Slovakia	**(2,320)**	**7,750**	**(3,837)**	**10,070**
Mixed Retail & Office	(2,320)	7,750	(3,837)	10,070
Hungary	**(7,895)**	**68,741**	**(13,114)**	**77,360**
Retail	(4,832)	36,841	(6,027)	42,100
Office	(1,634)	11,260	(1,737)	13,070
Mixed Retail & Office	(1,429)	20,640	(5,350)	22,190
Poland	**53**	**14,136**	**(1,823)**	**14,915**
Office	44	5,340	(687)	5,610
Mixed Logistics & Industrial	9	8,796	(1,136)	9,305
Luxembourg	**360**	**23,460**	**(1,530)**	**23,100**
Office	360	23,460	(1,530)	23,100

	6 months to June 2013		12 months to December 2012 (*)	
	Revaluation	Fair value	Revaluation	Fair value
Land Bank	(491)	23,227	478	29,081
Czech Republic	**(575)**	**14,652**	**1,099**	**20,471**
Residential Development	(463)	10,090	1,906	15,668
Retail & Office Development	(75)	296	(771)	380
Land bank	(37)	4,266	(36)	4,423
Germany	**-**	**2,750**	**360**	**2,750**
Residential	-	2,750	-	2,750
Retail & Office Development	-	-	360	-
Poland	**100**	**3,015**	**(654)**	**3,070**
Residential Development	100	3,015	(654)	3,070
Croatia	**(16)**	**2,810**	**(327)**	**2,790**
Land bank	(16)	2,810	(327)	2,790
Extended stay hotels	(967)	17,650	16	19,207

(*) restated

5 Hotels and owner-occupied buildings

Hotels and owner-occupied buildings	Owner-occupied Buildings	Hotels	TOTAL
GROSS AMOUNT			
Balance as at 31 December 2011 (*)	**6,678**	**136,301**	**142,978**
Investments / acquisitions	99	80	180
Disposal	-	(691)	(691)
Transfer	(5)	(3,555)	(3,560)
Translation differences	(4)	(144)	(148)
Balance as at 31 December 2012 (*)	**6,767**	**131,991**	**138,759**
Investments / acquisitions	15	58	73
Disposal	-	(3)	(3)
Transfer	(58)	-	(58)
Translation differences	46	1,676	1,722
Balance as at 30 June 2013	**6,770**	**133,722**	**140,492**
AMORTISATION AND IMPAIRMENT			
Balance as at 31 December 2011 (*)	**2,260**	**41,731**	**43,991**
Amortisations - Allowance	28	805	833
Amortisations - Disposal	-	(94)	(94)
Impairments - Allowance	50	7,404	7,453
Impairments - Write-Back	-	(439)	(439)
Transfer	-	(1,651)	(1,651)
Translation differences	(3)	(70)	(72)
Balance as at 31 December 2012 (*)	**2,335**	**47,686**	**50,021**
Amortisations - Allowance	14	400	414
Impairments - Write-Back	(52)	-	(52)
Translation differences	27	615	642
Balance as at 30 June 2013	**2,324**	**48,700**	**51,024**
NET AMOUNT			
Balance as at 30 June 2013	**4,446**	**85,022**	**89,468**
Balance as at 31 December 2012 (*)	*4,432*	*84,306*	*88,738*
Balance as at 31 December 2011 (*)	*4,418*	*94,569*	*98,987*

(*) restated

❖ In 2013

15 assets (EUR 86.5 million) financed by bank loans in local special purpose entities are fully pledged for EUR 55.5 million.

Over the first 6 months of the year 2013, the hotels and owner-occupied buildings were not impacted by any unusual or significant transaction or movement.

The impairment test based on the June 2013 DTZ valuation led to the recognition of EUR 0.1 million of impairment write-back on the owner-occupied building Franklinstrasse 27 in Berlin. In June 2013, the management did not request any expert valuation report on the Croatian assets as it was confident that the valuation assumptions as of December 2012 remain valid.

❖ In 2012

15 assets (EUR 85.8 million) financed by bank loans in local special purpose entities are fully pledged for EUR 55.5 million.

The net disposal of EUR 0.6 million is related to the sale of the Café Pjaca on the Island of Hvar.

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

The impairment tests based on the December 2012 DTZ valuation led to the recognition of EUR 7.0 million of impairments, mainly related to the hotels in Suncani Hvar.

6 Non-Current Financial assets

6.1 Financial assets at fair value through Profit or Loss

This line includes mainly 3 financial assets:

- The fair value of the investments in the "Residential" Sub-funds of Endurance Real Estate Fund amounts to EUR 1.4 million (EUR 1.5 million in 2012).The Endurance Real Estate Fund is divided in three specialized sub-funds. The change in fair value recorded in 2013, based on the net asset value as provided by the fund Manager in its report as at 31 March 2013 and a liquidity discount of 57.5% (57.5% in 2012);

- Sub fund Office I (See Note 2.1.3.4 of the December 2012 Consolidated Financial Statements) and Office II were sold during the first semester 2013 valued at fair value as at 31 December 2012 for EUR 8.7 million and EUR 0.8 million, respectively;

- The loan granted to the company Uniborc amounts to EUR 4.0 million. This joint venture with Unibail, started in April 2013, is mainly financed through equity loan by both partners in the same proportion as their respective shareholdings. This loan represents 20% of the transaction value of the land plot transferred to the joint venture;

- The Profit Participation Loan (PPL) granted to the Hospitality joint venture with the real estate investment funds managed by AIG subsidiary has been fair valued on the basis of management estimates of the expected cash flows from the loans and the specific credit spread depending on the loan characteristics and the legal entity benefiting directly from the loan. The PPL fair value amounts to EUR 27.9 million as at 30 June 2013 (EUR 30.4 million in 2012). Actually, the value of the PPL is only depending of the JV's capacity to refinance the loan granted by Erste Bank for EUR 75.1 million which matures on 2014. Furthermore, the Group did not grant any guarantee to Erste Bank, neither to the JV. As a consequence the maximum risk for the Group is limited to the PPL value.

6.2 Available-for-sale financial assets

The "Available-for-sale financial assets" balance sheet line is only composed of the Convertible Promissory Note attached to the sale of Radio Free Europe, amounting to EUR 9.7 million (EUR 9.4 million in December 2012). The group has the option to convert the Promissory Note, at the earliest of several conditions including a period of conversion from May 2015 until due term in 2019, into 20% of the entity holding (L88 Companies) the Radio Free Europe building sold in May 2012. As the fair value of this unlisted instrument cannot be reliably measured, this asset is carried at cost with capitalized interests and reviewed annually to assess for any impairment indicator.

6.3 Non-current loans and receivables

This balance sheet caption includes the net present value of the deferred consideration on the sale of Leipziger Platz amounting to EUR 27.8 million compared to EUR 26.9 million as at December 2012, Molcom for EUR 38.0 million compared to EUR 36.8 million after repayment of EUR 0.6 million and capitalization of interests for EUR 1.8 million at a 10% interests rate.

6.4 Investments in Equity Affiliates

As of June 2013, the Group is involved in the following joint ventures consolidated under the equity method, for EUR 0.2 million:

- The Hospitality JV which is recognized for a nil value (see Note 2.3);

- The Kosic JV (Kosic Sarl & SV Faze II s.r.o) recognized for EUR 0.1 million (EUR 0.1 million as of December 2012);

- The Knorrstrasse JV (Knorrstrasse 119 Gmbh & Co KG) recognized for EUR 0.1 million (EUR 0.1 million as of December 2012);

The investment in the sub-fund "Office I" of Endurance Real Estate Fund recognized for EUR 8.7 million as of December 2012 was sold to J&T Banka a.s on 4 February 2013 for a total sale price of EUR 8.7 million.

7 Inventories

	June 2013	December 2012 restated
Opening Balance	**262,130**	**373,553**
Impairments - Allowance	(2,915)	(33,149)
Impairments - Write-Back	10	-
Transfers	(7)	4,116
Translation differences	(11,633)	12,913
Development costs	20,145	45,767
Cost of goods sold	(21,328)	(141,071)
Closing Balance	**246,402**	**262,130**
o/w carried at deemed cost	*162,962*	*164,883*
o/w carried at fair value less costs	*83,440*	*97,248*

Inventories properties are developed with the intention to be resold.

❖ In 2013

3 projects (EUR 216.2 million) financed by bank loans located in special purpose entities are fully pledged for EUR 61.6 million.

Capitalized development costs of EUR 20.1 million mainly comprise of Zlota 44 (EUR 12.2 million), Mezihori (EUR 3.9 million), Bubny (EUR 1.4 million) and Benice (EUR 1.2 million).

The cost of goods sold amounts to EUR 21.3 million and is composed mainly of EUR 16.1 million related to the land plot of Bubny sold to Unibail (as of June 2013, the Group holds 20% of Uniborc, the new owner of this plot, see Note 6.1), for EUR 1.7 million on the commercial development of Koliba, and for the remaining amount on the following residential projects: Benice for EUR 0.9 million, Klonowa Aleja for EUR 0.8 million, Mostecka for EUR 0.6 million and Feliz for EUR 0.6 million.

The impairment tests based on the Gross Development Value (as estimated by DTZ) less Remaining Development Costs as at June 2013 led to the recognition of EUR 2.9 million of impairment allowances mainly related to the residential development Benice I & II in the Czech Republic for EUR 2.8 million.

❖ In 2012

3 projects (EUR 213.9 million) financed by bank loans located in special purpose entities are fully pledged for EUR 71.7 million.

Capitalized development costs of EUR 46.7 million mainly comprise of Zlota 44 (EUR 29.4 million), Sky Office (EUR 2.4 million), Mezihori (EUR 5.3 million), Bubny (EUR 2.6 million) and Benice (EUR 2.5 million).

Cost of goods sold amounting to EUR 142.8 million have been registered mainly for EUR 117.3 million on the commercial project Sky Office (Dusseldorf), for EUR 2.9 million on the land bank Vavrenova and for the remaining amount on the following residential projects: Koliba for EUR 5.5 million, Klonowa Aleja for EUR 4.2 million, Mostecka for EUR 2.1 million, Benice for EUR 1.6 million, Mokotowska for EUR 1.5 million, Pivovar Vrchlabi for EUR 1.4 million and Hochwald for EUR 1.2 million.

The impairment tests based on the Gross Development Value (as estimated by DTZ) less Remaining Development Costs as at December 2012 led to the recognition of EUR 8.8 million of impairments allowances mainly related to the residential development in the Czech Republic for EUR 5.6 million and Koliba in Bratislava for EUR 2.1 million. Moreover, the cancellation of the sales negotiations in September led the Group to recognize an impairment of EUR 24.3 million on Sky Office building in order to adjust the book value to the realizable value under distressed conditions. Indeed the pressure of the financing bank and the need to fill GSG refinancing gap did not leave the opportunity to secure an arm's length sale.

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

Assets held for sale (*)	June 2013	December 2012 restated
Opening Balance	**2,050**	**24,129**
Asset sales	(600)	(22,639)
Transfer in	-	2,050
Transfer out	(1,450)	(1,528)
Translation differences	-	38
Closing Balance	**-**	**2,050**

Liabilities linked to assets (*)	June 2013	December 2012 restated
Opening Balance	**-**	**15,890**
Repayment of loans	-	(15,890)
Transfer in	-	-
Transfer out	-	-
Translation differences	-	-
Closing Balance	**-**	**-**

(*) This table does not present the Discontinued Operations (See Note 6 of the December 2012 Consolidated Financial Statements).

❖ In 2013

During 2013, the German asset Berlin Kufurstenstrasse 11 with a net booked value of EUR 0.6 million was sold for a sale price of EUR 0.6 million. There were no liabilities financing this asset. On the other hand, the cancellation of disposal of German asset Skalitzerstrasse 127/128 resulted in its transfer back to Investment Property for its fair value of EUR 1.5 million (See Note 4).

❖ In 2012

As of 31 December 2012 the Group validated the sale of 2 plots of land in Berlin:

- Skalitzer valued at EUR 1.5 million;
- Kufuerstenstrasse 11 valued at EUR 0.6 million.

Over the year 2012, the Group sold 6 assets for EUR 22.6 million and repaid EUR 15.9 million of financing liabilities upon sales:

- Kurfustendamm 102 an investment properties in Berlin valued at EUR 6.3 million and financed by a liability of EUR 6.4 million fully repaid upon sale;
- Bergfried an investment properties in Berlin valued at EUR 3.7 million;
- Huttendorf an investment property in Dusseldorf valued at EUR 6.5 million and financed by a liability of EUR 4.3 million fully repaid upon sale;
- Ackerstrasse 83/84 an investment property in berlin valued at EUR 0.6 million;
- Kufurstenstrasse 13/14 an investment property in berlin valued at EUR 2.4 million;
- Przy Parku valued at EUR 3.1 million and financed by a liability of EUR 5.1 million fully repaid upon sale.

The Na Frantisku land bank in Ostrava has been transfer back in investment properties for EUR 1.5 million.

9 Cash and cash equivalents

As at 30 June 2013, cash and cash equivalents consist of short-term deposits for EUR 0.5 million (EUR 3.0 million in December 2012), cash in bank for EUR 30.5 million (EUR 20.5 million in December 2012) and cash in hand for EUR 0.1 million (EUR 0.1 million in December 2012).

Figures as of December 2012 are presented after restatement for IFRS 11 modification.

The cash in bank includes restricted cash for EUR 21.3 million in 2013 (EUR 17.1 million in 2012) representing:

- Cash deposited in the Group's joint operations as third party approval is needed for withdrawal for EUR 0.6 million (EUR 0.2 million in 2012) ;
- Cash deposited in accounts as guarantee for EUR 1.4 million (EUR 1.6 million in 2012);
- Cash deposited in accounts reserved as collateral for development projects and lifted after sales of units for EUR 7.7 million (EUR 7.1 million in 2012);
- Cash deposited in accounts reserved as collateral for loans related to property for EUR 11.7 million (EUR 8.1 million in 2012).

As of December 2012, the joint ventures and joint operations were regrouped under the label "Joint Ventures". Following to the adoption of IFRS 11 (See Note 2.3), the Group is now only disclosing the restricted cash in bank related to the joint operations. Furthermore, as of June 2013, a new category has been created "cash held as a guarantee" and the restricted cash in bank as of December 2012 has been reallocated in consequence.

10 Non-controlling interest transactions

❖ In 2013

On 3 June 2013, the Board of Directors of ORCO Germany, pursuant to the extraordinary shareholders meeting resolution of 2012 (See Note 19.1 of the December 2012 Consolidated Financial Statements), took a decision to further partially implement the capital increase by converting the bonds held by the Group into shares. As a result, 28,028,982 of new OG ordinary shares were issued on 6 June and the Group increased the percentage of its interest in ORCO Germany from 98.02% to 98.28%. This transaction led to a decrease of equity attributable to owners of the Company by EUR 0.4 million.

During June, the Group sold 20,003,250 shares of ORCO Germany on the market and 3,141,393 shares were sold to managers of the Group.

Consequently, the Group participation and controlling interest in ORCO Germany was diluted by 10.06 % and decreased to 88.22 %. The sale resulted in a decrease of equity attributable to owners of the Company by EUR 10.6 million.

Moreover, during 2013 the Company capitalized the equity loans granted to Orco Praga, s.r.o. and Jihovychodni Mesto, a.s simultaneously and proportionally with Endurance Residential Finance S.à. r.l, owning 25% of the subsidiaries. As a result, the percentage of interests of the Group didn't change, but the consolidated reserves of the non-controlling interests increased by EUR 5.2 million.

❖ **In 2012**

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

In June 2012, the company Orco Property s.p.z.o.o. capitalized its equity loan with the Company and with the partner Endurance Residential Asset. This capital increase wasn't subscribed proportionally. Consequently, this transaction resulted in a direct and indirect decrease of the percentage of interest of the Group in that company holding the Zlota 44 project from 95.5% to 91.12%. Consequently, the loss on dilution in the consolidated reserves group share amounted to EUR 0.2 million.

As at 27 September 2012, the company ORCO Germany converted its OCA hold by the Group into shares. Consequently, this transaction allowed to increase the percentage of interest of the Group in that company from 91.56% to 98.02% and generated a gain on the dilution in the consolidated reserves group share of EUR 3.6 million

During the last quarter 2012, the subsidiary Development Doupovská capitalized a supplier debt amounting to EUR 1.6 million. As a result, this transaction led to a direct and indirect decrease of the percentage of interest of the Group in this company from 100% to 75% and a net increase of the consolidated reserves group share of EUR 1.1 million.

On September 2012, the Court of Justice of Warsaw delivered its declaration about the bankruptcy of the subsidiary Józefosław Project. Since, the Group has no control over this company and it will be liquidated by the administrator in bankruptcy. Therefore, this subsidiary was deconsolidated from the Group scope with the net impact on the minority interests of EUR of 0.4 million.

As at 27 December 2012, the company Zeta Estate a.s. purchased 25% of shares of its subsidiary Byty Podkova from Tech Invest Ostrava a.s. increasing its ownership of this subsidiary. This transaction led to a direct increase of the percentage of interest of the Group in this company from 75% to 100% and a net decrease of the consolidated reserves group share of EUR 0.04 million.

11 Borrowings, bank loans and bonds

11.1 Non-current bonds

Non-current bonds	Convertible bonds	Non Convertible bonds and New Notes	TOTAL
Balance at 31 December 2011 restated	**64,383**	**98,995**	**163,378**
Reclassification from convertible to non convertible bonds	(64,383)	64,383	-
Sales Own bonds		3,059	3,059
Interest Safeguard Bonds		25,382	25,382
Interest New Notes		2,049	2,049
Transfer from short term to long term		122,248	122,248
Transfer from long term to short term		(261)	(261)
Redemption premium OG bonds		25,025	25,025
Coupon capitalized OG bonds		4,004	4,004
Exchange of 84.5 % of OG bonds at book value		(109,129)	(109,129)
Conversion as at 03.09.2012 into New Shares (89.90%)		(190,693)	(190,693)
Exchange as at 04.10.12 against New Notes		(40,977)	(40,977)
Recognition of New Notes		55,106	55,106
Balance at 31 December 2012 restated	**-**	**59,193**	**59,193**
Interets on Safeguard Bonds		331	331
Transfer from LT to ST Safeguard to be paid in 2014		(318)	(318)
Interets on New Notes		2,739	2,739
Repayment New Notes		(420)	(420)
Balance as at 30 June 2013	**-**	**61,525**	**61,525**

❖ **In 2013**

No new bonds or new notes have been issued during the first half of the year. The transfer corresponds to the interests related to the Safeguard bonds to be paid in April 2014. The EUR 0.4 million were repaid as part of the cash sweep as a consequence of the Sky Office's sale which is one of the assets included in the protocol.

❖ **In 2012**

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

Restructuring of OG and OPG bonds by issuance of new OPG shares:

Exchange of 84.5 % of OG bonds:

OPG exchanged on the 9 May 2012 84.5% of the bonds issued by OG, a fully consolidated subsidiary, into OPG issued bonds convertible into shares which were in turn fully repaid with 26 million OPG shares. These acquired OG bonds were converted into 141.724.871 OG shares on 27 September 2012 issued at a price of EUR 0,712 per share. The consideration given in exchange of the 84.5% OG bonds was in the form of bonds redeemable in OPG shares ("OCA"=Obligations convertibles en actions") in two tranches:

- The first tranche was automatically redeemed a few days after issuance in OPG shares at agreed price.
- The second tranche was converted into OPG shares at agreed price in September 2012.

The OCA issued as consideration was in fact a bond redeemable in shares. The fair value of the equity instrument is determined by difference between the fair value of the bond issued and the net present value of the liability part. The fair value of the bond is determined as corresponding to the market price at the OCA issuance day of the OPG shares that would be given in repayment. The difference between the book value of the 84.5% of the OG bonds and the OCA amounting to EUR 31.1 million was recognized directly in financial income net of EUR 2.0 million restructuring costs (portion attributable to the OG bond exchange into OCA). The liability part of the first tranche of the OCA at issuance was close to zero as there would never be any cash payment. This transaction resulted in the recognition at issuance of an increase of the consolidated equity for EUR 76.0 million represented by 26.209.613 new OPG shares (issued in May and in September 2012) at EUR 2,90 per share on 9 May 2012.

Conversion of 89.9% of OPG Bonds as at September 3rd 2012 into New Shares:

As a result of the approval of all bondholders' general assemblies, only one scenario of the joint agreement was applicable, i.e. 89.9% of the OPG bonds were automatically converted into 64.577.483 OPG shares on 3 September 2012 with a market price of EUR 1,90 per share, i.e. a capital increase of 122.7 million. As of 3 September 2012, the book value of the converted bonds amounted to EUR 190.7 million. The result on the conversion amounting to EUR 58.2 million and corresponding to the difference between the book value of the OPG bonds converted and the market value of the shares issued was recognized in financial income net of EUR 9.8 million restructuring costs (portion attributable to the OPG conversion).

Restructuring of OG and OPG bonds by issuance of New Notes

The OG and OPG bonds remaining after the exchange against OCA and the conversion into OPG shares were proposed to an exchange against New Notes which main terms are listed in point 19.2 of the December 2012 Consolidated Financial Statements. As at 4 October 2012, 93.4% of the remaining bonds were exchanged against new notes for EUR 73.1 million of nominal value. As of the date of exchange, the book value of the exchanged bonds amounted to EUR 41.0 million The exchange between existing borrowers and lenders of debt instruments was accounted for as an extinguishment of the original financial liability as the terms are substantially different (the discounted present value of the net cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability). The fair value of the new notes was estimated (on the basis on the market price over one month after issuance) at 77.3% of the nominal value. The net result on the transaction was a loss of EUR 15.2 million.

The remaining EUR 20.0 million OG bonds acquired by the exchange against new notes are eliminated in the consolidated accounts as intercompany liability as they have been converted in 28 million new OG shares as at 6 of June 2013.

This issuance has marked the successful completion of the Group bonds' restructuring, EUR 411 million in nominal OPG bonds (EUR 549 million in remaining Safeguard payments) and EUR 100 million in nominal for OG bond debt (EUR 129 million including interest and redemption premium).

Following the issuance of EUR 73.051.230 of new notes on 4th of October 2012 (ISIN Code XS0820547742) the remaining outstanding of nominal of initial OPG and OG bonds amounted to EUR 3.898.297. As at 31.12.2012 the total book value of the total non-current and current OPG Safeguard and OG bond debt amounted to EUR 2.246.330, the changes over the period are detailed by nature of bond in the following table (in Euro):

Description	ISIN CODE	Number of bonds	Book Value per bond	Total book value of bonds	Nominal Value per bond	Total nominal value of bonds	Effective interest rate
SHH Bonds	XS0223586420	8,843	13.94	123,269	26.0	230,183	17%
Convertible bonds 2006-2013	FR0010249599	106	333	35,310	686.1	72,727	19%
Czech Bond	CZ0000000195	7	217,548	1,522,839	366,367.0	2,564,569	23%
Convertible bonds 2006-2013	FR0010333302	6,381	73.75	470,594	138.0	880,578	22%
OBSAR 2	XS0291838992 / XS0291840626	74	688	50,917	1,463.9	108,329	21%
OBSAR OG	XS0302623953	62	700	43,400	676.0	41,912	8%
Total		15,473		2,246,330		3,898,297	19%

Repayment schedule for interests and principal according to Safeguard Plan (based on Commercial Court of Paris decision on 16 September 2011) excluding any potential deduction due to own bonds for all other bonds after the issuance of the New Notes are detailed as following:

	30 April 2013	30 April 2014	30 April 2015	30 April 2016	30 April 2017	30 April 2018	30 April 2019	30 April 2020	Total
Principal	40	157	150	155	437	672	1,027	1,594	4,232
Interests	221	207	128	123	119	106	85	53	1,042
Total	261	364	278	278	556	778	1,112	1,647	5,274

Repayment of interests and principal according to Safeguard Plan (based on Commercial Court of Paris decision on 16 September 2011) by bond line excluding any potential deduction due to own bonds for all other bonds after the issuance of the New Notes are detailed as following:

	XS0223586420	FR0010249599	CZ0000000195	FR0010333302	XS0291838992	XS0302623953	Total
Principal	230	87	2,565	1,183	127	42	4,234
Interests	31	0	981	18	8	2	1,039
Total	261	87	3,546	1,201	135	44	5,274

11.2 Non-current bank loans and other borrowings

Non-current financial debt	Bank loans	Other non-current borrowings	TOTAL
Balance at 31 December 2011 restated	**182,720**	**10,992**	**193,712**
Issue of new loans and drawdowns	274,510	131	274,641
Repayments of loans	(555)	(2,954)	(3,509)
Scope exit		(945)	(945)
Repayments upon sales	(40,372)	-	(40,372)
Transfers	(18,493)	(2,325)	(20,818)
Translation differences	4,594	893	5,487
Balance at 31 December 2012 restated	**402,404**	**5,792**	**408,196**
Issue of new loans and drawdowns	5,885	905	6,790
Repayments of loans	(317)	(5,487)	(5,804)
Transfers	(98,182)	(75)	(98,257)
Translation differences	(1,614)	(248)	(1,862)
Balance at 30 June 2013	**308,176**	**887**	**309,063**

❖ In 2013

Issue of new loans and drawdowns are mainly related to the project Zlota 44 (EUR 3.5 million) and Mezihori (EUR 2.8 million).

Repayments of loans for EUR 5.8 million, are including EUR 0.6 million of cash repayments which are relating mainly to Na Porici (EUR 0.2 million) and EUR 5.2 million of loan repayment by conversion in equity related to the subsidiaries Benice and Praga I (see note 10).

The transfers are mainly explained as following:

- Breach of covenants related to the loans financing Gebauer Hofe (EUR -26.2 million), Capellen (EUR - 9.3 million) and Zlota (EUR-51.7 million);
- Current part of the non-current loans (EUR -9.0 million) mainly related to the loans financing the project Krakow (EUR -4.5 million) and GSG (EUR -3.7 million).

Other non-current borrowings are mainly equity loans from joint ventures and loans from partner companies. The line repayment of loans is mainly due to the conversion into equity of the loans granted by Endurance Fund residential sub funds to the Group projects in which they are in partnership with the Group.

❖ In 2012

Issue of new bank loans and new drawdowns (EUR 274.5 million) relates mainly to the refinancing of GSG (EUR 269.6 million) and drawdowns on both Zlota (EUR 6.7 million) and Mezihori (EUR 1.9 million).

Bank loans have been repaid for EUR 40.4 million of which EUR 40.4 million upon sales and are detailed as following:

- Repayment of the loans financing Radio Free Europe EUR 37.7 million and Benice for EUR 2.7 million;
- Partial repayment of the loan financing the building Capellen in Luxembourg for EUR 0.4 million.

Transfers of bank loans (EUR 18.5 million) are mainly explained as follow:

- Reclassification of bank loans, that will fall due within twelve months (EUR 41.8 million) of which Bubenska for EUR 19.2 million, Dunaj for EUR 13.1 million, Bubny for EUR 5.5 million and Marki for EUR 4.0 million;
- Current part of the non-current loans for EUR 10.3 million of which GSG for EUR 8.6 million;
- Prolongation of bank loans which were expiring within one year and reclassified in long term debt after successful renegotiation for EUR 33.7 million of which Na Porici for EUR 31.2 million.

Other non-current borrowings are mainly related to equity loans from joint ventures and partner companies. The line repayment of loans is mainly linked to an equity capitalization in Poland for EUR 2.9 million and the transfer are linked to the transfer of equity loan for EUR 2.8 million in liabilities held for sales related to reclassification of Szczecin in discontinued operations.

11.3 Current financial debts

11.3.1 Current loans & borrowings

Current loans and other borrowings	Bank Loans	Bank loans linked to assets held for sales or discontinued	Other current borrowings	TOTAL
Balance at 31 December 2011 restated	**619,646**	**15,890**	**369**	**635,905**
Issue of new loans and drawdowns	439	-	148	587
Repayments of loans	(312,550)	-	(388)	(312,938)
Repayments upon sales	(97,683)	(15,890)	-	(113,573)
Scope exit	(5,103)	-	-	(5,103)
Transfers	12,714	9,678	-	22,392
Translation differences	5,261	-	26	5,287
Balance at 31 December 2012 restated	**222,724**	**9,678**	**155**	**232,557**
Issue of new loans and drawdowns	288	-	-	288
Repayments of loans	(34,219)	-	(57)	(34,276)
Transfers	98,367	(81)	(41)	98,245
Translation differences	(4,098)	-	-	(4,098)
Balance at 30 June 2013	**283,062**	**9,597**	**57**	**292,716**

(*) 9.678 KEUR are strictly related to the financial debt, 9.792 presented in balance sheet includes 114 KEUR trade payables

- **In 2013**

The repayments of bank loans (EUR 34.2 million) are mainly related to the buyback of the bank debt financing the assets Vaci 188 and Vaci 190 (EUR 15.0 million) repaid for EUR 1.0 million generating a gain of EUR 15.0 million including EUR 0.2 million of accrued interests. Others contributors are Bubny (EUR 14.0 million), GSG (EUR 3.9 million) and Na Porici (EUR 0.6 million).

During the first half of the year transfers of bank loans to current financial debt for EUR 98.3 million are mainly explained as follow:

- Breaches of covenant related to the loans financing Gebauer Hofe for EUR 26.2 million, Cappellen for EUR 9.3 million and Zlota (EUR 51.7 million). Two of these loans have seen their covenants breaches solved during the summer by the signature of the new amendments and the third one will be financed after approval of received binding heads of terms;
- EUR 9.0 million transferred from the non-current loans to the current part, mainly related to the loans financing the project Krakow for EUR4.5million and GSG for EUR 3.7 million.

- **In 2012**

The repayments of bank loans (EUR 428.3 million of which EUR 113.6 million upon sales) are mainly related to the refinancing of GSG (EUR 300.4 million) with five German banks and the repayment following sale of Sky Office (EUR 96.0 million).

Other repayments have been completed upon the sales of the following assets:

- In Germany: Hüttenstrasse (EUR 4.3 million), Ku-Damm 102 (EUR 6.4 million) and land plots in Berlin (EUR 0.7million);
- In the Czech Republic: the sale of Radio Free Europe (EUR 1.6 million) and Mostecka (EUR 0.9 million);
- In Slovakia Koliba (EUR 3.5 million);
- Przy Parku for EUR 5.1 million.

Transfers of bank loans and bank loans linked to assets held for sales for EUR 22.4 million are mainly explained as follow:

- Transfer from long term to short term for EUR 41.8 million of which Bubenska (EUR 19.2 million), Dunaj (EUR 13.1 million), Bubny (EUR 5.5 million), Marki (EUR 4.0 million);
- Current part of the non-current loans for EUR 10.3 million of which GSG for EUR 8.6 million;
- Transfer from short term to long term for EUR 33.7 million of which of Na Porici's loan for EUR 31.2 million;
- Transfer out of bank loans, equity loan and accrued interest linked to Sczeczin for EUR 9.7 million as the asset has been classified in held for sales in 2012 (see Note 6 of 2012 Financial Statements Report).

Scope exits are related to the loans financing Jozefoslaw in bankruptcy for EUR 5.1 million.

11.3.2 Current bonds

Current bonds	Convertible bonds	Non Convertible bonds and New Notes	TOTAL
Balance at 31 December 2011 restated	**7,776**	**112,148**	**119,924**
Reclassification from convertible to non convertible bonds	(7,776)	7,776	-
Interests on Safeguard bonds	-	2,324	2,324
Transfer from short term of bonds under restructuring to long term	-	(122,248)	(122,248)
Transfer from long term to dshort term repayment OPG Safeguard Bonds in April 2013	-	262	262
Balance at 31 December 2012 restated	**-**	**262**	**262**
Repayment interets on Safeguard bonds	-	(262)	(262)
Transfer from LT to ST Safeguard interests to be repaid in April 2014	-	321	321
Balance as at 30 June 2013	**-**	**321**	**321**

As at 30 June 2013 the current part of the Safeguard bonds amounts to EUR 321 thousand corresponding to the interests to be repaid in April 2014.in accordance with the repayment schedule of the Safeguard Plan.

11.4 Borrowings maturity

At 30 June 2013	Note	Less than one year	1 to 2 years	2 to 5 years	More than 5 years	Total	Unaccrued liabilities
Non-current bonds	**11.1**	**-**	**15,906**	**43,572**	**2,047**	**61,525**	**17,944**
Non current loans and other borrowings	**11.2**	**-**	***20,146***	***284,789***	***4,128***	***309,063***	
Bank loans		-	*20,146*	*284,789*	*3,241*	*308,176*	
Bank loans fixed rate		-	*74*	-	-	*74*	
Bank loans floating rate		-	*20,072*	*284,789*	*3,241*	*308,102*	
Other non-current borrowings		**-**	**-**	**-**	***887***	***887***	
Sub-total - Non current		**-**	**36,052**	**328,361**	**6,175**	**370,588**	
Current bonds	**11.3.2**	**321 -**	**-**	**-**	**-**	**321**	
Currents loans and other borrowings	**11.3.1**	***283,119***	**-**	**-**	**-**	***283,119***	
Bank loans		***283,062***	**-**	**-**	**-**	***283,062***	
Bank loans fixed rate		*24,466*	-	-	-	*24,466*	
Bank loans floating rate		*258,596*	-	-	-	*258,596*	
Other borrowings		***57***	**-**	**-**	**-**	- ***57***	
Financial liabilities linked to discontinued activities		**9,597**	**-**	**-**	**-**	**9,597**	
Sub-total - Current		**293,037**	**-**	**-**	**-**	**293,037**	
TOTAL		**293,037**	**36,052**	**328,361**	**6,175**	**663,625**	

At 31 December 2012 restated	Note	Less than one year	1 to 2 years	2 to 5 years	More than 5 years	Total	Unaccrued liabilities
Non-current bonds	**11.1**	**-**	**14,011**	**43,144**	**2,038**	**59,193**	**19,380**
Financial debts		**-**	***43,667***	***347,753***	***16,776***	***408,196***	
Bank loans	**11.2**	-	*43,667*	*347,753*	*10,984*	*402,404*	
Bank loans fixed rate		-	*567*	*1,569*	*7,466*	*9,602*	
Bank loans floating rate		-	*43,100*	*346,184*	*3,515*	*392,799*	
Other non-current borrowings	**11.2**	**-**	**-**	**-**	***5,792***	***5,792***	
Sub-total - Non current		**-**	**57,678**	**390,897**	**18,814**	**467,389**	
Current bonds	**11.3.2**	**261 -**	**-**	**-**	**-**	**261**	
Financial debts		***222,879***	**-**	**-**	**-**	***222,879***	
Bank loans	**11.3.1**	*222,724*	-	-	-	*222,724*	
Bank loans fixed rate		*15,182*	-	-	-	*15,182*	
Bank loans floating rate		*207,542*	-	-	-	*207,542*	
Other borrowings		***155***	**-**	**-**	**-**	***155***	
Financial liabilities linked to discont. activities		**9,678**	**-**	**-**	**-**	**9,678**	
Sub-total - Current		**232,818**	**-**	**-**	**-**	**232,818**	
TOTAL		**232,818**	**57,678**	**390,897**	**18,814**	**700,207**	

❖ In 2013

The Group has entered into interest rate derivatives representing 77.8% of the non-current floating rate borrowings (75% in 2012) and 44% of the current floating rate borrowings (34.8% in 2012), in order to limit the risk of the effects of fluctuations of market interest rates on its financial position and future cash flows. Most floating interest debt instruments have a fixing period of maximum 3 months.

The interests on bank loans decreased from EUR 17.6 million as at 30 June 2012 to EUR 15.4 million as at 30 June 2013 mainly due to the total or partial redemption upon assets and development sales in 2012.

The bank loans are made of EUR 328.1 million for which the financing banks have no recourse on the Group. These loans finance total assets with a total value of EUR 661.1 million.

❖ In 2012

The Group has entered into interest rate derivatives representing 75.1% of the non-current floating rate borrowings (54.3% in 2011) and 34.8% of the current floating rate borrowings (51.3% in 2011), in order to limit the risk of the effects of fluctuations of market interest rates on its financial position and future cash flows. Most floating interest debt instruments have a fixing period of maximum 3 months.

Bank loans include amounts secured by a mortgage on properties with a value of EUR 605.2 million.

The interest on bank loans decreased from EUR 23.6 million as at 30 June 2011 to EUR 17.3 million as at 30 June 2012 mainly due to the total or partial redemption of assets and development sales in 2012.

11.5 Loans with covenant breaches

	As at 30 June 2013			As at 31 December 2012 restated		
	Principal	Accrued Interest	Total	Principal	Accrued Interest	Total
Long term loans presented in short term						
due to Financial covenant breach	**35,704**	**84**	**35,788**	-	-	-
due to Non repayment	**51,681**	**389**	**52,070**	-	-	-
due to Administrative breach	-	-	-	-	-	-
due to Financial and administrative breach and/or non repayment	-	-	-	-	-	-
Total long term loans presented in short term	**87,385**	**473**	**87,858**	-	-	-
Short term loans in breach						
due to Financial covenant breach	-	347	**347**	25,237	100	**25,337**
due to Non repayment	132,113	3,736	**135,849**	96,526	797	**97,323**
due to Financial and administrative breach and/or non repayment	- 0	- -	**0**	15,182	726	**15,908**
Total short term loans in breach	132,113	4,083	**136,196**	**136,945**	**1,623**	**138,568**
Total loans linked to assets held for sale or discontinued operations	**9,597**	-	**9,597**	**9,678**	-	**9,678**
Total Loans in Breach	**229,095**	**4,556**	**233,651**	**146,623**	**1,623**	**148,246**

During the first half of 2013 EUR 36.2 million of long term loan were reclassified in short term and are made of the loans financing Gebauer Hofe and the long term part of the loan Capellen due to non-respect of financial covenants. The long term loan of EUR 51.7 million was reclassified in short term due to non-repayment and relates to the asset Zlota.

The short term loans in breach due to non-repayment are composed of the loans financing the assets Paris Department Store and Szervita in Hungary (EUR 25.2 million) and Suncani Hvar (EUR 55.5 million), Vaci I (EUR 41 million) and the current part of the Capellen loan (EUR 10.4 million).

End of June 2013 the loans linked to assets held for sale or discontinued operations are related to the polish entity Szczecin for EUR 9.6 million (including equity loan and accrued interests) which is under a bankruptcy procedure.

12 Other net financial results

	6 months 2013	6 months 2012 restated
Change in carrying value of liabilities at amortised cost	26	32,760
Change in fair value and realised result on derivative instruments	5,737	1,379
Change in fair value and realised result on other financial assets	(2,669)	(3,421)
Other net finance results	(40)	(1,516)
Realized result on repayment on borrowings	14,978	-
Total	**18,032**	**29,202**

Change in the fair value of derivative instruments essentially raise from the fair value gains on derivatives for EUR 5.7 million with EUR 3.9 million of gain related to GSG, EUR 0.6 million related to Gebauer Hofe, EUR 0.5 million to Na Porici, EUR 0.5 million related to Vaci I and EUR 0.3 million to Paris Department Store.

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

- Losses on revaluation of the investment in Endurance Fund for EUR 0.1 million,
- Loss on PPL reevaluation for EUR 3.3 million.
- Gain on sales of Endurance Sub Funds I and II for EUR 0.4 million

Realized result on repayment on borrowings are only related to the recognition of the gain realized by the Group on the buy-back related to the bank debts financing the assets Vaci 188 and Vaci 190.

13 Earnings per share

		30 June 2013	30 June 2012 restated
At the beginning of the period		**106,885,588**	**16,737,951**
Shares issued		107,840,962	17,053,866
Treasury shares		(955,374)	(315,915)
Weighted average movements		**737,928**	**4,728,973**
Issue of new shares		-	4,728,725
Treasury shares		737,928	247
Weighted average outstanding shares for the purpose of calculating the basic earnings per share		**107,623,516**	**21,466,924**
Dilutive potential ordinary shares		**-**	**7,848,081**
Weighted average outstanding shares for the purpose of calculating the diluted earnings per share		**107,623,516**	**29,315,005**
Net profit/(loss) attributable to the Equity holders of the Company		**6,988**	**(9,045)**
Net profit /(loss) attributable to the Equity holders of the Company after assumed conversions / exercises		**6,988**	**(9,045)**
Basic earnings in EUR per share		**0.06**	**(0.42)**
	o/w continuing operations	0.06	(0.42)
	o/w discontinued operations (*)	-	-
Diluted earnings in EUR per share		**0.06**	**(0.42)**
	o/w continuing operations	0.06	(0.42)
	o/w discontinued operations (*)	-	-

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

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

The warrants were not taken into account in the EPS calculation as the conversion of the warrants had an anti-dilutive impact in 2013 and 2012.

As at 30 June 2013, the treasury shares of the Company represent 118,000 shares and amount to EUR 0.2 million. They are held entirely by ORCO Russian Retail S.A.

14 Equity holders

14.1 Share capital

	Number of shares	Share capital	Share premium
Balance at 31 December 2011	**17,053,866**	**69,921**	**418,688**
Capital increase of 14th of May 2012	18,361,540	75,282	710
Capital increase of 3d of September 2012	64,577,483	264,768	225,150
Capital increase of 28th of September 2012	7,848,073	32,177	949
Balance at 31 December 2012	**107,840,962**	**442,148**	**645,497**
Decrease of share's nominal value		(226,466)	
Balance at 30 June 2013	**107,840,962**	**215,682**	**645,497**

All the shares of the Company have an accounting par value of EUR 2.0 with no nominal value and are fully paid. Each share is entitled to a prorate portion of the profits and corporate capital of the Company, as well as to a voting right and representation at the time of General Meeting, all in accordance with statutory and legal provisions.

Authorized capital not issued:

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

The Board of Directors was granted full power to proceed with the capital increases within the authorized capital under the terms and conditions it will set, with the option of eliminating or limiting the shareholders' preferential subscription rights as to the issuance of new shares within the authorized capital.

The Board of Directors is authorized, during a period of five (5) years from the date of the general meeting of shareholders held on 28 April 2011, without prejudice to any renewals, to increase the issued capital on one or more occasions within the limits of the authorized capital. The Board of Directors is authorized to determine the conditions of any capital increase including through contributions in cash or in kind, among others, the conversion of debt into equity, by offsetting receivables, by the incorporation of reserves, issue premiums or retained earnings, with or without the issue of new shares, or following the issue and the exercise of subordinated or non-subordinated bonds, convertible into or repayable by or exchangeable for shares (whether provided in the terms at issue or subsequently provided), or following the issue of bonds with warrants or other rights to subscribe for shares attached, or through the issue of stand-alone warrants or any other instrument carrying an entitlement to, or the right to subscribe for, shares.

The extraordinary general meeting of the Company held on 27 June 2013 voted to increase the authorized share capital to EUR 278,992,584, which gives the Board of Directors the authority to increase the share capital by up to EUR 63,310,660 from its present amount of EUR 215,681,924, for the purposes of issuing (i) 5,000,000 shares under a management long term incentive plan, (ii) 6,666,667 shares to the Company's main shareholders (Gamala Limited, Kingstown Capital, LP, Alchemy Special Opportunites Fund II L.P., Crestline Ventures Corp. and Stationway Properties Limited) at a price of EUR 2.25 per share in a reserved capital increase, (iii) 4,988,663 shares to warrantholders upon the exercise of warrants of the Company and (iv) 15,000,000 shares under an equity line / PACEO.

- **In 2013**

During 2013, the share capital of the Company decreased by EUR 226,466,020 amounting to EUR 215,681,924. This decrease was realized without cancellation of the shares, but by decreasing the accounting par value of the existing shares from EUR 4.1 to EUR 2.0 per share with allocation of the reduction proceeds to a reserve.

- **In 2012**

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

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

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

14.2 Dividends per share

The Board of Directors has decided not to propose any dividend payment at the Annual General Meeting of Orco Property Group S.A. for the year 2012.

15 Capital and other commitments

Capital commitments

As a developer of buildings and residential properties, the Group is committed to finalize the construction of properties in different countries. The commitments for the projects started as at 30 June 2013 amount to EUR 53.7 million (EUR 79 million as at 30 June 2012). This does not take into account the potential investments in future projects like Bubny in Prague or hotels to be refurbished in Suncani Hvar.

As at 4 February 2013, the Company sold all its position in the Office I sub-Funds to a third party. Moreover, all positions in Office II sub-Funds were sold as at 15 of March 2013 too. Consequently, the Company transferred all its rights and engagements in relation to these sub-funds.

Bank loans covenants (see note 11.5)

16 Related party transactions

Transactions with key management personnel

The members of the Board of Directors of the Company and of the Executive Committee are considered the key management personnel of the Group. As of 30 June 2013, the Executive Committee is made of 5 people.

A total compensation given as short term employee benefits to the members of the Executive Committee for the first half of 2013 amounted to EUR 1.6 million (EUR 1.3 million in June 2012). The Company approved distribution of 4,909,091 ORCO Germany S.A. shares as remuneration for the completion of the Company's bonds restructuring to certain members of the Executive Committee. The market value of these shares was recognized in employee benefits as an accrual in 2012.

The Board and Committees attendance compensation for the first half of 2013 amounts to EUR 188,000 (EUR 275,500 for the first half of 2012), including General Meetings presidency compensations. As at 30 June 2012, the potential termination indemnity payment to some members of the Company's management amounted to EUR 16 Million. This indemnity would become payable by the Company to the relevant management members only if the relationship between the Company and the management member is terminated by either party during the six-month period following a change of control of the Company. As of 30 June 2013 the cumulated balance to be paid at the termination of the contract of current executive board members amounts to EUR 0.7 million. An additional indemnity to some members of the management amounts to EUR 2.7 million and is payable in the event of termination of their employment.

Transactions with the Endurance Real Estate Fund

The Group is the sponsor of a Luxembourg regulated closed end umbrella investment fund dedicated to qualified investors, the Endurance Real Estate Fund. This fund has opted for the form of a “Fonds Commun de Placement”. Between February and March 2013, the Group sold all its units in the sub-funds Office I and Office II together with all rights and engagements for a total amount of EUR 9.97 million.

In June 2013 the unitholders of the Office I and Office II sub-funds decided to sell portfolio of the sub-funds. The portfolio was acquired in a share deal by an affiliate related to Mr. Vitek, shareholder of the Company. As a consequence, the receivables of the Group against the disposed companies in a total amount of EUR 0.4 million remained with those companies and were settled in July 2013. In July 2013, most of the service agreements between the Company and the companies acquired by Mr. Vitek’s related party were terminated unilaterally by the acquired companies within the contractual notice periods that will expire in the third quarter of 2013.

17 Litigations

On 28 December 2012, the Group filed a request for arbitration against the State Property Management Agency of the Republic of Croatia, also known as AUDIO, which is the legal successor to the Croatian Privatization Fund. Orco's preliminary claims for damages exceed EUR 32 million. The claims relate to underlying title disputes to properties on the island of Hvar in Croatia held through the Croatian company Suncani Hvar d.d. On 9 July 2013, representatives of the State of Croatia and Orco Property Group drafted and agreed on a roadmap for the financial and operational recovery of Sunčani Hvar d.d. Pursuant to the agreed roadmap, the parties suspended the arbitration proceedings that consist of Orco’s claim and the State of Croatia’s counterclaim until end of November 2013. The parties will try to find solutions to stabilize Sunčani Hvar d.d., improve their mutual relationship and define future cooperation (a new shareholders’ agreement) for the benefit of their joint investment in Sunčani Hvar d.d. in order to conclusively terminate the arbitration proceedings.

In connection with the settlement of disputes related to Bubny project the Group paid EUR 2.5 million in July 2013.

As of 30 June 2013, 2 contingent liabilities of EUR 5.9 million related to BAR (Leipziger Platz transaction) and EUR 1.52 million related to the arbitration against AUDIO, the legal successor to the Croatian Privatization Fund exist.

18 Events after balance sheet date

The Republic of Croatia and Orco Property Group Suspend Arbitration Proceedings

On 9 July 2013, representatives of the State of Croatia and Orco Property Group drafted and agreed on a roadmap for the financial and operational recovery of Sunčani Hvar d.d. Pursuant to the agreed roadmap, the parties will suspend the arbitration proceedings that consist of Orco’s claim and the State of Croatia’s counterclaim. In the following months the parties will try to find solutions to stabilize the company, to improve their mutual relationship and to define future cooperation (a new shareholders’ agreement) for the benefit of their joint investment in Sunčani Hvar d.d. in order to conclusively terminate the arbitration proceedings.

Implementation of reserved capital increase

On 26 July 2013, the largest shareholders of the Company, Gamala Limited, Kingstown Capital Management, LP, Alchemy Special Opportunities Fund II L.P. and Station Way Properties Limited, executed subscription agreements to subscribe for 6,666,667 new OPG shares at a subscription price of EUR 2.25 per share, raising a total of EUR 15,000,000 for OPG, in a reserved capital increase pursuant to the authorization voted by the extraordinary general meeting of shareholders of OPG on 27 June 2013. The new shares are expected to be issued and listed on the regulated market of NYSE Euronext Paris in the coming days as procedural and legal formalities are finalized to issue and list the shares. The procedure for admission and listing of the new shares on the regulated markets of the Prague and Warsaw Stock Exchanges will commence upon issuance of the new shares.

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KPMG Luxembourg S.à r.l.
9, allée Scheffer
L-2520 Luxembourg

Telephone +352 22 51 51 1
Fax +352 22 51 71
Internet www.kpmg.lu
Email info@kpmg.lu

To the Shareholders of
Orco Property Group S.A.
40, rue de la Vallée
L-2661 Luxembourg

Report of the Réviseur d'Entreprises agréé on the review of the condensed consolidated interim financial information

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Orco Property Group S.A. ("the Company") and its subsidiaries ("the Group") as at 30 June 2013, the condensed consolidated statements of income, comprehensive income, changes in equity and cash flow for the six-month period then ended, and notes to the condensed consolidated interim financial information ("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". 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 Institut des Réviseurs d'Entreprises. 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 as at 30 June 2013 is not prepared, in all material respects, in accordance with IAS 34, "Interim Financial Reporting".

Emphasis of Matter

Without qualifying our conclusion, we draw attention to Note 2.1 to the condensed consolidated interim financial information. In forming our conclusion, we have considered the adequacy of the disclosures made in the note to the condensed consolidated interim financial information concerning the preparation of the condensed consolidated interim financial information on the going concern basis. At 30 June 2013, the Company guaranteed the debt service of the three loans financing the Hungarian assets - Vaci 1, Paris Department Store and Szervita for the part that is not covered by the cash flow of the respective subsidiaries. As of the date of the conclusion, the Group has not completed its refinancing negotiations. The Group's ability to face its obligations is dependent on a successful refinancing of these three loans combined with the requirement for the successful conclusion of the significant matters explained in Note 2.1 to the condensed consolidated interim financial information. These indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. The condensed consolidated interim financial information does not include any adjustments that might result from the going concern basis of preparation being inappropriate.

Luxembourg, 29 August 2013

KPMG Luxembourg S.à r.l.
Cabinet de révision agréé

Alison Macleod